DS1801

49-50 Cartwright Gardens, London, WC1H 9EL

FINANCIAL VIABILITY ASSESSMENT

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On behalf of SLP Crescent Limited

December 2022

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APPENDICES

EXECUTIVE SUMMARY

This FVA has been prepared by DS2 to robustly examine the financial viability of detailed planning application for 49-50 Cartwright Gardens in Bloomsbury, London ("the Site"). The Site is located within the administrative boundary of the London Borough of Camden ("LBC").

This FVA has been prepared in support of a detailed planning application submitted by DP9 on behalf of SLP Crescent Limited ("the Applicant").

The detailed planning application seeks planning permission with listed building consent for the following ("the Proposed Scheme"):

Refurbishment and change of use of hotel (Class C1) to shared living (Sui Generis) with associated internal and external works, landscaping and cycle storage.

The Proposed Scheme seeks a low-intervention approach to the change of use, with works limited to refurbishment and enhancement of the heritage asset and change of use from C1 to Sui Generis. There will be some internal reconfiguration that will facilitate an increase from the 28 existing rooms (27 hotel guest rooms and 1 hotel staff room) to 31 rooms as proposed.

The unit mix is shown below, broken down by size.

SHARED LIVING TYPE AND SIZES, CARTWRIGHT GARDENS, DECEMBER 2022			
Room Type	Number	Room size (sq ft)	Room size (sqm)
Size A	14	< 161	< 15
Size B	14	161 - < 215	15 - < 20
Size C	2	215 - < 269	20 - < 25
Size D	1	269 +	25 +
	31		

The Gross Development Value ("GDV") of the Proposed Scheme has been calculated by DS2 using the investment method of valuation. For the shared living units, rents of £350 - £450 per week have been adopted and capitalised at a yield of 4.5%. Operating costs of 30% have been applied and together with the value of the commercial elements of the Proposed Scheme generate a total GDV of £9,565,111.

The construction costs have been assessed by the Applicant's cost consultant, CHP. CHP have provided a construction cost plan that concludes total build costs for the conversion and refurbishment of the Site to deliver the 31 shared living units and associated communal facilities is £2,015,000 on a present-day basis, excluding contingency. This includes main contractor preliminary costs, overheads and profit. This reflects an overall cost rate of £276 per sq. ft. on the gross (GIA) area excluding contingency.

The Benchmark Land Value ("BLV") has been assessed based on an Existing Use Value ("EUV") basis and considers the value of the existing building in its current use as a C1 use class hotel. A red book valuation provided by Avison Young has been used which provides a value of £5,300,000. This is the EUV element, with a 20% premium added in line with guidance, the total BLV adopted for the purposes of this assessment is £6,360,000.

The viability of the Proposed Scheme is tested by measuring the Residual Land Value ("RLV") of the scheme against the BLV. Simply, if the RLV produced by a scheme is lower than an appropriate benchmark value, then the scheme is deemed to be unviable and is therefore unlikely to come forward for development, unless the level of affordable housing and /or planning obligations can be reduced. If the RLV is higher than the benchmark then the scheme can, in theory, provide additional affordable housing and /or other planning obligations.

The results of this assessment can be summarised below:

FVA RESULTS, CARTWRIGHT GARDENS, DECEMBER 2022			
Scheme	Benchmark Land Value	Residual Land Value	Surplus / (Deficit)
Proposed Scheme	**£6,360,000**	**£3,871,372**	**(£2,488,628)**

The results demonstrate that the Proposed Scheme cannot viably support the provision of any affordable housing on a present-day basis.

This is not an unexpected outcome as shared living is an emerging asset class and the gross development value is tempered by current day perceived risk in the market and subsequent investor appetite.

The Applicant is committed to providing an innovative housing product that aims to create a long-term, sustainable community, with the intention of developing an environment where the tenants rent for an extended period of time on a realistic budget, and ultimately establish roots locally and settle within the Borough.

1 INTRODUCTION

1.1 This FVA has been prepared by DS2 to robustly examine the financial viability of a detailed planning application for 49-50 Cartwright Gardens in Bloomsbury, London ("the Site"). The Site is located within the administrative boundary of the London Borough of Camden ("LBC").

1.2 This FVA has been prepared in support of a detailed planning application submitted by DP9 on behalf of SLP Crescent Limited ("the Applicant").

1.3 The detailed planning application seeks planning permission with listed building consent for the following ("the Proposed Scheme"):

Refurbishment and change of use of hotel (Class C1) to shared living (Sui Generis) with associated internal and external works, landscaping and cycle storage.

1.4 DS2 is instructed to test the maximum level of affordable housing and additional financial obligations that can be supported by the development without impeding the viability of the Proposed Scheme and the prospects of delivery.

1.5 This report has been collated in accordance with national, regional, and local planning policy, planning guidance and professional best practice guidance, including the RICS Guidance Note Assessing Viability in Planning under NPPF 2021 in England (1st Edition, March 2021) and the Financial Viability in Planning: Conduct and Reporting Professional Statement (1st Edition, adopted September 2019).

1.6 DS2 can confirm that our instruction is not on a contingent fee or success related basis. The report provides an objective and impartial view on the development viability of the Proposed Scheme.

1.7 ARGUS Developer has been used to demonstrate the project's financial viability. This is commercially available and widely used development appraisal software. It is considered appropriate to assess a development of this type because of its ability to accurately model development timings and cash flows. The use of ARGUS Developer has previously been accepted by LBC for viability testing.

1.8 To inform the report, information prepared by the following independent consultants has been relied upon:

- Holder Mathias – Architect;
- Pillar Consulting – Project manager;

- DP9 – Planning consultant; and
- CHP – Cost consultant.

1.9 This FVA has been structured as follows:

- **Site description** – summary of the location and nature of the existing asset;
- **Development proposals** – review and description of the Proposed Scheme;
- **Planning policy** – review of the key national and local planning policies concerning the delivery of affordable housing and financial viability;
- **Viability methodology** – description of the methodology employed within the wider context of best practice for FVAs;
- **Development timings** – description of the proposed programme subject to a satisfactory planning consent being obtained;
- **Development value** – review of the residential values alongside any additional revenue streams that comprise the scheme Gross Development Value (GDV);
- **Development costs** – review of the development costs for the proposed project;
- **Profit return** – summary of the proposed profit threshold adopted;
- **Site Value** – analysis in relation to the proposed Site Value/Benchmark Land Value for the financial appraisals;
- **Appraisal results** – summary of the financial appraisal outputs
- **Conclusions** – statement with the formal affordable housing offer and concluding rationale.

1.10 This report and accompanying appendices should only be used for the stated purposes and should not be used for any other reason.

1.11 This report is reliant upon market evidence. Readers should be mindful that market evidence is subject to variation over time, and this could have a significant effect on the residual outputs.

1.12 This report has been prepared by Steve Billington and Joe Crossley MRICS, both of whom have significant experience of collating valuations and financial viability assessments on mixed-use projects including schemes providing shared living accommodation across London.

2 SITE DESCRIPTION

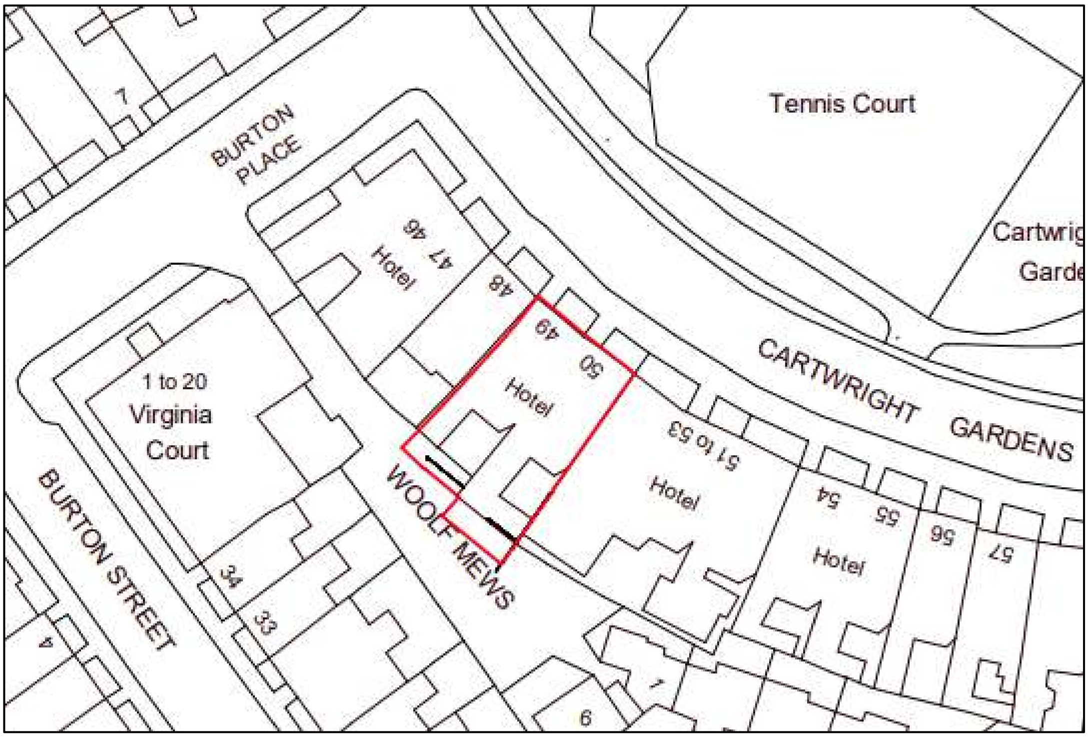
2.1 A detailed description of the Site is contained within the DP9 Planning Statement submitted with the application. A summary is provided below.

Site Location and Description

2.2 The Site is located on Cartwright Gardens in Bloomsbury in central London. It is bounded by Woolf Mews to the south and west, and by Cartwright Gardens to the north and east – the latter of which provides the Site's primary frontage and access. The Site forms part of an 18 house terrace arranged in a crescent which was built in c. 1810 in a classic Georgian style. It has been Grade II listed since 1974 and is located within the Bloomsbury Conservation Area. It originally comprised two separate terraces that have since been knocked into one and converted into a hotel.

2.3 The existing accommodation is laid out over basement level, ground floor level and three upper floors with hotel rooms on each floor. The hotel accommodation comprises 27 guest hotel rooms and 1 hotel staff room, the majority of which have en-suite facilities. The hotel also benefits from a reception area, kitchen, dining areas and rear outdoor yard.

2.4 The site boundary is illustrated in the red line plan below:



2.5 The existing hotel was operating as a C1 use class hotel trading as the Crescent Hotel until 1st October 2022 when it was vacated in anticipation of this planning application.

A photograph of the front elevation of the Site, taken on the DS2 site inspection, is shown below.

2.6 The surrounding area is characterised by a mixture of residential, retail and hotel uses, with neighbouring buildings generally low-rise Georgian and Victorian in style and scale. The majority of the southern half of the Cartwright Gardens crescent, of which the Site forms part, is occupied by numerous hotels providing similar accommodation to the former Crescent Hotel.

2.7 The Site has a PTAL level of 5b and therefore has excellent levels of public transport connectivity. Russell Square, Euston, St Pancras and King's Cross stations are all within walking distance.

Planning and Viability History

2.8 The Site does not have any recent planning history of relevance to the Proposed Scheme.

3 DEVELOPMENT PROPOSALS

Proposed Scheme

3.1 A detailed planning application has been submitted by planning consultants DP9 on behalf of the Applicant for the Proposed Scheme.

3.2 A full assessment of the Proposed Scheme is contained within the Design and Access Statement prepared by the architects, Holder Mathias. This section of the FVA should be read in conjunction with the plans and drawings submitted as part of the Application.

3.3 The description of the Proposed Scheme is as follows:

Refurbishment and change of use of hotel (Class C1) to shared living (Sui Generis) with associated internal and external works, landscaping and cycle storage.

3.4 The Proposed Scheme seeks a low-intervention approach to the change of use, with works limited to refurbishment and enhancement of the heritage asset and change of use from C1 to Sui Generis. There will be some internal reconfiguration that will facilitate an increase from the 27 existing rooms to 31 rooms as proposed. Detailed floorplans for the Proposed Scheme are attached at **Appendix A**.

3.5 The headline development areas are provided below and a scheme-wide area schedule (GIA and NIA) is attached at **Appendix B**.

TABLE 1: PROPOSED SCHEME DEVELOPMENT AREAS, CARTWRIGHT GARDENS, DECEMBER 2022

Use	GIA (sqm)	GIA (sq ft)	NIA (sqm)	NIA (sq ft)
Shared living accommodation	747	8,041	491.8	5,293

Shared living accommodation (Sui Generis use)

3.6 The 31 shared living accommodation rooms are situated on the basement, ground and first to third floors of the Proposed Scheme, with some communal area provided at basement. A breakdown of the proposed room type and average room sizes is provided below:

TABLE 2: SHARED LIVING TYPE AND SIZES, CARTWRIGHT GARDENS, DECEMBER 2022

Room Type	Number	Room size (sq ft)	Room size (sqm)
Size A	14	< 161	< 15
Size B	14	161 - < 215	15 - < 20
Size C	2	215 - < 269	20 - < 25
Size D	1	269 +	25 +
	31		

3.7 Shared living units will include an integrated toilet, sink and shower, along with a basic kitchenette providing a fridge, oven / microwave and storage, and cooktops to some units. The units would therefore be supplemented with provision of communal amenity space in the form of two communal kitchens, a dining space and a laundry room, all at basement level.

Access, Parking and Amenity

Access

3.8 Access into the Proposed Scheme will remain unchanged, with pedestrian access provided at street level via Cartwright Gardens.

Cycle and Car Parking

3.9 The Proposed Scheme will be car free.

3.10 There will be Brompton cycle rental for residents provided at basement level.

Amenity

3.11 Shared amenity provision will be limited to the shared kitchen and dining area situated at basement level. There will also be laundry facilities provided at basement level.

Summary

3.12 The Proposed Scheme includes 31 shared living rooms together with associated facilities as listed above. The internal amenity provision is limited to shared kitchen and dining facilities situated at basement level.

4 PLANNING POLICY

4.1 The DP9 Planning Statement submitted as part of the planning application provides an overall review of the planning policy context in relation to the Proposed Scheme.

4.2 The following section of this FVA therefore provides a summary review of the key national and local planning policy that guides the delivery of affordable housing within a viability context.

4.3 The Applicant has been engaged in discussions with LBC in preparation of the submitted planning application.

National

National Planning Policy Framework

4.4 An updated National Planning Policy Framework ("NPPF") was published in July 2021.

4.5 Paragraph 20 of the NPPF places a requirement on authorities to set out an overall strategy for the pattern, scale and quality of development and, in particular, make sufficient provision for housing, including affordable housing.

4.6 Paragraph 34 requires plans to set out the contributions expected from development. This should include setting out the levels and types of affordable housing provision required, along with other infrastructure (such as that needed for education, health, transport, flood and water management, green and digital infrastructure). Such policies should not undermine the deliverability of the plan.

4.7 Paragraph 58 of the NPPF, in relation to development viability for the purposes of planning applications states:

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

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

4.9 Paragraph 65 of the NPPF states that where major development proposes the provision of housing, at least 10 per cent of the homes should be made available for affordable home ownership. This term is further defined in the NPPF as "being part of the overall affordable housing contribution from the Site".

4.10 The definition of affordable housing included within the Glossary (Annex 2) of the NPPF includes social rented, affordable rented and intermediate tenure housing as affordable housing i.e. housing provided to eligible households whose needs are not otherwise met by the market.

Planning Practice Guidance

4.11 The national Planning Practice Guidance (PPG) provides guidance on viability for the purposes of plan making and individual application sites' development management. The guidance covers several areas including standardised inputs to viability assessments and approaches to BLV. The viability section of the PPG was most recently updated on 1st September 2019.

4.12 At paragraph 013 the PPG defines land value for the purposes of a viability assessment:

"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. Landowners and site purchasers should consider policy requirements when agreeing land transactions. This approach is often called 'existing use value plus' (EUV+)."

4.13 Paragraph 14 of the PPG sets out the factors that should be considered to reach a BLV; this is further discussed in Section 9 of this report. We would note that although the guidance is understood in terms of viability being at plan-making stage it is to be read across to the application stage whilst Local Plans catch-up with PPG standardisation.

Regional

London Plan (March 2021)

4.14 Policy H16 of the London Plan states that large-scale purpose-built shared living Sui Generis use developments, where of good quality and design, may have a role in meeting housing need in London if, at neighbourhood level, the development contributes to a mixed and inclusive neighboured, and it meets all the following criteria:

1) *it is of good quality and design*
2) *it contributes towards mixed and inclusive neighbourhoods*
3) *it is located in an area well-connected to local services and employment by walking, cycling and public transport, and its design does not contribute to car dependency*
4) *it is under single management*
5) *its units are all for rent with minimum tenancy lengths of no less than three months*
6) *communal facilities and services are provided that are sufficient to meet the requirements of the intended number of residents and offer at least:*
    a. *convenient access to a communal kitchen*
    b. *outside communal amenity space (roof terrace and/or garden)*
    c. *internal communal amenity space (dining rooms, lounges)*
    d. *laundry and drying facilities*
    e. *a concierge*
    f. *bedding and linen changing and/or room cleaning services*
7) *the private units provide adequate functional living space and layout, and are not self-contained homes or capable of being used as self-contained homes*
8) *a management plan is provided with the application*
9) *it delivers a cash in lieu contribution towards conventional C3 affordable housing. Boroughs should seek this contribution for the provision of new C3 off-site affordable housing as either an:*
    a. *upfront cash in lieu payment to the local authority, or*
    b. *in perpetuity annual payment to the local authority*

4.15 In both cases developments are expected to provide a contribution that is equivalent to 35 per cent of the units, or 50 per cent where the development is on public sector land or industrial land appropriate for residential uses in accordance with Policy E7 Industrial intensification, co-location, and substitution, to be provided at a discount of 50 per cent of the market rent. All large-scale purpose-built shared living schemes will be subject to the Viability Tested Route set out in Policy H5 Threshold approach to applications, however, developments which provide a contribution equal to 35 per cent of the units at a discount of 50 per cent of the market rent will not be subject to a Late-Stage Viability Review.

<u>GLA Affordable Housing and Viability SPG (August 2017)</u>

4.16 The GLA published their adopted SPG in August 2017. The SPG carries weight in the determination of planning applications.

4.17 The SPG represents the new Mayoral administration's policy objectives in relation to the delivery of new homes, including affordable housing. The overarching objectives of the SPG are clear in seeking to enhance housing and economic opportunities for all persons across the capital.

4.18 The Mayor has set a 35% affordable housing threshold whereby schemes that meet or exceed the 35% threshold without public subsidy, provide affordable housing on site, meet the specified tenure mix and all other requirements and obligations will not be required to submit viability information. This is defined as the 'Fast Track Route.'

4.19 The SPG states that schemes that do not provide 35% affordable housing or meet all other obligations will be required to submit detailed viability information.

4.20 The Mayor recognises that the 'Fast Track Route' is not appropriate for Build to Rent schemes, since the certainty of this route relies on two key factors: the level at which the affordable housing threshold is set and the mix of affordable housing types within the threshold amount.

4.21 It should be noted that Build to Rent means something different from shared living, as defined in the SPG. Shared living units are not "self-contained" as, whilst they contain cooking and washing facilities, the planning unit is intended to cover communal facilities as well. While the Build to Rent policy doesn't read across completely to shared living, it is comparable to Build to Rent for these purposes.

4.22 The London Plan makes clear that LPAs should recognise the distinct economics of the Build to Rent sector relative to mainstream Build for Sale market housing and should take account of this when considering planning applications for Build to Rent schemes.

4.23 The distinct economics recognised between the two mean two separate but connected things: a reliance on revenue income through rent rather than upfront return on sales and Build to Rent often cannot compete on an equal footing with speculative Build for Sale when competing for land, as it can generate lower returns.

4.24 It is recognised by the Mayor the need for all homes on the Build to Rent development to stay under single management and as such will encourage affordable homes on the development to be delivered as discounted market rent, managed by the Build to Rent provider.

4.25 The Mayor's preferred approach to Site Value is 'Existing Use Value plus' (EUV+) approach when determining the Site Value. This is based on the current use value of a site plus an appropriate site premium.

4.26 Whilst the Applicant is proposing a shared living scheme, it is acknowledged that the characteristics of Build to Rent schemes are similar.

Local

4.27 There is no local planning policy that refers directly to shared living accommodation. We therefore anticipate LBC will assess the Proposed Scheme application under regional policy set out above. We have, however, set out below the local affordable housing policy for context.

Camden Local Plan, July 2017

4.28 In Policy H4 of the Camden Local Plan, LBC expect a contribution to affordable housing from all developments that provide one or more additional homes and involves a total addition to residential floorspace of 100sqm GIA or more. LBC will seek to negotiate the maximum reasonable amount of affordable housing on the following basis:

- the guideline mix of affordable housing types is 60% social-affordable rented housing and 40% intermediate housing.
- targets are based on an assessment of development capacity whereby 100sqm (GIA) of housing floorspace is generally considered to create capacity for one home.
- targets are applied to additional housing floorspace proposed, not to existing housing floorspace or replacement floorspace.
- a sliding scale target applies to developments that provide one or more additional homes and have capacity for fewer than 25 additional homes, starting at 2% for one home and increasing by 2% of for each home added to capacity.
- an affordable housing target of 50% applies to developments with capacity for 25 or more additional dwellings.
- for developments with capacity for 25 or more additional homes, the Council may seek affordable housing for older people or vulnerable people as part or all of the affordable housing contribution; where developments have capacity for fewer than 10 additional dwellings, the Council will accept a payment-in-lieu of affordable housing.
- for developments with capacity for 10 or more additional dwellings, the affordable housing should be provided on site.
- where affordable housing cannot practically be provided on site, or offsite provision would create a better contribution (in terms quantity and/ or quality), the Council may accept provision of affordable housing offsite in the same area, or exceptionally a payment-in-lieu.

Camden Planning Guidance (CPG) - Housing, January 2021

4.29 The CPG was introduced to support the policies in the Local Plan 2017. The CPG requires 50% of housing in the Borough to be affordable for developments of 25 units of more. The CPG states that affordable housing thresholds should be measured in GIA.

Summary

4.30 Given its unique method of delivery, the Proposed Scheme has been designated as a sui-generis use class which does not trigger affordable housing obligations in respect to adopted local planning policy relevant to the site.

4.31 However, having regard to regional policy contained under Policy H16 of the London Plan, the Applicant has provided a detailed FVA to demonstrate the challenging viability position, as has been done elsewhere on other similar proposals across the capital.

4.32 The Proposed Scheme gives due consideration to the parameters of these policies and will provide the maximum amount of affordable housing in accordance with the national policy and guidance, regional policy, LBC planning policy and overall scheme viability.

5 VIABILITY METHODOLOGY

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

Methodology

5.2 The most common method for valuing development land is the Residual Valuation Method, set out in the RICS's Valuation of development property (1st Edition) 2019. This concept underpins the planning viability process.

5.3 The methodology underpinning a residual valuation is a relatively simple concept. In short, the gross value of the completed development is assessed, including, amongst others, the aggregated value of any residential properties, commercial income, car parking income and ground rents. Secondly, the cost of building the development is deducted along with professional fees, finance costs and developer's profit. This is illustrated below:

TABLE 3: RESIDUAL ANALYSIS METHODOLOGY
Gross Development Value
Residential sales income
Commercial sales income
Any additional income (ground rents, car parking)
Less
Costs
Build costs
Exceptional development costs (e.g. listed building works)
Professional fees
Internal overheads
Planning obligations (e.g. CIL, site specific s.106 obligations)
Marketing costs and disposal fees
Finance costs
Less
Developer's Profit
Equals
Residual Land Value

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

5.5 Through scenario testing, it is possible to determine the maximum level of affordable housing and other obligations that ensure a scheme remains financially viable and retains the highest possible chance of coming forward whilst balancing commercial requirements with policy requirements of the development plan.

Benchmark Value/Site Value

5.6 Paragraph 13 of the PPG states that a BLV should be established based on the EUV of the land, plus a premium for the landowner.

5.7 The premium to the landowner should reflect the minimum return at which it is considered a reasonable landowner would be willing to sell their land. The premium should provide a reasonable incentive, in comparison with other options available, for the landowner to sell the land for development whilst allowing a sufficient contribution to fully comply with policy requirements.

5.8 Paragraph 14 of the PPG states that BLV should:

- Be based upon EUV;
- Allow for a premium to landowners;
- Reflect the implications of abnormal costs, site-specific infrastructure costs, and professional site fees.

5.9 Viability assessments should be undertaken using BLVs derived in accordance with this guidance. EUV should be informed by market evidence of current uses, costs and values. Market evidence can also be used as a cross-check of BLV but should not be used in place of BLV.

5.10 Paragraph 15 of the PPG defines what is meant by EUV in a viability assessment. This states the following:

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

5.11 The EUV is the first component of calculating BLV. The second component is the premium, or as stated at paragraph 16 of the PPG the 'plus' in EUV+.

5.12 This is the amount above the EUV required to provide a reasonable incentive for a land owner to bring forward land for development while allowing a sufficient contribution to comply with policy requirements.

5.13 The premium should be informed by professional judgement and must be based upon the best available evidence informed by cross sector collaboration. The PPG states that for any viability assessment data sources to inform the establishment of the landowner premium should include market evidence and can include benchmark land values from other viability assessments.

Alternative Use Value

5.14 The PPG recognises that for the purpose of viability assessment, an AUV refers to the value of land for uses other than its existing use. AUV of the land may be informative in establishing BLV. Paragraph 17 states:

"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".

5.15 A planning consent constitutes an AUV under the PPG requirements, and paragraph 17 of the PPG sets outs a series of tests that need to be met in order for an AUV to be considered acceptable in planning terms. It can be summarised that there is evidence that the alternative use would fully comply with up to date development plan policies, if it can be demonstrated that the alternative use could be implemented on the site in question, if it can be demonstrated there is market demand for that use, and if there is an explanation as to why the alternative use has not been pursued.

GLA Affordable Housing and Viability SPG

5.16 The GLA Viability SPG (the "SPG") defines EUV as the current use value of a site plus an appropriate site premium. The SPG states that a landowner should receive at least the value of the land in its 'pre-permission' use, which would normally be lost when bringing forward land for development. The SPG considers that the EUV Plus approach is the most appropriate for planning purposes.

5.17 The SPG states at paragraph 3.46 the following when determining the EUV Plus benchmark;

- The EUV is independent of the Proposed Scheme. The EUV should be fully justified based on the income generating capacity of the existing use with reference to comparable evidence on rents, which excludes any hope value associated with development on the site or alternative uses. This evidence should relate to sites and buildings of a similar condition and quality or otherwise be appropriately adjusted. Where an existing use and its value to a landowner is due to be retained in a development (and not lost as is usually the case), a lower benchmark would be expected. Where a proposed EUV is based on a refurbishment scenario, or a redevelopment of the current use, this is an alternative development scenario and the guidance relating to Alternative Use Value ("AUV") will apply.

- Premiums above EUV should be justified, reflecting the circumstances of the site. For a site which does not meet the requirements of the landowner or creates ongoing liabilities/costs, a lower or no premium would be required. The premium could be 10 per cent to 30 per cent, but this must reflect site specific circumstances and will vary.
- The level of premium can be informed by benchmark land values that have been accepted for planning purposes on other comparable sites where determined on a basis that is consistent with this guidance.
- As set out in PPG, in all cases land or site value should reflect Development Plan Policies, planning obligations and CIL. When determining a level of premium that would be sufficient to incentivise release of a site for development and ensure that a landowner receives a 'competitive return', this should take into account the overarching aim of delivering sustainable, policy compliant development and that an uplift in land value is dependent on the grant of full planning consent.

<u>Summary</u>

5.18 The approach outlined above has had full regard to planning policy, professional guidance and our experience of undertaking other shared living assessments elsewhere in the capital.

6 DEVELOPMENT TIMINGS

6.1 The following section sets out the adopted pre-construction, construction and sale timings applied within the ARGUS appraisal of the Proposed Scheme.

Pre-Construction

6.2 The adopted development programme is estimated from December 2022. The six-month pre-construction period is considered appropriate given the nature of the scheme and the time required to prepare and mobilise the site for development. Assuming a resolution to grant planning as of December 2022, the 'lead-in' period also includes allowances for the following:

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

Construction

6.3 A construction programme of nine months has been adopted as advised by Pillar Consulting, the project manager.

6.4 A total development programme of 15 months has been adopted assuming a six month pre-construction programme.

Shared Living Sales Timings

6.5 Shared living accommodation is not sold by the unit as the units are let and the income is capitalised for the purposes of an investment sale or a valuation in calculating a Gross Development Value. As noted above, in accordance with professional practice the valuation approach is akin to Build to Rent / commercial property in that the Proposed Scheme generates an income stream which is either capitalised at the point of a sale or for the purposes of a valuation.

6.6 It is likely that a period of rent stabilisation prior to any disposal would be required in order to secure a buyer. Despite this, we have assumed that the Proposed Scheme is disposed of at practical completion. This contributes to an increased risk profile for the asset.

7 DEVELOPMENT VALUE

Shared Living Value

7.1 The Proposed Scheme will provide 31 rooms and each shared living accommodation unit within the scheme will be fully furnished.

7.2 Residents will have access to limited communal space at basement level comprising kitchen and dining areas.

7.3 In assessing an appropriate value for the proposed shared living accommodation, we have carried out research into local comparable evidence to inform the values adopted in the viability appraisal. There is limited evidence of built out shared living schemes across London, so we have assessed the rental evidence for conventional residential accommodation in the form of studios, as well as nearby student accommodation which offers a similar 'all-in' package. We have also had regard to other shared living schemes across London that are in operation, albeit we note none are within close proximity of the subject Site.

7.4 This valuation approach is consistent with professional guidance and our experience on working on other shared living projects across the capital.

C3 rented studios

7.5 We have had regard to existing studio units currently available to rent in the Bloomsbury area, examples of which are detailed below listed in ascending size order.

TABLE 4: COMPARABLE STUDIOS, CARTWRIGHT GARDENS, DECEMBER 2022

Address	Size (sqm)	Description	Asking Rent pw
42-43 Cartwright Gardens, Bloomsbury	Various	Terrace in northern half of Cartwright Gardens crescent. There are currently 10 studio units available ranging from £420 per week to £540, with the mean average at £469 per week. Units are full studios with private kitchens. Rents include all bills except council tax, which is listed as Band A for each unit. Sizing or floorplans are not available but we are advised sizing is the primary rental differentiator. Rents of some units currently on the market have been reduced.	£420 - £540
Albany House, 41 Judd Street, Bloomsbury	17.3	In Victorian mansion block. Refurbished to good specification.	£404
Taviton Street, Bloomsbury	20	In Georgian terrace. Modern but basic condition.	£325
Russell Square, Bloomsbury	21	In a 30s apartment block. Average condition.	£380

Russell Court, Woburn Place, Bloomsbury	21.05	In a 30s apartment block. Average condition.	£425
Albany House, 41 Judd Street, Bloomsbury	25	In Victorian mansion block. Refurbished to good specification.	£450
Woburn Place, Bloomsbury	27.4	In a 30s apartment block. Average condition.	£425
Bedford Court Mansions, Bedford Avenue, Bloomsbury	27.87	In Victorian mansion block. Modern but basic condition.	£400
Gower Street, Bloomsbury	31.22	In Georgian terrace. Modern but basic condition.	£385

7.6 The units available at 42-43 Cartwright Gardens bear most relevance to the Proposed Scheme given they are located in a similar converted terrace on the same road. It is worth noting, however, that these units are private studios with full kitchen areas, rather than shared-living style units, so would command a premium.

7.7 The shared living accommodation units would be let inclusive of bills/council tax and other services such as communal cleaning and concierge services. As a result, to compare 'like with like', we have analysed the above evidence on the hypothetical basis bills are included.

7.8 We have assumed the following for the likely amount that an occupier would pay on a weekly basis for these provisions, based on the standard market assumptions and band A council tax.

TABLE 5: ESTIMATED OCCUPIER BILLS, CARTWRIGHT GARDENS, DECEMBER 2022

Provision	£ per week
Council Tax (Band A)	£23
Gas/Electric/Water	£20
Internet/Cleaning	£15
Total	£58

7.9 Based on the above, we have analysed the rental evidence on the assumption that bills are included in the rent as tabulated below. It should be noted that the Cartwright Gardens units already include bills with the exception of council tax, which has been added below.

TABLE 6: COMPARABLE STUDIOS (INCLUSIVE OF BILLS), CARTWRIGHT GARDENS, DECEMBER 2022		
Address	Unit size (sq m)	Rent per week
42-43 Cartwright Gardens, Bloomsbury	Various	£443 - £563
Albany House, 41 Judd Street, Bloomsbury	17.3	£462
Taviton Street, Bloomsbury	20	£383
Russell Square, Bloomsbury	21	£438
Russell Court, Woburn Place, Bloomsbury	21.05	£483
Albany House, 41 Judd Street, Bloomsbury	25	£508
Woburn Place, Bloomsbury	27.4	£483
Bedford Court Mansions, Bedford Avenue, Bloomsbury	27.87	£458
Gower Street, Bloomsbury	31.22	£443

7.10 In summary, the above market evidence for studios ranges from approximately £383 - £563 per week (gross). As noted above, 42-43 Cartwright Gardens is let inclusive of all bills except council tax.

7.11 The above units are examples of studios larger than the majority of those proposed by the Applicant. As such, we would expect them to command a considerable premium over the standard studios in the Proposed Scheme.

<u>Student housing</u>

7.12 We have also considered rents for student accommodation in the area given that the design of student halls of residence bears some similarities to the shared living concept. Each of the below examples are within close proximity to the Site.

TABLE 7: COMPARABLE STUDENT RESIDENCES, CARTWRIGHT GARDENS, DECEMBER 2022

Address	Dist. from Site	Unit size	Rent pw
Campbell House East, Taviton Street *Standard UCL halls in basic condition*	300m	Small single room - < 9sqm	£182.12
		Single room - 9 - 11.9 sqm	£206.50
		Large single room - 12 sqm +	£230.93
Goodenough College, Mecklenburgh Square. *Private halls in pleasant but basic condition*	650m	Single C (small or LG) - < 12 sqm	£214.25
		Single B (average) - 14.98 sqm	£235.36
		Single A (large) - 19.85 sqm	£267.18
		Single en suite A - 12.7 sqm	£304.60
		Small studio flat - 18.2 sqm	£388.24
		Double en suite - 24.5 sqm	£324.76
		Large studio flat - 25.1 sqm	£389.84
International Hall, Lansdowne Terr, Bloomsbury. *Standard UCL accommodation in basic condition*	500m	Small Single Shared - 7.4 sqm	£174.58
		Single Shared Bathroom - 10 sqm	£245.28
		DDA Single Ensuite - 16 sqm	£289.38
		Single Studio - 16.4 sqm	£275.38
		Large Single Studio - 18.9 sqm	£280.98
		Double Studio - 18.9 sqm	£300.23
Connaught Hall, Tavistock Square. *Standard UCL accommodation in basic condition*	300m	Small Single Shared - 7 sqm	£216.58
		Single Shared Bathroom - 9 sqm	£252.28
		Large Single Shared - 9.2 sqm	£255.78
		Single Ensuite - 12 sqm	£294.63
		Large Single Ensuite - 12.2 sqm	£298.13
		Double Ensuite - 20 sqm	£343.98
College Hall, Malet Street. *Modern but relatively basic condition*	550m	Single Shared Bathroom - 12 sqm	£267.33
		Single Ensuite - 14 sqm	£307.23
		Double Ensuite - 17 sqm	£360.43
John Tovell House, Gower St. *Standard UCL halls in basic condition*	600m	Small single room - < 9sqm	£182.12
		Single room - 9 - 11.9 sqm	£206.50
		Large single room - 12 sqm +	£230.93
Janet Poole House, Gower Street. *Newly refurbished to modern standard with good amenities: cinema, lounge, study room, kitchen*	600m	Silver Room - 9 - 12 sqm	£390.00
		Silver Ensuite Room - 11 - 12 sqm	£459.00
		Bronze Studio - 15 - 16.5 sqm	£525.00
		Silver Studio - 17 - 18 sqm	£589.00
		Gold Studio - 18 - 20 sqm	£650.00
		Platinum Studio - 52 sqm	£780.00

7.13 Conventional student rooms are shaded in the table above and range from £174 - £459 per week. We would generally expect shared living accommodation to achieve a premium over the dorm style student rents available in the various neighbouring student schemes.

Shared-living

7.14 Shared living as a residential product is still relatively untested in London and there are few schemes built out and currently in operation. There are none within close proximity of the subject Site, however, there is a small number of schemes in operation further afield. Given the varied nature of the locations, weight applied when deriving rental values for the Proposed Scheme rooms should be limited.

7.15 The shared living schemes that are currently operational that we are aware of are shown in the table below. The rents below relate to asking prices rather than achieved.

TABLE 8: OPERATIONAL CO-LIVNING SCHEMES, CARTWRIGHT GARDENS, DECEMBER 2022

Scheme	Room	Size (sqm)	Rent pw
No 26, Croydon (10.45 mi from Site) Recently completed shared living scheme in centre of Croydon. *Amenity: lounge, roof terrace, co-working area.*	S12	36	£227
	S04	38	£253
	S09	41	£263
Palm House, Harrow (10 mi from Site) Recently completed shared living scheme with high quality amenity provision. Originally developed by The Collective. *Amenity: gym, co-working space, cinema, lounges, outdoor terrace.*	Standard	18	£320
	Roomy	20	£349
	Bigger	22	£377
	Biggest	24	£382
Sunday Mills, Earlsfield (6.6 mi from Site) Recently completed shared living scheme with high quality amenity provision. Originally developed by The Collective. *Amenity: co-working space, gym, communal kitchen, roof terraces, café, bar, cinema.*	Standard	17.5	£369
	Roomy	22.8	£398
	Bigger	25.5	£408
	Biggest	26.4	£444
The Collective Canary Wharf, Canary Wharf (5.3 mi from Site) Operational since 2019. Rooms are larger than some of the other early shared living schemes. No Cosy or Premium rooms currently available. *Amenity: gym, swimming pool, games room, spa and sauna, cinema, games room.*	Cosy	c. 12	-
	Classic	c. 16	£436
	Classic Plus	unknown	£456
	Premium	c. 20	-
The Collective Old Oak, nr North Acton (5.3 mi from Site) One of the first dedicated shared living developments. Rooms relatively small but exact dimensions unknown. *Amenity: co-working space, gym, spa and sauna, cinema, roof terraces.*	Twodio	c. 8	£300
	Cosy	unknown	£346
Gravity Co-living, Finsbury Park (2.9 mi from Site) Shared living units in converted former house. *Amenity: co-working space, lounge, dining areas.*	Double Ensuite A	9	£323
	Double Ensuite B	9	£312
	Master Ensuite A	14	£392
	Master Ensuite B	14	£375
Gravity Co-living, Camden Town (1.2 mi from Site)	1 bed	-	£554

Shared living units in modern residential block. No studios, only 1 beds and larger. *Amenity: rooms are large so have individual private amenity.*			

7.16 The proposed shared living accommodation is markedly different compared with operating shared living schemes in London due to its central location and lack of amenity provision. Each example of operating shared living schemes shown above provides accommodation with a much greater amenity offer than available in the Proposed Scheme. However, it should be noted that the location of the Proposed Scheme within central London will command a premium and to an extent temper any rental reduction due to lack of amenity provision.

Rental Conclusion

7.17 In concluding a reasonable pricing level for the proposed shared living accommodation, we have considered nearby studios available for rent, local student housing rents and operational shared living rents across London.

7.18 Market evidence for studios ranges from approximately £383 - £563 per week (gross), however these units are generally larger than the majority of the shared living studios proposed by the Applicant. As such we would expect them to command a premium over the proposed studios.

7.19 Student rents in halls of residence range from £174 - £459 per week for conventional student rooms. We would expect the proposed shared living units to achieve a premium over the majority of the local standard student rents.

7.20 Shared living rents range from £227 - £456 per week for ensuite/studio scale rooms. Comparison with other schemes operating across London is difficult given the central location of the Site and the lack of communal amenity provision proposed.

7.21 Given the above information, we believe £350 per week to be an appropriate weekly rental level for the smallest unit type (< 15 sqm), increasing to £400 per week for units between 15 sqm and < 20 sqm, increasing to £450 per week for units between 20 sqm and < 25 sqm. There is one unit that is larger than 25sqm that has been priced at £425 sqm due to its basement level position. The pricing adopted is summarised in the table below.

TABLE 9: SHARED LIVING TYPE AND RENT, CARTWRIGHT GARDENS, DECEMBER 2022

Room Type	Number	Room Size sqm	£ per week
Size A	14	< 15	£350
Size B	14	15 - < 20	£400
Size C	2	20 - < 25	£450
Size D	1	25 +	£425
	31		

7.22 These gross rents equate to an annual gross rent roll of £614,900, which is £19,835 per unit on average. This has been adopted in the viability appraisal.

7.23 In arriving at a net rental figure, DS2 has had regard to the operational costs experienced on other shared living projects and information provided by the Applicant. An OPEX figure of 30% has been adopted which equates to a total annual cost of £184,470, or £5,951 per unit. We note this is higher than has been agreed on other shared living schemes on a £ cost basis. It reflects the lack of economies of scale achievable on the Proposed Scheme given the particularly low number of units, as well as the current inflationary environment which increases costs associated with running a shared living building, particularly noting energy bills are covered by the operator. In addition to energy bills, the OPEX budget covers a number of other costs including broadband, communal cleaning, security, internet, and council tax.

7.24 Following the gross to net deduction from operating costs, the Net Market Rental Value is £430,430, which equates to £13,885 per unit per annum, on average.

Investment Yield

7.25 The shared living accommodation model represents a new investment concept which is unproven over the medium to long term. Consequently, there is limited direct comparable investment evidence to benchmark from. Many investors and developers are assessing the market activity in advance of committing to the delivery of such accommodation, and for this reason, investment yield expectations are currently at a discount to mainstream residential portfolios. There are a number of forward fund transactions as published by Savills in their article Spotlight: UK Co-living – A market poised for huge growth dated 25th May 2022. The transactional data is repeated below, which demonstrates a clear range of 4.5% - 4.9%.

TABLE 10: SHARED LIVING YIELD EVIDENCE, CARTWRIGHT GARDENS, DECEMBER 2022

Scheme	Location	Net price (approx.)	Date	NIY	Units	Price per unit
The Collective Portfolio	London	£425m	On market	4.60%	1,583	£270k
Fife Lane	Kingston	£50m	Under offer	4.50%	200	£250k
Guildford Plaza	Guildford	£63m	Under offer	4.50%	301	£210k
The Mall	Ealing	£20m	Dec-21	4.50%	81	£245k
Gladstone Road	Exeter	£17m	Sep-21	4.90%	133	£130k
College Road	Croydon	£200m	Mar-21	4.90%	817	£245k

7.26 The data above relates to forward funds with the exception of The Collective Portfolio, which is the closest proxy to transactional evidence for stabilised shared living assets available, and is detailed in the IPO Prospectus for GCP Co-Living REIT plc. The IPO is currently on hold due to the current economic and political circumstances, but is worth consideration regardless. The Knight Frank valuation as part of the IPO exercise complies with the Red Book as well as the Financial Conduct Authority's Prospectus Regulation Rules and the European Commission Regulation No 809/2004 implementing the Prospectus Directive. This is a key public document which sets the net initial yield for The Collective Old Oak at 4.5% and The Collective Canary Wharf at 4.4%. For The Collective Westbourne Park, as a forward fund development asset, the net initial yield was 5.3% from grown rents. The Collective Canary Wharf has recently transacted outside of the IPO as detailed below.

Sale of The Collective Canary Wharf

7.27 In September 2022, The Collective Canary Wharf was sold outside of the IPO detailed above for £190m at a Net Initial Yield equating to 4.4%. The scheme, which comprises 705 units and has been operational since September 2019, was sold to Crosstree Real Estate Partners at the same price indicated in the IPO. This transaction is helpful in deriving a yield for the Proposed Scheme, however we note that Canary Wharf provides a more sophisticated product with a high level of on-site communal amenity.

Student

7.28 The investment market is of the view that there is a price differential from the student and hotel sector to reflect the risk associated with an unproven concept of what the Applicant proposes.

7.29 The CBRE United Kingdom Property Investment Yields sheet (December 2022) indicates that student accommodation yields are softening and that for a student accommodation scheme situated in central London with a direct let the yield would be in the region of 3.75%. This has softened from 3.5% in September 2022. DS2 are also aware of the following transactions which took place in 2019 and 2021:

- **The Curve, Whitechapel** – transacted in September 2019 for £83,250,000 at a net initial yield of 4%. The scheme opened in 2014 with 350 student rooms and is in prime TfL zone 1 location.

- **The Project, Hoxton, E2** – Located in Hoxton, was purchased for £79,000,000 by M&G in December 2019, reflecting a net initial yield of circa 4.3%.

- **Ravenscourt House, Hammersmith** – Sold in January 2021 for £70,300,000 at a net initial yield of 4.06%. The scheme includes 235 studio student units (with individual ensuite and kitchen facilities) and was constructed in 2014. The deal was part of a wider BTR transaction, but the scheme is similarly a well-established but of a less central location for access to the larger London universities.

Build to Rent

7.30 The CBRE United Kingdom Property Investment Yield Sheet (December 2022) indicates that Build to Rent (BTR) investment yield for schemes in Prime Zone 2 is around 3.5%, which has softened from 3.25% in September 2022. It should be noted that the Proposed Scheme is located in Zone 1 rather than Zone 2, but the CBRE data is helpful nonetheless. This reflects the provision of BTR which is an established use class and attracts significant interest from institutional investors. The units are also appropriately sized for home ownership which allows an exit option of converting the homes to open market sale. The design of the Proposed Scheme does not benefit from this exit option flexibility, with the only plausible exit option a conversion back to a C1 use hotel or to student accommodation, subject to planning. Furthermore, purpose-built BTR schemes that are covenanted are required to offer tenancies of a minimum of three years and as such benefit from long stay income compared to shared living schemes. Yields on shorter stay income are likely to be higher.

Yield Summary

7.31 Shared living accommodation is a relatively untested concept and investor appetite for shared living as an asset class/product is uncertain, particularly an example of this scale with limited amenity provision. Should the whole concept of 'shared living accommodation' fail then the only alternative uses (subject to planning) would be a student accommodation scheme or a return to a hotel conversion, whereas for a BTR scheme investors have the advantage of being able to convert the units back to open market sale and consider the 'break up' value. In addition, investors looking to sell would not be able to sell off individual units; they would have to sell the building in its entirety. Such consideration of risk was demonstrated by the failure of the Collective to sell their Old Oak Common scheme on the open market.

7.32 We would therefore consider a higher yield is appropriate to reflect the exit risk associated with shared living accommodation.

7.33 Shared living accommodation is a relatively untested concept and tends to appeal to a smaller (younger) demographic than traditional rented housing posing more letting risk. The failed sale of the Collective's scheme in Old Oak serves to highlight investors caution in entering the shared living market and The Collective's administration following reduced rental income with covid-19 again highlights the risks of this new product type.

7.34 We consider that in the absence of direct comparable investment evidence, the closest sector in terms of underlying investment fundamentals is the student sector, albeit this is now an established asset class with good liquidity and investment benchmarks.

7.35 We are of the view that an investor would price in a differential from the student sector to reflect the risk associated with an unproven concept of what the Applicant proposes.

7.36 There is limited detailed data publicly available for transactional exchanges and current bidding on residential investment market deals, including student accommodation. The following agreements have been made regarding shared living schemes DS2 have worked on in a London context:

i. Garratt Mills, Wandsworth – 4.75% agreed by BNPP in 2019

ii. Chatfield Road, Wandsworth – 4.75% agreed by BNPP in 2020

iii. Chatfield Road S73, Wandsworth – 4.50% agreed by BNPP in 2021

iv. Palmerston Road, Harrow – 5.25% agreed by BNPP in 2018

v. Lowlands Road, Harrow – 4.75% agreed by Savills in 2020

vi. Fife Road, Kingston – 4.75% agreed by Aspinall Verdi in 2020

vii. Blackhorse Lane, Waltham Forest – 4.5% agreed by BPS in 2020

viii. Kingsland Road, Hackney – 4.75% agreed by BNPP in 2019

ix. Culvert Road, Wandsworth – 4.25% agreed by BNPP in 2022

x. Blackhorse Land, Waltham Forest – 4.5% agreed by BPS in 2022

7.37 Considering all the above information, DS2 consider a net yield of 4.5% to be appropriate for the Proposed Scheme. Particular weight should be given to the small scale compared with other shared living schemes, the lack of internal amenity and the central London location. We consider the balance of these factors supports a 4.5% yield, which has been adopted for the purposes of this assessment.

8 DEVELOPMENT COSTS

8.1 This section provides a summary of the Proposed Scheme costs on a present-day basis. The overall costs comprise:

- Build costs as advised by the Applicant's cost consultants, CHP;
- Professional fees;
- Sales, letting, disposal & marketing costs;
- Any additional development costs;
- Planning obligations including CIL; and
- Financing costs.

Construction Costs

8.2 The Applicant's cost consultant CHP has provided a cost estimate for the Proposed Scheme which is attached at **Appendix C**.

8.3 The total build costs for the delivery of the 31 shared living rooms is £2,015,000 on a present-day basis, which equates to £251 psf. This includes main contractor preliminary costs, overheads and profit. A 10% contingency has been applied within the appraisal which increases the £ per sq ft rate to £276 psf. This contingency allowance is higher than the 5% typically adopted in viability appraisals, but reflects the higher degree of uncertainty associated with redeveloping a Grade II building with a relatively small construction budget.

8.4 It should be noted that the GIA shown in the cost plan totals 7,976 sq ft, while the GIA in the Holder Mathias schedule totals 8,041 sq ft. This is a difference of 65 sq ft (6 sqm) which equates to 0.8% and is considered to be within a reasonable measuring tolerance.

Professional Fees

8.5 The relatively small refurbishment budget means that assessing the professional fees on a standard percentage of construction cost basis would considerably undercount the actual professional fee outlay. Pillar Consulting have therefore provided an aggregated professional fee budget equating to £523,609 which has been included in the Proposed Scheme appraisal as a fixed cost.

8.6 The majority of the consultant fees constituting this figure have already been instructed. Further information regarding this input can be provided confidentially via a separate channel.

8.7 The professional fees have been cash flowed on an s-curve basis with fees being incurred at the start of construction up until practical completion.

Disposal & Marketing Costs

8.8 The following fees have been adopted in line with the industry norms for a development of this type:

- Shared living agent fees – 1% of GDV
- Shared living legal fee – 0.5% of GDV
- Shared living marketing fee – £1.50 sqft
- Purchaser's costs – 6.8%

Additional Development Costs

8.9 We have been advised of the following additional development costs by Pillar Consulting:

- Project Insurance: £30,225. This equates to 1.5% of construction cost and is in line with Pillar's experience on other schemes.
- Mains upgrade: £13,000. This is an initial estimate. A quote for the works is currently being obtained from UK Power Networks.

CIL & Site Specific S106 Contributions

8.10 The Applicant's planning consultant DP9 has advised that there is a nil liability for CIL purposes under Mayoral and Borough CIL.

8.11 The FVA currently allows no cost for S106 obligations as advised by DP9. If this position changes throughout the course of he application, we reserve the right to amend this assumption.

Finance

8.12 A finance rate of 7% has been adopted. This is an 'all in' rate, which includes the basic margins (3.5-5%), commitment fees, arrangement fees (2-3%) and exit fees (0.5-1%), as well as a bank management/monitoring cost.

9 DEVELOPER'S PROFIT RETURN

9.1 The criteria to consider in arriving at an appropriate figure for developer's profit include, amongst other things, location, property use type, the scale of development, the weighted cost of capital and the economic context. Developers, banks and other funding institutions will have minimum expectations in terms of financial returns that are aligned with the risk profile. Simply, there must be a reasonable prospect that the return will be commensurate with the risks being undertaken.

9.2 In assessing an acceptable level of profit consideration has been given to what is generally accepted as a reasonable return for an open market sale model and a Build to Rent model.

9.3 The shared living accommodation model is a long-term investment which is held for a period of years and, therefore, does not take account of the higher sales risks generally associated with the traditional open market sale model. Therefore, a lower profit return is targeted by the developer/investor.

9.4 In terms of a traditional open market sale profit on GDV approach, developers generally seek a weighted return of circa 20% on value, from all components to account for the sales risks involved. There are several appeal decisions that consider 20% on value to be reasonable.

9.5 In terms of a Build to Rent profit on GDV approach, developers are generally seeking 15% profit on GDV based upon our current experience on build to rent schemes in central London.

9.6 The shared living model is a relatively untested product and therefore the Applicant is carrying considerable risk in delivering the scheme, especially as the scheme will be let by the Applicant on a unit by unit basis following completion, and not sold 'off-plan' to assist cashflow.

9.7 Should the Applicant be unable to let the units, and unlike traditional Build to Rent products, there is no 'exit' option to sell the units individually given that the design does not provide standard self-contained units. The only theoretical exit options given the design is for student housing or a return to a hotel use, both of which carry planning risk.

9.8 Any other possible 'exit' if the shared living product could not be let would be to submit a planning application to convert the internal layouts and undertake expensive refurbishment/remodelling to create a traditional residential scheme within the existing envelope.

9.9 Taking the above into account, DS2 consider a shared living development to be higher risk than a build to rent scheme but lower than a traditional open market sale development. However, for the purposes of this FVA a rate of return of 15% of the shared living accommodation GDV has been adopted.

10 BENCHMARK LAND VALUE

10.1 As discussed in Section 5, to arrive at an appropriate Benchmark Land Value regard has been given to the NPPF, PPG, the RICS GN and best practice principles of undertaking FVAs.

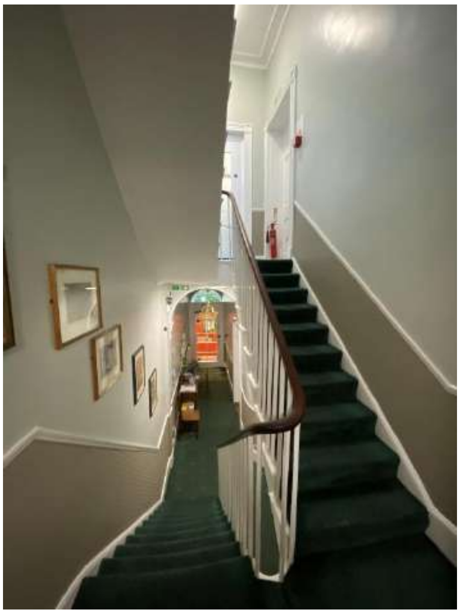
10.2 In the case of the Site, the appropriate methodology to assess the Benchmark Land Value of the Site is the Existing Use Value plus premium (EUV+).

Existing Use Value - Hotel

10.3 The Site comprises a 27 room C1 use class hotel which until 1st October 2022 traded as the Crescent Hotel. The building is now vacant in anticipation of this planning application, though no works have commenced.

10.4 The existing accommodation is laid out over basement level, ground floor level and three upper floors with hotel rooms on each floor. The hotel accommodation comprises 27 hotel rooms, the majority of which have en-suite facilities. The hotel also benefits from a reception area, kitchen, dining areas and rear outdoor yard.

10.5 DS2 inspected the Site on 3rd November 2022. A selection of the photos take is shown below, with more available on request.



10.6 Although vacant, the hotel is clearly in occupiable condition and could recommence trading at short notice.

10.7 To value the existing building in its current use, we have relied upon a red book valuation undertaken by Avison Young on behalf of the Applicant. Attached at **Appendix D**, the market value for the Site in its current use is £5,300,000 and has been adopted as the EUV for the purposes of this assessment. Avison Young have provided a letter to supplement the red book valuation to clarify that the Existing Use Value without refurbishment works equates to £5,300,000. There is also a refurbishment approach adopted within the red book valuation that assumes a capex requirement, which also generates a value of £5,300,000.

Premium

10.8 The EUV elements outlined above are the first component of calculating the Benchmark Land Value, the second being the premium. This is the amount "above the EUV that goes to the landowner" (PPG Para. 016). It is required to provide a reasonable incentive for a landowner to bring forward land for development while allowing a sufficient contribution to comply with policy requirements.

10.9 The premium should be informed by professional judgement and must be based upon the best available evidence informed by cross sector collaboration. The PPG states that for any viability assessment data sources to inform the establishment of the landowner premium, they should include market evidence and can include benchmark land values from other viability assessments.

10.10 Determining the premium has been considered in a number of different ways. The GLA SPG states that "premiums above EUV should be justified, reflecting the circumstances of the site" and that premiums "could be 10 per cent to 30 per cent, but this must reflect site specific circumstances and will vary".

10.11 PPG does not set out a prescriptive or arbitrary approach to determining the premium other than the premium must provide an incentive to the landowner (PPG Para. 013), and that it is in addition to the EUV (PPG Para. 014, 016).

10.12 The EUV for the Site has been provided by Avison Young on the basis of the building remaining in use as a C1 use class hotel. The building traded successfully as the Crescent Hotel for many years and is only now vacant due to the Applicant's decision to ready the Site for this planning application. It is not vacant due to a lack of demand, a poor financial performance or the building condition. While the Site has good long-term commercial prospects in its existing use, there is development potential in respect of the Site which should be taken into account when determining the premium. Regard or weight given to development potential is however difficult to quantify; in this respect PPG cautions the use of market land evidence (suggesting it might form only a cross check of Benchmark Land Value) as any data must reflect, or be adjusted to reflect, the "cost of policy compliance".

10.13 We have therefore taken a cautious approach which is to apply a modest premium of 20% and added this to the EUV.

Benchmark Land Value Summary

10.14 The EUV of the existing Site is £5,300,000 as advised by Avison Young. When the 20% premium is added, the total BLV for the site is therefore £6,360,000, which has been adopted for the purposes of this assessment.

11 APPRAISAL RESULTS AND SENSITIVITY ANALYSIS

11.1 A copy of the ARGUS appraisal summary of the Proposed Scheme is attached at **Appendix E**. The results are provided below.

TABLE 11 FVA RESULTS, CARTWRIGHT GARDENS, DECEMBER 2022			
Scheme	Benchmark Land Value	Residual Land Value	Surplus / (Deficit)
Proposed Scheme	**£6,360,000**	**£3,871,372**	**(£2,488,628)**

11.2 As demonstrated in the table above, the Proposed Scheme cannot viably support the provision of an affordable housing contribution.

11.3 Sensitivity analysis has been carried out below to demonstrate the impact on the residual land value should shared living yields increase/decrease in increments of 0.25% and construction costs increase/decrease increments of 5%. Red cells represent a decrease in viability from the current position and green cells an improvement.

TABLE 12: PROPOSED SCHEME SENSITIVITY RESULTS, CARTWRIGHT GARDENS, DECEMBER 2022					
	Yield				
Con. Costs	**4%**	**4.25%**	**4.5%**	**4.75%**	**5%**
-10%	£4,859,924	£4,440,146	£4,067,010	£3,733,151	£3,432,678
-5%	£4,762,105	£4,342,327	£3,969,191	£3,635,332	£3,334,860
0%	£4,664,286	£4,244,508	£3,871,372	£3,537,514	£3,237,041
+5%	£4,566,468	£4,146,689	£3,773,553	£3,439,695	£3,139,222
+10%	£4,468,649	£4,048,871	£3,675,735	£3,341,876	£3,041,403

11.4 The analysis demonstrates that the scheme is challenging on a present-day basis. This is consistent with our experience elsewhere for what is a new and emerging asset class.

12 CONCLUSIONS

12.1 The results summarised in Section 11 demonstrate that the Proposed Scheme cannot viably support the provision of an additional affordable housing contribution on a present-day basis.

12.2 This is not an unexpected outcome as shared living is an emerging asset class and the gross development value is tempered by current day perceived risk in the market and subsequent investor appetite. It is anticipated that over time, the asset class will become more attractive and subsequently the accommodation will become more valuable. Whilst shared living schemes deliver significant public benefits, the economic gain of this emerging sector remains constrained relative to Build to Rent

12.3 The development proposals are focused on shared living accommodation orientated towards the needs of working Londoners, providing affordable and flexible accommodation in the centre of the city.

12.4 Shared living accommodation allows young professionals and key workers, who may otherwise be priced out of the market, to afford to live in high quality rented accommodation within LBC and particularly in the exclusive Bloomsbury area.

12.5 The Applicant is committed to providing an innovative housing product that aims to create a long-term, sustainable community, with the intention of developing an environment where the tenants rent for an extended period of time on a realistic budget, and ultimately establish roots locally and settle within the Borough when they are ready to move onto the property ladder.

12.6 We would be happy to meet with LBC or their advisors to discuss any points contained within this submission and the supporting documentation.

Prepared by:

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Partner

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Direct: 020 7004 1761

For and on behalf of:
SLP Crescent Limited

Date:
22nd December 2022

APPENDIX A - HOLDER MATHIAS FLOOR PLANS

1 Proposed Plan - Level -1 - Lower Ground
1 : 50

2 Proposed Plan - Level 0 - Ground
1 : 50

Proposed Walls

Existing Doors to be retained

Existing Doors to be reinstated

New Doors to be installed

Rev.	Status	Date		Check	Description
P02	A2	19/12/22	WS		ISSUED FOR PLANNING
P01	A2	13/12/22	AO		Draft planning issue

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Project
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49-50 Cartwright Gardens, London
SLP Crescent Limited

Title
Proposed Lower Ground and Ground Level

Job No.	Scale at A1	Classification	Status	Revision
4701	As indicated	PM_40_40_34	A2	P02

Project Code - Originator - Functional Breakdown - Spatial Breakdown - Form - Discipline - Number
CRSH-HMA-XX-ZZ-D-A-00101

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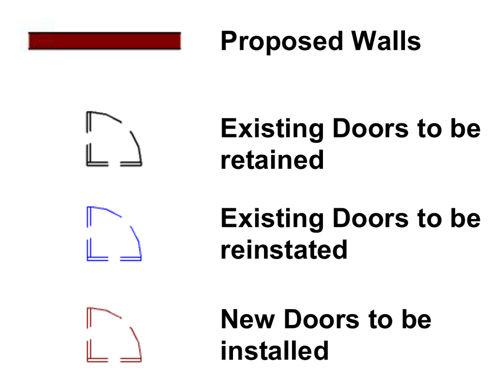
SCALE 1:50 m

1 Proposed Plan - Level 1
1 : 50

2 Proposed Plan - Level 2
1 : 50



Rev.	Status	Date	Check	Description
P02	A2	19/12/22	WS	ISSUED FOR PLANNING
P01	A2	13/12/22	AO	Draft planning issue

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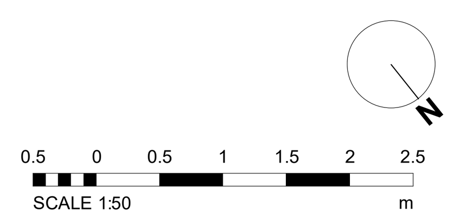
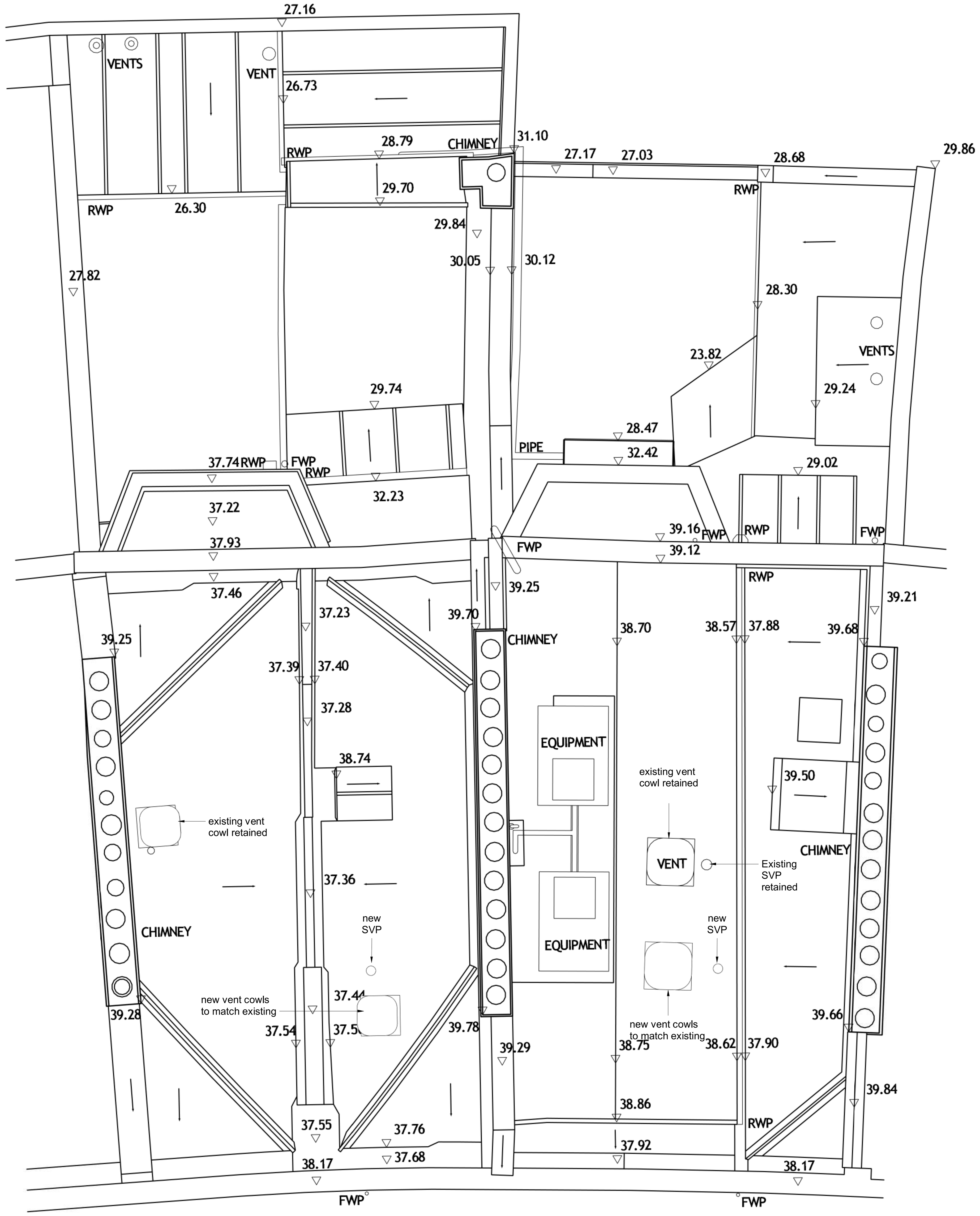
Title
Proposed Level 1 and 2

Job No	Scale at A1	Classification	Status	Revision
4701	As indicated	PM_40_40_34	A2	P02



Project Code - Originator - Functional Breakdown - Spatial Breakdown - Form - Discipline - Number
CRSH-HMA-XX-ZZ-D-A-00102

1 Proposed Plan - Level 3
1 : 50



2 Proposed Plan - Roof Level
1 : 50

Proposed Walls

Existing Doors to be retained

Existing Doors to be reinstated

New Doors to be installed

Rev.	Status	Date	Check	Description
P02	A2	19/12/22	WS	ISSUED FOR PLANNING
P01	A2	13/12/22	AO	Draft planning issue

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Title
Proposed Level 3 and Roof Level

Job No	Scale at A1	Classification	Status	Revision
4701	As indicated	PM_40_40_34	A2	P02

Project Code - Originator - Functional Breakdown - Spatial Breakdown - Form - Discipline - Number

CRSH-HMA-XX-ZZ-D-A-00103

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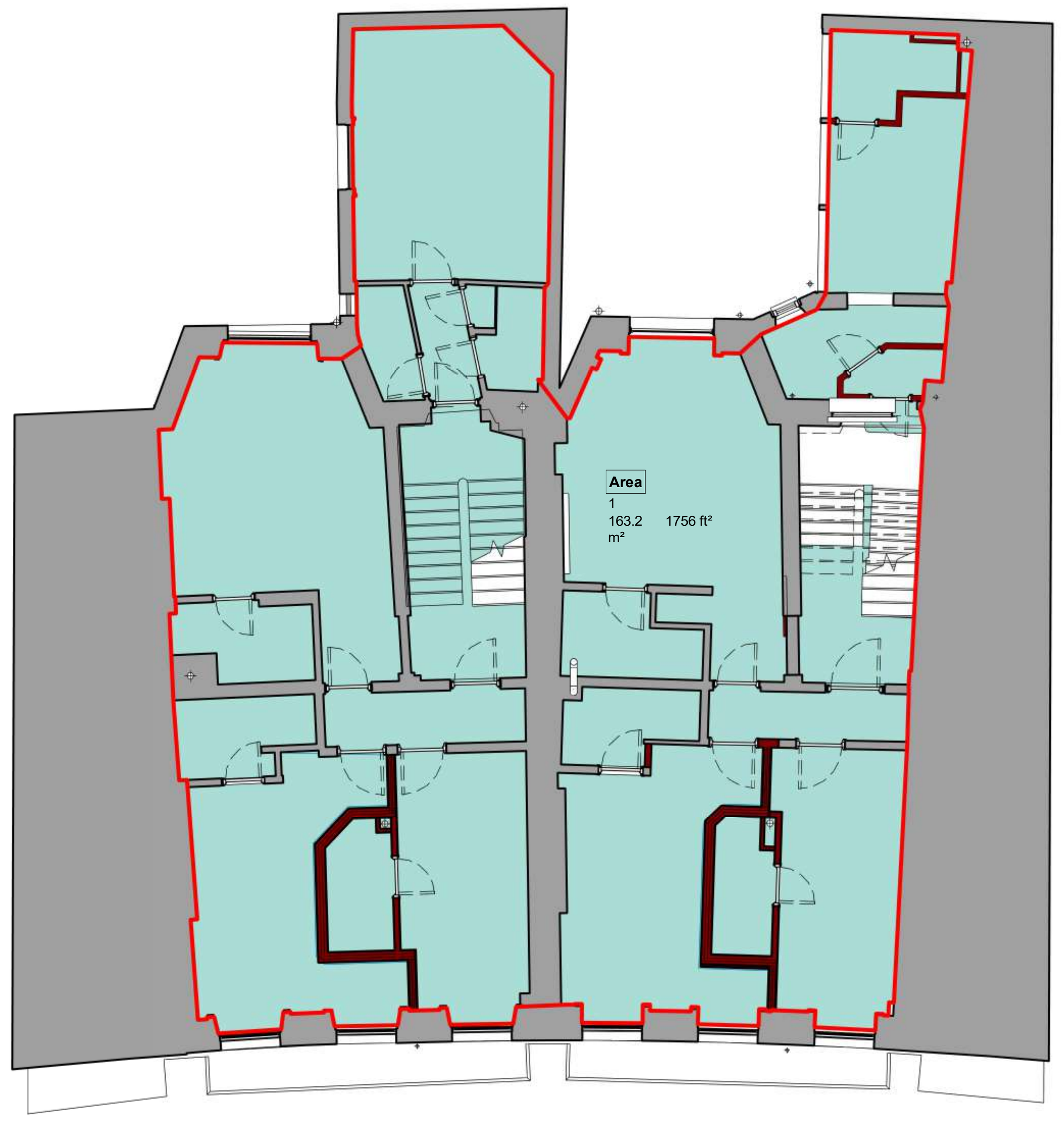
SCALE 1:50 m

N

APPENDIX B - HOLDER MATHIAS AREA AND UNIT SCHEDULE

1 **Level -1 - Lower Ground**
1 : 100

2 **Level 0 - Ground**
1 : 100



3 **Level 1**
1 : 100

4 **Level 2**
1 : 100

5 **Level 3**
1 : 100

Area Schedule (GIA)			
Level	Name	Area	Imperial Area
Level -1 - Lower Ground	Area	152.1 m²	1,637.5 ft²
Level 0 - Ground	Area	178.9 m²	1,926.0 ft²
Level 1	Area	163.2 m²	1,756.5 ft²
Level 2	Area	126.6 m²	1,362.9 ft²
Level 3	Area	126.1 m²	1,357.8 ft²
Grand total: 5		747.0 m²	8,040.6 ft²

Area Schedule (GIA) Vaulted Store			
Level	Name	Area	Imperial Area
Level -1 - Lower Ground	Vaults	32.1 m²	345.2 ft²
Grand total: 1		32.1 m²	345.2 ft²

Note: GIA measured in accordance with IPMS 2 (Residential Apartments)

Rev.	Status	Date	Check	Description
P02	A2	19/12/22	WS	ISSUED FOR PLANNING
P01	A2	13/12/22	AO	Draft planning issue

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Project
Crescent Hotel
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SLP Crescent Limited

Title
GIA

Job No	Scale at A1	Classification	Status	Revision
4701	1 : 100	PM_40_30_70	A2	P02

Project Code - Originator - Functional Breakdown - Spatial Breakdown - Form - Discipline - Number
CRSH-HMA-XX-XX-L-A-02003

1 **Level -1 - Lower Ground**
1 : 100

2 **Level 0 - Ground**
1 : 100

3 **Level 1**
1 : 100

4 **Level 2**
1 : 100

5 **Level 3**
1 : 100

Area Schedule Flats (NIA)

Level	Number	Name	Area	Imperial Area
Level -1 - Lower Ground	1a	Shared Living Unit	16.6 m²	178.4 ft²
Level -1 - Lower Ground	2a	Shared Living Unit	27.8 m²	298.7 ft²
Level -1 - Lower Ground	3a	Shared Living Unit	18.7 m²	201.5 ft²
Level -1 - Lower Ground	4a	Shared Living Unit	16.4 m²	177.0 ft²
Level 0 - Ground	5a	Shared Living Unit	14.9 m²	159.9 ft²
Level 0 - Ground	6a	Shared Living Unit	22.3 m²	240.1 ft²
Level 0 - Ground	7a	Shared Living Unit	16.7 m²	179.7 ft²
Level 0 - Ground	8a	Shared Living Unit	15.1 m²	162.4 ft²
Level 0 - Ground	9a	Shared Living Unit	18.9 m²	203.7 ft²
Level 0 - Ground	10a	Shared Living Unit	13.4 m²	144.2 ft²
Level 1	11a	Shared Living Unit	11.6 m²	125.0 ft²
Level 1	12a	Shared Living Unit	14.2 m²	152.9 ft²
Level 1	13a	Shared Living Unit	19.1 m²	206.1 ft²
Level 1	14a	Shared Living Unit	14.0 m²	151.1 ft²
Level 1	15a	Shared Living Unit	11.6 m²	124.6 ft²
Level 1	16a	Shared Living Unit	14.0 m²	151.2 ft²
Level 1	17a	Shared Living Unit	19.0 m²	204.0 ft²
Level 1	18a	Shared Living Unit	19.2 m²	207.2 ft²
Level 2	19a	Shared Living Unit	11.9 m²	127.6 ft²
Level 2	20a	Shared Living Unit	15.2 m²	163.8 ft²
Level 2	21a	Shared Living Unit	16.1 m²	173.6 ft²
Level 2	22a	Shared Living Unit	11.6 m²	125.1 ft²
Level 2	23a	Shared Living Unit	16.4 m²	177.1 ft²
Level 2	24a	Shared Living Unit	20.4 m²	219.3 ft²
Level 3	25a	Shared Living Unit	11.6 m²	125.4 ft²
Level 3	26a	Shared Living Unit	12.9 m²	139.2 ft²
Level 3	27a	Shared Living Unit	12.0 m²	129.7 ft²
Level 3	28a	Shared Living Unit	14.0 m²	150.5 ft²
Level 3	29a	Shared Living Unit	18.2 m²	195.6 ft²
Level 3	30a	Shared Living Unit	15.9 m²	171.6 ft²
Level 3	31a	Shared Living Unit	11.8 m²	127.3 ft²
Grand total: 31			491.8 m²	5,293.3 ft²

Note: NIA measured in accordance with IPMS 3b (Residential Apartments)

Rev.	Status	Date	Check	Description
P02	A2	19/12/22	WS	ISSUED FOR PLANNING
P01	A2	13/12/22	AO	Draft planning issue

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Title
NIA

Job No	Scale at A1	Classification	Status	Revision
4701	1 : 100	PM_40_30_70	A2	P02

Project Code - Originator - Functional Breakdown - Spatial Breakdown - Form - Discipline - Number
CRSH-HMA-XX-XX-L-A-02004

APPENDIX C - CHP COST PLAN

CHP

SMART LIVING PROPERTIES

CRESCENT HOTEL

STAGE 2 ORDER OF COST ESTIMATE – R3

12 DECEMBER 2022

CONTENTS

PREPARED BY:

Henry Gillott
Dan Curtis

REVIEWED BY:

Phil Parry

1.0 Cost Summary

Description	£	£/ft² GIA
Shell & Core Works	£520,000	£65
Fit Out Works	£680,000	£85
Additional Scope Movement	£195,000	£24
On Costs	£370,000	£46
SUB-TOTAL - Gross Construction Costs	**£1,765,000**	**£197**
Client Direct FF&E	£160,000	£20
Client Direct OSE	£90,000	£11
Sub Total - Including Client Directs Costs	**£2,015,000**	**£228**
Contingency	£150,000	£19
Inflation, 3%	£65,000	£8
TOTAL ESTIMATED CONSTRUCTION COSTS (@ Q4 2022)	**£2,230,000**	**£255**

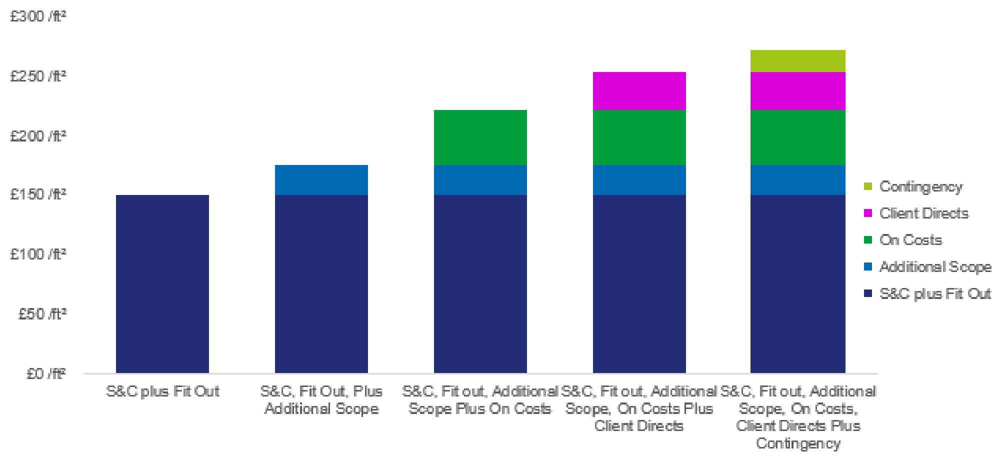
2.0 Area Summary

Unit	NIA (ft2)	Unit No.	Average Size (ft2)
Self Contained - Single	1,518	9	167
Self Contained - Double	1,927	9	212
Shared Living Unit	1,711	13	132
Sub Total (NIA)	**5,156**	**31**	
Public Space	1,636		
BOH	1,184		
Total GIA	**7,976**	**31**	

3.0 Key Project Data

NIG:GIA	64% (overall)
Shell & Core Cost per key	£17,000 / key
Fit Out Cost per key	£22,000 / key
Additional Heritage & MEP Works	£6,000 / key
On Costs per key	£12,500 / key
Client Directs Costs per key	£8,000 / key
Total Construction Cost per key (incl. contingency)	£72,000/ key

4.0 Cost Analysis



CHP

Area Schedule

Level	NIA: Self Contained - Single (m²)	NIA: Self Contained - Double (m²)	NIA: Shared Living Unit (m²)	NIA: TOTAL (m²)	GIA: Circulation (m²)	GIA: Stairs (m²)	GIA: BOH WC (m²)	GIA: Dining Room (m²)	GIA: Residential Entrance (m²)	GIA: Kitchen (m²)	GIA: Laundry (m²)	GIA: Store (m²)	GIA: Bike Store (m²)	GIA: Plant (m²)	GIA: Structure (m²)	GIA: TOTAL (m²)	NIA:GIA (%)
- Basement	32	46		78	2	12	2	30		5	9	1	External		12	151	52%
- Ground Floor	46	40	11	97	30	17			Incl			11	External	6	16	177	55%
- Level One		55	63	118	9	17									18	162	73%
- Level Two	46	20	23	89		20						2			14	125	71%
- Level Three	17	18	62	97	11	7									11	126	77%
Sub-Total (m²)	**141**	**179**	**159**	**479**	**52**	**73**	**2**	**30**	**-**	**5**	**9**	**14**	**-**	**6**	**71**	**741**	**65%**
Sub-Total (ft²)	**1,518**	**1,927**	**1,711**	**5,156**	**560**	**786**	**22**	**323**	**-**	**54**	**97**	**151**	**-**	**65**	**764**	**7,976**	
Overall Total (m²)	**141**	**179**	**159**	**479**	**52**	**73**	**2**	**30**	**-**	**5**	**9**	**14**	**-**	**6**	**71**	**741**	**65%**
Overall Total (ft²)	**1,518**	**1,927**	**1,711**	**5,156**	**560**	**786**	**22**	**323**	**-**	**54**	**97**	**151**	**-**	**65**	**764**	**7,976**	
Holder Mathias Total (ft²)				**5,252**												**8,040**	
Variance (ft²)				**96**												**64**	

Notes

Areas have been measured in accordance with Code of Measurement Practice, 6th edt.

The areas included within this document should not be relied upon for any other purpose than the formulation of the cost models themselves.

CHP

Unit Mix

Level	Self Contained - Single	Self Contained - Double	Shared Living Unit	TOTAL
Basement	2	2		4
Ground Floor	2	3	1	6
Level One	3		5	8
Level Two	1	3	2	6
Level Three	1	1	5	7
TOTAL (nr.)	9 29%	9 29%	13 42%	31 100%

Assumptions

- Areas - Areas have been measured from drawings listed – please see information used section.
- Cost Basis - Costs represent fixed prices at a Q4 2022 base date, and assume an immediate start on site for all blocks / uses at the same point in time
- Procurement - Assumed procured via single stage design and build competitive tender
- Phasing - No allowance has been made for additional phasing requirements associated with constructing across multiple phases
- Future Inflation - Future inflation from the current price date has been included, with mid-point Q3 2023 (3%) assumed.
- On-costs
    - Main Contractor Preliminaries 10.0%
    - OH&P 10.0%
    - Contractor Risk Allowance 5.0%
- Units – Studio / Studio Single / Bedsit Unit split (as per latest GA's issued by Holder Mathias)
- Structure – Assumed now works to existing structure required
- Facades - We have assumed no works to existing facades required
- Sustainability / Renewables - Sustainability / Renewables no allowances have been included for sustainability requirements e.g. PVs to roof etc.
- Site Particulars - Allowances for site preparations / external works have been excluded and are assumed by others.
- Enabling Works – Minor enabling works allowance included within shell & core costs. No allowances for removal of redundant services includes as subject to site investigations. See exclusions for full list.
- FF&E and OSE – Assumed to be proprietary items, procured and installed by the main contractor. All freight, warehousing, insurances and procurement fees have been excluded.

Information used:

- CRSH-HMA-XX-ZZ-D-A-00101 - Proposed Basement and Ground
- CRSH-HMA-XX-ZZ-D-A-00102 - Proposed Level 1 and Level 2
- CRSH-HMA-XX-ZZ-D-A-00103 - Proposed Level 3
- CRSH-HMA-XX-XX-L-A-02001 – Accommodation Schedule (Flats)
- CRSH-HMA-XX-XX-L-A-02002 – Accommodation Schedule (Common Areas)
- CRSH-HMA-XX-XX-L-A-02003 – GIA (Holder Mathias)
- CRSH-HMA-XX-XX-L-A-02004 – NIA (Holder Mathias)

Exclusions

- Site acquisition fees / costs
- Professional / legal fees; planning / building control fees; statutory fees; site surveys; monitoring costs; etc.
- Value Added Tax
- Client / Project insurances
- Client Finance charges, developer’s costs and profit
- Design fees including those within any D&B Construction contract
- Costs associated with sectional completion / phasing of the scheme e.g. temporary works, temporary external works, additional preliminaries, security etc.
- Capital allowances or other incentives/grants
- Cost arising and / or exercised from any Party Wall awards / oversail rights / compensation as a result of daylight / sunlight issues
- Boundary Issues (i.e. interface costs associated with other buildings on the red line or TfL / Railway costs and the like)
- NHBC / BLP type warranties
- S106 contributions
- S278 contributions/allowances
- Project benchmark mock-up
- Marketing/letting costs, legal fees, presentation material, tenant contributions.
- Independent Commissioning Management fees (assumed to be included in the separate budget for professional fees)
- Feature hoarding
- Public artwork
- Cost of project collaboration tools
- Internal Planting and the like
- All signage and directories except statutory signage
- Carbon Tax Allowance
- External Works

Risks Exclusions

- Comfort cooling, home automation, security and sound systems to apartments
- Costs in connection with addressing abnormal ground conditions, Excavation and removal of contaminated material, in excess of the allowances indicated.
- Landfill tax incurred from the disposal of any contaminated (Hazardous or Non Hazardous) material disposal
- Impact of any discovered UXO removal of unexploded ordinance
- Archaeology works (including Consultants fees, investigation and attendance costs or resultant delays/ disruption)
- Removal of Japanese Knotweed.
- Any necessary off-site reinforcement of services infrastructure
- Utility Diversions
- Costs associated with any road closures/rentals
- Out of hours working
- Effects of working condition restrictions, such as Environmental Management plans
- Changes to statutory authorities or buildings regulations
- Overheating mitigation measures for TM59

Appendix A –
Indicative Cost Model

CHP

Smart Living Properties

Crescent Hotel, London

Order of Cost Estimate – December 2022

Cost Summary

Ref	Element	Cost (£)	GIA £/ ft²	Cost/Key
		CHP Estimate		
1.00	**Hotel Works**			
	Base Scope			
1.1	Shell & Core	520,000	£65 /ft²	£17,000 /Key
1.2	Fitout	680,000	£85 /ft²	£22,000 /Key
1.3	External Works	Excl		
	Additonal Heritage & MEP Works			
1.4	Removal of Redundant Services	40,000	£5 /ft²	£1,000 /Key
1.5	Refurbishment of Heritage Items	75,000	£9 /ft²	£2,000 /Key
1.6	Additional MEP Works	80,000	£10 /ft²	£3,000 /Key
	On Costs			
1.7	Main Contractors Prelims, 10%	140,000	£18 /ft²	£5,000 /Key
1.8	Main Contractors OH&P, 10%	150,000	£19 /ft²	£5,000 /Key
1.9	Main Contractors D&B Risk, 5%	80,000	£10 /ft²	£2,600 /Key
1.10	**Gross construction value @ Q4 2022**	**£1,765,000**	**£221 /ft²**	**£56,900 /Key**
1.11	Client Direct FF&E	160,000	£20 /ft²	£5,200 /Key
1.12	Client Direct OSE	90,000	£11 /ft²	£2,900 /Key
1.13	**Gross construction value @ Q4 2022**	**£2,015,000**	**£253 /ft²**	**£65,000 /Key**
1.14	Project Contingency, 7.5%	150,000	£19 /ft²	£4,800 /Key
1.15	Inflation, 3%	**65,000**	£8 /ft²	£2,100 /Key
1.16	**Total estimated construction costs Q4 2022**	**£2,230,000**	**£280 /ft²**	**£71,900 /Key**

Executive Summary

The estimate is priced at Q4 pricing levels, an allowance for inflation has been included within this cost summary based on a construction midpoint of early Q3 2023.

Additonal heritage and MEP works outside the base scope are also included within this baseline estimate.

The following cost plan for Crescent Hotel, London, is based on design information noted in this report, (see Assumptions and Exclusions).

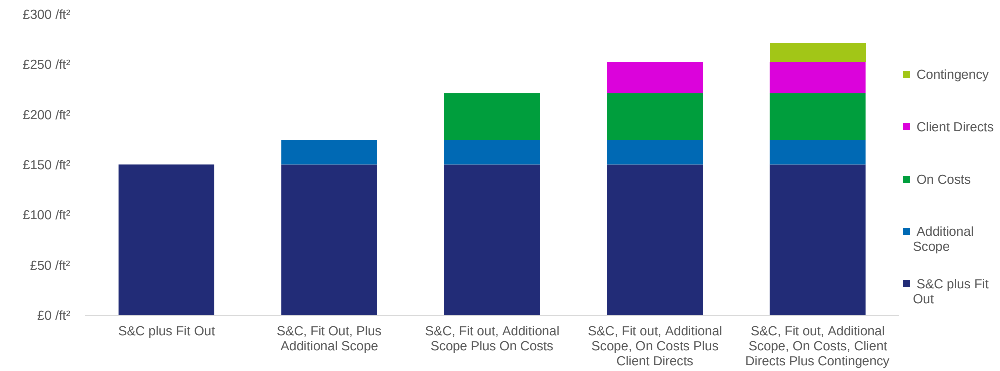
The information upon which the costs are based is at Stage 1 Design and therefore the costs are based on a series of assumptions which will need to be validated and tested as the design is progressed or further information received. Key assumptions have been listed in Section 4.0 of this report.

This target cost plan excludes; professional fees, VAT, phasing and other items as listed within this report.

Area & Unit Summary:

NET Areas	Basement	Above Ground	Total	Unit Nr.
Self Contained - Single	32	109	141	9
Self Contained - Double	46	133	179	9
Shared Living Unit		159	159	13
TOTAL NIA	78	401	479	31
Public Space	44	111	155	
BOH	29	78	107	
TOTAL GIA (m2)	151	590	741	
TOTAL GIA (sqft)	1,625	6,351	7,976	

Cost Analysis



Site Image

Smart Living Properties

Crescent Hotel, London

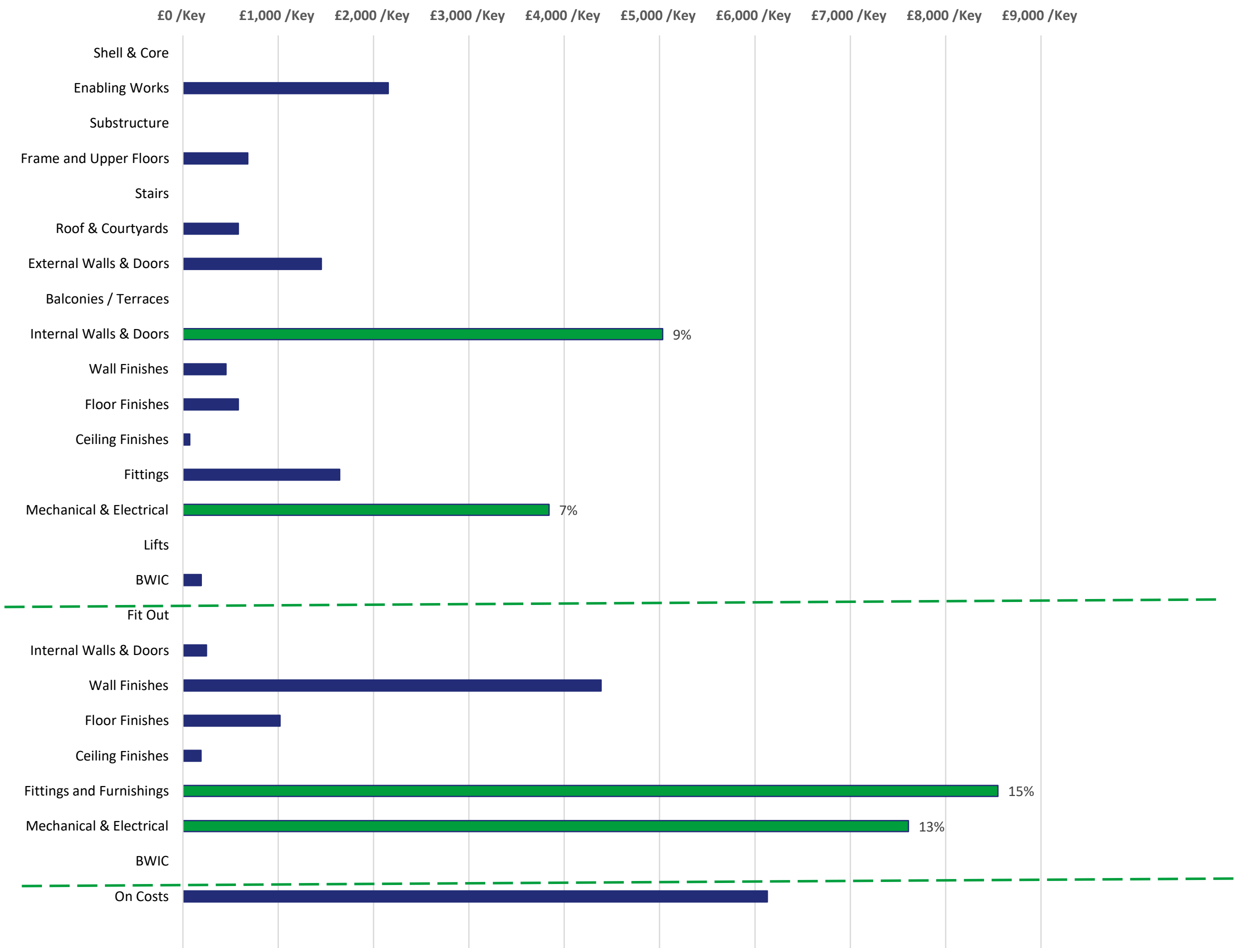
Order of Cost Estimate – December 2022

Cost Summary

(Residential) 5,156ft²

GIA	7,976ft²
NIA:GIA	65%

Shell & Core		Total Cost	£/ft² GIA	
- Enabling Works		£66,780	£8	£2,154 /Key
- Substructure		£0	£0	£0 /Key
- Frame and Upper Floors		£21,100	£3	£681 /Key
- Stairs		£0	£0	£0 /Key
- Roof & Courtyards		£18,000	£2	£581 /Key
- External Walls & Doors		£45,000	£6	£1,452 /Key
- Balconies / Terraces		£0	£0	£0 /Key
- Internal Walls & Doors		£156,000	£20	£5,032 /Key
- Wall Finishes		£14,000	£2	£452 /Key
- Floor Finishes		£18,000	£2	£581 /Key
- Ceiling Finishes		£2,220	£0	£72 /Key
- Fittings		£51,000	£0	£1,645 /Key
- Mechanical & Electrical		£119,053	£15	£3,840 /Key
- Lifts		Excl	Excl	
- BWIC		£6,000	£1	£194 /Key
Sub-total		**£520,000**	**£50**	£16,774 /Key
Total		**£520,000**	**£65**	£16,774 /Key
Fitout		5,156ft²	NIA	31 keys
- Internal Walls & Doors		£7,700	£1	£248 /Key
- Wall Finishes		£136,000	£26	£4,387 /Key
- Floor Finishes		£31,600	£6	£1,019 /Key
- Ceiling Finishes		£5,900	£1	£190 /Key
- Fittings & Furnishings		£265,000	£51	£8,548 /Key
- Mechanical & Electrical		£235,900	£46	£7,610 /Key
- BWIC		Included		/Key
Sub-total		**£680,000**	**£132**	£21,935 /Key
- Main Contractor Preliminaries	10.0%	£70,000	£14	£2,258 /Key
- OH&P	10.0%	£80,000	£16	£2,581 /Key
- Contractor Risk Allowance	5.0%	£40,000	£8	£1,290 /Key
Total		**£870,000**	**£169**	£28,065 /Key



Smart Living Properties

Crescent Hotel, London

Order of Cost Estimate – December 2022

Ref	Shell & Core - Crescent Hotel Refurbishment	Quant	Unit	Rate	Total	Notes
0.00	**Enabling Works**					
0.10	Allowance for soft strip of existing building, including removal of floor, ceiling and wall finishes	741	m2	80	59,280	Incl bathroom strip
0.20	Allowance for safe removal of redundant services	741	m2		Excl	
0.30	Allowance for opening up existing floor boards for MEP investigations	1	item	5,000	5,000	
0.40	Allowance for clearing existing lightwells	1	item	2,500	2,500	
				Enabling Works	**66,780**	
1.00	**Substructure**					
	Allowance for upgrading existing foundations				Excl	Assumed now works to existing foundations required.
	Allowance for works to basement vaults				Excl	
				Substructure	-	
2.00	**Frame & Upper Floors**					
2.10	Allowance for works to existing frame				Excl	Assumed no works to existing frame required
2.20	Allowance for replacement of existing floorboards	74	m2	150	11,100	Assume 10% of floor area
	<u>Core Walls</u>					
2.30	Allowance for works to existing core walls				Excl	Assumed no works to existing core walls required
	<u>Sundries</u>					
	Allowance for fire Stopping	1	item	5,000	5,000	
	E/O Allowance for forming holes for services etc	1	item	5,000	5,000	
				Frame	**21,100**	
3.00	**Stairs**					
3.1	Allowance for repairs to existing staircases where required	1	item		Excl	2 staircases per level
3.2	Allowance for repairs to existing staircase balustrades where required	1	item		Excl	
				Stairs	-	
4.00	**Roof & Courtyards**					
4.1	Allowance for existing roof repairs				Excl	Assumed no works required to roof
4.2	Allowance for works to courtyard areas	36	m2	500	18,000	Includes new decking and light touch works to lightwells
				Roof	**18,000**	

5.00	**External Walls, Windows and Doors**					
	External Walls					
5.10	Allowance for remedial repairs to External Walls (Non-Structural)	1	item		Excl	
5.20	Allowance for upgrading existing windows to Double Glazing	50	nr	800	40,000	
5.30	Allowance for stripping and painting existing railings	1	item		Excl	
5.40	Allowance for repairs to existing entrance steps	6	m		Excl	2 nr x 3m in length
5.50	Allowance for upgrading existing entrance door	1	nr		Excl	2nr but look like infilling one of them - to check
	Sundry items					
5.60	Allowance for feature new signage to Hotel Front	1	item	5,000	5,000	
					-	
				External wall and Doors	**45,000**	
6.00	**Balconies**					
6.10	Allowance for repair works to existing juliet balconies (non-accessible) to L1 - assume new paint finish to railings and new liquid weatherproofing detail required	2	nr		Excl	
				Balconies	-	
7.00	**Internal Walls**					
7.1	Allowance for new partitions to form new layout (incl. party wall & bathroom pod partitions)	350	m²	180	63,000	
7.2	Allowance for repairs to existing cornicing	1	item	15,000	15,000	Proprietary cornicing
7.3	Allowance for repairs to existing fireplaces	9	nr	1,100	10,000	Heritage piece
				Internal walls	**88,000**	
8.00	**Internal Doors**					
8.1	Allowance for refurbishment of existing apartment Entrance Doors incl. Architrave & Ironmongery	31	nr	1,200	37,000	
8.2	Allowance for refurbishment of existing en-suite Doors incl. Architrave & Ironmongery	31	nr	200	6,000	
8.3	Allowance for New Doors to shared areas	21	nr	1,200	25,000	
				Internal Doors	**68,000**	
9.00	**Wall Finishes**					
9.1	Allowance for finish to shared areas	963	m²	8	8,000	
9.2	Allowance for finish to BOH areas				Inc	Incl shared walls
9.3	Allowance for paint finish to stair core walls				Inc	Incl shared walls
9.4	Allowance for skirting on all floors	344	m	18	6,000	
				Wall Finishes	**14,000**	
10.00	**Floor Finishes**					
10.1	Allowance for floor finish to circulation areas	52	m²	55	3,000	Assume broadloom carpet finish
10.2	Allowance for floor finish to stair core	73	m²	55	4,000	Assume broadloom carpet finish
10.3	Allowance for floor finish to Entrance Lobby				Inc	Incl circulation
10.4	Allowance for floor finish to BOH, incl. kitchen	30	m²	60	2,000	Assume vinyl finish
10.5	Allowance for floor finish to Dining Room	30	m²	120	4,000	Assume laminate finish
10.6	Extra over allowance for making good substrate to Dining Room	30	m²	30	1,000	
10.7	Allowance for floor screed throughout (assume 65mm thick)				Excl	
10.8	Allowance for entrance matwells	2	nr	2,000	4,000	
				Floor Finishes	**18,000**	

11.00	**Ceiling Finishes**					
11.1	Allowance for suspended ceiling to shared areas including plasterboard				Excl	
11.2	Allowance for suspended ceiling to Residential Entrance including plasterboard and paint finish				Excl	
11.3	Allowance for suspended ceiling to plant area including plasterboard and paint finish				Excl	
11.4	Allowance for access panels				Excl	
11.4	Allowance for new paint finish to shared areas ceilings	185	m2	12	2,220	
				Ceiling Finishes	**2,220**	
12.00	**Fittings & Furnishings**					
	Joinery					
12.1	Allowance for mail drop-off joinery	1	item	7,500	8,000	
12.1	Allowance for apartment address plates	31	nr	45	1,000	Assume 1 per apartment
12.1	Allowance for statutory signage	1	item	7,500	8,000	
12.1	Allowance for cycle racks	16	nr	250	4,000	Assume 1 per 2 apartments- - scope TBC
12.1	Allowance for BOH fittings, excl kitchen equipment	1	item	5,000	5,000	
12.1	Allowance for entrance lobby enhancements				Excl	
12.1	Allowance for entrance lobby reception desk				Excl	
12.1	Allowance for cleaners cupboard incl. shelving				Excl	
12.1	Allowance for artwork to lobbies				Excl	
12.1	Allowance for loose furniture				Excl	
12.1	Allowance for new kitchen equipment	1	item	25,000	25,000	
				Fittings & Furniture	**51,000**	
13.00	**MEP Shell & Core**					
13.01	Sanitaryware	7,976	ft²	2.40	19,143	
13.02	Disposal Installation	7,976	ft²	0.60	4,786	
13.03	Water Installation	7,976	ft²	1.20	9,571	
13.04	Heat Source	7,976	ft²		-	
13.05	Space Heating & Air Treatment	7,976	ft²	4.80	38,285	
13.06	Ventilation Systems	7,976	ft²	0.45	3,589	
13.07	Electrical Services	7,976	ft²	0.75	5,982	
13.08	Gas Installations	7,976	ft²		-	
13.09	Protective Installation	7,976	ft²		-	
13.10	Communications	7,976	ft²	2.25	17,946	
13.11	Special Installations	7,976	ft²	0.39	3,111	
13.12	Allowance for Testing & Commissioning	7,976	ft²	0.66	5,264	
13.13	Allowance for Specialist Sub-Contractor Preliminaries	7,976	ft²	1.05	8,375	
	Signage					
13.10	Allowance for wayfinding signage	5	nr	500	3,000	Assume 1 per floor
				MEP	**119,053**	

14.00	**Lifts**			
14.01	N/A			Excl
			Lifts	-
15.00	**Builders' work in connection with services**			
15.01	Allowance for Builder's Work for Services	5%	119,053	6,000
			BWIC	**6,000**
Sub -Total				**517,153**
	On Costs			
	Prelims	10.0%		52,000
	OH&P	10.0%		57,000
	Contractors Design Risk	5.0%		31,000
Total (Incl Prelims, OHP)				**660,000**

Smart Living Properties

Crescent Hotel, London

Order of Cost Estimate – December 2022

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		scent Hotel Units														
		Self Contained - Single				Self Contained - Double				Shared Living Unit				TOTAL		
		Total nr. of unit type:			9	Total nr. of unit type:			9	Total nr. of unit type:			13	31	nr	Total units
		Ave size :	NIA		16 m²	Ave size :	NIA		20 m²	Ave size :	NIA		12 m²	479	m²	Total NIA (m²)
					169 ft²				214 ft²				132 ft²	5,156	ft²	Total NIA (ft²)
			GIA		16 m²		GIA		20 m²		GIA		12 m²	479	m²	Total GIA (m²)
					169 ft²				214 ft²				132 ft²	5,156	ft²	Total GIA (ft²)
Elements	**Rate**	**Qty**	**unit**		**Total**	**Qty**	**unit**		**Total**	**Qty**	**unit**		**Total**	**Overall Quant**	**Avg. rate**	**Overall Cost**
Building Elements																
FITOUT																
Internal Walls																
Party Walls			Incl. in Shell and Core				Incl. in Shell and Core				Incl. in Shell and Core					Incl
Internal Division Walls within apartments - stud partitions	£120		Incl. in Shell and Core				Incl. in Shell and Core				Incl. in Shell and Core					Incl
Allowance for patressing generally	£250	1	nr	250	£250	1	nr	250	£250	1	nr	250	£250	31.00	248	7,700.00
Wall Finishes																
Allowance for works to internal walls	£60	50	m²	60	£3,020	62	m²	60	£3,700	53	m²	60	£3,190	1,699.60	60	101,900.00
MDF plant on painted skirting to all walls (12mm x 200mm)	£8	26	m	8	£200	30	m	8	£240	27	m	8	£220	850.50	8	6,800.00
Allowance Finish to Bathroom Walls - full height white ceramic tiling - (50% coverage)	£80	11	m²	80	£840	11	m²	80	£900	11	m²	80	£900	340.90	80	27,300.00
Allowance Finish to Bathroom Walls - new paint finish	£8	11	m²	8	£80	11	m²	8	£90	11	m²	8	£90	340.90	8	2,700.00
Floor Finishes																
Bedrooms - Carpet 80/20 wool twist	£60	16	m²	60	£960	13	m²	60	£780	11	m²	60	£660	404.00	60	24,200.00
Bathrooms, WC's - Ceramic	£80	3	m²	80	£240	3	m²	80	£240	3	m²	80	£240	93.00	80	7,400.00
Ceiling Finishes																
Paint finish to existing ceilings	£12	19	m²	12	£230	16	m²	12	£190	14	m²	12	£170	497.00	12	5,900.00
Fittings & Furnishings																
Kitchens (Incl Fitted Units, Laminate Worktops).																
Fixed Joinery for built in bed unit	£3,000	1	nr	3,000	£3,000	1	nr	3,000	£3,000	1	nr	3,000	£3,000	31.00	3,000	93,000.00
Fixed Joinery for kitchen	£3,000	1	nr	3,000	£3,000	1	nr	3,000	£3,000	1	nr	3,000	£3,000	31.00	3,000	93,000.00
Extra Over Allowance for Kitchen Appliances	£1,500	1	nr	1,500	£1,500	1	nr	1,500	£1,500	1	nr	1,500	£1,500	31.00	1,500	46,500.00
Bathrooms																
Allowance for mirrored cabinet to bathrooms	£600	1	nr	600	£600	1	nr	600	£600	1	nr	600	£600	31.00	600	18,600.00
Allowance for Fittings to bathrooms - towel box, toilet roll holder, soap dish etc.	£250	1	nr	250	£250	1	nr	250	£250	1	nr	250	£250	31.00	248	7,700.00
Allowance for fixed shower screen	£200	1	nr	200	£200	1	nr	200	£200	1	nr	200	£200	31.00	200	6,200.00
Wardrobes																
Wardrobes to Bedrooms	Incl		m	Incl	Incl		m	Incl	Incl		m	Incl	Incl			Excl.
Building Elements Total Fit out Cost					**£14,400** **£919 /m²** **£85 /ft²**				**£14,900** **£749 /m²** **£70 /ft²**				**£14,300** **£1,169 /m²** **£109 /ft²**	Building elements		**£448,900** **£937 /m²** **£87 /ft²**
MEP Elements																
	£0	**169**	**ft²**		**£0**	**214**	**ft²**		**£0**	**132**	**ft²**		**£0**	**5,155.96**	**-**	**-**
Sanitaryware	7.20	169	ft²	7.20	£1,214	214	ft²	7.20	£1,541	132	ft²	7.20	£948	**5,155.96**	**7**	**37,100.00**
Disposal Installation	1.80	169	ft²	1.80	£304	214	ft²	1.80	£385	132	ft²	1.80	£237	**5,155.96**	**2**	**9,200.00**
Water Installation	3.60	169	ft²	3.60	£607	214	ft²	3.60	£771	132	ft²	3.60	£474	**5,155.96**	**4**	**18,500.00**

Smart Living Properties

Crescent Hotel, London

Order of Cost Estimate – December 2022

CHP

scent Hotel Units

	Self Contained - Single		Self Contained - Double		Shared Living Unit		TOTAL	
Total nr. of unit type:		9		9		13	31 nr	Total units
Ave size : NIA		16 m²		20 m²		12 m²	479 m²	Total NIA (m²)
		169 ft²		214 ft²		132 ft²	5,156 ft²	Total NIA (ft²)
GIA		16 m²		20 m²		12 m²	479 m²	Total GIA (m²)
		169 ft²		214 ft²		132 ft²	5,156 ft²	Total GIA (ft²)

Elements	Rate	Qty	unit		Total	Qty	unit		Total	Qty	unit		Total	Overall Quant	Avg. rate	Overall Cost
Heat Source																
Space Heating & Air Treatment	14.40	169	ft²	14.40	£2,428	214	ft²	14.40	£3,083	132	ft²	14.40	£1,896	5,155.96	14	74,200.00
Ventilation Systems	1.35	169	ft²	1.35	£228	214	ft²	1.35	£289	132	ft²	1.35	£178	5,155.96	1	6,900.00
Electrical Services	2.25	169	ft²	2.25	£379	214	ft²	2.25	£482	132	ft²	2.25	£296	5,155.96	2	11,600.00
Gas Installations																
Protective Installation																
Communications	6.75	169	ft²	6.75	£1,138	214	ft²	6.75	£1,445	132	ft²	6.75	£889	5,155.96	7	34,800.00
Special Installations	1.17	169	ft²	1.17	£197	214	ft²	1.17	£250	132	ft²	1.17	£154	5,155.96	1	6,000.00
Allowance for Testing & Commissioning	1.98	169	ft²	1.98	£334	214	ft²	1.98	£424	132	ft²	1.98	£261	5,155.96	2	10,200.00
Allowance for Specialist Sub-Contractor Preliminaries	3.15	169	ft²	3.15	£531	214	ft²	3.15	£674	132	ft²	3.15	£415	5,155.96	3	16,200.00
BWIC	5%				£368				£467				£287	-		11,200.00
MEP Elements Total Fit out Cost					**£7,729** **£493 /m²** **£46 /ft²**				**£9,812** **£493 /m²** **£46 /ft²**				**£6,034** **£493 /m²** **£46 /ft²**		MEP	£235,900 £492 /m² £46 /ft²
Combined - M&E and Building Element Fitout Costs					**£ 22,129**				**£ 24,712**				**£ 20,334**	**Combined**		**£684,800**
Preliminaries	10%				£2,200				£2,500				£2,000	Preliminaries	10.0%	£68,500
OH&P	10%				£2,400				£2,700				£2,200	OHP	10.0%	£75,300
Risk	5.0%				1,300.00				£1,500				1,200.00	Risk	5.0%	£41,400
Fitout Total (£)					**£28,029**				**£31,412**				**£25,734**	**Overall Total**		**£870,000**
Fitout Total (£/m²)	**NIA**				**£1,789 /m²**				**£1,579 /m²**				**£2,104 /m²**			**£1,816 /m²**
Fitout Total (£/ft²)	**NIA**				**£166 /ft²**				**£147 /ft²**				**£195 /ft²**			**£169 /ft²**

Order of Cost Estimate – December 2022

Ref	Item		Total Cost (£)		Cost/Key (£)	Comments
	FF&E					
	Self Contained Single - 9 Nr	£	30,060	£	3,340	
	Self Contained Double - 9 Nr	£	30,060	£	3,340	
	Shared Living Unit - 13 Nr	£	43,420	£	4,824	
	FOH	£	40,000			
	BOH	£	20,000			
	FF&E Sub Total	**£**	**163,540**			
	OSE					
	Self Contained Single - 9 Nr	£	14,945	£	1,661	
	Self Contained Double - 9 Nr	£	14,945	£	1,661	
	Shared Living Unit - 13 Nr	£	21,565	£	2,396	
	FOH	£	20,000			
	BOH	£	15,000			
	OSE Sub Total	**£**	**86,455**			
	Total	**£**	**249,995**			

CHP

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APPENDIX D - AVISON YOUNG HOTEL VALUATION

AVISON YOUNG

65 Gresham Street
London
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avisonyoung.com

Our Ref: 02C204648

22 December 2022

SLP Crescent Limited
The Carriage House,
Mill Street,
Maidstone
Kent
ME15 6YE

Dear Jean-Philippe Pereire

Property: The Crescent Hotel,49-50 Cartwright Gardens, London, WC1H 9EL

We refer to our attached Valuation Report dated 23 August 2022 (“the Report”). In the Report we provided Octopus Real Estate with our opinion of Market Value of the leasehold interest of the above property as at 23 August 2022. You have asked us to confirm that our opinion of Market Value is the same as the Existing Use Value as defined in VPGA 6 of the *RICS Valuation – Global Standards 2017: UK National Supplement* and we can confirm that this is the case.

As you are aware, we concluded that the Market Value of the leasehold interest in the above property was £5,300,000 as at 23 August 2022. This assumes vacant possession and that the property continues to operate under the C1 (Hotels) use class. Having reviewed the definition of EUV as detailed above and our valuation methodology as set out in the Report, we are of the opinion that the Existing Use Value is the same as the Market Value concluded in the Report.

Please feel free to contact me if you require anything further.

Your sincerely,

Sam Gough MRICS
Hotels
+44 75 5224 6037
sam.gough@avisonyoung.com
For and on behalf of Avison Young (UK) Limited

Valuation Report

The Crescent Hotel, 49-50 Cartwright Gardens, London, WC1H 9EL

Prepared for Octopus Real Estate

23 August 2022

Executive Summary

Entrance

View of Crescent from first floor balcony

Location:

The Crescent hotel is located in the Bloomsbury area in the London Borough of Camden, within the WC1H postcode, in Central London. Bloomsbury is a district in the West End of London. It is considered a fashionable residential area, and is the location of numerous cultural, intellectual, and educational institutions.

Description:

The property currently comprises a limited-service, 27 bedroom, two-star hotel on the southern half of a crescent of 18 terraced former town houses, now mostly occupied as hotels. The Georgian buildings were designed and built by James Burton between 1809 and 1811, being of darkened Stock brick construction with stucco rendered elevations to the ground and lower ground floors which have been white painted.

The hotel is now a well-established family business that offers bed and breakfast in its restaurant with 34 covers. There is a total of 27 bedrooms which are configured as nine single, five double, four twin, nine triple. Six of the single bedrooms have handbasin only, while the remaining three singles have basin and shower. The other 18 bedrooms have full en-suite facilities. There are shared facilities available as per the floor plans. Additionally, the hotel comprises reception office, additional office, receptionist 's bedroom, additional occasional staff bedroom, catering kitchen, laundry room/ linen store and various other stores/plant rooms. There is also a small outdoor seating area for guest use. The property totals 8,287 sq ft. that extends over lower ground, ground and three upper floors. The property interconnects at the Lower Ground, Ground and third floor level. Both buildings are Grade II listed.

Tenure:

The subject property is held on a 99-year lease with 77-years remaining with a passing rent of £500 p.a.

Operating Structure:

Owner-operated.

Operating and Investment Market

- The Bank of England (BoE) has hiked interest rates from 1.25% to 1.75% - the biggest rise in 27 years - as it battles to curb rising prices of energy, food and other commodities.
- The accompanying increase in mortgage and other loan interest payments will mean growing pressure on millions of people already struggling with the cost of living - although it should also improve returns on savings.
- The bank's governor, Andrew Bailey, blamed Russia for the high energy prices which are pushing up inflation - the rate at which prices rise.
- The BoE has also projected that inflation, currently running at 9.4%, is expected to rise even further this year - peaking at over 13%.
- The UK is also forecast to fall into recession in the last three months of this year (a period when the economy is shrinking), which the BoE believes could continue throughout 2023.
- Covid-19 has affected both hotel operations and the investment market. As restrictions for Covid were relaxed and/or done away with the general perception was that the UK, similar to the rest of the world, would see a strong rebound in its economy and in particular in the hospitality sector. However, the recovery has been undermined by Russia's illegal invasion of Ukraine.
- The Bank of England's Financial Stability Report, issued 5 July, stated the following:

"The economic outlook for the UK and globally has deteriorated materially. following Russia's illegal invasion of Ukraine, global inflationary pressures have intensified sharply and this largely reflects steep rises in energy and other commodity prices that have exacerbated inflationary pressures arising from the pandemic, and further disruption of supply chains. Household real incomes and the profit margins of some businesses have fallen as a result. Global financial conditions have also tightened significantly, in part as central banks across the world have tightened monetary policy. Market interest rates and corporate bond spreads have risen sharply, reflecting expectations of further policy tightening in response to renewed risks of more persistent elevated inflation and increasing credit risk. The outlook is subject to considerable uncertainty and there are a number of downside risks that could adversely affect UK financial stability."

- It is therefore a more difficult than normal time to undertake any hotel valuation. In addition, to the above highlighted risks, the recent trading performance is of little help as hotels have been closed at various times in between March 2020 and now as a result of the Covid-19 Pandemic. During the lockdown periods, hotels have been negatively impacted due to decreased tourist trade and mandatory stay-at-home orders.
- The hotel investment market can be broadly divided into two different elements. The first is operational hotels such as this property, with the second being hotels let to third party operators as commercial investments. The second element is principally owned by funds as hotel leases have traditionally offered them the holy grail of rents for long periods (normally 25-years) with rents subject to annual or 5 yearly rent reviews linked to inflation. The impact of the current uncertainty has had an almost immediate impact on the leased hotel investment market with most funds putting transactions on hold.

To date, the operational market has been less impacted and there has been no evidence of yields softening. What we have seen is concern over escalating operational costs, which will reduce profitability.

- Despite the increase in costs, we are yet to see any material increase in the number of hotels in distress and the general feeling is that we have seen little appetite from most lenders to place even failing businesses into administration. Further, operational hotels are, at least at the moment, able to pass on most of the increased costs whereby we are seeing many hotels achieving record room rates. The lack of distress means there is little evidence and or need for a vendor to sell at this time and hence we are most likely to enter into a period of stalemate where vendor and purchaser expectations are unaligned.
- The hotel investment market is characterised by limited levels of available stock. Anecdotally, the lack of available debt is curtailing demand. 5-year SWAP rates have moved out considerably as a function of the various points discussed above and there appears to be a temporary pause on investment decisions whilst markets adjust.
- To date, we have not seen any material change in pricing, however the current sentiment is, in our opinion, weaker than pre Covid-19 and, if the current period of uncertainty continues, the impact of increased cost of debt must ultimately lead to a softening in yields, which could be further impacted by rising costs, with a resultant fall in values.

Business Summary

The subject property has been in the same ownership since 1956, being run as a two star tourist hotel. firstly just at number 49 Cartwright Gardens before the acquisition of the neighbouring town house in the late 1960s. We consider the subject property to reflect an efficient rooms led business, with minimal revenue being derived from ancillary sources.

Income:

We have been provided with limited trading data in the form of Companies House Accounts submitted by the business. These should a Net Profit of £157k-£171k in YE 31 Oct 2018 and 2019 respectively before a Net Loss of £1k and £99k in YE 31 Oct 2020 and 2021 respectively.

Key Valuation Issues:

- This is a difficult valuation due to a number of factors. There are a small number of alternative operators currently in this space, which occupies a middle ground between micro-budget hotels, serviced apartments, HMO accommodation and co-living. Other operators currently active in this space include Sonder and Vonder. However, transactional evidence for this type of accommodation is extremely limited. As such in preparing our valuation we have had principal regards to sales of nearby hotels and serviced apartments.
- In our experience properties of this nature offer a highly efficient rooms-led business that experience very high levels of occupancy and increasingly strong repeat business. The concept relies on OTAs to generate a significant amount of its business and whilst this results in higher than normal bedroom

operating costs; its sales and marketing costs are typically low and overall EBITDAR relatively high at circa 40-50%.

- The property is held on a long leasehold interest, with 77 years remaining. This is considered relatively short and may deter some buyers especially in the event of a sustained economic downturn. Additionally, assets held on this tenure tend to take longer to sell than freehold assets. This tenure is not, however, considered uncommon in the Bloomsbury area.
- The property is in a central location in London with several demand drivers including academic and medical centres and the BMA HQ in close proximity.
- The property is currently dated and tired and due to the nature of the building being two Georgian town houses interconnecting on three floors, it has narrow corridors, steep stairwells and does not provide accessible accommodation. Despite this, given the strong central London location we are of the opinion that the asset has strong trading potential in the event of a refurbishment works.
- There are currently 6 single bedrooms with basins only and a further 3 with a shower and basin only. There are shared facilities for these rooms. The remaining 18 bedrooms have full en-suite facilities.
- Your borrower has a strong track-record of developing and operating serviced apartments in Canada. We understand that this will be SLP's first UK acquisition albeit the group have aggressive expansion plans in the UK going forward.
- The Bank of England has warned the UK will fall into a recession in 2022.

SWOT Analysis:

We consider that the property provides satisfactory security for loan purposes, based on the following SWOT analysis:-

<table>
<tr><th>Strengths</th><th>Weaknesses</th></tr>
<tr><td>

The property is in a strong central location in London with several demand drivers including academic and medical centres and the BMA HQ in close proximity
Asset will be newly refurbished, with all rooms benefitting from en-suite facilities.
The inclusion of kitchenettes in most rooms and shared living facilities should enable the hotel to charge a premium over stand alone hotel assets in the local area.
Attractive historic building.
No windowless rooms.
Central London location near popular tourist attractions.
Excellent travel links, being in proximity to Euston and Kings Cross St Pancras station.
Property appears to have been generally well maintained.
Efficient rooms-led business.

</td><td>

Long leasehold with circa 77 years remaining
The property is relatively dated and tired as at the date of valuation.
Relatively small lot size which may restrict buyer pool.
The average room size at circa 15 square metres is considered small, especially for serviced accommodation.
There are 6 single bedrooms with basins only and a further 3 with a shower and basin only. There are shared facilities for these rooms. The remaining 18 bedrooms have full en-suite facilities. Some rooms are as small as 7.5 square metres.
Costs of redevelopment may escalate.
Significant competition in the area.
A number of poor reviews on Trip Advisor.
No valid EPC for the property is available from the online EPC registry.
Covid-19 has had, and will continue to have, a significant impact on the hotel’s trading performance.
International tourism is yet to return to pre pandemic levels as at the date of valuation.

</td></tr>
<tr><th>Opportunities</th><th>Threats</th></tr>
<tr><td>

Serviced accommodation is a growth sector in the UK and in London in particularly.
Your borrower has a strong track-record of developing and operating serviced apartments in Canada with an aggressive growth pattern planned for the UK
Potential alternative use value as residential;
The property affords significant repositioning opportunity

</td><td>

There are a large number of low quality and tired hotel offerings in the local area which may inhibit rate growth.
Difficulty retaining and recruiting staff following Brexit & Covid-19 pandemic causing an outflux of foreign hospitality workers and an epiphany from previous hospitality employees about their career choices, particularly in relation to working hours.

</td></tr>
</table>

• Vaccines have facilitated a return to more normal trading conditions in 2022. • London has been able to successfully match inflation with rate growth so far in 2022.	• The Bank of England has warned the UK will fall into a recession in 2022 • Impact of cost profile, particularly utilities costs, due to exponential rate of inflation. • In the event of a significant downturn in the economic climate we would expect values for leasehold assets to be more negatively impacted than for assets held freehold.

Summary of Value

Our valuations as at 23 August 2022 are summarised as follows:-

Market Value	£5,300,000

Special Assumptions

None

AVISON YOUNG

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BEST MANAGED COMPANIES

Our Ref: JC/02C204648
Your Ref: SLP Crescent Limited (35265)

23 August 2022

Octopus Real Estate S.àr.l.
33 Holborn,
London,
EC1N 2HT

For the attention of: Dominic Gibson

Dear Sirs

Property: 49-50 Cartwright Gardens, London, WC1H 9EL

Borrower: Smart Living Properties

In accordance with your instructions dated 14 July 2022 we have inspected the above property in order to advise you of our opinion of its value for loan security purposes.

The property (edged red on the enclosed Ordnance Survey extract) has been valued as a trading entity in owner occupation.

Our formal valuation advice has been prepared in accordance with the RICS Valuation – Global Standards effective from 31 January 2022.

Valuation

WE ASSESS the **Market Value (MV)** of the long leasehold interest in the property identified within our report as at 23 August 2022 to be:-

£5,300,000
(Five Million Three Hundred Thousand Pounds)

Within the main body of the report we have also provided additional valuations on the various bases required.

All valuations are reported exclusive of VAT.

Assumptions

We detail below the special assumptions adopted in the bases of valuation. In all bases we assume that the property is complaint with planning policy and building regulations

1) Market Value

We draw your attention to our accompanying report, the Definitions and Reservations for Valuations to which our advice is subject and to the Letter of Engagement agreed between us.

Yours faithfully

Jon Critchley BSc (Hons) MRICS
RICS Registered Valuer
Director
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For and on behalf of
Avison Young (UK) Limited

Ian Elliott MRICS
RICS Registered Valuer
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For and on behalf of
Avison Young (UK) Limited

Contents

1. Instructions

Instructions were received on 14th July 2022 to undertake a valuation of the property for secured lending purposes.

A copy of your letter of instruction is enclosed at Appendix 1.

We are instructed to provide the following valuations:-

- Market Value

Our valuation has been undertaken in accordance with your instruction letter and our Letter of Engagement, which have been prepared in accordance with the RICS Valuation – Global Standards effective from 31 January 2022 (the Red Book).

Third Party Liability

This Report and Valuation is for the sole use of the party to whom it is addressed and no responsibility is accepted to any party who is not an addressee of the Report for the whole or any part of its contents, without our express consent.

Conflicts of Interest

In assessing any potential conflicts, we have adhered to the RICS Professional Statement – Conflicts of Interest, (1st Edition, March 2017) and the RICS Rules of Conduct.

As far as we are aware, we have no conflict of interest in relation to the provision of valuation advice in respect of the property. We have no ongoing or previous fee earning relationship with the borrower/vendor/tenant/parties nor the property. We are providing our advice as External Valuers in accordance with the provisions of the Red Book. Avison Young (UK) Limited is a regulated firm.

Limitation of Liability and Professional Indemnity Insurance

Our total liability in connection with this instruction and this Valuation Report shall be limited to the lower of 33% of the Market Value of the subject property or £5,000,000 in total for all claims arising., as set out in the terms of appointment we provided to you. We confirm that we hold professional indemnity insurance to cover our liabilities arising in connection with this instruction and this Valuation Report.

Nature and Source of the Information Relied Upon

In preparing our valuation, we have been provided with information by the borrower. The extent to which this has been relied upon and verified by us in arriving at our opinion of value, is referred to in our report.

Date and Extent of Inspection

The property was inspected on 25 July 2022 by Sam Gough MRICS within the Hotels department and who is qualified and suitably experienced for the purposes of the instruction and has the knowledge, skills and understanding to inspect the property. Access was available to all parts of the property.

Provision of Information

We have relied upon the following key information which has been provided by the Borrower:-

- A breakdown of the subject property's proposed accommodation
- The marketing brochure for the subject property
- Companies House Accounts for the Crescent Hotel for YE 31 October 2018, 2019, 2020 and 2021.
- Lease dated 20 March 2000 relating to 49 Cartwright Gardens London WC1H 9EL
- Colliers Marketing Brochure for the subject property
- SLP Market Comparable for Camden

Subject to our comments set out in this report, we have relied upon this information in preparing our valuations.

2. Location

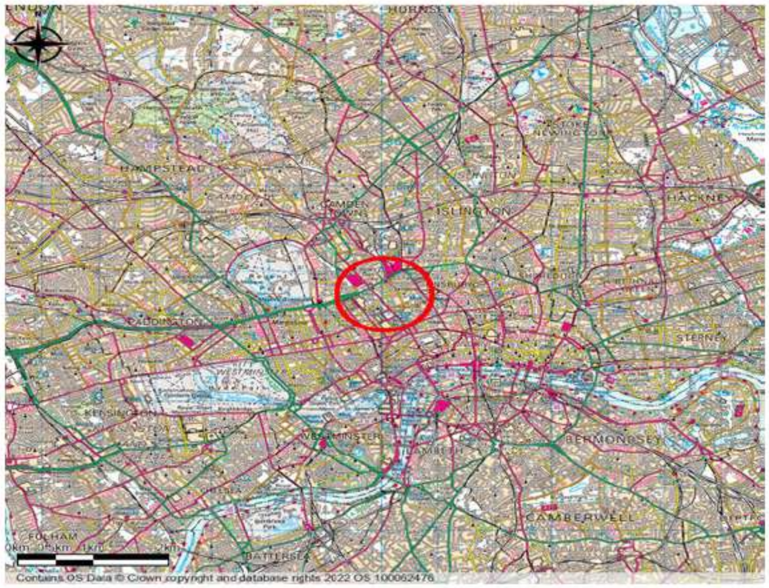
The Crescent Hotel is located in the Bloomsbury area in the London Borough of Camden, within the WC1H postcode, in Central London. Bloomsbury is a district in the West End of London. It is considered a fashionable residential area, and is the location of numerous cultural, intellectual, and educational institutions.

Bloomsbury is home of the British Museum, the largest museum in the United Kingdom, and several educational institutions, including University College London and a number of other colleges and institutes of the University of London as well as its central headquarters, the New College of the Humanities, the University of Law, the Royal Academy of Dramatic Art, the British Medical Association and many others. Bloomsbury is an intellectual and literary hub for London, as home of world-known Bloomsbury Publishing, publishers of the Harry Potter series, and namesake of the Bloomsbury Set, a group of British intellectuals which included author Virginia Woolf, biographer Lytton Strachey, and economist John Maynard Keynes.

Bloomsbury began to be developed in the 17th century under the Earls of Southampton, but it was primarily in the 19th century, under the Duke of Bedford, that the district was planned and built as an affluent Regency era residential area by famed developer James Burton. The district is known for its numerous garden squares, including Bloomsbury Square, Russell Square and Bedford Square.

Bloomsbury's built heritage is currently protected by the designation of a conservation area and a locally based conservation committee. Despite this, there is increasing concern about a trend towards larger and less sensitive development, and the associated demolition of Victorian and Georgian buildings.

We have provided a plan below showing the location of the subject property within the context of the London.



(Source: Valos)

The local hotel market is well developed, and it is the third largest in London with approximately 14,000 rooms. With attractions such as the London Zoo, Regent's Park, and Madame Tussaud's, the market tends to be attractive for leisure tourists, domestic and international. Accessibility via the underground and rail network including major stations such as King's Cross St Pancras means that the area is connected from north to south but also to other parts of the country and Europe through the Eurostar services to France, Belgium, and The Netherlands.

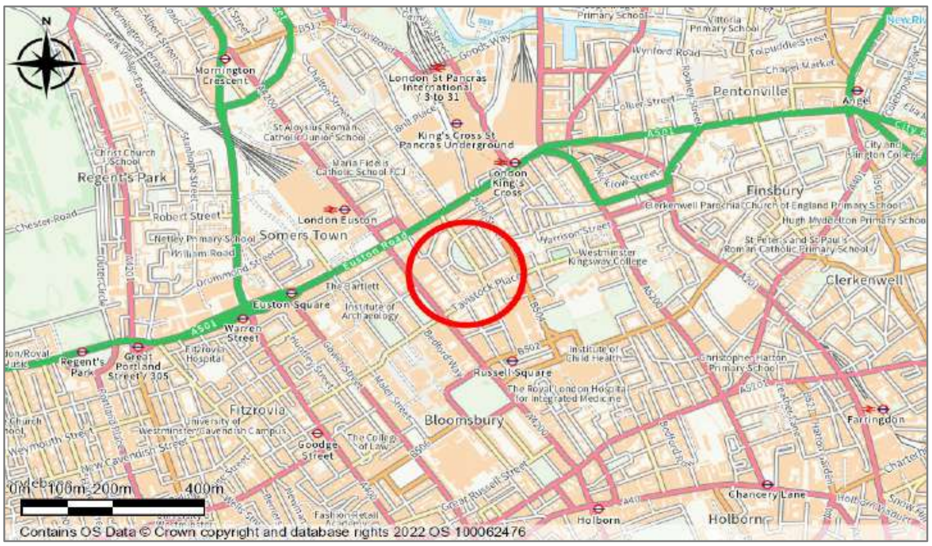
Regeneration around King's Cross has led much of the hotel development in the past five years. New hotels opened include the opening of The Standard Hotel in 2019 with 266 rooms and one of the first hub by Premier Inn properties in London with 389 rooms in 2017. Both hotels are centrally located within walking distance to King's Cross and St Pancras stations as well as the various amenities surrounding the two stations, including the transformed Granary Square, where the University of the Arts London Central Saint Martin's campus is located, and Coal Drops Yard, both offering a variety of trendy shops, cafes, bars and restaurants.

Businesses' return to the office is fuelling the gradual return of the corporate market. The past few months have already seen a significant uplift on weekday nights, particularly peak corporate days such as Tuesdays and Wednesdays. With some major tech companies being based in the market, including Google and Facebook, and many favouring in-person interactions over virtual ones, these are some positive signs for local hoteliers. As many companies move towards a hybrid working schedule, however, with most internal meetings being done virtually for cost saving and environmental purposes, corporate demand is not anticipated to return to pre-pandemic levels longer term.

With attractions such as the London Zoo, Regent's Park, and Madame Tussaud's, the market tends to be attractive for leisure tourists, domestic and international. Accessibility via the underground and rail network including major stations such as King's Cross St Pancras means that the area is connected from north to south but also to other parts of the country and Europe through the Eurostar services to France, Belgium, and The Netherlands.

3. Situation

The hotel is surrounded by other small independent hotels and residential accommodation. We have provided a plan below showing the approximate situation of the property, which is denoted by a red circle.



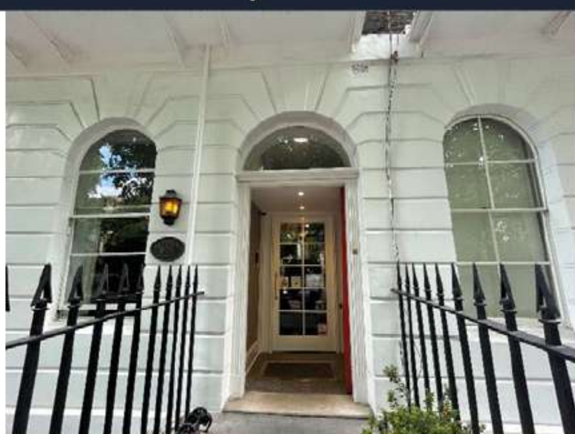
4. Description

The property currently comprises a limited-service, 27 bedroom, two-star hotel on the southern half of a crescent of 18 terraced former town houses, now mostly occupied as hotels. The Georgian buildings were designed and built by James Burton between 1809 and 1811, being of darkened Stock brick construction with stucco rendered elevations to the ground and lower ground floors which have been white painted.

The hotel is now a well-established family business that offers bed and breakfast in its restaurant with 34 covers. There is a total of 27 bedrooms which are configured as nine single, five double, four twin, nine triple. Six of the single bedrooms have handbasin only, while the remaining three singles have basin and shower. The other 18 bedrooms have full en-suite facilities. There are shared facilities available as per the floor plans. Additionally, the hotel comprises reception office, additional office, receptionist 's bedroom, additional occasional staff bedroom, catering kitchen, laundry room/ linen store and various other stores/plant rooms. There is also a small outdoor seating area for guest use. The property totals 8,287 sq ft. that extends over lower ground, ground and three upper floors. The property interconnects at the Lower Ground, Ground and third floor level. Both buildings are Grade II listed. Photographs of the Property taken on the date of our inspection are provided below:

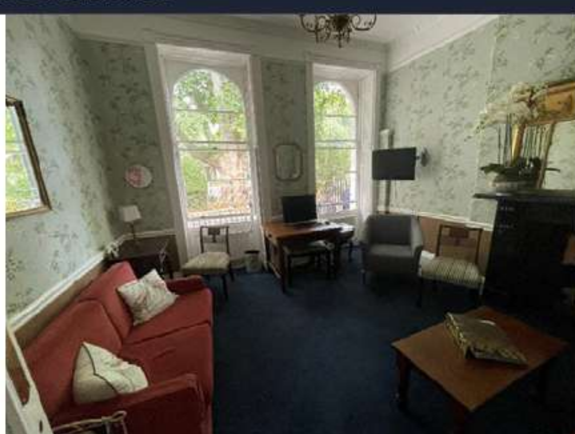
View of the Crescent park

View from the rear of the property



Hotel entrance

Entrance door & corridor



Lounge at the front of the property

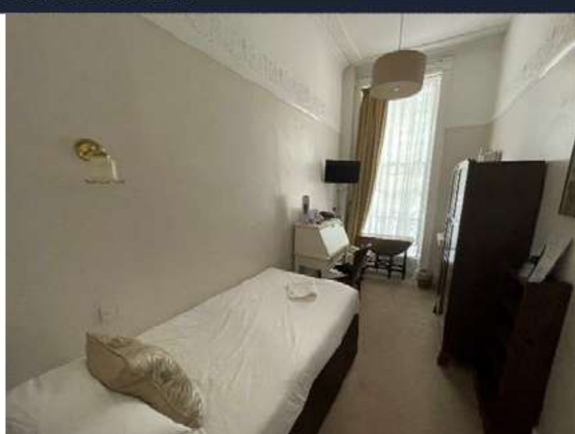
Patio area

Family Bedroom

Family Bedroom Bathroom

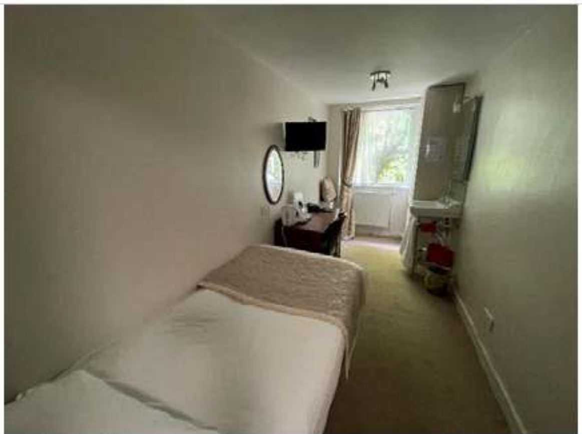
Double Bedroom

Double Bedroom Bathroom



Single Bedroom

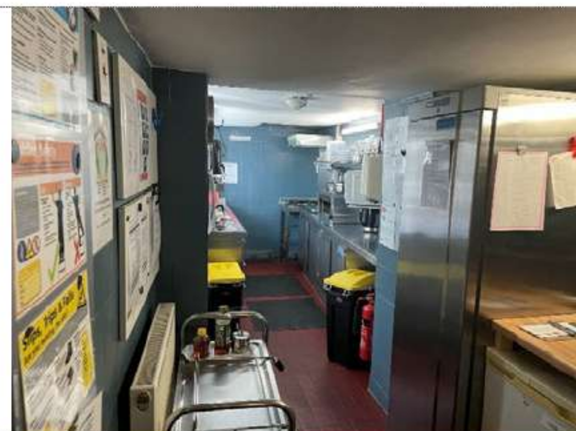
Shared Bathroom



Single Bedroom

Shared Bathroom

Cafe space



Kitchen

Small breakfast kitchen

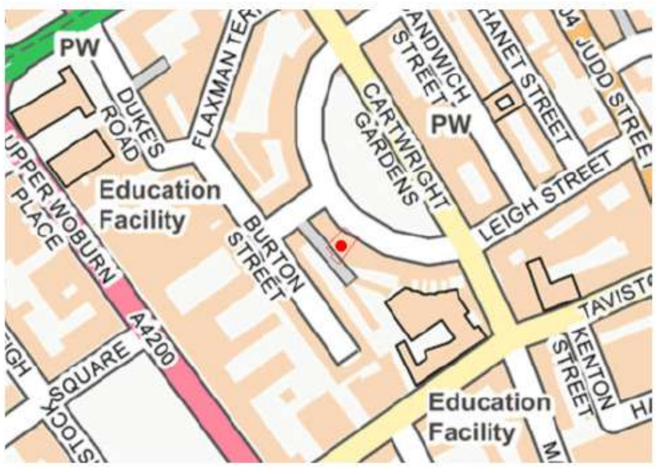
Back of house area

Plant room

Laundry room

5. Site Area

We have been unable to ascertain the site area.



(Source: Promap)

This area has been computed using the Ordnance Survey Promap system. Our understanding of the site boundary is shown outlined in red on the plan below. We have assumed that this represents the correct boundary to the site and that there are no ongoing boundary disputes. We would recommend that our understanding is confirmed by your legal advisers.

6. Accommodation

We provide below a summary table of the existing accommodation, the proposed works and the proposed accommodation:-

Accommodation

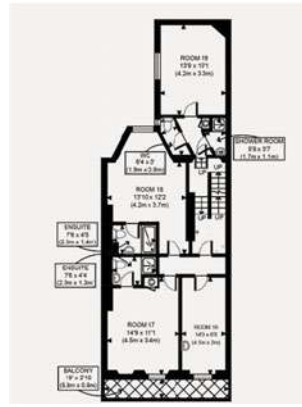
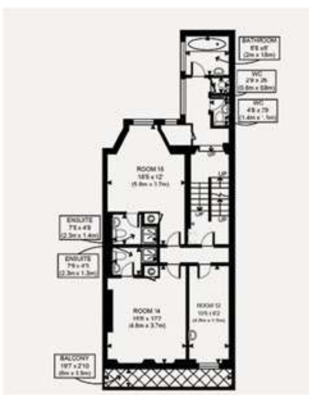
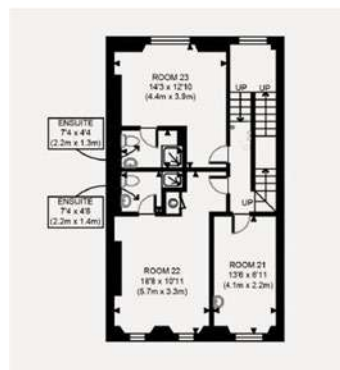
Level	Accommodation
Basement	• Two Kitchens • Courtyard • Staff Room • Breakfast Room • Office • Two Rooms (En-suites) • Underground Cellar
Ground Floor	• Laundry Room • Reception • Sitting Room • Four Rooms (En-suites)
First Floor	• Seven Rooms (Four En-suites) • Two Toilets • Bathroom • Shower Room
Second Floor	• Six Rooms (Four En-suites) • Shower Room
Third Floor	• Eight Rooms (Two En-suites) • Toilet • Shower Room • W/C

(Source: Colliers Crescent Hotel brochure)

7. Floor Areas

In accordance with your instructions and as hotels are not valued by direct reference to their size, we have not measured the property. We have been provided with the following floor areas by the borrower which we assume have been correctly prepared under the RICS Professional Statement – RICS Property Measurement 2nd edition, January 2018.

The floor plans have been provided by the borrower and are shown below:

Basement 	Ground Floor 	First Floor (left side) 
First Floor (right side) 	Second floor (left side) 	Second Floor (right side) 
Third Floor 		

(Source: Crescent Hotel brochure)

8. Services

We understand that all mains services are connected to the subject property. We have not undertaken any tests to ascertain the condition or capacity of these services and have assumed for the purpose of this valuation that all service connections are in good order.

9. Condition of Building

We have not carried out a structural survey of the property but would comment that at the time of our inspection it appeared to have been satisfactorily maintained and was in a reasonable state of internal and external repair, having regard to its age, character and use. However, the following matters were noted during our inspection:-

- The property was internally dated and tired
- The outdoor terrace has been poorly maintained.

We have been provided with a Risk Summary Report for the property, prepared by Belshaw Building Consultancy, dated 13 June 2022. The report states that their building inspection did not reveal defects to the structure of the property. The report identifies the following medium and high risk issues:

Risk Category	Item	Description
Critical or high-risk issue for urgent attention	**Windows & External Doors**	**Timber windows and doors are in fair condition commensurate with their age. However, significant CAPEX is now required to put windows into operational repair and prevent further deterioration.**
Medium risk issue for ongoing action	Fire Safety	Fire Risk Assessment Report for property to be provided. No significant concerns based on inspection. Fire Strategy should be updated as part of redevelopment.
	Health & Safety	Safe access not available to roof areas due to low parapet walls. Roofs inspected close to roof access hatches. Localised slip / trip hazards to front and rear lightwells.
	Refurbishment	Internal areas are considered to be tired but serviceable. We understand the purchaser intends to undertake a comprehensive internal refurbishment of the property.
	Asbestos	Asbestos containing materials are present at the property. The latest asbestos management survey report and register should be provided by the vendor for review.
	Dilapidations	We understand the property is held on a leasehold basis. The clauses in relation to repair should be reviewed by the purchasers' solicitors to confirm if there are any onerous obligations.
	Heritage	The property is part of a Grade II Listed terrace of Georgian era townhouses and is located in the Bloomsbury Conservation Area. Redevelopment may be constrained by statutory requirements.
	Elevations	There is a backlog of maintenance to the elevations. Localised repairs are required to brickwork, stucco render, window reveals, stone window cills. Previously decorated surfaces require re-decoration.
	External Areas	There is a backlog of maintenance to front and rear lightwells to address surface erosion (trips / slips). 3 of 4 pavement vaults are not waterproofed and considered to be suitable for non-perishable storage only.
	Heating	Internal areas are heated by wet central heating systems with perimeter metal radiators served by 2 gas fired boilers. Boilers are visually aged. Heating strategy for refurbishment to be advised by purchaser.
	Cooling	Limited cooling provision at the property.
	Lighting	We understand lighting has been upgraded on an ad hoc basis and consideration should be given to the installation of LED fittings throughout the property.
	Small Power	No significant concerns based on our inspection.

	Incoming Services	Property served by mains gas, electric and water. The mains incoming electrical supply capacity should be confirmed. Visually appears to be undersized for proposed use.

Source: Belshaw

We would comment that we have not been provided with a copy of the accompanying Schedule of Repairs, which identifies the total likely cost of repair, nor have we been provided with a copy of the full Building Survey Report. We assume that all items identified as High or Medium risk will be addressed as part of your borrower's capital expenditure works.

10. Capital Expenditure

We have been not provided with a breakdown in terms of historic capital investment.

11. Hazardous and Deleterious Materials

We have not arranged for any investigation to be carried out to determine whether or not any deleterious or hazardous materials have been used in the construction of the property or have since been incorporated. Although our inspection did not reveal any obvious deleterious materials, we are unable to report that the property is free from risk in this respect.

Asbestos

Control of Asbestos Regulations 2012 - Under the terms of these Regulations a Dutyholder is required to manage asbestos in non-domestic premises. Typically, this encompasses a positive obligation to assess the likelihood of asbestos containing materials being present at the premises. This can be achieved either by reference to bona fide statements confirming that asbestos was not incorporated into the construction of the building, or by commissioning an asbestos survey. The results of that survey would then be interpreted, acted upon and recorded in an Asbestos Management Plan. Further guidance can be found at http://www.hse.gov.uk/pubns/indg223.pdf.

We have not had sight of a Management and Refurbishment asbestos survey.

ACMs

We have assumed for the purposes of this report and valuation that any cladding panels present are not Aluminium Composite Material panels (ACMs). We have not arranged for any investigations to be carried out to determine whether or not they are ACMs. Where cladding panels are present, we would recommend that investigations be undertaken to establish their nature.

We have assumed for the purposes of this valuation and report that no deleterious materials were used in the construction of the property. Bearing in mind the age and nature of construction, we believe that this is a reasonable assumption.

12. Statutory Enquiries

Planning Policy

Local Planning Authorities are currently developing a new Local Plan which will form part of the Development Plan for the area, alongside the National Planning Policy Framework, forming the basis of planning decisions until circa. 2030. It will contain planning strategy, policies and site allocations. Prior to adoption of the documents in the new Local Plan, the Saved Policies from the London Borough of Camden Local Plan will continue to be used, where they are in accordance with the National Planning Policy Framework.

The key strategic document for development is covered by the Camden Local Plan, which was adopted in 3 July 2017. Further documents that shape the Development Plan include the Euston Area Plan, Fitzrovia Area Action Plan, Neighbourhood Planning and the North London Waste Plan. The Camden Council Planning department have confirmed that the subject property is a Grade II listed building, this applies to properties 46-63 on the Crescent. The property also lies within the Bloomsbury Conservation Area.

Planning History

We have provided below a summary of the pertinent planning history for the property which has been taken from the London Borough of Camden Planning Authorities website portal.

Address	Reference	Decision Date	Proposal	Decision
49-50CARTWRIGHT GARDENS LONDON WC1H9EL	LS9905234	06-03-2000	At third floor level, the installation of a new window to the rear, repairs to the exterior window area of the third and second floor windows, and the rebuilding of 6 courses of bricks to the rear bay parapet, together with internal repairs to the third floor. As shown on drawing Nos 99227/01, /02, /03, SK10 14, 17, 18, 19, 20, 21, 22, 23, SK25, 26 and monitoring report dated 28/ 20/99.	Grant L B Consent with Conditions
CRESCENT HOTEL49-50CARTWRIGHT GARDENSLONDONWC1H9EL	PS9905233	06-03-2000	At third floor level, the installation of a new window to the rear, repairs to the exterior window area of the third and second floor windows, and the rebuilding of 6 courses of bricks to the rear bay parapet, together with internal repairs to the third floor. As shown on drawing Nos 99227/01, /02, /03, SK10 14, 17, 18, 19, 20, 21, 22, 23, SK25, 26 and monitoring report dated 28/ 20/99.	Grant Full Planning Permission (conds)
Crescent Hotel 49/50 Cartwright GardensLondonWC1	LS9705160	06-02-1998	Internal works consisting of the erection of stud partitions and formation of a door opening at basement level. (as shown on drawing nos. 97169/001 & 002)	Grant L B Consent with Conditions
Crescent Hotel 49-50 Cartwright Gardens WC1	PS9705160	19-11-1997		Withdrawn Application
49/50 Cartwright Gardens London WC1.	1225	05-04-1976	Internal works to comply with fire regulations.	Listed Conditional

For valuation purposes we have assumed that the current use of the property falls within Class C1 of the Town and Country Planning (Use Classes) Order 1987 (as amended) and that the property has full unconditional consent for this use and development as described above.

Highways

We have made enquiries of Camden Council who have confirmed that Cartwright Gardens is adopted and maintainable at public expense. We have assumed that there are no highway proposals which may have an adverse impact on the subject property.

Licences

In addition to the principal planning and licensing consents, leisure properties frequently require other consents, licences and certificates including premises licences, Gaming Act licences/permits, electrical and other certificates. These items are an essential requirement for the business to operate and for the purposes of this valuation, we have assumed that all necessary licences, certificates and consents are available and will continue to be so in the future. Your customer should ensure that the Premises Licence is in place and that the necessary Personal Licences are held by appropriate persons involved in the operation of the business.

Rating

Business rates are levied as a tax on an occupier however where premises are vacant and under the landlord's control, the landlord will assume responsibility for the payment of empty rates. Empty property rates are assessed at 100% of the basic occupied business rate, after an initial void period of three months has elapsed.

In its existing state, the property is assessed in the 2017 Rating List as follows:

Address	Description	Rateable Value	Rates Liability
49-50 Cartwright Gardens London	Hotel And Premises	£85,500	£45,486

(Source: Valuation Office)

The Uniform Business Rate for the year commencing 1 April 2022/2023 is to be maintained at 51.2 pence in the pound.

If you require specific advice in relation to mitigating business rates liabilities, Avison Young have specialists that will be able to assist.

General

The majority of the above information has been provided to us from the web or verbally by local authorities or relevant public bodies. However, we would recommend that your legal advisers obtain formal confirmation that the information provided to us is correct. Should subsequent formal investigations contradict the information outlined above, then we would recommend that the matter is referred back to us in order to consider what impact, if any, this may have on our opinion of the value of the property.

13. Environmental Issues

In accordance with the Royal Institution of Chartered Surveyors (RICS) Professional Standards and Guidance, Global Environmental Risks and Global Real Estate, 1st Edition, November 2018, we acknowledge that some properties may be affected by environmental issues that are an inherent feature of either the property itself, or the surrounding area, and could have an impact on the value of the property interest being valued.

Therefore, the following paragraphs describe the underlying assumptions we have made regarding environmental issues, the extent of our enquiries and reliance on information provided by others in preparing this valuation.

We have not been instructed to make any investigations, in relation to the presence or potential presence of contamination or other environmental features in land or buildings or affecting the property.

We have not carried out any investigation into past uses, either of the properties or any adjacent land, to establish whether there is any potential for contamination from such uses or sites and have therefore assumed that none exists.

In practice, purchasers in the property market do require knowledge about contamination and other environmental factors. A prudent purchaser of this property would be likely to require appropriate investigations to be made to assess any risk before completing a transaction. Should it be established that contamination does exist, or the property is affected by other environmental factors, this might reduce the value now reported.

No indications of past or present contaminative land uses or other environmental features were noted during the inspection. Our inspection was only of a limited visual nature and we cannot give any assurances that previous uses on the site or in the surrounding areas have not contaminated subsoils or groundwater.

In the event of contamination being discovered or if it transpires there are other environmental features specifically affecting the property, further advice should be obtained of a suitably qualified and insured specialist.

Coal Mining

From a review of The Coal Authority Interactive Map Viewer, the property is not located in an area where a Coal Mining Report is required.

We are not qualified to give assurances on the ground condition of the site and we would confirm that we have not undertaken any formal enquiries to ascertain whether the property is affected by mining or other works. Furthermore, we have not undertaken any site stability enquiries, investigation works or research. Accordingly, we have specifically assumed for the purpose of this valuation and report that the property is not adversely affected in this regard, nor is it affected by subsidence, and our valuation advice has made no allowance for the cost of any necessary remedial works in this regard.

Invasive Plant Species

The Wildlife and Countryside Act 1981 (as amended) is the principal legislation which regulates the release of non-native species. Section 14(2) prohibits the release of certain invasive non-native plants into the wild in Great Britain; it is an offence under Section 14(2) to “plant or otherwise cause to grow in the wild” any plants listed on Part II of Schedule 9.

The most common plant species found on brownfield and urban sites include Japanese Knotweed, Giant Hogweed and Himalayan Balsam although other non-native species do exist. Japanese Knotweed poses a particular problem to property, as not only does is out-compete native species, it also has the potential to cause costly damage to buildings, pavements, roads, etc.

During our site inspection, we did not note the presence of Japanese Knotweed, Giant Hogweed or Himalayan Balsam. However, the presence of invasive plant species cannot be fully discounted without the provision of an Ecological Survey. Our Environmental Team would be pleased to advise you further on this if required.

14. Flood Risk

Fluvial Flood Risk

From a review of the Flood Hazard Mapping on the Environment Agency (EA) website, the site is not located within an area considered to be at risk of flooding from rivers and/or the sea. Currently available mapping indicates that the risk of flooding at this locality is regarded as **Very Low**, with the chance of flooding in any year is less than 1 in 1,000 (0.1%).

(Source: Environment Agency)

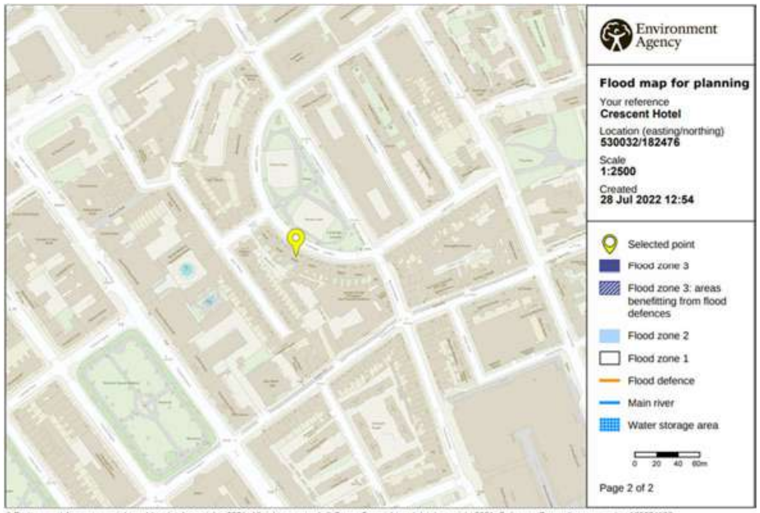
Risk Classification

Very Low, with the chance of flooding in any year is less than 1 in 1000 (0.1%).
Low, with a chance of flooding in any year between 1 in 1,000 (0.1%) and 1 in 100 (1%).
Medium, with a chance of flooding in any year between 1 in 100 (1%) and 1 in 30 (3.3%).
High, with a chance or flooding in any year greater than 1 in 30 (3.3%).

The above risk ratings take into account the effect of any flood defences that may be in this area. It is important to acknowledge that flood defences reduce, but do not completely stop the chance of flooding and they can be overtopped or fail.

Fluvial Flood Risk

From a review of the Flood Map for Planning (Rivers & Sea) on the Environment Agency (EA) website, the site is located within an area considered to be at risk of flooding from rivers and/or the sea. Currently available mapping indicates that the risk of flooding at this locality is regarded as Flood Zone 1.



Risk Classification

Zone 1, land assessed as having a less than 1 in 1,000 annual probability of river or sea flooding (<0.1%).

Zone 2, land assessed as having between a 1 in 100 and 1 in 1,000 annual probability of river flooding (1% – 0.1%), or between a 1 in 200 and 1 in 1,000 annual probability of sea flooding (0.5% – 0.1%) in any year.

Zone 3, land assessed as having a 1 in 100 or greater annual probability of river flooding (>1%), or a 1 in 200 or greater annual probability of flooding from the sea (>0.5%) in any year.

The above risk ratings do not take into account the effect of any flood defences that may be in this area. It is important to acknowledge that flood defences (where present) only reduce, but do not completely stop the chance of flooding and they can be overtopped or fail.

Surface Water Flood Risk

From a review of the Flood Hazard Mapping on the Environment Agency (EA) website, the site is not located within an area considered to be at risk of flooding from surface water sources. Currently available mapping indicates that the risk of flooding at this locality is regarded as **Low**, with a chance of flooding in any year between 1 in 1,000 (0.1%) and 1 in 100 (1%).

(Source: Environment Agency)

Risk Classification

Very Low, with the chance of flooding in any year is less than 1 in 1000 (0.1%).
Low, with a chance of flooding in any year between 1 in 1,000 (0.1%) and 1 in 100 (1%).
Medium, with a chance of flooding in any year between 1 in 100 (1%) and 1 in 30 (3.3%).
High, with a chance or flooding in any year greater than 1 in 30 (3.3%).

Given that the property is located in an area designated as Very Low Risk and Flood Zone 1 associated with fluvial and/or coastal flood risk and Very Low from surface water flooding we do not consider that the valuation presented will be adversely impacted.

In practice, there are a number of factors that can affect the impact on valuation, including; past flood events, presence of local flood defences, site topography, incorporation of building resistance and resilience measures and availability of insurance cover for flood risk.

Accordingly, we recommend that further investigations/assessment be undertaken by a suitably insured and qualified specialist to determine the level of risk and impact on valuation. Our Environmental Team would be pleased to advise you further on this if required.

Should further advice or guidance be required, Avison Young has an in-house team of suitably qualified and insured specialists that can assess the significance/impact of ground contamination, flood risk or other environmental issues on this valuation.

15. Sustainability

England and Wales Regulations

The Energy Efficiency (Private Rented Property) (England and Wales) Regulations 2015 establish a minimum level of energy efficiency for privately rented property in England and Wales, both commercial and domestic, and introduces a prohibition on letting private rented properties which fall below that standard ("sub-standard property").

The Minimum Energy Efficiency Standards (MEES) are measured by Energy Performance Certificates (EPC's) issued by qualified assessors and use a scale of A (most efficient) to G.
From 1 April 2018, a landlord of a private rented property with an EPC rating of F or G must not grant a new lease or renew an existing lease of that property until works have been carried out to improve the energy efficiency to a rating of E or above.

From 1 April 2020, a landlord of a **domestic** private rented property with an EPC rating of F or G must not continue to let the property until works have been carried out to improve the energy efficiency rating to an E or above.

From 1 April 2023, a landlord of a **non-domestic** private rented property with an EPC rating of F or G must not continue to let the property until works have been carried out to improve the energy efficiency rating to an E or above.

It is expected that as part of the Government's commitment to achieve an 80% reduction in CO_2 emissions by 2050, domestic rental properties are likely to need to have a 'C' rating or above by 2025. A consultation on the proposal concluded in January 2021. However, these changes would be phased in, starting with new tenancies from 2025 and then all tenancies from 2028 and apply to all domestic and private rental properties on a lease between 6 months to 99 years.

EPCs are needed whenever a commercial or residential property is built, sold or rented. It is a legal requirement for Agents and Landlords who are placing properties on the market to commission an EPC before marketing begins.

There are a number of buildings that do not require an EPC including places of worship; some buildings that are to be demolished; industrial sites, workshops and non-residential agricultural buildings that do not use a lot of energy and some listed buildings.

The subject property has the following EPC rating:

Address	EPC Rating	Issue Date
Crescent Hotel 49-50 Cartwright Gardens	C (58)	18 December 2019

The EPC lasts for 10 years. Any recommendations are included in the appendices attached to this report. It is recommended that these improvement measures are checked and verified by people familiar with the building and a judgement on feasibility made.

Listed Buildings

Not all listed buildings are exempt from MEES, and government guidelines put the onus on the owner to understand whether or not their property requires an EPC. Generally listed buildings will require an EPC rating A-E unless energy efficiency improvements would unacceptably alter their special character. We recommend seeking advice on a case by case basis if the requirements for an individual building are uncertain. A qualified energy assessor can guide you on these exemptions and further advice may be required from heritage and conservation officers in the relevant local authority.

For professional advice or clarity on any of the statements above, please contact Avison Young's Sustainability Team - http://www.avisonyoung.co.uk/sustainability/.

16. Fire, Health & Safety and Discrimination

Fire Risk Assessment

We were unable to ascertain whether a Risk Assessment has been undertaken hence without evidence to the contrary we have assumed that it has. We have assumed that this assessment will continue to be reviewed and updated if there are any alterations to the premises or changes to work practices or use of the premises. We recommend that your solicitors be instructed to verify the position.

Equality Act 2010

The Equality Act places duties on employers and service providers to consider barriers (both physical and intangible) that disabled people might face when trying to access a service or employment. Using a particular product or designing a building in a certain way might help someone (person or organisation) meet their duties, but having an 'accessible' building in itself does not guarantee compliance with the Act.

The building does not appear to satisfy the accessibility requirements of the Equality Act because of the lack of ramps to enter the property and the omission of both a lift and accessible rooms.

General Legislation

For the purpose of this report, we have assumed that the property complies with current fire regulations, building regulation controls, employment regulations, defective premises and health and safety legislation.

Permits

We have assumed that the occupier holds the necessary regulatory approvals (such as Environmental Permits/Discharge Consents etc) to undertake its operations.

17. Tenure

We have not been provided with a Report on Title regarding the subject property, we understand that the interest to be valued is the long leasehold interest in favour of Rita Maria Cockle. We have summarised the salient details of the lease below:-

Lease Date	20th March 2000
Landlord	The Governors of Tonbridge School
Original Tenant	Rita Maria Cockle
Premises	49 Cartwright Gardens London WC1H 9EL
Advanced Sum Paid	£358,750
Term	99 years commencing 25 March 2000 ending 24 March 2099 (77 years remaining)
1954 Act	The lease is not contracted out of the LTA 1954 and therefore there is security of tenure.
Rent	Commencement date to 24 March 2020- 1 peppercorn if demanded 25 March 2020 to 24 March 2033- £500 25 March 2033 to 24 March 2066 £1000 25 March 2066 for remainder £1,500 In addition, the Tenant is obligated to contribute to the upkeep of the Crescent garden and cover the cost of the Landlord insuring the Premises
Outgoings	To pay general and water rates and rates
Expenditure	Contribute and pay a fair proportion (notified by Surveyor) of costs incurred by Landlord in repairing all sewers drains, watercourses party walls.
Repair	FRI. Prepare and paint of outside wood/iron as needed but no longer than 3-year intervals. Paint to be approved by Landlord in writing. Paint and prepare all inside wood/iron and inside walls every 7 yrs.
Yield Up	At end of term to give the property in a decorated repaired maintained and cleaned way
Alterations	No structural changes that affect external appearance. No alterations to structure w/out prior written Landlord consent. When works are completed to give notice to landlord with details of works done.
Consent	Planning consent when needed and comply with planning acts
Assignment	Not to underlet part of Premises. Not to assign during last 7-years of term w/out landlords consent not to be unreasonably withheld. Not to assign whole unless they follow covenant, is a limited company and has a guarantee if asked for. Not without landlords consent not to be unreasonably withheld or delayed unless its for a term of less than 10-years.
Forfeiture	Rent not paid for 21 days shall be lawful for landlord to re-enter and peaceably to hold and enjoy.
VAT	VAT elected

Source: Farrer and Co LLP

We have not been provided with a document certifying the acquisition of number 50 Cartwright Gardens, however, we understand from the marketing brochure and the Borrower that this is included within the terms summarised above and we have assumed accordingly. We recommend your legal advisers clarify this assumption. We have assumed for the purposes of this valuation that there are no unduly onerous or restrictive covenants affecting Title, which would have an adverse effect on value. This assumption should be verified by your solicitors.

We strongly suggest that your legal advisers verify our understanding of the lease terms.

18. Tenancy/Leases/Operating Agreements

The property is owner-operated and we understand your Borrower also intends to operate the hotel as an owner-operated business.

19. Economic Overview

Avison Young Property and Economic Bulletin is enclosed at the appendices.

20. Local Market Commentary

Hotel Competition- Supply

We have undertaken a search of hostels, hotels and aparthotels in a 0.5mile radius of the subject property. Based on these criteria, we have identified 107 hotels with 11679 bedrooms including The Crescent Hotel, of which 4 are aparthotels with a total of 190 bedrooms.

(Source: AMPM Hotels)

Hotel Competition- Pipeline

We have used information from the AMP:PM Hotels Database to identify any future hotel supply increase in the market area. In a 0.5-mile radius there are currently 6 schemes in the planning pipeline, representing a potential increase of 348 bedrooms.

(Source: AMPM Hotels)

Marker	Hotel Name	Brand	Trading Status / Closed	Date Entered Phase	Grade	Bedrooms
1	Premier Inn London Euston	Premier Inn	Deferred	10/31/21	Budget	66
2	Chalton Street	Independent	Deferred	04/30/20	2 Star	59
3	Mercure London Bloomsbury	Mercure	Final Planning	09/30/18	4 Star	18
4	Gray's Inn Road	Independent	Final Planning	12/31/20	3 Star	182
5	DoubleTree by Hilton Hotel London West End	DoubleTree by Hilton	Deferred	12/31/21	4 Star	11
6	NYX Hotel London Holborn by Leonardo Hotels	NYX Hotel	In Construction	12/31/19	5 Star	12

London Centre North Operational Performance Summary

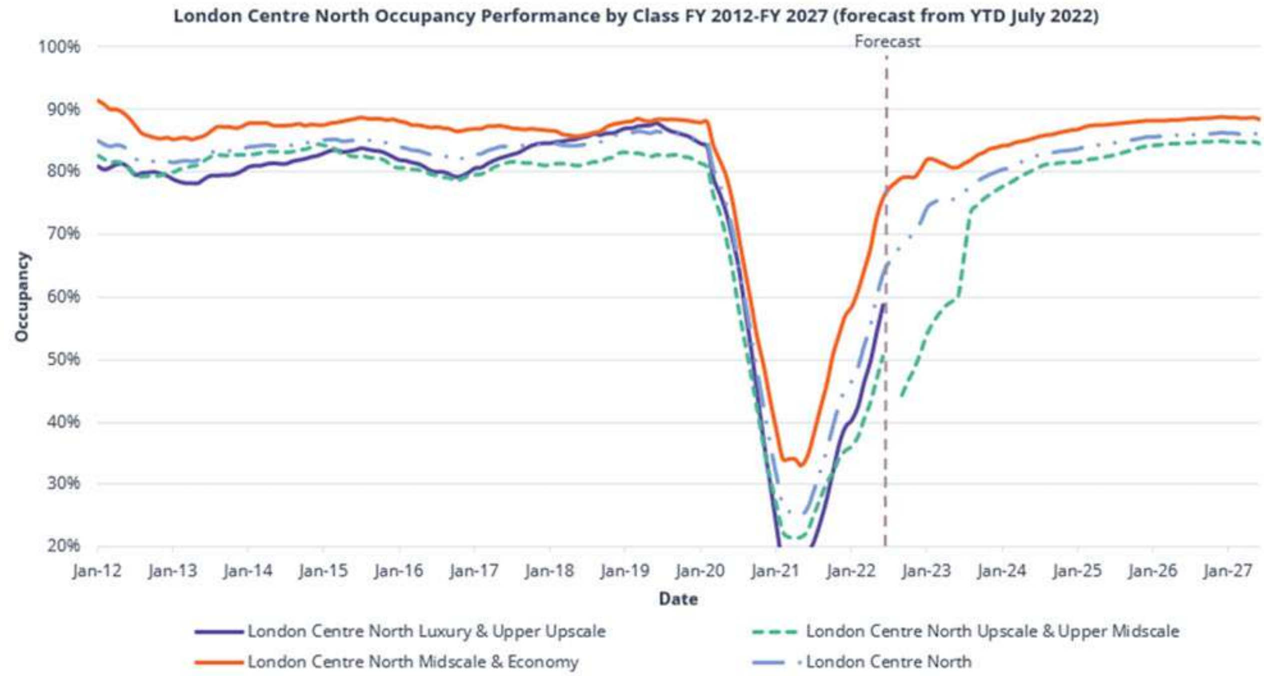
The London Centre North Submarket comprises several North London boroughs, including areas such as Camden, King's Cross, Islington, Hampstead Heath and Finsbury Park. The local hotel market is well developed, and it is the third largest in London with approximately 14,000 rooms. With attractions such as the London Zoo, Regent's Park, and Madame Tussaud's, the market tends to be attractive for leisure tourists, domestic and international. Accessibility via the underground and rail network including major stations such as King's Cross St Pancras means that the area is connected from north to south but also to other parts of the country and Europe through the Eurostar services to France, Belgium, and The Netherlands.

Regeneration around King's Cross has led much of the hotel development in the past five years. New hotels opened include the opening of The Standard Hotel in 2019 with 266 rooms and one of the first hub by Premier Inn properties in London with 389 rooms in 2017. Both hotels are centrally located within walking distance to King's Cross and St Pancras stations as well as the various amenities surrounding the two stations, including the transformed Granary Square, where the University of the Arts London Central Saint Martins campus is located, and Coal Drops Yard, both offering a variety of trendy shops, cafes, bars and restaurants.

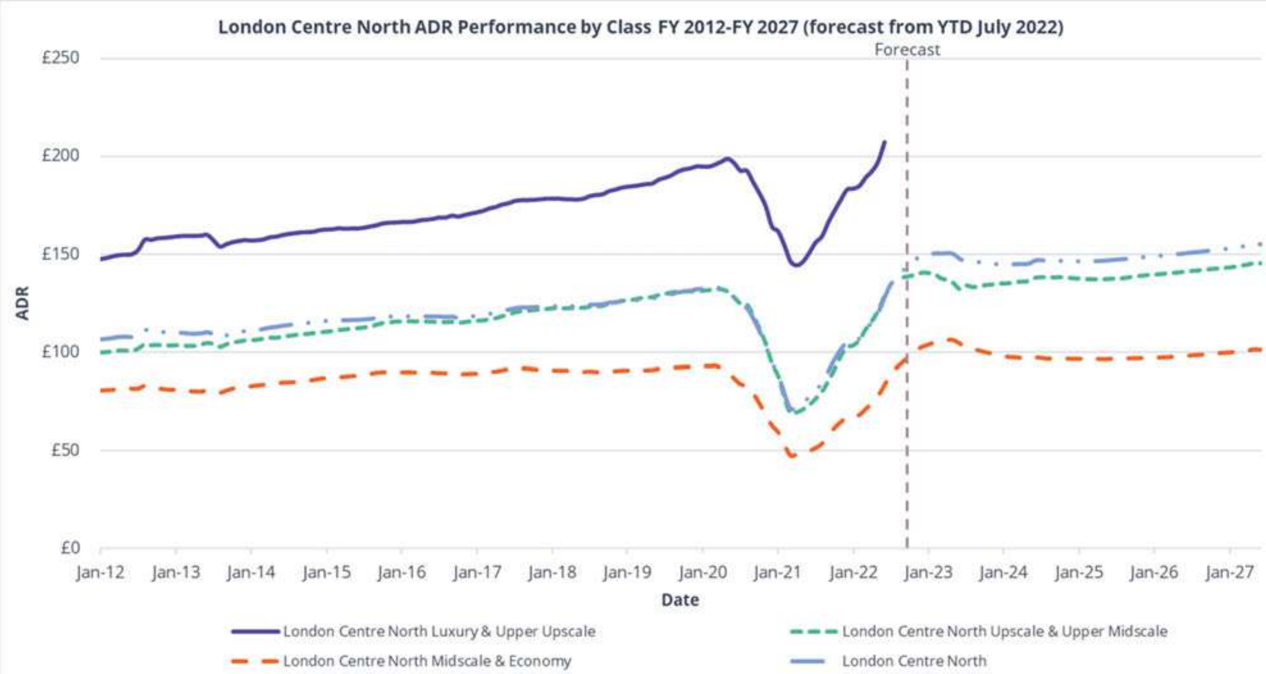
While the local hotel landscape is almost evenly split across most classes, additional rooms will be primarily in the Economy and Upper Midscale segments. Whitbread is set to lead the way as it continues the expansion of its core brand and its hub by Premier Inn brand. Between 2022 and 2023, the hotel group will add just over 600 rooms to the market, with the largest project being the hub by Premier Inn on Old Marylebone Road, close to Edgware Road underground station, slated for opening in September 2023. With approximately 1,200 rooms under construction, the submarket has the fourth-largest pipeline when compared to other London submarkets.

Performance growth has accelerated in over the past few months. Despite a slow start to the year, the start of the second quarter has seen a strong bounce back as occupancy reached its highest pandemic-era levels, exceeding the 70% mark for the first time since February 2020. With travel restrictions being completely dropped, domestic and some international visitors have started to return, particularly those from continental Europe, from which the local market benefits. The leisure segment is set to drive recovery, similar to the trends experienced in the past year, and this market is likely to rebound stronger as the summer approaches. Though some uncertainties are beginning to surface as the cost of living crisis is expected to start affecting many as the world opens up again and savings acquired during the past two years start to dry up. Many are likely to revaluate their spending patterns in the coming months as a result, which could have an impact on holiday bookings later in the year.

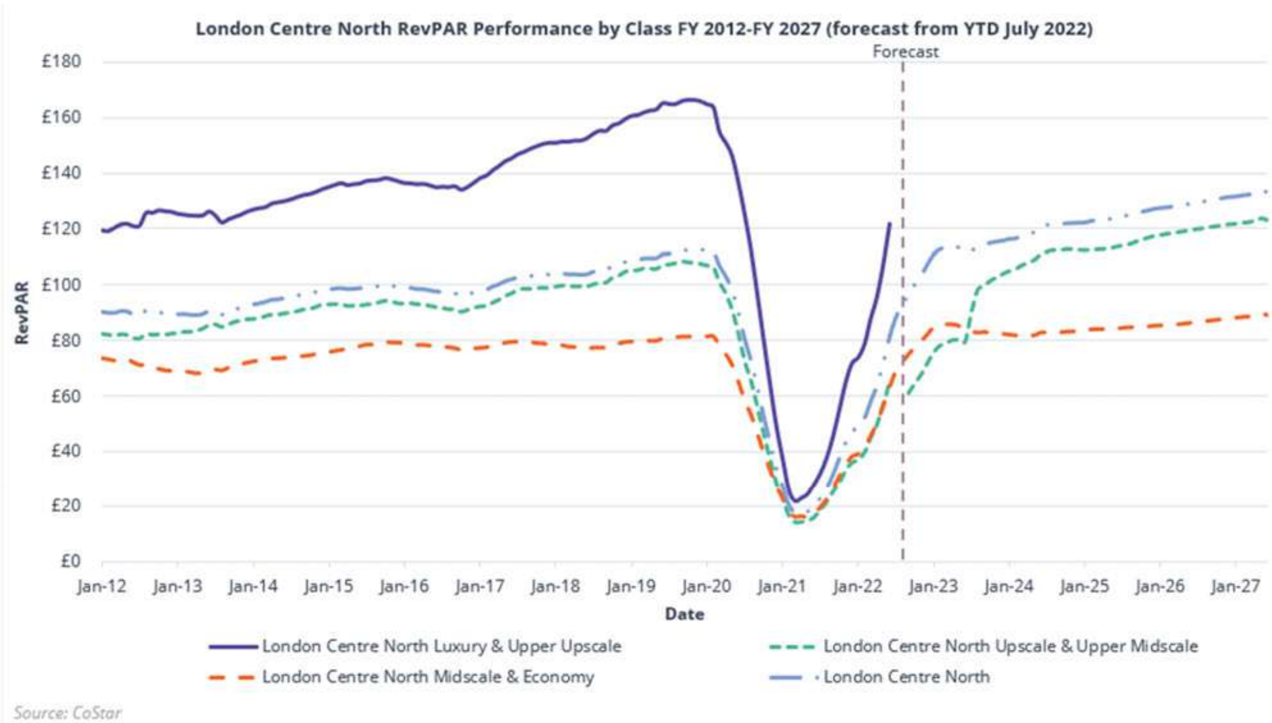
Businesses' return to the office is fuelling the gradual return of the corporate market. The past few months have already seen a significant uplift on weekday nights, particularly peak corporate days such as Tuesdays and Wednesdays. With some major tech companies being based in the market, including Google and Facebook, and many favouring in-person interactions over virtual ones, these are some positive signs for local hoteliers. As many companies move towards a hybrid working schedule, however, with most internal meetings being done virtually for cost saving and environmental purposes, corporate demand is not anticipated to return to pre-pandemic levels longer term.



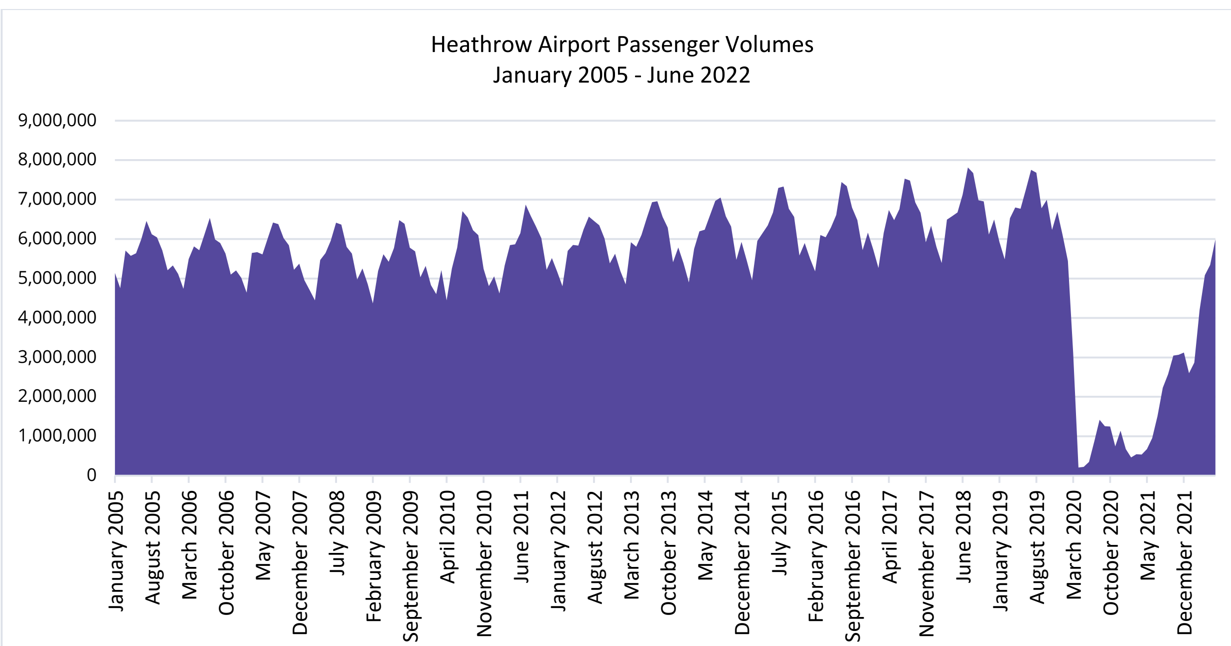
Source: CoStar



Source: CoStar



London's recovery from the Covid-19 pandemic is largely reliant on the return of international passenger volumes. We highlight the recent recovery in passenger numbers, relative to historic performance in the chart below:



Source: Heathrow.com

London Centre North Hotel Inventory

Inventory	Submarket Upscale & Upper Midscale	Submarket
Inventory Rooms	4,472	14,047
Existing Buildings	68	144
Avg Rooms Per Building	66	98
12 Mo Delivered Rooms	0	18
12 Mo Delivered Buildings	0	0
Under Construction Rooms	528	1,222
Under Construction Buildings	5	9

Investment accelerated in the past 12 months in transaction terms, including larger portfolio deals. Opportunities for expansion and value-add opportunities remain at the fore for investors. Such as with Tristan Capital Partners' acquisition of the majority shareholding in Raag Hotels Limited which owns Point A Hotels to Tristan Capital for £420 million. The new owners are keen to expand the existing portfolio in the next two years to double its size. In November 2021, Henderson Park acquired a portfolio of 12-Hilton branded hotels which saw the DoubleTree by Hilton Hotel London Angel Kings Cross (381 rooms) trade. Most deals over the past 12 months have been smaller in size otherwise. The pandemic did not slow larger single asset transactions locally, however. Three large deals completed in 2020 with the acquisition of the 581-room Melia White House in January 2020 for £92 million (£159,000/room) has been the market's standout deal over the past two years.

21. Investment Market Commentary

Covid-19 has affected both hotel operations and the investment market. As restrictions for Covid were relaxed and/or done away with the general perception was that the UK, similar to the rest of the world, would see a strong rebound in its economy and in particular in the hospitality sector. However, the recovery has been overtaken by Russia's invasion of Ukraine.

The Bank of England's Financial Stability Report, issued 5 July, stated the following:

"The economic outlook for the UK and globally has deteriorated materially. following Russia's illegal invasion of Ukraine, global inflationary pressures have intensified sharply and this largely reflects steep rises in energy and other commodity prices that have exacerbated inflationary pressures arising from the pandemic, and further disruption of supply chains. Household real incomes and the profit margins of some businesses have fallen as a result. Global financial conditions have also tightened significantly, in part as central banks across the world have tightened monetary policy. Market interest rates and corporate bond spreads have risen sharply, reflecting expectations of further policy tightening in response to renewed risks of more persistent elevated inflation and increasing credit risk. The outlook is subject to considerable uncertainty and there are a number of downside risks that could adversely affect UK financial stability."

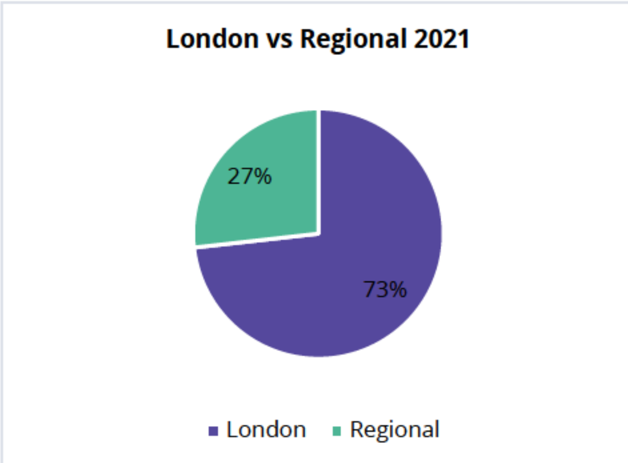
It is therefore a very difficult time to undertake any hotel valuation. In addition, to the above highlighted risks, the recent trading performance is of little help as hotels have been closed at various times in between March 2020 and now as a result of the Covid-19 Pandemic. During the lockdown periods, hotels have been negatively impacted due to decreased tourist trade and mandatory stay-at-home orders.

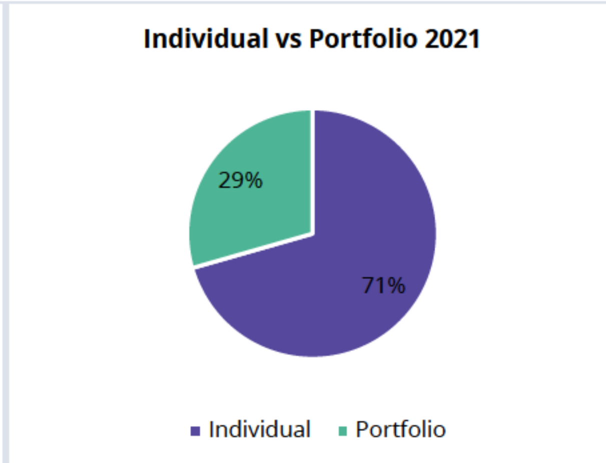
The hotel investment market can be divided into two different elements. The first is operational hotels such as this property, with the second being hotels let to third party operators as commercial investments. The second element is principally owned by funds as hotel leases have traditionally offered them the holy grail of rents for long periods (normally 25-years) with rents subject to annual or 5 yearly rent reviews linked to inflation. The impact of the current uncertainty has had an almost immediate impact on the leased hotel investment market with most funds putting transactions on hold. To date, the operational market has been less impacted and there has been no evidence of yields softening. What we have seen is concern over escalating operational costs, which will reduce profitability.

Despite the increase in costs, we are yet to see any material increase in the number of hotels in distress and the general feeling is that we have seen little appetite from most lenders to place even failing businesses into administration. Further, operational hotels are, at least at the moment, able to pass on most of the increased costs whereby we are seeing many hotels achieving record room rates. The lack of distress means there is little evidence and or need for a vendor to sell at this time and hence we are most likely to enter into a period of stale mate where vendor and purchaser expectations are unaligned.

In summary, the hotel investment market is characterised by limited levels of available stocky. The lack of available debt is curtailing demand. 5-year SWAP rates have moved out considerably as a function of the various points discussed above and there appears to be a temporary pause on investment decisions whilst markets adjust. To date, we have not seen any material change in pricing, however the current sentiment is, in our opinion, weaker than pre Covid-19. As such, it is very difficult to determine values and any valuation should be considered to have a higher than normal level of subjectivity. In our view, if the current period of uncertainty continues, the impact of increased cost of debt must ultimately lead to a softening in yields and hence values.

2021 witnessed an uptick in hotel transactions, signalling that confidence is returning to the sector as the vaccination programme proved successful and hotel performance started to recover. Research from Avison Young suggests UK hotel investment volumes totalled £3.47bn for the year, below the 10 year average but well ahead of the £1.99bn reported in 2020. Nearly three quarters of the total UK hotel investment occurred in London, with the wider regional UK markets making up just 27% of the annual volume. This represented a significant increase of transaction volume of London stock versus 2020. Similarly, approximately 70% of total volumes were from single assets as opposed to portfolio sales. This shows a significant reduction in portfolio sales relative to pre pandemic levels but is well ahead of 2020 levels.





(Source: Avison Young Research)

Hotel sales continued to see strong levels of investment during the first half of the year following the momentum gained in late 2021, as portfolio deals drove transaction volumes further.

With just over £1.5 billion transacted during the period, it has been on track to match or exceed last year's deal volumes, seeing a 23% increase on 2021 during the first of half of this year.

But economic headwinds and decreasing investor confidence may hamper volumes during the second half of the year as rising inflation and interest rates could dampen the short-term outlook for hotel investment activity.

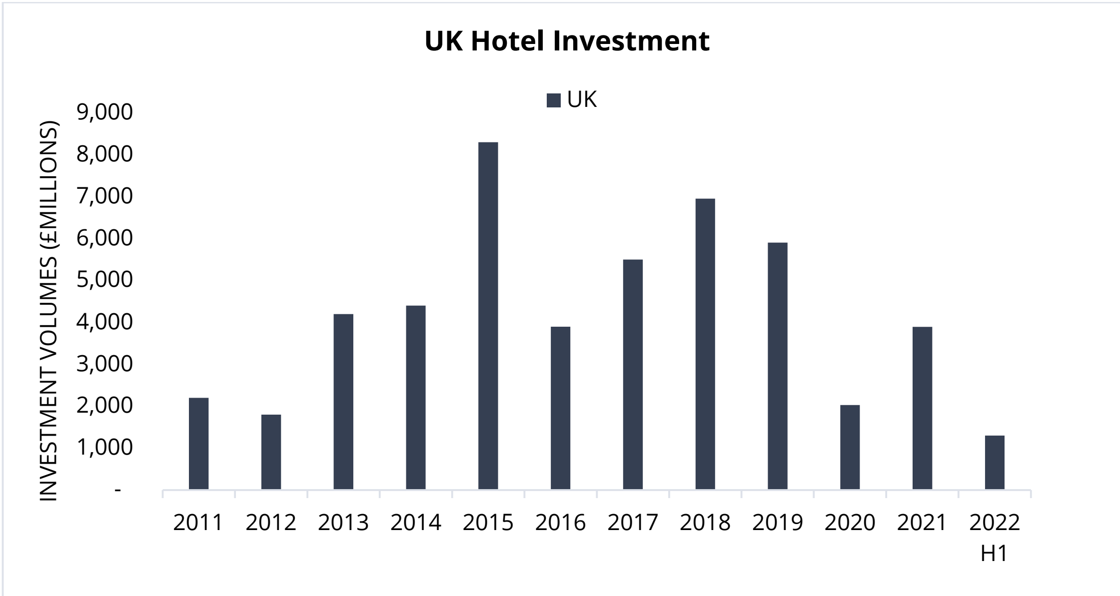
Portfolio expansion opportunities have driven sales across the sector. The acquisition of the Chardon Hotel Limited portfolio by Atlas Hotels for an undisclosed sum in February proves this trend. The acquisition of the 569-room estate was in line with Atlas Hotels' expansion strategy making them the largest IHG franchisee in Europe. Meanwhile, in April, Tristan Capital Partners together with Queensway acquired a majority stake in the owning company of the Point A Hotels group, including assets in the UK and Ireland. The £420-million deal represents the largest transaction so far this year and reflects the buyer's ambition to partner with best-in-class operators offering significant growth potential.

London remains attractive for hotel investors, driving over half of total volumes to date. Sales in the capital continue to generate some of the highest prices per room in the country as foreign investors pile on to the upper end of the market. In March, the sale of the 39-room Luxury boutique hotel L'Oscar to Michel Reybier Hospitality for approximately £60 million, equivalent to a £1.5 million price per key, made it one of London's standout deals this year. Despite its price tag, the new owners plan on extending the property to add another 12 rooms and leisure facilities, capitalising on the strength of high-end leisure segment with the potential to drive additional revenues. Similarly, in June, Vertiq Capital acquired the Upper Upscale Autograph Collection Bankside for £104 million, or £646,000 per room. Such investments further emphasise London's appeal to investors, especially within the upper end of the hotel market, as it continues its robust rebound from the effects of the pandemic. In June, the London Luxury and Upper Upscale segments achieved record average rates and RevPAR at £321 and £252, respectively.

Nationally, the limited-service sector continues to be of key interest to buyers. Brands with strong financial covenants, such as Premier Inn, tend to be attractive given their presence and reputation across the UK market coupled with their lean and profitable operation model, bouncing back stronger from the pandemic than most full-service hotels, most reliant on corporate and meetings demand. Properties situated in key cities are most desirable, translating into strong yields being achieved, like with the acquisition of the 210-room Premier Inn Glasgow City Centre Buchanan Galleries in May. The hotel was sold to Ropemaker Properties (BP Pension Fund) for approximately £30 million (£144,000 per room) reflecting a net initial yield of 4.34%, highlighting the brand's strength and investors' appetite for such assets.

The picture has been mostly positive for hotel investment to date. Hotels can be seen as an inflation hedge due to their operational model, attracting investors looking for alternative options to core sectors such as offices. But some clouds may be brewing given the economic headwinds facing operators and investors in the coming months. With further hikes to interest rates, many may opt for a wait-and-see approach to see how the market develops and reconsider their potential investments in the near term, impacting the buyer and seller spread, which could push yields upwards.

On the other hand, a weak pound sterling against the dollar may prove attractive for international buyers, namely those from the US and Middle East. According to a report by the Bank of London & the Middle East, investors from Gulf Cooperation Countries (GCC) still view the UK as a safe haven and remain keen on investing in property in the UK, while agents report that there is around $1.5 billion of Middle Eastern money looking to invest in real estate here this year. There could, therefore, be an uptick on activity from overseas investors during the latter part of the year, while those with capital to be deployed by year end will also start to seek opportunities soon.



Investment accelerated in the past 12 months in transaction terms, including larger portfolio deals. Opportunities for expansion and value-add opportunities remain at the fore for investors. Such as with Tristan Capital Partners' acquisition of the majority shareholding in Raag Hotels Limited which owns Point A Hotels to Tristan Capital for £420 million. The new owners are keen to expand the existing portfolio in the next two years to double its size. In November 2021, Henderson Park acquired a portfolio of 12-Hilton branded hotels which saw the DoubleTree by Hilton Hotel London Angel Kings Cross (381 rooms) trade. Most deals over the past 12 months have been smaller in size otherwise. The pandemic did not slow larger single asset transactions locally, however. Three large deals completed in 2020 with the acquisition of the 581-room Melia White House in January 2020 for £92 million (£159,000/room) has been the market's standout deal over the past two years.

22. Marketing History

- The property was launched for sale by Colliers International at a guide price of £6,500,000 in January 2020.
- According to the agent an offer of £6,000,000 was received from a reputable London hotelier in February 2020, prior to the onset of Covid-19 in March 2020 when the offer fell away.
- The property was withdrawn from the market in Q2 2020, before a relaunch in March 2022 at a revised guide price of £5,500,000.
- SLP went under offer on the property in April 2022.
- We understand that your borrower is purchasing the long leasehold interest for £5,250,000 (equating to £194,000 per bed assuming 27 rooms).
- This has been considered by us in arriving at our opinion of market value.

23. Yield Considerations

In considering the appropriate level of discount rate and exit yield we have had regards to the comparable evidence highlighted in Appendix 3.

The quantity of comparables available suggests the strength of the investment market for small hotels in central London. Buyers have ranged between local hoteliers with existing assets in the local area and international hotel companies. Whilst there is clearly a significant range in prices paid depending on quality, tenure and location, the average per room price across the comparables is £276,087. Further, there is clear evidence of buyers purchasing properties of this type with a view to substantial upgrades or reconfiguration indicating the potential of realising higher values for refurbished product.

From our research, most freehold assets of this nature tend to transact at NIY of under 5%, with some materially below this figure. This reflects not just the appetite for central London hotels of this type but also the relatively poor trading performance of these assets with an expectation from purchasers that they will be able to materially improve trade, potentially with capital investment in the asset.

Our analysis includes a number of leasehold properties, with evidence of hotels with under 100 years unexpired transacting in the current market. We note specifically the Jesmond and Ridgemount hotels which are both under offer as at the date of valuation at prices reflecting a circa 8.5% yield. Both hotels have circa 50 years remaining at a rent linked to turnover, which is higher and more onerous than the subject property).

In arriving at our opinion of value for the subject property we have adopted an exit yield of 5.50%. we feel this adequately encompasses the strong location of the property, the tenure of the asset (circa 77 years at a low fixed rent) and the potential uplift in trade post refurbishment works.

We have additionally allowed for a Risk Factor of 150 basis points to reflect the current geopolitical uncertainty, the high cost of living and the assumed risk in obtaining listed building consent for the proposed works. This risk factor is applied to our adopted discount rate but does not impact the exit value within our discounted cashflow appraisal.

In arriving at our opinion of As Is value we have allowed for capex of £4,531,500. As highlighted above this assumes SLP's estimated capex of £3,776,250 with a further allowance of 20% to reflect the assumed profit on costs of the works.

This produces a value of £5,300,000, reflecting a price per room of £196,000 based on 27 rooms and a price per square foot of £640. We consider this is supportable from the investment evidence provided in Appendix 3.

As a cross check on the above value we have also prepared an opinion of trade (FMOP) on the basis of the current asset, without your borrowers proposed refurbishment works and instead assuming a high level refurbishment without the requirement for planning consent. We present this in the table below:

Avison Young – FMOP Cross Check	
Rooms	27
Occupancy	85.00%
ADR	90
RevPAR	76.5
Total Revenue	753,907
Total Costs and Operating Expenses	452,344
Net Operating Income	301,563

Yield	5.50%
Gross Value	5,482,964
Less Capex (£7,500 per room)	202,500
Net Value	5,280,464
Say	5,300,000

We consider that the above analysis supports the Market Value we have arrived at.

24. Basis of Calculation

We set out below our valuation as requested in your instruction letter.

We confirm that our valuations have been carried out by qualified valuers and in accordance with the RICS Valuation – Global Standards effective from 31 January 2022.

Our valuations are exclusive of VAT.

In respect of the subject property, we have principally adopted the Discounted Cash Flow valuation methodology in order to arrive at our assessment of market value. We have additionally cross checked this assumption on a Fair Maintainable Operating Profit (FMOP) basis.

The Valuation of Trade Related Properties

Valuation Practice Guidance Application 4 in the RICS Valuation Standards (The Red Book) relates to the 'Valuation of individual trade related properties' and considers the criteria to be adopted by valuers when assessing Market Value or Market Rent. It relates to a wide range of trade related property such as hotels, public houses, bars, restaurants, theatres or cinemas, fuel stations, care homes and other types of leisure property. They are normally bought and sold having regard to their trading potential.

The operational entity will usually include the following:-

- The legal interest in the land and buildings;
- Trade inventory, usually comprising the trade, fixtures, fittings, furnishings and equipment;
- The markets perception of the trading potential, together with an assumed ability to obtain/renew existing licenses, consents, certificates and permits.

Consumables and stock in trade are normally excluded.

Trading Potential - In the context of a valuation of the property, the trading potential is the future profit that a reasonably efficient operator would expect to be able to realise from occupation of the property. This could be above or below the recent trading history of the property. It reflects a range of factors such as the location, design, and character, level of adoption, and trading history of the property within the market conditions prevailing, that are inherent of the property asset.

Reasonably Efficient Operator – It is assumed that the market participants are competent operators, acting in an efficient manner. The concept involves estimating the trading potential rather than adopting the actual level of trade under the existing ownership and that it excludes personal goodwill.

Personal Goodwill – this is the value of profit generated over and above market expectations that would be extinguished upon sale of the trade related property, together with those financial factors related specifically to the current operator of the business, such as taxation, depreciation, borrowing costs and the capital invested in the business.

Fair Maintainable Turnover (FMT) – The level of trade that a reasonably efficient operator would expect to achieve on the assumption that the property is properly equipped, repaired, maintained and decorated.

Fair Maintainable Operating Profit – The level of profit, stated prior to depreciation, finance costs relating to the asset itself (and rent, if leasehold) that the reasonably efficient operator would expect to derive from the FMT based on an assessment of the markets perception of the potential earnings of the property. It should reflect all costs and outgoings as well as an appropriate annual allowance for periodic expenditure such as decoration, refurbishment, and renewal of the trade inventory. EBITDA is a term that relates to the actual operating entity and it may be different from the valuers estimated fair maintainable operating profit.

Discounted Cash Flow Valuation Methodology

Our cash flow projections are prepared on an explicit basis over the course of the first five years and then in respect of years 6 to 10 we assume a reasonable future growth rate taking into consideration current economic conditions.

In the eleventh year of our cash flow projections, we capitalise the income at an appropriate capitalisation rate selected by reference to historic hotel transaction evidence, yield evidence of other forms of commercial property, market factors and the age, location and condition of the property. The income is deferred at a discount rate which is effectively comprised of inflation (long term trend) plus a risk premium which is dependent upon our assessment as to the level of risk attached to the realisation of our projected cash flows. In any valuation exercise the cost of borrowing money is reflected in the rates of return adopted.

If appropriate, we will then make a deduction in respect of any capital expenditure, which we deem a prospective purchaser is likely to offset from the gross market valuation of the property.

Profits Method (Stabilised Earnings) Valuation Methodology

The profits method of valuation will involve the following steps:-

- An assessment is made of the FMT that can be generated at the property by a reasonably efficient operator;
- An assessment is made of the potential gross profit resulting from the FMT, allowing for the likely costs and allowances of those expected by the reasonably efficient operator;
- The fair maintainable profit is then capitalised at an appropriate rate of return reflecting the risk and rewards of the property and its trading potential. Evidence of relevant comparable market transactions should be analysed and applied;
- The valuer may decide that an incoming new operator would expect to improve the trading potential by undertaking alterations or improvements. This will be implicit within the valuers estimate of FMT. In such instances an appropriate allowance will be made to reflect the costs of completing the work and the delay in achieving FMT.

Comparables Method of Valuation

The analysis of other trading entity transactions is an essential part of the process both in terms of the Profits Method and Discounted Cash Flow. However, as a standalone method of valuation it is not recommended as the primary method of valuation. No two businesses are identical and the use of comparable information should only be used to establish a tone of the list against which the valuation on the accounts or DCF method can be compared on a capital value per bedroom basis, in the case say of hotels.

Other Trading Entity Assumptions

In addition to the above our valuation has also been prepared on the basis of the following assumptions:-

- There is no significant change in the general economy, law or other factors affecting the trading position of the business;
- The underlying value of a trading entity can tend to fluctuate to a greater degree than other categories of commercial property. This is mainly due to variances in trading as a result of either market or property specific factors as well as the relatively opaque nature of the market in terms of capitalisation rates achieved in respect of other transactions;
- No allowances have been made for any expenses of realisation nor for taxation which might arise in the event of a disposal. Acquisition costs have been included in our valuation;
- We have made no allowances (unless stated) for any leased equipment which may exist at the property;
- That the business is open and trading up to the date of sale and has the benefit of all necessary licences. (The valuation may vary considerably should trading conditions vary in a material way);
- No allowances have been made for any contingent tax liabilities or liability to staff whether relating to redundancy or otherwise);
- That the business would be properly and effectively marketed, allowing a reasonable period of time for exposure to the market and negotiation;
- Please also refer to the definitions and reservations attached to this report.

Market Value

We set out below our valuations on the various bases requested in your instruction letter.
Having regard to the above factors and particularly our comments set out in section 21 above (Valuation Considerations), we are of the opinion that the Market Value of the leasehold interest in The Crescent Hotel,

49-50 Cartwright Gardens, London WC1H 9EL as at 04 August 2022, as an operational entity together with all fixtures, fittings, furniture and equipment, is:-

£5,300,000

(Five Million Three Hundred Thousand Pounds)

This valuation assumes a marketing period of 180 days.

25. Reinstatement Cost Assessment

As a general note the construction sector has experienced considerable price fluctuation during the recessionary period through to recent recovery and the Building Cost Information Service of the RICS is forecasting tender price inflation to continue to increase over the coming years, well beyond general levels of inflation.

We should recommend that if a full Insurance Reinstatement Cost Assessment has not been undertaken for the past 2/3 years that a formal assessment be undertaken to mitigate the risk of under insurance.

As the property is listed we recommend a formal insurance valuation is undertaken.

We have been requested to provide an informal estimate of the reinstatement cost for insurance purposes. Our estimate of the current reinstatement cost of the property on a day one basis is in the order of:-

£5,000,000

(Five Million Pounds)

This figure includes demolition costs and statutory/professional fees, but excludes the following:-

- Tenants fixtures and fittings
- Inflation
- Legal Fees
- Loss of Rent
- Consequential Loss
- Agency Fees
- VAT

This assessment has been prepared by a valuation surveyor based on current guidelines. In order to produce a more formal assessment (which could be relied upon as the basis for insuring the property) our quantity surveyors would need to carry out a detailed inspection of the premises. We strongly suggest that our informal estimate is compared with the current sum insured. In the event of a material discrepancy between the two figures, we recommend that a formal assessment is undertaken.

26. Capital Allowances

Capital allowances might be available in relation to this property and could provide significant future tax savings. The benefit of such allowances is dependent on matters such as the tax position of the vendor and purchaser, contract agreements and the history of previous claims. A claim would require expert assessment. It is therefore not feasible to make a reliable estimate of the value of allowances as a part of this valuation report. Therefore we have not taken account of the value of capital allowances except to the extent that this value is reflected in market comparable evidence.

If a purchaser could claim capital allowances, this might present additional value to that purchaser and could result in an increased bid for the property.

Our Capital Allowances Team would be pleased to advise you further on this if required.

27. Suitability for Loan Security

We are of the opinion that the property provides adequate security for a commercial loan provided all the factors within this valuation and report are taken into account.

Lender Action Points

- We strongly recommend that the development is monitored by a reasonably qualified Chartered Surveyor and a drawdown of funds is only provided upon certification of works.
- If not completed yet, instruct Solicitors to undertake a report on title.
- If not yet undertaken, instruct competent Chartered Building Surveyors to undertake a Building Survey.
- Monitor the Borrower's performance against our projections to assess that their competence is as stated and they're performing as a Reasonably Efficient Operator.
- Obtain a formal insurance valuation.

28. General Comments

This is a difficult valuation under an uncertain and fast-changing geopolitical and economic climate. As a result, we have garnered opinion from a number of owners, operators and agents within the market to discuss our opinions of value described herein.

We confirm that we meet the requirements as to competence and the definitions of an External Valuer within the RICS Valuation – Global Standards effective from 31 January 2022.

The Valuation Report has been prepared by Jonathan Critchley, an RICS Registered Valuer within the Retail, Hotels and Leisure department.

The valuation has been discussed with and approved by Ian Elliott, a RICS Registered Valuer and Principal in the same department.

Appendix 1
Terms of Engagement

65 Gresham Street
London
EC2V 7NQ, United Kingdom
T: +44 20 7911 2500
avisonyoung.com

Our Ref: JC/02C204648
Your Ref: SLP Crescent Limited (35265)

28 July 2022

Octopus Real Estate S.àr.l.
33 Holborn,
London,
EC1N 2HT

For the Attention of: Ludo Mackenzie

Dear Sirs,

Letter of Engagement: Valuation

Property Address: Crescent Hotel- 49-50 Cartwright Gardens, London, WC1H 9EL

Further to our recent correspondence, I have pleasure in setting out below the terms of our agreement for the provision of a formal report and valuation in respect of the above property.

We are required to agree with you the purpose and basis of our valuation, as well as other matters in accordance with The Royal Institution of Chartered Surveyors (RICS) Valuation – Global Standards effective from 31 January 2022. Please therefore review our terms of engagement below, along with our Standard Terms of Appointment including the Definitions and Reservations attached to this letter.

Our terms of engagement are as follows:

Client

Octopus Real Estate S.àr.l, Fern Trading Group Limited and Terido LLP

Property Interest to be Valued

Freehold interest of Crescent Hotel- 49-50 Cartwright Gardens, London, WC1H 9EL

Valuation Currency

GB Pounds.

Purpose of the Valuation

Loan Security

Bases of Value Adopted

Market Value

[redacted]

Reinstatement Cost Assessment

We will in the course of the valuation provide an insurance reinstatement cost assessment.

Assumptions

The assumptions in respect of those matters listed below are detailed on our Definitions and Reservations Relating to Valuations, which are attached to our Standard Terms of Appointment.

Special Assumptions

[redacted]

Valuation Date

The date of our report.

Nature and Extent of the Valuer's Work

See the 'Definitions and Reservations', which are appended to our Standard Terms of Appointment, enclosed with this letter.

Basis of Measurement

As hotels are not valued by direct reference to their size, we will not measure the property and will rely on areas provided to us.

Nature and Source(s) of Information

The Client will supply the following information relating to the Property. The Client agrees that the valuer can safely rely upon the accuracy of this information.

1) Full breakdown of room inventory (by room type including room sizes)
2) Breakdown of hotel gross internal area (GIA)
3) Full breakdown of room sales by booking channel (i.e. Direct, brand, OTA etc)
4) Top ten corporate contracts by revenue (including room nights)
5) STR competitive set data
6) Historic trading performance (5 years)
7) Full year budget
8) Management forecasts/projections (5 years)
9) Historic (YTD and last 5 years) and proposed capital expenditure
10) Details of any current or proposed planning permissions
11) Report on Title

12) Copies of any third party leases

13) Copies of any existing management agreements (if applicable)

14) Copies of franchise agreement (if applicable)

Format of the Report

Detailed valuation report

Consent to Publication

Our prior consent in writing will be required if the Client intends to reproduce the report or make any public reference to the valuation or the report.

Complaints Procedure

We are required to notify you that we have a company complaints procedure, with a copy available on request.

Compliance Statement

The valuation report will be undertaken in accordance with the RICS Red Book Global.

There are no departures.

RICS Monitoring Regulations

We are required to draw to your attention to the fact that the RICS may review all documentation relating to our valuation to ensure compliance with their standards.

Fee Basis

£14,950 plus VAT inclusive of disbursements

Payment Conditions

Please provide the details to whom our invoice should be addressed to. Please refer to the signature section of the letter below.

Our invoice will be issued upon submission of our report.

Payment is required upon receipt of our invoice.

Limitation of Liability

Avison Young (UK) Limited's liability under or in connection with this appointment and our report shall be limited to the lower of 33% of the Market Value of the subject property or £5,000,000 in total for all claims arising.

Please see clause 7 of our Standard Terms of Appointment, enclosed with this letter, for more information about our limitations of liability.

Professional Indemnity Insurance

We confirm that Avison Young (UK) Limited has professional indemnity insurance in place to cover the limitation of liability set out in the paragraph above. We can provide you with evidence of our insurance coverage by way of a broker's letter on request.

Please see clause 16 of our Standard Terms of Appointment, enclosed with this letter, for more information about our professional indemnity insurance cover.

Valuer Identity

The valuation will be the responsibility of Jon Critchley MRICS Registered Valuer. We confirm that the valuer has the appropriate knowledge, skills and understanding to competently undertake the valuation. The valuer is in a position to provide an objective and unbiased valuation, having no material connection or involvement with the subject of the assignment or the party commissioning the assignment.

We are providing our advice as External Valuers in accordance with the provisions of the RICS Red Book Global.

Conflict of Interest

As far as we are aware, we have no conflict of interest in relation to the provision of independent valuation advice on the subject property.

Avison Young (UK) Limited is a regulated firm.

Reporting Timescale

Our report is to be issued by 4th August 2022.

By signing and returning the copy of this letter you hereby agree to our appointment on the details set out in this Letter of Engagement and on our Standard Terms of Appointment enclosed. If you do not return this letter signed but continue to instruct us in relation to the valuation services after the date of this letter, we shall proceed on the basis that you have accepted the details set out in this Letter of Engagement and the terms of appointment without amendment.

Yours sincerely

Jon Critchley
Director, Hotels
+44 20 7911 2885
jon.critchley@avisonyoung.com
For and on behalf of Avison Young (UK) Limited

Enc: Standard Terms of Appointment and Definitions and Reservations for Valuations

The Client confirms acceptance of the above and the attached Standard Terms of Appointment and hereby instructs Avison Young (UK) Limited to proceed with the valuation instruction as proposed and to invoice for professional fees according to the terms of this agreement.

Signed for and on behalf of the Client:

Signature	
Name	
Position	

Date	

Invoicing Confirmation Details

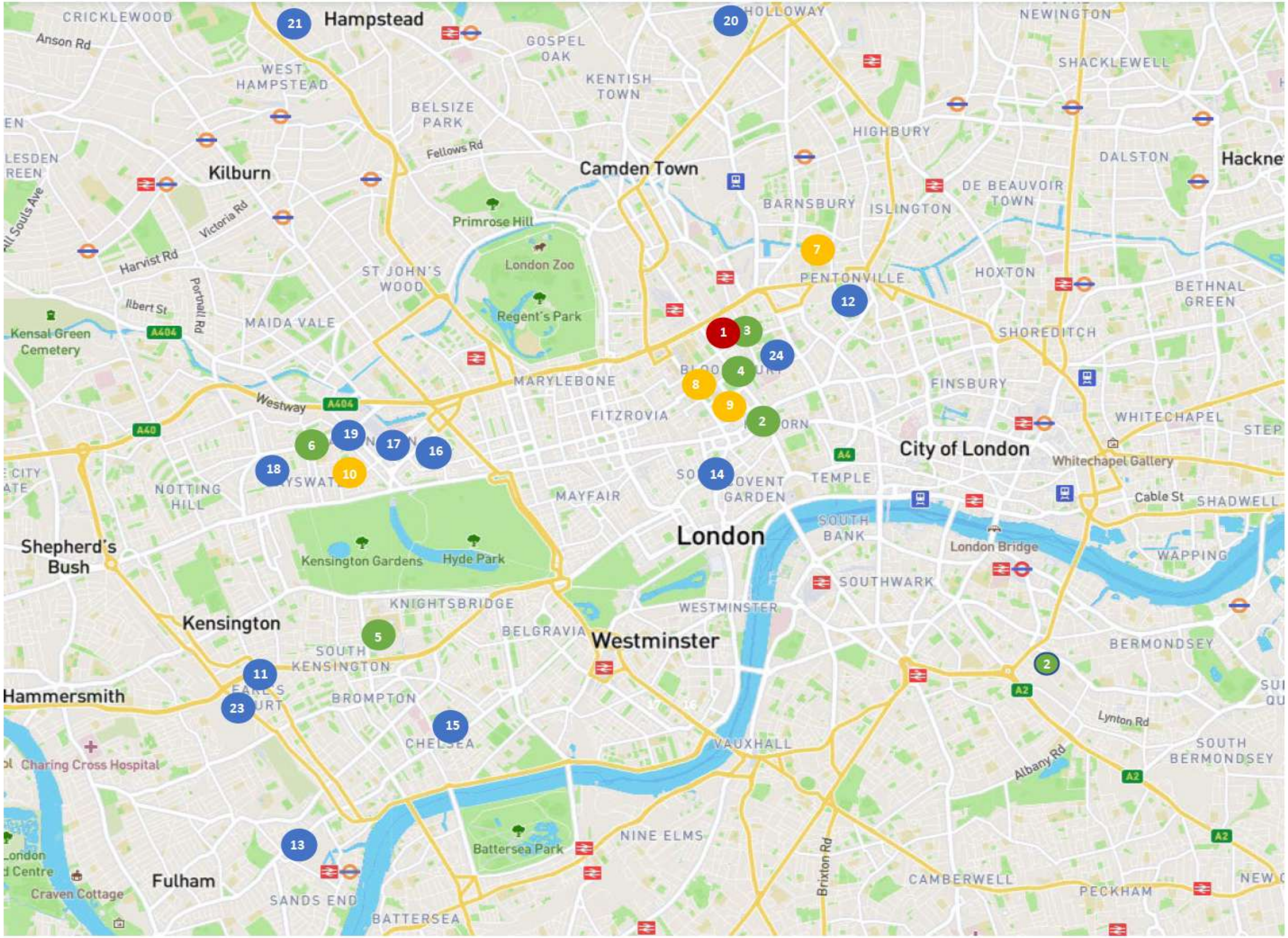
Client name to be invoiced	
Purchase Order Number (if applicable)	
Address for invoicing	
Client contact name for invoicing queries	
Client contact email for invoicing queries	
Telephone	

Appendix 2

Avison Young Projections

Avison Young Trading Projections (Year Ending																				
Year		Year 1				Year 2				Year 3				Year 4				Year 5		
Number of Rooms		31				31				31				31				31		
Occupancy Rate		80.00%				90.00%				90.00%				90.00%				90.00%		
Average Room Rate		120.00				126.00				129.15				132.38				135.69		
Revenue Per Available Room (RevPAR)		96.00				113.40				116.24				119.14				122.12		
Days Open		*365*				*365*				*365*				*365*				*365*		
Available Rooms		*11315*				*11315*				*11315*				*11315*				*11315*		
Occupied Rooms		*9052*				*10184*				*10184*				*10184*				*10184*		
	RevPAR % Change					18%				2%				3%				2%		
TOTAL SALES	1,086,240	%	POR	PIR	1,283,121	%	POR	PIR	1,315,199	%	POR	PIR	1,348,079	%	POR	PIR	1,381,781	%	POR	PIR
BEDROOMS																				
Sales	**1,086,240**	100.0%	120.00	35 040	**1,283,121**	100.0%	126.00	41 391	**1,315,199**	100.0%	129.15	42 426	**1,348,079**	100.0%	132.38	43 486	**1,381,781**	100.0%	135.69	44 574
Expenses	**271,560**	25.0%	30.00	8 760	**313,143**	24.4%	30.75	10 101	**320,971**	24.4%	31.52	10 354	**328,995**	24.4%	32.31	10 613	**337,220**	24.4%	33.11	10 878
Departmental Profit	**814,680**	75.0%	90.00	26 280	**969,978**	75.6%	95.25	31 290	**994,228**	75.6%	97.63	32 072	**1,019,084**	75.6%	100.07	32 874	**1,044,561**	75.6%	102.57	33 696
FOOD & BEVERAGE																				
Food & Beverage Sales	-	0.0%	0.00	0	-	0.0%	0.00	0	-	0.0%	0.00	0	-	0.0%	0.00	0	-	0.0%	0.00	0
Other Income / Room Hire	-	0.00%	0.00	0	-	0.0%	0.00	0	-	0.00%	0.00	0	-	0.0%	0.00	0	-	0.00%	0.00	0
Expenses	-	#DIV/0!	0.00	0	-	#DIV/0!	0.00	0	-	#DIV/0!	0.00	0	-	#DIV/0!	0.00	0	-	#DIV/0!	0.00	0
Departmental Profit	-	#DIV/0!	0.00	0	-	#DIV/0!	0.00	0	-	#DIV/0!	0.00	0	-	#DIV/0!	0.00	0	-	#DIV/0!	0.00	0
MINOR OPERATING DEPARTMENT																				
Sales	-	0.00%	0.00	0	-	0.0%	0.00	0	-	0.00%	0.00	0	-	0.0%	0.00	0	-	0.00%	0.00	0
Expenses	-	#DIV/0!	0.00	0	-	#DIV/0!	0.00	0	-	#DIV/0!	0.00	0	-	#DIV/0!	0.00	0	-	#DIV/0!	0.00	0
Departmental Profit	-	#DIV/0!	0.00	0	-	#DIV/0!	0.00	0	-	#DIV/0!	0.00	0	-	#DIV/0!	0.00	0	-	#DIV/0!	0.00	0
RENTAL																				
Sales	-	0.00%	0.00	0	-	0.0%	0.00	0	-	0.00%	0.00	0	-	0.0%	0.00	0	-	0.00%	0.00	0
Expenses	-	#DIV/0!	0.00	0	-	#DIV/0!	0.00	0	-	#DIV/0!	0.00	0	-	#DIV/0!	0.00	0	-	#DIV/0!	0.00	0
Departmental Profit	-	#DIV/0!	0.00	0	-	#DIV/0!	0.00	0	-	#DIV/0!	0.00	0	-	#DIV/0!	0.00	0	-	#DIV/0!	0.00	0
GROSS OPERATING INCOME	814,680	75.0%	90.00	26,280	969,978	75.6%	95.25	31,290	994,228	75.6%	97.63	32,072	1,019,084	75.6%	100.07	32,874	1,044,561	75.6%	102.57	33,696
LESS EXPENDITURE																				
Administrative & General	**65,174**	6.0%	7.20	2 102	**76,987**	6.0%	7.56	2 483	**78,912**	6.0%	7.75	2 546	**80,885**	6.0%	7.94	2 609	**82,907**	6.0%	8.14	2 674
Sales & Marketing	**21,725**	2.0%	2.40	701	**25,662**	2.0%	2.52	828	**26,304**	2.0%	2.58	849	**26,962**	2.0%	2.65	870	**27,636**	2.0%	2.71	891
Heat, Light & Power	**54,312**	5.0%	6.00	1 752	**64,156**	5.0%	6.30	2 070	**65,760**	5.0%	6.46	2 121	**67,404**	5.0%	6.62	2 174	**69,089**	5.0%	6.78	2 229
Repairs & Maintenance	**43,450**	4.0%	4.80	1 402	**51,325**	4.0%	5.04	1 656	**52,608**	4.0%	5.17	1 697	**53,923**	4.0%	5.30	1 739	**55,271**	4.0%	5.43	1 783
TOTAL UNDISTRIBUTED COSTS	**184,661**	17.0%	20.40	5 957	**218,131**	17.0%	21.42	7 036	**223,584**	17.0%	21.96	7 212	**229,173**	17.0%	22.50	7 393	**234,903**	17.0%	23.07	7 578
GROSS OPERATING PROFIT	630,019	58.0%	69.60	20,323	751,848	58.6%	73.83	24,253	770,644	58.6%	75.68	24,859	789,910	58.6%	77.57	25,481	809,658	58.6%	79.51	26,118
LESS FIXED COSTS																				
Property Tax	**49,892**	4.6%	5.51	1 609	**51,139**	4.0%	5.02	1 650	**52,418**	4.0%	5.15	1 691	**53,728**	4.0%	5.28	1 733	**55,071**	4.0%	5.41	1 776
Insurance	**16,294**	1.5%	1.80	526	**19,247**	1.5%	1.89	621	**19,728**	1.5%	1.94	636	**20,221**	1.5%	1.99	652	**20,727**	1.5%	2.04	669
Franchise Fee (% Total Rooms)	-	#DIV/0!	0.00	0	-	#DIV/0!	0.00	0	-	#DIV/0!	0.00	0	-	#DIV/0!	0.00	0	-	#DIV/0!	0.00	0
Incentive Fee (% Adj. GOP)	-	0.0%	0.00	0	-	0.0%	0.00	0	-	0.0%	0.00	0	-	0.0%	0.00	0	-	0.0%	0.00	0
Management Fee	-	0.0%	0.00	0	-	0.0%	0.00	0	-	0.0%	0.00	0	-	0.0%	0.00	0	-	0.0%	0.00	0
FF & E Reserve	**10,862**	1.0%	1.20	350	**25,662**	2.0%	2.52	828	**39,456**	3.0%	3.87	1 273	**40,442**	3.0%	3.97	1 305	**41,453**	3.0%	4.07	1 337
Rent	**500**	0.0%	0.06	16	**500**	0.0%	0.05	16	**500**	0.0%	0.05	16	**500**	0.0%	0.05	16	**500**	0.0%	0.05	16
TOTAL FIXED COSTS	**77,548**	7.1%	8.57	2 502	**96,549**	7.5%	9.48	3 114	**112,102**	8.5%	11.01	3 616	**114,892**	8.5%	11.28	3 706	**117,752**	8.5%	11.56	3 798
NET OPERATING PROFIT (EBITDA)	552,471	50.9%	61.03	17,822	655,299	51.1%	64.35	21,139	658,542	50.1%	64.67	21,243	675,018	50.1%	66.29	21,775	691,906	50.1%	67.94	22,320

Appendix 3
Comparable Evidence Schedule & Map



Hampstead
CRICKLEWOOD
WEST HAMPSTEAD
BELSIZE PARK
GOSPEL OAK
KENTISH TOWN
HOLLOWAY
NEWINGTON
SHACKLEWELL
HIGHBURY
DALSTON
Hackney
Kilburn
Camden Town
BARNSBURY
ISLINGTON
DE BEAUVOIR TOWN
Primrose Hill
London Zoo
Regent's Park
ST JOHN'S WOOD
PENTONVILLE
HOXTON
BETHNAL GREEN
MAIDA VALE
SHOREDITCH
Kensal Green Cemetery
MARYLEBONE
FINSBURY
FITZROVIA
WHITECHAPEL
Westway
City of London
Whitechapel Gallery
NOTTING HILL
MAYFAIR
COVENT GARDEN
TEMPLE
Cable St
SHADWELL
London
SOUTH BANK
London Bridge
WAPPING
Shepherd's Bush
Kensington Gardens
Hyde Park
SOUTHWARK
KNIGHTSBRIDGE
WESTMINSTER
Kensington
BELGRAVIA
Westminster
BERMONDSEY
SOUTH KENSINGTON
Hammersmith
BROMPTON
Lynton Rd
CHELSEA
VAUXHALL
SOUTH BERMONDSEY
Charing Cross Hospital
Albany Rd
NINE ELMS
Battersea Park
Fulham
Craven Cottage
SANDS END
BATTERSEA
CAMBERWELL
PECKHAM
Brixton Rd
Anson Rd
Fellows Rd
Victoria Rd
Harvist Rd
Ilbert St
Portnall Rd
All Souls Ave
A404
A40
A4
A2
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Ref	Photo	Status	Property	Address	Area	Guide Price	Bedrooms	Price per room	Sq Ft	Price per sq ft	Tenure	Comments
1		Subject Property	The Crescent Hotel	49-50 Cartwright Gardens, London WC1H 9EL	Bloomsbury	£5,300,000	27	£ 196,296	8,287	£ 640.00	Long leasehold (72 years remaining)	
2		For sale	Grange Lancaster Hotel	4-6 Bedford Place, WC1B 5JD	Bloomsbury	£7,000,000	36	£ 194,444	6,773	£ 1,033.47	110 years at peppercorn	Property must be refurbished as part of any acquisition.
3		For sale	Euro Hotel	53 Cartwright Gardens, London WC1H 9EL	Bloomsbury	£8,000,000	32	£ 250,000	12,000	£ 677.00		
4		For Sale	The Garth Hotel	69 Gower St, London WC1E 6HJ	Bloomsbury	£1,850,000	16	£ 115,625			52 years remaining	Price reflects circa below 2% yield
5		For sale	The Exhibitionist Hotel	8-10 Queensberry Pl, South Kensington, London SW7 2EA	Kensington	£9,250,000	37	£ 250,000	17,467	£ 529.57	Freehold	Fully let, 15.5 years unexpired. Under rented.
6		For sale	Mandalay Picton House Hotel	122 Sussex Gardens, Tyburnia, London W2 1UB	Paddington	£5,700,000	18	£ 316,667	7,312	£ 779.54		Planning permission in place for the demolition of existing five storey building and out buildings and erection of a part five and part three storey serviced apartment hotel building (Use Class C1)
7		Under offer	YHA London St Pancras	79-81 Euston Rd, London NW1 2QE	Kings Cross	£15,500,000	47	£ 329,787			Leasehold. 124 years at £2000 annual rent	Under offfer. Guide at £10m. Available with vacant possession. Planning permission in place for two additional floors
8		Under offer	Jesmond Hotel	63 Gower St, London WC1E 6HJ	Bloomsbury	£2,250,000	17	£ 132,353	6,093	£ 369.28	51 years remaininig. Annual rent is 35% of the Open Market Rental Value.	11 bedrooms are en suite. Price reflects circa 8.50% yield.

Ref	Photo	Status	Property	Address	Area	Guide Price	Bedrooms	Price per room	Sq Ft	Price per sq ft	Tenure	Comments
9		Under offer	Ridgemount Hotel	67 Gower St, London WC1E 6HJ	Bloomsbury	£4,750,000	32	£ 148,438			51 years remaininig. Annual rent is 35% of the Open Market Rental Value.	Price reflects circa 8 50% yield.
10		Under offer	Holiday Villa	35-39 Leinster Gardens, Bayswater, W2 3AN	Bayswater	£28,000,000	92	£ 320,652			Freehold	
11		Jul-21	The Prime London Hotel	9 Knaresborough Pl, London SW5 0TP	Earls Court	£6,800,000	24	£ 283,333				
12		Mar-21	The New London Carlton Hotel	Birkenhead St, London WC1H 8BA	Maida Vale	£10,000,000	24	£ 416,667	9,750	£ 1,025.64	Freehold	Closed for redevelopment.
13		Oct-20	La Reserve	422-428 Fulham Rd., London SW6 1DU	Fulham	£10,300,000	43	£ 239,535	17,468	£ 589.65	Freehold	Planning permission secured by buyers for a new four storey building which will house 50 serviced apartments
14		Sep-20	SoHostel, Dean Street	91 Dean St, London W1D 3SY	Soho	£41,250,000	54	£ 763,889	33,000	£ 1,250.00	Freehold	Owner occupied
15		Aug-20	The Dome Apartments Sloane Square	31 Draycott Ave, London SW3 3BS	Chelsea	£8,625,000	34	£ 253,676	12,780	£ 674.88	Freehold	
16		May-20	Easy Hotel	10 Norfolk Pl, Tyburnia, London W2 1QL	Paddington	£8,750,000	47	£ 186,170	7,850	£ 1,114.65	Freehold	Sold with vacant possession

Ref	Photo	Status	Property	Address	Area	Guide Price	Bedrooms	Price per room	Sq Ft	Price per sq ft	Tenure	Comments
17		Apr-20	Chrysos Hotel	25-27 Norfolk Square, Tyburnia, London W2 1RX	Paddington	£16,000,000	52	£ 307,692	23,156	£ 690.97		
18		Mar-20	Gallery Hyde Park	23 Inverness Terrace, London, W2 3JR	Bayswater	£6,100,000	17	£ 358,824			Sui Generis - hostel use	
19		Jan-20	Pacific Hotel	108 Sussex Gardens, Tyburnia, London W2 1UA	Paddington	£9,225,000	32	£ 288,281	10,016	£ 921.00		
20		Sep-19	SOArch Aparthotel	Pemberton Gardens, Archway, London N19 5RR	Archway	£6,092,000	23	£ 264,870	8,125	£ 749.78	Freehold	Aparthotel
21		Aug-19	Langorf Hotel	20 Frognal, London NW3 6AG	Hampstead	£6,250,000	31	£ 201,613	9,967	£ 627.07	Freehold	Sold with planning permission to convert to 15 flats (c3 use).
22		Oct-19	Arosfa Hotel	83 Gower St, London WC1E 6HJ	Bloomsbury	£2,372,700	17	£ 139,571	4,341	£ 546.58	Leasehold. 54 years remaining. Rent of £9,625 per annum.	All en suite
23		Feb-19	Bever Hotel	57-59 Philbeach Gdns, London SW5 9ED	Earls Court	£10,250,000	38	£ 269,737	15,007	£ 683.00		
24		May-18	Russell House Hotel	11 Bernard St, London WC1N 1LN	Bloomsbury	£3,500,000	11	£ 318,182	3,000	£ 1,166.67		

Appendix 4 Market Value Calculation

Avison Young Opinion of Market Value

Property:	The Crescent	Sq Ft	8287
Client:	Octopus		
Valuation Date:	23/08/2022		
No of Bedrooms:	27		

Risk Factor	1.50%
Discount Rate	9.50%
Terminal Cap Rate	5.50%
Inflation	2.50%

						NOP plus Inflation					
Year	1	2	3	4	5	6	7	8	9	10	Terminal
Net Operating Profit	223,884	655,299	658,542	675,018	691,906	709,204	726,934	745,107	763,735	782,828	14,589,076
Discount Factor	0.913	0.834	0.762	0.696	0.635	0.580	0.530	0.484	0.442	0.404	0.404
Discounted	204,460	546,527	501,581	469,525	439,518	411,421	385,120	360,501	337,455	315,882	5,886,899
Cumulative	204,460	750,987	1,252,568	1,722,093	2,161,611	2,573,032	2,958,152	3,318,653	3,656,108	3,971,990	9,858,889
Running Yield (Gross)	2.27%	6.65%	6.68%	6.85%	7.02%	7.19%	7.37%	7.56%	7.75%	7.94%	
Less CAPEX											4,531,500
Net Value											5,327,389

N.B Figures reported do not allow for purchaser's costs

Say	5,300,000
£ per bed (31)	171,000
£ per sq ft	640
£ per bed (27)	196,000

Definitions and Reservations for Valuations

Definitions and Reservations for Valuations

Information

All information supplied by the Client, the Client's staff and professional advisers, local authorities, other statutory bodies, investigation agencies and other stated sources is accepted as being correct unless otherwise specified.

Tenure

Title Deeds and Leases are not inspected (unless specifically stated) and, unless we are informed to the contrary, it is assumed that a property is free of any onerous covenants, easements, other restrictions or liabilities including mortgages, grants and capital allowances which may affect the value.

No responsibility or liability will be accepted for the true interpretation of the legal position of the client or other parties.

Tenants

Tenants' status is investigated only where we are so instructed and so specified in the valuation.

Plans

Any plans supplied are for identification purposes only unless otherwise stated. The valuation assumes site boundaries are as indicated to us. The reproduction of Ordnance Survey sheets has been sanctioned by the Controller of Her Majesty's Stationery Office, Crown Copyright reserved.

Site Areas

Site areas are normally computed from plans or the Ordnance Survey and not from a physical site survey. They are approximate unless otherwise indicated.

Floor Areas and Dimensions

Floor areas and dimensions are taken from inspection unless otherwise specified but are nevertheless approximate. Where provided by us, areas quoted are calculated in accordance with the RICS Professional Statement – RICS Property Measurement 2nd edition, January 2018 on the basis agreed with the Client, i.e. adopting either (1) The Code of Measuring Practice, 6th edition published by the Royal Institution of Chartered Surveyors, or (2) The International Property Measurement Standards (IPMS): Office Buildings, or (3) The International Property Measurement Standards (IPMS): Residential Buildings.

The following bases are those most frequently used under the Code of Measuring Practice, 6th edition:

Net Internal Area - Measured to the internal faces of external walls, excluding toilets, permanent corridors, internal walls and partitions, stairwells, plant rooms etc.

Gross Internal Area - Measured to the internal faces of external walls, including toilets, permanent corridors, internal walls and partitions, stairwells, plant rooms etc.

Gross External Area - Measured to the external faces of external walls, including toilets, permanent corridors, internal walls and partitions, stairwells, plant rooms etc.

Net Sales Area (NSA) – the GIA of a new or existing residential dwelling, subject to certain Conditions.

The following bases are those used under The International Property Measurement Standards (IPMS): Office Buildings:

IPMS1 - The sum of the areas of each floor level of a building measured to the outer perimeter of external construction features and reported on a floor by floor basis.

IPMS 2 - Office - The sum of the areas of each floor level of an office building measured to the internal dominant face and reported on a component by component basis for each floor of a building.

IPMS 3 - Office - The floor area available on an exclusive basis to an occupier, but excluding standard facilities and calculated on an occupier-by-occupier or floor-by-floor basis for each building.

IPMS 2 – Residential: The sum of the areas of each floor level of a residential building measured to the internal dominant face, which may be reported on a component-by-component basis for each floor of a building.

IPMS 3 – Residential: The floor area available on an exclusive basis to an occupier.

Ground Conditions

Soil stability, mining and geological reports are not undertaken by us or normally inspected. Unless we are instructed to the contrary, we assume that the ground and any adjoining or nearby areas are not contaminated, that there are no dangerous materials in the vicinity and that it is capable of development without the need for abnormal costs on foundations and services.

Condition of Buildings, Plant Etc

Our inspection of a property does not constitute a structural survey. When preparing our valuation we have regard to apparent defects and wants of repair and take into account the age of the property. We do not however carry out the detailed search for defects which is undertaken as part of the structural survey neither do we necessarily set out the various defects when making the report. We do not inspect woodwork or other parts of the structure which are covered, unexposed or inaccessible.

Definitions and Reservations for Valuations

We do not arrange for any investigation to be carried out to determine whether or not high alumina cement concrete or calcium chloride additive or any other deleterious materials or permanent woodwool shuttering or composite panelling has been used in the construction.

Unless so instructed we do not arrange for any investigations to be carried out to determine whether or not any deleterious or hazardous material or techniques have been used in the construction of the property or has since been incorporated and the services are not tested.

We are therefore unable to report that the property is free from defect in these respects.

For valuation purposes we assume unless otherwise stated that the property (including associated plant and machinery, fixtures and fittings) is in serviceable order and will remain so for the foreseeable future. It will be assumed that the building/s is/are in good repair, except for defects specifically noted.

Asbestos Regulations

The Control of Asbestos Regulations 2012 came into force on 6 April 2012, updating previous asbestos regulations to take account of the European Commission's view that the UK had not fully implemented the EU Directive on exposure to asbestos (Directive 2009/148/EC). Your legal advisers should enquire as to compliance with these regulations and property owners will need to be able to provide confirmation as to the existence and condition of asbestos.

Fire Safety

The Regulatory Reform (Fire Safety) Order 2005 (The Order) replaces previous fire safety legislation including both the Fire Precautions Act 1971 and the Fire Precautions (workplace) Regulation 1997. Consequently any fire certificate issued under the Fire Precautions Act 1971 will cease to have any effect. The Order came into force completely on the 1st April 2006.

The Order applies to the majority of premises and workplaces in England and Wales although does not include people's private homes. It covers general fire precautions and other fire safety duties, which are needed to protect 'relevant persons' in case of fire in and around most 'premises'.

Under the order, anyone who has control in a premises or anyone who has a degree of control over certain areas may be classified as a 'responsible person'. It is thus the duty of such individual to comply with the requirements of the Order and make certain that all measures are taken to ensure the safety of all the people he or she is directly or indirectly responsible for.

The responsible person must then carry out a Fire Risk Assessment. In short this is a five-point process whereby fire hazards must be identified, relevant persons at risk recognised, potential risks reduced, staff training implemented and the whole assessment regularly reviewed. The assessment must pay particular attention to those at special risk such as disabled people, those who have special needs and young persons. Furthermore the responsible person must provide and maintain clear Means of Escape, Signs, Notices, Emergency Lighting, Fire Detection & Alarm and Extinguishers.

This approach is different from previous legislation, as it is now necessary to consider everyone who might be on your premises, whether they are employees, visitors or members of the public.

The Risk Assessment must be regularly reviewed and if necessary amended. Finally if the responsible person employs five or more people, the premises are licensed or the Inspector requires it then the Risk Assessment must be formally recorded.

The Smoke and Carbon Monoxide Alarm (England) Regulations 2015 effective 1 October 2015 require that landlords of residential property must provide (1) a smoke alarm on each storey of the premises on which there is a room used wholly or partly as living accommodation and (2) a carbon monoxide alarm in any room of the premises which is used wholly or partly as living accommodation and contains a solid fuel burning combustion appliance. The landlord has a responsibility to ensure that the detectors are checked and in proper working order.

It is assumed that the property is compliant in regard to the above regulations.

Definitions and Reservations for Valuations

EWS1 Forms

Avison Young is not responsible for verifying the accuracy of any information contained within an EWS1 form provided to it for the purposes of Avison Young completing its Services. Avison Young shall be entitled to rely on the information contained within the EWS1 form as if it were true and accurate in all material respects. If the Client discovers that the information contained within the EWS1 form is inaccurate in any material way, the Client shall bring this to Avison Young's attention promptly so that the parties can discuss the impact it may have on the Services Avison Young has provided. Avison Young shall not be liable for any loss or damage or costs suffered or incurred by the Client arising either from the information contained within an 'EWS1' form or from Avison Young's reliance on it. For the avoidance of doubt Avison Young are not qualified to produce or complete EWS1 forms and under no circumstances shall we do so. EWS1 forms can only be completed by certain qualified practitioners.

Accessibility

From 1 October 2010, the Equality Act 2010 replaced previous anti-discrimination laws, including the Disability Discrimination Act, with a single Act to make the law simpler and to remove inconsistencies. The Equality Act protects the important rights of disabled people to access everyday facilities and services and to ensure that disabled workers are not disadvantaged. Our report will contain observations of a general nature on the extent to which we consider that the building would be regarded by the market as complying with the accessibility requirements of the Equality Act. We have not, however, carried out an in-depth study which would be required to reach a formal view.

Energy Performance Certificates

From 2008 Energy Performance Certificates (EPCs) are required for the sale, rental or construction of commercial buildings. The requirement was phased in over 6 months between 6 April and 1 October 2008. Commercial properties with a useful floor area of more than 10,000 sq m were affected from 6 April 2008, those exceeding 2,500 sq m had to comply from 1 July 2008 and the remaining properties had to comply from 1 October 2008. An EPC must be provided on the sale, rental or construction (or in some cases modification) subject to transitional arrangements. Non-compliance may lead to sanction under civil legislation, involving a financial penalty.

Unless stated to the contrary, our valuation assumes that the property has an Energy Performance Certificate (if required under the Energy Performance of Buildings (Certificates and Inspections) (England and Wales) Regulations 2007) and that the Certificate will be maintained as required.

Services

It is assumed that the services and any associated controls or software, are in working order and free from defect.

Composite Panels and Insurance

We will not test any panels within the property to see whether there are any polystyrene insulated composite panels. The presence of such panels may result in the property being uninsurable, which would have an adverse impact on value.

Defective Premises Act 1972

Obligations or liabilities or any rights thereunder, whether prospective or accrued, are not reflected in valuations unless actually specified.

Environmental Issues

Our Valuation Report does not constitute an Environmental Audit or survey and nothing contained in it should be treated as a statement that there are no contamination or pollution problems relating to the property or confirmation that the property, or any process carried on therein, complies with existing or proposed legislation on environmental matters. If we have been provided with third party reports, we have accepted their contents as being correct.

Enquiries

Enquiries of local authorities and statutory undertakers are made verbally in respect of contingent liabilities such as road widening, road charges, redevelopment proposals and the possible effect of any town planning restrictions, and on occasion in respect of rating assessments. Local searches are not undertaken. No responsibility is accepted for any inaccurate information provided.

Generally it is assumed that buildings are constructed and used in accordance with valid Town Planning Consents, Permits, Licences and Building Regulation Approval, with direct access from a publicly maintained highway, that Town Planning Consents do not contain restrictions which may adversely affect the use of a property and that there are no outstanding statutory or other notices in connection with a property or its present or intended use.

Definitions and Reservations for Valuations

It is further assumed unless otherwise stated that all necessary licences, permits etc either run with the property or are transferable to a new occupier as appropriate.

Flooding Risk

The valuer will make enquiries concerning flooding risk where it is perceived to be of relevance as published by the Environmental Agency. However we are not qualified to definitively assess the risk of flooding and our valuation will assume no difficulties in this regard. Further, Avison Young shall not undertake any additional enquiries to confirm this information.

Plant, Machinery, Fixtures and Fitting

Unless otherwise specified, all items normally associated with the valuation of land and buildings are included in our valuations and reinstatement cost assessments, including:-

Fixed space heating, domestic hot water systems, lighting and mains services supplying these, sprinkler systems and associated equipment, water, electricity, gas and steam circuits not serving industrial or commercial processes, sub-station buildings, lifts and permanent structures including crane rails where forming an integral part of the building structure, fixed demountable partitions, suspended ceilings, carpets, drains, sewers and sewerage plants not primarily concerned with treating trade effluent, air conditioning except where part of a computer installation or primarily serving plant and machinery.

Unless otherwise specified, the following items are excluded:-

All items of process plant and machinery, tooling and other equipment not primarily serving the building, cranes, hoists, conveyors, elevators, structures which are ancillary to, or form part of an item of process plant and machinery, sewerage plants primarily concerned with treating trade effluent, air conditioning where part of a computer installation or primarily serving plant and machinery, and water, electricity, gas, steam and compressed air supplies and circuits serving industrial and commercial processes.

Unless otherwise specified, no allowance is made for the cost of repairing any damage caused by the removal from the premises of items of plant, machinery, fixtures and fittings.

In the case of filling stations, hotels and other properties normally sold and valued as operational entities, all items of equipment normally associated with such a property are assumed to be owned and are included within the valuation unless otherwise specified.

Taxation and Grants

Value Added Tax, taxation, grants and allowances are not included in capital and rental values as, unless otherwise specified in the report, these are always stated on a basis exclusive of any VAT liability even though VAT will in certain cases be payable.

It is assumed for the purposes of valuation that any potential purchaser is able to reclaim VAT, unless otherwise stated. In particular it should be noted that where a valuation has been made on a Depreciated Replacement Cost basis the Replacement Cost adopted is net of VAT unless otherwise stated.

Unless otherwise specified Avison Young will not take into account of any existing or potential liabilities arising for capital gains or other taxation or tax reliefs as a result of grants or capital allowances, available to a purchaser of the property.

Market Value (MV)

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.

Market Value provides the same basis as the OMV basis of value supported by the first four editions of the Red Book, but no longer used as a defined term.

Fair Value

1. The estimated price for the transfer of an asset or liability between identified knowledgeable and willing parties that reflects the respective interests of those parties (IVS 2013).
2. The price that would be received to sell an asset, or paid to transfer a liability, in an orderly transaction between market participants at the measurement date (IFRS 13).

Depreciated Replacement Cost

The current cost of replacing an asset with its modern equivalent asset less deductions for physical deterioration and all relevant forms of obsolescence and optimisation. Note that this basis of valuation may not reflect the price achievable for the property on the open market.

Definitions and Reservations for Valuations

Operational Entities

The RICS advises that the most appropriate basis of valuation of properties normally sold as operational entities is Market Value as defined above. Such properties include public houses, hotels and other leisure uses, together with nursing homes, residential care homes, private hospital and petrol filling stations.

Our valuations reflect the following:-

a) The market's perception of trading potential with an assumed ability on the part of the purchaser to renew existing licenses, consents, registrations and permits;

b) That the property is offered with vacant possession throughout, although in the case of nursing and residential care homes, subject to the contractual rights of the patients/residents occupying the home from time to time;

c) That trade fixtures, fittings, furniture, furnishings and equipment are included.

Our valuations also specifically assume, unless otherwise specified that the business will continue to operate at a level not significantly worse than that indicated to us.

Existing Use Value

The estimated amount for which a property should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing wherein the parties had acted knowledgeably, prudently and without compulsion, assuming that the buyer is granted vacant possession of all parts of the property required by the business and disregarding potential alternative uses and any other characteristics of the property that would cause its Market Value to differ from that needed to replace the remaining service potential at least cost.

Market Rent

The estimated amount for which an interest in real property should be leased on the valuation date between a willing lessor and a willing lessee on appropriate lease terms in an arm's-length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion.

Insurance

Insurance is usually arranged by clients (or their brokers) based on reinstatement cost assessments or occasionally on an indemnity basis and other methods of valuation are not appropriate.

Reinstatement Cost Assessment

A Reinstatement cost assessment is our opinion of the likely cost of reinstating all the buildings, normally for insurance purposes, on the basis that:-

a) the accommodation provided will be similar in construction, design and area to the existing buildings;

b) the works will be in compliance with conditions imposed by local Authorities in connection with the construction of the building;

c) unless reported separately, allowances are made to cover the cost of necessary demolition and site clearance prior to rebuilding, external works such as hardstandings, private roadways and fences and professional fees which would normally be incurred.

Unless otherwise stated, the reinstatement cost does not include any allowance for:-

a) any loss of rent incurred during rebuilding;

b) planning restrictions which a planning authority might impose;

c) special foundations required for plant and machinery or due to adverse ground conditions;

d) any plant, machinery, equipment, tanks, loose tools, office furniture and equipment (refer to the heading "Plant, Machinery, Fixtures and Fittings" for details of items normally included);

e) any effect of inflation on building costs occurring after the valuation date;

f) VAT (except on professional fees) which will normally be payable in addition.

Note - A reinstatement cost assessment is not a valuation. The valuer's assessment of the reinstatement cost assessment should be regarded as an informal estimate and should not be used to arrange insurance cover.

Apportionment of Values

Apportionments provided between buildings, land and plant and machinery are normally for depreciation purposes only. In normal circumstances apportionments are not valuations and they should not be used for any other purpose unless specified in our report.

Definitions and Reservations for Valuations

Future Useful Economic Life

Future useful economic life of buildings is normally assessed in bands of years, most frequently subject to a maximum of fifty years. This applies to freehold properties and to leasehold properties where the future life is less than the unexpired term of the lease. An average figure is usually provided for groups of buildings forming a single asset. The figures are appropriate for depreciation purposes only.

Compliance with Valuation Standards

Where applicable our valuations are in accordance with the RICS Valuation – Global Standards effective from 31 January 2022, published by the Royal Institution of Chartered Surveyors ("RICS"), the Insurance Companies (Valuation of Assets) Regulations 1981, the Financial Conduct Authority (FCA) "Listing Rules" ("Source Book") and "City Code on Takeovers and Mergers" ("Blue Book") as amended and revised from time to time. A copy is available for inspection.

RICS Investigations

The valuation may be investigated by the RICS for the purposes of the administration of the Institutions conduct and disciplinary regulations. Guidance on the operation of the RICS monitoring scheme including matters relating to confidentiality is available from www.rics.org.

Total Valuation

Where provided this is the aggregate of the value of each individual property. It is envisaged that properties would be marketed singly or in groups over an appropriate period of time. If all properties were to be sold as a single lot, the realisation would not necessarily be the same as the total of the valuations. This assumption is not applicable to valuations made for taxation purposes.

Legal Issues

Any interpretation of leases and other legal documents and legal assumptions is given in our capacity as Property Consultants (including Chartered Surveyors and Chartered Town Planners) and must be verified by a suitability qualified lawyer if it is to be relied upon. No responsibility or liability is accepted for the true interpretation of the legal position of the client or other parties.

Date, Market Conditions and Validity of Valuation

Valuations may be relied upon for the stated purpose as at the date specified. In normal market conditions the value may not change materially in the short term. However the property market is constantly changing and is susceptible to many external facets which can affect business confidence. If any reliance is to be placed on the valuation following any changes which could affect business confidence, then further consultation is strongly recommended. In any event, the valuation should not be considered valid after a period of three months.

Valuations and Reports

Valuations and Reports are only for the use of the party to whom they are addressed. They may be disclosed only to other professional advisors assisting in respect of that purpose. No responsibility is accepted to any third party for the whole or any part of the contents.

Reports should be considered in their entirety and should only be used within the context of the instructions under which they are prepared.

Neither the whole nor any part of a valuation, report or other document or any reference thereto may be included in any published article, document, circular or statement or published in any way without prior written approval of Avison Young of the form and context in which it may appear.

Warranties

The client warrants and represents that, to the best of its knowledge, information and belief, the information supplied by and on its behalf to Avison Young is true and accurate and that it will advise and instruct its third party advisers to advise Avison Young in the event that it and/they receive notice that any such information is either misleading or inaccurate.

Contact Details

Enquiries

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Visit us online
avisonyoung.co.uk

APPENDIX E - APPRAISAL SUMMARY

Crescent Hotel, Bloomsbury - Proposed Scheme

Development Appraisal
Licensed Copy
22 December 2022

APPRAISAL SUMMARY — LICENSED COPY

Crescent Hotel, Bloomsbury - Proposed Scheme

Appraisal Summary for Phase 1

Currency in £

REVENUE

Rental Area Summary	**Units**	**ft²**	**Rent Rate ft²**	**Initial MRV/Unit**	**Net Rent at Sale**	**Initial MRV**	**Net MRV at Sale**
Size A (<15 sqm) £350 pw	14	5,293	48.14	18,200	178,360	254,800	178,360
Size B (15 - < 20 sqm) £400 pw	14			20,800	203,840	291,200	203,840
Size C (20 - < 25 sqm) £450 pw	2			23,400	32,760	46,800	32,760
Size D (basement) (25 sqm +) £425 pw	1			22,100	15,470	22,100	15,470
Totals	**31**	**5,293**			**430,430**	**614,900**	**430,430**

Investment Valuation

Size A (<15 sqm) £350 pw					
Current Rent	178,360	YP @	4.5000%	22.2222	3,963,556
Size B (15 - < 20 sqm) £400 pw					
Current Rent	203,840	YP @	4.5000%	22.2222	4,529,778
Size C (20 - < 25 sqm) £450 pw					
Current Rent	32,760	YP @	4.5000%	22.2222	728,000
Size D (basement) (25 sqm +) £425 pw					
Current Rent	15,470	YP @	4.5000%	22.2222	343,778
Total Investment Valuation					**9,565,111**

GROSS DEVELOPMENT VALUE				**9,565,111**
Purchaser's Costs		6.80%	650,428	
Effective Purchaser's Costs Rate		6.80%		
				650,428
NET DEVELOPMENT VALUE				**8,914,684**
NET REALISATION				**8,914,684**

OUTLAY

ACQUISITION COSTS				
Residualised Price			3,871,372	
				3,871,372
Stamp Duty		5.00%	193,569	
Agent Fee		1.00%	38,714	
Legal Fee		0.80%	30,971	
				263,253
CONSTRUCTION COSTS				
Construction	**ft²**	**Build Rate ft²**	**Cost**	
Construction Costs	8,041	250.59	2,015,000	
Contingency		10.00%	201,500	
				2,216,500
Other Construction Costs				
Project Insurance			30,225	
Mains Upgrade			13,000	
				43,225
PROFESSIONAL FEES				
Professional Fees			523,609	
				523,609
MARKETING & LETTING				
Marketing	5,293 ft²	1.50	7,940	
				7,940
DISPOSAL FEES				
Sales Agent Fee		1.00%	89,147	
Sales Legal Fee		0.50%	44,573	
				133,720

Crescent Hotel, Bloomsbury - Proposed Scheme

Additional Costs				
Profit Levels		15.00%	1,434,767	
				1,434,767
TOTAL COSTS BEFORE FINANCE				**8,494,386**
FINANCE				
Timescale	**Duration**	**Commences**		
Pre-Construction	6	Dec 2022		
Construction	9	Jun 2023		
Sale	1	Mar 2024		
Total Duration	16			
Debit Rate 7.000%, Credit Rate 0.000% (Nominal)				
Land			348,814	
Construction			71,484	
Total Finance Cost				420,298
TOTAL COSTS				**8,914,684**
PROFIT				
				0
Performance Measures				
Profit on Cost%		0.00%		
Profit on GDV%		0.00%		
Profit on NDV%		0.00%		
IRR% (without Interest)		6.53%		