
GLA Viability Team

Review of Financial Viability Information

5 Kingdom Street

Applicant	British Land
GLA Reference	4925
Local Planning Authority	City of Westminster
LPA Reference	19/03673/FULL
Date	21 October 2020

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1. Introduction

- 1.1. This document sets out the position of the Greater London Authority's Viability Team ("GLAVT") in relation to the viability position of the 5 Kingdom Street scheme at the date of this report.
- 1.2. This document refers to viability evidence produced on behalf of the applicant and on behalf of Westminster City Council. This evidence is listed below:

Original scheme

Applicant: Documents prepared by DS2 LLP

- Financial Viability Assessment, dated April 2019.
- Letter from DS2 to Rob Thorne-Henderson (Lambert Smith Hampton), dated 8th October 2019.
- Letter from DS2 to Rob Thorne-Henderson (Lambert Smith Hampton), dated 2nd December 2019.

Amended scheme

Applicant: Documents prepared by DS2

- Response to GLA initial affordable housing viability comments, dated 18th June 2020
- Financial Viability Assessment, dated July 2020.

- 1.3. This document considers whether the Applicant's Amended scheme provides the maximum reasonable contribution towards affordable housing and considers the extent to which the viability information submitted complies with national and Mayoral guidance. Documents prepared by Lambert Smith Hampton (LSH) on behalf of the Westminster City Council dated September 2019 (with Addendums in November and December) and August 2020 have also been considered.

Viability testing in a Covid-19 affected development market

- 1.4. Viability PPG states that "Viability assessment is a process of assessing whether a site is financially viable, by looking at whether the value generated by a development is more than the cost of developing it.... Any viability assessment should be supported by appropriate available evidence informed by engagement with developers, landowners, and infrastructure and affordable housing providers...." (PPG, para 010).
- 1.5. During the Covid-19 pandemic, available evidence is more limited than usual and potentially open to a range of interpretations. Market evidence of both current values and costs as well as forecasted assumptions are important factors. The weight to be applied to any evidence is a matter of judgement and is made taking into account the policy objectives set out in the Development Plan and the intention that development is deliverable. Assessment of risk takes into account the potential for market conditions to vary over the period of the development. This is particularly relevant in the current circumstances.

2. **Background**

- 2.1. This scheme was originally submitted to the City of Westminster on 3rd May 2019. The Mayor of London issued a Stage 1 Report on the 15th July 2019, recommending as follows:

“That Westminster City Council be advised that whilst the scheme is broadly supported in strategic planning terms, the application does not fully comply with the London Plan and draft London Plan...”

- 2.2. The application was presented to Westminster City Council’s Planning Application Committee on the 7th January 2020, where it was resolved to refuse planning permission. In summary, the reasons for refusal are as follows:

- a) The height, mass and location of the proposal would harm the character and appearance of this part of the City.
- b) Insufficient information has been submitted to demonstrate that the proposal would not result in a cumulative material loss of light to the detriment of a number of adjacent properties.

- 2.3. On the 23rd March 2020, a Stage 2 Report was issued by the Mayor recommending as follows:

That the Westminster City Council be advised that the Mayor will act as the local planning authority for the purposes of determining the above application and any connected application.

- 2.4. Following the Stage 2 Report, the applicant has submitted revisions to the proposal, which are outlined in section 5 below. The revisions affected the overall viability of the scheme and the applicant has submitted revised viability information, described above in paragraph 1.2, in relation to the amended application.

3. **Planning Policy and Guidance**

- 3.1. There are a number of planning policies and guidance that are relevant to the assessment of viability and contributions towards affordable housing. Key references (which are being referred to for this limited purpose) are summarised below:

National Policy: The National Planning Policy Framework

- 3.2. The National Planning Policy Framework (NPPF) was published in February 2019 and sets out the Government’s planning policies for England and how these are expected to be applied.
- 3.3. Paragraph 57 states that:

“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”.

Regional Policy: The London Plan

- 3.4. The London Plan (2016) is the Spatial Development Strategy for London and forms part of the Development Plan for the site. Policy 4.3 states that, within the Central Activities Zone strategically important office development should include other uses, including housing. In circumstances where doing so on-site would compromise broader objectives (such as sustaining important clusters of business activity) contributions to off-site housing provision are required.
- 3.5. On 1 December 2017, the Mayor published his draft London Plan for public consultation. Consultation on the Plan closed on 2 March 2018. On 13 August 2018, the Mayor published a version of the draft Plan that includes his minor suggested changes. The draft London Plan was subject to an Examination in Public (“EiP”), which was undertaken between 15 January and 22 May 2019. On 16 July 2019, the Mayor published the Draft London Plan – Consolidated Suggested Changes Version (July 2019), which incorporated the suggested changes put forward by the Mayor before, during, and after the EiP sessions.
- 3.6. The Panel of Inspectors appointed by the Secretary of State issued their report and recommendations to the Mayor and this was published on the GLA website on 21 October 2019. On 9 December 2019, the Mayor issued to the Secretary of State his Intend to Publish London Plan, together with a statement of reasons for any of the Inspectors’ recommendations that the Mayor did not wish to accept.
- 3.7. On 13 March 2020, the Secretary of State wrote to the Mayor setting out his consideration of the Mayor’s Intend to Publish London Plan, and issued Directions under Section 337 of the Greater London Authority Act 1999 (as amended). The Mayor considers that amendments are needed to the Secretary of State’s proposed modifications in order to remove policy ambiguities and achieve the necessary outcomes. Discussions are underway to resolve these matters in order to publish the London Plan as soon as possible.
- 3.8. The emerging policies of the Intend to Publish London Plan are considered to be consistent with the NPPF and can be given significant weight, other than those subject to Directions from the Secretary of State.

Local Policy: Westminster’s City Plan (2016)

- 3.9. Westminster’s City Plan was adopted in November 2016 and sets out a number of key spatial policies and core thematic policies that set the framework for the development in the area over the next 15-20 years.
- 3.10. Policy S1 states that development (including net additional B1 floorspace) in the Core CAZ and Opportunity Areas must provide residential floorspace or an equivalent payment. Where an application is proposing to provide net additional floorspace that is more than 50% of the existing building floorspace and more than 400 sq. m, residential floorspace or

an equivalent payment in lieu must be provided. Any payment in lieu must be equivalent to the net additional B1 office floorspace less 30% of the existing building floorspace.

National Guidance

- 3.11. National guidance on viability is set out in Planning Practice Guidance (PPG) which was last updated in September 2019. A number of key elements of the PPG are summarised below:

Assessment of Viability

- 3.12. Paragraph 10 states that viability assessment is a process that considers whether a site is financially viable, by looking at whether the value generated by a development is more than the cost of developing it. This includes looking at the key elements of gross development value, costs, land value, landowner premium, and developer return which should be supported by by appropriate available evidence.

Transparency of Information

- 3.13. Paragraph 10 of PPG states:

This National Planning Guidance sets out the government's recommended approach to viability assessment for planning. The approach supports accountability for communities by enabling them to understand the key inputs to and outcomes of viability assessment.

and

Improving transparency of data associated with viability assessment will, over time, improve the data available for future assessment as well as provide more accountability regarding how viability informs decision making.

Benchmark Land Value ("BLV")

- 3.14. Paragraph 13 states that BLV should be established on the basis of the existing use value (EUV) of the land, plus a premium for the landowner. This approach is known as 'existing use value plus' (EUV+). Paragraph 15 states that existing use value excludes 'hope value'. Paragraph 16 states that the premium should provide a reasonable incentive for a landowner to bring forward land for development while allowing a sufficient contribution to fully comply with policy requirements. Paragraph 17 of PPG states alternative use values ("AUV") may be informative in establishing benchmark land value.
- 3.15. Paragraph 14 states that 'where viability assessment is used to inform decision making, under no circumstances will the price paid for land be a relevant justification for failing to accord with relevant policies in the plan'. Paragraph 15 also clarifies that 'existing use value is not the price paid'. Paragraph 2 confirms that the price paid for land is not a relevant justification for failing to accord with relevant policies in the plan and that landowner and site purchasers should consider this when agreeing land transactions.

Mayoral Guidance**Assessment of Viability**

- 3.16. Paragraph 3.6 states that applicants should provide detailed evidence to support inputs and assumptions. Paragraph 10 states that applicants should demonstrate that their proposal is deliverable and that their approach to viability is realistic. As such, appraisals would normally be expected to indicate that the scheme does not generate a deficit, and that the target profit and benchmark land value can be achieved with the level of planning obligations provided.

Transparency of Information

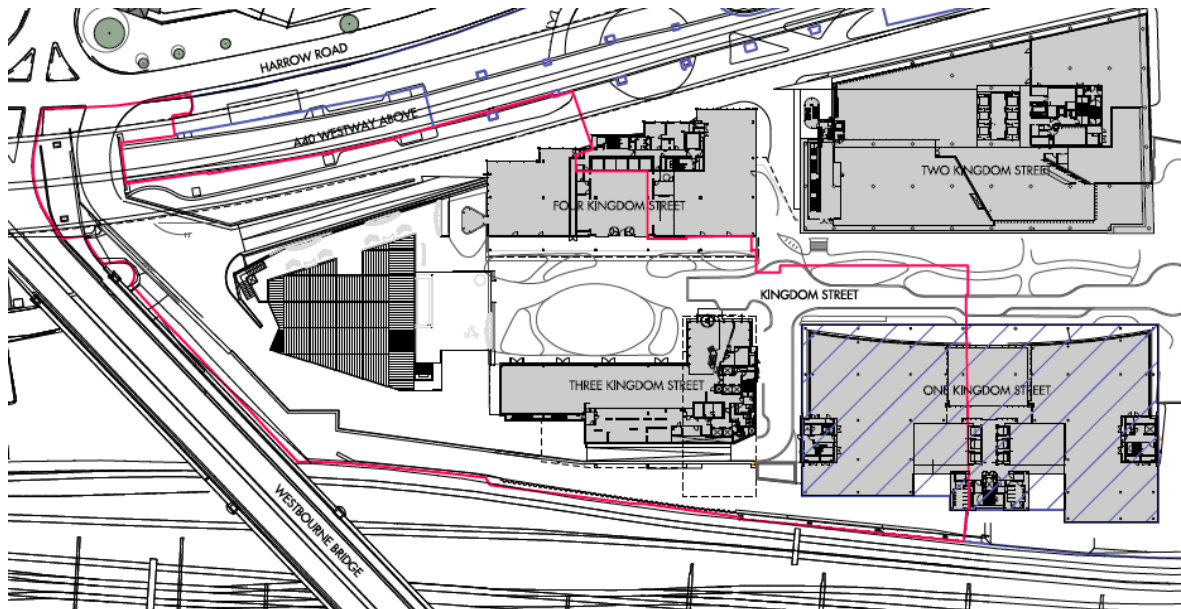
- 3.17. Paragraph 1.18 states that the Mayor wants to lead the way in openness and transparency in the planning system. It states that he considers that information relevant to planning determinations should be publicly available alongside other application documents in order to foster a greater understanding of and trust in the planning system.

Benchmark Land Value ("BLV")

- 3.18. Paragraph 3.47 confirms that the Mayor considers that the 'Existing Use Value plus' (EUV+) approach is usually the most appropriate approach for planning purposes. Paragraph 3.43 states that the principle of this approach is 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. A premium is usually added to provide the landowner with an additional incentive to release the site, having regard to site circumstances.

4. Site and Context

- 4.1. The site extends to 1.26 hectares (3.11 acres) and is located in the City of Westminster. It is bounded by Harrow Road to the north, Westbourne Bridge to the west, railway lines into and out of Paddington station to the south and other plots within the Paddington Central campus to the east. A red line site plan showing the planning application boundary is provided below:



- 4.2. The site currently comprises three levels. At track level there is an area of hardstanding which has been used as storage relating to the construction of Crossrail. At this level, the Site boundary extends eastwards under 1, 3 and 4 Kingdom Street. To the north of the site there is a podium level which has been used as a temporary 850-cover outdoor dining concept with an associated bar. Above this is the A40 road, part of which falls within the site boundary.
- 4.3. The area predominantly comprises of commercial uses and in particular office space built during the redevelopment of the Paddington Basin in the early 2000s.
- 4.4. The site benefits from good transport links, being located a 10 minute walk from London Paddington Station which is served by national railway lines as well as numerous bus services and the Hammersmith and City, Bakerloo, District and Circle London Underground lines.

5. Proposed Development and Affordable Housing Contribution

Proposed Development

- 5.1. Full planning permission is being sought by the applicant for a redevelopment of the site which is described as follows:

'Erection of a mixed-use development comprising ground floor (at Kingdom Street level) plus 19 storeys to provide offices (B1a) and retail (A1/A3) plus plant and amenity areas at

roof level. Three floors below Kingdom Street delivered in phases to provide an auditorium (Sui Generis), and a flexible mix of business (B1a), retail (A1/A3/Sui Generis), sport and leisure (D2) and exhibition (D1/Sui Generis) uses within the former 'Crossrail box'. New outdoor terraces adjacent to railway at basement level; creation of a new pedestrian and cycle link between Harrow Road and Kingdom Street including internal and external garden and landscaping; and associated works'.

- 5.2. The proposed land uses within the scheme are shown in the table below alongside proposed floor areas:

Land Use	Net Lettable Area (Sq. Ft)
Offices	376,920
Flexible Workspace (Office/Retail)	7,782
Affordable Workspace	41,979
Crossrail Box (Restaurant, Conference Space, Cinema, Gym/Sports uses)	33,002
Retail	2,852
Auditorium	7,944
Total	470,479

- 5.3. Following the Stage 2 Report, and further discussions with the GLA, the applicant has submitted revisions to the proposal, summarised as follows:
- c) Increasing the contribution to Westminster's affordable housing fund to £14.3 million (from £1.75 million);
 - d) Increasing the affordable workspace to 3,900 sq. m (GIA) (from 1,400 sq. m) and providing this in the 'Crossrail Box', with consequent reduction of 'flexible' space from 7,866 sq. m to 3,490 sq. m;
 - e) Revising the energy strategy to achieve 43% carbon saving based on current modelling and achieving a net zero carbon development;
 - f) Reconfiguring the Garden space linking Harrow Road to Kingdom Street and to the 'Crossrail Box';
 - g) Reconfiguring the office entrance and the floor plans of levels 18 and 19, with an increase in office floorspace of 570 sq. m (now totals 48,264sq. m);
 - h) Raising the height of the lift over-runs and selected rooftop plant

Affordable Housing Contribution

- 5.4. The applicant has increased the proposed payment from £1,750,000 to £14,300,000 towards affordable housing with respect to the revised scheme. This contribution represents an increase of £12,593,304 against the contribution offered in relation to the original proposed scheme.

- 5.5. In order to justify the proposed contribution and demonstrate that it is at the maximum reasonable level, the applicant has submitted a Financial Viability Assessment (“FVA”), prepared by DS2 LLP (“DS2”). Westminster City Council appointed Lambert Smith Hampton (“LSH”) to review the FVA (“FVA Review”) on their behalf.
- 5.6. The report to the Westminster City Council Planning Sub-Committee dated 15th September 2020 noted that LSH accepted that the increased affordable housing contribution is the maximum reasonable level of affordable housing that can be provided and it was recommended that this is secured via the S106 agreement.
- 5.7. The GLA’s Viability Team (“GLAVT”) have reviewed these documents to determine whether the affordable contribution represents the maximum reasonable amount. The GLA’s review is set out in sections 6 to 8 below.

6. Review of Viability Position: Proposed Scheme

- 6.1. The section reviews the viability information submitted by DS2 on behalf of the applicant and sets out the position of the GLA Viability Team.

Gross Development Value

- 6.2. The individual elements of the Gross Development Value (“GDV”) are considered under relevant headings below:

Offices

- 6.3. The scheme is proposing to deliver 376,927 sq. ft NIA of office floorspace, situated on the mezzanine to 18th floor level.
- 6.4. The GLAVT appointed Carter Jonas to advise on office value-related assumptions. Their advice is attached at Appendix 1.
- 6.5. DS2 assumed that 30% of the floorspace would be the subject of a pre-let (where an end user is secured prior to commencement of construction) and for this they adopt different value assumptions. Carter Jonas advised that assuming 30% of the floorspace is pre-let is reasonable for the proposed scheme. Other key assumptions adopted by DS2 and advised by Carter Jonas are set out in the table below:

Input	DS2 (Applicant)	GLAVT
Office value (per sq. ft), yield, void and rent free period.	£72.50 per sq. ft Yield: 4.75% Rent free: 18 months. Void: 12 months	£76.54 per sq. ft Yield: 4.75% Rent free: 22-24 months Void: 6-9 months
Office value – pre-let element (per sq. ft), yield, void and rent free period.	£70.50 per sq. ft. Yield: 4.75% Rent free: 36 months Void: None.	£76.54 per sq. ft. Yield: 4.75% Rent free: 30 months Void: None.

- 6.6. The inputs advised by Carter Jonas were derived through consideration of transactions at nearby buildings including 55 North Wharf Road, 2 Kingdom Street and 4 Kingdom Street. The rents reflect a lack of high-quality office accommodation in this location and the proximity of the scheme to a Crossrail station.
- 6.7. The valuation undertaken by Carter Jonas assumes a pre-Covid 19 lockdown date of 1st March 2020, due to the lack of transactions that have occurred since this point. This approach is consistent with approaches adopted by both DS2 and LSH. Carter Jonas's valuation acknowledges that the market is currently more uncertain compared to prior to the lockdown, and that dynamics of the office market could change because of changes to working practices that have arisen from Covid-19.

Affordable Workspace

- 6.8. The scheme is proposing to provide 41,979 sq. ft NIA of affordable workspace, located at the Lower and Upper Box levels. The floorspace is proposed to be offered on an 'all-inclusive' licence fee basis, including business rates, utilities, reception services and furniture and will be available to occupiers at a 50% discount from the market licence fee charged on for similar space. This is will be done on the basis of a cost per workstation.
- 6.9. DS2 and the GLAVT are in agreement of appropriate assumptions/inputs to apply in the viability appraisals:

Input	DS2 (Applicant)	GLAVT
Affordable Workspace values (per sq. ft), void and rent-free period.	£15 psf Yield: 4.75% Rent free: None Void: None	£15 psf Yield: 4.75% Rent free: None Void: None

- 6.10. The rent of £15psf is significantly below 50% of the market rent for this space if let as a whole, reflecting the need to cover the reasonable costs of the operator (including marketing, fit-out, service charges and ancillary services to the end users) but in this case is reasonable. The details of the affordable workspace will need to be secured in the s106 agreement to ensure that this discount is passed on to the occupiers of this space.

Retail

- 6.11. A total of 2,852 sq. ft of flexible retail floorspace is proposed on the Lower Ground Level.
- 6.12. The assumptions adopted by DS2 and GLAVT in relation to this matter are summarised in the table below:

Input	DS2 (Applicant)	GLAVT
Retail values (per sq. ft), yield, void and rent-free period.	£22.50 per sq. ft Yield: 4.75% Rent free: 6 months. Void: 6 months.	£35 per sq. ft Yield: 5.5% Rent free: 6 months. Void: 6 months.

- 6.13. A number of transactions were identified through the course of viability discussions that have taken place in relation to this application, as set out in the table below:

Address	Date	Size (sq. ft)	Rent Per Sq. Ft
Unit 13, Paddington Basin	May 2017	2,778	£22
4 Merchant Square	October 2017	4,444	£27 (asking)
Unit 2, 2 Kingdom Street	June 2018	906	£55.18
Unit 1a, Paddington Central	May 2018	457	£43.76
Unit 1, 2 Kingdom Street	June 2018	818	£48.90
3 Sheldon Square	Unknown	4,845	£40
6a Sheldon Square	Unknown	2,000	£35
4 Kingdom Street	Unknown	4,745	£35

- 6.14. Whilst it is not clear as to the number (and therefore size) of units proposed, based on the indicative layout contained within the lower ground floor plan, it is considered likely that these will be a number of small units (c. 500 sq. ft) comprising of A3 use occupiers selling food and drink. Considering this, the GLAVT attach greater weight to the transactions of smaller units identified in the table above, but would apply a discount to reflect the generally superior location of these comparable units against those proposed. The GLAVT consider that a rent of £35 per sq. ft is reasonable.
- 6.15. In relation to the yield, rent free period, and void period assumptions, the GLAVT consider that it is reasonable that these reflect a range of different covenant types, including sole traders, on shorter leases. As such, a yield of 5.5% is considered reasonable, alongside assumptions of 6 months for the rent free and void period.

Flexible Workspace

- 6.16. This element of the scheme comprises of 7,782 sq. ft of flexible office/retail floorspace, located on the lower ground floor, ground floor and mezzanine levels.
- 6.17. DS2 appraised this floorspace on the basis that it would be provided as offices which represents the most valuable option. Carter Jonas (see Appendix 1) advised the GLAVT on appropriate assumptions to adopt. These, and the assumptions adopted by DS2 are summarised in the table below:

Input	DS2 (Applicant)	GLAVT
Flexible Workspace (per sq. ft), yield, void and rent free period.	£60 Yield: 4.75% Rent free: 6 months Void: 6 months.	£61.48 Yield: 4.75% Rent free: 22-24 months Void: 6-9 months.

- 6.18. Carter Jonas were appointed to advise the GLAVT on this matter. In their advice, they advised that the blended rent for this space would be £61.48 per sq. ft and that it would be reasonable to adopt a rent-free period of 22-24 months and a void period of 6-9 months.

Auditorium

- 6.19. The scheme is proposing to deliver the 7,944 sq. ft of auditorium floorspace which will be located on the Lower and Upper Box levels.
- 6.20. The assumptions adopted by DS2 and GLAVT in relation to this matter are summarised in the table below:

Input	DS2 (Applicant)	GLAVT
Auditorium values (per sq. ft), void and rent free period.	£17.50 per sq. ft Yield: 6% Rent free: 12 months Void: 6 months.	£17.50 per sq. ft Yield: 6% Rent free: 12 months Void: 6 months.

- 6.21. DS2, in their viability submissions, identify that there is a lack of comparable evidence in relation to this type of floorspace. Consequently, they have considered evidence relating to large retail units to derive their value evidence. Based on the circumstances, this is considered to be a reasonable approach, noting that this also applies value to a fairly substantial amount of back of house space that is associated with the Auditorium.

The Box (Restaurant, Conference Space, Cinema, Gym/Sports)

- 6.22. The scheme proposes to deliver 33,002 sq. ft of floorspace for which flexibility is sought for it to be comprised of a range of uses including restaurants, conference/exhibition space, a cinema and a gym/sports facility.
- 6.23. The assumptions adopted by DS2 and the GLAVT are summarised in the table below:

Input	DS2 (Applicant)	GLAVT
The Box (Restaurant, Conference Space, Cinema, Gym/Sports) values (per sq. ft), void and rent-free period.	£20 psf Yield: 5.25% Rent free: 24 months. Void: 6 months.	£20 psf Yield: 5.25% Rent free: 24 months. Void: 6 months.

- 6.24. The GLAVT have valued this floorspace assuming that 50% will be delivered as a gym and 50% will be delivered as destination type food court floorspace.
- 6.25. In relation to the floorspace assumed to be occupied as a gym, it is considered reasonable to assume that the floorspace will be occupied by a luxury gym. The GLAVT consider that the evidence provided is reasonable and have adopted a rental value of £20 per sq. ft alongside a 6-month void period and a 24-month rent free period in relation to half of the Box floorspace.
- 6.26. In relation to the floorspace assumed to be occupied by a food court operator, the GLAVT consider that it is reasonable to apply the rent achieved on the existing Pergola restaurant/bar floorspace on-site (including turnover rent element) of £15 psf, but to make an adjustment up to £20 psf to reflect the modern specification of the proposed space. A rent-free period of 24 months is considered reasonable to incentivise the fitting out of this space, as is a void period of 6 months.

- 6.27. The blended yield of 5.25% adopted by DS2 is considered reasonable and reflective of the types of occupier expected for this floorspace.

Development Costs

- 6.28. The costs of developing the scheme are considered below:

Construction Costs

- 6.29. In relation to this matter, DS2 have relied on advice from Gardiner & Theobald and the GLAVT have relied on advice from Robinson Low Francis. The table below sets out the positions of each of the parties:

	DS2	GLAVT
Building Works Total	£227,931,805	£217,648,499
Contingency %	5%	5%
Contingency £	£11,396,590	£10,882,425
Total Estimate	£239,327,550	£228,530,924

- 6.30. In relation to the above, it is noted that the Gardiner and Theobald Cost Plan incorporated a contingency of 10% although DS2 applied a 5% contingency in their appraisal.
- 6.31. The advice provided by Robinson Low Francis to the GLAVT is attached at Appendix 2. Excepting the contingency allowance, a few key areas of difference between Robinson Low Francis and Gardiner & Theobald are summarised below:

Item	Description
Intumescent Paint	Cost reduction arising from application of lower market rate, based on experience of similar schemes.
Internal Walls	Cost reduction arising from an exercise that involved counting and measuring the internal walls, as opposed to applying an assumed per sq. ft allowance to the floor area of the proposed scheme.
Floor Slabs and Core Walls	Cost increase arising from an exercise that involved counting and measuring the floor slabs and core walls, as opposed to applying an assumed per sq. ft allowance to the floor area of the proposed scheme.
Finishes of Toilets	Cost reduction arising from application of lower market rate per sq. ft, based on experience of similar schemes.

Professional Fees

- 6.32. DS2 have adopted an allowance of 12% on cost in their appraisals.
- 6.33. This allowance is at the very top end of the typical range of 8 – 12% on cost included within viability assessments referred to the Mayor. Taking into account the scale and complexity of the scheme, the GLAVT have adopted a mid-range allowance of 10% on cost.

Finance Rate

- 6.34. DS2 have adopted finance rates of 6.5% in their appraisal. This rate is considered reasonable and in line with expectations.

Development Programme

- 6.35. DS2 adopted a 6-month pre-construction period and a 38-month construction period in their appraisal.
- 6.36. The GLAVT instructed Robinson Low Francis to advise in relation to whether the development programme is reasonable. Their advice, attached at Appendix 3, confirms that this is the case.

Marketing and Agent's Fees

- 6.37. Both DS2 and LSH have adopted the following allowances in relation to Marketing and Agent's Fees:

Cost	Amount
Marketing - Commercial	£2,000,000 (equates to 0.35% of GDV)
Letting Agent Fee	15%
Letting Legal Fee	5%
Sales Agent Fee - Commercial	0.5%
Sales Legal Fee	0.25%

- 6.38. The GLAVT consider that the assumptions adopted by DS2 and LSH are reasonable and in line with expectations.

Planning Obligations and Community Infrastructure Levy

- 6.39. DS2 and the GLAVT have made the following allowances within their appraisals:

Cost	Amount
Affordable housing contribution	£14,300,000
Westbourne Bridge study	£20,000
Employment & training skills	£2,087,820
s278 works	£930,000
Social and community fund	£50,000
Carbon offset	£770,400
Legible London	£4,500
Cycle hire docking station	£187,000
Mayoral CIL	£11,763,424
Local CIL	£11,465,797
Total	£41,578,941

- 6.40. These contributions have been adopted in the GLAVT testing. There may be some variation in the final S106 agreement, for example a higher employment and training skills contribution of £2,136,726 has been agreed, however this should not materially affect the outcome of the assessment. The allowances for CIL are consistent with the amounts

advised in the City of Westminster's planning applications sub-committee report, dated 15 September 2020.

- 6.41. A £1m allowance for Public Art has been included in the Cost Plans provided by Gardiner & Theobald and Robinson Low Francis on behalf of the applicant and the GLAVT respectively, and as such it is not necessary to apply a separate allowance in the appraisals.

Developer Return

- 6.42. DS2 have adopted profit of 20% on cost in their appraisals. This equates to 15.53% on GDV.
- 6.43. The GLAVT consider that a reasonable return to assume for the purposes of the appraisal is 15% on GDV. This rate of return is reflective of the assumptions applied in this assessment, including the construction contingency allowance and range of uses that form part of the proposal. It is consistent with typical allowances for commercial property included in viability assessments referred to the Mayor of London.

7. Review of Viability Position: Benchmark Land Value

- 7.1. Both DS2 and LSH have adopted a Benchmark Land Value ("BLV") based on:
1. Interest 1: The value of an implemented extant consent (Local Planning Authority Ref No: 09/08353/RESMAT) for an office led scheme, granted in 2010. This is an Alternative Use Value. DS2 have derived a residual value of £52,997,443 for the extant scheme; and LSH have arrived at a value of £55,132,351.
 2. Interest 2: A storage use relating to an area underneath the Crossrail box. This is an Existing Use Value. DS2 and LSH have both applied a value of £9,345,876.
- 7.2. An approach based on the Existing Use Value is identified in both the AH&VSPG and Viability PPG as being the preferred approach for deriving a BLV. Both documents acknowledge that other approaches may be considered. Paragraph 17 of PPG on Viability states that 'an AUV approach to determining BLV may be informative in establishing BLV'. There is no specific requirement to apply an AUV approach under national or Mayoral guidance. It may be appropriate to consider more than one approach when determining BLV, and to give weight to these different approaches according to the circumstances of the case.
- 7.3. In assessing BLV, the GLAVT have considered the value of the consented and implemented office led scheme, granted in 2010 and the Existing Use Value of the Crossrail Box. The GLAVT's assessment of the BLV is set out under relevant headings below:

Interest 1: Alternative Use Value

- 7.4. The valuation of this interest involves a residual valuation of the consented office scheme. The sections below examine each of the approaches in detail to derive a conclusion on a reasonable BLV:

Overview of Consented Scheme

- 7.5. The extant scheme (Local Planning Authority Ref No: 09/08353/RESMAT) comprises of 206,996 sq. ft of office floorspace providing accommodation on lower ground, ground, mezzanine and 13 upper floors. Of these floors, floors 1-13 are occupied by offices with the remainder being occupied by ancillary accommodation such as reception areas and plant. No other uses were proposed.
- 7.6. The Stage 2 report for the current proposed confirms that the extant scheme has been lawfully implemented and is a material planning consideration for any development proposals at the site. The GLA consider that there are a range of benefits of the current proposals compared with the extant development including a substantial uplift in office floorspace, a large uplift in the forecast number of jobs (between 1,967 -2,682), the provision of affordable workspace, public realm and highways improvements with installation of public art and community and education space.
- 7.7. The assumptions adopted by the GLAVT within its appraisal are consistent with the assumptions adopted in relation to the proposed scheme. Further information is set out below relating to the inputs and assumptions included within the appraisals.

Gross Development Value

- 7.8. The only revenue generating element of the proposed scheme is office floorpace. The assumptions adopted by DS2 and LSH in relation to this matter are summarised in the table below:

Input	DS2 (Applicant)	LSH (Local Planning Authority)
Office value (per sq. ft), yield, void and rent-free period.	£68.50 per sq. ft Yield: 4.75% Rent free: 18 months. Void: 12 months	£68.50 per sq. ft Yield: 4.75% Rent free: 18 months Void: 12 months
Office value – pre-let element (per sq. ft), yield, void and rent-free period.	£70.50 per sq. ft. Yield: 4.75% Rent free: 36 months Void: None.	£70.50 per sq. ft. Yield: 4.75% Rent free: 24 months Void: None

- 7.9. The only area of disagreement between DS2 and LSH relates to the allowance of a rent-free period for the pre-let element of the office space.

7.10. The GLAVT appointed Carter Jonas to advise on office value-related assumptions. Their advice is attached at Appendix 1. In summary, they advise that it is reasonable to assume that:

- None of the floorspace will be the subject of a pre-construction pre-let. This is because this scheme is substantially smaller than the proposed scheme so this pre-let is not necessary.
- £73.36 per sq. ft is a reasonable rental assumption to apply to the floorspace, including the pre-let space.
- That it is reasonable to adopt a yield of 4.75% in relation to the net investment yield for both the speculative and pre-let office space. This is consistent with the approaches adopted by DS2 and LSH.
- That it is reasonable to adopt a void period of 6-9 months and a rent-free period of 22-24 months.

Development Costs

Construction Costs

7.11. In relation to this matter, DS2 have relied on advice from Gardiner & Theobald, LSH have relied on advice from Tower Eight and the GLAVT have relied on advice from Robinson Low Francis. The table below sets out the positions of each of the parties:

	Gardiner & Theobald	Tower Eight	Robinson Low Francis
Building Works Total	£101,719,323	£100,416,864	£98,228,248
Contingency %	10%	5%	5%
Contingency £	£10,426,234	£5,020,843	£4,911,412
Total Estimate	£112,147,000	£105,437,707	£103,139,660

7.12. In relation to the above, it is noted that DS2 have only adopted a 5% contingency, meaning the cost they have assumed in their appraisal equates to £106,805,289.

7.13. The advice provided by Robinson Low Francis for the GLAVT is attached at Appendix 2. Excepting the contingency allowance, a few key areas of difference between Robinson Low Francis and Gardiner & Theobald are summarised below:

Item	Description
Roof	Cost increase arising from measuring required size of roof and applying relevant market rate per sq. ft.
Internal Walls	Cost reduction arising from an exercise that involved counting and measuring the internal walls, as opposed to applying an assumed per sq. ft allowance to the floor area of the proposed scheme.
Finishes of Toilets	Cost reduction arising from application of lower market rate per sq. ft, based on experience of similar schemes.

Professional Fees

- 7.14. DS2 and Lambert Smith Hampton have both adopted allowances of 12% on cost in their appraisals.
- 7.15. This allowance is at the top end of the typical range of 8 – 12% on cost included within viability assessments referred to the Mayor. In consideration of the scale and complexity of the scheme, the GLAVT have adopted an allowance of 10% on cost.

Finance Rate

- 7.16. DS2 and LSH have both adopted finance rates of 6.5% in their appraisals. This rate is considered reasonable and in line with the expectations of the GLAVT.

Development Programme

- 7.17. DS2 and LSH have both adopted a 6-month pre-construction period and a 32-month construction period in their appraisal.
- 7.18. The GLAVT instructed Robinson Low Francis to advise in relation to whether the development programme is reasonable. Their advice, attached at Appendix 3, confirms that a 28-month construction period represents a more reasonable allowance.

Marketing and Agent's Fees

- 7.19. Both DS2 and LSH have adopted the following allowances in relation to Marketing and Agent's Fees:

Cost	Amount
Marketing - Commercial	£1,241,940
Letting Agent Fee	15%
Letting Legal Fee	5%
Sales Agent Fee - Commercial	0.5%
Sales Legal Fee	0.25%

- 7.20. The GLAVT consider that the assumptions adopted by DS2 and LSH are reasonable and in line with expectations.

Planning Obligations and Community Infrastructure Levy

- 7.21. DS2 and LSH have adopted an allowance of £1,386,617 within their appraisals. This relates to a Social and Community Fund that related to Phase 3 of Paddington Central (which comprises 4 and 5 Kingdom Street). The outstanding balance (including indexation) that is attributable to 5 Kingdom Street is estimated to be £1,386,617.

Appraisal Results

- 7.22. Based on the approach set out above, the residual value of the extant scheme has been assessed as £71,275,604. The appraisal for the consented scheme is attached at Appendix 5.

- 7.23. The GLAVT have also considered the consented scheme when adjusted to comply with up to date Development Plan policies, including financial contributions of the same type and proportional to that payable in relation to the proposed scheme. This would result in a lower residual value, however, taking into account the particular benefits of the current proposed development identified by the GLA when compared with the lawfully implemented 2010 consent, as referred to above, greater weight is given to the unadjusted value of the extant scheme in these specific circumstances.

Interest 2: Existing Use Value

- 7.24. The application site includes an area of land partially used as a Crossrail welfare and storage facility, known as The Box, which was built to allow adjacent schemes on the same estate as the subject scheme, to be developed in parallel with the construction of the Crossrail tunnels, safeguarding the Crossrail operations. The evolution of the design for Crossrail means that this structure is no longer required for the operation of the railway, and as such is available for development.
- 7.25. The Box is outside of the boundary of the consented scheme. On this basis, it is reasonable to separately account for it when calculating a Benchmark Land Value for the site.
- 7.26. The Box has an area of approximately 88,265 sq. ft. DS2 have considered the income generating capacity of The Box in its current form and have assumed that it could be used for a storage space. Given the nature of the Box and the fact that it has already been used as storage, this assumption is considered reasonable. LSH have also agreed this assumption.
- 7.27. With respect to rents, DS2 have identified a number of comparable sites used for storage. They have identified a site in Ladbroke Grove W10 as the most relevant in terms of location and connectivity. This site was rented for £6 per sq. ft. In terms of rents, other sites identified typically range between £2.50 and £4 per sq. ft but these sites are largely located in outer London where rents would be lower.
- 7.28. Considering the location of the subject site and the fact that it would offer covered storage space, it is agreed that £6 per sq. ft is a reasonable rental assumption.
- 7.29. DS2 have referred to a number of transactions of industrial type properties as evidence to support the adoption of a yield of 5% although acknowledge a lack of transactional comparable evidence within proximity to the subject site. The transactions referred to achieved values ranging from £149 to £225 per sq. ft whereas the value adopted by DS2 with respect to this interest equates to a value of £106 per sq. ft. It is considered that the site would most likely be used to store construction related materials and would attract an occupier with a reasonable covenant strength. In this context, a yield of 5% is considered reasonable.
- 7.30. After allowing for a void period of 12 months, letting fees, a contingency allowance and purchaser's costs of 6.8% (all of which are reasonable allowances), DS2 have valued the existing use of this interest at £9,345,876. Both the GLAVT and LSH agree that the value derived is reasonable.

- 7.31. It is typical that a premium is applied to the existing use value of a site to incentivise the landowner to release a site for redevelopment, and it is considered reasonable to apply a premium of 10%, giving a total of £10,280,464.

Benchmark Land Value

- 7.32. Taking account of the value of extant consent and the value of the Crossrail welfare and storage facility, gives a combined Benchmark Land Value of £81,556,068.

8. Appraisal Results, Sensitivity Testing and Overall Conclusions

Overview of Viability Position of Proposed Scheme

- 8.1. The GLAVT have carried out an appraisal of the proposed scheme (attached at Appendix 4) based on the assumptions set out in the previous sections and this produces a Residual Land Value of £79,374,179. This is higher than DS2's assessment of £44,731,617 with the key differences being in respect of office rents (impacting on the GDV), build costs and professional fees.
- 8.2. The GLA's assessment of Benchmark Land Value is also higher given that the same assumptions are applicable to the extant AUV office scheme.
- 8.3. DS2 concluded that the scheme is substantially in deficit in the sum of £17.611m against the BLV. The GLAVT does not agree with this the assessment and have demonstrated that the scheme results in a much smaller deficit of £2.18m against the BLV. However, the GLAVT concludes that the financial contribution of £14,300,000 for affordable housing represents the maximum reasonable amount.
- 8.4. LSH, on behalf of Westminster, also accepted the Applicant's offer of £14.3m which was reported as the maximum reasonable at the Westminster City Council Planning Sub-Committee dated 15th September 2020 and it was recommended that this is secured via the S106 agreement.
- 8.5. As stated elsewhere in this report, the evidence relating to the office values assumes a valuation date of before the Covid-19 related lockdown. This is because limited transactional evidence is available from after this point. Given this and the prospect of changing market conditions moving forward, the results of the viability assessment exercises should be treated with some caution.
- 8.6. The GLAVT have undertaken sensitivity analysis to test the effects of potential changes in market conditions. If office rents were to reduce then this would impact negatively on the viability, potentially increasing the deficit but the affordable housing contribution offer of £14.3m would still represent the maximum reasonable amount.
- 8.7. Based on the assessment of the viability of the proposed scheme, the affordable housing financial contribution offer of £14.3m represents the maximum reasonable amount.

List of Appendices:

Appendix 1 - Carter Jonas Report on Office Values

Appendix 2 - RLF Cost Plan Review

Appendix 3 - RLF Programme Review

Appendix 4 - Appraisal of Proposed Scheme

Appendix 5 - Appraisal of Consented Scheme

Appendix 1

Valuation Advice

One Chapel Place
London
W1G 0BG
020 7518 3200

Subject Property:

5 Kingdom Street
London W2

On behalf of The Greater London Authority

**GREATER
LONDON
AUTHORITY**

For the attention of Joseph Ward

As at 18th September 2020



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Appendices

- 1 Letter of Engagement

EXECUTIVE SUMMARY

INSTRUCTIONS & RICS COMPLIANCE

1 Client ('Client')

The Greater London Authority
City Hall
Queens Walk
London
SE1 2AA

Attention of Joseph Ward

Neither the whole nor any parts of the Report nor any reference to it may be included in any published document, circular or statement nor published in any way without the Valuer's written approval of the form and content in which it may appear.

2 Instructions ('Instructions')

Our Report for Financial Viability Assessment purposes is submitted on the basis of our Terms of Engagement agreed with you (**Appendix 1**).

This Report may be investigated by the RICS for the purposes of the administration of the Institution's conduct and disciplinary regulations.

This Report is provided for the stated purpose and for the sole use of the named Client. It will be confidential to the Client and its professional advisors. The Valuer accepts responsibility to the Client alone that the Report has been prepared with the skill, care and diligence reasonably to be expected of a competent Chartered Surveyor but accepts no responsibility whatsoever to any parties other than the Client. Any such parties rely upon the Report at their own risk.

We shall rely upon information provided by the Client and / or the Client's legal or other professional advisors relating to tenure, leases and all other relevant matters.

3 Scope

We have been instructed by the Greater London Authority (GLA) to undertake a valuation exercise for viability purposes in relation to:

1. The existing consented office scheme
2. The proposed development of a predominantly office led mixed use scheme

We have been asked to opine only on the office rents (normal and flexible) and we have assumed, as in keeping with this location, that the construction and fit-out will be of a high quality grade A specification and will be fully fitted out for occupation.

Specifically, we are to provide our opinion on both scenarios of the:

- Rental value/potential rents achievable both as an aggregate and based on individual floor by floor basis.
- The appropriate yield to apply to the income and assumptions lying behind it.

- Likely letting period.
- Rent free periods.

4 Identification and Status of the Valuer ('Valuer')

This advice has been prepared by Dudley Holme-Turner for and on behalf of Carter Jonas LLP.

We confirm that the Valuer has no known material connection or involvement with the subject of the valuation or the Client.

The Valuer is an RICS Registered Valuer and is in a position to provide an objective and unbiased valuation. The Valuer has sufficient current local knowledge of the particular market together with the skills and understanding required and is competent to undertake the valuation.

5 The Subject of the Advice (the 'Property')

5 Kingdom Street
Paddington
London W2

The Property is a potential development site

We understand the Property is, or is intended to be, the subject of a development or refurbishment.

6 Basis of Value

Market Value (MV) as defined in VPS4 of the 'Red Book' being:

'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 Rent (MR) as defined in VPS4 of the 'Red Book' being:

'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.'

7 Special Assumptions

As agreed with the Client the following Special Assumption(s) have been made:

None instructed.

8 Valuation Date

As discussed, our opinions of the value and other variables adopted in our advice are on the assumption they are as of the same date as the Viability Report (FVA) prepared by DS2 which is dated April 2019/May 2019. There is an amended FVA which appears to be dated July 2020, however the rental values adopted are identical to those in the original Viability Report.

Bearing in mind that as at July post lockdown, it is very difficult to gauge, because of the lack of transactions where rental levels are, we feel it appropriate to mirror the assumptions made in the original

Viability Report and the amended one and assumed a valuation date therefore pre-lockdown of 1 March 2020.

9 Inspection

The Property and surrounding area was inspected externally on 3rd September 2020.

10 Confidentiality

This report is confidential to you, for your sole use and for the specific purpose stated. We will not accept responsibility to any third party in respect to its contents.

ADVICE REPORT

1 Location and Description

The subject property is situated at the western end of Kingdom Street. It is bordered to the north by the M40 West Way Flyover and to the south by the main west coast mainline railway line running in to Paddington Station. Immediately to the east is No 4 Kingdom Street and No 3 Kingdom Street – a office building and a hotel. Kingdom Street generally comprises modern office buildings.

The site is currently largely undeveloped being occupied by a 2 storey largely open-air leisure complex known as the Pergola

The consented scheme on the subject property comprises a purpose-built detached office building, providing accommodation on lower ground, ground, mezzanine and 13 upper floors. Of these floors, floors 1-13 are occupied by offices with the remainder being occupied by ancillary accommodation such as reception areas and plant.

The proposed scheme is for a substantially larger building with flexible auditorium space on the lower box, the upper box and a retail and flexible offices on the lower ground floor. On the ground floor is to be provided a reception area and flexible office space with further flexible office space and more office space on the mezzanine floor and a total of 19 floors of offices above. Some of level 19 will include a roof terrace.

2 Accommodation

We have been provided with an accommodation schedule for both the existing consented scheme and the proposed scheme outlined in the table below. We have only included the areas that are potentially rentable as offices.

Level	Use	Consented scheme sq. ft.	Use	Proposed scheme sq. ft.
Lower ground	Ancillary/plant		Flexible offices	850
Ground	Reception/ancillary		Flexible offices	5,016
Mezzanine	Plant		Offices/flexible offices	7,221 1,919
1 st	Offices	14,908	Offices	19,429
2 nd	Offices	14,908	Offices	19,917
3 rd	Offices	17,718	Offices	20,007
4 th	Offices	17,718	Offices	20,096
5 th	Offices	17,718	Offices	20,186
6 th	Offices	17,718	Offices	20,276
7 th	Offices	17,718	Offices	20,365
8 th	Offices	17,718	Offices	20,462

9th	Offices	17,718	Offices	20,559
10th	Offices	17,718	Offices	19,672
11th	Offices	17,718	Offices	20,753
12th	Offices	17,718	Offices	20,850
13th			Offices	20,947
14th			Offices	21,044
15th			Offices	21,140
16th			Offices	21,237
17th			Offices	21,334
18th			Offices	21,431
19th			Lobby	
Total		206,996		384,712

3 Planning

Planning consent was granted for the existing scheme (Application no: 09/08353) on 12th January 2010, with reserved matters approval granted 11th January 2017.

The new application (Application no: 19/03673/FULL) was submitted on 14th May 2019 and has yet to be decided.

4 Valuation Considerations


4.1 Rental Value

In order to analyse the appropriate rental value we have taken into account the nature of the buildings, existing, consented and proposed, their heights, the comparable evidence and their micro-location.

In terms of rental comparisons, there have been relatively few recent transactions in the last nine months or so, but what transactions we are aware of are included in the table below. We have also included some more historic transactions as we feel they are relevant.

Address	Date	Size (sq. ft.)	Tenancy Details	Floor	Rent (sq. ft.)	Photo
3 Sheldon Square, Paddington	March 2020	4,595	5 yr lease to Denova Holdings	1st	£62.00	
37 North Wharf Road, Paddington	March 2020	23,181	8 yr lease to Dun and Bradstreet	2nd	£60.00	
2 Kingdom Street	Sept 2019	7,500	4 yr lease to Huawei. 7 month rent free	4th	£63.50	
55 North Wharf Road (Brunel Building)	March 2019	49,599	12 yrs to Splunk IT	3-5 th	£75.00	
55 North Wharf Road (Brunel Building)	Feb 2019	33,000	15 yrs to Payment Scene Ltd	8/9 th	£78.50	

55 North Wharf Road (Brunel Building)	Jan 2019	20,400	Hellman and Friedman	14/15th	£85.00 and £90.00	
55 North Wharf Road (Brunel Building)	Nov 2018	15,563	Alpha	6th	£75.00	
55 North Wharf Road (Brunel Building)	Nov 2018	16,523	Coach	7th	£72.72	
55 North Wharf Road (Brunel Building)	October 2018	33,444	Premier League	Ground 1st 2nd	£65.51	
55 North Wharf Road (Brunel Building)	June 2018	68,233	Sony	10-13th floor	£71.25	

4 Kingdom Street, Paddington	Sept 2017	15,150	Sasol 10 yr lease	8th	£78.00	
4 Kingdom Street, Paddington	Sept 2017	30,300	Mars 10 yr lease	6/7th	£72	
4 Kingdom Street, Paddington	June 2017	41,688	15 yr lease 10 yr 10 break. 24 months' rent free	1-3	£65	

Analysis of Evidence and Discussion

There have been a number of transactions over the last four years within the immediate vicinity of the proposed development, namely in Kingdom Street and North Wharf Road. Some of these are now slightly historic but nevertheless are relevant.

3 Sheldon Square

This is a prominent building adjacent to the eastern end of Kingdom Street – this is somewhat older building having been constructed in 2002. We therefore expect to see a significant discount in comparison with brand new high specification accommodation.

2 Kingdom Street

This is a slightly more recent construction (2010), however is still second hand accommodation and therefore one would anticipate a significant discount compared to new accommodation.

5 North Wharf Road (Brunel Building)

This is the most recently constructed building (2019) and let very well being almost completely let prior to completion. The rents ranged considerably from £72 - £90 per sq. ft, the higher rents being achieved on the top floors. There would however be a premium reflected in the rental level not only because of the height and therefore the significantly better view, but also the fact that one floor benefited from a

large roof terrace for which there would be an additional premium. We estimate this would be circa £2 per sq. ft.

4 Kingdom Street

We have also included this comparable although there is limited information available and is somewhat historic, because it is a fairly recent construction having been completed in 2017 and is adjacent to the proposed site with average rents being achieved by September 2017 of circa £71 per sq. ft and with the highest rent achieved of £78 per sq. ft.

To put this in context, this evidence and the other slightly more historic evidence from November 2018 and the first quarter of 2019 on North Wharf Road, we had reference to Carter Jonas' Central London Office Rent survey and in particular to the movement of rents in Paddington. These are summarised in the table below:

Date	New build grade A spec	% increase*	New build upper floors	% Increase*
Q2 2017	£60-£68		£70-£72.50	
Q3 2018	£67.50-£77.50	14%	£80-£90	24%
Q1 2019	£67.50-£77.50	0%	£80-£90	0%
Q1 2020	£70 -£78	1%	£82- £90	0%

This demonstrates there has been a very significant rise in rental values in this location particularly on upper floor accommodation over the period in which the transactions took place. This is greater than in many parts of central London and is in some parts of London explained by three factors. First, there is a general lack of supply of Grade A accommodation of a high quality in this location. Secondly, the fact that Paddington has a cross-rail station as elsewhere in central London has resulted in a spike in rental growth following an increase in demand from potential occupiers wishing to be situated close to Cross-rail stations. Thirdly, the amount of available accommodation in the West End with large floor plates such as that offered by buildings in this area of Paddington are very few and far between in the West End.

Therefore in light of the above increases in rental values over the period, we would argue that the historic transactions on 4 Kingdom Street, if one was even to allow for a modest rental value increment of say 10% would from 2017, would result in the rents being achieved at the valuation date ranging from £71.00 to £85.00 per sq. ft on a nine storey building.

The best evidence is clearly the recent lettings of the Brunel Building, a brand new building let within the last 18 months. This building is in a stronger location than the subject property, being almost opposite the rear entrance to Paddington Station and overlooking the canal. 5 Kingdom Street, on the other hand, is at the far end, further away from Paddington Station and has a slightly less attractive aspect in regard to overlooking the railway line on one side and the A40 flyover on the other.

There is clearly therefore a locational discount on the subject property as compared to Brunel House. Therefore for example on the eighth and ninth floors we have adopted £75.00/£76.00 per sq. ft, as opposed to the rent achieved on a similar level of floor at the Brunel Building of £78.50, and on the third, fourth and fifth floors we have adopted between £70.00 and £72.00, which is again a slight discount to the £75.00 achieved on the Brunel Building. Interestingly, our rent overall on the 9th floor, of £76.00 per sq. ft, is lower than that achieved on a similar floor on 4 Kingdom Street historically.

Generally, the rent increases the higher the floor. The exception is the 10-13th let to Sony where the average rent agreed was only £71.25, as compared for instance to £77.50 per sq ft on the floor below

and £90 per sq ft on the floor above. This lower rent should however be seen in context. It is on a very significant floor area (4 floors in total), it was for a 15 year term and it was the first letting secured, being agreed in early 2018. Rents have increased since then and as the first transaction, the landlords were more likely to accept a softer deal.

Our opinion of the rental values on the office accommodation, including the flexible accommodation, are outlined on a floor by floor basis in the tables below for both the existing scheme and the proposed scheme.

Floor	Consented scheme £per sq. ft.	Proposed scheme £per sq. ft.
Lower ground	-	47.50
Ground	-	62.50
Mezzanine	-	65.00
1 st	65.00	65.00
2 nd	67.00	67.00
3 rd	69.00	69.00
4 th	70.00	70.00
5 th	72.00	72.00
6 th	73.00	73.00
7 th	73.00	73.00
8 th	75.00	75.00
9 th	76.00	76.00
10 th	78.00	78.00
11 th	80.00	80.00
12 th	80.00	80.00
13 th	-	81.00
14 th	-	82.50
15 th	-	82.50
16 th	-	85.00
17 th	-	85.00
18 th	-	85.00
19 th	-	-
Average	£73.36	£76.24

The variation in rents is principally to do with the height and the premium rents secured for the upper floors, especially where they have an unrestricted view (i.e. on the 10th floor and above) as was the case with the Brunel Building and indeed other similar buildings throughout London.

4.2 Capital Transactional Evidence

There has been limited transactional evidence on modern newly let prime buildings in Paddington, what limited evidence we have is indicated in the table below. We have also included two others, in our opinion, relevant transactions outside of Paddington.

One Sheldon Square, Paddington

Let with a 7 year unexpired term to Visa was sold for £210m in April 2015 and the sale price reflected a net initial yield at 4.45% and a capital value of £1,075 per sq. ft. There was a rent review in 2 years' time and we would anticipate that there would have been a significant reversion, hence the keen yield.



Waterside House, 35 North Wharf Road, Paddington

This is a more recent transaction of a building comprising 237,800 sq. ft, some 17 years old at the time of the sale and was sold for £220,500,000 in April 2019, reflecting a net initial yield of 4.98% and a capital value of £927 per sq. ft. This was let to a single tenant Marks & Spencer's with 9.25 years unexpired.



One Kingdom Street, Paddington

This building was sold in January 2017 for £292,000,000 reflecting a net initial yield of 4.85% and a capital value of £1,109 per sq. ft. It was multi let to a number of occupiers including Vodafone, Statoil, Shire Pharmaceuticals and MWB with an unexpired term of circa 7 years.



555 Chiswick High Road, Chiswick

Multi-let to blue chip covenants with a WAULT to tenant break of 9.8 years. It was sold in February 202 for £312m reflecting a net initial yield of 5.3% and a capital value of £900 per sq. ft. New build in 2015



Post Building 100, Museum Street, London WC1

New build. Let to 3 blue chip covenants on long leases. Sold in December 2019 for £607m reflecting a net initial yield of 3.96% and a capital value of £1,949 per sq. ft.



There has been a relative paucity of recent transactional evidence on high quality, substantial new office buildings in the Paddington area and what little evidence there has been, we have included above.

One Sheldon Square is an older building with only 7 years unexpired but was reversionary and arguably transacted in a stronger market hence the keen yield. We would expect on the assumption of a 10 year term certain and rack rented that the yield achieved on the subject property would be softer.

Waterside House is also a second hand building but with a similar WAULT to our assumption on the subject property, we would therefore expect the subject property being a brand new building to achieve a keener yield.

One Kingdom Street had a shorter WAULT than that proposed on the subject property and was not brand new, so we would expect the yield achieved on the subject property to be keener.

Finally, we have also looked at two modern buildings within London. Chiswick is a similar west London location, however would be regarded not as strong as Paddington, with no Crossrail connections, but has a relatively long unexpired lease term of 9.8 years. This building is however five years old and the location demonstrates why the yield was above 5%.

Finally, just showing how keen yields have been recently, a brand new building in Museum Street which is arguably a better location, and let we that we believe to good covenants on lease terms in excess of ten years, has achieved a sale price reflecting a yield of sub 4%. This yield, however, reflects its strong central London location.

Based on the above evidence and assuming that good covenants could be secured on a floor by floor multi-floor basis, we have adopted an assuming a ten year lease term certain we have adopted a capitalisation rate (net initial yield) of 4.75%.

4.3 Other Terms

Rent incentive periods

In terms of rent free periods, again this depends on the length of the lease in terms certain but in our opinion as at the valuation date of March 2020, we would expect a rent free period on a five year term certain in this location of between nine and 12 months and on a 10 year term certain, 20 to 24 months.

In terms of evidence on rent frees incentives in this location, this varies and this is due to quality of the building and length of term certain. We note for instance that two years rent free was given on 37 Wharf Road for an eight year term certain, but this was for an older building. On One Kingdom Street 12 months' rent free was given for a five year lease, again on an older building. More relevant were the rent frees offered on the Brunel building where Payment Sense were given two years rent free but for a 15 year lease. Sony were given 32 months' rent free but for a lease term certain in excess of 15 years. Other rent free periods range from 20 to 27 months. .

This has been confirmed by speaking to a number of agents active in this market who are all of a very similar opinion as to rent-free periods as at the valuation date.

Letting Voids

In terms of letting periods, we have analysed several of the transactions on the best quality buildings in Paddington and they have generally (according to Co-Star) taken between one and 15 months, but most of them taking less than six months to let. But we have taken a cautious view and suggest between six and nine months due to the quantum of accommodation that the building will offer.

5 Conclusions

Having looked at the assumptions in the DS2 report with regards to rental values, void periods, letting periods and capitalisation rates, we would argue that in most cases the viability report is cautious in terms of assumptions.

Specifically with regard to the rental values, we do not think that the rental levels adopted reflect market levels. In terms of the consented scheme, the DS2 average rent is £69.90 per sq. ft, whereas on the proposed scheme it is £71.90 per sq. ft on the office accommodation.

In our opinion the average rental equates to £73.36 per sq. ft on the consented scheme, and £76.54 per sq. ft on the proposed scheme. This could have a significant impact on GDV values.

With regard to the letting period, we would argue that based on how long accommodation has taken to let in the area, there is an assumption that 12 months is pessimistic, with most transactions taking place within six months of active marketing taking place.

In regard to the rent-free assumptions that DS2 make, namely three years rent free on pre-let accommodation and 18 months on the remaining accommodation, this is arguably a little cautious, with agents active saying that for ten-year leases rent-free periods should be between 22 and 24 months. We would argue that for a longer term income of 15 or 20 years a longer rent free incentive period would have to be offered, but that this would result in a keener yield being applied, due to the longer term secure income stream.

In relation to the capitalisation rate (yield), DS2 adopts a yield of 4.75%. On our assumption that a ten-year term is certain, we would not disagree with this assumption, however if the rent-free periods and rents are assuming a longer-term period, i.e. 15 or 20 years, then this yield would have to be keener, say 4.5%, or even 4.25%. The yield adopted reflects an assumption of the property being fully let which is the normal practise in residual development appraisals.

We note that DS2 in their appraisal assume a lower rent on pre-let space and assume 30% would be pre-let and that the rent free period on the pre-let space would be increased from 18 months to 36 months. We would comment that in our considered opinion there would be no differential between the rents on the basis of a pre-let and other letting. We understand that compared to other buildings in this location the proposed scheme (as opposed to the existing scheme), is significantly larger than the Brunel building and 4 Kingdom Street. We would acknowledge that while the two buildings were constructed on a purely speculative basis, there is an argument for a larger building the market would look to secure at least one pre-let prior to construction commencing. The 30% pre-letting percentage adopted by DS2 is not an unreasonable assumption.

Having said that, both the last two buildings to be constructed in this location (4 Kingdom Street and the Brunel Building) were almost completely pre-let by the time construction was completed and most of the rental evidence on these buildings was effectively based on pre-letting. Furthermore, the adjustment of 18 months between a pre-letting rent free and a non pre-letting would be a maximum of 6 months not 18 months on a like for like lease term. Our rate of 22-24 months' rent free is therefore essentially a blended rate and is consistent with our advice in relation to the yield, rent and void period. We would accept however that on any pre-let prior to construction an additional rent free period of 6 months may have to be offered.

A summary of our advice/assumptions are included in the table below for reference:

Assumption	Prop. scheme	Consented Scheme
Rent £ psf offices pt mezz -18	£76.54*	£73.36
Rent £ psf flexible offices LG, G Pt mezz	£61.48**	N/A
Yield	4.75%	4.75%
Rent free incentive	22-24 months (30 months for any pre-let element)	22-24 months
Letting period	6-9 months	6-9 months

*Part Mezzanine- 18th floors (376,926 sq. ft.)

**Lower Ground, Ground, Part Mezzanine (7,785 sq. ft.)

The above assessments of rent and yields are based on March 2020 to reflect the assumptions in the DS2 report. However we acknowledge at the current time, post Covid 19 lock down, the market is more uncertain with changes to the dynamics of office markets being a possibility. Notwithstanding that the RICS are now no longer recommending the Material Uncertainty clause they produced in March, in regard to central London office markets, the general sentiment is that the market for offices is likely to see in the short term at least, an increase in rent free periods and softening of rents and yields. There is however not sufficient empirical evidence yet of incentives and rents moving out to a material degree. The IPF have produce some research which indicates specific percentages in terms of reductions of rents and capital values, but this is based on sentiment rather than actual evidence. Interestingly in the

longer term this report indicates a recovery in values and that by 2024 any overall deduction as a result of the pandemic is marginal.

We therefore conclude that the viability report is too conservative in some respects with regard to the gross development value, and as such the residual value could be understated.

This Report and advice has been carried out by Dudley Holme-Turner MA MRICS (Partner) and RICS Registered Valuer qualified for the purpose.



.....



..... Peer reviewed by Jason Sharman MRICS

For and on behalf of Carter Jonas LLP
Date of Report: 18 September 2020
Carter Jonas LLP Reference: J0040232

Appendix 1

Terms of Engagement

Fees are payable within **14 days** of the date of the invoice. For the avoidance of doubt, all fees raised will remain due unless otherwise confirmed in writing by Carter Jonas unless you are following the disputed debts procedure as outlined in the Terms of Engagement.

3. Basis of Value

Market Value (MV) as defined in VPS4 of the 'Red Book' being *'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 Rent (MR) as defined in VPS4 of the 'Red Book' being *'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.'*

4. Valuation Date

1st September 2020

5. Status of the Valuer and Disclosure of Involvements

The valuation advice will be undertaken by Dudley Holme-Turner MRICS for and on behalf of Carter Jonas LLP. We will act as an External Valuer, as defined by the Red Book.

We confirm that the Valuer has the following known material connection or involvement:

- The Valuer has previously provided valuation advice to the Client relating to a separate property.

The Valuer is an RICS Registered Valuer and is in a position to provide an objective and unbiased valuation. The Valuer has sufficient current knowledge of the particular market together with the skills and understanding required and is competent to undertake the valuation.

6. Assumptions or Departures

In preparing the report, unless otherwise stated by the Valuer, the following assumptions will be made which the Valuer shall be under no duty to verify:

- 6.1 No harmful or hazardous material has been used in the construction of the Property or has since been incorporated and that there is no contamination in or on the ground, and it is not landfilled ground.
- 6.2 That good title can be shown and that the Property is not subject to any unusual or especially onerous restrictions, encumbrances or outgoings.
- 6.3 That the Property and its value are unaffected by any matters which would be revealed by a local search and replies to the usual enquiries, or by any statutory notice, and that neither the Property, nor its condition, nor its use, nor its intended use, is or will be unlawful.
- 6.4 That inspection of those parts that have not been inspected would not reveal a material defect nor cause the Valuer to alter the valuation materially.

- 6.5 Unless otherwise stated, that no contaminative or potentially contaminative uses have ever been carried out on the Property and that there is no potential for contamination of the subject property from past or present uses of the Property or from neighbouring property.
- 6.6 Unless stated to the contrary we shall assume that all uses evident at the time of our inspection are fully authorised and are not in contravention of any planning permission or any condition(s) and that all necessary statutory requirements including, but not limited to, planning, building regulations, environmental, employment, fire, health and safety have been complied with.
- 6.7 There have been no changes in the physical characteristics of the Property between the date of our inspection and the publication of our report.
- 6.8 The valuation will only take into account those items of plant and machinery which primarily provide services to the land and buildings and which the open market regards as an integral part of the Property.

7. Special Assumptions

None

8. Extent of Investigations

The Valuer will carry out inspections and investigation to the extent necessary to produce a valuation, which is professionally adequate for its purpose.

Unless agreed otherwise with you:

- 8.1 The Valuer will undertake a visual inspection of so much of the exterior and interior of the Property as is accessible with safety and without undue difficulty, as can be seen whilst standing at ground level within the boundaries of the site and adjacent public / communal areas and whilst standing at the various floor levels, which the Valuer considers reasonably necessary to provide the Valuation, having regard to its purpose.
- 8.2 We confirm that your instructions are for us to rely upon floor areas provided by the Client.
- 8.3 The areas we report will be appropriate for the valuation purpose, but should not be relied upon for any other purpose.
- 8.4 The Valuer will have regard to the apparent state of repair and condition of the Property but would not carry out a building survey nor inspect roof voids, raise boards, move anything or those parts of the Property, which have been covered, unexposed or inaccessible. Such parts will be assumed to be in good repair and condition. The Valuer will not be under a duty to use a moisture detecting meter or arrange for the testing of electrical, heating, plant or other services.
- 8.5 If the Valuer's inspection suggests that there may be material hidden defects the Valuer will so advise and may exceptionally defer submitting a final report until the results of further investigations are available.
- 8.6 We will rely upon public access website and verbal information obtained from the relevant local planning or municipal authority which will be assumed to be correct. No responsibility can be accepted for any misstatement of omission in information supplied to us at the time of our enquiries. No formal

search of planning registers will be made. We will provide details on entries in the valuation lists but will not advise as to the current validity of the District Valuer's assessment, nor any potential liability for retrospective payments.

8.7 The report will not identify the existence of contamination unless, by agreement with the client, reports thereon from others have been obtained and made available to the Valuer, who will have no liability in respect thereof. If, however, the Valuer in the course of the Valuation inspection concludes that there may be material contamination, the Valuer will report this to the client with a view to a decision being taken as to whether the Valuers instructions are to be amended.

8.8 We will not provide an assessment of reinstatement costs for insurance against fire and other perils.

9. Nature and Source of Information to be relied upon

The Valuer shall, unless otherwise expressly agreed, rely upon information provided by the client and / or the client's legal or other professional advisors relating to tenure, leases and all other relevant matters.

The Valuer accepts no responsibility or liability for the true interpretation of the client's legal title in the Property.

The property in question is yet to be developed and therefore some assumptions will have to be made regarding its condition and specification where this is not available in the information provided.

10. Report Format

The Report will be produced in accordance with the requirements of VPS3 of the Red Book.

11. Consent to Publication

Neither the whole nor any parts of the report nor any reference to it may be included in any published document, circular or statement nor published in any way without the Valuer's written approval of the form and content in which it may appear.

12. Limitations

The report will be provided for the stated purpose and for the sole use of the named client. It will be confidential to the client and their professional advisors. The Valuer accepts responsibility to the client alone that the report will be prepared with the skill, care and diligence reasonably to be expected of a competent Chartered Surveyor but accepts no responsibility whatsoever to any parties other than the client. Any such parties rely upon the report at their own risk.

13. Third Party Reliance

Responsibility for our valuation extends only to the named client to whom it is addressed. However in the event of us being asked by you to readdress our report to another party or other parties or permit reliance upon it by another party, we will give consideration to doing so subject to an agreed additional fee.

Where we consent in writing to reliance on our report by another party(ies), we do so on the condition that the other party is bound by these terms, as though they had been a party to the original letter

between us and where you act on behalf of a syndicate or in relation to a securitisation, you agree that you are not entitled to pursue any greater claim on behalf of any other party than you would have been entitled to pursue on your own behalf had there been no syndication or securitisation.

Where you provide a copy of and/or permit another party(ies) to rely upon our valuation report without obtaining our express written consent and fail to provide us with the written consent of any other party (ies) who have received our report to be bound by this letter, you agree to indemnify us for any and all liability which arises from the use of or reliance upon our report by such unauthorised party.

14. Limitation of Liability

Our Total aggregate liability (including our employees) to you or any other party relying on our valuation and / or report in contract, tort (including negligence or breach of statutory duty), misrepresentation, restitution or otherwise, arising in connection with the performance or contemplated performance of the Services provided shall be limited an aggregate sum not exceeding:

- 25% of value as defined in our appointment, or
- 25% of the Market Value (as defined in the RICS Red Book), or
- £20 million,

whichever is the lesser amount, subject to the provisions on liability limitation in any service agreement between yourselves and Carter Jonas LLP.

15. Compliance and Duty of Care

This report may be investigated the RICS for the purposes of the administration of the Institution's conduct and disciplinary regulations.

You acknowledge that any duty of care which an individual Chartered Surveyor / Valuer would otherwise owe to you, whether he / she be a partner, associate or an employee of Carter Jonas LLP, is specifically excluded on the basis that you are entirely relying on the duties owed to you by Carter Jonas LLP, Chartered Surveyors, as a well established professional practice.

16. Complaints Procedure

Carter Jonas LLP is regulated by the RICS and is registered with relevant ombudsman services. Please refer to our Terms.

17. Professional Indemnity Insurance (PII)

Carter Jonas LLP has PII cover in accordance with RICS requirements please refer to our Terms.

18. Conflicts of Interest

Carter Jonas LLP has procedures in place to ensure that appropriate conflicts checks are carried out on every instruction so that any conflicts, or potential conflicts in accordance with the RICS guidance. Please refer to our Terms.

19. Abortive Fees and Additional Work

In the event that you withdraw your instructions to us prior to completion of a valuation, we reserve the right to charge a fair and reasonable proportion of our fees and any agreed disbursements.

If we have sent you a draft valuation report, such fees shall be subject to a minimum of 80% of the fee originally agreed between us. Or, if the fee has been agreed on an hourly basis, we shall charge for the hours accrued until your notice of termination.

If we are required by you to undertake any additional work in relation to this instruction, we reserve the right to charge an additional fee based upon our usual rates. This also applies where we are asked to review a legal report or Certificate of Title provided to us more than 8 weeks after we have submitted our report (either in draft or final), or if the time between issuing our draft and final report exceeds 8 weeks.

20. Financial Advice

Nothing in the valuation or advice we provide to you shall constitute financial advice or assistance.

I trust you will find all in order but please do not hesitate to call me about this Letter or our Terms. To confirm your acceptance of these Terms please return a signed copy to me or provide your written acceptance by email, otherwise your continuing instructions will amount to acceptance of these Terms.

Yours sincerely



Dudley Holme-Turner MRICS
Partner

E: Dudley.holme-turner@carterjonas.co.uk
T: 020 7518 3286
M: 077771 635 015

I / we instruct Carter Jonas LLP to undertake a Valuation on the terms detailed within this Agreement:

Signed for and on behalf of Client

Print Name

Address

.....

.....

Date

Appendix 2

VIABILITY COST REVIEW

In connection with **Commercial Development**
at **5 Kingdom Street, London, W2** for the
Greater London Authority

5 October 2020
SE28724

Contents

- 1. Introduction**
- 2. Cost Review – Proposed Scheme**
- 3. Cost Review – Consented Scheme**
- 4. Benchmarking**
- 5. Conclusion**

Appendices

- A Cost Plan Assessment – Proposed Scheme**
- B Cost Plan Assessment – Consented Scheme**
- C Schedule of Information – Proposed Scheme**
- D Schedule of Information – Consented Scheme**
- E RLF Further Information**

1. Introduction

- 1.1 Further to the instruction from Joseph Ward of the Greater London Authority (GLA), Robinson Low Francis LLP (RLF) has undertaken a review of the Estimates provided by Gardiner & Theobald (G&T) for the proposed redevelopment of 5 Kingdom Street, London, W2.
- 1.2 The instructions from the GLA were as follows:
 - Review and scrutinise the Cost Model for the proposed scheme submitted by the applicant and provide an opinion as to the cost of the proposed scheme
 - Review and scrutinise the Cost Model for the previously consented scheme submitted by the applicant and provide an opinion as to the cost of this notional scheme
- 1.3 The proposed scheme (Westminster City Council Planning Application 19/03673/FULL) comprises of three below ground levels and 20 above ground levels totalling 58,539m² Gross Internal Area (GIA) along with works above the Crossrail Box providing a further 7,390m² GIA – a total of 65,929m² GIA overall.
- 1.4 The consented scheme (labelled AAM Consented Scheme 2014 - Westminster City Council Planning Application 09/08355/FULL) comprises of limited below ground works and 13 above ground levels totalling 25,224m² GIA.
- 1.5 This document has been updated following a meeting with G&T and M3 Consulting on 29 September 2020. Further substantiating information was provided by G&T following that meeting, which has resulted in the Review for both the Proposed and Consented schemes being amended.

2. Cost Review – Proposed Scheme

2.1 The G&T Estimate for the proposed scheme totals £250,725,000 and is split as follows:

Description	Sum	£/m ²
Facilitating Works	£5,289,000	£80
Shell and Core	£198,945,000	£3,018
Fit Out	£33,861,000	£514
External Works	£4,045,000	£61
	£242,140,000	£3,673
Crossrail Box	£8,585,000	£130
Total	£250,725,000	£3,803

The G&T Estimate also includes special allowances for the following:

Description	Sum
Artwork	£1,340,000
Audio Visual to Auditorium	£403,000
Bar Joinery to Auditorium	£336,000
Specialist Feature	£336,000
Total	£2,415,000

The G&T Estimate also includes for 3,360m² of fully fitted amenity space totalling £7,444,000.

NB – all figures include for Main Contractor's Preliminaries, Overheads & Profit, Design Development Risk Allowance and Construction Risk Allowance.

Basis of Cost

2.2 **Base Date**

2.2.1 The G&T Estimate confirms that inflation is included to 3Q2020 and our review has been completed on that basis.

Floor Areas

2.2.2 The aggregate Gross Internal Floor Area (GIA) of the buildings is stated by G&T as 65,929m². We have completed an independent measure of the scheme and are within 1% of the G&T areas so have completed the review based on the G&T area schedule.

Procurement

2.2.3 The G&T Estimate states that they have assumed that the works will be contracted on a competitive two stage or design and build basis under a single contract. This is typical for this type of development.

Assumptions and Exclusions

- 2.2.4 Exclusions, notes and qualifications are set out in the G&T Estimate and are generally consistent with what we would expect in an Estimate at this stage of development.
- 2.2.5 The drawings are at planning stage and therefore contain limited information. No structural or services engineering information were made available to us therefore assumptions have been made for costs relating to these elements.

Quantification

- 2.2.6 The Estimate is summarised at BCIS Elemental level and quantified within the document.
- 2.2.7 G&T have included provision for Design Development Risk Allowance and Construction Risk Allowance within their Estimate at 10% (5% each respectively) which is above the expected range for viability review purposes given the level of detail shown on the Architects layouts, sections and elevations.

2.3 Pricing and Rate Review

- 2.3.1 The G&T Estimate totals £250,725,000 equating to £3,803/m² over 65,929m².
- 2.3.2 Our original review totalled £220,502,000 at £3,345/m² over 65,929m². Following review of the further information provided by G&T, our amended review totals £228,531,000 at £3,466/m² over 65,929m². An updated comparison of the respective Estimates is set out in Appendix A.
- 2.3.3 Our updated assessment of the cost indicates a proposed differential of £22,194,000 (8.9%). The main areas of differential are as follows:

Item	Sum	Notes – detailed comments in Appendix A
Facilitating Works		
Ground slab breaking up	£(617,000)	Rate reduced to reflect market rates
Substructure		
Piling	£(506,000)	Rate reduced to reflect market rates
Below ground drainage	£(249,000)	Area reduced to Below Grnd from full GIA
Superstructure		
Intumescent paint	£(2,585,000)	Rate reduced to reflect market rates
Floor slabs	£1,938,000	Quantity increased to match drawings
Core walls	£2,490,000	Quantity increased to match drawings
Internal walls	£(4,238,000)	Quantity reduced to match drawings
Internal Finishes		
Toilets	£(3,287,000)	Rate reduced to reflect market rates
Fixtures, Furnishings and Equipment		
FFE	£(1,572,000)	Rate reduced to reflect drawings
Mechanical, Electrical and Public Health		
Various	£(2,094,000)	Rate reduced to reflect drawings
Capped connections to Crossrail Box	£0	(Reduction removed)
External Works		
General landscaping	£0	(Reduction removed)
Construction Risk Allowance	£(10,500,000)	

On-Costs (Preliminaries, Overhead & Profit)

- 2.3.4 The preliminaries, overhead and profit are priced by G&T at 21.8% on the works, which falls within the range we would expect. This is split 16% preliminaries and 5% overhead and profit.

Fees and Inflation

- 2.3.5 Design fees are excluded from the G&T Estimate. As noted in 2.2.1, inflation has been baselined at 3Q2020 in the G&T Estimate, we have therefore used this as the cost baseline.

3. Cost Review – Consented Scheme

3.1 The G&T Estimate for the proposed scheme totals £112,146,000 and is split as follows:

Description	Sum	£/m ²
Facilitating Works	£0	£0
Shell and Core	£97,237,000	£3,855
Fit Out	£13,609,000	£540
External Works	£1,300,000	£52
	£112,146,000	£4,446
Crossrail Box	£0	£0
Total	£112,146,000	£4,446

The G&T Estimate for the consented scheme makes no allowance for artwork, AV or specialist features. There is also no fully fitted amenity space or works to the Crossrail Box in the consented scheme.

NB – all figures quoted include for Main Contractor’s Preliminaries, Overheads & Profit, Design Development Risk Allowance and Construction Risk Allowance.

Basis of Cost

3.2 **Base Date**

3.2.1 The G&T Estimate confirms that inflation is included to 3Q2020 and our review has been completed on that basis.

3.2.2 It should be noted that whilst the Estimate references the AAM Consented Scheme 2014, the Estimate is dated 22 July 2020 and given the similarities between the Estimates for the proposed and consented schemes, it would appear that this is not the original Estimate for either the Planning Application in 2009 or the AAM Consented Scheme in 2014.

Floor Areas

3.2.3 The aggregate Gross Internal Floor Area (GIA) of the buildings is stated by G&T as 25,224m². We have completed an independent measure of the scheme and are within 1.5% of the G&T areas so have completed the review based on the G&T area schedule.

Procurement

3.2.4 The G&T Estimate states that they have assumed that the works will be contracted on a competitive two stage or design and build basis under a single contract. This is typical for this type of development.

Assumptions and Exclusions

- 3.2.5 Exclusions, notes and qualifications are set out in the G&T Estimate and are generally consistent with what we would expect in an Estimate at this stage of development.
- 3.2.6 The drawings are at planning stage and therefore contain limited information. No structural or services engineering information were made available to us therefore assumptions have been made for costs relating to these elements.

Quantification

- 3.2.7 The Estimate is summarised at BCIS Elemental level and quantified within the document.
- 3.2.8 G&T have included provision for Design Development Risk Allowance and Construction Risk Allowance within their Estimate at 10% (5% each respectively) which is above the expected range for viability purposes given the level of detail shown on the Architects layouts, sections and elevations.

3.3 Pricing and Rate Review

- 3.3.1 The G&T Estimate totals £112,146,000 equating to £4,446/m² over 25,224m².
- 3.3.2 Our original review totalled £100,776,000 at £3,995/m² over 25,224m². Following review of the further information provided by G&T, our amended review totals £103,140,000 at £4,089/m² over 25,224m². An updated comparison of the respective Estimates is set out in Appendix B.
- 3.3.3 Our assessment of the cost indicates a proposed differential of £9,006,000 (8.0%). The main areas of differential are as follows:

Item	Sum	Notes – detailed comments in Appendix B
Substructure		
Below ground drainage	£(233,000)	Area reduced to Below Grnd from full GIA
Superstructure		
Intumescent paint	£(260,000)	Rate reduced – usually priced in £/m ²
Roof	£1,262,000	Quantity increased to match drawings
Internal walls	£(2,154,000)	Quantity reduced to match drawings
Internal Finishes		
Toilets	£(748,000)	Rate reduced to reflect market rates
Fixtures, Furnishings and Equipment		
FFE	£(677,000)	Rate reduced to reflect drawings
Mechanical, Electrical and Public Health		
Various	£(948,000)	Rate reduced to reflect drawings
External Works		
General landscaping	£0	(Reduction removed)
Construction Risk Allowance	£(4,800,000)	

On-Costs (Preliminaries, Overhead & Profit)

- 3.3.4 The preliminaries, overhead and profit are priced by G&T at 21.8% on the works, which falls within the range we would expect. This is split 16% preliminaries and 5% overhead and profit.

Fees and Inflation

- 3.3.5 Design fees are excluded from the G&T Estimate. As noted in 3.2.1, inflation has been baselined at 3Q2020 in the G&T Estimate, we have therefore used this as the cost baseline.

4. Benchmarking

4.1 BCIS Comparators

4.1.1 Whilst the Building Cost Information Service (BCIS) rates are often used as a source of benchmarking, with bespoke mid rise developments of this nature, BCIS often proves not to be a reliable source of data.

4.1.2 BCIS rates rebased for 3Q2020 for New Build Offices, Air Conditioned, 6 storeys or above, returns the following average rates based on a very limited sample size of projects:

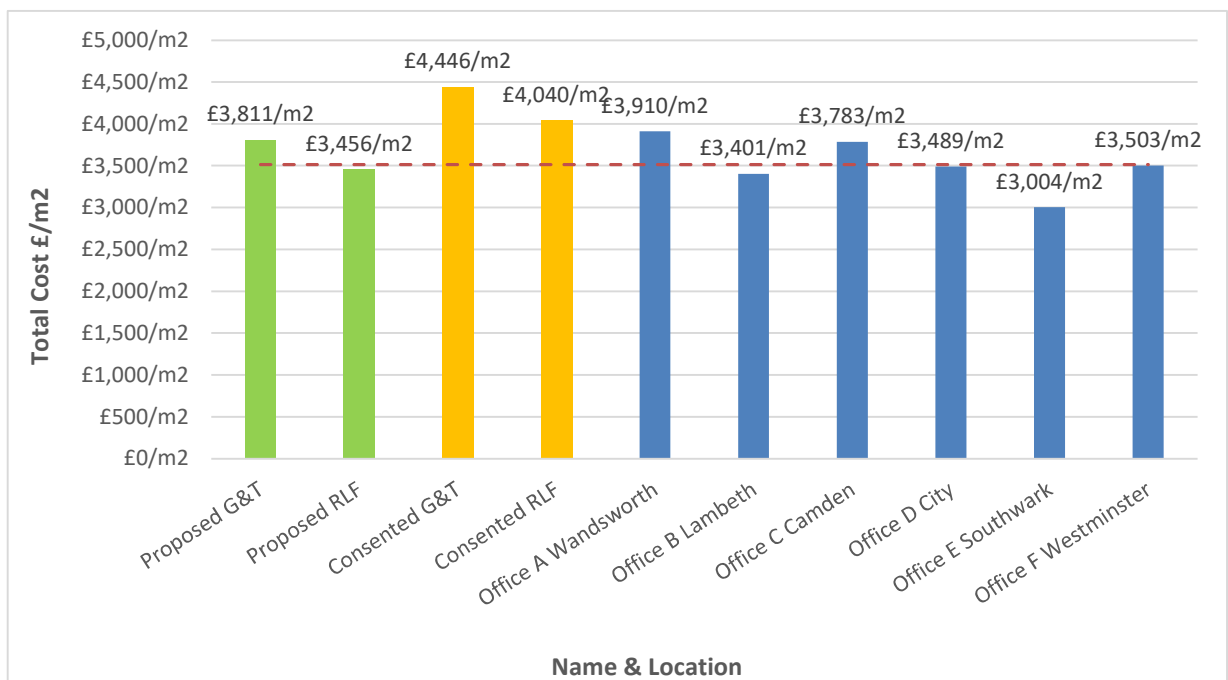
- BCIS Mean £2,864/m²
- BCIS Upper Quartile £2,972/m²
- BCIS Highest £4,026/m²

4.1.3 This compares with the Estimates (amended for comparison with BCIS by removal of facilitating works, external works and contingency allowances):

Scheme	G&T	RLF
Proposed	£3,450/m ²	£3,283/m ²
Consented	£3,986/m ²	£3,847/m ²

4.2 RLF Comparators

4.2.1 We have also compared the proposed and consented schemes against in house benchmarking, the results of which are shown below:



- 4.2.2 All comparisons with our in house benchmarking exclude abnormals – facilitating works, specialist allowances (artwork etc), amenity fit out.
- 4.2.3 A number of the projects are above the average benchmarking line. In commercial office developments in particular, Net to Gross area efficiency, floorplate layouts, Wall to Floor ratios and façade types can vary the £/m² considerably.
- 4.2.4 Whilst a detailed comparison of the consented scheme against our in house benchmarking has not been completed, it should be noted that this scheme is around 25% higher than the average.
- 4.2.5 The proposed scheme is slightly higher than the average but given the complexities below ground this is not unexpected.

5. Conclusion

5.1 Following our updated review of the G&T Estimates for the proposed and consented schemes, we have summarised the overall totals below:

Scheme	G&T		RLF	
	£	£/m ²	£	£/m ²
Proposed	£250,725,000	£3,803/m ²	£228,531,000	£3,466/m ²
Consented	£112,146,000	£4,446/m ²	£103,140,000	£4,089/m ²

5.2 The proposed and consented schemes should be reviewed in isolation as they are fairly incomparable both in scale and in complexity. The developed GIA for the proposed scheme is over double that of the consented scheme along with the proposed having far more complex below ground construction constraints.

5.3 The proposed scheme also includes extensive facilitation works, specialist allowances for artwork and the like and the fit out of amenity space. This is offset but the construction of large shell areas over the Crossrail Box totalling over 7,000m².

5.4 A full comparison and commentary against the schemes is included in Appendices A and B.

5.5 It is our opinion that our Estimate is a fair estimate of the cost of the two schemes based on current market rates.

Appendix A
Cost Plan Assessment
Proposed Scheme

5 KINGDOM STREET - PROPOSED SCHEME
Estimate Review - SUMMARY

	Gardiner & Theobald				Robinson Low Frandis				Total					
	Facilitating Works	Shell & Core	Fit Out	External Works	Total	Crossrail Box	Total	External Works		Total				
Facilitating Works	£ 3,947,518				£ 3,947,518				£ 3,464,219					£ 3,464,219
Substructure		£ 5,735,000			£ 5,735,000	£ 481,000			£ 5,168,000	£ 481,000				£ 5,649,000
Superstructure		£ 79,835,946			£ 79,835,946	£ 4,173,000			£ 78,236,275	£ 4,240,040				£ 82,476,315
Internal Finishes		£ 14,659,660	£ 7,081,182		£ 21,740,842	£ 1,281,710			£ 19,293,290	£ 1,281,710				£ 20,575,000
Fittings, Furnishings & Equipment		£ 4,097,703			£ 4,097,703				£ 2,926,925					£ 2,926,925
Mechanical, Electrical & Public Health		£ 43,160,090	£ 18,192,206		£ 61,352,296	£ 471,700			£ 59,111,190	£ 471,700				£ 59,582,890
External Works				£ 3,019,000	£ 3,019,000				£ 3,019,000					£ 3,019,000
Artwork		£ 1,000,000			£ 1,000,000				£ 1,000,000					£ 1,000,000
MC Preliminaries	16%	£ 631,603	£ 23,758,144	£ 4,043,742	£ 28,916,529	£ 1,025,186			£ 27,555,024	£ 1,035,912				£ 28,590,936
MC Overheads & Profit	5%	£ 228,956	£ 8,612,327	£ 1,465,857	£ 10,482,242	£ 371,630			£ 9,988,696	£ 375,518				£ 10,364,214
Design Development Risk Allowance	5%	£ 4,808,077	£ 180,858,870	£ 30,782,987	£ 220,127,075	£ 7,804,225			£ 209,762,619	£ 7,885,880				£ 217,648,499
Construction Risk Allowance	5%	£ 240,404	£ 9,042,943	£ 1,539,149	£ 11,006,354	£ 390,211			£ 10,488,131	£ 394,294				£ 10,882,425
Total Construction Cost (Current Day)		£ 5,289,000	£ 198,945,000	£ 33,861,000	£ 242,140,000	£ 8,585,000			£ 220,251,000	£ 8,280,000				£ 228,531,000
Area (m2)		58,539m2	58,539m2	58,539m2	58,539m2	7,390m2			58,539m2	7,390m2				65,929m2
£/m2		£90/m2	£3,399/m2	£578/m2	£4,136/m2	£1,162/m2			£66/m2	£1,120/m2				£3,466/m2

5 KINGDOM STREET - PROPOSED SCHEME
Estimate Review - SHELL

	Gardiner & Theobald				Robinson Low Frands				Comments	Updated Comments
	Facilitating Works	Shell & Core	External Works	Total	Facilitating Works	Shell & Core	External Works	Total		
	£	£	£	£	£	£	£	£		
Facilitating Works	3,947,518			3,947,518	3,464,219			3,464,219		
Substructure	631,603	3,702,398	20,055,731	24,872,787	554,275	3,533,644	19,069,831	23,620,410	4,242,450	2,232,000
Internal Finishes	9,862,541	70,773,405		79,835,946	8,891,088	69,345,192		78,236,275	2,596,040	1,704,000
Mirrors, Furnishings & Equipment	1,753,665	12,860,995		14,614,660	1,753,665	10,458,445		12,212,108	1,126,500	154,810
Mechanical, Electrical & Public Health	669,425	3,433,278		4,102,703	470,025	2,430,900		2,900,925	285,510	186,190
External Works	5,923,327	37,257,763	3,019,000	43,199,000	5,923,327	35,931,996	3,019,000	44,874,323	285,510	186,190
Allowance		1,000,000		1,000,000		1,000,000		1,000,000		
MC Preliminaries	3,947,518	23,139,958	125,348,441	151,554,917	3,464,219	21,987,802	119,386,443	147,627,564	4,242,450	2,232,000
MC Overheads & Profit	18%	631,603	3,702,398	20,055,731	483,040	3,533,644	19,069,831	23,620,410	678,792	357,120
	9%	228,956	1,342,118	7,270,210	175,102	9,016,385	46,121,814	6,912,814	246,062	129,456
Design Development Risk Allowance	4,808,077	28,184,469	152,674,401	185,666,947	4,219,419	26,744,725	145,169,087	179,810,373	5,167,304	2,738,576
Construction Risk Allowance	9%	240,804	1,409,223	7,638,720	183,857	9,667,204	52,584,454	7,258,454	183,857	135,929
Total Construction Cost (Current Day)	5,289,000	31,033,000	167,940,000	208,279,000	4,430,000	28,082,000	159,428,000	188,807,000	5,426,000	2,855,000
Area (m2)	58,539m2	9,520m2	49,018m2	58,539m2	58,539m2	9,520m2	49,018m2	58,539m2	7,390m2	7,390m2
£/m2	£90/m2	£3,257/m2	£3,426/m2	£3,556/m2	£76/m2	£2,950/m2	£3,110/m2	£3,225/m2	£734/m2	£386/m2
Facilitating Works	3,947,518			3,947,518	3,947,518			3,947,518		
Reduce rate for ground slab breaking up					-£ 459,200			-£ 459,200		
NW Bridge - Fire protection to steel					-£ 24,099			-£ 24,099		
Substructure	5,735,000			5,735,000	5,735,000			5,735,000	294,000	187,000
Reduce piling rates					-£ 376,800			-£ 376,800		
Reduce quantity of lift pits					-£ 5,000			-£ 5,000		
Below ground drainage					-£ 185,200			-£ 185,200		
Superstructure										
Frame and Upper Floors	5,229,048	33,648,200		38,877,248	5,229,048	33,648,200		38,877,248	1,656,000	1,077,000
Reduced rate for intumescent					-£ 128,866	1,752,839		1,623,973		
Reduced rate for intumescent					-£ 18,945			-£ 18,945		
Add for missed floor slabs					£ 1,449,000			£ 1,449,000		
Add for missed core walls					£ 1,854,000			£ 1,854,000		
Increase rate for CLT										
Increase rate for acoustic board										
Share	470,000	440,000		910,000	470,000	440,000		910,000	813,000	627,000
External Walls and Doors	1,769,010	25,700,191		27,469,201	1,769,010	25,700,191		27,469,201		
Missed revolving doors					£ 100,000			£ 100,000		
Missed sliding door					£ 60,000			£ 60,000		
Reduction in double doors										
Reduced rate for cavity brickwork										
Roof	4,612,640			4,612,640	4,612,640			4,612,640		
Internal Walls and Doors	1,594,483	6,372,374		7,966,857	1,594,483	6,372,374		7,966,857		
Actual measure for internal walls					£ 36,953	3,192,374		3,229,327		
Internal Finishes	1,753,665	12,905,995		14,659,660	1,753,665	12,905,995		14,659,660	1,126,500	154,810
Superidos										
Fittings, Furnishings & Equipment	666,425	3,433,278		4,099,703	666,425	3,433,278		4,099,703		
FF&E					-£ 190,400	980,378		789,978		
Mechanical, Electrical & Public Health	5,923,327	31,217,763		37,140,090	5,923,327	31,217,763		37,140,090	285,510	186,190

5 KINGDOM STREET - PROPOSED SCHEME
Estimate Review - SHELL

	Facilitating Works		Gardiner & Theobald		Shell & Core		Robinson Low Frands		Comments		Updated Comments			
		Works	Below Gnd	Above Gnd	External Works	Total	Below Gnd	Above Gnd	External Works	Total		Crossrail BL	Crossrail CC	
														Below Gnd
Reduced rate for plant room pipework			-£	38,080	-£	196,072	-£	234,152					CHW/LTHW rates reduced to £8/m ² & £10/m ² to reflect required installation and market rates on other schemes	Noted that hybrid system is proposed but RUF allowance total £1.3m for CHW, LTHW and Condensate within plant areas which is sufficient for the solution. Please note that riser pipework for these systems (total c£1.25m) is unamended as is the misc plant and equipment
Reduced rate for toilet ventilation			£	19,201	£	100,808	-£	120,009					Reduced to £750/point - as above	Amended to £900/pt to reflect MSFDs
Reduced rate for primary containment			-£	57,120	-£	294,108	-£	351,228					Reduced to £1.0/m ² - as above	Schematics show cable drops of 3,500.3, 750m - even if each cable was on its own containment and this was doubled for horizontals this equates to £1.0/m ²
Reduced rate for landlords lighting			-£	95,200	-£	490,018	-£	585,218					Reduced to £25/m ² - as above	£25/m ² equates to £80/m ² for actual landlords area lit. G&T allowance equates to £10/m ² which is higher than the Cat A allowance
BW/C, Prelims, T&C on above Capped Connections			-£	43,597	-£	224,849	-£	268,446						Reductions removed to reflect 4 units in the Box area
Lifts						£ 6,020,000		£ 6,020,000						
External Works						£ 3,019,000		£ 3,019,000						
General landscaping														General landscaping rate reduced to £500/m ² to reflect market rates on other schemes
Artwork														Reduction removed based on G&T benchmarking
						£ 1,000,000		£ 1,000,000						

Appendix B
Cost Plan Assessment
Consented Scheme

	Gardiner & Theobald				Robinson Low Francis				Comments	Updated Comments
	Shell & Core		Fit Out Cat A	External Works	Shell & Core		Fit Out Cat A	External Works		
	Below Grd	Above Grd			Below Grd	Above Grd				
Facilitating Works										
Substructure	£ 418,000	£ -	£ -	£ -	£ 244,680	£ -	£ -	£ -		
Superstructure	£ 387,985	£ 46,919,694	£ -	£ -	£ 387,985	£ 46,022,274	£ -	£ -		
Internal Finishes	£ 394,887	£ 4,309,145	£ 2,442,210	£ -	£ 367,237	£ 3,752,101	£ 2,442,210	£ -		
Fittings, Furnishings & Equipment	£ 38,150	£ 1,727,502	£ -	£ -	£ 27,250	£ 1,233,922	£ -	£ -		
Mechanical, Electrical & Public Health	£ 339,028	£ 17,876,801	£ 7,692,000	£ -	£ 323,768	£ 17,185,789	£ 7,692,000	£ -		
External Works	£ -	£ -	£ -	£ -	£ -	£ -	£ 968,000	£ -		
Artwork	£ -	£ -	£ -	£ -	£ -	£ -	£ -	£ 968,000		
MC Preliminaries	16% £ 252,888	£ 11,323,303	£ 1,621,474	£ -	£ 216,139	£ 10,911,054	£ 1,621,474	£ 154,880		
MC Overheads & Profit	5% £ 91,927	£ 4,108,522	£ 587,784	£ -	£ 78,350	£ 3,955,257	£ 587,784	£ 56,144		
Design Development Risk Allowance	5% £ 96,103	£ 4,313,738	£ 617,173	£ -	£ 1,645,360	£ 83,060,359	£ 12,343,468	£ 1,179,024		
Construction Risk Allowance	5% £ 100,908	£ 4,529,425	£ 648,032	£ -	£ 82,268	£ 4,153,020	£ 617,173	£ 58,951		
Total Construction Cost (Current Day)	£ 2,119,000	£ 95,118,000	£ 13,609,000	£ -	£ 1,728,000	£ 87,213,000	£ 12,961,000	£ 1,238,000	Allowance removed as directed	
Area (m2)	545m2	24,679m2	19,230m2	25,224m2	545m2	24,679m2	19,230m2	25,224m2		
£/m2	£3,888/m2	£3,854/m2	£708/m2	£52/m2	£3,171/m2	£3,534/m2	£674/m2	£49/m2		
Facilitating Works										
Substructure	£ 418,000	£ -	£ -	£ -	£ 418,000	£ -	£ -	£ -		
Below ground drainage	£ -	£ -	£ -	£ -	£ -	£ -	£ -	£ -		
Superstructure	£ 49,050	£ 26,092,756	£ -	£ -	£ 49,050	£ 26,092,756	£ -	£ -		
Frame and Upper Floors	£ -	£ -	£ -	£ -	£ -	£ -	£ -	£ -		
Intumescent paint	£ -	£ -	£ -	£ -	£ -	£ -	£ -	£ -		
Stairs	£ 20,800	£ 280,000	£ -	£ -	£ 20,800	£ 280,000	£ -	£ -		
External Walls and Doors	£ 248,085	£ 16,827,420	£ -	£ -	£ 248,085	£ 16,827,420	£ -	£ -		
Revolving entrance doors	£ -	£ -	£ -	£ -	£ -	£ -	£ -	£ -		
Roof	£ -	£ 511,300	£ -	£ -	£ -	£ 511,300	£ -	£ -		
Roof slab and finishes	£ -	£ -	£ -	£ -	£ -	£ -	£ -	£ -		
Internal Walls and Doors	£ 70,850	£ 3,208,218	£ -	£ -	£ 70,850	£ 3,208,218	£ -	£ -		
Actual measure for internal walls	£ -	£ -	£ -	£ -	£ -	£ -	£ -	£ -		
Internal Finishes	£ 394,887	£ 4,309,145	£ 2,442,210	£ -	£ 394,887	£ 4,309,145	£ 2,442,210	£ -		
Cycle stackers	£ -	£ -	£ -	£ -	£ -	£ -	£ -	£ -		
WC and Shower finishes	£ 38,150	£ 1,727,502	£ -	£ -	£ 38,150	£ 1,727,502	£ -	£ -		
Fittings, Furnishings & Equipment	£ -	£ -	£ -	£ -	£ -	£ -	£ -	£ -		
FFBE	£ -	£ -	£ -	£ -	£ -	£ -	£ -	£ -		
Mechanical, Electrical & Public Health	£ 339,028	£ 16,076,801	£ 7,692,000	£ -	£ 339,028	£ 16,076,801	£ 7,692,000	£ -		
Rate reduced to Proposed Scheme	£ -	£ -	£ -	£ -	£ -	£ -	£ -	£ -		
Lifts	£ -	£ 1,800,000	£ -	£ -	£ -	£ 1,800,000	£ -	£ -		
External Works	£ -	£ -	£ -	£ -	£ -	£ -	£ 968,000	£ -		
Allowance for external works	£ -	£ -	£ -	£ -	£ -	£ -	£ -	£ -		
Artwork	£ -	£ -	£ -	£ -	£ -	£ -	£ -	£ -		

Appendix C
Schedule of Information
Proposed Scheme

Schedule of Information – Proposed Scheme

Gardiner & Theobald	Stage 2 Cost Plan Rev B		21 July 2020		
Allies and Morrison	606_07_	100	P2	Lower Box Level	
	606_07_	101	P2	Upper Box Level	
	606_07_	102	P2	Lower Ground Level	
	606_07_	103	P2	Ground Level	
	606_07_	104	P2	Mezzanine Level	
	606_07_	105	P2	Level 01	
	606_07_	111	P2	Typical Lower Office Level	
	606_07_	119	P2	Typical Upper Office Level	
	606_07_	123	P2	Level 19	
	606_07_	124	P2	Roof	
	606_07_	210	P2	Proposed North Elevation	
	606_07_	212	P2	Proposed East Elevation	
	606_07_	214	P2	Proposed South Elevation	
	606_07_	216	P2	Proposed West Elevation	
	606_07_	300	P2	Section AA	
	606_07_	301	P2	Section BB	
	606_07_	302	P2	Section CC	
Ramboll	5KS-RAM	XX-XX	DR	S-00150 P01	Core Details Plans Sheet 01
	5KS-RAM	XX-XX	DR	S-00151 P01	Core Details Plans Sheet 02
	5KS-RAM	XX-XX	DR	S-00152 P01	Core Details Plans Sheet 03
	5KS-RAM	XX-XX	DR	S-00153 P01	Core Details Plans Sheet 04
	5KS-RAM	XX-XX	DR	S-00154 P01	Core Details Plans Sheet 05
	5KS-RAM	XX-XX	DR	S-00155 P01	Core Details Plans Sheet 06
	5KS-RAM	XX-XX	DR	S-00156 P01	Core Details Plans Sheet 07
	5KS-RAM	XX-XX	DR	M-00250 P05	Mech Servs LTHW Schematic
	5KS-RAM	XX-XX	DR	M-00350 P04	Mech Servs CHW Schematic
	5KS-RAM	XX-XX	DR	M-00550 P04	Mech Servs Vent Schematic
	5KS-RAM	XX-XX	DR	E-00050 P04	Elec Servs HV Dist
	5KS-RAM	XX-XX	DR	E 00150 P04	Elec Servs LV Dist Tenant
	5KS-RAM	XX-XX	DR	E 00151 P04	Elec Servs LV Dist Landlord
	5KS-RAM	XX-XX	DR	E 00152 P04	Elec Servs LV Dist Life Safety
	5KS-RAM	XX-XX	DR	E 00153 P04	Elec Servs LV Dist Retail

Appendix D
Schedule of Information
Consented Scheme

Schedule of Information – Consented Scheme

Gardiner & Theobald Indicative Cost Model 22 July 2020

Allies and Morrison	600_07_	100	P3	Basement
	600_07_	101	P1	Basement Mezzanine
	600_07_	102	P3	Sub Podium/Deck Level
	600_07_	103	P4	Podium Level
	600_07_	104	P4	Levels 1 & 2
	600_07_	105	P4	Levels 3-9
	600_07_	113	P4	Level 10
	600_07_	116	P4	Level 13
	600_07_	117	P4	Level 14
	600_07_	301	P2	North Elevation
	600_07_	304	P2	South Elevation
	600_07_	308	P2	West Elevation

Appendix E
RLF Further Information

5 KINGDOM STREET
Internal Walls and Doors

	Level	Type	Quant	Unit	Rate	Total	
Below Ground							
Internal Walls	B3		2,937	m2	150	440,550	
	B2		2,102	m2	150	315,300	
	B1		782	m2	150	117,300	
Lining to Core Walls	B3		136	m2	80	10,880	
	B2		124	m2	80	9,920	
	B1		201	m2	80	16,080	
Doors	B3	Plant (Single)	9	nr	1,500	13,500	
		Plant (Double)	21	nr	2,500	52,500	
		Core (Single)	4	nr	2,000	8,000	
		Core (Double)	13	nr	3,500	45,500	
		Riser (Single)	12	nr	1,250	15,000	
		Riser (Double)	12	nr	2,000	24,000	
	B2	Plant (Single)	4	nr	1,500	6,000	
		Plant (Double)	8	nr	2,500	20,000	
		Core (Single)	18	nr	2,000	36,000	
		Core (Double)	9	nr	3,500	31,500	
		Riser (Single)	12	nr	1,250	15,000	
		Riser (Double)	12	nr	2,000	24,000	
	B1	Plant (Single)			nr	1,500	-
		Plant (Double)			nr	2,500	-
		Core (Single)	10	nr	2,000	20,000	
		Core (Double)	4	nr	3,500	14,000	
		Riser (Single)	12	nr	1,250	15,000	
		Riser (Double)	12	nr	2,000	24,000	
							1,274,030

Notes m2 9,520 134

1. Leaf and a half doors taken as double
2. Riser doors assumed - not shown consistently on drawings

5 KINGDOM STREET
Internal Walls and Doors

	Level	Type	Quant	Unit	Rate	Total
Above Ground						
Internal Walls	G		453	m2	150	67,950
	M		410	m2	150	61,500
	1-6		3,350	m2	150	502,500
	7-14		4,275	m2	150	641,250
	15-18		2,467	m2	150	370,050
	19		745	m2	150	111,750
Lining to Core Walls	G		588	m2	80	47,040
	M		587	m2	80	46,960
	1-6		3,588	m2	80	287,040
	7-14		4,454	m2	80	356,320
	15-18		2,027	m2	80	162,160
	19		855	m2	80	68,400
Doors	G	Plant (Single)		nr	1,500	-
		Plant (Double)		nr	2,500	-
		Core (Single)	2	nr	2,000	4,000
		Core (Double)	5	nr	3,500	17,500
		Riser (Single)	12	nr	1,250	15,000
		Riser (Double)	12	nr	2,000	24,000
	M	Plant (Single)		nr	1,500	-
		Plant (Double)		nr	2,500	-
		Core (Single)	5	nr	2,000	10,000
		Core (Double)	5	nr	3,500	17,500
		Riser (Single)	12	nr	1,250	15,000
		Riser (Double)	12	nr	2,000	24,000
	1-6	Plant (Single)		nr	1,500	-
		Plant (Double)		nr	2,500	-
		Core (Single)	3	nr	2,000	6,000
		Core (Double)	7	nr	3,500	24,500
		Riser (Single)	12	nr	1,250	15,000
		Riser (Double)	12	nr	2,000	24,000
	7-14	Plant (Single)		nr	1,500	-
		Plant (Double)		nr	2,500	-
		Core (Single)	2	nr	2,000	4,000
		Core (Double)	7	nr	3,500	24,500
		Glazed (Single)		nr	7,500	-
		Glazed (Dbl)	2	nr	10,000	20,000
	15-18	Riser (Single)	12	nr	1,250	15,000
		Riser (Double)	12	nr	2,000	24,000
		Plant (Single)		nr	1,500	-
		Plant (Double)		nr	2,500	-
		Core (Single)	2	nr	2,000	4,000
		Core (Double)	8	nr	3,500	28,000
		Glazed (Single)		nr	7,500	-

5 KINGDOM STREET
Internal Walls and Doors

	Level	Type	Quant	Unit	Rate	Total
	19	Glazed (Dbl)	2	nr	10,000	20,000
		Riser (Single)	12	nr	1,250	15,000
		Riser (Double)	12	nr	2,000	24,000
		Plant (Single)		nr	1,500	-
		Plant (Double)		nr	2,500	-
		Core (Single)	1	nr	2,000	2,000
		Core (Double)	9	nr	3,500	31,500
		Glazed (Single)		nr	7,500	-
		Glazed (Dbl)	1	nr	10,000	10,000
		Riser (Single)	12	nr	1,250	15,000
		Riser (Double)	12	nr	2,000	24,000

Notes m2 49,018 65

1. Leaf and a half doors taken as double
2. Riser doors assumed - not shown consistently on drawings

5 KINGDOM STREET
Fittings, Furnishings & Equipment

	Levels	GIA	Unit	Rate	Total
G&T	BG	3	9520 m2	£ 70	£ 666,400
	AG	21	49018 m2	£ 70	£ 3,431,260
					£ 4,097,660
	BG	3	9520 m2	£ 150	£ 1,428,000
	AG	21	49018 m2	£ 54	£ 2,669,660
					£ 4,097,660
RLF	BG	3	9520 m2	£ 50	£ 476,000
	AG	21	49018 m2	£ 50	£ 2,450,900
					£ 2,926,900
					£ 1,428,000
					£ 1,498,900
					£ 2,926,900

£ 127,127 /Floor

£ 116,710 /Floor

£ 71,376 /Floor

5 KINGDOM STREET
Plantroom Pipework

		GIA		Rate	Total
G&T	LTHW	58,539	m2	£ 10	£ 585,390
	CHW	58,539	m2	£ 12	£ 702,468
	Condenser Water	58,539	m2	£ 4	£ 234,156
					£ 1,522,014
				4%	£ 60,881
				1%	£ 15,829
				15%	£ 239,809
				£ 1,838,532	
RLF	LTHW	58,539	m2	£ 8	£ 468,312
	CHW	58,539	m2	£ 10	£ 585,390
	Condenser Water	58,539	m2	£ 4	£ 234,156
					£ 1,287,858
				4%	£ 51,514
				1%	£ 13,394
				15%	£ 202,915
				£ 1,555,681	

Note

Plant and equipment unamended

Riser pipework (totalling £1.25m) unamended

RLF
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Appendix 3

VIABILITY PROGRAMME REVIEW

In connection with **Commercial Development**
at **5 Kingdom Street, London, W2** for the
Greater London Authority

22 September 2020
SE28724

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- 1. Introduction**
- 2. Programme Review**

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- A Schedule of Information – Proposed Scheme**
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1. Introduction

- 1.1 Further to the instruction from Joseph Ward of the Greater London Authority (GLA), Robinson Low Francis LLP (RLF) has undertaken a review of the Estimates provided by Gardiner & Theobald (G&T) for the proposed redevelopment of 5 Kingdom Street, London, W2.
- 1.2 The instructions from the GLA were as follows:
 - Review and scrutinise the Cost Model for the proposed scheme submitted by the applicant and provide an opinion as to the cost of the proposed scheme
 - Review and scrutinise the Cost Model for the previously consented scheme submitted by the applicant and provide an opinion as to the cost of this notional scheme
 - Review the outline Development Programmes for the proposed and previously consented schemes and provide an opinion as to an appropriate Development Programme for both schemes
- 1.3 The proposed scheme (Westminster City Council Planning Application 19/03673/FULL) comprises of three below ground levels and 20 above ground levels totalling 58,539m² Gross Internal Area (GIA) along with works above the Crossrail Box providing a further 7,390m² GIA – a total of 65,929m² GIA overall.
- 1.4 The consented scheme (labelled AAM Consented Scheme 2014 - Westminster City Council Planning Application 09/08355/FULL) comprises of limited below ground works and 13 above ground levels totalling 25,224m² GIA.

2. Programme Review

2.1 As referenced in 1.2, the instructions from the GLA included a review of the outline Development Programmes for the proposed and consented schemes. The following information was provided as the basis to complete the programme review:

TABLE THIRTEEN: CONSENTED SCHEME CONSTRUCTION PROGRAMME, 5 KINGDOM STREET, JULY 2020			
Building	Construction		
	Start	End	Duration
Pre-Construction	July 2020	December 2020	6 months
Construction	January 2021	August 2023	32 months

TABLE THREE: PROPOSED SCHEME CONSTRUCTION PROGRAMME, JULY 2020			
Building	Construction		
	Start	End	Duration
Pre-Construction	July 2020	December 2020	6 months
Construction	January 2021	February 2024	38 months

2.2 RLF have reviewed the drawing information and outline programme durations relating to both the consented scheme and the current proposed scheme at 5 Kingdom Street. Our initial review was to undertake a comparative review of the differential between the programme for the consented scheme for the delivery of 25,224m² GIA and the proposed scheme for the delivery of 65,929m². On this basis, the differential of just sixth months between the two programmes is of concern.

2.3 Therefore, for the purposes of this review, RLF have set aside the originally proposed programme of 32 months (2 years and 8 months) and have focussed our review on the updated (British Land) programme of 38 months (3 years and 2 months).

2.4 Without the benefit of any further programme information, RLF have taken an independent brief overview of programme as follows:

Description	Period	Cumulative
Demolition and clearance	3 months	3 months
Foundations	3 months	6 months
Construction to Podium level	6 months	12 months
<u>Superstructure above Podium level</u>		
Levels 1 to 19 = 19 x 2wk staggered starts + 3 months to complete	12 months	24 months
Envelope and watertight	6 months	30 months
Fit out	6 months	36 months
Completion and handover	2 months	38 months

- 2.5 On the basis of the above brief outline review, we believe that the proposed period of 38 months for the proposed scheme is reasonable, noting that the allowance of 32 months for the delivery of the consented scheme was perhaps overly cautious.
- 2.6 We would expect to see a programme allowance of between 26 and 30 months for the consented scheme given the differing below ground arrangements and reduced above ground floor areas to be constructed.

Description	Period	Cumulative
Demolition and clearance	3 months	3 months
Construction to Podium level	6 months	9 months
<u>Superstructure above Podium level</u>		
Levels 1 to 13 = 13 x 2wk staggered starts + 3 months to complete	9 months	18 months
Envelope and watertight	4 months	22 months
Fit out	4 months	26 months
Completion and handover	2 months	28 months

Appendix A
Schedule of Information
Proposed Scheme

Schedule of Information – Proposed Scheme

Gardiner & Theobald	Stage 2 Cost Plan Rev B			21 July 2020
Allies and Morrison	606_07_	100	P2	Lower Box Level
	606_07_	101	P2	Upper Box Level
	606_07_	102	P2	Lower Ground Level
	606_07_	103	P2	Ground Level
	606_07_	104	P2	Mezzanine Level
	606_07_	105	P2	Level 01
	606_07_	111	P2	Typical Lower Office Level
	606_07_	119	P2	Typical Upper Office Level
	606_07_	123	P2	Level 19
	606_07_	124	P2	Roof
	606_07_	210	P2	Proposed North Elevation
	606_07_	212	P2	Proposed East Elevation
	606_07_	214	P2	Proposed South Elevation
	606_07_	216	P2	Proposed West Elevation
	606_07_	300	P2	Section AA
	606_07_	301	P2	Section BB
	606_07_	302	P2	Section CC

Appendix B
Schedule of Information
Consented Scheme

Schedule of Information – Consented Scheme

Gardiner & Theobald Indicative Cost Model 22 July 2020

Allies and Morrison	600_07_	100	P3	Basement
	600_07_	101	P1	Basement Mezzanine
	600_07_	102	P3	Sub Podium/Deck Level
	600_07_	103	P4	Podium Level
	600_07_	104	P4	Levels 1 & 2
	600_07_	105	P4	Levels 3-9
	600_07_	113	P4	Level 10
	600_07_	116	P4	Level 13
	600_07_	117	P4	Level 14
	600_07_	301	P2	North Elevation
	600_07_	304	P2	South Elevation
	600_07_	308	P2	West Elevation

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Appendix 4

**5 KINGDOM STREET
PROPOSED SCHEME 191020 FINAL**

Appraisal Summary for Phase 1 PROPOSED SCHEME

Currency in £

REVENUE

Rental Area Summary

	Units	ft ²	Rent Rate ft ²	Initial MRV/Unit	Net Rent at Sale	Initial MRV
Offices (Pre Let)	1	113,076	76.54	8,654,837	8,654,837	8,654,837
Retail	1	2,852	35.00	99,820	99,820	99,820
Auditorium (including BoH)	1	7,944	17.50	139,020	139,020	139,020
Crossrail Box (100% A3)	1	33,002	20.00	660,040	660,040	660,040
Offices	1	263,844	76.54	20,194,620	20,194,620	20,194,620
Flexible Working Space	1	7,782	61.48	478,437	478,437	478,437
Office Affordable Workspace	1	41,979	15.00	629,685	629,685	629,685
Totals	7	470,479			30,856,459	30,856,459

Investment Valuation

Offices (Pre Let)

Market Rent	8,654,837	YP @	4.7500%	21.0526	
(2yrs 6mths Rent Free)		PV 2yrs 6mths @	4.7500%	0.8905	162,248,319

Retail

Market Rent	99,820	YP @	5.5000%	18.1818	
(6mths Rent Free)		PV 6mths @	5.5000%	0.9736	1,766,968

Auditorium (including BoH)

Market Rent	139,020	YP @	6.0000%	16.6667	
(1yr Rent Free)		PV 1yr @	6.0000%	0.9434	2,185,849

Crossrail Box (100% A3)

Market Rent	660,040	YP @	5.2500%	19.0476	
(2yrs Rent Free)		PV 2yrs @	5.2500%	0.9027	11,349,239

Offices

Market Rent	20,194,620	YP @	4.7500%	21.0526	
(1yr 9mths Unexpired Rent Free)		PV 1yr 9mths @	4.7500%	0.9220	391,987,768

Flexible Working Space

Market Rent	478,437	YP @	4.7500%	21.0526	
(1yr 9mths Unexpired Rent Free)		PV 1yr 9mths @	4.7500%	0.9220	9,286,711

Office Affordable Workspace

Current Rent	629,685	YP @	4.7500%	21.0526	13,256,526
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Total Investment Valuation

592,081,380

GROSS DEVELOPMENT VALUE

592,081,380

Purchaser's Costs	(40,261,534)
Effective Purchaser's Costs Rate	6.80%
	(40,261,534)

NET DEVELOPMENT VALUE

551,819,847

NET REALISATION

551,819,847

OUTLAY

ACQUISITION COSTS

Residualised Price		79,374,179	
			79,374,179
Stamp Duty	5.00%	3,968,709	
Agent Fee	1.00%	793,742	
Legal Fee	0.50%	396,871	

**5 KINGDOM STREET
PROPOSED SCHEME 191020 FINAL**

5,159,322

CONSTRUCTION COSTS

Construction	ft²	Build Rate ft²	Cost	
Office Construction	709,659	306.69	217,648,499	
Design Risk Allowance		5.00%	10,882,425	
				228,530,924

PROFESSIONAL FEES

Professional Fees		10.00%	21,764,850	21,764,850
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MARKETING & LETTING

Marketing - Commercial			2,000,000	
Letting Agent Fee		15.00%	4,628,469	
Letting Legal Fee		5.00%	1,542,823	
				8,171,292

DISPOSAL FEES

Sales Agent Fee - Commercial		0.50%	2,759,099	
Sales Legal Fee		0.25%	1,379,550	
				4,138,649

MISCELLANEOUS FEES

WCC+ MCIL (Est. only)			23,229,221	
Westbourne Bridge study			20,000	
Employment & training skills s278 works			2,087,820	
Social and community fund			930,000	
Carbon offset			50,000	
Affordable contribution			770,400	
Legible London			14,300,000	
Cycle hire docking station			4,500	
			187,000	
				41,578,941

FINANCE

Debit Rate 6.500%, Credit Rate 0.000% (Nominal)				
Land			21,977,687	
Construction			34,502,058	
Other			17,809,739	
Total Finance Cost				74,289,484

TOTAL COSTS

463,007,640

PROFIT

88,812,207

Performance Measures

Profit on GDV%	15.00%
IRR% (without Interest)	12.89%

Appendix 5

**5 KINGDOM STREET
 CONSENTED SCHEME 191020 FINAL**

Appraisal Summary for Phase 1 CONSENTED SCHEME

Currency in £

REVENUE

Rental Area Summary

	Units	ft ²	Rent Rate ft ²	Initial MRV/Unit	Net Rent at Sale	Initial MRV
Offices	1	206,990	73.36	15,184,786	15,184,786	15,184,786

Investment Valuation

Offices						
Market Rent	15,184,786	YP @	4.7500%	21.0526		
(1yr 9mths Rent Free)		PV 1yr 9mths @	4.7500%	0.9220	294,744,373	

GROSS DEVELOPMENT VALUE 294,744,373

Purchaser's Costs			(20,042,617)			
Effective Purchaser's Costs Rate		6.80%			(20,042,617)	

NET DEVELOPMENT VALUE 274,701,755

NET REALISATION 274,701,755

OUTLAY

ACQUISITION COSTS

Residualised Price			71,275,604			
					71,275,604	
Stamp Duty		5.00%	3,563,780			
Agent Fee		1.00%	712,756			
Legal Fee		0.50%	356,378			
					4,632,914	

CONSTRUCTION COSTS

Construction	ft ²	Build Rate ft ²	Cost			
Office Construction	271,507	361.79	98,228,248			
Construction Contingency		5.00%	4,911,412			
					103,139,660	

PROFESSIONAL FEES

Professional Fees		10.00%	9,822,825			
					9,822,825	

MARKETING & LETTING

Marketing - Commercial			1,241,940			
Letting Agent Fee		15.00%	2,277,718			
Letting Legal Fee		5.00%	759,239			
					4,278,897	

DISPOSAL FEES

Sales Agent Fee - Commercial		0.50%	1,373,509			
Sales Legal Fee		0.25%	686,754			
					2,060,263	

MISCELLANEOUS FEES

S106			1,386,617			
					1,386,617	

FINANCE

Debit Rate 6.500%, Credit Rate 0.000% (Nominal)						
Land			14,731,865			
Construction			8,537,923			
Other			10,623,530			
Total Finance Cost					33,893,319	

TOTAL COSTS 230,490,099

**5 KINGDOM STREET
CONSENTED SCHEME 191020 FINAL****PROFIT****44,211,656****Performance Measures**

Profit on GDV%	15.00%
IRR% (without Interest)	13.85%