

*Jones Lang LaSalle*

# *Valuation Advisory*

**Client:** Greater London Authority

**Property:** Siemens Crystal, Royal Docks E16

May 2019



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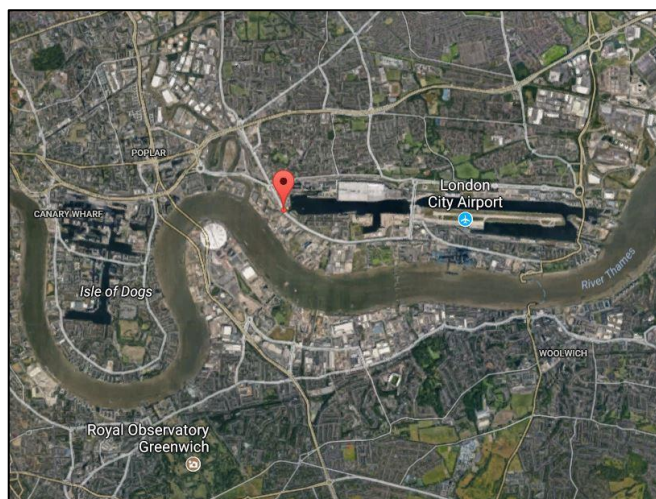
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## The Crystal, 1 Siemen Brothers Way, London, E16 1GB

| Key Property Facts   |                      |
|----------------------|----------------------|
| Inspection Basis:    | Internal inspection  |
| Macro Location:      | Local                |
| Micro Location:      | Secondary            |
| Sector:              | Mixed Use            |
| County:              | London - Docklands   |
| Total Property Area: | 81,993 sq. ft.       |
| Tenure:              | Freehold             |
| Number of Tenants:   | Single Let           |
| Percentage Vacant:   | 100% let             |
| Net Income:          | £1,750,000 per annum |
| Income Stream:       | Rack rented          |
| Covenant Strength:   | Good                 |



Siemens Crystal Front Elevation



Siemens Crystal Location

### Location

- The subject property is located to the immediate west of the Royal Victoria Dock, approximately 1.5 miles east of Canary Wharf and 4.75 miles east of the City of London
- The site is a broadly rectangular and in a prominent position adjacent to Royal Victoria Dock and the Emirates Air Line Cable Car
- The immediate area is historically an industrial precinct but has been subject significant regeneration in recent years, which remains ongoing
- The proposed Silvertown Tunnel project, in its current design will emerge to the other side of the Silvertown Flyover to the east of the property.

### Description

- The Crystal is a visitor centre and office building which is occupied and operated by Siemens. It contains a permanent exhibition about sustainable development.
- The building was completed in 2012.
- The building is divided broadly into 2 wings with one comprising a double height exhibition space with space with mezzanine and the other comprising office space and meeting facilities. There is also extensive catering facilities and a café at ground floor.
- The building is a showcase for sustainability and has LEED Platinum and BREEAM Outstanding accreditations.
- The building benefits from sustainability features including solar panels, ground source heat pumps, rainwater harvesting and an intelligent building management system.
- The office and meeting accommodation is of a high standard.
- Overall The Crystal appears to be well maintained and in a good state of repair. We note that some areas of the property are dated however this is only a matter of aesthetics.

#### Tenure

- Freehold held by GLA Land and Property Ltd

#### Tenancy Summary & Income Profile

- The property is let on a FRI lease to Siemens Plc.
- The date of the lease is 14<sup>th</sup> October 2016. The lease expires 11 May 2023.
- The property is subject to a schedule of condition prepared by Colliers.
- The use of the property is defined as *“an exhibition centre and/or a conference centre within Class D1 of the Use Classes Order and as offices within Class 81 of the Use Classes Order together with ancillary retail use within Class A 1 of the Use Classes Order and cafe/restaurant use within Class A3 of the Use Classes Order and car parking.”*
- The rent passing is £1,750,000

#### Covenant

- Siemens Plc would be considered to be an extremely strong covenant.

#### Current Situation

- We understand that the GLA has been approached by Siemens Plc who wish to surrender their lease.
- Negotiations have taken place between the GLA and Siemens and a surrender premium has been proposed by Siemens. This has not yet been agreed – current negotiation parameters are between £10 – 14 million.
- JLL have been appointed to advise on how the value of the property would be affected by a number of potential outcomes.
- We have undertaken a review of GLA’s Freeholder interest assuming:-
  - Siemens continue in occupation of their lease until expiry. The property is then relet.
  - The lease is surrendered during early 2019, the property is then relet.



- We have undertaken an assessment of the Tenant's liabilities under the current lease and considered the steps they could take to mitigate these costs through subletting.

#### Key Assumptions

- We have relied on information provided to us by GLA including:-
  - Lease.
  - Floor areas.
  - Operating costs of Siemens.
  - Fourth Street Business Plan.
  - Fourth Street Anticipated Profit and Loss for a serviced office scheme.
  - WorkWild spreadsheet detailing costs.

## 1.1. Key Factors affecting the Proposed Surrender

### 1.1.1. Siemens Lease

Siemens have a lease of the Crystal dated 14<sup>th</sup> October 2016 which expires 11<sup>th</sup> May 2023. The passing rent is £1,750,000.

There are no options to determine the lease prior to expiry and the property is let on a fully repairing and insuring basis subject to a Schedule of Condition.

The permitted use is defined as *“as an exhibition centre and/or a conference centre within Class D1 of the Use Classes Order and as offices within Class 81 of the Use Classes Order together with ancillary retail use within Class A 1 of the Use Classes Order and cafe/restaurant use within Class A3 of the Use Classes Order and car parking.”*

### 1.1.2. Planning

The Crystal is located within the Newham Council administrative area.

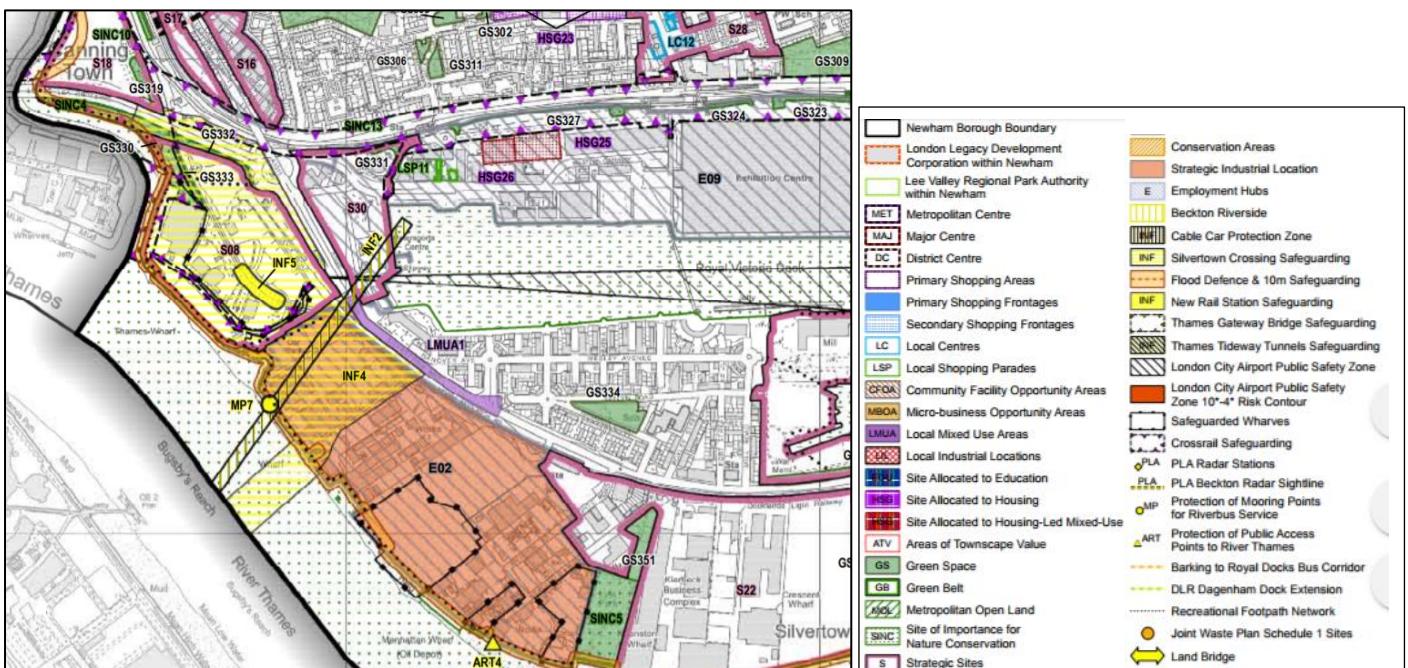
The Local Plan sets out a vision and framework for development in the borough. It addresses needs and opportunities across a number of themes, including housing, the economy, community facilities, infrastructure, and the environment.

The Local Plan is the starting-point for considering whether planning applications can be approved. Along with the London Plan it forms the Development Plan against which individual proposals are assessed.

The Core Strategy (2012) is the most important document in the Local Plan. It sets out a plan for Newham in a series of policies, specific to certain areas. The Local Plan Policies Map (2016) provides a spatial representation of the policies within the Local Plan. It shows where sites are identified for certain uses and where different types of policies apply.

Within the Local Plan the subject property is designated as ‘S30 Strategic Site’. The Policy for this area is “New residential, leisure and cultural uses will be supported at this gateway site to the Royal Docks. The Siemens building and cable car link to Greenwich Peninsula are due to be completed in 2012 providing new visitor attractions. Public realm improvements, including an enhanced pedestrian and cycle link to Canning Town, and active water space, are key priorities in this location. Indicative residential typology - medium density, low family.”

We include the local section of the Local Plan Policies Map (2016), illustrating the subject property to the centre of the image.



## Property: Siemens Crystal, Royal Docks E16

We note the surrounding property uses and planning zones vary significantly. As illustrated in the planning Policies Map above, surrounding planning zones include:

- Employment Hubs – directly to the west and south and separately, to the north east with violet cross-hatching (E02 & E09);
- Strategic Industrial Location – directly to the west and south in orange shading;
- Strategic Sites – To the immediate north either side of the overpass in magenta and black boxing (S08 & S30);
- Silvertown Crossing Safeguarding area - directly to the west and north in horizontal yellow shading (INF4 and INF5);
- Cable Car Protection Zone – across the northern end of the site and to the northern areas in black box and yellow vertical hatching (INF2);
- London City Airport Public Safety Zone – in a diminishing arc to the east of the site in black boxing and diagonal cross-hatching;

The property secured planning consent in December 2010. In our view, there are 2 potential planning issues which impact the surrender and the potential uses the GLA may consider.

Firstly, the use of the Exhibition Crystal is limited to D1 which is further restricted as below:-

“the D1 use operating from the development shall be limited to a conference and exhibition centre as described in the planning application hereby approved, and the development shall be used for no other D1 Use Class without the written prior approval of the Local Planning Authority.”

Secondly, the S.106 agreement also details that the public is to have free access to all exhibitions. This was subsequently varied to only apply to LB Newham Residents, Under 18’s and LB Newham School Groups. There are also certain obligations as regards provision of training and community facilities.

In the event the GLA accepts a surrender of the property, in our view a change of use application would be required to use the Exhibition Crystal element of the building for anything other than conference and exhibition space. We understand that some high level planning advice has been obtained which suggests that the size of the exhibition space could be reduced substantially but some exhibition space would be required by the LPA.

The provisions of the S.106 agreement are more complicated as the GLA is effectively treating with itself. I suggest a legal view is sought on whether the requirements of the S.106 agreement are enforceable in these circumstances.

### 1.1.3. Business Rates

Business rates are a form of property tax, usually paid by the occupier of property, and related to property rental value (known as Rateable Value). The level of rates paid is generally revised annually to reflect inflationary increases. The Rateable Value may be revised every five years to reflect changes in the value of the premises.

The annual amount of rates payable is arrived at by applying a multiplier to the rateable value. The multiplier for 2018/2019 is 49.3 pence in the (£) pound with a discounted small business multiplier of 48.0 pence.

The rateable value of the property is £680,000.

Business rates are payable by the occupier, and therefore for all let areas the GLA is not currently liable for the payment of business rates. The GLA would be liable for the business rates whilst the property is vacant.

### 1.1.4. Dilapidations

We have reviewed the advice provided to you by Avison Young in relation to the dilapidations. The key points which we have noted and reflected in our calculations are as follows:-

**Property: Siemens Crystal, Royal Docks E16**

- Siemen’s dilapidations liability is severely capped by a comprehensive schedule of condition which was prepared in 2016 which is referenced in the repairing and decorations covenants of the lease.
- The building was completed in 2012 and as such the fabric of the building is 7 years old and the schedule of condition was recorded when the building was 5 years old.
- The building, in particular the office areas have not been heavily used and the building presents in good condition.
- Avison Young’s assessment of dilapidations does not make any account for consequential losses, in particular loss of rent.
- The total dilapidations due from the tenant is assessed to be circa £400,000.

We would note that the dilapidations assessment and the amount the sums the GLA may be required to spend bringing the building into an alternative use should not be confused.

**1.1.5. Capex and Conversion of Exhibition Accommodation**

At lease expiry, it is likely that the Landlord would look to reduce the quantum of Exhibition and back office space and convert this to office accommodation. We have been provided with the following schedule of areas:-

|                        | <b>NIA</b> |
|------------------------|------------|
| <b>Ground</b>          |            |
| <b>Exhibition</b>      | 23,681     |
| <b>Lecture Theatre</b> | 4,736      |
| <b>Café</b>            | 3,767      |
| <b>The Street</b>      | 344        |
| <b>Back of House</b>   | 6,667      |
| <b>1st</b>             |            |
| <b>Meeting Rooms</b>   | 21,528     |
| <b>2nd</b>             |            |
| <b>Offices</b>         | 14,876     |

We have assumed that some exhibition accommodation would be required in order to comply with the planning requirements detailed above. We have assumed that following office accommodation could be provided through conversion and refurbishment.

|                   | <b>NIA</b> |
|-------------------|------------|
| <b>Ground</b>     |            |
| <b>Exhibition</b> | 7,500      |
| <b>Workspace</b>  | 20,022     |
| <b>Café</b>       | 3,767      |
| <b>1st</b>        |            |
| <b>Offices</b>    | 21,528     |
| <b>2nd</b>        |            |
| <b>Offices</b>    | 14,876     |

We have reference to BCIS and have adopted a conversion costs ranging from £75 to 200 depending on the complexity of the conversion and fit out requirements. We have not assumed a mezzanine would be installed in the existing exhibition area



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due to uncertainty over whether the P&M could support this and how it would impact on the ground floor space. We note this possibility exists but suggest further feasibility work needs to be undertaken before it is included in these calculations.

### 1.1.6. Operational Expenditure and Services

We have been provided with the following information regarding the running costs of the Crystal which are currently incurred by Siemens.

We note that these costs appear extremely high when considered on a per sq ft basis and have assumed that there are substantial staffing costs which are included relating to the operation of the building as an exhibition centre.

|                 | <b>FY2016</b>     | <b>FY2017</b>     | <b>FY2018</b>     |
|-----------------|-------------------|-------------------|-------------------|
| <b>Opex</b>     | £2,054,647        | £1,893,995        | £2,275,759        |
| <b>Services</b> | £917,102          | £877,999          | £667,050          |
| <b>Total</b>    | <b>£2,971,749</b> | <b>£2,771,994</b> | <b>£2,942,809</b> |

In the event the GLA accept a surrender of the premises, the liability operational expenditure will revert to GLA until a tenant is sought although anticipate that they could be substantially mitigated. We have adopted an average of the last 3 years expenditure of Opex and Services.

## 1.2. Rental Evidence and Considerations

In arriving at our opinion of rental value in respect of the property, we have had regard to a range of comparable buildings as follows:

### 1.2.1. East London Office Market

#### Take Up

East London take-up totalled 381,000 sq ft for Q4 2018, a 133% rise on Q3 2018 and 35% up on the 5-year average. The excellent take-up was largely due to two deals over 100,000 sq ft that together made up 63% of all East London take-up for the quarter. A 94% majority of take-up was concentrated in Docklands; Stratford take-up totalled 21,138 sq ft in Q3 from one deal.

The two 100,000 sq ft + deals are representative of positive sentiment in the East London market. Redeveloped space at 25 Cabot Square was leased to CMA, further boosting the market's government association following the deal to the Government Property Unit last year. Further, the rest of Cabot Square is currently believed to be under offer to the government's Office of Rail and Road, as well as a serviced office provider. Overall, the Government and Services sector made up 40% of East London take-up for the quarter. Financial Services made up 35% of take-up for the quarter with the letting to BGC Partners at 5 Churchill Place.

By grade, Second Hand lettings made up the majority at 66% of take-up, a reflection of tenant space currently on the market.

#### Availability

East London availability fell to 1.6 million sq ft, 27% down on Q3 2018 but 39% above the 5-year average. The fall reflects good letting activity in Q4 with limited new availability. Tenant space continues to make up a significant proportion of supply at 38%; there were no additions to supply from Under Construction developments in Q4.

The vacancy rate fell to 8.3% in Q4 2018, down from 10.51% in Q3 2018 but up on the 5-year average of 5.95%.

#### Development

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The East London development pipeline currently totals 1.4 million sq ft, of which 54% is prelet leaving 638,000 sq ft available. The majority of space will complete in 2019 adding 979,000 sq ft to the market, 51% of which is already prelet. With a lack of immediate options above 100,000 sq ft in the City and West End, East London may present a more attractive option to occupiers with larger space requirements. Development space may therefore have an increasing role to play in the market and the arrival of the Elizabeth Line in Canary Wharf will improve the market's connectivity. There are several potential developments in the wider market, although we expect these will continue to remain on hold for now.

### Rental growth

Canary Wharf rents were stable for Q4 2018 at £42.50 per sq ft, although up from £40.00 per sq ft last year. Stratford rents remained stable for Q4 2018 at £45.00 per sq ft, in line with Q4 2017.

#### 1.2.2. Office Evidence

There is no evidence of substantial high specification office premises being let in the Royal Docks Area. In arriving at our view of the market rent, we have taken a number of approaches.

Firstly, we have considered the available evidence in the immediate vicinity. We note this evidence is for much smaller suites and these lettings demonstrate a range of rents between approx. £17- £26 per sq. ft. reflecting a varying nature of offices accommodation and location.

| Date Let | Address  | Area (sq. ft.) | Term    | Rate per sq. ft. |
|----------|--|----------------|---------|------------------|
| Oct-18   | Units 5-27, Limeharbour, London, E14 9TS                         | 541            | 5 years | £26.00           |
| Aug-18   | Studio 37 Riverside Buildings, 64 Orchard Place, London, E14 0FP | 290            | 5 years | £17.00           |
| Aug-18   | 64 Orchard Place, London, E14 0JY                                | 421            | 5 years | £17.00           |
| Aug-18   | 64 Orchard Place, London, E14 0JY                                | 358            | 5 years | £17.00           |
| Jun-18   | 64 Orchard Place, London, E14 0JY                                | 446            | 5 years | £23.00           |
| Apr-18   | Clipper House, Trinity Buoy Wharf, London, E14 0JY               | 887            | 5 years | £20.00           |
| Nov-17   | Units 1-2 - Caxton Street Studios Caxton Street, London, E16 1JL | 541            | 5 years | £22.18           |

Secondly, we have had reference to the quoting rents at ABP's Royal Albert Dock Scheme which is currently under construction. There is little published information surrounding the scheme, the developer claims to have secured the disposal of 12 buildings on long leasehold terms – we are not aware of any lettings which have been achieved. The agents are quoting £35 per sq ft.

Thirdly, we have looked to more established markets including Stratford and Canary Wharf and made adjustments to reflect the property's situation in an unproven office location. Prime headline rents in Canary Wharf currently stand at £42.50 per sq ft and £47.50 per sq ft.

Assuming the building was to be let to a single tenant, we have assumed that a rent of £30 per sq ft could be achieved. Given that the building is unique in terms of its specification, location and size, there is a degree of risk attached to this assumption and it is likely a substantial void would be incurred whilst securing a tenant.

### 1.3. DCF Assumptions and Approach

We have been asked to consider the value of both Siemens and GLA's interests on various bases as follows:-

- **Scenario 1** - GLA freeholder interest assuming Siemens continue in occupation of their lease until expiry. The property is then relet.

**Property: Siemens Crystal, Royal Docks E16**

- **Scenario 2** - GLA freeholder interest assuming the lease is surrendered during early 2019 and the property is then relet.
- **Scenario 3** - Siemens leasehold interest assuming lease continues in occupation until lease expiry.
- **Scenario 4** - Siemens leasehold interest assuming they do not remain in occupation and seek to mitigate costs through subletting.

We have undertaken a Discounted Cashflow (DCF) in order to determine the Net Present Value (NPV) of these income/ expenditure streams. We have set out the assumptions we have made in each of the scenarios below:-

**1.3.1. Scenario 1**

This is the value of the GLA's freehold interest assuming Siemens do not surrender and comply with their lease covenants until expiry in May 2023. The DCF assumes:-

- Siemens pay rent being £1.75m per annum until May 2023.
- The tenant undertakes the dilapidation during the final months of the lease and yields up the building in line with the Schedule of Condition. It is noted that this is not the same as in repair. The building at this point will be some 11 years old.
- In the final year of the term, the GLA would look to secure a planning consent for conversion of the exhibition space into workspace/ office accommodation as detailed above. We have assumed a smaller exhibition of 7,500 sq ft would be provided.
- A works period of 6 months has been allowed for the conversion and refurbishment works during which we have reduced the buildings Opex to 25% of current spend. Services and business rates liabilities would be payable during this period. The Capex totalling £2,578,000 is spread equally over the works period.
- We have allowed a 12 month void period during which Opex (25% of current), services and rates would be payable.
- Marketing costs totalling £250,000 would be incurred during the void period.
- We have assumed a tenant is sourced after 12 months void and benefits from a rent free period. GLA ceases to be responsible for costs as soon as the lease is signed however would be agents and legal fees being 15% of the rent agreed.
- We have assumed a total rent of £1.75m being £30 per sq ft on the office accommodation and £15 per sq ft on the café. We have then capitalised this income stream into perpetuity at 6%.

This produces a Landlord's Interest on the basis defined above:-

**£21,350,000**

***(Twenty One Million, Three Hundred and Fifty Thousand Pounds)***

**1.3.2. Scenario 2**

This is the value of the GLA's freehold interest assuming a surrender is agreed with Siemens. The DCF assumes:-

- Siemens pay a surrender premium being £13m inclusive of dilapidations totalling circa £400,000.
- The building will fall vacant immediately and the GLA would be liable for opex (25% of current), services and rates.
- The GLA would look to secure a planning consent for conversion of the exhibition space into workspace/ office accommodation as detailed above. We have assumed it would take 6 months to secure this consent.
- A works period of 6 months has been allowed for the conversion and refurbishment works during which we have reduced the buildings Opex to 25% of current spend. Services and business rates liabilities would be payable during

**Property: Siemens Crystal, Royal Docks E16**

this period. The Capex totalling £2,578,000 as detailed above plus an additional £400,000 to account for the dilapidations which have not been undertaken are spread equally over the works period.

- We have allowed a 12 month void period during which Opex (25% of current), services and rates would be payable.
- Marketing costs totalling £250,000 would be incurred during the void period.
- We have assumed a tenant is sourced after 12 months void and benefits from a rent free period. GLA ceases to be responsible for costs as soon as the lease is signed however would be agents and legal fees being 15% of the rent agreed.
- We have assumed a total rent of £1.75m being £30 per sq ft on the office accommodation and £15 per sq ft on the café. We have then capitalised this income stream into perpetuity.

This produces a Landlord's Interest on the basis defined above:-

**£31,000,000**

***(Thirty One Million Pounds)***

### 1.3.3. Scenario 3

This is Siemens total liability under the terms of the lease assuming they remain in occupation. The DCF assumes:-

- Siemens pay rent being £1.75m per annum until May 2023.
- Opex, services and business rates remain at current levels.
- Dilapidations are accounted for in the final year. Dilapidations currently stand at £400,000 which has arisen since 2016. We anticipate there will be further disrepair which arises and have assumed total dilapidations of £800,000 at expiry in 2023.

Siemens liabilities arising under the lease assuming they remain in occupation total:

**£19,350,000**

***(Nineteen Million, Three Hundred and Fifty Thousand Pounds)***

### 1.3.4. Scenario 4

This is Siemens total liability under the terms of the lease assuming they attempt to mitigate occupation costs through subletting. The DCF assumes:-

- Siemens pay rent being £1.75m per annum until May 2023.
- Siemens would look to secure a planning consent for conversion of the exhibition space into workspace/ office accommodation which they would sublet on a short term basis to offset costs. We have assumed a smaller exhibition of 7,500 sq ft would remain.
- A works period of 4 months has been allowed for the conversion works during which we have reduced the buildings Opex to 25% of current spend. Services and business rates liabilities would be payable during this period. We have assumed a more basic specification than detailed in the GLA conversion scheme. We have assumed Capex totalling £1.46m which is spread equally over the works period.
- We have assumed the property is marketed during the planning and works period and achieves 25% occupancy for the first 6 months. This increases to 50% occupancy after a further 6 months and plateaus at 75% for the remainder of the term.

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- As occupation increase, the liability for Opex, services would fall on the tenants being collected via service charge. Business rates would also be payable by the occupiers. As such, we have reduced liability for Opex, services and rates in line with occupation levels.
- Dilapidations are accounted for in the final year. Dilapidations currently stand at £400,000 which has arisen since 2016. The tenant would be required to reinstate the property as per the schedule of condition. This could include removing the recently installed office fit out. We have assumed total dilapidations of £1.5m

Siemens liabilities arising under the lease assuming they attempt to mitigate their occupation costs total:

**£13,550,000**

*(Thirteen Million, Five Hundred and Fifty Thousand Pounds)*

## 1.4. Conclusions

|  |                    |
|--|--------------------|
| <b>Scenario 1</b><br>GLA freeholder interest assuming Siemens continue in occupation of their lease until expiry. The property is then relet | <b>£21,350,000</b> |
| <b>Scenario 2</b><br>GLA freeholder interest assuming the lease is surrendered during early 2019 and the property is then relet              | <b>£31,000,000</b> |
| <b>Scenario 3</b><br>Siemens liabilities assuming lease continues in occupation until lease expiry   | <b>£19,350,000</b> |
| <b>Scenario 4</b><br>Siemens liabilities assuming they do not remain in occupation and seek to mitigate costs through subletting             | <b>£13,550,000</b> |

## 1.5. Confidentiality and Publication

Finally, and in accordance with our normal practice we confirm that the Report is confidential to the party to whom it is addressed for the specific purpose to which it refers. No responsibility whatsoever is accepted to any third party and neither the whole of the Report, nor any part, nor references thereto, may be published in any document, statement or circular, nor in any communication with third parties without our prior written approval of the form and context in which it will appear.

Property: Siemens Crystal, Royal Docks E16

Yours faithfully

A handwritten signature in black ink, appearing to read 'N Carter', followed by a vertical yellow line.

**Nick Carter MRICS**

**Director**

**For and on behalf of Jones Lang LaSalle Limited**



Avison Young  
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# Schedule of dilapidations

**The Crystal, Siemens Brothers Way, Royal Victoria Dock  
London E16 1GB**

Greater London Authority

March 2019

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.....  
Prepared by: William Cobb BSc (Hons)

Date: 6<sup>th</sup> March 2019

Doc Ref: 02B904115

Version: v1



.....  
Authorised by: Simon Pick BA (Hons) MA  
MRICS

Date: 6<sup>th</sup> March 2019

# 1. Preambles and Summary

|                 |   |
|-----------------|---|
| <b>Lease</b>    | <b>Lease dated 14<sup>th</sup> October 2016 and made between GLA Land and Property Limited and Royal Docks Management Authority Limited and Siemens PLC ("The Lease")</b> |
| <b>Landlord</b> | <b>GLA Land and Property Limited ("The Landlord")</b>   |
| <b>Tenant</b>   | <b>Siemens PLC ("The Tenant")</b>   |

- 1.1 The following schedule of dilapidations identifies those works which the Landlord believes are necessary in order to remedy the breaches of covenant imposed upon the tenant by the terms of the Lease dated 14<sup>th</sup> October 2016 ("the Lease") made between GLA Land and Property Limited and Royal Docks Management Authority Limited and Siemens PLC and any deeds and documents supplemental to the Lease.
- 1.2 This schedule was prepared following our inspection of the property on 21<sup>st</sup> February 2019.
- 1.3 The front elevation is deemed to face east and all references to direction within the schedule will follow this orientation, or as if facing the element described.
- 1.4 Where the schedule has been prepared prior to the end of the Lease, items relating to any reinstatement, decoration and yield up obligations are set out in anticipation of breaches likely to arise at the date the Lease determines should the Tenant fail to undertake works to comply with their Lease obligations.
- 1.5 The schedule is a representation of what the Landlord believes is required for the Tenant to be in compliance with their Lease covenants at the date the Lease determines. The schedule should not be taken as a specification of the works required and the Tenant needs to interpret the Lease and any supplemental documents themselves. The Tenant should appoint their own consultants to advise on the scope of works necessary to yield up the demised premises in compliance with their Lease obligations.
- 1.6 All of the works stated are to match the original as appropriate. All works are to be carried out using appropriate materials and workmanship, and in observance of all current and relevant statutory regulations.
- 1.7 All reinstatement remedies are to be read as inclusive of the removal of all associated parts, components and accessories, and inclusive of making good.
- 1.8 The Landlord reserves the right to amend the schedule as appropriate, including the addition of further breaches of the Tenant's Lease covenants, until full and final settlement is made.
- 1.9 Should an electronic copy of this Schedule be required, this is available from the surveyor whose details are stated on the front page of this document.

## Surveyor's Endorsement

- 1.10 In the opinion of Simon Pick BA (Hons) MA MRICS, this schedule sets out what the Landlord's surveyor considers to be breaches of the Lease documentation and any other associated documentation and sets out the works reasonably required to remedy those breaches and full account has been taken of the Landlord's intentions for the property insofar as it is possible four years prior to termination of the tenancy as advised by the Landlord and that the costs, if any, quoted for such works are reasonable.
- 1.11 This opinion has regard to the principles set out in the Royal Institution of Chartered Surveyors' Guidance Note on Dilapidations (7th Edition) and the Pre-Action Protocol for Claims for Damages in Relation to the Physical State of Commercial Property at Termination of a Tenancy (the 'Dilapidations Protocol').



Simon Pick

Signed .....

Printed .....

## 2. Summary of Tenant's Covenants

### Lease Summary

Lease Dated 14<sup>th</sup> October 2016 Between GLA Land and Property and Royal Docks Management Authority Limited and Siemens plc

|                      |  |
|----------------------|--|
| Property Address     | Land at Silvertown Way known as part of the Landmark Site, Newham London |
| Commencement of Term | 14 <sup>th</sup> October 2016  |
| Expiry Date          | 11 <sup>th</sup> May 2023  |
| Term                 | 6 years and 7 months   |
| The Demised Premises | The building known as The Crystal Building as defined by the lease plan. |

### Summary of Tenant's Lease Covenants

#### Clause number

|       |  |
|-------|--|
| 5.    | <b>ALTERNATIONS</b>  |
| 5.1   | Not to carry out   |
| 5.1.2 | Any development as defined by Planning Law; or   |
| 5.1.2 | any work which adversely affects;  |
|       | (a) any load bearing part of the Premises; or  |
|       | (b) any energy or water performance efficiency;  |
| 5.1.3 | Any work affecting the external appearance of the Premises or which merges them with any other premises; or  |
| 5.1.4 | Any work to the structure of the Building  |
| 5.2   | Not to carry out any other work to the Premises without the Landlord's consent which will not be unreasonably withheld or delayed (but installing and removing demountable internal partitioning in a way which does not breach Clause 5.1 does not required the Landlord's consent, subject to the Landlord being notified about the work within one month after it is carried out. |
| 5.3   | To provide the Landlord without delay with a written insurance valuation of any alteration which does not constitute tenant's fixtures and fittings  |
| 5.4   | By the end of the Term (unless otherwise agreed with the Landlord in writing) and to its reasonable satisfaction, to have removed:   |
| 5.4.1 | All alterations made to the Premises and the Landscaped Area at any time during the Term by the Tenant or by anyone who claims through the Tenant; and   |
| 5.4.2 | Unless the Landlord confirms in writing (in its absolute discretion) in relation to any specific item referred to in the Reinstatement Schedule that it does not required the relevant item(s) to be removed, the items referred to in the Reinstatement Scheduled;  |

And made good all damage caused (including without limitation any damage to decoration and/or floor coverings to the Landlord's reasonable satisfaction.

- 5.5 To provide the Landlord as soon as reasonably practicable upon receipt with a copy of any EPC or air-conditioning inspection report obtained by the Tenant for the premises together with all ancillary records.
- 5.6 Not to obtain or commission an EPC in respect of the premises unless required to do so by the EPC Regulations and, if the Tenant is required to obtain an EPC, the Tenant must (at the Landlord's option) obtain an EPC either from an assessor approved by the Landlord (acting reasonably) or pay the Landlord's reasonable and proper costs of obtaining an EPC for the Premises.
- 5.7 To provide whatever information the Landlord reasonably requires about any alteration proposed to be or which has been, carried out by the Tenant or by anyone who claims through the Tenant during the Term of the Previous Leases.

## 7. COST AND OUTGOINGS

- 7.1 The Tenant shall pay all present and future rates, taxes, levies, costs, charges, impositions and other outgoings of whatever nature assessed on, or reasonably attributable to the Premises and the External Dining Area (or any other areas over which the Tenant enjoys rights granted under this Lease, their use and occupation or on their owner or occupier including business rates and utilities costs (including meter rents, standing charges and taxes payable on utility costs) (together "Outgoings") and, in the absence of a direct assessment on the Premises, shall pay to the Landlord a fair proportion (to be reasonably determined by the Landlord) of any such Outgoings. This obligation does not require the Tenant to pay any such costs which arise from any dealing by the Landlord with its interest in the Premises or adjoining land or to income or corporation tax payable by the Landlord on the Principal Rent or any other sums due under this Lease.
- 7.2 The Tenant shall pay to the Landlord, within 14 days of written demand a fair proportion (to be reasonably determined by the landlord) of all reasonable and proper costs and expenses reasonably and properly expended or incurred by the Landlord in repairing maintaining, decorating, cleaning, lighting, making, laying or rebuilding, as the case may be any forecourts, passages, pavements, roads ways, party walls or fences, party structures. Conduits or other conveniences and easements whatsoever which are capable of being used or enjoyed by the Premises in common with any adjoining property, but excluding any costs and expenses relating to the Landscaped Area (which are the subject of Schedule 1) and any costs and expenses payable pursuant to the Water Management lease (which are the subject of Schedule 2)
- 7.3 The Tenant covenants with the Landlord to pay to the Landlord within 14 days of written demand the proper and reasonable costs and expenses of the Landlord's solicitors surveyors and other professional advisors and bailiffs fees and commissions including any irrecoverable VAT arising from or in connection with.
- 7.3.1 the preparation and service of any notice and the taking of any proceedings by or on behalf of the Landlord under sections 146 or 147 Law of Property Act 1925 or under the Leasehold Property (Repairs) Act 1938, whether or not forfeiture is avoided by an order of the court
- 7.3.2 any application made by the Tenant for the Landlord's consent for or approval of any matter under this Lease whether or not consent or approval is given (unless the Landlord has unreasonably withheld that consent or approval or proffered such consent or approval subject to unreasonable conditions) or the application is withdrawn (save where the Tenant withdraws the application due to the Landlord seeking to impose unreasonable conditions);
- 7.3.3 enforcing the Tenant's Obligations against anyone who is liable to comply with

them; and

7.3.4 the preparation and service of all notices and schedules of dilapidations during or within six months after the end of the Term and

7.3.5 the recovery of any arrears of Principal Rent

## 8. REPAIRS AND DECORATION

8.1 Subject as provided in Clause 6.2, the Tenant shall:

8.1.1 keep and maintain all structural elements of the buildings on the Premises (including the roof) (the "Structure") in good and substantial repair and condition and intermediate any latent or inherent defects (relating to defective design, workmanship and/or materials); and

8.1.2 keep and maintain all other parts of the Premises (being all parts of the Premises other than the Structure), the Access Road and any other items installed or constructed by the Tenant in the Landscaped Area from time to time (including without limitation the car parking spaces referred to in clause 3.1.15) in no worse repair and condition than they are in as at the date of this Lease. as evidenced by the Schedule of Condition

8.2 Subject as provided in Clauses 6.2, the Tenant shall keep the Premises clean and in the third year of the Term and also in the last year of this lease the Tenant shall redecorate and treat all relevant parts of the Premises with appropriate materials in a good and workmanlike manner (and, during the last year of this lease, in a colour scheme reasonably approved by the Landlord provided that the Landlord may not object to a colour scheme which is consistent with the colour scheme at the date of this Lease) Provided That nothing in this clause 8.2 shall require the Tenant to carry out any works to put the Premises in any better condition than that evidenced by the Schedule of Condition

8.3 Following the service of any notice, whether by the Landlord or any public authority, the Tenant is to commence and carry out any repairs or other works to the Premises required by that notice within a reasonable period having regard to the nature and extent of the repairs or works. The Landlord may serve notice under this Clause 8.3 only to specify repairs or other works that are required to remedy any breach by the Tenant of its obligations under this lease.

8.4 If the Tenant does not comply with Clause 8.3, subject to receiving not less than five days' prior Written notice (except in case of emergency where as much prior notice as can reasonably be given in the circumstances shall be given) the Tenant is to permit the Landlord to enter and remain upon the Premises with or without workmen, plant and materials to carry out the repairs or other works required. The reasonable costs properly incurred by the Landlord in carrying out the repairs or other works are to be paid by the Tenant to the Landlord within 14 days of written demand together with interest on those costs at the Interest Rate calculated from and including the date on which they became due to and including the date on which they are paid.

8.5 The Tenant shall notify the Landlord of any defect in the Premises which might give rise to an obligation on, the Landlord to do, or refrain from doing, anything at the Premises or the need to discharge a duty of care under any Enactment, as soon as the Tenant is aware of the defect; and shall display such notices as the landlord may reasonably require at the Premises about their state of repair

8.6 Without prejudice to Clause 8.5, the Tenant is to take any action that the Landlord may properly and reasonably require in respect of any defects in the Premises which might give rise to a duty or liability on the part of the Landlord under the Defective Premises Act 1972, any other statutory provision or at common law

8.7 Notwithstanding any other provision of this lease and the limitations on the

Tenant's repairing and decorating liability as referred to in Clauses 8.1 and 8.2, as soon as reasonably practicable and in any event within six months of the date of this Lease, the Tenant shall carry out and complete the works identified by pink highlighting in: the schedule entitled "4.0 Approximate Costings for Defects Remediation" prepared by Sweett which appears at Appendix 2, such works to be carried out to the landlord's reasonable satisfaction

## 12 END OF THE TERM

- 12.1 At the end of the Term the Tenant shall:
- 12.1.1 Return all keys of the Premises to the Landlord;
- 12.1.2 Remove all goods and chattels and (to the extent required by clause 5.4) tenant's fixtures;
- 12.1.3 Leave the premises with vacant possession, in the state of repair and condition required by the Tenant's Obligations; and
- 12.1.4 Notwithstanding the foregoing provisions of this clause 12.1 and any other provisions of this lease (including without limitation and provisions of clause 8), hand back the Premises with all mechanical, electrical, plumbing and drainage systems, including water storage tanks and lift installations but excluding the black water treatment system, full commissioned and certified.
- 12.2 If the Tenant has not removed all of its property from the Premises within three months after the end of the term;
- 12.2.1 The Landlord may sell that property as the agent of the tenant and the Landlord is to pay or account to the tenant on demand for the sale proceeds after deducting the reasonable and proper costs of transportation, storage and sale reasonably incurred by the Landlord; and
- 12.2.2 The Tenant is to indemnify the Landlord against any liability of the Landlord to any third party whose property is sold in the mistaken belief held in good faith that the property belonged to the Tenant.
- 12.3 Subject to the provisions of any legislation which prevents or restricts such an agreement, the Tenant is not entitled to any compensation under statute or otherwise at the end of the Term.

## 16 LANDLORD'S TERMINATION RIGHT

- 16.1 The Landlord may terminate the Term if at any time more than 50% of the Gross internal Area has ceased to be occupied and used for use as a conference centre and/or exhibition centre in accordance with the Authorised Use for a continuous period of one year or more (in relation to which clause 1.8 shall apply), by serving written notice on the Tenant to that effect within the relevant period as referred to in Clause 16.2 and where notice is given under this Clause 16.1 the lease shall be determined on the first Working Day arising 40 Working Days after the date of the Landlord's notice (the Break Date).
- 16.2 The relevant period for the purposes of clause 16.1 is the period of six months from the last day of the period of one year during which more than 50% of the Gross Internal Area has ceased to be occupied and used for use as a conference centre and/or exhibition centre in accordance with the Authorised Use PROVIDED THAT if following expiry of that period 50% or more of the Gross Internal Area is subsequently occupied and used for use as a conference centre and/or an exhibition centre in accordance with the Authorised Use on or before the date upon which the landlord serves a notice on the Tenant pursuant to Clause 16.1 the notice shall be invalid, the Term will not terminate and the period referred to in Clause 16.1 shall start again.
- 16.3 Within 14 days of termination of this Lease pursuant to this Clause 16 the

Landlord will repay to the Tenant such proportion of the Principal Rent or any other sums due under this Lease (other than sums paid in respect of the Maintenance Charge, as defined in Schedule 1) which have been paid by the Tenant and relate to the period after the date of termination.

- 16.4 On termination of this Lease pursuant to this Clause 16, the Tenant covenants to give vacant possession of the Premises (save for, where applicable, the arrangement with the lean Community Group as referred to in clause 10.13 above Provided That such arrangement does not create any security of tenure for the relevant occupier and expires prior to 21 December 2018) free from any mortgages or charges.
- 16.5 When this Lease ends it will be without prejudice to any outstanding claims between the Landlord and the Tenant.

## Licence Summary

### Licence for Alterations Dated 4<sup>th</sup> April 2017 Between GLA Land and Property Limited and Siemens Public Limited Company

**Nature of Licenced Alterations** Minor alterations to the café ceiling and relocation and installation of a lamp post including associated CCTV.

### Summary of Relevant Licence Terms

- | Clause 10 | Reinstatement  |
|-----------|--|
| 10.1      | Unless and to the extent that the Landlord notifies the Tenant not to do so before the end of the Lease, the Tenant must remove the Works (including the 'equipment') at its own cost and reinstate the Premises and the Equipment Area to their former state and condition and make good any damage caused by the removal of the Equipment. |
| 10.2      | All works of reinstatement must be carried out on in accordance with clauses 5, 6 and 7 as if the references in those clauses to 'the works' were references to the works of reinstatement.  |



### 3. Schedule of Remedial Works Required

# Schedule of remedial works required

The Crystal, Siemens Brothers Way, Royal Victoria Dock  
London E16 1GB

Greater London Authority

02B904115 Simon Pick BA (Hons) MA MRICS

## 1. Reinstatement

6 Mar 2019

| Item no.              | Lease clause | Breach  | Remedy   | Cost                              |
|-----------------------|--------------|---|--|-----------------------------------|
| <b>Office Section</b> |              |   |  |                                   |
| <b>Second Floor</b>   |              |   |  |                                   |
| 1.1                   | 12           | Tenant has installed timber stud partitioning to the floor.                           | Remove partitioning and make good disturbed surfaces.  | £4,225.00                         |
| 1.2                   | 12           | Tenant has installed shelving and fixtures generally throughout the floor.            | Remove shelves, notices, clocks, and all other tenant fixtures and make good disturbed surfaces. | £1,000.00                         |
| 1.3                   | 12           | Tenant has installed retractable electrically operated window blinds.                 | Remove window blinds and make good disturbed surfaces.   | £1,500.00                         |
| 1.5                   | 12           | The tenant's furniture and chattels remain in situ.                                   | Remove all chattels, desks and furniture etc.  | We assume the tenant will remove. |
| 1.6                   | 12           | The tenant has installed a circular feature board and raised stand to the board room. | Remove circular feature and stand and make good disturbed surfaces.                              | £2,250.00                         |
| 1.7                   | 12           | Following the removal of the circular feature the carpet will be reinstated.          | Reinstate carpet.  | £750.00                           |
| 1.8                   | 12           | Tenant has installed their signage throughout the floor.                              | Remove signage etc.  | £400.00                           |
| 1.9                   | 12           | The tenant has provided their own white goods to the office kitchenette.              | Remove all white goods to office kitchenette and dispose.  | £300.00                           |
| 1.10                  | 12           | The tenant has installed textured feature walling in the board room.                  | Strip out textured feature walling and make good to disturbed surfaces.                          | £500.00                           |
| <b>First Floor</b>    |              |   |  |                                   |
| 1.11                  | 12           | Tenant has installed shelving and fixtures generally throughout the floor.            | Remove shelves, notices, clocks, and all other tenant fixtures and make good disturbed surfaces. | £1,000.00                         |
| 1.12                  | 12           | The tenant's furniture and chattels remain in situ.                                   | Remove all chattels, desks and furniture etc.  | We assume the tenant will remove. |
| 1.13                  | 12           | Tenant has installed their signage throughout the floor.                              | Remove signage etc.  | £400.00                           |
| <b>Ground Floor</b>   |              |   |  |                                   |
| 1.14                  | 12           | Tenant has installed shelving and fixtures generally throughout the floor.            | Remove shelves, notices, clocks, and all other tenant fixtures and make good disturbed surfaces. | £1,000.00                         |

## 1. Reinstatement

6 Mar 2019

| Item no.               | Lease clause | Breach   | Remedy  | Cost                              |
|------------------------|--------------|--|---|-----------------------------------|
| 1.15                   | 12           | The tenant's furniture and chattels remain in situ.  | Remove all chattels, desks and furniture etc.   | We assume the tenant will remove. |
| 1.16                   | 12           | Tenant has installed their signage throughout the floor.   | Remove signage etc.   | £400.00                           |
| 1.17                   | 12           | The tenant has provided their own white goods to the commercial kitchens.                          | Remove all white goods to commercial kitchens and dispose.                                | £1,200.00                         |
| <b>Exhibition Area</b> |              |  |   |                                   |
| 1.18                   | 12           | The tenant has installed various freestanding exhibition structures throughout the floor.          | Remove freestanding exhibition installations.   | £10,000.00                        |
| 1.19                   | 12           | The tenant has installed bespoke exhibition structures such as the mezzanine and hanging elements. | Remove all bespoke exhibition structures / mezzanine and make good to disturbed surfaces. | £15,000.00                        |
| <b>Total</b>           |              |  |   | <b>£39,925.00</b>                 |

## Schedule of remedial works required

The Crystal, Siemens Brothers Way, Royal Victoria Dock  
London E16 1GB

Greater London Authority

02B904115 Simon Pick BA (Hons) MA MRICS

### 2. Repair

6 Mar 2019

| Item no. | Lease clause | Breach  | Remedy  | Cost       |
|----------|--------------|---|---|------------|
|          |              | <b>Office Section</b>   |   |            |
|          |              | <b>Second Floor</b>   |   |            |
| 2.1      | 8.2          | The glazing is begrimed throughout.   | Clean all internal glazing, including windows, doors and partitioning.        | £1,488.00  |
| 2.2      | 8.2          | The WCs and shower rooms are generally soiled and require cleaning.   | Deep clean all WCs.   | £2,000.00  |
| 2.3      | 8.2          | The structural elements to the underside of the roof are generally begrimed and have a collection of dust.                        | Clean down structural elements to underside of roof.                          | £4,000.00  |
| 2.4      | 8.2          | The metal grated walkway is begrimed and soiled.  | Clean and polish the metal grated walkway.                                    | £144.00    |
| 2.5      | 8.2          | The metal floor grates are damaged adjacent to the walkway.   | Repair areas of damaged floor grate.  | £700.00    |
| 2.6      | 8.2          | Powder coated aluminium window frames are begrimed and dust has collected on surfaces.  | Clean window frames.  | £2,000.00  |
| 2.7      | 8.2          | The ironmongery is begrimed and requires cleaning in the last year of the term.   | Polish door ironmongery, handrails, etc.                                      | £500.00    |
| 2.8      | 8.2          | The metal handrails to the stairs and glazed barriers are begrimed.   | Clean all metal handrails   | £110.00    |
| 2.9      | 8.2          | The solar film to the windows is peeling in isolated areas.   | Remove defective solar film and replace with new.                             | £1,500.00  |
| 2.10     | 8.2          | Water ingress damage to section of ceiling to cleaners cupboard.  | Further investigation required. Undertake repairs and redecorate the ceiling. | £1,500.00  |
| 2.11     | 8.2          | The carpet to the staircase is generally worn in trafficked areas and will be further damaged following the removal of furniture. | Replace the carpets to the staircase.   | £25,710.00 |
|          |              | <b>First Floor</b>  |   |            |

## 2. Repair

6 Mar 2019

| Item no. | Lease clause | Breach   | Remedy  | Cost      |
|----------|--------------|--|---|-----------|
| 2.12     | 8.2          | The tenant is required to clean internal glazing elements in the last year of the term.                    | Clean all internal glazing, including windows, doors and partitioning.        | £912.00   |
| 2.13     | 8.2          | The WCs and shower rooms are generally soiled and require cleaning.  | Deep clean all WCs and showers.   | £750.00   |
| 2.14     | 8.2          | Powder coated aluminium window frames are begrimed and dust has collected on surfaces.                     | Clean window frames.  | £2,000.00 |
| 2.15     | 8.2          | The ironmongery is begrimed and requires cleaning in the last year of the term.                            | Polish door ironmongery, handrails, etc.                                      | £500.00   |
| 2.16     | 8.2          | The metal handrails to the stairs and glazed barriers are begrimed.  | Clean all metal handrails   | £140.00   |
| 2.17     | 8.2          | The solar film to the windows is peeling in isolated areas.  | Remove defective solar film and replace with new.                             | £1,500.00 |
| 2.18     | 8.2          | Water ingress damage to section of ceiling to cleaners cupboard.   | Further investigation required. Undertake repairs and redecorate the ceiling. | £1,000.00 |
| 2.19     | 8.2          | The carpet to the stairs is worn. The carpet to the south west corner is soiled and stained.               | Replace areas of carpet.  | £6,960.00 |
|          |              | <b>Ground Floor</b>  |   |           |
| 2.20     | 8.2          | The tenant is required to clean internal glazing elements in the last year of the term.                    | Clean all internal glazing, including windows, doors and partitioning.        | £204.00   |
| 2.21     | 8.2          | The WCs and shower rooms are generally soiled and require cleaning.  | Deep clean all WCs and showers.   | £500.00   |
| 2.22     | 8.2          | The structural elements to the underside of the roof are generally begrimed and have a collection of dust. | Clean down structural elements to underside of roof above lobby/entrance.     | £1,000.00 |
| 2.23     | 8.2          | Powder coated aluminium window frames are begrimed and dust has collected on surfaces.                     | Clean window frames.  | £2,000.00 |
| 2.24     | 8.2          | The ironmongery is begrimed and requires cleaning in the last year of the term.                            | Polish door ironmongery, handrails, etc.                                      | £500.00   |
| 2.25     | 8.2          | The solar film to the windows is peeling in isolated areas.  | Remove defective solar film and replace with new.                             | £1,000.00 |
| 2.26     | 8.2          | The commercial kitchens are generally soiled and begrimed.   | Undertake a thorough deep clean of both the café and restaurant kitchens.     | £850.00   |

## 2. Repair

6 Mar 2019

| Item no.                  | Lease clause | Breach   | Remedy  | Cost       |
|---------------------------|--------------|--|---|------------|
| 2.27                      | 8.2          | The tiled flooring to the café area is generally soiled.   | Thoroughly deep clean the tiled flooring.                                     | £740.00    |
| 2.28                      | 8.2          | The auditorium finishes are generally soiled. Including the carpet, seating, nosings to stairs, etc.       | Undertake a thorough deep clean of the auditorium.                            | £750.00    |
| 2.29                      | 8.2          | The tiled flooring to the atrium and lobby/entrance area is soiled and requires cleaning.                  | Thoroughly deep clean the tiled flooring.                                     | £1,312.00  |
| 2.30                      | 8.2          | Water ingress stain to the male WC and ceiling is delaminating.  | Further investigation required. Undertake repairs and redecorate the ceiling. | £1,500.00  |
| <b>Exhibition Section</b> |              |  |   |            |
| 2.31                      | 8.2          | The WCs and shower rooms are generally soiled and require cleaning.  | Deep clean all WCs and showers.   | £500.00    |
| 2.32                      | 8.2          | The structural elements to the underside of the roof are generally begrimed and have a collection of dust. | Clean down structural elements to underside of roof.                          | £7,136.00  |
| 3.33                      | 8.2          | Powder coated aluminium window frames are begrimed and dust has collected on surfaces.                     | Clean window frames.  | £4,000.00  |
| 2.34                      | 8.2          | The tiled flooring to the exhibition area is soiled and requires cleaning.                                 | Thoroughly deep clean the tiled flooring.                                     | £5,352.00  |
| <b>External</b>           |              |  |   |            |
| 2.35                      | 8.2          | The external curtain walling requires cleaning within the last year of the term.                           | Thoroughly clean external curtain walling.                                    | £35,328.00 |
| 2.36                      | 8.2          | There are a number of defective glazing panels to the curtain walling.                                     | Replace damaged glazing panels to the north and west elevations.              | £8,000.00  |
| 2.37                      | 8.2          | Defective sealing to the curtain walling system.   | Remove existing sealant and apply new sealant.                                | £450.00    |
| 2.38                      | 8.2          | There is a defective vent which is not operational.  | Service the vent and carry out repairs.                                       | £2,300.00  |
| 2.39                      | 8.2          | Rendered plinths and infill beneath doors are cracked and missing.   | Rake off defective render and apply new render to locations.                  | £750.00    |
| 2.40                      | 8.2          | A number of rail sheets to access paths are corroded.  | Clean down, prepare and treat corroded sheets with a corrosion inhibitor.     | £750.00    |
| 2.41                      | 8.2          | The bike shelter roof and concrete floor are heavily begrimed and stained.                                 | Thoroughly clean down the begrimed areas.                                     | £600.00    |

## 2. Repair

6 Mar 2019

| Item no. | Lease clause | Breach | Remedy | Cost        |
|----------|--------------|--------|--------|-------------|
| Total    |              |        |        | £128,936.00 |

# Schedule of remedial works required

The Crystal, Siemens Brothers Way, Royal Victoria Dock  
London E16 1GB

Greater London Authority

02B904115 Simon Pick BA (Hons) MA MRICS

## 3. Decoration

6 Mar 2019

| Item no.     | Lease clause | Breach   | Remedy  | Cost             |
|--------------|--------------|--|---|------------------|
|              |              | <b>Office Section</b>  |   |                  |
|              |              | <b>Second Floor</b>  |   |                  |
| 3.5          | 8.2          | The tenant is required to redecorate painted plasterboard ceilings in the last year of the term. | Decorate suspended plasterboard ceilings in WCs and boardroom | £2,700.00        |
| 3.7          | 8.2          | The tenant is required to redecorate the skirtings in the last year of the term.                 | Decorate skirtings to the boardroom.                          | £1,072.00        |
| 3.8          | 8.2          | The tenant is required to redecorate/treat the doors in the last year of the term.               | Decorate/varnish doors to the boardroom.                      | £700.00          |
| 3.9          | 8.2          | The tenant is required to redecorate the columns in the last year of the term.                   | Decorate columns.   | £1,080.00        |
|              |              | <b>First Floor</b>   |   |                  |
|              |              | N/A  |   |                  |
|              |              | <b>Ground Floor</b>  |   |                  |
|              |              | N/A  |   |                  |
|              |              | <b>Exhibition Section</b>  |   |                  |
|              |              | N/A  |   |                  |
|              |              | <b>External</b>  |   |                  |
|              |              | N/A  |   |                  |
| <b>Total</b> |              |  |   | <b>£5,552.00</b> |



## Schedule of remedial works required

The Crystal, Siemens Brothers Way, Royal Victoria Dock  
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Greater London Authority

02B904115 Simon Pick BA (Hons) MA MRICS

### 4. Statutory compliance

6 Mar 2019

| Item no.     | Lease clause | Breach   | Remedy   | Cost             |
|--------------|--------------|--|--|------------------|
|              |              | <b>General</b>   |  |                  |
| 4.1          | 11           | We were unable to view any documentation on site confirming that the emergency lighting within the demise is compliant with the Management of Health and Safety at Work and Fire Precautions (Workplace) (Amendment) Regulations 2003 under the Health and Safety at Work etc Act 1974 and the Regulatory Reform (Fire Safety) Order 2005. | Please provide relevant test certification to demonstrate compliance with the recommendations of BS 5266 as well as being in good repair.              | £500.00          |
| 4.3          | 11           | We were unable to view any documentation relating to the electrical installation and testing of the existing fit out in accordance with The Electricity at Work Regulations 1989.  | Please provide relevant NIC EIC certification to demonstrate compliance as well as being in good repair.   | £800.00          |
| 4.4          | 11           | We were unable to view a certificate of compliance for the fire alarm system as per the Management of Health and Safety at Work and Fire Precautions (Workplace) (Amendment) Regulations 2003 and the Regulatory Reform (Fire Safety) Order 2005.  | Provide evidence that the fire alarm system has been maintained and tested such as the documentation recommended in BS 5839 which includes a log book. | £200.00          |
| <b>Total</b> |              |  |  | <b>£1,500.00</b> |

## Schedule of remedial works required

The Crystal, Siemens Brothers Way, Royal Victoria Dock  
London E16 1GB

Greater London Authority

02B904115 Simon Pick BA (Hons) MA MRICS

### 5. Reinstatement of building services items

6 Mar 2019

| Item no. | Lease clause         | Breach  | Remedy  | Cost       |
|----------|----------------------|---|---|------------|
|          |                      | <b>External</b>   |   |            |
| 5.1      | 5.4.1                | The Tenant has isolated and bypassed the solar hot water storage vessel. The solar thermal panels have been isolated and are not in operation and has been de-commissioned. | Inspect, carry out repairs and re-commission solar thermal hot water system.  | £5,000.00  |
| 5.2      | 5.4.1 and Appendix 3 | Electric car chargers have been installed to car park.  | Make safe and cut back power supplies to electric car battery chargers.   | £3,000.00  |
|          |                      | <b>Ground Floor</b>   |   |            |
| 5.3      | 5.4.1 and Appendix 3 | Reception area desks to exhibition area have been installed.  | Make safe, cut back and cap off/isolate and remove services connections to desks including power supplies and accessories, CCTV, security, communication systems etc. | £2,000.00  |
|          |                      | <b>1st Floor</b>  |   |            |
| 5.4      | 5.4.1                | Tenant has created additional partitioned offices to East and West side open plan offices.  | Lighting and chilled beam controls to be re-programmed to suit open plan arrangement.   | £1,000.00  |
| 5.5      | 5.4.1                | Tenant has converted a store room to a meeting room.  | Make safe, strip out and remove existing power supplies, accessories and telecom services etc.  | £1,500.00  |
| 5.6      | 5.4.1 and Appendix 3 | Tenant has re-configured the boardroom and enhanced with presentation and audio visual systems for multiple presentation types.   | Reinstatement lighting to suit the original boardroom layout.   | £15,600.00 |
| 5.7      | 5.4.1 and Appendix 3 | Tenant has re-configured the boardroom and enhanced with presentation and audio visual systems for multiple presentation types.   | Modify air conditioning system including ductwork, air grilles, controls etc. to suit the original boardroom layout.  | £9,600.00  |

## 5. Reinstatement of building services items

6 Mar 2019

| Item no. | Lease clause         | Breach  | Remedy   | Cost       |
|----------|----------------------|---|--|------------|
| 5.8      | 5.4.1 and Appendix 3 | Tenant has re-configured the boardroom and enhanced with presentation and audio visual systems for multiple presentation types.   | Make safe and remove all audio visual equipment, specialist lighting, electronic presentation walls, TV screens, speakers etc. | £2,500.00  |
| 5.9      | 5.4.1                | Tenant has installed under floor power busbars to supply floor boxes and/or grommets. The installation is in serviceable condition and suitable for re-use.   | Service and repair floor boxes/grommets.   | £1,200.00  |
| 5.10     | 5.4.1                | Tenant has installed security systems including CCTV cameras, access controls and intruder alarms. The installation is serviceable condition and suitable for re-use. to offices entrance doors, stores and comms room. Retained reuse service. | Service and repair system components and leave operational.  | £1,200.00  |
| 5.11     | 5.4.1                | Tenant has fitted out a comms room on second floor.   | Strip out and remove data cabling from server racks to floor boxes.  | £2,640.00  |
|          |                      | <b>Second Floor</b>   |  |            |
| 5.12     | 5.4.1                | Tenant has created additional partitioned offices to East and West side open plan offices.  | Lighting and chilled beam controls to be re-programmed to suit open plan arrangement.  | £1,000.00  |
| 5.13     | 5.4.1                | Tenant has converted a store room to a meeting room.  | Make safe, strip out and remove existing power supplies, accessories and telecom services etc.                                 | £1,500.00  |
| 5.14     | 5.4.1                | Tenant has re-configured the boardroom and enhanced with presentation and audio visual systems for multiple presentation types.   | Reinststate lighting to suit the original boardroom layout.  | £15,600.00 |
| 5.15     | 5.4.1                | Tenant has re-configured the boardroom and enhanced with presentation and audio visual systems for multiple presentation types.   | Modify air conditioning system including ductwork, air grilles, controls etc. to suit the original boardroom layout.           | £9,600.00  |
| 5.16     | 5.4.1                | Tenant has re-configured the boardroom and enhanced with presentation and audio visual systems for multiple presentation types.   | Make safe and remove all audio visual equipment, specialist lighting, electronic presentation walls, TV screens, speakers etc. | £3,000.00  |

## 5. Reinstatement of building services items

6 Mar 2019

| Item no.     | Lease clause | Breach   | Remedy  | Cost              |
|--------------|--------------|--|---|-------------------|
| 5.17         | 5.4.1        | Tenant has re-configured the boardroom and enhanced with presentation and audio visual systems for multiple presentation types.  | Reinstate smoke detectors to original boardroom layout.             | £600.00           |
| 5.18         | 5.4.1        | Tenant has installed under floor power busbars to supply floor boxes and/or grommets. The installation is in serviceable condition and suitable for re-use.  | Service and repair floor boxes/grommets.                            | £6,000.00         |
| 5.19         | 5.4.1        | Tenant has installed security systems including CCTV cameras, access controls and intruder alarms. The installation is serviceable condition and suitable for re-use.to offices entrance doors, stores and comms room. Retained reuse service. | Service and repair system components and leave operational.         | £2,400.00         |
| 5.20         | 5.4.1        | Tenant has fitted out a comms room.  | Strip out and remove 3 server racks and associated power supplies.  | £750.00           |
| 5.21         | 5.4.1        | Tenant has fitted out a comms room.  | Strip out and remove data cabling from server racks to floor boxes. | £7,200.00         |
| 5.22         | 5.4.1        | Tenant has fitted out a comms room.  | Make safe, strip out and server rack powers supplies to PDU.        | £3,750.00         |
| <b>Total</b> |              |  |   | <b>£51,400.00</b> |

## Schedule of remedial works required

The Crystal, Siemens Brothers Way, Royal Victoria Dock  
London E16 1GB

Greater London Authority

02B904115 Simon Pick BA (Hons) MA MRICS

### 6. Repair of building services items

6 Mar 2019

| Item no. | Lease clause | Breach  | Remedy  | Cost       |
|----------|--------------|---|---|------------|
|          |              | <b>External</b>   |   |            |
| 6.1      | 8.1.2        | Filters to louvered wall to plantroom on ground floor housing the black water storage tank are dirty. | Replace filters.  | £750.00    |
| 6.2      | 8.1.2        | Fault light on control panel for thermal to ACH   | Investigate and repair fault.   | £1,500.00  |
| 6.3      | 8.1.2        | Fault light on control panel for IT Comms and Electrical Plantroom package unit.                      | Investigate and repair fault.   | £2,500.00  |
| 6.4      | 12.1.4       | Black water recovery system is not working.   | We are advised that the system although installed has never been commissioned and has subsequently been disconnected from the system. Clause 12.1.4 excludes the black water treatment system from the obligations of the Tenant. | £0.00      |
| 6.5      | 8.1.2        | The air conditioning system serving the restaurant area adjacent to the kitchen is noisy.             | Inspect ventilation plant and carry out remedial works.   | £1,000.00  |
| 6.6      | 8.1.2        | The PV array appears dirty.   | Clean PV panels on roof.  | £15,800.00 |
|          |              | <b>Ground Floor</b>   |   |            |
| 6.7      | 8.1.2        | High level spot lights to exhibition space and around auditorium are not working.                     | Replace spot lights with new.   | £1,750.00  |
|          |              | <b>1st Floor</b>  |   |            |
| 6.8      | 8.1.2        | No repairs noted.   |   |            |
|          |              | <b>Second Floor</b>   |   |            |
| 6.9      | 8.1.2        | Leak in evidence to comms room.   | Investigate and if required carry out repairs to pipework leaks.  | £1,000.00  |
| 6.10     | 8.1.2        | There are a number of high level spot lights not working.   | Access difficult and we are advised the spot lights are no longer manufactured. Replace   | £3,750.00  |
| 6.10     | 8.1.2        | There are a number of high level spot lights not working.   | Access difficult and we are advised the spot lights are no longer manufactured. Access platform.  | £5,000.00  |

## 6. Repair of building services items

6 Mar 2019

| Item no. | Lease clause | Breach  | Remedy   | Cost       |
|----------|--------------|---|--|------------|
|          |              | <b>General</b>  |  |            |
| 6.11     | 12.1.4       | All mechanical, electrical, plumbing and drainage systems, including water storage tanks and lift installations to be handed back fully commissioned and certified. | Carry out servicing and re-commissioning of all electrical systems including any remedial works identified. Provide engineers reports and test certificates to demonstrate that the electrical installations, fire alarm, lighting control, fire alarms, emergency lighting etc. are fully operational and performing in accordance with design parameters.                | £10,000.00 |
| 6.12     | 12.1.4       | All mechanical, electrical, plumbing and drainage systems, including water storage tanks and lift installations to be handed back fully commissioned and certified. | Carry out servicing and re-commissioning of all mechanical systems including any remedial works identified. Provide engineers reports and test certificates to demonstrate that the ground source heat pumps, chiller, closed circuit water systems, ventilation, BMS and controls systems etc. are fully operational and performing in accordance with design parameters. | £15,000.00 |
| 6.13     | 12.1.4       | All mechanical, electrical, plumbing and drainage systems, including water storage tanks and lift installations to be handed back fully commissioned and certified. | Carry out servicing and re-commissioning of all mechanical systems including any remedial works identified. Provide engineers reports and test certificates to demonstrate that the domestic water and drainage systems etc. are fully operational and performing in accordance with design parameters.  | £5,000.00  |
| 6.14     | 12.1.4       | All mechanical, electrical, plumbing and drainage systems, including water storage tanks and lift installations to be handed back fully commissioned and certified. | Carry out servicing and re-commissioning of all lifts and hoists including any remedial works identified. Provide engineers reports and test certificates to demonstrate that the two passenger, disabled hoist and dumb waiter are fully operational and performing in accordance with design parameters.   | £7,500.00  |

## 6. Repair of building services items

6 Mar 2019

| Item no. | Lease clause | Breach | Remedy | Cost       |
|----------|--------------|--------|--------|------------|
| Total    |              |        |        | £70,550.00 |

# Schedule of remedial works required

The Crystal, Siemens Brothers Way, Royal Victoria Dock  
London E16 1GB

Greater London Authority

02B904115 Simon Pick BA (Hons) MA MRICS

## 7. Summary of claim

6 Mar 2019

| Item no.                              | Lease clause | Item   | Cost                |
|---------------------------------------|--------------|--|---------------------|
| <b>Cost of works</b>                  |              |  |                     |
| 7.1                                   |              | Reinstatement of alterations   | £91,325.00          |
| 7.2                                   |              | Repair   | £199,486.00         |
| 7.3                                   |              | Decoration   | £5,552.00           |
| 7.4                                   |              | Statutory compliance   | £1,500.00           |
| <b>Sub total</b>                      |              |  | <b>£297,863.00</b>  |
| 7.5                                   |              | Temporary access for high level works  | inc                 |
| 7.6                                   |              | Contractor preliminaries, overheads and profit 15.0%   | £44,679.45          |
| <b>Cost of works sub total</b>        |              |  | <b>£342,542.45</b>  |
| <b>Professional fees</b>              |              |  |                     |
| 7.7                                   |              | Surveyor - preparing the schedule of dilapidations   | £11,175.00          |
| 7.8                                   |              | Solicitor - serving the schedule   | £600.00             |
| 7.10                                  |              | Contract Administrators Fees 10.0%   | £34,254.25          |
| 7.13                                  |              | Services engineer 2.0%   | £6,850.85           |
| 7.14                                  |              | CDM related fees 1.0%  | £2,000.00           |
| 7.15                                  |              | Building Control / Approved Inspector 0.0%   | £1,500.00           |
| <b>Professional fees sub total</b>    |              |  | <b>£56,380.09</b>   |
| <b>Consequential losses</b>           |              |  | <b>Annual costs</b> |
|                                       |              | Loss of rent   | TBC                 |
|                                       |              | Loss of service charge   | TBC                 |
|                                       |              | Loss of insurance costs  | TBC                 |
|                                       |              | Void rates / void water rates  | TBC                 |
|                                       |              | Other misc. costs  | TBC                 |
|                                       |              | Finance costs  | TBC                 |
|                                       |              | VAT 0.0%   | £0.00               |
|                                       |              | (Basis of VAT applicability: The owner has opted to tax the land and buildings. VAT will not be incurred when undertaking works and is therefore not applicable to the claim as an additional loss.) |                     |
|                                       |              | (Basis of VAT applicability: The owner has not opted to tax the land and buildings. VAT will be incurred on the cost of the works and will therefore result in an additional loss.)                  |                     |
| <b>Consequential losses sub total</b> |              |  | <b>£0.00</b>        |
| <b>Grand total</b>                    |              |  | <b>£398,922.54</b>  |

| <b>Estimated void period</b>                      |                  |
|---|------------------|
| Preparation of specification and tender documents |                  |
| Tender period                                     |                  |
| Tender analysis                                   |                  |
| Contractor's lead in                              |                  |
| Contract period                                   |                  |
| <b>Total</b>                                      | <b>0 week(s)</b> |



Crystal Early Surrender Deal - Heads of Terms

03.05.2019

**1. Terms**

- 1.1. "Lease" means the lease between (1) GLA Land and Property Limited (2) Royal Docks Management Limited and (3) Siemens plc dated 14<sup>th</sup> October 2016
- 1.2. "GLAP" means GLA Land and Property Limited.
- 1.3. "SPLC" means Siemens plc.

**2. Proposal**

- 2.1. GLAP shall agree to a surrender of the interest of SPLC in the Lease as a full and final release of all of SPLC's obligations in the Lease for the payment specified in 2.2. SPLC will also provide a full and final release of all GLAP's obligations in the Lease. All costs including rent, service charge and maintenance costs will continue to be paid by SPLC until completion (see also paragraph 2.7 below). The release in the Deed of Surrender will include the Maintenance Charge obligations so that there will not be a balancing exercise/payment post-completion following the end of the current Maintenance Charge Period.
- 2.2. SPLC shall pay GLAP:
  - 2.2.1. the sum of £12,345,618.31 (Pounds Sterling) + VAT for the surrender and release; and
  - 2.2.2. the sum of £[*dilapidations element of premium to be agreed and deducted from the figure in 2.2.1*] (Pounds Sterling) in settlement of all dilapidations liability (other than in relation to the specific obligations re yield-up as specified below, including removal of the Exhibition referred to in paragraph 2.10).
- 2.3. The parties will exchange conditional contracts no later than Friday 31 May 2019 and complete 5 working days following satisfaction of the Condition (see paragraph 2.4) but in any event no earlier than the 1 July 2019.
- 2.4. The condition (the "**Condition**") shall be vacant possession of the property and SPLC yielding up the property in the condition required by the Agreement (being the current state and condition of the property with an agreed list of Tenant's fixtures, fittings and chattels removed, including the removal of the exhibition items referred to in paragraph 2.10 below). SPLC will use all reasonable endeavours to satisfy the Condition by 1 July 2019.
  - 2.4.1. If the Condition is not satisfied by 1 September 2019, GLAP will be entitled (in its absolute discretion) to trigger completion without prejudice to its rights in relation to non-satisfaction of the Condition. GLAP may then carry out the remaining works/obtain vacant possession, SPLC indemnifying GLAP in respect of all associated costs.
  - 2.4.2. If the Condition is not satisfied by 1 October 2019, GLAP will be entitled (in its absolute discretion) to terminate the Agreement at any time thereafter.
- 2.5. If requested by GLAP, SPLC shall use reasonable endeavours to novate any existing contracts by 1 July 2019 for the provision of facility management and hospitality services to the

Landlord, in so far as it is commercially and legally reasonably possible to do so. If contracts cannot be novated, their benefit will be assigned to GLAP if GLAP so requires. If this is not possible, SPLC will terminate the contracts prior to actual completion. GLAP to confirm its requirements in relation to these contracts once they have been disclosed and reviewed. All operational and maintenance manuals, service records to be released to GLAP on completion.

- 2.6. SPLC to be responsible for and indemnify GLAP against all TUPE liabilities assumed by GLAP as part of the surrender. SPLC to provide GLAP with all relevant details for review.
- 2.7. SPLC shall be responsible for compliance with its Lease obligations including all building maintenance, non-domestic rating payments, facility, hospitality and catering services and entitled to any revenues arising from these services until the actual date of completion.
- 2.8. VAT shall be applicable to all sums paid.
- 2.9. SPLC to cover GLAP legal and survey costs up to £38,400 + VAT in addition to the sums referred to in paragraph 2.2.
- 2.10. SPLC to remove (at SPLC's cost) the contents of the Siemens Sustainable Cities Exhibition and making good on the floors and finishes prior to completion as part of the Condition.
- 2.11. GLAP may require assignment (on completion) by SPLC to GLAP of the building contract, professional appointments etc relating to the original construction of the building.
- 2.12. On completion SPLC will transfer its share in RoDMA to GLAP and will assign the benefit of any intellectual property (including domain names) and any other rights associated with the building. In addition, SPLC will break its lease of the Triangle Site with LBN and evidence that to GLAP.

| Chart of Accounts combined            | FY 16             | FY17              | FY18              | WW Comment   | Best Case         |
|---------------------------------------|-------------------|-------------------|-------------------|--|-------------------|
| Preventive maintenance                | -£20,983          | £286,795          | £440,142          | Large swings in preventative maintenance with no clear pattern.  | £315,474          |
| preventative maintenance              | £520,634          |                   |                   | included above   | £0                |
| Security (ext)                        | £813,236          | £750,948          | £777,717          | Observations and discussions have highlighted significant number of staff on site. Potential to reduce subject to insurance needs being covered and GLA standards satisfied - need guidance from GLA FM      | £649,683          |
| reception and front of house services | -£13,907          |                   |                   | Observations have shown reception and front of house still in place - unsure as to why there are no costs shown here - potentially included elsewhere or in subcontract                                      | £0                |
| Office cleaning                       | £184,325          | £183,366          | £190,977          | Steady costs - need to be aware that these may not LLW contracts and GLA ones would need to be LLW. So any cost savings would need to be time or quality based not hourly rate based. need guidance from GLA | £190,977          |
| Oth. miscell.exp.man                  |                   | £7,334            | £5,838            |  |                   |
| Facilities-Mgt Svcs                   |                   | £27,843           | £184,463          | Strange that this wasn't in first year and then jumps so significantly in Y3. No transparency on what this is.   | £106,153          |
| Pantry expenses                       | £34,194           | £2,053            | £12,475           | large swings but not a material size costs   | £0                |
| Miscell. exp - spec.                  |                   | £10,810           | £10,243           | unknown costs not material   | £0                |
| <b>SUB TOTAL FM</b>                   | <b>£1,517,499</b> | <b>£1,269,149</b> | <b>£1,621,855</b> |  | <b>£1,262,287</b> |
| <b>£/sqft costs for FM only</b>       | <b>£19</b>        | <b>£15</b>        | <b>£20</b>        |  | <b>£15</b>        |
| Electr. Consumption                   |                   | £172,898          | £221,759          | change of use may allow greater savings as can working with design engineers and FM team Also unit price of electricity not known - GLA may be able to achieve significant savings through purchasing power. | £201,599          |
| electricity office sites              | £167,083          |                   |                   | inc above  | £0                |
| fuel consumption                      | -£14,000          |                   |                   | inc above  |                   |
| utilities accrual                     | £13,640           |                   |                   | inc above  |                   |
| Water Consumption                     |                   | £70,551           | £6,000            | No set pattern and hard to estimate on this basis. GLA benchmarks would be helpful here as comparisons.  | £38,275           |
| water office sites                    | £983              |                   |                   | inc above  |                   |
| remote heating                        |                   | £1,021            |                   | inc above  |                   |
| Waste disposal expen                  | £7,712            | £5,997            | £7,393            | Costs seem low - would be useful to compare to GLA benchmarks.   | £7,034            |
| Waste management                      | £1,119            | £2,430            | £3,070            |  | £2,207            |
| <b>SUB TOTAL Utilities</b>            | <b>£176,538</b>   | <b>£252,896</b>   | <b>£238,222</b>   |  | <b>£249,115</b>   |
| <b>£/sqft utilities costs</b>         | <b>£2</b>         | <b>£3</b>         | <b>£3</b>         |  | <b>£3</b>         |

|                                       |                   |                   |                   |   |                   |
|---------------------------------------|-------------------|-------------------|-------------------|---|-------------------|
| Insurance expenses                    | £94,833           | £47,223           | £63,471           | Unknown how Siemens have allocated this. Potential economies of scale under GLAP insurance. GLA input and comparison needed of course.  | £56,000           |
| Property Insurance                    |                   | £24,655           |                   | As above.   | £0                |
| Other misc. taxes                     |                   | £289,167          | £340,340          | very little control or influence - if a charity as tenant could get discounts but can't rely on that. They have used Gerald Eve and therefore likely to have optimised ability to reduce rating already. Though needs checking. | £357,357          |
| other taxes on property and           | £251,425          |                   |                   | as above.   | £0                |
| Energy-Carbon Levy                    |                   | £10,905           | £11,871           | Tax related to energy use - increased use of the building could increase this but energy efficiencies could reduce it.  | £11,388           |
| energy consumption - carbon           | £14,352           |                   |                   | included above  | £0                |
| <b>SUB TOTAL Rates, Insurances</b>    | <b>£360,610</b>   | <b>£371,950</b>   | <b>£415,683</b>   |   | <b>£424,745</b>   |
| <b>£/sqft insurance and taxes</b>     | <b>£4</b>         | <b>£5</b>         | <b>£5</b>         |   | <b>£5</b>         |
| Purchases restaurant                  | £899,362          | £869,022          | £6,663            | From 2018 Sodexo took over the running of the restaurant. Any costs now not building specific.  | £0                |
| Mails/publications                    |                   | £8,977            | £3,412            | Cost not building related.  | £0                |
| Postage courier                       | £9,709            | £0                |                   | Cost not building related.  | £0                |
| SRE services allocation               | £8,031            |                   |                   | Cost not building related.  | £0                |
| <b>SUB TOTAL non building related</b> | <b>£917,102</b>   | <b>£877,999</b>   | <b>£10,076</b>    |   | <b>£0</b>         |
| <b>GRAND TOTAL ALL Siemens costs</b>  | <b>£2,971,749</b> | <b>£2,771,994</b> | <b>£2,285,835</b> |   |                   |
| <b>Total building related costs</b>   | <b>£2,054,647</b> | <b>£1,893,995</b> | <b>£2,275,759</b> |   | <b>£1,936,147</b> |
| <b>total £/sqft building opex</b>     | <b>£25</b>        | <b>£23</b>        | <b>£28</b>        |   | <b>£24</b>        |

| Risk   | Mitigation  | Risk Level   |
|--|---|--|
| <p><u>Communications surrounding SPLC's early exit:</u> it is critical that the early surrender of the lease is not seen as SPLC 'walking away' from the Royal Docks. This may impact the reputation of the area as a whole and have wider political implications regarding Brexit. SPLC have demonstrated willingness to aid the GLA in meeting its regeneration objectives through the early surrender, and as such this should be communicated as an exciting transition.</p>   | <ul style="list-style-type: none"> <li>GLAP have agreed that SPLC take ownership of the primary comms strategy.</li> </ul>  | <p><b>High:</b> this must be a collaborative effort between SPLC and the GLA to prepare media lines</p>  |
| <p><u>Long-term commercial sustainability (1) JLL projected income target and assumed future use:</u><br/>The JLL valuation report assumes that the Crystal is capable of a future income of £1.75 million per annum if the building is fully re-let as office. This does not consider the design of the building and assumes the full conversion of the exhibition space into office alongside some back of house space. It additionally does not consider competing office spaces across the docks as yet unbuilt, such as Royal Albert Dock and Silvertown Quays.</p> | <ul style="list-style-type: none"> <li>Within this Mayoral Decision it must be noted that the market rent for the building will be highly contingent on its future use. Understanding the most viable use for the Crystal will be assessed as part of establishing a long-term plan.</li> <li>The future use of the building will be subject to best consideration rules. This may not find that £1.75 million/annum is the market rent.</li> <li>Alternative to redevelop the site to be explored as part of the feasibility study for a long-term use.</li> </ul> | <p><b>High:</b> the GLA have established that the existing conferencing facility operated by Sodexo is not currently commercially viable. JLL have recommended office use.</p> |
| <p><u>GLA reputational risk:</u> this deal will put GLAP in direct control of the building. Reputational risks are dependent on GLAP to maintain core FM services effectively and ensure the building is well activated.</p>   | <ul style="list-style-type: none"> <li>To ensure the building maintains its current level of activity, GLAP will novate Sodexo's existing contract with Siemens.</li> <li>GLAP have identified key internal personnel in the GLAP Estates Team to take responsibility in managing Avison Young (AY) FM services at the Crystal.</li> <li>GLAP have advised AY to either novate or subcontract EMCOR to carry out FM services over the immediate short-term period for continuity and to allow an extended handover of intelligence on the building.</li> </ul>      | <p><b>Low:</b> AY are in discussions with EMCOR who are cooperative and have agreed new terms.</p>   |

|   |   |   |
|---|---|---|
| <p><u>Long-term commercial sustainability (2)</u><br/> <u>Developability of the site:</u><br/> GLAP's acquisition of the site was partially predicated on its land value as a developable asset for high density residential use. The GL Hearn Red Book Valuation assumes a high-density residential tower with a 35% affordable yield. Since 2016 however, policy has changed whereby GLA schemes now deliver 50% affordable homes. It is also unclear from the GL Hearn appraisal whether the Triangle site and Crystal site are mutually developable as residential in terms of building line proximities.</p> | <ul style="list-style-type: none"> <li>• This risk does not impact the benefits of the early surrender deal.</li> <li>• Early engagement with Red Door Ventures to be carried out, scoping proximities and the mutual developability of both sites as part of a long-term plan.</li> <li>• GLAP to consider options to buy out LB Newham and own the entire land parcel. This would place GLAP in the strongest position to deliver both commercial and community benefits.</li> </ul>  | <p><b>Low:</b> it is unlikely that the Crystal plot is not developable. However, there are questions regarding densities likely to be achieved.</p>   |
| <p><u>Long-term commercial sustainability (3)</u><br/> <u>Operational Running Costs:</u><br/> SPLC have shared operational costs with GLAP which have totalled to approximately £2.3 million per annum to fully manage and staff the building. Combined with a market rent of £1.75 million, this creates a sqft cost of ~£63/sqft. Without reducing the running costs, this level of cost will be unattractive to most markets.</p>  | <ul style="list-style-type: none"> <li>• The JLL guidance note considers the operational costs of the building at £2.3 million. This still shows a commercial benefit for GLAP.</li> <li>• GLAP have also carried out an initial appraisal of SPLC's operational costs and have found early savings to be made, such as a reduction in security staff.</li> </ul>   | <p><b>Low:</b> in the short-term, operational costs will be covered by the lumpsum from SPLC. Reducing the operational costs of the building will be a priority in the transition period to feed into a long-term plan.</p> |
| <p><u>Long-term commercial sustainability (4)</u><br/> <u>Effect of Brexit on the market:</u><br/> There is a potential risk in the medium-term regarding market buoyancy. This might impact upon GLAP being able to find a future operator if for example, the demand for office space significantly reduces.</p>  | <ul style="list-style-type: none"> <li>• JLL have reported positive trends in the office rental market: 'East London take-up totalled 381,000 sq ft for Q4 2018, a 133% rise on Q3 2018 and 35% up on the 5-year average. The excellent take-up was largely due to two deals over 100,000 sq ft that together made up 63% of all East London take-up for the quarter. A 94% majority of take-up was concentrated in Docklands; Stratford take-up totalled 21,138 sq ft in Q3 from one deal. The two 100,000 sq ft + deals are representative of positive sentiment in the East London market.'</li> </ul> | <p><b>Low:</b> the JLL valuation has given GLAP a deadline of mid-2025 before financial loss occurs in respect to re-letting the building. This should allow for the market to stabilize following Brexit.</p>              |
| <p><u>Planning risk associated with a change of use class</u></p>   | <ul style="list-style-type: none"> <li>• The building has a D1 Use Class. The JLL valuation assumes that the Crystal will be converted to office use which will require a planning application.</li> </ul>  | <p><b>Low:</b> community uses can be retained in smaller, shared areas of the building as ancillary uses.</p>   |



**Client:** Greater London Authority

**Property:** Siemens Crystal, Royal Docks E16

## Guidance Note

May 2019

### EXERCISE

The GLA has accepted a surrender from Siemens in exchange for a premium payment. You would like to keep the building open in order to consider potential future uses during a transition period.

JLL are to advise on what length this transition period could be before the value of the GLA's interest in the property falls below the level it would have been had a surrender **NOT** been accepted.

JLL undertook a formal valuation exercise in where we reported the GLA's freeholder interest assuming the Siemens remain in occupation until lease expiry as being £21,350,000. This is the benchmark for comparison.

### ASSUMPTIONS

You have asked us to consider alternative scenarios based on the following assumptions:-

- A surrender premium of £12,345,618 is received.
- The GLA then occupy the property for a period of time during which:-
  - Opex and services costs total £2.3m per annum.
  - Income is received totalling £900k per annum.
  - Rates total £364,476 per annum.
  - A planning consent is sought during the last 6 months of this period.
- A programme of works lasting 6 months is undertaken to get the property into lettable condition. The cost of these works is £2,978,000 which includes the £400k dilapidations estimate and is spread equally over the works period.
- The property is marketed from commencement of the building works for 18 months. There is a 12 month period during which the building is unoccupied.
  - Opex and services costs total £2.3m per annum.
  - No income is received.
  - Rates total £364,476 per annum.



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- The property is then let at £1.75m on FRI terms. We have assumed a 12-month rent free period during which the tenant will be responsible for all costs. The income is then capitalised into perpetuity.

## **CONCLUSIONS**

### **Exercise 1**

Based on the assumptions detailed above – if the GLA occupy the premises for **40 months** – the value of the GLA’s interest is £21.25m – this is in line with the benchmark value detailed above.

### **Exercise 2**

You have also asked us to calculate the value of GLA’s interest on the basis of they have a 2 year period of occupation. All other assumptions are as detailed above. This produces a value of **£24.5m**.