



Project

Tavis House

Title

Financial Viability Assessment

Client

Tempus Realty Holdings 1 (Jersey) Limited

Date

15th December 2021



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EXECUTIVE SUMMARY

This Financial Viability Assessment (hereafter “FVA”) has been prepared by DS2 to robustly examine the financial viability of the proposed redevelopment of Tavis House, 1-6 Tavistock Square, WC1 9NA (“the Site”). The Site is located within the administrative boundary of the London Borough of Camden (“LBC” or the “Council”).

This FVA has been prepared in support of a full planning application being submitted by Gerald Eve on behalf of Tempus Realty Holdings 1 (Jersey) Limited (“the Applicant”).

The detailed planning application seeks consent for the following (“the Proposed Scheme”).

‘Refurbishment and extension of the existing building to provide new entrances, a new roof top pavilion, roof top plant equipment and enclosures, rear extension and cycle parking associated with Class E use together with new hard and soft landscaping and other ancillary works.’

The Site is located in Central London, situated on the eastern side of Tavistock Square, at the junction between Tavistock Place and Tavistock Square occupying a corner plot.

Tavis House is currently occupied as an office building, occupied by Age UK who are downsizing and relocating.

The Proposed Scheme seeks to:

- a) upgrade the entrance at Tavistock Square, provide a new entrance from the rear of the building; alter the entrance on the Tavistock Place elevation and improve the quality of the existing lightwell;
- b) rationalise the ground floor to provide better accessibility into the site by providing new Part M lifts. A new central core would assist with the provision of mixed mode ventilation and good daylighting;
- c) provide enhanced amenities through the provision of a new cycle store, showers and communal roof top terrace with pavilion and pergola affording views across Tavistock Square;
- d) enhance the neighbouring listed building (Mary Ward House) through hard and soft landscaping improvements to the existing service yard; and propose a new UKPN substation and bin store.

The Proposed Scheme comprises a comprehensive refurbishment of the existing office to provide Grade A office space. The below table demonstrates the uplift in accommodation within the Proposed Scheme:

	Existing GIA (sqm)	Proposed GIA (sqm)	Net change GIA (sqm)
Office (Use Class E)	6,903	7,897	+994

Under Policy H2 of Camden's Local Plan, in the Central London Area where development involves additional floorspace of more than 200 sqm GIA, the Council require 50% of all additional floorspace to be self-contained housing. An affordable housing contribution would also be required under this scenario where the level of market housing triggers this policy. The policy notes that financial viability will be taken into account when considering this policy. As such, DS2 is instructed to test the provision of C3 housing under Policy H2 and whether the Proposed Scheme can support a C3 housing contribution without impeding the viability of the Proposed Scheme and the prospects of delivery.

In addition to the C3 contribution (including affordable housing), the provision of additional financial obligations including Mayoral and Camden CIL will also be included in the FVA to test whether they can be viably supported by the development.

A financial viability assessment has been undertaken in order to assess the Proposed Schemes ability to support the required affordable housing PIL.

The methodology adopted in producing this FVA has been framed by national, regional and local adopted planning policy and guidance as well as non-adopted professional guidance.

An Existing Use Value ("EUUV") approach to Benchmark Land Value has been adopted, in accordance with both national and Mayoral guidance.

The results of the FVA can be summarised below;

FVA RESULTS, TAVIS HOUSE, DECEMBER 2021	
	Proposed Scheme Surplus Profit
Benchmark Land Value £37,800,000 Fixed profit on GDV 15%	(£15,496,235)

We have assessed the Proposed Scheme on a 100% office basis, the results above demonstrate that the Proposed Scheme cannot viably support the provision of any contribution towards C3 housing, including affordable housing, on a present-day basis even as a 100% office proposal. This includes any type of contribution including housing on-site, off-site or a PIL of C3 housing/affordable housing. A housing contribution would further constrain the viability of project and reduce the ability to deliver the Proposed Scheme.

Policy H2 of LBC Local Plan would require 497sqm (5,349 sq ft) of residential accommodation to be delivered on-site the actual usable area would be in the region of 329 sqm (3,541 sq ft) once cores, refuse/cycle storage/plant has been included, resulting in roughly 3 large flats for market sale/rent.

The inclusion of residential would have a significant impact upon the viability of the scheme due to increased costs associate with required works to provide a separate core for the residential element. Quartz Project Services have provided an estimate of build costs to £29,346,931 equating to £345 per sq ft. The inclusion of the residential would also decrease the commercial floor area, decreasing floor plate size which makes this less commercially attractive to incoming tenants. We would also anticipate the inclusion of the residential element would have an impact upon the investment potential of the Proposed Scheme therefore impacting the yield in order to reflect increased risk. These factors would all contribute making a mixed use scheme significantly less viable.

We would be happy to discuss the conclusions of this FVA, or any of its contents and viability inputs with LBC and their advisors.

1 INTRODUCTION

- 1.1 This Financial Viability Assessment (hereafter “FVA”) has been prepared by DS2 to robustly examine the financial viability of the proposed redevelopment of Tavis House, 1-6 Tavistock Square, WC1 9NA (“the Site”). The Site is located within the administrative boundary of the London Borough of Camden (“LBC” or the “Council”).

Instructions

- 1.2 Under Policy H2 of Camden’s Local Plan, in the Central London Area where development involves additional floorspace of more than 200 sqm GIA, the Council require 50% of all additional floorspace to be self-contained housing. An affordable housing contribution would also be required under this scenario where the level of market housing triggers this policy. The policy notes that financial viability will be taken into account when considering this policy. As such, DS2 is instructed to test the provision of C3 housing under Policy H2 and whether the Proposed Scheme can support a C3 housing contribution without impeding the viability of the Proposed Scheme and the prospects of delivery.
- 1.3 In addition to the C3 contribution (including affordable housing), the provision of additional financial obligations including Mayoral and Camden CIL will also be included in the FVA to test whether they can be viably supported by the development.
- 1.4 The FVA has been collated in accordance with PPG paragraph 21 which states ‘*Any viability assessment should be prepared on the basis that it will be made publicly available other than in exceptional circumstances.*’

Conflict of Interest

- 1.5 We can confirm that DS2 are not currently advising the Council on any other live planning applications. We can confirm that there are no conflicts of interest in accordance with the RICS Professional Statement Conflicts of Interest, 1st Edition, that came into effect on 1st January 2018.

Financial Viability in Planning: Conduct & Reporting

- 1.6 This FVA has been prepared by DS2 in accordance with the latest RICS Professional Statement titled ‘Financial Viability in Planning: Conduct and Reporting’ which became effective from 1st September 2019.
- 1.7 This FVA has been prepared on an objective and impartial basis, without interference, and in full accordance with the planning policy and professional best practice requirements. DS2 can also confirm that in collating this report we have complied with the RICS Professional Statement (2) Ethics, Competency, Objectivity and Disclosures.

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- 1.8 We can confirm that in undertaking this exercise we have been reasonable, transparent, fair and objective as required by Section 4 of the Professional Statement.
- 1.9 DS2 can confirm that our instruction is not on a contingent fee or success related basis. The report provides an objective and impartial view on the development viability of the Proposed Scheme.
- 1.10 ARGUS Developer has been used to demonstrate the project's financial viability. This is commercially available and widely used development appraisal software. It is considered appropriate to assess a development of this type because of its ability to accurately model development timings and cash flows. The use of ARGUS Developer is commonly accepted by LBC and the GLA for viability testing.
- 1.11 To inform the report, information prepared by the following consultants has been relied upon:
- Orms – Architects;
 - Gerald Eve – Planning Consultants;
 - Quartz Project Services Limited – Cost Consultant and Project Managers;
 - Edward Charles & Partners – Commercial Agents;
 - Duff & Phelps – Commercial valuation.
- 1.12 This FVA has been structured as follows:
- **Property Description** – summary of the location and nature of the existing asset;
 - **Development Proposals** – review and description of the Proposed Scheme;
 - **Planning Policy** – review of the key national, regional and local planning policies concerning the delivery of affordable housing and financial viability;
 - **Viability Methodology** – description of the methodology employed within the wider context of best practice for FVAs;
 - **Development Timings** – description of the proposed programme subject to a satisfactory planning consent being obtained;
 - **Development Value** – review of the commercial values alongside any additional revenue streams that comprise the scheme Gross Development Value (GDV);
 - **Development Costs** – review of the development costs for the proposed project including analysis of the appropriate developer's return for the development at the Site;
 - **Site Value** – analysis in relation to the Proposed Site Value / Benchmark Land Value for the financial appraisals;
 - **Appraisal Results and Sensitivity Testing** – summary of the financial appraisal outputs and supplementary results of scenario and sensitivity testing;

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- **Conclusions** – statement with the formal affordable housing offer and concluding rationale.
- 1.13 The appraisals and figures in this FVA do not represent formal ‘Red Book’ valuations and should not be relied upon as such. This report has been prepared on an objective basis to accompany the application for the purposes of Section 106 discussions and should only be used for consideration of these matters.
- 1.14 This report is reliant upon market evidence. Readers should be mindful that market evidence is subject to significant variation over time. If this report is older than six months from the date issued, DS2 advise an update is prepared.
- 1.15 The FVA has been prepared by Jack Savin-Taylor MRICS and Rebecca Lunt MRICS, who have the necessary relevant experience in preparing viability assessments of large-scale, mixed-use developments across London and the south-east.

2 SITE LOCATION, DESCRIPTION & OWNERSHIP

Site Location

- 2.1 Tavis House is located in LBC, located within the Bloomsbury submarket situated on the eastern side of Tavistock Square, at the junction between Tavistock Place and Tavistock Square, occupying a corner plot. Lynton House (7-12 Tavistock Square), adjoins Tavis House. To the east of Tavis House lies Mary Ward House (formerly known as The National Institute for Social Work and Training).
- 2.2 Bloomsbury is characterised by several attractive period properties arranged around attractive squares. The area is popular with a number of uses including residential, offices, retail and hotels. Surrounding occupiers include University College London and the British Medical Association as are other professional services such as accounting, PR, Travel and Real Estate Firms.
- 2.3 The nearest Underground Stations are Russell Square 430 m and Euston Station 550 m from the site. The nearest bus stop is 14m from the site within Tavistock Square. The nearest Railway stations are Euston Station and Kings Cross Station.
- 2.4 The application boundary is defined by the red line plan below.

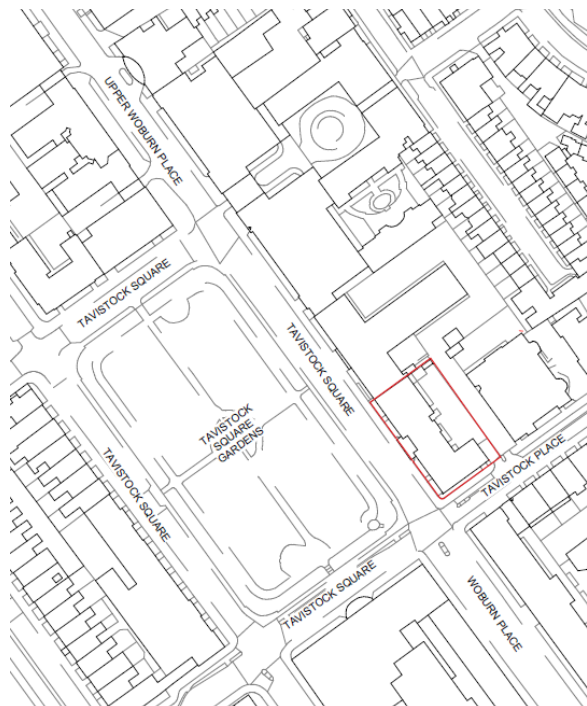


Figure 1 Red Line Site Boundary

Site Description

- 2.5 The site is an end of terrace, 8-storey office block located on the east side of Tavistock Square. The building is an L shape and the top three levels of the building are staggered in height. To the rear of the site lies a service route/car park. The building was built in the 1940's for The Ministry of Labour and National Service and more recently, the site is used for Age UK Camden but who now are downsizing and relocating.
- 2.6 Tavis House provides office space of mainly Grade B specification, however part of the 6th floor has recently been refurbished by the tenant to an exposed service finish.
- 2.7 We undertook a brief inspection of the site. At the date of inspection, the building appeared to be in generally reasonable state of repair commensurate with its age and use. As detailed by planning history, the buildings windows were replaced in 2010. More detail regarding the existing building condition is provided in section 9 of this report and in the EUV valuation report provided by Duff and Phelps appended at **Appendix one**.
- 2.8 The site is located within the Central Activities Zone (CAZ).
- 2.9 The site falls within the Knowledge Quarter Innovation District area (policy KQ1) contained in the Draft Site Allocations Local Plan, 2020. The site is located within the Central London Area and is closely situated to the LVMF View 4A.1 from Primrose Hill to St Pauls and the Background Consultation Area from Blackheath Point. The site is located within the Bloomsbury Conservation Area and within sub area group 6: Bloomsbury Square/Russell Square/Tavistock Square.
- 2.10 The site has a Public Transport Accessibility Level (PTAL) of 6b

Planning History

- 2.11 Planning permission was granted in 2009 under planning application reference 2009/3205/P for the 'Replacement of windows to east (rear), south (side), and west (front) elevations and associated alterations including erection of flat roof area at ground floor level on rear elevation following removal of roof lights, balconies and glazed covered walkway to rear of office building (Class B1)'.
- 2.12 A Non-Material amendment to the above application was approved under reference number 2010/3094/P to amend the replacement windows with self-cleaning glass on the top hung and bottom opening windows. The application also clarified the window reveals and the installation of metal louvers to a number of windows and the retention of existing balconies roof lights, curtain walling and rear entrance door.
- 2.13 Planning permission was granted in 2010 under reference number 2010/3379/P for the 'Relocation and replacement of existing entrance doors to create front entrance lobby on the front elevation at ground floor level'.

2.14 There are also several other minor applications relating to roller shutter doors and signage.

Ownership

2.15 The site is held on a long leasehold interest by Tempus Realty Holdings 1 (Jersey) Limited. The freeholder is The Woburn Estate Company Limited and Bedford Estate Nominees Limited.

3 DEVELOPMENT PROPOSALS

- 3.1 The full planning application is being submitted by planning consultants Gerald Eve on behalf of the Applicant for the proposed redevelopment of the Site.
- 3.2 A full assessment of the Proposed Scheme is contained within the Design and Access Statement prepared by the architects, Orms, and the Planning Statement which accompanies the planning application.

- 3.3 The description of development is as follows;

‘Refurbishment and extension of the existing building to provide new entrances, a new roof top pavilion, roof top plant equipment and enclosures, rear extension and cycle parking associated with Class E use together with new hard and soft landscaping and other ancillary works’.

- 3.4 The proposed office accommodation (Use Class E) has been designed to be fully flexible to cater for future changes in office or commercial demand for a range of different tenants. The accommodation would be Grade A and include enhanced engineering solutions to provide appropriate floor heights and flexible future proofing of the building to allow for multi tenants.
- 3.5 The proposal includes a new art deco inspired roof terrace on the ninth floor accessed via a new lift core, including a pergola to provide communal amenity space.
- 3.6 The rear infill proposed to be clad in a glazed brick facade is 5.4 metres wide and is proposed to enhance the office floorplate at levels 1-8.
- 3.7 The new entrances provide level access with a double height atrium space. The proposal includes the partial demolition and rebuild of the existing seven bays at ground and first floor along Tavistock Square to provide a new main entrance.
- 3.8 The existing lower ground lightwell would be enhanced to provide lighting and greening along with exterior changes to provide a new stone façade and decorative metal spandrels.
- 3.9 The proposal also includes a small rear wing extension at eighth floor to provide a seamless transition between the existing brick face and modern rear extension. There is also a proposed dedicated roof terrace at 8th floor level.
- 3.10 The proposal includes the replacement of a UKPN sub station and a new bin store within the rear courtyard and roof top plant. Hard and soft landscaping is proposed in the rear courtyard and greening is proposed within the existing lightwells fronting Tavistock Place. The existing service yard will be enhanced to provide outdoor amenity space.

3.11 An indicative summary of areas is included in the table below, a full schedule of GIA is included at **Appendix two**:

TABLE ONE: PROPOSED SCHEME SUMMARY, TAVIS HOUSE, DECEMBER 2021				
Floor	Net Lettable Area		Gross Internal Area	
	Sqm	Sq ft	Sqm	Sq ft
Nine	-	-	50	538
Eight	429	4,618	529	5,694
Seven	667	7,180	786	8,461
Six	729	7,847	846	9,106
Five	736	7,922	856	9,214
Four	736	7,922	856	9,214
Three	736	7,922	856	9,214
Two	736	7,922	856	9,214
One	673	7,244	792	8,525
Ground	497	5,350	790	8,504
Basement	205	2,207	680	7,320
	6,144	66,134	7,897	85,003

Cycle & Car Parking

3.12 The Proposed Scheme will 133 cycle spaces (115 long stay and 18 short stay) together with a designated cycle route into the basement, showers and lockers. The development is proposed to be car free, however one car parking space is proposed for blue badge holders.

Summary

3.13 The Proposed Scheme provides grade A office space with enhanced amenity provisions through the comprehensive refurbishment and part extension of the existing building.

4 PLANNING POLICY

- 4.1 A detailed review of the planning policy context for Tavis House is contained within the Gerald Eve Planning Statement. The following section of this FVA provides a summary of the key national and local planning policies that guide the delivery of affordable housing, with reference to the importance of considering scheme specific financial viability and balancing the requirements of obtaining planning obligations with the risks of non-delivery.

National Planning Policy

National Planning Policy Framework (updated July 2021)

- 4.2 An updated National Planning Policy Framework (“NPPF”) was published in July 2018 and further amendments were incorporated in July 2021.
- 4.3 Paragraph 20 of the NPPF places a requirement on authorities to set out an overall strategy for the pattern, scale and quality of development and, in particular, make sufficient provision for housing, including affordable housing.
- 4.4 Paragraph 34 requires plans to set out the contributions expected from development. This should include setting out the levels and types of affordable housing provision required, along with other infrastructure (such as that needed for education, health, transport, flood and water management, green and digital infrastructure). Such policies should not undermine the deliverability of the plan.
- 4.5 Paragraph 58 of the NPPF, in relation to development viability for the purposes of planning applications states:

“Where up-to-date policies have set out the contributions expected from development, planning applications that comply with them should be assumed to be viable. It is up to the applicant to demonstrate whether particular circumstances justify the need for a viability assessment at the application stage. The weight to be given to a viability assessment is a matter for the decision maker, having regard to all the circumstances in the case, including whether the plan and the viability evidence underpinning it is up to date, and any change in site circumstances since the plan was brought into force. All viability assessments, including any undertaken at the plan-making stage, should reflect the recommended approach in national planning guidance, including standardised inputs, and should be made publicly available”.

- 4.6 Paragraph 63 of the NPPF states that where there is a need identified for affordable housing, the affordable housing should be provided on-site, except in justified circumstances.

National Planning Practice Guidance

- 4.7 The NPPG or “PPG” provides the primary guidance on viability for the purposes of plan making and individual application site’s development management. The guidance covers several areas including standardised inputs to viability assessments and approaches to benchmark land value. The viability section of the PPG was recently updated on the 1st September 2019.
- 4.8 Paragraph 8 of the PPG states that where a viability assessment is submitted to accompany a planning application this should be based upon and refer back to the viability assessment that informed the plan; and the application should provide evidence of what has changed since then.
- 4.9 The PPG states that any viability assessment should be supported by appropriate available evidence informed by engagement with developments, landowners, and infrastructure and affordable housing providers.
- 4.10 The viability assessment should be proportionate, simple, transparent and publicly available. The viability should assess whether the value generated by a development is more than the cost of developing it. This includes looking at the key elements of gross development value, costs, land value, landowner premium, and developer return.

Regional Planning Policy

The New London Plan (March 2021)

Mixed Use Policy

- 4.11 Policy SD4 of the London Plan notes that the role of the Central Activities Zone (CAZ), in which the Site is located, (being mixed use, with a mix of strategic functions), should be promoted, while Policy SD5 notes that new residential development should not compromise the strategic functions of the CAZ, outlining that offices and other CAZ functions should be given greater weight relative to new residential development of all areas of the CAZ (with exceptions). Policy SD5 notes that residential or mixed-use development proposals should not result in a net loss of office floorspace in the CAZ unless there is no reasonable demonstrable prospect of the site being used for offices.

Affordable Housing

- 4.12 Policy H6 of the draft London Plan encourages residential and mixed-use developments to provide affordable housing through the threshold approach as explained further below and is consistent with the GLA’s Affordable Housing and Viability SPG, dated August 2017.
- 4.13 The threshold proposed is 35% of a scheme as affordable housing based on habitable rooms. Schemes that do not meet (or exceed) the 35% threshold and do not meet the specified tenure mix and all other requirements and obligations, will be required to submit viability information.
- 4.14 The Mayor’s preferred approach to determining the benchmark land value is an Existing Use Value (EUV+) approach. An alternative approach should only be considered in circumstances

which must be robustly justified by the applicant and/or the borough in line with the Mayor's SPG.

4.15 Policy H7 states that the Mayor is committed to delivering genuinely affordable housing. The following split of affordable products should be applied to development:

- A minimum of 30% low cost rented homes, allocated according to need and for Londoners on low incomes (Social Rent/London Affordable Rent).
- A minimum of 30% intermediate products which meet the definition of affordable housing, including London Living Rent and London Shared Ownership.
- 40% to be determined by the relevant borough based on identified need, provided they are consistent with the definition of affordable housing.

4.16 Intermediate rented products such as London Living Rent and Discounted Market Rent should be affordable to household incomes of up to £60,000. Intermediate ownership products such as London Shared Ownership should be affordable to households on incomes of up to £90,000.

Homes for Londoners: Affordable Housing and Viability Supplementary Planning Guidance 2017 ("Affordable Housing and Viability SPG")

4.17 Adopted in August 2017, the Affordable Housing and Viability SPG represents the current Mayoral administration's policy objectives in relation to the delivery of new homes, including affordable housing. The overarching objectives of the Affordable Housing and Viability SPG are clear in seeking to meeting housing need across the capital. The Affordable Housing and Viability SPG proposes guidance on undertaking viability assessments which is provided at part three of the Affordable Housing and Viability SPG.

4.18 The Mayor wants to lead the way in openness and transparency in the planning system. As such, the Mayor will treat information submitted as part of, and in support of, a viability assessment transparently, unless there is an exceptional circumstance that justifies the reason to keep certain information private and confidential.

4.19 The Affordable Housing and Viability SPG does not have any explicit requirement for commercial schemes to provide affordable housing.

Local Planning Policy – London Borough of Camden

Camden Local Plan (July 2017)

4.20 The Camden Local Plan is the key strategic document in LBC's development plan, setting out the vision for shaping the future of LBC and contains policies for guiding planning decisions. The document was adopted by LBC in July 2017, replacing the Core Strategy and Camden Development Policies documents as the basis for planning decisions and future development in Camden.

Mixed Use Policy

- 4.21 Policy H2 of the Camden Local Plan outlines that where non-residential development is proposed, LBC will promote the inclusion of self-contained homes as part of a mix of uses. In the Central London Area, where development involves 200 sqm of additional floorspace, LBC require 50% of additional floorspace to be self-contained housing. As outlined in the supplementary text, there may be circumstances (even when the additional floorspace is 1,000sqm or more) where housing cannot practically be achieved on-site or would more appropriately be provided off-site (for example where the entire additional floorspace is needed for an existing user). The Council will seek any off-site provision of housing on an alternative site nearby. Alternative sites must be in the borough and will initially be sought in the same ward as the development.
- 4.22 The policy also lists a number of factors that are taken into account when determining whether housing should be provided on-site.
- 4.23 Policy H2 allows the use of review mechanisms in cases where housing provision falls short of LBC's 50% housing target. It states:

"In the Central London Area and the town centres listed in this policy, where provision of self-contained housing is required but the development's provision of housing falls significantly short of the Council's 50% target due to financial viability, and there is a prospect of viability improving prior to completion, the Council will seek a deferred contingent contribution. The deferred contribution will be based on the initial shortfall and an updated assessment of viability when costs and receipts are known as far as possible".

- 4.24 Detail regarding discussions with LBC regarding this policy is available in the Gerald Eve Planning Statement.

Affordable Housing Policy

- 4.25 In Policy H4 of the Camden Local Plan, LBC expect a contribution to affordable housing from all developments that provide one or more additional homes and involves a total addition to residential floorspace of 100sqm GIA or more. LBC will seek to negotiate the maximum reasonable amount of affordable housing on the following basis:
- the guideline mix of affordable housing types is 60% social-affordable rented housing and 40% intermediate housing;
 - targets are based on an assessment of development capacity whereby 100sqm (GIA) of housing floorspace is generally considered to create capacity for one home;
 - targets are applied to additional housing floorspace proposed, not to existing housing floorspace or replacement floorspace;
 - a sliding scale target applies to developments that provide one or more additional homes

and have capacity for fewer than 25 additional homes, starting at 2% for one home and increasing by 2% of for each home added to capacity;

- an affordable housing target of 50% applies to developments with capacity for 25 or more additional dwellings;
- for developments with capacity for 25 or more additional homes, the Council may seek affordable housing for older people or vulnerable people as part or all of the affordable housing contribution; where developments have capacity for fewer than 10 additional dwellings, the Council will accept a payment-in-lieu of affordable housing;
- for developments with capacity for 10 or more additional dwellings, the affordable housing should be provided on site; and
- where affordable housing cannot practically be provided on site, or offsite provision would create a better contribution (in terms quantity and/ or quality), the Council may accept provision of affordable housing offsite in the same area, or exceptionally a payment-in-lieu.

4.26 Camden's Housing Camden Planning Guidance (CPG) was adopted in January 2021 and was introduced to support the policies in the Local Plan 2017. The CPG requires 50% of housing in the Borough to be affordable for developments of 25 units of more. The CPG states that affordable housing thresholds should be measured in GIA.

Summary

- 4.27 In summary, National, Regional and Local affordable housing policies support the delivery of the maximum reasonable amount of affordable housing that can be viably delivered alongside other forms of planning gain, including both the Mayoral Community Infrastructure Levy and LBC Community Infrastructure Levy.
- 4.28 Policy intent seeks to encourage rather than restrain delivery. However, policy also notes that development proposals must remain commercially viable in order for a site to be brought forward for development.
- 4.29 This FVA has been submitted to demonstrate whether it is commercially viable to meet the policy requirements.

5 VIABILITY METHODOLOGY

- 5.1 The methodology adopted in producing this FVA has been framed by national, regional and local adopted planning policy and guidance as well as non-adopted best practice guidance.

Methodology

- 5.2 PPG paragraph 010 defines the viability process as

“looking at whether the value generated by a development is more than the cost of developing it. This includes looking at the key elements of gross development value, costs, land value, landowner premium, and developer return.”

- 5.3 As noted within the RICS 2021 guidance note, PPG describes a residual framework. This is detailed within the RICS Guidance Note ‘Valuation of Development Property’ (2019). In short, the gross value of the completed development is assessed, including the commercial income. Secondly, the cost of building the development is deducted along with professional fees, finance costs and return to the developer. This is illustrated below:

TABLE TWO: RESIDUAL ANALYSIS METHODOLOGY
Gross Development Value
Commercial sales income
Less
Costs
Build costs
Exceptional development costs (e.g. Rights of Light)
Professional fees
Planning obligations (e.g. CIL, site specific s.106 obligations)
Marketing costs and disposal fees
Finance costs
Less
Developer's Profit
Equals
Residual Land Value

- 5.4 The output is the RLV. In planning viability terms, if the RLV produced by a scheme is lower than an appropriate BLV, then the scheme is deemed to be unviable and is therefore unlikely to come forward for development, unless the level of affordable housing and /or planning obligations can be reduced. Conversely, if the RLV is higher than the BLV then the scheme can provide affordable housing and /or other additional planning obligations.

- 5.5 Alternatively, the BLV can be inserted into the appraisal as a fixed land cost and the level of return generated by the scheme becomes the benchmark by which viability is measured. If the target rate of developer's profit return is generated the scheme is deemed to be viable. This is the approach adopted in this FVA. A detailed consideration of an appropriate profit return is set out in within Section 10.

Benchmark Land Value / Site Value

Existing Use Value (EUV Plus) approach

PPG

- 5.6 Paragraph 13 of Paragraph 13 of the PPG states that a BLV should be established based on the EUV of the land, plus a premium for the landowner.
- 5.7 The premium to the landowner should reflect the minimum return at which it is considered a reasonable landowner would be willing to sell their land. The premium should therefore provide a reasonable incentive, in comparing with other options available, for the landowner to sell the land for development.
- 5.8 Paragraph 14 of the PPG states that a BLV should;
- Be based upon EUV;
 - Allow for a premium to landowners;
 - Reflect the implications of abnormal costs; site-specific infrastructure costs; and professional site fees; and
 - Be informed by market evidence including current uses, costs and values wherever possible. Where recent evidence is used to inform assessment of BLV this evidence should be based on developments which are compliant with policies, including for affordable housing. Where this evidence is not available plan makers and applicants should identify and evidence any adjustments to reflect the cost of policy compliance. This is so that historic BLV of non-policy compliant developments are not used to inflated values over time.
- 5.9 Paragraph 15 of the PPG defines what is meant by EUV in a viability assessment. This states the following:

'Existing use value (EUV) is the first component of calculating benchmark land value. EUV is the value of the land in its existing use. Existing use value is not the price paid and should disregard hope value. Existing use values will vary depending on the type of site and development types. EUV can be established in collaboration between plan makers, developers and landowners by assessing the value of the specific site or type of site using published sources of information such as agricultural or industrial land values, or if appropriate capitalised rental levels at an appropriate yield (excluding any hope value for development).'

- 5.10 The approach to BLV must be assessed independently of the scheme for which planning permission is sought. It must also be assessed objectively i.e. irrespective of who the applicant is for the planning permission.
- 5.11 The EUV is the first component of calculating BLV. The second component is the premium, or as stated at paragraph 16 of the PPG the 'plus' in EUV Plus.
- 5.12 This is the amount above the EUV required to provide a reasonable incentive for a landowner to bring forward land for development while allowing a sufficient contribution to comply with policy requirements.
- 5.13 The premium should be informed by professional judgement and must be based upon the best available evidence informed by cross sector collaboration. The PPG states that for any viability assessment data sources to inform the establishment of the landowner premium should include market evidence and can include benchmark land values from other viability assessments.

GLA Affordable Housing and Viability SPG

- 5.14 The Affordable Housing and Viability SPG defines EUV as the current use value of a site plus an appropriate site premium. The Affordable Housing and Viability SPG states that a landowner should receive at least the value of the land in its 'pre-permission' use, which would normally be lost when bringing forward land for development. The Affordable Housing and Viability SPG considers that the EUV Plus approach is the most appropriate for planning purposes.
- 5.15 The Affordable Housing and Viability SPG states at paragraph 3.46 the following when determining the EUV Plus benchmark;
- 5.16 The EUV is independent of the proposed scheme. The EUV should be fully justified based on the income generating capacity of the existing use with reference to comparable evidence on rents, which excludes any hope value associated with development on the site or alternative uses. This evidence should relate to sites and buildings of a similar condition and quality or otherwise be appropriately adjusted. Where an existing use and its value to a landowner is due to be retained in a development (and not lost as is usually the case), a lower benchmark would be expected. Where a proposed EUV is based on a refurbishment scenario, or a redevelopment of the current use, this is an alternative development scenario and the guidance relating to AUV will apply.
- 5.17 Premiums above EUV should be justified, reflecting the circumstances of the site. For a site which does not meet the requirements of the landowner or creates ongoing liabilities/ costs, a lower or no premium would be required. The premium could be 10% to 30%, but this must reflect site specific circumstances and will vary.
- 5.18 The level of premium can be informed by BLVs that have been accepted for planning purposes on other comparable sites where determined on a basis that is consistent with this guidance.

- 5.19 As set out in PPG, in all cases land or site value should reflect Development Plan Policies, planning obligations and CIL. When determining a level of premium that would be sufficient to incentivise release of a site for development and ensure that a landowner receives a 'competitive return', this should take into account the overarching aim of delivering sustainable, policy compliant development and that an uplift in land value is dependent on the grant of full planning consent.

Summary

- 5.20 Ultimately the aim of the NPPF and PPG is to create a balance so that the BLV is not simply included at the expense of planning obligations and conversely, planning obligations are not so onerous as to render a site undeliverable.
- 5.21 The BLV should reflect the minimum return at which it is considered a reasonable landowner would be willing to sell their land while allowing a sufficient contribution to fully comply with policy requirements and taking into consideration the circumstances of the site. The approach to BLV is set out in section 11 of this report.

6 DEVELOPMENT TIMINGS

- 6.1 In accordance with best practice principles, this FVA assumes that the Proposed Scheme has a notional resolution to grant planning permission and therefore, the cash flow commences at today's date. The development programmes is attached at **Appendix three**.

Pre-Construction

- 6.2 The adopted development programme is estimated from December 2021. The 9-month preconstruction period is considered appropriate given the nature of the scheme and the time required to prepare and mobilise the site for development. Assuming a resolution to grant planning as of December 2021, the 'lead-in' period also includes allowances for the following:

- Signing of the Section 106 legal agreement (if required);
- Expiration of the judicial review period;
- Discharging of pre-commencement conditions;
- Site preparation;
- Main contractor procurement;
- Tender period for the build contract package(s); and
- Secure development funding.

Construction

- 6.3 A construction programme of 15 months has been adopted as advised by the Applicant.
- 6.4 A total development programme of 24 months has been adopted assuming a 9-month pre-construction programme.

Commercial Letting

- 6.5 Edward Charles & Partners LLP, the commercial agents, have informed us that the building would not be suitable for pre letting outlining that whilst a self contained office building would appeal as a HQ building, occupiers seeking buildings in the region of 55,000 sq ft would rather be on larger floor plates than spread over 10 floors. Bloomsbury is also considered a non core office location, typically appealing to those searching for space in the Knowledge Quarter or King's Cross on a restricted rental budget who are willing to accept a non core office location. We have therefore assumed a total letting void period of 12 months within our appraisal of the Proposed Scheme, which is aligned with DS2's experience of other commercial projects.

- 6.6 We have assumed that the Proposed Scheme would be purchased by an investor upon expiry of the letting void period. Given the letting void is 12 months, we have assumed capitalisation 12 months post practical completion.



7 DEVELOPMENT VALUE



7.1 The following section provides a summary of the commercial values that have been incorporated into the ARGUS appraisal of the Proposed Scheme.

Office rental values

7.2 DS2 have been provided with office rental advice by Edward Charles & Partners LLP. Below is a summary of the comparable evidence used to arrive at the proposed rents for the development when completed. We have also had regard to other viability assessments undertaken within LBC, including 330 Grays Inn Road Ltd (former Royal National, Throat, Nose and Ear Hospital).

TABLE FOUR: LOCAL OFFICE RENTAL COMPARABLE EVIDENCE (FOR PROPOSED SCHEME), TAVIS HOUSE, DEC 2021

Address	Comment
 <p>Fjord Building, 20 New Wharf Road, London N1 9RR</p>	<p>Fjord Building is located to the north of the subject on the boundary of the Kings Cross and Euston submarket. The Fjord Building has recently been comprehensively refurbished, completed in 2020. The Fjord Building extended to 20,440 sq ft.</p> <p>The building was full let to Cinch Cars, an online car buying business, in July 2021 for £72.50 per sq ft.</p>
 <p>1 Smarts Place, London WC2B 5LW</p>	<p>1 Smarts Place is a new build 39,008 sqft office block with terraces to upper floors.</p> <p>Located in proximity to both Holborn and Tottenham Court Road Stations, the latter of which will benefit from Elizabeth Line Services.</p> <p>The most recent lettings in the building are:</p> <ul style="list-style-type: none"> - 5th floor let to Nuvee £83 psf November 2021 - 3rd floor let to DAI Global £75.50 psf November 2021

 <p>Russell Court, 7 Herbrand Street, Bloomsbury, London, WC1N 1EX</p>	<p>Herbrand Steet is an Art Deco HQ building located 0.2 miles to the south east of the subject, approximately 100 metres north of Russell Square Station.</p> <p>7 Herbrand Street extends to 65,025 sqft and is currently undergoing significant refurbishment to create contemporary Grade A office space.</p> <p>The building was fully let to Thought Machine in Jun 2021 for £55 per sq ft.</p>
 <p>1 Bedford Avenue, London, WC1B 3AU</p>	<p>1 Bedford Avenue is a high specification 71,300 sq ft new build office block completed in 2017. The property is located approximately 100 metres from Tottenham Court Road Station, the property fronts on to Tottenham Court Road.</p> <p>The most recent letting was a subletting to Pinebridge of 2nd floor 11,950 sq ft in September 2021 at a rent of £80 per sq ft.</p>

7.3 The table below provides a summary of the pricing information stated above.

TABLE FIVE: OFFICE RENTAL EVIDENCE SUMMARY, DEC 2021	
Scheme	Average Pricing PSF (£)
Fjord Building	£72.50
1 Smarts Place	£75.50 - £83
Russell Court 7 Herbrand Street	£55
1 Bedford Avenue	£80

7.4 Of the above evidence only Herbrand Street is within the Bloomsbury sub market.

7.5 1 Smarts Place is also a newly completed development, though Smarts Place is in better proximity to both Holborn and Tottenham Court Road Station. As discussed Tottenham Court Road Station is a new Elizabeth Line Station. Therefore 1 Smarts Place has superior transport connection and we would therefore anticipate the subject achieving a discount to the rents achieved at 1 Smarts Place.




- 7.6 We would also anticipate that the subject site to achieve lower rents than 1 Bedford Avenue, as Bedford Avenue is a fully new build high specification office block located in a superior location in proximity to Tottenham Court Road Station.
- 7.7 In regard to the Fjord Building we would consider this letting to be comparable to the subject due to the high specification, newly completed office renovation which reflects the condition of the subject when complete. However, we would comment that Tavis House is less comparable to the wider Kings Cross area which is an area of significant development and regeneration. We are informed by Edward Charles and Partners that Bloomsbury is a non core office location and will only appeal to occupiers who are ideally searching for space in the Knowledge Quarter or close to King's Cross but who have restricted rental budgets and who are willing to accept a non core office location in return for cheaper space.
- 7.8 In considering all the above information, Edward Charles and Partners have constructed an indicative pricing schedule for the Proposed Scheme.

TABLE SIX: PROPOSED SCHEME PRICING SCHEDULE, TAVIS HOUSE, DEC 2021		
Level	NIA Sq ft	Rental value per sq ft
Nine	-	-
Eight	4,618	£75.00
Seven	7,180	£72.50
Six	7,847	£72.50
Five	7,922	£70.00
Four	7,922	£70.00
Three	7,922	£65.00
Two	7,922	£65.00
One	7,244	£60.00
Ground	5,350	£45.00
Basement	2,207	£25.00
	66,134	

- 7.9 As the above indicates a premium has been applied to the rents on the upper floors to reflect enhanced natural light and views.
- 7.10 A blended average rent of £65.10 per sq ft, equivalent to an annual rent of £4,305,312.50 has been adopted in the Proposed Scheme appraisal. By comparison the rent agreed on the proposed development at 330 Grays Inn Road was £65.70 per sq ft as a blended average, the development at Grays Inn Road is for a new build office building whereas Tavis House is a comprehensive refurbishment of the existing building.
- 7.11 A report released by Carter Jonas in Q3 2021 indicates that for office schemes in Midtown, including Bloomsbury, the typical rent-free period agreed based upon a 10-year lease is c. 22 to 26 months. We have therefore adopted a rent-free period of 24 months in our appraisal of the Proposed Scheme.

Commercial investment yield

7.12 To value the income stream generated by the proposed office space, it has been capitalised at an appropriate yield. To arrive at an appropriate yield, we have had regard to local investment transactions and market investment reports. The table below shows local yield investment transactions. There is limited available transactional evidence from the Bloomsbury sub-market, we have therefore had regard to transactions in surrounding comparable locations.

TABLE SEVEN: LOCAL OFFICE INVESTMENT COMPARABLE EVIDENCE (FOR PROPOSED SCHEME), TAVIS HOUSE, DEC 2021			
Address	Sale Date	Yield	Comment
 The Post Building, 21/31 New Oxford Street, London, Greater London, WC1A 1AP	Dec-19	3.96%	Property was multi let. Located in the Strand/Covent Garden Submarket. The property sold for £607m breaking back to £2,123psf, equating to yield of 3.96%
 272 High Holborn, Midtown, London, Greater London, WC1V 7EY	Jan-20	4.27%	Located within the midtown submarket, extending to 77,152 sq ft. Fully let to University of the Arts London. The property sold for £80m and £1,040 psf equating to a 4.27% yield.
 No1 New Oxford Street	Sep-20	4.16%	110,000 sq ft office building arranged over nine floors. A major refurbishment and extension was completed in 2017, undertaken by Orms the same architectural practice instructed on Tavis House. The property was let to H&M on six of the floors and Amazon subsidiary Twitch. The ground floor comprises retail. The property sold for £174m c.£1,508 psf reflecting a 4.16% yield.

- 7.13 No1 New Oxford Street was sold having been recently refurbished. No1 New Oxford Street occupies a strong location at the top of New Oxford Street lying in proximity to Holborn Station but also close to Tottenham Court Road Station. Similarly, The Post Building is located in an equally strong location and let to strong tenants such as consultants McKinseys and Nationwide Building Society. The Post Building also benefits from private terraces at all floor levels and a roof terrace. We would therefore anticipate the yield at Tavis House to be higher than that achieved at No1 New Oxford Street and The Post Building due to the superior location of the latter two buildings.
- 7.14 262 High Holborn had been significantly refurbished with works completing in 2020, both seventh and eighth floor benefit from terraces. 262 High Holborn is located approximately 180m east of Holborn Station and 300m west of Chancery Lane Stations, with a number of bus routes running along High Holborn. We would anticipate Tavis House to achieve a higher yield than that of 262 High Holborn.
- 7.15 In line with the information provided above a yield of 4.5% has been adopted in the Proposed Scheme appraisal. The rental yield applied at 330 Grays Inn Road was between 4.5%-4.75% for a fully new build high specification office building.
- 7.16 In summary, the assumed office rents and yields equate to an office GDV of £87,611,191, or an NDV of £81,653,630. This equates to a capital value of £1,031 per sq ft.

8 DEVELOPMENT COSTS

8.1 The following section provides a summary of the development costs on a present-day basis, which comprise the following:

- Build costs as advised by the Applicant's cost consultants, Quartz Project Management;
- Professional fees;
- Planning obligations and CIL;
- Sales, letting disposal and marketing costs;
- Additional costs; and
- Financing costs.

Construction Costs

8.2 The Applicant's cost consultants Quartz Project Management have provided a cost estimate for the Proposed Scheme, a copy of which is attached at **Appendix four**.

8.3 In summary, the cost plan sets out a base construction cost of £25,079,938 inclusive of a 6% OH&P and a 17% preliminaries allowance. The headline construction cost reflects an overall cost rate of £295 per sq ft on the overall GIA. A 5% construction contingency has also been included.

Professional Fees

8.4 Considering the scale and nature of the Proposed Scheme, a 10% professional fees budget has been applied within the Proposed Scheme appraisal.

8.5 The total professional fees budget has been modelled to commence at the start of the pre-construction period and will continue until practical completion of the Proposed Scheme.

Additional Costs

Letting Void Costs

8.6 An allowance of £2,100,000 has been included within the viability appraisal to cover costs associated with running the building whilst it is vacant during the 12 month letting void period. This has been calculated on the assumption of 50% of the estimated rental value of £65 per sq ft plus £10 per sq ft for service charge and deducting empty rates relief of 3 months

Planning Obligations

London Borough of Camden Community Infrastructure Levy (CIL) & Mayoral CIL

- 8.7 The following figures provided by Gerald have been included within the ARGUS appraisal of the Proposed Scheme.

TABLE EIGHT: BOROUGH AND MAYORAL CIL SUMMARY, TAVIS HOUSE, DECEMBER 2021	
Source	Payable
Est. Borough CIL	£109,340
Est. Mayoral CIL	£183,890
TOTAL	£293,230

- 8.8 The CIL figures do not currently include indexation. Indexation can only be finalised once planning permission has been granted and therefore these figures are subject to change.

S106 Obligations

- 8.9 A total allowance of £217,010 has been estimated for the S106 contributions based upon Section 106 Heads of Terms. This is broken down as follows;

- Employment & Training - £24,322
- Carbon offset payment - £100,000
- Public Open Space estimate - £12,688
- Estimated pedestrian, cycle and environmental improvements - £80,000

Sales, Marketing and Legal Costs

- 8.10 The following disposal costs have been adopted, which are in line with market norms:

- Commercial marketing – £132,268 (this equates to £2 psf on the office space)
- Commercial sales agent fee – 1% (of commercial GDV)
- Commercial sales legal fee – 0.5% (of commercial GDV)
- Letting Agent Fee – 10%
- Letting Legal Fee – 5%

Finance

- 8.11 A 6.5% finance cost has been included within the appraisal of the Proposed Scheme. The adopted finance rate is an 'all in' rate, which includes the basic margin (3-4%), commitment fees, arrangement fees (2-3%) and exit fees (0.5-1%), as well as a bank management/monitoring cost.

-
- 8.12 It is assumed that the development is 100% debt financed. However, in the current lending environment, and for the foreseeable future, many of the most traditional lenders are generally only lending senior debt at a maximum 50-60% loan to cost ratio.
- 8.13 Developers therefore have to revert to equity or mezzanine finance to secure full development funding, both of which are considerably more expensive than senior debt, typically at 10-15%. Alternatively, developers can source debt from niche operators, who are by their nature, more expensive than the traditional lenders.
- 8.14 As a result, whilst senior debt can be secured at anywhere between 6% and 8%, in reality to secure full funding the blended finance rate may be significantly higher than this. Notwithstanding 6.5% has been adopted.

9 BENCHMARK LAND VALUE

- 9.1 As discussed in Section 6, to arrive at an appropriate Benchmark Land Value regard has been given to the NPPF, PPG, the RICS Guidance Note and best practice principles of undertaking FVAs.
- 9.2 Duff and Phelps have considered the Existing Use Value (EV) of the existing site.
- 9.3 The Duff and Phelps report which considered the EUV of the existing site is provided **at Appendix one.**
- 9.4 The EUV valuation has been undertaken considering the refurbishment option for the site which would likely be undertaken following the expiry of the existing tenants lease in April 2022.
- 9.5 The EUV valuation was informed by Building Survey produced by CBRE dated 23 October 2020 which included the below summary:
- *The property is in a fair overall condition and is receiving a fair level of maintenance to the building fabric*
 - *Backlog items of repair and maintenance were identified to the enclosing envelope requiring attention in the short to medium term*
 - *From an engineering perspective the property appears in a fair to good condition and appears to be receiving a fair level of maintenance*
- 9.6 Quartz Project Services have provided a cost estimate for the require refurbishment and required works as set out in the Building Survey provided by CBRE. This concluded a cost of £6,969,583 equating to £95 per sq ft on the GIA of Tavis House. These refurbishment costs have been allowed for within the valuation.
- 9.7 The valuation has considered the potential rental levels that reflect the condition of Tavis House once the refurbishment works have been undertaken reflecting the future quality and aesthetic of the building. This considers that Tavis House would likely obtain some of the highest rental levels for refurbished space. Rents have been applied scaling from £40 per sq ft on the ground floor rising to £55 per sq ft for the upper floors. This provides an overall market rent of £2,744,993 equating to a blended office rent on ground floor to seventh of £49.67 per ft.
- 9.8 The rent has been capitalised at a 5% yield, which reflects the investment potential of Tavis House once refurbished and fully let. By comparison the investment transactional evidence included in Duff and Phelps' report considers the location of the subject in a non core location and therefore shows a discount from prime West End freehold yields.
- 9.9 The conclusion is an EUV of £37,800,000.

Premium

- 9.10 The EUV outlined above is the first component of calculating the Benchmark Land Value, the second being the premium. This is the amount “above the EUV that goes to the landowner” (PPG Para. 016). It is required to provide a reasonable incentive for a land owner to bring forward land for development while allowing a sufficient contribution to comply with policy requirements.
- 9.11 The premium should be informed by professional judgement and must be based upon the best available evidence informed by cross sector collaboration. The PPG states that for any viability assessment data sources to inform the establishment of the landowner premium, they should include market evidence and can include benchmark land values from other viability assessments.
- 9.12 However, the PPG outlines that alternative use value (AUV) can be applied in circumstances where an alternative use would fully comply with up to date development plan policies. The PPG outlines that where an existing use will be refurbished or redevelopment this will be considered as an AUV when establishing the BLV. Valuations based on AUV include a premium to the landowner. As the assessment of EUV includes consideration for the refurbishment of Tavis House, in accordance with PPG no further premium is included in our assessment of BLV.
- 9.13 Therefore £37,800,000 has been adopted as the BLV in this viability assessment.

10 DEVELOPMENT RETURN

- 10.1 As set out in Section 6 of this report, the approach being adopted in this FVA is to insert the Benchmark Land Value as a fixed land cost in the appraisal model and the level of development return/ profit generated becomes the benchmark target by which viability is measured.
- 10.2 If a return is produced by the appraisal, it is then necessary to compare this return with industry benchmarks to decide whether this is an acceptable level of profit with which to deliver the scheme and consequently, whether the scheme can viably support provision of affordable housing on site or a payment in lieu.
- 10.3 The criteria to consider in arriving at an appropriate figure for developer's return include, amongst other things, location, property use type, the scale of development and associated expenditure profile and the economic context.
- 10.4 Developers, banks and other funding institutions will have minimum expectations in terms of financial returns that are aligned with the risk profile. Simply, there must be a reasonable prospect that the return will be commensurate with the risks being undertaken.
- 10.5 We have included the expected level of profit fixed at 15% on GDV and assessed the viability of the scheme by the profit that this generates to the developer. 15% is considered a minimum reasonable profit assumption for commercial property.

11 APPRAISAL RESULTS AND SENSITIVITY TESTING

11.1 A copy of the ARGUS appraisal summaries of the Proposed Scheme are attached at **Appendix five**. The FVA results are summarised in the table below.

TABLE NINE: FVA RESULTS, TAVIS HOUSE, DECEMBER 2021	
	Proposed Scheme Surplus Profit
Benchmark Land Value £37,800,000 Fixed profit on GDV 15%	(£15,496,235)

11.2 The results demonstrate that the Proposed Scheme derives a negative profit of -£15,496,235 once the Benchmark Land Value and profit return are accounted for. As such, the above demonstrates that the scheme cannot afford to provide any contribution towards residential C3 housing in accordance with Policy H2 of the adopted LBC Local Plan.

11.3 Sensitivity analysis has been carried out below to demonstrate the impact on the Proposed Scheme profit level should commercial values increase/decrease in increments of £5 per sq ft and construction costs increase/decrease increments of 2.5%. Red cells represent a decrease in viability from the current position, green cells an improvement.

TABLE TEN: PROPOSED SCHEME SENSITIVITY RESULTS, TAVIS HOUSE, DECEMBER 2021					
Rent: Rate /ft²					
Construction: Gross Cost	-10.00 /ft²	-5.00 /ft²	0.00 /ft²	5.00 /ft²	10.00 /ft²
-5.000%	-32.646% -24,208,171	-23.600% -19,088,119	-15.943% -13,968,068	-9.379% -8,848,016	-3.689% -3,727,965
-2.500%	-33.677% -24,972,254	-24.545% -19,852,203	-16.815% -14,732,151	-10.189% -9,612,100	-4.445% -4,492,048
0.000%	-34.707% -25,736,338	-25.489% -20,616,286	-17.688% -15,496,235	-10.999% -10,376,183	-5.201% -5,256,132
2.500%	-35.737% -26,500,421	-26.434% -21,380,370	-18.560% -16,260,318	-11.809% -11,140,267	-5.957% -6,020,215
5.000%	-36.768% -27,264,505	-27.379% -22,144,453	-19.432% -17,024,402	-12.619% -11,904,350	-6.713% -6,784,299

11.4 The sensitivity testing demonstrates that with £10 per sq ft rental growth the scheme still remains unviable and therefore the scheme is unable to provide any affordable housing on-site, off-site or as a payment in lieu.

11.5 We have also undertaken a sensitivity analysis of the Proposed Scheme should the yield decrease to 4.25%.

TABLE ELEVEN: PROPOSED SCHEME SENSITIVITY RESULTS, TAVIS HOUSE, DECEMBER 2021					
Rent: Rate /ft ²					
Construction: Gross Cost	-10.00 /ft ²	-5.00 /ft ²	0.00 /ft ²	5.00 /ft ²	10.00 /ft ²
-5.000%	-26.072%	-17.569%	-10.372%	-4.202%	1.146%
	-20,568,542	-15,118,214	-9,667,887	-4,217,559	1,232,768
-2.500%	-27.040%	-18.457%	-11.192%	-4.963%	0.436%
	-21,332,625	-15,882,298	-10,431,970	-4,981,643	468,684
0.000%	-28.009%	-19.345%	-12.012%	-5.725%	-0.275%
	-22,096,709	-16,646,381	-11,196,054	-5,745,727	-295,399
2.500%	-28.977%	-20.233%	-12.831%	-6.486%	-0.985%
	-22,860,792	-17,410,465	-11,960,137	-6,509,810	-1,059,483
5.000%	-29.946%	-21.121%	-13.651%	-7.247%	-1.696%
	-23,624,876	-18,174,548	-12,724,221	-7,273,894	-1,823,566

- 11.6 The sensitivity testing demonstrates that with £10 per sq ft rental growth and a 2.5% construction cost reduction the scheme would become viable and provides a small surplus profit, indicated by the darker green cells.
- 11.7 Both sensitivities illustrate the challenges surrounding the viability of the Proposed Scheme and therefore support our conclusion that the Proposed Scheme cannot afford to provide any contribution towards residential C3 housing in accordance with Policy H2 of the adopted LBC Local Plan.
- 11.8 Policy H2 of LBC Local Plan would require 497sqm (5,349 sq ft) of residential accommodation to be delivered on site. Whilst the residential requirement under policy H2 requires 497 sqm GIA, the actual usable area would be in the region of 329 sqm (3,541 sq ft) once cores, refuse/cycle storage/plant has been included, resulting in roughly 3 market units for sale/rent.
- 11.9 The inclusion of residential would have a significant impact upon the viability of the scheme due to increased costs associate with required works to provide a separate core for the residential element. Quartz Project Services have provided an estimate of build costs to £29,346,931 equating to £345 per sq ft. The inclusion of the residential would also decrease the commercial floor area, decreasing floor plate size which makes this less commercially attractive to incoming tenants. We would also anticipate the inclusion of the residential element would have an impact upon the investment potential of the Proposed Scheme therefore impacting the yield in order to reflect increased risk. These factors would all contribute making a mixed use scheme significantly less viable.

12 CONCLUSIONS

- 12.1 The Applicant is committed to undertaking significant refurbishment works in order to provide grade A office space including high quality tenant amenity including a rooftop terrace. The proposed work also includes an enhanced exterior to compliment the neighbouring listed building.
- 12.2 The results summarised in Section 11 demonstrate that the Proposed Scheme for a 100% office scheme cannot viably support the provision of any contribution towards C3 housing, including affordable housing, on a present-day basis. This includes any type of contribution including an off-site contribution or a payment in lieu of C3 housing/affordable housing. A housing contribution would further constrain the viability of project and reduce the ability to deliver the Proposed Scheme.
- 12.3 This conclusion is not wholly unexpected in a scenario where a redevelopment is of a valuable existing use and does not include a significant increase in floor area above the existing.
- 12.4 However, the sensitivity testing indicates that there may be potential long term value growth and therefore the applicant is prepared to take a long term view that with future rental growth the development may be able to support a payment.
- 12.5 We would be happy to discuss the conclusions of this FVA, or any of its contents and viability inputs with LBC and their advisors.

Prepared by:



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For and on behalf of:

Tempus Realty Holdings 1 (Jersey) Limited

Date: December 2021

Appendix 1 - EUV Valuation by Duff & Phelps

Private and Confidential

10/12/2021

Tempus Realty Holdings 1 (Jersey) Ltd
c/o H.I.G. Capital International Advisors LLP
10 Grosvenor Street
London
W1K 4QB

Dear Sirs,

Property: Tavis House, 1-6 Tavistock Square, London, WCH 9NA
Valuation: Existing Use Valuation for Viability Purposes
Client: Tempus Realty Holdings 1 (Jersey) Ltd

In accordance with our letter of instruction we have carried out a valuation exercise to determine the Existing Use Value of the Subject Property and made such enquiries as are sufficient to provide you with our opinion of value as of 10th December 2021 (the "Valuation Date").

You have advised us that you are considering various refurbishment options for the Property following expiry of the existing tenants lease in April 2022. In this respect have instructed Duff & Phelps to provide our opinion of Existing Use Value of the Property to assist with viability negotiations.

Existing Use Value is defined as '*the estimated amount for which an asset or liability should exchange on the Valuation date between a willing buyer and a willing seller in an arm's length transaction after proper marketing and where the parties had acted knowledgeably, prudently and without compulsion, assuming that the buyer is granted vacant possession of all parts of the asset required by the business and disregarding potential alternative uses and any other characteristics of the asset that would cause its market value to differ from that needed to replace the remaining service potential at least cost*'.

We have not completed the investigations required to produce a valuation which is compliant with the Royal Institution of Chartered Surveyors ("RICS") Valuation - Global Standards 2020. This report has been completed under the specific terms in our Engagement Letter.

Location

The Property is located in the Bloomsbury submarket, on the eastern side of Tavistock Square, within the London Borough of Camden.

The area is characterised by a number of attractive squares and period properties and is comprised of a mix of residential, office, retail and hotel uses. In terms of occupation, it is an area that was traditionally associated with government and public service occupiers. However, it is now home to a variety of occupiers such as the University College London and the British Medical Association as well as other professional services such as accounting, PR, Travel and Real Estate Firms.

The area is well served by public transport with several underground stations in close proximity including Warren Street (Victoria and Northern Lines), Euston Square (Hammersmith Metropolitan and City Lines) and Russell Square (Piccadilly Line). Mainline railway services are available from London Euston and

London Kings Cross St Pancras, which are both located to the north of the property. In addition, there are a number of bus routes, connecting the surrounding area to The City and Greater London.

The Property

Tavis House provides 59,048 sq ft of office accommodation and is arranged over lower ground, ground and 8 upper floors.

The Property was originally built in the 1930's and is of steel frame construction with part brick and part concrete elevations, below a flat roof. We understand the Property was last refurbished by the sub tenant in 2011 at a cost of £3,100,000, which equates to £52.50 psf.

The reception fronts Tavistock Square. There is a security desk and barriers before entering the central core where there is central staircase and lift core.

The office accommodation is of reasonable, mainly Grade B specification. Part of the 6th floor has recently been refurbished by the tenant and has an exposed service finish. The remainder of the office space has not been recently refurbished and would benefit from capital expenditure.

The remainder of the office space has the following specification: suspended ceiling, solid floor and perimeter trunking, cassette A/C, 3 passenger lifts (6 people / 750kgs) with 2 serving the basement, central core staircase and a further stair core.

The levels of natural light are reasonable throughout the Property with windows located on 3 sides and relatively narrow floor plates. The windows have also been recently (2017) replaced by the previous owner with the exception of the large central window in the core that runs the length of the Property. Due to the date of original construction, there are also a few columns located within the office accommodation.

The ceiling height is fairly limited throughout the Property, being c.2.3m in the non-refurbished areas which have a solid floor. On the 6th floor, where the refurbishment has taken place the ceiling height is far superior due to the exposed fit out.

The lower ground floor is used as storage space and does not benefit from natural light. There are 13 car parking spaces located at the rear of the Property, however, at the time of inspection these were arranged as 5 car parking space, 2 disabled spaces and bicycle storage.

The floor plates are arranged in an 'L' shape and range in size from 4,457 – 6,524 sq ft.

We have been advised that you intend to carry out a refurbishment on the existing sub tenant vacating the property in April 2022. We have been provided with a cost estimate prepared by Quartz Project Services Limited for a light refurbishment of the subject property. This detailed breakdown of the refurbishment works concluded a cost of £6,969,583, which equates to £95 per sq ft on the GIA of the property. This cost estimate is for a full CAT A light refurbishment to the property and includes all preliminaries and contingency. We have allowed for these refurbishment costs in our valuation.

Accommodation

As agreed with you, we have relied upon floor areas from Plowman Craven report, dated 23 September 2019. We have assumed that these have been measured in accordance with the RICS Code of Measuring Practice and are on a net internal area basis. No further verification has been undertaken. These are as follows:

Floor	Use	Sq M	Sq Ft
8 th Floor	Office	414.1	4,457
7 th Floor	Office	532.9	5,736
6 th Floor	Office	597.8	6,435
5 th Floor	Office	604.8	6,510
4 th Floor	Office	606.1	6,524
3 rd Floor	Office	603.3	6,494
2 nd Floor	Office	604.9	6,511
1 st Floor	Office	602.0	6,480
Ground	Office	508.0	5,468
Ground	Reception	81.4	876
Basement	Storage	301.0	3,241
Basement	BMA	29.4	316
Total		5,485.7	59,048

We have not rentalised the reception and building management accommodation in our valuation and have adopted an NIA of 57,856 sq ft.

Condition

We have not undertaken a building or site survey of the property.

During our limited inspection we did not inspect any inaccessible areas. We are unable to confirm whether the property is free from urgent or significant defects or items of disrepair. We have assumed that it is in sound order and free from structural faults, rot, infestation or other defects, and that the services are in a satisfactory condition.

At the date of inspection, the building appeared to be in a generally reasonable state of repair commensurate with its age and use. No urgent or significant defects or items of disrepair were noted which would be likely to give rise to substantial expenditure in the foreseeable future or which fall outside the scope of the normal annual maintenance programme.

We have been provided with a Building Survey produced by CBRE, dated 23 October 2020 and include a summary of their findings below:

- *The property is in a fair overall condition and is receiving a fair level of maintenance to the building fabric*
- *Backlog items of repair and maintenance were identified to the enclosing envelope requiring attention in the short to medium term*
- *From an engineering perspective the property appears in a fair to good condition and appears to be receiving a fair level of maintenance*

No tests have been undertaken on any of the services.

We have assumed for the purposes of this valuation that mains gas, water, electricity, drainage and telecommunications are all available to the subject property.

Tenure

We have been provided with a Report on Title, prepared by CMS Cameron McKenna Nabarro Olswang LLP and dated November 2020.

The Report on Title states the Property has a good and marketable title and that all documentation is satisfactorily drawn.

We recommend that our understanding of all legal title issues is referred to your legal advisers for their confirmation that our understanding is correct. It is also particularly important that your legal advisers should be asked to check whether there have been any transactions relating to the property which reveal price paid information which we should be made aware of.

If any further matters come to light as a result of your legal adviser's review of these issues, we request that these matters are referred back to us as this information may have an important bearing upon the values reported.

The headlease is held from The Woburn Estate Company Limited and Bedford Estate Nominees Limited for a term of 99 years from 24 June 1973, expiring on the 23 June 2072. The lease contains the benefit of an exercisable free option to extend this interest on expiry for a further 26 years until 23 June 2098. This offers an unexpired term of c.77 years.

The current headrent payable is £80,000 per annum exclusive, subject to review on 25 December 2021, 2037 and annually thereafter.

At the December 2021 rent review, the revised rent is calculated to be the higher of:

- i) The existing rent; or
- ii) 12.5% of the yearly rental value of the demised premises in the open market for a term equal to the unexpired residue and including market value reviews at current practice intervals but not less frequently than every seventh year.

On review in December 2037 the headrent is calculated as 12.5% of the higher of the rents receivable by the lessee from the demised premises during the relevant year or the rental value of the premises for that year. The hypothetical lease term is the residue of the term at review. As a result of these favourable review assumptions, the rent agreed at the last review in December 2003 in practice represents 8.1% of the market value of the occupational lease agreed at review at the same date.

We understand you are currently negotiating the rent review and will subsequently enter into negotiations for a lease extension. However, for the purposes of the exercise we have assumed the Property is held freehold with a clean and marketable title.

Occupational Leases

The property is let, in its entirety to The Secretary of State for the Environment, Transport and Regions for a term of 70 years from 22 December 1967 at a passing rent of £987,500 per annum, which equates to £16.72 psf overall (assuming £2,000 per parking space).

The property is sublet entirety to Age UK (subsequently sublets were agreed to various charities including the Disasters Emergency Committee).

We have been provided with a lease surrender agreement and have been advised that vacant possession will be obtained in April 2022.

Business Rates

The Uniform Business Rate for England for the year 2021/22 is fixed at 51.2 pence in the pound. An additional 2.0 pence in the pound Crossrail supplement for units with a rateable value over £70,000 applies. Where the rateable value is less than £51,000 the small business rates multiplier of 50.7 pence in the pound is applied. Phasing relief may apply. The next non-domestic rates revaluation in England and Wales will take effect in 2023, based on rental values pertaining as at 1 April 2020. This will mean that properties' rateable values will better reflect true market conditions, taking into account any COVID-19 effects.

We have accessed the Valuation Office Agency's 2017 rating list to obtain the rateable values of the hereditaments which make up the subject Property.

Address	Description	Rateable Value
Bst – 8th Flrs, Tavis House, 1-6 Tavistock Square, WC1H 9HE	Office and Premises	£2,970,000

West End Office Market Overview – Q4 2021

October take-up was slightly muted in comparison to strong performing previous months, with take-up reaching 161,219 sq ft across 21 transactions. This brought year-to-date take-up to 2.87m sq ft, up 92% on the same point last year, but down on the 10-year average by 12%.

The largest transaction to complete last month saw Swedish gaming company Sharkmob's acquisition of the fourth floor at 80 Strand, WC2, (38,718 sq ft) on a 10-year lease term at £72.50 per sq ft.

The Victoria/Westminster sub-market area accounted for the majority of take-up with 81% of space acquired over the month. The largest transactions to complete in this area was Chevron's acquisition of a 10 year sublease, from The Very Group, of the part 2nd floor (18,541 sq ft), at 111 Buckingham Palace Road, SW1. Another notable transaction to complete in this area was the letting of the 3rd to 6th floors at 1 Old Queen Street, SW1 across three separate transactions.

Looking at sectors driving demand, the Tech & Media sector continues to dominate take-up and has accounted for 33% of space acquired this year, followed by the Insurance & Financial Services sector accounting for 20%, and then by the Retail & Leisure sector with 9%.

However, in terms of transactions numbers, the Insurance & Financial sector has been a key driver of activity this year and has accounted for the largest quantity, 34%, of transactions to have completed. With 65 transactions in total, we have seen the same number of transactions complete to this sector as we did over the same period in 2019. With the Insurance & Financial sector accounting for 39% of West End specific Active requirements, the sector is set to continue to be a key driver of leasing activity across the West End.

Whilst leasing activity over the month was slightly subdued, space under offer continued to increase and was up by 13% on the previous month. With space under offer at 1.5m sq ft, this is up 34% on the longterm average and the highest level of under offers since November 2019, a positive signal of demand gaining momentum. Around 82% of space under offer is of Grade A standard and the development pipeline accounts for 37% of space under offer, continuing to reflect the intensified occupier preference for high quality space.

Supply has remained broadly stable over the past three months and at the end of October remained at 7.8m sq ft, equating to a vacancy rate of 6.7%. Currently, the overall amount of tenant controlled space, at

2.5m sq ft, is at the lowest level it has been at since November 2020, and is now 19% below its peak in April this year. Unsurprisingly, tenant space put on to the market since the beginning of the pandemic makes up the majority of space withdrawn this year.

Around 10m sq ft of new developments and extensive refurbishments are scheduled to complete over the next four years. As it stands, 3.6m sq ft (16%) of these have already been pre-let. A further 5% is currently under offer.

Agents are currently anticipating a record level of development activity, with 3.6m sq ft scheduled to complete during 2023, though this will likely be tempered with the passage of time, rising buildings costs and current supply chain challenges. The largest development currently scheduled to complete over this period is Stanhope/Mitsui's Gateway East development, (200,000 sq ft), W12, followed by Argent's S3 development, N1C (195,000 sq ft). At present 5% of 2023's pipeline has already been pre-let.

Bloomsbury Office Market Overview Q4 2021

Bloomsbury, which is renowned for its literary past and its attractive period buildings, has risen in stature as an office destination in recent years. It has benefitted from being surrounded by several dynamic submarkets, with King's Cross to the north, Holborn to the south, Clerkenwell to the east and Noho to the west, while the presence of the University of London and the British Museum has proved an extra draw for both office occupiers and developers. The upcoming arrival of Crossrail services at Tottenham Court Road Station was adding to momentum prior to the coronavirus crisis.

Demand for office space has fallen since the pandemic began. Bloomsbury's vacancy rate, which stood below 2% in March 2020 (following a strong three-year period when a wave of TMT firms moved into the submarket's new or refurbished space), has risen steadily over the past year or so. Despite an ongoing lack of development, weak leasing activity has combined with a rise in sublease availability to push vacancies upward.

On the plus side for landlords, Bloomsbury's vacancy rate remains below the London average, and there will be little upward pressure from new supply in the coming years, as nothing of note is under construction.

Leasing activity is also picking up. Thought Machine's 65,000-SF letting at Russell Court was one of London's largest deals of the summer, while several noteworthy leases have been signed recently at LabTech's Victoria House. Bloomsbury was also the destination for one of London's largest lettings in 2020 as life science firm MSD agreed a deal to locate its new UK headquarters at a redeveloped Belgrove House, subject to planning approval.

Low vacancy was contributing to a revival in rent growth prior to the coronavirus outbreak. Bloomsbury was enjoying one of the strongest growth rates of any submarket in London in early 2020, fuelled by rent increases in prime offices.

Prime Rents

A prevalent theme has been the continued divergence between prime and secondary stock in the occupational market, which is a long-term issue. Prime rents have seen a slight reduction but given the pressure on the economy, remained relatively stable, in the line with the rest of the London market. However, occupiers are focussing heavily on the quality of accommodation, which has led to the demand for secondary space decreasing significantly, and is likely to continue. This was already an issue driven by the war for talent but other factors such as improved wellbeing, health and safety and amenities will be further highlighted by COVID-19.


With these factors in mind, it is our view, through consensus, that prime headline office rents have fallen slightly in 2020/21, but will be stabilise in 2022 due to the strong market fundamentals in Bloomsbury and the affordable rents on offer versus the wider West End and City markets.

We summarise Bloomsbury's headlines rents achieved in the table below:

	Grade A		Grade B
	New/Refitted	Refurbished	Refurbished
Headline Rents (per Sq Ft)	£75-£80	£60-£72.50	£45 - £55

Rental Evidence

We have set out what we believe are the most comparable transactions above which encompass both the Bloomsbury submarket and surrounding submarkets of the West End.

Lynton House, 7-12 Tavistock Square, WC1H		
	Date	May 2020
	Rent	£70.00 per sq ft
	Status	OML
<p>The building is located on the eastern side of Tavistock Square and is in close proximity to a number of transport Links that include Euston, King's Cross and Russell Square Underground Stations. St Pancras International is 700m to the north.</p> <p>The Property, refurbished in 2019, comprises 107,802 sq ft of office accommodation arranged over ground and 10 upper floors. The property provides Grade A office accommodation and will benefit from access to a communal roof terrace.</p> <p>In May 2020, Graphcore agreed a new 5 year lease for 4,424 sq ft of part 9th floor accommodation a at a rent of £70 psf. An initial 7 month rent free incentive was agreed and there is a tenant break option in the 3rd year.</p>		

Russell Court, 7-11 Herbrand Street, WC1N



Date	July 2021
Rent	£55 per sq ft with c.£70 per sq ft on the best space
Status	OML

Herbrand Street is centrally located within the heart of Bloomsbury. The building benefits from excellent transport links with Russell Square underground station in close proximity.

The property comprises a 1930s art deco building which extends to 65,025 sq ft is currently being extensively refurbished to create contemporary refurbished Grade A office space. The accommodation is arranged over lower ground, ground and four upper floors

In July 2021, Thought Machine, a financial technology provider leased the property from Labs, a flexible workspace operator as its new headquarters in the City to support its expansion plans. The tenant signed a 5 year lease at a passing rent of £55 per sq ft and c.£70 per sq ft on the best space. The lease incentives are confidential.

Lacon House, 84 Theobalds Road, WC1X



Date	October 2020
Rent	£62.50 per sq ft
Status	Sub-Letting

The property is located on Theobalds Road to the western part of the road on the junction with Harpur Square. Holborn and Chancery Lane underground stations are both within 400m.

The Property, originally constructed in the 1950's and refurbished in 2016, comprises 216,655 sq ft arranged over basement, ground and 8 upper floors. The accommodation is good quality B and benefits from a communal roof terrace.

In October 2020, HeyCar sublet 11,688 sq ft of 1st floor office accommodation for a 7 year term at a rent of £62.50 psf. A 6 month rent free incentive was agreed.

26-28 Bedford Row, WC1R



Date	August 2021
Rent	£65.00 per sq ft
Status	OML

The property is located on western side of Bedford Row, close to the junction with Theobalds Road. Holborn and Chancery Lane underground stations are both located within 600m.

The Property was originally constructed in the 1900's and refurbished in 2008. The office building is arranged over lower ground, ground and 4 upper floors. The 4th and 5th floors were recently refurbished to provide high quality Grade B refurbished office accommodation.

In August 2021, Indicia Worldwide lease 4,068 sq ft of office accommodation on the 4th and 5th floors for a 5 year term at a rent of £65.00 psf. A 10 month rent free incentive was agreed.

267-275 Grays Inn Road, WC1X



Date	October 2021
Rent	£59.50 per sq ft on the best space
Status	OML

The property is located on Grays Inn Road close to its junction with Swinton Street. Kings Cross St Pancras station is located within 300m.

The Property, originally constructed in the 1960's and was refurbished in 2020, comprises 11,340 sq ft arranged over lower ground, ground and 4 upper floors. The accommodation is high quality Grade B refurbished space.

An undisclosed tenant has leased the whole of the building at a passing rent of £59.50 per sq ft on the best space and £37.50 on the lower ground floor space. The tenant incentives are undisclosed.

Tavistock House, 13 Tavistock Square, WC1H



Date	March 2021
Rent	£65.00 per sq ft
Status	OML

The property is located on the eastern side of Tavistock Square, neighbouring the subject property.

The Property is a Grade II listed landmark mixed-use building, which was constructed in 1935 and was most recently refurbished in 2011. The property comprises A2 retail accommodation on the basement and ground floors with office accommodation on the five upper floors. The office accommodation is finished to a range of Grade B refurbished specifications, and the rentable space ranges from suites of 730 sq ft to larger spaces of up to 12,000 sq ft. The office space is predominantly lease to the British Medical Association (BMA)

In March 2021, Church & Dwight UK Ltd leased 3,371 sq ft of newly refurbished high quality Grade B office accommodation to the rear of the ground floor fronting Burton Street for a 5 year term at a rent of £65.00 per sq ft. The lease was subject to a break clause in year 3 and an initial 9 month rent free incentive was agreed with further 2 months if the break isn't actioned.

We are also aware of a number of other leasing deals in the building, including a lease renewal for Birkbeck College of 4,320 sq ft on the ground floor, who agreed in January 2021 to an additional 5 year term at £55 per sq ft subject to a 12 month rent free period. The accommodation was refurbished in 2015.

37-41 Bedford Row, WC1R



Date	September 2021
Rent	£42.60 per sq ft
Status	Renewal

The property is located on western side of Bedford Row. Holborn and Chancery Lane underground stations are both located within 600m.

The Property, originally constructed in the 1950's and refurbished in 2010s, comprises The building comprises 24,648 sq ft NIA of office accommodation arranged over lower ground, ground and five upper floors with wider site coverage of 22 carparking spaces to the rear. The accommodation is good quality Grade B.

37-41 Bedford Row is single let to Teacher Stern LLP on a Full Repairing and Insuring lease at a passing rent of £1,050,000 per annum which reflects a low passing rent £42.60 per sq ft overall.

The tenant signed a reversionary lease in September 2021 which expires 31st May 2031 providing an unexpired term of 9.5 years. This is subject to an upward only rent review with a minimum uplift to £1,100,000 per annum on 1st June 2026. The tenant benefits from a day one half rent incentive until 31st January 2023 followed by a half rent period from 1st June 2026 to 31st December 2026. The Vendor will provide a top-up on the initial rent incentive.

Cupola House, 15-17 Alfred Place, WC1E



Date	April 2020
Rent	£44.00 per sq ft
Status	OML

Cupola House is located on the west side of Alfred Place, overlooking Tottenham Court Road and Chenies Street. Goodge Street Underground Station is adjacent.

The property, originally constructed in 1885 and extensively refurbished in 2010, comprises 50,000 sq ft mixed use building arranged over basement, ground and four upper floors. The offices are reasonable quality Grade B accommodation.

In February 2020, A new tenant let 15,000 sq ft of 2nd and 4th floor accommodation for a 13 year term at a rent of £44.00 psf. No break clause was agreed.

22 Store Street, WC1E



Date	February 2020
Rent	£52.50 per sq ft
Status	OML

22 Store Street is located on Tottenham Court Road close to its junction with Goodge Street and Windmill Street, 100m to the south of Goodge Street Underground Station.

The property, originally constructed in 1900 and extensively refurbished in 2000, comprises 63,601 sq ft mixed use building of brick construction arranged over basement, ground and four upper floors. The office accommodation is reasonable quality Grade B space.

In February 2020, Circus Street let 12,619 sq ft of 3rd floor accommodation at a rent of £52.50 psf. The details of the lease are undisclosed.

Weights and Measures Building, 169 Euston Road, NW1



Date	December 2019
Rent	£45.89 per sq ft
Status	Assignment

The Weights and Measures building is located on the southern side of Euston Road. Euston Station and Euston Station Underground are both within close proximity

The property, originally was constructed in 2000, comprises 22,445 sq ft of office accommodation and is arranged over basement, ground and five upper floors. The office accommodation is good quality Grade B space.

In December 2019, UCL agreed to lease the whole building on an initial lease assignment and subsequent reversionary lease for a term of 11 years. The initial rent commencing in October 2019 at an initial passing rent of £1,030,000 (£45.89 per sq ft) with fixed uplifts rising to £1,200,000 (£53.46 per sq ft) per annum in October 2020 and £1,500,000 in October 2024 (£66.83 per sq ft).

Rental Analysis

We have assessed the above comparables and consider them to provide useful evidence of rents achievable for the subject Property in this location. The transactions show rents ranging from £70.00-£80.00 per sq ft on newly refurbished Grade A office accommodation or £42.60 to £65.00 per sq ft for older and refurbished Grade B stock. We consider the Grade B evidence reflects the general tone that we would expect for the type of proposed refurbished space at the subject property depending on the floor level and outlook.

We consider the most applicable rental evidence to be:

Lynton House: The adjacent property on Tavistock Square. We consider the transaction of the 9th floor at £70.00 per sq ft for a new 5 year term to be useful evidence when considering the appropriate Market Rent at the subject Property and supports our grading of the rents. The Property has been recently refurbished and benefits from good quality specifications. The property is located adjacent to the subject Property and gives a good indication of achievable rents in the location after the subject property has been comprehensively refurbished. Overall, we would expect the subject Property to achieve a lower level of rent after our assumption of a basic refurbishment of the Property.

Tavistock House: we consider the various transactions in this neighbouring building on Tavistock Square. We consider the recent letting of 3,371 sq ft of newly refurbished high quality Grade B office accommodation to the rear of the ground floor on a 5 year term at a rent of £65.00 per sq ft provides good evidence for similar space in the area, albeit we consider this achieved a premium due to the size of the space and quality of the refurbishment. Another letting within the building was a lease renewal for 4,320 sq ft on the ground floor in January 2021 on an additional 5 year term at £55 per sq ft subject to a 12 month rent free period. We consider this provides good evidence for the rental tone in Tavistock Square. Overall, we would expect the subject Property to achieve a slight lower level of rent after our assumption of a basic refurbishment of the Property, predominantly due to the significantly larger floorplates.

275 Grays Inn Road: We consider the recent transaction of the entire building provides good evidence of the demand for high quality Grade B refurbishments in the local market. We understand the best space achieved rents of £59.50 per sq ft and the lower ground achieved £37.50 per sq ft. The property provides good evidence for the rent achievable on high quality Grade B space in the local market. The property was let to a single tenant but the floorplates are small for the local market in the region of 2,300 sq ft on the larger floors. The location and setting of this comparable is also slightly inferior to the subject property despite being in close proximity to Kings Cross St Pancras station. Overall, we would expect the subject Property to achieve a slight lower level of rent after our assumption of a basic refurbishment of the Property, predominantly due to the larger floorplates.

22 Store Street: we consider the transaction of the 3rd floor at £52.50 psf for an undisclosed term to be useful evidence when considering the appropriate Market Rent at the subject Property post its proposed refurbishment and supports our grading of the rents. The Property is a period building that has not benefitted from refurbished and has similar specifications. Although there is Grade B space coming to the market generally there is limited evidence in the Bloomsbury sub-market. Overall, we would expect the subject Property to achieve a similar level of rent following the proposed refurbishment.

Weights and Measures Building: we consider this now slightly dated transaction is relevant due to the similar location in the Bloomsbury market around the corner from the subject property. The comparable was let to UCL for a term of 11 years on an initial lease assignment with reversionary lease, at an initial agreed rent reflecting £45.89, which subsequently increased to £53.46 per sq ft in October 2020 with a further uplift in October 2024. Not only does this lease transaction provide evidence of the demand from educational providers in the vicinity of the property it is good indication of achieved rents for large lettings in the local market. Overall, we would expect the subject Property to achieve a slightly higher level of rent following the proposed refurbishment, as we consider this comparable reflects the quantum of the letting.

Rental Value Conclusions

On the basis of the intended refurbishment programmed, the subject Property would fully meet the needs of modern-day occupiers and would attract some of the highest rental levels in Bloomsbury for refurbished space, particularly the upper floors. The proposed accommodation will provide a high-quality working environment and coupled with the outlook on Tavistock Square would allow it to maintain its competitive edge against the other buildings nearby and many of the leading buildings within the locality.

Taking this, and the leasing comparables noted above into account we have made appropriate adjustments to reflect the size, quality, shape and location of the refurbished space. We believe that the subject Property could command rents ranging from £47.50 to £50.00 for the lower to mid levels floors with headline rents of £52.50 to £55.00 on the upper floors. For the ground floor space we believe this could command rents of £40 per sq ft and £10 per sq ft for the storage accommodation in the basement.

We have graded the relative attractiveness of the accommodation on a rising scale up the building. This is to allow for the superior views, natural light and status associated with the upper floors. We have assumed the building would be let on a floor by floor basis, although smaller suites on some split floors could achieve a rental level in excess of the rents detailed below.

We have not factored in rental growth explicitly into our appraisal and have instead adopted the following headline rental values based on what could be expected to be achieved in the market as at the valuation date.

Overall, we have adopted office rents ranging from £40.00 per sq ft on the ground floor rising to £55.00 per sq ft on the 8th floor. We believe this reflects the future quality and aesthetic of the building based on the proposed refurbishment works, and location within the Bloomsbury submarket. This provides an overall Market Rent of £2,744,993, equating to a blended office rent on floors G-7 of £49.67 per sq ft.

While it is likely that some of the floors may benefit from pre-let agreements, we have allowed for staggered void periods ranging from 0 to 12 months on a floor by floor basis following the completion of the refurbishment works, followed by a 12 month rent free incentive.

Our assumptions regarding the individual rental values and assumed lease start dates on a floor by floor basis are summarised overleaf as follows:

Floor	Area Sq Ft	Rent per sq ft	Market Rent
8 th Floor - Office	4,457	£55.00	£245,135
7 th Floor - Office	5,736	£52.50	£301,140
6 th Floor - Office	6,435	£52.50	£337,838
5 th Floor - Office	6,510	£50.00	£325,500
4 th Floor - Office	6,524	£50.00	£326,200
3 rd Floor - Office	6,494	£50.00	£324,700
2 nd Floor - Office	6,511	£50.00	£325,550
1 st Floor - Office	6,480	£47.50	£307,800
Ground - Office	5,468	£40.00	£218,720
Ground – reception	876	-	-
Basement – Storage	3,241	£10.00	£32,410
Basement – BMA	316	-	-
Total			£2,744,993

Please note that our opinion of Market Rent has been arrived at, assuming floor by floor lettings of the property, as set out in the table above.

In arriving at our opinion of Market Rent, we have assumed a lease term of 10 years with five year breaks, as being the best available terms in the market. The rental figures are based on a headline basis and after the refurbishment.

Please note that our opinion of Market Rent has been arrived at, assuming individual lettings of the property, as set out in the table above.

West End Investment Market\

Investment turnover in September reached £404m across nine transactions, which stands 95% ahead of last year's figure but 28% below the previous five years' September average. This brings cumulative annual turnover to £3.33bn across 75 transactions; whilst this is 25% down on the previous five years' average (£4.4bn), it is nearly double the equivalent figure for 2020 and 10% higher than in 2019.

In a clear indication of the improvement in sentiment, September marked the end of a third Quarter that saw £1.76bn trade across 33 transactions – this is 25% higher than the previous five years' Q3 average, 175% higher than Q3 2020 and 91% higher than the more normalised Q3 2019.

The largest transaction to exchange in September was The Heals Building, W1, which Columbia Threadneedle has sold to KKR and General Projects after a targeted marketing campaign. The property, which is held by way of two long leasehold interests from The Bedford Estate (141 years) and The Property Trust Limited (41 years), comprises 82,809 sq ft of multi-let office accommodation (68% of the income) and 103,551 sq ft of retail space (31% of the income), anchored by Heals Department Store. The sales price of £117m (£454 psf) reflects a net initial yield of 5.00%.

In another value-add transaction, Workspace has sold its freehold interest in 13-17 Fitzroy Street, W1, to DWS for £92m, which reflects a capital value of £993 psf. The property, which Workspace acquired in 2017 for £98.5m, was openly marketed and comprises 92,669 sq ft of vacant office accommodation in need of repositioning.

The key core transaction during September was a Private Middle Eastern investor's disposal of Enterprise House, 167-169 Westbourne Grove, W2, to Kamco for £56m, which reflects a net initial yield of 3.68% and a capital value of £1,242 psf. The property, which was first marketed in October 2020, is single let to Network Rail Infrastructure Limited for a remaining 12 years at an annual rent averaging £47 psf, subject to open market rent reviews.

Other transactions during September included Legal & General's disposal of its 123 year long leasehold interest in 101 St Martins Lane, WC2, to KGAL for £53.5m (£1,123 psf), which reflected a net initial yield of 5.3%; and Savills disposal of Abrdn's freehold interest in 33-41 Charlotte Street, W1, for £31m (£1,259 psf) which reflected a net initial yield of 5.21%.

The office element of the latter is single let to serviced office provider, Knotel, until 2029 at an annual rent averaging £75 psf (73% of the total income), while the retail element is let to two restaurants with expiries in 2027 and 2037. The freehold interest also includes four residential apartments and a corner restaurant unit let to ROKA, albeit these elements are sold-off on long leases.

On the basis of recent evidence and general market sentiment, our opinion of prime West End yield remains at 3.25% albeit we would note upward pressure on yields for assets with near-term leasing risk and will closely monitor how the lending market, and capital market in turn, reacts to increased likelihood of a near term rise in base rates. The MSCI net initial and equivalent yields stand at 3.57% and 4.82% respectively

Investment Evidence

In arriving at our opinion of value we have had regard to a range of comparable investments from the West End market, as below:

#	Address	Sales Date	Sale Price	Size (ft²)	NIY	Capital Value(/sq ft)
1	5 Chancery Lane	OTM	£95,000,000	84,836	4.95%	£1,120
2	The Heals Building, W1	Q4 2021	£117,000,000	257,677	5.00%	£454
3	33 – 41 Charlotte Street	Q4 2021	£31,000,000	24,616	5.21%	£1,259
4	95 New Cavendish Street	Q4 2021	£20,600,000	20,677	4.55%	£996
5	1–5 Poland Street	Q3 2021	£42,600,000	27,016	4.18%	£1,577
6	Northgate House, 67 - 69 Lincoln's Inn Fields	Q3 2021	£32,620,000	29,809	4.02%	£1,094
7	Grafton House, 379 - 381 Euston Road	Q3 2021	£22,300,000	17,438	4.37%	£1,279
8	124 Theobalds Road	Q2 2021	£70,000,000	81,110	4.63%	£863
9	193 - 197 High Holborn	Q1 2021	£24,925,000	28,160	4.44%	£885

We provide more details of these transactions overleaf:

1. **5 Chancery Lane:** We understand that Singaporean investors Lee Kim Tah Group and Metro Holdings have launched the sale of the freehold interest for £95m reflecting an initial yield of 4.95%. The property, arranged over basement, lower ground, ground and five upper floors is currently fully let to law firm Lewis Silkin until 2023. The building is pitched as a redevelopment opportunity given the short lease and planning permission that is in place for a refurbishment scheme of around 100,000 sq ft.
2. **The Heals Building, Tottenham Court Road:** A JV between KKR and General Projects has purchased the long lease interest in the flagship Heals Building in Q4 2021. The retail and office building is multi-let to 15 tenants on a range of leases with an average unexpired lease term of 2.4 years to the breaks and four years to the expiries. The property has a complex ownership structure, around 85% of the building is held long-leasehold from the Bedford Estate for a further 144 years at a gearing of 30%. The Bedford Estate also has to contribute 30% of any capex required. The remaining 15% is held long leasehold from a Hong Kong group called The Property Trust on a lease with 44 years remaining at a rent of £20,000 per annum. We understand that the agreed sales price of £117m, reflects a net initial yield in the region of 5.00%.
3. **33–41 Charlotte Street:** In October 2021 Schrodgers Real Estate Investment Management acquired the freehold interest for £31,000,000 from Abrdn reflecting a net initial yield of 5.21%. The building totals 24,616 sq ft and comprises 16,749 sqft of Grade A office space and 7,867 sqft of retail space (2 restaurant units) with a WAULT of 10.2 years and a total passing rent of £1,725,175 per annum. The office space is let to Knotel on a lease expiring in October 2029 at a reversionary rent of £75 psf. The restaurant units are let to '1947 London' (£170,000 per annum) and 'Six by Nico' (£298,000 per annum) until June 2027 and June 2037 respectively and holds 27% of the building income.
4. **95 New Cavendish Street:** In November 2021 Beaumont and LBS Properties acquired the freehold interest in 95 New Cavendish Street for £20,600,000 from South Yorkshire Pensions Authority reflecting a net initial yield of 4.55%. The building totals 20,677 sq ft of office space fully let to Gleeds Advisory on a 5-year lease expiring in December 2023 at a passing rent of £1,000,000 per annum equating to £48.36 psf.
5. **1-5 Poland Street:** In September 2021 Orchard Street Investment Management sold the freehold interest in 1 - 5 Poland Street, London to Aquarelle for £42,550,000 reflecting a net initial yield of 4.18%. The 27,016 sq ft office space is single let to Williams Lea Limited trading as Tag Worldwide on a 15-year lease expiring 17 July 2027 (6.25 years unexpired). Current passing rent of £1,900,000 per annum equating to £70.33 psf overall. A tenant-only break option dated 18 July 2022 was removed in return for an 8-month rent free period commencing 25 December 2020 expiring 24 August 2021 which was topped-up by the Vendor on sale.
6. **Northgate House, 67-69 Lincoln's Inn Fields:** In August 2021 Habro Properties purchased the freehold interest in Northgate House in London from Benesco Charity Limited for £32,620,000, reflecting a net initial yield of 4.02%. The total net internal area of the asset is 29,809 sq ft, arranged over the lower ground, ground and five upper floors. The property is mainly let to Queen Mary University of London until September 2026 and with a retail unit let to Greggs Plc until

November 2028 with a WAULT of 5.7 years. Combined the tenants produces a rental income of £1,400,973 per annum.

7. **Grafton House, 379-381 Euston Road:** In July 2021 Sofidy purchased the long-leasehold interest in Grafton House from an undisclosed Indian private investor for £22.3m as an investment, reflecting a net initial yield of 4.37%. Acquired was the 124-year long leasehold interest totaling 17,438 sq ft. The asset is fully let to Cognita Schools, a global private schools company, since 2018, for a 25 years lease. It produces a rental income of £1,041,00 per annum equating to £60 per sq ft.
8. **124 Theobalds Road:** In April 2021 ESAS Properties sold the freehold interest in 124 Theobalds Road, London to a private Middle Eastern Investor for £70m reflecting a net initial yield of 4.63%. The 81,110 sq ft office building is let to MediaCom Holdings Ltd and Vodafone on co-terminus leases expiring in September 2022 and a total income of £3,297,137 per annum reflecting a reversionary £40.65 per sq ft overall.
9. **193-197 High Holborn:** In March 2021 Langland Estates Ltd sold the freehold interest in 193 - 197 High Holborn, Holborn Town Hall, to NPLH Property Holdings Ltd for £24,925,000, reflecting a net initial yield of 4.44%. The 28,160 sq ft office building is let to various tenants such as Veracity Education, Mavens of London, AGL Communications Ltd, Sonder Europe and produces a contracted income of £1,132,911 reflecting a revisionary £40 per sq ft.

Yield Analysis

The investment transactions above show net initial yields ranging between 4.02% and 5.21%.

The most recent evidence is provided by the sale of 95 New Cavendish Street, a well let office investment let to Gleeds until December 2023. The property is a similar value add opportunity in a prominent dual corner location with extensive frontage to New Cavendish Street. The freehold investment was acquired in November 2021 for £20,600,000 reflecting a net initial yield of 4.55%, off a guide price of £18,750,000 (5% NIY). We consider the subject property would achieve a slightly higher yield to reflect the more limited value add opportunity.

Another recent transaction was the sale of the Heal's Building on Tottenham Court Road. The long leasehold property has a complex ownership structure, but has recently exchanged to a JV partnership between KKR and General Projects. The retail and office building is multi-let to 15 tenants on a range of leases with an average unexpired lease term of 2.4 years to the breaks and four years to the expiries. The property is a value add opportunity and requires significant asset management. Heal's, which currently occupies the part basement, ground, first and second floors, is expected to move to the part basement and ground floors which had been sitting empty since Habitat left the building in March. The remaining space is expected to be turned into offices. There is therefore significant reversionary potential. We understand that the agreed sales price of £117m, reflects a net initial yield in the region of 5.00%. Whilst the comparable has limited relevance to the subject property, particularly due to the large lot size, we consider it provides good investment evidence for development projects in the local market. On balance we consider the subject property would achieve a similar yield.

Grafton House on Euston Road has recently transacted. The long leasehold interest was acquired in July 2021 for £22.3m as an investment, reflecting a net initial yield of 4.37%. The office is let to an educational tenant, Cognita Schools, on 25 years lease with a remaining term of 21 years and is broadly rack rented.

We consider the subject property would achieve a higher yield due to the longer term certain of this comparable than expected for the subject property upon completion of the proposed refurbishment.

1-5 Poland Street is a well let office that was acquired by Aquarelle in September 2021 for £42,550,000 reflecting a net initial yield of 4.18%. The freehold investment is single let to Williams Lea Limited trading as Tag Worldwide on a 15-year lease expiring 17 July 2027 (6.25 years unexpired). The property therefore provides excellent evidence for a well let building in a core West End location. On balance, we are of the opinion that the completed development at the subject property would achieve a high yield, predominant due to the inferior location.

Taking the above into consideration, we are of the opinion that once refurbished and fully let, the subject property could command a yield in the region of 5.00%. This fits with the pricing of the above evidence but shows a discount from prime core West End freehold yields.

Valuation Methodology

You have instructed us to provide our opinion of Existing Use Value of the subject Property.

Our valuation has been undertaken using appropriate valuation methodology and our professional judgement

Our valuation has been carried out using the comparative and investment methods. In undertaking our valuation of the property, we have made our assessment on the basis of a collation and analysis of appropriate comparable investment and rental transactions, together with evidence of demand within the vicinity of the subject property. With the benefit of such transactions we have then applied these to the property, taking into account size, location, terms, covenant and other material factors.

Valuation

In arriving at our Opinion of Existing Use Value we have had regard to the following factors:

- The Property is well located in Bloomsbury and is situated in close proximity to the various transport links in the area.
- Historically Bloomsbury has been a popular location for government occupiers, with original office stock dating from the 1930's onwards, such as the subject Property. More recently, the sub-market has appealed to a wider variety of occupiers such University, PR, Serviced Office and Professional Services.
- Vacant Possession in April 2022.
- The condition and specification of the Property is tired and would benefit from a refurbishment as the current specifications would not necessarily meet the expectations of potential occupiers, who require a higher standard. We understand the most recent refurbishment was undertaken by the sub-tenant, AGE UK Ltd, in 2011 when they took occupation.
- We have been provided with a refurbishment costs of £6,969,583, prepared by Quartz Project Services Ltd, which equates to £95 per sq ft and is inclusive of the works required in the building survey.
- We have allowed an 8 month refurbishment void to carry out these works.
- Our opinion of the headline Market Rent for the Property is £55.00 per sq ft on the top floor. We have subsequently graded the rents depending on the quality of the space and the position within the building.
- We have then applied staggered void periods post completion of the refurbishment, assuming three floors would be pre-let before completion, 6 months for a further three floors and finally 12 months for the remaining four floors including the basement.

- We have allowed for void costs of £10 per sq ft and rates equivalent to 50% of our headline Market Rents.
- We have also allowed for leasing commission of 15%.
- We have allowed for a 12 month rent free period on all the accommodation.
- We have adopted a capitalisation rate of 5.00% for the office income.
- The resultant Existing Use Value is £37,800,000, which reflects a capital value of £640 psf.

Existing Use Value

In our opinion, we consider that prospective purchasers of the property would consider the condition of the building and refurbishment required, whilst also considering the key characteristics of the property, including the location in Bloomsbury submarket, excellent transport connections and setting in Tavistock Square.

We have had regard to the rental and investment transactions listed in this report and considered an achievable capital value that reflects the condition of the property and potential uses of the existing property.

On this basis, we are of the opinion that the Existing Use Value of the subject Property, is in the order of:

£37,800,000
(Thirty Seven Million, Eight Hundred Thousand Pounds)

Whilst this capital value per sq ft is very low for Bloomsbury, we have considered the quantum of the property and ultimately the refurbishment that would be required for prospective purchaser would expect to be reflected in the Existing Use Value.

Yours sincerely



Alex Smith MRICS
Senior Associate
Kroll Advisory Ltd

Appendix 1

Valuation Calculations

Summary Valuation

(Amounts in GBP, Measures in SF)

Valuation Date: 01/12/2021

Property

Address

Tavis House, 1-6 Tavistock Square

External ID

03 (3)

Gross Valuation

47,908,027

Capital Costs

-7,557,706

Net Value Before Fees

40,350,321

Less

Stamp Duty La @5.00% Net Sale Price

1,890,000

Agent Fees @1.00% Net Sale Price

378,000

Legal Fees @0.80% Net Sale Price

302,400

Net Valuation

37,779,921

Say

37,800,000

Equivalent Yield

4.9954%

True Equivalent Yield

5.1359%

Initial Yield (Valuation Rent)

-1.0212%

Initial Yield (Contracted Rent)

-1.0212%

Reversion Yield

6.7995%

Total Valuation Rent

0

Total Contracted Rent

0

Total Rental Value

2,744,993

Number of Tenants

10

Capital Value Per Area

0

Running Yields

Date	Gross Rent	Revenue Cost	Ground Lease Expenses	Net Rent	Annual	Quarterly
01/12/2022	0	-412,280	0	-412,280	-1.0212%	-1.0148%
01/03/2023	0	-1,342,720	0	-1,342,720	-3.3260%	-3.2580%
01/06/2023	0	-659,240	0	-659,240	-1.6330%	-1.6164%
01/12/2023	884,113	0	0	884,113	2.1900%	2.2203%
01/06/2024	1,860,513	0	0	1,860,513	4.6086%	4.7445%
01/12/2024	2,744,993	0	0	2,744,993	6.7995%	7.0986%

Yields Based On

Say Value + Acq.Costs

Tenants

Tenant Name	Suite	Next Review	Earliest Termination	CAP Group	Method	Contracted Rent	Valuation Rent	Rental Value	Gross Value	Initial Yield	Initial Yield (Contracted)	Equivalent Yield	Reversionary Yield
Basement	Ground		30/11/2033	Standard	Hardcore(5%)	0	0	32,410	519,586	0.0000%	-6.2377%	5.0000%	6.2377%
Ground	Ground		30/11/2033	Standard	Hardcore(5%)	0	0	218,720	3,655,236	0.0000%	-1.4959%	5.0000%	5.9837%
First	First		30/11/2033	Standard	Hardcore(5%)	0	0	307,800	5,154,956	0.0000%	-1.2570%	5.0000%	5.9710%
Second	Second		30/11/2033	Standard	Hardcore(5%)	0	0	325,550	5,455,337	0.0000%	-1.1935%	5.0000%	5.9676%

Summary Valuation

(Amounts in GBP, Measures in SF)

Valuation Date: 01/12/2021

Third	Third	31/05/2033	Standard	Hardcore(5%)	0	0	324,700	5,681,449	0.0000%	-1.1430%	5.0000%	5.7151%
Fourth	Fourth	31/05/2033	Standard	Hardcore(5%)	0	0	326,200	5,707,695	0.0000%	-1.1430%	5.0000%	5.7151%
Fifth	Fifth	31/05/2033	Standard	Hardcore(5%)	0	0	325,500	5,695,447	0.0000%	-1.1430%	5.0000%	5.7151%
Sixth	Sxith	30/11/2032	Standard	Hardcore(5%)	0	0	337,838	6,128,571	0.0000%	0.0000%	5.0000%	5.5125%
Seventh	Sevent	30/11/2032	Standard	Hardcore(5%)	0	0	301,140	5,462,857	0.0000%	0.0000%	5.0000%	5.5125%
Eighth	Eighth	30/11/2032	Standard	Hardcore(5%)	0	0	245,135	4,446,893	0.0000%	0.0000%	5.0000%	5.5125%

Appendix 2 - Proposed Scheme Area Schedule

TAVIS HOUSE - AREA SCHEDULE

PROJECT NR: P20-153
PROJECT NAME: Tavis House, 1-6 Tavistock Square
DATE: 14/12/2021
REV: Rev 12

OFFICE
1,000M2 GIA UPLIFT EXCL. 9TH FLOOR BUT INCL. PART BASEMENT WITH REAR EXTENSION (OPTION 3B)

	GROSS INTERNAL AREA (GIA)												
Level	Bsmt	Grd	1	2	3	4	5	6	7	8	9	Roof	Total Area
Unit	m ²	m ²	m ²	m ²	m ²	m ²	m ²	m ²	m ²	m ²	m ²	m ²	m ²
Existing building	860	729	692	692	692	692	692	681	613	496	64	0	6,903
Horizontal extension												0	0
Vertical extension												0	0
TOTAL Existing GIA	860	729	692	692	692	692	692	681	613	496	64	0	6,903
Office	205	497	673	736	736	736	736	729	667	429	0	0	6,144
Reception													0
Core & Corridors	475	293	113	114	114	114	114	111	113	142	50		1,753
Storage/Cycles/Plant													0
Plant													0
TOTAL GIA	680	790	786	850	850	850	850	840	780	571	50	0	7,897

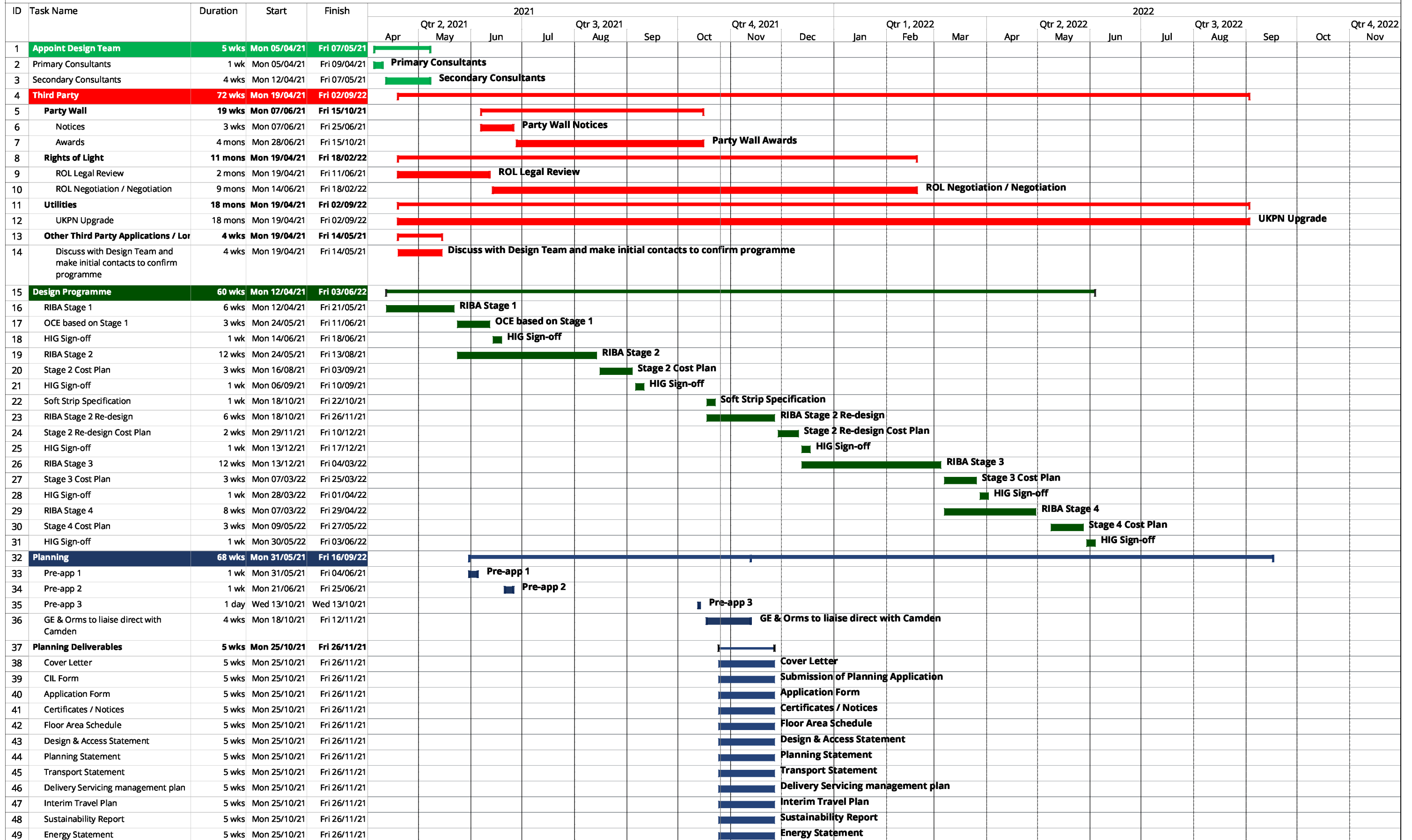
OFFICE & RESI

RESI ON SITE (497M2)

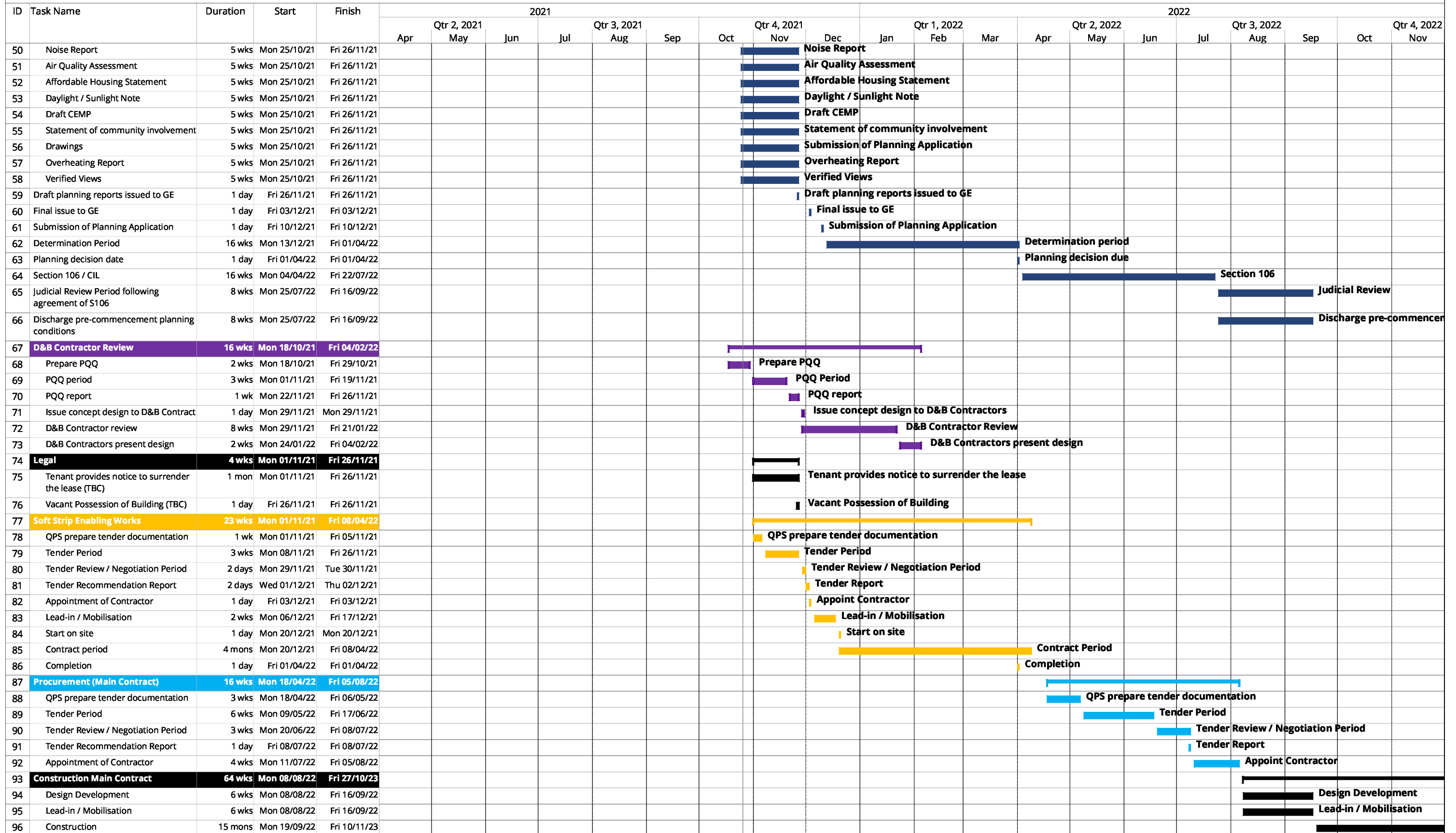
	GROSS INTERNAL AREA (GIA)												
Level Unit	Bsmt m ²	Grd m ²	1 m ²	2 m ²	3 m ²	4 m ²	5 m ²	6 m ²	7 m ²	8 m ²	9 m ²	Roof m ⁷	Total Area m ²
Existing building	860	729	692	692	692	692	692	681	613	496	64	0	6,903
Horizontal extension													0
Vertical extension													0
TOTAL Existing GIA	860	729	692	692	692	692	692	681	613	496	64	0	6,903
Office	175	267	443	716	736	736	736	729	667	429	0	0	5,634
Residential		150	179										329
Reception													
Core & Corridors	505	373	170	140	120	120	120	117	119	100	50	0	1,934
Storage/Cycles													
Plant													
TOTAL GIA	680	790	792	856	856	856	856	846	786	529	50	0	7,897

Appendix 3 - Proposed Scheme Development Programme

OPTION 3B.4



OPTION 3B.4



Appendix 4 - Proposed Scheme Construction Costs



STAGE 2 COST PLAN - OPTION 3B-
4 UPDATE

TAVIS HOUSE, 1-6 TAVISTOCK
SQUARE, LONDON

FOR

H.I.G CAPITAL INTERNATIONAL
ADVISORS LLP

Prepared and issued by

Quartz Project Services Limited
34 Dover Street
LONDON
W1S 4NG

Dec-21



TAVIS HOUSE, 1-6 TAVISTOCK SQUARE, LONDON STAGE 2 COST PLAN - OPTION 3B-4 UPDATE

ISSUE HISTORY

Version	Date Issued	Author	Check By
V1	05 October 2021		B. Erfani
V2	05 October 2021		B. Erfani
V1	10 October 2021		B. Erfani
V2	14 October 2021		B. Erfani
V3	02 December 2021	A. Francis	B. Erfani

DISTRIBUTION

Version	Date Issued	Status	Issued to
V1	05 October 2021		JH/ORMS
V2	05 October 2021		JH/ORMS
V1	10 October 2021		JH
V2	14 October 2021		JH
V3	02 December 2021		HIG



TAVIS HOUSE, 1-6 TAVISTOCK SQUARE, LONDON

STAGE 2 COST PLAN - OPTION 3B-4 UPDATE

Section **Contents**

- 1.0 Introduction
- 2.0 Notes and Qualifications
- 3.0 Elemental Summary
- 4.0 Detailed Elemental Costing

Appendix 1

Area Schedule

Appendix 2

MEP Breakdown



TAVIS HOUSE, 1-6 TAVISTOCK SQUARE, LONDON STAGE 2 COST PLAN - OPTION 3B-4 UPDATE

SECTION 1.0 - INTRODUCTION

1 This report has been prepared at the request of H.I.G Capital International Advisors LLP to provide an indicative order of cost estimate for Tavis House, 1-6 Tavistock Square, Bloomsbury, London WC1H 9NA. It sets out to establish the cost based upon the anticipated size, preliminaries schedule and programme duration, utilizing all relevant information available from the design team at the date of publication.

This report is an update to the Stage 2 Cost Plan (Pre-App 02) to reflect the Option 3B- 4 issued by ORM's. Very limited design information has been provided so a number of assumptions have been made in assessing the likely reduction in substructure, frame costs etc. Therefore, this report should be treated as an Order of Cost and validated during the design process.

2 The Stage 2 re-design comprises a 8 storey horizontal extension from ground level to level 8, Roof and terrace landscaping, high quality CAT A refurbishment of existing 8 storey office block and including works to existing basement and associate external works. Total gross internal area is 7,897sq.m/85,003 sq.ft

3 The proposed development generally comprises the following works:-

Works to existing building	Remove part of existing external walls, maintenance, repair and redecoration of existing building, alteration to the entrance and reception, creation of new workspace and amenity areas to basement. Demolition and repositioning of the of the core
Building works	Horizontal extension including frame & upper floors, roof, external walls, external doors & windows, internal walls & partitions, internal doors, internal finishes, FF&E, sanitary installations and mechanical & electrical services. High quality CAT A refurbishment to existing building with structural alteration, new staircase, new lift lobbies, full MEP replacement.
External works	Minor works have been allowed for external works comprising planting to lightwells and rear reception and new paving to rear.

4 The estimated costs have been assessed using approximate quantities and appropriate rates applied to these quantities. Where quantification of a works item has not been possible then a notional lump sum has been included which will require verification once design information is made available.

5 Attention is drawn to the notes contained in Section 2.0 of this document which details the assumptions made in preparing this report together with a list of general exclusions. Inspection of the analyses included within Section 3.0 of this report provides details of the specific criteria utilised in generating this Indicative Order of Cost and the team members are urged to examine this data in order to satisfy themselves as to its validity and appropriateness.



TAVIS HOUSE, 1-6 TAVISTOCK SQUARE, LONDON STAGE 2 COST PLAN - OPTION 3B-4 UPDATE

SECTION 2.0 - NOTES AND QUALIFICATIONS

2.1 This Stage 2 Cost Plan has been based on the information as follows:-

- ORMS
- TAH-ORM-ZZ-00-DR-A-07000-P06 - Proposed General Arrangement Ground
- TAH-ORM-ZZ-00-DR-A-07004-P03- Proposed General Arrangement Typical
- TAH-ORM-ZZ-08-DR-A-15001-P02- Proposed Typical Core Plan
- TAH-ORM-ZZ-08-DR-A-07008-P06- Proposed General Arrangement Eighth Floor
- TAH-ORM-ZZ-08-DR-A-15001-P02- Proposed Core Eighth Floor
- TAH-ORM-ZZ-09-DR-A-07009-P06- Proposed General Arrangement Ninth
- TAH-ORM-ZZ-09-DR-A-15002-P02- Proposed Core Ninth Floor Core Plan
- TAH-ORM-ZZ-B1-DR-A-07099-P06- Proposed General Arrangement Basement
- TAH-ORM-ZZ-RF-DR-A-07010-P05- Proposed General Arrangement Roof
- TAH-ORM-XX-XX-PP-A-12001-P04-Stage 2 - Reception Options
- TAH-ORM-XX-XX-RP-A-12006-P01-Stage 2 - Main Entrance Options
- TAH-ORM-XX-XX-PP-A-12010-P01-Stage 2 - Visuals Costing Report
- Stage 2 Re-design Report, 15th September 2021
- ORM's Work In Progress Scheme 3B-3, 1 October 2021
- ORM's Work in Progress Scheme 3B-4, 8 October 2021

- Elliot Wood Stage 2 Report dated 2200531-EWP-ZZ-XX-RP-S-0002

- Hoare Lea
- MEP Engineering Stage 2 Report - 20210730 and associated drawings.
- Acoustic Stage 2 Report - 20210730
- Stage 2 Fire Strategy - 20210727
- Stage 2 Vertical Transport Report - 20210730



TAVIS HOUSE, 1-6 TAVISTOCK SQUARE, LONDON STAGE 2 COST PLAN - OPTION 3B-4 UPDATE

SECTION 2.0 - NOTES AND QUALIFICATIONS

- 2.2 The total cost identified within Section 2 has been generated as if the proposed works will be subject to a competitive tender action and will be let on the basis of a design and build contract (JCT 2016).
- 2.3 This estimate is based on Q3 2021 price levels.
- 2.4 The costs include a provisional allowance for achieving BREEAM excellent, NZC, NABERS, WELL & Airspace which will need to be validated as the design progresses.
- 2.5 Preliminaries have been included at 17% and main contractors overheads and profit at 6%. We consider this to be consistent with the scope of works, forecast market conditions and the selected method of procurement.
- 2.6 We have included a 5% design risk contingency
- 2.7 The following costs are excluded from this Cost Plan .
 - 2.7.1 VAT, Legal Fees, Marketing Costs, Finance and the like
 - 2.7.2 Site investigation and survey fees.
 - 2.7.3 Increased tender and building cost allowance.
 - 2.7.4 Section 106, 38, 278 and any other statutory agreements
 - 2.7.5 All design fees
 - 2.7.6 Temporary diversion works or permanent re-routing of any below ground services or utilities
 - 2.7.7 Tenants Standby generation, associated flue and any UPS. Landlord life safety generator allowed
 - 2.7.8 Removal of any below ground obstructions, abnormal foundations and any form of contamination
 - 2.7.9 Location and removal of unexploded ordnance
 - 2.7.10 Furniture, all loose fittings & all FF&E
 - 2.7.11 Condition survey or structural survey
 - 2.7.12 Mansafe/fall arrest system
 - 2.7.13 Cathodic protection works to existing structure. £33,750 provisional sum for minor repairs allowed.



TAVIS HOUSE, 1-6 TAVISTOCK SQUARE, LONDON

STAGE 2 COST PLAN - OPTION 3B-4 UPDATE

SECTION 3.0 - ELEMENTAL SUMMARY

GROSS INTERNAL AREA (GIA)			m ² 7,897	ft ² 85,003	
		Total Cost (£)	£/m ²	£ / ft ²	%
0	Facilitating Works	928,620	117.59	10.92	3.70%
0.1	Toxic/Hazardous material removal	0	-	-	-
0.2	Major demolition works	928,620	117.59	10.92	3.70%
1	Substructure	898,676	113.80	10.58	3.58%
1.1	Piling	426,364	53.99	5.02	1.70%
1.2	Substructure	472,312	59.81	5.56	1.88%
2	Superstructure	6,314,139	799.57	74.27	25.18%
2.1	Frame	1,545,662	195.73	18.18	6.16%
2.2	Upper Floors	552,521	69.97	6.50	2.20%
2.3	Roof	553,972	70.15	6.52	2.21%
2.4	Stairs and ramps	274,050	34.70	3.22	1.09%
2.5	External Walls and Doors	2,271,646	287.66	26.72	9.06%
2.6	Windows & External Doors	incl in 2.5	0.00	0.00	0.00%
2.7	Internal Walls & Partitions	640,818	81.15	7.54	2.56%
2.8	Internal Doors	475,470	60.21	5.59	1.90%
3	Internal Finishes	906,953	114.85	10.67	3.62%
3.1	Wall Finishes	408,335	51.71	4.80	1.63%
3.2	Floor Finishes	273,781	34.67	3.22	1.09%
3.3	Ceiling Finishes	224,837	28.47	2.65	0.90%
4	Fittings & Furnishings	305,938	38.74	3.60	1.22%
4.1	General fittings, furnishings and equipment	305,938	38.74	3.60	1.22%
5	Services (Shell & Core)	4,435,709	561.70	52.18	17.69%
5.1	Shell and Core Mechanical & Electrical Services	4,435,709	561.70	52.18	17.69%
6	Cat A Fit Out to Office Areas	4,607,334	583.43	54.20	18.37%
6.1	Category A Fit Out to Office Areas	4,607,334	583.43	54.20	18.37%
7	External Works	447,150	56.62	5.26	1.78%
7.1	External Works	447,150	56.62	5.26	1.78%
8	Sustainability Measures	415,000	52.55	4.88	1.65%
8.1	Allowance for Sustainability Measures	415,000	52.55	4.88	1.65%
SUB-TOTAL: FACILITATING AND BUILDING WORKS		19,259,519	2,439	227	77%
9	Main Contractors Preliminaries and OH&P	5,820,419	737.04	68.48	23.20%
9.1	Preliminaries17.00%	3,274,118	414.60	38.52	13.05%
9.2	Overheads & Profit6.00%	1,352,018	171.21	15.91	5.39%
9.3	Main Contractor's Risk5.00%	1,194,283	151.23	14.05	4.76%
TOTAL: BUILDING WORKS ESTIMATE		25,079,938	3,176	295	100%
10	Inflation	0	0.00	0.00	0.00%
10.1	Inflation to start on site and during construction	excluded	-	-	-
TOTAL: BUILDING WORKS ESTIMATE		25,079,938	3,176	295.0	100.00%



TAVIS HOUSE, 1-6 TAVISTOCK SQUARE, LONDON STAGE 2 COST PLAN - OPTION 3B-4 UPDATE

SECTION 4.0 - DETAILED ELEMENTAL COSTING

ITEM	QUANTITY	UNIT	RATE	£
0 FACILITATING WORKS				
0.1 Toxic/hazardous/contaminated material treatment				
<u>Toxic/Hazardous material removal</u>				
a Removal of all asbestos - assumed no asbestos				
0.2 Major demolition works				
<u>Demolition Works</u>				
a Soft Strip-out and disposal	6,878	m2	67.50	196,076.00
b Demolish and dispose of existing external wall to rear elevation; including all associated temporary propping and making good.	1,270	m2	168.75	214,312.50
c Cut openings in existing gable end wall for new windows; including all associated temporary propping and making good.	97	m2	202.50	19,642.50
d Demolish and dispose of existing internal walls to basement, including all associated temporary propping and making good.	868	m2	168.75	146,475.00
e Demolish and dispose of existing floor slabs as per ORM's demolition GA's, including all associated temporary propping and making good.	919	m2	236.25	217,114.00
f Allowance for all temporary works, supports, propping etc.	1	item	67,500.00	67,500.00
g Allowance for minor repairs to existing windows	1	PS	33,750.00	33,750.00
h Allowance for minor repointing and repairs to façade	1	PS	33,750.00	33,750.00
i Allowance for remedial works to Vaults - not required	1	PS		
TOTAL WORKS TO EXISTING BUILDINGS				928,620.00



TAVIS HOUSE, 1-6 TAVISTOCK SQUARE, LONDON STAGE 2 COST PLAN - OPTION 3B-4 UPDATE

SECTION 4.0 - DETAILED ELEMENTAL COSTING

ITEM	QUANTITY	UNIT	RATE	£
SHELL AND CORE WORKS				
<u>Piling</u>				
a Piling mat; including disposal upon completion	1	item	13,500.00	13,500.00
b Mobilisation / Site set-up	1	item	13,500.00	13,500.00
c Set-up pile locations	81	nr	67.50	5,468.00
d Pile probing	81	nr	74.25	6,014.00
e 600 dia piles, 20m from underside of raft slab/pile cap	81	nr	3,780.00	306,180.00
f Integrity testing	81	nr	27.00	2,187.00
g Load testing	1	item	6,750.00	6,750.00
h Disposal of excavated material; assumed non-hazardous	458	m3	135.00	61,830.00
i Cutting off tops of piles; 600mm diameter	81	nr	135.00	10,935.00
				426,364.00

1.2 Substructure

a Basement excavation for new piled raft below new cores,	247	m3	67.50	16,673.00
b Excavate for lift pits	30	m3	67.50	2,025.00
c Excavate to form localised pile caps	105	m3	202.50	21,263.00
d Extra over for removal of obstructions/coring - risk allowance	1	PS	13,500.00	13,500.00
e Allowance for crane base	1	item	6,750.00	6,750.00
f Sumps, allowance for 2nr	2	nr	3,375.00	6,750.00
g Working space allowance to excavations	100	m2	27.00	2,700.00
h Earthwork support	100	m2	202.50	20,250.00



TAVIS HOUSE, 1-6 TAVISTOCK SQUARE, LONDON STAGE 2 COST PLAN - OPTION 3B-4 UPDATE

SECTION 4.0 - DETAILED ELEMENTAL COSTING

ITEM	QUANTITY	UNIT	RATE	£
i Disposal of excavated material off-site, assumed non-hazardous	382	m3	135.00	51,570.00
j Allowance for disposal of ground water & surface water	1	item	6,750.00	6,750.00
k Allowance for 2000m deep reinforced concrete raft foundation to main core; and external core reinforcement @ 190kg/m3	247	m3	648.00	160,056.00
l Reinforced insitu concrete lift pits	2	nr	8,100.00	16,200.00
m Reinforced insitu concrete pile caps; reinforcement @ 190kg/m3	105	m3	648.00	68,040.00
n Reinforced insitu concrete core walls; basement to ground; 250mm thick; reinforcement rate of 110kg/m3	60	m2	249.75	14,985.00
o Allowance for drainage system/waterproofing and making good to basement wall	300	m2	135.00	40,500.00
p Allowance for making good existing floor - scope to be determined. Screed allowed	600	m2	40.50	24,300.00
				472,312

2.1 **Frame**

a Structural Steel frame, including all fittings at 10%	240	t	4,050.00	972,000
b Target reduction for lightweight structure to Level 8 covered walkway	1	item	-54,000.00	-54,000
c Fire Protection; 90mins - boarded.	240	t	675.00	162,000
d Reinforced insitu concrete core walls; ground to roof floor; 250mm thick; reinforcement rate of 110kg/m3	1,031	m2	249.75	257,492
e Extra over for forming openings within concrete core walls	24	nr	337.50	8,100
f Concrete fin walls to support external staircase	297	m2	405.00	120,285



TAVIS HOUSE, 1-6 TAVISTOCK SQUARE, LONDON STAGE 2 COST PLAN - OPTION 3B-4 UPDATE

SECTION 4.0 - DETAILED ELEMENTAL COSTING

ITEM	QUANTITY	UNIT	RATE	£
g Reinforced insitu concrete floor slab to core; ground to ninth floor; 200mm thick; reinforcement rate of 120kg/m3	220	m2	243.00	53,460
h Reinforced insitu concrete downstand beam to core, ground to ninth floor,	30	m	405.00	12,150
i Stub connections to existing frame	30	nr	472.50	14,175
				1,545,662

2.2 Upper Floors

a Reinforced insitu concrete suspended floor slab; ground floor; 275mm thick; reinforcement rate of 120kg/m3	155	m2	297.00	46,035
b Extra over allowance for tying into existing	240	m	101.25	24,300
c Steel decking and concrete floor slab	2,041	m2	236.25	482,186
				552,521

2.3 Roof

a Comflor60 150mm RC to roof	155	m2	270.00	41,850
b Allowance for waterproofing and insulation to roof	661	m2	236.25	156,161
c Allowance for waterproofing and insulation to eighth floor terrace	141	m2	236.25	33,311
d Hard landscaping to 8th floor terrace and roof	618	m2	270.00	166,860
e Metal Balustrade to roof terraces	128	m	742.50	95,040
f Pergola roof structure - omitted 06/10/21	55	m2	1,012.50	
g Allowance for raised planters/fixed seating; including plants	6	nr	6,750.00	40,500
h Allowance for bar/kitchenette area	1	PS	20,250.00	20,250
				553,972



TAVIS HOUSE, 1-6 TAVISTOCK SQUARE, LONDON

STAGE 2 COST PLAN - OPTION 3B-4 UPDATE

SECTION 4.0 - DETAILED ELEMENTAL COSTING

ITEM	QUANTITY	UNIT	RATE	£
2.4 Stairs and Balustrades				
a Refurbish existing retained staircase; including new flight from basement and flight to roof	10	nr	10,125.00	101,250
b New steel/concrete stair with half landing and balustrade; ground to roof.	9	nr	16,200.00	145,800
d New staircase to basement cycle area	1	nr	13,500.00	13,500
e Sundry metalwork/staircases to basement and roof plant areas	1	item	13,500.00	13,500
				274,050

2.5 External Walls and Doors

a Brick Supply and install (Based upon PC Rate of £2,700/1000).	1,236	m2	540.00	667,440
b SFS/PC Concrete Support System	363	m2	540.00	196,020
c Extra over for brick reveals/columns	450	m	405.00	incl above
d Double glazed units	470	m2	1,012.50	475,875
e Extra over for sliding doors to Juliet balconies - omitted 06/10/21	21	nr	6,750.00	
f Spandrel/ventilation panels	81	m2	675.00	54,675
g Rear Reception Revolving Door	1	nr	33,750.00	33,750
h Rear Reception ground floor brickwork	65	m2	1,147.50	74,588
i Double doors to rear entrance	2	nr	6,750.00	13,500
j Allowance for soffit treatment to rear reception	75	m2	405.00	30,375
k Allowance for interface with existing facades.	60	m	270.00	16,200
l New gable end windows to East Elevation; formation of openings and access measured elsewhere.	97	m2	1,012.50	98,213



TAVIS HOUSE, 1-6 TAVISTOCK SQUARE, LONDON STAGE 2 COST PLAN - OPTION 3B-4 UPDATE

SECTION 4.0 - DETAILED ELEMENTAL COSTING

ITEM	QUANTITY	UNIT	RATE	£
m Stone parapet to level 8	120	m	540.00	64,800
n New reception entrance door	1	nr	54,000.00	54,000
o New reception entrance glazing/ part curved	120	m2	1,485.00	178,200
p New stone columns and soffit to form reception picture frame detail; including sub-frame	90	m2	945.00	85,050
q New entrance door and surround to Tavistock Place office entrance	1	item	8,100.00	8,100
r Metal balustrades to juliet balconies - omitted 06/10/21	63	m	742.50	
s External door to external secondary stair	8	nr	4,725.00	37,800
t External door to 8th floor terrace and balconies	8	nr	4,725.00	37,800
u Allowance for new curved balconies (level 2-7)	6	nr	16,875.00	101,250
Other				
v Visual Mock Up/Performance Mock ups and tests	1	item	6,750.00	6,750
w Screening to external plant area	55	m2	270.00	14,850
x Brick cladding to roof core area	180	m2	742.50	133,650
y External single doors to roof terrace area	2	nr	4,725.00	9,450
z Glazed sliding screens to roof terrace lift lobby	2	nr	6,750.00	13,500
aa New windows to basement lightwells	5	nr	4,050.00	20,250
ab Allowance for painting/tinting to east bookend elevation. Scaffolding/access included in Preliminaries	140	m2	54.00	7,560
ac Target VE saving for External Facades - subject to market testing feedback				-162,000
				2,271,646



TAVIS HOUSE, 1-6 TAVISTOCK SQUARE, LONDON STAGE 2 COST PLAN - OPTION 3B-4 UPDATE

SECTION 4.0 - DETAILED ELEMENTAL COSTING

ITEM	QUANTITY	UNIT	RATE	£
2.7 Internal Walls and Partitions				
a Blockwork walls; including all associated tying in with existing walls, fixtures & fittings - basement/ground floor	265	m2	243.00	64,395
b Moisture resistant partition walls; plaster skim finish; including all associated tying in with existing walls, insulation, tee junctions, angles, fixtures & fittings	204	m2	121.50	24,786
c Metal stud partitions to core areas; 90 min fire rating	2,268	m2	121.50	275,562
d Toilet Cubicles/linings to walls.	66	nr	2,700.00	178,200
e Glazed fire rated partitions to first floor atrium	45	m2	2,025.00	91,125
f Feature curved glazed screen to atrium lift lobby	1	item	6,750.00	6,750
				640,818
2.8 Internal Doors				
a Metal Plant room doors - double	6	nr	3,375.00	20,250
b Single Timber Doors	51	nr	1,890.00	96,390
c Double Internal Doors	4	nr	2,970.00	11,880
d Toilet Cubicle Door	66	nr	1,620.00	106,920
e Shower Doors	10	nr	810.00	8,100
f Shower cubicles	10	nr	2,025.00	20,250
g Riser Doors - single	40	nr	1,080.00	43,200
h Riser Doors - double	32	nr	1,890.00	60,480
i Glazed screens and sliding doors to lift lobbies	16	nr	6,750.00	108,000
				475,470



TAVIS HOUSE, 1-6 TAVISTOCK SQUARE, LONDON STAGE 2 COST PLAN - OPTION 3B-4 UPDATE

SECTION 4.0 - DETAILED ELEMENTAL COSTING

ITEM	QUANTITY	UNIT	RATE	£
3 INTERNAL FINISHES				
3.1 Wall Finishes				
a Paint to blockwork walls - basement	521	m2	13.50	7,034
b Reception Wall Finish - assumed stone cladding	190	m2	540.00	102,600
c Lift Lobby Wall Finish - assumed stone cladding, 1st to 8th floor	152	m2	405.00	61,560



TAVIS HOUSE, 1-6 TAVISTOCK SQUARE, LONDON STAGE 2 COST PLAN - OPTION 3B-4 UPDATE

SECTION 4.0 - DETAILED ELEMENTAL COSTING

ITEM	QUANTITY	UNIT	RATE	£
d Extra over for bespoke lift architraves to ground/level 1	6	nr	2,025.00	12,150
e Plasterboard, skim and paint to external face of core	976	m2	81.00	79,056
f Skirting to outside face of core	504	m	40.50	20,412
g Tiling to shower/locker/drying rooms/Accessible WCs, back face of wc's	453	m2	243.00	110,079
h Plasterboard, skim and paint to back of house areas - building manager room, post room, comms room, circulation areas	143	m2	108.00	15,444
				408,335

3.2 Floor Finishes

a Epoxy resin to plant room floor, bin store and cycle store	322	m2	94.50	30,429
b Porcelain tiles to shower, locker and drying rooms	117	m2	202.50	23,693
c Rubber flooring to circulation areas	60	m2	74.25	4,455
d Rubber flooring to staircases	162	m2	74.25	12,029
e Lift lobby flooring - assumed stone; including screed	274	m2	472.50	129,465
f Tile flooring to toilets and core circulation areas; including screed	273	m2	270.00	73,710
				273,781

3.3 Ceiling Finishes

a Plasterboard to lift lobby ceilings	274	m2	270.00	73,980
b Allowance for smoke curtains to lift lobbies - extent to be defined	8	nr	6,750.00	54,000
b Plasterboard, skim and paint staircase soffits.	162	m2	87.75	14,216
c Moisture resistant plasterboard ceilings to showers, lockers and drying rooms	117	m2	108.00	12,636
d Plasterboard ceilings to WC's, circulation areas, back of house areas	387	m2	101.25	39,184



TAVIS HOUSE, 1-6 TAVISTOCK SQUARE, LONDON STAGE 2 COST PLAN - OPTION 3B-4 UPDATE

SECTION 4.0 - DETAILED ELEMENTAL COSTING

ITEM	QUANTITY	UNIT	RATE	£
e Painted ceiling to plant areas	322	m2	20.25	6,521
f Allowance for soffit treatment to 8th floor terrace set back	72	m2	337.50	24,300

224,837

4.0 Furniture and Fittings

a Vanity unit to WC's/Shower Room	66	nr	1,485.00	98,010.00
b Mirrors to toilets	66	nr	135.00	8,910.00
c Mirrors to shower room	1	item	2,700.00	2,700.00
d Toilet brush sets	66	nr	67.50	4,455.00
e Toilet roll holders	66	nr	67.50	4,455.00
f Soap dispensers	66	nr	114.75	7,574.00
g Waste bins	66	nr	94.50	6,237.00
h Coat hooks	66	nr	47.25	3,119.00
i Stainless steel handrails and back rest; to accessible WCs	10	nr	1,350.00	13,500.00
j Grab rails; to accessible WCs	10	nr	included above	
k Soap dispenser; to accessible WCs	10	nr	135.00	1,350.00
l External & Internal Signage	1	item	13,500.00	13,500.00
m Bike racks	114	nr	405.00	46,170.00
n Reception Desk	1	nr	54,000.00	54,000.00
o Bespoke veil feature to reception	1	PS	6,750.00	6,750.00
p Lockers	134	nr	162.00	21,708.00
q Drying racks	1	item	6,750.00	6,750.00
r Seating to shower area	1	item	6,750.00	6,750.00

305,938



TAVIS HOUSE, 1-6 TAVISTOCK SQUARE, LONDON
STAGE 2 COST PLAN - OPTION 3B-4 UPDATE

SECTION 4.0 - DETAILED ELEMENTAL COSTING

ITEM	QUANTITY	UNIT	RATE	£
5.0 Services - Shell and Core				
a MEP Services to Shell and Core - see Appendix 2 for detail	7,897	m2	580.50	4,584,209.00
b Target MEP VE Saving	1	item	-162,000.00	-162,000.00
c Provisional Sum for Specialist lighting to reception	1	PS	13,500.00	13,500.00
				4,435,709
6.0 Office Cat A Refurbishment/Fit Out				
a Raised floor, 150mm, including sealer.	6,144	m2	60.75	373,248.00
b Allowance for repairs to existing ceiling/new coffer ceilings	6,144	m2	108.00	663,552.00
c Allowance for repairs/making good and decoration to perimeter walls	2,466	m2	81.00	199,746.00
d Allowance for repairs/making good to existing internal columns	80	nr	675.00	54,000.00
e MEP Services to Cat A Areas - see Appendix 2 for detail	6,144	m2	533.25	3,276,288.00
f Bespoke casings to FCU's	1	PS	33,750.00	33,750.00
g Allowance for signage	1	item	6,750.00	6,750.00
				4,607,334
SHELL AND CORE/CATEGORY A WORKS				17,468,749.00



TAVIS HOUSE, 1-6 TAVISTOCK SQUARE, LONDON
STAGE 2 COST PLAN - OPTION 3B-4 UPDATE

SECTION 4.0 - DETAILED ELEMENTAL COSTING

ITEM	QUANTITY	UNIT	RATE	£
7 EXTERNAL WORKS				
7.1 Site Preparation Works				
a General site clearance - included elsewhere	1	item		
7.2 Roads, Paths, Pavings and Surfacing				
a Allowance for hard land landscaping to rear entrance	450	m2	405.00	182,250
v Replace existing pavement				Excluded
				182,250
7.3 Soft Landscaping, Planting and Irrigation Systems				
a Allowance for Planting to external lightwells and east elevation courtyard				30,000
				30,000
7.4 Fencing, Railings and Walls				
a Allowance for redecorate existing fencing, railing and walls	1	PS	4,050.00	4,050
				4,050
7.5 External Fixtures				
a Replace existing bicycle racks	1	item	1,350.00	1,350
b Allowance for other fixtures	1	PS	6,750.00	6,750
				8,100
7.6 External Drainage				
a Allowance for upgrade existing Surface Water and Foul Water Drainage				Excluded
7.7 External Services				
a UKPN Substation	1	PS	148,500.00	148,500
b New substation enclosure - GRP	1	PS	54,000.00	54,000
c Allowance for bin store	1	item	6,750.00	6,750
c External lighting to building	1			incl in MEP
				209,250
7.8 Others				
a Allowance for redecorating existing lightwells	1	PS	13,500.00	13,500.00
b Diversion of existing services - assumed not required				Excluded
				13,500
				TOTAL EXTERNAL WORKS 447,150.00



TAVIS HOUSE, 1-6 TAVISTOCK SQUARE, LONDON
STAGE 2 COST PLAN - OPTION 3B-4 UPDATE

APPENDIX 1 - AREA SCHEDULE

Level	Net Internal Area			Reception and Lift Lobbies	Circulation	Staircases	Lifts	Plant	Cycle Storage /BOH	WC/ Showers	Structure /Risers	Total Gross Internal Area	Net:Gross Efficiency
	Office m ²	Aff. Office m ²	Total NIA m ²										
Unit	m ²	m ²	m ²	m ²	m ²	m ²	m ²	m ²	m ²	m ²	m ²	m ²	%
Basement	205		205									680	30%
Ground	497		497									790	63%
Level 1	673		673									786	86%
Level 2	736		736									850	87%
Level 3	736		736									850	87%
Level 4	736		736									850	87%
Level 5	736		736									850	87%
Level 6	729		729									840	87%
Level 7	667		667									780	86%
Level 8	429		429									571	75%
Roof			0									50	0%
TOTAL m²	6,144	0	6,144	0	0	0	0	0	0	0	0	7,897	78%
TOTAL ft²	66,133	0	66,133	0	0	0	0	0	0	0	0	85,003	78%



TAVIS HOUSE

MEP COST PLAN NO. 001 (DRAFT)

APPENDIX 2 - MEP BREAKDOWN

ITEM	QUANTITY	UNIT	RATE	£
5 SERVICES				
5.1 Sanitary Installations				
5.1.1 Sanitary Appliances				
Sanitary Appliances, complete	7,900	m2	5.00	
Testing & Commissioning	1	%		
Sanitary Appliances, enumerated				
1 WC pans and cisterns, WC suites, slop hoppers, urinals and cisterns.	38	nr	550.00	20,900
2 Sinks, including sinks not supplied as part of the kitchen fitting installation and catering sinks not supplied as part of the catering equipment installation.	2	nr	650.00	1,300
3 Wash basins, hand rinse basins, wash fountains.	50	nr	350.00	17,500
4 Bidets.	1	nr		
5 Baths, including bath panels and trims.	1	nr		
6 Shower trays	10	nr	400.00	4,000
7 Shower units, including shower heads and hose.	10	nr	400.00	4,000
8 Shower booster pumps.	10	nr	250.00	2,500
9 Shower valves	10	nr	150.00	1,500
10 Drinking fountains.	1	nr		
11 Taps, including mixer taps, and waste outlet fittings to the appliances.	10	nr	275.00	2,750
12 Testing & Commissioning	1	%	1,361.25	1,361
5.1.2 Sanitary Ancillaries				
Sanitary Appliances, complete	7,900	m2	2.50	
Sanitary Appliances, enumerated				
1 Shower cubicles, including shower curtains and rails	10	nr	550.00	5,500
2 Bath/shower curtain rails, screens and the like	10	nr	250.00	2,500
3 Grab/support rails (DOC M PACK)		nr		
4 Towel rails and holders not connecting to a heating or hot water supply installation		nr		
5 Hand dryers, including final connection to services.	79	nr	650.00	51,350
				115,161



TAVIS HOUSE MEP COST PLAN NO. 001 (DRAFT)

APPENDIX 2 - MEP BREAKDOWN

ITEM	QUANTITY	UNIT	RATE	£
5.2 Mechanical & Electrical Services				
5.2.1 Services Equipment				
Services Equipment, complete		m2		
Testing and commissioning		%		
5.3.1 Disposal Installations				
Foul Drainage above ground				
Foul drainage above ground, complete	7,900	m2	22.00	173,800
Testing and commissioning	1	%	4,345.00	4,345
				178,145
Water Installations				
Water Installations, Complete	7,900	m2	22.00	173,800
Testing and commissioning	1	%	4,345.00	4,345
				178,145
Heat Source				
5.5.1 Heat Source, complete	7,900	m2	7.79	61,541
Testing and commissioning	1	nr	1,538.53	1,539
1 Heat pumps (including domestic air to water heat pumps).	2	nr	45,000.00	90,000
2 Water or steam mains, pumps, valves and other equipment from district heating systems	1	nr	20,000.00	20,000
3 Step down/non-storage calorifiers connected to external heat source	2	nr	5,000.00	10,000
4 Water tanks (i.e. header tanks), and cold water distribution to heat source	1	nr	12,500.00	12,500
5 Vibration isolation mountings	1	nr	1,000.00	1,000
6 Testing & Commissioning	1	%	3,400.00	3,400
				202,480



TAVIS HOUSE MEP COST PLAN NO. 001 (DRAFT)

APPENDIX 2 - MEP BREAKDOWN

ITEM	QUANTITY	UNIT	RATE	£
Space Heating & Air Conditioning				
5.6.5 Central Heating and Cooling				
Central heating and cooling, complete	7,400	m2	141.60	1,047,840
Testing and commissioning	1	%	26,196.00	26,196
1 Valves	1	nr	25,000.00	
2 Pumps	1	nr	12,500.00	
3 Distribution ductwork and ductwork fittings and ancillaries, e.g. supports, hangars, access openings and dampers (control, fire and smoke).	1	nr	85,000.00	
4 Grilles, fans filters and other ancillary components of central heating and cooling systems	1	%	25,000.00	
5 Air handling units (AHUs)	17	nr	13,500.00	
6 Emission equipment, including fan coil units and the like	140	nr	750.00	
7 Vibration and isolation mountings		nr		
8 Instrumentation and control components to central heating and cooling systems	1	nr	12,500.00	
9 Thermal insulation	1	nr	10,000.00	
Local heating and cooling system, enumerated				
1 Local heating and cooling units, including those with remote condensers	9	nr	22,500.00	
2 Distribution pipelines and pipeline fittings	1	nr	150,000.00	
3 Valves.	1	nr	20,000.00	
4 Pumps	1	nr	15,000.00	
Instrumentation and control components to local heating and cooling systems.	1	nr	15,000.00	
6 Thermal insulation	1	nr	25,000.00	
7 Sundry items	1	nr	10,000.00	
8 Testing and commissioning	1	%		
				1,074,036
Ventilation System				
5.7.1 Central Ventilation Systems				
Central Ventilation Systems, complete	7,900	m2	80.20	633,580
Testing and commissioning	1	%	15,839.50	15,840
				649,420
Electrical Installations				
5.8.1 Electrical Mains and Sub-Mains Distribution				
Electrical Mains and Sub-Mains Distribution, complete	7,900	m2	190.12	1,501,948
Testing and commissioning	1	%	37,548.70	37,549
				1,539,497
Gas & Other Fuel Installations				
5.9.1 Fuel Storage				
Fuel Storage, complete		nr		
Testing and commissioning		%		



TAVIS HOUSE MEP COST PLAN NO. 001 (DRAFT)

APPENDIX 2 - MEP BREAKDOWN

ITEM	QUANTITY	UNIT	RATE	£
<u>Lift & Conveyor Installations</u>				
5.10.1 Lifts and Enclosed Hoists				
Lifts, enumerated		nr		
1 Complete lift installation, including lift cars, doors	3	nr	112,500.00	337,500
2 Fire fighting lifts / Platform Lifts	1	nr	112,500.00	112,500
7 Testing and commissioning	1	%	11,250.00	11,250
				461,250
<u>Fire & Lightning Installations</u>				
5.11.1 Fire Fighting Systems				
Fire fighting systems, complete	7,900	m2	31.02	exc.
Testing and commissioning	1	%		
Fire fighting systems, enumerated				
2 Dry risers, including inlet breechings, inlet boxes, landing valves, outlet boxes and drain valves.	1	nr	12,500.00	12,500
9 Testing and commissioning	1	%	312.50	313
5.11.3 Lightning Protection				
Lightning protection systems, complete	7,900	m2	1.50	11,850
Testing and commissioning	1	%	296.25	296
				24,959
<u>Communication, Security & Control Systems</u>				
5.12.1 Communication Systems				
Communication systems, complete	7,900	m2	67.00	529,300
Testing and commissioning	1	%	13,232.50	13,233
				542,533
<u>BWIC with Services</u>				
Builder's work in connection with services				
Builder's work in connection with service, complete	1	m2	124,140.65	124,141
				124,141
<u>MEP Contractors Prelims</u>				
MEP Contractors Prelims				
MEP Contractors Prelims, complete	7,900	m2	95.00	750,500
				750,500
TOTAL BUILDING COST £				5,840,267

Appendix 5 - Proposed Scheme ARGUS Appraisal Summary

Application scheme

Tavis House
1-6 Tavistock Square
London

Application scheme
On Behalf of Tempus Realty Holdings 1 (Jersey) Ltd
Appraisal Summary for Phase 1
Currency in £
REVENUE
Rental Area Summary

	Units	ft ²	Rent Rate ft ²	Initial MRV/Unit	Net Rent at Sale	Initial MRV
Eighth Floor	1	4,618	75.00	346,350	346,350	346,350
Seventh Floor	1	7,180	72.50	520,550	520,550	520,550
Sixth Floor	1	7,847	72.50	568,908	568,908	568,908
Fifth Floor	1	7,922	70.00	554,540	554,540	554,540
Fourth Floor	1	7,922	70.00	554,540	554,540	554,540
Third Floor	1	7,922	65.00	514,930	514,930	514,930
Second Floor	1	7,922	65.00	514,930	514,930	514,930
First Floor	1	7,244	60.00	434,640	434,640	434,640
Ground Floor	1	5,350	45.00	240,750	240,750	240,750
Basement	1	2,207	25.00	55,175	55,175	55,175
Totals	10	66,134			4,305,313	4,305,313

Investment Valuation
Eighth Floor

Market Rent	346,350	YP @	4.5000%	22.2222	
(2yrs Rent Free)		PV 2yrs @	4.5000%	0.9157	7,048,068

Seventh Floor

Market Rent	520,550	YP @	4.5000%	22.2222	
(2yrs Rent Free)		PV 2yrs @	4.5000%	0.9157	10,592,961

Sixth Floor

Market Rent	568,908	YP @	4.5000%	22.2222	
(2yrs Rent Free)		PV 2yrs @	4.5000%	0.9157	11,577,014

Fifth Floor

Market Rent	554,540	YP @	4.5000%	22.2222	
(2yrs Rent Free)		PV 2yrs @	4.5000%	0.9157	11,284,642

Fourth Floor

Market Rent	554,540	YP @	4.5000%	22.2222	
(2yrs Rent Free)		PV 2yrs @	4.5000%	0.9157	11,284,642

Third Floor

Market Rent	514,930	YP @	4.5000%	22.2222	
(2yrs Rent Free)		PV 2yrs @	4.5000%	0.9157	10,478,596

APPRAISAL SUMMARY**DS2 LLP****Application scheme****On Behalf of Tempus Realty Holdings 1 (Jersey) Ltd****Second Floor**

Market Rent	514,930	YP @	4.5000%	22.2222	
(2yrs Rent Free)		PV 2yrs @	4.5000%	0.9157	10,478,596

First Floor

Market Rent	434,640	YP @	4.5000%	22.2222	
(2yrs Rent Free)		PV 2yrs @	4.5000%	0.9157	8,844,730

Ground Floor

Market Rent	240,750	YP @	4.5000%	22.2222	
(2yrs Rent Free)		PV 2yrs @	4.5000%	0.9157	4,899,155

Basement

Market Rent	55,175	YP @	4.5000%	22.2222	
(2yrs Rent Free)		PV 2yrs @	4.5000%	0.9157	1,122,787

Total Investment Valuation**87,611,191****GROSS DEVELOPMENT VALUE****87,611,191**

Purchaser's Costs	6.8%	-5,957,561	
Effective Purchaser's Costs Rate	6.8%		-5,957,561

NET DEVELOPMENT VALUE**81,653,630****NET REALISATION****81,653,630****OUTLAY****ACQUISITION COSTS**

Fixed Price	37,800,000		
Fixed Price		37,800,000	
			37,800,000
Stamp Duty		1,877,500	
Effective Stamp Duty Rate	4.97%		
Agent Fee	1.3%	491,400	
Legal Fee	0.5%	189,000	
			2,557,900

CONSTRUCTION COSTS

Construction	ft²	Build Rate ft²	Cost
Construction costs	85,003	295.05	25,079,938
LBC CIL Est.			109,340
Mayoral CIL Est.			183,890
Mixed Use PIL Est.			1
Public Open Space Est.			12,688

APPRAISAL SUMMARY**DS2 LLP****Application scheme****On Behalf of Tempus Realty Holdings 1 (Jersey) Ltd**

Employment & Training Est.			24,322	
PCE Est.			80,000	
Carbon offset Est.			100,000	
				25,590,179

PROFESSIONAL FEES

Professional fees	10.0%	2,507,994		2,507,994
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MARKETING & LETTING

Marketing	66,134 ft²	2.0	132,268	
Letting Agent Fee		10.0%	425,014	
Letting Legal Fee		5.0%	212,507	
				769,789

DISPOSAL FEES

Sales Agent Fee		1.0%	816,536	
Sales Legal Fee		0.5%	408,268	
				1,224,804

Additional Costs

Void costs			2,100,000	
				2,100,000

MISCELLANEOUS FEES

Profit on commercial	15.0%	13,141,679		13,141,679
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TOTAL COSTS BEFORE FINANCE**85,692,345****FINANCE**

Timescale	Duration	Commences
Pre-Construction	9	Dec 2021
Construction	15	Sep 2022
Letting	12	Dec 2023
Sale	1	Dec 2024
Total Duration	37	

Debit Rate 6.500%, Credit Rate 0.000% (Nominal)

Land		5,310,103	
Construction		1,106,827	
Letting		5,040,590	
Total Finance Cost			11,457,520

TOTAL COSTS**97,149,865****PROFIT****-15,496,235**

Application scheme**On Behalf of Tempus Realty Holdings 1 (Jersey) Ltd****Performance Measures**

Profit on GDV%	-17.7%
IRR% (without Interest)	-2.4%