

# FIVE KINGDOM STREET

FINANCIAL VIABILITY  
ASSESSMENT

JULY 2020



**5 Kingdom Street, W2**

**FINANCIAL VIABILITY ASSESSMENT**

Prepared by **DS2 LLP**

100 Pall Mall, SW1Y 5NQ

Tel: 0207 004 1765

[www.ds2.co.uk](http://www.ds2.co.uk)

On behalf of **British Land**

**July 2020**





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## 1 EXECUTIVE SUMMARY

- 1.1 This Financial Viability Assessment (hereafter “FVA”) has been prepared by DS2 to robustly examine the financial viability of the proposed redevelopment of 5 Kingdom Street, Paddington (“the Site”). The Site is located within the administrative boundary of Westminster City Council (“WCC” or the “Council”).
- 1.2 A detailed planning application (Ref 19/03683/FULL) was submitted to WCC on the 14th May 2019 for the erection of a mixed-use development comprising ground floor (at Kingdom Street level), plus 18 storeys to provide offices (B1(a)) plus ancillary plant and amenity areas (hereafter the “Original Scheme”). As part of the detailed planning application an FVA (hereafter the “Original FVA”) was prepared by DS2 on behalf of British Land (the “Applicant”) to assess whether the scheme could viably provide affordable housing on-site, off-site or as a payment in lieu in accordance with Policy S1 of the Westminster City Plan: Consolidated with all changes since November 2013 (November 2016) (“Westminster City Plan”).
- 1.3 The Original FVA concluded that no affordable housing contribution could be viably provided by the Original Scheme. The Original FVA was reviewed by WCC’s independent viability assessor. Whilst the Applicant disagreed with a number of assumption adopted by the independent assessor, the Applicant accepted the overall conclusions of the assessor, insofar that an affordable housing contribution of £1,760,696 was accepted, on the basis that it would enable them to achieve a satisfactory planning consent within a more reasonable timeframe.
- 1.4 The planning application was heard at planning committee on the 7th January 2020. WCC resolved to refuse planning permission, on the grounds of 1) design, townscape and heritage impacts; and 2) insufficient information relating to potential daylight/sunlight impacts. On the 23rd March 2020 the Mayor issued his Stage 2 report which indicated that he was using his powers to act as the local planning authority for the purposes of determining the planning application and ‘calling in’ the scheme.
- 1.5 The Applicant has subsequently revised the development proposals in order to maximise the development potential of the Site which has enabled the Applicant to provide an enhanced planning obligation package. This includes utilising space in the ‘Crossrail Box’ to enhance the affordable workspace; optimising the scheme to improve efficiency and increase the net office area, allowing an increased affordable housing payment to be made; and committing to make the building net zero carbon.
- 1.6 An FVA has therefore been prepared in support of the amended planning application which has been submitted to the Greater London Authority (“GLA”) by planning consultants CBRE on behalf of the Applicant.
- 1.7 The Site is located within the former Goods Yard area north-west of Paddington Station. It covers an area of 1.26 hectares, or 3.11 acres and is bounded by Harrow Road to the north,

Westbourne Bridge to the west; the railway lines into and out of Paddington station to the south; and other plots within the Paddington Central campus to the east. The Site sits within the Paddington Opportunity Area, Westminster's most significant opportunity for large-scale regeneration and North Westminster Economic Development Area (NWEDA).

1.8 The Site is currently used by Pergola, a temporary 850-cover outdoor dining concept with an associated bar.

1.9 The Site has an implemented consent for;

*'Reserved matters approval in relation to the last two buildings at 4 and 5 Kingdom Street pursuant to Condition A.1(a),(b),(c) in part relating to the layout, siting means of vehicular and pedestrian access, parking, detailed design and external appearance and the surface treatment of any part of the site not covered by buildings or formally landscaped areas and Condition M.1 (disabled access) attached the outline planning permission dated 23 May 2000 (as amended by 09/08354/FULL), for one 13 storey office building plus plant room and one 10 storey office building plus plant room.'* (Ref 09/08353/RESMAT).

1.10 The reserved matters approval was granted further to the original outline planning permission discussed in the section three of this report (Ref: 97/06935/OUT). 4 Kingdom was subsequently built out, implementing the consent.

1.11 The amended description of the proposed development is as follows;

*'Erection of a mixed-use development comprising ground floor (at Kingdom Street level) plus 19 storeys to provide offices (B1a) and retail (A1/A3) plus plant and amenity areas at roof level. Three floors below Kingdom Street delivered in phases to provide an auditorium (Sui Generis), and a flexible mix of business (B1a), retail (A1/A3/Sui Generis), sport and leisure (D2) and exhibition (D1/Sui Generis) uses within the former 'Crossrail box'. New outdoor terraces adjacent to railway at basement level; creation of a new pedestrian and cycle link between Harrow Road and Kingdom Street including internal and external garden and landscaping; and associated works.'*

1.12 The key changes to the development proposals are as follows;

- Reorganising the top of the building by making level 18 a full office floor and moving all roof level plant up to level 19.
- Reorganising the base of the office building by converting the mezzanine level to offices rather than a lobby and relocating the office lobby to ground floor. The flexible office/retail unit at the south elevation at ground level has also been omitted.
- A more detailed summary of the changes to the development proposal can be found in the, Environmental Statement, Design and Access Statement or Planning Statement.

1.13 The proposals include an improved public benefits package, set out below;

- Increasing the affordable workspace provision to 3,900 sqm (GIA) and relocating this space to the Crossrail Box;
- Reducing the quantum of 'flexible' space within the Crossrail Box to accommodate the permanent affordable workspace;
- Increasing the contribution to WCC's affordable housing fund to £14,300,000 (an increase of £12,593,304). Further information is provided on this in the FVA.
- Revising the energy strategy to achieve 43% carbon saving based on current modelling and seeking further savings where possible through the detailed design stage.
- Achieving a net zero carbon development by maximising on site opportunities for savings up to completion and off-setting, where necessary.

1.14 Policy S1 (Mixed Use in The Central Activities Zone) states that development within the Core CAZ and Opportunity Areas, which includes net additional B1 office floorspace, must provide residential floorspace or an equivalent payment. Policy S3 states that the requirement for residential floorspace as part of new commercial development may be applied more flexibly where the Council considers this to be necessary in order to deliver substantial planned transport and/or public realm improvements.

1.15 Notwithstanding this more flexible approach in the Paddington Opportunity Area (POA), this FVA has been submitted to test the maximum level of affordable housing obligation that can be provided without impeding the viability of the project and the chances of delivery, in accordance with the WCC's mixed-use policy.

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

1.17 A part Existing Use Value ("EUUV"), part Alternative Use Value ("AUUV") approach to Benchmark Land Value, in accordance with both national and the Mayor's guidance, has been adopted for the purposes of this FVA. This is based upon the value of the Site underneath the existing Crossrail Box as storage space (the EUUV component) and the value of the existing implemented planning permission for 5 Kingdom Street (the AUUV component) above the Crossrail Box.

1.18 The results of the FVA can be summarised below;

FVA RESULTS, 5 KINGDOM STREET, JULY 2020		
Benchmark Land Value	Proposed Scheme RLV	Surplus / Deficit
£62,343,319	£44,731,617	(£17,611,702)

- 1.19 The results demonstrate that on a present-day basis the proposed scheme derives a Residual Land Value (“RLV”) of £44,731,617. This is below the Benchmark Land Value (“BLV”) of £62,343,319. As such, the above demonstrates that the proposed scheme is unable to viably provide a greater affordable housing payment than the £14.3m currently proposed. The key driver of the viability deficit between the proposed scheme RLV and the BLV is the level of non-affordable housing S106 and CIL contributions required under the development proposals but which are not applicable to the existing implemented permission.
- 1.20 Through the design changes the scheme has been optimised, increasing the value of the proposals. Rather than use this value increase to bridge the viability ‘gap’ the Applicant has chosen to allocate this to affordable housing, generating the current affordable housing contribution of £14.3m. The underlying viability position of the amended proposals are therefore broadly equivalent to that which the Applicant were originally prepared to commit to at planning committee. The revised affordable housing contribution does however remain in excess of what the scheme can viably support when assessed against the BLV, as illustrated in the results table.
- 1.21 Whilst there is a viability deficit in land value terms, sensitivity testing demonstrates that rental growth over the life of the development and beyond, that a viable and deliverable scheme is achievable.
- 1.22 Furthermore, as a responsible long-term investor the Applicant is uniquely placed to able to consider the proposals on a long-term investment basis. Its development decisions take into account quality of income, wider campus placemaking benefits and its ability to positively contribute to the community and local area. The Applicant’s approach is supported by their track record in delivering high quality developments in Westminster, most recently at 4 Kingdom Street, as well as their past and continuing stewardship of the Regents Place and Broadgate neighbourhoods in Camden and the City of London which they have owned and managed for 36 and 24 years respectively.
- 1.23 The Applicant has committed to making a £14.3m affordable housing contribution. In addition to this, the proposed scheme also generates £23.2m of Mayoral and Borough CIL payments, £4.05m in S106 obligations plus other non-financial benefits including the creation of a new route connecting Paddington and North Westminster, a new public garden, enhanced public realm, affordable workspace totalling 3,900 sqm (GIA) and SME space, local employment, training and skills initiatives, measures to promote health and wellbeing and bringing forward a mix of uses in the Box which will be accessible to and benefit the wider community.

## 2 INTRODUCTION

- 2.1 This FVA has been prepared by DS2 to robustly examine the financial viability of the Site. The Site is located within the administrative boundary of WCC.
- 2.2 The following FVA has been prepared to support the revised planning application which has been submitted by planning consultants CBRE on behalf of the Applicant. The Applicant acquired Paddington Central, an 11-acre mixed use campus providing circa 958,000 sq ft of commercial floorspace, in 2013 and has since completed 4 Kingdom Street. The Site is the final plot of the Paddington Central masterplan, which was originally granted outline planning permission in 2000.
- 2.3 The current COVID-19 environment means that we are faced with an unprecedented set of circumstances on which to base a valuation-based judgment. Formal Red Book valuations are therefore reported on the basis of 'material valuation uncertainty' as per VPS 3 and VPGA 10 of the RICS Red Book Global. Consequently, less certainty and a higher degree of caution should be attached to valuations than would normally be the case and the same cautionary approach is applicable to FVA's.
- 2.4 This FVA has been collated at today's date upon the basis that there is a normal functioning market within a reasonable period of time and that attitudes to risk, for example, are unchanged from the start of the year. However, given the unknown future impact that COVID-19 might have on the real estate market, we reserve the right to update the FVA during the determination of the planning application.

### Instructions

- 2.5 DS2 has been instructed to test the maximum affordable housing provision that can be provided without impeding the viability of the project and the chances of delivery, in accordance with the Council's mixed-use policy. DS2 can confirm that our instruction is on a non-performance or contingent related basis.
- 2.6 The FVA has been collated in accordance with PPG paragraph 21 which states '*Any viability assessment should be prepared on the basis that it will be made publicly available other than in exceptional circumstances.*'

### Conflict of Interest

- 2.7 We can confirm that DS2 are not currently advising the Council on any other live planning applications. We can confirm that there are no conflicts of interest in accordance with the RICS Professional Statement Conflicts of Interest, 1st Edition, that came into effect on 1st January 2018.

### **Financial Viability in Planning: Conduct & Reporting**

- 2.8 This FVA has been prepared by DS2 in accordance with the latest RICS Professional Statement titled 'Financial Viability in Planning: Conduct and Reporting' which became effective from 1st September 2019.
- 2.9 This FVA has been prepared on an objective and impartial basis, without interference, and in full accordance with the planning policy and professional best practice requirements. DS2 can also confirm that in collating this report we have complied with the RICS Professional Statement (2) Ethics, Competency, Objectivity and Disclosures.
- 2.10 We can confirm that in undertaking this exercise we have been reasonable, transparent, fair and objective as required by Section 4 of the Professional Statement.
- 2.11 ARGUS Developer has been used to demonstrate the project's financial viability. This is commercially available and widely used development appraisal software. It is considered appropriate to assess a development of this type because of its ability to accurately model development timings and cash flows. The use of ARGUS Developer is commonly accepted by WCC and the GLA for viability testing.
- 2.12 To inform the report, information prepared by the following consultants has been relied upon:
- Allies and Morrison – Architect;
  - CBRE – Planning Consultants;
  - Gardiner & Theobald – Cost Consultant; and
  - M3 – Project Managers.
- 2.13 This FVA has been structured as follows:
- **Site Description** – summary of the location and nature of the existing asset;
  - **Development Proposals** – review and description of the proposed development;
  - **Planning Policy** – review of the key national, regional and local planning policies concerning the delivery of affordable housing and financial viability;
  - **Viability Methodology** – description of the methodology employed within the wider context of best practice for FVAs;
  - **Development Timings** – description of the proposed programme subject to a satisfactory planning consent being obtained;
  - **Development Value** – review of the commercial values alongside any additional revenue streams that comprise the scheme Gross Development Value (GDV);
  - **Development Costs** – review of the development costs for the proposed project including analysis of the appropriate developer's return for the development at the Site;

- **Site Value** – analysis in relation to the proposed Site Value / Benchmark Land Value for the financial appraisals;
- **Appraisal Results and Sensitivity Testing** – summary of the financial appraisal outputs and supplementary results of scenario and sensitivity testing;
- **Conclusions** – statement with the formal affordable housing offer and concluding rationale.

2.14 The appraisals and figures in this FVA do not represent formal 'Red Book' valuations and should not be relied upon as such. This report has been prepared on an objective basis to accompany the application for the purposes of Section 106 discussions and should only be used for consideration of these matters.

2.15 This report is reliant upon market evidence. Readers should be mindful that market evidence is subject to significant variation over time. If this report is older than six months from the date issued, DS2 advise an update is prepared.

2.16 The FVA has been prepared by Jack Savin-Taylor MRICS and Liam Janusz, who have the necessary relevant experience in preparing viability assessments of large-scale, mixed-use developments across London and the south-east.

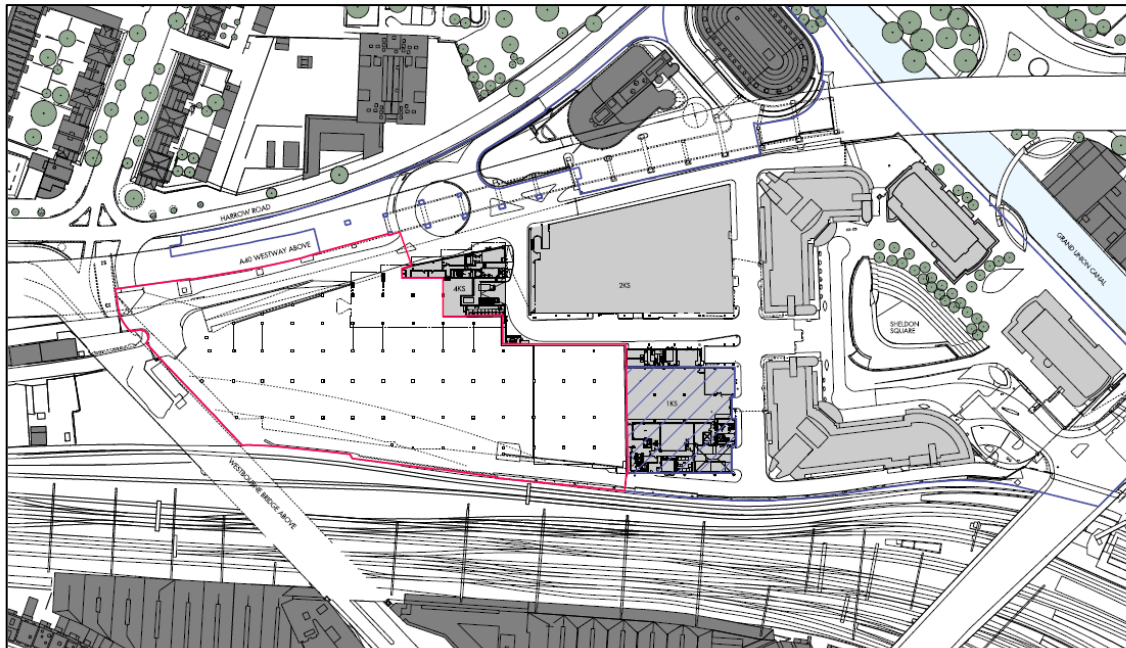
### 3 SITE DESCRIPTION, DESCRIPTION & OWNERSHIP

#### Site Location

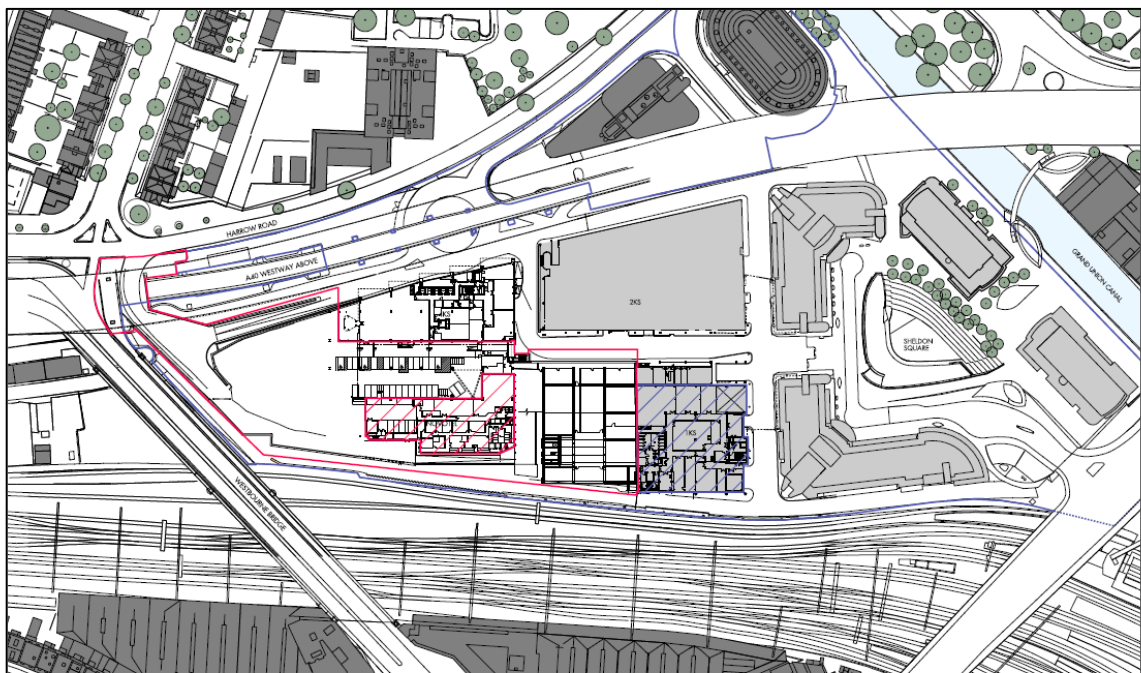
- 2.1 The Site is located in WCC, within the former Goods Yard area north-west of Paddington Station, now known as Paddington Central. The proposals for the Site will conclude the masterplan for Paddington Central.
- 2.2 The Site sits within the Paddington Opportunity Area, Westminster's most significant opportunity for large-scale regeneration and NWEDA.
- 2.3 The Site is within close proximity to Paddington Station and Paddington London Underground, which are both situated to the south east of the Site. The Site has a Public Transport Accessibility Level ("PTAL") rating of 6a.
- 2.4 The Site is located within a commercial hub of buildings around Kingdom Street and Sheldon Square which include tenants such as Microsoft, Kingfisher, Vodafone and Visa Europe to name a few.
- 2.5 The application boundary is defined by the red line plan provided at **Appendix One** and a contextual map is attached at **Appendix Two**.

#### Site Description

- 2.6 The Site covers an area of 1.26 hectares, or 3.11 acres and is bounded by Harrow Road to the north, Westbourne Bridge to the west; the railway lines into and out of Paddington station to the south; and other plots within the Paddington Central campus to the east.
- 2.7 The Site currently comprises three levels. The surface at track level within the main body of the Site is hard standing. A series of columns are present, supporting the podium structure above. This area has been utilised, primarily for storage, in the Crossrail construction process and materials are still being stored here. At this level, the Site boundary extends eastwards under 4 Kingdom Street, Hotel Novotel London Paddington (3 Kingdom Street) and 1 Kingdom Street. A red line plan illustrating the site boundary is provided on the next page at Figure 1. The red line indicates 5 Kingdom Street's site boundary.

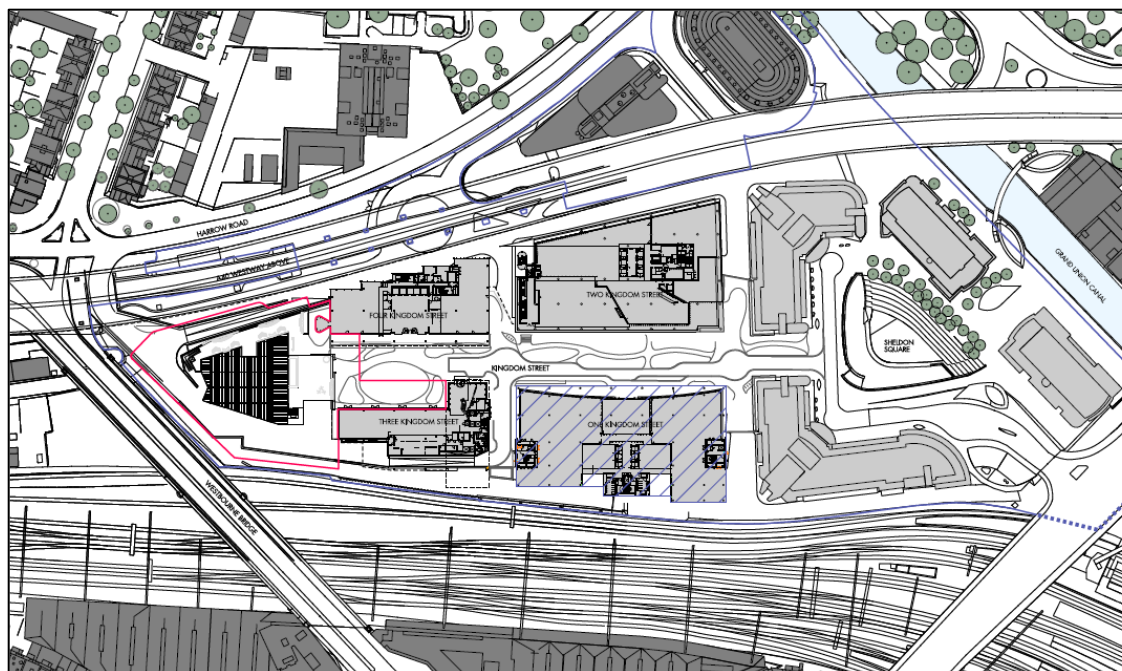


2.8 To the north of the main body of the Site, an access ramp that links a roundabout at track level to Harrow Road and the Paddington Central Campus at podium level falls within the Site boundary. A portion of the pavement around the junction between Harrow Road and Westbourne Terrace Road also falls within the Site boundary. The Westway (A40) crosses the site from east to west. At this location, the road comprises a dual carriageway elevated above the Harrow Road/podium level. The Site boundary for this level is illustrated below in Figure 2.



2.9 A temporary, two-storey building, related to the temporary planning consent discussed below (Ref 16/12331/FULL), is located on the podium structure above. The building provides 353 sq.

m. (GIA) of restaurant/bar floorspace (Uses A3 and A4), currently used by Pergola, a temporary 850-cover outdoor dining concept with an associated bar. At this level the red line boundary does not extend eastward of 5 Kingdom Street as illustrated below in Figure 3.



### **Planning History**

2.10 The Paddington Central campus was granted outline planning permission in 2000 in the form of a masterplan development for 'Redevelopment to provide a mix of uses; namely offices, 210 residential units, local shopping and studio/ light industrial units in buildings between 7 and 13 storeys in height. Creation of new access off Bishops Bridge Road and new egress ramp, provision of basement car parking and ancillary office accommodation. New footpaths and pedestrian links including a new footbridge across the canal' (Ref: 97/06935/OUT).

2.11 The Site forms part of the Paddington Central campus outline planning permission. The Site has an implemented consent for;

*'Reserved matters approval in relation to the last two buildings at 4 and 5 Kingdom Street pursuant to Condition A.1(a),(b),(c) in part relating to the layout, siting means of vehicular and pedestrian access, parking, detailed design and external appearance and the surface treatment of any part of the site not covered by buildings or formally landscaped areas and Condition M.1 (disabled access) attached the outline planning permission dated 23 May 2000 (as amended by 09/08354/FULL), for one 13 storey office building plus plant room and one 10 storey office building plus plant room.'* (Ref 09/08353/RESMAT).'

2.12 The reserved matters approval was granted further to the original outline planning permission discussed in the section above (Ref: 97/06935/OUT). 4 Kingdom Street was subsequently built

out, implementing the consent; however, construction of the remaining development is yet to commence.

2.13 In March 2017, consent was granted for '*Temporary use of cleared site at 5 Kingdom Street as restaurants (Class A3) and bar (Class A4) and erection of a temporary two storey building, with temporary access arrangements from Kingdom Street and Westbourne Bridge Road.*' (Ref 16/12331/FULL). The temporary development (operated by Pergola) has since been constructed and is in operation.

2.14 Further information regarding the planning history of the Site can be found in CBRE's Planning Statement.

**Ownership**

2.15 The Site boundary extends under 1 Kingdom Street, which is owned by CC Land and includes an element of public highway adjacent to Harrow Road. The remainder of the Site is owned by the Applicant.

## 4 DEVELOPMENT PROPOSALS

- 4.1 The revised planning application has been submitted by planning consultants CBRE on behalf of the Applicant for the redevelopment of the Site.
- 4.2 A full assessment of the proposals (hereafter the “Proposed Scheme”) is contained within the replacement Design and Access Statement prepared by the architects, Allies & Morrison, and the replacement Planning Statement which accompanies the revised planning application.
- 4.3 The description of development is as follows;

*‘Erection of a mixed-use development comprising ground floor (at Kingdom Street level) plus 19 storeys to provide offices (B1a) and retail (A1/A3) plus plant and amenity areas at roof level. Three floors below Kingdom Street delivered in phases to provide an auditorium (Sui Generis), and a flexible mix of business (B1a), retail (A1/A3/Sui Generis), sport and leisure (D2) and exhibition (D1/Sui Generis) uses within the former ‘Crossrail box’. New outdoor terraces adjacent to railway at basement level; creation of a new pedestrian and cycle link between Harrow Road and Kingdom Street including internal and external garden and landscaping; and associated works’.*

### **Summary of changes compared to original application**

- 4.4 The scheme amendment alterations seek to enhance the efficiency and commercial value of the Site without materially altering its environmental impact. This has been achieved by making design changes at the top and base of the building to increase the quantum of net lettable office space it can accommodate. The key changes proposed are set out below;
- Reorganising the top of the building by;
    - Making L18 a full office floor.
    - Moving all roof level plant up to L19.
    - Reducing the quantum of roof terrace and internal amenity space for office users, and providing this on L19 only.
    - Raising the core above the parapet.
  - Reorganising the base of the office building by;
    - Converting the mezzanine level to offices rather than lobby.
    - Relocating the office lobby to ground floor.
    - Omitting the flexible office/retail unit at the south elevation at ground floor level.

- Reconfiguring of the route through the building and garden at lower ground/upper Box level.
- Reconfiguring and relocating the retail space from the south to the north side of the public route at lower ground floor level.
- Enhancing the public benefits of the development by;
  - Increasing the affordable workspace to 3,900 sqm (GIA) and providing this in the Box.
  - Reducing the quantum of 'flexible' space in the Box to accommodate the permanent affordable workspace.
  - Increasing the contribution to Westminster's affordable housing fund to £14.3 million.
  - Revising the energy strategy to achieve 43% carbon saving based on current modelling and seeking further savings where possible through the detailed design stage.
  - Achieving a net zero carbon development by maximising on site opportunities for savings up to completion and off-setting, where necessary.

#### **Proposed Scheme**

- 4.5 The building footprint is generally consistent between Lower Ground Floor Level (Harrow Road) and the levels above; however, at the levels below Kingdom Street the development footprint extends eastwards under the 4 Kingdom Street, Hotel Novotel London Paddington (3 Kingdom Street) and 1 Kingdom Street buildings. Figure 4 on the next page provides a simple overview of the Proposed Development and the arrangement at ground and below ground level.



- 4.6 The Proposed Scheme will provide high quality flexible office floorspace (B1(a)) on part of the Ground Floor Level (Kingdom Street) and the mezzanine to level 18. The office lobby will be located on the Ground Floor Level.
- 4.7 Including office ancillary space, a total of 48,264 sqm (GIA) of office floorspace is proposed. An outdoor amenity terrace, including a covered space, is proposed at level 19. An outdoor amenity terrace is also provided at level 1 and mezzanine.
- 4.8 A total of 265 sqm (GIA) of flexible retail floorspace is proposed on the Lower Ground Level. The mix of uses proposed comprises A1 (shops and retail outlets) and A3 (food and drink).
- 4.9 An area of 723 sqm (GIA) is proposed at Lower Ground Floor Level, Ground Floor Level and mezzanine for flexible retail and office uses. The mix of uses proposed comprises A1 (shops and retail outlets), A3 (food and drink) and B1(a) (office).
- 4.10 A publicly accessible internal garden space (the "Garden") is proposed connecting the lower levels between Kingdom Street (Ground Floor Level) and Harrow Road (Lower Ground Floor Level). The internal garden space will total 1,635 sqm (GIA) in area.
- 4.11 A 250-seat auditorium and 7,390 sqm of floorspace consisting of 3,900 sqm of affordable workspace and 3,490 sqm of flexible commercial, cultural and/or leisure uses are proposed on the two lower levels, which collectively are referred to as 'the Box' (Upper Box Level and Lower Box Level). The mix of uses proposed comprises:

- Restaurant (A3);
- Market hall (sui generis);
- Conference / exhibition space (D1/sui generis);
- Cinema (D2); and
- Gym / sports (D2).

4.12 A full set of application drawings for the Proposed Scheme is included at **Appendix Three**.

**Office Use (B1(a) (including internal ancillary space))**

4.13 The entrances to the office lobby are located at Ground Level. The office lobby can be entered directly from the public realm or via the public entrance. The office space will be provided to CAT A fit out. This has been reflected in the submitted cost plan, with tenant amenity space provided at mezzanine, level 1 and level 19.

4.14 The 671 sqm of office floorspace provided at mezzanine will sit above the main entrance lobby and accessed via lifts. This space will provide lounges and break-out areas arranged around the perimeter.

4.15 The remaining footprint of the building has been developed to provide office floorplates that are large, open and as flexible as possible to attract a variety of tenants.

**Affordable Workspace**

4.16 The affordable workspace is proposed to be located at the Lower Box and Upper Box level. The location of this space within the Box is not yet fixed and will be determined by the proposed mix of spaces and uses required by various occupiers including the affordable workspace provider. The space identified as affordable workspace is 3,900 sqm (GIA).

**Flexible Retail/Office Uses (A1,A3,B1(a))**

4.17 The Proposed Scheme will deliver 723 sqm (GIA) of flexible retail/office floorspace located on Lower Ground Level, Ground Level and mezzanine.

4.18 For the purposes of this FVA, the use class deriving the optimum value has been included within the viability appraisal which is office floorspace (B1(a)).

4.19 The 79 sqm (GIA) of flexible retail/office space is located on the Lower Ground Level and will be occupied by either retail or breakout areas for the offices above. The 466 sqm (GIA) of flexible/office space is located on the Ground Level, to the south of the site. This space can be accessed directly from the square or via sliding doors from the public entrance. The 178 sqm (GIA) of flexible/office space is located on the mezzanine.

### **Flexible Retail Use (A1/A3)**

- 4.20 The Proposed Scheme will deliver 265 sqm (GIA) of flexible retail floorspace located on the Lower Ground Level. The space is situated on the northern edge of the public Garden.

### **The Box**

- 4.21 Beneath the Kingdom Street developments is a large space referred to as the 'Box'. This large concrete structure was built to allow the Paddington Central schemes to be developed in parallel with the construction of the Crossrail tunnels, safeguarding the Crossrail operations. The evolution of the design for Crossrail means that this structure is no longer required for the operation of the railway, and as such is available for development.
- 4.22 The Box has a footprint of 7,390 sqm (GIA). The Box can be reached via the two 'Public Garden' passenger lifts.
- 4.23 A variety of publicly accessible uses are proposed in The Box. The space is intended to be flexible and that these uses could change over time. It is envisaged that the Box will provide the following uses, in addition to the affordable workspace:

### **Auditorium (Sui Generis)**

- 4.24 The Auditorium will provide 738 sqm (GIA) of floorspace located on the Lower and Upper Box Level. It is envisaged that this space will be provided as a 250-seat auditorium for commercial and public use.

### **The Box uses**

- 4.25 The Box will also provide a mixture of the following uses;
- Restaurant (A3) / Market hall (sui generis): combined, will make up to a maximum of 100% of remaining area;
  - Conference / exhibition space (D1/sui generis): will make up to a maximum of 100% of remaining area;
  - Cinema (D2): will make up no more than 50% of remaining area; and
  - Gym / sports (D2): will make up no more than 50% of remaining area.
- 4.26 The planning application seeks flexibility for a range of uses to be provided in the Box to respond to the market and the requirements of the local community. This FVA assesses what is considered to be the optimum mix of uses in value terms that can be delivered as explained in section 7 of this report.

### Car Parking

- 4.27 The Proposed Scheme will be ‘car-free’, with the exception of two parking spaces for disabled drivers, which will be provided at Lower Ground Floor Level in the eastern part of Proposed Scheme.

### Cycle Parking

- 4.28 The Proposed Scheme will provide 956 cycle parking spaces (730 long stay and 226 short stay). The cycle parking spaces at Ground and Lower Ground Level.

### Public Realm

- 4.29 The Garden will be located through the lower levels between Kingdom Street (Ground Floor Level) and Harrow Road (Lower Ground Floor Level), creating a public pedestrian route, sheltered from the elements.
- 4.30 External public realm improvements are proposed both at Ground Floor Level (Kingdom Street) to the east of the building and at Lower Ground Floor Level (Harrow Road) to the west of the building.

### Summary

- 4.31 In summary the Proposed Scheme will provide;
- Office use (B1(a)).
  - Flexible retail uses (A1,A3).
  - Flexible retail/office uses (A1,A3,B1(a))
  - The Box which will have the flexibility to deliver a range of uses including A3, sui generis, D1 and D2.
  - Affordable workspace (B1(a))
  - Enhanced public realm.
- 4.32 An indicative area schedule including GIA and NIA is attached at **Appendix Four**. The NIA areas are shown in the table below

<b>TABLE ONE: PROPOSED SCHEME NIA SUMMARY, 5 KINGDOM STREET, JULY 2020</b>		
<b>Use</b>	<b>Net Lettable Area</b>	
	<b>Sqm</b>	<b>Sq ft</b>
Office	35,017	376,919
Retail	265	2,852
Auditorium	738	7,944
Flexible Retail/Office	723	7,782
The Box	3,066	33,002
Affordable workspace	3,900	41,979
	<b>43,709</b>	<b>470,478</b>

## 5 PLANNING POLICY

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

### National

#### **National Planning Policy Framework**

- 5.2 The Revised National Planning Policy Framework (NPPF) was updated on the 19<sup>th</sup> February 2019.
- 5.3 At the heart of NPPF is a presumption in favour of sustainable development. For decision-making, this means approving development proposals that accord with an up-to-date development plan without delay; or where there are no relevant up-to-date development plan policies, granting permission unless any adverse impacts of doing so would significantly and demonstrably outweigh the benefits of development.

#### **National Planning Practice Guidance**

- 5.4 The PPG provides guidance on viability for the purposes of plan making and individual application site's development management. The guidance covers several areas including standardised inputs to viability assessments and approaches to benchmark land value. The viability section of the PPG was recently updated on the 1<sup>st</sup> September 2019.
- 5.5 Regarding site value, the intent of the PPG is to ensure regard is given to planning policy whilst allowing the landowner sufficient receipt to release the land for development. More specifically, the PPG states that in plan-making and decision-making, viability helps to strike a balance between the aspirations of developers and landowners, in terms of risk vs return, and the aims of the planning system.

### Regional

#### **The London Plan – the Spatial Development Strategy for London Consolidated with Alterations since 2011 (March 2016) (“London Plan”)**

- 5.6 Annex 1 (Opportunity and Intensification Areas) of the London Plan sets a target of delivering at least 1,000 new homes and development capacity for 5,000 new jobs. In relation specifically to the Paddington Opportunity Area, Annex 1 states *‘Significant office and residential development provision has already been made in the Area and there is scope for further high density, good quality, business and housing development. This should complement Paddington’s distinct canal side character, enhance environmental quality, support low car use and integrate with surrounding neighbourhoods.’*
- 5.7 Policy 2.13 (Opportunity Areas and Intensification Areas) of the London Plan sets out strategic policy objectives for this area. It states development proposals within opportunity areas and intensification areas should:

- Support the strategic policy directions for the opportunity areas and intensification areas set out in Annex 1, and where relevant, in adopted opportunity area planning frameworks;
- Seek to optimise residential and non-residential output and densities, provide necessary social and other infrastructure to sustain growth, and, where appropriate, contain a mix of uses;
- Contribute towards meeting (or where appropriate, exceeding) the minimum guidelines for housing and/or indicative estimates for employment capacity set out in Annex 1, tested as appropriate through opportunity area planning frameworks and/or local development frameworks;
- Realise scope for intensification associated with existing or proposed improvements in public transport accessibility, such as Crossrail, making better use of existing infrastructure and promote inclusive access including cycling and walking; and
- Support wider regeneration (including in particular improvements to environmental quality) and integrate development proposals to the surrounding areas especially areas for regeneration.

5.8 Policy 2.10 (Central Activities Zone - Strategic Priorities) of the adopted London Plan seeks to support the role of the CAZ as one of the world's most attractive and competitive business locations by, amongst other things, ensuring that office development is not strategically constrained. Further to this, London Plan Policy 4.2 (Offices) promotes office redevelopment to improve London's competitiveness and to meet the distinct needs of the central London office market.

5.9 London Plan Policy 2.11 (Central Activities Zone – Strategic Functions) states *'The Mayor will, and boroughs and other relevant agencies should, seek solutions to constraints on office provision and other commercial development imposed by heritage designations without compromising local environmental quality, including through high quality design to complement these designations.'*

#### **The Draft London Plan – Intend to Publish Version (December 2019) ("Draft London Plan")**

5.10 The emerging Draft London Plan covers the period up until 2041. Although it does not set state specific objectives for the Paddington Opportunity Area as per Annex 1 of the London Plan, it does set out a target of 1,000 new homes and 13,000 new jobs for the period until 2041. This housing target is the same as that set out in the adopted London Plan, but the new jobs target represents an increase of 160% against the adopted target.

5.11 Draft London Plan policy SD1 (Opportunity Areas) sets out objectives for boroughs in relation to Opportunity Areas. The following objectives for boroughs as set out in this policy are particularly pertinent in relation to these application proposals:

- Support development which creates employment opportunities and housing choice for Londoners;
- Plan for and provide the necessary social and other infrastructure to sustain growth, working with infrastructure providers where necessary;
- Recognise that larger areas can define their own character and density;
- Meet or, where appropriate, exceed the indicative guidelines for housing and/or indicative estimates for employment capacity; and
- Support wider regeneration and ensure that development proposals integrate into the surrounding areas, in accordance with Policy SD10 - Strategic and local regeneration.

5.12 Draft London Plan Policy SD4 sets out a number of strategic objectives for the CAZ. Of particular relevance to these proposals is part B of this policy. This states *‘The nationally and internationally significant office functions of the CAZ should be supported and enhanced by all stakeholders, including the intensification and provision of sufficient space to meet demand for a range of types and sizes of occupier and rental values.’*

5.13 Draft London Plan Policy E1 (Offices) seeks improvements to the quality, flexibility and adaptability of office space of different sizes for micro, small, medium-sized and larger enterprises. The policy states proposals for new offices should be supported including where development proposals refurbish existing space or provide refurbished provision via mixed use development. Provisions for increase in current office stock should also be supported in the Central Activities Zone. Development proposals related to new or existing offices should take into account the need for a range of suitable workspace including lower cost and affordable workspace.

**GLA Central Activities Zone Supplementary Planning Guidance (March 2016) (“GLA CAZ SPG”)**

5.14 The GLA CAZ SPG was adopted in March 2016. The GLA CAZ SPG provides guidance on the implementation of adopted London Plan policies related to the CAZ.

5.15 The GLA CAZ SPG, in Section 1.3, specifically provides guidance on striking an appropriate balance between strategic functions (including offices) and residential in different parts of the Zone. This states that the supply of sufficient office floorspace, in terms of type, size and cost within the CAZ to meet growing demand are central to London’s economic success. This also states it is essential that the office and business space offer in these areas is not eroded. The GLA CAZ SPG also identifies a tightening of supply relative to demand in central London exacerbated by office to residential conversions, particularly in the West End.

5.16 Table 1.1 of the GLA CAZ SPG sets out guidance on balancing the priorities attached to housing relative to offices and other strategic functions in CAZ. This identifies that offices and other CAZ strategic functions should be given greater weight relative to new residential within the CAZ.

**Homes for Londoners: Affordable Housing and Viability Supplementary Planning Guidance 2017 (“Affordable Housing and Viability SPG”)**

- 5.17 Adopted in August 2017, the Affordable Housing and Viability SPG represents the current Mayoral administration’s policy objectives in relation to the delivery of new homes, including affordable housing. The overarching objectives of the Affordable Housing and Viability SPG are clear in seeking to meeting housing need across the capital. The Affordable Housing and Viability SPG proposes guidance on undertaking viability assessments which is provided at part three of the Affordable Housing and Viability SPG.
- 5.18 The Mayor wants to lead the way in openness and transparency in the planning system. As such, the Mayor will treat information submitted as part of, and in support of, a viability assessment transparently, unless there is an exceptional circumstance that justifies the reason to keep certain information private and confidential.
- 5.19 The Affordable Housing and Viability SPG does not have any explicit requirement for commercial schemes to provide affordable housing.

**Local Planning Policy – Westminster City Council**

**Westminster City Plan: Consolidated with all changes since November 2013 (November 2016)**

- 5.20 Policy S1 Mixed Use in The Central Activities Zone states that for development within the Core CAZ and Opportunity Areas, which includes net additional B1 office floorspace, must provide residential floorspace or an equivalent payment.
- 5.21 Where a scheme provides more than 50% of the existing building floorspace, and more than 400sqm of B1 office floorspace, residential floorspace or an equivalent payment will be provided. This should be equivalent to the net additional B1 office floorspace less 30% of existing building floorspace.
- 5.22 The residential floorspace will be provided in accordance with the following cascade. Applicants are required to demonstrate to the Council’s satisfaction that it is not appropriate or practicable to provide the floorspace (in whole or in part) at each step of the policy cascade before they can move to the next step.
- 5.23 The Council’s policy cascade is as follows;
- The residential floorspace will be provided on-site or in the immediate vicinity of the Site.
  - The residential floorspace will be provide off-site, including by mixed use credits (Policy CM47.2), on a site in the vicinity of the development site, or in the case of Victoria and Paddington Opportunity Areas, within that Opportunity Area.
  - The residential floorspace will be provided off-site, including by mixed use credits (Policy CM47.2) elsewhere within the Central Activities Zone. This part does not apply

to Victoria and Paddington Opportunity Areas. The housing provided must be of high quality than would be possible under the above two steps.

- Payment of an appropriate payment in lieu to the Affordable Housing Fund equivalent to the net additional B1 office floorspace less 30% of the existing building floorspace.

5.24 The policy requirement set out above allows up to 30% of additional floorspace to be provided before the policy applies. Where the site is wholly made up of office floorspace, the requirement for residential simply applies to the net gain in office floorspace above 30% of the existing building floorspace. The calculation is based on Gross Internal Area.

5.25 Policy S3 states that the requirement for residential floorspace as part of new commercial development may be applied more flexibly where the Council considers this to be necessary in order to deliver substantial planned transport and/or public realm improvements.

**Westminster City Plan 2019-2040: Regulation 19 Publication Draft (June 2019) (“City Plan 2019-2040”)**

5.26 The Council submitted the City Plan 2019-2040 to the Secretary of State on 19<sup>th</sup> November 2019. The ‘Examination in Public’ has now started, which is the last stage of the plan-making process. The Examination Hearings are expected to take place the week commencing 28<sup>th</sup> September and the week commencing 12<sup>th</sup> October.

5.27 Given the early stage of the examination process and having regard to the tests set out in paragraph 48 of the NPPF, the policies of the City Plan 2019-2040 are given little to no weight at the present time.

**Summary**

5.28 In summary, National, Regional and Local affordable housing policies support the delivery of the maximum reasonable amount of affordable housing that can be viably delivered alongside other forms of planning gain, including both the Mayoral Community Infrastructure Levy and WCC Community Infrastructure Levy.

5.29 Policy intent seeks to encourage rather than restrain delivery. However, policy also notes that development proposals must remain commercially viable in order for a site to be brought forward for development.

5.30 WCC mixed use policy requires that where more than 50% of the existing building floorspace, and more than 400sqm of B1 office floorspace is provided, residential floorspace and affordable or an equivalent payment should be provided. This should be equivalent to the net additional B1 office floorspace less 30% of existing building floorspace. Policy S3 does require that WCC apply Policy S1 more flexibly where the Council considers this to be necessary in order to deliver substantial planned transport and/or public realm improvements.

5.31 This FVA has been submitted to demonstrate whether it is commercially viable to meet the policy requirements.

## 6 VIABILITY METHODOLOGY

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

### Methodology

- 6.2 The most common method for valuing development land is the Residual Valuation Method, set out in the RICS's 'Valuation Information Paper 12' (VIP12). This concept underpins the planning viability process.
- 6.3 The methodology underpinning a residual valuation is a relatively simple concept. In short, the gross value of the completed development is assessed. Secondly, the cost of building the development is deducted along with S106 planning obligations, CIL, professional fees, finance costs and developer's profit. This is illustrated below:

<b>TABLE TWO: RESIDUAL ANALYSIS METHODOLOGY</b>	
<b>Gross Development Value</b>	
Commercial sales income	
Less	
<b>Costs</b>	
Build costs	
Exceptional development costs (e.g. Rights of Light)	
Professional fees	
Planning obligations (e.g. CIL, site specific s.106 obligations)	
Marketing costs and disposal fees	
Finance costs	
Less	
<b>Developer's Profit</b>	
Equals	
<b>Residual Land Value</b>	

- 6.4 The output is the RLV. In planning viability terms, if the RLV produced by a scheme is lower than an appropriate BLV, then the scheme is deemed to be unviable and is therefore unlikely to come forward for development, unless the level of affordable housing and /or planning obligations can be reduced. Conversely, if the RLV is higher than the BLV then the scheme can provide affordable housing and /or other additional planning obligations.
- 6.5 Through scenario testing it is possible to determine the maximum reasonable level of affordable housing and other obligations that ensure a scheme remains financially viable and retains the

highest possible chance of coming forward whilst balancing commercial requirements with the policy requirements of the development plan.

### **Benchmark Land Value / Site Value**

#### **Existing Use Value Plus (EUV Plus) approach**

##### PPG

- 6.6 Paragraph 13 of Paragraph 13 of the PPG states that a BLV should be established based on the EUV of the land, plus a premium for the landowner.
- 6.7 The premium to the landowner should reflect the minimum return at which it is considered a reasonable landowner would be willing to sell their land. The premium should therefore provide a reasonable incentive, in comparing with other options available, for the landowner to sell the land for development.
- 6.8 Paragraph 14 of the PPG states that a BLV should;
- Be based upon EUV;
  - Allow for a premium to landowners;
  - Reflect the implications of abnormal costs; site-specific infrastructure costs; and professional site fees; and
  - Be informed by market evidence including current uses, costs and values wherever possible. Where recent evidence is used to inform assessment of BLV this evidence should be based on developments which are compliant with policies, including for affordable housing. Where this evidence is not available plan makers and applicants should identify and evidence any adjustments to reflect the cost of policy compliance. This is so that historic BLV of non-policy compliant developments are not used to inflated values over time.
- 6.9 Paragraph 15 of the PPG defines what is meant by EUV in a viability assessment. This states the following:

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

- 
- 6.10 The approach to BLV must be assessed independently of the scheme for which planning permission is sought. It must also be assessed objectively i.e. irrespective of who the applicant is for the planning permission.
  - 6.11 The EUV is the first component of calculating BLV. The second component is the premium, or as stated at paragraph 16 of the PPG the 'plus' in EUV Plus.
  - 6.12 This is the amount above the EUV required to provide a reasonable incentive for a landowner to bring forward land for development while allowing a sufficient contribution to comply with policy requirements.
  - 6.13 The premium should be informed by professional judgement and must be based upon the best available evidence informed by cross sector collaboration. The PPG states that for any viability assessment data sources to inform the establishment of the landowner premium should include market evidence and can include benchmark land values from other viability assessments.

#### Affordable Housing and Viability SPG

- 6.14 The Affordable Housing and Viability SPG defines EUV as the current use value of a site plus an appropriate site premium. The Affordable Housing and Viability SPG states that a landowner should receive at least the value of the land in its 'pre-permission' use, which would normally be lost when bringing forward land for development. The Affordable Housing and Viability SPG considers that the EUV Plus approach is the most appropriate for planning purposes.
- 6.15 The Affordable Housing and Viability SPG states at paragraph 3.46 the following when determining the EUV Plus benchmark;
- 6.16 The EUV is independent of the proposed scheme. The EUV should be fully justified based on the income generating capacity of the existing use with reference to comparable evidence on rents, which excludes any hope value associated with development on the site or alternative uses. This evidence should relate to sites and buildings of a similar condition and quality or otherwise be appropriately adjusted. Where an existing use and its value to a landowner is due to be retained in a development (and not lost as is usually the case), a lower benchmark would be expected. Where a proposed EUV is based on a refurbishment scenario, or a redevelopment of the current use, this is an alternative development scenario and the guidance relating to AUV will apply.
- 6.17 Premiums above EUV should be justified, reflecting the circumstances of the site. For a site which does not meet the requirements of the landowner or creates ongoing liabilities/ costs, a lower or no premium would be required. The premium could be 10% to 30%, but this must reflect site specific circumstances and will vary.
- 6.18 The level of premium can be informed by BLVs that have been accepted for planning purposes on other comparable sites where determined on a basis that is consistent with this guidance.

6.19 As set out in PPG, in all cases land or site value should reflect Development Plan Policies, planning obligations and CIL. When determining a level of premium that would be sufficient to incentivise release of a site for development and ensure that a landowner receives a 'competitive return', this should take into account the overarching aim of delivering sustainable, policy compliant development and that an uplift in land value is dependent on the grant of full planning consent.

### **Alternative Use Value (AUV) approach**

#### PPG

6.20 The PPG recognises that an AUV is acceptable and states;

*'For the purpose of viability assessment alternative use value (AUV) refers to the value of land for uses other than its current permitted use, and other potential development that requires planning consent, technical consent or unrealistic permitted development with different associated values. AUV of the land may be informative in establishing benchmark land value. If applying alternative uses when establishing benchmark land value these should be limited to those uses which have an existing implementable permission for that use. Where there is no existing implementable permission for that use, plan makers can set out in which circumstances alternative uses can be used. This might include if there is evidence that the alternative use would fully comply with development plan policies, if it can be demonstrated that the alternative use could be implemented on the site in question, if it can be demonstrated there is market demand for that use, and if there is an explanation as to why the alternative use has not been pursued. Where AUV is used this should be supported by evidence of the costs and values of the alternative use to justify the land value. Valuation based on AUV includes the premium to the landowner. If evidence of AUV is being considered the premium to the landowner must not be doubled counted.'*

#### Affordable Housing and Viability SPG

6.21 The Affordable Housing and Viability SPG recognises that an alternative approach will only be considered in exceptional circumstances which must be robustly justified by the applicant.

6.22 In this scenario, the applicant must demonstrate that the site value fully reflects policy requirements, planning obligations and CIL charges, and takes account of site-specific circumstances. Generally, the Mayor will only accept the use of AUV where there is an existing implementable permission for that use. Where there is no existing implementable permission, the approach should only be used if the alternative use would fully comply with development plan policies, and if it can be demonstrated that the alternative use could be implemented on the site in question and there is market demand for that use.

### **Market Value approach**

#### NPPG

- 6.23 Paragraph 14 of the PPG states that market evidence can be used as a cross-check of BLV but should not be used in place of BLV. There may be divergence between BLVs and market evidence; and plan makers should be aware that this could be due to different assumptions and methodologies used by individual developers, site promoters and landowners.
- 6.24 The evidence used should be based on developments which are fully compliant with emerging or up to date plan policies, including affordable housing requirements at the relevant levels set out in the plan. Where this evidence is not available plan makers and applicants should identify and evidence any adjustments to reflect the cost of policy compliance. This is so that historic BLVs of non-policy compliant developments are not used to inflate values over time.
- 6.25 Where a viability assessment is used to inform decision making under no circumstances will the price paid for the land be a relevant justification for failing to accord with relevant policies in the plan.

#### Summary

- 6.26 Ultimately the aim of the NPPF and PPG is to create a balance so that the BLV is not simply included at the expense of planning obligations and conversely, planning obligations are not so onerous as to render a site undeliverable.
- 6.27 The BLV should reflect the minimum return at which it is considered a reasonable landowner would be willing to sell their land while allowing a sufficient contribution to fully comply with policy requirements and taking into consideration the circumstances of the site. The approach to BLV is set out in section 10 of this report.

## 7 DEVELOPMENT TIMINGS

7.1 In accordance with best practice principles, this FVA assumes that the Proposed Scheme has a notional resolution to grant planning permission and therefore, the cash flow commences at today's date.

### Construction

7.2 Subject to the necessary permissions, a commercial led mixed use development over ground, mezzanine and 19 upper storeys plus plant and 3 storeys below Kingdom Street will be delivered.

7.3 The construction programme (inclusive of pre-construction period) has been informed by the Applicant's project manager, M3, and is estimated to be 44 months, or circa 3 years 8 months.

Building	Construction		
	Start	End	Duration
Pre-Construction	July 2020	December 2020	6 months
Construction	January 2021	February 2024	38 months

### Commercial Letting

#### **Office**

7.4 In light of the quantum of office floorspace being provided it reasonable to assume that a significant portion of the office floorspace would need to be 'pre-let' I.e. in advance of construction, before development funding could be secured and construction commence. As such, it has been assumed in the Proposed Scheme appraisal that 30% of the office floorspace will be pre-let.

7.5 A 12-month average letting void has been assumed for the remaining un-let office floorspace. Upon letting, the office income is capitalised on the basis of an assumed sale.

#### **Retail**

7.6 The retail accommodation in the Proposed Scheme will be located on Lower Ground Level.

7.7 A 6-month letting void, starting from practical completion, has been assumed in the appraisal which considers the current market conditions. Given the current headwinds that the retail sector is facing this could be significantly longer especially as Covid-19 is accelerating the difficulties that the retail sector was already facing before the emergence of Covid-19.

7.8 There is little retail comparable evidence available within proximity to the subject Site, but information provided on the website CoStar indicates that the retail space situated within close

proximity to Paddington Underground Station, which is in a superior location compared to the subject Site, took 9 months to secure a tenant. A 6-month letting void is therefore seen as an optimistic assumption.

### **Auditorium**

- 7.9 The auditorium in the Proposed Scheme will be located on the Lower and Upper Box Level.
- 7.10 There is no comparable evidence within proximity to the Site to inform the letting void period for the Auditorium space. A 6-month letting void has been adopted, in line with the retail space, for the purposes of the FVA, albeit the unique nature of this use means that in reality the number of tenants who would occupy the space are limited, and as such, the current assumptions could be significantly understated.

### **The Box**

- 7.11 The Box will contain a mix of uses as explained at Section 3 of this report. Each use will have a different letting void based on demand, expected rent etc. At this stage it is not yet known what specific uses will be provided in the Box. As such, an average 6-month letting void, starting from practical completion, has been assumed in the appraisal. The assumed timings are based on the provision of restaurant (A3) and food hall (sui generis) space.

### **Flexible Retail/Office Space**

- 7.12 The flexible retail/office space is situated on Lower Ground, Ground and Mezzanine Level. For the purposes of the FVA the most optimum use has been valued, this being office space.
- 7.13 A 6-month letting void, starting from practical completion, has been assumed in the appraisal.

### **Affordable Workspace**

- 7.14 The affordable workspace is proposed to be located at the Lower Box and Upper Box level. A letting void has not been assumed in the appraisal on the basis that the affordable workspace is available for occupation at practical completion and that an agreement is entered into with an affordable workspace provider for the space.

## 8 DEVELOPMENT VALUE

8.1 The following section provides a summary of the commercial values that have been incorporated into the ARGUS appraisal of the Proposed Scheme.

8.2 DS2 have carried out a review of the evidence provided in the Original FVA to ascertain whether there has been any transactions made during the intervening period of submitting the Original FVA to current day that would impact the assumptions made in the Proposed Scheme appraisal. The research carried out by DS2 indicates that there have not been any transactions that would require the values assumed in the Proposed Scheme appraisal to change when compared to the Original FVA.

### Market update

#### Office

8.3 Information provided by Co-star which tracks commercial transactions within London indicates that over the past year office asking rents have marginally decreased, as illustrated below;

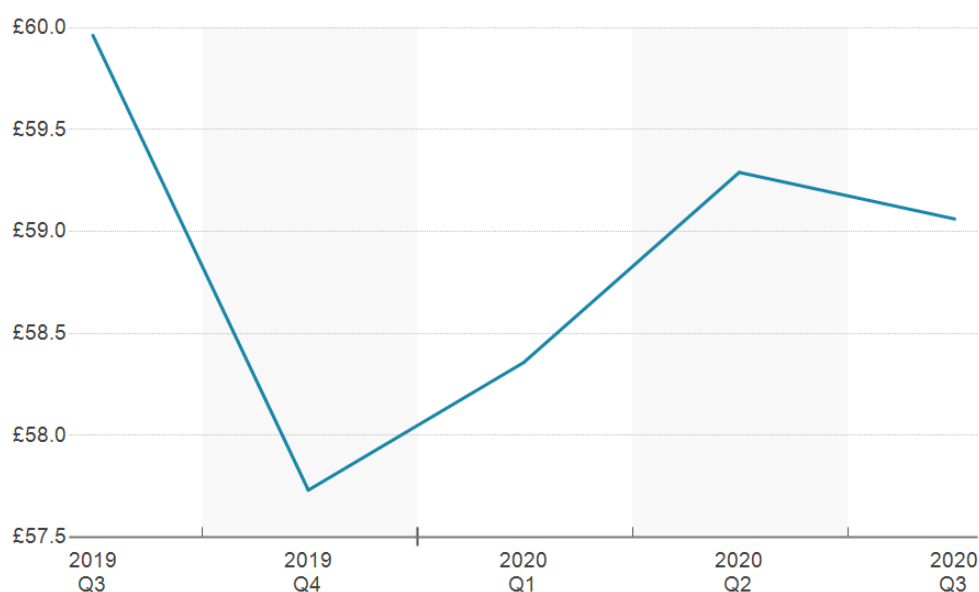


Figure 1 – Costar asking rents psf

8.4 The emergence of Covid-19 has seen the office sector impacted with many office tenants seeking either a deferral of rent payments or even a renegotiation of the lease terms which is subsequently impacting landlords. A recent report released by CBRE indicates that there has been a dramatic fall in activity as a result of Covid-19. The key points mentioned are summarised below;

- The take-up in office space during Q2 declined 66% from the 10-year quarterly average.
- The availability of office space continued to increase over the perioding, growing by 18%.
- Under offers fell to 2.4m sq ft, below the 10-year average for the first time since 2018.
- Investment values remained low in Q2, with turnover being the lowest quarterly total since 2009.

8.5 A key driver of the above data is the UK entering into lockdown however it is clear that the outlook for the commercial sector remains challenging, and will do until investor confidence returns to the market which will mainly be driven by when confidence returns to the economy as a whole.

8.6 **Whilst it would not be unreasonable based upon the current market conditions to either move out the office yield, increase tenant incentives or reduce the asking rents, these have not been changed when compared to the Original FVA.**

#### **Retail**

8.7 It is widely known that the retail sector is facing significant headwinds, and these were only accelerated as a result of Covid-19. The shopping centre operator Intu has now entered administration having seen their portfolio valuation reduce by c. 23% compared to last year. Furthermore, several other companies including TM Lewin, Victoria's Secret, Antler, Debenhams, Cath Kidston and Laura Ashley to name a few have either entered into administration or closed their shops. It is not just retail outlets that are suffering, but owners of High Street restaurant chains such as Cafe Rouge, Bella Italia and Carluccio's which are also seeking Company Voluntary Arrangements or entering into administration.

8.8 The downturn in the economy has negatively affected disposal income and as such consumer spending which impacts the retail sector as more people are looking to conserve their money rather than spend it. This is amplified with concerns around job security with people looking to save rather than spend at present. Retail providers are also coming under significant pressure from online retailers who have performed well since the emergence of covid-19.

8.9 As a result of a number of factors, vacancy rates remain high with investment into the retail sector remaining low. This is resulting in a shift in retail yields of up to 2%.

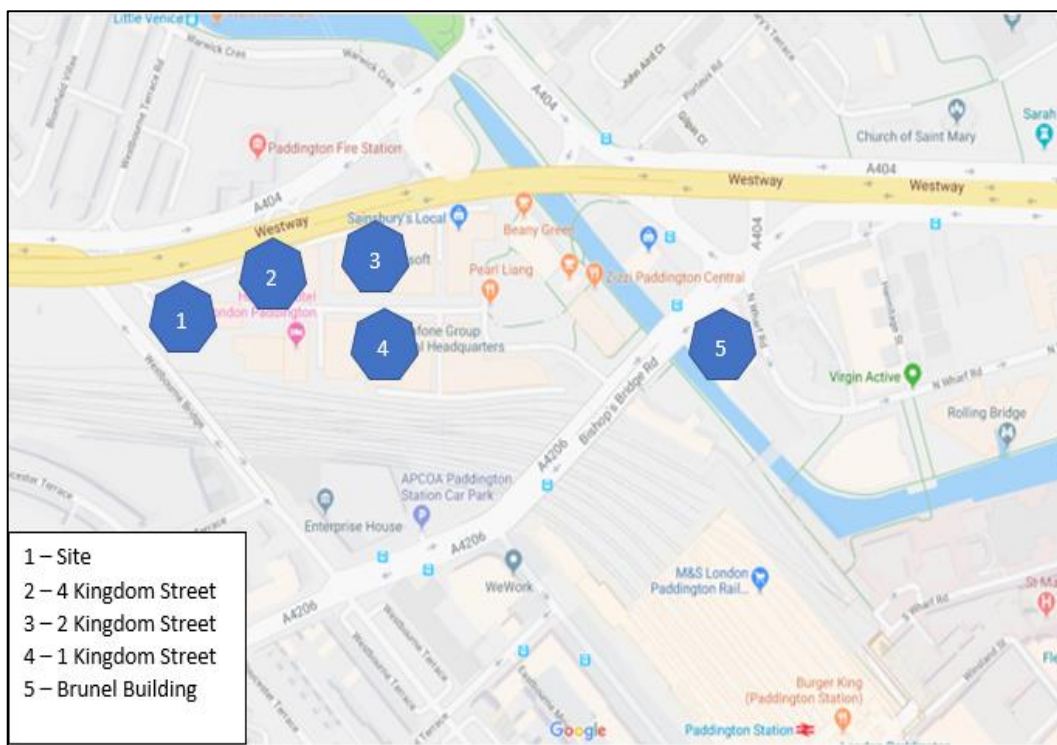
8.10 **Whilst there is evidence to suggest that the rent and yield applied to the retail in the Proposed Scheme should be adjusted, for the purposes of this FVA the assumptions remain as assumed in the Original FVA, an optimistic approach in the current market.**

#### **Office values**

8.11 The Proposed Scheme will provide 376,927 sq ft NIA of office floorspace situated on Mezzanine level to level 18.

8.12 The office floorspace will be to CAT A fit out and tenants will benefit from the amenity space located at mezzanine, level 1 and level 19. The floorplate ranges from 7,221 sq ft on the mezzanine to 21,431 sq ft on the 18<sup>th</sup> level.

8.13 The scheme is part of the wider Paddington Central Campus masterplan which provides a range of office buildings. To inform the value of the office element contained in the Proposed Scheme, the commercial office buildings shown on the map below have been analysed.



#### 4 Kingdom Street

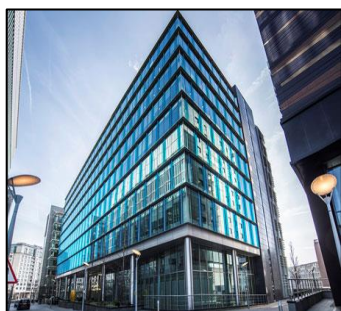


8.14 4 Kingdom Street is situated to the east of the Proposed Scheme. This scheme was completed in 2017 and provides 133,186 sq ft NIA of office floorspace. The building comprises a building of steel frame construction arranged over 10 floors including plus basement and providing office accommodation within.

- 8.15 The scheme provides amenities including glass pod meeting rooms, private corner terraces, a large roof terrace and London's highest basketball court. Paddington Underground Station is within walking distance.
- 8.16 Information obtained from CoStar indicates that in 2017 the guide prices ranged from mid £60's to mid £70's per sq ft. The achieved pricing is not available.

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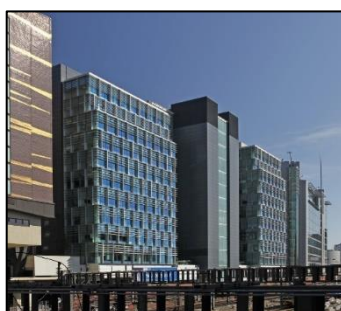
## 2 Kingdom Street



- 8.17 2 Kingdom Street is situated to the east of the Proposed Scheme, next to 4 Kingdom Street. This scheme was completed in 2010 and comprises a building of steel frame construction arranged of 12 floors. In total it provides 264,385 sq ft NIA of office floorspace.
- 8.18 Information obtained from CoStar indicates the following transaction in September 2019;
- 19,148 sq ft of office space situated on the 2<sup>nd</sup> floor was let to Huawei on a 4 year term. The achieved rent stated was £63.50psf.

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## 1 Kingdom Street



- 8.19 1 Kingdom Street is situated to the east of the Proposed Scheme, opposite 2 Kingdom Street. This scheme was completed in 2008 and provides 263,310 sq ft NIA of office floorspace.
- 8.20 The property comprises a building arranged over 10 floors which is of steel frame construction with glazed exteriors, vertical fins on the principal facades, and a double height entrance hall.

8.21 Information obtained from CoStar indicates the following achieved rents in 2018;

- 10,055 sq ft of office space situated on the 1<sup>st</sup> floor was let to Vodafone in September. The achieved rent stated was £65.00 psf with an effective rent of £48.75 psf.

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### Brunel Building



8.22 The Brunel Building is situated to the east of the Proposed Scheme, beyond the A4206. The Brunel Building is situated in a superior location when compared to the subject Site being closer to Paddington Station and benefits from an attractive setting overlooking the Regents Canal. The scheme completed in January 2019 and provides 244,000 sq ft NIA of office floorspace.

8.23 The office building is arranged over ground and 15 upper floors and features an innovative design which will allow flexible column-free floor plates.

8.24 The Brunel building is labelled as a 'world class' office building and provides a double-height ground floor reception and two large roof terraces. The building also offers an on-site retail/restaurant offering.

8.25 The two roof terraces are provided on the 14<sup>th</sup> and 16<sup>th</sup> floors. The 16<sup>th</sup> floor terrace is a shared amenity for all tenants in the building.

8.26 Information obtained from CoStar indicates the following rents have been achieved in the Brunel Building;

- 49,500 sq ft of office space situated on the 3<sup>rd</sup> to 5<sup>th</sup> floor was let to Splunk Services UK Limited in January 2019. The office space was on the market for 56 months. The achieved rent stated is £74.59 psf.
- 16,533 sq ft of office space situated on the 6<sup>th</sup> floor was let to Alpha in November 2018. The office space was on the market for 54 months. The achieved rent stated is £72.72 psf.
- 16,523 sq ft of office space situated on the 7<sup>th</sup> floor was let to Coach in November 2018. The office space was on the market for 54 months. The achieved rent stated is £72.72 psf.

- 33,999 sq ft of office space situated on the 9<sup>th</sup> to 10<sup>th</sup> floor was let to Paymentsense in January 2019. The achieved rent stated is £66.31 psf.
- 68,400 sq ft of office space situated on the 10<sup>th</sup> to 13<sup>th</sup> floor was let to Sony Pictures Entertainment in April 2018. The office space was on the market for 47 months. The achieved rent stated is £71.85 psf.
- 20,400 sq ft of office space situated on the 14<sup>th</sup> to 15<sup>th</sup> floor was let to Hellman & Friedman in January 2019. The office space was on the market for 50 months. The achieved rent stated is £87.81 psf. It should be noted that the 14<sup>th</sup> floor includes a 6,652 sq ft private roof terrace. This therefore distorts the achieved rent stated. If the private roof terrace area is included the achieved rent is actually circa £66 psf.

8.27 The table below provides a summary of the pricing information stated above.

TABLE FOUR: OFFICE RENTAL EVIDENCE SUMMARY, 5 KINGDOM STREET, JULY 2020	
Scheme	Average Pricing PSF (£)
4 Kingdom Street	£60-£75 psf*
2 Kingdom Street	£63.50 psf
1 Kingdom Street	£65.00 psf
Brunel Building	£66 to £88 psf**

\*asking rents

\*\* Upper rent include private roof terrace

8.28 The above table provides a range in rents for each of the four comparables analysed. In terms of location, 4 Kingdom Street is the best comparable as it is situated directly adjacent to the subject Site. The Proposed Scheme is arranged up to 19 storeys plus ground and mezzanine compared to 4 Kingdom Street which is arranged up to 10 storeys, therefore it would be expected that a premium would be achieved when comparing the pricing of the Proposed Scheme to 4 Kingdom Street.

8.29 The Brunel Building is a good comparable given that it completed in January 2019 however it is in a superior location when compared to the Proposed Scheme due to the proximity to Paddington Station and the benefit of views over the Regents canal. A discount to the rents achieved in the Brunel Building would be expected when pricing the Proposed Scheme.

8.30 The comparable evidence provided indicates that the average rent achieved across 4 Kingdom Street and the Brunel Building is generally around £70 psf. The £88 psf achieved in the Brunel Building for levels 14 and 15 is distorted due to level 14 including a private roof terrace. The private roof terrace adds considerable value which is then reflected in the overall rent, but which is not identified as net lettable space, and as such is not factored into the calculation when working out the achieved rent on a £ per sq ft basis.

8.31 When analysing the comparable evidence above (excluding the £88 psf achieved for levels 14 and 15 in the Brunel Building) the average rent achieved in the Brunel Building is c. £72 psf. A

discount would be expected when pricing the Proposed Scheme due to the superior location and views overlooking the Canal.

8.32 In considering all the above information, DS2 have constructed an indicative pricing schedule for the Proposed Scheme. The below table illustrates how the spread of rents might be arranged across the building, as a way of cross checking the overall blended average.

<b>Level</b>	<b>NIA Sqm</b>	<b>NIA Sq ft</b>	<b>Rental value per sq ft</b>
Mezz	671	7,223	£58-£62
1	1,805	19,429	£62-66
2	1,850	19,913	£60-£64
3	1,859	20,010	£60-64
4	1,867	20,096	£63-66
5	1,875	20,182	£63-66
6	1,884	20,279	£65-69
7	1,892	20,365	£65-69
8	1,901	20,462	£68-72
9	1,910	20,559	£68-72
10	1,828	19,676	£70-74
11	1,928	20,753	£70-74
12	1,937	20,850	£70-74
13	1,946	20,947	£72-76
14	1,955	21,043	£72-76
15	1,964	21,140	£72-76
16	1,973	21,237	£74-£78
17	1,982	21,334	£74-£78
18	1,991	21,431	£78-£82
	<b>35,018</b>	<b>376,930</b>	

8.33 In summary the following office rents have been adopted in the Proposed Scheme appraisal;

- 30% Pre-Let - £70.50 psf
- Remaining 70% - £72.50 psf

8.34 A reduced office rent has been assumed on the pre-let element to reflect the fact that a tenant would be committing early to a significant quantum of floorspace, on an expectation of a longer lease; 15-20 years compared to 5 to 10 years for the remaining 'speculative' office space.

8.35 A blended average rent of £71.90 psf, equivalent to an annual rent of £27,100,548 has been adopted in the Proposed Scheme appraisal.

8.36 A rent-free period of 36 months has been adopted for the pre-let office element and 18 months for the speculative office element. The evidence provided below indicates that pre-let office space is generally let for a term of between 15 to 25 years. This is compared to speculative office space which is generally let for a term of between 5 to 10 years.

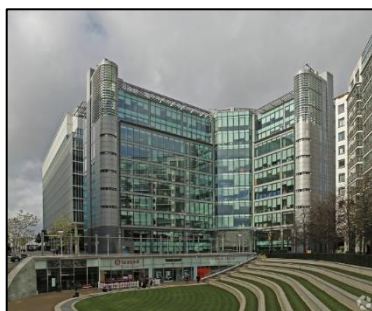
TABLE SIX: LEASE TERMS FOR PRE-LETS, 5 KINGDOM STREET, JULY 2020				
Scheme	Office floorspace (NIA)	Sign Date	Move-in Date	Term (years)
55 North Wharf Road, W2 1LA	68,400	2nd April 2018	1st June 2019	15
80 Charlotte Street, W1T 4QS	123,500	11th September 2017	1st October 2019	15
100 Liverpool Street, EC2M 2RH	160,998	13th February 2018	1st January 2020	20
Building 1, Curtain Road, EC2A 3ND	137,404	8th November 2017	15th January 2020	25
18-19 Hanover Square, W1S 1HY	57,200	23rd April 2018	1st October 2020	15
18-19 Hanover Square, W1S 1HY	53,916	5th March 2019	1st November 2020	20
17 Charterhouse, EC1N 6RA	158,284	6th June 2018	11th December 2020	25
Plot 2, 11 Canal Reach, N1 0AZ	230,509	23rd July 2018	1st December 2021	16
Plot 3, 11 Canal Reach, N1 0AZ	165,961	23rd July 2018	1st December 2021	16
Plot 2, York Way, N1 0AZ	196,002	23rd July 2018	1st December 2021	14
Soho Place - 1 Oxford Street, W1D 1AN	102,600	30th April 2019	30th June 2022	15
Building One - M7 Site, E20 1HZ	217,680	1st November 2017	1st December 2022	20

8.37 A report released by Carter Jonas in Q3 2019 indicates that for office schemes in Paddington the typical rent-free period agreed based upon a 10-year lease is c. 20 to 24 months. This is the equivalent of 2 to 2.4 months rent free for every year of the term agreed which results in a rent-free period between 30 months and 36 months.

### Yield

8.38 There is a lack of sales comparables that have transacted within the past couple of years within proximity to the Site. In order to arrive at a reasonable yield, the following transactions have been considered.

### 1 Sheldon Square



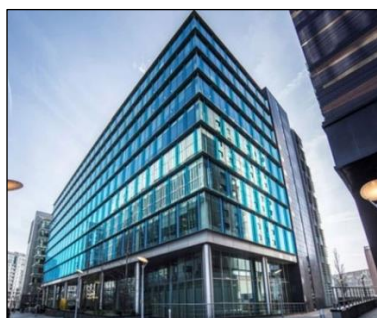
- 8.39 1 Sheldon Square is situated to the east of the subject Site, next to 1 Kingdom Street. The building completed in September 2002 and provides 195,381 sq ft of office accommodation arranged over lower ground, ground and nine upper levels. Office floorplates range between 16,600 sq ft and 17,900 sq ft.
- 8.40 The building was sold for £210,000,000 in April 2015 reflecting a net yield of 4.45%. This equated to a capital value of circa £1,075 psf. The building was fully let to Visa Europe Services until December 2022 with a rent review in December 2017 and 7 years unexpired term.

### Waterside House (35 North Wharf Road)



- 8.41 Waterside House is situated to the east of the subject Site and is located on North Wharf Road. The property overlooks the Canal and provides 237,801 of office and ancillary accommodation floorspace.
- 8.42 Waterside House was completed in 2003 and comprises a building arranged over basement, lower ground, ground and ten upper floors with office accommodation throughout.
- 8.43 Waterside House was sold for £220,500,000 in April 2019 reflecting a net yield of 4.98%. This equated to a capital value of circa £927 psf. The building was fully let to Marks & Spencer on an FRI basis at a gross passing rent of £11.4m per annum, with 9.25 years unexpired.

### One Kingdom Street



8.44 1 Kingdom Street sold was purchased for £292,000,000 in January 2017 by Hong King investor CC Land. The purchase reflected a net yield of 4.85%. This equated to a capital value of circa £1,109 psf. AS of the date of the sale the property was let to occupiers including Vodafone, Statoil, Shire Pharmaceuticals, Misys and MWB with a weighted unexpired term of 6.8 years. In addition to this, 89% of the space was subject to rent reviews in 2018.

8.45 The Waterside House transaction is the most recent however represents an older building than the new build Proposed Scheme and as such it would be expected that the Proposed Scheme would achieve a higher capital value psf.

8.46 In line with the information provided above the following has been assumed in the Proposed Scheme appraisal.

TABLE SEVEN: PROPOSED SCHEME COMMERCIAL VALUE SUMMARY, 5 KINGDOM STREET, JULY 2020					
	NIA (sq ft)	£PSF	Rent Free (months)	Void (months)	Yield
Pre-Let	113,076	£70.50	36	0	4.75%
Speculative	263,844	£72.50	18	12	4.75%
<b>TOTAL</b>	<b>376,920</b>				

8.47 In summary, the assumed office rents and yields equate to an office GDV of £528,583,219, or an NDV of £492,639,560. This equates to a capital value psf of £1,307. This is above the transactional evidence provided in this FVA.

#### **Flexible Retail/Office Uses (A1,A3,B1(a))**

8.48 The Proposed Scheme will deliver 723 sqm GIA of flexible retail/office floorspace located on Lower Ground Level, Ground Level and mezzanine. For the purposes of this FVA, the use class deriving the optimum value has been included within the viability appraisal which is office floorspace (B1(a)).

8.49 This has been valued in line with the indicative Proposed Scheme pricing schedule provided in table 6. The flexible retail/office space has been valued at £60 psf, which results in an annual rent roll of £466,920. This aligns with the pricing of the office floorspace situated on mezzanine.

8.50 A letting void of 6 months, and a 6-month rent free period has been assumed.

8.51 A net yield of 4.75% has been assumed in line with the office component. This derives a GDV of £9,604,436, or NDV of £8,951,334. This equates to circa £1,150 psf.

#### **Office Affordable Workspace**

8.52 The Proposed Scheme will provide 41,979 sq ft of office affordable workspace located at the Lower Box and Upper Box level.

8.53 A rent of £15.00 psf has been attributed to this space. This reflects the net rent that will be received by Applicant. The details of the proposed affordable workspace are set out in the Planning Statement and will be secured via a S106 legal agreement.

8.54 The Section 106 Heads of Terms in the Planning Statement state that the affordable workspace will be provided at a 50% discount to the open market rent. The affordable workspace will not be directly let to occupiers, instead there will be an intermediary operating 'workspace' company who will lease the space directly from the Applicant. To clarify, the Applicant will not let individual desks to affordable office tenants, they will lease the space as a whole to the workspace operator. They in turn, will then let individual desks etc.

8.55 The workspace operator will require a margin to cover their costs, as is the case with any serviced office operation. The margin would need to cover their cost of marketing, fit-out and in some cases service charge. In this instance the net difference equates to a rent of £15.00 psf which is the assumption adopted within the FVA.

8.56 A net yield of 4.75% has been assumed in line with the office component, with a letting void of 6 months. This derives a GDV of £13,256,526.

#### **Flexible Retail**

8.57 The Proposed Scheme will provide flexible retail floorspace located on the Lower Ground Level.

8.58 The following comparable evidence for retail floorspace has been found within proximity to the subject Site. As indicated in the table below, there is a lack of retail comparable evidence available within proximity to the subject Site.

<b>Address</b>	<b>Date</b>	<b>Use</b>	<b>Floor</b>	<b>Size (sq ft)</b>	<b>Rent per annum</b>	<b>Rent £ psf</b>
Unit 13, Paddington Basin	May-17	Retail	G	2,778	£60,000 (Achieved)	£22
4 Merchant Square	Oct-17	Retail	LG & G	4,444	£120,000 (Asking)	£27

8.59 A 6-month rent free period was provided as an incentive to the tenant for 4 Merchant Square. The retail floorspace overlooks the Canal and as such would command a premium when compared against the Proposed Scheme retail offering.

8.60 A 6-month rent free period was also provided as an incentive to the tenant for Unit 13, Paddington Basin. The retail floorspace also overlooks the Canal and again would command a premium when compared against the Proposed Scheme retail offering.

### Yield

8.61 There is a distinct lack of sales comparables within proximity to the Site. In order to arrive at a reasonable yield, the following transactions have been considered:

- 69-71 Praed Street – Sold for £550,000 in March 2017 reflecting a net initial yield of 5.27%. The property is arranged on basement and ground floor to provide a hair salon and a beauty treatment room over ground and part basement floors, with the remainder of the basement providing ancillary accommodation. It is understood that the property is let until 2030 with no breaks.

8.62 As set out at paragraphs 7.6-7.9, it is widely recognised at present that the retail sector is going through a challenging time due a combination of reasons. In the absence of any new comparable evidence when compared back to the Original FVA and considering the current market conditions, the same assumptions as assumed in the Original FVA have been adopted. A summary of the rental values, rent free periods, void periods and investment yields applied to the retail floorspace at the Site is provided below.

<b>Floorspace</b>	<b>NIA (sqft)</b>	<b>£PSF</b>	<b>Rent Free (months)</b>	<b>Void (months)</b>	<b>Yield</b>
Retail	2,852	£22.50	0	6	5%

8.63 A blended average of £22.50 psf has been applied to the retail space which sits in the range of achieved rents for the two retail comparables provided in table nine above.

8.64 A rent-free period has not been applied to the retail because the floorspace will be fitted out at a cost to the Applicant and as such no incentive would be offered to a potential tenant.

8.65 A yield of 5% has been adopted for the retail space, informed by the comparable evidence provided above although it is recognised that there is a distinct lack of available evidence. It should be noted that in this current market adopting a yield of 5% could be seen as optimistic for the reasons explained at paragraph 8.62.

8.66 This derives a GDV of £1,283,400. This equates to a capital value of circa £419 psf.

### Auditorium

- 8.67 The Proposed Scheme will deliver 7,944sq ft of auditorium space (sui generis) which will be located on the Lower and Upper Box Levels. This space will not benefit from any natural light.
- 8.68 There is no comparable evidence within proximity to the subject Site that gives an indication of what rent could be achieved for the auditorium space. A wider search across London also provides no directly comparable evidence.
- 8.69 The space has therefore been valued between that achievable for a retail unit and that achievable for leisure space within proximity to the Site, whilst also considering that the auditorium space does not benefit from any natural lighting and also includes 2,982 sq ft of back of house space.
- 8.70 The retail comparable evidence provided in table Eight suggests that a rent of between £22 to £27 psf could be achieved for ground floor space overlooking the canal.
- 8.71 Research into what leisure space can achieve within proximity to the Site has been carried out. Virgin Active took up 21,341 sq ft of space in December 2015 situated in 5 Merchant Square. The space is located in the basement and ground floor. The achieved rent stated is £15 psf and in addition to this a 15-month rent free period was offered as an incentive to the tenant.
- 8.72 Considering the above information, the following has been assumed in arriving at a value for the auditorium space.

<b>TABLE TEN: AUDITORIUM VALUE SUMMARY, 5 KINGDOM STREET, JULY 2020</b>					
<b>Floorspace</b>	<b>NIA (sqft)</b>	<b>£PSF</b>	<b>Rent Free (months)</b>	<b>Void (months)</b>	<b>Yield</b>
Auditorium (including BoH)	7,858	£17.50	12	6	6%

- 8.73 This derives a GDV of £2,185,849 for the auditorium space which has been assumed in the appraisal.

### The Box

- 8.74 The Box is situated at Lower and Upper Box Level and benefits from good natural light from the south over the railway lines. The Box will provide a mix of daytime and evening retail, leisure, cultural, community and enterprise activities.
- 8.75 As stated at section 3 of this report there are a range of uses proposed for the Box. To re-cap, these are as follows;
- Restaurant (A3) / Market hall (sui generis): combined, will make up to a maximum of 100% of total area;
  - Conference / exhibition space (D1/sui generis): will make up to a maximum of 100% of total area;

- Cinema (D2): will make up no more than 50% of total area; and
- Gym / sports (D2): will make up no more than 50% of total area.

8.76 The planning application seeks flexibility for a range of uses to be provided in the Box to respond to the market and the requirements of the local community. The viability appraisal assesses what is considered to be the optimum mix of uses in value terms that can be delivered. For the purposes of the FVA the Box has been valued as restaurant (A3) as the flexibility that the Applicant is seeking permits this. It also derives the highest value when compared to the other uses that can be provided.

TABLE ELEVEN: THE BOX VALUE SUMMARY, 5 KINGDOM STREET, JULY 2020		
Use	NIA (Sq ft)	£PSF
Restaurant (A3)	33,002	£20.00
<b>TOTAL</b>	<b>33,002</b>	<b>£20.00</b>

8.77 The space likely to be created will be of an industrial style unit where the Applicant/operator will be required to create a destination in order to attract consumers. The following comparables have been provided by the Applicant when informing the rents that could be achieved for the Box space assuming that it is delivered as 100% restaurant (A3).

- **Pergola Paddington, London** –Pergola is situated on the site and provides circa 20,000 sq ft of restaurant and bar space over two storeys including an open rooftop. The Applicant has indicated that a headline rent of £13.00 psf has been achieved but when considering that a percentage of the turnover rent is also payable, this reflects a rent of circa £15.00 per sq ft. This is considered to be the primary comparable, in terms of location, overall size of space and the nature of the space being created. This is the most comparable in terms of location and space being provided.
- **Eataly, 135 Bishopsgate, London** - Eataly agreed to let 42,000 sq ft of space in the Broadgate office redevelopment over ground and 1st floor level in 2018. The location of the space benefits from a significant uplift in footfall compared to the Proposed Scheme due to being located adjacent Liverpool Street station and on the busy Bishopsgate thoroughfare. It is understood that there were considerable sums provided by the landlord in capital contributions, as well as significant rent-free periods granted as incentives. These details are confidential; however we understand from the landlord (who is also the Applicant) that the expected net effective rent is likely to be circa £15 per sq ft. This supports DS2's current rent assumptions, indeed if anything it indicates that the Applicant is being slightly optimistic on what could be achieved on the Proposed Scheme given the more favourable location of the Bishopsgate property.

8.78 The evidence above demonstrates that DS2's proposed rent of £20 per sq ft is in fact in excess of what the space might be reasonably expected to achieve.

8.79 A yield of 5.25% and a rent-free period of 24 months has been adopted which reflects the type of tenant (and covenant strength) that would be considered suitable to occupy space, the

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location and nature of the space (i.e. below street level) and the need to heavily incentivise users to fit-out parts of the Box.

## 9 DEVELOPMENT COSTS

9.1 The following section provides a summary of the development costs on a present-day basis, which comprise the following:

- Build costs as advised by the Applicant's cost consultants, Gardiner & Theobald;
- Professional fees;
- Planning obligations and CIL;
- Sales, letting disposal and marketing costs;
- Additional costs; and
- Financing costs.

### Construction Costs

9.2 The Applicant's cost consultants Gardiner & Theobald have provided a cost estimate for the Proposed Scheme, a copy of which is attached at **Appendix Five**.

9.3 In summary, the cost plan sets out a base construction cost of £227,931,805 inclusive of a 5% OH&P and a 16% preliminaries allowance. The headline construction cost reflects an overall cost rate of £316 per square foot on the overall GIA.

9.4 A 5% construction contingency has also been included. Please note that Gardiner & Theobald include a separate 5% design risk allowance within the cost estimate. It should be noted that for the Proposed Scheme there is considerable risk in developing above the Crossrail tunnels. The Proposed Scheme requires the removal of the parts of the existing Crossrail deck and replaced with a new structural grid. This is a complex operation with significant risk and/ or financial penalties should the development in any way affect the Crossrail operational tunnels. It is therefore reasonable to conclude that the Proposed Scheme would require a higher overall contingency margin in relation to construction risk. At this stage a 5% contingency allowance only has been adopted on a without prejudice basis.

### Professional Fees

9.5 Considering the scale and nature of the Proposed Scheme, a 12% professional fees budget has been applied within the Proposed Scheme appraisal. This is considered appropriate for a development of this scale and complexity.

9.6 It should be noted that in reality, the Applicant's professional fees will approximately be 15%. This is based upon the Applicant's and M3's recent experience on large commercial projects where the outturn in professional fees for completed developments has equated to approximately 15% of construction costs, reflecting the complexity of developing in Central London and the requirements of the legislative and planning policy frameworks.

9.7 The total professional fees budget has been modelled to commence at the start of the pre-construction period and will continue until practical completion of the Proposed Scheme.

### **Planning Obligations**

#### **Westminster City Council Community Infrastructure Levy (CIL) & Mayoral CIL**

9.8 The following figures provided by CBRE have been included within the ARGUS appraisal of the Proposed Scheme.

<b>TABLE TWELVE: BOROUGH AND MAYORAL CIL SUMMARY, 5 KINGDOM STREET, JULY 2020</b>	
<b>Source</b>	<b>Payable</b>
Est. Borough CIL	£11,465,797
Est. Mayoral CIL	£11,763,424
<b>TOTAL</b>	<b>£23,229,221</b>

9.9 The CIL figures include estimated indexation. Indexation can only be finalised once planning permission has been granted. The CIL payments have been cashflowed in line with WCC's CIL instalments policy.

#### **S106 Obligations**

9.10 A total allowance of £18.35m has been assumed for the S106 contributions based upon Section 106 Heads of Terms. This is broken down as follows;

- Westbourne Bridge Study - £20,000
- Employment & training skills - £2,087,820
- S278 works - £930,000
- Social and community fund - £50,000
- Carbon offset payment - £770,400
- Affordable housing contribution - £14,300,000 (paid in 3 equal instalments)
- Legible London - £4,500
- Cycle hire docking station - £187,000

9.11 There is also a £1,000,000 contribution towards public art however this sum already included within the cost estimate for the Proposed Scheme.

9.12 In respect of all planning obligation figures stated above, the Applicant has not formally agreed these with the GLA, and therefore may be required to update the FVA should the level of these obligations change (go up or down).

### **Sales, Marketing and Legal Costs**

9.13 The following disposal costs have been adopted, which are in line with market norms:

- Commercial marketing – £2,000,000 (this equates to £6 psf on the office NIA and is based on the Applicant's considerable experience in developing Central London office buildings)
- Commercial sales agent fee – 0.50% (of commercial GDV)
- Commercial sales legal fee – 0.25% (of commercial GDV)
- Letting Agent Fee – 15% (of 1st years annual rental income, reflects dual agency instruction)
- Letting Legal Fee – 5% (of 1st years annual rental income)

### **Finance**

9.14 A 6.5% finance cost has been included within the appraisal of the Proposed Scheme. The adopted finance rate is an 'all in' rate, which includes the basic margin (3-4%), commitment fees, arrangement fees (2-3%) and exit fees (0.5-1%), as well as a bank management/monitoring cost.

9.15 It is assumed that the development is 100% debt financed. However, in the current lending environment, and for the foreseeable future, many of the most traditional lenders are generally only lending senior debt at a maximum 50-60% loan to cost ratio.

9.16 Developers therefore have to revert to equity or mezzanine finance to secure full development funding, both of which are considerably more expensive than senior debt, typically at 10-15%. Alternatively, developers can source debt from niche operators, who are by their nature, more expensive than the traditional lenders.

9.17 As a result, whilst senior debt can be secured at anywhere between 6% and 8%, in reality to secure full funding the blended finance rate may be significantly higher than this. Notwithstanding 6.5% has been adopted.

## 10 BENCHMARK LAND VALUE

- 10.1 In arriving at a Benchmark Land Value (“BLV”) for the Site regard has been given to the approach set out in Section 6 of this FVA.
- 10.2 As stated in section one of this FVA, the Site forms part of the approved masterplan for the Paddington Central campus. In line with adopted planning policy and non-adopted professional guidance, including the Mayor’s Affordable Housing and Viability SPG, a part EUV based approach, part AUV based approach to Site Value/ Benchmark Land Value has been adopted.
- 10.3 The BLV is formed of two parts, above and below ground:
- The land value of the implemented planning consent (Application Ref. 09/08353/RESMAT) above the Crossrail Box; and
  - The Existing Use Value of the Site underneath the Crossrail Box in its current form
- 10.4 In order to appraise the land value of the implemented planning consent (the “Consented Scheme”), a separate development appraisal must be prepared in line with the residual method of valuation as illustrated in Table 2 (section 6). The following section will therefore provide a description of the Consented Scheme alongside further detail on the development timings, values and costs used to appraise it.

### Changes compared to Original FVA

- 10.5 The following changes have been made to the BLV when compared back to that assumed in the Original FVA;
- Construction costs – These have been updated to reflect current day costs. Gardiner & Theobald have provided an updated cost estimate.
  - S106 costs – The S106 contributions have been updated to include indexation to current day.
- 10.6 As stated at section 8 of the FVA, research has been carried out by DS2 to ascertain whether there have been any transactions between the date of the Original FVA to current day that would lead to a change in valuation advice. As concluded at section 7, DS2 are of the opinion that there is no new comparable evidence available to support a change in valuation advice compared to that previously assumed in the Original FVA.

### Consented Scheme – Development Proposal

- 10.7 Attached at **Appendix Six** is a full set of floor plans and an accommodation schedule for the Consented Scheme.

10.8 The Consented Scheme will provide 271,509 sq ft GIA of office accommodation over basement, ground and levels 1 to 12 plus plant. An area schedule for the Consented Scheme is attached at **Appendix Seven**.

10.9 In summary the Consented Scheme will provide 271,509 sq ft GIA and 206,990 sq ft NIA of office floorspace.

### **Scheme Layout and Design**

10.10 The below provides a summary overview of the Consented Scheme at 5 Kingdom Street.

- Lower Ground Level (Sub-Podium) – Situated at the Lower Ground Level is 157 cycle spaces, dedicated area for male and female staff facilities, refuse store, service yard and plant.
- Ground Level (Podium) – Access to the building can be made through the Entrance Hall located on the east side of the building. The Entrance Hall provides access to 7 lifts. There is also some plant space situated on the Ground Level.
- Level 1 to 12 – Office floorspace is situated on these levels with the average floorplate ranging from 14,908 sq ft on level 1 to 17,716 sq ft on level 12.
- Roof Level – Plant is situated on this level.

### **Development Timings**

#### Construction Timings

10.11 M3 have advised that the construction programme (inclusive of pre-construction period) will be 38 months, or circa 3 years and 2 months.

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

#### Commercial Letting

10.12 In line with the Proposed Scheme, it has been assumed that to secure development funding for the Consented Scheme at least 30% of the office floorspace will be required to be pre-let prior to construction. The 30% pre-let office floorspace assumes no letting void period.

10.13 A 12-month average letting void has been assumed for the remaining unlet or speculative office floorspace.

10.14 It should be noted that both the Consented and Proposed Schemes have been appraised using the same average letting voids. The Proposed Scheme includes c. 170,000 sq ft NIA additional

office floorspace when compared to the Consented Scheme which could take significantly longer to let. The adoption of equivalent letting voids reflects, in part, the more attractive nature of the Proposed Scheme when compared to the Consented Scheme, in addition to a differential in rent levels (see paragraphs below).

### **Development Value**

10.15 The Consented Scheme has been valued having regard to the comparable evidence provided at section 7 of this report.

10.16 The comparable evidence provided indicates that an average of £72 psf is being achieved for office floorspace situated in the Brunel Building. The main difference between the Consented Scheme and the Brunel Building is the superior location of the Brunel Building and the additional 3 storeys when compared to the Consented Scheme. As such, the Consented Scheme should be valued at a discount.

10.17 4 Kingdom Street reaches 10 storeys (ground plus 9). It is understood that 4 Kingdom Street's pricing ranged from circa £65 psf to £75 psf in 2017. The achieved pricing is unknown albeit based on the information known it is assumed the blended average was c. £70 psf.

10.18 4 Kingdom Street is comparable to the Consented Scheme given that it is situated directly next to the Site and is similar in size albeit the Consented Scheme is three storeys higher. The pricing of the Consented Scheme is likely to be similar to that of 4 Kingdom Street.

10.19 In summary the following office rents have been adopted in the Consented Scheme appraisal;

- 30% Pre-Let - £68.50 psf
- Remaining 70% - £70.50 psf

10.20 In line with the Proposed Scheme, A reduced office rent has been assumed on the pre-let element in line with the pricing methodology adopted on the Proposed Scheme. This results in a blended average rent of circa £69.90 psf, of an annual rent of £14,468,601 which has been adopted in the Consented Scheme appraisal.

10.21 A rent-free period of 36 months has been adopted for the pre-let office element and 18 months for the speculative office element.

10.22 In line with the information provided at section 8 of this report the following has been assumed in the Consented Scheme appraisal.

<b>TABLE FOURTEEN: CONSENTED SCHEME COMMERCIAL VALUE SUMMARY, 5 KINGDOM STREET, JULY 2020</b>					
	<b>NIA (Sq ft)</b>	<b>£PSF</b>	<b>Rent Free (Months)</b>	<b>Void (Months)</b>	<b>Yield</b>
Pre-Let	62,097	£68.50	36	0	4.75%
Speculative	144,893	£70.50	18	12	4.75%
<b>TOTAL</b>	<b>206,990</b>				

10.23 In summary, the rents and yield would generate an office GDV of £282,204,227, or an NDV of £263,014,340. This equates to a capital value psf of £1,271.

### **Construction Costs**

10.24 The Applicant's cost consultants Gardiner & Theobald have provided a cost estimate for the Consented Scheme, a copy of which is attached at **Appendix Eight**.

10.25 In summary, the cost plan sets out a base construction cost of £101,719,323 inclusive of a 5% OH&P and a 15% preliminaries allowance. The headline construction cost reflects an overall cost rate of £375 per square foot on the Consented Scheme's GIA. The Consented Scheme construction costs is more expensive on a £ per square foot rate than the Proposed Scheme.

10.26 A 5% construction contingency has also been included.

### **Professional Fees**

10.27 A 12% Professional Fees budget has been applied within the ARGUS appraisal of the Consented Scheme, in line with the Proposed Scheme.

### **Sales, Marketing and Legal Costs**

10.28 In line with the Proposed Scheme the following disposal costs have been adopted:

- Commercial marketing – £1,241,940 (equivalent to £6.00 psf on the office floorspace NIA and in line with the Proposed Scheme)
- Commercial sales agent fee – 0.50% (of commercial GDV)
- Commercial sales legal fee – 0.25% (of commercial GDV)
- Letting Agent Fee – 15% (of 1st years annual rental income)
- Letting Legal Fee – 5% (of 1st years annual rental income)

10.29 The above sales and marketing costs for the Consented Scheme are in line with current market norms.

### **Planning Obligations**

10.30 A S106 payment of £1,386,617 (including estimated indexation) has been included in the Consented Scheme appraisal.

10.31 The Social and Community Fund was originally for £1,400,000 in relation to 'Phase 3' of Paddington Central (which comprises 4 and 5 Kingdom Street). A Deed of Variation to apportion this payment on a pro-rata basis between 4 and 5 Kingdom Street (based on approved Gross External Areas) was formally agreed with WCC on the 26<sup>th</sup> July 2017. Further to this, a payment of £586,600 plus indexation (a total payment of £930,292.25) was made to WCC in August 2017. The remaining £813,400 (plus indexation) would be due prior to occupation of 5 Kingdom Street in the event the extant scheme for that site is built out. Based on the latest published RPI monthly index, this payment including indexation is currently estimated at £1,386,617.

10.32 The Consented Scheme was granted planning permission pre-adoption of the Westminster CIL charging schedule and Mayoral CIL charging schedule.

### **Finance**

10.33 In line with the Proposed Scheme, we have assumed a 6.5% finance rate within the appraisal of the Consented Scheme.

### **Development Return**

10.34 As stated in section 10 below, in line with the Proposed Scheme a profit target of 20% profit on cost, or 15.53% on GDV has been assumed in the Consented Scheme appraisal.

10.35 The appraisal for the Consented Scheme generates a residual land value of £52,997,443 which is attached at **Appendix Nine**.

### **The Crossrail Box**

10.36 The Consented Scheme red line does not include the Crossrail Box itself, but it does sit within the planning application red line boundary. As such, when assessing the Site Value for the Site the income generating capacity of The Box in its current form, and therefore overall EUV, has been considered.

10.37 In the current configuration, the Box has an area of approximately 8,200 sqm GIA. This area has been applied to the Consented Scheme appraisal. Note that the Box area under the Proposed Scheme is different because under the Proposed Scheme some of the Box footprint is reserved for plant and auditorium, and a partial mezzanine level is created.

10.38 The Box currently has no planning use, but it comprises a large, covered space in Central London. Part of the existing space is currently used as a Crossrail welfare and storage facility and benefits from excellent vehicular access. The Crossrail safeguarding direction requires the space to be vacated once the line is operational. As such it is not considered unreasonable to assume that a landowner would not simply leave the Box empty. In accordance with National, Regional and Local policy we have considered the income generating capacity of The Box in its current form.

## Rents

10.39 It is assumed that after a period of marketing that the Box would (at least) be rented as storage. Given its previous use as a Crossrail welfare and storage facility, the excellent vehicular access provided by the dedicated Paddington Central service road, and the increase in industrial and storage values in recent years, storage is considered to be a realistic alternative use.

10.40 There is a lack of open storage comparable evidence within close proximity to the subject Site. Table 14 below provides open storage rents for schemes situated within Greater London. It is expected that given the superior location of the Site in Central London and the proximity to the A40 (Westway) which is one of the major arterial routes into Central London, that the rents in excess of those stated in table 15 below could be achieved, especially due to the scarcity of open storage space in Paddington. Furthermore, the existing Box space is covered by the deck above it and this in itself would generate a premium over open storage space.

<b>TABLE FIFTEEN: OPEN STORAGE COMPARABLE EVIDENCE, 5 KINGDOM STREET, JULY 2020</b>				
<b>Name</b>	<b>Address</b>	<b>Rent</b>	<b>Sq ft</b>	<b>£ per sq ft</b>
Rick Roberts Way	Stratford, E15	£931,095	372,438	£2.50
Plot 1, Harpet Road	Edmonton, N18	£87,500	28,750	£3.04
Station Approach Court,	Mottingham, SE9	£80,000	23,958	£3.34
Ferry Lane South, South Industrial Estate	Rainham, RM13	£74,950	24,829	£3.02
Unit F, 4 Creek Road	Barking, IG11	£55,000	21,780	£2.53
Cuba Street	Tower Hamlets, E14 8LB	£156,816	39,204	£4.00
Ladbroke Grove	Ladbroke Grove, W10	£255,210	42,535	£6.00
9 Pellatt Road	East Lane Business Park, Wembley, HA9 7RE	£123,660	16,481	£7.00

10.41 The most relevant comparable provided above in terms of location and connectivity is the open storage space let in Ladbroke Grove, only 2.5 miles from Paddington and the Site. This site is located on Canal Way behind Sainsburys on Ladbroke Grove and 0.8 miles from the Westway/A40. Considering the existing Box space is covered by the Crossrail deck we would expect the Box space to trade at a premium to that achieved at Ladbroke Grove. A rent of £6.00 per sq ft has been adopted, however this is considered conservative.

## Yield

10.42 In arriving at a reasonable capitalisation rate for the storage space and noting the absence of any comparable evidence that has transacted as storage space within proximity to the subject

Site, the following comparables have been used to inform the capital value of the Box on the basis that it is let as open storage space.

#### Maryland Industrial Estate - 28 Maryland Road



10.43 A freehold site incorporating single floor warehouse / trade counter unit with offices on the ground and first floor extending to 12,110 sq ft.

10.44 The property is located on the north side of Maryland Road, which links with Leytonstone Road, from which the A12 can be accessed. It is 1.8 miles north east of the Site.

10.45 We understand the sale was agreed as an investment at £1,800,000 in April 2018, which equates to a yield of circa 7.84% and a capital value rate of approximately £149 per sq ft. The passing rent was £12.38 per sq ft.

#### Trophy House, Blackhorse Road



10.46 A freehold 1 acre site, constructed in the 1960s, incorporating two warehouse buildings extending to 17,731 sq ft in total.

10.47 The site is located near Deptford Park in a mixed industrial and residential area on the corner of Blackhorse Road and Evelyn Street (A200). It is circa 4.6 miles south of the Site.

10.48 The property sold for £4m in 2016 subject to obtaining planning consent to demolish the existing building and build a new, higher density warehouse of approximately 50,000 sq ft. We understand the sale was agreed and the price with vacant possession equates to a capital value rate of approximately £225 per sq ft.

### Knightsbridge House - Kingsbury Road



10.49 A freehold site an industrial/warehouse building with office space, extending to 17,918 sq ft. The property comprises a detached industrial warehouse building of traditional masonry construction. The building is arranged over four floors with a basement level, and also provides office accommodation.

10.50 The property is located close to Edgware Road (A5) which links with the North Circular Road (A406) and Junction 1 of the M1 motorway. It is circa 13.1 miles north of the Site.

10.51 We understand the site was sold with vacant possession for £3,100,000 in December 2018, which equates to a capital value rate of approximately £164.00 per sq ft.

### Unit 29 Stadium Business Centre



10.52 The site incorporates 2,950 sq. ft of industrial space. More specifically, the property comprises a warehouse / industrial building.

10.53 The property is located at the end of North End Road within the Stadium Business Centre, the Wembley Industrial area. The property offers access to North Circular Road A406 and close to both the M1 and M40 Motorways. The property is 13.8 miles north east of the Site.

10.54 The property was sold in August 2018 for £550,000, which equates to £187 per sq. ft.

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10.55 Acknowledging the comparables provided above, the location of the Site and the end capital value on a £ per square foot basis, a yield of 5.00% has been adopted.

10.56 A copy of the EUV Valuation for the Box is attached at **Appendix Ten**. In summary, an EUV for the Box of £9,345,876, equivalent to £106 per square foot has been assumed.

**Premium**

10.57 In accordance with national and regional guidance a landowner's premium can be applied to the EUV of a site, reflecting the additional amount over and above the EUV required to incentivise a landowner to release a site for redevelopment. DS2 has not applied a premium to the Box element, however reserve the right to consider this reassess this position.

**Summary**

10.58 In summary a BLV consisting of the following has been assumed;

- **Consented Scheme** - £52,997,443
- **The Box** - £9,345,876

10.59 A total BLV of £62,343,319 has therefore been assumed for the purposes of this FVA.

## 11 DEVELOPMENT RETURN

- 11.1 As set out in Section 6 the approach being adopted in this FVA is to insert the Development Return as a fixed allowance and assess the level of residual land value generated by the Proposed Scheme.
- 11.2 The key criteria to consider is the risk profile of the project. This includes the location of site, mix of uses, scale and complexity of development, development costs, real levels of debt and the wider economic context. Simply, there must be a reasonable prospect that the Development Return will be commensurate with the risks being undertaken in delivering the development.

### Risk profile considerations

- 11.3 In considering the risk profile of the Proposed Scheme in more detail, regard has been given to the following factors:

<b>Risk Profile consideration</b>	<b>Comments</b>	<b>Risk Profile</b>
Methodology	Standard delivery model, albeit one that exposes the developer to construction risk, sales risk and market risk	Medium to low
Expenditure profile	Single phased delivery which means all of the revenue is tied up until the PC of the building. The peak debt is £419m whilst the debt is not paid back in full until August 24 (4 year 'payback' period). An illustrative cost/revenue analysis is attached at <b>Appendix Eleven</b> .	High
Programme	Just over a 4 and a half-year programme, which is inherently risky due to a combination of external, influencing factors – this includes general fluctuations in the property market, political changes, changes in Monetary policy (e.g. interest rates), changes in fiscal policy and the unknown long-term impact that Covid-19 will have on the commercial market and occupier sentiment.	High
Inflation and growth	The FVA adopts current day costs and values. Both office rental growth and construction cost inflation are linked to a variety of influencing factors, however inherent volatility in either	Medium

	could result in cost inflation outstripping growth especially given the current market conditions.	
Mix of Uses	Use mix is weighted in favour of office but includes a significant element of other uses which offers risk diversification. Conversely, the inclusion of retail at the current time will add to the risk profile of the scheme. A pre-let has been assumed which would mitigate risk to some degree.	Medium
Market Context	The current market is extremely challenging, and it is difficult to forecast how the economy and in turn commercial property sector will perform into the foreseeable future. This, along with a trade agreement still to be reached with the EU risks the office market slowing down.	High

### **Summary**

- 11.4 Taking all of the above into account, it is considered the 'Market Context' would carry the greatest weighting in light of the current market conditions and the uncertainty of the long term effects that Covid-19 will have on office development and investment in London. Secondary to this, the 'programme' and 'expenditure profile' (which are intrinsically linked) would carry the next amount of weight when determining overall risk, and in turn, development return requirements. As such, it is considered that a return at the lower end of the 15-20% on GDV range as advocated at paragraph 18 of the NPPG would be reasonable.
- 11.5 An approach has therefore been adopted which seeks a 15.33% on GDV, or 20.00% on cost for the development. This is consistent with how the risk profiles of commercial developments are considered.

## 12 APPRAISAL RESULTS AND SENSITIVITY TESTING

12.1 A copy of the ARGUS appraisal summaries of the Proposed Scheme are attached at **Appendix Twelve**. The FVA results are summarised in the table below.

Benchmark Land Value	Proposed Scheme RLV	Surplus / Deficit
£62,343,319	£44,731,617	(£17,611,702)

12.2 The results demonstrate that the Proposed Scheme derives an RLV of £44,731,617. This is below the BLV of £62,343,319. As such, the above demonstrates that the scheme cannot afford to provide any affordable housing on-site, off-site or as a payment in lieu in accordance with Policy S1 of the adopted Westminster City Plan.

12.3 Sensitivity analysis has been carried out below to demonstrate the impact on the Proposed Scheme RLV should commercial values increase/decrease in increments of 5.0% and construction costs increase/decrease increments of 2.5%. Red cells represent a decrease in viability from the current position, green cells an improvement, and dark green cells a viable position.

Rent: Rate /ft <sup>2</sup>					
Construction: Gross Cost	-10.000%	-5.000%	0.000%	5.000%	10.000%
-5.000%	£27,642,447	£41,662,288	£55,682,069	£69,702,015	£83,721,859
-2.500%	£22,167,154	£36,187,037	£50,206,853	£64,226,756	£78,246,605
0.000%	£16,691,925	£30,711,779	£44,731,617	£58,751,393	£72,771,348
2.500%	£11,216,665	£25,236,458	£39,256,368	£53,276,179	£67,296,089
5.000%	£5,741,400	£19,761,251	£33,781,111	£47,800,945	£61,820,716

12.4 The sensitivity testing demonstrates that with 10% rental growth the scheme becomes viable, whether the costs go up by 5% or down by 5%. With cost reductions 5% rental growth results in a viable scheme. Whilst future cost cannot be guaranteed, the level of rental growth required to achieve a viable and deliverable scheme is considered achievable in the short to medium term, as befits the Applicants long term approach to development and investment.

## 13 CONCLUSIONS

- 13.1 The Applicant is committed to delivering a high quality mixed-use commercial led scheme which will provide a range of uses including public space within the building and the Box.
- 13.2 The Proposed Scheme represents one of the last remaining opportunities to bring forward large flexible floorplate offices in Westminster. The building will provide a range of workspace typologies offering an alternative to competing locations such as Kings Cross and the Southbank, supporting Paddington as an established and growing hub for the tech sector and creative industries and assisting in the delivery of Opportunity Area employment targets.
- 13.3 The Proposed Scheme will also use the Crossrail works site situated beneath Kingdom Street (The Box) to provide affordable workspace and a range of public spaces and uses within the lower levels of the building.
- 13.4 The planning benefits have been separated out into six key areas and summarised below;
- The Proposed Scheme creates an opportunity to connect local communities by providing access to a diverse range of spaces, local transport and community infrastructure and employment and training opportunities.
  - The Proposed Scheme will deliver a range of high-quality workspaces from affordable (3,900 sqm for start-ups and SMEs), to flexible space for growing businesses, to more conventional office floorplates suitable for larger employers. This will help to attract and retain businesses of all sizes in Westminster.
  - The Applicant is committed to supporting local residents to access quality employment opportunities, through training and skills programmes which meet local needs and support positive futures for local young people. The Applicant's long-term ownership and stewardship of Paddington Central has enabled them to develop partnerships with local education and training providers, to ensure that Westminster residents benefit from development by tackling barriers to employment.
  - The Proposed Scheme will create a place that is active, social, inclusive and which positively impacts people's lives.
  - It is anticipated that the scheme will generate capacity for between 3,890–5,086 FTE jobs and contribute more than 1,600 sqm of covered public realm to the local area in the form of a new public route and garden.
  - The Proposed Scheme will generate significant financial contributions for Westminster to help fund the delivery of social and community infrastructure.

- The Proposed Scheme will make a £14.3m financial contribution to WCC's affordable housing fund to enable the delivery of affordable housing within the Borough.
- 13.5 The results illustrated in table 17 demonstrate that on a present-day basis the proposed scheme is unable to viably provide a greater affordable housing payment than the £14.3m currently proposed. The key driver to deficit between the proposed scheme RLV and BLV is the level of S106 and CIL contributions required under the development proposals which are not applicable to the consented scheme.
- 13.6 Through the design changes described within this FVA the scheme has been optimised, increasing the value of the proposals. Rather than use this value increase to bridge the viability 'gap' the Applicant has chosen to allocate this to affordable housing, generating the current affordable housing contribution of £14.3m. The underlying viability position of the amended proposals is therefore broadly equivalent to that which the Applicant was originally prepared to commit to at planning committee. The revised affordable housing contribution does however remain in excess of what the scheme can viably support when assessed against the BLV, as illustrated in the results table.
- 13.7 Whilst there is a viability deficit in land value terms, sensitivity testing demonstrates that rental growth over the life of the development and beyond, that a viable and deliverable scheme is achievable.
- 13.8 Furthermore, as a responsible long-term investor the Applicant is uniquely placed to be able to consider the proposals on a long-term investment basis. Its development decisions take into account quality of income, wider campus placemaking benefits and its ability to positively contribute to the community and local area. The Applicant's approach is supported by their track record in delivering high quality developments in Westminster, most recently at 4 Kingdom Street, as well as their past and continuing stewardship of the Regents Place and Broadgate neighbourhoods in Camden and the City of London which they have owned and managed for 36 and 24 years respectively.

**Prepared by:**



Liam Janusz  
ASSOCIATE  
Email: [liam.janusz@ds2.co.uk](mailto:liam.janusz@ds2.co.uk)

**Reviewed by:**



Jack Savin-Taylor MRICS  
PARTNER  
Email: [jack.savintalor@ds2.co.uk](mailto:jack.savintalor@ds2.co.uk)

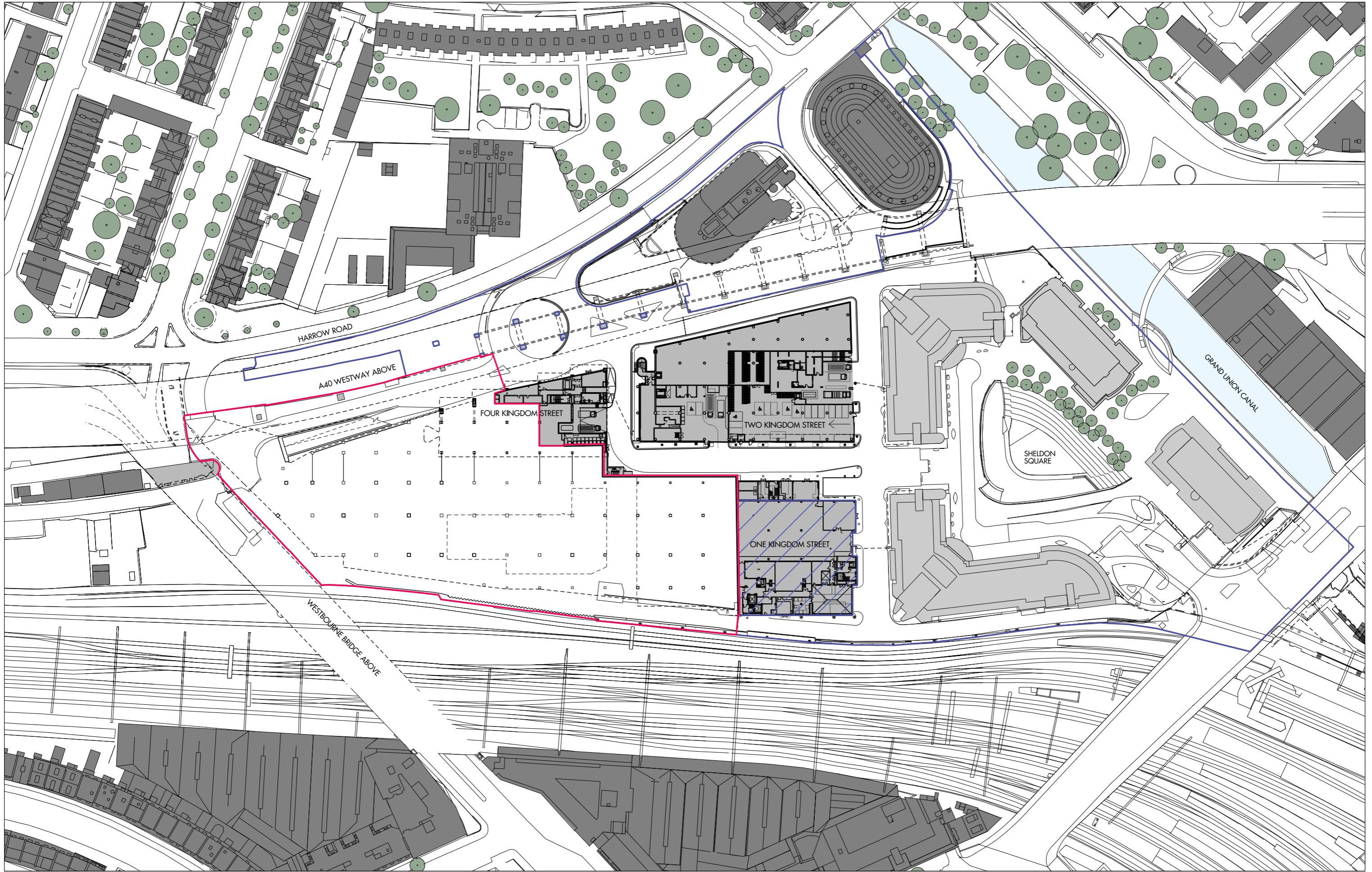
**For and on behalf of:**

British Land

**Date: July 2020**

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**APPENDIX ONE – RED LINE APPLICATION BOUNDARY**



Figured dimensions are in millimetres unless noted otherwise. All dimensions and levels shall be verified on site before proceeding with works. Detailed site survey to be carried out to verify positions and level relationships with the features and ordinance survey. The architect must be notified of any discrepancy. Boundaries are indicative only and are to be verified by others.

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REV	DATE	DESCRIPTION	CD
P1	10.04.19	PLANNING	HF

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SOURCE OF INFORMATION SHOWN ON DRAWING:  
 - REFER TO ORDINANCE SURVEY MAP FOR OS INFORMATION  
 - FOR 1 AND 2 KINGDOM STREET REFER TO MASTERPLAN DRAWINGS BY KIF (A-033-MasterPlan, as proposed, L03.1-350)  
 - FOR 3 KINGDOM STREET REFER TO CONSTRUCTION DRAWINGS BY DEXTER MOREN ARCHITECTS (DRAWING No. 0458, CD99 to CD109)  
 - FOR 4 KINGDOM STREET REFER TO PLANNING APPLICATION DRAWINGS BY ALLIES AND MORRISON IN 2014.

- PLANNING APPLICATION BOUNDARY
- BUILDING NOT INCLUDED IN PLANNING APPLICATION BOUNDARY
- SITE OUTSIDE THE APPLICATION BOUNDARY OWNED BY THE APPLICANT
- BUILDING OUTSIDE APPLICATION BOUNDARY NOT OWNED BY THE APPLICANT

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 London SE1 0HX  
 telephone 020 7921 0100  
 facsimile 020 7921 0101  
 email studio@alliesandmorrison.com

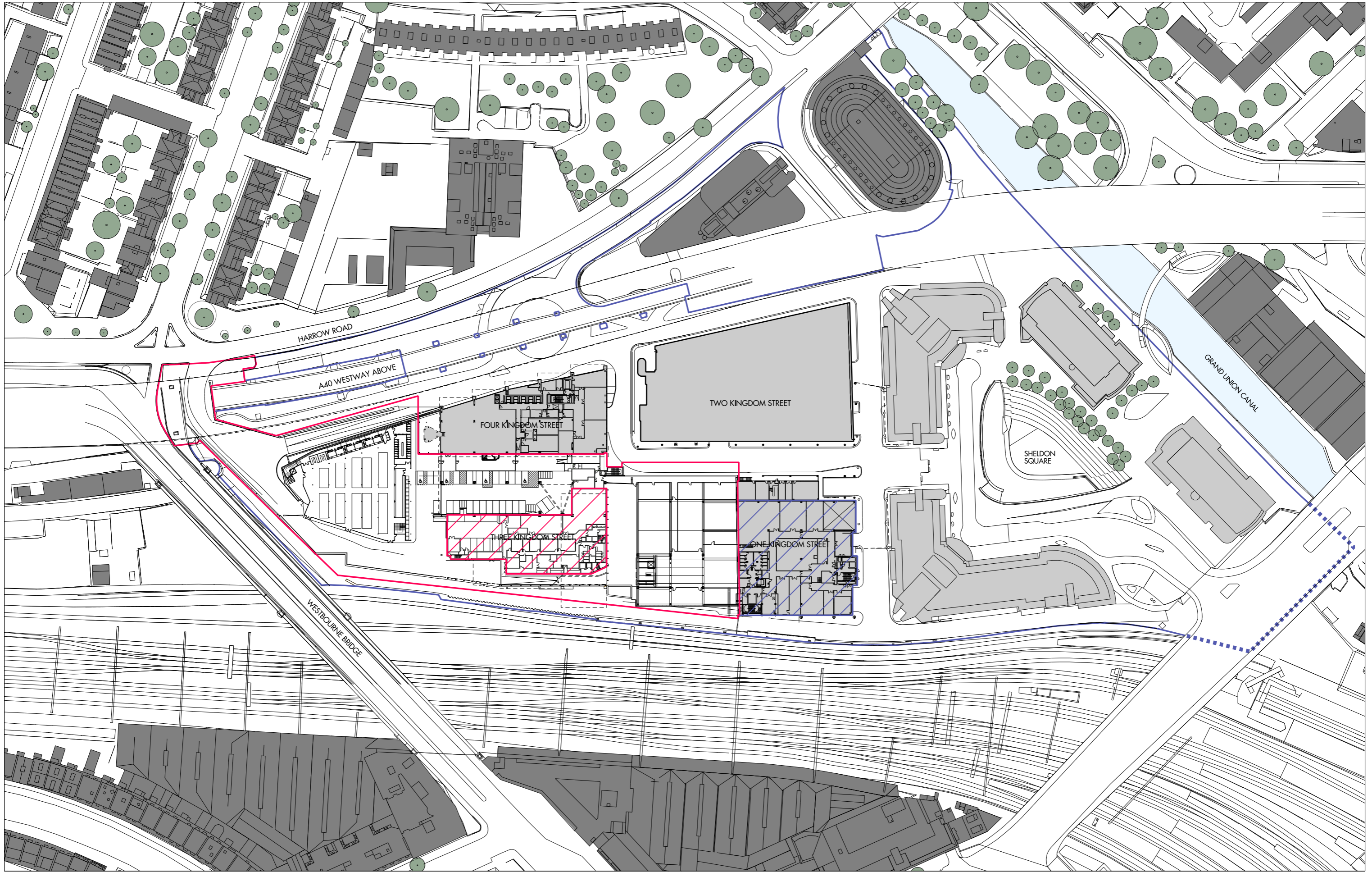
FIVE KINGDOM STREET  
 SITE LOCATION PLAN - BOX LEVEL  
 PLANNING  
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A&M JOB NO: 606

SCALE 1:1250 @A3

P1

Revision



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P1	10.04.19	PLANNING	HF

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 - FOR 3 KINGDOM STREET REFER TO CONSTRUCTION DRAWINGS BY DEXTER MOREN ARCHITECTS (DRAWING No. 0458, CD99 to CD109)  
 - FOR 4 KINGDOM STREET REFER TO PLANNING APPLICATION DRAWINGS BY ALLIES AND MORRISON IN 2014  
 - FOR PROPOSED TEMPORARY STRUCTURE REFER TO PLANNING APPLICATION DRAWINGS BY ZAP ARCHITECTURE IN 2016

- PLANNING APPLICATION BOUNDARY
- BUILDING NOT INCLUDED IN PLANNING APPLICATION BOUNDARY
- SITE OUTSIDE THE APPLICATION BOUNDARY OWNED BY THE APPLICANT
- BUILDING OUTSIDE APPLICATION BOUNDARY NOT OWNED BY THE APPLICANT

Allies and Morrison LLP  
 85 Southwark Street  
 London SE1 0HX  
 telephone 020 7921 0100  
 facsimile 020 7921 0101  
 email studio@alliesandmorrison.com

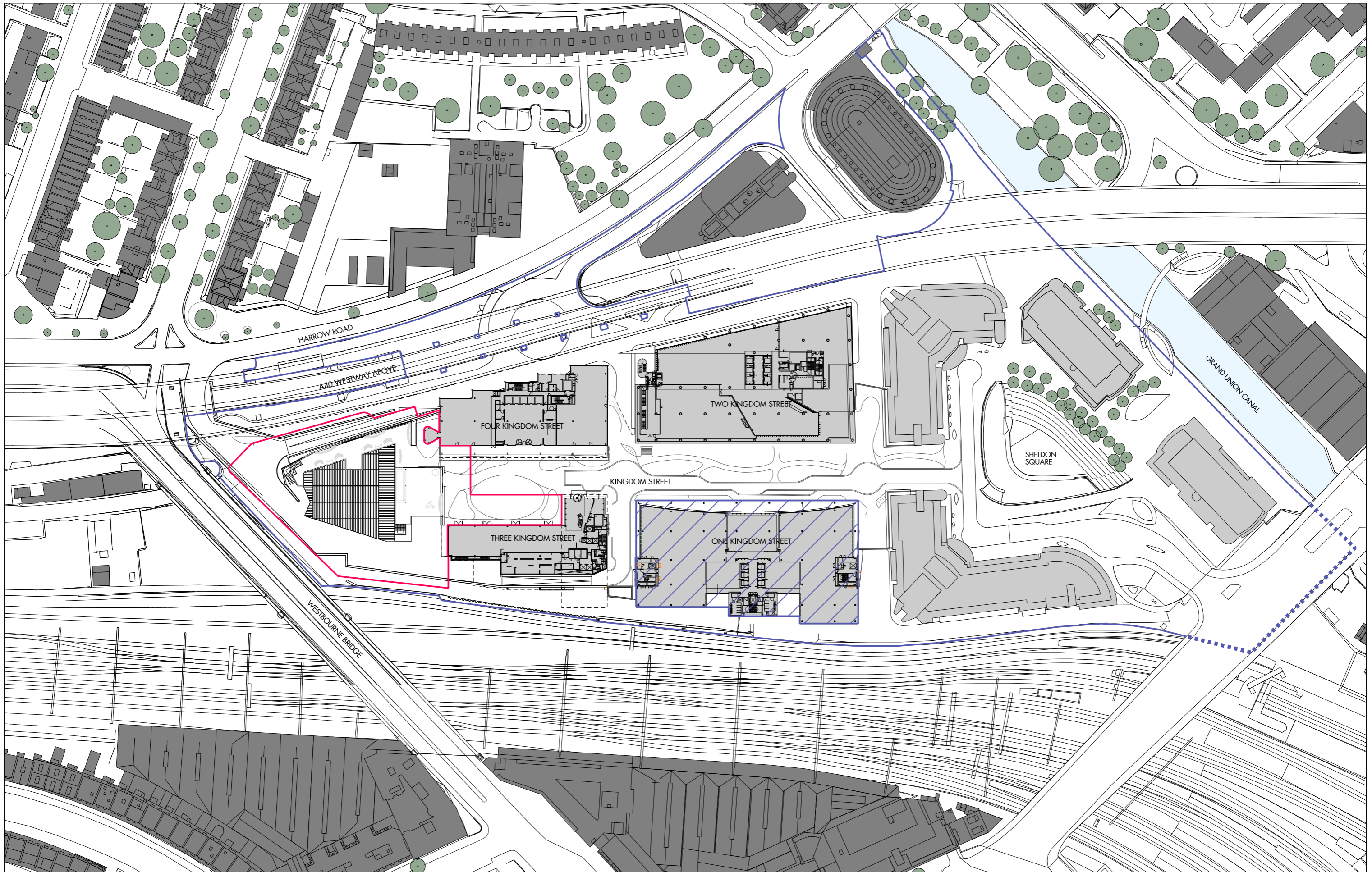
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FIVE KINGDOM STREET  
 SITE LOCATION PLAN - LOWER GROUND LEVEL  
 PLANNING  
 606\_07\_002

SCALE 1:1250 @A3

P1

Revision



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REV	DATE	DESCRIPTION	CD
P1	10.04.19	PLANNING	HF

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SOURCE OF INFORMATION SHOWN ON DRAWING:  
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 - FOR 1 AND 2 KINGDOM STREET REFER TO MASTERPLAN DRAWINGS BY KIF JA-033 MasterPlan, as proposed, L 03.1.350  
 - FOR 3 KINGDOM STREET REFER TO CONSTRUCTION DRAWINGS BY DEXTER MOREN ARCHITECTS (DRAWING No. 0458, CD99 to CD109)  
 - FOR 4 KINGDOM STREET REFER TO PLANNING APPLICATION DRAWINGS BY ALLIES AND MORRISON IN 2014  
 - FOR BRICKLA TEMPORARY STRUCTURE REFER TO PLANNING APPLICATION DRAWINGS BY ZAP ARCHITECTURE IN 2016

- PLANNING APPLICATION BOUNDARY
- BUILDING NOT INCLUDED IN PLANNING APPLICATION BOUNDARY
- SITE OUTSIDE THE APPLICATION BOUNDARY OWNED BY THE APPLICANT
- BUILDING OUTSIDE APPLICATION BOUNDARY NOT OWNED BY THE APPLICANT

Allies and Morrison LLP  
 85 Southwark Street  
 London SE1 0HX  
 telephone 020 7921 0100  
 facsimile 020 7921 0101  
 email studio@alliesandmorrison.com

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FIVE KINGDOM STREET  
 SITE LOCATION PLAN - GROUND LEVEL  
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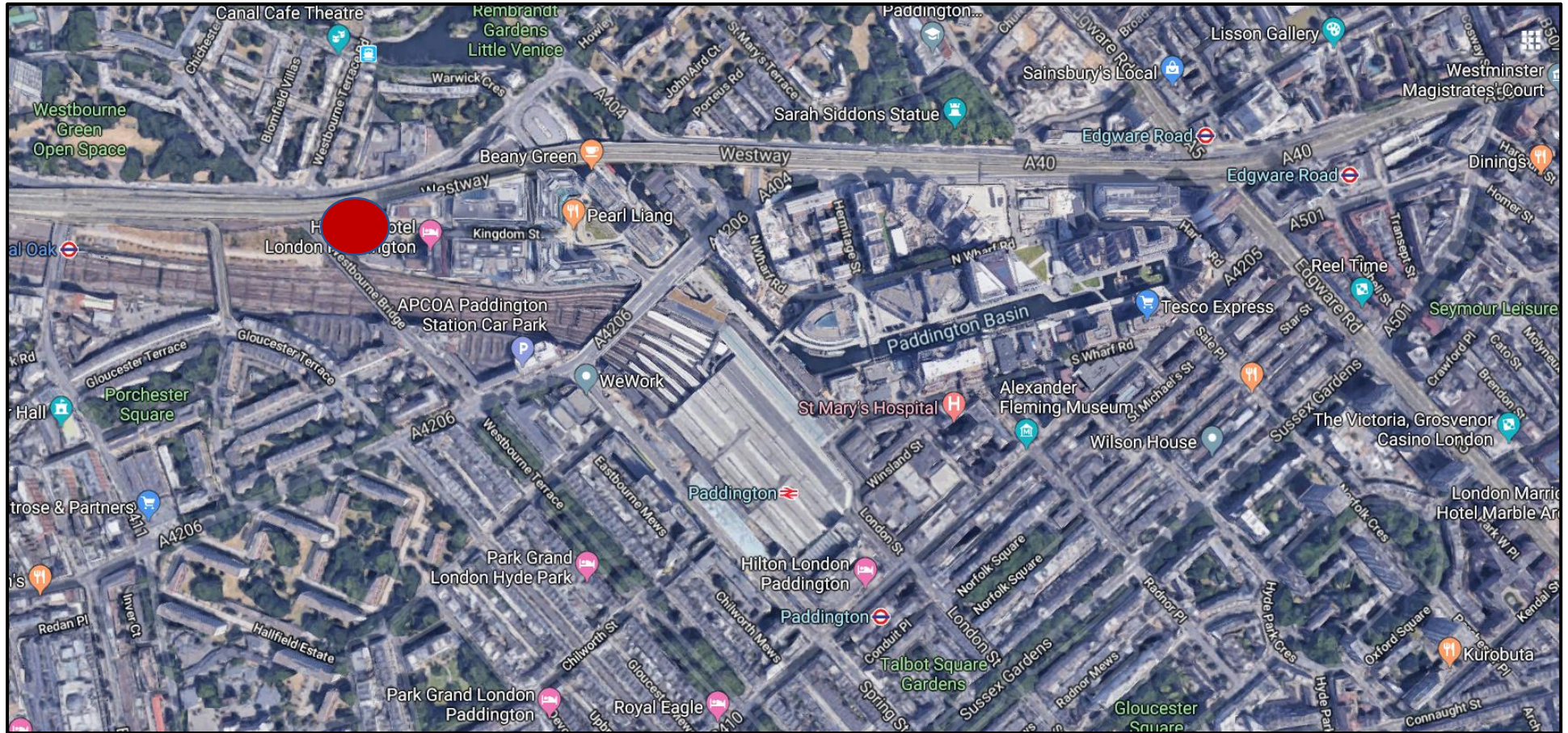
P1

Revision

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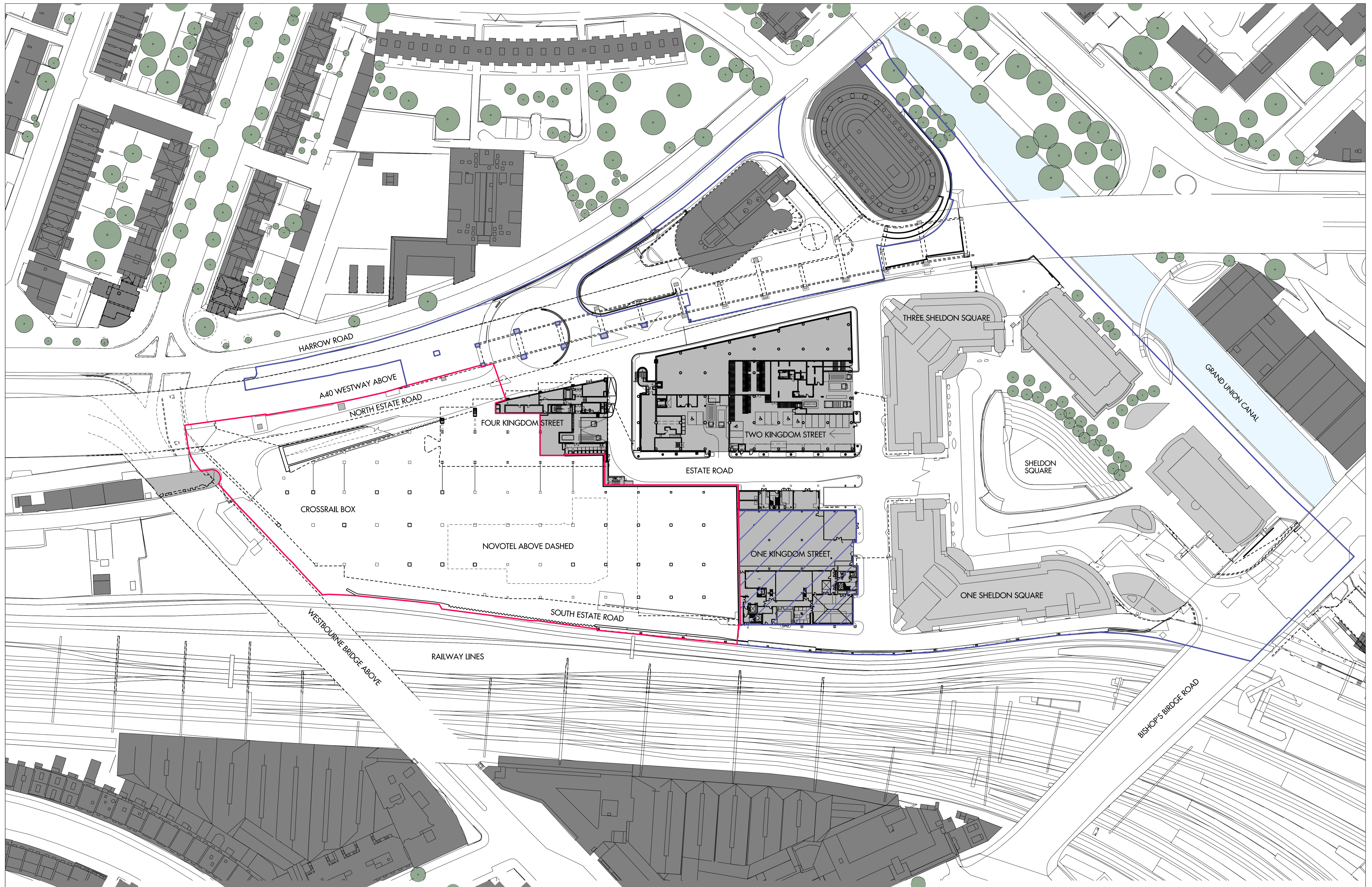
**APPENDIX TWO – CONTEXTUAL MAP**

### 5 Kingdom Street – Contextual Map



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**APPENDIX THREE – PROPOSED SCHEME FLOOR PLANS**



Figured dimensions are in millimetres unless noted otherwise. All dimensions and levels shall be verified on site before proceeding with works. Detailed site survey to be carried out to verify positions and level relationships with site features and ordinance survey. The Architect must be notified of any discrepancy. Boundaries are indicative only and are to be verified by others.

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P2	17.07.20	PLANNING	HF

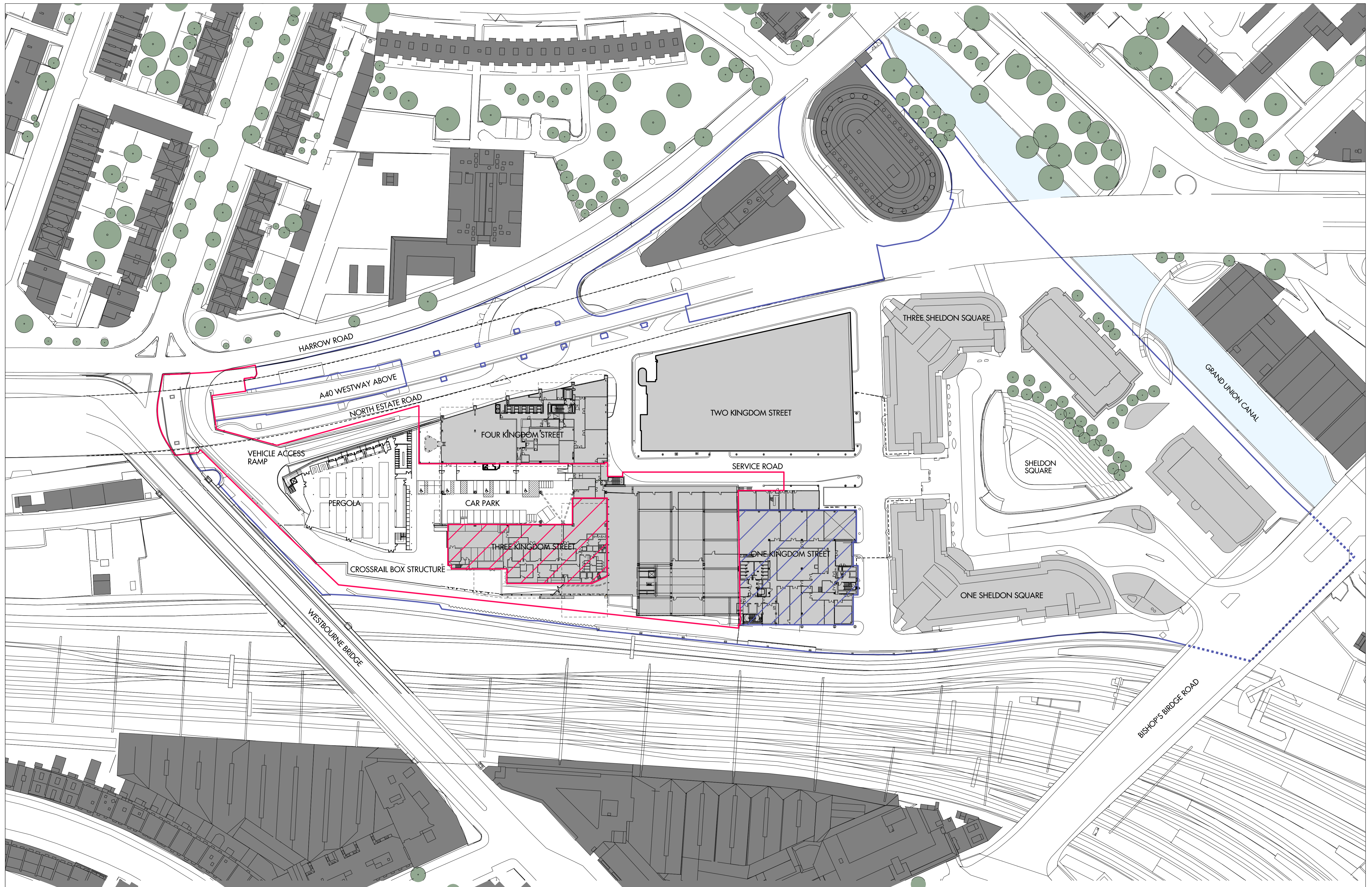
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SOURCE OF INFORMATION SHOWN ON DRAWING:  
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 - FOR 1 AND 2 KINGDOM STREET REFER TO MASTERPLAN DRAWINGS BY KPF (A-033-MasterPlan\_on\_proposal\_L03\_1\_2019)  
 - FOR 3 KINGDOM STREET REFER TO CONSTRUCTION DRAWINGS BY DEXTER MOREN ARCHITECTS (DRAWING No. 0458\_CD99 to CD109)  
 - FOR 4 KINGDOM STREET REFER TO PLANNING APPLICATION DRAWINGS BY ALLIES AND MORRISON IN 2014

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- BUILDING NOT INCLUDED IN PLANNING APPLICATION BOUNDARY
- SITE OUTSIDE THE APPLICATION BOUNDARY OWNED BY THE APPLICANT
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 email studio@alliesandmorrison.com  
 A&M JOB NO: 606

FIVE KINGDOM STREET  
 SITE LOCATION PLAN - BOX LEVEL  
 PLANNING  
 606\_07\_001  
 SCALE 1:1250 @A3



Figured dimensions are in millimetres unless noted otherwise. All dimensions and levels shall be verified on site before proceeding with works. Detailed site survey to be carried out to verify positions and level relationships with site features and ordnance survey. The Architect must be notified of any discrepancy. Boundaries are indicative only and are to be verified by others.

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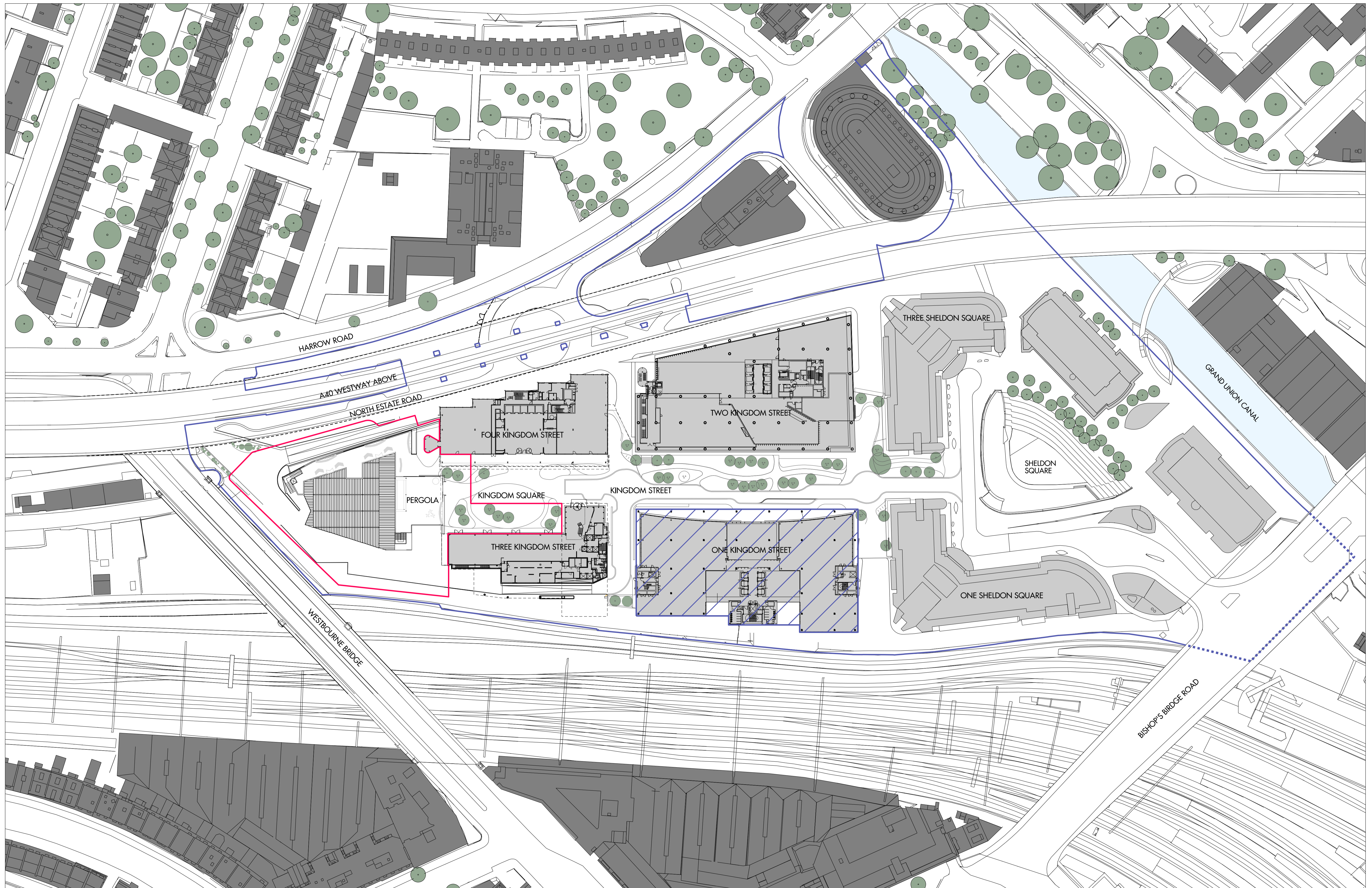
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 - FOR 3 KINGDOM STREET REFER TO CONSTRUCTION DRAWINGS BY DEXTER MOREN ARCHITECTS (DRAWINGS No. Q456, Q299 to Q2109)  
 - FOR 4 KINGDOM STREET REFER TO PLANNING APPLICATION DRAWINGS BY ALLIES AND MORRISON IN 2014  
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FIVE KINGDOM STREET  
 SITE LOCATION PLAN - LOWER GROUND LEVEL  
 PLANNING  
 606\_07\_002  
 SCALE 1:1250 @A3



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P2	17.07.20	PLANNING	HF

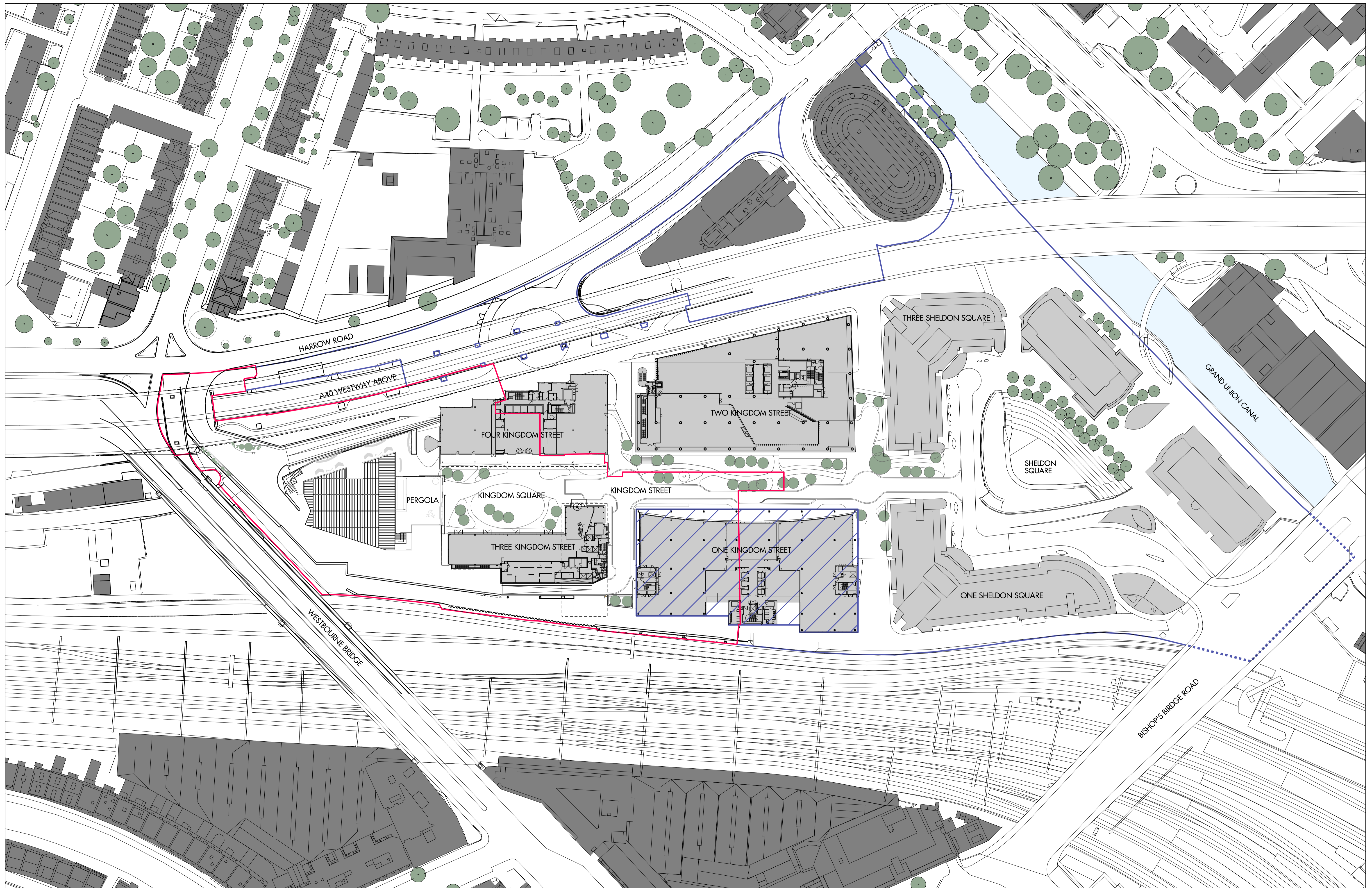
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 - FOR PERGOLA TEMPORARY STRUCTURE REFER TO PLANNING APPLICATION DRAWINGS BY ZAP ARCHITECTURE IN 2016

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 telephone 020 7921 0100  
 facsimile 020 7921 0101  
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 A&M JOB NO: 606

FIVE KINGDOM STREET  
 SITE LOCATION PLAN - GROUND LEVEL  
 PLANNING  
 606\_07\_003  
 SCALE 1:1250 @A3



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P2	17.07.20	PLANNING	HF

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SOURCE OF INFORMATION SHOWN ON DRAWING:  
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 - FOR PERGOLA TEMPORARY STRUCTURE REFER TO DRAWINGS SENT BY M3 CONSULTING (28/03/2019)

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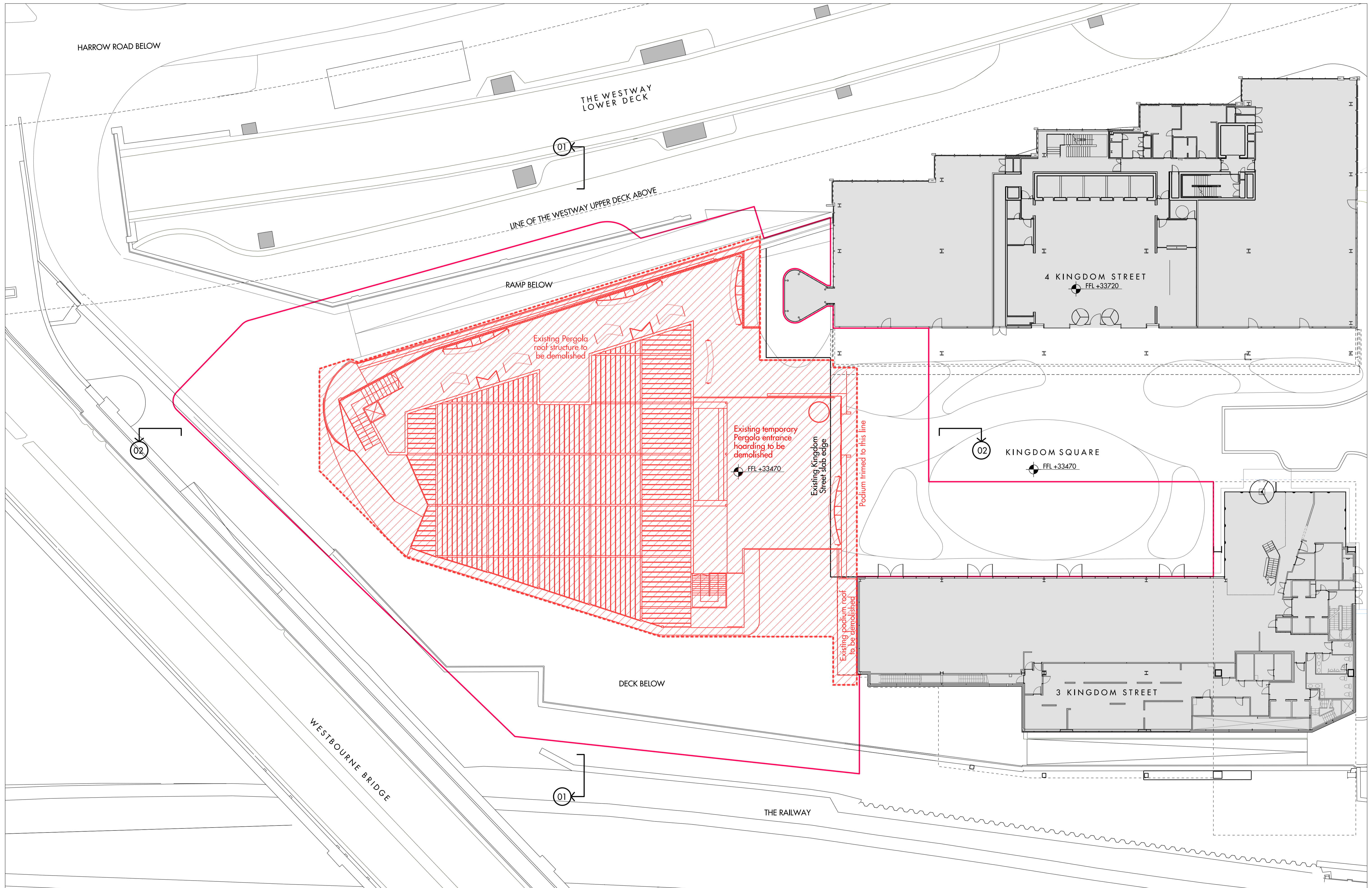
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FIVE KINGDOM STREET  
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 PLANNING  
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 SCALE 1:1250 @A3

P2  
 Revision



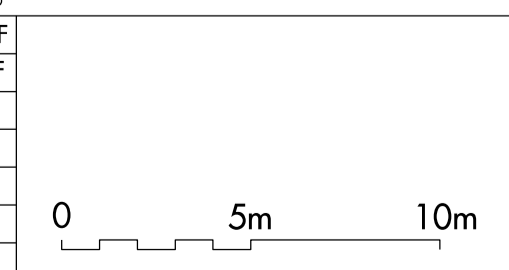




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SOURCE OF INFORMATION SHOWN ON DRAWING:  
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 - FOR 4 KINGDOM STREET REFER TO PLANNING APPLICATION DRAWINGS BY ALLIES AND MORRISON IN 2014  
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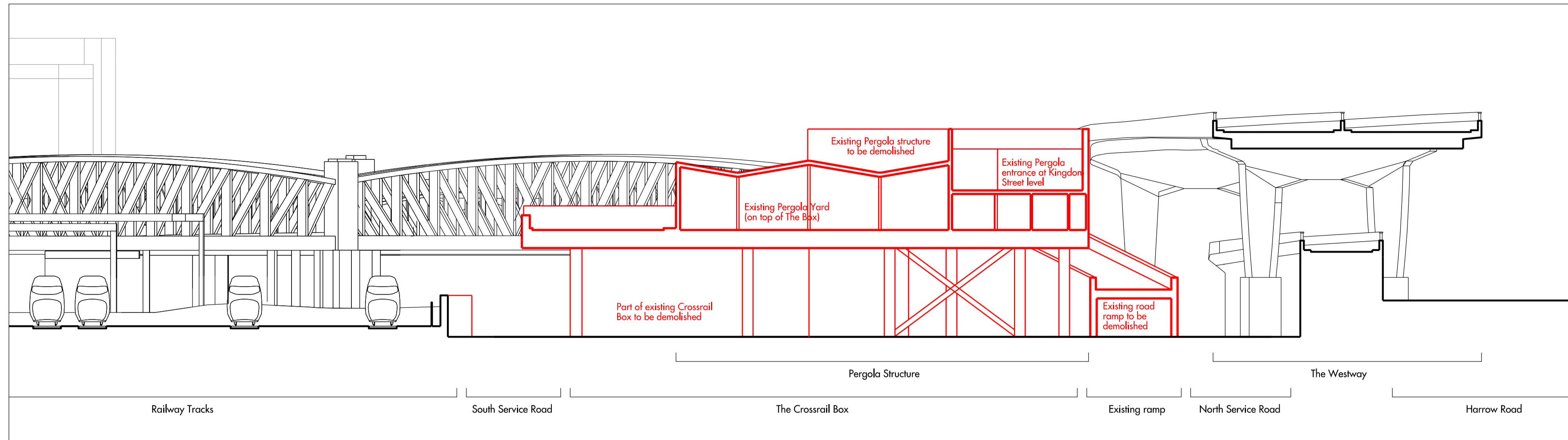
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EXISTING BUILDINGS

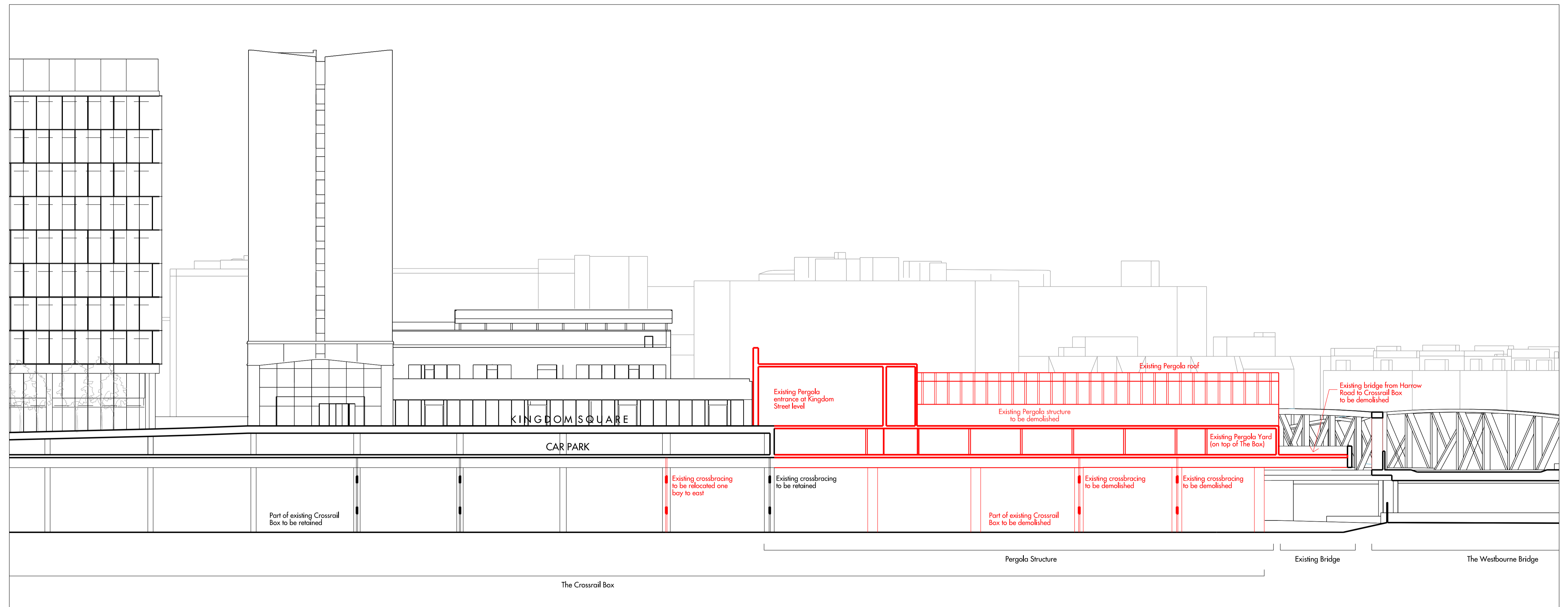
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 telephone 020 7921 0100  
 facsimile 020 7921 0101  
 email studio@alliesandmorrison.com  
 A&M JOB NO: 606

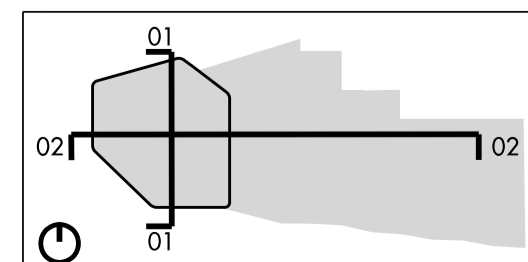
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Demolition Section



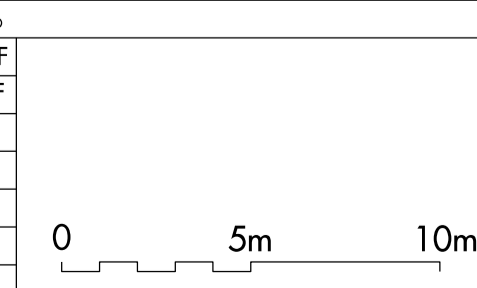
02 East-West Section looking South  
Demolition Section



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P2	17.07.20	PLANNING	HF



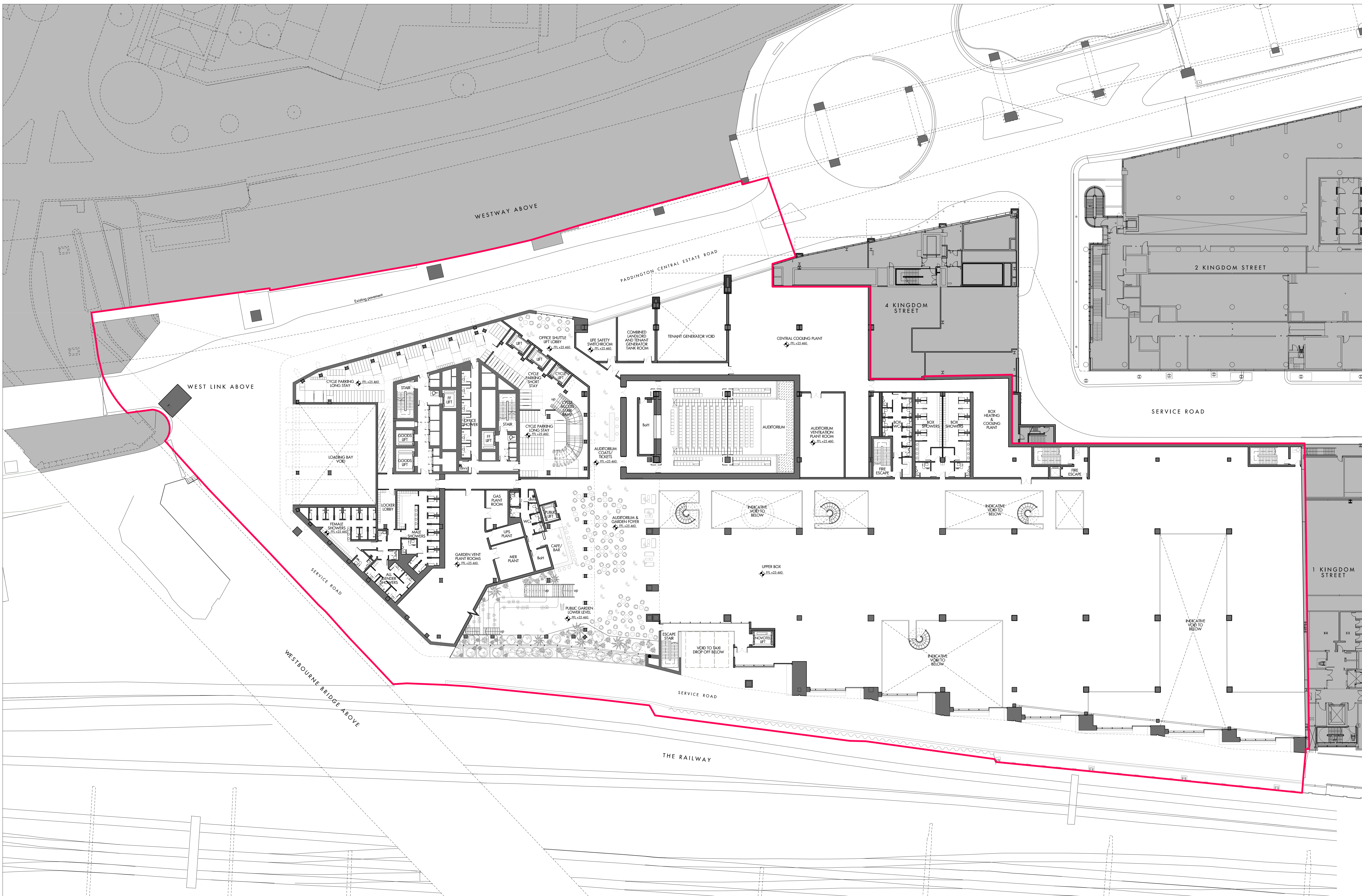
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London SE1 0HX  
020 7921 0100  
020 7921 0101  
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FIVE KINGDOM STREET  
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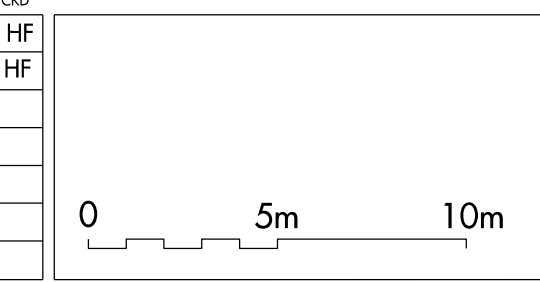
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Revision





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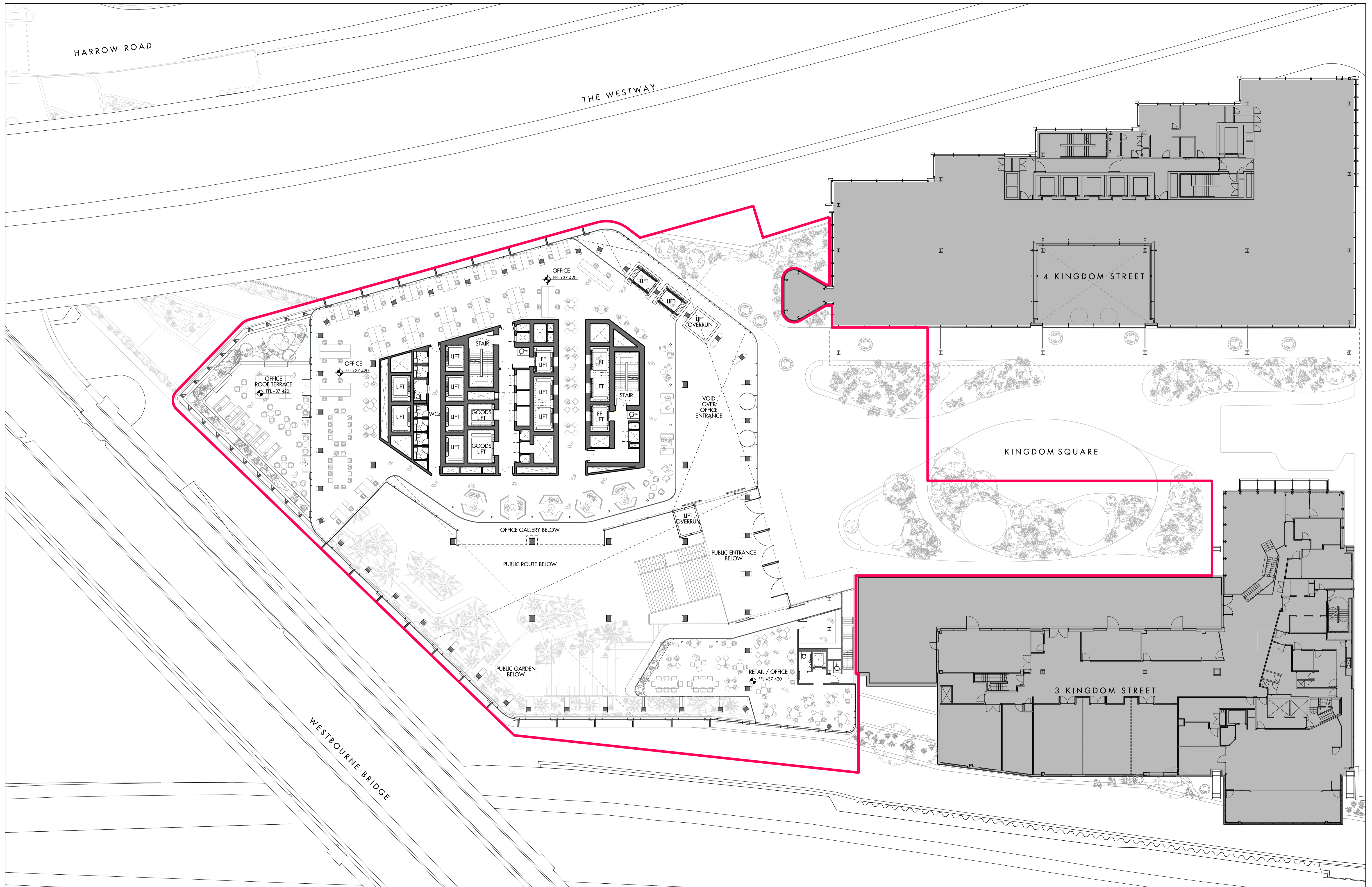
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 - REFER TO FIVE KINGDOM STREET REFER TO MASTERPLAN DRAWINGS BY OFFICE OF ARCHITECTURE

EXISTING NEIGHBOURING BUILDINGS  
 LOWER BOX LEVEL PLANNING APPLICATION BOUNDARY - SEE DRAWING 606\_07\_001

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FIVE KINGDOM STREET  
 PROPOSED UPPER BOX LEVEL PLAN  
 PLANNING  
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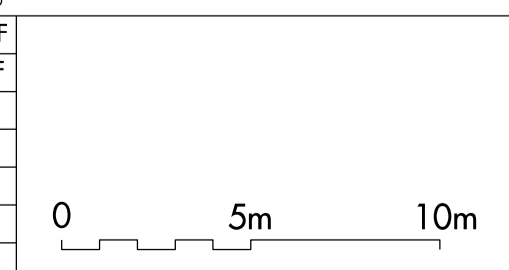




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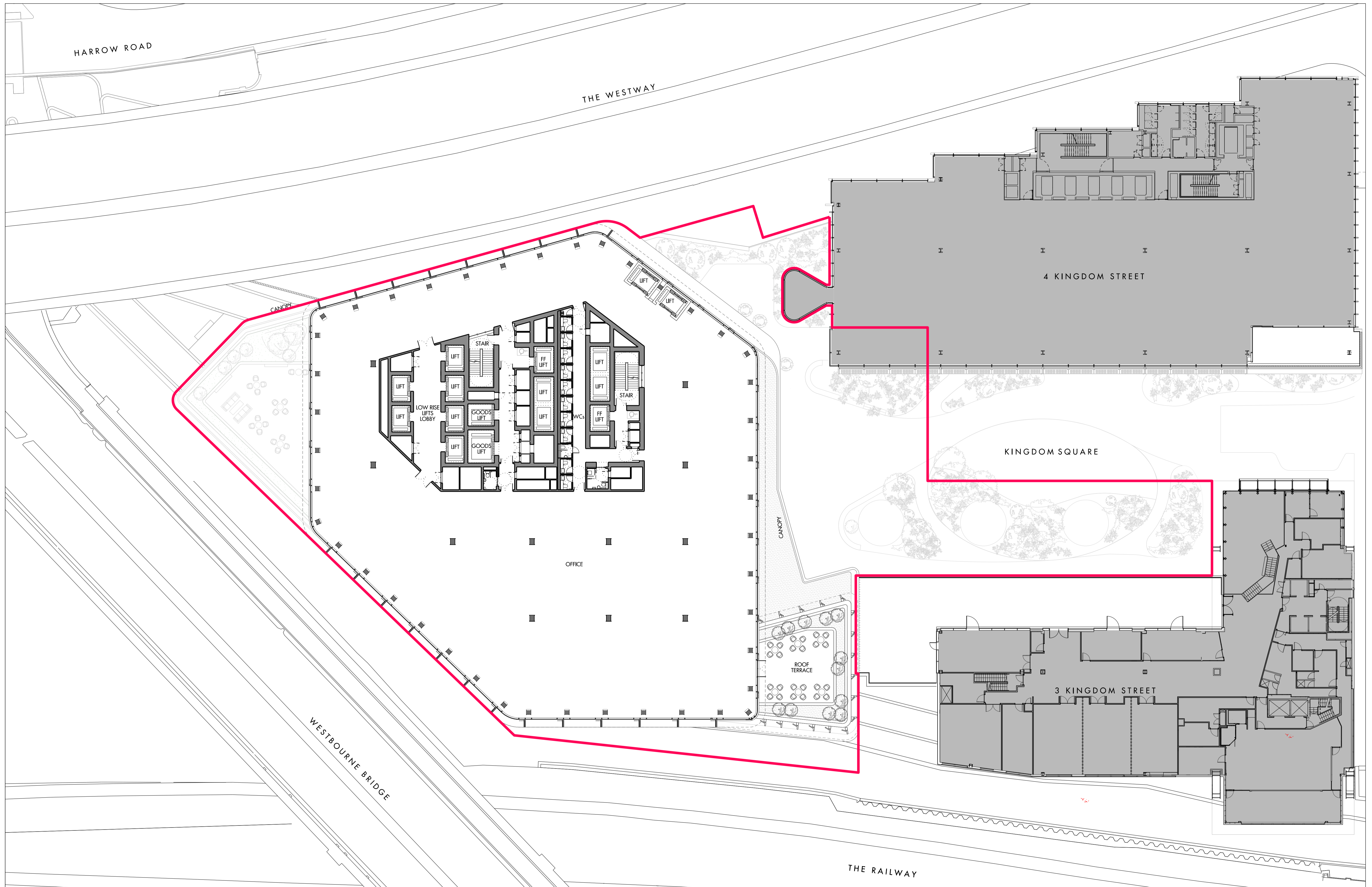


SOURCE OF INFORMATION SHOWN ON DRAWING:  
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 - FOR 4 KINGDOM STREET REFER TO CONSTRUCTION DRAWINGS BY DEXTER MOREN ARCHITECTS (DRAWING No. 0458\_CD99 to CD109)  
 - FOR 3 KINGDOM STREET REFER TO PLANNING APPLICATION DRAWINGS BY ALLIES AND MORRISON IN 2014

EXISTING NEIGHBOURING BUILDINGS  
 GROUND LEVEL PLANNING APPLICATION BOUNDARY - SEE DRAWING 606\_07\_003

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**FIVE KINGDOM STREET**  
**PROPOSED MEZZANINE PLAN**  
**PLANNING**  
**606\_07\_104**  
 SCALE 1:200 @A1 1:400 @A3



HARROW ROAD

THE WESTWAY

4 KINGDOM STREET

KINGDOM SQUARE

3 KINGDOM STREET

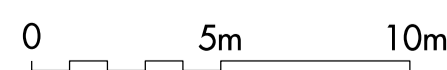
THE RAILWAY

WESTBOURNE BRIDGE

REV	DATE	DESCRIPTION	CD
P1	10.04.19	PLANNING	HF
P2	17.07.20	PLANNING	HF

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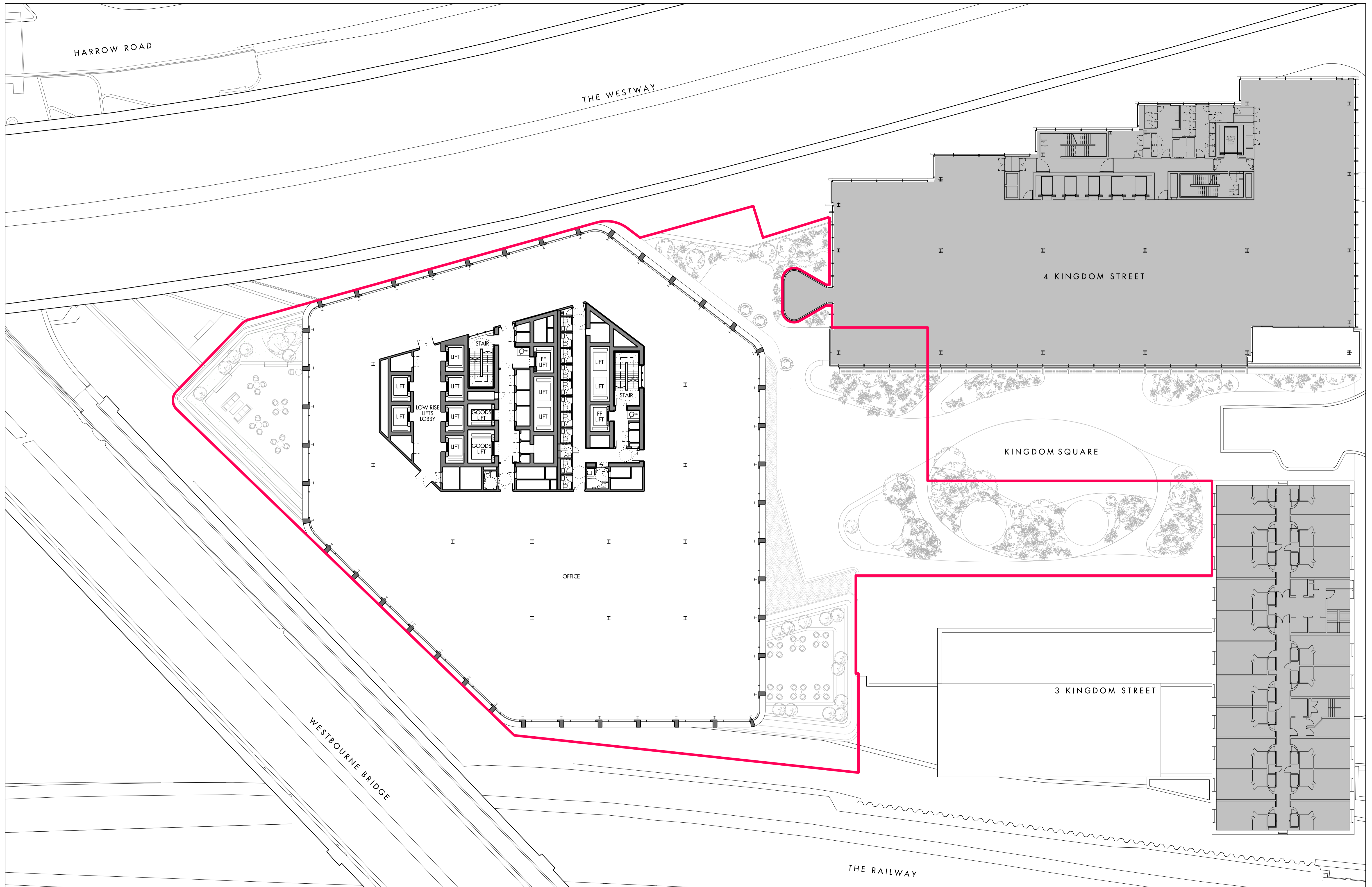


EXISTING NEIGHBOURING BUILDINGS  
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FIVE KINGDOM STREET  
 PROPOSED LEVEL 01 PLAN  
 PLANNING  
 606\_07\_105  
 SCALE 1:200 @A1 1:400 @A3

P2  
 Revision



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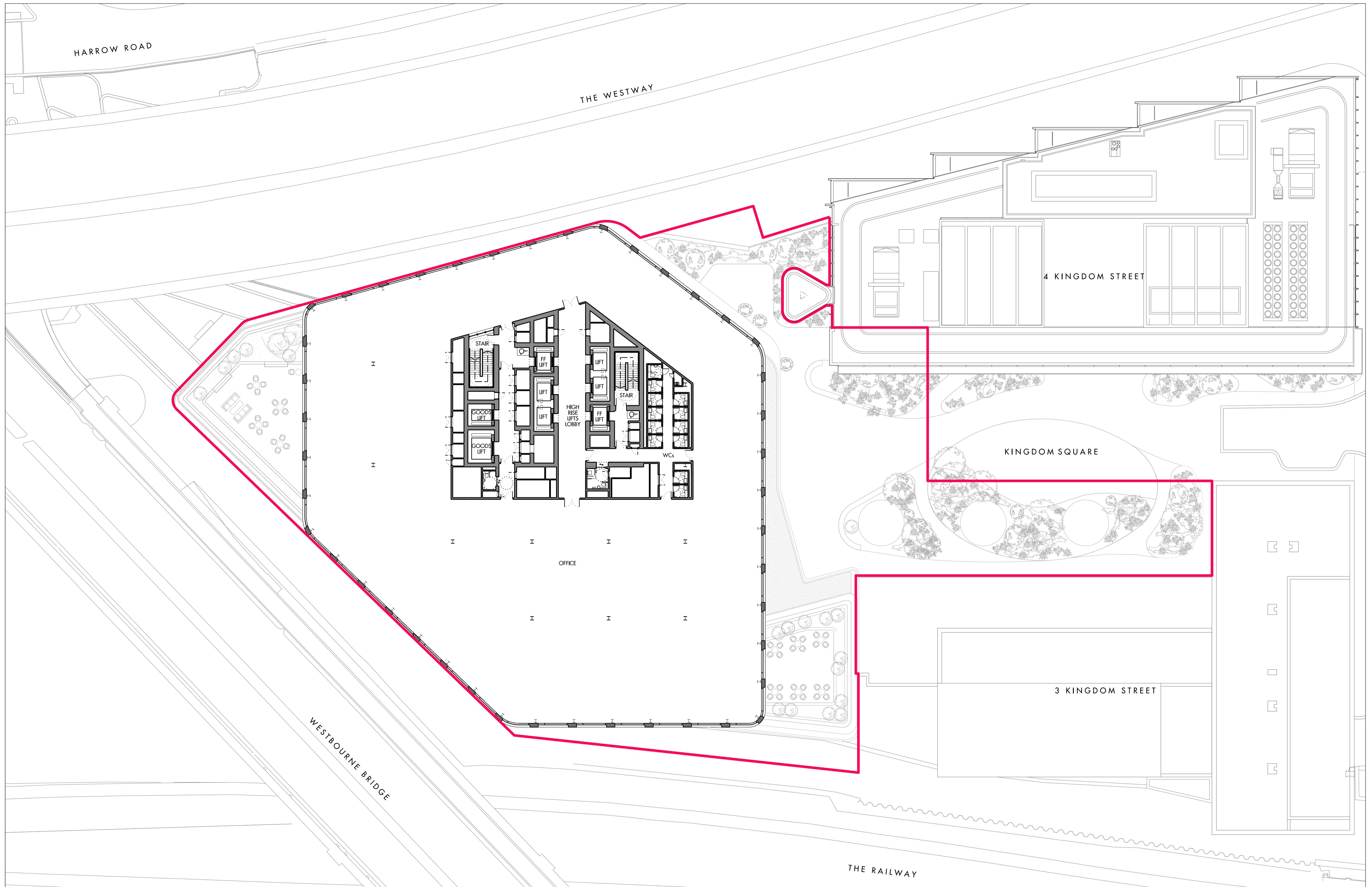
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 - FOR 4 KINGDOM STREET REFER TO PLANNING APPLICATION DRAWINGS BY ALLIES AND MORRISON IN 2014

EXISTING NEIGHBOURING BUILDINGS  
 GROUND LEVEL PLANNING APPLICATION BOUNDARY - SEE DRAWING 606\_07\_003

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 facsimile 020 7921 0101  
 email studio@alliesandmorrison.com  
 A&M JOB NO: 606

FIVE KINGDOM STREET  
 PROPOSED TYPICAL LOWER OFFICE LEVEL PLAN  
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 SCALE 1:200 @A1 1:400 @A3



HARROW ROAD

THE WESTWAY

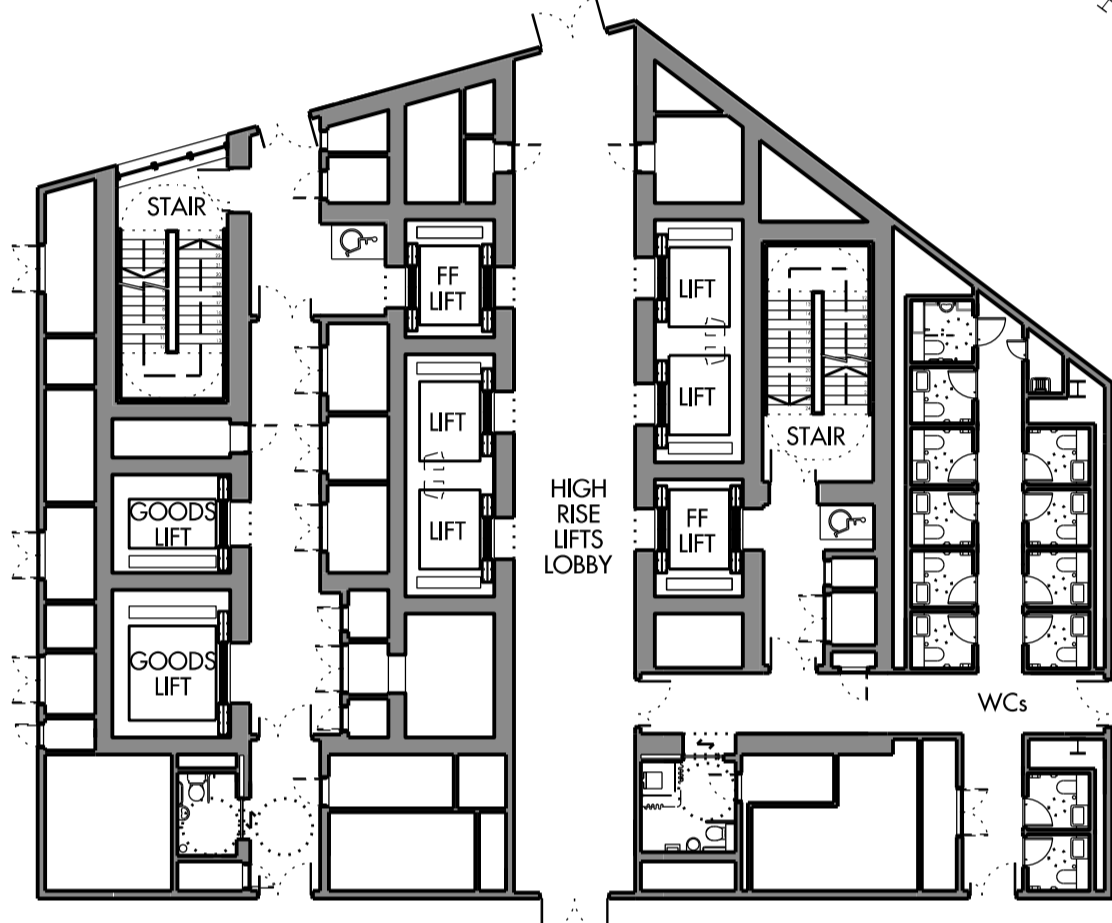
4 KINGDOM STREET

KINGDOM SQUARE

3 KINGDOM STREET

WESTBOURNE BRIDGE

THE RAILWAY



OFFICE

HIGH RISE LIFTS LOBBY

STAIR

GOODS LIFT

GOODS LIFT

FF LIFT

LIFT

LIFT

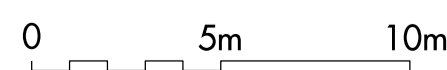
FF LIFT

STAIR

WCS

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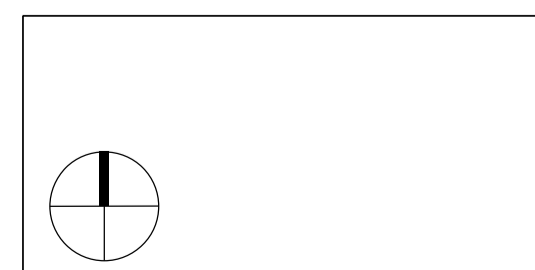
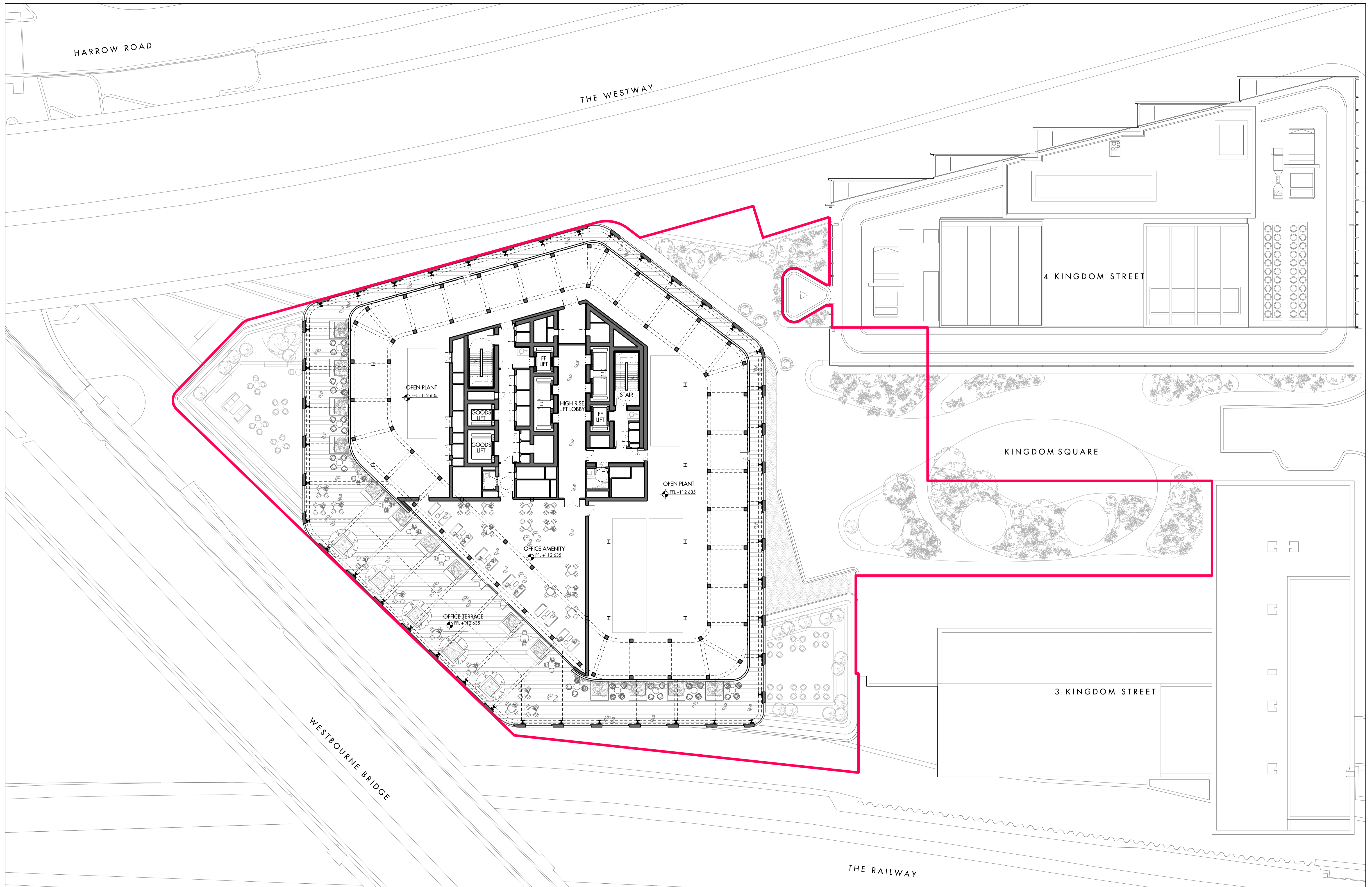
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- FOR 4 KINGDOM STREET REFER TO PLANNING APPLICATION DRAWINGS BY ALLIES AND MORRISON IN 2014

GROUND LEVEL PLANNING APPLICATION BOUNDARY - SEE DRAWING 606\_07\_003

telephone 020 7921 0100  
facsimile 020 7921 0101  
email studio@alliesandmorrison.com  
A&M JOB NO: 606

FIVE KINGDOM STREET  
PROPOSED TYPICAL UPPER OFFICE LEVEL PLAN  
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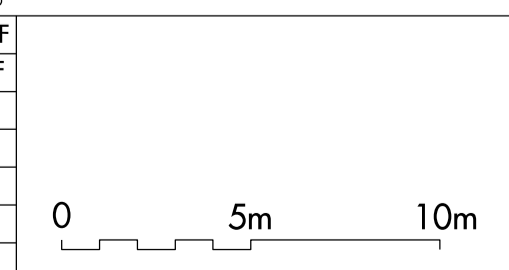
P2  
Revision



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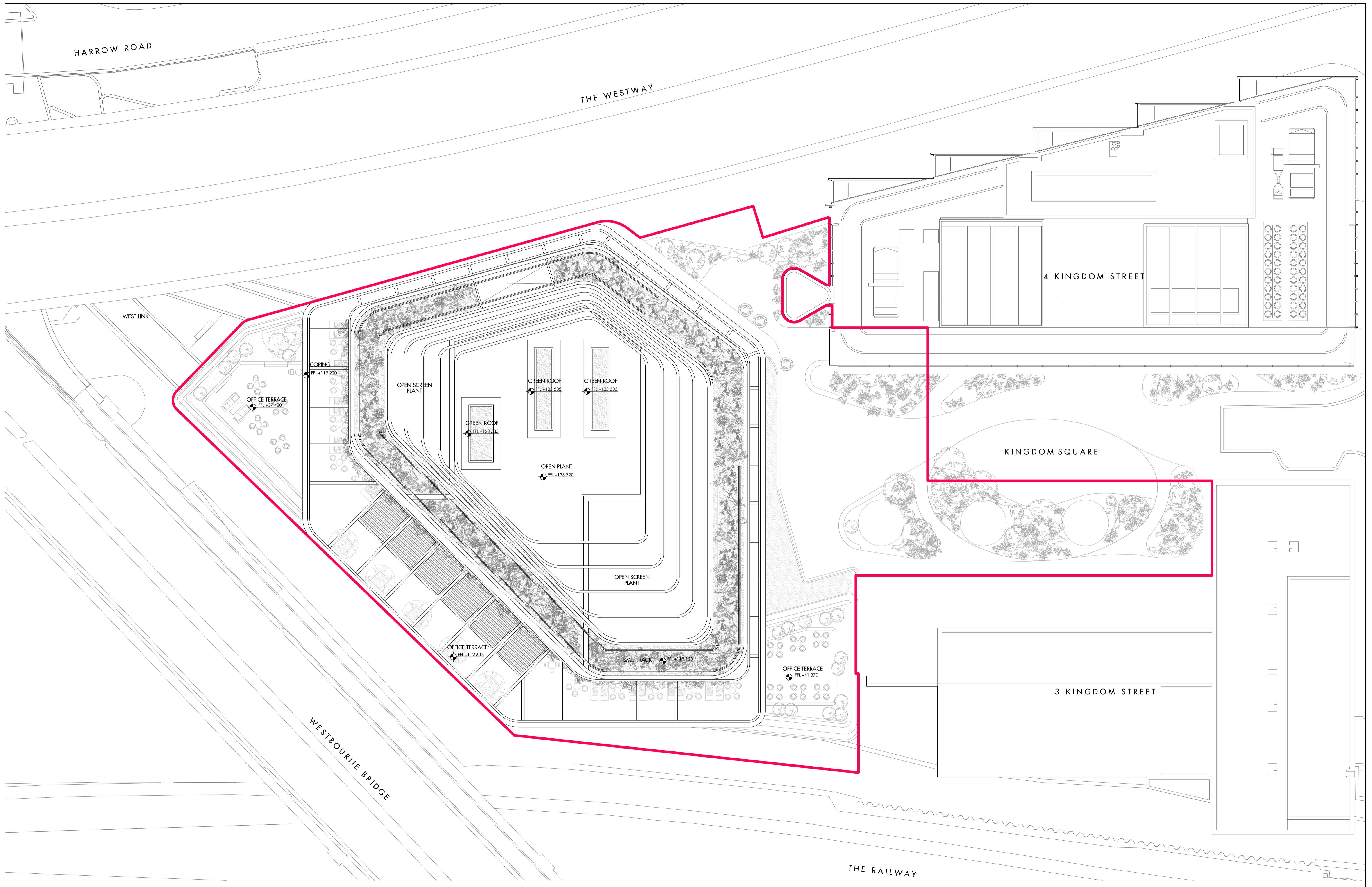


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 - REFER TO ORDINANCE SURVEY MAP FOR OS INFORMATION  
 - FOR 3 KINGDOM STREET REFER TO CONSTRUCTION DRAWINGS BY DEXTER MOREN ARCHITECTS (DRAWING No. 0458\_CD99 to CD109)  
 - FOR 4 KINGDOM STREET REFER TO PLANNING APPLICATION DRAWINGS BY ALLIES AND MORRISON IN 2014

— GROUND LEVEL PLANNING APPLICATION BOUNDARY - SEE DRAWING 606\_07\_003

Allies and Morrison LLP  
 85 Southwark Street  
 London SE1 0XH  
 020 7921 0100  
 020 7921 0101  
 studio@alliesandmorrison.com  
 A&M JOB NO: 606

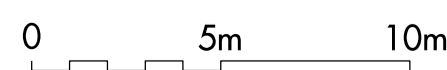
FIVE KINGDOM STREET  
 PROPOSED LEVEL 19 PLAN  
 PLANNING  
 606\_07\_123  
 SCALE 1:200 @A1 1:400 @A3



Figured dimensions are in millimetres unless noted otherwise. All dimensions and levels shall be verified on site before proceeding with works. Detailed site survey to be carried out to verify positions and level relationships with site features and ordnance survey. The Architect must be notified of any discrepancy. Boundaries are indicative only and are to be verified by others.

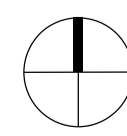
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REV	DATE	DESCRIPTION	CD
P1	10.04.19	PLANNING	HF
P2	17.07.20	PLANNING	HF



SOURCE OF INFORMATION SHOWN ON DRAWING:  
 - REFER TO ORDINANCE SURVEY MAP FOR OS INFORMATION  
 - FOR 4 KINGDOM STREET REFER TO CONSTRUCTION DRAWINGS BY DEXTER MOREN ARCHITECTS (DRAWING No. 0458\_CD99 to CD109)  
 - FOR 4 KINGDOM STREET REFER TO PLANNING APPLICATION DRAWINGS BY ALLIES AND MORRISON IN 2014

— GROUND LEVEL PLANNING APPLICATION BOUNDARY - SEE DRAWING 606\_07\_003



Allies and Morrison LLP  
 85 Southwark Street  
 London SE1 0XH  
 020 7921 0100  
 020 7921 0101  
 studio@alliesandmorrison.com  
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FIVE KINGDOM STREET  
 PROPOSED ROOF PLAN  
 PLANNING  
 606\_07\_124  
 SCALE 1:200 @A1 1:400 @A3

P2  
 Revision

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**APPENDIX FOUR – PROPOSED SCHEME AREA SCHEDULE**

STAGE 2 COST PLAN

AREA SCHEDULE M2

		5 KINGDOM STREET									CROSSRAIL BOX			5KS + XRB
Level	Allies and Morrison Drawing No.	GIA	Garden	Office Entrance	L19 Lobby	Net Lettable Area				Efficiency	GIA	NIA	Efficiency	TOTAL
		m <sup>2</sup>	m <sup>2</sup>	m <sup>2</sup>	m <sup>2</sup>	Office	Retail	Auditorium	Flexible Retail / Office	%	m <sup>2</sup>	m <sup>2</sup>	%	GIA
Lower Box	606_07_100 P2	3,998	-	-	-	-	-	509	-	13%	4,314	4,122	96%	8,312
Upper Box	606_07_101 P2	3,901	866	-	-	-	-	229	-	6%	3,076	2,843	92%	6,977
Lower Ground	606_07_102 P2	1,621	660	-	-	-	265	-	79	21%	-	-	0%	1,621
<b>Below Ground Total</b>		<b>9,520</b>	<b>1,525</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>265</b>	<b>738</b>	<b>79</b>	<b>11%</b>	<b>7,390</b>	<b>6,966</b>	<b>94%</b>	<b>16,911</b>
Ground	606_07_103 P2	1,940	110	751	-	-	-	-	466	24%	-	-	0%	1,940
Mezzanine	606_07_104 P2	1,445	-	-	-	671	-	-	178	59%	-	-	0%	1,445
Level 01	606_07_105 P2	2,424	-	-	-	1,805	-	-	-	74%	-	-	0%	2,424
Level 02	Assumed	2,432	-	-	-	1,850	-	-	-	76%	-	-	0%	2,432
Level 03	Assumed	2,441	-	-	-	1,859	-	-	-	76%	-	-	0%	2,441
Level 04	Assumed	2,449	-	-	-	1,867	-	-	-	76%	-	-	0%	2,449
Level 05	Assumed	2,457	-	-	-	1,875	-	-	-	76%	-	-	0%	2,457
Level 06	Assumed	2,466	-	-	-	1,884	-	-	-	76%	-	-	0%	2,466
Level 07	606_07_111 P2	2,474	-	-	-	1,892	-	-	-	76%	-	-	0%	2,474
Level 08	Assumed	2,483	-	-	-	1,901	-	-	-	77%	-	-	0%	2,483
Level 09	Assumed	2,492	-	-	-	1,910	-	-	-	77%	-	-	0%	2,492
Level 10 (transfer)	Assumed	2,501	-	-	-	1,828	-	-	-	73%	-	-	0%	2,501
Level 11	Assumed	2,510	-	-	-	1,928	-	-	-	77%	-	-	0%	2,510
Level 12	Assumed	2,519	-	-	-	1,937	-	-	-	77%	-	-	0%	2,519
Level 13	Assumed	2,528	-	-	-	1,946	-	-	-	77%	-	-	0%	2,528
Level 14	Assumed	2,537	-	-	-	1,955	-	-	-	77%	-	-	0%	2,537
Level 15	606_07_119 P2	2,546	-	-	-	1,964	-	-	-	77%	-	-	0%	2,546
Level 16	Assumed	2,555	-	-	-	1,973	-	-	-	77%	-	-	0%	2,555
Level 17	Assumed	2,564	-	-	-	1,982	-	-	-	77%	-	-	0%	2,564
Level 18	Assumed	2,573	-	-	-	1,991	-	-	-	77%	-	-	0%	2,573
Level 19	606_07_123 P2	682	-	-	220	-	-	-	-	0%	-	-	0%	682
<b>Above Ground Total</b>		<b>49,018</b>	<b>110</b>	<b>751</b>	<b>220</b>	<b>35,017</b>	<b>-</b>	<b>-</b>	<b>644</b>	<b>73%</b>	<b>-</b>	<b>-</b>	<b>0%</b>	<b>49,018</b>
<b>Total</b>		<b>58,539</b>	<b>1,635</b>	<b>751</b>	<b>220</b>	<b>35,017</b>	<b>265</b>	<b>738</b>	<b>723</b>	<b>63%</b>	<b>7,390</b>	<b>6,966</b>	<b>94%</b>	<b>65,929</b>

Notes:

- Garden areas at Upper Box Level include the 'auditorium coats/tickets' space and the 'office shuttle lift lobby'
- Garden areas at Lower Ground Floor include the 'public garden', 'public route' and the space to the door to the long stay cycle parking
- Lower Ground Floor areas for 'Garden' and 'Retail' assume a demise line along the dotted line indicating the Ground Floor slab above the retail space
- Ground Floor areas for 'Flexible retail/office' and 'Office entrance' assume a demise line at the western side of the low rise lift lobby
- Crossrail box Gross Internal Areas include the lobby space and WC's to the West on the Lower Box Level and the showers and WC's to the North on the Upper Box Level

AREA SCHEDULE M2

		5 KINGDOM STREET									CROSSRAIL BOX			5KS + XRB
Level	Allies and Morrison Drawing No.	GIA	Garden	Office Entrance	L19 Lobby	Net Lettable Area				Efficiency	GIA	NIA	Efficiency	TOTAL
		m <sup>2</sup>	m <sup>2</sup>	m <sup>2</sup>	m <sup>2</sup>	Office	Retail	Auditorium	Flexible Retail / Office	%	m <sup>2</sup>	m <sup>2</sup>	%	GIA

AREA SCHEDULE (SQ.FT.)

		5 KINGDOM STREET									CROSSRAIL BOX			5KS + XRB
Level	Allies and Morrison Drawing No.	GIA	Garden	Office Entrance	L19 Lobby	Net Lettable Area				Efficiency	GIA	NIA	Efficiency	TOTAL
		sq.ft.	sq.ft.	sq.ft.	sq.ft.	Office	Retail	Auditorium	Flexible Retail / Office	%	sq.ft.	sq.ft.	%	GIA
Lower Box	606_07_100 P2	43,034	-	-	-	-	-	5,482	-	13%	46,438	44,374	96%	89,472
Upper Box	606_07_101 P2	41,990	9,317	-	-	-	-	2,465	-	6%	33,112	30,607	92%	75,102
Lower Ground	606_07_102 P2	17,452	7,101	-	-	-	2,853	-	850	21%	-	-	0%	17,452
<b>Below Ground Total</b>		<b>102,477</b>	<b>16,418</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,853</b>	<b>7,947</b>	<b>850</b>	<b>11%</b>	<b>79,550</b>	<b>74,981</b>	<b>94%</b>	<b>182,027</b>
Ground	606_07_103 P2	20,882	1,179	8,082	-	-	-	-	5,016	24%	-	-	0%	20,882
Mezzanine	606_07_104 P2	15,554	-	-	-	7,221	-	-	1,919	59%	-	-	0%	15,554
Level 01	606_07_105 P2	26,092	-	-	-	19,429	-	-	-	74%	-	-	0%	26,092
Level 02	Assumed	26,182	-	-	-	19,917	-	-	-	76%	-	-	0%	26,182
Level 03	Assumed	26,271	-	-	-	20,007	-	-	-	76%	-	-	0%	26,271
Level 04	Assumed	26,361	-	-	-	20,096	-	-	-	76%	-	-	0%	26,361
Level 05	Assumed	26,451	-	-	-	20,186	-	-	-	76%	-	-	0%	26,451
Level 06	Assumed	26,540	-	-	-	20,276	-	-	-	76%	-	-	0%	26,540
Level 07	606_07_111 P2	26,630	-	-	-	20,365	-	-	-	76%	-	-	0%	26,630
Level 08	Assumed	26,727	-	-	-	20,462	-	-	-	77%	-	-	0%	26,727
Level 09	Assumed	26,824	-	-	-	20,559	-	-	-	77%	-	-	0%	26,824
Level 10 (transfer)	Assumed	26,921	-	-	-	19,672	-	-	-	73%	-	-	0%	26,921
Level 11	Assumed	27,018	-	-	-	20,753	-	-	-	77%	-	-	0%	27,018
Level 12	Assumed	27,115	-	-	-	20,850	-	-	-	77%	-	-	0%	27,115
Level 13	Assumed	27,211	-	-	-	20,947	-	-	-	77%	-	-	0%	27,211
Level 14	Assumed	27,308	-	-	-	21,044	-	-	-	77%	-	-	0%	27,308
Level 15	606_07_119 P2	27,405	-	-	-	21,140	-	-	-	77%	-	-	0%	27,405
Level 16	Assumed	27,502	-	-	-	21,237	-	-	-	77%	-	-	0%	27,502
Level 17	Assumed	27,599	-	-	-	21,334	-	-	-	77%	-	-	0%	27,599
Level 18	Assumed	27,696	-	-	-	21,431	-	-	-	77%	-	-	0%	27,696
Level 19	606_07_123 P2	7,344	-	-	2,368	-	-	-	-	0%	-	-	0%	7,344
<b>Above Ground Total</b>		<b>527,633</b>	<b>1,179</b>	<b>8,082</b>	<b>2,368</b>	<b>376,927</b>	<b>-</b>	<b>-</b>	<b>6,935</b>	<b>73%</b>	<b>-</b>	<b>-</b>	<b>0%</b>	<b>527,633</b>
<b>Total</b>		<b>630,110</b>	<b>17,597</b>	<b>8,082</b>	<b>2,368</b>	<b>376,927</b>	<b>2,853</b>	<b>7,947</b>	<b>7,785</b>	<b>63%</b>	<b>79,550</b>	<b>74,981</b>	<b>94%</b>	<b>709,659</b>

Notes:

Garden areas at Upper Box Level include the 'auditorium coats/tickets' space and the 'office shuttle lift lobby'

Garden areas at Lower Ground Floor include the 'public garden', 'public route' and the space to the door to the long stay cycle parking

Lower Ground Floor areas for 'Garden' and 'Retail' assume a demise line along the dotted line indicating the Ground Floor slab above the retail space

Ground Floor areas for 'Flexible retail/office' and 'Office entrance' assume a demise line at the western side of the low rise lift lobby

Crossrail box Gross Internal Areas include the lobby space and WC's to the West on the Lower Box Level and the showers and WC's to the North on the Upper Box Level

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**APPENDIX FIVE – PROPOSED SCHEME COST ESTIMATE**

EXECUTIVE SUMMARY

5 KINGDOM STREET												XR	5KS + CROSSRAIL BOX	
Facilitating Works	Shell & Core		Fit Out					External Works	TOTAL COST	TOTAL	Shell & Core Only (£)	TOTAL		
	(£)	B3 - B1 (£)	Podium - Roof (£)	Office Cat A (£)	Auditorium (£)	Flexible Use (£)	Retail Fit Out (£)						Winter Garden (£)	(£)
1	Facilitating Works	3,947,518	-	-	-	-	-	-	-	-	3,947,518	-	3,947,518	
2	Shell and Core	-	23,139,959	124,348,850	-	-	-	-	2,907,712	-	150,396,521	6,407,410	156,803,931	
3	Fit Out	-	-	-	19,717,377	1,770,447	408,107	469,745	-	-	22,365,676	-	22,365,676	
4	External Works	-	-	-	-	-	-	-	-	3,019,000	3,019,000	-	3,019,000	
5	Artwork	-	-	1,000,000	-	-	-	-	-	-	1,000,000	-	1,000,000	
Sub Total		3,947,518	23,139,959	125,348,850	19,717,377	1,770,447	408,107	469,745	2,907,712	3,019,000	180,728,715	6,407,410	187,136,125	
6	MC's Preliminaries	16%	631,603	3,702,394	20,055,817	3,154,781	283,272	65,298	75,160	465,234	483,040	28,916,599	1,025,186	29,941,785
7	MC's Overheads and Profit	5%	228,956	1,342,118	7,270,233	1,143,608	102,686	23,670	27,245	168,647	175,102	10,482,265	371,630	10,853,895
Building Works Total		4,808,077	28,184,471	152,674,900	24,015,766	2,156,405	497,075	572,150	3,541,593	3,677,142	220,127,579	7,804,226	227,931,805	
8	Design Risk Allowance	5%	240,404	1,409,224	7,633,745	1,200,788	107,820	24,854	28,608	177,080	183,857	11,006,379	390,211	11,396,590
9	Construction Risk Allowance	5%	240,404	1,409,224	7,633,745	1,200,788	107,820	24,854	28,608	177,080	183,857	11,006,379	390,211	11,396,590
TOTAL ESTIMATED CURRENT DAY CONSTRUCTION COST		£ 5,289,000	£ 31,003,000	£ 167,942,000	£ 26,417,000	£ 2,372,000	£ 547,000	£ 629,000	£ 3,896,000	£ 4,045,000	£ 242,140,000	£ 8,580,000	£ 250,720,000	

£ / ft2	£8/ft² GIA	£303/ft² GIA	£318/ft² GIA	£70/ft² NIA	£298/ft² NIA	£70/ft² NIA	£221/ft² NIA	£221/ft² NIA	£6/ft² GIA	£384/ft² GIA	£108/ft² GIA	£353/ft² GIA
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£ / m2	£90/m² GIA	£3,256/m² GIA	£3,426/m² GIA	£754/m² NIA	£3,213/m² NIA	£756/m² NIA	£2,373/m² NIA	£2,383/m² NIA	£69/m² GIA	£4,136/m² GIA	£1,161/m² GIA	£3,803/m² GIA
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AREAS	58,539 m²	9,520 m²	49,018 m²	35,017 m²	738 m²	723 m²	265 m²	1,635 m²	58,539 m²	58,539 m²	7,390 m²	65,929 m²
	630,110 ft²	102,477 ft²	527,633 ft²	376,927 ft²	7,947 ft²	7,785 ft²	2,853 ft²	17,597 ft²	630,110 ft²	630,110 ft²	79,546 ft²	709,656 ft²

Shell & Core Only £316/ft² GIA

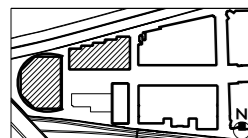
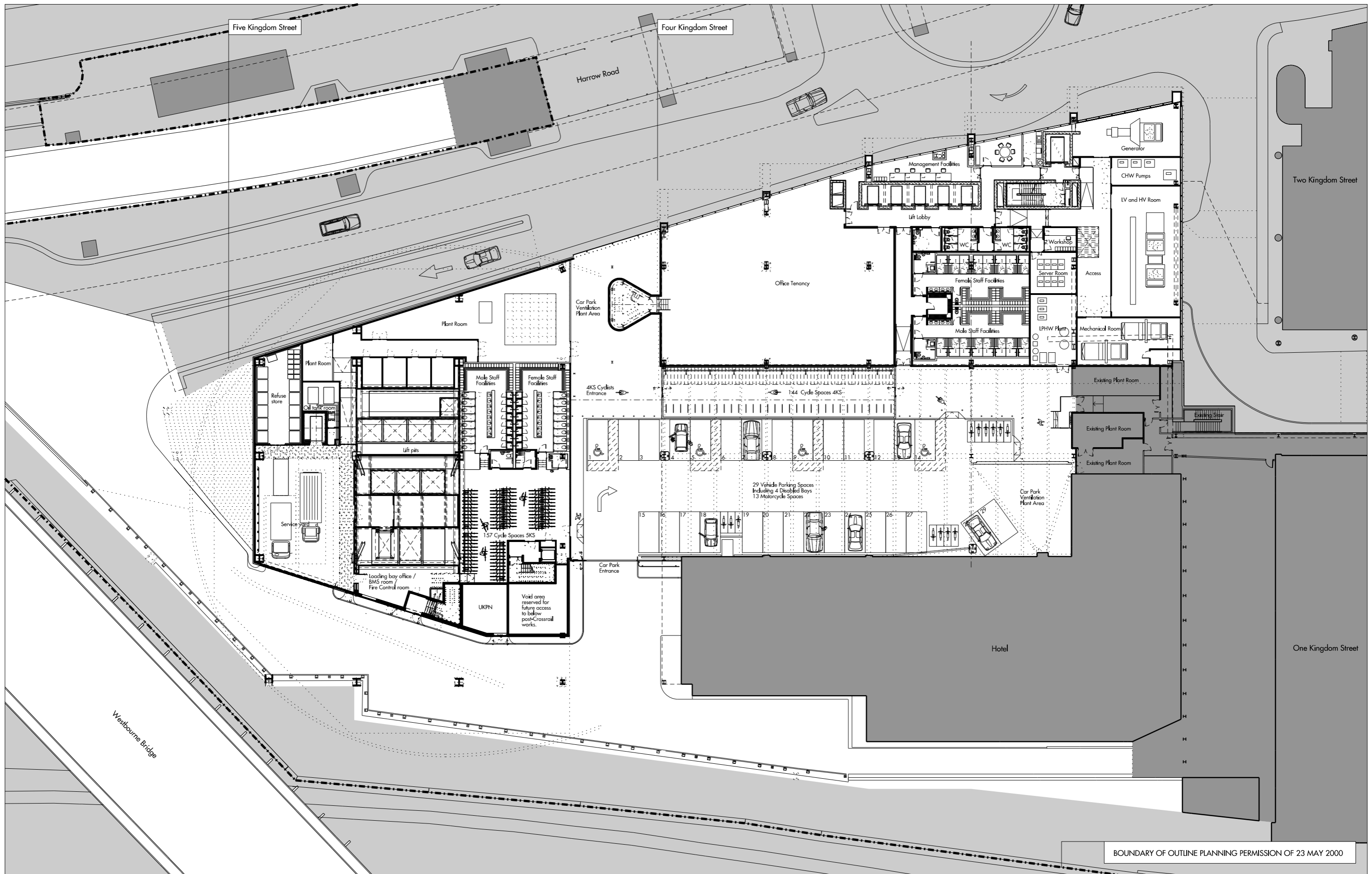
£/ft2 Nett Area £612/ft² NIA

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**APPENDIX SIX – CONSENTED SCHEME FLOOR PLANS**





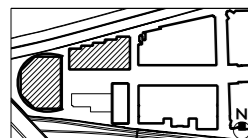
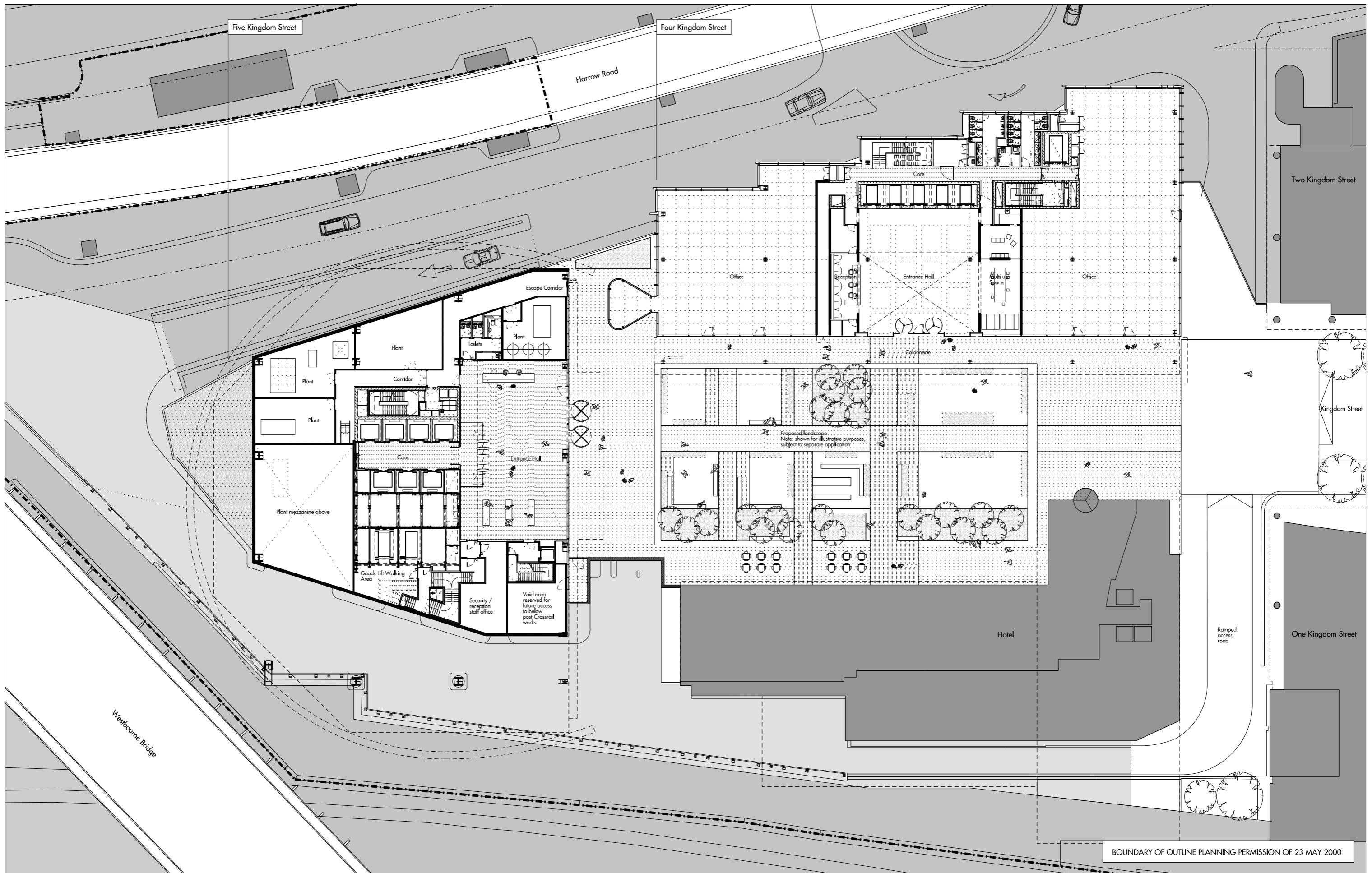


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REV	DATE	DESCRIPTION	CD	REV	DATE	DESCRIPTION	CD	REV	DATE	DESCRIPTION	CD
P1	16.10.09	RESERVED MATTERS SUBMISSION	AW								
P2	21.05.14	SECTION 96A SUBMISSION	AW								
P3	24.10.14	SECTION 96A SUBMISSION	AW								

Allies and Morrison  
 85 Southwark Street  
 London SE1 0HX  
 telephone 020 7921 0100  
 facsimile 020 7921 0101  
 email info@alliesandmorrisson.com  
 A&M JOB NO: 600

PADDINGTONCENTRAL : FOUR & FIVE KINGDOM STREET  
 SUB-PODIUM/DECK LEVEL PLAN  
 RESERVED MATTERS SUBMISSION  
 600\_07\_102  
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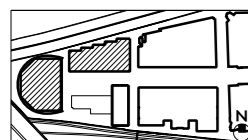
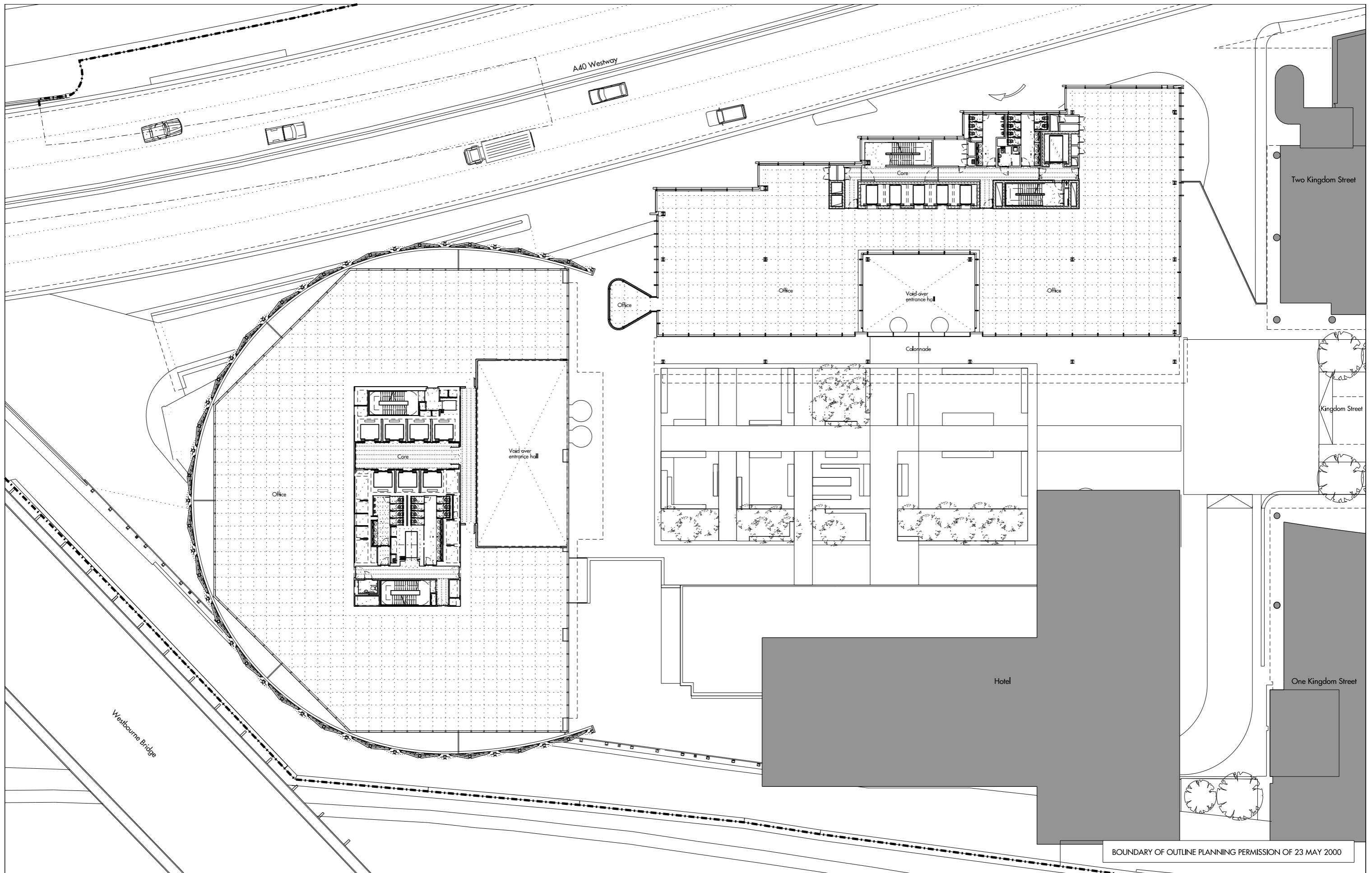


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REV	DATE	DESCRIPTION	CD	REV	DATE	DESCRIPTION	CD	REV	DATE	DESCRIPTION	CD
P1	16.10.09	RESERVED MATTERS SUBMISSION	AW								
P2	16.11.09	4KS EXTERNAL STAIR AMENDED	AW								
P3	21.05.14	SECTION 9&A SUBMISSION	AW								
P4	24.10.14	SECTION 9&A SUBMISSION	AW								

Allies and Morrison  
 85 Southwark Street  
 London SE1 0HX  
 telephone 020 7921 0100  
 facsimile 020 7921 0101  
 email info@alliesandmorrison.com  
 A&M JOB NO: 600

PADDINGTONCENTRAL : FOUR & FIVE KINGDOM STREET  
 PODIUM LEVEL PLAN  
 RESERVED MATTERS SUBMISSION  
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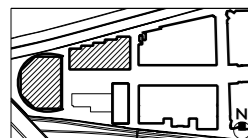
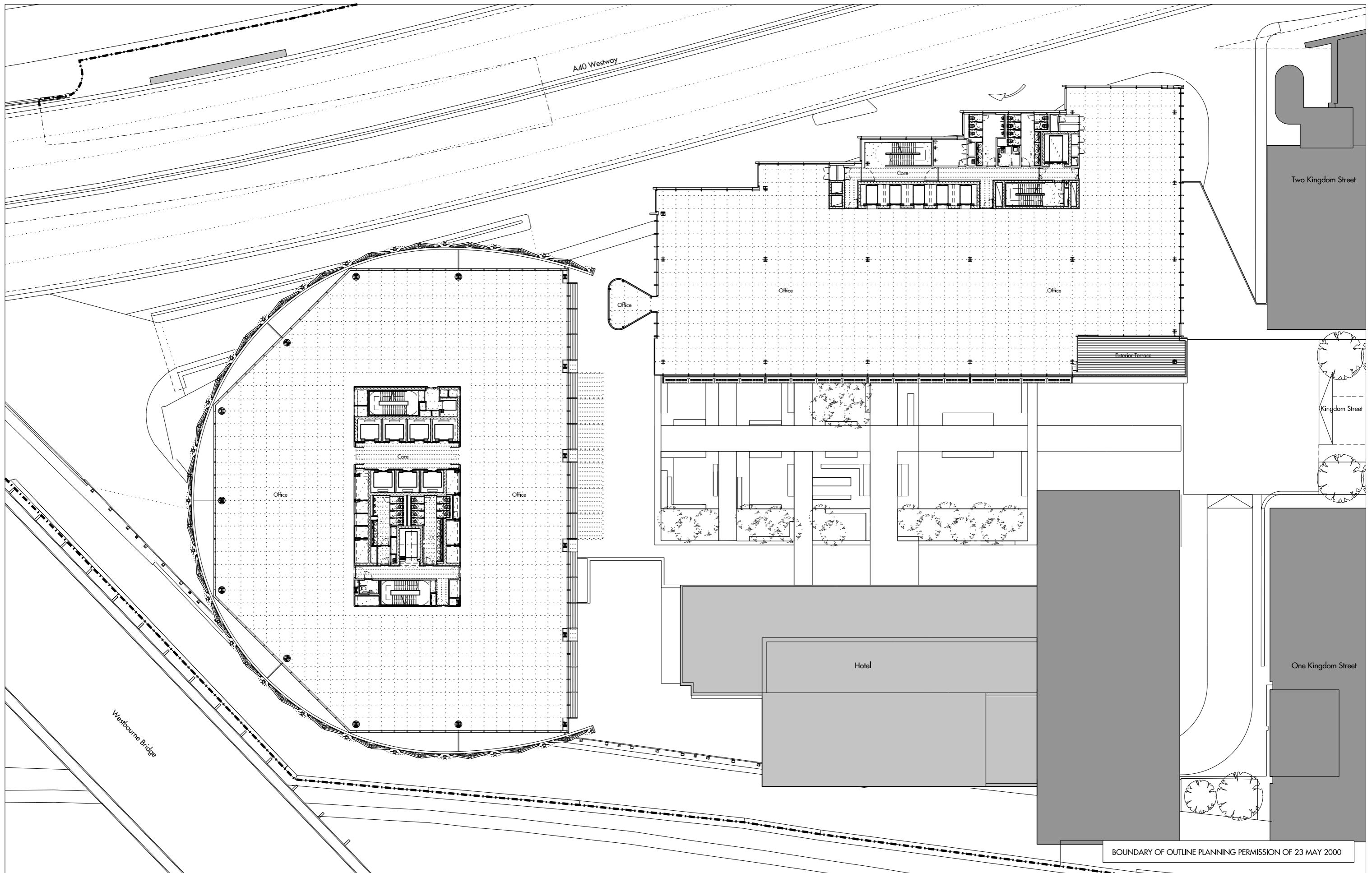


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P1	16.10.09	RESERVED MATTERS SUBMISSION	AW								
P2	16.11.09	4KS EXTERNAL STAIR AMENDED	AW								
P3	21.05.14	SECTION 9&A SUBMISSION	AW								
P4	24.10.14	SECTION 9&A SUBMISSION	AW								

**Allies and Morrison**  
 85 Southwark Street  
 London SE1 0HX  
 telephone 020 7921 0100  
 facsimile 020 7921 0101  
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 A&M JOB NO: 600

**PADDINGTON CENTRAL : FOUR & FIVE KINGDOM STREET**  
**4KS: LEVEL 01, 5KS: LEVELS 01 & 02 PLAN**  
**RESERVED MATTERS SUBMISSION**  
**600\_07\_104**  
 SCALE: 1:200 @A1 1:400 @A3

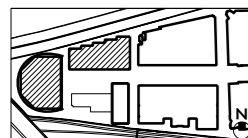
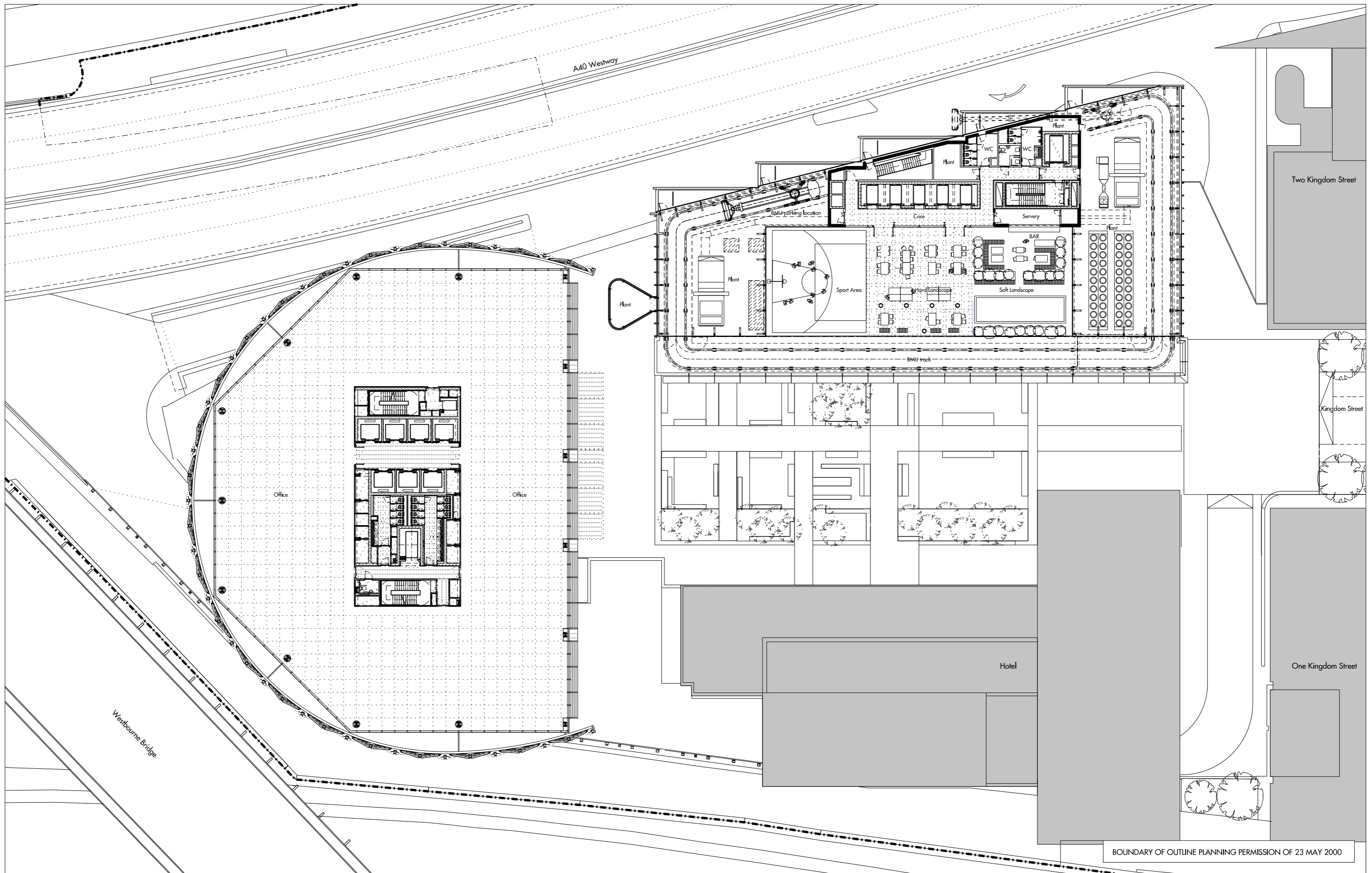


Do not scale from this drawing. Use figured dimensions only. Figured dimensions are in millimetres. All levels are in metres. All dimensions and levels shall be verified on site before proceeding with works. Detailed site survey to be carried out to verify positions and level relationships with site features and ordnance survey. Boundaries are indicative only and are to be verified by others. The architect must be notified of any discrepancy. Where building components are described in the specification as contractor designed, 'construction' information relating to those components on this drawing represents design intent only.

REV	DATE	DESCRIPTION	CD	REV	DATE	DESCRIPTION	CD	REV	DATE	DESCRIPTION	CD
P1	16.10.09	RESERVED MATTERS SUBMISSION	AW								
P2	16.11.09	4KS EXTERNAL STAIR AMENDED	AW								
P3	21.05.14	SECTION 9&A SUBMISSION	AW								
P4	24.10.14	SECTION 9&A SUBMISSION	AW								

**Allies and Morrison**  
 85 Southwark Street  
 London SE1 0HX  
 telephone 020 7921 0100  
 facsimile 020 7921 0101  
 email info@alliesandmorrison.com  
 A&M JOB NO: 600

**PADDINGTONCENTRAL : FOUR & FIVE KINGDOM STREET**  
**4KS LEVELS 02 - 09, 5KS LEVELS 03 - 09 PLAN**  
**RESERVED MATTERS SUBMISSION**  
**600\_07\_105**  
 SCALE: 1:200 @A1 1:400 @A3

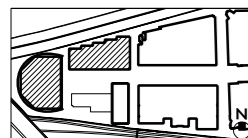
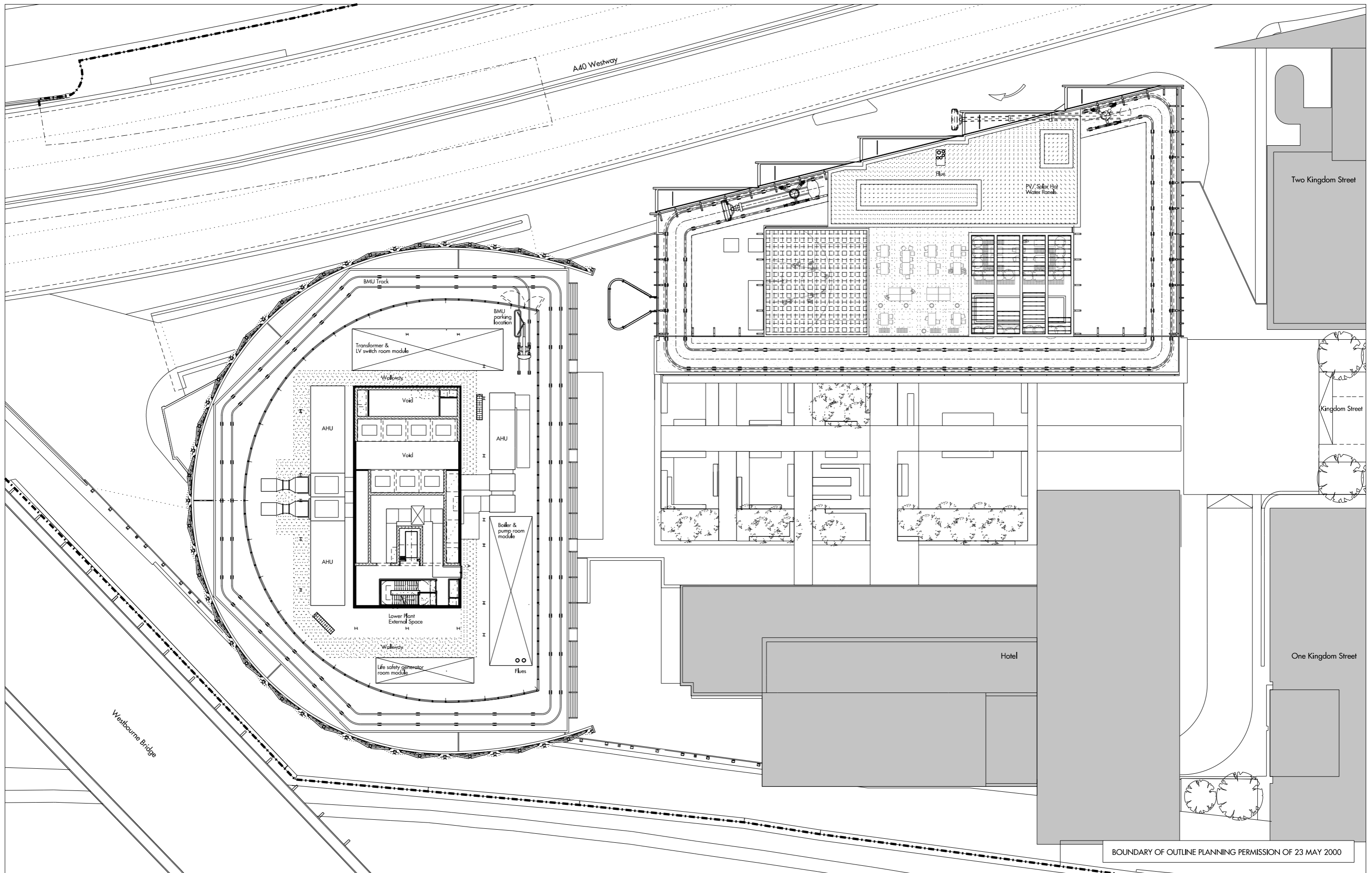


Do not scale from this drawing. Use figured dimensions only. Figured dimensions are in millimetres. All levels are in metres. All dimensions and levels shall be verified on site before proceeding with works. Detailed site survey to be carried out to verify positions and level relationships with site features and ordnance survey. Boundaries are indicative only and are to be verified by others. The architect must be notified of any discrepancy. Where building components are described in the specification as contractor designed, 'construction' information relating to those components on this drawing represents design intent only.

REV	DATE	DESCRIPTION	CD	REV	DATE	DESCRIPTION	CD	REV	DATE	DESCRIPTION	CD
P1	16.10.09	RESERVED MATTERS SUBMISSION	AW								
P2	16.11.09	4KS EXTERNAL STAIR AMENDED	AW								
P3	21.05.14	SECTION 96A SUBMISSION	AW								
P4	24.10.14	SECTION 96A SUBMISSION	AW								

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 A&M JOB NO: 600

**PADDINGTON CENTRAL : FOUR & FIVE KINGDOM STREET**  
**FLOOR PLAN: LEVEL 10**  
**RESERVED MATTERS SUBMISSION**  
**600\_07\_113**  
 SCALE: 1:200 @A1 1:400 @A3

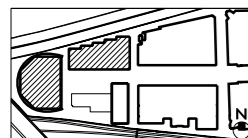
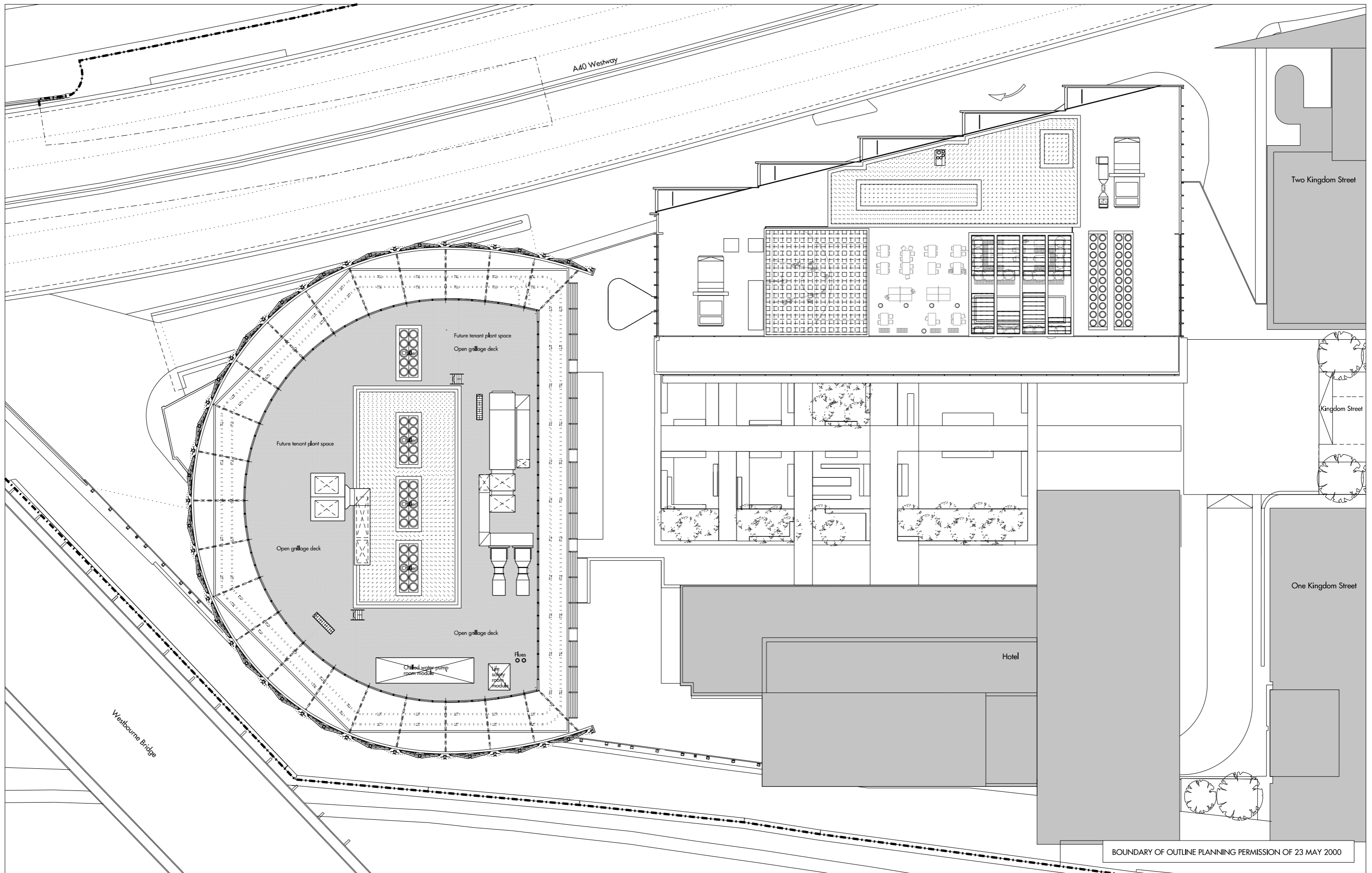


Do not scale from this drawing. Use figured dimensions only. Figured dimensions are in millimetres. All levels are in metres. All dimensions and levels shall be verified on site before proceeding with works. Detailed site survey to be carried out to verify positions and level relationships with site features and ordnance survey. Boundaries are indicative only and are to be verified by others. The architect must be notified of any discrepancy. Where building components are described in the specification as contractor designed, 'construction' information relating to those components on this drawing represents design intent only.

REV	DATE	DESCRIPTION	CD	REV	DATE	DESCRIPTION	CD	REV	DATE	DESCRIPTION	CD
P1	16.10.09	RESERVED MATTERS SUBMISSION	AW								
P2	16.11.09	4KS EXTERNAL STAIR AMENDED	AW								
P3	21.05.14	SECTION 96A SUBMISSION	AW								
P4	24.10.14	SECTION 96A SUBMISSION	AW								

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 A&M JOB NO: 600

**PADDINGTON CENTRAL : FOUR & FIVE KINGDOM STREET**  
**FLOOR PLAN: LEVEL 13**  
**RESERVED MATTERS SUBMISSION**  
**600\_07\_116**  
 SCALE: 1:200 @A1 1:400 @A3



Do not scale from this drawing. Use figured dimensions only. Figured dimensions are in millimetres. All levels are in metres. All dimensions and levels shall be verified on site before proceeding with works. Detailed site survey to be carried out to verify positions and level relationships with site features and ordnance survey. Boundaries are indicative only and are to be verified by others. The architect must be notified of any discrepancy. Where building components are described in the specification as contractor designed, 'construction' information relating to those components on this drawing represents design intent only.

REV	DATE	DESCRIPTION	CRD	REV	DATE	DESCRIPTION	CRD	REV	DATE	DESCRIPTION	CRD
P1	16.10.09	RESERVED MATTERS SUBMISSION	AW								
P2	16.11.09	4KS EXTERNAL STAIR AMENDED	AW								
P3	21.05.14	SECTION 96A SUBMISSION	AW								
P4	24.10.14	SECTION 96A SUBMISSION	AW								

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 email info@alliesandmorrison.com  
 A&M JOB NO: 600

**PADDINGTON CENTRAL : FOUR & FIVE KINGDOM STREET**  
**FLOOR PLAN: LEVEL 14**  
**RESERVED MATTERS SUBMISSION**  
**600\_07\_117**  
 SCALE: 1:200 @A1 1:400 @A3

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**APPENDIX SEVEN – CONSENTED SCHEME AREA SCHEDULE**

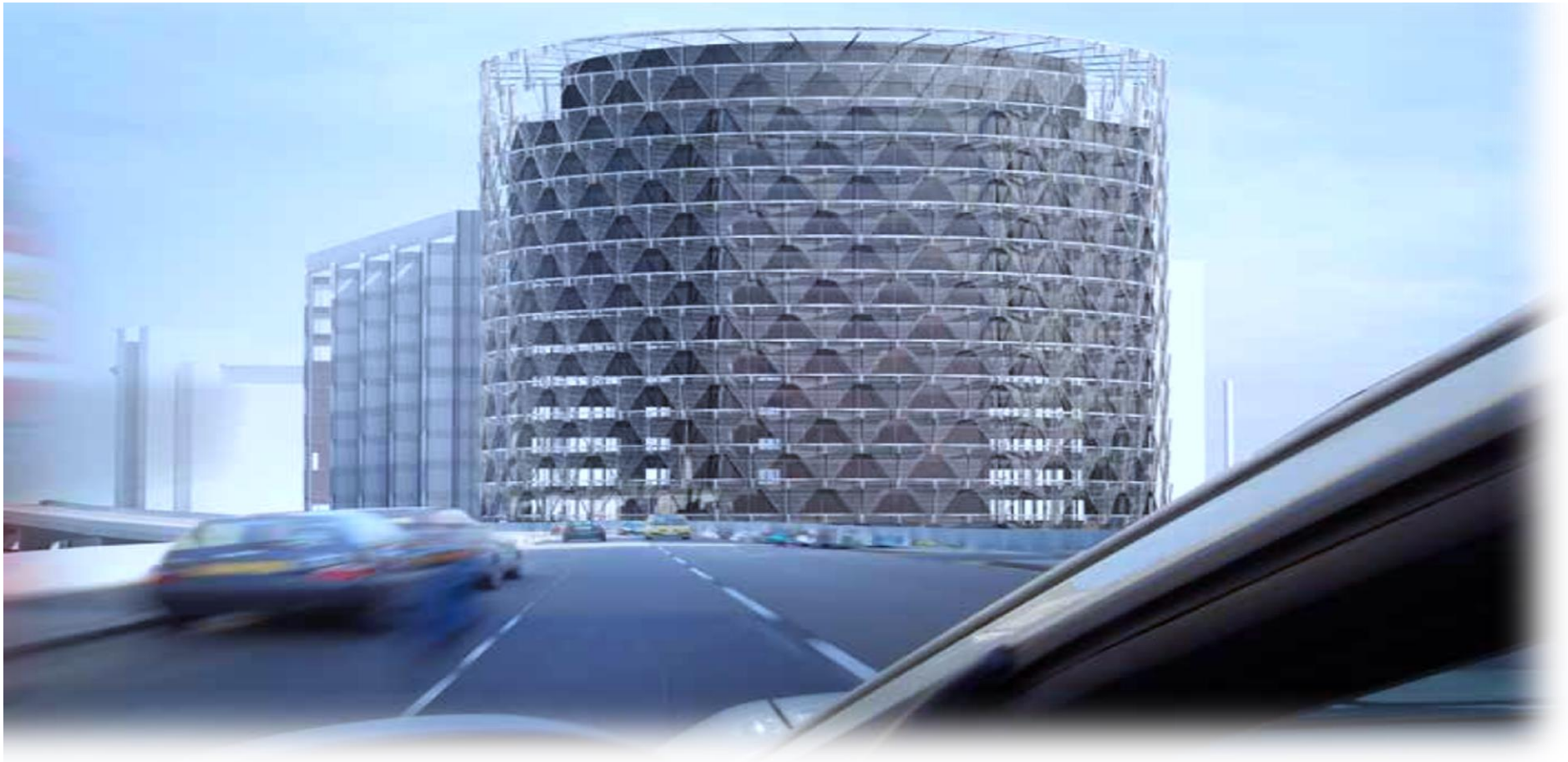
INDICATIVE COST MODEL

AREA SCHEDULE

5 KINGDOM STREET										
Level	GIA	NIA	Net to Gross	WC's	Reception	Plant	BoH	Cycle Facilities	Circulation	Risers / Lifts
	m <sup>2</sup>	Office m <sup>2</sup>	Efficiency	m <sup>2</sup>	m <sup>2</sup>	m <sup>2</sup>	m <sup>2</sup>	m <sup>2</sup>	m <sup>2</sup>	m <sup>2</sup>
B1	545	-	0%	156	-	255	-	133	-	-
<b>Total</b>	<b>545</b>	<b>-</b>	<b>0%</b>	<b>156</b>	<b>-</b>	<b>255</b>	<b>-</b>	<b>133</b>	<b>-</b>	<b>-</b>
00	1,090	-	0%	26	267	237	136	-	254	171
01M	182	-	0%	-	-	182	-	-	-	-
01	1,738	1,385	80%	49	-	-	-	-	127	177
02	1,738	1,385	80%	49	-	-	-	-	127	177
03	1,972	1,646	83%	49	-	-	-	-	127	150
04	1,972	1,646	83%	49	-	-	-	-	127	150
05	1,972	1,646	83%	49	-	-	-	-	127	150
06	1,972	1,646	83%	49	-	-	-	-	127	150
07	1,972	1,646	83%	49	-	-	-	-	127	150
08	1,972	1,646	83%	49	-	-	-	-	127	150
09	1,972	1,646	83%	49	-	-	-	-	127	150
10	1,972	1,646	83%	49	-	-	-	-	127	150
11	1,972	1,646	83%	49	-	-	-	-	127	150
12	1,972	1,646	83%	49	-	-	-	-	127	150
13	212	-	0%	-	-	212	-	-	-	-
<b>Total</b>	<b>24,679</b>	<b>19,230</b>	<b>78%</b>	<b>620</b>	<b>267</b>	<b>631</b>	<b>136</b>	<b>-</b>	<b>1,774</b>	<b>2,022</b>
<b>COMBINED</b>	<b>25,224</b>	<b>19,230</b>	<b>76%</b>	<b>776</b>	<b>267</b>	<b>886</b>	<b>136</b>	<b>133</b>	<b>1,774</b>	<b>2,022</b>

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**APPENDIX EIGHT – CONSENTED SCHEME COST ESTIMATE**



## **5 KINGDOM STREET, PADDINGTON CENTRAL**

### **CONSENTED SCHEME - INDICATIVE COST MODEL**

The British Land Company plc

22 July 2020

INDICATIVE COST MODEL

CONTROL ISSUE SHEET

Revision	Status	Prepared By (name/position/date)	Authorised By (name/position/date)
-	Draft	Tom Bourne / Senior Associate / 20.03.2018	Tony Etherington / Partner / 20.03.2018
-	Updated	Tom Bourne / Senior Associate / 25.02.2019	Tony Etherington / Partner / 25.02.2019
-	Updated	Tom Bourne / Senior Associate / 17.04.2019	Tony Etherington / Partner / 17.04.2019
-	Updated	Tony Etherington / Partner / 22.07.2020	Nick Rowe / Partner / 22.07.2020

INDICATIVE COST MODEL

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CONTENTS

- 1 Executive Summary
- 1 Notes and Assumptions
- 2 Exclusions
- 3 Schedule of Areas
- 4 Schedule of Design Information
- 5 Details of Estimate

Appendices:

**Appendix A:** Layout Drawings

INDICATIVE COST MODEL

EXECUTIVE SUMMARY

		5 KINGDOM STREET					
		Shell & Core		Fit Out	External Works (£)	TOTAL COST (£)	
		B1 (£)	Podium - Roof (£)	Office CAT A (£)			
1	Shell and Core	1,578,050	70,833,141	-	-	72,411,191	
2	Fit Out	-	-	10,134,210	-	10,134,210	
3	External Works	-	-	-	968,000	968,000	
Sub Total		1,578,050	70,833,141	10,134,210	968,000	83,513,401	
4	MC's Preliminaries	16%	252,488	11,333,303	1,621,474	154,880	13,362,145
5	MC's Overheads and Profit	5%	91,527	4,108,322	587,784	56,144	4,843,777
Building Works Total		1,922,065	86,274,766	12,343,468	1,179,024	101,719,323	
6	Design Development Risk Allowance	5%	96,104	4,313,739	617,174	58,952	5,085,969
7	Construction Risk Allowance	5%	100,908	4,529,425	648,032	61,899	5,340,265
TOTAL ESTIMATED CURRENT DAY CONSTRUCTION COST		£ 2,120,000	£ 95,118,000	£ 13,609,000	£ 1,300,000	£ 112,147,000	
		£ / ft <sup>2</sup>	£361/ft <sup>2</sup> GIA	£358/ft <sup>2</sup> GIA	£66/ft <sup>2</sup> NIA	£5/ft <sup>2</sup> GIA	£413/ft <sup>2</sup> GIA
		£ / m <sup>2</sup>	£3,890/m <sup>2</sup> GIA	£3,854/m <sup>2</sup> GIA	£708/m <sup>2</sup> NIA	£52/m <sup>2</sup> GIA	£4,446/m <sup>2</sup> GIA
		Shell & Core Total	£358/ft <sup>2</sup> GIA				£542/ft <sup>2</sup> NIA
AREA		545 m <sup>2</sup>	24,679 m <sup>2</sup>	19,230 m <sup>2</sup>	25,224 m <sup>2</sup>	25,224 m <sup>2</sup>	
		5,866 ft <sup>2</sup>	265,640 ft <sup>2</sup>	206,992 ft <sup>2</sup>	271,507 ft <sup>2</sup>	271,507 ft <sup>2</sup>	

**INDICATIVE COST MODEL**

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**NOTES AND ASSUMPTIONS****PROJECT OVERVIEW**

- 1 This report provides an order of cost for development works at 5 Kingdom Street to provide office accommodation constructed over the existing crossrail deck including public realm works.
- 2 The works comprises construction of a 25,224m<sup>2</sup> new commercial building offering 19,320m<sup>2</sup> of new office accommodation

**PROGRAMME**

- 1 No programme information has been issued
- 3 All works are understood to be carried out as part of one contract and will not be phased.

**INFORMATION USED TO PREPARE THIS ESTIMATE**

- 1 This Cost Estimate has been based upon design information prepared by Allies & Morrison (architectural), Ramboll (structural engineering) as set out within the document list included within this document.
- 2 We have made a number of assumptions/exclusions which will require to be confirmed

**STATUS OF DESIGN**

- 1 RIBA Stage 1

**KEY ASSUMPTIONS**

- 1 Please refer to the detailed build up for all other key assumptions and allowances.
- 2 Estimated costs are construction costs prepared using current prices 3 Qtr 2020.
- 3 Allowances have been included for main contractor preliminaries costs (16%) and main contractor's overheads and profit (5%) across all construction works.
- 4 New build costs are based upon an assumed quality and specification that has been discussed in principle with the Architects where not specifically noted in the documentation. The MEP allowances allow for BREEAM Outstanding, Wired Score and Wellness Certification.
- 5 Design and construction risk allowances totalling 10% have been included to reflect the status of the design.
- 6 No allowance has been made for any phasing of the works or for working outside of normal working hours.
- 7 The internal areas are subject to construction and measurement tolerances and do not necessarily equate to net lettable / effective lettable areas.
- 8 Areas are intended for the production of the Cost Plan only and should not be relied upon for any other purpose.
- 9 No allowances have been made for future multi tenancy arrangements and no deduction has been made against the NIA for design development, notional lift lobbies, shared retail back of house areas or the like not shown on the current plans.

**PROCUREMENT**

- 1 The procurement strategy for the works is yet to be determined but is assumed to be a competitive two stage traditional or design and build route with all works tendered under one main contract.

## INDICATIVE COST MODEL

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**EXCLUSIONS**

The following should be read in conjunction with the Executive Summary and are a list of items not yet able to be included within this cost plan; however, we would like to discuss them further with yourselves and your advisors to determine whether some or all of the following can be included in the cost plan:

- 1 Value Added Tax
- 2 Land acquisition costs and fees
- 3 Client finance, legal or marketing costs
- 4 Professional fees (e.g. design, PCSA, PM, surveys etc)
- 5 Planning and building regulation fees
- 6 Fees or costs associated with rights of light agreement, party wall awards, oversailing agreements etc
- 7 Project insurances
- 8 Section 106 / 278 Contributions
- 9 Community Infrastructure Levy Contributions or similar
- 10 Costs resulting from zero carbon requirements or offset charges
- 11 Benefits arising from any potential Capital Allowances or other government incentives / grants
- 12 Currency and exchange rate fluctuations
- 13 Costs resulting from tariffs or other charges following the withdrawal of the UK from the European Union
- 14 Statutory changes
- 15 Works outside of the site boundary except where specifically stated
- 16 Public art installations or contributions
- 17 Phasing of the works
- 18 Working outside of normal working hours
- 19 Mock ups, prototypes, off site benchmarks and the like
- 20 New piling or modifications to existing substructure
- 21 Fit out of retail spaces, constructed as shell and core only
- 22 Tenant fit out beyond Category A to office floors
- 23 Tenant's costs or contributions
- 24 Loose fittings, furnishings and equipment and external furniture
- 25 Asbestos removal
- 26 Fees, works or costs associated with abnormal ground conditions
- 27 Underpinning of adjoining structures
- 28 Archaeological investigations and exploratory or resulting works
- 29 Diversion of existing below ground services
- 30 Costs associated with LUL surveys and monitoring
- 31 Increased design criteria for bomb protection
- 32 IT hardware / active hubs
- 33 Connection to district heating system
- 34 Automated brise solei
- 35 Audio visual installations and equipment other than to the Auditorium
- 36 Spares and maintenance costs
- 37 Repair works to existing deck structure

INDICATIVE COST MODEL

AREA SCHEDULE

5 KINGDOM STREET										
Level	GIA	NIA	Net to Gross	WC's	Reception	Plant	BoH	Cycle Facilities	Circulation	Risers / Lifts
	m <sup>2</sup>	Office m <sup>2</sup>	Efficiency	m <sup>2</sup>	m <sup>2</sup>	m <sup>2</sup>	m <sup>2</sup>	m <sup>2</sup>	m <sup>2</sup>	m <sup>2</sup>
B1	545	-	0%	156	-	255	-	133	-	-
<b>Total</b>	<b>545</b>	<b>-</b>	<b>0%</b>	<b>156</b>	<b>-</b>	<b>255</b>	<b>-</b>	<b>133</b>	<b>-</b>	<b>-</b>
00	1,090	-	0%	26	267	237	136	-	254	171
01M	182	-	0%	-	-	182	-	-	-	-
01	1,738	1,385	80%	49	-	-	-	-	127	177
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07	1,972	1,646	83%	49	-	-	-	-	127	150
08	1,972	1,646	83%	49	-	-	-	-	127	150
09	1,972	1,646	83%	49	-	-	-	-	127	150
10	1,972	1,646	83%	49	-	-	-	-	127	150
11	1,972	1,646	83%	49	-	-	-	-	127	150
12	1,972	1,646	83%	49	-	-	-	-	127	150
13	212	-	0%	-	-	212	-	-	-	-
<b>Total</b>	<b>24,679</b>	<b>19,230</b>	<b>78%</b>	<b>620</b>	<b>267</b>	<b>631</b>	<b>136</b>	<b>-</b>	<b>1,774</b>	<b>2,022</b>
<b>COMBINED</b>	<b>25,224</b>	<b>19,230</b>	<b>76%</b>	<b>776</b>	<b>267</b>	<b>886</b>	<b>136</b>	<b>133</b>	<b>1,774</b>	<b>2,022</b>

INDICATIVE COST MODEL

**SCHEDULE OF DESIGN INFORMATION**

The compilation of this document is on the basis of the following design information:-

**Architectural**

Drawing No.	Issued	Rev	Description
600_07_001	15/03/18	P3	Site Location Plan
600_07_002	15/03/18	P3	Site Plan as Existing
600_07_003	15/03/18	P3	Site Plan Podium Proposed
600_07_004	15/03/18	P3	Site Plan Basement Level
600_07_100	15/03/18	P3	Basement Floor Plan
600_07_101	15/03/18	P3	Basement Mezzanine Floor Plan
600_07_102	15/03/18	P3	Sub-Podium / Deck Level Plan
600_07_103	15/03/18	P3	Podium Level Plan
600_07_104	15/03/18	P3	5KS Level 01 & 02 Plan
600_07_105	15/03/18	P3	5KS Level 03 - 9Plan
600_07_113	15/03/18	P3	Floor Plan Level 10
600_07_116	15/03/18	P3	Floor Plan Level 13
600_07_117	15/03/18	P3	Floor Plan Level 14

**Structural**

Drawing No.	Issued	Rev	Description
Stage C Report (DevSec)	01/10/09		Stage C Report issued for DevSec

**MEP**

Drawing No.	Issued	Rev	Description
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INDICATIVE COST MODEL

LEVEL B1

No.	Description	Quantity	Unit	Rate	Amount	£/m <sup>2</sup> GIA	£/ft <sup>2</sup> GIA
1	SUBSTRUCTURE				£ 418,000	16.94	1.57
2	FRAME & UPPER FLOORS				£ 49,050	1.99	0.18
3	STAIRS				£ 20,000	0.81	0.08
4	EXTERNAL WALLS & DOORS				£ 248,085	10.05	0.93
5	INTERNAL WALLS AND DOORS				£ 70,850	2.87	0.27
6	INTERNAL FINISHES				£ 394,887	16.00	1.49
7	FITTINGS, FURNISHINGS AND EQUIPMENT				£ 38,150	1.55	0.14
8	MECHANICAL, ELECTRICAL AND PUBLIC HEALTH INSTALLATIONS				£ 339,028	13.74	1.28
<b>TOTAL - CARRIED TO EXECUTIVE SUMMARY</b>					£ 1,578,050	63.94	5.94

INDICATIVE COST MODEL

LEVEL B1

No.	Description	Quantity	Unit	Rate	Amount	£/m <sup>2</sup> GIA	£/ft <sup>2</sup> GIA
<u>SUBSTRUCTURE</u>							
1	Allowance for adaptations to below ground drainage	25,224	m <sup>3</sup>	£15	378,000	15.32	1.42
2	Lift pits	8	nr	£5,000	40,000	1.62	0.15
TOTAL - CARRIED TO SUMMARY					418,000	16.94	1.57

INDICATIVE COST MODEL

LEVEL B1

No.	Description	Quantity	Unit	Rate	Amount	£/m <sup>2</sup> GIA	£/ft <sup>2</sup> GIA
<u>FRAME &amp; UPPER FLOORS</u>							
1	Allowance for thermal insulation to existing deck	545	m <sup>2</sup>	£90	49,050	1.99	0.18
TOTAL - CARRIED TO SUMMARY					49,050	1.99	0.18

INDICATIVE COST MODEL

LEVEL B1

No.	Description	Quantity	Unit	Rate	Amount	£/m <sup>2</sup> GIA	£/ft <sup>2</sup> GIA
	<u>STAIRS</u>						
1	Pre cast concrete stairs	4	nr	£5,000	20,000	0.81	0.08
TOTAL - CARRIED TO SUMMARY					20,000	0.81	0.08

INDICATIVE COST MODEL

LEVEL B1

No.	Description	Quantity	Unit	Rate	Amount	£/m <sup>2</sup> GIA	£/ft <sup>2</sup> GIA
<u>EXTERNAL WALLS &amp; DOORS</u>							
1	Louvres / Cavity blockwork	551	m <sup>2</sup>	£450	248,085	10.05	0.93
TOTAL - CARRIED TO SUMMARY					248,085	10.05	0.93

INDICATIVE COST MODEL

LEVEL B1

No.	Description	Quantity	Unit	Rate	Amount	£/m <sup>2</sup> GIA	£/ft <sup>2</sup> GIA
	<u>INTERNAL WALLS AND DOORS</u>						
1	Generally	545	m <sup>2</sup>	£130	70,850	2.87	0.27
TOTAL - CARRIED TO SUMMARY					70,850	2.87	0.27

INDICATIVE COST MODEL

LEVEL B1

No.	Description	Quantity	Unit	Rate	Amount	£/m <sup>2</sup> GIA	£/ft <sup>2</sup> GIA
<u>INTERNAL FINISHES</u>							
1	Finishes generally to plant, cycle, back of house and circulation areas	389	m <sup>2</sup>	£120	46,631	1.89	0.18
2	Finishes to changing room areas generally, including wall, floor and ceiling finishes, cubicle partitioning, doors, vanity units, mirrors, lockers, sanitaryware etc	156	m <sup>2</sup>	£1,800	281,531	11.41	1.06
3	Allowance for double stack cycle racks to cycle facilities	79	nr	£850	66,725	2.70	0.25
TOTAL - CARRIED TO SUMMARY					394,887	16.00	1.49

INDICATIVE COST MODEL

LEVEL B1

No.	Description	Quantity	Unit	Rate	Amount	£/m <sup>2</sup> GIA	£/ft <sup>2</sup> GIA
<u>FITTINGS, FURNISHINGS AND EQUIPMENT</u>							
1	Generally including signage, secondary steelwork, architectural metalwork, balustrades and handrails	545	m <sup>2</sup>	£70	38,150	1.55	0.14
TOTAL - CARRIED TO SUMMARY					38,150	1.55	0.14



INDICATIVE COST MODEL

3. PODIUM - ROOF

No.	Description	Quantity	Unit	Rate	Amount	£/m <sup>2</sup> GIA	£/ft <sup>2</sup> GIA
1	FRAME & UPPER FLOORS				£ 26,092,756	1057.30	98.23
2	STAIRS				£ 280,000	11.35	1.05
3	EXTERNAL WALLS				£ 16,827,420	681.86	63.35
4	ROOF				£ 511,300	20.72	1.92
5	INTERNAL WALLS AND DOORS				£ 3,208,218	130.00	12.08
6	INTERNAL FINISHES				£ 4,309,145	174.61	16.22
7	FITTINGS, FURNISHINGS AND EQUIPMENT				£ 1,727,502	70.00	6.50
8	MECHANICAL, ELECTRICAL AND PUBLIC HEALTH INSTALLATIONS				£ 16,076,801	651.45	60.52
9	VERTICAL TRANSPORT				£ 1,800,000	72.94	6.78
<b>TOTAL - CARRIED TO EXECUTIVE SUMMARY</b>					£ 70,833,141	2,870.23	266.65

INDICATIVE COST MODEL

3. PODIUM - ROOF

No.	Description	Quantity	Unit	Rate	Amount	£/m <sup>2</sup> GIA	£/ft <sup>2</sup> GIA
<u>FRAME &amp; UPPER FLOORS</u>							
1	Steel beams and columns	3,331	tn	£2,500	8,328,262	337.47	31.35
2	Allowance for fabricated transfer beams to Deck level	556	tn	£3,500	1,947,151	78.90	7.33
3	Allowance for fabricated transfer beams to Level 1	538	tn	£3,500	1,884,313	76.35	7.09
3	Steel connections and encast plates; 25%	1,107	tn	£2,500	2,766,255	112.09	10.41
4	90mins fire protection	5,533	tn	£650	3,596,132	145.72	13.54
5	350mm RC slabs	2,623	m <sup>2</sup>	£310	812,983	32.94	3.06
6	150mm slab on metal decking	19,857	m <sup>2</sup>	£160	3,177,116	128.74	11.96
7	350mm thick RC walls	9,300	m <sup>2</sup>	£385	3,580,545	145.09	13.48
TOTAL - CARRIED TO SUMMARY					26,092,756	1057.30	98.23

INDICATIVE COST MODEL

3. PODIUM - ROOF

No.	Description	Quantity	Unit	Rate	Amount	£/m <sup>2</sup> GIA	£/ft <sup>2</sup> GIA
	<u>STAIRS</u>						
1	Pre cast concrete stairs	56	nr	£5,000	280,000	11.35	1.05
TOTAL - CARRIED TO SUMMARY					280,000	11.35	1.05

INDICATIVE COST MODEL

3. PODIUM - ROOF

No.	Description	Quantity	Unit	Rate	Amount	£/m <sup>2</sup> GIA	£/ft <sup>2</sup> GIA
<u>EXTERNAL WALLS</u>							
1	Unitised propriety cladding system; natural anodised aluminium frame double glazed; silicon jointed; assume laminated outer pane, heat soaked toughened inner pane; faceted	7,244	m <sup>2</sup>	£1,250	9,055,375	366.93	34.09
2	Extra over for secondary metal brise soliel fixed back to structure; faceted	7,244	m <sup>2</sup>	£400	2,897,720	117.42	10.91
3	Unitised propriety cladding system; natural anodised aluminium framed double glazed ; silicon jointed; assume laminated outer pane, heat soaked toughened inner pane; to East elevation	3,042	m <sup>2</sup>	£1,200	3,649,800	147.89	13.74
4	Extra over for secondary metal brise soliel fixed back to structure; faceted	3,042	m <sup>2</sup>	£350	1,064,525	43.14	4.01
5	Allowance for revolving entrance doors	2	nr	£80,000	160,000	6.48	0.60
TOTAL - CARRIED TO SUMMARY					16,827,420	681.86	63.35

INDICATIVE COST MODEL

3. PODIUM - ROOF

No.	Description	Quantity	Unit	Rate	Amount	£/m <sup>2</sup> GIA	£/ft <sup>2</sup> GIA
	<u>ROOF</u>						
1	Roof slab	212	m <sup>2</sup>	£275	58,300	2.36	0.22
2	Roof finishes generally	212	m <sup>2</sup>	£250	53,000	2.15	0.20
4	Allowance for BMU	1	Item	£400,000	400,000	16.21	1.51
TOTAL - CARRIED TO SUMMARY					511,300	20.72	1.92

INDICATIVE COST MODEL

3. PODIUM - ROOF

No.	Description	Quantity	Unit	Rate	Amount	£/m <sup>2</sup> GIA	£/ft <sup>2</sup> GIA
<u>INTERNAL WALLS AND DOORS</u>							
1	Allowance generally	24,679	m <sup>2</sup>	£130	3,208,218	130.00	12.08
TOTAL - CARRIED TO SUMMARY					3,208,218	130.00	12.08

INDICATIVE COST MODEL

3. PODIUM - ROOF

No.	Description	Quantity	Unit	Rate	Amount	£/m <sup>2</sup> GIA	£/ft <sup>2</sup> GIA
<u>INTERNAL FINISHES</u>							
1	Finishes to office entrance area, including stone to floor, feature soffit and wall cladding, reception desk	267	m <sup>2</sup>	£2,000	533,112	21.60	2.01
2	Finishes to WC and shower areas generally, including wall, floor and ceiling finishes, cubicle partitioning, doors, vanity units, mirrors, lockers etc	620	m <sup>2</sup>	£4,000	2,479,044	100.45	9.33
3	Finishes to lift lobbies generally; stone to floors, back painted glass wall panelling, painted plasterboard soffits, stainless steel lift architraves	477	m <sup>2</sup>	£1,500	715,884	29.01	2.69
4	Finishes to circulation/staircore areas generally; carpets, nosings, wall and ceiling finishes	1,297	m <sup>2</sup>	£300	388,996	15.76	1.46
5	Finishes generally to plant, back of house and circulation areas	2,022	m <sup>2</sup>	£95	192,109	7.78	0.72
TOTAL - CARRIED TO SUMMARY					4,309,145	174.61	16.22

INDICATIVE COST MODEL

3. PODIUM - ROOF

No.	Description	Quantity	Unit	Rate	Amount	£/m <sup>2</sup> GIA	£/ft <sup>2</sup> GIA
<u>FITTINGS, FURNISHINGS AND EQUIPMENT</u>							
1	Generally including signage, secondary steelwork, architectural metalwork, balustrades and handrails	24,679	m <sup>2</sup>	£70	1,727,502	70.00	6.50
TOTAL - CARRIED TO SUMMARY					1,727,502	70.00	6.50

INDICATIVE COST MODEL

3. PODIUM - ROOF

No.	Description	Quantity	Unit	Rate	Amount	£/m <sup>2</sup> GIA	£/ft <sup>2</sup> GIA
<u>MECHANICAL, ELECTRICAL AND PUBLIC HEALTH INSTALLATIONS</u>							
1	Shell & core services installations generally including GSHP	24,679	m <sup>2</sup>	£622	15,351,801	622.07	57.79
2	Allowance for statutory connections generally; assuming new substation, electrical connection, new gas, water, sewer and telecoms connections	1	Item	725,000	725,000	29.38	2.73
TOTAL - CARRIED TO SUMMARY					16,076,801	651.45	60.52

INDICATIVE COST MODEL

3. PODIUM - ROOF

No.	Description	Quantity	Unit	Rate	Amount	£/m <sup>2</sup> GIA	£/ft <sup>2</sup> GIA
<u>VERTICAL TRANSPORT</u>							
1	Passenger lifts; Podium to L13	7	nr	£200,000	1,400,000	56.73	5.27
2	Goods lift; B1 to L13	1	nr	£300,000	300,000	12.16	1.13
3	Allowance for enhanced destination control system	1	nr	£100,000	100,000	4.05	0.38
TOTAL - CARRIED TO SUMMARY					1,800,000	72.94	6.78

INDICATIVE COST MODEL

4. OFFICE CAT A WORKS

No.	Description	Quantity	Unit	Rate	Amount	£/m <sup>2</sup> GIA	£/ft <sup>2</sup> GIA	
1	CAT A BUILDING WORKS				2,442,210	98.96	9.19	
2	CAT A MEP WORKS				7,692,000	311.69	28.96	
TOTAL - CARRIED TO EXECUTIVE SUMMARY					£	10,134,210	410.65	38.15

INDICATIVE COST MODEL

4. OFFICE CAT A WORKS

No.	Description	Quantity	Unit	Rate	Amount	£/m <sup>2</sup> GIA	£/ft <sup>2</sup> GIA
<u>CAT A BUILDING WORKS</u>							
1	Raised access floors	19,230	m <sup>2</sup>	£52	999,960	40.52	3.76
2	Suspended ceilings	19,230	m <sup>2</sup>	£75	1,442,250	58.44	5.43
TOTAL - CARRIED TO SUMMARY					2,442,210	98.96	9.19

INDICATIVE COST MODEL

4. OFFICE CAT A WORKS

No.	Description	Quantity	Unit	Rate	Amount	£/m <sup>2</sup> GIA	£/ft <sup>2</sup> GIA
<u>CAT A MEP INSTALLATIONS</u>							
2	Allowance for Cat A services installations generally; assumes 4-pipe fan coil unit installations, 1 person per 10m <sup>2</sup> NIA	19,230	m <sup>2</sup>	£400	7,692,000	311.69	28.96
TOTAL - CARRIED TO SUMMARY					7,692,000	311.69	28.96

INDICATIVE COST MODEL

4. EXTERNAL WORKS

No.	Description	Quantity	Unit	Rate	Amount	£/m <sup>2</sup> GIA	£/ft <sup>2</sup> GIA	
1	EXTERNAL WORKS				968,000	39.22	3.64	
TOTAL - CARRIED TO EXECUTIVE SUMMARY					£	968,000	39.22	3.64

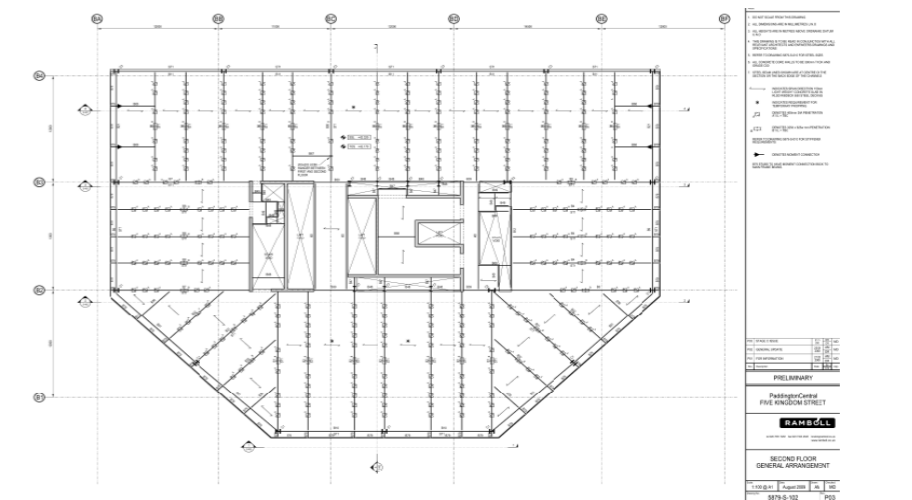
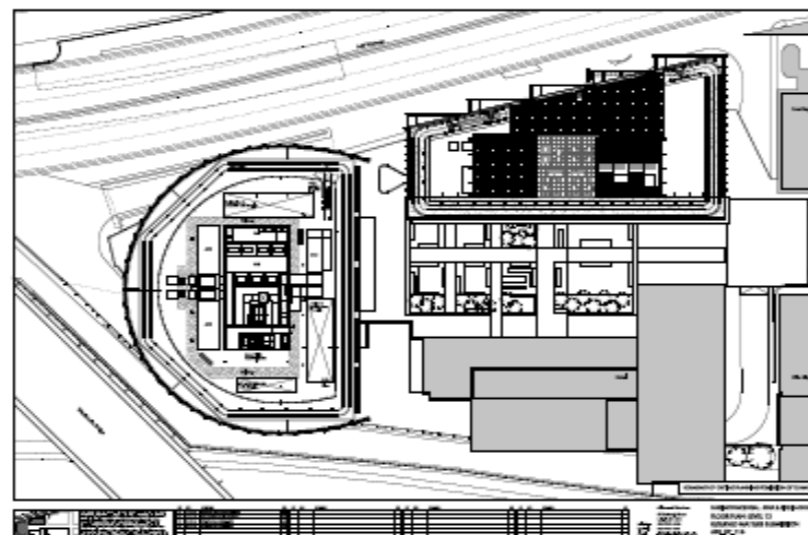
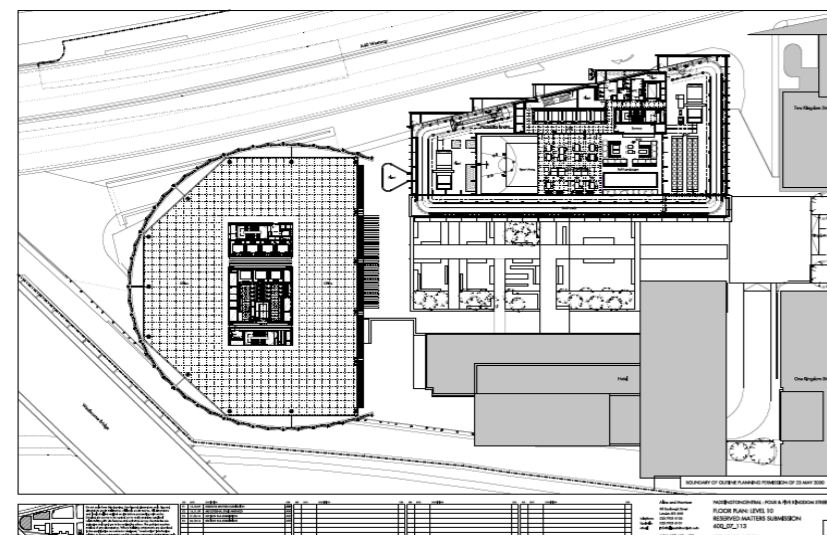
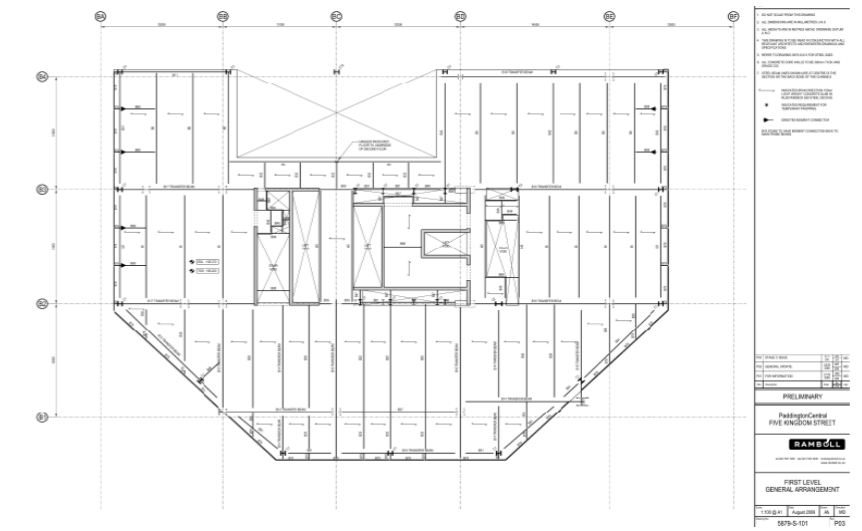
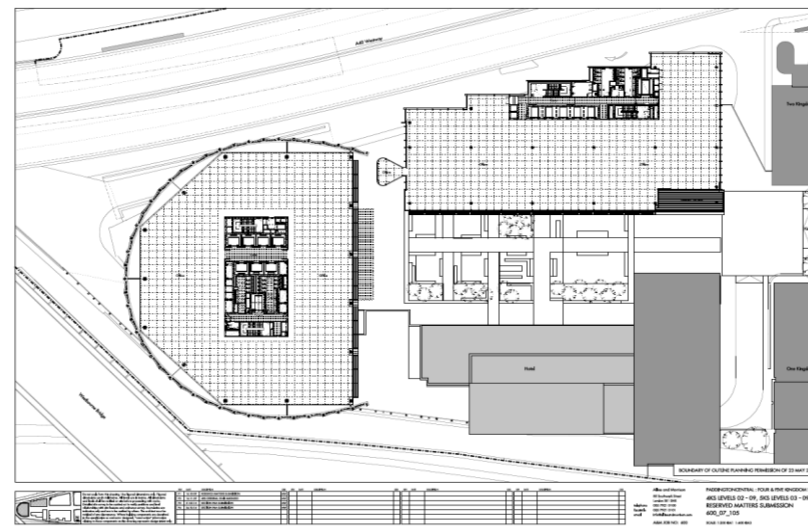
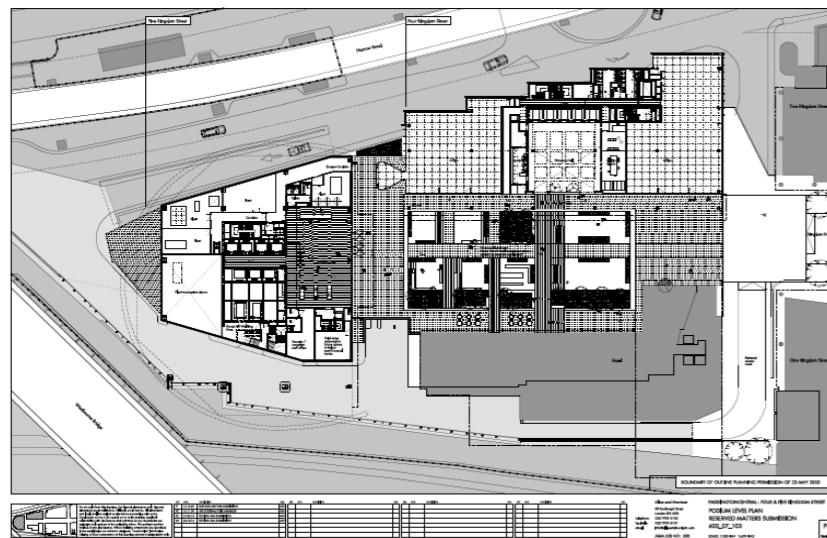
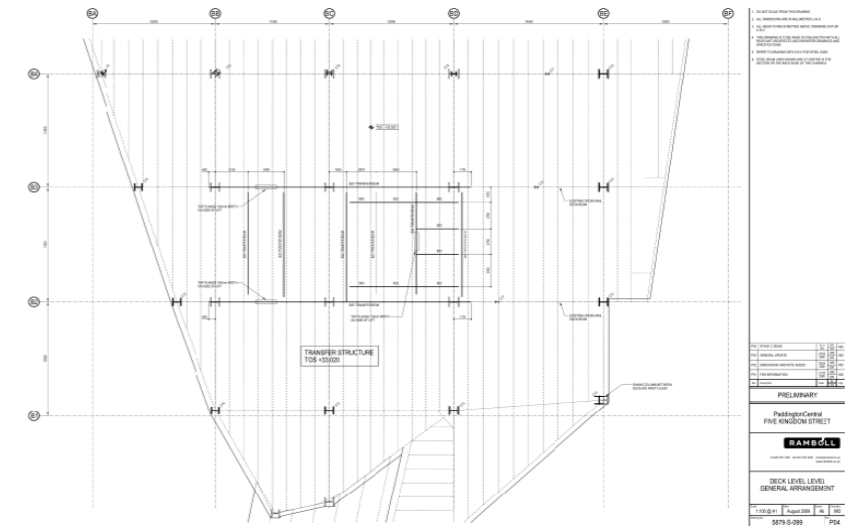
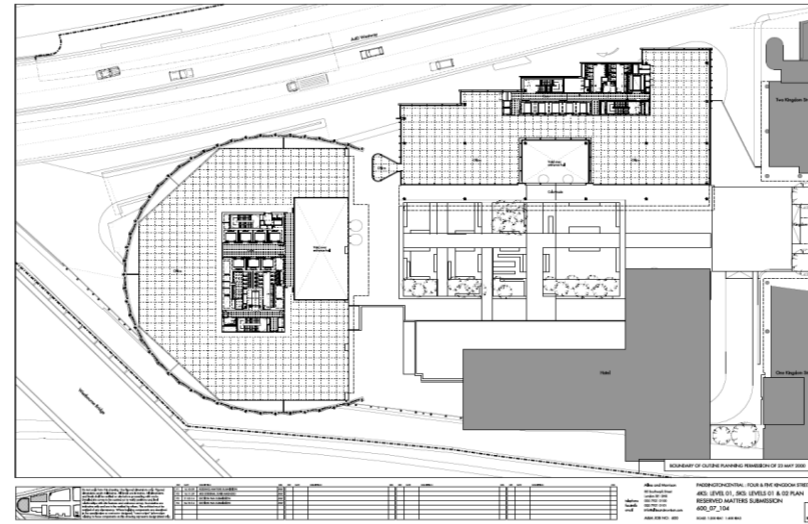
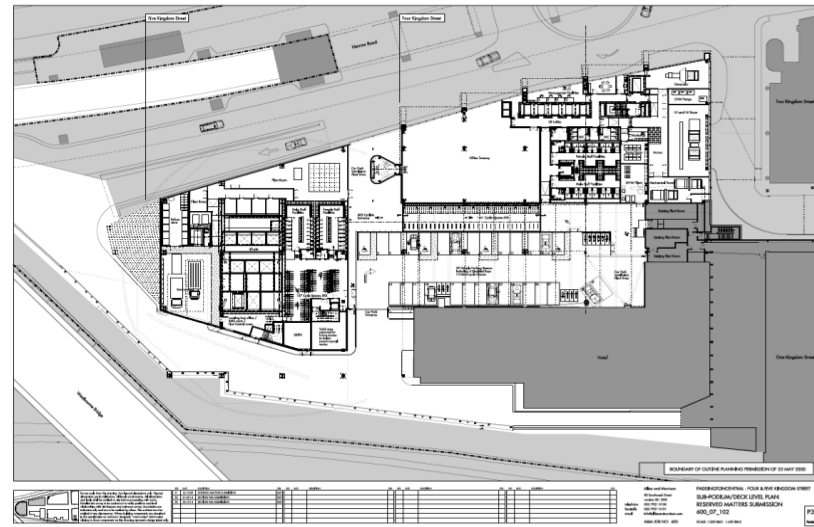
INDICATIVE COST MODEL

4. EXTERNAL WORKS

No.	Description	Quantity	Unit	Rate	Amount	£/m <sup>2</sup> GIA	£/ft <sup>2</sup> GIA
<u>EXTERNAL WORKS</u>							
1	Allowance for external works including new paving, planters, soft landscaping, external lighting and cycle stands	1,290	m <sup>2</sup>	£750	968,000	39.22	3.64
TOTAL - CARRIED TO SUMMARY					968,000	39.22	3.64

INDICATIVE COST MODEL

APPENDIX A - DRAWINGS



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**APPENDIX NINE – CONSENTED SCHEME APPRAISAL**

5 KINGDOM STREET  
CONSENTED SCHEME

Development Appraisal  
DS2  
29 July 2020

**APPRAISAL SUMMARY****DS2****5 KINGDOM STREET  
CONSENTED SCHEME****Appraisal Summary for Phase 1 CONSENTED SCHEME**

Currency in £

**REVENUE****Rental Area Summary**

	<b>Units</b>	<b>ft<sup>2</sup></b>	<b>Rent Rate ft<sup>2</sup></b>	<b>Initial MRV/Unit</b>	<b>Net Rent at Sale</b>	<b>Initial MRV</b>
Offices (Pre-Let)	1	62,097	68.50	4,253,645	4,253,645	4,253,645
Offices	<u>1</u>	<u>144,893</u>	70.50	10,214,957	<u>10,214,957</u>	<u>10,214,957</u>
<b>Totals</b>	<b>2</b>	<b>206,990</b>			<b>14,468,601</b>	<b>14,468,601</b>

**Investment Valuation****Offices (Pre-Let)**

Market Rent	4,253,645	YP @	4.7500%	21.0526	
(2yrs Unexpired Rent Free)		PV 2yrs @	4.7500%	0.9114	81,613,033

**Offices**

Market Rent	10,214,957	YP @	4.7500%	21.0526	
(1yr 6mths Rent Free)		PV 1yr 6mths @	4.7500%	0.9328	200,591,194

**Total Investment Valuation****282,204,227****GROSS DEVELOPMENT VALUE****282,204,227**

Purchaser's Costs (19,189,887)

Effective Purchaser's Costs Rate 6.80%

(19,189,887)

**NET DEVELOPMENT VALUE****263,014,340****NET REALISATION****263,014,340**

**APPRAISAL SUMMARY****DS2****5 KINGDOM STREET  
CONSENTED SCHEME****OUTLAY****ACQUISITION COSTS**

Residualised Price			52,997,443		
					52,997,443
Stamp Duty		5.00%	2,649,872		
Agent Fee		1.00%	529,974		
Legal Fee		0.50%	264,987		
					3,444,834

**CONSTRUCTION COSTS**

<b>Construction</b>	<b>ft<sup>2</sup></b>	<b>Build Rate ft<sup>2</sup></b>	<b>Cost</b>		
Office Construction	271,507	374.65	101,719,323		
Construction Contingency		5.00%	5,085,966		
					106,805,289

**PROFESSIONAL FEES**

Professional Fees		12.00%	12,206,319		
					12,206,319

**MARKETING & LETTING**

Marketing - Commercial			1,241,940		
Letting Agent Fee		15.00%	2,170,290		
Letting Legal Fee		5.00%	723,430		
					4,135,660

**DISPOSAL FEES**

Sales Agent Fee - Commercial		0.50%	1,315,072		
Sales Legal Fee		0.25%	657,536		
					1,972,608

**MISCELLANEOUS FEES**

S106			1,386,617		
					1,386,617

**FINANCE**

**APPRAISAL SUMMARY****DS2****5 KINGDOM STREET  
CONSENTED SCHEME**

Debit Rate 6.500%, Credit Rate 0.000% (Nominal)

Land	12,418,161	
Construction	10,396,568	
Other	13,415,113	
Total Finance Cost		36,229,843

**TOTAL COSTS****219,178,612****PROFIT****43,835,728****Performance Measures**

Profit on Cost%	20.00%
Profit on GDV%	15.53%
Profit on NDV%	16.67%
Development Yield% (on Rent)	6.60%
Equivalent Yield% (Nominal)	4.75%
Equivalent Yield% (True)	4.89%
IRR% (without Interest)	13.24%
Rent Cover	3 yrs
Profit Erosion (finance rate 6.500)	2 yrs 10 mths

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**APPENDIX TEN – THE BOX EXISTING USE VALUE**

**5 KINDOM STREET  
THE BOX  
Valuation Date: July 2020**

<b>THE BOX</b>	
<b>Tenant</b>	n/a

Use		B8
Net area (sq m)		8,200
Net area (sq ft)		88,264
Current rent	-	
£psf	n/a	
Market Rent	£	529,584
£psf	£	6.0
Yield		5.00%

**Leasing assumptions**

Term certain	Vacant Possession
Void - works	0 yrs 6 months
Void - letting	0 yrs 6 months

**Component valuation**

Term

Valuation rent	£	529,584
YP perp		20.00
Capital Value	£	10,591,678

Void period

Valuation rent	-£	529,584
YP 1 yr months		0.95
Capital Value	-£	504,366

<b>Gross valuation</b>	<b>£</b>	<b>10,087,312</b>
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Less

Capital costs (letting fees)	£	52,958.39
Capital Costs (refurb/ cap ex)	£	-
Contingency (empty rates, s/c shortfall)	£	52,958.39

Net value before fees	£	9,981,395
Less Purchasers costs		6.80%
<b>Net valuation</b>	<b>£</b>	<b>9,345,876</b>

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**APPENDIX ELEVEN – PROPOSED SCHEME COST AND VALUE ANALYSIS**

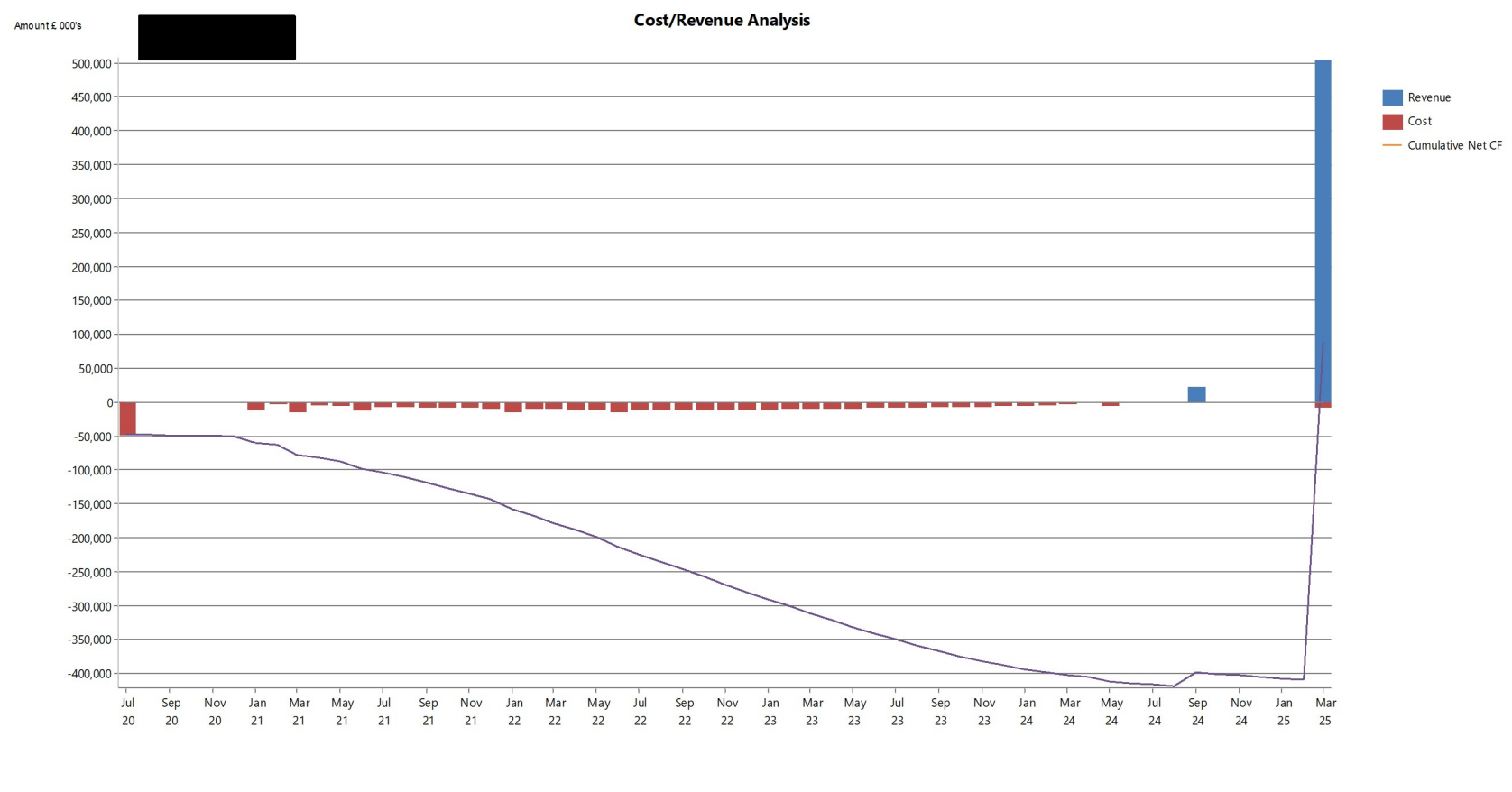
5 KINGDOM STREET  
PROPOSED SCHEME  
COST/REVENUE ANALYSIS

Development Appraisal  
DS2  
30 July 2020

# ANALYSIS CHART

DS2

## 5 KINGDOM STREET PROPOSED SCHEME



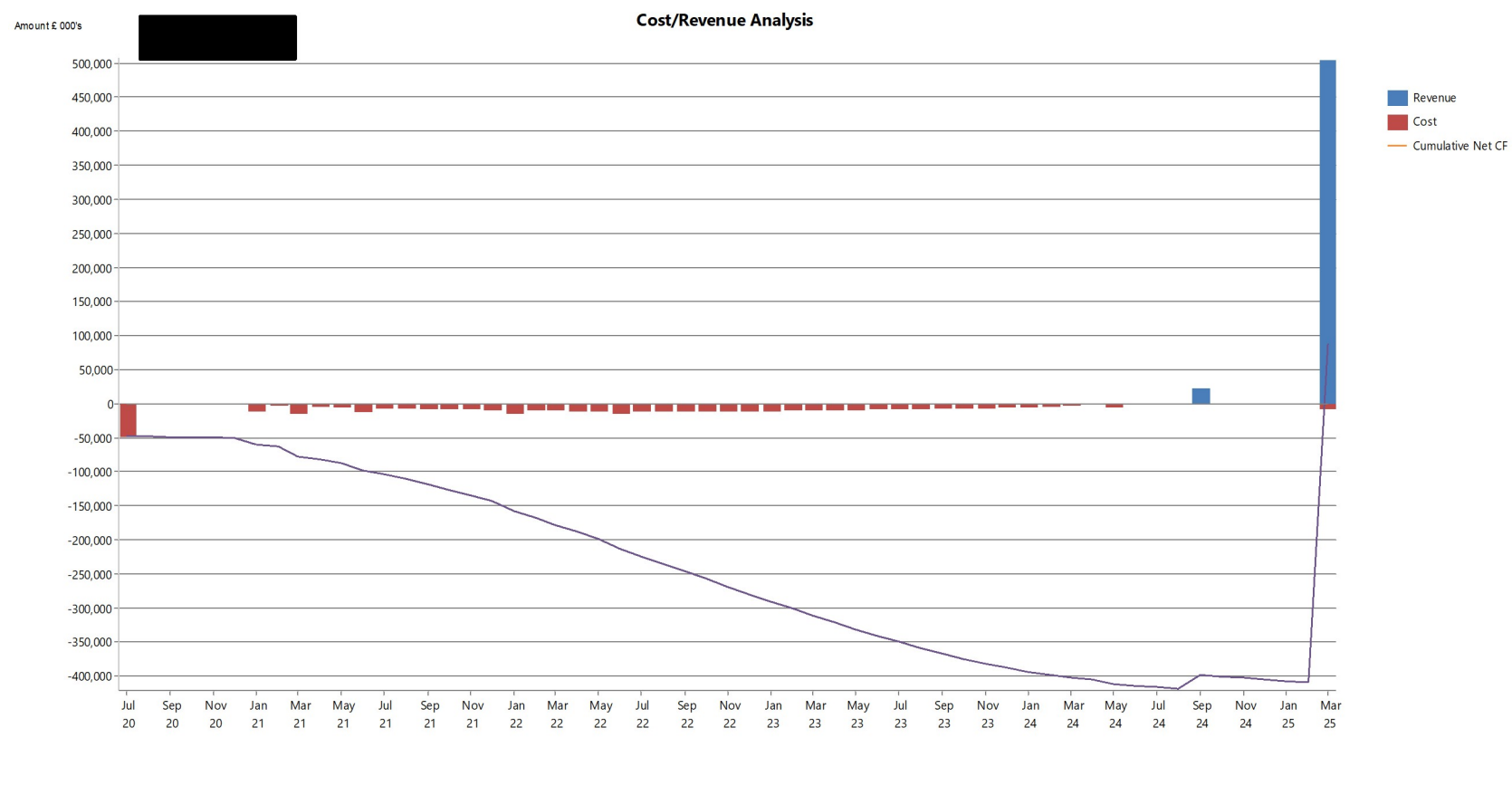
5 KINGDOM STREET  
PROPOSED SCHEME  
COST/REVENUE ANALYSIS

Development Appraisal  
DS2  
30 July 2020

# ANALYSIS CHART

DS2

## 5 KINGDOM STREET PROPOSED SCHEME



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**APPENDIX TWELVE – PROPOSED SCHEME APPRAISAL**

5 KINGDOM STREET  
PROPOSED SCHEME

Development Appraisal  
DS2  
30 July 2020

**APPRAISAL SUMMARY****DS2****5 KINGDOM STREET  
PROPOSED SCHEME****Appraisal Summary for Phase 1 PROPOSED SCHEME**

Currency in £

**REVENUE****Rental Area Summary**

	<b>Units</b>	<b>ft<sup>2</sup></b>	<b>Rent Rate ft<sup>2</sup></b>	<b>Initial MRV/Unit</b>	<b>Net Rent at Sale</b>	<b>Initial MRV</b>
Offices (Pre Let)	1	113,076	70.50	7,971,858	7,971,858	7,971,858
Retail	1	2,852	22.50	64,170	64,170	64,170
Auditorium (including BoH)	1	7,944	17.50	139,020	139,020	139,020
Crossrail Box (100% A3)	1	33,002	20.00	660,040	660,040	660,040
Offices	1	263,844	72.50	19,128,690	19,128,690	19,128,690
Flexible Working Space	1	7,782	60.00	466,920	466,920	466,920
Office Affordable Workspace	1	41,979	15.00	629,685	629,685	629,685
<b>Totals</b>	<b>7</b>	<b>470,479</b>			<b>29,060,383</b>	<b>29,060,383</b>

**Investment Valuation****Offices (Pre Let)**

Market Rent	7,971,858	YP @	4.7500%	21.0526	
(2yrs Unexpired Rent Free)		PV 2yrs @	4.7500%	0.9114	152,952,958

**Retail**

Current Rent	64,170	YP @	5.0000%	20.0000	1,283,400
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**Auditorium (including BoH)**

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

**Crossrail Box (100% A3)**

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

**APPRAISAL SUMMARY****DS2****5 KINGDOM STREET  
PROPOSED SCHEME**

<b>Offices</b>					
Market Rent	19,128,690	YP @	4.7500%	21.0526	
(1yr 6mths Rent Free)		PV 1yr 6mths @	4.7500%	0.9328	375,630,261
<b>Flexible Working Space</b>					
Market Rent	466,920	YP @	4.7500%	21.0526	
(6mths Rent Free)		PV 6mths @	4.7500%	0.9771	9,604,436
<b>Office Affordable Workspace</b>					
Current Rent	629,685	YP @	4.7500%	21.0526	13,256,526
<b>Total Investment Valuation</b>					<b>566,262,669</b>
<b>GROSS DEVELOPMENT VALUE</b>					<b>566,262,669</b>
Purchaser's Costs			(38,505,862)		
Effective Purchaser's Costs Rate		6.80%			
				(38,505,862)	
<b>NET DEVELOPMENT VALUE</b>					<b>527,756,808</b>
Income from Tenants				629,685	
<b>NET REALISATION</b>					<b>528,386,493</b>
<b>OUTLAY</b>					
<b>ACQUISITION COSTS</b>					
Residualised Price			44,731,617		
				44,731,617	
Stamp Duty		5.00%	2,236,581		
Agent Fee		1.00%	447,316		
Legal Fee		0.50%	223,658		

**APPRAISAL SUMMARY****DS2****5 KINGDOM STREET  
PROPOSED SCHEME**

2,907,555

**CONSTRUCTION COSTS****Construction**

	<b>ft<sup>2</sup></b>	<b>Build Rate ft<sup>2</sup></b>	<b>Cost</b>	
Office Construction	709,659	321.18	227,931,000	
Design Risk Allowance		5.00%	11,396,550	
				239,327,550

**PROFESSIONAL FEES**

Professional Fees		12.00%	27,351,720	27,351,720
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**MARKETING & LETTING**

Marketing - Commercial			2,000,000	
Letting Agent Fee		15.00%	4,359,057	
Letting Legal Fee		5.00%	1,453,019	
				7,812,077

**DISPOSAL FEES**

Sales Agent Fee - Commercial		0.50%	2,638,784	
Sales Legal Fee		0.25%	1,319,392	
				3,958,176

**MISCELLANEOUS FEES**

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

**FINANCE**

Debit Rate 6.500%, Credit Rate 0.000% (Nominal)

**APPRAISAL SUMMARY****DS2****5 KINGDOM STREET  
PROPOSED SCHEME**

Land	12,385,608	
Construction	34,097,592	
Other	26,171,210	
Total Finance Cost		72,654,409
<b>TOTAL COSTS</b>		<b>440,322,045</b>

**PROFIT****88,064,448****Performance Measures**

Profit on Cost%	20.00%
Profit on GDV%	15.55%
Profit on NDV%	16.69%
Development Yield% (on Rent)	6.60%
Equivalent Yield% (Nominal)	4.77%
Equivalent Yield% (True)	4.91%
IRR% (without Interest)	13.23%
Rent Cover	3 yrs
Profit Erosion (finance rate 6.500)	2 yrs 10 mths