Minerva House and Telephone Exchange, North Crescent, London, WC1e 7ER / WC1e 7PH

Independent Viability Review

Prepared on behalf of London Borough of Camden

20th January 2022

Planning Reference: 2021/3704/P

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1.0 INTRODUCTION

1.1 BPS Chartered Surveyors have been instructed by London Borough of Camden ('the Council') to undertake a review of a Financial Viability Assessment (FVA) prepared by DS2 on behalf of Schroders UK Real Estate Fund ('the Applicant') in connection with a planning application for the redevelopment of the above site.

1.2 The site currently comprises two five storey terraced office buildings, Minerva House (1-4 North Crescent) and Telephone Exchange (5 North Crescent). The offices have recently become vacant as the previous tenants' leases have expired and we understand the condition to be tired but useable.

1.3 The location is predominantly commercial in nature with office uses in the surrounding buildings and retail units along Tottenham Court Road to the west of the subject site. There are residential units along Huntley Street to the east. The site is approximately 50m from Goodge Street station and has a PTAL rating of 6b, the highest possible score. The site is located in the Bloomsbury conservation area. Minerva House is Grade II listed and 5 North Crescent (Telephone Exchange) is listed as making a positive contribution to the area.

1.4 The proposals under planning reference 2021/3704/P are for:

Refurbishment and reconfiguration of the existing buildings; including a one storey extension, plus plant, demolition works associated with internal and external alterations to provide additional office accommodation; landscaping works and other associated works.

1.5 The basis of our review is a Financial Viability Assessment prepared by DS2, dated July 2021, which concludes that the scheme currently shows a deficit of approximately £12.6m and therefore no housing housing can viably be offered as a PIL or on site.

1.6 It should be noted we do not consider the DS2 assessment sufficiently addresses the issue of why the scheme cannot deliver the housing requirement as required in Camden's policy. Their FVA includes no assessment of a scheme with the required housing floorspace and therefore we cannot fully assess the impact delivering the policy would have on the viability of a scheme. We request that an appraisal is provided which reflects the policy being delivered. As a high level assessment we consider the cost of implementing the scheme (with the addition of a separate core for residential uses) would likely increase the costs of the development on site, however a full assessment should be reviewed to support this assumption.

1.7 We have downloaded documents available on Council's planning website. We have received a live version of the Argus appraisals included in the report.

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

1.9 We have searched the Council's planning website and have identified several minor planning applications but nothing we consider of relevance to the subject application or valuations.

1.10 A Land Registry search shows that the applicant owns a long leasehold interest in the property. The freehold of the site is owned by The City of London Corporation and is let to the applicant on a 125 year lease from 25.12.2006. The terms of the lease require that 15% of the passing rent is paid as ground rent with reviews every 5 years. For the purposes of this assessment, we have included this as a consideration in the valuation of the existing and proposed properties. We are aware that other documents which are pertinent to the lease may not have been provided to us.

1.11 In order to undertake this assessment, we have formed a view of the impact of the lease terms in respect of rental obligations and other potential restrictions which are evidenced by our valuation conclusions set out later in this report. We do however caution that our views should not be considered as a formal legal interpretation and should the Council require a definitive assessment of these terms then we recommend appropriate legal advice is sought.

1.12 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.

1.13 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.

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 residual value of £20.8m which is approximately £12.6m below their proposed benchmark land value of £33.4m. On this basis the scheme is said to be in deficit and cannot therefore provide any housing/affordable housing contribution.

Benchmark Land Value

2.2 DS2 have approached the Benchmark Land Value on an Existing Use Value Plus (EUV+) basis. The site comprises two office buildings, Minerva House and Telephone Exchange with a total NIA of 44,616 sq ft (GIA 59,374 sq ft).

2.3 DS2's valuation uses the most recent tenancies for their investment valuation. This equates to a blended passing rent of £1,765,750 (£39.58 per sq ft). They have capitalised the income at a yield of 4.75% which after purchaser's costs have been deducted the combined EUV for the two properties is £27,826,809.

2.4 DS2 have applied a 20% landowner premium which they consider provides sufficient incentive for the landowner to release the site for development. This to an EUV+ of £33,392,170 which DS2 adopt as the benchmark land value.

2.5 We consider the EUV approach to be the most appropriate. We have relied on valuation advice from Crossland Otter Hunt (COH) (City Office specialists) who have recommended a total ERV of £2,326,676 (£52.15 per sq ft) which is an increase of £561,000 (£12 per sq ft) on the previous tenancy. We have adopted a 6 month void period, 15 month rent free period and have capitalised the income at a yield of 5%. We have deducted lettings and disposal fees in accordance with the valuation of the proposed scheme. The valuation can be found in Appendix Three and shows a total site value (EUV) of £30,886,000.

2.6 We do not consider a landowner premium to be appropriate on the basis that the existing use is being improved and extended rather than lost as is generally the case with developments. On this basis the landowner would not require an incentive to release the site for redevelopment. We have accordingly adopted the EUV of £30,886,000 as the benchmark land value.

Development Value

2.7 The scheme includes 59,386 sq ft NIA (88,243 sq ft GIA) NIA of office floorspace, 1,477 sq ft of which is allocated as affordable workspace. The proposals include the refurbished, reconfiguration and extension of the existing office buildings. The reconfiguration includes the joining of the two existing office buildings and refurbishment to a higher quality of space, described as Category A space in the planning documents.

2.8 DS2 have identified comparable evidence for rental transactions and have referenced Office Market reports. They have adopted a rental value of £82.50 per sq ft which generates an ERV of £4,899,345 pa. COH have identified additional transactional evidence and also considered the evidence provided by DS2 and have recommended an ERV of £4,925,309 (£82.94 per sq ft) which is an increase of approximately £150,000 pa on the value adopted by DS2. Although a marginal difference we have adopted the COH value in our appraisal.

2.9 We have adopted the void and rent free periods (total 24 months) as proposed by DS2 on the advice of COH. DS2 have capitalised the income at a yield of 4%. COH recommend a yield of 4.25% which is a slight increase based on the conditions of the freehold of the property. We have included the void periods as rent frees rather than in the cash flow which we consider to be best valuation practice.

2.10 1,477 sq ft is allocated as affordable workspace. DS2 have valued this space at a 25% discount into perpetuity and have capitalised the income at a decreased yield of 5.75% to reflect the weaker covenant strength and shorter tenancies available. We have similarly valued the space into perpetuity at a 25% discount but have capitalised the income on the same yield as the private office space on the advice from COH, assuming it will be managed as part of the same scheme as the private space. DS2 have allowed a 24 month void and rent free which we have reduced to 15 months owing to the lessened need for tenant incentives.

<u>Development Costs</u>

2.11 Our Cost Consultants, Geoffrey Barnett Associates (GBA), have analysed the build cost plan for the proposed scheme prepared by Alinea, dated July 2021, and conclude that:

The difference between costs in the cost plan and our assessment of costs using BCIS is £849,990 or 2.35% - see Appendix B.

We conclude that the overall construction costs put forward in the cost plan are within acceptable estimating margins of our own assessment of costs

2.12 GBA's full cost report can be found at Appendix 1. On the basis of their advice we have adopted the construction costs in the DS2 appraisal.

2.13 We find most of the additional costs included by DS2 to be reasonable apart from the professional fees which we have reduced to 10%, £65,000 worth of ancillary costs which we have removed and a reduced ground rental charge based on the reduced development period. We have adopted the CIL and S106 charges but reserve the right to revisit these assumptions pending their confirmation. We consider the proposed finance charge of 6.5% to be appropriate.

2.14 DS2 have adopted a developer profit target of 15% on GDV. We consider this target to be appropriate on a straight forward office development however given the nature of the existing asset which is already built but will be altered we consider a return on cost to be more appropriate as this is proportionate the actual development activity entailed in this application. On this basis we have adopted a developer return of 10% on cost, which reflects a profit target of 8.47% on GDV and an IRR of 13.09% which we consider appropriate returns for a scheme of this nature.

2.15 DS2 have included a 6 month pre construction period and 29 month construction period. We have reduced the construction period to 23 months on the advice of GBA and based on a development programme provided by the applicant.

<u>Recommendations</u>

2.16 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:

Input	DS2	BPS
Office rental value (£ per sq ft)	£82.50	£82.94
Investment yield	4%	4.25%
Affordable workspace yield	5.75%	4%
Affordable workspace rent free & void	24 months	15 months
Void application	Cash flow	Fixed rent free
Professional fees	12%	10%
Additional costs	£717,700	£652,700
Ground Rent	£1,209,828	£855,732
Profit	15% on GDV	10% on cost
Construction period	29 months	23 months
Benchmark Land Value	£33.4 million	£30.9 million
Surplus / Deficit	**-£12.6 million**	**-£6.3 million**

2.17 The appraisal summary and sensitivity analysis can be found in Appendix Four and shows the scheme produces a deficit of £6.3 million. We therefore conclude that the scheme would not be able to contribute towards or provide housing based on this assessment of the proposed scheme. As described in the introduction we consider an assessment of a scheme which meets the policy requirement for on site housing delivery should be provided and reviewed to support this conclusion.

2.18 Assuming there is a shortfall on policy requirements we recommend the development should be subject to a late stage review of viability in order that the viability can be assessed over the lifetime of the development.

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

<u>Viability Benchmarking</u>

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 site comprises two office buildings, Minerva House and Telephone Exchange with a total NIA of 44,616 sq ft (GIA 59,374 sq ft). The offices have recently become vacant as the previous tenants' leases have expired and we understand the condition to be tired but useable.

4.12 The benchmark proposed by DS2 for viability testing is based on an Existing Use Value Plus (EUV+) approach. They have valued the two existing office buildings using the investment method of valuation.

4.13 They have adopted the rental values of the most recent tenancies. This equates to a blended passing rent of £1,765,750 (£39.58 per sq ft). They have also deducted the ground rent payable to the City Corporation in accordance with the headlease. They have capitalised the income at a yield of 4.75% based on comparable evidence. After purchaser's costs have been deducted the combined EUV for the two properties is £27,826,809.

4.14 DS2 consider the site has good long term commercial prospects however note that the considerable development potential should be taken into account when determining the premium. They note that this weight is difficult to quantify and that any data must be adjusted to reflect the cost of policy compliance. DS2 have accordingly applied a 20% landowner premium which they consider to be a cautious approach which will reflect an appropriate incentive for the landowner to release the site for development.

4.15 This calculates to an EUV+ of £33,392,170 which DS2 adopt as the benchmark land value.

BPS Assessment of Benchmark Land Value

4.16 We have approached the Benchmark Land Value on an Existing Use Value basis. We consider this to be the most appropriate basis on which to value the site in accordance with NPPG. We understand both properties to now be vacant with the previous tenants having left or being in the process of leaving. On this basis we have assumed the properties are vacant for the purposes of our valuation.

4.17 In accordance with our valuation of the proposed scheme we have relied on advice from Crossland Otter Hunt (COH) for the valuation of the existing buildings. Their full report can be found in Appendix Two.

4.18 COH have identified the following passing rent for the existing buildings:

	Minerva House			Telephone Exchange		
Level	**NIA**	**Rent psf**	**Total**	**NIA**	**Rent psf**	**Total**
LG	2,228	25.00	55,700	6,017	30.00	180,510
Ground	3,832	57.5	220,340	5,296	60.00	317,760
Ground (mezz)	151	55.00	8,305	0		
1st	5,188	57.50	298,310	7,825	57.50	449,937
2nd	4,607	57.50	264,902	2,153	57.50	123,795
3rd	172	57.50	9,890	0		
3rd (mezz)	5,102	60	306,120	2,045	57.50	117,587
TOTAL	**21,280**	**£54.68**	**1,163,567**	**23,336**	**£49.84**	**1,163,109**

4.19 The table shows a total ERV of £2,326,676 (£52.15 per sq ft) which is an increase of £561,000 pa (£12 per sq ft) over the rents generated under the previous tenancies. In accordance with the approach taken by DS2 we have deducted 15% of the ERV to reflect the ground rent payment terms of the head lease.

4.20 This level of deduction reflects the practical impact of the head rent calculation.

4.21 COH have recommended rent free period of 12-15 months and void of 6-9 months. We have included a 6 month void, in accordance with the proposed scheme, and 15 month rent free in accordance with the advice from COH. This reflects a 5 year lease, shorter than that of the proposed scheme, to reflect the lower quality of space.

4.22 COH have recommended a yield of 4.75%-5%. We consider a yield of 5% is appropriate which we have adopted in our appraisal. This reflects the shorter length of lease (in comparison with the proposed scheme) and condition of the building.

4.23 We have included letting and disposal fees in accordance with the valuation of the proposed scheme.

4.24 The valuation can be found in Appendix Three and shows a site value (EUV) of £30,886,000.

4.25 The existing buildings, and use class, are being largely retained and improved with the Design and Access Statement stating that 84% of the building's fabric is being retained. The proposed scheme offers to improve the existing use of the building, therefore we question why the landowner would require an incentive to release the land for such a development. The notion of a premium is intended to compensate a land owner for the loss of the existing benefits. Under the current proposals the existing property will be improved and largely retained. NPPG is also clear that any premium must allow for policy compliant development to come forward, which is not the case for the proposed scheme. On this basis we do not consider a landowner premium to be appropriate for the subject site.

4.26 We have accordingly adopted the EUV of £30,886,000 as the benchmark land value. We have fixed this as the land value in the development appraisal for the proposed scheme.

5.0 DEVELOPMENT VALUES

5.1 The proposed scheme includes 59,386 sq ft NIA (88,243 sq ft GIA) NIA of office floorspace. The proposals include the refurbished, reconfiguration and extension of the existing office buildings. The reconfiguration includes the joining of the two existing office buildings.

5.2 The Planning Documents describe the new build space as being of Category A standard. The planning documents include a BREEAM assessment which gives an estimated rating of Excellent, the second highest standard.

5.3 The proposed scheme includes affordable workspace which is being provided as 10% of the net uplift area, which they have calculated to be 1,477 sq ft NIA.

5.4 For the valuation we have relied on advice from Crossland Otter Hunt (COH). Their report can be found attached in Appendix Two.

Rental Values

5.5 DS2 have identified comparable evidence for rental transactions and have referenced Office Market reports. They have adopted a rental value of £82.50 per sq ft which generates an ERV of £4,899,345 pa.

5.6 COH have identified additional transactional evidence and also considered the evidence provided by DS2. COH have allocated the following rental values for the proposed office space:

Level	Minerva House			Telephone Exchange		
	NIA	Rent psf	Total	NIA	Rent psf	Total
Ground	3,068	82.50	253,110	3,606	80	288,480
1st	5,705	82.50	470,662	8,514	82.5	702,405
2nd	5,748	82.50	474,210	8,568	82.5	706,860
3rd	5,985	84.0	502,740	7,567	82.5	624,277
3rd (mezz)	560	84.0	47,040	-		
4th	3,165	85	269,025	6,900	85	586,500
TOTAL	**24,231**	**£83.23**	**2,016,787**	**35,155**	**£82.73**	**2,908,522**

5.7 This equates to an ERV of £4,925,309 (£82.94 per sq ft) which is an increase of approximately £150,000 pa on the value adopted by DS2. Although a marginal difference we have adopted the COH value in our appraisal. In accordance with the approach taken by DS2 we have deducted 10% of the ERV to reflect the conditions of the head lease, which we have assumed are the re-geared terms.

5.8 DS2 have adopted a total void period of 6 months and rent free period of 18 months. They have included the void period in the development cash flow.

5.9 COH have advised the following rent free and void periods:

Floor	Letting Void (months)	Rent Free (months)
4	6-9	18-24
3	6-9	18-24
2	6-9	18-24
1	6-9	18-24
G	6-9	18-24
LG	6-9	18-24

5.10 We accordingly consider the void of 6 months included by DS2 and rent free period of 18 months to be appropriate and have adopted these in our appraisal. We have included this as a fixed cost in the appraisal rather than as a deduction and have capitalised the income on project completion, which we consider to be best valuation practice. It should be noted that this rent free period reflects a 10 year lease, which is also a consideration when determining the investment potential of the site.

Investment Yield

5.11 DS2 have identified comparable investment evidence and have considered Office Market reports in order to inform their position on the investment yield. Capitalised the income at an investment yield of 4%.

5.12 COH recommend an investment yield of 4.25% reflecting the terms of the lease. We have capitalised the income at this yield in our appraisal.

Affordable Workspace

5.13 The DS2 appraisal includes 10% of the uplift in workspace as affordable workspace which equates to 1,477 sq ft NIA. They have applied a 25% discount to this space giving a rental value of £61.88 per sq ft. They have allowed for a 6 month void, 18 month rent free period. They have capitalised this income into perpetuity at a yield of 5.75% which they state reflects the weaker covenant strength and shorter tenancies available for this space.

5.14 We note there are no specific affordability requirements for affordable workspace in Camden. We consider this valuation to be appropriate on the basis that the space will be provided at a 25% discount into perpetuity.

5.15 There is no indication as to where in the property this space will be provided. Given the rental values identified by COH we consider the rental value and affordability of the space would be impacted by its location in the building, with a discount for space on the ground floor. For the purposes of this assessment, we have adopted the same approach as DS2 and have valued the affordable based on a 25% discount of the overall blended rental value.

5.16 Given our slightly increased rental values we have valued the affordable workspace at £62.20 per sq ft. COH have recommended that if the affordable workspace were to be part of the same scheme then the same all risks yield should apply as the private space. If the space were to be provided as a separate development a yield of 4.75% be used to reflect the weaker covenant strength, which is a decrease of 100 bps on the rate used by DS2. On the assumption the affordable workspace will be provided as part of the same scheme we have capitalised the income at a yield of 4.25%.

5.17 COH have recommended a rent free period between 12-15 months and void period of 3-6 months. We have included a 15 month rent free period on the affordable workspace which is inclusive of a reduced tenant void period.

6.0 DEVELOPMENT COSTS

Construction Costs

6.1 Our Cost Consultants, Geoffrey Barnett Associates (GBA), have analysed the build cost plan for the proposed scheme prepared by Alinea, dated July 2021, and conclude that:

The difference between costs in the cost plan and our assessment of costs using BCIS is £849,990 or 2.35% - see Appendix B.

We conclude that the overall construction costs put forward in the cost plan are within acceptable estimating margins of our own assessment of costs

6.2 GBA's full cost report can be found at Appendix One. On the basis of their advice we have adopted the construction costs in the DS2 appraisal.

Additional Costs

6.3 DS2 have applied the following additional cost assumptions:

- Professional fees of 12%
- Neighbourly Matters £600,000
- Letting Void Costs £1,558,883
- Post Completion Costs £125,000
- Ancillary Costs £717,700
- Ground Rent £1,209,828

6.4 We have discussed these additional costs with GBA who consider the professional fees at 10% to be higher than we would anticipate and recommend a reduction to 10%, as outlined in their report in Appendix One. GBA have also suggested the site survey, building regulations, research and model costs (total £65,000) would be included in the professional fees and therefore we have omitted these costs from the ancillary costs. We have adopted a reduced development period of 29 months and therefore have calculated a reduced ground rent payment of £855,732.

6.5 DS2 have included the following disposal and marketing costs:

- Marketing fees of £1.50 per sq ft
- Sales agent fees of 1%
- Sales legal fees of 0.5%
- Letting agent fees 10% ERV
- Letting legal fees 5% ERV
- Purchasers costs 6.8%

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

6.7 DS2 have included the following CIL and S106 charges:

- MCIL2: £504,788
- Borough CIL: £297,440
- S106 charges: £181,927

6.8 The Council have not yet calculated the final contributions that are owed by the scheme, however have confirmed the costs appear to be broadly accurate. For the purposes of this assessment we have adopted the costs as proposed by DS2 and reserve the right to revisit this assumption pending confirmation of the final contributions.

6.9 Finance has been included at 6.5% assuming that the scheme is 100% debt financed. We consider this finance allowance to be appropriate in the current market and have adopted this in our appraisal.

Profit

6.10 DS2 note the uncertainty in the office market with the shifts to a flexible, homeworking environment as a result of the COVID-19 pandemic. They note the long term impacts on the Central London office market are at present unknown. On this basis they consider there is increased risk of delivering a 100% office scheme in the medium term which should be reflected in the viability appraisal.

6.11 The developer profit target adopted by DS2 is 15% on GDV which they consider to be an industry standard and widely agreed figure which they have not adjusted to reflect the current challenges in the office market.

6.12 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 on GDV does not appropriately reflect the reduced risk the site has for office use, and that any return should be reflected as a percentage of the cost.

6.13 On this basis we have adopted a developer return of 10% on cost, which reflects a profit target of 8.47% on GDV which we consider reasonable returns for a scheme of this nature. If the site were a more simple extension and refurbishment then we would realistically apply a lower developer profit target on just the construction cost, however given the large scale of the proposed scheme we consider a profit of 10% on all cost can be justified.

Development Timeframes

6.14 DS2 have made the following allowances for development timescale:

- 6 month pre construction period
- 29 month construction period

6.15 DS2 have provided a construction development programme to justify this allowance. The programme we have been provided with shows appears to show a construction period of 23 months.

6.16 We consider the pre construction period to be appropriate in accordance with advice from GBA. GBA have tested the construction duration using BCIS construction duration calculator which shows a top interval of 17 months. They consider a duration of 23 months to be more appropriate in light of the complexity of the scheme.

6.17 Given the programme and advice from GBA we have included a 23 month construction period.

7.0 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.

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

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For and on behalf of
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17th December 2021

Appendix 1: Build Cost Report

REVIEW OF STAGE 2 COST PLAN
PREPARED BY
ALINEA

FOR

1-4 NORTH CRESCENT, CHENIES STREET, LONDON

06 DECEMBER 2021

Geoffrey Barnett Associates
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Geoffrey Barnett Associates

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1.0 INTRODUCTION:

1.1 Geoffrey Barnett Associates are Chartered Quantity Surveyors, established in 1974, and have over 45 years' experience of providing quantity surveying, project co-ordination and construction cost management services to clients throughout the UK. The firm's experience covers a wide range of project types and sizes including new build residential and commercial developments, infrastructure projects and refurbishment projects.

1.2 This review relates to the Stage 2 Cost Plan dated July 2021 produced by Alinea.

2.0 BASIS OF REVIEW

2.1 The contract build cost estimate provided by the applicant is reviewed by comparison against the Building Cost Information Service (BCIS) construction cost data published by the RICS. The reason for using the BCIS service is that it provides a UK wide and fully independent database compiled and continually updated by input from varied project types and locations.

2.2 BCIS publish costs as average overall prices on a cost per sq metre basis and an elemental cost per sq metre basis for new build work. For new build construction, the BCIS cost levels are used as a baseline to assess the level of cost and specification enhancement in the scheme on an element by element basis.

2.3 BCIS costs are updated on a quarterly basis. The most recent quarters use forecast figures, the older quarters are firm costs based on historic project data. The BCIS also provides a location adjustment facility against a UK mean index of 100, which allows adjustment of costs for any location in the UK. The BCIS also publish a Tender Price Index based on historic tender prices. This allows adjustment of costs on a time basis where necessary.

2.4 BCIS average costs are available for various categories of buildings such as apartments, offices, shops, hotels, schools, etc.

2.5 BCIS average prices per sq metre include overheads and profit (OHP) and preliminaries costs. BCIS elemental costs include OHP but not preliminaries. Average prices per sq metre or elemental costs do not include for external services and external works costs. Demolitions and site preparation are excluded from all BCIS costs.

2.6 Ideally, a contract build cost estimate should be prepared by the applicant in the BCIS elements. If this is not available exactly in the BCIS format then, where relevant, we undertake analysis and adjustment to allow direct comparison to BCIS elemental benchmark costs. This requires access to the drawings, specifications, and any reports which have a bearing on cost.

2.7 The review of an applicant's contract build cost estimate against BCIS would typically require:

- Adjustment by location factor
- Adjustment for abnormal and enhanced costs

- Review of the applicants estimate on element by element basis
- More detailed analysis where there are significant deviance from BCIS costs
- Adjustment of overheads & profit inclusions to provide direct comparison to BCIS
- Addition of contractors' preliminaries costs
- Addition of ancillary costs, such as fees, statutory charges, etc., as appropriate

These adjustments enable us to make a direct comparison with BCIS benchmark costs.

2.8 The floor areas stated in the applicants cost estimate are accepted and we do not attempt to check the floor areas.

3.0 REVIEW OF COST ESTIMATE

3.1 The proposed development is stated to comprise: "Refurbishment and reconfiguration of the existing buildings; including a one storey extension, plus plant, demolition works associated with internal and external alterations to provide additional office accommodation; landscaping works and other associated works."

3.2 Total GIA is stated in the cost plan to be 8,198m2, which concurs with the appraisal summary. The breakdown of areas is as follows:-

Office - reconfiguration / refurbishment	5,514m2
Office - vertical extension	2,684m2
	8,198m2

3.3 Construction costs are shown in the cost plan to be £34,440,000 in total (excluding inflation uplift). The breakdown of costs is as follows:-

Demolition & soft strip	£2,040,000
Build costs	£21,721,000
Prelims and OHP 24.15%	£5,739,000
Sub-total	£29,500,000
Fit out	£4,100,000
External works	£480,000
Utilities	£360,000
Total	**£34,440,000**

However different construction costs of £36,162,000 are shown in the appraisal summary, which include the above sum and 5% contingency added to it. We have assessed our construction costs against the sum of £36,162,000.

3.4 Date basis for the costs is assumed to be 2Q2021.

3.5 Costs are presented in an elemental summary and partially quantified breakdown.

3.6 The cost plan includes combined preliminaries and overheads and profit at 24.15%. As stated above contingency at 5% has been added on the appraisal summary.

4.0 GBA ASSESSMENT OF CONSTRUCTION COSTS

4.1 To benchmark the figures in the cost plan, we have calculated costs using BCIS average m2 rates. These rates relate to buildings only, so we have added allowances for external works, plus any abnormals – see following clauses.

4.2 Date basis for the costs is 4Q2021.

4.3 We have used Upper Quartiles BCIS rates rebased to Camden due to constraints of the construction site. The footprint of buildings takes all construction site area leaving no space for materials storage and welfare facilities in a built-up area of London. The scheme is stated to be refurbishment and reconfiguration of the existing buildings. We have studied the Planning Report and Design and Access Statement, which show extensive demolition works. Existing buildings will retain external walls and some floors. The roof, majority of floors, frame, external windows and doors, internal partitions and doors will be replaced, and external walls repaired. Foundations need to be strengthened and underpinned. Taking into consideration the extent of works we consider that the reduced rate for "new build" is more appropriate rather than a rate for rehabilitation and conversion.

4.4 We have reviewed the costs in the cost plan for costs that are excluded from BCIS rates (demolition and soft strip, drainage, external works and services). On the whole we consider them to be reasonable and we have therefore used them in our assessment.

4.5 We have also reviewed the cost plan in detail to see if there are any abnormal costs that we do not expect would be included in BCIS rates. We believe that the following could be considered as abnormal:

- Substructure to vertical extension area (not typically included in vertical extension rates)
- Strengthening and underpinning party walls foundations
- Extra over for piled foundations
- Allowance for access and protection
- Allowance for tanking basement (walls / slab) and cavity drainage
- Allowance for works to existing basement waterproofing
- Roof terrace to Telephone Exchange including landscaping, plinth, screens
- Blue roof attenuation
- EO for repair of existing historic facades
- EO for replacement of windows in existing facades
- New entrance doors / canopies to 3 entrances

4.6 In line with common practice and general guidance we have added an allowance of 5% for contingency.

4.7 On the basis of the foregoing we have calculated a total construction cost of £35,312,010 – see Appendix A.

5.0 CONCLUSION

5.1 The difference between costs in the cost plan and our assessment of costs using BCIS is £849,990 or 2.35% - see Appendix B.

5.2 We conclude that the overall construction costs put forward in the cost plan are within acceptable estimating margins of our own assessment of costs

6.0 REVIEW OF PROFESSIONAL FEES AND CONSTRUCTION DURATION

6.1 Professional fees are stated to be 12%. There is no published data on the level of professional fees. Usually, 10% is considered to be acceptable. Relatively high construction costs from which professional fees are being calculated tend to attract a lower percentage of professional fees. Taking into consideration technical challenges of this development we consider 10% to be more appropriate.

6.2 Construction duration is stated to be 29 months. BCIS estimated construction duration is average 16 months, with the top of the interval 17 months. Individual projects may take up to 23 months. Taking into consideration the complexity of the scheme we consider that 23 months are more appropriate.

APPENDIX A

CALCULATION OF COSTS USING BCIS M2 RATES

Base costs based on M2 rates					
*Office reconfiguration	5,514	m2 @	£2,700	/m2	£14,887,800
Vertical extension	2,684	m2 @	£4,294	/m2	£11,525,096
Total	8,198		£3,222		**£26,412,896**
Additional costs not included in base rates					
Demolition & soft strip					£2,532,660
Below ground drainage					£135,000
External works and services					£840,000
					£3,507,660
Abnormal costs					
Substructure (not typically included in vertical extension)	2,684	m2 @	£270	/m2	£724,680
Strengthening and underpinning party walls foundations					£300,000
Extra over for piled foundations	728	m2 @	£450	/m2	£327,600
Allowance for tanking basement (walls / slab) and cavity drainage	1,191	m2 @	£250	/m2	£297,750
Allowance for works to existing basement waterproofing	1,357	m2 @	£100	/m2	£135,700
Allowance for access and protection					£200,000
Roof terrace to Telephone Exchange including landscaping, plinth, screens	211	m2 @	£800	/m2	£168,800
Blue roof attenuation	980	m2 @	£80	/m2	£78,400
EO for repair of existing historic facades	2,060	m2 @	£150	/m2	£309,000
EO for replacement of windows in existing facades	610	m2 @	£1,500	/m2	£915,000
New entrance doors / canopies to 3 entrances					£253,000
					£3,709,930
Total base and additional costs					£33,630,486
Contingency				5%	£1,681,524

£35,312,010

Cost per m2 of GIA	£4,307

Notes:

1. BCIS rate are Upper Quartiles rate, rebased to Camden and current date (4Q2021).
2. * BCIS rate for "new build" offices reduced to reflect the reduced scope of work.
3. BCIS rates are inclusive of prelims and OHP.
4. Demolition and soft strip, drainage, external works and services are taken from Alinea Cost Plan.
5. Abnormal costs - GBA own assessment.
6. All additional and abnormal costs are inclusive of preliminaries and OHP.

Geoffrey Barnett Associates

APPENDIX B

COMPARISON OF COST PLAN AGAINST COSTS USING BCIS M2 RATES

Cost using BCIS m2 rates - Appendix A	£35,312,010
Cost from cost plan	£36,162,000
Difference £	£849,990
Difference %	2.35%

Geoffrey Barnett Associates

APPENDIX C: BCIS DATA

BCIS®

RICS®

£/m2 study

Description: Rate per m2 gross internal floor area for the building Cost including prelims.
Last updated: 20-Nov-2021 00:40

› Rebased to London Borough of Camden (130; sample 52)

Maximum age of results: Default period

Building function (Maximum age of projects)	£/m² gross internal floor area						Sample
	Mean	Lowest	Lower quartiles	Median	Upper quartiles	Highest	
New build							
320. Offices							
Generally (15)	2,637	1,337	1,922	2,493	3,109	6,527	86
Air-conditioned							
Generally (15)	2,702	1,592	2,145	2,568	3,100	4,586	27
1-2 storey (15)	2,600	1,592	2,196	2,430	2,658	4,586	10
3-5 storey (15)	2,525	1,807	1,991	2,537	3,100	3,600	11
6 storey or above (15)	3,087	2,316	2,803	2,956	3,003	4,357	5
Not air-conditioned							
Generally (15)	2,625	1,337	1,873	2,499	3,180	4,461	38
1-2 storey (15)	2,667	1,528	1,841	2,502	3,307	4,264	17
3-5 storey (15)	2,576	1,337	1,877	2,451	3,036	4,461	19
6 storey or above (20)	3,163	2,448	-	3,277	-	3,650	4
Vertical extension							
320. Offices							
Generally (30)	3,456	1,595	2,216	2,601	4,294	6,978	7
Air-conditioned (25)	2,778	2,344	-	-	-	3,211	2
Not air-conditioned (30)	2,344	2,088	-	-	-	2,601	2

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BCIS®

RICS®

New Build, Construction

1-4 NORTH CRESCENT, CHENIES STREET, LONDON

The estimated construction duration from Start on Site to Construction Completion is 66 weeks
(this is an average for the project as described below).

The 90% confidence interval for this estimate is 62 to 70 weeks.

Individual projects will take more or less time than the average: the 90% prediction interval for individual projects is 43 to 100 weeks.

The estimate is based on the following project details:

Contract value: £36,160,000 at 4Q 2021 (350; forecast) prices and London Borough of Camden (130; sample 52) level

Building function: Offices

Procurement: Design and build

Selection of contractor: Single stage tendering

Client organisation: Private

1-4 NORTH CRESCENT
CHENIES STREET
LONDON WC1

MINERVA HOUSE

TELEPHONE EXCHANGE

REPORT PREPARED BY

NICK SINCLAIR AND JON STANIFORTH

OF

CROSSLAND OTTER HUNT

ON BEHALF OF

BPS CHARTERED SURVEYORS

16th DECEMBER 2021

CROSSLAND OTTER HUNT
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APPENDICES

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2 Photographs of the buildings and their interiors as existing

3 Comparables for Lettings for Existing and Refurbished Offices

4 Comparables for Lettings for New and New / Refurbished Offices

5 Comparables of Investment Deals in Central London and the West End

Appendix 2: COH Report

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 Minerva House and the Telephone Exchange in terms of rents and yields.

b) Consideration of the proposed scheme rents and yield.

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

Chenies Street runs between Tottenham Court Road and Gower Street. The premises are on the North Side of North Crescent (See Appendix 1).

The property is well served by public transport, with Goodge Street (Northern line) station close to the buildings. There is also Tottenham Court Road (Central and Northern lines) station within 500 yards, and there are several bus routes running along Tottenham Court Road, linking the site to other parts of Central London. The Elizabeth Line is due to open during next year.

Minerva House and The Telephone Exchange

Minerva House and The Telephone Exchange are office buildings over ground, basement and three upper floors. The offices are accessed through separate entrances on North Crescent.

Minerva House

Minerva House has a stone frontage above a glass-fronted ground floor. The main entrance is through the glass frontage and there are fire escape exits at either end of the frontage. There are Crittall windows on both frontages.

There is a large reception area on the ground floor and off this there is a single 10-person lift serving all floors.

The top floor is a deep floor with timber pitched roof and a steel frame at the front of the building, and a lower plaster ceiling with concrete beams at the rear. There are wall-mounted comfort cooling units and carpeted raised floors which have been installed on the existing floors.

The lower floors are also deep floors, with plaster ceilings with beams, and ceiling mounted A/C units. The floors are again carpeted raised floors.

The ground floor is a higher floor to ceiling height and as said above comprises a large entrance hall and with similar specification offices as the upper floors at the rear of the building.

The lower ground floor comprises a number of offices and storerooms. There is a staircase linking ground and lower ground floors in the middle of the reception area.

The Telephone Exchange

The Telephone Exchange is a brick-fronted building with Crittall window frames and features. There is a step back from the pavement to provide light into the basement and the entrance to the building is via steps bridging the gap.

The second and third floors are quite narrow floors at the front of the building, with plaster ceilings and wall-mounted comfort cooling units. The third floor is carpet over a raised floor, while the second floor has a wooden finish over a raised floor.

The first and ground floors extend at the rear around a large central lightwell. The floors have high plaster ceilings with beams and supporting columns. There are large Crittall windows and a raised orangery-style roof in the lightwell at first floor level. There are raised floors with carpeting.

The lower ground floor has offices at the front and a social area at the rear, including a bar and recreational area.

At the ground floor level, at the rear there is car parking area accessed through a roller shutter door onto Alfred Mews.

TENURE AND BASIS OF VALUATION

The properties are held under two existing leases from December 2006.

The main points are as follows:

The leases are for a term of 125 years from 25th December 2006.

Minerva House

A capital contribution of £2,458,882 was paid for the long lease.

The initial rent is £96,750 per annum.

The leases are to be reviewed every five years to 15% of the market rent.

The leases are full repairing and insuring leases.

The use is to be B1 offices.

The tenant is allowed to assign or underlet the premises.

There is the ability to carry out redevelopment of the premises, but all development must not be visible from Alfred Place, Chenies Street and North Crescent. Redevelopment shall be confined to two occasions.

If developing the building with the next-door unit, there will be a maximum of three openings and each shall be a double door width.

The redevelopment of the site is limited to a gross external area of between 3,004 and 3,755 m^2 (32,334.79 and 40,418.48 sq ft.)

The current rent is £128,100 per annum (based on the passing rent of £854,000 per annum).

The Telephone Exchange

A capital contribution of £2,368,719 was paid for the long lease.

The initial rent is £91,500 per annum.

The leases are to be reviewed every five years to 15% of the market rent.

The leases are full repairing and insuring leases.

The use is to be B1 offices.

The tenant is allowed to assign or underlet the premises.

There is the ability to carry out redevelopment of the premises, but all development must not be visible from Alfred Place, Chenies Street and North Crescent. Redevelopment shall be confined to two occasions.

If developing the building with the next-door unit there will be a maximum of three openings, and each shall be a double door width.

The redevelopment of the site is limited to a Gross external area of between 3,389 and 4,239 m^2 (36,478.89 and 45,628.22 sq ft.)

The current rent is £136,763 per annum (based on the passing rent of £911,750 per annum)

Basis for valuation

The headleases are complicated and there is a definite duty on the tenant to pay rents at 15% of the open market rent to the Landlord and all other outgoings regardless of redevelopment options and voids during the period of the lease.

In order to try to come to a value we have had to assume:

1) that redevelopment can take place. Under the current lease on the Telephone Exchange the limits on the development range allowed by the lease have been exceeded.
2) that rent and the reviewed rent the amount payable to the Landlord will be at 15%.

We have discussed this with BPS and have taken into consideration the caveats that they have applied.

We are aware that there may be other documents that are pertinent to the lease and these may have an effect on the valuation of the property. It may be that the Client will need to instruct solicitors to obtain this information and to consider how this may impact.

There is reference in DS2's report to a possible agreement for a variation to the existing leases. We have no information on this and although they have referred to a 10% reduction, but we have no basis on which to consider this. If there is such agreement, we would need to be shown the agreement and we could comment on the agreement at that stage.

In summary, therefore, we have valued based on the existing headleases but assumed that development can be undertaken, with no further payments and outgoings to the superior landlord.

MARKET COMMENTARY

Introduction

The properties are situated in an area which has seen considerable public realm and amenity improvements to the south around Tottenham Court Road station. In addition, the soon-to-arrive Crossrail will improve the area.

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).

There has been significant activity in the pre-let market, with schemes such as Soho Place fully pre-let and a significant part of 1 Newman Street let. New tenants include Apollo, Facebook, and Red Bull, while Google and NBC have extended their leases on their present accommodation.

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.

West End

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

The main points are:

- The level of lettings was nearly 1,179,000 sq ft in the third quarter of the year, which was a rise of 13% on the 10-year average. This represents a year-on-year rise in take up of 151%.
- TMT occupiers accounted for 42% of Q2 take up.
- Total space under offer rose for the eighth consecutive month. Under offer space was 58% ahead of the 10-year quarterly average, suggesting that take up will likely increase.

- Tenant-controlled space fell by 18% in Q2 after four consecutive quarters of increase to stand at 2.4 million sq ft.

- Development completions totalled 1.2 million sq ft across 11 schemes, of which just 19% or 225,000 sq ft was speculative space. The largest scheme completed during the second quarter was 1 Triton Square, NW1 (310,000 sq ft fully pre-let to Dents Aegis).

- Prime rents and rent-free periods in the Core of the West End were unchanged at £115 per sq ft and 24 months respectively for this quarter (assuming a 10,000 sq ft floor plate and a 10-year term). Prime rents were also unchanged in all other West End submarkets.

- The largest investment deal in Q2 was the sale of One Embassy Gardens, SW11 which was bought by Kennedy Wilson for £177.5 million. Another notable transaction saw Tristan Capital and Greycoat purchase Stirling Square, 5-7 Carlton Gardens, SW1 for £175 million. The latest deals include the sale of 214–218 Oxford Street for £378 million, 68–71 Newman Street for £18.1 million and 112-116 Oxford Street for £15 million.

- 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.

- One of the latest investment deals in the area is the sale of the Heals Building, although no details are known at this stage.

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

CONSIDERATION OF THE ESTIMATED EXISTING VALUE OF THE NETWORK BUILDING IN TERMS OF OFFICE RENTS

As described above, Minerva House and the Telegraph Exchange provide two existing buildings over lower ground to third floors. The properties comprise the central section of North Crescent. The tenants are currently moving out of the accommodation.

Although the buildings are in a reasonable structural state, the services are nearing the end of their useful life. The floors have been converted from conventional office floors to having raised floors, with ramps installed to update the floors. The Comfort Cooling would also appear to be a subsequent installation.

The lift provision in both buildings is barely adequate for buildings of this size.

The existing office floor areas we understand are as follows:

Level	Minerva House	Telephone Exchange
LG	2,228	6,017
Grd	3,832	5,296
Grd (mezz)	151	0
1st	5,188	7,825
2nd	4,607	2,153
3rd	172	0
3rd (mezz)	5,102	2,045
TOTAL	**21,280**	**23,336**

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.

There are a number of 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.

Recent lettings in the area are set out in more detail in Appendix 3, but they show that rents have been at a good level and growing in line with other refurbished and new rents.

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:

	Minerva House			Telephone Exchange		
Level	**NIA**	**Rent psf**	**Total**	**NIA**	**Rent psf**	**Total**
LG	2,228	£25.00	£55,700	6,017	£30.00	£180,510
Ground	3,832	£57.50	£220,340	5,296	£60.00	£317,760
Ground (mezz)	151	£55.00	£8,305	0		
1st	5,188	£57.50	£298,310	7,825	£57.50	£449,937
2nd	4,607	£57.50	£264,902	2,153	£57.50	£123,795
3rd	172	£57.50	£9,890	0		
3rd (mezz)	5,102	£60.00	£306,120	2,045	£57.50	£117,587
TOTAL	**21,280**	**£54.68**	**£1,163,567**	**23,336**	**£49.84**	**£1,163,109**

We have looked at the evidence prepared by DS2 and we also have looked at the evidence in Rathbone Street where, in Holden House, there have been a number of floors let in the high £50s, although this was fitted out accommodation. The location is on a par with Chenies Street, being close to Oxford Street and Tottenham Court Road station.

Similarly, the space in 1-2 Berners Street is similar accommodation and we understand that this was let a figure in the region of £59.00 per sq ft, but the details are confidential.

It is interesting to note that DS2 have relied on the passing rent at £40.13 per sq ft for Minerva and £39.07 per sq ft for the Telephone Exchange overall. We think that this is based on net equivalent rents and is also now five years' old. The lease has come to an end and we have looked at rents in the open market. Our net equivalent rental figures per square foot are higher at £43.74 for Minerva House and £40.78 for the Telephone Exchange, but reflect the current market.

Given the age and condition of the property, we would expect five-year leases to be granted with third year breaks incorporated into the lease. There would need to be service charge caps to reflect the condition of the plant within the building, which may well lead to service charge shortfalls.

We would expect that rent-free periods of between 12-15 months to be granted, which may be divided to reflect the break option. There would also probably be a capped rent to reflect the age of the mechanical services.

In addition to this we would expect a six to nine-month void to relet the existing accommodation.

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

We understand that the proposal is for a refurbishment and reconfiguration of the existing buildings, including a one-storey extension, plant and minor demolition works associated with internal and external alterations, to provide additional office accommodation and associated works.

The building will be accessed from a main entrance in the Telephone Exchange and the floors will be served by three lifts. There are cycle racks for 141 cycles and shower facilities in the north east section of the ground floor of the Telephone Exchange

New 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 4. In addition, we have also looked at the evidence provided by DS2. There are the recent pre-lettings at 1 Soho Place, Charlotte Street and Newman Street, which point to a strong demand for large floors in the West End area.

This building is not in as good a position, and it is a reconfiguration of the existing buildings with an extra floor and added office accommodation on the other floors as opposed to a new building.

We have looked at other recent lettings and, although in better locations, buildings such as 33 Foley Street at £82.50-£85.00 per sq ft and 12-13 Wells Mews with a blended rent of £88.00 per sq ft point to a strong market for similar schemes incorporating new office floors within existing buildings. While other modern buildings such as 60 Charlotte Street, which was let at a rent of £92.50 per sq ft with 20 months' rent free, and the Met Building which was let at a rent of nearly £100.00 per sq ft, in the later cases we discounted the rents to reflect location and the fact that the floors were in tower buildings.

We have therefore put the following rents on the space:

PROPOSED SCHEME DEVELOPMENT AREAS, 1-4 NORTH CRESCENT

Level	**Minerva House**			**Telephone Exchange**		
	NIA	**Rent psf**	**Total**	**NIA**	**Rent psf**	**Total**
Ground	3,068	£82.50	£253,110	3,606	£80.00	£288,480
1st	5,705	£82.50	£470,662	8,514	£82.50	£702,405
2nd	5,748	£82.50	£474,210	8,568	£82.50	£706,860
3rd	5,985	£84.00	£502,740	7,567	£82.50	£624,277
3rd (mezz)	560	£84.00	£47,040	-		
4th	3,165	£85.00	£269,025	6,900	£85.00	£586,500
TOTAL	**24,231**	**£83.23**	**£2,016,787**	**35,155**	**£82.73**	**£2,908,522**

Floor	Letting Void (months)	Rent Free (months)
4	6-9	18-24
3	6-9	18-24
2	6-9	18-24
1	6-9	18-24
G	6-9	18-24
LG	6-9	18-24

We would expect that the scheme would be let either as a whole, or as a number of floors together.

We would expect that new leases of 10 years would be granted. There may be a break at the fifth year. 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 to nine months. We think that pre-lets are unlikely for this type of building.

CONSIDERATION OF THE PROPOSED AFFORDABLE OFFICE SCHEME ESTIMATED VALUE IN TERMS OF RENT

We understand that as part of the scheme there will be an element which is attributable to Affordable office space. This is based on 10% of the uplift of offices in area.

We have looked at the proposed rents for the affordable scheme put forward and we feel that the figure proposed by DS2 at 25% discount on the proposed rent is correct.

We have also looked at the rent-free periods and we are of the opinion that the rent free period would be between 12 -15 months. This reflects a lower rent and a smaller space.

We have put an average void period of three to six months. We think that pre-lets are unlikely for this type of space.

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.

We set out in Appendix 5 a list of recent transactions in the Central London and the West End.

CONSIDERATION OF THE EXISTING OFFICE USE ESTIMATED VALUE OF THE PROPERTY IN TERMS OF INVESTMENT YIELDS

These properties are held on separate leases from the Mayor and Commonality and Citizens of London. Each is held on a term of 125 years from December 2006.

We have assumed that the property is fully let and income-, with best office rents of circa £60.00 per sq ft, but with an average rent per sq ft of £54.68 and £49.84 respectively for the buildings on lease terms providing an average weighted unexpired lease term of five years.

Investors will be interested in the general improvements of the location through the opening of Crossrail and other major 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 4.75%, although it could be argued that a figure of 5% be used on a net initial yield basis, after allowing for appropriate purchaser's costs. This reflects the 15% payable to the Landlord and the 110 years left on the lease.

We would caveat this as to whether investors would show caution due to the ongoing pandemic both in terms of whether the space in its current condition would find an occupier and whether there would be an appetite for developing the site. This may affect the yield adversely.

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

The property, we understand, is being regeared, but we do not know for how long in years from December 2021and we understand from DS2's report that the lessor will pay the freeholder at least 10% of the passing rent.

We have had to assume, however, that the values are based on the existing leases 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 £85.00 per sq ft on lease terms, but with an average rate per sq ft of circa £81.50, providing an average weighted unexpired lease term of 10 years.

There has been good activity in the investment market in the West End over the last year, as shown by the table above, and this has been further bolstered by the long leasehold sale of 2 Soho Place. This shows a figure in the region of 4% for offices in a mixed-use long leasehold build.

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 4.25%, with demand most likely from funds and overseas investors. This would be after allowing for appropriate purchaser's costs.

The yield at 4.25% gives a capital value around £1,484 per sq ft before appropriate purchaser's costs, which, for a property with a 10-year income stream or longer, let to a good covenant in a period when certainty is a key driver in the market, could be subject to further yield compression.

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

We are of the opinion that the yield for affordable office space is higher and, although it does form a very small percentage of the investment, we are of the opinion that, as it is not part of the development itself, a yield of 4.75% should be applied. If it was part of the scheme, we would have used the same all risks yield.

APPENDIX 1

Site Plan

Minerva House and the Telephone Exchange

Promap
LANDMARK INFORMATION

Plotted Scale - 1:1250. Paper Size – A4

APPENDIX 2

Photographs of the existing Minerva House and the Telephone Exchange

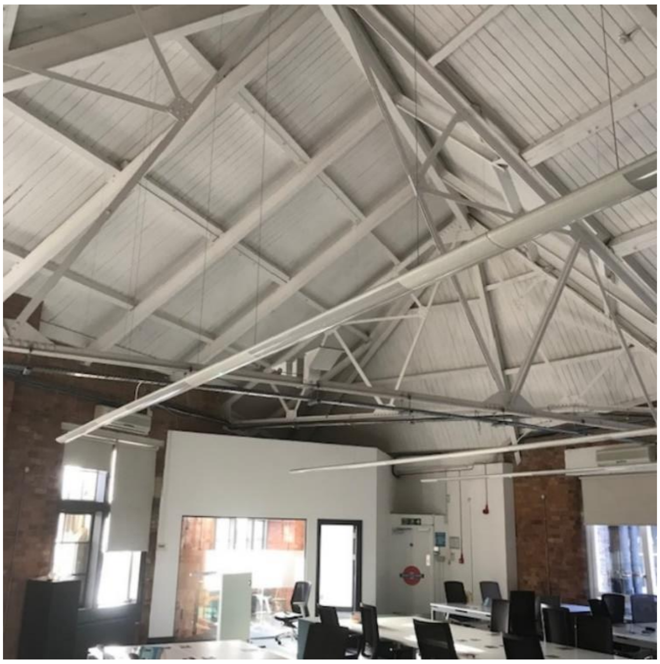
Minerva House from Chenies Street

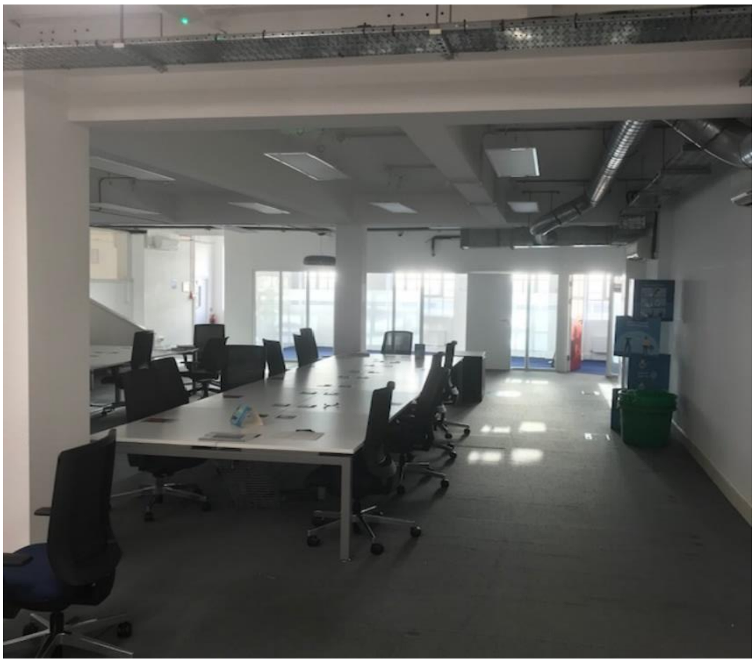
The Telegraph Exchange from Chenies Street

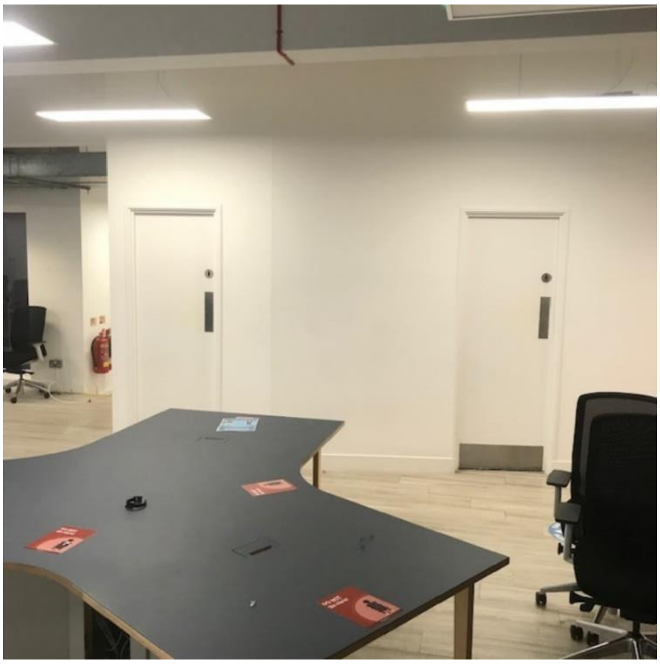
Interiors

Minerva House

Third floor

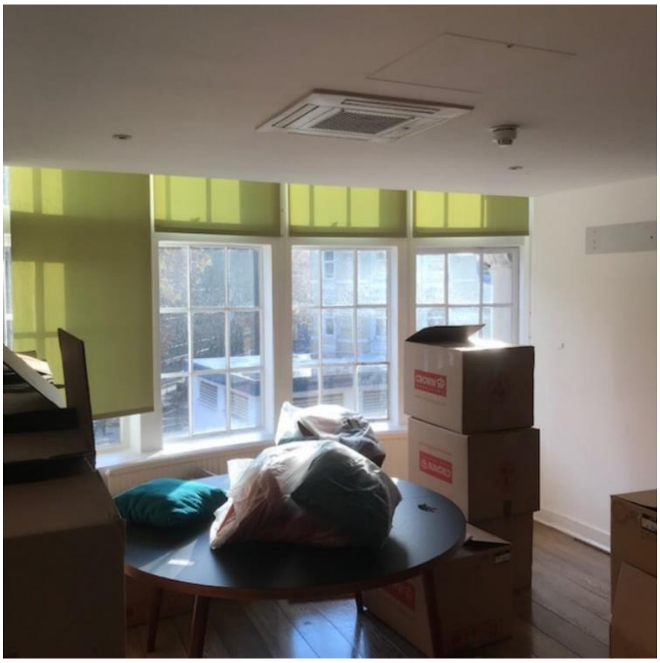




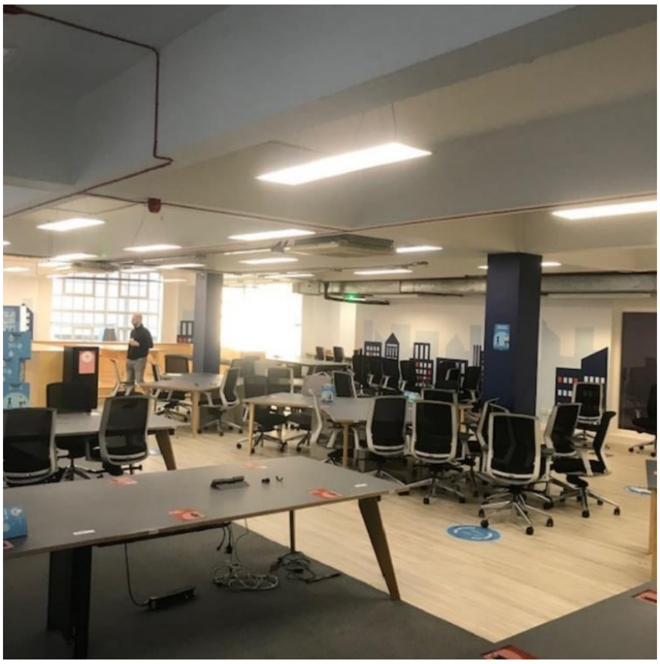


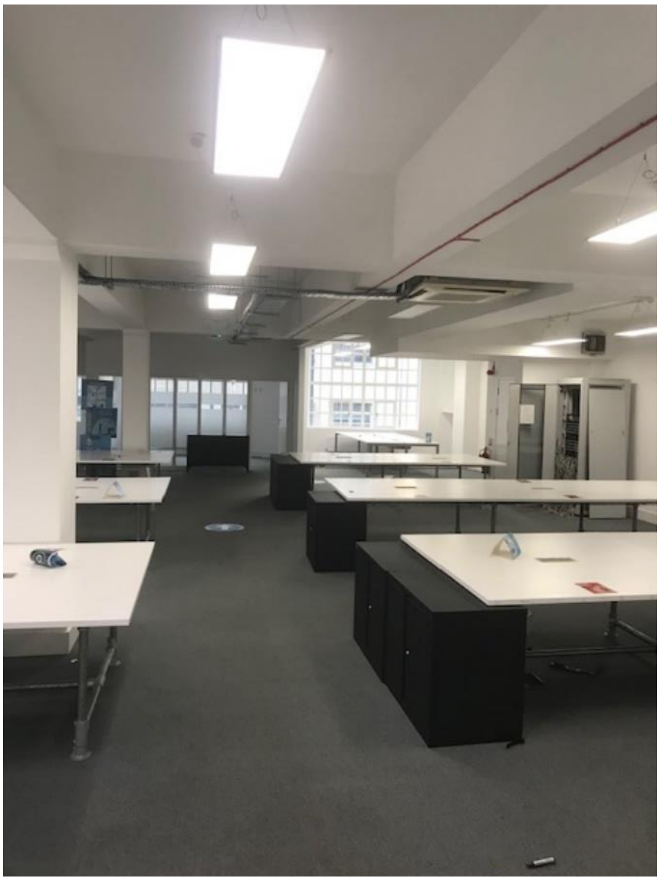

Hands!

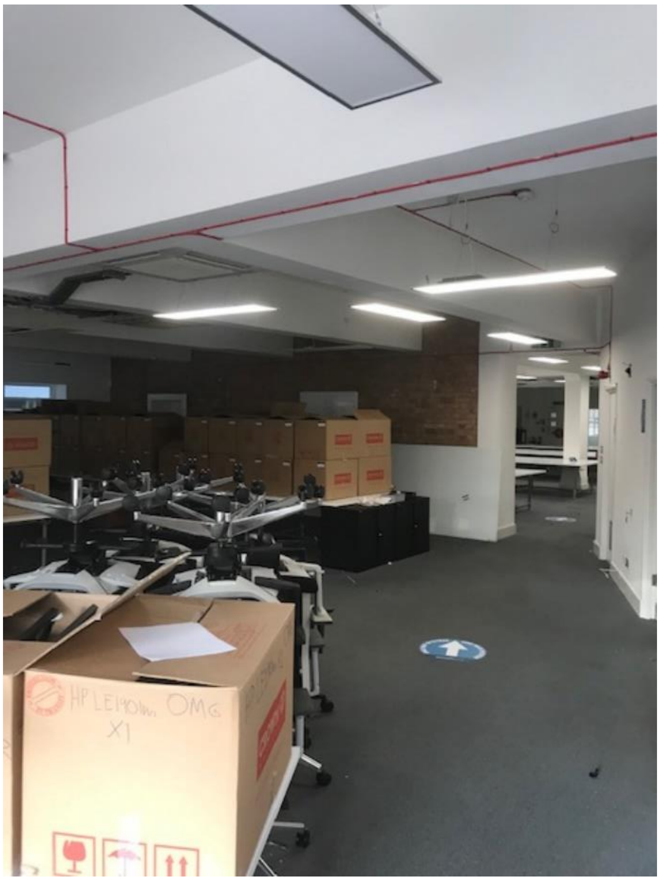
Second floor



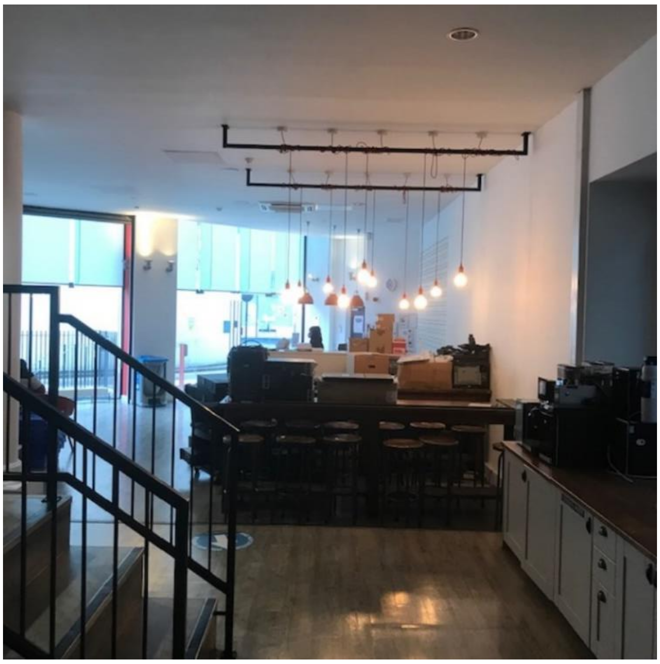
First floor

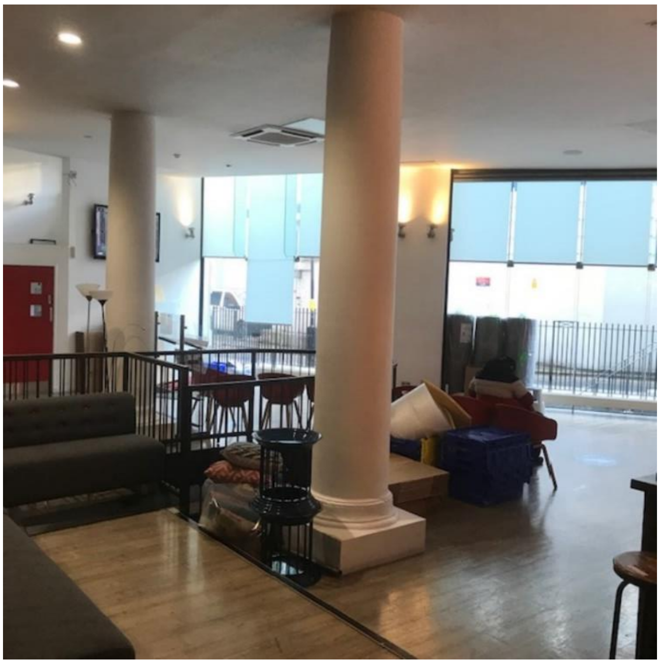






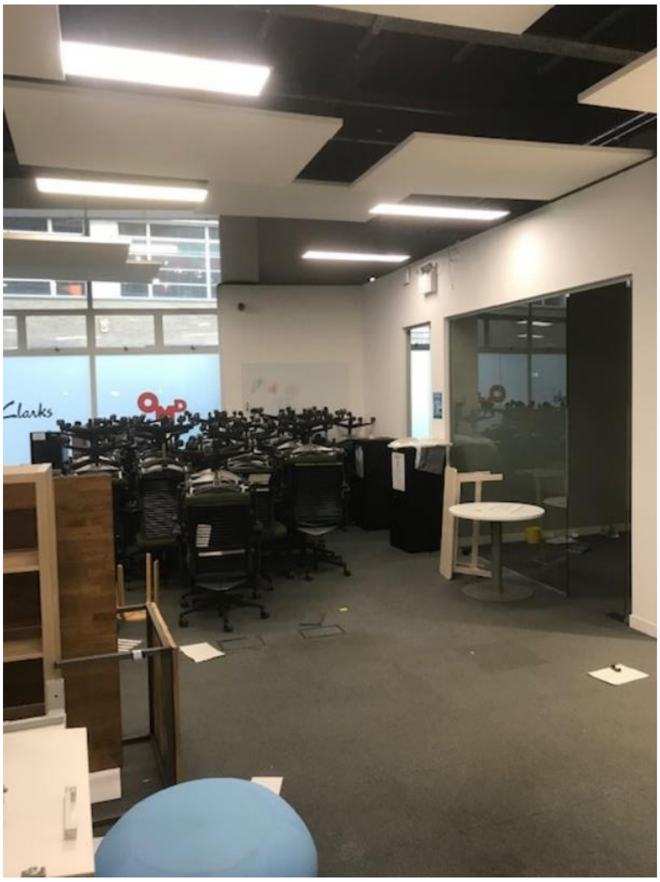
Ground Floor Reception



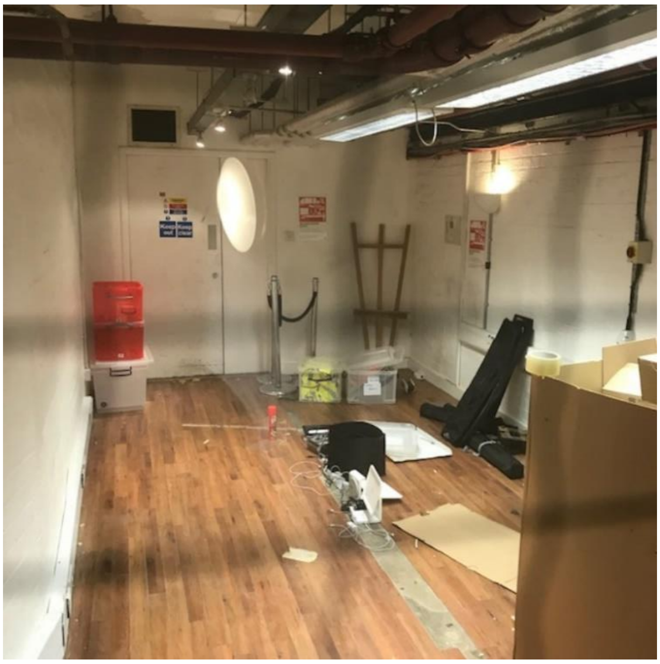


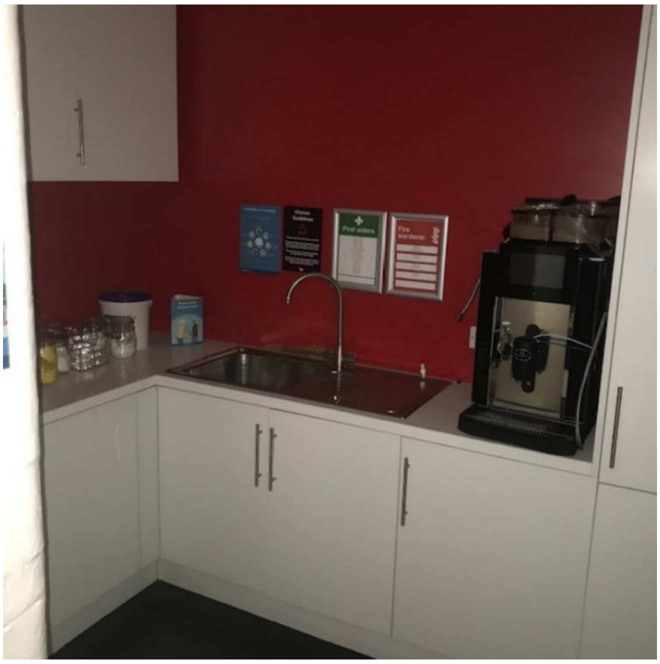
Ground floor raised area

Ground floor Rear offices

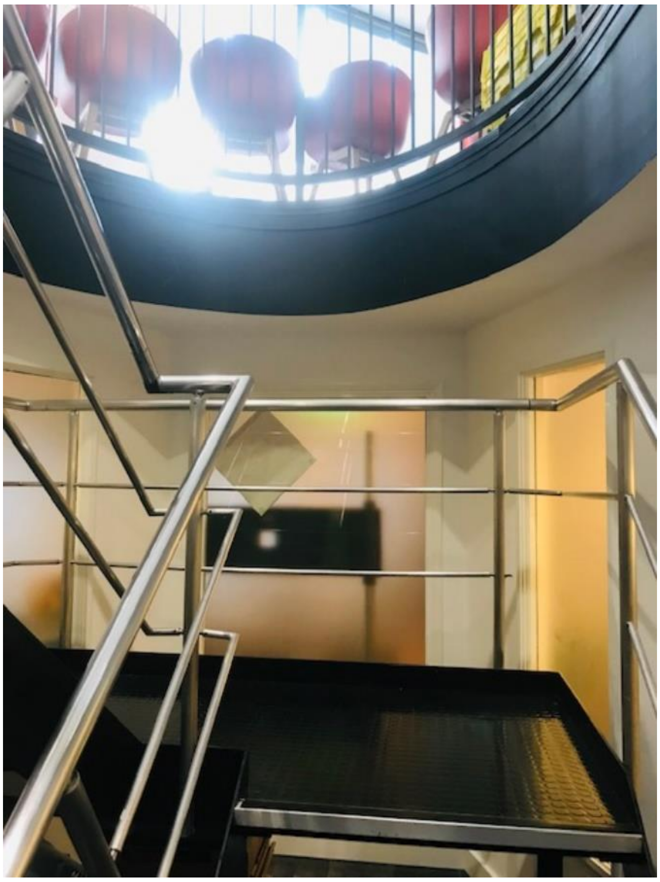


Lower ground floor



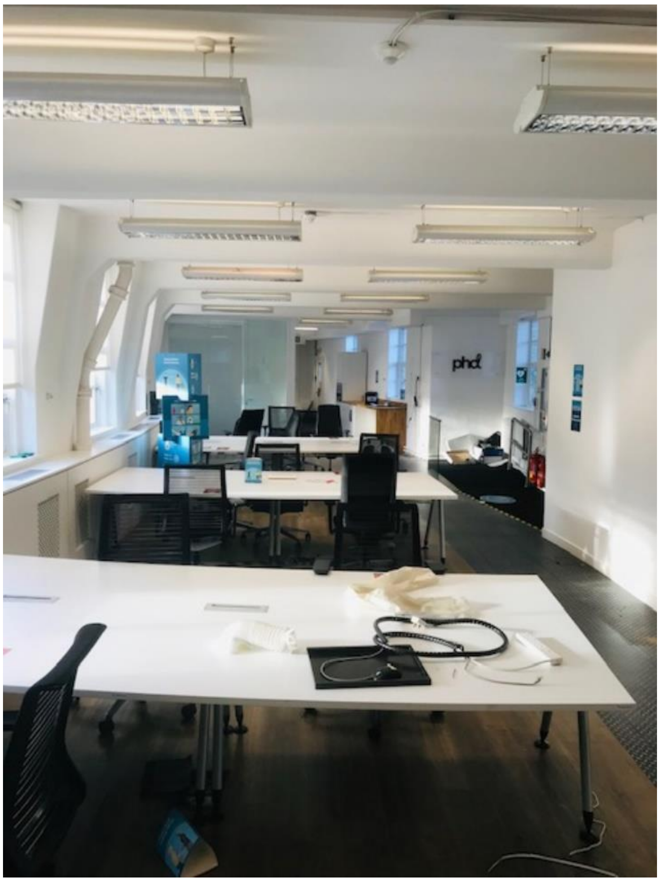

First aiders
Fire wardens

Staircase between ground and lower ground



Telegraph Exchange

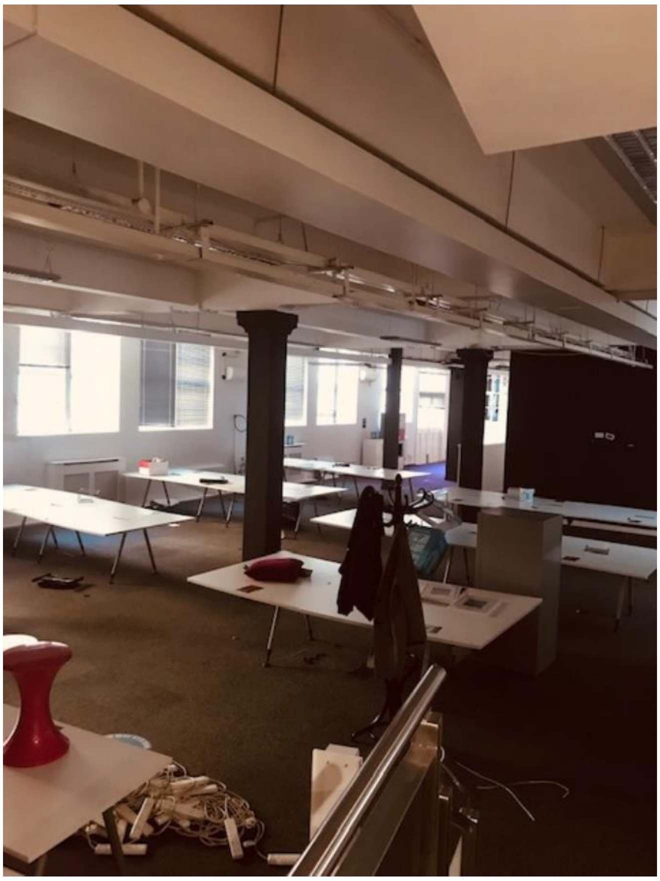
Third floor



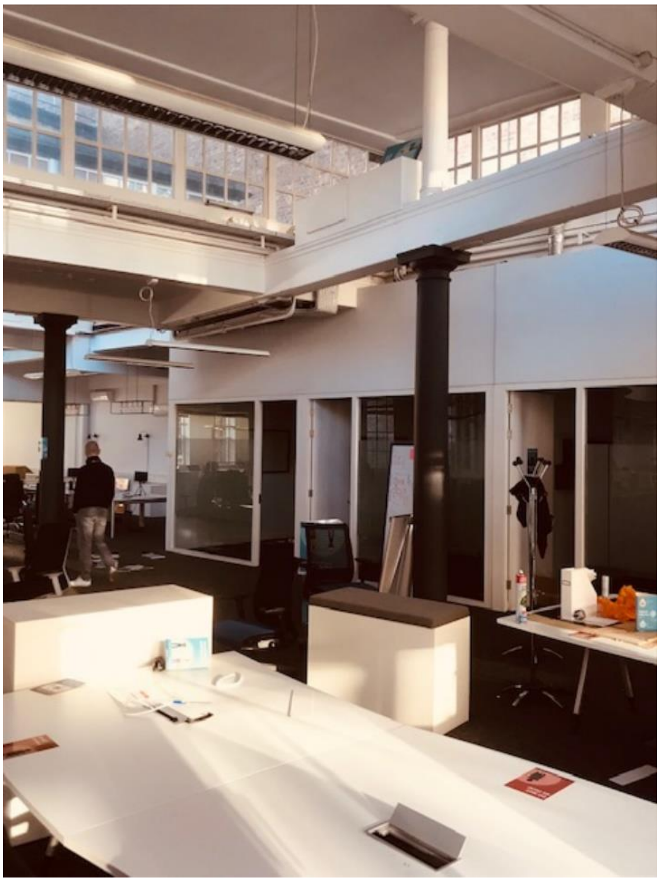
Second Floor

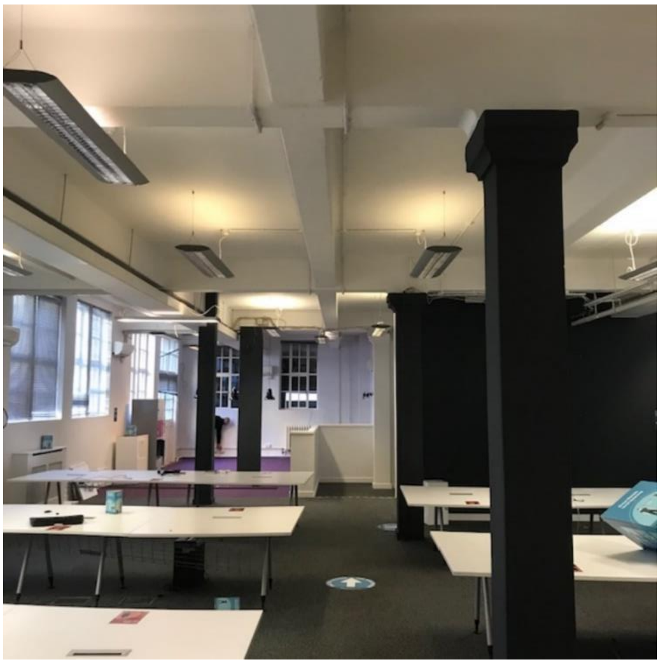
Rear first floor roof

First floor

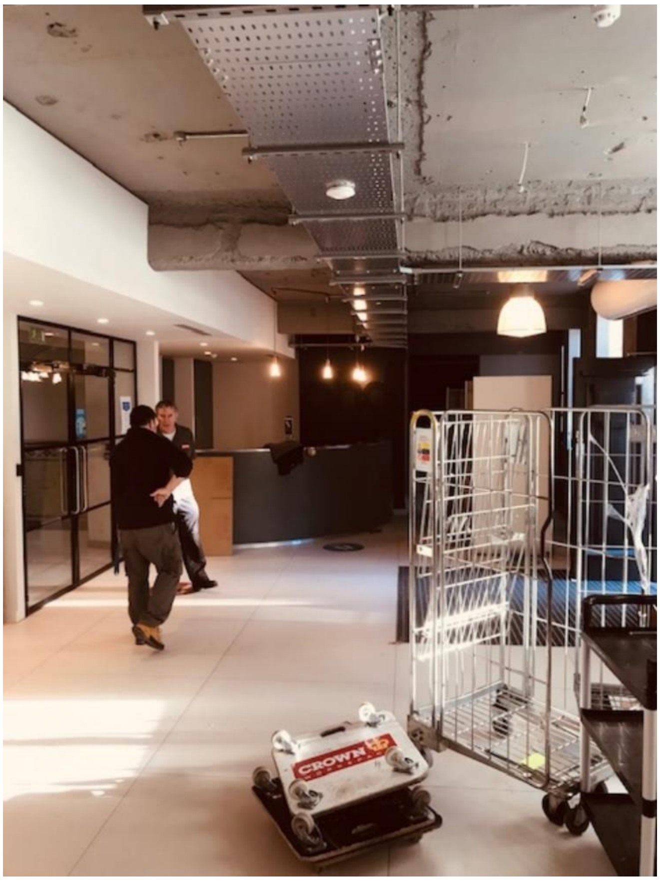


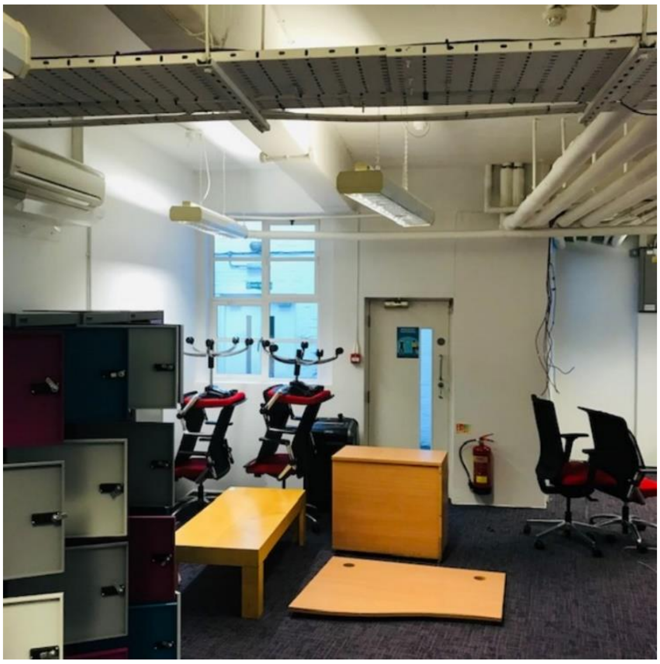
Ground floor



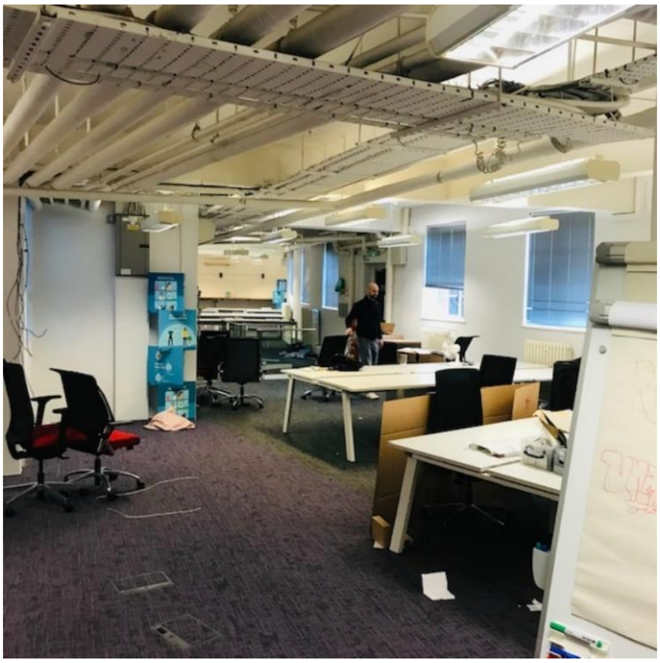


Ground floor reception



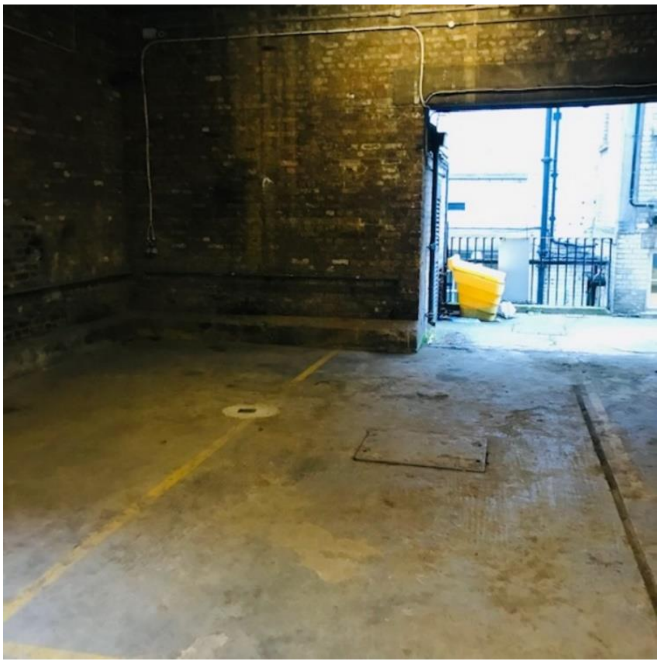


Lower Ground Floor




CROWN

Rear outside area



Rear roller shutter door

Alfred Mews rear elevations

Minerva House

Telegraph Exchange

APPENDIX 3

Office Comparables for Existing and Refurbished Premises

Haddon House, Rathbone Street

The property comprises a building of masonry construction arranged over seven floors providing retail accommodation on the basement and ground floors, with offices above. The property includes Evelyn House at 62 Oxford Street, 64-66 Oxford Street, and Dumbarton House at 68 Oxford Street and 51/57 Rathbone Place.

The property is located at the junction of Oxford Street and Rathbone. Tottenham Court Road station (Central line) is within proximity. Both Goodge Street (Northern line) and Oxford Circus (Victoria, Central and Bakerloo lines) stations are also close by. The floors have the benefit of air conditioning, suspended ceilings, raised floors and two lifts.

There have been a number of transactions in this building. These included the existing tenant on the fourth floor renewing and taking extra space on the third floor of 5,530 sq ft. The lease term was until July 2026, with a mutual break in July 2025. The rent was for £57.00 per sq ft.

The first floor was also let for a term until 2026 at a rent of £50 per sq ft.

17 Gresse Street

The property is located off Rathbone Place to the north of Oxford Street within the area known as Fitzrovia. Tottenham Court Road, Goodge Street and Oxford Circus stations are within walking distance.

The property comprises an office building of reinforced concrete construction, arranged over a ground and six upper floors. Original built circa 1950, the building was redeveloped in October 2009. In 2010 the Charlotte Building won the British Council for Offices London Award. The building has the benefit of air conditioning, suspended ceilings raised floors and the floors are served by lifts.

This was a letting of the third floor of 6,750 per sq ft and was let on a new five-year lease at a rent of £65.00 per sq ft.

1-2 Berners Street

The property is located on the east side of the street, close to the junction with Oxford Street. Tottenham Court Road station is close by (Central and Northern lines).

The property comprises a brick-built building offering space arranged over seven floors, with retail accommodation on basement and ground floor and office space above. The building is air conditioned with suspended ceilings and raised floors. There is a lift.

This was let in June 2021 on a new lease at we understand a rent of £59.00 per sq ft. The size of the floor was approximately 5,600 sq ft. The other terms of the deal are confidential.

90 Whitfield Street

There is internal mezzanine retail space within the building. The property is located on Whitfield Street, with good access to Euston station. The building offers excellent access to the M1 Motorway at Junction 1, which is a short commute away.

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.

UK House, 2a Great Titchfield Street, London W1

There have been several transactions in this building.

The building has been refurbished and generally when space becomes available the landlord creates space with the benefit of air conditioning, raised floor suspended ceilings and the common parts are finished to a good standard.

The sixth floor was renewed, although this was effectively a new lease until December 2022 as the break option had been served. The deal was agreed in February for an October start. The space in this case was a 10-year-old refurbishment and the rent agreed was £70.00 per sq ft. There was in effect a two-month rent-free period.

In addition, the part fourth floor has recently been the subject of a rent review. This is a better-specified floor and the unit, which is 6,200 sq ft, was reviewed to £83.00 per sq ft.

Finally, the seventh floor of 15,000 sq ft was recently let on a new five-year lease at a rent of £79.50 per sq ft, with a 10-month rent free period.

30 Cleveland Street

Cleveland Street has been refurbished to a high specification. It comprises 39,000 sq ft over ground, basement and six upper floors.

The building was let in March 2020 on a new effective FRI lease for a term of 15 years, with a break option at the 10th year. The rent was £68.00 per sq ft and there was a rent-free period of 24 months granted, with an extra six months if the break was not exercised.

APPENDIX 4

Comparables for Lettings for New and New / Refurbished Offices

60 Charlotte Street

The property is located on the east side of Charlotte Street, at its junction with Tottenham Street in the Noho area of London. The property is near local bus routes and Goodge Street station.

The property comprises a mixed-use building of concrete frame construction, with curtain-wall glazing and white metal spandrel panels. The property provides retail space at basement and ground level with offices on the remainder of the ground and seven upper floors. There is air conditioning, bicycle storage, direct elevator exposure, natural light, an open-plan layout, raised floor, and shower facilities. The third floor has a terrace.

The second and third floors were let on new 10-year leases with a review at the fifth year. The rents were £92.50 per sq ft on the second floor and £97.50 per sq ft for the third floor to reflect the terrace. There was 20 months' rent free granted.

33 Foley Street

The property is in Fitzrovia, at the junction with Foley Street and Great Titchfield Street, and is within walking distance of many underground stations including Oxford Circus, Goodge Street, Warren Street, Great Portland Street, Regents Park and Tottenham Court Road.

The property comprises a mid-terrace building of brick construction arranged over lower ground, ground and four upper floors. The building was comprehensively refurbished in summer 2004. The property has air conditioning, raised floors, contemporary finishes, bike racks and showers. It has been comprehensively refurbished. There are two lifts.

The third and fourth floors are approximately 6,200 sq ft each. The fourth floor was let in September 2021 on a new lease for 10 years, with a break at the fifth year. The rent was £82.50 per sq ft. An initial rent-free was granted of 12 months with a further four months if the break was not exercised. The third floor was let off a five-year term, with a break at the third year. The rent again was £82.50 per sq ft, with an initial rent-free of six months with a further seven months if the break is not exercised.

Finally, the fifth floor of 4,000 sq ft with a terrace was let on a five-year lease at a rent of £85.00 per sq ft with a 14-month rent-free period.

12–13 Wells Mews

The property is located at the entrance to Wells Mews, at the junction with Wells Street and Mortimer Street.

The property comprises an office building of brick construction arranged over six floors. The property has been subject to a major refurbishment with 24-hour access, air conditioning, bicycle storage, demised WC facilities, natural light, reception, roof terrace, shower facilities with LED lighting.

There were a number of lettings here. The second to fifth floors were let on a new 10-year lease, with a break at the 7.5-year stage. A blended rent of £89.50 is being paid and there is an initial rent-free period of 22 months and a further six if the break is not exercised.

The ground and first floors, which comprise approximately 8,817 sq ft, are under offer on a new lease with a break at five years. The details have not been released but we understand the rent is circa £80.00 - £85.00 per sq ft with market rent-frees.

1 Newman Street

This building is currently under construction and is located on the north side of Oxford Street and on Newman Street. It will be a building of approximately 119,000 sq ft when completed and is six floors of offices over retail on the basement ground and first floors. There is a large communal terrace on the eighth floor. It will be a BREEAM excellent building.

A letting has been agreed for the top three floors of approximately 39,500 sq ft, with the main floors being about 13,500 sq ft each.

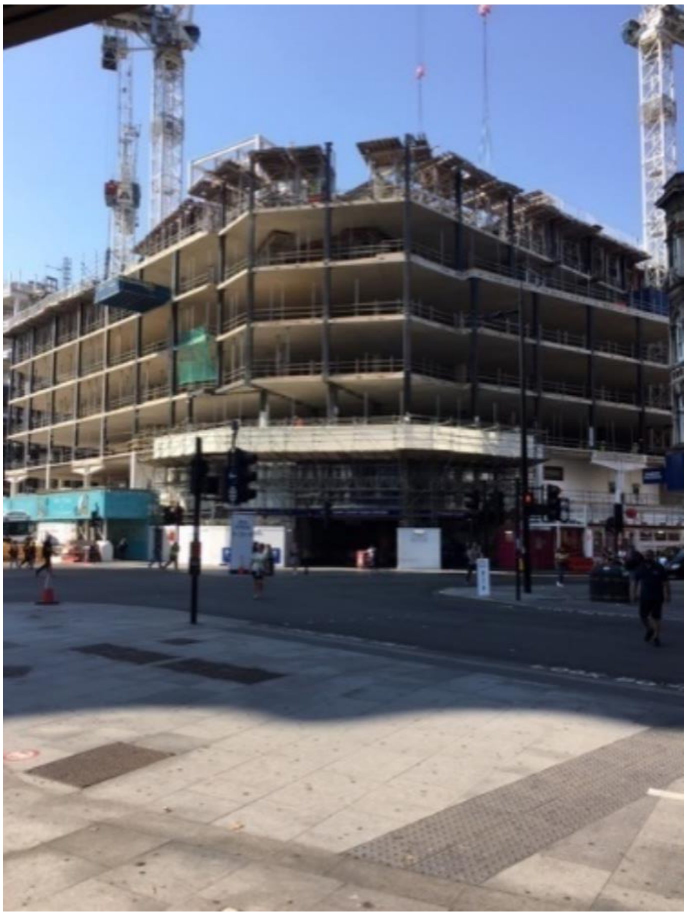
We understand that the floors were let on new 15-year leases and rents were around £97.50 per sq ft for the lower floors, with a premium figure of £107.50 per sq ft for the top floor, which had a wraparound terrace. Rent-free periods were granted of 29 months, which, we understand, were extended to 33 months to reflect the Covid pandemic.

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 Soho Place



This development comprises two sections and sits above the Tottenham Court Road station.

1 and 2 Soho Place are currently under construction and, when completed, will provide 228,000 sq ft of BREEAM excellent offices and 36,000 sq ft of retail space.

We understand that the building has been pre-let in two sections of 83,100 sq ft and 102,600 sq ft. We have not been able to get the full information on the deals as they are being kept confidential, but we understand that the rents were in the low to mid £90s for the lower floor with the top floor let more than £100 per sq ft. These floors were let on 15-year leases and we have assumed a similar rent-free period between 24-30 months.

2 Soho Place

The long leasehold interest of 2&4 Soho Place, London W1 has been sold for £40.5 m before costs.

The property forms part of the Soho Place development and is due to complete in the first half of 2022.

The leasehold interest is for 150 years and comprises 18,400 sq ft of offices as well as a theatre. The disposal price equates to a capital value of £2,200 per sq ft on the offices.

The Met Building Tottenham Court Road

The property is located at the corner of Percy Street and Tottenham Court Road, and lies near to Tottenham Court Road and Goodge Street stations.

The property comprises a mixed-use building of reinforced concrete construction, with glazed facade, arranged over 14 floors including basement. The property was refurbished in 2005 to provide ground floor and basement-level retail space and office accommodation throughout the remainder of the building.

The property has perimeter air conditioning, raised floors, plaster ceiling with recessed lighting. The refurbishment which is being undertaken will be of five floors. This will include a new entrance hall and, subject to planning, a new terrace on the roof.

We understand that there is a pre-letting agreed on the 11th floor for a new lease of 10 years at a rent of just under the quoting rent of £100.00 per sq ft. There have been incentives agreed slightly under market rent.

APPENDIX 5

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
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
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	4225	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

Sales in Central London Area

Address	Price £m	Yield / %	Date	Price psf	Area / sq. ft	Comment
4-5 Buckingham Gate, SW1	30		Oct 21	£759	39,525	Vendor: Cofimar Purchaser: Sidra
Colet Court, 100 Hammersmith Road, W6	18.5	4.74	Oct 21	£408	43,362	Vendor: TBC Purchaser: London & Regional
The Navel Club, 38 Hill Street, W1	35		Oct 21	£2,403	17,131	Vendor: The Naval Club Purchaser: Private Middle Eastern
10 Irving Street, WC2	6.94	3.4	Oct 21	£1,755	3,955	Vendor: Shaftesbury Purchaser: Private
Curtis Building, 26-28 Paddenswick Road, W6	9	6.94	Oct 21	£521	17,270	Vendor: Grosvenor Securities Purchaser: Aver Properties
2 & 3 Bankside, SE1	440	4.52	Oct 21	£1,058	415,981	Vendor: Deutsche Bank Purchaser: Omnicom
The Clerkenwell Collection, EC1	190	4.54	Oct 21	£977	194,375	Vendor: private Purchaser: Nuveen
160 Blackfriars Road, SE1	80		Oct 21	£562	105,935	Vendor: Angelo Gordon Purchaser: Maya Capital
9-11 Angel Court, EC3	10.65	5.68	Oct 21	£823	19,950	Vendor: private Purchaser: private
Cassini House	145.5	3.2	Q3 2021	2823	51348	Pur: Kerry Properties Ten: Various
Stirling Square Carlton Gardens	166.0	5.5	Q2 2021	1523	109000	Pur Greycoat Ten: Various
44 – 45 Great Marlborough Street	30.35	2.5%	Q2 2021	1573	19298	Pur: Royal London Ten: Various
127 Charing Cross Road	59.25	3.34	Q1 2021	1478	O: 23569 R: 16522	Pur: Nomura Ten: Various
36-38 Dean Street, W1	21.7	4.10	Q4 2020	1471	O: 9204 R: 5548	_Pur: Acal Group T: Various
Corinthian House, 279 Tottenham Court Road	64.7	4.25	Q4 2020	1822	O: 34777	Pur: K&K prop Holdings T: Various
Yalding House, 152-156 Great Portland Street	43	4.32	Q4 2020	1456	O: 22955 R:6000	Pur: Mapfre Group T: Various
7 Soho Square, W1	78	3.98	Q4 2020	1265	O 62,000	Pur: Hine T: Various
4 Soho Square, W1	c. 31	2.90	Q4 2020	1619	18,894	Pur: Alduwallya T:Dolby
2 Soho Place, W1	40.5	N/A	Jul 20	£2,200	18,400 + Theatre	The £2,200 figure applies to the office content.
New Oxford Street, WC1	174	4.2	Jul 20	£1,582	110,000	T:H&M, Twitch
25, Hanover Square, W1	40.5	2.83	Jul 20	£3,152	12,851	2 floors vacant 1,194m²

Appendix 3: EUV calculation

Minerva House and Telephone Exchange
EUV

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**	**Net MRV at Sale**
Minerva House	1	21,280	54.68	1,163,567	989,032	1,163,567	989,032
Telephone Exchange	1	23,336	49.84	1,163,109	988,643	1,163,109	988,643
Totals	**2**	**44,616**			**1,977,675**	**2,326,676**	**1,977,675**

Investment Valuation					
Minerva House					
Market Rent	989,032	YP @	5.0000%	20.0000	
(1yr 9mths Rent Free)		PV 1yr 9mths @	5.0000%	0.9182	18,161,806
Telephone Exchange					
Market Rent	988,643	YP @	5.0000%	20.0000	
(1yr 9mths Rent Free)		PV 1yr 9mths @	5.0000%	0.9182	18,154,658
Total Investment Valuation					**36,316,464**
GROSS DEVELOPMENT VALUE				**36,316,464**	
Purchaser's Costs			(2,469,520)		
Effective Purchaser's Costs Rate		6.80%			
				(2,469,520)	
NET DEVELOPMENT VALUE				**33,846,945**	
NET REALISATION				**33,846,945**	
OUTLAY					
ACQUISITION COSTS					
Residualised Price			30,885,923		
				30,885,923	
Stamp Duty			1,533,796		
Effective Stamp Duty Rate		4.97%			
Agent Fee		1.20%	370,631		
Legal Fee		0.60%	185,316		
				2,089,743	
MARKETING & LETTING					
Marketing	44,616 ft²	1.50	66,924		
Letting Agent Fee		10.00%	197,767		
Letting Legal Fee		5.00%	98,884		
				363,575	
DISPOSAL FEES					
Sales Agent Fee		1.00%	338,469		
Sales Legal Fee		0.50%	169,235		
				507,704	
TOTAL COSTS				**33,846,945**	
PROFIT					
				0	
Performance Measures					
Profit on Cost%		0.00%			
Profit on GDV%		0.00%			
Profit on NDV%		0.00%			
Development Yield% (on Rent)		5.84%			
Equivalent Yield% (Nominal)		5.00%			
Equivalent Yield% (True)		5.16%			
IRR% (without Interest)		N/A			
Profit Erosion (finance rate 0.000)		N/A			

Appendix 4: Appraisal Summary

Minerva House and Telephone Exchange
Proposed 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**	**Net MRV at Sale**
Minerva and Telephone Exchange	1	57,909	82.94	4,802,972	4,322,675	4,802,972	4,322,675
Affordable Office	1	1,477	62.20	91,869	82,682	91,869	82,682
Totals	**2**	**59,386**			**4,405,358**	**4,894,842**	**4,405,358**

Investment Valuation					
Minerva and Telephone Exchange					
Market Rent	4,322,675	YP @	4.2500%	23.5294	
(2yrs Rent Free)		PV 2yrs @	4.2500%	0.9201	93,586,143
Affordable Office					
Market Rent	82,682	YP @	4.2500%	23.5294	
(1yr 3mths Rent Free)		PV 1yr 3mths @	4.2500%	0.9493	1,846,840
Total Investment Valuation					**95,432,983**
GROSS DEVELOPMENT VALUE				**95,432,983**	
Purchaser's Costs			(6,489,443)		
Effective Purchaser's Costs Rate		6.80%			
				(6,489,443)	
NET DEVELOPMENT VALUE				**88,943,541**	
NET REALISATION				**88,943,541**	

OUTLAY

ACQUISITION COSTS				
Fixed Price			30,886,000	
				30,886,000
Stamp Duty			1,533,800	
Effective Stamp Duty Rate		4.97%		
Agent Fee		1.20%	370,632	
Legal Fee		0.60%	185,316	
				2,089,748
CONSTRUCTION COSTS				
Construction	**ft²**	**Build Rate ft²**	**Cost**	
Construction Costs	88,243	390.29	34,440,000	**34,440,000**
Contingency		5.00%	1,722,000	
MCIL2			504,788	
BCIL			297,440	
S106			181,927	
				2,706,155
Other Construction				
Neighbourly Matters			600,000	
Post Construction Fees			125,000	
Letting Void Costs (SC, rates)			1,558,883	
Ancillary Costs			652,700	
Ground Rent to COL over dev period			855,732	
				3,792,315
PROFESSIONAL FEES				
Professional Fees		10.00%	3,444,000	
				3,444,000
MARKETING & LETTING				
Commercial Marketing	59,386 ft²	1.50	89,079	
Letting Agent Fee		10.00%	440,536	
Letting Legal Fee		5.00%	220,268	
				749,883

Minerva House and Telephone Exchange
Proposed Scheme

DISPOSAL FEES			
Sales Agent Fee	1.00%	889,435	
Sales Legal Fee	0.50%	444,718	
			1,334,153
MISCELLANEOUS FEES			
Profit on Cost	10.00%	7,810,810	
			7,810,810
FINANCE			
Debit Rate 6.500%, Credit Rate 0.000% (Nominal)			
Land		5,355,966	
Construction		2,666,475	
Total Finance Cost			8,022,440
TOTAL COSTS			**95,275,504**
PROFIT			
			(6,331,964)
Performance Measures			
Profit on Cost%	-6.65%		
Profit on GDV%	-6.63%		
Profit on NDV%	-7.12%		
Development Yield% (on Rent)	4.62%		
Equivalent Yield% (Nominal)	4.25%		
Equivalent Yield% (True)	4.37%		
IRR% (without Interest)	1.36%		
Rent Cover	-1 yrs -5 mths		
Profit Erosion (finance rate 6.500)	N/A		

Minerva House and Telephone Exchange
Proposed Scheme

Table of Profit Amount and Profit Amount

	Construction: Gross Cost				
Rent: Rate /ft²	-10.000%	-5.000%	0.000%	+5.000%	+10.000%
	30,996,000	32,718,000	34,440,000	36,162,000	37,884,000
-10.00 /ft²	(£12,011,948)	(£14,308,241)	(£16,604,535)	(£18,900,829)	(£21,197,123)
72.94 /ft²	(£12,011,948)	(£14,308,241)	(£16,604,535)	(£18,900,829)	(£21,197,123)
-5.00 /ft²	(£6,875,662)	(£9,171,956)	(£11,468,249)	(£13,764,543)	(£16,060,837)
77.94 /ft²	(£6,875,662)	(£9,171,956)	(£11,468,249)	(£13,764,543)	(£16,060,837)
0.00 /ft²	(£1,739,376)	(£4,035,670)	(£6,331,964)	(£8,628,257)	(£10,924,551)
82.94 /ft²	(£1,739,376)	(£4,035,670)	(£6,331,964)	(£8,628,257)	(£10,924,551)
+5.00 /ft²	£3,396,910	£1,100,616	(£1,195,678)	(£3,491,972)	(£5,788,265)
87.94 /ft²	£3,396,910	£1,100,616	(£1,195,678)	(£3,491,972)	(£5,788,265)
+10.00 /ft²	£8,533,196	£6,236,902	£3,940,608	£1,644,314	(£651,979)
92.94 /ft²	£8,533,196	£6,236,902	£3,940,608	£1,644,314	(£651,979)

Sensitivity Analysis : Assumptions for Calculation

Construction: Gross Cost
Original Values are varied by Steps of 5.000%.

Heading	Phase	Amount	No. of Steps
Construction Costs	1	£34,440,000	2.00 Up & Down

Rent: Rate /ft²
Original Values are varied in Fixed Steps of £5.00

Heading	Phase	Rate	No. of Steps
Minerva and Telephone Exchange	1	£82.94	2.00 Up & Down

Minerva House and Telephone Exchange
Proposed Scheme

Project Timescale	
Project Start Date	Jul 2021
Project End Date	Dec 2023
Project Duration (Inc Exit Period)	30 months

Phase 1

	Start Date	Duration	End Date	Jul 21	Jan 22	Jul 22	Jan 23	Jul 23
Project	Jul 2021	30	Dec 2023					
Pre-Construction	Jul 2021	6 Month(s)	Dec 2021					
Demolition	Jan 2022	0 Month(s)						
Construction	Jan 2022	23	Nov 2023					
Post Development	Dec 2023	0 Month(s)						
Letting	Dec 2023	0 Month(s)						
Income Flow	Dec 2023	0 Month(s)						
Sale	Dec 2023	1 Month(s)	Dec 2023					
Cash Activity	Jul 2021	30	Dec 2023					
				1	7	13	19	25