Tavis House, 1-6 Tavistock Square, WC1H 9NA

Independent Viability Review

Prepared on behalf of the London Borough of Camden

17th February 2022

Planning Reference: 2021/6105/P

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1.0 INTRODUCTION

1.1 BPS Chartered Surveyors have been instructed by the London Borough of Camden ('the Council') to undertake a review of a Financial Viability Assessment (FVA) prepared by DS2 on behalf of Tempus Realty Holdings 1 (Jersey) Limited ('the Applicant') in connection with a planning application for the redevelopment of the above site.

1.2 The site currently comprises an 8-storey corner office block located on the east side of Tavistock Square. The building is L shaped and the top three levels of the building are staggered in height. We understand the building is of 1940s construction originally for The Ministry of Labour and that the site is currently used by Age UK Camden, but they are planning on relocating and downsizing.

1.3 The location is relatively mixed in nature with offices, retail, residential and hotels in close proximity. The nearest underground station is Russell Square which is within 500 metres and the site is also within a similar distance of Euston Station. The site has a Public Transport Accessibility Level (PTAL) of 6b, this is the highest level possible.

1.4 The site is located within the Bloomsbury Conservation Area and within a sub area group 6:b Bloomsbury/Russell Square/Tavistock Square and the building is recognised as a positive contributor. The eastern side of Tavistock Square is described in the Bloomsbury Conservation Area Appraisal and Management Strategy, 2011 as follows:

"With the exception of the fine examples of the BMA, and Woburn House on the north side of Tavistock Square, the buildings facing the north, east and south sides of the square are all representative examples of mid 20th century commercial and residential architecture, and by virtue of their scale, facing materials and design sit comfortably in their context."

1.5 The site is located in London's Central Activities Zone (CAZ) and the Knowledge Quarter Innovation District area (policy KQ1) contained in the Draft Site Allocations Local Plan, 2020. The site is also closely situated to the VMF View 4A.1 from Primrose Hill to St Pauls Cathedral and the Background Consultation Area from Blackheath Point.

1.6 The property is not listed but Mary Ward House, adjacent to the east of the property, is Grade I listed while to the north of the site the British Medical Association is Grade II listed.

1.7 The proposals are for:

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.

1.8 The proposals result in an increase in the office floor area of 994 sq m (GIA). Under Policy H2 of LBC's Local Plan, developments in the Central London Area which involve the addition of more than 200 sq m (GIA) of floorspace are required to include 50% self contained housing on any uplift. We have not been advised as to whether a Payment In Lieu would be acceptable in exchange for this uplift. This housing would also be subject to affordable housing requirements.

1.9 The basis of our review is a Financial Viability Assessment prepared by DS2, dated 15th December 2021, which concludes that the scheme currently shows a deficit of approximately -£15.5m. They argue that the addition of residential floorspace would increase the costs associated with the project and reduce the saleability of the office space, therefore they consider the addition of such space unviable. We note that based on DS2's figures the currently proposed scheme is also considered significantly unviable.

1.10 On 25th January 2021, upon request, we received an Argus appraisal for the scheme on a mixed-use basis alongside a document outlining how the addition of residential space at the subject property would alter the scheme, including floorplans. We have also received a cost plan for the mixed-use scenario of the scheme. The mixed-use scenario we have been provided by DS2 shows a deficit of -£27.1m, representing a position approximately £11.6m worse than the all-office proposals.

1.11 We have downloaded documents available on LBC's planning website.

1.12 We have assessed the cost and value inputs within the financial appraisal in order to determine whether the scheme can viably make any affordable housing contributions.

1.13 We have searched the LBC planning website and have not identified any other relevant recent or outstanding planning applications relating to the site.

1.14 The advice set out in this report is provided in the context of negotiating planning obligations and therefore in accordance with PS1 of the RICS Valuation – Global Standards 2020, the provisions of VPS1–5 are not of mandatory application. Accordingly, this report should not be relied upon as a Red Book Valuation. The Valuation Date for this Viability Review is the date of this report, as stated on the title page. This Viability Review has been undertaken in accordance with the Terms & Conditions provided to the Council and with any associated Letters of Engagement and should only be viewed by those parties that have been authorised to do so by the Council.

1.15 This Viability Review adheres to the RICS Professional Statement on Financial Viability in Planning (published May 2019). In accordance with this Statement, we refer you to our standard terms and conditions which incorporate details of our Quality Standards Control & Statement on Limitation of Liability/ Publication.

Long Leasehold Considerations

1.16 The property is held under a long lease by Tempus Reality Holdings Limited. The free hold is owned by The Woburn Estate Company and Bedford Estate Nominees Limited from December 2006. As Appendix 1 of DS2's report, EUV Valuation by Duff & Phelps ('D&P'), outlines the lease terms are as follows:

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 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 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.

1.17 D&P state for the purposes of their valuation they have assumed that the Property is held freehold with a clean and marketable title. DS2 do not comment in detail on the leasehold and we consider from their review that they have also assumed the Property is held freehold with a clean and marketable title.

1.18 We consider that development would not be fundable or therefore capable on the site under the current leasehold terms and that the developer will need to buy out the freehold interest of the site, which would be valued on a marriage value basis. The potential inclusion of marriage value within our appraisals raises issues in a viability context as NPPG is clear that:

The price paid for land is not a relevant justification for failing to accord with relevant policies in the plan.

1.19 NPPG rules out the inclusion of price paid in viability terms. We consider in this case that the marriage value of the freehold would fall under the land acquisition for the site and therefore should not be considered a relevant factor in viability terms.

1.20 In that we do not consider the development would be fundable on the current leasehold and we do not consider that marriage value should be accounted for in viability terms as it falls within the *"price paid"* for the site, we have assumed for the purposes of this report that the site is available on a freehold basis with clean and marketable title, in line with D&P and DS2's assumptions. We have sought valuation advice from Crossland Otter Hunt on the office values for the EUV and development options within this assessment. They have provided their advice assuming both the existing lease terms and on a freehold basis. For the purposes of this assessment we have relied on their advice on a freehold basis only.

2.0 CONCLUSIONS AND RECOMMENDATIONS

2.1 We have reviewed the Financial Viability Assessment prepared by DS2 on behalf of the applicant which concludes that the proposed scheme generates a deficit of £15.5m on an all-office basis. Upon request we have been provided with a mixed-use iteration of the scheme which would comply with LBC Policy H2. This shows a deficit of £27.1m, suggesting that this iteration would be significantly less viable than the current all office proposals. While this is the case we do note that based on DS2's figures both approaches are in a significant deficit raising questions about the deliverability of either option.

Benchmark Land Value

2.2 DS2 have approached the Benchmark Land Value on an Existing Use Value (EUV) basis.

2.3 They have relied on advice from Quartz Project Services Ltd, with regard to refurbishment of the current property, and Duff and Phelps, with regard to the refurbished office value. Overall an EUV of £37,800,000 has been adopted, after the deduction of refurbishment costs.

2.4 We have instructed Crossland Otter Hunt to provide us with their opinion of reasonable rent, rental incentive, void and yield inputs on an EUV basis. They have initially reviewed their consideration of the value inputs for the office in its current condition. Adopting their inputs and our assessment of void / service charge costs we calculate an EUV on this basis of £42m.

2.5 We have also asked COH to provide their opinion of the value inputs for the site if refurbished. We note that COH consider that DS2 have been pessimistic in their refurbished office rents. Quartz have assumed a light refurbishment of the subject property reflecting an overall cost of £6,969,583 (£95 psf). This cost is considered reasonable by our cost consultant, Neil Powling, for a light touch refurbishment which BPS confirm is a reasonable assumption following a site inspection we undertook on 26th January 2022. Taking into account COH's value inputs and the refurbishment cost, we have created an Argus appraisal to assess the refurbished value which we calculate to be £43.65m.

2.6 On this basis we have adopted a BLV of £43.65m based on the site in its existing condition. This represents an increase on the BLV adopted by DS2 largely due to COH considering that the existing space could achieve higher rents and a lower yield than those proposed by D&P.

Proposed Scheme Development Values

2.7 We have instructed Crossland Otter Hunt to review the proposed office values. Their position compares with DS2's valuation as follows:

Input	DS2	COH
Blended Rent	£65.10 psf	£68.23 psf
Yield	4.5%	4.25%
Rent-free	24 months	18 months*
Sales void	12 months	0 months
Letting void	0 months	6 months
Purchaser's costs	6.8%	6.8%
Net value	£81,653,630	£91,445,454

*Average assumption as adopted by BPS based on COH's report.

2.8 We have adopted COH's valuation inputs within our appraisal.

Proposed Scheme Development Costs

2.9 Our cost consultant, Neil Powling, has reviewed the build costs proposed by Quartz for the proposed development. He considers that these costs are reasonable.

2.10 We have accepted the other cost inclusions adopted by DS2 with the exception of the letting void costs. We consider the service charge void costs potentially overstated for a new-build/refurbished office. We have reduced these costs from £10psf to £5psf, however we note that DS2 have applied the service charge costs to only 9 of the 12 months. This is in line with the business rates costs, on which there would be 3 months of relief, but we do not consider such relief would apply to the service charge. Assuming DS2's business rate void allowance and our reduced service charge void over the full 12 month period, we calculate an overall void cost of £1.945m, c.£155,000 below DS2's assumption. This difference has a minor impact on overall viability.

2.11 DS2 have assumed a profit target of 15% on GDV for the office development. We consider this assumption overstated given the proposals are for the conversion and extension of an existing office building. We have adopted a profit target of 10% on cost to reflect the reduced risk.

2.12 They have assumed timings as follows:

- Pre-construction: 9 months
- Construction: 15 months
- Sales: 12 months

2.13 We consider the pre-construction and construction allowances reasonable. We do not accept the sales void of 12 months included within DS2's appraisal but have allowed for a lettings void of 6 months and a rent-free period of 18 months within our valuation of the office space.

Mixed-Use Scenario

2.14 Upon request, DS2 have provided a mixed-use appraisal of the scheme reflecting LBC Policy H2 which requires 50% of all additional floorspace over 200sqm (GIA) should be provided as self-contained housing at the subject site's location. Overall DS2 calculate a deficit of £27.1m on this basis.

2.15 We have also been provided with a Residential Study document, dated October 2021, outlining how the proposals could be delivered on a mixed-use basis. This document also highlights a number of issues created by the inclusion of residential space within the proposals.

2.16 The residential study outlines that of the 497 sq m GIA space required for housing through Policy H2, requirements for circulation spaces and cores would reduce the space to a net 328 sq m which have been split into four units.

2.17 DS2 have assumed an average value of £1,000 psf across the NIA residential space, which we assume is on an all-private basis. The NIA is stated to be 3,541 sq ft within the appraisal which equates to 329 sq m. This is slightly above the area stated within the Residential Study, though we do not consider this difference would have a material impact on viability. We have identified sales evidence and asking prices from the area surrounding the subject and identify average values from £1,284 psf to £2,007 psf. We consider the subject space would benefit from fewer amenities than most of the evidence. We have adopted an average value of £1,250 psf based on the evidence identified.

2.18 The value of the office space within the mixed-use scenario is consistent with the all-office scheme with the exception of the yield which has been increased from 4.50% to 4.75%. COH consider that there would be a minor increase yield between the mixed use scheme and all-office, they have therefore recommended a yield of 4.5%. All other inputs are also consistent.

2.19 Neil Powling considers the construction cost assumptions reasonable for the mixed-use scenario. We have reviewed the additional costs which we consider reasonable and consistent with the proposed all office scenario. We have updated our assessment of the voids costs to take into account the smaller quantum of office and calculate a cost of £1.911m

2.20 DS2's commercial profit allowance is reasonable but we consider their private residential profit of 20% on GDV is overstated and have reduced this allowance to 17.5% on GDV.

2.21 The construction and commercial sales timings assumptions are in line with the all-office scheme and we have updated them to remain in line with our conclusions on sales voids at paragraph 2.12. DS2 have assumed all the residential sales would complete at the end of a 12 month sales period, essentially representing a holding period on the residential assets of 12 months prior to sale. We consider this unrealistic and, given the small number of proposed units, we have assumed the sale of the units at practical completion.

Recommendations

2.22 We have been provided with a live version of the Argus appraisal included in DS2 report to which we have applied our amendments. These amendments are outlined in the table below:

All office proposals:

Input	DS2	BPS
Office Value	£1,235 psf	£1,383 psf
Construction Costs	£25,079,938	£25,079,938
S106	£217,010	£271,010
CIL	£293,230	£293,230
Commercial marketing	£2 psf	£2 psf
Sales agent fee	1.00%	1.00%
Sales legal fee	0.50%	0.50%
Letting agent fee	10.00%	10.00%
Letting legal fee	5.00%	5.00%
Void cost	£2.10m	£700,000
Interest rate	6.5%	6.5%
Commercial profit	15.00% on GDV	15.00% on Cost
Pre-construction period	9 months	9 months
Construction period	15 months	15 months

Commercial sales void	12 months	0 months
Commercial letting void	0 months	6 months
Rent-free	12 months	18 months
Benchmark Land Value	£37.8m	£43.65m
Residual Value	c.£22.3m	£42.25m
Surplus / Deficit	**-£15.5m**	**-£1.4m**

Mixed use scenario:

Input	DS2	BPS
Private Residential Value	£1,000 psf	£1,250 psf
Office Value	£1,173 psf	£1,307 psf
Construction Costs	£29,346,931	£29,346,931
S106	£217,010	£271,010
CIL	£293,230	£293,230
Resi. marketing	1.50%	1.50%
Commercial marketing	£2 psf	£2 psf
Sales agent fee	1.00%	1.00%
Sales legal fee	0.50%	0.50%
Letting agent fee	10.00%	10.00%
Letting legal fee	5.00%	5.00%
Void cost	£2.05m	£1.91m
Interest rate	6.5%	6.5%
Commercial profit	15.00% on GDV	10.00% on Cost
Private profit	20.00% on GDV	10.00% on Cost
Pre-construction period	9 months	9 months
Construction period	15 months	15 months
Commercial sales void	12 months	0 months
Commercial letting void	0 months	6 months
Commercial rent-free	24 months	18 months
Resi. Sales void	12 months	0 months
Benchmark Land Value	£37.8m	£43.65m
Residual Value	c.£10.7m	£35.89m
Surplus / Deficit	**-£27.1m**	**-£7.76m**

2.23 The appraisal summary shows that both the proposed development and the mixed-use scenario generate large deficits, albeit lessened from those inputted by DS2. The appraisals also show that the mixed-use iteration of the scheme is less viable by some £6.36m. This suggests that the mixed-use iteration of the scheme would be less deliverable than the proposed all-office scheme, although we do highlight that the office scheme also shows a significant deficit compared to a BLV for the refurbishment of the existing space.

2.24 Overall we consider that the evidence by DS2 shows that Policy H2 would reduce the viability of the proposals beyond the all-office development proposals.

3.0 PRINCIPLES OF VIABILITY ASSESMENT

3.1 Development appraisals work to derive a residual value. This approach can be represented by the formula below:

Gross Development Value – Development Costs (including Developer's Profit) = Residual Value

3.2 The residual value is then compared to a benchmark land value. Existing Use Value (EUV) and Alternative Use Value (AUV) are standard recognised approaches for establishing a land value as they help highlight the apparent differences between the values of the site without the benefit of the consent sought.

3.3 The rationale for comparing the scheme residual value with an appropriate benchmark is to identify whether it can generate sufficient money to pay a realistic price for the land whilst providing a normal level of profit for the developer. In the event that the scheme shows a deficit when compared to the benchmark figure the scheme is said to be in deficit and as such would be unlikely to proceed.

3.4 Development appraisals can also be constructed to include a fixed land value and fixed profit targets. If an appropriate benchmark is included as a fixed land value within a development appraisal this allows for interest to be more accurately calculated on the Benchmark Land Value, rather than on the output residual value. By including fixed profit targets as a cost within the appraisal, programmed to the end of development so as not to attract interest payments, the output represents a ‘super’ profit. This is the profit above target levels generated by the scheme which represents the surplus available towards planning obligations

3.5 This Viability Review report adheres to the RICS Professional Statement on Financial Viability in Planning: Conduct and Reporting (published May 2019). In accordance with this Statement, Section 8 below incorporates details of our Quality Standards Control & Statement on Limitation of Liability/ Publication. This report has been prepared according to the Professional Statement’s requirement for objectivity and impartiality, without interference and with reference to all appropriate available sources of information. Where information has not been obtainable, we have stated this expressly in the body of the report.

4.0 BENCHMARK LAND VALUE

Viability Benchmarking

4.1 Planning Policy Guidance, published May 2019, states:

Benchmark land value should:

- *be based on existing use value*
- *allow for a premium to landowners (including equity resulting from those building their own homes)*
- *reflect the implications of abnormal costs; site-specific infrastructure costs; and professional site fees and*

Viability assessments should be undertaken using benchmark land values derived in accordance with this guidance. Existing use value should be informed by market evidence of current uses, costs and values. Market evidence can also be used as a cross-check of benchmark land value but should not be used in place of benchmark land value. These may be a divergence between benchmark land values and market evidence; and plan makers should be aware that this could be due to different assumptions and methodologies used by individual developers, site promoters and landowners.

The evidence should be based on developments which are fully compliant with emerging or up to date plan policies, including affordable housing requirements at the relevant levels set out in the plan. 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 benchmark land values of non-policy compliant developments are not used to inflate values over time.

[…] Where viability assessment is used to inform decision making under no circumstances will the price paid for land be a relevant justification for failing to accord with relevant policies in the plan. Local authorities can request data on the price paid for land (or the price expected to be paid through an option agreement).

4.2 The NPPF recognises the need to provide both land owners and developers with a competitive return. In relation to land owners this is to encourage land owners to release land for development. This is set out in PPG as follows:

To define land value for any viability assessment, a benchmark land value should be established on the basis of existing use value (EUV) of the land, plus a premium for the landowner. The premium for 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 provide a reasonable incentive, in comparison with other options available, for the landowner to sell land for development while allowing a sufficient contribution to fully comply with policy requirements. Landowners and site purchasers should consider policy requirements when agreeing land transactions. This approach is often called 'existing use value plus' (EUV+).

4.3 The RICS Guidance Note 'Assessing viability in planning under the National Planning Policy Framework 2019 for England', published March 2021, supports the NPPG's definition of Benchmark Land Value.

4.4 NPPG further defines EUV as follows:

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).

4.5 The Mayor of London's Affordable Housing and Viability SPG published August 2017 states a clear preference for using EUV as a basis for benchmarking development as this clearly defines the uplift in value generated by the consent sought. This is evidenced through the following extract:

The Mayor considers that the 'Existing Use Value plus' (EUV) approach is usually the most appropriate approach for planning purposes. It can be used to address the need to ensure that development is sustainable in terms of the NPPF and Development Plan requirements, and in most circumstances the Mayor will expect this approach to be used.

4.6 Guidance indicates that the sale of any premium should reflect the circumstances of the land owner. We are of the view that where sites represent an ongoing liability to a land owner and the only means of either ending this liability or maximising site value is through securing a planning consent this should be a relevant factor when considering whether a premium is applicable. This view is corroborated in the Mayor of London's Affordable Housing and Viability SPG which states:

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 premium of no premium would be expected compared with a site occupied by profit-making businesses that require relocation. The premium could be 10 per cent to 30 per cent, but this must reflect site specific circumstances and will vary.

4.7 While EUV is the primary approach to defining BLV, in some circumstances an Alternative Use Value approach can be adopted. This is the value of the land for a use other than its existing use. NPPG outlines:

If applying alternative uses when establishing benchmark land value these should be limited to those uses which would fully comply with up to date development plan policies, including any policy requirements for contributions towards affordable housing at the relevant levels set out in the plan.

[…] Plan makers can ser out in which circumstances alternative uses can be used. This might include if there is evidence that the alternative use would fully comply with up to date development plan policies, if it can be demonstrated that the alternative use could be implemented on the site in question, if it can be demonstrated there is market demand for that use, and if there is an explanation as to why the alternative use has not been pursued.

4.8 The RICS Guidance Note 'Assessing viability in planning under the National Planning Policy Framework 2019 for England', published March 2021, supports the definition of AUV from NPPG and reiterates that any AUV must reflect relevant policy requirements.

4.9 When adopting an AUV approach, the premium to the landowner is implicit and therefore an additional landowner premium should not be added as this would be double counting.

4.10 NPPG and RICS guidance are clear that if refurbishment or redevelopment is necessary to realise an existing use value then this falls under the AUV provision of NPPG and no landowner premium should be added.

The Proposed Benchmark

4.11 The benchmark proposed by DS2 for viability testing is based on an Existing Use Value approach. They have relied on a valuation undertaken by Duff and Phelps ('D&P') dated 10th December 2021.

4.12 D&P state that they have been instructed to undertake an existing use valuation for viability purposes. They state:

"You [the applicant] 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 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.'"

4.13 This is the definition of Existing Use Value as outlined in the Red Book UK Supplement UK VPGA 6 titled 'Local authority and central government accounting: existing use value (EUV) basis of value'. UK VPGA 6 is based on a relatively narrow valuation basis.

4.14 For viability purposes EUV is generally defined by NPPG. D&P do not refer to NPPG within their valuation report. We include NPPG's definition of EUV at paragraph 4.4 above. While D&P have not relied on the PPG definition of EUV, we consider their approach broadly consistent with the definition within PPG although in strict PPG terms it reflects an AUV due to the inclusion of a refurbishment cost:

"Where it is assumed that an existing use will be refurbished or redeveloped this will be considered as an AUV when establishing BLV."

4.15 This has no material difference beyond whether a landowner premium should be applied to the figure of not, with AUVs not requiring a landowner premium. We note that DS2 refer to PPG's definition above within their report and do not attach a premium to the EUV in light of the comments from PPG. We consider this approach correct.

4.16 We undertook a site inspection of the subject property on 26th January 2022. During our inspection we found the space to be in a broadly reasonable condition with no obvious signs of building defects or other substantial issues. We noted that the building was in the process of being stripped internally for redevelopment.

4.17 A refurbishment of the existing space has been allowed for within D&P's valuation of £6,969,583 (£95 psf). This is based on advice from Quartz Project Services Ltd who have prepared an order of cost estimate dated November 2020 for Light Refurbishment to Category A. Our cost consultant, Neil Powling, has reviewed this cost allowance and concludes:

"The details of the below the line costs of the refurbishment scheme indicates to us that they should be included in the costs of the scheme. With this inclusion the cost is £1,028/m² [£95 psf] that compares to a BCIS mean cost of £1,684/m² confirming that the Applicant's allowances are for a light tough scope of works."

4.18 Mr Powling therefore agrees with the proposed costs for a light touch scope of works. Having inspected the site, we are of the view that a light touch approach would be appropriate for the subject property given its current condition. On this basis we accept the refurbishment cost allowance of £6,969,582.

4.19 D&P have assumed rental values for the subject property after refurbishment as follows:

Floor	Sq Ft	£psf
Basement - BMA	316	-
Basement - Storage	3,241	£10.00
Ground - Reception	876	-
Ground - Office	5,468	£40.00
First	6,480	£47.50
Second	6,511	£50.00
Third	6,494	£50.00
Fourth	6,524	£50.00
Fifth	6,510	£50.00
Sixth	6,435	£52.50
Seventh	5,736	£52.50
Eighth	4,457	£55.00
Total	**59,048**	**£46.49**

4.20 D&P have adopted a yield of 5.00% across the subject space. They have allowed for an 8 months refurbishment void period and then staggered lettings voids as follows:

- Basement: 12 months void
- Ground: 12 months void
- First: 12 months void
- Second: 12 months void
- Third: 6 months void
- Fourth: 6 months void
- Fifth: 6 months void
- Sixth: Pre-let
- Seventh: Pre-let
- Eighth: Pre-let

4.21 They have allowed for a 12 month rent-free period for all elements.

4.22 D&P have also allowed for service charge void costs of £10psf and an empty rates allowance of 50% of market rent. They have also allowed for leasing commission of 15%. They have not allowed for any other fees, finance or profit.

4.23 On this basis, D&E calculate an EUV of £37,800,000.

BPS Benchmark Land Value

4.24 We have sought to advice of Crossland Otter Hunt relating to the EUV rent, yield and incentives of the space as offices. We have included their report at Appendix 2.

4.25 COH have provided advice on the basis of an EUV with no refurbishment and a refurbishment EUV.

EUV no refurbishment:

4.26 With regards to an EUV with no refurbishment they consider the following rents would be achievable:

Floor	Sq Ft	£psf
Basement - BMA	316	-
Basement - Storage	3,241	£10.00
Ground - Reception	876	£20.00
Ground - Office	5,468	£35.00
First	6,480	£37.50
Second	6,511	£40.00
Third	6,494	£40.00
Fourth	6,524	£40.00
Fifth	6,510	£40.00
Sixth	6,435	£42.50
Seventh	5,736	£42.50
Eighth	4,457	£65.00
Total	**59,048**	**£38.00**

4.27 This equates to a total market rental value of £2,243,702 per annum.

4.28 They consider that they would expect 5 year-leases to be granted with a break option at the third year. They state that they would expect rent-free periods of 15-18 months to be granted and voids of a similar period. For the purposes of this assessment we have assumed an overall void and rent-free period of 33 months, equating to the average of those proposed by COH. We consider the increased rent free periods reflect in part the need for a tenant fit out and the lower quality of existing space.

4.29 COH state that they consider a yield of 4.5% would be achievable.

4.30 We have allowed for empty rates, assuming 50% of market rent and 3 months relief, and a service charge shortfall of £10psf over a 17 month void period. This equates to a cost of £2.145m.

4.31 Overall we calculate that this results in an EUV of £42m after the deduction of purchaser's costs at 6.8%.

EUV with refurbishment:

4.32 COH consider that D&P's rental valuation understates what could be achievable on the site after refurbishment. They suggest the following market rent levels:

Floor	Sq Ft	£psf
Basement - BMA	316	-
Basement - Storage	3,241	£15.00
Ground - Reception	876	£27.50
Ground - Office	5,468	£50.00
First	6,480	£52.50
Second	6,511	£55.00
Third	6,494	£55.00
Fourth	6,524	£57.50
Fifth	6,510	£57.50
Sixth	6,435	£60.00
Seventh	5,736	£62.50
Eighth	4,457	£62.50
Total	**59,048**	**£53.76**

4.33 This equates to a total rent of £3,174,198 pa which is an increase of £429,205 (£7 per sq ft) on the ERV adopted by D&P.

4.34 They consider that they would expect 5-year leases to be granted with a break option at the third year. They consider that they would expect rent-free periods of c.12 months on this basis and voids of 6-9 months. We have therefore assumed an overall void/rent-free period of 19 months.

4.35 COH advise that they would expect a yield of 4.5% to be reasonable for the subject site.

4.36 DS2 have provided a cost estimate produced by Quartz which assumes a light refurbishment of the subject property reflecting an overall cost of £6,969,583 (£95 psf). This cost is considered reasonable by our cost consultant, Neil Powling, for a light touch refurbishment which BPS confirm is a reasonable assumption following a site inspection we undertook on 26th January 2022.

4.37 The Quartz cost estimate does not include any professional fees and we would also expect costs such as sales agent fees, sales legal fees, letting agent fees, letting legal fees, finance and a developer profit would be required for a refurbishment of this kind.

4.38 We have produced an Argus appraisal in which we have adopted the value inputs outlined by COH and Quartz's cost estimate. We have allowed for other costs as follows in line with our conclusions on the proposed development:

- Professional fees: 10%
- Marketing fees: £2psf
- Sales agent fees: 1%
- Sales legal fees: 0.5%
- Letting agent fees: 10%
- Letting legal fees: 5%
- Finance rate: 6.5%
- Developer profit: 10% on cost

4.39 Noting COH's comments on voids and rent frees we have allowed for 7 months of empty rates and service charge shortfall, assuming a service charge of £5psf and taking into account 3 months empty rates relief. This equates to a cost of £833,515.

4.40 We have allowed for a 9 months refurbishment period and sale upon practical completion.

4.41 Adopting these assumptions we calculate a residual value for refurbishment of £43.65m.

4.42 Based on the commentary we have been provided we consider that the highest value from the site is an EUV post refurbishment, equating to £43.65m. We have not added a premium to this value noting that PPG defines this refurbishment as an AUV.

5.0 PROPOSED SCHEME DEVELOPMENT VALUES

5.1 The development is proposed on an all-office basis, representing a refurbishment and extension of the existing space on site. The changes to the building include the rear infill extension of the building increasing the floorplates of each floor and allowing for a central core with office space around, benefitting from natural light from all sides. The basement will be refurbished to include amenities such as cycle storage and showers, as well as some office space. There will also be the creation of a communal roof terrace and a terrace on the eighth floor.

5.2 The following office space is proposed and DS2 have adopted the following rental rates based on advice from Edward Charles and Partners:

Floor	Sq Ft	£psf
Basement	2,207	£25.00
Ground	5,350	£45.00
First	7,244	£60.00
Second	7,922	£65.00
Third	7,922	£65.00
Fourth	7,922	£70.00
Fifth	7,922	£70.00
Sixth	7,847	£72.50
Seventh	7,180	£72.50
Eighth	4,618	£75.00
Total	**66,134**	**£65.10**

5.3 DS2 have assumed a yield of 4.5% for the office space and applied a rent-free period of 2 years. DS2 have also allowed for a sales void of 12 months in their appraisal which we consider an incorrect approach.

5.4 DS2's inputs equate to a gross value of £87,611,191 and a value after the deduction of purchaser's costs (6.8%) of £81,653,630. They state within their report that this equates to a value of £1,032 psf. Based on the sq ft outlined and included in the above table of 66,134 sq ft and the net value of £81,653,630, we calculate a value of £1,235 psf. We are unclear how DS2 have calculated the lower figure of £1,031 psf.

5.5 We have sought the advice of Crossland Otter Hunt (COH) regarding the proposed rent, yield, void and rent-free inputs and we include their report at Appendix 2. COH consider that They consider the rents proposed by DS2 are slightly below what would be achievable at the subject site. We include their advice on rents as follows:

Floor	Sq Ft	£psf
Basement	2,207	£25.00
Ground	5,350	£55.00
First	7,244	£67.50
Second	7,922	£70.00
Third	7,922	£70.00
Fourth	7,922	£72.50
Fifth	7,922	£72.50
Sixth	7,847	£72.50
Seventh	7,180	£72.50

Eighth	4,618	£75.00
Total	**66,134**	**£68.53**

5.6 This results in a total rent of £4,531,973 pa which is an increase of £206,854 (£3 per sq ft) on the ERV adopted by DS2. This represents an increase from the rental assumptions for the refurbished EUV, this is as a result of the increased quality of design within the proposed refurbishment/extension compared to the EUV light touch refurb. COH provide more details of the changes at page 10 of their report at Appendix 2 of our report.

5.7 COH consider that a void period of around 6 months is realistic and rent-free periods of between 12-24 months depending on the assumed leases, with 12 month rent-frees being realistic for 5 year leases and 24 month rent-frees being realistic for 10 year leases, likely with the rent-free split over an initial rent-free and a subsequent rent-free at 5 years after a break option. We have assumed an 18 month rent-free as an average position.

5.8 With regard to the yield, COH consider that if the property were offered freehold an appropriate yield would be between c.4.00% - 4.25%. For the purposes of this assessment, we have adopted the higher end of this yield at 4.25%. We have also produced a scenario test with the yield at 4.00%.

5.9 Adopting a 4.25% yield results in a value of £91.45m, after the deduction of purchaser's costs, which is above DS2's valuation by £9.8m.

6.0 PROPOSED DEVELOPMENT COSTS

Construction Costs

6.1 Our Cost Consultant, Neil Powling, has analysed the build cost plan for the proposed scheme prepared by Quartz Project Services, dated December 2021, and concludes that the costs proposed are reasonable.

6.2 Mr Powling's full cost report can be found at Appendix 1.

Additional Costs

6.3 DS2 have applied the following additional cost assumptions:

- Professional fees of 10%
- Marketing fees of £132,268 (£2psf / 0.15%)
- Sales agent fees of 1%
- Sales legal fees of 0.5%
- Letting agent fees of 10%
- Letting legal fees of 5%

6.4 Generally, we accept that these percentages are realistic and in line with market norms.

6.5 CIL charges have been assumes as follows:

- Borough CIL - £109,340
- Mayoral CIL - £183,890

6.6 S106 charges have been assumed as follows:

- Employment and training - £23,322
- Carbon offset payment - £100,000
- Public open space estimate – £12,688
- Estimated pedestrian, cycle and environmental improvements - £80,000

6.7 We have not verified the CIL or S106 amounts and request confirmation from the Council that it is reasonable. For the purposes of this assessment, we have adopted these allowances.

6.8 Finance has been included at 6.5% assuming that the scheme is 100% debt financed. We consider this finance allowance reasonable in the current market.

6.9 DS2 have included a letting void cost within their appraisal of £2,100,000 which they state takes into account the cost of the assumed 12 month void period. They have calculated this assuming a rates at 50% of ERV, equating to £65 psf, and a service charge of £10 psf, whilst taking into account empty rates relief of 3 months.

6.10 The business rates that will be paid are currently based on a multiplier of 51.2p per pound using the VOA's rateable value. Rateable value should be based on the market rent and therefore broadly DS2's approach on business rates appears reasonable.

6.11 DS2 have allowed for service charge of £10psf. This is in line with the approach taken for the EUV. While we accept that there will be some costs, for example security and insurance, we would expect other costs such as cleaning and maintenance to be limited given the property will be new-built/refurbished and vacant. We note that DS2 have allowed only 9 months of service charge costs in line with the business rates assessment.

6.12 We have been advised by COH that a void period of 6 months would be realistic for the proposed office space. We have calculated the empty rates cost over this 6 months in line with DS2's approach, including a 3 month relief period. We have allowed for a reduced £5 psf service charge but over the whole 6 months period. Overall, we calculate a cost of £707,218.

Profit

6.13 The developer profit target adopted by DS2 is 15% on GDV.

6.14 We agree that in a straight forward office development, a developer profit target of 15% on GDV would be appropriate. We consider that the profit target in this instance should be reflective of a percentage on cost due to the nature of the proposed scheme, which is a refurbishment and extension of an existing building. We consider that a percentage of GDV does not appropriately reflect the reduced risk the site has for office use.

6.15 On this basis we have adopted a developer return of 10% on cost, which reflects a profit target of 8.47% on GDV.

Development Timeframes

6.16 DS2 have assumed a 9 month pre-construction period and a 15 month construction period. These assumption appear broadly in line with our expectation for a development of this type.

6.17 They have assumed a lettings void of 12 months in their appraisal. Based on advice received by COH, we consider a 6 month letting void is reasonable. We note that this DS2 have manually included their void within the appraisal rather than as a valuation input. This therefore reflects a sales void rather than lettings void as the value of the office space is not achieved until 12 months after practical completion. We do not consider this approach reasonable and have included the sale of the office space at practical completion with a 6 month lettings void period built into the sale price. This reduces the finance costs accrued by the development.

7.0 MIXED-USE DEVELOPMENT

<u>Development Values</u>

7.1 DS2 have provided a mixed-use scenario upon request to support that meeting the requirements of Policy H2 would worsen the viability of the proposals.

7.2 The proposed scheme represents an uplift of 994 sqm in GIA. Policy H2 states:

To support the aims of Policy H1, where non-residential development is proposed the Council will promote the inclusion of self-contained homes as part of a mix of uses.

- *In all parts of the borough the Council will encourage the inclusion of self-contained homes in non-residential development.*
- *In the Central London Area and the town centres of Camden Town, Finchley Road/ Swiss Cottage and Kilburn High Road, where development involves additional floorspace of more than 200sqm (GIA), we will require 50% of all additional floorspace to be self-contained housing, subject to the following considerations.*

In the specified areas, the Council will consider whether self-contained housing is required as part of a mix of uses taking into account:

a) the character of the development, the site and the area;
b) site size, and any constraints on developing the site for a mix of uses;
c) the priority the Local Plan gives to the jewellery sector in the Hatton Garden area;
d) whether self-contained housing would be compatible with the character and operational requirements of the proposed non-residential use and other nearby uses; and
e) whether the development is publicly funded or serves a public purpose.

Where housing is required as part of a mix of uses, we will require selfcontained housing to be provided on site, particularly where 1,000sqm (GIA) of additional floorspace or more is proposed. Where the Council is satisfied that providing on-site housing is not practical or housing would more appropriately be provided off-site, we will seek provision of housing on an alternative site nearby, or exceptionally a payment-in-lieu.

In considering whether housing should be provided on site and the most appropriate mix of housing and other uses, the Council will take into account criteria (a) to (e) and the following additional criteria: f. the need to add to community safety by providing an active street frontage and natural surveillance; g. the extent of any additional floorspace needed for an existing user; h. the impact of a mix of uses on the efficiency and overall quantum of development; i. the economics and financial viability of the development including any particular costs associated with it, having regard to any distinctive viability characteristics of particular sectors such as build-to-let housing; and j. whether an alternative approach could better meet the objectives of this policy and the Local Plan. 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.

7.3 We have been provided with a document by DS2 titled 'Residential Study', dated October 2021, which outlines the changes that would be required to satisfy Policy H2. We have attached this document at Appendix 3 of our report.

7.4 This results in a requirement for 497 sqm of the uplift GIA to be provided as housing. The plans we have been provided show that on this basis 4 residential units could be provided, taking into account the requirements for the following ancillary areas:

- Core (Lift and staircase): 88 sq m
- GF bin store and cycle store: 30 sq m
- Basement lift pit and plant: 30 sq m
- Level 2 lift overrun: 20 sq m

7.5 This results in 329 sq m of usable residential space which DS2 have separated into 4 units as follows:

Unit	Floor	NSA Sq Ft	NSA Sq M
Unit 1	Ground	936	87
Unit 2	Ground	570	53
Unit 3	First	1,055	98
Unit 4	First	969	90
Total		**3,530**	**328**

7.6 The Residential Study document we have been provided outlines that the inclusion of residential space would create the following issues for the proposals:

- Reduces the office efficiency of the building
- The location of residential space on the ground floor will affect the quality of the basement office space
- Additional works would be required to the existing fabric
- The residential units would generally be single aspect
- No outdoor amenity space would be available
- The overall usable space within the building would be reduced due to:
  - The requirement for a central core
  - Extra insulation of the existing building fabric
  - Impact on 2nd floor lift overrun and basement lift pits impact on the office space
- Location of the bin store and cycle store sterilises space at ground floor
- First floor floorplate loses connectivity around the core
- Blank wall created to ground and first floor offices

7.7 We have been provided with an appraisal for a mixed-use scenario by DS2 which includes a value of £1,000 per sq ft for the residential space. This includes a slightly higher NIA than has been outlined at the table above at paragraph 7.5 of 3,541 sq ft. No comparable evidence has been provided to support the proposed value assumption and it is not specified whether this value includes affordable housing. We assume for the purposes of this assessment that the value does not include affordable housing.

Residential Values

7.8 DS2's valuation equates to an average value of £882,250 (£1,000 psf) for an average unit size of 885 sq ft.

7.9 We have identified the following sales and asking prices from developments in the area surrounding the subject as follows:

The Old Dairy:

7.10 All private 10 x 2-bed apartments, 1 x 1-bed apartment and 2 x 3-bed townhouses. This scheme completed in Q1 2020. It is located adjacent to St George's Gardens in a narrow, gated plot. The buildings are modern in design and arranged as a mews. We have identified the following achieved flat sales from this development:

Flat no.	Date	Price	Sq Ft	£psf
1	18/09/2020	£1,500,000	1,356	£1,105
2	28/02/2020	£1,535,000	1,356	£1,131
3	30/10/2020	£1,550,000	1,249	£1,241
4	17/01/2020	£1,610,000	1,227	£1,312
5	22/01/2020	£1,464,750	1,227	£1,193
6	15/01/2020	£1,305,000	1,076	£1,212
7	04/11/2020	£1,380,000	1,087	£1,269
8	31/01/2020	£1,765,000	1,313	£1,344
9	09/01/2020	£1,720,000	1,313	£1,309
10	09/01/2020	£1,600,000	1,141	£1,402
11	07/02/2020	£862,500	538	£1,602
Average		**£1,481,114**	**1,171**	**£1,284**

7.11 We would expect these units to achieve a higher values than the subject given the subject would be located within a mixed-use building, although we do note the separate core and accessible location of the subject within short walking distance of Euston station. The Old Dairy is in a quieter location which may attract purchasers and we note that the majority of the units are larger than the subject proposals.

Postmark:

7.12 Large 345 unit development within short walking distance of Farringdon station. High specification development benefiting from superior placemaking and a number of private amenities such as residents only gym, cinema and roof terraces. We have identified the following asking prices from this development:

Unit	Floor	Beds	Sq Ft	Asking Price	£psf	Asking Price Date
SP.001	Ground	1	597	£980,000	£1,642	Dec-21
SP.003	Ground	2	911	£1,357,000	£1,490	Dec-21
SP.007	1	2	882	£1,350,000	£1,531	Dec-21
SP.008	1	1	597	£955,000	£1,600	Jun-20
SP.016	2	1	597	£970,000	£1,625	Sep-20
SP.017	2	2	876	£1,310,000	£1,495	Jun-20
SP.018	3	1	583	£975,000	£1,672	Mar-21
SP.025	4	1	578	£960,000	£1,661	Mar-20
SP.026	4	3	1,061	£1,725,000	£1,626	Jun-20
SP.030	4	1	597	£980,000	£1,642	Sep-21
SP.040	6	2	1,065	£1,615,000	£1,516	Sep-20
SP.043	6	1	597	£990,000	£1,658	Sep-21

SP.044	6	1	597	£975,000	£1,633	Mar-20
SP.051	7	1	597	£985,000	£1,650	Jun-20
SP.054	8	2	1,062	£1,625,000	£1,530	Mar-20
SP.057	7	1	597	£985,000	£1,650	Mar-20
SP.058	8	1	597	£1,000,000	£1,675	Jun-21
SP.066	1	1	597	£985,000	£1,650	Dec-21
SP.068	1	1	578	£955,000	£1,652	Jun-21
SP.069	1	2	917	£1,350,000	£1,472	Dec-20
SP.071	2	2	882	£1,347,000	£1,527	Dec-21
SP.077	2	2	882	£1,330,000	£1,508	Sep-21
SP.078	3	2	882	£1,345,000	£1,525	Sep-20
SP.096	5	1	583	£975,000	£1,672	Sep-20
SP.097	5	2	1,065	£1,615,000	£1,516	Jun-21
WC1 A3.06.02	6	3	1,572	£2,070,000	£1,317	Sep-20
WC1 A3.10.02	10	2	1,055	£1,715,000	£1,626	Sep-20
WC1 A4.06.02	6	3	1,202	£1,810,000	£1,506	Jun-21
WC1 A5.01.04	1	3	1,307	£1,840,000	£1,408	Jun-20
WC1 A5.02.03	2	3	1,424	£1,990,000	£1,397	Mar-21
WC1 A5.03.04	3	3	1,307	£1,895,000	£1,450	Dec-20
WC1 A5.G.05	G	2	1,484	£1,765,000	£1,189	Sep-20
WC1 A6.07.02	-	3	1,815	£2,595,000	£1,430	Mar-20
WC1 A6.08.03	8	3	1,390	£1,980,000	£1,424	Jun-21
WC1 A6.09.02	9	3	1,389	£1,990,000	£1,433	Jun-21
Average			**935**	**£1,408,257**	**£1,543**	

7.13 We would expect this development to achieve values in excess of the subject.

Asta House:

7.14 22 private unit development located within very short walking distance of Goodge Street underground station. Within a building with Grade A office space at ground and lower ground floor. Communal terrace at first floor. The flats are within a refurbished building rather than being new-build. We have identified the following asking prices:

Unit	Floor	Beds	Sq Ft	Asking Price	£psf	Asking Price Date
101	1	2	863	£1,675,000	£1,941	Jun-21
102	1	2	859	£1,675,000	£1,950	Jun-20
105	1	3	1,164	£2,200,000	£1,890	Mar-21
201	2	2	879	£1,750,000	£1,991	Jun-20
301	3	2	876	£1,800,000	£2,055	Mar-21
306	3	2	650	£1,325,000	£2,038	Jun-20
401	4	2	878	£1,875,000	£2,136	Mar-21
405	4	3	1,168	£2,400,000	£2,055	Jun-20
Average			**917**	**£1,837,500**	**£2,007**	

7.15 We note that these asking prices are above those from Postmark, we therefore assume that this development is finished to a high specification. We would not expect the subject to support values of this level.

Grand Central Apartments:

7.16 150 unit scheme currently under construction. Located to the north of the subject site within short walking distance of Kings Cross and St Pancras International Station. We have identified the following current asking prices:

Unit	Floor	Beds	Sq Ft	Asking Price	£psf	Asking Price Date
1.1	1	2	770	£1,145,000	£1,487	Dec-21
4.1	4	1	591	£870,000	£1,472	Dec-21
11.1	11	2	769	£1,265,000	£1,645	Dec-21
18.1	18	3	1,443	£2,750,000	£1,906	Dec-21
Average			**893**	**£1,507,500**	**£1,688**	

7.17 We would expect the subject units to achieve a lower value than those identified at Grand Central Apartments on average.

7.18 Overall the evidence we have identified ranges from £1,284 - £2,007 psf. DS2 have assumed an average value of £1,000 psf within their appraisal although no evidence has been provided to support these values. We consider this to be likely below the achievable value for the units within the mixed-use scheme. We consider an all private value of £1,250 psf is a reasonable assumption at this stage.

7.19 We have undertaken sensitivity on this figure to highlight the impact on viability of upward movements in these values up to the highest average we have identified of £2,000 psf. We include this sensitivity analysis within our conclusions.

Office Values

7.20 The office values adopted by DS2 are in line with the proposed all office scheme with the exception of the yield which shows an increase of 0.25%. We have asked Crossland Otter Hunt to comment on this valuation. They conclude:

We have inspected the plans and noted that the residential element is approached from Tavistock Place and is separated from the offices and at one end of the building, in addition it does not affect the main office entrances from Tavistock Square and the proposed ne rear entrance.

We do not think therefore that the residential element will affect the office rentals in the refurbished scheme. Therefore, we would apply the same rental levels to the Ground and first floor offices, but for the reduced floor areas.

7.21 This results in the following ERV:

Floor	Sq Ft	£psf	£ per annum
Basement	1,884	£25.00	£47,100
Ground	4,489	£55.00	£224,450
First	6,695	£67.50	£401,700
Second	7,707	£70.00	£500,955
Third	7,922	£70.00	£514,930
Fourth	7,922	£72.50	£554,540
Fifth	7,922	£72.50	£554,540
Sixth	7,847	£72.50	£568,908
Seventh	7,180	£72.50	£520,550
Eighth	4,618	£75.00	£346,350
Total	**64,186**	**£68.93**	**£4,424,435**

7.22 We consider that the same rent-free and void periods would apply as proposed by COH for the proposed all-office scheme.

7.23 With regards to yield COH conclude that if the residential element of the scheme were sold off this could impact the yield of the office space. They consider that it would have a 25 bps increase which would reflect a yield of 4.5%. We have adopted this yield within our appraisal.

7.24 This results in a value of £83.9m after the deduction of purchaser's costs.

<u>Development Costs</u>

7.25 We have been provided a Stage 2 Cost Plan, prepared by Quartz and dated December 2021, for the mixed-use iteration of the scheme. Our cost consultant, Mr Powling, has reviewed these costs and considers these reasonable.

7.26 The additional costs are generally in line with the proposed all-office iteration of the scheme with the exception of residential marketing costs which are assumed at 1.5% of value. We consider these costs reasonable.

7.27 CIL costs assumed are consistent with the proposed all-office scheme. We request confirmation from the Council that this is reasonable but for the purposes of this assessment we have accepted these costs.

7.28 The S106 costs are also consistent with the all-office scheme. Again we request confirmation from the Council that this is reasonable but for the purposes of this assessment we have accepted these costs.

7.29 Finance has been included at 6.5% assuming that the scheme is 100% debt financed. We consider this finance allowance reasonable in the current market if at the upper end of our estimations. This assumption is consistent with the all-office scheme appraisal.

7.30 DS2 have included a void cost of £2,050,000 within the mixed-use scenario. This is £50k below the allowance in the all-office scheme. We have reviewed the office void cost within the all-office scenario. We have sought to recalculate the void cost for the mixed-use scheme taking into account the smaller quantum of offices within this scenario. We calculate a figure of £689,718 after our changes outlined at paragraph 6.11 and taking into account COH's recommend void period of 6 months.

7.31 DS2 have assumed a private residential profit of 20% on GDV and commercial profit of 15% on GDV. As outlined above, we consider that a profit on GDV approach is not reasonable at the subject development, given the scheme being a refurbishment and extension of an existing building rather than a new-build development. We have applied a profit of 10% on cost to the all-office scenario. Given the minimal amount of residential space within the mixed-use scenario, we have retained this 10% on cost profit target for the mixed-use scheme.

7.32 The assumed timescales for pre-construction and construction are in line with the-all office scheme which we accept as reasonable.

7.33 We have removed the sales void from the office units in line with the-all office iteration of the scheme.

7.34 DS2 have assumed all the residential sales would complete at the end of the above sales period, essentially representing a holding period on the residential assets of 12 months prior to sale. We consider this unrealistic and, given the small number of proposed units, we have assumed the sale of the units at practical completion.

8.0 AUTHOR SIGN OFF

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

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

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BPS Chartered Surveyors

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For and on behalf of
BPS Chartered Surveyors

17th February 2022

Appendix 1: Neil Powling Build Cost Report

Project: Tavis House, 1-6 Tavistock Square, Camden WC1 9NA

2021/6105/P

Cost Report

1 SUMMARY

1.1 The design information used to produce the cost plan has been stated as "very limited".

1.2 The detailed costs show items that have been omitted and VE savings, presumably compared to earlier version issues, indicating that there have measures taken to reduce the budget costs.

1.3 Our benchmarking results in an adjusted benchmark of £2,872 /m² that compares to the Applicant's £3,176/m². The Applicant's costs are in excess of a BCIS benchmark by £304/m² (£2,400,464). Our review of the detailed costs indicate that they are not unreasonable, but the benchmarking indicates that some further reductions may be achievable. We note that the Intro duction of the cost plan item 1.1 states that the report should be treated as an Order of Cost and validated during the design process – during this process costs can go down as well as up.

1.4 The duration allowed in the Applicant's appraisal comprises a construction period of 15 months. The results determined from the BCIS duration calculation provides an estimated average construction duration from start on site to construction completion of 64 weeks with a 90% confidence interval for this estimate of 54 to 76 weeks. We consider the duration for construction compared to BCIS a reasonable allowance.

1.5 The details of the below the line costs of the refurbishment scheme indicates to us that they should be included in the costs of the scheme. With this inclusion the cost is £1,028/m² that compares to a BCIS mean cost of £1,684/m² confirming that the Applicant's allowances are for a light touch scope of works.

2 METHODOLOGY

2.1 The objective of the review of the construction cost element of the assessment of economic viability is to benchmark the Applicant's costs against RICS Building Cost Information Service (BCIS) average costs. We use BCIS costs for benchmarking because it is a national and independent database. Many companies prefer to benchmark against their own data which they often treat as confidential. Whilst this is understandable as an internal exercise, in our view it is insufficiently robust as a tool for assessing viability compared to benchmarking against BCIS. A key characteristic of benchmarking is to measure performance against external data. Whilst a company may prefer to use their own internal database, the danger is that it measures the company's own projects against others of its projects with no external test. Any inherent discrepancies will not be identified without some independent scrutiny.

2.2 BCIS average costs are provided at mean, median and upper quartile rates (as well as lowest, lower quartile and highest rates). We generally use mean or occasionally upper quartile for benchmarking. The outcome of the benchmarking is little affected, as BCIS levels are used as a starting point to assess the level of cost and specification enhancement in the scheme on an element by element basis. BCIS also provide a location factor compared to a UK mean of 100; our benchmarking exercise adjusts for the location of the scheme. BCIS Average cost information is available on a default basis which includes all historic data with a weighting for the most recent, or for a selected maximum period ranging from 5 to 40 years. We generally consider both default and maximum 5 year average prices; the latter are more likely to reflect current regulations, specification, technology and market requirements.

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

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

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

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

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

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

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

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

2.11 We have considered the duration of the construction period by reference to the average duration calculation resulting from use of the BCIS Duration Calculator, and if we consider appropriate have drawn attention to any significant divergence between the Applicant's duration and the BCIS calculation. The duration is expected to be the result of a programme in appropriate detail for the stage of the project that should be prepared by a specialist in the field. We consider our experience of construction and duration sufficient for benchmarking comparisons using BCIS, but do not possess the appropriate qualifications and experience for undertaking a more detailed examination of the construction duration.

3 GENERAL REVIEW

3.1 We have been provided with and relied upon the Financial Viability Assessment issued 15th December 2021 by DS2 for Tempus Realty Holdings 1 (Jersey) Limited together with the Stage 2 Cost Plan Option 3B-4 Update issued December 2021 by Quartz Project Services Ltd for the application scheme and the Order of Cost Estimate issued Nov 2020 for the refurbishment scheme.

3.2 We have also downloaded a number of files from the planning web site.

3.3 The cost plan we assume to be on a current day basis. Our benchmarking uses current BCIS data which is on a current tender firm price basis. The BCIS all-in

Tender Price Index (TPI) for 4Q2021 is 344 (Provisional) and for 1Q2022 350 (Forecast).

3.4 The design information used to produce the cost plan has been stated as "very limited". There is structural and services information identified as Elliott Wood Stage 2 Report and Hoare Lee MEP Engineering Stage 2 Report.

3.5 The cost plan includes an allowance of 17% for preliminaries. The allowance for overheads and profit (OHP) is 6%. We consider these allowances reasonable although taken together at the upper end of the range we would expect.

3.6 The allowance for contingencies is 5% which we consider reasonable. All the % figures are based on a calculation of a conventional arrangement of the sums in the analysis.

3.7 The detailed costs show items that have been omitted and VE savings, presumably compared to earlier version issues, indicating that there have measures taken to reduce the budget costs.

3.8 We have extracted the cost information provided by the Applicant into a standard BCIS/NRM format to facilitate our benchmarking.

3.9 We have downloaded current BCIS data for benchmarking purposes including a Location Factor for Camden of 130 that has been applied in our benchmarking calculations.

3.10 We have adopted the same GIA used in the Applicant's cost plan; we assume this to be the GIA calculated in accordance with the RICS Code of Measurement 6th Edition 2007.

3.11 The building is an existing 11 storey office building; BCIS average cost data is given in steps: 1-2 storey, 3-5 storey, 6 storey or above. We have benchmarked as 6 storey and above.

3.12 We have calculated a blended rate for benchmarking of the Application Scheme as the table below.

			BCIS	Blended
	GIA m^2	%	£/m^2	£/m^2
Refurbish existing	6,709	85%	1,684	1,430
Horizontal extension	1,188	15%	2,958	445
Total	7,897	100%		1,875

3.13 Our benchmarking results in an adjusted benchmark of £2,872 /m^2 that compares to the Applicant's £3,176/m^2. The Applicant's costs are in excess of a BCIS benchmark by £304/m^2 (£2,400,464). Our review of the detailed costs indicate that they are not unreasonable, but the benchmarking indicates that some further reductions may be achievable. We note that the Introduction of the cost plan item 1.1 states that the report should be treated as an Order of Cost and validated during the design process – during this process costs can go down as well as up.

3.14 The duration allowed in the Applicant's appraisal comprises a construction period of 15 months. The results determined from the BCIS duration calculation provides an estimated average construction duration from start on site to construction completion of 64 weeks with a 90% confidence interval for this estimate of 54 to 76 weeks. We consider the duration for construction compared to BCIS a reasonable allowance.

3.15 The areas and costs included in the appraisal are consistent with the areas and costs in the estimate/cost plan.

3.16 Our consideration of the refurbishment scheme provides the cost summary below.

GIA		6,780
Facilitating works	524,135	77
Reception works	223,200	33
Services	641,500	95
Cat A refurb	2,610,300	385
Redecorate	1,096,300	162
Ext works	60,516	9
	5,155,951	760
Prelims 13%	670,274	99
OHP 5%	291,311	43
Sub Total	6,117,536	902
Contingency 5%	305,877	45
Total	6,423,413	947
	546,170	81
Total inc below the line	6,969,582	1,028

3.19 The details of the below the line costs of the refurbishment scheme indicates to us that they should be included in the costs of the scheme. With this inclusion the cost is £1,028/m² that compares to a BCIS mean cost of £1,684/m² confirming that the Applicant's allowances are for a light touch scope of works.

BPS Chartered Surveyors

Date: 31st January 2022

Tavis House, 1-6 Tavistock Square, Camden WC1 9NA
Elemental analysis & BCIS benchmarking

				OFFICES						Blend
				New Bld def		Horiz extn def		Refurb a/c def		15/85%
		GIA m²	7,897	LF100	LF130	LF100	LF130	LF100	LF130	LF130
		£	£/m²	£/m²	£/m²	£/m²	£/m²	£/m²	£/m²	£/m²
	Demolitions 5.18%	**928,620**	**118**							
1	**Substructure**	**898,676**	**114**	**169**	**220**	**170**	**221**	**42**	**55**	**80**
2A	Frame	1,599,662	203	145	189					
2B	Upper Floors	552,521	70	83	108					
2C	Roof	553,972	70	144	187					
2D	Stairs	274,050	35	43	56					
2E	External Walls	2,471,392	313	210	273					
2F	Windows & External Doors			134	174					
2G	Internal Walls & Partitions	640,818	81	72	94					
2H	Internal Doors	475,470	60	43	56					
2	**Superstructure**	**6,567,885**	**832**	**874**	**1,136**	**1,113**	**1,447**	**341**	**443**	**594**
3A	Wall Finishes	781,583	99	48	62					
3B	Floor Finishes	273,781	35	82	107					
3C	Ceiling Finishes	888,389	112	39	51					
3	**Internal Finishes**	**1,943,753**	**246**	**169**	**220**	**223**	**290**	**195**	**254**	**259**
4	**Fittings**	**346,438**	44	**27**	**35**	**37**	**48**	**39**	**51**	**50**
5A	Sanitary Appliances	183,161	23	19	25					
5B	Services Equipment (kitchen, laundry)			0	0					
5C	Disposal Installations	236,886	30	13	17					
5D	Water Installations	236,886	30	34	44					
5E	Heat Source	273,616	35	56	73					
5F	Space Heating & Air Treatment	1,507,458	191	180	234					
5G	Ventilating Systems, smoke extract & control	908,303	115	70	91					
5H	Electrical Installations (power, lighting, emergency lighting, standby generator, UPS)	2,153,273	273	191	248					
5I	Fuel Installations			7	9					
5J	Lift Installations	613,575	78	31	40					
5K	Protective Installations (fire fighting, dry & wet risers, sprinklers, lightning protection)	33,634	4	20	26					
5L	Communication Installations (burglar, panic alarm, fire alarm, cctv, door entry, public address, data cabling, tv/satellite, telecommunication systems, leak detection, induction loop)	758,834	96	46	60					
5M	Special Installations - (window cleaning, BMS, medical gas)			34	44					
5N	BWIC with Services	218,156	28	20	26					
5O	Management of commissioning of services - MC preliminaries	588,215	74							
5	**Services**	**7,711,997**	**977**	**721**	**938**	**586**	**762**	**695**	**904**	**882**
6A	Site Works	237,900	30							
6B	Drainage									
6C	External Services									
6D	Minor Building Works - substation & bin store	209,250	26							
6	**External Works 2.43%**	**447,150**	**57**	**0**	**0**	**0**	**0**	**0**	**0**	
	SUB TOTAL	**18,844,519**	**2,386**	**1,960**	**2,548**	**2,129**	**2,768**	**1,312**	**1,706**	**1,865**
	Sustainability measures	415,000	53							
	SUB TOTAL	**19,259,519**	**2,439**							
7	**Preliminaries 17%**	**3,274,118**	**415**							
	Overheads & Profit 6%	**1,352,018**	**171**							
	SUB TOTAL	**23,885,655**	**3,025**	**1,960**	**2,548**	**2,129**	**2,768**	**1,312**	**1,706**	**1,865**
	Design Development risks									
	Construction risks - main contractors risk 5%	1,194,283	151							
	Employer change risks									
	Employer other risks			New Bld def		Horiz extn def		Refurb a/c def		
	TOTAL	**25,079,938**	**3,176**	LF100	LF130	LF100	LF130	LF100	LF130	

	25,079,938	3,176
Benchmarking - blended rate		1,875
Add demolitions	118	
Add external works	57	
Add sustainability	53	
Add additional cost of substructure	34	
Add additional cost of superstructure	238	
Add additional cost of services	94	
	593	
Add prelims 17%	101	
Add OHP 6%	42	736
		2,611
Add contingency @ 10% (existing building)		261
Total adjusted benchmark		2,872
		304
		2,400,464

Appendix 2: Crossland Otter Hunt Report

TAVIS HOUSE
TAVISTOCK SQUARE
LONDON WC1

REPORT PREPARED BY

NICK SINCLAIR AND JON STANIFORTH

OF

CROSSLAND OTTER HUNT

ON BEHALF OF

BPS CHARTERED SURVEYORS

15th February 2022

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APPENDICES

1 Site Plan

2 Photographs of the building and the interior as existing

3 Comparables for Lettings in Central London and the Holborn

4 Comparables of Investment Deals in Central London and the Holborn

INTRODUCTION

We have been asked to comment on the development proposal put forward for this property.

We have been asked to give our opinion on the following:

a) Consideration of the existing use value of Tavis House in terms of rents and yields.

b) Consideration of the light touch refurbished value of Tavis House in terms of rents and yields.

c) Consideration of the proposed office scheme of Tavis House in terms of rents and yield.

d) Consideration of the mixed-use scheme of offices and residential space of Tavis House in terms of rents and yields.

We will look at the location and building and then address each question in turn.

We would caveat that this is not a bank valuation and is only to be used for the purposes on this planning viability assessment.

LOCATION AND DESCRIPTION

Location

Tavis House is located on the eastern side of Tavistock Square, and at the southern end of the square at the junction between Tavistock Place and Tavistock Square.

Bloomsbury is popular with a number of occupiers including offices, retail, residential and hotel users. 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 and TMT users.

The area has also become a location for Life Science users, with buildings such as the Francis Crick Institute acting as a draw.

The nearest Underground Stations are Russell Square (Piccadilly line) 430 m and Euston Station (British Rail, Northern line) 550 m from the site. The nearest bus stop is outside the building within Tavistock Square. The nearest Railway stations are Euston Station and Kings Cross Station.

Site and Building Description

The building is on the corner of Tavistock Square and Tavistock Place. It is an 8-storey office block and it is L shaped. The top two levels of the building are recessed back. To the rear of the site lies a service route/car park.

We understand from DS2's report that the building was built in the 1940's for The Ministry of Labour and National Service. Age UK Camden have occupied the building until recently but are now downsizing and relocating.

The site is located within the Central Activities Zone (CAZ). We understand that the building falls within the Knowledge Quarter Innovation District.

Tavis House provides older style office space, and although there was some refurbishment of the 6th floor this has been stripped back.

We undertook an inspection of the building. The specification as we have said is old and some of the services have been condemned.

The upper floors are mainly open plan with some individual offices. There are suspended ceilings with ceiling tiles recessed lighting and A/C ceiling units, there is perimeter trunking and most floors are carpeted onto solid floors.

There are central heating radiators on all floors, but the boilers have been condemned so that all heating comes from the comfort cooling cassettes.

Each floor has male and female WCs with one set in the staircase lobby and the other to the south of the staircase lobby but in the main floor. The WCs on the 8th,7th,6^{th,} and 1st floors have been upgraded.

The Ground floor has a greater floor to ceiling height with a suspended ceiling, raised floors and it has been upgraded to act as presentation areas.

The basement is used for plant and storage and has fluorescent lighting, brick walls with a concrete floor. There are several plant rooms including the condemned central heating boilers.

We understand that the building's windows were replaced in 2010.

TENURE AND BASIS OF VALUATION

The property is held under long lease by Tempus Reality Holdings Limited. The freehold is owned by The Woburn Estate Company and Bedford Estate Nominees Limited from December 2006. We understand from the report by Duff and Phelps that the lease terms are as follows:

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 rent 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 head rent is calculated as 12.5% of the higher of the rent's 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.

We understand that the rent review is being negotiated and that the Tenant is also to enter negotiations for a lease extension.

We have assumed however that for this report that the lease held is a 77-year term to include the existing lease and the free option to extend by 23 years until 2098.

In addition you have asked us to make the special assumption that we consider the property on a freehold basis as well.

MARKET COMMENTARY

Introduction

The property is situated in an area which is seeing public realm and amenity improvements to the north around Euston with the HS2 development works and with the redevelopments around Kings Cross which has seen improvements for office, retail and leisure uses.

Over the past decade, the provision of new properties has attracted new businesses from all sectors of the market but principally the technology, media, and financial services sectors (TMT), together with Life Science, Educational and Charity users

There has been significant activity in the pre-let market in the area around Tottenham Court Road as well as the areas around Trident Square and Kings Cross.

Some of the main points for Central London over the past two quarters are as follows:

- Lettings up for the year on year by 23%, totalling 6.2 million sq. ft. October saw 321,400 sq. ft let or pre-let.
- TMT industries account for 31% of the take-up, including IBM and BBC.
- Space under offer increased in October, with 4.8 million sq. ft, which represents 50% above the 10-year average.
- Active demand for Central London is 6.0 million sq. ft compared with 5.7 million sq. ft last month.
- Supply levels continued to increase during the quarter, although at a slower rate. Supply rose by 2% on the previous month to 2.61 million sq. ft.
- Vacancy rate is at a higher level than for many years.
- Prime yields remained unchanged at 3.50% for freehold lot sizes below £40 million. Yields for lot sizes between £40 million and £125 million were unchanged at 3.75% but trending stronger. Prime yields are 3.75% for lot sizes above £125 million.

Holborn

The Holborn market has performed markedly better over the last few months, albeit starting from a low base.

The main points are:

After two years there is beginning to be a change in the Holborn market conditions; total take-up for 2021 doubled year-on-year and overall availability has reduced for the first time since the pandemic began.

- The Midtown vacancy rate fell to 5.6%
- Tenant released space fell from 43% to 28%

- In the last quarter Office take up in Holborn has increased, office availability is down 12%, and investment volumes were down 9% but year on year there have been healthy uplifts in all sectors

- There is currently over 2.5 million sq.ft. under construction of which 16% is prelet

- The most recent investment deal in the area this year is Victoria house which has sold for in excess of £400 million. Other deals include the sale of 90 High Holborn at £240 million, 214–218 Oxford Street for £378 million, and 112-116 Oxford Street for £15 million.

We have used source material from Farebrother, Knight Frank, Cushman, and Wakefield and JLL

CONSIDERATION OF THE ESTIMATED EXISTING VALUE OF THE TAVIS HOUSE IN TERMS OF OFFICE RENTS

We understand that Age UK are currently moving out of the accommodation.

Although the building appears in a reasonable structural state, the services are nearing the end of their useful life and as stated the central heating has been condemned. The floors have solid floors with perimeter trunking at floor and half height level. There are suspended ceilings and inset fluorescent lighting. The A/C cassettes unit are in the ceiling and would also appear to be a subsequent installation.

The lift provision is adequate for a building of this size.

We have assumed that the property would undergo a redecoration of the accommodation and common parts and that the Air Conditioning and other services would undergo a full service and maintenance to ensure that all services bar the Central Heating are working.

The existing office floor areas we understand are as follows:

Floor	Use	Sq M	Sq Ft
8th Floor	Office	414.1	4,457
7th Floor	Office	532.9	5,736
6th Floor	Office	597.8	6,435
5th Floor	Office	604.8	6,510
4th Floor	Office	606.1	6,524
3rd Floor	Office	603.3	6,494
2nd Floor	Office	604.9	6,511
1st 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**

As we have said, the buildings in their current state are tired and the services, including lift provision, are not what would be considered ideal for today's market. It is unlikely that in the current market the offices in this condition will let quickly. It is also unlikely that a tenant would take space without a service charge cap.

There are several similar properties in terms of age and style on the market and these vary in standard of finishes, but generally they have been given new services and the floors refurbished to Cat A standard.

The current market is characterized by the new phrase "a flight to quality". Tenants are looking for modern well-ventilated buildings and older specified buildings such as this building in its current condition, as a result, are difficult to let.

It is interesting to note that in Tavistock House there are a number of unrefurbished units of short term centrally heated space is on the market for £25.00 per sq.ft.

Current Estimated Rental Values

We are of the opinion that, in its current condition and given the generally better condition of the comparable buildings, the rents for each floor would be as follows:

Floor	Area Sq. Ft	Rent psf	Market Rent
8th Floor – Office	4,457	£45.00	£200,565
7th Floor – Office	5,736	£42.50	£243,780
6th Floor – Office	6,435	£42.50	£273,487
5th Floor – Office	6,510	£40.00	£260,400
4th Floor – Office	6,524	£40.00	£260,960
3rd Floor – Office	6,494	£40.00	£259,760
2nd Floor – Office	6,511	£40.00	£260,440
1st Floor – Office	6,480	£37.50	£243,000
Ground – Office	5,468	£35.00	£191,380
Ground – Reception	876	£20.00	£ 17,520
Basement – Storage	3,241	£10.00	£ 32,410
Total	**59,048**		**£2,243,702**

This gives an overall average rent of £38.00 per sq.ft.

We would expect 5-year leases to be granted and probably have a break option at the third year. We would expect rent free periods of 15 – 18 months to be granted and voids of a similar period.

CONSIDERATION OF THE ESTIMATED REFURBISHED VALUE OF THE TAVIS HOUSE IN TERMS OF OFFICE RENTS

The tenants have put forward an interim scheme which they have described as a light touch refurbishment scheme which will involve the following:

a) CAT A light touch refurbishment with minimum structural interventions, new fire escape, new staircase, new core lobbies, repair and replace parts of existing Mechanical and electrical services.
b) Maintenance and repairs to the existing building
c) Some external works.

We have looked at the rents put forward by Duff and Phelps and we have also looked at other evidence in the area. The lettings that have taken place in Lynton House are a good indicator of the level of rents achievable in this location. Lettings albeit 2 years ago show rents in the high £60s and recent interest in the property we understand show similar levels of rent. Lynton House was subject to a full refurbishment of the building in 2008 and subsequently in 2019 which included works to the common parts and the floors. The refurbishment here proposed is not to the same standard and we have reflected this.

Similarly, the lettings in Tavistock House give a good indication of what is happening in the Square with the letting on the Ground floor at £65.00 per sq. ft albeit for smaller space giving a good indication of refurbished market lettings.

We are of the opinion that rents achievable for the refurbishment would be higher than those projected by Duff and Phelps given the recent activity in the area and we would put forward the following rentals.

Floor	Area Sq. Ft	Rent psf	Market Rent
8th Floor – Office	4,457	£62.50	£278,563
7th Floor – Office	5,736	£62.50	£358,500
6th Floor – Office	6,435	£60.00	£386,100
5th Floor – Office	6,510	£57.50	£374,325
4th Floor – Office	6,524	£57.50	£375,130
3rd Floor – Office	6,494	£55.00	£357,170
2nd Floor – Office	6,511	£55.00	£358,105
1st Floor – Office	6,480	£52.50	£340,200
Ground – Office	5,468	£50.00	£273,400
Ground – Reception (if single let)	876	£27.50	£24,090
Basement – Storage	3,241	£15.00	£48,615
Total			**£3,174,198**

This gives an overall rent of £53.76 per sq.ft. overall on the refurbished space

We would expect 5-year leases to be granted and probably have a break option at the third year. We would expect rent free periods of circa 12 months on a term to be granted and voids of circa 6-9 months.

CONSIDERATION OF THE PROPOSED SCHEME'S ESTIMATED VALUE OF THE PROPERTY IN TERMS OF OFFICE RENTS

We understand that the proposal put forward by DS2 is for a refurbishment and extension of the existing buildings, to provide new entrances, a new roof top pavilion, roof top plant equipment and enclosures, a rear extension and cycle parking associated with Class E use together with new hard and soft landscaping and other ancillary works.

The description of development is as follows.

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.

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.

The rear infill proposed to be clad in a glazed brick facade is 5.4 meters wide and is proposed to enhance the office floorplate at levels 1-8.

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.

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.

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.

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.

	Net Lettable Area		Gross Internal Area	
Floor	**Sq m**	**Sq ft**	**Sq m**	**Sq ft**
9	-	-	50	538
8	429	4,618	529	5,694
7	667	7,180	786	8,461
6	729	7,847	846	9,106
5	736	7,922	856	9,214
4	736	7,922	856	9,214
3	736	7,922	856	9,214
2	736	7,922	856	9,214
1	673	7,244	792	8,525
Ground	497	5,350	790	8,504
Basement	205	2,207	680	7,320
Total	**6,144**	**66,134**	**7,897**	**85,003**

Cycle & Car Parking

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

New Estimated Rental Values

We have looked at the evidence of new and fully refurbished buildings in the area over the past 18 months. These are set out in Appendix 3. In addition, we have also looked at the evidence provided by DS2.

This building is not in as good a position as many of the comparables, and it is a reconfiguration of the existing building with added office accommodation at the rear of the building as opposed to a new building.

The nearest comparable is Lynton House, which is adjacent to the subject property. Rents range from £65 to £70 per sq ft. We feel that Tavis is better being a corner building and will be newly refurbished, Lynton has floor to ceiling height issues, hence it is cooled by a chilled beam system.

1 Triton Square, has been let to Facebook at a blended rent of £65 – 70 psf. It is an older building, and it is reasonable to assume therefore that the building will not command top rents.

As mentioned earlier the increased Life Science use in the area has to be considered. Belgrove House, we understand has been prelet at a figure of £80 psf overall. We do not have the full details of the transaction.

Granary House is a mixed-use building with lab enabled space on the lower three floors. The deal we understand shows a rent in the late £60 psf although the first floor which has a ceiling height of 4 m has a premium rent of £80 psf.

We have considered the evidence put forward and compared the building in terms of location, layout, and specification. We agree with the figures put forward by DS2 on the upper floors, however ae are of the opinion that the rent in respect of the lower floors shall be higher.

Level	NIA Sq. Ft	Rental value per sq. ft	
9	-	-	-
8	4,618	£75.00	£346,350.00
7	7,180	£72.50	£520,550.00
6	7,847	£72.50	£568,907.50
5	7,922	£72.50	£574,345.00
4	7,922	£72.50	£574,345.00
3	7,922	£70.00	£554,540.00
2	7,922	£70.00	£554,540.00
1	7,244	£67.50	£488,970.00
Ground	5,350	£55.00	£294,250.00
Basement	2,207	£25.00	£55,175.00
Total	**66,134**		**£4,531,972.50**

This gives an overall rent of £68.53 per sq. ft.

Floor	Letting Void (months)	Rent Free (months)
8	6	12-24
7	6	12-24
6	6	12-24
5	6	12-24
4	6	12-24
3	6	12-24
2	6	12-24
1	6	12-24
G	6	12-24
LG	6	12-24

We would expect that the scheme would be let as individual or maybe a number of floors together.

We would expect that new leases of 5 -10 years would be granted. If the rent is 10 years, then there may be a break at the fifth year. If the lease is for 5 years, then we would expect a rent free of around the lower figure while if it is ten years it would be at the higher end. In the event of a break option there would likely be a division of the rent-free period granted, with the second tranche being granted if the break is not exercised.

We have put an average void period of six months. We do consider there is a realistic possibility of a pre-let, especially from the life science sector.

CONSIDERATION OF THE PROPOSED ALTERNATIVE RESIDENTIAL / OFFICE SCHEME ESTIMATED VALUE IN TERMS OF RENT

We understand that there is a proposal as an alternative to include a residential element on the part ground and part first floors together with plant rooms on the part second and part basement floors.

We have inspected the plans and noted that the residential element is approached from Tavistock Place and is separated from the offices and at one end of the building, in addition it does not affect the main office entrances from Tavistock Square and the proposed new rear entrance.

We do not think therefore that the residential element will affect the office rentals in the refurbished scheme. Therefore, we would apply the same rental levels to the Ground and first floor offices but for the reduced floor areas.

INVESTMENT MARKET

As can also be seen from the comments made in the Market Commentary, the market has improved and, with overseas money back, there is a strong demand for office investments in Central London.

This demand has remained strong against a backdrop of favourable exchange rates, as mentioned above, as well as a limited supply.

We have also noticed particularly strong interest in properties close to large infrastructure improvements, such as Crossrail and HS2.

We set out in Appendix 4 a list of recent transactions in the Central London and Holborn.

We would highlight as the property is leasehold in reasonably close proximity and also the sale on 101 St Martins Lane, WC2 is a good Covent Garden location which was sold by Legal & General during the later part of 2021, at a price of £56m reflecting just in excess of 5%. This property was held by Leasehold for a term of 125 years at a gearing of 8.5% on ERV. This property was multi underlet with a WAULT to expiry of 6.3 years (3.4 years to break). This had a longer headlease term and a more attractive gearing than the subject property.

CONSIDERATION OF THE EXISTING OFFICE USE AND LIGHT TOUCH REFURBISHMENT ESTIMATED VALUE OF THE PROPERTY IN TERMS OF INVESTMENT YIELDS

This property is held on a lease from The Woburn Estate Company and Bedford Estate Nominees Limited from December 2006. There is a potential 77 years left once options have been exercised. The rental for the building to the Landlord is geared to 12.5%

We have assumed that the property is fully let and income-, with best office rents of circa £45.00 per sq. ft, but with an average rent per sq. ft of £38.20 per sq.ft. respectively for the buildings on lease terms providing an average weighted unexpired lease term of five years and with a break option at the third year.

Investors will be interested in the general improvements of the location through the opening of HS2, Crossrail and other developments in the area.

Purchasers, when calculating their yield for the property, will also (whether explicitly or implicitly) allow for an enhanced yield to reflect the fact that there are "value added" opportunities at the property.

On this basis, we consider that there would be some demand from investors, with the capital value per sq. ft being of more interest to these value-added purchasers. We would anticipate an exit yield in the order of 5.5%, after allowing for appropriate purchaser's costs. This reflects the 12.5% payable to the Landlord and the 77 years left on the lease. We would point out that the length of the head lease with a 12.5% gearing.

There are similar considerations to the light touch refurbishment for the property in that the refurbishment works envisaged do improve the offices in bringing them up to a good standard, but the building structure is essentially the same as the existing building.

We are of the opinion that much the same criteria apply for the existing building but that the light touch refurbishment gives a better return in rental terms and the works to the services improve the buildings short term prospects, but the investment considerations are still mainly the same. The length of the head lease and the gearing would make it unattractive to a large number of investors.

We would therefore consider that the building where the best space would achieve £ 62.50 per sq.ft. and there is an average rent of £54.05 per sq.ft. that an exit yield of circa 5.75% would be applied after allowing for appropriate purchaser's costs. This again reflects the 12.5% payable to the Landlord and the 77 years left on the lease.

If the property were to be hold freehold, then we believe that the net initial yield would improve to then 4.5% range given a capital value of circa £1075 per sq ft.

CONSIDERATION OF THE PROPOSED OFFICE SCHEME ESTIMATED VALUE IN TERMS OF YIELDS

As above we have had to assume, that the value is based on the existing lease and option thus having 77 years unexpired and that there is the ability to develop the buildings. We have assumed that the property is fully let and income-producing, with best office rents of circa £75.00 sq. ft on lease terms, but with an average rate of £68.53 per sq. ft of circa unexpired lease term of 5 years.

There has been good activity in the investment market in the Holborn and West End markets and recent investment activity in the recent months has continued to show that there is a good demand for office investment. as shown by the table in appendix 4.

In the current market, this calibre of property, with lease terms as set out above, can achieve a net initial yield in the region of 5.75%, We would point out however, that due to the short head lease and gearing, there would not be an extensive market for this and it would not be considered attractive in the current market. This would be after allowing for appropriate purchaser's costs.

If the property were to be offered freehold having carried out the scheme then we consider that the appropriate yield would be circa 4-4.25%.

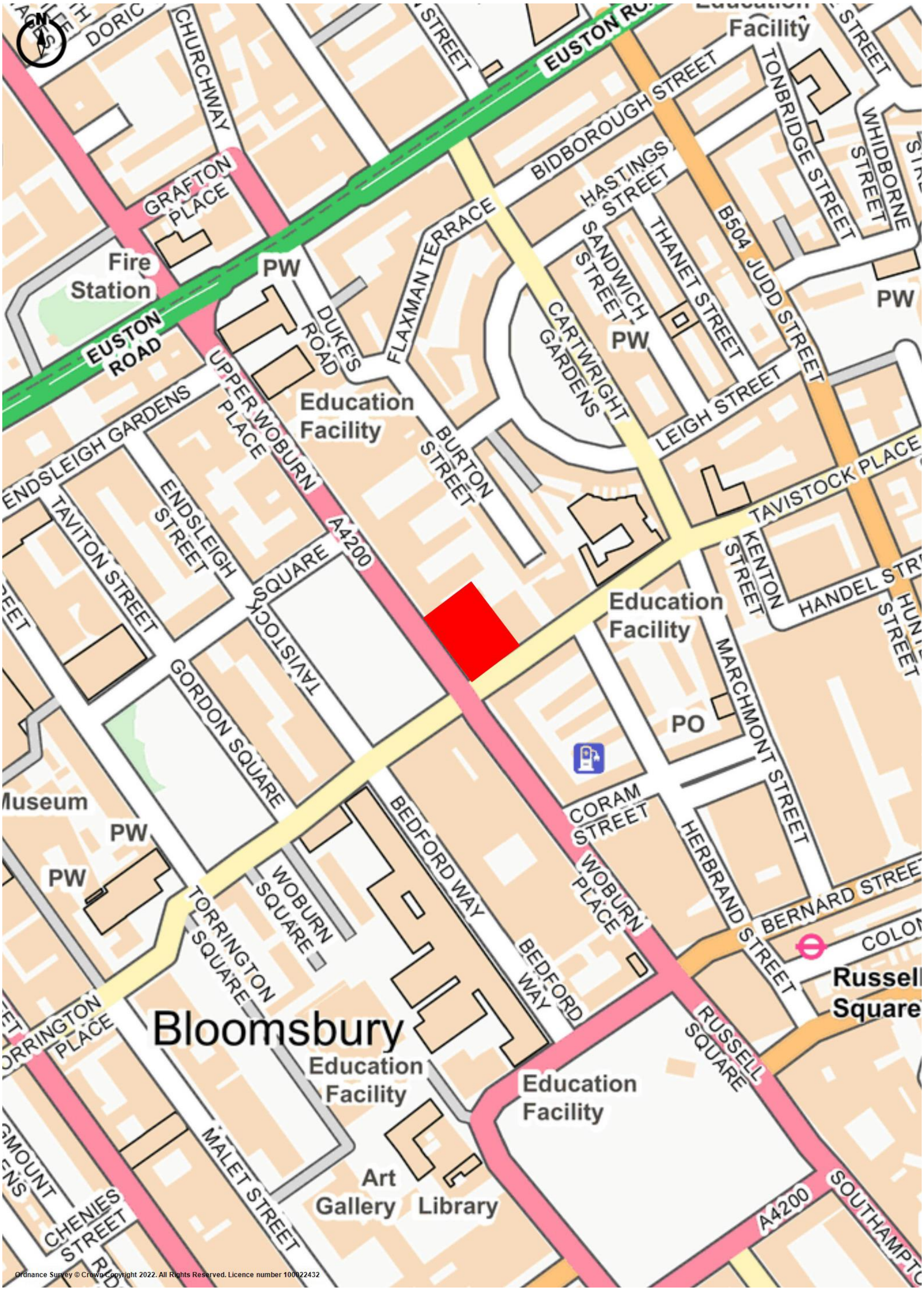
CONSIDERATION OF THE PROPOSED ALTERNATIVE RESIDENTIAL / OFFICE SCHEME ESTIMATED VALUE IN TERMS OF YIELD

We consider that given the residential element is a small part of the scheme, and at the assumption that it is let on assigned shorthold tenancy, then we would apportion the same yield in the region of 5.75%.

If the residential were to be sold off this could have a determined effect on the yield of the whole scheme. We do not think a prudent developer would sell these flats as they form such a small part of the development. This would also apply on a freehold basis, although may marginally move the yields out dependant on the market at that time. We would put a figure of 4.5% on the freehold basis.

APPENDIX 1

Site Plan



Promap
LANDMARK INFORMATION

Plotted Scale - 1:1250. Paper Size – A4

APPENDIX 2

Photographs of the existing Tavis House

Frontage onto Tavistock Square and Tavistock Street

Rear Elevation

Interiors

Sixth floor Looking Eastwards

Looking towards Tavistock Square

Previously improved section on the 6th floor

6th floor unimproved


"When all around me
kind of felt like madness,
here was one organisation
that was ready to help."

Second floor (Typical of unimproved upper floors)

Improved WCs

Ground floor Kitchen area


Kitchen Hygiene
Personal Hygiene

Ground Floor general area

Basement Storage

Reception area facing south

Reception area facing north

APPENDIX 3

Office Comparables for Rental purposes

Lynton House, **Tavistock Square**

This building is situated next door to the subject property. This building was subject to a major refurbishment in 2008 and it provides Air Conditioned (chilled beam) modern office space.

There have been a number of lettings and lease renewals over the past few years mostly prior to COVID.

The ninth floor (Front) was let in April 2020 and comprises 4,424 sq.ft. It had been refurbished to Cat A standard.

A new lease was granted for 5 years with a tenant break in the 3rd year. The rent was £309,680 (£70.00 per sq.ft.) with a 7 month rent free period

The seventh floor was subject to a lease renewal in September 2019 and comprises 10,405 sq.ft. It was left in existing condition.

A new lease was granted for 10 years with a tenant break in the 5th year. The rent was £702,135 (£67.50 per sq.ft.) with a 10 month rent free period and followed by a further 10 months if the break option was not exercised

The eight ninth floor (Rear) was let in July 2019 and comprises 5,007 sq.ft. It had been refurbished to Cat A standard.

A new lease was granted for 5 years with a tenant break in the 3rd year. The rent was £325,455 (£65.00 per sq.ft.) with a 7 month rent free period

We understand that there are other floors in the building which are on the market at the moment and that there is interest in the floors at similar levels.

Tavistock House, Tavistock Square

This property is situated next door to Lynton House and there have been a number of lettings and renewals in the building within the property.

The offices have Air conditioning and raised floors and are generally in good condition.

Upper floors have been between 3,000 – 6,500 sq.ft. and were let or renewed on new 5 year lease at rents in the early £50.00s.

A ground floor suite of 3,371 sq.ft., which had been refurbished, was let in March 2021at a rent of £65.00 per sq.ft. (equating to £58.50 per sq.ft.)

There are a number of short term floors available in the building which are centrally heated non refurbished offices and quoting rents are £25.00 per sq.ft.

90 Whitfield Street

The property is located on Whitfield Street, with good access to Euston station.

The property comprises a mixed-use building of steel frame construction built in 2007, arranged over six floors, with retail space on the ground floor (at 101-106 Tottenham Court Road) and office space on the upper floors. This building has been Certified Wired Gold. The property has Air Conditioning an Atrium, Raised Floor, recessed Lighting, full height glazing, Roof Terrace, Bicycle Storage, Direct Elevator Exposure, and a Property Manager on Site.

This was an assignment of a sublease until October 2024, with a break option in October 2022. The floor was 6,770 sq. ft and the assignment was at the passing rent of £74.00 per sq. ft, subject to a reverse premium of four months.

The Post Building 21-31, New Oxford Street, London WC2

The property, which was completed in 2020 and is a "BREEAM excellent" building, is arranged over basement, ground and seven upper floors.

Four floors of offices were let to the Nationwide Building Society in May 2020 on a new 15-year lease, subject to a break option in year 10. The rent was £80.75 per sq. ft and a rent-free period of 35 months was granted, subject to a penalty of four months if the break was exercised.

1 Granary Street (101 Camley Street)

This is a mixed-use development where the lower 3 floors, Lower Ground, Ground and Part 1st Floor provide some 25,000 sq ft of "Lab enabled" space below a residential upper part. The rent being guided is in the late £60's overall but the first floor (5,000 sq ft) which has a significant ceiling height of 4 metres was considered to have a rental value in the region £80 psf if it was to be let separately.

Belgrove House, Belgrove Street

The site (0.75 acre) was bought in September 2020 without planning for £41.49m is a proposed development which will provide both “lab enabled” space and office space. It is currently subject to a pre-let of the entire space, offices and “lab enabled”, to Merck (MSD), the German science company. It is understood that the proposed tenant has a link with the owner of the scheme.

The pre-let is understood at to be at around £80 psf overall, but the full detail of the transaction is not yet known, and allowance should be made for any link between Landlord and Tenant.

One Triton Square

This development is fully let to Facebook on a confidential deal which we anticipate was £65-£70 per sq ft on a blended basis. This was an older building so top rents were not achieved.

APPENDIX 4

Comparables of Investment Deals in Central London and the West End

Sales in Local Area

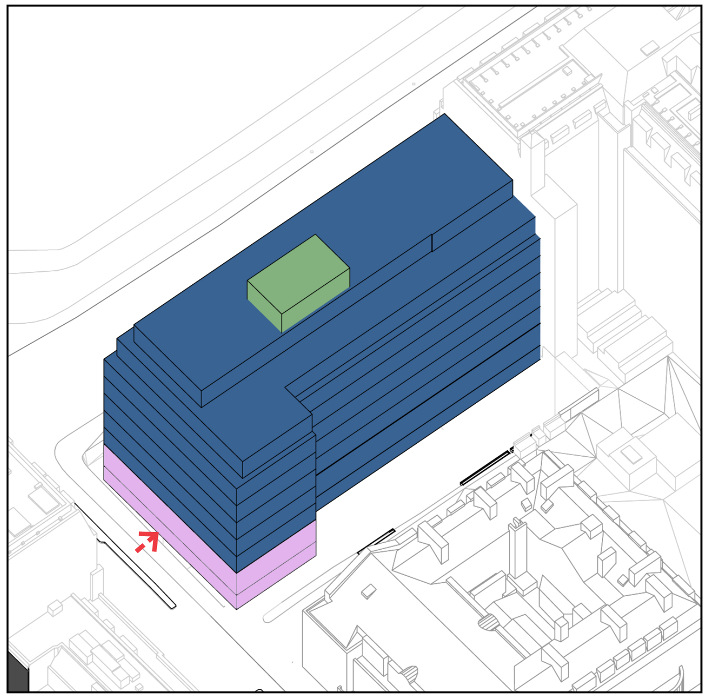
Address	Price £m	Yield / %	Date	Price psf	Area / sq ft	Comment
90 High Holborn	240 Asking	4.53	Under offer	1272	183,667	Buyer: Permodale
Victoria House	420+		Jan 2022	1788.64	236,135	Buyer: Oxford Property Group Part of package
40 Strand	205 Asking	3.83	Under offer		141,000	TBC
15 Fetter Lane	112.5 Asking	4.25	Under offer		85,323	TBC
250 Euston Road	189		12/2021	1144	165,900	Buyer: Derwent
45 – 51 Holborn Viaduct	265		12/21	1031	256,900	Buyer CBRE Investment Management and others
LABS House 15-19 Bloomsbury Way	108	4.82	12/2021	1324	81,546	Buyer German institutional investor BC
Heron House 15 Adam Street	65.90	4.50	12/2021	1220	53,985	K&K Property Holdings Ltd
Saffron House 6-10 Kirby Street	87	4.50	12/2021	1191	72,989	Seller: M&G
100 New Bridge Street	160	-	12/2021	951	168,267	TBC
101 St Martin's Lane	56	5%	10/21	1175	47,643	Seller Legal and General
67 Lincoln's Inn Fields	32.30	4.18	07/2021	1080	29,806	Buyer: Habro Properties Ltd
The Bureau 90 Fetter Lane	118	4.15	06/2021	1594	74,023	Deka Immobilien GmbH
22 Kingsway	82	4.50	On market	1107	74,023	TBC
112-116 New Oxford Street	15.15	3.95	10/2021	1,467	10,327	Vendor: MARK Buyer: Campari
68-71 Newman Street	18.14	4.7	10/2021	1,043	17,392	Vendor: ABTA Buyer: CBRE GI
214-218 Oxford Street	378		10/2021	1,562	241,990	Vendor: Arcadia Buyer: Ingka Group

Address	Price £m	Yield / %	Date	Price psf	Area / sq ft	Comment
124 Theobalds Rd	70	4.63	04/2021	863	81,110	Buyer: private Middle Eastern Investor Ten: to MediaCom Holdings Ltd and
7 - 8 Great James St	5		02/2021	649	7,700	Buyer: GFZ Holdings
70 New Oxford Street	34.90	3.98	02/2021	1,404	25,429	Unknown Ten: Various
127, Charing Cross Road	59.25	3.34	01/2021	1,478	O 23569 R 16522	V Nomura Ten: Various
268-270 High Holborn	45		12/2020	664	67,803	Buyer: private U.S Investor Ten: BT plc.
279 Tottenham Court Road	64.7	4.25	04/2020	1,822	34777	Pur: K & K properties Ten: Various
34-36 High Holborn	22		03/2020	1,027	21,425	Buyer: IINO Lines
25-35 Southampton Row (Part of Portfolio)	52.26		03/2020	771	67,824	Tristan Capital Partners and Cording Real Estate have gone into a JV and acquired the Holborn Links Estate from Tedy Sagi's Lab Tech Investments Limited for £245m through Tristan's CCP 5 Long Life (CCP 5 LL) fund.
271-277 High Holborn	80.20	4.48	01/2020	1,040	77,152	Buyer:A private consortium Ten: the University of the Arts London
40-45 Chancery Ln	121.30	4.25	01/2020	1,170	103,700	Buyer: Deka Immobilien Ten Publicis Groupe
89-90 Chancery Ln	34	4.42	01/2020	1,018	33,408	Buyer private Thai investor Ten: Various

Appendix 3: Residential Study, provided by DS2

Residential Study

Overview



PreApp 03 Scheme GIA Uplift = 994m^2

H2 Policy required 50% GIA Uplift = 497m^2

Ancillary areas

Core (Lift & staircase) = 88 m^2

GF Bin store, cycle store = 30 m^2

Basement (lift pit, plant) = 30 m^2

L02 (lift overrun) = 20 m^2

Total usable residential area = 329m^2

Total residential units = 4

Policy H2 *contained within the Camden Local Plan sets out that where a proposal will increase the total gross floorspace by more than 200 sqm, the Council will negotiate up to 50% of additional gross floorspace (GIA) as housing, including a proportion of affordable housing where housing is required as part of a mix of uses, we will require self contained housing to be provided on site, particularly where 1,000sqm*

(GIA) of additional floorspace or more is proposed.

Proposed GIA uplift is 994 m^2

Residential Requirement (50% of GIA uplift) = 497 m^2

Internal Floor Area

All developments should meet the following minimum space standards.

	Dwelling type (bedroom/ persons)	Essential GIA (sq.m)
Single storey dwelling	1b2p	50
	2b3p	61
	2b4p	70
	3b4p	74
	3b5p	86
	3b6p	95
	4b5p	90
	4b6p	99
Two storey dwelling	2b4p	83
	3b4p	87
	3b5p	96
	4b5p	100
	4b6p	107
Three storey dwelling	3b5p	102
	4b5p	106
	4b6p	113

Supporting para 3.48 of policy H2 states:

The following are examples of proposals that would ***not*** be required to provide housing:

• the additional floorspace is 200m^2 (GIA) or less;

• the development is unable to create an acceptable level of residential amenity e.g. inadequate daylight and sunlight, or other activities nearby would cause unacceptable harm to residential amenity e.g. levels of noise and vibration;

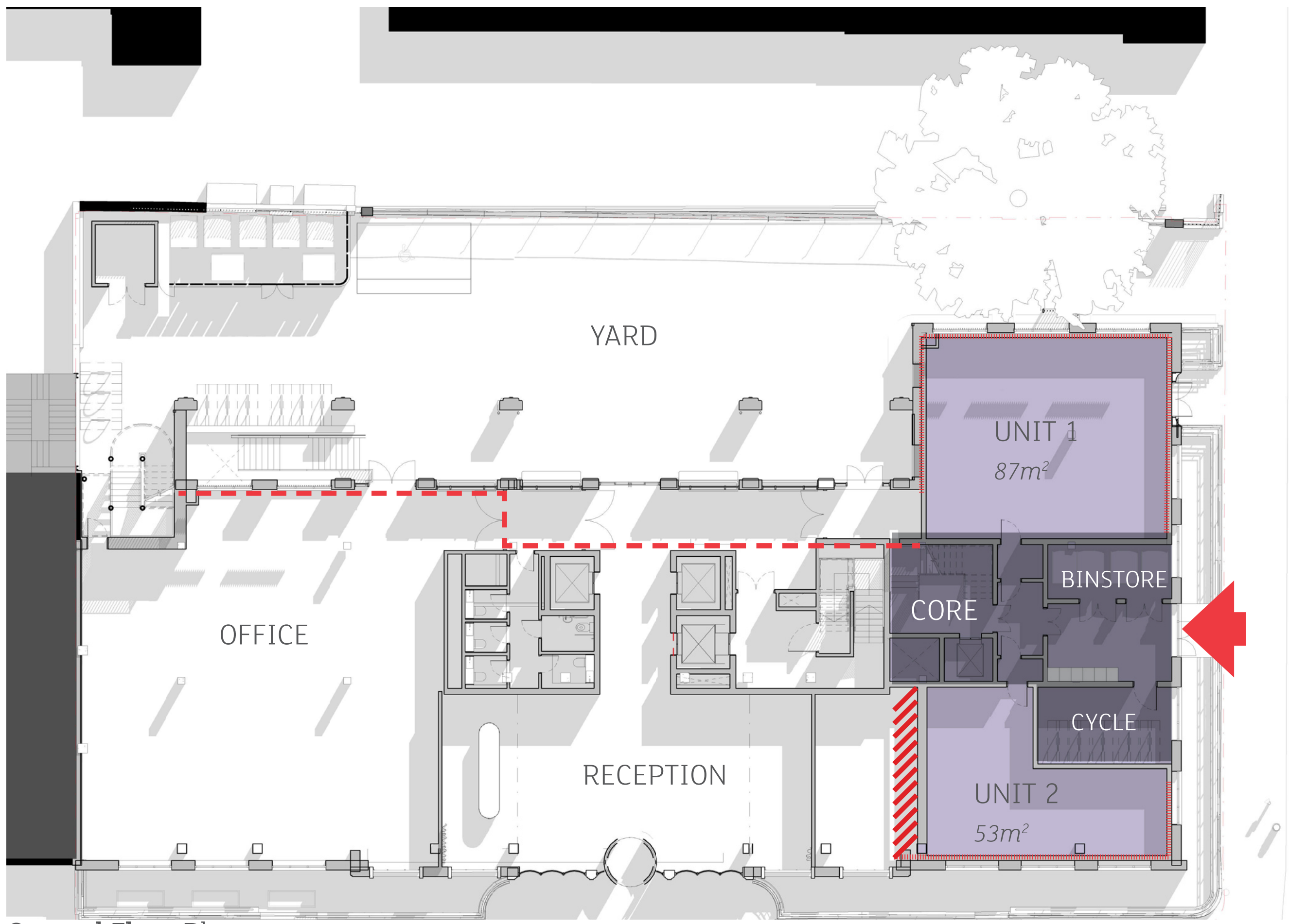
• the development involves an extension to an existing building (especially a listed building or a building that makes a positive contribution to a conservation area) that cannot accommodate new features necessary to support housing, such as entrances, windows, staircases and lifts

Residential Study
Unit Layouts

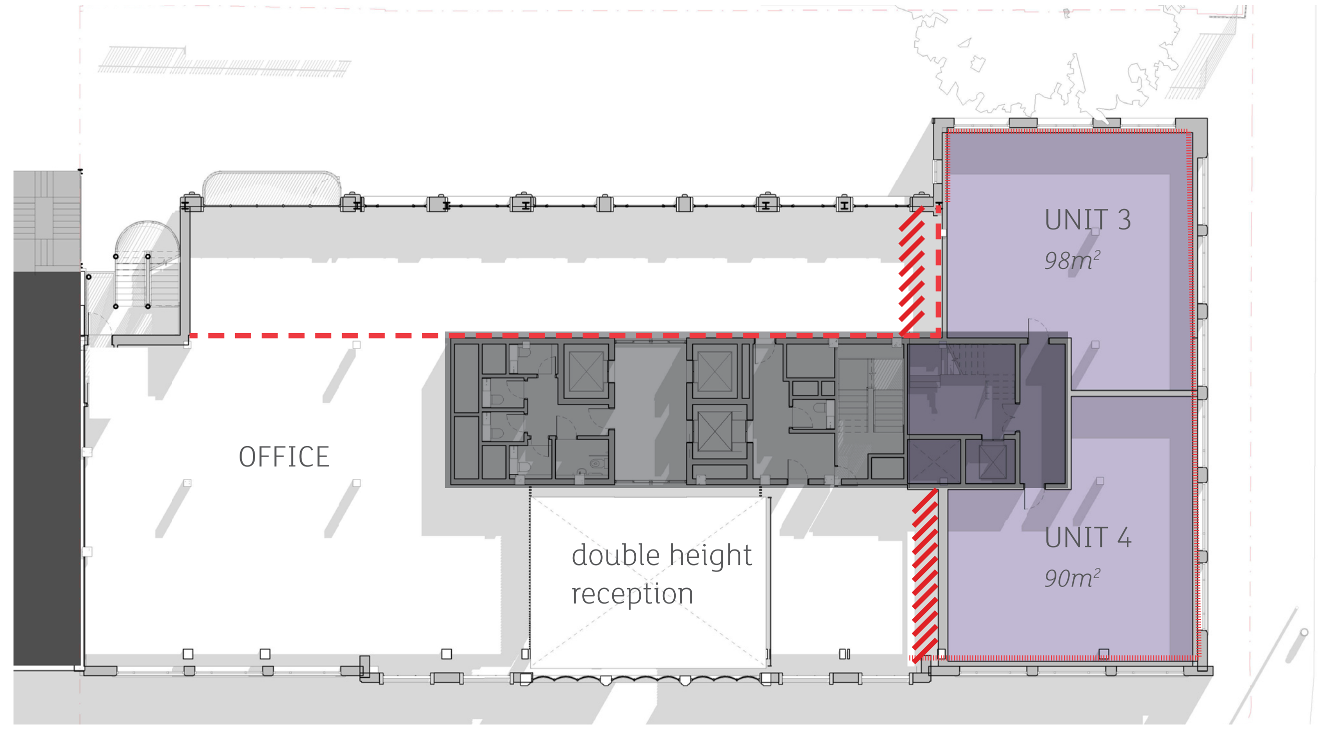
1. Reduces the office efficiency of the building
2. The location of resi on ground will affect the quality of the basement office space
3. Additional works to existing fabric
4. Generally single aspect apartments
5. No outdoor amenity space
6. Reduction of area for residential units due to:
   requirement for a central core,
   insulation of existing building fabric,
   impact on 2nd floor lift overrun & basement lift pits impact office floor
7. Location of bin store and cycle store sterilises space at ground floor
8. First floor floorplate loses connectivity around core
9. Blank wall created to ground and first floor offices

Total residential GIA = 497m^2

Residential units GIA = 329m^2



Ground Floor Plan



First Floor Plan

Blank Flank walls

Existing building line

Residential GIA

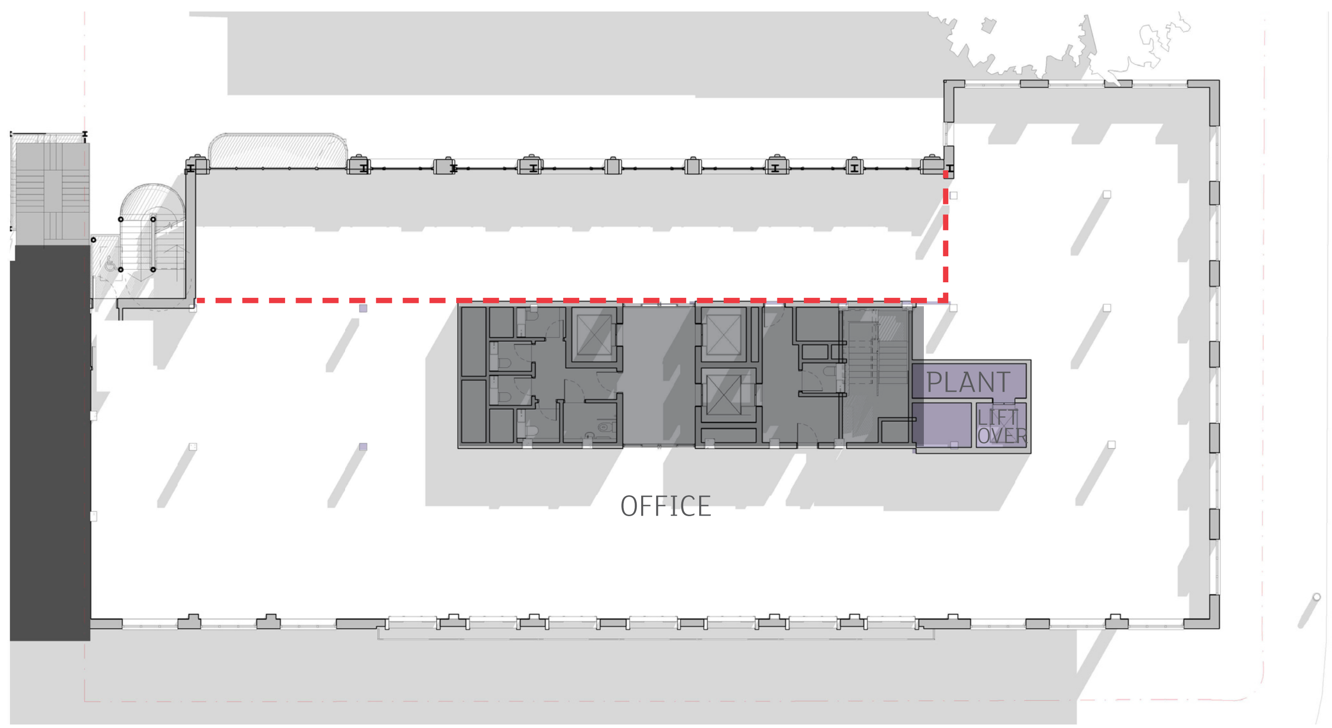
Core

Insulation 150-200mm inside existing fabric

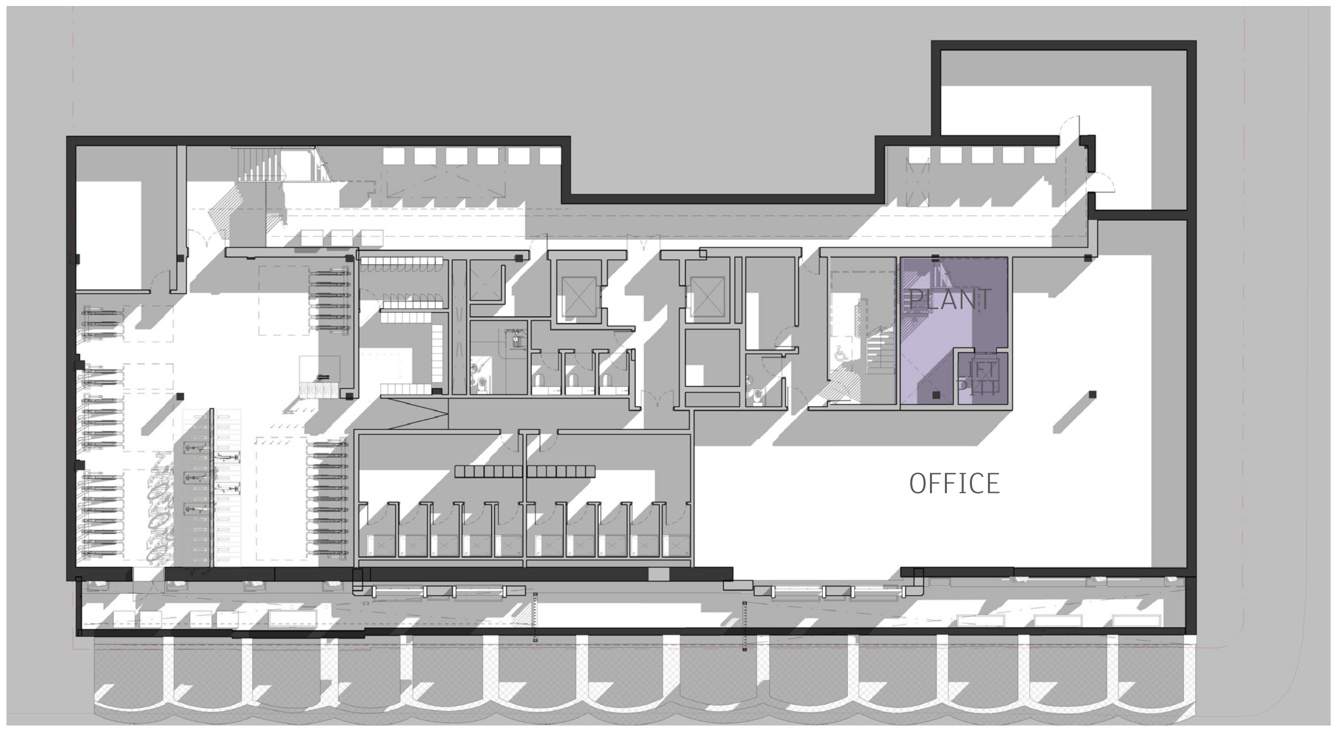
Residential Study
Ancillary areas

Reduction of efficiency of residential area due to:

1. 2nd floor lift overrun
2. Basement lift pits
3. Plant/riser area



Second Floor Plan



Basement Plan

Existing building line

Residential GIA

Core

Insulation 150-200mm inside existing fabric

Appendix 4: EUV Refurbishment Argus Summary

Tavis House
Office refurbishment

Development Appraisal
BPS Surveyors
16 February 2022

Tavis House
Office refurbishment

Appraisal Summary for Phase 1

Currency in £

REVENUE

Rental Area Summary	Units	ft²	Rent Rate ft²	Initial MRV/Unit	Net Rent at Sale	Initial MRV
Refurbished Office	1	59,048	53.76	3,174,198	3,174,198	3,174,198
Totals	**1**	**59,048**			**3,174,198**	**3,174,198**

Investment Valuation

Refurbished Office					
Market Rent	3,174,198	YP @	4.5000%	22.2222	
(1yr 7mths Rent Free)		PV 1yr 7mths @	4.5000%	0.9327	65,789,114
Total Investment Valuation					**65,789,114**

GROSS DEVELOPMENT VALUE			**65,789,114**
Purchaser's Costs		(4,473,660)	
Effective Purchaser's Costs Rate	6.80%		
			(4,473,660)
NET DEVELOPMENT VALUE			**61,315,455**
NET REALISATION			**61,315,455**

OUTLAY

ACQUISITION COSTS		
Residualised Price	43,650,847	
		43,650,847

CONSTRUCTION COSTS

Tavis House
Office refurbishment

Construction	**ft²**	**Build Rate ft²**	**Cost**	
Refurbishment Cost	72,980	95.50	6,969,583	
				6,969,583
PROFESSIONAL FEES				
Professional Fees		10.00%	696,958	
				696,958
MARKETING & LETTING				
Marketing	59,048 ft²	2.00	118,096	
Letting Agent Fee		10.00%	317,420	
Letting Legal Fee		5.00%	158,710	
				594,226
DISPOSAL FEES				
Sales Agent Fee		1.00%	613,155	
Sales Legal Fee		0.50%	306,577	
				919,732
Additional Costs				
Empty rates and service charge			833,515	
				833,515
FINANCE				
Debit Rate 6.500%, Credit Rate 0.000% (Nominal)				
Land			1,918,557	
Construction			157,880	
Total Finance Cost				2,076,437
TOTAL COSTS				**55,741,298**
PROFIT				
				5,574,157
Performance Measures				
Profit on Cost%		10.00%		
Profit on GDV%		8.47%		
Profit on NDV%		9.09%		
Development Yield% (on Rent)		5.69%		
Equivalent Yield% (Nominal)		4.50%		

Tavis House
Office refurbishment

Equivalent Yield% (True)	4.63%
IRR% (without Interest)	21.98%
Rent Cover	1 yr 9 mths
Profit Erosion (finance rate 6.500)	1 yr 6 mths

Appendix 5: Proposed Scheme Argus Summary

Application scheme

Tavis House
1-6 Tavistock Square
London

Development Appraisal
BPS Surveyors
16 February 2022

Application scheme

Appraisal Summary for Phase 1

Currency in £

REVENUE

Rental Area Summary	Units	ft²	Rent Rate ft²	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	72.50	574,345	574,345	574,345
Fourth Floor	1	7,922	72.50	574,345	574,345	574,345
Third Floor	1	7,922	70.00	554,540	554,540	554,540
Second Floor	1	7,922	70.00	554,540	554,540	554,540
First Floor	1	7,244	67.50	488,970	488,970	488,970
Ground Floor	1	5,350	55.00	294,250	294,250	294,250
Basement	1	2,207	25.00	55,175	55,175	55,175
Totals	**10**	**66,134**			**4,531,973**	**4,531,973**

Investment Valuation

Eighth Floor					
Market Rent	346,350	YP @	4.2500%	23.5294	
(2yrs Rent Free)		PV 2yrs @	4.2500%	0.9201	7,498,495
Seventh Floor					
Market Rent	520,550	YP @	4.2500%	23.5294	
(2yrs Rent Free)		PV 2yrs @	4.2500%	0.9201	11,269,935
Sixth Floor					
Market Rent	568,908	YP @	4.2500%	23.5294	
(2yrs Rent Free)		PV 2yrs @	4.2500%	0.9201	12,316,877
Fifth Floor					
Market Rent	574,345	YP @	4.2500%	23.5294	
(2yrs Rent Free)		PV 2yrs @	4.2500%	0.9201	12,434,599

Application scheme

Fourth Floor					
Market Rent	574,345	YP @	4.2500%	23.5294	
(2yrs Rent Free)		PV 2yrs @	4.2500%	0.9201	12,434,599
Third Floor					
Market Rent	554,540	YP @	4.2500%	23.5294	
(2yrs Rent Free)		PV 2yrs @	4.2500%	0.9201	12,005,820
Second Floor					
Market Rent	554,540	YP @	4.2500%	23.5294	
(2yrs Rent Free)		PV 2yrs @	4.2500%	0.9201	12,005,820
First Floor					
Market Rent	488,970	YP @	4.2500%	23.5294	
(2yrs Rent Free)		PV 2yrs @	4.2500%	0.9201	10,586,226
Ground Floor					
Market Rent	294,250	YP @	4.2500%	23.5294	
(2yrs Rent Free)		PV 2yrs @	4.2500%	0.9201	6,370,528
Basement					
Market Rent	55,175	YP @	4.2500%	23.5294	
(2yrs Rent Free)		PV 2yrs @	4.2500%	0.9201	1,194,542
Total Investment Valuation					**98,117,440**
GROSS DEVELOPMENT VALUE				**98,117,440**	
Purchaser's Costs			(6,671,986)		
Effective Purchaser's Costs Rate		6.80%			
				(6,671,986)	
NET DEVELOPMENT VALUE				**91,445,454**	
NET REALISATION				**91,445,454**	

OUTLAY

Application scheme

ACQUISITION COSTS				
Residualised Price			42,248,853	
				42,248,853
Stamp Duty			2,099,943	
Effective Stamp Duty Rate		4.97%		
Agent Fee		1.30%	549,235	
Legal Fee		0.50%	211,244	
				2,860,422
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	
Employment & Training Est.			24,322	
PCE Est.			80,000	
Carbon offset Est.			100,000	
				25,590,179
PROFESSIONAL FEES				
Professional fees		10.00%	2,507,994	
				2,507,994
MARKETING & LETTING				
Marketing	66,134 ft²	2.00	132,268	
Letting Agent Fee		10.00%	447,680	
Letting Legal Fee		5.00%	223,840	
				803,788
DISPOSAL FEES				
Sales Agent Fee		1.00%	914,455	
Sales Legal Fee		0.50%	457,227	
				1,371,682
Additional Costs				
Void costs			707,218	
				707,218

Application scheme

FINANCE

Debit Rate 6.500%, Credit Rate 0.000% (Nominal)			
Land		5,935,267	
Construction		1,106,827	
Total Finance Cost			7,042,094
TOTAL COSTS			**83,132,228**
PROFIT			
			8,313,226
Performance Measures			
Profit on Cost%	10.00%		
Profit on GDV%	8.47%		
Profit on NDV%	9.09%		
Development Yield% (on Rent)	5.45%		
Equivalent Yield% (Nominal)	4.25%		
Equivalent Yield% (True)	4.37%		
IRR% (without Interest)	13.34%		
Rent Cover	1 yr 10 mths		
Profit Erosion (finance rate 6.500)	1 yr 6 mths		

Appendix 6: Mixed-Use Scenario Argus Summary

Mixed Use Scheme

Tavis House
1-6 Tavistock Square
London

Development Appraisal
BPS Surveyors
16 February 2022

Mixed Use Scheme

Appraisal Summary for Phase 1

Currency in £

REVENUE

Sales Valuation	Units	ft²	Sales Rate ft²	Unit Price	Gross Sales
Residential	4	3,541	1,250.00	1,106,563	4,426,250

Rental Area Summary	Units	ft²	Rent Rate ft²	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	72.50	574,345	574,345	574,345
Fourth Floor	1	7,922	72.50	574,345	574,345	574,345
Third Floor	1	7,922	70.00	554,540	554,540	554,540
Second Floor	1	7,707	70.00	539,490	539,490	539,490
First Floor	1	6,695	67.50	451,913	451,913	451,913
Ground Floor	1	4,489	55.00	246,895	246,895	246,895
Basement	1	1,884	25.00	47,100	47,100	47,100
Totals	**10**	**64,186**			**4,424,435**	**4,424,435**

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

Mixed Use Scheme

Market Rent	574,345	YP @	4.5000%	22.2222	
(2yrs Rent Free)		PV 2yrs @	4.5000%	0.9157	11,687,665
Fourth Floor					
Market Rent	574,345	YP @	4.5000%	22.2222	
(2yrs Rent Free)		PV 2yrs @	4.5000%	0.9157	11,687,665
Third Floor					
Market Rent	554,540	YP @	4.5000%	22.2222	
(2yrs Rent Free)		PV 2yrs @	4.5000%	0.9157	11,284,642
Second Floor					
Market Rent	539,490	YP @	4.5000%	22.2222	
(2yrs Rent Free)		PV 2yrs @	4.5000%	0.9157	10,978,381
First Floor					
Market Rent	451,913	YP @	4.5000%	22.2222	
(2yrs Rent Free)		PV 2yrs @	4.5000%	0.9157	9,196,218
Ground Floor					
Market Rent	246,895	YP @	4.5000%	22.2222	
(2yrs Rent Free)		PV 2yrs @	4.5000%	0.9157	5,024,203
Basement					
Market Rent	47,100	YP @	4.5000%	22.2222	
(2yrs Rent Free)		PV 2yrs @	4.5000%	0.9157	958,464
Total Investment Valuation					**90,035,281**
GROSS DEVELOPMENT VALUE				**94,461,531**	
Purchaser's Costs			(6,122,399)		
Effective Purchaser's Costs Rate		6.80%			
				(6,122,399)	
NET DEVELOPMENT VALUE				**88,339,132**	
NET REALISATION				**88,339,132**	

Mixed Use Scheme

OUTLAY

ACQUISITION COSTS				
Residualised Price			35,885,943	
				35,885,943
Stamp Duty			1,781,797	
Effective Stamp Duty Rate		4.97%		
Agent Fee		1.30%	466,517	
Legal Fee		0.50%	179,430	
				2,427,744
CONSTRUCTION COSTS				
Construction	**ft²**	**Build Rate ft²**	**Cost**	
Construction costs	85,003	345.25	29,346,931	
LBC CIL Est.			109,340	
Mayoral CIL Est.			183,890	
Mixed Use PIL Est.			1	
Public Open Space Est.			12,688	
Employment & Training Est.			24,322	
PCE Est.			80,000	
Carbon offset Est.			100,000	
				29,857,172
PROFESSIONAL FEES				
Professional fees		10.00%	2,934,693	
				2,934,693
MARKETING & LETTING				
Marketing	67,727 ft²	2.00	135,454	
Marketing		1.50%	66,394	
Letting Agent Fee		10.00%	437,734	
Letting Legal Fee		5.00%	218,867	
				858,448
DISPOSAL FEES				
Sales Agent Fee		1.00%	883,391	
Sales Legal Fee		0.50%	441,696	
				1,325,087

Mixed Use Scheme

Additional Costs			
Void costs		689,718	
			689,718
FINANCE			
Debit Rate 6.500%, Credit Rate 0.000% (Nominal)			
Land		5,041,135	
Construction		1,288,353	
Total Finance Cost			6,329,488
TOTAL COSTS			**80,308,293**
PROFIT			
			8,030,839
Performance Measures			
Profit on Cost%	10.00%		
Profit on GDV%	8.50%		
Profit on NDV%	9.09%		
Development Yield% (on Rent)	5.51%		
Equivalent Yield% (Nominal)	4.50%		
Equivalent Yield% (True)	4.63%		
IRR% (without Interest)	13.82%		
Rent Cover	1 yr 10 mths		
Profit Erosion (finance rate 6.500)	1 yr 6 mths		