AUGUST 2022

Blue Lion, 133 Gray’s Inn Road, King’s Cross, London WC1X 8TU

Financial Viability Assessment

TOWN CENTRE REGENERATION

on behalf of Lambournes Surveyors Ltd

August 2022

ON BEHALF OF LAMBOURNES SURVEYORS LTD

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FINANCIAL VIABILITY ASSESSMENT

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1. INTRODUCTION

Instruction

1.1 Town Centre Regeneration (TCR) has been instructed by Lambourne Surveyors Ltd to undertake a Financial Viability Assessment ('FVA') setting out the viability case for the proposed reconfiguration of an existing Public House (The Blue Lion, Gray's Inn Road, London) and redevelopment of the upper parts to provide residential apartments.

1.2 This FVA has been produced in accordance with the National Planning Policy Framework 2021 (NPPF), Planning Practice Guidance (PPG), the RICS Guidance Note on Financial Viability in Planning: Conduct and Reporting (1st edition, 2021) and other relevant guidance.

1.3 TCR can confirm that the RICS member undertaking this FVA is a 'suitably qualified practitioner', as identified in the PPG (Paragraph 20) and as defined in the RICS Financial Viability in Planning: Conduct and Reporting Guidance Note, (1st edition, 2021). The RICS Professional Statement Conflicts of Interest (1st edition, 2017) states that an RICS member must not advise or represent a client where doing so would involve a Conflict of Interest or a significant risk of a Conflict of Interest, other than where all of those who are or may be affected have provided their prior Informed Consent. In accordance with this and the RICS Financial Viability in Planning GN: Conduct and Reporting (1st edition, 2021), para 2.5, TCR confirms that no conflict or risk of conflict exists

1.4 In accordance with the RICS Financial Viability in Planning: Conduct and Reporting Guidance Note, May 2019, TCR can confirm that in preparing this FVA, no performance related or contingent fees have been agreed. We further acknowledge and confirm that in undertaking this assessment, we have acted objectively, impartially, without interference and with reference to all appropriate sources of information, compliant with paragraph 4.1.8 of the RICS Guidance Note, 2021.

Purpose of this Financial Viability Assessment

1.5 FVAs are usually required to determine the ability of development to support contributions to social, economic, and environmental infrastructure.

1.6 The purpose of this FVA is to set out the factors effecting the proposed development at the Blue Lion Public House, Gray's Inn Road, Central London.

1.7 This report and accompanying appraisal are to assist planning discussions with Camden London Borough Council, the Local Planning Authority. It is not a Royal Institution of Chartered Surveyors (RICS) Valuation Manual (Red Book) compliant valuation report and the figures referred to in this report, are not formal valuations. However, we have provided detailed justification for the indicative values and/or component inputs that have been used. This appraisal may not be used for funding, lending or borrowing purposes.

Confidentiality

1.8 This FVA is provided on a strictly confidential basis to Lambourne Surveyors Ltd, our client. It is understood that it will be released to Camden London Borough Council, the Local Planning Authority and their advisers in support of the site's planning application.

1.9 Transparency and fairness are key to the effective operation of the planning process. It is therefore understood that the outputs may be disclosed under the under the Freedom of Information Act, 2000 or under the Environmental Information Regulations, 2004. Furthermore, the PPG at paragraph 021 states that FVAs may be made publicly available other than in exceptional circumstances.

1.10 However, inputs may include commercially sensitive information, the public disclosure of which could have commercial consequences for the delivery of the application site. We therefore request that prior to disclosure, the local planning authority confer with the Applicant. An Executive Summary has been provided for the public disclosure purposes

1.11 In releasing the report to Lambourne Surveyors Ltd, our client or Camden London Borough Council, the Local Planning Authority and their advisers, it is requested that the model be treated in confidence, in as much as it is not derived from either a proprietary software package or a publicly available viability template, as proprietary commercial information, the release of which would be commercially prejudicial to the creators of the model and thus resist disclosure of the model under the Freedom of Information Act 2000 or under the Environmental Information Regulations, 2004.

1.12 While a copy of this report will be provided to Camden London Borough Council, the Local Planning Authority, TCR and the Author of this report do not offer Camden London Borough Council, their advisors and/or any third parties a professional duty of care.

1.13 This report may not be used for any other purposed than that stated.

1.14 The Date of the Appraisal is the date of this report, unless otherwise stated however it is noted that the viability will be determined as at the date of the decision, rather than submission of the FVA.

1.15 A Glossary of Terms is contained in Appendix 1

Information Provided

1.16 We have been provided with and relied on, the following information:

- Site and Location Plan – prepared by Ackroyd Lowrie Architects (Appendix 2)
- Economic Viability Report – prepared by Fleurets Ltd (Appendix 3)
- Outline Construction Cost Plan – prepared by Aspect Property Consultants (Appendix 4)

2. SITE

Site Description

2.1 The Design and Access Statement confirms that the site has an area of 210 sq. m (0.021) hectares. The site is L shaped and the building covers the entire site footprint.

2.2 The site fronts onto Gray's Inn Road with a secondary entrance via Brownlow Mews. The property comprises a four storey, mid terrace building of brick construction with an attractive frontage. It dates from the 1930s. The rear of the property, the elevation facing on to Brownlow Mews, is part single storey with a flat roof which provides a private roof terrace.

2.3 The current use of the site is as a trading Public House. At present the public house, including the staff accommodation, occupies the entirety of the property with storage and the beer cellar at basement level, trading space and customer WCs at ground floor, a commercial kitchen at part first floor, with the remainder of the first floor along with the second and third floors providing ancillary domestic accommodation including five bedrooms, an office, two bathrooms and a kitchen/reception room.

2.4 The property is a composite property for business rates purposes with a rateable value of £63,000 for the public house and premises and a Council tax banding of B on the existing residential element.

Conservation Areas

2.5 The property is within the Bloomsbury Conservation Area. The building is not listed. However, is it is located a few doors down (on the same side) as 121 Gray's Inn Road which is listed.

Flood Risk

2.6 The property is in flood zone level 1, which is deemed the equivalent of a 1:1,000-year risk of flooding.

Location

2.7 The site lies on Gray's Inn Road, in the London Borough of Camden. Gray's Inn Road runs between Kings Cross and Holborn. The area is a mixture of residential and office uses with some local retail along the main spine of Gray's Inn Road. The area is relatively well connected with High Holborn tube (Central Line) 0.7 miles to the south west of the site, Farringdon 0.7 miles to the south east and Kings Cross 0.6 miles to the north west. Gray's Inn road has a number of bus stops, and the site has a bus stop located just outside. Like many areas in London traffic can be quite busy with Gray's Inn road providing a key route.

2.8 The main entrance to the building is from Gray's Inn Road with a secondary access/egress from Brownlow Mews.

2.9 The existing Blue Lion pub has been on the existing site since 1936 (having previously been located nearby on another site). The lower ground and ground floor levels contain the pub and its storage; the first floor contains the pub kitchen and roof terrace. The first to 3rd floor is residential accommodation, separately accessible from the street (Brownlow Mews) potentially available as manager / staff accommodation.

2.10 The location plan for the site is attached at Appendix 2.

Local Amenities

2.11 Local facilities are measured by direct distance or road distance as specified.

2.12 Shopping: Convenience/Comparison: The nearest comparison-shopping area is at the Brunswick Centre 0.4 miles to the west of the site. The centre is grade II listed and was refurbished in 2000. There is a mix of shops and restaurants as well as a cinema and a Waitrose supermarket.

2.13 Medical, Care, support facilities: The Clerkenwell Medical practice is 0.4 miles to the east. University College Hospital (UCL) is located 1.2 miles to the north west. Marchmont Community Centre is located 0.6 miles to the north west.

2.14 Schools: The site is 0.2 miles from Saint George the Martyr Church of England primary school which is rated outstanding by Ofsted. A girls only secondary school (Elizabeth Garrett Anderson School) is 0.7 miles to the north east. A boys only secondary school (Central Foundation Boys' School) is 1.5 miles to the east. Both the secondary schools are rated as outstanding by Ofsted.

2.15 Amenity Space: St Andrews Garden is 0.1 miles north of the site. Other nearby green spaces include Coram's Fields, Brunswick Square Gardens and Russell Square.

3. PROPOSED DEVELOPMENT

3.1 The proposal will create a mixed-use scheme: Retaining / reconfiguring the existing pub, The Blue Lion, at ground floor level and basement and converting the upper floors to provide 7 residential apartments each with its own amenity space. The breakdown of the proposed residential units is as follows, two 1 bed 2 person, one 2 bed 3 person, three 3 bed 4 person and one 3bed 5 person.

3.2 The reconfiguration of the pub element, as set out in the Fleurets report is as follows:

- Reduction in overall size of the public house across ground, lower ground and first floors (-103sq m).
- Small reduction in overall trading areas from 190sq m to 185sq m (-5sq m).
- Relocation of ground floor customer WCs to lower ground floor and installation of an accessible customer WC at ground floor.
- Relocation of commercial kitchen from first floor to lower ground floor.
- Increase in size of commercial kitchen.
- Reconfiguration of ground floor to provide a more open trading space and a disabled toilet facility.
- Reconfiguration of lower ground floor to provide a second trading area/function room, customer WCs, chilled beer store, commercial kitchen and storage facilities.

3.3 The reprovision of the commercial kitchen from the first floor to the lower ground floor will enable an improved and larger kitchen.

3.4 The residential apartments will benefit from a dedicated residential lobby accessed from both Gray's Inn Road and Brownlow Mews and the majority will be dual aspect to maximise natural light.

Floor	beds / persons	Sq. m	Amenity
First	3b5p	86	10
First	1b2p	50	15
Second	3b4p	76	9
Second	1b2p	50	21
Third	3b4p	81	22
Fourth	3b4p	78	9
Fifth	2b3p	61	9
Total		**482**	**95**

4. POLICY ASSUMPTIONS

4.1 The Town and Country Planning Act 1990 and the Planning and Compulsory Purchase Act 2004 are the governing pieces of legislation that regulate development and set out the planning application process in England and Wales.

4.2 Policy principles relating to viability are set out in the National Planning Policy Framework, (NPPF) and informed by the Planning Practice Guidance, (PPG), updated in July 2021 and June 2021 respectively.

4.3 The revised NPPF and PPG have sought to change the emphasis on how viability should be approached in the planning system and the weight that should be given to viability assessments at the plan-making and development decision taking stages.

4.4 A summary of the key policy principles is set out below.

National Planning Policy

4.5 The NPPF 2021 sets out the government's planning policies for England and how these are expected to be applied. Paragraph 58 states 'where up to date policies have set out the contributions expected from development, planning applications that comply with them should be assumed to be viable.'

4.6 It is therefore up to the applicant to demonstrate whether circumstances justify the need for a viability assessment at the application stage. The weight to be given to a viability assessment is a matter for the decision maker, having regard to all the circumstances in the case, including whether the plan and the viability evidence underpinning it is up to date, and any change in site circumstances since the plan was brought into force.

4.7 Applicants need to also consider the Planning Practice Guidance (updated June 2021) to understand viability in plan making and decision taking. The guidance sets out the following;

4.8 Plans should set out the contributions expected from development. This should include setting out the levels and type of affordable housing provision required, along with other infrastructure.

4.9 Assessing the viability of plans does not require individual testing of every site or assurance that individual sites are viable. Plan makers can use site typologies to determine viability at the plan making stage.

4.10 Where a viability assessment is submitted to accompany a planning application this should be based upon and refer back to the viability assessment that informed the plan; and the applicant should provide evidence of what has changed since then

4.11 The weight to be given to a viability assessment is a matter for the decision maker, having regard to all the circumstances in the case, including whether the plan and viability evidence underpinning the plan is up to date, and site circumstances including any changes since the plan was brought into force, and the transparency of assumptions behind the evidence submitted as part of the viability assessment.

4.12 Plans should set out circumstances where review mechanisms may be appropriate. Where contributions are reduced below the requirements set out in policies to provide flexibility in the early stages of a development, there should be a clear agreement of how policy compliance can be achieved over time.

4.13 In relation to the Land Value the PPG states that 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 of the landowner should reflect a 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+). These policies are in place to provide clarity and speed up the decision-making process if developers are able to submit policy compliant schemes.

Regional Planning Policy

4.14 The London Plan is the statutory Spatial Development Strategy for Greater London prepared by the Mayor of London. The current version is the 2021 Plan which was adopted in March 2021.

4.15 Within the London Plan 2021 the mayoral target is that 50% of new homes should be genuinely affordable, subject to viability. The London Plan seeks a split of 30% low cost rented, 30% intermediate and the remaining 40% to be low cost rented or intermediate dependant on the needs of the individual Borough.

4.16 The Affordable Housing and Viability Supplementary Planning Guidance (SPG) provides guidance to support the implementation of London Plan policy and advises on viability assessments.

4.17 The Mayor’s long-term aim is for half of all new homes to be affordable. The aims of the SPG are:

- To increase the amount of affordable housing delivered through the planning system.
- Embed the requirement for affordable housing into land values.
- Make the viability process more consistent and transparent.

4.18 The Affordable Housing and Viability Supplementary Planning Guidance (SPG) 2017 introduced a viability threshold of affordable housing which confirms that if the threshold is met without public subsidy, viability testing of the development is not required, thus speeding up the planning process. The threshold is set at 35% of units being affordable with a compliant mix of tenure

Local Planning Policy

4.19 The Camden Local Plan was adopted by Council on 3 July 2017. It replaced the Core Strategy and Camden Development Policies as the basis for planning decisions and future development in Camden.

4.20 Camden has lost a number of pubs over the past 10 years, a number of which were lost due to permitted development rights. The Council has specific policy in place (Camden Local Plan 2017 policy C4) which sets out the requirements relating to proposals which result in the loss of part or all of a pub (including ancillary areas and beer gardens).

4.21 Policy C4 Public houses states: The Council will seek to protect public houses which are of community, heritage or townscape value. The Council will not grant planning permission for proposals for the change of use, redevelopment and/or demolition of a public house unless it is demonstrated to the Council's satisfaction that the proposal would not result in the loss of pubs which are valued by the community (including protected groups) unless there are equivalent premises available capable of meeting the community's needs served by the public house; or there is no interest in the continued use of the property or site as a public house and no reasonable prospect of a public house being able to trade from the premises over the medium term; Where a public house is converted to an alternative use, the Council will seek the retention of significant features of historic or character value. In this instance however the redevelopment proposals would not result in the loss of the pub but instead would seek to enable its long-term viability by remodelling the pub and ancillary area and enlarging and improving the on-site commercial kitchen.

4.22 The Policy resists the partial loss of a public house where it is detrimental to its character, community value or future viability where changes lead to a pub becoming less profitable and as a consequence, more vulnerable to further redevelopment. In determining whether the loss of floorspace is acceptable, the Council will take into account the effect of changes to the pub’s layout and trading area on its continuing ability to operate successfully and will also consider whether these changes would adversely impact on the pub's community, historic and townscape value.

4.23 In some cases, the loss of part of a pub may lead to its continuing operation being undermined by the greater likelihood of complaints relating to noise and nuisance from occupants of new non-ancillary uses. A particular problem is the potential harm to residential amenity which cannot be overcome through mitigation measures to the building's fabric, for example where the loss of a pub's garden is proposed. Camden Planning Guidance provides advice on evidence the Council requires to justify the loss of pub facilities.

4.24 Given the specialist nature of Public Houses, the applicant has commissioned a detailed report from Fleurets (carried out by Rosie Hallam MRICS, Divisional Director). Fleurets are considered as one of the leading pub advisors in the UK and have experience of both the pub operating market and investment markets. The report from Fleurets considers the viability aspects and concludes that the redevelopment of the upper parts will still enable the pub to operate on a viable basis, therefore enabling the pubs long term viability. The full report is included at appendix 3.

4.25 With regard to housing policies, Camden have produced a SPD (Camden Planning Guidance – Housing – January 2021) which was adopted on 15th January 2021. Of the affordable housing requirement, Camden expect 60% to be social affordable rented housing (50% of which should be 3 bedrooms or more) and 40% as intermediate rent.

Planning Obligations

4.26 The Community Infrastructure Levy (CIL) is a charge on development to help fund infrastructure such as transport schemes and schools which the council, local community and neighbourhoods require to help accommodate new growth from development.

4.27 The Blue Lion is within charging zone A of the Camden Community Infrastructure Charging Map. For development projects which provide fewer than 10 residential units the rate is £648 per sq. m including the relevant indexation.

4.28 Mayoral Community Infrastructure Levy (MCIL) was revised in April 2019 and increased the tariff for a number of London Boroughs and development types, whilst reducing some. The MCIL2 charging rates that will apply to the proposed development types are set out in the table below and reflect the Band 1 rates as set out in the MCIL Charging Schedule 2019 and indexed at the appropriate Rate.

4.29 Please see table below outlining the MCIL and CIL calculations undertaken. We have applied MCIL and CIL to the marginal increase in floor area as a result of the proposed refurbishment and redevelopment.

4.30 CIL Calculation Breakdown:

Existing	Proposed	Net Change	MCIL	MCIL	Camden CIL	Camden CIL	Total CIL
GIA (sqm)	GIA (sqm)	GIA (sqm)	£per sqm	£Payable	£per sqm	£Payable	£Payable
559	913	354	£80.48	£28,490	£648.00	£229,392	£257,882

4.31 It should be noted that the actual CIL calculation may differ from the above depending on the calculation of net additional area.

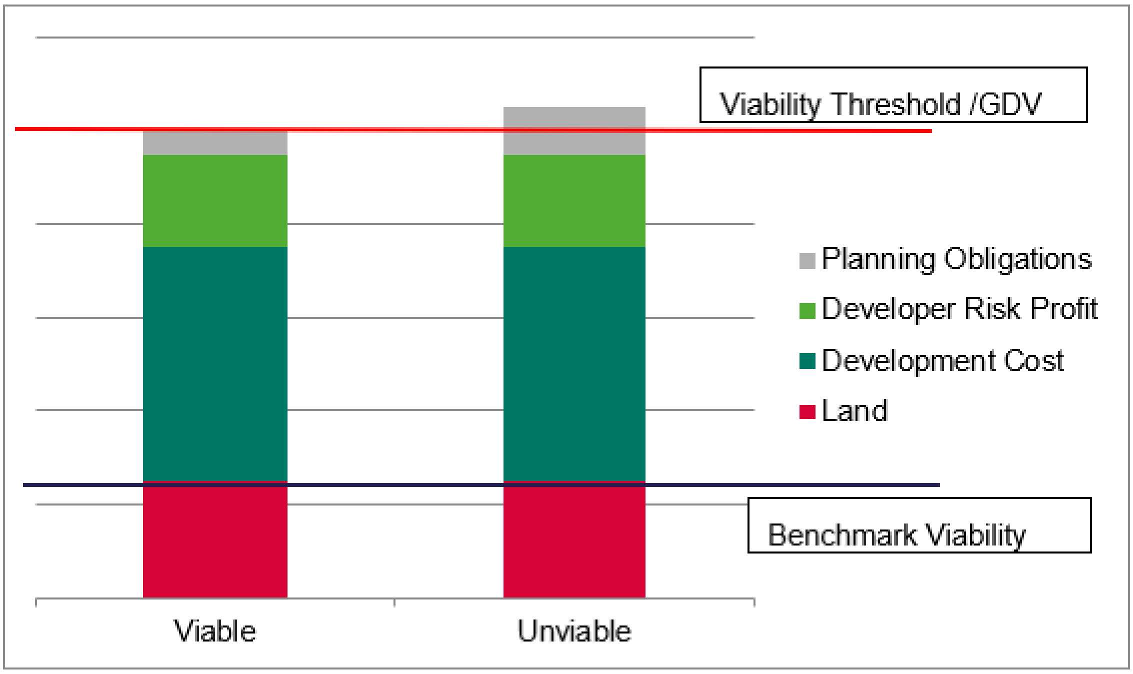
4.32 In addition, it is noted that Camden may seek other payments by means of a negotiated S106.

5. METHODOLOGY

Viability Threshold

5.1 The Gross Development Value (GDV) of any development is determined by the market; it sets the limit within which all costs associated with delivery of the development must come in order for the development to be viable – the Viability Threshold. Development costs include land costs, construction costs and planning obligations and developer's risk profit. Where the Viability Threshold is the same as the GDV the scheme will progress. The Viability Threshold for any scheme is identified in Figure 1.

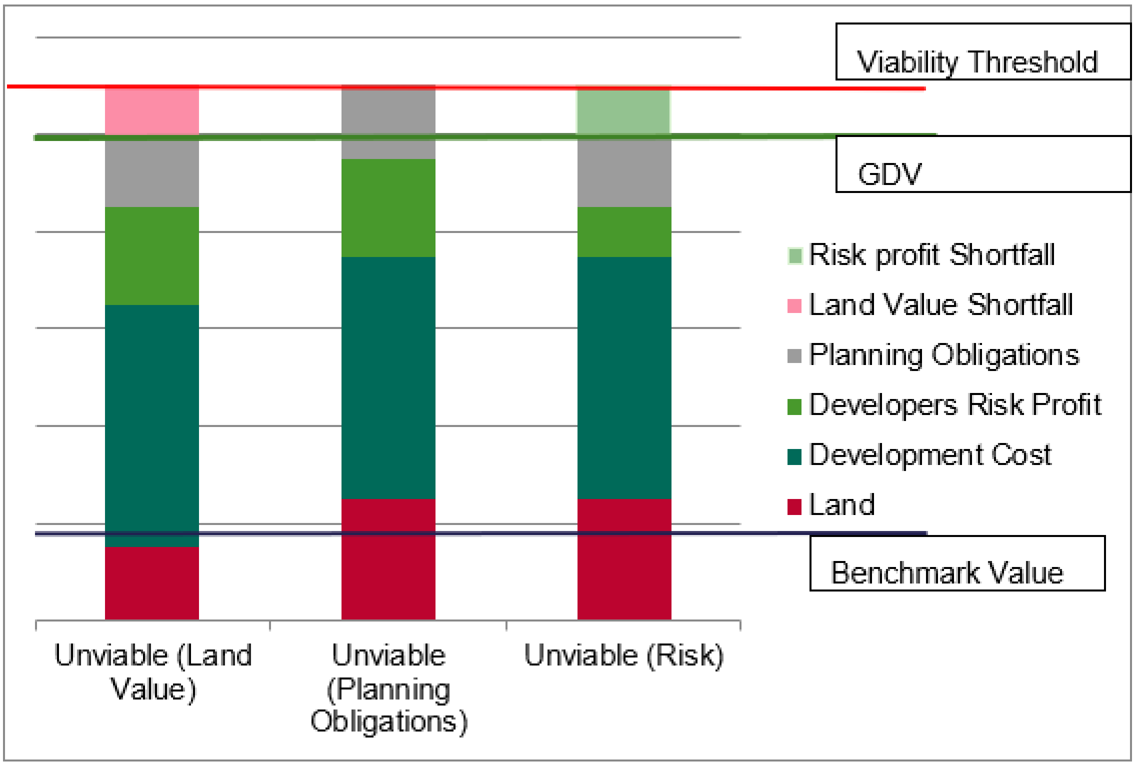
Figure 1: Viability Threshold



5.2 As figure 2 shows, if the Benchmark Land Value is not achieved, or the developer cannot secure an appropriate return on risked capital, or if planning obligations are in excess of what the value of the scheme can bear, the development will not take place because the Viability Threshold is in excess of the Gross Development Value.

5.3 In assessing whether a scheme will progress it is assumed that a developer will carry out proper and reasonable due diligence in respect of market demand, prices, construction costs and make a reasoned site assessment of factors that might affect delivery. The developer would also make an allowance for any planning obligations required to secure a planning consent. These factors will determine, along with market conditions, the risk that a developer would be prepared to take to purchase the land at a level that would be acceptable to the vendor, and to expend money and time promoting development.

Figure 2: Unviable Development



6. BENCHMARK LAND VALUE

Methodology

6.1 In assessing the Benchmark Land Value, we have had regard to the NPPF (2021), the PPG (2021) and other relevant professional guidance. In relation to this guidance, we have looked to first establish the EUV of the site and then applied an appropriate premium to provide a reasonable incentive for a land owner to bring forward land for development while allowing a sufficient contribution to fully comply with policy requirements.

6.2 This is detailed below.

Existing Use Value

6.3 The PPG (2021) states that benchmark land value should:

- Be based upon 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.

6.4 Paragraph 3.47 of the Affordable Housing and Viability SPG states '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.'

6.5 The RICS Assessing viability in planning under the National Planning Policy Framework 2019 for England 1st edition, March 2021 sets out the professional guidance for assessing viability in concert with the RICS Financial Viability in Planning, Conduct and Reporting Guidance Note published in May 2019.

6.6 In terms of market evidence, the PPG recognises that this can be used as a cross-check of benchmark land value but should not be used in place of benchmark land value.

Premium

6.7 The premium (or the 'plus' in EUV+) is the second component of benchmark land value. It is the amount above existing use value (EUV) that goes to the landowner. The premium should provide a reasonable incentive for a land owner to bring forward land for development while allowing a sufficient contribution to fully comply with policy requirements.

6.8 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.

Price Paid

6.9 The price paid for the land (or the price expected to be paid through an option or conditional agreement) should be reported as appropriate (see PPG, paragraph 016) to improve transparency.

6.10 We are aware that the land was purchased (subject to the occupational lease) in November 2017 at a price of £3.03m (plus VAT).

6.11 The PPG is clear that the price paid is not allowable evidence for the assessment of BLV and cannot be used to justify failing to comply with policy.

Assessment of Benchmark Land Value

6.12 In this context we propose a Benchmark Land Value of £1.6m based on the EUV+ premium methodology. Please see calculation below.

Estimated Rental Value

6.13 As set out in Section 2 of this report the existing use of the Site is as a trading Public House.

6.14 The current rent is £92,500 and we understand from Fleurets that this is fair reflection of the current market rent of the pub. Despite being in a Central London location it has onsite staff accommodation which is an attractive feature of a pub operation.

Estimated Capitalisation Rate

6.15 Capitalisation rates for free of tie pubs typically vary significantly. Given its location and given the fact that it is an established pub which has traded at its location for many years and operates on a free of tie basis we have applied a yield of 6.5%.

6.16 Based on the above we consider that the existing use value is £1.34m accounting for the normal purchasers' costs. We consider that a landowner would dispose of the site for £1.6m. This reflects a premium of 20% above the existing use value.

7. DEVELOPMENT ASSUMPTIONS

Residential Value/ Commercial Value Calculation

7.1 TCR assess potential gross development values in number of ways. The optimal method is by reference to local recent transactions of new build property as well as locally available, new build property currently on the market. TCR also consider physically comparable modern stock to assist in assessing potential new build pricing. TCR have expended considerable time in assessing the local market dynamics.

7.2 In conjunction with the specific data gathering below, TCR have analysed Land Registry, online estate agent data including Rightmove and Zoopla, to help provide a general overview and understanding of values in the local area.

7.3 The Blue Lion site sites on the edge of postcode area WC1X and adjacent to WC1N. Given the nature of London as a series of neighbourhoods we consider that these two postcode areas provide the most relevant analysis area.

7.4 The Land Registry search for transactions in WC1X and WC1N from July 2017 to July 2022 produced 414 property transactions. The Land Registry information is unspecific regarding unit sizes, bedroom numbers and are often more historic or time-lagged than other data sources.

7.5 Of the Land Registry records mentioned above, there were a total 361 flats with the majority being second hand flat sales (277) and the remaining 84 flats being new flats.

Land Registry Values Breakdown

		Second Hand			New	
Property Type	Total average value	No. Transactions	Ave price		No. Transactions	Ave price
Flat	£814,056	277	£687,000		84	£1,232,000

Source: Land Registry/ TCR Data 2017-2022

7.6 Following this initial search to provide a general starting position, TCR then sought to find specific and comparable accommodation within the local area.

7.7 We have analysed a number of new build schemes that are currently on the market. Historically the area has seen little in the way of new build flats and is an area of transition between uses including residential.

7.8 Most flats in the local area are conversions of existing houses or have shops or commercial uses at ground floor. These latter will tend to represent better comparisons to the proposed Blue Lion scheme which also has residential over a commercial use.

Mount Pleasant sorting office

7.9 The redevelopment of the Mount Pleasant Sorting Office Site (Central London Delivery Office) is a master planned new quarter and one of the most significant housing developments in Central London over the last few years. The 6.25-acre site was purchased by Taylor Wimpey and has consent for 681 residential apartments as well as some commercial space.

7.10 The development includes exclusive wellness centre & spa including 18m x 5m pool, sauna, steam room, gym, fitness studio & treatment room, Private cinema, Podium garden and roof terraces, 24/7 concierge service, Cycle storage, Landscaped green space

7.11 The site is being brought forward in different blocks with all four phases scheduled for completion by 2024.

7.12 Phase 1 is called West Central 1 and comprises of 151 apartments in a 13-storey building. The property is designed by Conran and Partners. The Developers state that all units have been sold.

7.13 Phase 2 is the construction of 109 mixed-tenure residential apartments across 3 blocks, varying in height of 4, 8 and 10 stories. Completion due in late 2022.

7.14 Phases 3 and 4 are the remaining 370 units and will be completed in 2023 and 2034.

7.15 The entire project has been carefully master planned and includes a large element of open landscaped communal areas.

7.16 The specification of the flats is contemporary with high quality finishes, fitted kitchens with integrated appliances, fitted wardrobes in the bedrooms, independent thermostatically controlled comfort cooling in all living areas and bedrooms. Each apartment underfloor heating with heat recovery, high speed data cabling and 24-hour concierge.

7.17 1 bed flats range from 583 to 597 sq. ft, 2 bed flats range from 881 to 1,134 sq. ft and 3 bed flats are 1,065 sq. ft net internal area.

7.18 1 bed flats are quoted at between £980,000 and £1,055,000, 2-bedroom flats at £1,357,000 and £1,675,000 and 3 bed flats at £1,700,000.

7.19 The use of an international architect is likely to be an attractive feature for the internal market – i.e., the scheme is targeting sales from global investors.

7.20 Taylor Wimpey, the developer has an international reputation through its strong brand. This will give purchasers added reassurance when making their decision to buy.

7.21 The Blue Lion redevelopment proposals which are looking to deliver residential development over a pub predominantly within the envelope of an existing building, is clearly a different proposition to a master planned new quarter with supporting facilities, amenities and landscaping delivered with the assurance of a nationally significant house builder. Given the differences in development form and location our assessment is that the Blue Lion is likely to achieve lower values than those of the Taylor Wimpey scheme at Mount Pleasant. .

Other available flats

7.22 We have reviewed one bed apartments within 400 metres of the subject property. There have been relatively few sales in the last 12 months. Apart from the Mount Pleasant redevelopment a number of other one-bedroom flats have been assessed within 400 m of the subject site. There are range of property types from purpose-built apartments, conversions of existing buildings to apartments over commercial units. There are few new build comparables. Second hand stock in good order has therefore been considered. The Table below sets out a range of available comparables.

	Beds	Area	Price £	Price PSF £	Comments
Gray's Inn Road, Trinity Court, WC1X	1	429	500,000	1,166	Art Deco building 8th (Top) floor south facing flat. Lift Balcony looking out across a public park. The property comprises open plan lounge with modern kitchen, real woods floors, modern bathroom. Kitchen forms part of lounge area. No commercial at ground floor.
Theobalds Road	1	619	550,000 to 585,000 guide price	889 - 945	Period property Top floor flat Over Commercial premises (Yorkshire Grey pub and kitchen) Double aspect Good decorative order
57 Gray's Inn Road, WC1X	1	462	575,000	1,244	Victorian, over commercial premises (restaurant) Double Aspect. Upper floor, average condition, 1 bed

	Beds	Area	Price £	Price PSF £	Comments
					We would anticipate the subject scheme to achieve higher capital values due to size and condition.
165 Gray's Inn Road, WC1X	1	532	600,000	1,128	Period conversion in double fronted Georgian house. Building set back slightly from road (paved front garden). Split level second and Third floor (Top). Good natural light. Very good decorative order. Share of Freehold. While close in proximity building is fundamentally different in nature to that proposed.
Mytre Court, John's Mews, WC1N	1	506	600,000	1,186	Art Deco Grade II listed. 1st floor flat. Predominantly residential location Next door to pub Southwest-facing reception room with balcony Modern kitchen. Good decorative order.
Calthorpe Street, WC1X	1	534	620,000	1,161	Georgian Building First Floor Period building. High ceilings. Dual aspect Good decorative order Close to subject property however not over commercial premises so weaker comparable.
Dulverton Mansions, 168 Gray's Inn Road, WC1X	1	588	620,000	1,054	Period building, flat has period features. Mansion building. 4th Floor Good order No lift To south of subject property Close to the subject property but requires adjustment
44 Bedford Row WC1R	1	447	795,000	1,779	Purpose built mansion block over ground floor commercial 2nd floor. Day time concierge 995-year lease. Good decorative order. Open plan lounge diner with wooden flooring. Quieter Road Close proximity to public open space and Bloomsbury
The Lincolns, Gray's Inn Road	1	543	995,000	1,832	Exclusive development of 16 apartments, day porter, secure lobby 3rd floor with lift 990-year lease unexpired.

7.23 165 Gray's Inn Road is a reasonable comparable in locational terms however the property is different to the subject site being a conversion of a double fronted Georgian house. The unit is a similar size to the Blue Lion 1 bed flat units and is located 150 meters away on the same side of the busy Gray's Inn Road. At £600,000 this equates to a sales rate of £1,128 per sq. ft. 165 is in a part of Gray's Inn Road that is predominantly residential whilst still maintaining good connectively and proximity to facilities. The property has high ceilings and original features and has been fitted out and decorated to a modern standard with wooden floors, recessed lights and a fitted toilet / shower room. The property enjoys good natural light. The Blue Lion units benefit from significant private amenity space (where as 165 Gray's Inn Road has none). 165 Gray's Inn however does not present over a pub and in this context the benefit of the exterior space is significantly off set. Reflecting a new build premium, we would anticipate the Blue Lion site as having a higher capital value.

7.24 57 Gray's Inn Road is a conversion property located above a commercial premises (Italian Restaurant). The property has good natural lighting benefiting from double aspect windows. The property has a large reception room with kitchen units to one wall. The property is located around 150 meters to the south of the Blue Lion. The marketing value is £575,000 which equates to £1,244 per sq. ft off an area of 462 sq. ft. **We believe this is a useful comparison but believe that the lack of amenity space and the new build premium associated with new development would equate to a higher capital value for the Blue Lion.**

7.25 2 Theobalds Road is a useful comparison as it is located over a Public House. It is a prominent building. It is located around 300 meters south of the Blue Lion on the same side of Gray's Inn Road. The property is on the upper floor which will ameliorate the impact of the pub. It shares a dedicated secure residential entrance. The property has been finished to a reasonable specification with wooden floors and neutral décor. It is 619 sq. ft so significantly larger than the 1 bed properties in the Blue Lion scheme. However, it does not benefit from private amenity space. At a quoting price of £550,000 - £585,000 this would equate to £889 - £945 per sq. ft. **Despite the flats in the Blue Lion being smaller, allowing for a new build premium and an allowance for private amenity space at the Blue Lion we believe the capital value for the 1 bed flats in the Blue Lion should be higher.**

7.26 Mytre Court, John's Mews. It is slightly smaller than the Blue Lion, which would offer a spatial premium. It is located next to a small pub (The Duke) and therefore the impact of pub use is reflected in the pricing. Albeit next to a pub, Johns Mews has a high proportion of residential buildings. It has a 20-mph speed restriction and is not a through route in the manner of Gray's Inn Road which results in John's Mews being is relatively quieter. It is a purpose-built building which enjoys good levels of natural light and a small private balcony. At £600,000, the sales price equates to £1,186 per sq. ft. We would anticipate the significant exterior space in the Blue Lion property to offer a premium over that of John's Mews along with a new build premium (which will also benefit from better energy efficiency). **We would anticipate the Blue Lion site as having a higher capital value.**

7.27 Calthorpe Street. The flat is located in a period conversion in a slightly quieter street than Gray's Inn Road but only 100 meters from the Blue Lion. It is located on the first floor and has high ceilings with good natural light and is in good decorative order with a mixture of carpets and wooden floors. At £620,000 the sales value equates to £1,161 psf. Whilst not enjoying any private outside amenity space, it is part of a residential conversion on a quieter street than the Blue Lion and is not above commercial uses. **Reflecting a new build premium and outside space we would anticipate the Blue Lion site as having a higher capital value.**

7.28 The Lincolns, Gray's Inn Road was new build in 2015 and predominantly marketed to overseas buyers with all units sold off plan at the time. It is being marketed at £995,000. The development has ground floor commercial uses (Co-op and veterinary surgery) and the entrance to the development is through a lobby that is in keeping with the retail frontage. The property has no outside space however is not above a pub. The unit is on offer at a marketing figure which is out of synch with other pricing in Gray's Inn Road and the surrounding area. The facilities on offer (none out with the unit) are significantly less than those on offer at Postmark development for example and the unit is smaller than those on offer at a higher asking price. This outlier is discounted as a comparable but included it for completeness.

7.29 Two bed apartments are as follows:

	Beds	Area	Price £	Price PSF £	Comments
Millman Street	2	700	625,000	893	Dated décor Presented in excellent condition throughout Spacious reception room Modern separate kitchen 2 generous bedrooms Stylish shower room Secure development Communal garden Excellent location A stunning first floor 2-bedroom property boasting generous living space, combined with stylish contemporary décor, communal gardens and a highly sought-after location
Guilford Street	2	59	650,000	1,099	Second floor flat. 1960's building. Juliette Balcony. Refitted kitchen.
102 Farringdon Road	2	591	679,000	1,149	First floor period conversion over a restaurant. Wooden floors High ceilings. Modern WC / Shower room.
Cubitt Street	2	701	695,000	991	Communal Garden. Good condition but building dated. 108 years remaining on lease. First floor flat.

	Beds	Area	Price £	Price PSF £	Comments
					Wooden floors. Separate kitchen.
Topham Street	2	630	700,000	1,111	Period conversion. Top floor. Large open plan kitchen / lounge. Presented in good decorative order. Second bedroom is small. Long lease (970 years).
135a Gray's Inn Road	2	690	750,000	1,087	Good spec. This has a large reception room, two bedroom , two bathrooms. Wooden floors. Period conversion over convenience store. Immediately adjacent to Blue Lion. Been on market for 4 months.
Lloyd Baker Street	2	708	750,000	1,059	Good condition. Patio garden. Period conversion.
Ampton Street	2	796	775,000	974	Ex Local Authority. Over ground and first floor. Small balcony area at each level. good natural light to all principal rooms. There are only 90 years remaining on the lease which may be unattractive to many purchasers.
Mecklenburgh Square	2	604	895,000	1,482	Georgian conversion. Superior
Doughty Street	2	630	950,000	1,508	Period conversions. High ceilings. Good condition.
The Lincolns	2	785	1,290,000	1,643	Purpose built new build flat. Very high specification. 1st floor. Long lease. Balconies
The Lincolns	2	860	1,380,000	1,604	Purpose built new build flat. Very high specification. 2nd floor. Long lease. Balconies

7.30 The two bed at 135a Gray's Inn Road for £750,000 is probably the most relevant comparison given it is next door to the Blue Lion pub. This equates to £1,087 per sq. ft. However, we note it has been for sale for several months so may be priced too highly. This comparable has a large reception room, two bedrooms and two bathrooms with wooden floors. Whilst it does not benefit from outside private amenity space which the Blue Lion apartments do, it is 5% larger than the Blue Lion 2-bedroom apartment. The Blue Lion will enjoy a purpose-built residential entrance and lifts which will feel a premium product as compared to the comparison property especially as it will enjoy a dedicated secure residential access lobby. **We consider that the Blue Lion is superior and will attract a price premium.**

7.31 We have found a comparable in Theobalds Road which is a three-bedroom flat over a Pret a Manger sandwich shop (560 meters away from the Blue Lion). The 2 bedroomed flat on the top floor in an attractive conversion. The sales value of £650,000 and area of 594 sq. ft. equates to £1,094 psf. Obviously a Pret a Manger is more attractive than a pub as its trading hours will be more in line with daytime trade and is likely to be less noisy in regard to servicing. This flat is in a better location but is smaller in size than the Blue Lion 2 bed apartment (10% smaller) and does not have any private amenity space. **We consider that the Blue Lion will achieve a premium price to this.**

7.32 102 Farringdon Road is over a restaurant, on a busy road and next to a pub. It has two bedrooms and two shower rooms and good natural lighting. At £679,000 and 591 sq. ft the marketing price equates to £1,149 per sq. ft. The decorative state is good with light colours adding to the sense of space. There is a residential entrance for the flats on Farringdon Road. **We consider that the Blue Lion will achieve a premium price to this reflective of the fact it will feel like a new build and provides private amenity space.**

7.33 There are very few 3 bed flats, within the search area, 1 of which is an ex local authority flat run as an HMO. Discounting the HMO, the remaining 3 flats range in price between £900,000 and £1,875,000. We consider that each of the comparables are superior to the residential apartments in the Blue Lion as set out below.

	Beds	Area	Price £	Price PSF £	Comments
Orde Hall Street, Bloomsbury	3	1,062	900,000	847	Period conversion. Ground and lower ground flat. High ceilings and own private courtyard. There is a separate reception room, an en-suite shower room, family bathroom and a good size kitchen. The property is located on a quiet street close to Russell Square and Holborn underground stations.

Doughty Street	3	1,340	1,450,000	1,119	Period conversion. 2nd and 3rd floor. Grade II listed (Georgian). 2 bathrooms Large reception room on 2nd floor with a large kitchen to the rear. The third floor has three double bedrooms, one with an en-suite and there is a further family bathroom. There is also an attic providing useful storage space and access to the roof. The nearest Underground Stations are Russell Square, Holborn and Chancery Lane.
Theobalds Road	3	722	850,000	1,171	
Doughty Street	3	1,610	1,875,000	1,211	Period conversion. Lower ground and ground. Grade II listed (Georgian). 3 bathrooms (all ensuite). Utility room and store room. The properly also benefits from a private garden at the rear. The nearest Underground Stations are Russell Square, Holborn and Chancery Lane.

7.34 The comparables shown are significantly different to those proposed at the Blue Lion being significantly larger (which average around 863 sq. ft for the 3 beds excluding amenity areas). The Blue Lion is on a busy road and the flats will be above a trading pub.

7.35 The comparable in Theobalds Road is a three-bedroom flat over a Pret a Manger sandwich shop (560 meters away from the Blue Lion). This has 3 bedrooms and two bathrooms and totals 722 sq. ft at an asking price of £850,000 which equates to £1,171 per sq. ft.. The property is more compact than the other comparables has a kitchen living room . The quality of the decoration is average. There are 156 years remaining on the lease. Whilst the location is better the lack of private amenity space and it is smaller than the 3 bed units in the Blue Lion, **we therefore consider that the property is would have a lower capital value than the Blue Lion due to the small size and lack of amenity space.**

Pub rental value

7.36 Fleurets advise that an achievable rent for the reconfigured pub would be in the region of £45,000 to £50,000 per annum. They have further assumed that a 6-month rent free incentive should be offered. This is on the basis the pub is offered on a free of tie basis. The current rent for the existing pub is £92,500 but as explained in the Fleurets report the achievable rent is somewhat lower to account for changes in the local marketplace as well as the loss of the ancillary accommodation. For the purposes of our FVA we have assumed a rent of £50,000 per annum.

Value Conclusion

7.1 Looking to the above tables outlining overall and pricing per sq. m, considering the location, situation, unit sizes, scale, specification, amenity provision, housebuilder profile of the proposals at the Blue Lion achievable pricing for the units within the proposed development is set out below:

7.2 The per sq. ft values are shown for reference- and are based on the area of the flats themselves, i.e., excluding the amenity areas.

Floor	x beds x person	Sq. m	Amenity sq. m		Value PSF	Value
First	3b5p	86	10		£1,275	£1,180,000
First	1b2p	50	15		£1,431	£770,000
Second	3b4p	76	9		£1,308	£1,070,000
Second	1b2p	50	21		£1,449	£780,000
Third	3b4p	81	22		£1,399	£1,220,000
Fourth	3b4p	78	9		£1,370	£1,150,000
Fifth	2b3p	61	9		£1,340	£880,000
Total		**482**	**95**		**£1,359**	**£7,050,000**

7.3 We have applied a yield of 6% to the pub rent of £50,000 on the newly configured pub to give a value of £762,000.

Ground Rents

7.4 The Leasehold Reform (Ground Rent) Act 2022 rendering the investment value of ground rents at effectively nil was granted Royal Assent on the 8 February 2022.

7.5 TCR have therefore not attributed a capital value to Ground Rents.

Sales Rate/ Rent Free/ Incentives

7.6 Looking at the land registry data between mid-2017 and now there have been an average of 6 flats sales per month in the two postcodes mentioned earlier. The flats in the Royal Mail redevelopment are being sold on a phase-by-phase basis but cater more to international investors and therefore target a different market to the Blue Lion redevelopment.

7.7 Given that there are 7 flats in the Blue Lion redevelopment we would consider that 1 sale per month post completion is achievable, especially as the range of flat sizes will appeal to different purchasers. We have assumed that 2 flats are sold immediately on completion with the remaining flats sold over the following months.

Construction Costs

7.8 We have relied upon the cost estimates provided by the Applicant's cost consultant Aspect Property Consultants and Surveyors Ltd, attached at Appendix 4.

7.9 The table below summarises the cost breakdown.

Cost Type	Cost
Facilitating Works	£25,000
Substructure	£141,650
Superstructure	£905,711
Internal Finishes	£237,804
Fixtures furnishing and equipment	£137,060
Services	£680,900
Work to existing building	£165,380
External Works	£175,860
Preliminaries	£451,668
Overheads	£200,741
Project design team	£213,288
Risk	£188,195
Total	**£3,523,257**

7.10 The key exclusions are:

- Loose fixtures and fittings
- Curtains and blinds
- Artworks

- Inflation
- Land Acquisition and associated costs
- Value Added Tax
- Other Taxes
- Commuted Sums
- Statutory Fees
- Legal and Agency Fees
- Finance Costs
- Section 106 Costs
- CIL costs
- Section 278 Costs
- Costs associated with satisfying Training & Employment requirements
- Costs associated with “BREEAM” or any other certification
- Decanting costs
- Rights of light issues and compensation
- Specific phasing of the works
- Party wall compensation
- Crane over-sail licences and compensation
- Out of hours working
- Ecological and Archaeological considerations / measures
- Maintenance of M&E installation and landscaped areas
- Marketing suite
- Any works outside of the site boundary
- Site promotion boards
- Insurances
- Temporary car parks
- Road closures
- Excavation in rock
- Renewable energy systems
- SUDs measures

Professional Fee

7.11 Overall, these fees total £445,395 and represent a total of 12.5% of Construction Costs.

Contingencies

7.12 We have applied a Developer Contingency of 5% which is in line with reasonable market practice for the development to allow for programme, ground conditions or additional professional or design fees arising and construction warranty premiums during the development process.

7.13 The Developer Contingency is applied to professional fees and construction costs. For clarity, the developer’s contingency reflects the following cost areas that are not defined at this stage of the project and are not included in the cost plan:

- Developer Contingency Application
- Risk Factors
- Unquantified Risk of Ground Conditions
- Lack of Utility Connection Clarity
- Potential Contamination/Hazard Disposal
- Sales Incentives (Help to Buy etc)
- Construction Warranty Premiums (not included with construction cost estimate)
- Discharge of planning conditions

7.14 This is consistent with the high-level cost plan exclusions and appropriate given the caveats in respect of above factors. Given the project status in addition, to the construction cost risks, not least the concerns regarding the preliminaries allowed for, and the potential for risks associated with the prior uses of the building, the developer's contingency applied to those elements is reasonable for the scale of the site.

Development Programme

7.15 The costs of holding the land to the securing of development is a proper cost to delivery to determine the residual value. The assumed hold period may differ from the actual hold period and the costs that have been incurred in the purchase of the land.

7.16 Aspect Consultants, the QS have advised a build period of 90 weeks.

7.17 Additional site-specific factors or pre-construction planning obligations could alter the programme and costs.

Acquisition Costs

7.18 We have allowed for the following site acquisition costs:

Cost	%
Stamp Duty	Standard UK SDLT
Agent Fees	1.25%
Legal Fees	0.50%
Survey Costs	0.50%

Borrowing and Funding Rates

7.19 It is assumed that the development and acquisition of land would be funded through borrowing or the opportunity cost of use of equity. The cost of borrowing is determined by risk of capital defined by the project risk and track record of the developer. Smaller sites which tend to be delivered by smaller businesses with lower levels of resource and output, tend to have higher finance costs and higher arrangement fees than larger developers with stable business models with consistent delivery of higher volumes.

7.20 The scale of the proposed scheme would be attractive to mid-size of developer and the funding costs are reflective of that. Larger scale developers will have revolving facilities secured against a range of schemes whereas smaller developers will only have project specific funding.

7.21 In the current market, up to 60% of development funding is likely to be available from senior lenders charging a lower risk rate of usually secured with a first charge on the property we have used 6.00% for this project.

7.22 The additional funding required to bridge the funding up to 100% will usually comprised of two additional strata. Mezzanine or second charge funding and equity.

7.23 Mezzanine finance in the current market is likely to account for up to 35% of the funding necessary to develop a site. Because this funding is at a higher risk and would only take a second charge on any development site, the return required is correspondingly greater. In this case a medium return of 12.5% has been assumed.

7.24 Equity finance is the riskiest portion of finance, the first to be deployed and the last to be repaid and therefore attracts the highest return in this case 5% of the funding is at 15%.

7.25 On a weighted average basis to secure 100% of the funding necessary for the development the overall finance costs are currently 8.40%.

7.26 Funding therefore will be initiated on acquisition of the land and funding would cascade to ensure the most risk-free funds are repaid first (reflecting the risk profile for the lender) and the riskiest are paid out closer to receipt of income and sale.

7.27 All funding attracts fees for the arrangement of the finance. These fees may include arrangement, utilisation and non-utilisation fees. There may be other fees related to redemption or other structures. There will be funding monitoring costs required from the project to support the deployment of capital. Funding costs of 1.25% of the secured funds have been applied to the development funding, 1.75% to the mezzanine funding and 0% to the equity funding.

7.28 For a project of this scale and risk, we have adopted a rate which is reflective but lower than the finance rates available to our client, which includes a fixed cost of capital on loan redemption.

7.29 We have adopted a rate 7.50% for funding costs inclusive of fees for the project

Marketing, Letting and Disposal Fees

7.30 We have allowed for the following costs and fees associated with the sales of the development to include at least one show flats:

Table 7.1 Disposal Fees

Cost	Allowance
Sales / Marketing	3.00%
Sale Legal costs	0.25%

Developers Return

7.31 The level of risk of the project is significant. It is located in a busy area of London and involves converting and constructing residential whilst also integrating into a public house. It is anticipated that working hours may be constrained by proximity to neighbouring properties included the rear mews. A 20% profit on gross development value (GDV) has been assumed on the residential element and a lower profit of 17.5% on GDV for the pub element

7.32 This is supported by the PPG (2019) that states that for the purpose of plan making an assumption of 15 – 20% of GDV may be considered a suitable return to developers.

7.33 In addition to the general risks associated with the residential market noted above, we have made significant assumptions regarding build costs in terms of limited abnormal costs bringing this site forward.

8. PROPOSED SCHEME APPRAISAL

8.1 We attach at Appendix 5 the appraisal for the proposed scheme and a summary is set out below.

8.2 Given the complexities of developing the scheme and the market risk we have assumed a 20% profit on gross development value for the residential element and 17.5% for the reconfigured pub.

8.3 This results in a residual value of £940,433.

Input	Assumption	Output
Gross Development Value		£7,835,000
Acquisition Costs		
Stamp duty		£37,022
Agent Fee	1.25%	£11,755
Legal Fee	0.5%	£4,702
Construction costs		£3,563,156
Developers' contingency	5%	£200,428
Professional Fees	12.5%	£445,395
CIL		£257,882
Sales Agent Fees	3%	£211,500
Sales Legal Fees	0.25%	£17,625
Finance Costs	7.5%	£574,229
Profit		£1,556,171

9. SENSITIVITY ANALYSIS

9.1 A sensitivity analysis has been included in order to test the robustness of the assumptions in the appraisal. This is considered best practice, in accordance with the RICS Guidance Note, Financial Viability in Planning: Conduct and Reporting (1st edition, 2019).

9.2 A sensitivity analysis is a simplistic tool that allows the Applicant and a decision maker to consider how changes to inputs affect viability. This approach requires an explanation to the suitability of the methodology adopted and subsequent output of the results.

9.3 In the last 24 months construction costs have changed by circa 7-10% and sales values have altered by 13.66% (in greater London). We have therefore applied sensitivity to the costs and residential sales values of 10% and 10% respectively.

9.4 Sensitivity Analysis of residual land value

Construction: Gross Cost					
Sales: Gross Sales	-10.000%	-5.000%	0.000%	5.000%	10.000%
-10.000%	-870,629	-694,790	-518,951	-343,112	-164,892
-5.000%	-1,081,371	-905,532	-729,693	-553,853	-378,014
0.000%	-1,292,113	-1,116,274	-940,434	-764,595	-588,756
5.000%	-1,502,854	-1,327,015	-1,151,176	-975,337	-799,498
10.000%	-1,713,525	-1,537,686	-1,361,847	-1,186,008	-1,010,169

10. CONCLUSION

10.1 The appraisal at Appendix 5, based on the assumptions set out indicates a Residual Land Value after fees and costs of £940,433.

10.2 This compares with a Benchmark Land Value of c.£1.6m. The Residual Site Value is less than the Benchmark Land Value and therefore it is unable to support an affordable housing contribution.

10.3 The sensitivity analysis indicates that if construction costs were to decrease by 10% and sales values were to increase by 10% then the Residual Land Value of the proposed scheme would increase to £1.713m.

10.4 It should be noted that the appraisal has been prepared in a period of market uncertainty as a result of Covid-19. There is currently an increased risk to developers in relation to sales, build costs and funding that has challenged the viability of small sites.

11. QUALITY ASSURANCE

- This report was written by Matthew Rickards MRICS Associate on 04 August 2022
- Quality assurance was undertaken by David van der Lande MRICS Director on 04 August 2022

A1. GLOSSARY

Extracts from policy and guidance

Gross Development Value

Gross development value is an assessment of the value of development. For residential development, this may be total sales and/or capitalised net rental income from developments. Grant and other external sources of funding should be considered. For commercial development broad assessment of value in line with industry practice may be necessary.

For broad area-wide or site typology assessment at the plan making stage, average figures can be used, with adjustment to take into account land use, form, scale, location, rents and yields, disregarding outliers in the data. For housing, historic information about delivery rates can be informative.

For viability assessment of a specific site or development, market evidence (rather than average figures) from the actual site or from existing developments can be used. Any market evidence used should be adjusted to take into account variations in use, form, scale, location, rents and yields, disregarding outliers. Under no circumstances will the price paid for land be a relevant justification for failing to accord with relevant policies in the plan.

Paragraph: 011 Reference ID: 10-011-20180724

Revision date: 24 07 2018

Costs

Assessment of costs should be based on evidence which is reflective of local market conditions. As far as possible, costs should be identified at the plan making stage. Plan makers should identify where costs are unknown and identify where further viability assessment may support a planning application.

Costs include:

- build costs based on appropriate data, for example that of the Building Cost Information Service
- abnormal costs, including those associated with treatment for contaminated sites or listed buildings, or costs associated with brownfield, phased or complex sites. These costs should be taken into account when defining benchmark land value
- site-specific infrastructure costs, which might include access roads, sustainable drainage systems, green infrastructure, connection to utilities and decentralised energy. These costs should be taken into account when defining benchmark land value
- the total cost of all relevant policy requirements including contributions towards affordable housing and infrastructure, Community Infrastructure Levy charges, and any other relevant policies or standards. These costs should be taken into account when defining benchmark land value

- general finance costs including those incurred through loans
- professional, project management, sales, marketing and legal costs incorporating organisational overheads associated with the site. Any professional site fees should also be taken into account when defining benchmark land value
- explicit reference to project contingency costs should be included in circumstances where scheme specific assessment is deemed necessary, with a justification for contingency relative to project risk and developers return

Paragraph: 012 Reference ID: 10-012-20180724

Revision date: 24 07 2018

Land Value

To define land value for any viability assessment, a benchmark land value should be established on the basis of the 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 comply with policy requirements. This approach is often called 'existing use value plus' (EUV+).

In order to establish benchmark land value, plan makers, landowners, developers, infrastructure and affordable housing providers should engage and provide evidence to inform this iterative and collaborative process.

Paragraph: 013 Reference ID: 10-013-20180724

Revision date: 24 07 2018

Market Value (RICS)

- Market Value assumes the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion
- It ignores any price distortions caused by special value or synergistic value. It represents the price that would most likely be achievable for an asset across a wide range of circumstances. Market rent applies similar criteria for estimating a recurring payment rather than a capital sum.
- In applying market value, regard must also be had to the conceptual framework set out in IVS Framework paragraphs 30–34 Market Value, which includes the requirement that the valuation amount reflects the actual market state and circumstances as of the effective valuation date.
- Notwithstanding the disregard of special value (see definition in IVS Framework paragraphs 43–46 Special Value), where the price offered by prospective buyers generally in the market

would reflect an expectation of a change in the circumstances of the asset in the future, the impact of that expectation is reflected in market value. Examples of where the expectation of additional value being created or obtained in the future may have an impact on the market value include:

- the prospect of development where there is no current permission for that development and
  •

- the prospect of synergistic value (see definition in IVS Framework paragraph 47) arising from merger with another property or asset, or interests within the same property or asset, at a future date.

Development Viability: National Planning Policy guidance which states:

> "A site is viable if the value generated by its development exceeds the costs of developing it and also **provides sufficient incentive for the land to come forward and the development to be undertaken."**
>
> Planning Practice Guidance Paragraph: 016 Reference ID: 10-016-20140306 (Revision date: 06 03 2014

Competitive return to developers and land owners

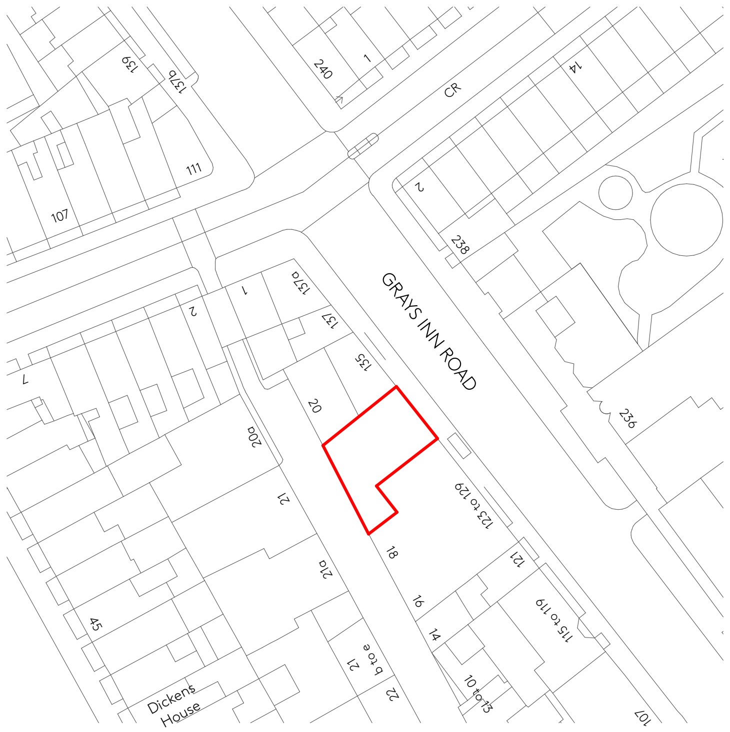
Potential risk is accounted for in the assumed return for developers at the plan making stage. It is the role of developers, not plan makers or decision makers, to mitigate these risks. The cost of complying with policy requirements should be accounted for in benchmark land value. Under no circumstances will the price paid for land be relevant justification for failing to accord with relevant policies in the plan.

For the purpose of plan making an assumption of 15-20% of gross development value (GDV) may be considered a suitable return to developers in order to establish the viability of plan policies. Plan makers may choose to apply alternative figures where there is evidence to support this according to the type, scale and risk profile of planned development. A lower figure may be more appropriate in consideration of delivery of affordable housing in circumstances where this guarantees an end sale at a known value and reduces risk. Alternative figures may also be appropriate for different development types.

Paragraph: 018 Reference ID: 10-018-20180724

Revision date: 24 07 2018

A2. LOCATION PLAN



Location Plan 1:1250

Site Plan 1:500

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Issue

Rev.	Date	Comment
P1	Feb 2022	Planning Issue

Notes

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Key

Site boundary

N

0 10 20m
1:500

0 50m
1:1250

Project
754 - The Blue Lion, Clerkenwell

Dwg Title
Location & Site Plan

Client
Lambournes Surveyors Ltd

Dwg No.
754-001

Date	Drawn	Checked	Scale		Current Stage	Issue
Feb 2022	NB	MA	A3	A1	Planning	P1

A3. PUB VIABILITY ASSESSMENT

ECONOMIC VIABILITY REPORT

PREPARED BY

ROSIE M HALLAM BSc (HONS) MRICS
FLEURETS LTD

IN CONNECTION WITH THE PUBLIC HOUSE PREMISES KNOWN AS

THE BLUE LION
133 GRAYS INN ROAD
LONDON
WC1X 8TU

MAY 2022

CONTENTS

Appendices

1.0 INTRODUCTION

1.1 The Blue Lion Public House is owned freehold by Lambournes Surveyors Ltd, who acquired the property (subject to the occupational lease), in November 2017.

1.2 Fleurets were the selling agent, acting on behalf of the vendor in the transaction. The vendor was Greene King. A copy of the sales particulars from when Fleurets were marketing the freehold investment are attached at Appendix RMH1.

1.3 A site plan showing the freehold demise is included on the next page.

1.4 The property remains occupied by the tenant under the terms of a 15 year, full repairing and insuring lease from 19th March 2009. The lease was originally subject to a purchasing tie for beer and cider, but free of tie on wines, spirits and minerals.

1.5 On sale of the property the tenant was released from this purchasing obligation and is now free of all ties. The rent increased to £85,000pa at this point. The lease contains provisions for open market rent reviews on a 5 yearly basis in addition to annual RPI indexation. I am advised that the current rent, set at the 2019 rent review is £92,500pa.


GRAYS INN ROAD
New Printing House Square
DOUGHTY STREET
0
25 m
50 m
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2.0 SUMMARY OF PROPOSALS

2.1 Lambournes Surveyors, the freeholder of the property, is seeking planning consent for the partial retention and reconfiguration of the existing public house at the abovementioned address, together with the redevelopment of the site to provide 7 no. residential units.

2.2 At present the public house occupies the entirety of the property with storage and the beer cellar at basement level, trading space and customer WCs at ground floor, a commercial kitchen at part first floor, with the remainder of the first floor along with the second and third floors providing ancillary domestic accommodation including five bedrooms, an office, two bathrooms and a kitchen/reception room.

2.3 If the planning application is approved the building will be extended and developed upwards to create a further two floors and each floor from first floor upwards will be converted/developed to provide a total of seven residential apartments. Access to these apartments will be via a lobby at ground floor with entrances from Grays Inn Road or Brownlow Mews with lift and staircase access to the upper floors. The ground floor and basement will provide a reconfigured public house facility with a trading area and accessible WC at ground floor and second trading area, customer WCs, storage, beer cellar and commercial kitchen at lower ground floor.

2.4 I attach at Appendix RMH2 copies of the floor plans showing the existing and proposed layout of the ground, first and lower ground floors.

3.0 PLANNING POLICY

3.1 I have had sight of the pre-App advice from Camden Council dated 2nd August 2021. I understand the two Policies which need to be addressed in connection with this proposed planning application are:

- Policy C4 Public Houses under the Camden Local Plan 2017.
- Community Uses, leisure facilities and pubs under the Camden Planning Guidance January 2021

3.2 Policy C4 states:

The Council will seek to protect public houses which are of community, heritage or townscape value.

The Council will not grant planning permission for proposals for the change of use, redevelopment and/or demolition of a public house unless it is demonstrated to the Council's satisfaction that:

a. the proposal would not result in the loss of pubs which are valued by the community (including protected groups) unless there are equivalent premises available capable of meeting the community's needs served by the public house; or *b. there is no interest in the continued use of the property or site as a public house and no reasonable prospect of a public house being able to trade from the premises over the medium term;*

Where a public house is converted to an alternative use, the Council will seek the retention of significant features of historic or character value.

Applications involving the loss of pub floorspace, including facilities ancillary to the operation of the public house, will be resisted where this will adversely affect the operation of the public house.

Where it has been demonstrated to the Council's satisfaction that a public house can no longer be retained, the suitability of the premises for alternative community uses for which there is a defined need in the locality should be assessed before other uses are considered. If the pub is a heritage asset, it should be conserved in a manner appropriate to its heritage significance.

3.3 The Policy also states in the supporting notes:

4.71 A related issue is the loss of part of an operating pub, such as beer gardens and ancillary residential accommodation. This can raise concerns about the impact of such changes on the pub's character and continuing ability to operate successfully. The loss of one or more elements of a pub may undermine its appeal or lead to negative impacts on the amenity of the surrounding area or conflict between incompatible uses.

4.83 The partial loss of a pub and ancillary facilities may be detrimental to its character, community value or future viability. Outdoor amenity spaces, gardens, cellars and parking areas attached to pubs can also be subject to pressures for residential development. These changes can lead to a pub becoming less profitable and as a consequence, more vulnerable to further redevelopment, potentially leading to a pub being lost altogether. In determining whether the loss of floorspace is acceptable, the Council will take into account the effect of changes to the pub's layout and reduction in its trading area on its continuing ability to operate successfully. We will also consider whether these changes would adversely impact on the pub's community, historic and townscape value. In some cases the loss of part of a pub may lead to its continuing operation being undermined by the greater likelihood of complaints relating to noise and nuisance from occupants of new non-ancillary uses. A particular problem is the potential harm to residential amenity which cannot be overcome through mitigation measures to the building's fabric, for example where the loss of a pub's garden is proposed. Camden Planning Guidance will provide advice on evidence the Council will require to justify the loss of pub facilities.

3.4 Camden Planning Guidance Community Uses, leisure facilities and pubs states:

4.31 The loss of key supporting elements of a pub such as beer gardens, kitchens, meeting/function rooms and ancillary staff accommodation can undermine its long-term viability, its day-to-day ability to operate or its community role and appeal. This may also erode the character of the pub. There can be pressure to convert these spaces to alternative uses to realise their development value.

4.32 A critical concern for the Council is the net impact of such changes on the public house's offer and appeal. Applicants are not required to provide a viability assessment to justify the loss of features ancillary to the operation of the public house, although they may wish to do so to demonstrate that the loss of floorspace would not be detrimental to the pub's commercial viability. The content of any viability assessment should be agreed with the Council.

4.33 Where two or more elements of the existing public house would be lost through a proposed scheme, the Council will require the applicant to undertake a community survey (except where the pub is registered as an Asset of Community Value) and an assessment of alternative pub provision in the locality. This should be in line with the evidence the Council will seek for proposals involving the loss of a pub.

3.5 The proposal for this property retains the public house albeit in a slightly reduced size and reconfigured layout. The only element which will be lost is the upper floor ancillary domestic accommodation. As such 4.33 above would not be applicable.

4.0 INSTRUCTIONS

4.1 I have received instructions from David Van Der Lande MRICS of Town Centre Regeneration Ltd and Hannah Fawdon MRTPI of Hybrid Planning & Development Ltd, on behalf of the freeholder, to provide a report setting out my professional opinion on the long term viability of the proposed retained and reconfigured public house facility with particular regard to whether this remains economically viable following the reduction in size of the public house and the loss of the upper floor ancillary domestic accommodation.

4.2 This report aims to provide to the Council the evidence and information it requires to be compliant with the aforementioned planning policies.

4.3 Whilst it is noted that a viability assessment is not necessarily required in this instance, this has been provided to fully address any concerns regarding the reduction in floor space. It is noted that some changes have been made to the proposed layout and configuration of the ground and lower ground floor since the pre-App advice was provided and which address some of the concerns raised in connection with the initial proposals.

4.4 As highlighted previously, Fleurets acted on behalf of the vendor of the property when it was sold to the current freeholder in 2017. We have not have any involvement with the property since this time, nor have Fleurets had prior involvement with the current freeholder. I consider we are free from any conflict of interest and able to provide an opinion objectively and independently.

5.0 INSPECTION

5.1 An internal and external inspection of the trading areas of the public house and its environs was made on Monday 7th March 2022.

5.2 The property is located close to the Fleurets London office, and our previous office which we occupied until October 2019 was located on Roger Street at the southern end of Brownlow Mews. The property is therefore well known to Fleurets and has been visited by myself and colleagues on various occasions over the years.

5.3 Since being instructed on this matter I have revisited the property informally. I have also reviewed the sales particulars produced by Fleurets at the time of marketing.

6.0 EXPERIENCE AND EXPERTISE

6.1 I, Rosie Hallam, am a Divisional Director at Fleurets, a long established national firm of surveyors that deals wholly and exclusively in the sale and valuation of public houses, hotels, restaurants and other forms of licensed and leisure properties. I am a member of the Royal Institution of Chartered Surveyors. A copy of my CV is attached at Appendix RMH3.

6.2 I highlight that I have extensive experience in the licensed and leisure property and hospitality sectors. Over the years at Fleurets I have gained a broad knowledge base across London and the south of England, undertaking numerous professional instructions in relation to such properties for valuations, rent reviews, lease renewals, planning/economic viability and general consultancy purposes, for a range of clients in both the public and private sector. In addition to this, Fleurets have a strong agency presence across the region, and I work closely with the agents.

6.3 I set out below a list of instructions that Fleurets have undertaken, specifically in the mid-town area of London and surrounding areas, to give a brief summary of the quantity and type of work Fleurets have been involved in:

- Lady Ottoline, Northington Street – Leasehold acquisition and capital valuation.
- Perseverance, Lambs Conduit Street – Rent review and capital valuation.
- Queens Head, Theobalds Road – Leasehold acquisition.
- Old Nick, Sandland Street – Rent review.
- Apple Tree, Mount Pleasant – Freehold acquisition and capital valuation.
- Northumberland Arms, Kings Cross Road – Rental advice.
- Bountiful Cow, Eagle Street – Leasehold disposal.
- Shakespeare's Head, Holborn – Rent review.
- Sutton Arms, Carthusian Street – Rent review.
- Inn of Court, High Holborn – Rent review.
- Eagle, Farringdon Road – Rent review.
- Peasant, St John Street – Consultancy advice.
- Euston Flyer, Euston Road – Lease renewal.

6.4 I have also provided advice in connection with numerous planning and economic viability cases including the following:

- Trafalgar, South Wimbledon – appointed by the developer.
- Bell, Blackwater – appointed by the developer.
- Three Horseshoes, Burbage – appointed by the developer.
- Dukes Head, Coddenham - appointed by the developer.
- Dukes Head, Beare Greene – appointed by the developer and planning consultant.
- Freeholders, Farncombe – appointed by Waverely Borough Council.
- Murdoch's Diner, Calcot – appointed by the developer and planning consultant.
- Swan & Edgar, Marylebone – appointed by Westminster City Council.
- Beehive, Homer Street - appointed by Westminster City Council.
- Kings Arms, Epsom – appointed by the developer and planning consultant.
- Adam & Eve, Hillingdon – appointed by the developer and planning consultant.
- Brazen Head, Marylebone – appointed by Westminster City Council.
- White Hart, Rusthall – appointed by the developer and planning consultant.
- Crooked Billet, Maidenhead - appointed by the developer and planning consultant.
- Star, Bentworth – appointed by East Hampshire District Council (valuation advice).
- Bull's Head, Ewhurst – appointed by Waverley Borough Council.

6.5 I have included details of the nature of the instructing parties to offer transparency and also to demonstrate that I advise both applicants (being developers and planning consultants) in preparing planning/economic viability reports, and local authorities in reviewing and advising on the submissions from applicants.

7.0 THE PROPERTY

7.1 Location

7.1.1 The property is located in the mid-town area of London, between Bloomsbury, Kings Cross, Clerkenwell and Farringdon.

7.1.2 This is a well-located and well connected area of London, of a mixed commercial and residential nature, within easy reach of Kings Cross National Rail and Underground Stations (various lines) and Chancery Lane Underground Station (Central Line).

7.1.3 The property is located on the western side of Grays Inn Road which runs north-south linking Theobalds Road and High Holborn with Kings Cross.

7.1.4 Grays Inn Road is lined with primarily secondary retail and healthcare units along with offices and residential properties. Notable nearby occupiers include ITN Productions on Grays Inn Road and the Royal Mail Central Delivery Office at Mount Pleasant.

7.1.5 Running parallel to Grays Inn Road, to the east, are Gough Street and Phoenix Place, between which is a major regeneration residential development being undertaken by Taylor Wimpey. This is known as the Postmark development, being on the site of the former Royal Mail Sorting Office. The development is due to be completed in phases by 2025 and will provide 681 new apartments, commercial space and public spaces.
(see https://www.taylorwimpeycentrallondon.com/development/en/postmark).

7.2 Description

7.2.1 The property comprises a four storey, mid terrace building of brick construction with an attractive frontage. It dates from the 1930s. The rear of the property, the elevation facing on to Brownlow Mews, is part single storey with a flat roof which provides a private roof terrace.

7.2.2 Access to the property is via Grays Inn Road, which forms the primary frontage and entrance, and also via Brownlow Mews, a cobbled mews street running to the rear of the property. The latter is not a through road and is lined with mews buildings with residential and commercial occupiers.

7.2.3 To the front of the property is a narrow area of external trading space, comprising of two benches attached to the frontage of the pub and providing seating/standing space for no more than 10 customers.

Customers are able to utilise the area of cobbled street directly behind the pub (Brownlow Mews) for external trading however this is restricted under the Premises Licence to 12pm to 2.30pm and 5.30pm to 8.30pm on Thursdays and Fridays.

7.2.4 Set out below are a series of photographs to illustrate the exterior of the property and site.

Front Elevation – Grays Inn Road

Grays Inn Road Frontage

Brownlow Mews Elevation & External Trade Area

7.3 Accommodation

7.3.1 This section has been divided into two parts. The first part provides a description of the public house accommodation in its existing form and the second part provides a description of the public house accommodation in its proposed form.

<u>Part 1 – Existing</u>

7.3.2 Internally the property is arranged over basement, ground and three upper floors. A summary of the accommodation is provided below and photographs overleaf illustrate the current layout and configuration the property.

Lower Ground Floor	Storage space.
	Chilled beer store.
Ground Floor	Bar trading space with seating for c.80 covers plus standing space.
	Customer WCs.
First Floor	Commercial kitchen.
	Domestic kitchen and reception room
Second Floor	Two bedrooms.
	Bathroom.
	Office.
Third Floor	Three bedrooms.
	Bathroom.


Ground Floor Trade Area


Ground Floor Trade Area


Ground Floor Trade Area


Ground Floor Trade Area


Ground Floor Trade Area


Ground Floor Trade Area


Basement Storage


Basement Storage


Basement Chilled Beer Store


Basement Storage


First Floor Commercial Kitchen


First Floor Commercial Kitchen

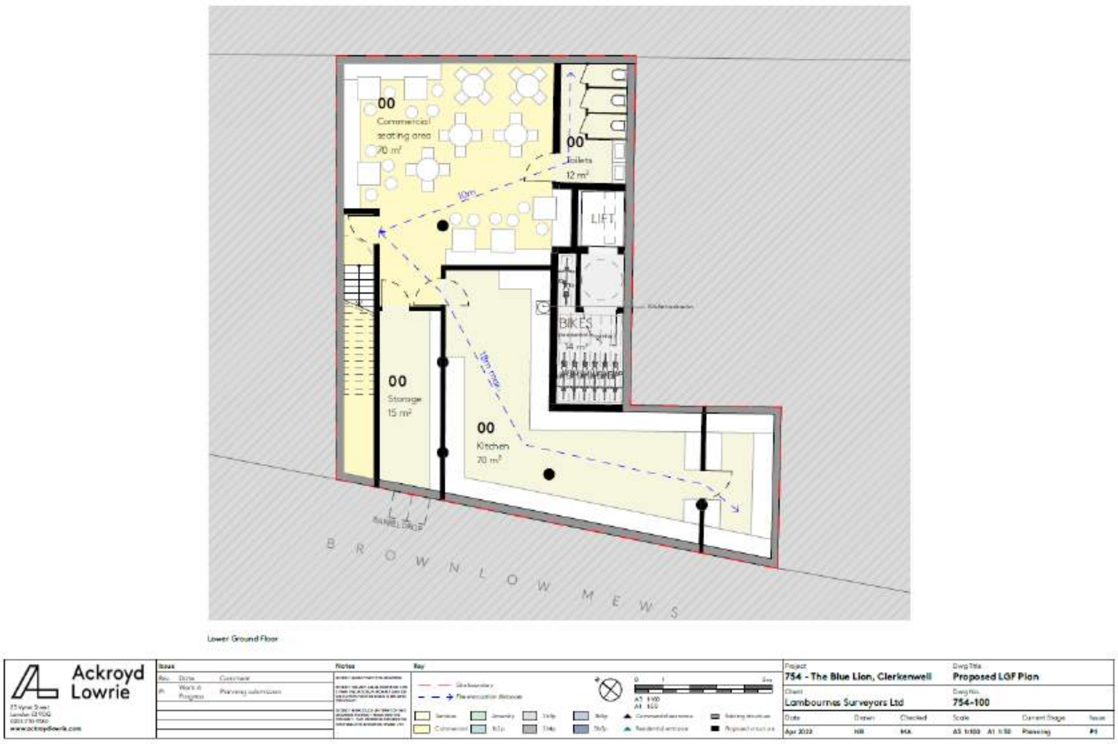
<u>Part 2 – Proposed</u>

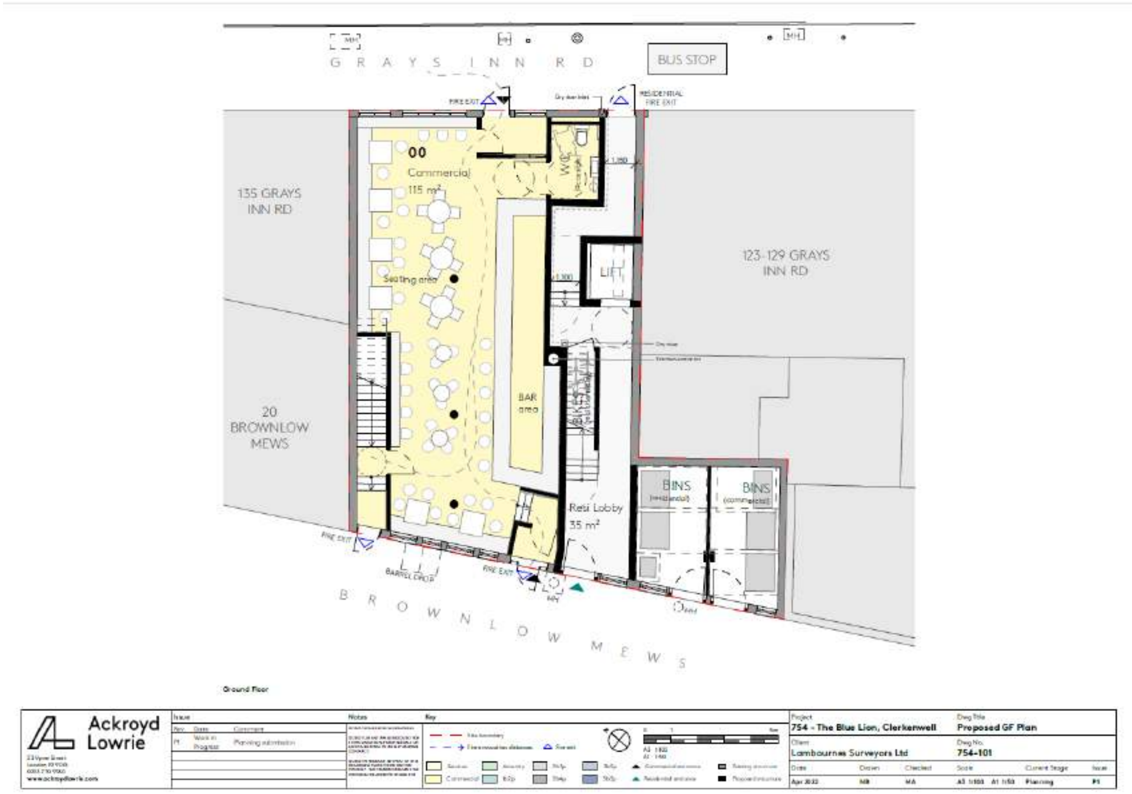
7.3.3 The property will be separated in to two elements with the public house being retained and contained within the ground and lower ground floors and the upper floors providing self-contained, separately demised residential accommodation. The public house will therefore become its own self-contained unit.

7.3.4 In its proposed form, the property will comprise of the following:

Lower Ground Floor	Secondary trading space/function room with seating for 30-35 covers.
	Commercial kitchen.
	Customer WCs.
	Storage space.
	Chilled beer store.
Ground Floor	Bar trading space with seating for c.50-60 covers plus standing space.
	Accessible customer WC.
First Floor	Separately demised residential accommodation.
Second Floor	Separately demised residential accommodation.
Third Floor	Separately demised residential accommodation.

7.3.5 Set out below are floor plans showing the proposed layout of the ground, lower ground floor and firs floor areas.

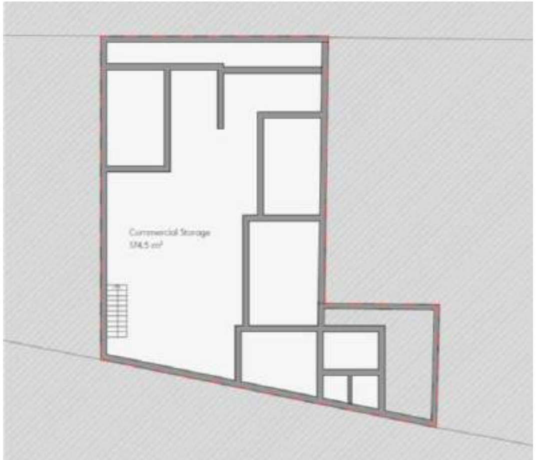




7.3.6 I now set out below a comparison to illustrate the existing ground and lower ground floors and the proposed ground and lower ground floors.

Existing Ground Floor

Proposed Ground Floor



Existing Lower Ground Floor

Proposed Lower Ground Floor

Existing First Floor

Proposed First Floor

7.3.7 The key changes are as follows:

- reduction in overall size of the public house across ground, lower ground and first floors (-103sq m).
- small reduction in overall trading areas from 190sq m to 185sq m (-5sq m).
- relocation of ground floor customer WCs to lower ground floor and installation of an accessible customer WC at ground floor.
- relocation of commercial kitchen from first floor to lower ground floor.
- increase in size of commercial kitchen.
- reconfiguration of ground floor to provide a more open trading space.
- reconfiguration of lower ground floor to provide a second trading area/function room, customer WCs, chilled beer store, commercial kitchen and storage facilities.

7.3.8 I now set out a summary comparison of the existing and proposed ground, first and lower ground floor areas.

Floor	Existing Area (Sq M)	Proposed Area (Sq M)	Difference (Sq M)
Lower Ground	174	167	-7
Ground (inc WC)	190	115	-75
First Floor (commercial kitchen only)	21	0	-21
Total	385	282	-103

7.3.9 Overall there is a net reduction in the public house operational areas (excluding the upper floor ancillary domestic accommodation). However, whilst the total area decreases a few points can be borne in mind.

- The ground floor reduction in trading space results in the loss of c.30 covers and the pool table area.

- The proposed ground floor involves the existing central bar servery being moved to the side of the trading space, making a more open and better flowing trading space. Based on the floor plans provided and my inspection it is estimated that the remaining space will provide seating for c.50-60 covers plus standing space.

- The proposed lower ground floor trading space is estimated to provide seating for c. 30-35 covers.

- Overall the number of available seated covers remains broadly the same in the proposed reconfigured public house as in the existing public house given the second trading space being provided at basement level.

- The loss of space at ground floor is offset by the provision of the new trading space at lower ground floor. The overall total proposed trading area (including the accessible WC) is 185sq m. This compares with the existing total trading area (including customer WCs) at ground floor only of 190sq m. This is only a marginal overall reduction.

- The existing commercial kitchen is to be relocated to the lower ground floor. Currently the commercial kitchen is compact and dated. The relocated kitchen will be able to provide a larger, more modern facility with associated storage space.

- The lower ground floor in its existing layout provides for extensive storage space and a chilled beer store. Much of this appears to be being used for non-essential general storage and superfluous to necessary requirements and not an efficient use of space. Furthermore the existing chilled beer storage is larger than appears to be required. I set out below photographs to illustrate.

Storage Room

Main Storage Area

Chilled Beer Store

- In its existing state the pub is showing signs of wear and tear and has become dated. It is starting to reach the point where investment in the inventory is required alongside some sparkle to decoration, as is required on a periodic basis for any pub.

- I understand that the proposed reconfigured public house will be provided in a partially fitted state with the bar servery in situ, screeded floors and ceilings, WCs installed with tiled walls and floors, painted walls and kitchen extract. An ingoing tenant would be required to undertake the remaining fit out works and decoration along with new inventory.

- The scheme does not result in the loss of any external trade areas.

7.3.10 Floor Areas – Nearby Public Houses

To set the proposed floor areas in to context I highlight the following floor areas of some nearby public houses. The first two properties were measured during the course of a previous valuation instruction undertaken by Fleurets and are stated on a Gross Internal Area basis inclusive of stairs. These floor areas are approximate and for indicative guidance only are not obtained via a detailed measured survey.

Lady Ottoline, Northington Street
This property is arranged over basement, ground and three upper floors. In total it provides 291sq m. Within this there are trading areas at ground and first floors which extend to 140sq m.

Perseverance, Lambs Conduit Street
This property is arranged over basement, ground and three upper floors. In total it provides 630sq m. Within this there are trading areas at ground and first floors which extend to 154 sq m.

I have also considered the floor areas measured by a colleague in relation to the rent review of the Old Nick, Sandland Street. This property comprises the ground floor and basement and extends to 265sq m. Within this the ground floor trading area extends to 136sq m. These areas exclude stairs.

As you will note, the trading areas are of a comparable size to those under the proposed scheme.

7.4 Loss of the Upper Floor Domestic Accommodation

7.4.1 The policies have highlighted a concern with regard to the loss of the upper floor ancillary domestic accommodation. I set out below examples of public houses in London which do not benefit from ancillary manager/staff domestic accommodation. These include pubs local to the Blue Lion as well as from various locations across the city. With the exception of the Prince, Wood Green where the tenant sublets the upper floors on ASTs, these pubs are let and operated as lock-up units.

Lady Ottoline, Northington Street

Old Nick, Sandland Street

Queens Head, Theobalds Road

Bountiful Cow, Holborn

Inn of Court, High Holborn

Landseer, Islington

Prince, Wood Green

Old Crown, Highgate

Pendrels Oak, High Holborn

Beer Hawk, Smithfield

Cleveland Arms, Paddington

Loose Box, Westminster

Bull, Highgate

Racketeer, Kings Cross

Liberty Bounds, Tower Hill

Crutched Friar, Crutched Friars

Minories Bar, Minories

Three Lords, MInories

7.5 Services

7.5.1 As far as I am aware the property is served by all mains services.

7.6 Premises Licence

7.6.1 I understand the pub is licensed for the following activities:

Retail of Alcohol:

Monday to Saturday	10:00 – 01:30
Sunday	12:00 – 01:00

Late Night Refreshment:

Monday to Friday	23:00 – 01:00

Recorded Music:

Monday to Saturday	18:00 – 01:00
Sunday	18:00 – 00:30

7.6.2 The Premises Licence restricts the days and periods of time during which the pub is permitted to use Brownlow Mews as an external trading area. This is permitted on Thursdays and Fridays only and between midday and 2.30pm and 5.30pm and 8.30pm.

7.6.3 I also note that the pub does not currently open to trade at weekends (unless for exclusive private hire) and closes at 11pm Monday to Friday.

7.7 Rateable Value

7.7.1 The property has a Rateable Value of £63,000 effective 1st April 2017.

8.0 CURRENT MARKET CONDITIONS

8.1 I attach at Appendix RMH4 Fleurets' Q1 2022 Economic Summary and Q1 2022 Pub Market Commentary which set out the events and state of the UK economy and pub sector at the start of 2022, with commentary regarding the severe and unprecedented impact that the Covid-19 pandemic has had on the UK economy and specifically the leisure sector over the past two years. The first document also sets out the timeline of events throughout the Covid-19 pandemic.

8.2 Since these documents were produced, there have been a number of changes in the UK and the wider world which I will briefly comment on hereafter.

8.3 Since 25th March 2022, in England the temporary provisions under the Coronavirus Act, introduced at the outset of the pandemic, have expired. Many of the provisions such as the legal requirement to self-isolate following a positive test and contact tracing had already been removed from 24th February 2022. From 1st April 2022 free mass testing kits have been stopped except in some circumstances. This is all part of the shift towards the 'Living with Covid' plan set out by the Government.

8.4 Whilst pubs had been able to trade without the majority of restrictions since 19th July 2021 (when restrictions on group sizes and the requirement to remain seated were lifted), with the removal of these wider requirements, pubs have been able to fully aim to return to their pre-Covid trading styles.

8.5 During the pandemic, the Government also imposed a commercial rent moratorium to protect tenants. However, it was not possible for rents to be unilaterally waived. For some agreements were reached with landlords to reduce rental payments, provide short term rent holidays or to facilitate payment plans, for others the rent was merely deferred to a later date and this has just led to a build-up of debt which will still have to be addressed later down the line. The rent moratorium was in place throughout the pandemic and was extended several times. It ended on 24th March 2022.

8.6 Whilst we have seen a shift away from the direct impact of Covid-19, the past few months have presented new challenges in the sector in the form of recruitment, a return to full VAT rates, increased wage costs, increased fuel and utility costs and increased food and drink costs. All combined, the phrase 'Cost of Living Crisis' is frequently used and presents a major issue for customers and operators alike. This has all been heightened by the Russia-Ukraine war which has been ongoing for the past couple of months.

8.7 Since 1st April 2022, the energy price cap has been increased adding significant costs across the utility spectrum. At the same time the National Minimum Wage and National Living Wage increased by around 2% (depending on the age of the employee). This comes on top of growth in wages costs across the hospitality sector driven by a shortage of staff to fill roles. Companies are also offering additional benefits and incentives as they compete to secure and retain staff.

8.8 1st April 2022 also saw VAT return to its full 20% rate, increasing from the previous temporary rates of 5% and then 12.5% which had been introduced to support the hospitality, hotel and leisure sectors.

8.9 As a result of the increased costs, many businesses have increased their pricing as they seek to offset the impact.

9.0 THE BUSINESS

9.1 The Blue Lion operates as a wet sales led, mid-market public house deriving trade from local businesses and the local residential community.

9.2 A broad range of draught products are offered including Peroni, San Miguel, Guinness, Blue Lion Pale Ale, Camden Pale, Camden Hells, Mon Cheri and Session IPA and Blue Moon. Such a broad and varied offering will help this pub compete with the other pubs in the local area. Current pricing ranges from £4.90 to £6.00 per pint with the majority being around the £5.70 and £5.80 level. This is in line with the price point adopted at other nearby pubs.

9.3 Bottles of wine range from £19 - £21, with bottles of prosecco at £24 and Champagne at £34.00 per bottle. This is competitive pricing.

9.4 Food is available Monday to Friday between midday and 3pm and 5pm and 9pm. The menu is of a typical, traditional mid-market pub style with dishes including full English Breakfast, burgers, ham egg and chips, steak and ale pie and sandwiches. Burgers and main course are priced from £9.00 to £11.00, with sandwiches from £8.25 to £8.75 (including chips). This price point is competitive.

9.5 I am aware of the pre-Covid trading levels however this information is confidential and cannot be revealed in this report.

9.6 Barrelage volume data is shown in the Fleurets sales particulars but this is now historic. No recent barrelage volume data is available given the release of the purchasing tie after the sale of the property in 2017.

9.7 Post Covid, custom continues to be adversely affected by the shift to more flexible working patterns with trade being more restricted to the midweek periods.

10.0 ECONOMIC VIABILITY

10.1 I consider it of assistance for me to first state the key factors which I consider need to be appropriately taken into consideration when required to make a judgement as to whether or not an existing hospitality business such as a public house is reasonably considered to be economically viable for a continuation of that business use. I therefore set out the matters which I consider would influence the judgements made by a prospective owner considering an investment in acquiring and operating a hospitality business.

10.2 A hospitality business is a facility where trading involves the retail sale of drinks, food and accommodation operated for the purposes of generating an income and profit. For a hospitality business to be economically viable, its owner, whether an individual or a partnership, must be able to derive a satisfactory living from owning an interest in the property and undertaking its operation after accounting for all the costs and liabilities associated with the ownership and trading of the business. If the operator is a corporate concern, the company must be able to achieve a sufficient profit from the operation in order to justify in commercial terms, the investment required for its purchase/continued ownership and as remuneration for its subsequent operation.

10.3 For a freehold hospitality business owned and directly operated, the income/profit which is appropriately used to assess economic viability is that which is achievable after deduction of all operating expenses and in addition the costs associated with funding investment in the acquisition of the premises, the trade furnishings and equipment, and the stock and working capital. For a private owner such capital requirement will in most instances be made up from a combination of an owner's own capital reserves and from borrowed funds.

10.4 For a freehold hospitality business being acquired as an investment interest with operation to be undertaken by an occupying tenant, the freehold owner's income and profit to assess economic viability is the net rent receivable after the deduction of costs associated with funding the purchase. As in the case of an owner operator, such capital requirement will likely include a proportion of self-supplied and an element of borrowed funds.

10.5 For a leasehold hospitality business operated under the terms of a lease or tenancy agreement, the leaseholder must be able to generate sufficient profit, after the payment of all costs, including rent, to provide an income to support their day to day lives.

10.6 In order for a hospitality business to be economically viable, the net income/profit must be sufficient to incentivise the owner/purchaser or tenant/operator to undertake the entrepreneurial endeavour and risk associated with the venture. In either case the appraisal of economic viability must take into account the credible costs which would be incurred to make the premises ready for the commencement of trade.

10.7 Secondly, I consider the matters which impact on the trading potential of a hospitality business.

10.8 The customers of a hospitality business are of necessity required to have chosen to travel to the particular property, by walking, driving, cycling or using public transport, to partake in drinking and dining in the social environment provided at the particular hospitality venue. The attraction of custom necessitates persuading individuals to choose a property over others believed to offer similar facilities. Such customer choices involve personal judgements over the desired means of travel; the travel time; the ease of journey; the distance; the customer environment provided; and the nature and retail cost of the food, drink and accommodation offer available. The proximity of a hospitality business to a pool of prospective custom and the number of competing businesses are therefore key determining factors.

10.9 The potential custom available to any particular hospitality business will inevitably have alternative options, i.e. the other businesses forming the competition. Thus, a hospitality business is obliged to operate within a competitive trading environment, with prospective customers making comparisons and influenced in their judgements by these various factors.

10.10 The various characteristics of a hospitality business and its potential custom, may however change over time, such changes caused by external factors which either have a positive or a detrimental impact on economic viability. It is a fact that over time particular external influences can be significantly detrimental to trading potential, and hence as a direct consequence also adversely impact on economic viability.

10.11 The economic viability of a hospitality business is based on an assessment which is made at a particular moment in time. The assessment must take into account the individual background circumstances of the property under consideration, including any known recent trading history and the trading status at the time of making the assessment. The assessment must reflect the costs which are reasonably necessary to be incurred in order to acquire an interest in the property and any preparation works/investment which is required in order to make the property fit and ready for the commencement of trade.

10.12 In the circumstances of a hospitality business being closed for trade, there are reasonably expected to be additional costs and risks to any party contemplating acquiring an interest with the intention of a recommencement of trading. The fact of a hospitality business closure for trade will have a detrimental impact on the goodwill which remains associated with the property, if any, and its reputation in the local market.

10.13 On any recommencement of trade of a previously closed hospitality business it will take time to build sales, and in consequence the operation is unlikely to be capable of generating a profit for a period of time following its re-opening. There will also be uncertainty regarding the levels of trade that can be realised.

10.14 If a hospitality business has been closed for an extended period of time it will inevitably fall into disrepair. In order to reopen for trade investment will most likely be required for repairs, redecoration and trade inventory items.

10.15 Thirdly, it is relevant to have regard to any marketing of the property for sale or lease that has been undertaken. If a hospitality business is considered viable parties will bid for the property as they believe they will have a realistic chance to earn a return or profit on their investment.

11.0 ASSESSMENT OF ECONOMIC VIABILITY

11.1 In order to assist my assessment of economic viability as a trading entity, I have considered the Fair Maintainable Trade (FMT) being the level of trade that a reasonably efficient operator would expect to achieve from all forms of income when running the business in a proper manner and on the assumption that the property is properly repaired, maintained, equipped and decorated.

11.2 From the FMT I have had consideration of the operational costs incurred in running the business in order to arrive at the Fair Maintainable Operating Profits (FMOP) that a reasonably efficient operator would expect to achieve taking into account the age, location, style, configuration and accommodation of the property and the nature of the trade. It is standard valuation practice that the FMOP is stated before depreciation, finance costs, owner's remuneration and exceptional costs (such as repair costs). Finance costs or the payment of rent, need to be reflected when assessing economic viability and therefore a deduction will need to be made from the FMOP to reflect this.

11.3 All businesses will incur a property cost. The operator may occupy a property by way of a lease with the payment of rent, or they may own the freehold, in which case there will be either a cost of finance for securing the capital by way of a mortgage or, if the owner is fortunate enough to be a cash buyer there is the opportunity cost and the rate of return they would expect to achieve in return for having invested their money in the property.

11.4 An economically viable business is perhaps best described as one that is capable of generating a profit in the long term. In considering the economic viability of a public house the business must be capable of generating a profit after all costs have been accounted for including property costs (whether that be rent or finance costs).

11.5 In forming an opinion of the pub's trade and profit potential, I have had consideration of the proposed future layout and configuration, its customer bases, location, nearby residential developments, the existing operational style and the potential operational style. I have also considered the known previous trading levels of this pub and of other nearby pubs and drawn on my own professional judgement and experience. The turnover data for these sites is confidential and cannot be revealed in this report.

11.6 I consider the Fair Maintainable Trade for this pub to be in the region of £475,000 - £500,000 (c.£9,000 to £9,500 per week), against which I would regard an FMOP of £120,000 - £125,000 to be reasonably achievable.

11.7 Having regard to the level of FMT and FMOP achievable, level of fit out and the absence of domestic accommodation, I would assess the likely rent for this pub, on a free of tie basis, to be in the region of £45,000pa - £50,000pa. This compares with the current free of tie rent payable, set in 2019, of £92,500pa and which reflected the benefit of the upper floor ancillary domestic accommodation. As you will note this differential shows an allowance for the sourcing of alternative domestic accommodation. It also reflects the change in the local market place.

11.8 I have assumed that in line with market expectations a tenant would be granted a rent free period of c.6 months.

11.9 Having regard to the level of FMOP I consider to be achievable, after the payment of a market rent, the tenant still has the potential to generate a healthy profit.

12.0 CONCLUSION

12.1 This report has considered the planning policies adopted by Camden Council in relation to public houses.

12.2 The pub is situated in a mixed residential and commercial setting and there has been a pub on this site for many years.

12.3 In this instance, the applicant is not seeking to extinguish pub use. Instead they are seeking to retain a public house on this site, but without the upper floor ancillary domestic accommodation and with a small reduction in the trading accommodation.

12.4 In its existing form, the pub is subject to various restrictions under its Premises Licence in relation to the use of Brownlow Mews for external trading purposes. This is therefore factored in when considering the trade potential for this pub.

12.5 I have the benefit of the knowledge of the pre-Covid trading levels for this pub and some other pubs in the local area. Consideration has also been had as to the change in layout and configuration as well as the ongoing impact of the shift to more flexible working and more limited days in the office for workers. I have however also considered the benefit of the major residential development being undertake across the road from the pub at the PostMark development. This will bring increased local custom to the area.

12.6 I have set out my assessment of FMT and FMOP and rental value which I consider should be achievable in the event of a new letting. From this I have arrived at the conclusion that this pub has the potential to remain viable even in its reduced scale.

12.7 I have set out numerous examples of other public houses located across London without the benefit of upper floor domestic accommodation. These pubs are open and trading to this day.

Yours sincerely

ROSIE M HALLAM BSC (HONS) MRICS
Divisional Director
Enc.

APPENDIX RMH1

Blue Lion Sales Particulars

Blue Lion

133 Grays Inn Road, Clerkenwell, London WC1X 8TU

Tenure - Freehold Investment   **Guide Price - Offers in excess of 3,000,000**

Fleurets
Leisure Property Specialists

Summary

- Subject to The Existing Lease
- Prime WC1 location
- 80 cover open plan bar
- Passing tied rent £53,838.92 per annum
- GIA 6,384 sq ft (593 sq metres)

Viewing

Strictly by appointment only through Fleurets London office on 020 7280 4700. An initial discreet viewing on a customer basis is required. Staff are unaware and should not be approached.

Location

The Blue Lion is prominently located on Grays Inn Road (which is the boundary between Holborn and Clerkenwell) close to the junction with Calthorpe Street and Guilford Street, in the heart of Central London. The main ITV offices are within 100 metres together with various other office occupiers as well as high value residential streets close by. Kings Cross is approximately half a mile to the north and Chancery Lane a similar distance to the south.

Description

A substantial four storey Victorian terrace building under a pitched tiled roof with central main entrance, with oversized windows to either side at ground floor level. Exposed brick to first and second floors, character tiling and signage to third floor.

Trade

Our client has provided beer barrelage information for the 12 months ending 1st May 2015, 2016 and a moving annual total (MAT), which is the 12 months volume to mid October 2016. The barrelage figures are provided in 36 Gallon measures (brewer barrels).

Barrelage Information

Volume (barrels)	2014/2015	2015/2016	MAT
	287.81	277.97	258.25

Accommodation

Ground Floor

Dual access from Grays Inn Road and Brownlow Mews leading to a traditionally presented open plan bar with feature central bar servery. Various tables and seating currently set for approximately 80 covers with a further area currently used for a pool table. Separate internal and external access and staircase to first floor.

First Floor

Trade kitchen; non slip floor, various catering equipment, stainless steel work surfaces, extraction. Door leading to first floor external roof terrace.
Open plan kitchen / living room, stairs leading up to further split level owner / manager's accommodation.

Second Floor

Two bedrooms, shower room, living room and bathroom.

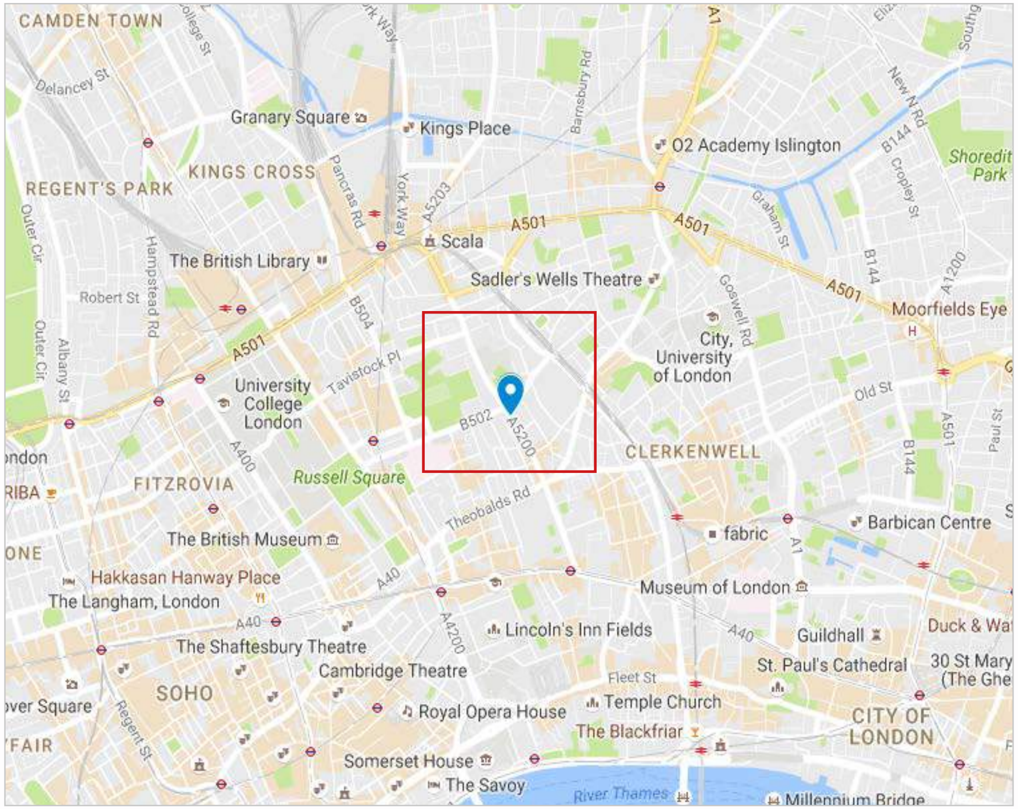
Third Floor

Separate internal and external access leading to staff accommodation.

One double bedroom, one single bedroom, small living room, bathroom with separate W/C.

Basement

Large main storage room, wines and spirits store with delivery drop via Brownlow Mews. Substantial beer store with bottle storage area.



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Tenure

Freehold subject to the following occupational lease:

A 15 year lease on FRI terms with effect from 19th March 2009 at a passing rent of £53,838.92 per annum, subject to annual increases in line with the Retail Price Index and 5 yearly open market rent reviews. The next rent review is due on 19th March 2019. The lease is free of tie for wines, spirits and minerals and tied for all other wet products.

A premises licence prevails, the main licensable activities being:-

Sale by retail of alcohol for consumption on and off the premises:

Mon - Sat	10:00am - 01:00am
Sun	12:00pm - 00:30am

Business Rates & Council Tax

The property is in an area administered by Camden Borough Council. The VOA website shows Rateable Value is £63,000.

Tapered rates relief might apply to this property.

The domestic accommodation is within Band B for council tax purposes.

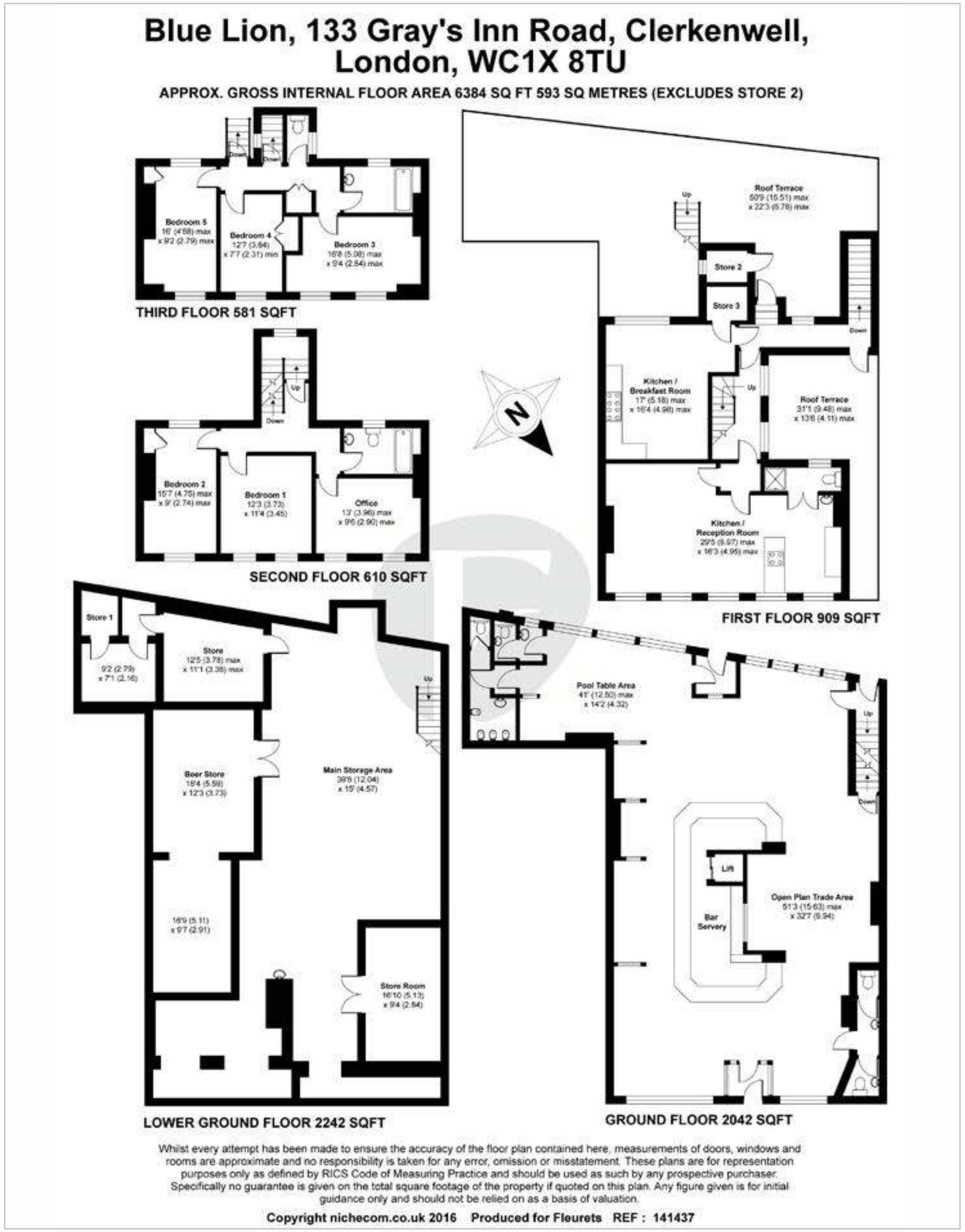
Services

We are informed that the premises benefit from all mains services.

Planning

Please note this is not a listed building but is located within Bloomsbury Conservation Area.

EPC - E



VAT

All prices quoted and offers made shall be deemed to be exclusive of VAT and VAT will be added where applicable. In most cases VAT is reclaimable. Prospective purchasers should consult their accountant for professional advice in this respect.

Finance & Insurance

If you would like to take advantage of the knowledge and experience of a selection of firms who specialise in providing finance and insurance for licensed properties contact your local Fleurets office. A phone call may help to provide you with terms and/or cover, which best fits your requirements.

Valuations & Rent Reviews

Fleurets has the largest team of Chartered Surveyors to specialise nationally and exclusively in the Capital and Rental Valuation of Licensed property. For professional Valuations, Rent Reviews, Consultancy, Expert Advice, Rating and Planning advice please contact your local Fleurets office.

For further information please log onto **fleurets.com** or give James or Elysia a call.

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Director

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07990 573176
james.davies@fleurets.com

Elysia Wilson-Gunn
Associate

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07810 541 579
elysia.wilson-gunn@fleurets.com

Fleurets
Leisure Property Specialists

For details of properties for sale or to let nationwide visit **fleurets.com**

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london@fleurets.com

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324 Moston Lane East
Manchester
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0161 683 5445
manchester@fleurets.com

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First Floor Unit A Magog Court
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01223 402600
cambridge@fleurets.com

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Yorkshire
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0113 234 0304
leeds@fleurets.com

West & South Wales
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bristol@fleurets.com

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148-149 Great Charles Street
Queensway
Birmingham
B3 3HT
0121 236 5252
birmingham@fleurets.com

South
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20-22 Boundary Road
Hove
East Sussex
BN3 4EF
01273 429500
brighton@fleurets.com

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APPENDIX RMH2

Existing & Proposed Floor Layout Plans

Lower Ground Floor

Ackroyd Lowrie
23 Vyner Street
London E2 9DG
0203 770 9780
www.ackroydlowrie.com

Issue

Rev.	Date	Comment
P1	25/04/2022	Planning submission

Notes

DO NOT SCALE FROM THIS DRAWING.

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Key

Site boundary

Existing structure

N

0 1 5m

A3 1:100
A1 1:50

Project
754 - The Blue Lion, Clerkenwell

Dwg Title
Existing LGF Plan

Client
Lambournes Surveyors Ltd

Dwg No.
754-010

Date	Drawn	Checked	Scale	Current Stage	Issue
Apr 2022	NB	MA	A3 1:100 A1 1:50	Planning	P1

Ground Floor

Ackroyd Lowrie

23 Vyner Street
London E2 9DG
0203 770 9780
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Issue

Rev.	Date	Comment
P1	25/04/2022	Planning submission

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Key

Site boundary

Existing structure

N

0 1 5m

A3 1:100
A1 1:50

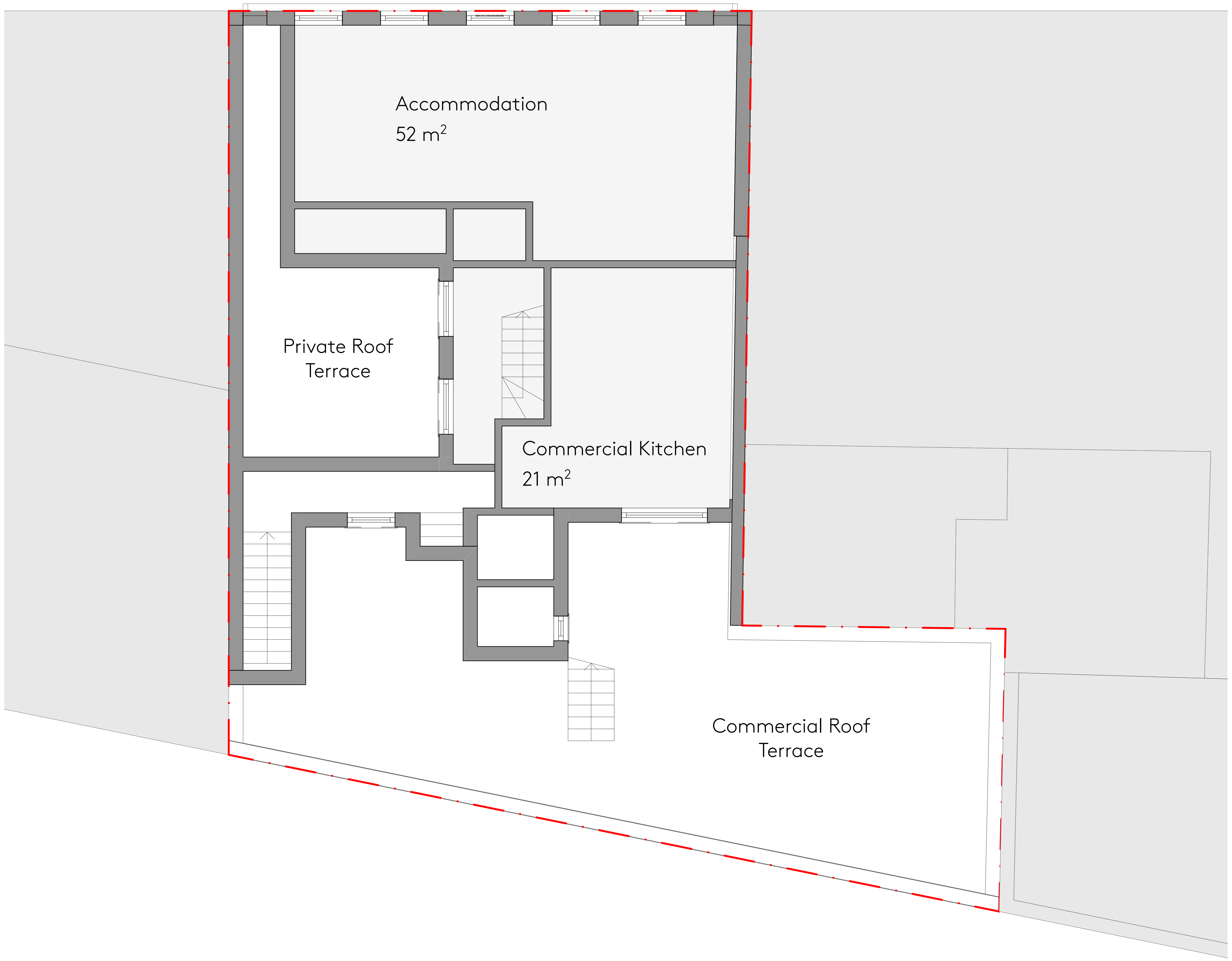
Project
754 - The Blue Lion, Clerkenwell

Dwg Title
Existing GF Plan

Client
Lambournes Surveyors Ltd

Dwg No.
754-011

Date	Drawn	Checked	Scale	Current Stage	Issue
Apr 2022	NB	MA	A3 1:100 A1 1:50	Planning	P1



First Floor

Ackroyd Lowrie

23 Vyner Street
London E2 9DG
0203 770 9780
www.ackroydlowrie.com

Issue

Rev.	Date	Comment
P1	25/04/2022	Planning submission

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Key

Site boundary
Existing structure

N

0 1 5m

A3 1:100
A1 1:50

Project: **754 - The Blue Lion, Clerkenwell**	Dwg Title: **Existing 1F Plan**
Client: Lambournes Surveyors Ltd	Dwg No.: **754-012**

Date	Drawn	Checked	Scale	Current Stage	Issue
Apr 2022	NB	MA	A3 1:100 A1 1:50	Planning	P1

Lower Ground Floor

Ackroyd Lowrie
23 Vyner Street
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0203 770 9780
www.ackroydlowrie.com

Issue

Rev.	Date	Comment
P1	25/04/2022	Planning submission

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Key

Site boundary
Fire evacuation distances
N
0 1 5m
A3 1:100
A1 1:50

Services, Commercial, Amenity, 1b2p, 2b3p, 2b4p, 3b5p, 3b5p, Commercial entrance, Residential entrance, Existing structure, Proposed structure

Project	Dwg Title
754 - The Blue Lion, Clerkenwell	Proposed LGF Plan
Client	Dwg No.
Lambournes Surveyors Ltd	754-100

Date	Drawn	Checked	Scale	Current Stage	Issue
Apr 2022	NB	MA	A3 1:100 A1 1:50	Planning	P1

Ground Floor

Ackroyd Lowrie

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Issue

Rev.	Date	Comment
P1	25/04/2022	Planning submission

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Key

Site boundary
Fire evacuation distances
Fire exit

N

0 1 5m
A3 1:100
A1 1:50

Services · Amenity · 2b3p · 3b5p · Commercial entrance · Existing structure
Commercial · 1b2p · 2b4p · 3b5p · Residential entrance · Proposed structure

Project	Dwg Title
754 - The Blue Lion, Clerkenwell	**Proposed GF Plan**

Client	Dwg No.
Lambournes Surveyors Ltd	**754-101**

Date	Drawn	Checked	Scale	Current Stage	Issue
Apr 2022	NB	MA	A3 1:100 A1 1:50	Planning	P1

First Floor

Ackroyd Lowrie

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Issue

Rev.	Date	Comment
P1	25/04/2022	Planning submission

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Key

Site boundary
Fire evacuation distances
Fire exit
Services
Commercial
Amenity
1b2p
2b3p
2b4p
3b5p
3b5p
Commercial entrance
Residential entrance
Existing structure
Proposed structure

N

0 1 5m
A3 1:100
A1 1:50

Project			Dwg Title		
754 - The Blue Lion, Clerkenwell			**Proposed 1F Plan**		
Client			Dwg No.		
Lambournes Surveyors Ltd			**754-102**		
Date	Drawn	Checked	Scale	Current Stage	Issue
Apr 2022	NB	MA	A3 1:100 A1 1:50	Planning	P1

APPENDIX RMH3

CV

Rosie Hallam

Divisional Director

Fleurets
Leisure Property Specialists

ROLE OVERVIEW

As a Divisional Director based in the London office, Rosie specialises in all aspects of professional consultancy, undertaking rent reviews, lease renewals and valuations on hospitality and leisure properties including pubs, hotels, restaurants, bars, nightclubs, golf courses and wider leisure assets.

She covers Central and Greater London, the Home Counties and the south of England. Rosie also provides viability advice and reports to owners/developers and local authorities in connection with planning applications for change of use and/or redevelopment of public houses. Rosie is an APC Assessor and responsible for graduate training at Fleurets.

RELEVANT EXPERIENCE WITH QUALIFICATIONS

- Member of Royal Institution of Chartered Surveyors – 2013
- RICS Registered Valuer
- BSc (Hons) Real Estate Management –2009

NOTABLE INSTRUCTIONS & APPOINTMENTS

- Valuation of a portfolio of high quality public houses for a family brewer for pension fund purposes.
- Valuation of Pembroke Lodge wedding venue for pension fund purposes.
- Regularly advises pub companies on Market Rent Option rental matters.
- Advised the freeholder of the Roundhouse in Wandsworth on the sale of the property to City Pub Company.
- Advised Youngs on the acquisition on the long leasehold interest of Enderby Wharf in Greenwich.

CONTACT

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APPENDIX RMH4

Fleurets Economic Summary & Pub Market Commentary

Fleurets

Leisure Property Specialists

UK ECONOMIC SUMMARY
Q1 2022

The Covid-19 Pandemic

From the early part of 2020, the world started to be gripped by what soon became a worldwide pandemic arising from the spread of Coronavirus (Covid-19), a highly infectious flu-like virus.

The outbreak of this virus was first reported in Wuhan, Hubei Province, China, in December 2019 and rapidly spread worldwide. The continued spread of the virus was so extensive and destructive that most countries placed themselves in 'lockdown', closed borders and imposed strict restrictions on movement of people and travel, amid efforts to contain the virus and prevent further infections and deaths.

The following commentary is a summary only and does not include detail on all rules and restrictions which were imposed.

LOCKDOWN 1 (UK)

- 20th March 2020 – Hospitality businesses (except those operating as takeaways) forced to close.
- 23rd March 2020 – UK entered full lockdown including closure of all non-essential businesses, a work from home directive, non-essential travel prohibited, requirement to stay at home except for things like limited periods of exercise, shopping for basic necessities and medical reasons.
- Early June 2020 - non-essential businesses permitted to reopen and some children able to return to school. Social distancing was a key element of all reopening plans and the wearing of face masks also became a legal requirement in some settings, and at least recommended in others.
- 4th July 2020 – hospitality businesses and some leisure businesses including hotels permitted to reopen. Local lockdowns introduced in some areas.
- 14th August 2020 – Further easing of restrictions. Reopening of businesses such as theatres and bowling alleys. Nightclubs remained closed.

Hereafter there was a more fragmented and devolved approach to managing the Covid-19 pandemic. The commentary hereafter relates to the steps taken by England only.

THE TIER SYSTEM & LOCKDOWN 2 (ENGLAND)

With infection rates on the rise, England was subjected to new restrictions in an effort to curb the spread and prevent a 'Second Wave'.

- 14th September 2020 – 'Rule of Six' introduced banning groups of greater than six in both indoor and outdoor settings.
- 22nd September 2020 - 10pm curfew introduced for hospitality businesses. Work from home directive reintroduced.
- 14th October 2020 – 3 Tier System introduced.
    - Tier 3 (the highest level)
      Pubs and bars closed with the exception of those serving substantial meals, and alcohol could only be served when in conjunction with such a meal; socialising with people from outside your own household or support bubble prohibited in nearly all circumstances; work from home where possible; social distancing required; restrictions on travel; accommodation such as hotels open for essential purposes only.

      The likes of Manchester and Liverpool and other areas in the north of England were placed in this category.

- Tier 2
  Hospitality businesses open but subject to 10pm curfew and table service only requirement; socialising outside of own households and support bubbles in an indoor setting prohibited; Rule of Six applied to outdoor settings; work from home where possible; leisure and gyms remained open but subject to some restrictions; social distancing required; accommodation such as hotels open for own households or support bubbles.
- Tier 1
  Social distancing required; Rule of Six for indoor and outdoor settings; hospitality businesses open but subject to 10pm curfew and table service only requirement; work from home where possible; leisure and gyms remained open but subject to some restrictions; social distancing required; accommodation such as hotels open subject to the Rule of Six.

  Nightclubs remained closed in all tiers.

- 5th November 2020 - Despite these attempts to reduce the spread and rate of infections, the Government announced on 31st October 2020 that with effect from 5th November to 2nd December England was to return to a nationwide lockdown. All non-essential businesses were forced to close, including those within the leisure and hospitality sector, people were to work from home where possible and only leave home for a limited number of reasons such as for work, exercise, essential shopping and medical appointments.

POST LOCKDOWN 2 – STRICTER TIERS (ENGLAND)

- On lifting of Lockdown 2, from Thursday 3rd December a new Tier system took effect.
- 99% of the country was placed in Tiers 2 and 3, placing the greatest restrictions on freedoms.
- Both tiers prevented mixing of households indoors in any setting.

- Tier 3 - pubs and restaurants closed except for take away; accommodation such as hotels closed except for some specific circumstances.
- Tier 2 – pubs and restaurants open but subject to limitations with no household mixing indoors; 11pm curfew; requirement that alcohol could only be served when in conjunction with a substantial meal; accommodations such as hotels open for own households or support bubbles.
- Cities such as Manchester, Newcastle and Bristol were in Tier 3. London was placed in Tier 2.
- Aside from the above, many of the existing restrictions remained as per the previous tier system.
- 19th December 2020 – a new Tier 4 was announced in response to a new variant of the Covid-19 virus being identified and escalating numbers of infection cases.
- Tier 4 – Stay at Home directive; people were to work from home where possible and only leave home for a limited number of reasons such as for work, exercise, essential shopping and medical appointments; no mixing of households indoors and only permitted to meet one other person outdoors; closure of non-essential shops; hospitality venues only permitted to open if operating as a takeaway; leisure and gyms closed; accommodation such as hotels closed except for some specific circumstances. London and large swathes of the south east of England were placed in this tier.
- Restrictions on household mixing over the Christmas period were also tightened.
- Further areas of the country were placed in Tier 4 from Boxing Day

LOCKDOWN 3 & THE ROADMAP (ENGLAND)

- 5th January 2021 – England enters a third lockdown.
- All non-essential businesses forced to close again, including the leisure and hospitality sectors.
- During the early part of the year the vaccine roll out accelerated and continued to progress positively.
- 22nd February 2021 - Government announced the ‘Roadmap’ to bring the country out of lock-down.

- 8th March 2021 - children returned to schools and colleges.
- 29th March 2021 - weddings attended by up to six people were permitted and outdoor sports facilities such as golf courses were able to reopen.
- 12th April 2021 - reopening of non-essential retail, personal care, gyms, public buildings and outdoor leisure facilities including campsites and holiday lets. Hospitality venues were permitted to open for external trading only and without requirements for the service of food with alcohol and with no curfews. Weddings attended by up to 15 people were permitted. Some restrictions on household mixing still applied.
- 17th May 2021 - reopening of indoor hospitality venues however all customers were still required to be seated and the Rule of Six or two households applied. Weddings attended by up to 30 people were permitted. Larger events restarted, indoors and outdoors, but subject to limitations on numbers. Hotels, hostels and B&Bs reopened.
- 19th July 2021 - delayed by a month due to high infection rates driven by a new variant, all remaining restrictions were lifted and nightclubs reopened.

OMICRON – Q4 2021 & Q1 2022

In late 2022 a new variant of Covid-19 was detected, known as Omicron. This variant has so far proven to be more transmissible than previous variants, but generally less severe in the illness it can cause. Following cases of Omicron being detected in the UK and spreading rapidly, from mid-December the Government urged caution across society and reintroduced the requirement to work from home where possible, the wearing of face masks in many indoor settings including retail and public transport, and from 15th December, the introduction of Covid passports for nightclubs and various large scale gatherings (excluding events such as weddings, places of worship and funerals). The Government did not impose any further restrictions over the Christmas and New Year period.

GOVERNMENT SUPPORT INITIATIVES

- Commercial Rent Moratorium – originally for an initial three month period, extended on several occasions, now due to expire in March 2022. Intended to prevent landlords of commercial properties exercising forfeiture for non-payment of rent.
- Furlough – introduced effective from 1st March 2020 whereby the Government paid 80% of salaries up to £2,500 per employee, in an effort to prevent business failures and widespread redundancies and unemployment. From 1st July 2020 companies were able to bring back employees on a part time basis. Other financial support packages were put in place to help the self-employed sector. The furlough scheme was due to end on 31st October 2020 however due to the subsequent lockdowns and Tier system introduction this was extended and finished at the end September 2021, albeit on a reducing scale with employers contributing 10% in July and 20% in August and September. Further support for the self-employed sector was also announced.
- VAT Reduction – reduced from 20% to 5% for the hospitality, hotel and holiday accommodation sectors as well as to admissions to some attractions. This came in to effect on 15th July 2020 and was originally due to end on 12th January 2021. This was extended until the end of September at which point it rose to 12.5% and will return to 20% from April 2022 onwards. The reduction does not apply to alcoholic beverages.
- 'Eat Out To Help Out' – a limited period incentive scheme during August 2020 whereby customers benefitted from a 50% reduction on their bill (Monday to Wednesday only and not including alcoholic beverages) up to the value of £10 per person. The establishments then reclaimed the discount from HMRC.
- Business Rates - suspended for the retail, hospitality and leisure sectors for the year to April 2021. The suspension was extended until June 2021 and thereafter business rates became payable at 2/3 of the full amount to a maximum of £2m for closed businesses, and to a lower cap for businesses which were able to reopen. For the year 2022/23 business rates for the leisure and hospitality sectors are to be at 50% of the full levels for a period of 12 months, subject to a cap at £110,000.
- Coronavirus Business Interruption Loan Scheme - government backed loans up to £5m, available through accredited lenders.
- Restart grants of up to £18,000.
- Additional grants of £6,000 per hospitality business offered in December 2021 in response to the impact of the Omicron variant and the changed Government guidelines.

Gross Domestic Product

Since early 2020 the UK and worldwide economies have battled with the Covid-19 pandemic, with restrictions and lockdowns being imposed. The economic impact has been unprecedented and severe.

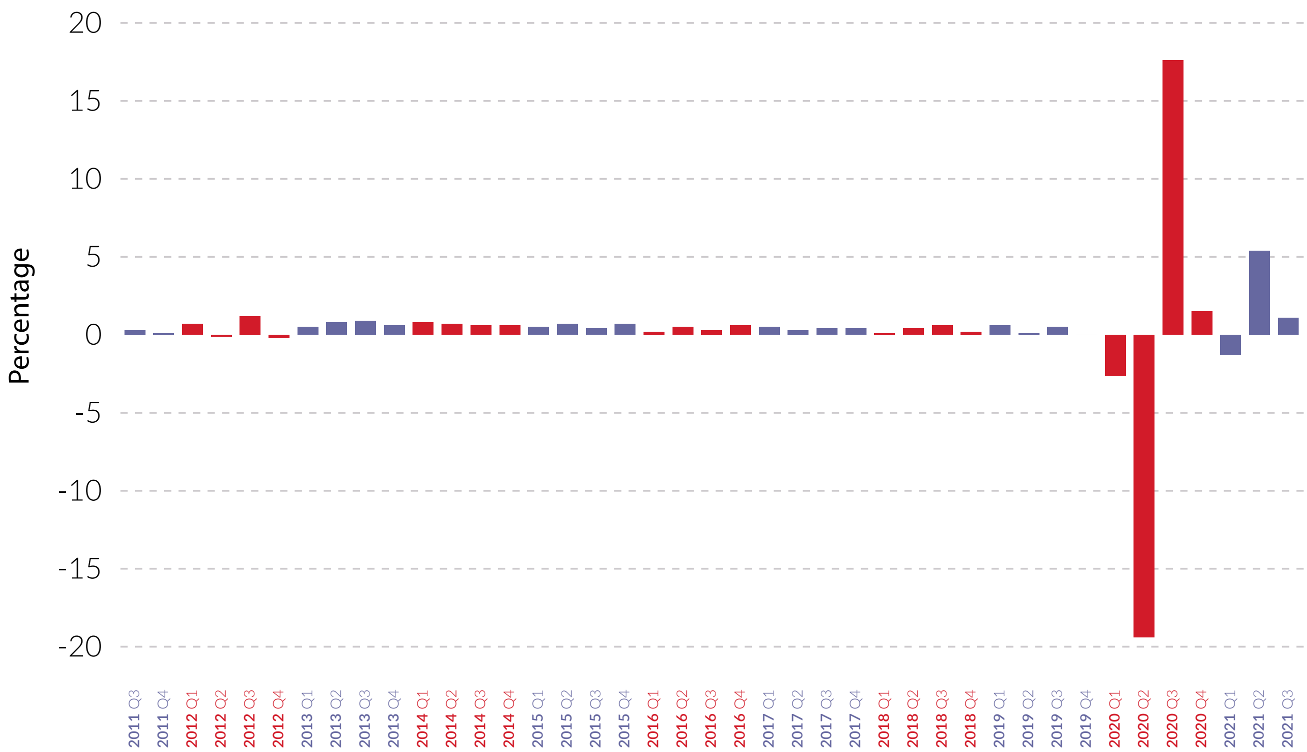
UK GDP in Q1 2020 contracted by -2.6% reflecting the first part of lockdown and the effective closure of the economy. Q2 presented the harsh reality of the impact of the pandemic and lockdown with a contraction of -19.4%, driven by record falls in services, production and construction output. Thereafter, on a monthly basis, the economy showed signs of recovery with positive growth and overall Q3 saw a record increase of 17.6%.

With the subsequent lockdowns in November 2020 and from January 2021, as well as the tier system, it was anticipated that GDP would contract. For Q4 2020 GDP growth was just 1.5%, followed by a contraction of -1.3% in Q1 2021. Thereafter with the easing of the lockdown GDP grew by 5.4% in Q2 2021, followed by 1.1% in Q3. At this level, GDP stands 1.5% below pre Covid levels (Q4 2019). The growth in the middle part of 2021 was driven principally by growth in the hospitality, arts, entertainment and recreation sectors following the lifting of the last lockdown. There were falls in the production and construction sectors.

Annual GDP for 2020 was -9.4%. Pre Covid, the UK economy grew by a rate of 1.4% during 2019, up from 1.3% in 2018 but down on prior years where GPD had stood at 1.8% in 2017, 1.9% in 2016 and 2.6% in 2015.

UK GDP - Q3 2011 to Q3 2021

Source: ONS



Interest Rates & Brexit

Brexit

In June 2016 the UK voted in favour of leaving the EU and there was a period of heightened uncertainty following. Brexit negotiations continued for several years. In December 2020 however a General Election was held and the Conservatives secured a significant majority. Following this, and parliamentary votes, on 31st January 2020 the UK left the EU and the country entered a period of transition before finally leaving the EU on 31st December 2020 after a trade deal was agreed following intense and lengthy negotiations.

Interest Rates

Base Rates were held at 0.5% for 7 years between March 2009 and August 2016, at which point rates were cut to 0.25%. The Bank of England cited the rate cut as necessary to stem the risk of a recession and to boost the economy following the vote to leave the EU and the concerns of weaker growth as a potential consequence.

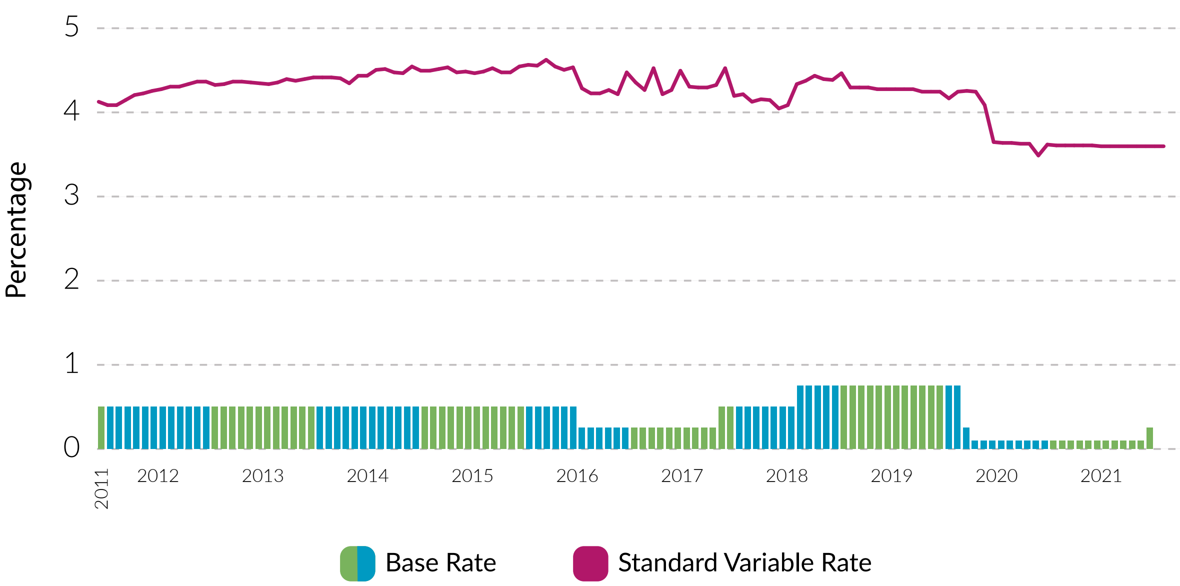
In November 2017 interest rates were raised to 0.5% and from August 2018 were raised to 0.75%, as a consequence of improved economic conditions and lower inflation.

At the start of 2020, the Monetary Policy Committee voted to maintain interest rates at 0.75% due to the global economic stabilisation and concerns regarding Brexit diminishing. It was however highlighted that with the outbreak of Coronavirus and the resultant economic impact the situation would need to be closely monitored.

As a direct consequence of the impact of Coronavirus on the UK economy, the Monetary Policy Committee made emergency cuts in interest rates, to 0.25% (11th March 2020) and 0.1% (19th March 2020) in an effort to try and mitigate the economic decline. Interest rates were raised to 0.25% in December 2021. Further increases may be expected given the high levels of inflation being experienced.

Base Rate v Standard Variable Rate, December 2011 to December 2021

Source: Bank of England



Inflation

Consumer Price Index (CPI) rates increased over the months following the June 2016 Brexit vote, reaching 3.1% in November 2017, its highest level since March 2012, driven in the main by the fall in value of the pound following the vote to leave the EU.

During 2018 CPI rates gradually fell from 3% in January to 1.8% 12 months later, becoming more aligned with the Government's 2% target rate. This held steady around the 2% level for the first half of 2019. As at December 2019, inflation fell to its lowest rate in three years, standing at 1.3%. At 1.3% this was some way beneath the Government's 2% target and prompted speculation of an interest rate cut.

However, inflation rose to 1.8% in January 2020, driven by increases in petrol and house prices. Despite the level of inflation being in line with the Government target, interest rates were cut, however this came as a direct consequence of the impact of Coronavirus with all sectors being affected by the reduction in trading levels and consumer activity.

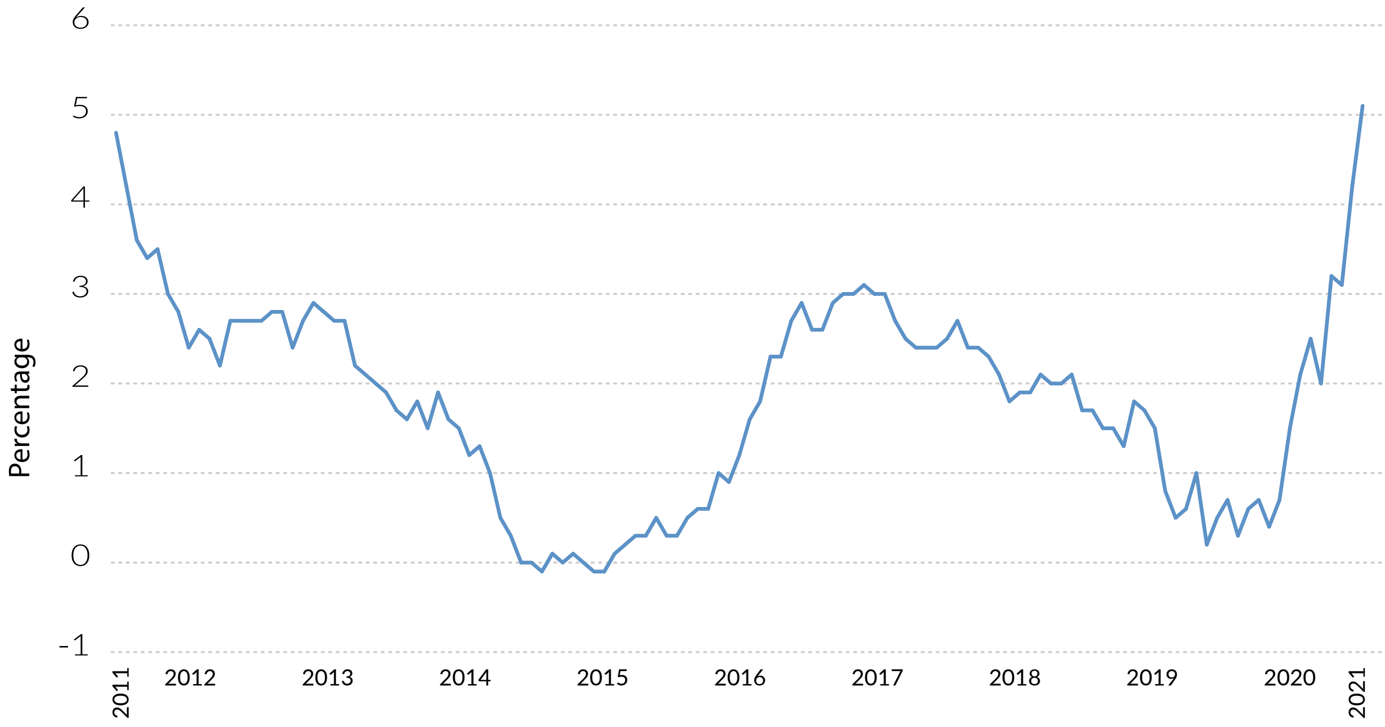
From April 2020 inflation fell beneath 1.0% and continued at these low levels until April 2021 when it rose to 1.5%, rising again to 2.1% in May and 2.5% in June, coinciding with the reopening of the economy and increased consumer activity after the lockdown during Q1 2021. The main drivers behind the increase resulted from higher prices for food, second hand cars, clothing and footwear, and eating and drinking out.

In recent months there have been increased pressures on the supply change and energy sectors which has driven inflation to levels not experienced in the last decade. As at November 2021 CPI rates were at 5.1%, having risen from 4.2% in October. This has been driven principally by increases in petrol, gas and electricity prices.

Retail Price Index (RPI) rates have also grown significantly in the past 12 months from 0.9% in November 2020 to 7.1% in November 2021.

CPI Rates, November 2011 to November 2021

Source: ONS



Unemployment

Following the 2008/9 recession, unemployment levels gradually declined as the economy recovered, falling from c.8% to c.4% in 2019/2020. This came despite the uncertainty following the UK's vote to the leave the EU in June 2016 at which point there was concern over whether companies would put a freeze on hiring or even relocate outside the UK and concerns arose in the hospitality sector as to the impact on recruitment and staff retention given the reliance on EU nationals working in this sector in the UK.

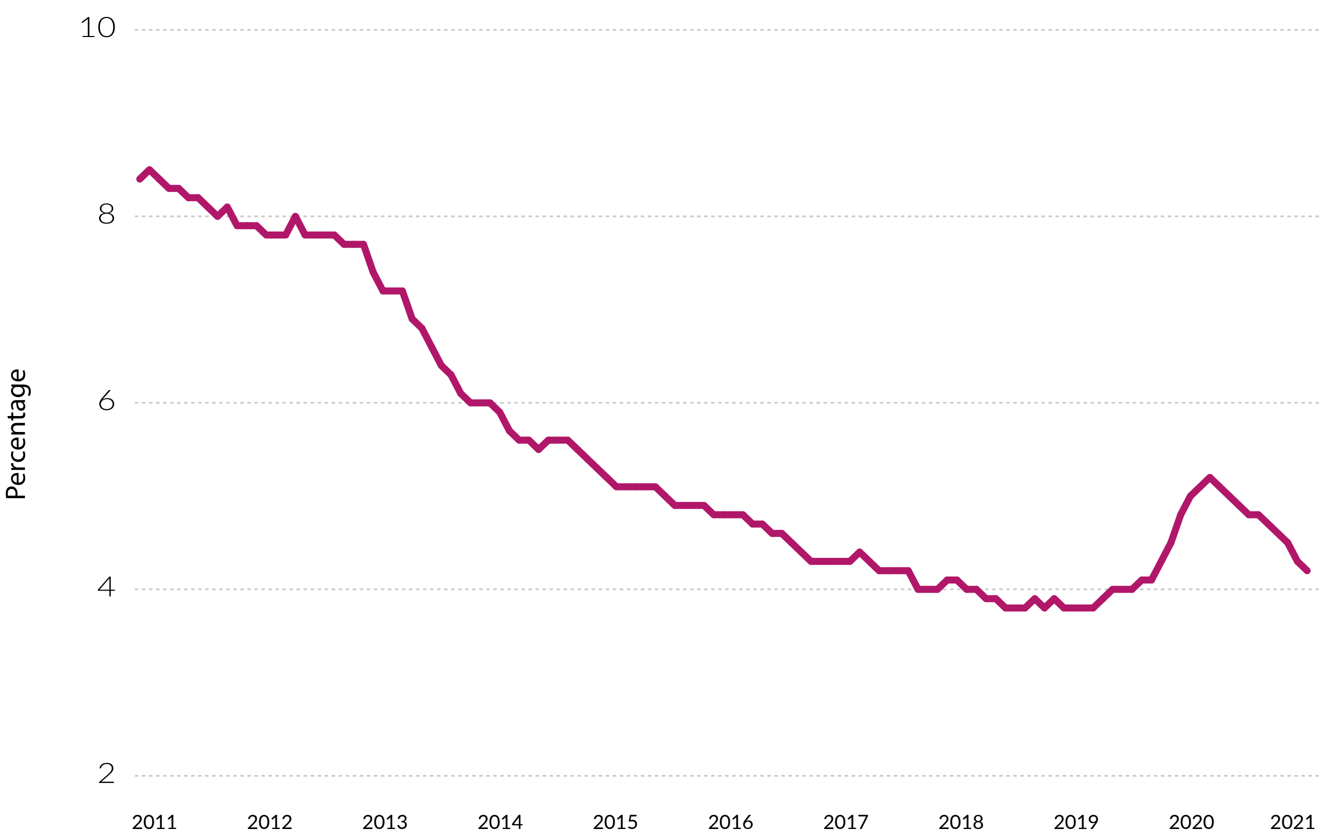
2019 unemployment levels also remained resilient in the face of wide spread closures, CVAs and administrations across the retail and restaurant sectors. House of Fraser was the notable administration of 2018. 2019 saw Debenhams and HMV fall to the same fate, entering administration and with store closures following.

Prior to the pandemic, unemployment rates were at record low levels, showing only a marginal rise from 3.8% in December 2019 to 4.0% in February, March and April 2020. Following the onset of the pandemic, unemployment levels rose, reaching 5.1% in December 2020, a level not seen since Q4 2015 and Q1 2016. Since the start of 2021 unemployment rates have declined continually to a rate as at October 2021 of 4.2% marking an improvement in employment prospects aligned with improvements in the economy generally and the loosening of Covid-19 restrictions. This comes despite the fears that the ending of the furlough scheme from October 2021 would result in widespread redundancies and increased unemployment. A rise in part time work has contributed to the lower unemployment levels.

In recent months there have been shortages of staff in the hospitality sector, with demand for staff strong against a shortage of candidates. This has fuelled wage growth as companies compete to secure staff.

Unemployment Statistics, October 2011 to October 2021

Source: Trading Economics



Consumer Confidence

The Consumer Confidence Index is an indicator designed to measure the degree of optimism that consumers feel about the overall state of the economy and their personal financial situation. At the height of the credit crunch in 2008 the index stood at -39.

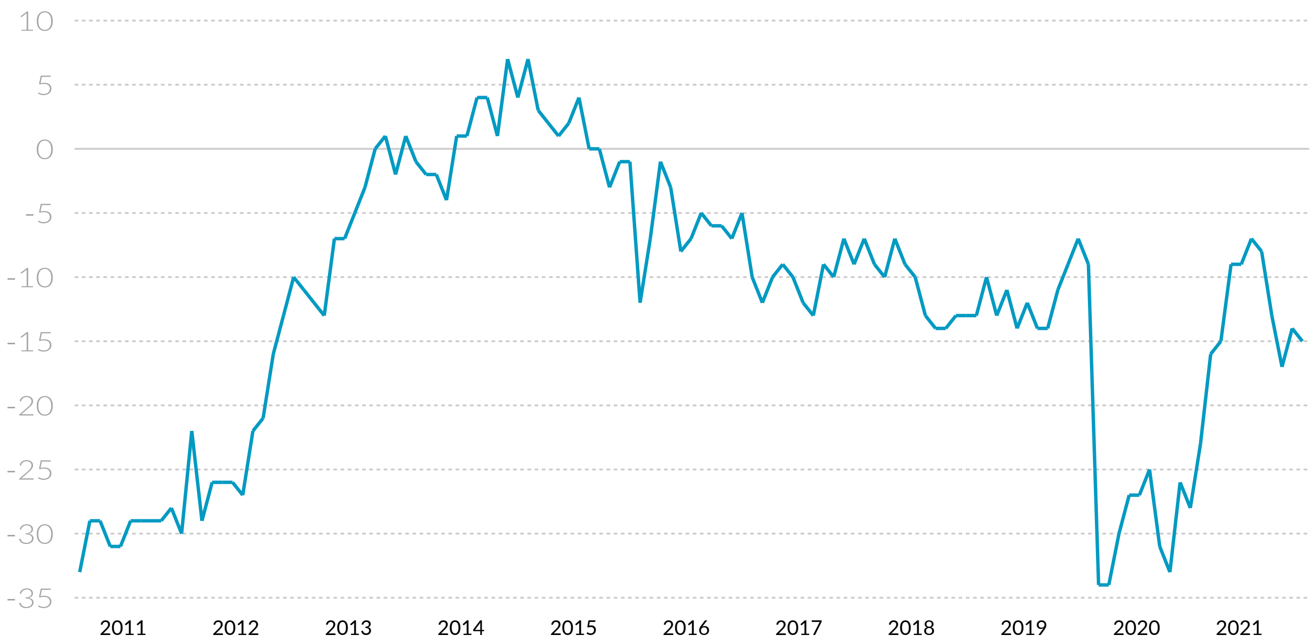
During 2015 the Consumer Confidence Index rose back to the levels seen prior to the 'credit crunch', fuelled in part by low interest rates, low inflation, improved wage growth and improved employment conditions.

The index fell to -12 in July 2016, down from -1 in June, at the time being the sharpest fall in 26 years and the lowest level since the end of 2013 and considered to be a direct consequence of the decision by the UK to leave the EU following the vote at the end of June 2016.

After the General Election in December 2019 confidence improved with a rise from -14 to -9 however with the onset of the Covid-19 pandemic this fell dramatically to -34 in April 2020, close to levels last seen during the 2008/9 recession. The index remained at similar levels over the months that followed, particularly with the onset of Lockdown 2, however post December 2020 there was a gradual improvement. The index as at July 2021 stood at-7, marking a return to pre-Covid levels. However since this time confidence has fallen again and now stands at -15 as at December 2021 with consumers concerned about Omicron, increased living costs and potential interest rate rises.

Consumer Confidence Index, December 2011 to December 2021

Source: Trading Economics



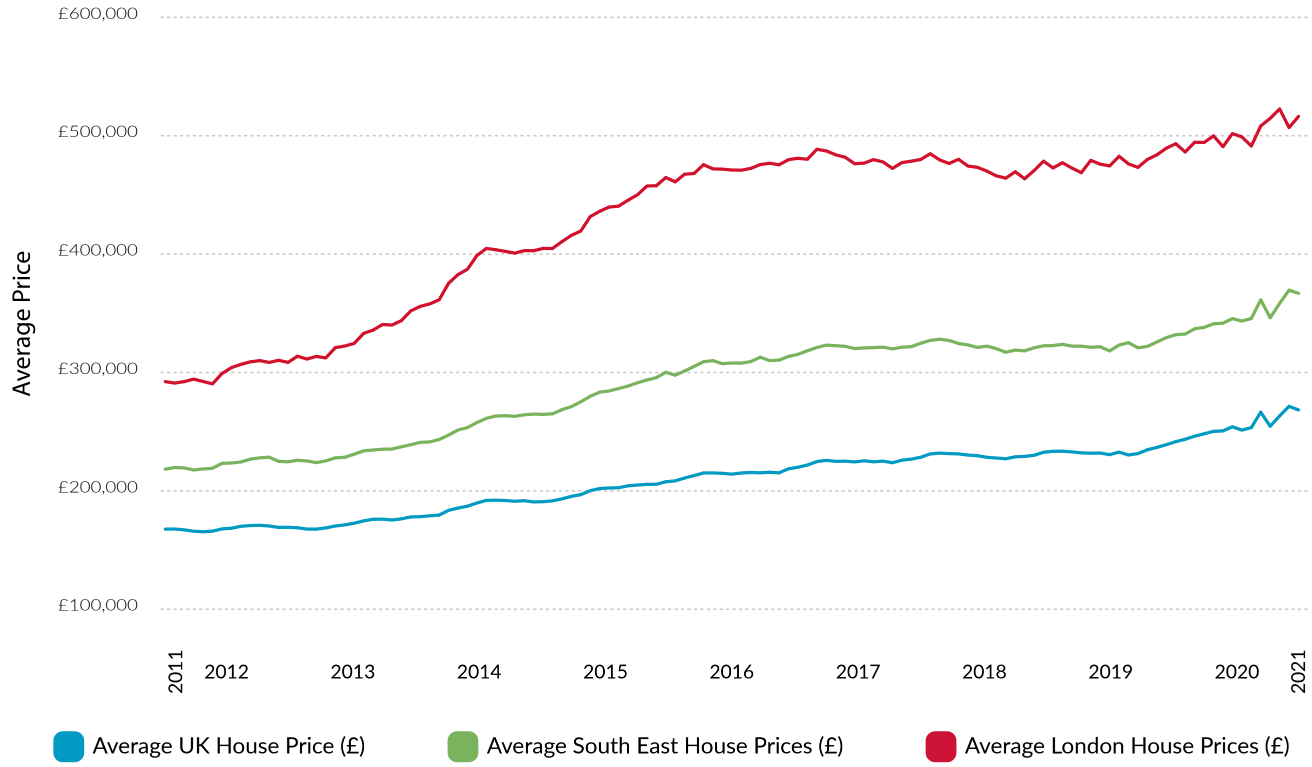
Housing Market

Following the December 2019 election, the RICS reported improved sentiment in the housing market and sales increased for the first time in seven months, driven by increased activity in London and the Southeast. This continued with a second month in a row of increased sales in January 2020. Reduced uncertainty regarding the election and Brexit underpinned this activity. Affordability however remained a challenge, particularly for young adults with house prices high compared to incomes.

Brexit and political uncertainty reduced only for the housing market to then be faced with the impact of the Coronavirus pandemic. As part of the first lockdown the Government effectively froze the market, prohibiting estate agents from undertaking in-person viewings and valuations. This resulted in the lowest level of sales (April 2020) since records began in 2005.

Average House Prices - October 2011 to October 2021

Source: Land Registry. Contains HM Land Registry data © Crown copyright and database right 2020. This data is licensed under the Open Government Licence v3.0.



After the first lockdown restrictions were lifted there was a surge in the number of properties being put on the market for sale, the highest level since March 2008, and there was increased activity with people living in London and the southeast looking to move further out as home working became easier and more acceptable by employers.

During the first lockdown, mortgage offers were granted extensions beyond the standard 3 month period in order to assist purchasers in transactions and some banks granted customers mortgage holidays to help them through the period. At the height of the pandemic in the UK a number of banks withdrew mortgage products from the market and some increased the minimum deposit level required in order to access a mortgage. With the reopening of the housing market, the mortgage market also started to widen again.

In an effort to reinvigorate the housing market, Stamp Duty was cut to 0% on houses up to £500,000 until 31st March 2021. This was later extended to 30th June 2021. From 1st July 2021 the threshold reduced to £250,000 and returned to the original level of £125,000 from 1st October 2021.

According to the Land Registry, the average house price in the UK as at October 2021 was £268,349, an annual increase of 10.2%. In England the average price was £285,113, an annual increase of 9.8%.

This strong growth has been driven by the Stamp Duty reduction, low interest rates and increased relocations arising out of more flexible working. On a regional level, the strongest house price growth was seen in the East Midlands (11.67%), East of England (11.17%) and Yorkshire & The Humber (11.08%). The lowest level of growth was seen in London at 6.19%.

The strong growth is cited as being the fastest growth in 15 years. Such growth however impacts on affordability for first time buyers.

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PUB SECTOR COMMENTARY

Q1 2022

Sector Composition

The public house industry has two broad operational models.

- Managed Houses, held on either a leasehold or a freehold basis, are typically the biggest and best operations. They are mainly owned by the larger companies, employing on-site management and operational staff.

  Managed houses tend to occupy larger sites in strong trading locations, often in town centres and suburban areas or within leisure and retail parks. With the shift in focus towards increased food sales in recent years, more rural locations have also proven increasingly appealing and several managed house pub companies have increased their presence in these locations and created destination food-led venues.

  Managed House operators retain total control over the operational style of the business, the products sold, marketing and income generation together with the operational costs. Significant economies-of-scale are possible through group ownership and operation, and in turn these units produce the highest level of sales and profitability in the sector.

- Tenanted/Leased sector offers a cheaper entry into the market and are more commonly operated, and indeed more appealing to independent and small multiple companies and individuals (as tenants). In this instance the landlord receives a core 'dry' rent plus additional wholesale profit, the 'wet' rent. The 'dry rent' is agreed between the parties at the inception of the lease or at rent review and reflects the lease terms and scope of the product tie. The 'wet rent' is the margin made by the landlord in the supply of the tied products (this element of the rent moves with turnover).

MANAGED

J·D WETHERSPOON · Mitchells & Butlers · OAKMAN INNS · YOUNG'S · RedCat PUB COMPANY

MANAGED & TENANTED

stonegate PUB COMPANY · GREENE KING · MARSTON'S · PUNCH · FULLER'S

TENANTED

admiral TAVERNS · WELLINGTON PUB COMPANY · star PUBS & BARS · ROBINSONS

Current Market Overview

If you were to believe everything the press had reported over the past two years, you would be forgiven for thinking that the pub industry had fallen to its knees, poured its last pints and would never recover. The reality is quite the opposite. Indeed as we start 2022, whilst there have of course been some casualties, and possibly there will still be more to come as a consequence of the Covid-19 pandemic, the positive stories of the post pandemic bounce have become widely reported and the pub industry is showing strong signs of a return to the buoyant sector it was pre-pandemic. The sector is somewhat bruised but certainly not broken.

It goes without question that the enforced closure of pubs and the imposition of restrictions on trading resulted in periods of highly reduced trade and at times no trade. Outside of these periods however the story is somewhat different, albeit there is significant polarisation in this. Pubs in larger commercial towns and city centres, reliant on office worker trade, and particularly those which are wet focussed, have borne the brunt of the work from home directive and the ongoing reduction in office workers and tourist footfall. In contrast to this, pubs in smaller residential towns and villages and destination locations, particularly food focussed pubs, have reaped the benefits of the shift to more homeworking, staycation holidays and higher levels of local footfall and a more local regulars customer base.

The trading results coming from many of the medium and larger operators have demonstrated this and proven that the role and place of the pub remains an integral part of the British culture and lifestyle.

Pent up demand and a desire to be out and about socialising has outweighed concerns over the virus, and during 2021 this was aided by a highly successful vaccine roll out giving many customers restored confidence. The 'Eat Out To Help Out' initiative in August 2020 and VAT reduction in the second half of 2020 and throughout 2021 certainly helped fuel strong customer demand.

Trading results outside of lockdown affected periods for some companies, particularly food-led companies such as Oakman Group and Upham Inns, have been extremely positive. Upham Inns, the operator of 15 food led pubs, most with letting bedrooms, across the south of England, reportedly achieved EBITDA in the period June to September 2020 in excess of the same period in 2019. Similarly, for the period June to November 2021 total like for like net sales were up 31% on 2019 levels. Oakman Inns, the rapidly expanding food-led pub operator, with 35 sites, most of which are in the south of England Home Counties and in destination locations and commuter belt towns (with the exception of the recently acquired six Seafood sites in the north of England), reported positive trading results for the 13 weeks to 4th October 2020, covering the first post lockdown period of 2020, with total like for like sales across 23 sites up 25.4%. On a like for like basis wet sales were up 12.7% and dry sales were up 45.5%, rooms were down 52.3%. Marstons Plc, the operator of 1,500 sites across the UK, the vast majority of which are located in suburban locations outside of London, reported that sales during the period 25th July 2021 to 2nd October 2021 across their managed and franchised pubs were 2% higher than in 2019 and that overall, since 12th April 2021 through to 2nd October 2021 sales were at 94% of 2019 levels. For J D Wetherspoon, whilst their trading update for the 15 weeks to 7th November 2021 reports an improved trading picture compared to previously, like for like sales remain down -8.9% on 2019 levels. The results also indicate that trade

has improved in their city centre locations which were worst hit by the pandemic, whilst suburban site sales declined. Youngs' half year results for the 26 weeks to 27th September 2021 also showed a much improved trading picture with total managed house sales only 1% beneath 2019 levels.

Despite an uncertain end to 2021 following the emergence of the Omicron variant and the introduction of some temporary restrictions and requirements, 2022 has started positively. The Government held its nerve and continued to hold off imposing further restrictions, to the relief of operators and the public alike, and since late January the temporary restrictions have been lifted, including the recommendation to work from home where possible. This has resulted in an uptick in the number of commuters. It is however unlikely that there will be a return to 5 day office working and for town and city centre pubs reliant on office worker trade this could continue to place pressures financially given many such pubs will have been leased or acquired based on pre-pandemic trading levels. This will likely be borne out in profit erosion but equally by way of reduced rental growth for investor owners in the short to medium term. Conversely for suburban and destination pubs, the opposite could become true.

Operators are also facing additional indirect pressures associated with the pandemic as well as from other external factors. Increased testing at the end of 2021 and in to 2022 combined with the current variant being more contagious, resulted in increased infection numbers and as a consequence high numbers of people in temporary isolation. This impacted on the staffing of businesses across all sectors. Whilst the isolation period has been reduced to 5 days (subject to other criteria being met) in order to ease this strain it presents an ongoing stress for many businesses. This comes on top of the staff shortages across the leisure and hospitality sectors which has resulted in strong wage growth and competition for staff.

The Business Rates revaluation in 2017 resulted in significant redistribution of the rates liability across the country with many smaller northern pubs benefitting from reduced rates bills or being taken out of rating all together, but many larger southern operations seeing significant increase in rates liability, the initial impact of which was softened to some extent by transitional relief. As part of the Government's Covid-19 support package, business rates were suspended for the retail, hospitality and leisure sectors for the year to April 2021. The suspension was extended until June 2021 and thereafter business rates became payable at two thirds of the full amount to a maximum of £2m for closed businesses, and to a lower cap for businesses which have been able to reopen. For the year 2022/23 business rates for the leisure and hospitality sectors are to be at 50% of the full levels for a period of 12 months, subject to a cap at £110,000. This business rates relief is going some way to offset some of the increased costs being experienced in wage costs and also in energy costs which are expected to increase significantly over the coming months.

Despite a difficult couple of years, 2021 and the start of 2022 has demonstrated that the pub sector remains an attractive sector. There has been strong appetite across the investment and corporate acquisitions markets, as well as for individual site acquisitions, particularly from well capitalised multi-site operators.

Image © Ewan Munro, 2008

Investment yields for prime assets in strong locations with index linked rental growth have frequently achieved sub 5% net initial yields and ostensibly show no signs of having weakened as a result of the pandemic. An underlying belief in the sector and the pent up consumer demand is likely to have underpinned this level of confidence across the investment market place. The sought after characteristics remain good quality tenant covenants such as Stonegate Group and J D Wetherspoon, long unexpired lease terms and rental incomes with fixed annual increases, indexation and sometimes with open market rent reviews in addition. Location is not the critical factor but there does appear to be a southeast bias at present. Notable transactions include the sale of the Fox on The Green in Islington in October 2021 reflecting a 3.5% net initial yield and more recently, the sale of the Wells Tavern in Hampstead in January 2022 for a sum reflecting a 2.9% net initial yield.

Away from the private investment sphere, corporate investment activity also resumed. In July 2021 Punch Pubs & Co acquired 56 of 63 tenanted pubs from Youngs' Ram Pub Company for a sum of £53m. Soon after this, in December, Fortress Capital acquired Punch Pubs & Co from Patron Capital Partners. The sum paid is undisclosed but rumoured to be in the region of £1bn. Also in July 2021 Admiral Taverns acquired Hawthorn, the community pub company, previously owned by New River REIT, for a sum of £222.3m. The portfolio comprised 674 tenanted, leased and operator managed sites.

Back in early 2019, the Ei Group free of tie pub estate was sold to Tavern Prop Co, owned and managed by American firms, Global Mutual and Davidson Kempner Capital Management. This marked their first investment in the UK pub market. Two and half years on, the owners have now entered in to a joint venture with London based leasehold bar and pub operator Urban Pubs and Bars to help drive the growth of the company. Soon after this Urban Pubs and Bars acquired 13 pubs and bars from London based BarWorks, taking the portfolio to 34 sites.

A further notable activity in the sector has been the creation of Nightcap. Nightcap's focus is on the drinks focused and late night bars sectors with the first acquisition in January 2021 of 10 strong London Cocktail Club for £5.7m. At the same time the company announced its Initial Public Offering and soon floated on the Alternative Investment Market. Later in the year the company acquired Barrio Familia Ltd, the owner of the five strong bar group operating primarily as Barrio Bars, with sites across London. The price paid was £4.935m. This followed the acquisition of Adventure Bar Group earlier in the year. Adventure Bar Group operated three sites in London. The price paid was believed to be £2.5m.

Image © Ewan Munro, 2018

Owner-operator acquisitions have also proven surprisingly robust, but again for well capitalised, often investor backed companies. In early 2021, RedCat Pub Company was created, headed up by former Greene King CEO, Rooney Anand, and with £200m of backing from American private equity investment firm, Oaktree. Rooney Anand was reported as saying in early December 2021 that they were taking a "half billion pound bet on the pub industry". The sentiment was clear and their ambition strong. In March 2021, RedCat acquired 42 sites from Stonegate. The sites were brought to the market as a consequence of the requirements imposed by the Competition and Markets Authority following Stonegate's acquisition of Ei Group in 2019. August 2021 saw RedCat acquire the 18 strong Coaching Inn Group which operates coaching inns across England and Wales, particularly in market towns. The price paid is undisclosed but believed to be in the region of £50m. In December 2021 RedCat acquired Pie & Pint, the operator of three sites in Essex, for an undisclosed sum. In addition to this there have been acquisitions of a number of individual sites in recent months.

Oakman Inns have also continued to expand as they seek to reach a portfolio of 40 sites. In March 2021 the company acquired the food led pub operator Seafood Pub Company (in administration) which operated six long leasehold sites across the north of England. In March 2021, the company acquired the leasehold interest in the Woburn Hotel from The Bedford Estate. This marked a continued foray into pubs with letting bedrooms. Over the course of 2021, the company also acquired the Grand Junction in Tring and the Grand Junction in Buckingham as well as the Rose in Wokingham, bringing the company close to its 40 site target.

The next 12 months will be pivotal for the pub sector. Much relies on the ongoing emergence from the pandemic and it is hoped that after two years the "end" is finally in sight. Whilst there does remain some uncertainty the overriding feeling is one of the pub industry remaining a robust investment and operational sector.

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A4. COST ASSUMPTIONS

Outline Construction Cost Plan

Redevelopment of The Blue Lion, Clerkenwell To create 7 x apartments and reconfigured commercial space

Prepared for	Lambournes Surveyors Ltd
Prepared by	Aspect Property Consultants & Surveyors Ltd.
Date	July 2022
Reference	1046
Revision	1

CONTENTS

1. Introduction

1.1 Instructions Received

This report has been prepared by Aspect Property Consultants & Surveyors Ltd ("Aspect") at the request of Lambournes Surveyors Ltd (the "Client").

We have been instructed to prepare an feasibility cost plan in connection with the proposed redevelopment of The Blue Lion Pub, Clerkenwell (the "Project") based upon the drawings and information prepared by Ackroyd Lowrie Architects.

We have assumed that the Project will be delivered using a competitive procurement process and, therefore, Aspect strongly recommends that cost plans are prepared at each of the key design milestones.

Information related to the Project for the purposes of this report was received on 01st July 2022.

1.2 Report Reliance

This report is for the sole and confidential use and reliance of the client. Aspect, its Directors, staff or agents do not make any representation or warranty as to the factual accuracy of the information provided to us on behalf of the Client or other third-party consultants or agents.

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1.3 Report Purpose

The purpose of this report is to provide an initial order of cost for construction based on the information available at the time of writing.

The opinion expressed in this report has been prepared without the benefit of detailed architectural, mechanical, electrical or processing system drawings and should, therefore, be considered a feasibility estimate. Where relevant information is not yet know or not available, we have made assumptions based upon our experience of similar projects. Our assumptions have been stated in the elemental cost plan.

We recommend updated cost plans are prepared in line with the development of the design.

2. Executive Summary

2.1 Project Description

The proposal comprises the development of the site known as The Blue Lion Pub, Clerkenwell to construct additional accommodation to provide 7 residential apartments on the 1st to 5th floors and reconfigured commercial space on the lower ground and ground floors.

The site measures approx 190m2 and is fully built-upon. The existing building comprises a five storey building (lower ground, ground and 1st to 3rd floors) commercial (and ancillary accommodation) occupying all floors. The existing building is fronts onto Grays Inn Road to the North-East and Brownlow Mews to the South-West. The existing building is mid-terraced between buildings either side to be retained. The surrounding areas are of mixed used with commercial, retail and residential.

Based upon the initial drawings prepared by Ackroyd Lowrie architects, the proposed redevelopment can be summarised as the substantial demolition of the existing building with retained facades to the front (up to 3rd floor) and rear (ground floor only), reconstruction of a 7-storey building (lower ground, ground and 1st-5th floors) within the retained facades and Party Walls of the adjoining buildings. It is assumed the building would be steel framed supported of piled foundations, Slimflor RC floor and roof slabs, RC stairs and blockwork lift shafts. New external walls would comprise SFS infill walling with an external leaf of brick, and other areas with render behind a micro-perforated steel rainscreen. Internal core walls will be blockwork and all other internal walls will be lightweight metal framed partitions. We assume painted softwood / MDF joinery and internal doors. Services will include ASHP providing heating and hot water, small power, lighting, MVHR ventilation systems, domestic sprinkler systems, mechanical smoke ventilation in additional an AOV to the head of the stairs, TV / Sat distribution, telephone / fibre broadband distribution and audio / video door entry system.

Refer to our assumptions in section 3 and exclusions in section 4 for further information.

2.2 Elemental Summary

The project budgets have been broken out elementally and included within the Appendices of this report, the visual representation of budget allocation can be seen below:

	Element	Qty	Units	Unit Rate	Cost	Cost per m2 GIA	%
0	**FACILITATING WORKS**						
	Subtotal				*25,000*	*26*	*1%*
1	**SUBSTRUCTURE**						
	Subtotal				*141,650*	*146*	*4%*
2	**SUPERSTRUCTURE**						
	Subtotal				*905,711*	*935*	*25%*
3	**INTERNAL FINISHES**						
	Subtotal				*237,804*	*245*	*7%*
4	**FIXTURES, FURNISHINGS AND EQUIPMENT**						
	Subtotal				*137,060*	*141*	*4%*
5	**SERVICES**						
	Subtotal				*680,900*	*703*	*19%*
6	**COMPLETE BUILDINGS AND BUILDING UNITS**						
	Subtotal				*-*	*-*	*0%*
7	**WORK TO EXISTING BUILDINGS**						
	Subtotal				*165,380*	*171*	*5%*
8	**EXTERNAL WORKS**						
	Subtotal				*175,860*	*181*	*5%*
	Works Cost Estimate				**2,509,265**		
10	**MAIN CONTRACTOR'S PRELIMINARIES**						
	Subtotal				*451,668*	*466*	*13%*
11	**MAIN CONTRACTOR'S OVERHEADS**						
	Subtotal				*200,741*	*207*	*6%*
12	**PROJECT / DESIGN TEAM**						
	Subtotal				*213,288*	*220*	*6%*
13	**OTHER DEVELOPMENT / PROJECT COSTS**						
	Subtotal				*-*	*-*	*0%*
14	**RISK**						
	Subtotal				*188,195*	*194*	*5%*
15	**INFLATION**						
	Subtotal				*-*	*-*	*0%*
						£/m2	
	TOTAL				**3,563,156**	**3,677**	
	Units				**7**	**509,022**	**£/unit**
	GIA				**969**	**3,677**	**£/m2**

3. Assumptions

Due to the limited information made available at this stage, we have made the following assumption in preparing this cost plan:

Substructure

- CFA piling with pile caps
- RC lower ground floor slab
- RC lift pits

Superstructure

- Steel frame
- Slimflor RC upper floor and roof slabs
- Blockwork lift shaft, staircore and riser walls
- RC stairs
- Timber stairs to duplex unit
- Steel handrails
- SFS infill walling with brick outer leaf
- SFS infill walling with rendered EWI outer leaf with microperforated steel rainscreen cladding
- Single ply membrane to roofs
- PPC aluminium copings and fascias
- PPC aluminium slim frame contemporary windows
- PPC aluminium heritage windows
- Timber replacement sash windows
- Lightweight metal partitions and party walls

Finishes

- Screed to floors
- MF ceilings
- Plasterboard to walls and partitions
- Tape and jointing to walls and ceilings
- Emulsions to walls and ceilings
- Wood flooring to living rooms, kitchens, hallways
- Edge fixed carpet to bedrooms
- Tiling to bathroom / ensuite floors
- Tiling to all bathroom / ensuite walls
- Veneer moulded doors
- MDF skirtings, architraves and window boards
- High traffic carpet to communal areas
- Epoxy paint to bin / bicycle stores

Fixtures

- Built-in bespoke kitchens
- Integrated appliances inc oven, induction hob, extractor, microwave, fridge freezer, dishwasher and washer drier
- Composite or quartz worktops with upstand and splashback
- Built-in wardrobe to each bedroom
- Bicycle racks

- Commercial kitchen fit-out
- Commercial bar servery fit-out
- Commercial customer WCs
- Commercial DDA compliant WC

Services

- Sanitaryware inc wall-hung WCs, bath with shower, wall-hung basin
- Showers with glass enclosures to en-suites
- Air source heat pumps providing heating to UFH and hot water
- MVHR centralised ventilation
- LED downlighting throughout
- Automatic detection to AOV smoke vent to stairwell
- Mechanical smoke ventilation to lobbies
- Automatic detection and warning within flats
- Domestic sprinkler systems within flats
- Lightning protection system
- Dry riser
- 13 person MRL lifts
- TV / satellite distribution system
- Phone / fibre broadband distribution system
- Audio & video door entry system
- Commercial kitchen extract ventilation

External Works

- Porcelain tiles to roof terraces
- Painted steel balustrades to terraces
- Planting to borders and dividers

4. Exclusions

The following items are excluded from the Cost Estimate and may need to be considered as part of the overall financial appraisal of the project:

- Loose fixtures and fittings
- Curtains and blinds
- Artworks
- Inflation
- Land Acquisition and associated costs
- Value Added Tax
- Other Taxes
- Commuted Sums
- Statutory Fees
- Legal and Agency Fees
- Finance Costs
- Section 106 Costs
- CIL costs
- Section 278 Costs
- Costs associated with satisfying Training & Employment requirements
- Costs associated with “BREEAM” or any other certification
- Decanting costs
- Rights of light issues and compensation
- Specific phasing of the works
- Party wall compensation
- Crane over-sail licences and compensation
- Out of hours working
- Ecological and Archaeological considerations / measures
- Maintenance of M&E installation and landscaped areas
- Marketing suite
- Any works outside of the site boundary
- Site promotion boards
- Insurances
- Temporary car parks
- Road closures
- Excavation in rock
- Renewable energy systems
- SUDs measures

5. Accommodation Schedule

The gross internal floor areas of the project are based upon the architects GA areas and can be summarised as follows:

Existing by Floor:

Floor	Area	Use
3rd Floor	54	Accommodation
2nd Floor	54	Accommodation
1st Floor	87	Kitchen and accommodation
Ground floor	190	Commercial trade
Lower ground floor	190	Commercial storage
TOTAL	575	

Proposed by Floor:

Floor	GIFA	Saleable	Ancillary	%
5th Floor	76	61	15	80
4th Floor	100	78	22	78
3rd Floor	103	81	19	79
2nd Floor	150	126	24	84
1st Floor	160	136	24	85
Ground floor	190	115	75	61
Lower ground floor	190	167	23	88
TOTAL	**969**	**764**	**205**	**79**

Proposed Residential GIA:

Floor	Unit type	Type	GIA	Amenity
5th Floor	7	2b3p	61	9
4th Floor	6	3b4p	78	9
3rd Floor	5	3b4p	81	22
2nd Floor	4	1b2p	50	21
	3	3b4p	76	9
1st Floor	2	1b2p	50	15
	1	3b5p	86	10
TOTAL	**7**		**482**	**95**

6. Project Programme

We have not been provided with an construction programme.

Based upon our experience, we would expect the on-site duration to be in the region of 90 weeks.

7. Pricing

The estimate has been priced at current rates taking into account the size, location and nature of the project.

The unit rates utilised are considered competitive for a project of this type, bid under a fixed price, two-stage design and build in an open market, with a minimum of three bids, supported by the requisite number of sub-contractors.

The estimate allows for labour, material, equipment and other input costs at current rates and levels of productivity. It does not take into account extraordinary market conditions, where bidders may be few and may include in their tenders disproportionate contingencies and profit margins.

The costs have been benchmarked against recent projects we have been involved with along with BCIS tender indices.

Preliminaries have been allowed for at 18% of the construction costs, equivalent to 13% of the total cost and equates to approx. £5,000 per week on the basis of a 90 week programme. This takes into account the site constraints and logistical challenges associated with a Central London site location such as this, including scaffolding and gantry costs, craneage, parking bay suspensions, road closures, traffic management, congestion and ULEV charges etc.

Overheads and profit have been allowed at 8% of the construction costs, equivalent to 6% of the total cost.

Costs are based upon Q2 2022. No allowance has been made for inflation.

8. Fees, Contingencies and Risk

8.1 Fees

Pre-contract consultant fees have been allowed for at 3% of the construction cost. This assumes surveys, investigations and design fees up to RIBA Plan of Work stage 3 and securing planning consent.

Main contractor's pre-construction fees (assumes Design & Build contract) have been allowed for at 1.5% of the construction cost. This assumes early involvement of the Main Contractor under a Pre-Contract Service Agreement (PCSA).

Main contractor's design fees have been allowed for at 4% of the construction cost. This assumes the Main Contractor is responsible for design fees from RIBA Plan of Work stage 4 to 7.

The total of the above elements is equivalent to 6% of the total project cost.

8.2 Contingency and Risk

A design risk allowance at 2.5% of the construction cost has been allowed for. This is intended to cover unforeseen eventualities during design, such as legislative changes which may impact the design resulting in increased build cost.

A construction risk allowance at 5% of the construction cost has been allowed for. This is intended to cover unforeseen eventualities during construction such as obstructions in the ground, issues with incoming utilities etc.

The total of the above elements is equivalent to 5% of the total project cost.

9. Documents Reviewed

The list below confirms the information that we have reviewed in order to prepare our opinion contained within this report:

Ackroyd Lowrie Design and Access statement dated April 2022.

Ackroyd Lowrie drawings:

000's		EXISTING & DEMOLITION	
001	1:1250 @ A3	Location Plan & Site Plan	P1
010	1:100@A3 - 1:50@A1	Existing LGF Plan	P1
011	1:100@A3 - 1:50@A1	Existing GF Plan	P1
012	1:100@A3 - 1:50@A1	Existing 1F Plan	P1
013	1:100@A3 - 1:50@A1	Existing 2F Plan	P1
014	1:100@A3 - 1:50@A1	Existing 3F Plan	P1
015	1:100@A3 - 1:50@A1	Existing Roof Plan	P1
020	1:100@A3 - 1:50@A1	Existing East & West Elevations	P1
030	1:100@A3 - 1:50@A1	Existing Section AA	P1
031	1:100@A3 - 1:50@A1	Existing Section BB	P1
032	1:100@A3 - 1:50@A1	Existing Section CC	P1
033	1:100@A3 - 1:50@A1	Existing Section DD	P1
050	1:100@A3 - 1:50@A1	Demolition LGF Plan	P1
051	1:100@A3 - 1:50@A1	Demolition GF Plan	P1
052	1:100@A3 - 1:50@A1	Demolition 1F Plan	P1
053	1:100@A3 - 1:50@A1	Demolition 2F Plan	P1
054	1:100@A3 - 1:50@A1	Demolition 3F Plan	P1
055	1:100@A3 - 1:50@A1	Demolition Roof Plan	P1
060	1:100@A3 - 1:50@A1	Demolition East & West Elevations	P1
070	1:100@A3 - 1:50@A1	Demolition Section AA	P1
071	1:100@A3 - 1:50@A1	Demolition Section BB	P1
072	1:100@A3 - 1:50@A1	Demolition Section CC	P1
073	1:100@A3 - 1:50@A1	Demolition Section DD	P1
100's		**PROPOSED**	
100	1:100@A3 - 1:50@A1	Proposed LGF Plan	P1
101	1:100@A3 - 1:50@A1	Proposed GF Plan	P1
102	1:100@A3 - 1:50@A1	Proposed 1F Plan	P1
103	1:100@A3 - 1:50@A1	Proposed 2F Plan	P1
104	1:100@A3 - 1:50@A1	Proposed 3F Plan	P1
105	1:100@A3 - 1:50@A1	Proposed 4F Plan	P1
106	1:100@A3 - 1:50@A1	Proposed 5F Plan	P1
107	1:100@A3 - 1:50@A1	Proposed Roof Plan	P1
110	1:100@A3 - 1:50@A1	Proposed East & West Elevations	P1
111	1:100@A3 - 1:50@A1	Proposed South Elevations	P1
			P1
120	1:100@A3 - 1:50@A1	Proposed Section AA	P1
121	1:100@A3 - 1:50@A1	Proposed Section BB	P1
122	1:100@A3 - 1:50@A1	Proposed Section CC	P1
123	1:100@A3 - 1:50@A1	Proposed Section DD	P1

Appendix 1 - Elemental Cost Plan

The Blue Lion, Clerkenwell
Elemental Cost Plan Summary

		Element	Qty	Units	Unit Rate	Cost	Cost per m2 GIA	%
0		**FACILITATING WORKS**						
1		Toxic / hazardous material removal	1	item	25,000	25,000	26	
	1.1	*Asbestos removal*	*1*	*item*	*25,000*	*25,000*	*26*	
2		Major demolition works	0	item	-	-	-	
3		Specialist groundworks	0	item	-	-	-	
4		Temporary diversion works	0	item	-	-	-	
5		Extraordinary site investigation works	0	item	-	-	-	
		Subtotal				*25,000*	*26*	*1%*
1		**SUBSTRUCTURE**						
1		Foundations	1	item	141,650	141,650	146	
	1.1	*Reduced level dig and piling mat*	*190*	*m2*	*35*	*6,650*	*7*	
	1.2	*Piling rig set up and dismantling*	*1*	*item*	*15,000*	*15,000*	*15*	
	1.3	*Piling*	*190*	*m2*	*600*	*114,000*	*118*	
	1.4	*Lift pits*	*1*	*item*	*6,000*	*6,000*	*6*	
2		Basement excavations	0	m2	-	-	-	
3		Basement retaining walls	0	m2	-	-	-	
4		Ground floor construction	190	m2	39,900	39,900	41	
	1.1	*Basement floor slab*	*190*	*m2*	*210*	*39,900*	*41*	
		Subtotal				*141,650*	*146*	*4%*
2		**SUPERSTRUCTURE**						
1		Frame	1	item	179,265	179,265	185	
	1.1	*Steel frame*	*969*	*m2*	*185*	*179,265*	*185*	
2		Upper Floors	4819	item	163,590	163,590	169	
	2.1	*Upper floors*	*779*	*m2*	*210*	*163,590*	*169*	
	2.2	*Cantilevered balconies*	*0*	*m2*	*-*	*-*	*-*	
3		Roof	1	item	98,800	98,800	102	
	3.1	*Roofs*	*190*	*m2*	*240*	*45,600*	*47*	
	3.2	*Lift overrun*	*1*	*m2*	*3,200*	*3,200*	*3*	
	3.3	*Roof drainage*	*190*	*m2*	*30*	*5,700*	*6*	
	3.4	*Flat roof windows*	*2*	*item*	*3,200*	*6,400*	*7*	
	3.5	*Pitched roof windows*	*3*	*item*	*4,500*	*13,500*	*14*	
	3.6	*Copings*	*65*	*m*	*140*	*9,100*	*9*	
	3.7	*Fascias to balconies*	*80*	*m*	*110*	*8,800*	*9*	
	3.8	*Fall arrest system*	*1*	*item*	*6,500*	*6,500*	*7*	
4		Stairs and ramps	1	item	57,800	57,800	60	
	4.1	*Stairs to communal areas*	*8*	*item*	*5,400*	*43,200*	*45*	
	4.2	*Balustrades to communal areas*	*8*	*item*	*1,400*	*11,200*	*12*	
	4.3	*Stairs to duplex apartments*	*1*	*item*	*2,200*	*2,200*	*2*	
	4.4	*Balustrades to duplex apartments*	*1*	*item*	*1,200*	*1,200*	*1*	
5		External walls	1	item	148,845	148,845	154	
	5.1	*External walls to 1st and 2nd floor rear*	*195*	*m2*	*320*	*62,400*	*64*	
	5.2	*External walls to 3rd, 4th and 5th floor*	*153*	*m2*	*285*	*43,605*	*45*	
	5.3	*EO for microperforated wavy panels*	*153*	*m2*	*280*	*42,840*	*44*	
6		Windows and external doors	1	item	165,665	165,665	171	
	6.1	*Modern thin frame glass band*	*14*	*m2*	*900*	*12,600*	*13*	
	6.2	*Thin frame windows to rear roof extension*	*78*	*m2*	*900*	*70,200*	*72*	
	6.3	*Inward opening window behind metallic cladding*	*7*	*m2*	*800*	*5,600*	*6*	
	6.4	*Heritage windows to mews extension*	*32.4*	*m2*	*800*	*25,920*	*27*	
	6.5	*Replacement windows to mews elev*	*10.5*	*m2*	*800*	*8,400*	*9*	
	6.6	*Replacement sash windows to front elev*	*21*	*m2*	*800*	*16,800*	*17*	
	6.7	*Overhaul / replace pub doors front and rear*	*7*	*item*	*2,400*	*16,800*	*17*	
	6.8	*EO for acoustic laminated glass*	*169.9*	*m2*	*55*	*9,345*	*10*	
7		Internal and partitions	1	item	65,506	65,506	68	
	7.1	*Blockwork core walls inc lift shaft*	*108*	*m*	*252*	*27,216*	*28*	
	7.2	*Party walls*	*42*	*m*	*245*	*10,290*	*11*	
	7.3	*Internal partitions*	*175*	*m*	*160*	*28,000*	*29*	
8		Internal doors	1	item	26,240	26,240	27	
	8.1	*Flat entrance doors*	*7*	*item*	*520*	*3,640*	*4*	
	8.2	*Internal doors, fire rated*	*27*	*item*	*420*	*11,340*	*12*	
	8.3	*Internal doors, non fire rated*	*14*	*item*	*360*	*5,040*	*5*	
	8.4	*EO for pocket doors*	*4*	*item*	*220*	*880*	*1*	

		Element	Qty	Units	Unit Rate	Cost	Cost per m2 GIA	%
	8.5	*Circulation doors*	*5*	*item*	*480*	*2,400*	*2*	
	8.6	*Riser doors*	*5*	*item*	*420*	*2,100*	*2*	
	8.7	*Service doors*	*2*	*item*	*420*	*840*	*1*	
		Subtotal				*905,711*	*935*	*25%*
3		**INTERNAL FINISHES**						
1		Wall finishes	1	item	47,859	47,859	49	
	1.1	*Tape and jointing*	*969*	*m2*	*17*	*16,473*	*17*	
	1.2	*Emulsion to walls*	*969*	*m2*	*14*	*13,566*	*14*	
	1.3	*Tiling to bathroom walls*	*198*	*m2*	*90*	*17,820*	*18*	
2		Floor finishes	1	item	75,428	75,428	78	
	2.1	*Screed with acoustic membrane*	*969*	*m2*	*42*	*40,698*	*42*	
	2.2	*Wood flooring*	*273*	*m2*	*75*	*20,475*	*21*	
	2.3	*Carpet to bedrooms*	*180*	*m2*	*32*	*5,760*	*6*	
	2.4	*Tiling to bathrooms*	*28*	*m2*	*90*	*2,520*	*3*	
	2.5	*Carpet to communal areas*	*85*	*m2*	*60*	*5,100*	*5*	
	2.6	*Epoxy paint to service areas*	*25*	*m2*	*35*	*875*	*1*	
	2.7	*Floor covering to commercial area*	*0*	*m2*	*-*	*-*	*-*	
3		Ceiling finishes	1	item	64,923	64,923	67	
	3.1	*Acoustic MF ceilings*	*969*	*m2*	*42*	*40,698*	*42*	
	3.2	*Tape and jointing*	*969*	*m2*	*9*	*8,721*	*9*	
	3.3	*Emulsion to ceilings*	*969*	*m2*	*16*	*15,504*	*16*	
4		Joinery items	1	item	49,594	49,594	51	
	4.1	*Skirtings*	*969*	*m*	*14*	*13,566*	*14*	
	4.2	*Architraves*	*969*	*m*	*10*	*9,690*	*10*	
	4.3	*Window boards*	*67*	*m*	*34*	*2,278*	*2*	
	4.4	*Decorating joinery item*	*2005*	*m*	*12*	*24,060*	*25*	
		Subtotal				*237,804*	*245*	*7%*
4		**FIXTURES, FURNISHINGS AND EQUIPMENT**						
1		General fittings, furniture and equipments	1	item	127,200	127,200	131	
	1.1	*General fittings, furniture and equipments*	*16*	*item*	*2,800*	*44,800*	*46*	
	1.2	*Domestic kitchen inc appliances to 1bed flats*	*2*	*item*	*9,000*	*18,000*	*19*	
	1.3	*Domestic kitchen inc appliances to 2bed flats*	*1*	*item*	*11,000*	*11,000*	*11*	
	1.4	*Domestic kitchen inc appliances to 3bed flats*	*4*	*item*	*12,000*	*48,000*	*50*	
	1.5	*Signs and notices*	*9*	*item*	*600*	*5,400*	*6*	
	1.6	*Works of art*	*0*	*item*	*-*	*-*	*-*	
	1.7	*Equipment*	*0*	*item*	*-*	*-*	*-*	
2		Special fittings, furniture and equipments	1	item	3,600	3,600	4	
	2.1	*Bicycle racks*	*9*	*item*	*400*	*3,600*	*4*	
	2.1	*Internal mailbox bank*	*7*	*item*	*180*	*1,260*	*1*	
3		Internal planting	0	item	-	-	-	
4		Bird and virmin control	1	item	5,000	5,000	5	
		Subtotal				*137,060*	*141*	*4%*
5		**SERVICES**						
1		Sanitary appliances	1	item	68,580	68,580	71	
	1.1	*Sanitary appliances*	*11*	*item*	*5,200*	*57,200*	*59*	
	1.2	*EO for en-suite shower rooms*	*4*	*item*	*1,800*	*7,200*	*7*	
	1.2	*Sanitary fittings*	*11*	*item*	*380*	*4,180*	*4*	
2		Services equipment	0	item	-	-	-	
3		Disposal installations	1	item	8,721	8,721	9	
	3.1	*Foul drainage above ground*	*969*	*m2*	*9*	*8,721*	*9*	
4		Water installations	1	item	11,628	11,628	12	
	4.1	*Cold water distribution*	*969*	*m2*	*12*	*11,628*	*12*	
5		Heat source	0	item	-	-	-	
6		Space heating and air conditioning	1	item	53,606	53,606	55	
	6.1	*ASHP UFH heating & DHW to 1bed flats*	*2*	*item*	*4,100*	*8,200*	*8*	
	6.2	*ASHP UFH heating & DHW to 2bed flats*	*1*	*item*	*4,450*	*4,450*	*5*	
	6.3	*ASHP UFH heating & DHW to 3bed flats*	*4*	*item*	*4,800*	*19,200*	*20*	
	6.4	*Elec heating to communal areas*	*72*	*m2*	*28*	*2,016*	*2*	
	6.5	*Cooling*	*0*	*item*	*-*	*-*	*-*	
	6.6	*Air conditioning to commercial*	*282*	*item*	*70*	*19,740*	*20*	
7		Ventilation systems	1	item	27,400	27,400	28	

	Element	Qty	Units	Unit Rate	Cost	Cost per m2 GIA	%
7.1	MVHR 1bed flats	2	item	3,400	6,800	7	
7.2	MVHR 2bed flats	1	item	3,800	3,800	4	
7.3	MVHR 3bed flats	4	item	4,200	16,800	17	
8	Electrical Installations	1	item	55,556	55,556	57	
8.1	Mains and Sub-mains distribution	1	item	28,000	28,000	29	
8.2	Small power & lighting 1bed flats	2	item	2,900	5,800	6	
8.3	Small power & lighting 2bed flats	1	item	3,200	3,200	3	
8.4	Small power & lighting 3bed flats	4	item	3,400	13,600	14	
8.5	Small power & lighting communal	72	m2	14	1,008	1	
8.5	Small power & lighting commercial	282	m2	14	3,948	4	
9	Gas and other fuel installations	1	item	17,442	17,442	18	
9.1	Gas distribution	969	item	18	17,442	18	
10	Lift and conveyor installations	1	item	75,000	75,000	77	
10.1	Lifts	1	item	75,000	75,000	77	
11	Fire and lightning protection	1	item	125,686	125,686	130	
11.1	Fire detection and warning system	969	m2	12	11,628	12	
11.2	Mechanical smoke ventilation system	1	item	14,000	14,000	14	
11.3	AOV system	1	item	4,200	4,200	4	
11.4	Dry riser system	1	item	8,400	8,400	9	
11.5	Fire supression system	969	m2	82	79,458	82	
11.6	Lightning protection	1	item	8,000	8,000	8	
12	Communication, security and control systems	1	item	40,400	40,400	42	
12.1	Telephone / internet system	8	m2	300	2,400	2	
12.2	TV / sat systems	8	m2	900	7,200	7	
12.3	Door entry systems	8	item	1,600	12,800	13	
12.4	Intruder alarm systems	0	item	-	-	-	
12.5	CCTV systems	1	item	18,000	18,000	19	
13	Specialist installations	1	item	-	163,000	168	
13.1	Commercial kitchen	1	item	75,000	75,000	77	
13.2	Commercial kitchen extract system	1	item	12,000	12,000	12	
13.3	Commercial customer toilets	1	item	10,000	10,000	10	
13.3	Commercial DDA toilet	1	item	6,000	6,000	6	
13.3	Commercial bar servery	1	item	60,000	60,000	62	
14	Builders work in connection with services	4	%	484,019	19,361	20	
15	Testing and commissioning of services	3	%	484,019	14,521	15	
	Subtotal				*680,900*	*703*	*19%*
6	**COMPLETE BUILDINGS AND BUILDING UNITS**						
1	Prefabricated buildings	0	item	-	-	-	
	Subtotal				-	-	*0%*
7	**WORK TO EXISTING BUILDINGS**						
1	Minor demolitions works and alteration works	1	item	-	57,380	59	
1.1	Internal strip out	575	m2	35	20,125	21	
1.2	Demolish pitched roof coverings and structure	58	m2	65	3,770	4	
1.3	Demolish flat roofs (presumed timber)	153	m2	45	6,885	7	
1.4	Demolition of external walls to rear	172	m2	85	14,620	15	
1.5	Removal of upper floors (presumed timber)	385	m2	28	10,780	11	
1.5	Removal of stairs	4	item	300	1,200	1	
2	Repairs to existing services	1	item	-	8,625	9	
2.1	Isolate and strip out existing services	575	m2	15	8,625	9	
3	Damp proof courses / fungus and beetle eradication	0	item	-	38,875	40	
3.1	Tanking to basement walls and floor	190	m2	130	24,700	25	
3.2	Temporary weatherings to Party Walls	45	m2	135	6,075	6	
3.3	Flashings / weathering to existing	90	m2	90	8,100	8	
4	Façade retention	1	item	-	46,500	48	
4.1	Façade retention to Greys Inn Rd elev only	110	m2	350	38,500	40	
4.2	Temporary support to adjacent structures	1	item	8,000	8,000	8	
5	Cleaning existing services	0	item	-	-	-	
6	Renovation repairs	1	item	-	14,000	14	
6.1	Repairs to retained façade	140	m2	100	14,000	14	
	Subtotal				*165,380*	*171*	*5%*
8	**EXTERNAL WORKS**						

The Blue Lion, Clerkenwell
Elemental Cost Plan Summary

	Element	Qty	Units	Unit Rate	Cost	Cost per m2 GIA	%
1	Site preparation works	0	m2	-	-	-	
2	Roads, paths and pavings	1	item	11,400	11,400	12	
2.1	*Paving to terraces*	*95*	*m2*	*120*	*11,400*	*12*	
3	Planting	1	item	5,000	5,000	5	
3.1	*Planting to terraces*	*1*	*item*	*5,000*	*5,000*	*5*	
4	Fencing, railings and walls	1	item	54,400	54,400	56	
4.1	*Balustrades to balconies*	*68*	*m*	*800*	*54,400*	*56*	
5	Site / street furniture and equipment	0	item	-	-	-	
6	External drainage	1	item	7,752	7,752	8	
6.1	*Below ground drainage*	*969*	*m2*	*8*	*7,752*	*8*	
6.2	*Attenutation tanks*	*0*	*item*	*-*	*-*	*-*	
6.3	*Ancillary drainage*	*0*	*m*	*-*	*-*	*-*	
7	External services	1	item	97,308	97,308	100	
7.1	*Water mains supply*	*8*	*item*	*2,500*	*20,000*	*21*	
7.2	*Electric mains supply*	*8*	*item*	*2,500*	*20,000*	*21*	
7.3	*Gas mains supply*	*8*	*m*	*1,800*	*14,400*	*15*	
7.4	*Phone/ fibre broadband line*	*8*	*m*	*2,000*	*16,000*	*17*	
7.5	*Sewer connection*	*1*	*m*	*25,000*	*25,000*	*26*	
7.6	*Builders works in connection*	*2*	*%*	*95,400*	*1,908*	*98*	
8	Minor building works and ancillary buildings	0	item	-	-	-	
	Subtotal				*175,860*	*181*	*5%*
	Works Cost Estimate				**2,509,265**		
10	**MAIN CONTRACTOR'S PRELIMINARIES**						
1	Employer's requirements	0	item	-	-	-	
2	Main contractor's cost items	18	%	2,509,265	451,668	466	
	Subtotal				*451,668*	*466*	*13%*
11	**MAIN CONTRACTOR'S OVERHEADS**						
1	Main contractor's overheads	0	item	-	-	-	
2	Main contractor's profits	8	%	2,509,265	200,741	207	
	Subtotal				*200,741*	*207*	*6%*
12	**PROJECT / DESIGN TEAM**						
1	Consultant's fees	3	%	2,509,265	75,278	78	
2	Main contractor's pre-construction fees	1.5	%	2,509,265	37,639	39	
3	Main contractor's design fees	4.0	%	2,509,265	100,371	104	
	Subtotal				*213,288*	*220*	*6%*
13	**OTHER DEVELOPMENT / PROJECT COSTS**						
1	Other development / project costs	0	item	-	-	-	
	Subtotal				-	-	*0%*
14	**RISK**						
1	Design risks	2.5	%	2,509,265	62,732	65	
2	Construction risks	5	%	2,509,265	125,463	129	
3	Employer change risks	0	item	-	-	-	
4	Employer other risks	0	item	-	-	-	
	Subtotal				*188,195*	*194*	*5%*
15	**INFLATION**						
1	Tender inflation	0	item	-	-	-	
2	Construction inflation	0	item	-	-	-	
	Subtotal				-	-	*0%*
						£/m2	
	TOTAL				**3,563,156**	**3,677**	

ASPECT
CONSULTANTS

A5. APPRAISAL SUMMARY

Blue Lion

Blue Lion
London
England

Development Appraisal
Prepared by TCR
TCR
August 4, 2022
10:19:47 AM

Blue Lion

Appraisal Summary for Phase 1

Currency in £

REVENUE

Sales Valuation	**Units**	**m²**	**Sales Rate m²**	**Unit Price**	**Gross Sales**
Flat 1 - 3b5p	1	86.00	13,720.93	1,180,000	1,180,000
Flat 2 - 1b2p	1	50.00	15,400.00	770,000	770,000
Flat 3 - 3b4p	1	76.00	14,078.95	1,070,000	1,070,000
Flat 4 - 1b2p	1	50.00	15,600.00	780,000	780,000
Flat 5 - 3b4p	1	81.00	15,061.73	1,220,000	1,220,000
Flat 6 - 3b4p	1	78.00	14,743.59	1,150,000	1,150,000
Flat 7 - 2b3p	1	61.00	14,426.23	880,000	880,000
Totals	**7**	**482.00**			**7,050,000**

Rental Area Summary	**Units**	**m²**	**Rent Rate m²**	**Unit Amount**	**Rent at Lease Start**	**Rent At Sale**
	1	295.00	169.49	50,000	50,000	50,000

Investment Valuation

Capitalised Rent	50,000	Cap Rate	6.0000%	833,333
GROSS DEVELOPMENT VALUE				**7,883,333**
Purchaser's Costs			(48,333)	
Effective Purchaser's Costs Rate		5.80%		
				(48,333)
NET DEVELOPMENT VALUE				**7,835,000**
NET REALISATION				**7,835,000**

OUTLAY

ACQUISITION COSTS			
Residualised Price		940,434	
			940,434
Stamp Duty		37,022	
Effective Stamp Duty Rate	3.94%		
Agent Fee	1.25%	11,755	
Legal Fee	0.50%	4,702	
			53,479
Other Acquisition Costs			
Other Acquisition Costs	0.5000%	4,702	
			4,702

CONSTRUCTION COSTS

Construction	**m²**	**Build Rate m²**	**Cost**
	295.00	3,902.69	1,151,294
Flat 1 - 3b5p	101.18	3,902.69	394,874
Flat 2 - 1b2p	58.82	3,902.69	229,556
Flat 3 - 3b4p	90.48	3,902.69	353,115
Flat 4 - 1b2p	59.52	3,902.69	232,288
Flat 5 - 3b4p	103.00	3,902.69	401,977
Flat 6 - 3b4p	100.00	3,902.69	390,269
Flat 7 - 2b3p	76.00	3,902.69	296,604
LGF and Grd	29.00	3,902.69	113,178

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This appraisal is prepared for the party named on the cover and may not be used by any other party without the express written permission of the author of this report and Town Centre Regeneration Ltd

Blue Lion

Totals	**913.00 m²**		**3,563,156**	
Developers Contingency		5.00%	200,428	
CIL payments inc MCIL			257,882	
				4,021,466
PROFESSIONAL FEES				
Professional Fees		12.50%	445,394	
				445,394
MARKETING & LETTING				
Letting Agent Fee		15.00%	7,500	
Letting Legal Fee		5.00%	2,500	
				10,000
DISPOSAL FEES				
Sales Agent Fee		3.00%	211,500	
Sales Legal Fee		0.25%	17,625	
				229,125
TOTAL COSTS BEFORE FINANCE				**5,704,601**
FINANCE				
Timescale	**Duration**	**Commences**		
Purchase	1	Aug 2022		
Pre-Construction	6	Sep 2022		
Construction	22	Mar 2023		
Sale	7	Jan 2025		
Total Duration	36			
Debit Rate 7.500%, Credit Rate 0.000% (Nominal)				
Total Finance Cost				574,229
TOTAL COSTS				**6,278,830**
PROFIT				
				1,556,170
Performance Measures				
Profit on Cost%		24.78%		
Profit on GDV%		19.74%		

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