



65 Gresham Street
London
EC2V 7NQ

Our Ref: JGK/JF07/02B814406

T: +44 (0)20 7911 2468
F: +44 (0)20 7911 2560

12 July 2018

gva.co.uk

Notting Hill Gate KCS Limited
c/o Brockton Capital
89 Wardour Street
London W1F 0UB
Dear Sirs

Newcombe House, Notting Hill Gate and Kensington Church Street

Instruction

We have been instructed to provide an updated Viability Assessment and to report on the following:

1. The proposed scheme – level of profit achieved;
2. The outturn level of affordable housing adopting the GLA profit level as agreed with RBKC;
3. The outturn level of affordable housing if there were no contributions towards step-free access or the surgery, adopting the GLA profit level as agreed with RBKC;
4. Scenario 1 above, with grant funding – whether more affordable housing can be achieved in this scenario

We have been provided with the amendments made to planning application PP/17/05782 (GLA ref: 3109a) for the mixed use redevelopment of the above property situated in the Royal Borough of Kensington and Chelsea. This letter summarises the key changes and the impact this has on the Financial Viability of the scheme. For further information on this property and the proposals we refer you to our Viability Report dated September 2017.

Scheme Considered by RBKC

The scheme proposed pursuant to the September 2017 planning application was described as follows:

“Demolition of the existing building and redevelopment to provide office, residential and retail uses, and a flexible surgery / office use, across six buildings (ranging from ground plus two storeys to ground plus 17 storeys), together with landscaping to provide a new public square, ancillary parking and associated works”.

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The main land use features of the scheme considered by RBKC were as follows:

- Provision of 46 residential units comprising 9 one beds (20%), 13 two beds (28%), 21 three beds (46%) and 3 four beds (6%). Of these, 9 units will provide social-rented accommodation, with the balance for private sale (17% of habitable rooms).
- Associated residential facilities to include private and communal outdoor amenity space.
- Modern sustainable office accommodation.
- Doctors surgery.
- Retail units at ground floor running along Notting Hill Gate and Kensington Church Street.
- 30 car parking spaces (40% with electric charging points), 170 long-stay bicycle spaces and 48 short-stay bicycle spaces. Of the 30 car parking spaces 25 will be for residents and 5 for the new surgery.
- A mix of high quality homes across a range of different sizes will be provided.
- A central communal courtyard.

Amendments to scheme submitted to RBKC

The amendments made to the application are summarised as follows:

- An increase to the number of homes (to a total of 55) and alterations to the housing mix;
- An increase in the proportion of affordable homes (to 35% by habitable room and 41.8% by unit);
- An increase to the office floorspace of circa 414 sq m GEA (to a total of 5,306 sq m)
- The addition of one storey to Kensington Church Street Building 1 in C3 residential use (from four storeys to five storeys);
- The addition of two storeys to West Perimeter Building 3 in B1 office use (from five to seven storeys);
- Alterations to the layouts of Kensington Church Street Buildings 1 and 2, and West Perimeter Buildings 1 and 3, with associated changes to the facades;
- Minor alterations to the façade of the Corner Building on levels 4, 5 and 6;
- Minor alterations to the services strategy for West Perimeter Building 2.

The net internal floor areas of the scheme are as follows:

Residential

| Floor | Bedrooms | Building | Unit | NIA Size in sq m | NIA Size in sq ft | Type |
|---------|----------|----------------------------|------|------------------|-------------------|------------|
| 1 and 2 | 3 | West Perimeter Building 1 | A1 | 110 | 1,184 | Affordable |
| 1 and 2 | 3 | West Perimeter Building 1 | A2 | 96 | 1,033 | Affordable |
| 1 and 2 | 3 | West Perimeter Building 1 | A3 | 86 | 926 | Affordable |
| 1 and 2 | 3 | West Perimeter Building 1 | A4 | 110 | 1,184 | Affordable |
| 1 | 3 | Kensington Church Street 1 | A1 | 178 | 1,916 | Affordable |
| 1 | 1 | Kensington Church Street 1 | A2 | 43 | 463 | Affordable |
| 1 | 3 | Kensington Church Street 1 | A3 | 146 | 1,572 | Affordable |
| 1 | 1 | Kensington Church Street 1 | A4 | 60 | 646 | Affordable |
| 1 | 1 | Kensington Church Street 2 | A1 | 46 | 495 | Affordable |
| 1 | 1 | Kensington Church Street 2 | A2 | 50 | 538 | Affordable |

| Floor | Bedrooms | Building | Unit | Size in sq m | Size in sq ft | Type |
|--------------|----------|-----------------------------|------|--------------|---------------|------------|
| 1 | 1 | Kensington Church Street 2 | A3 | 50 | 538 | Affordable |
| 1 | 2 | Kensington Church Street 2 | A4 | 65 | 700 | Affordable |
| 1 | 1 | Kensington Church Street 2 | A5 | 55 | 592 | Affordable |
| 2 | 2 | Kensington Church Street 1 | A5 | 178 | 1,916 | Private |
| 2 | 1 | Kensington Church Street 1 | A6 | 43 | 463 | Private |
| 2 | 2 | Kensington Church Street 1 | A7 | 146 | 1,572 | Private |
| 2 | 1 | Kensington Church Street 1 | A8 | 60 | 646 | Private |
| 2 | 1 | Kensington Church Street 2 | A6 | 46 | 495 | Affordable |
| 2 | 1 | Kensington Church Street 2 | A7 | 50 | 538 | Affordable |
| 2 | 1 | Kensington Church Street 2 | A8 | 50 | 538 | Affordable |
| 2 | 2 | Kensington Church Street 2 | A9 | 65 | 700 | Affordable |
| 2 | 1 | Kensington Church Street 2 | A10 | 55 | 592 | Affordable |
| 3 | 2 | Kensington Church Street 1 | A9 | 178 | 1,916 | Private |
| 3 | 1 | Kensington Church Street 1 | A10 | 43 | 463 | Private |
| 3 | 2 | Kensington Church Street 1 | A11 | 146 | 1,572 | Private |
| 3 | 1 | Kensington Church Street 1 | A12 | 60 | 646 | Private |
| 3 | 1 | Kensington Church Street 2 | A11 | 46 | 495 | Affordable |
| 3 | 1 | Kensington Church Street 2 | A12 | 50 | 538 | Affordable |
| 3 | 1 | Kensington Church Street 2 | A13 | 50 | 538 | Affordable |
| 3 | 2 | Kensington Church Street 2 | A14 | 65 | 700 | Affordable |
| 3 | 1 | Kensington Church Street 2 | A15 | 55 | 592 | Affordable |
| 4 | 2 | Kensington Church Street 1 | A13 | 178 | 1,916 | Private |
| 4 | 2 | Kensington Church Street 1 | A14 | 146 | 1,572 | Private |
| 4 | 1 | Kensington Church Street 1 | A15 | 60 | 646 | Private |
| 4 | 3 | Corner Building East Form | A1 | 160 | 1,722 | Private |
| 4 | 3 | Corner Building Centre Form | A2 | 157 | 1,690 | Private |
| 5 | 3 | Corner Building East Form | A3 | 158 | 1,701 | Private |
| 5 | 3 | Corner Building Centre Form | A4 | 157 | 1,690 | Private |
| 6 | 3 | Corner Building East Form | A5 | 158 | 1,701 | Private |
| 6 | 3 | Corner Building Centre Form | A6 | 157 | 1,690 | Private |
| 7 | 3 | Corner Building East Form | A7 | 158 | 1,701 | Private |
| 7 | 3 | Corner Building Centre Form | A8 | 157 | 1,690 | Private |
| 8 | 3 | Corner Building East Form | A9 | 158 | 1,701 | Private |
| 8 | 3 | Corner Building Centre Form | A10 | 157 | 1,690 | Private |
| 9 | 3 | Corner Building East Form | A11 | 158 | 1,701 | Private |
| 9 | 3 | Corner Building Centre Form | A12 | 157 | 1,690 | Private |
| 10 | 3 | Corner Building East Form | A13 | 158 | 1,701 | Private |
| 10 | 3 | Corner Building Centre Form | A14 | 157 | 1,690 | Private |
| 11 | 3 | Corner Building East Form | A15 | 158 | 1,701 | Private |
| 11 | 3 | Corner Building Centre Form | A16 | 157 | 1,690 | Private |
| 12 and 13 | 4 | Corner Building East Form | A17 | 297 | 3,197 | Private |
| 12 | 3 | Corner Building Centre Form | A18 | 155 | 1,668 | Private |
| 13 | 3 | Corner Building Centre Form | A19 | 155 | 1,668 | Private |
| 14 and 15 | 4 | Corner Building Centre Form | A20 | 325 | 3,498 | Private |
| 16 and 17 | 4 | Corner Building Centre Form | A21 | 325 | 3,498 | Private |
| Total | | | | 6,644 | 71,516 | |

Office

| Floor | Building | NIA Size sq m | NIA Size sq ft |
|----------|----------------------------|------------------|-------------------|
| Ground | Centre Form | 20 | 215 |
| 1 | Centre Form | 113 | 1216 |
| 2 | Centre Form | 113 | 1216 |
| 3 | Centre Form | 113 | 1216 |
| Basement | East Form | 185 | 1991 |
| Ground | East Form | 40 | 431 |
| 1 | East Form | 155 | 1668 |
| 2 | East Form | 155 | 1668 |
| 3 | East Form | 155 | 1668 |
| Ground | Notting Hill Gate Building | 57 | 614 |
| 1 | Notting Hill Gate Building | 308 | 3315 |
| 2 | Notting Hill Gate Building | 308 | 3315 |
| 3 | Notting Hill Gate Building | 285 | 3068 |
| Basement | West Perimeter Building 2 | 225 | 2422 |
| Ground | West Perimeter Building 2 | 186 | 2002 |
| 1 | West Perimeter Building 2 | 277 | 2982 |
| 2 | West Perimeter Building 2 | 201 | 2164 |
| 1 | West Perimeter Building 3 | 169 | 1819 |
| 2 | West Perimeter Building 3 | 170 | 1830 |
| 3 | West Perimeter Building 3 | 208 | 2239 |
| | | 3,443 | 37,060 |

Surgery

| Floor | Building | NIA Size sq m | NIA Size sq ft |
|----------|---------------------------|------------------|-------------------|
| Basement | West Perimeter Building 3 | 35 | 377 |
| Ground | West Perimeter Building 3 | 24 | 258 |
| 4 | West Perimeter Building 3 | 205 | 2207 |
| 5 | West Perimeter Building 3 | 205 | 2207 |
| 6 | West Perimeter Building 3 | 205 | 2207 |
| | | 674 | 7,255 |

Retail

| Location | Unit | Floor | NIA Size sq m | NIA Size sq ft |
|-----------------------------|------|-------|------------------|-------------------|
| Notting Hill Building | 1 | G | 46 | 495 |
| | 2 | G | 92 | 990 |
| East Form | 3 | G | 36 | 388 |
| Kensington Church Street B1 | 4 | B-1 | 230 | 2476 |

| | | | | |
|-----------------------------|----|-----|--------------|---------------|
| | 4 | G | 146 | 1572 |
| | 5 | B-1 | 91 | 980 |
| | 5 | G | 86 | 926 |
| | 6 | B-1 | 130 | 1399 |
| | 6 | G | 165 | 1776 |
| Kensington Church Street B2 | 7 | B-1 | 69 | 743 |
| | 7 | G | 96 | 1033 |
| | 8 | B-1 | 35 | 377 |
| | 8 | G | 60 | 646 |
| | 14 | B-1 | 112 | 1206 |
| | 14 | G | 117 | 1259 |
| West Perimeter Building 1 | 9 | B-1 | 101 | 1087 |
| | 9 | G | 63 | 678 |
| | 10 | B-1 | 104 | 1119 |
| | 10 | G | 73 | 786 |
| | 11 | B-1 | 122 | 1313 |
| | 11 | G | 78 | 840 |
| | 12 | B-1 | 82 | 883 |
| | 12 | G | 65 | 700 |
| West Perimeter Building 3 | 13 | G | 36 | 388 |
| | | | 2,235 | 24,058 |

Viability Methodology and Approach

Our approach to assessing the viability of the proposed scheme is based on a number of key documents.

Housing Supplementary Planning Guidance

The London Plan is the overall strategic plan for London and sets out an economic, environmental, transport and social framework for the development of the capital to 2031. In addition to the main plan there has been supplementary planning guidance on housing issued in November 2012, and more recently the Mayor's SPG on Affordable Housing and Viability issued in August 2017. This refers to the existing use value plus approach to assessing viability for policy development purposes.

The use of the Market Value approach is discouraged, as is the alternative value approach, the requirements for the use of which are strict. The Benchmark for Viability Appraisals should take account of the normal cost of development and mitigation, provide competitive returns to a willing landowner and willing developer to enable the development to be deliverable.

Royal Borough of Kensington and Chelsea Policy CH2

Policy CH2 covers the council's housing policies. This is currently under revision with amendments made for public consultation. The policy requires developments which involve a net increase of 800 sq m of net floorspace to provide affordable housing at 50% by floor area on all net additional residential floorspace. This should be provided on site where the development involves a net additional residential floorspace of 1,200 sq m or more.

Where a scheme does not provide 50% of gross external residential floorspace for affordable housing, the applicant must demonstrate:

The maximum reasonable amount of affordable housing is provided through the provision of a viability assessment using the GLA toolkit or an agreed alternative.

We have also had regard to RICS Guidance and the National Planning Practice Guidance where relevant to providing such advice.

Agreed assessment methodology

It has been agreed previously that the value generated by the proposed scheme should be compared to the existing use value of the property. No “plus” or premium is proposed in the interests of robustness. This methodology complies with the GLA Guidance (albeit a plus would be allowable) and therefore, for the purposes of this assessment, we have maintained this approach for consistency.

Benchmark Land Value

The Benchmark Land Value is based on the Existing Use Value of the property. As previously we have considered a refurbishment scenario given the existing age and condition of the property. The inputs adopted within our valuation on this basis are as follows:

| Input | September 2017 sum | July 2018 Sum | Explanation |
|---------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Headline Office Rents | Mezzanine – £25 per sq ft First – £27.50 per sq ft Second – £27.50 per sq ft Third – £30 per sq ft Fourth – £32.50 per sq ft Fifth – £32.50 per sq ft Sixth – £32.50 per sq ft Seventh – £37.50 per sq ft Eighth – £37.50 per sq ft Ninth – £37.50 per sq ft Tenth – £37.50 per sq ft Eleventh - £37.50 per sq ft | Mezzanine – £10 per sq ft First – £35.00 per sq ft Second – £35.00 per sq ft Third – £35.00 per sq ft Fourth – £37.50 per sq ft Fifth – £37.50 per sq ft Sixth – £37.50 per sq ft Seventh – £39.50 per sq ft Eighth – £39.50 per sq ft Ninth – £42.50 per sq ft Tenth – £42.50 per sq ft Eleventh - £42.50 per sq ft | JLL reported to the Councils Viability Consultant on the rental values for a lightly refurbished building. These were higher than the rents advised to GVA by the applicants agent. We have adopted the rents advised to RBKC by JLL. |
| Office voids and rent free incentives | Blended 12 months | Blended 12 months | |

| | | | |
|----------------------------|------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Office Yield | 5.5% | 5.5% | We consider a yield of 5.5% to be appropriate for the existing building which is likely to be let on short term leases with liability caps. We have not changed this yield from our previous reports and this is supported by MSCI data which shows no yield movement between September 2017 and March 2018 for West End offices. |
| Refurbishment Costs | £195.81 per sq ft on the NIA of the office accommodation. | £201.62 per sq ft on the NIA of the office accommodation. | This is supported by the Cost Plan provided by Cast which can be found in the supporting information. It has increased with inflation. |
| Future Refurbishment Costs | £3 million | £3 million | Given the increasing obsolescence of the building we have allowed for future on-going expenditure with £3 million scheduled for 10 years time (approximately one third of the estimated refurbishment cost today). |
| Retail Rent | Ground floor - £60 per sq ft Mezzanine Floor - £30 per sq ft First Floor - £15 per sq ft | Ground floor - £60 per sq ft Mezzanine Floor - £30 per sq ft First Floor - £15 per sq ft | No change. This is consistent with the proposed scheme albeit the proposed scheme areas are adjusted for unit mix changes. |

| | | | |
|---------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Retail voids and rent free incentives | Large units – 12 month void Smaller units (ERV of less than £60,000 per annum) – 9 month void | Large units – 12 month void Smaller units (ERV of less than £60,000 per annum) – 9 month void | |
| Retail Yield | 4.75% | 4.75% | We have maintained the same retail yield from our previous assessment. This is supported by MSCI data which shows no yield movement between September 2017 and March 2018 for West End retail. |
| Car parking | We have allowed for three months car park income at £22,500 per annum increasing to £101,250 per annum based on 50 spaces generating income of £2,000 per annum each. | We have allowed for three months car park income at £22,500 per annum increasing to £101,250 per annum based on 50 spaces generating income of £2,000 per annum each. | We have allowed for a permanent void of 11 spaces. |
| Farmers Market | We have allowed for three months of income from the Farmers Market. | We have allowed for three months of income from the Farmers Market. | |

We have adopted the EUV / Benchmark Value agreed with RBKCs Viability Consultant in November 2017.

We have reviewed the current day Existing Use Value adopting the JLL rents as detailed above and compared it to the figure adopted and agreed with RBKC and their advisors in November 2017. Adopting JLLs rents increases the benchmark value to £35 million. This figure is within 6% of the November 2017 figure and therefore the original figure of £33 million has been retained.

Proposed Scheme Appraisal Inputs

We have been provided with information from the following sources which we have sense checked prior to adopting within our appraisals. The data provided is as follows:

| Information | Source |
|---------------------|--------------------|
| Cost Plan Update | Cast |
| Office rents | JLL advice to RBKC |
| Residential Values | Savills |
| Retail rents | Shelley Sandzer |
| Section 106 and CIL | Quod |

Using the information provided we have adopted the following inputs into our appraisals:

| Input | September 2017 sum | July 2018 Sum | Explanation |
|-------------------------------------------|------------------------------------------|---------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Blended Average Private Residential Value | £2,831.10 per sq ft | £2,904.01 per sq ft | |
| Car Parking | £150,000 per space | £150,000 per space | No change |
| Blended Average Social housing value | £120 per sq ft (assumes all Social Rent) | £254 per sq ft | More detail has been provided on the required mix of affordable tenure and affordability thresholds. KCS1 is classified as London Living Rent (LLR) based on the GLA table for Campden Ward. WPB3 is classified as Discounted LLR with the rent capped to be affordable on incomes of £60,000 per annum. KCS2 is Social Rent with the example rents provided by Notting Hill Housing Association. |
| Blended Average Office rents | £50.79 per sq ft (JLL £58.21 per sq ft) | £60.22 per sq ft | JLL reported to the Councils Viability Consultant on the rental values for the September 2017 scheme. These were higher than the rents advised to GVA by the applicants agent. We have adopted the rents advised to RBKC by JLL. In the light of recent evidence in the locality we have increased these rents by £2.50 per sq ft (pre-let to The Office Group at 92-94 Notting Hill Gate). |
| Office Yield | 4.5% | 4.5% | We consider a yield of 4.5% to be appropriate for the proposed building. We have not changed this yield from our previous reports and this is supported by MSCI data which shows no yield movement between September 2017 and March 2018 for West End offices. |
| Blended Average Retail Rent | £54.28 | £57.46 | Based on advice provided by Shelley Sandzer. The changed unit mix alters the overall rent. |
| Retail Yield | 4.25% | 4.25% | We have maintained the same retail yield from our previous assessment. This is supported by MSCI data which shows no yield movement between September 2017 and March 2018 for West End retail. |
| Surgery Rent | £32.50 per sq ft | £31.63 per sq ft | We have updated the surgery rent to be consistent with the Agreement for Lease. |
| Surgery Yield | 4.5% | 4.5% | |
| Residential ground rents | £38,200 | n/a | Due to potential government legislation on residential ground rents it is no longer |

| Input | September 2017 sum | July 2018 Sum | Explanation |
|--------------------------------------|--------------------|---------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Residential ground rent yield | 4% | n/a | appropriate to value them as the income they will generate is at risk. |
| Farmers Market Value | n/a | £10,500 per annum at 7.5% yield | We have included the rent agreed in the Agreement for Licence. |
| Construction costs | £111,377,089 | £118,028,493 | Cast have updated the cost information to incorporate scheme revisions and indexation. |
| Zero Carbon Contribution | £112,036 | £124,959 | This has increased slightly due to the additional office floorspace. |
| S106 Monitoring fee | £9,500 | £9,500 | |
| Traffic management plan | £1,000 | £1,000 | |
| Demolition / construction management | £5,600 | £5,600 | |
| Legible London contribution | £3,017 | £3,017 | |
| Cycle Hire Scheme | £170,000 | £170,000 | |
| Public Art | £100,000 | £100,000 | |
| Construction Training Contribution | £277,000 | £277,000 | |
| Mayoral CIL | £470,347 | £473,158 | New CIL figures advised by Quod. |
| Borough CIL | £2,072,140 | £1,978,276 | |
| Surgery Fit Out | £1,500,000 | £1,500,000 | |
| Step Free Access Part 1 | £1,090,000 | £1,112,400 | We have updated the costs to reflect the actual costs to the developer rather than the capped costs agreed with RBKC (the cap was agreed to limit the impact on provision of affordable housing on site. We have now adopted the actual cost). |
| Step Free Access Part 2 | £3,750,000 | £5,067,524 | |
| Other development costs | £1,072,500 | £1,072,500 | |
| Professional fees | 12% £13,946,051 | 12% £14,905,010 | Build costs have increased. |
| Commercial Marketing | £50,000 | £50,000 | |
| Residential Marketing | £2,500,000 | £2,500,000 | |
| Letting agent fees | 10% £310,348 | 10% £384,382 | Commercial value has increased. |
| Letting Legal Fees | 5% £155,174 | 5% £192,716 | Commercial value has increased. |
| Sales agent fees | 1% £2,267,147 | 1% £2,356,646 | Residential value has increased. |

| Input | September 2017 sum | July 2018 Sum | Explanation |
|------------------|---------------------|---------------------|----------------------------------|
| Sales Legal Fees | 0.5% £1,133,573 | 0.5% £1,178,323 | Residential value has increased. |
| Finance | 6.5% £25,663,032 | 6.5% £26,838,890 | Scheme costs have increased. |

Scenario Testing

We have been instructed to advise on the following:

1. The proposed scheme – level of profit achieved

Using the inputs outlined above the scheme generates the following profit level:

| | |
|----------------|--------|
| Profit on Cost | 10.91% |
| Profit on GDV | 9.63% |
| IRR | 11.41% |

The appraisal demonstrates that the profitability of the scheme is challenging. The return is well below that previously agreed with RBKC (and reviewed on behalf of the Mayor) as appropriate for a scheme of this nature. It is clear that the proposals provide or exceed the maximum reasonable amount of affordable housing and meet London Plan and RBKC policy tests.

2. The outturn level of affordable housing adopting the GLA profit level as agreed with RBKC

RBKC's viability consultant referred in their report to GLA approved profit levels as follows:

| Type | Profit on GDV |
|------------------------|---------------|
| Private Residential | 17.5% |
| Affordable Residential | 6% |
| Commercial | 15% |

For the purposes of testing the strength of the proposed affordable housing offer, we have adopted the GLA profit levels set out above to generate a blended profit rate to target in order to assess what level of affordable housing could be provided.

Using these profit levels the quantum of affordable housing that would be provided is 4,327 sq ft or 18 habitable rooms (10%).¹

Our appraisal on this basis assumes floors 1 and 2 of WPB1 are provided as affordable housing on discounted London Living Rents (the value of this being approximately a mid point between the value of Social Rent and London Living Rent).

The quantum of affordable housing that could be provided in this more conventional scenario is considerably beneath that which is now proposed.

¹ The outturn of our appraisal generates a profit on GDV of 16.52% compared to the blended target rate of 16.69% on GDV.

It is apparent that you are prepared to commit to an exceptional level of affordable housing to meet the Mayor's policy objectives.

3. The outturn level of affordable housing if there were no contributions towards step-free access or the surgery, adopting the GLA profit level

In addition to affordable housing, we are aware that the scheme commits to a number of other 'planning benefits' which align with other Mayoral priorities. For the sake of illustration, the value of these can be converted to an affordable housing equivalence to further reinforce the strength of the offer which is being put forward.

Our appraisal on this basis removes the costs associated with Step Free Access which totals £6,179,924 and converts the surgery space to office accommodation which has higher rental levels. We have also removed the surgery fit out cost of £1.5 million offered to the surgery tenants and replaced it with the cost of fitting out the accommodation as offices (£100 per sq ft on the NIA). The overall build cost has also been adjusted to reflect the increased quantum of affordable housing which reduces residential fit out costs relative to private flats.

This would result in the following level of affordable housing:

| Type | Building | Area (sq ft) | Habitable Rooms |
|-------------------------------|-----------------------------|---------------|-----------------|
| Social Rent | KCSB2 | 5,726 | |
| Discounted London Living Rent | WPB1, KCSB 1 floors 2 and 3 | 13,520 | |
| London Living Rent | Floor 1 KCSB1 and KCSB2 | 7459 | |
| Total | | 26,705 | 93 |

This represents 50.5% of the habitable rooms.

Our appraisal on this basis generates a profit on GDV of 10.22% (profit on cost of 11.69%). This is marginally higher than the profit level generated by our appraisal of the proposed scheme (reported above – Scenario 1), albeit below the target GLA return. Therefore we consider that without the provision of the surgery and step free access the scheme could provide additional affordable housing equating to **50.5%** of habitable rooms.

4. Scenario 1 above, with grant funding – whether it is viable to provide additional affordable housing

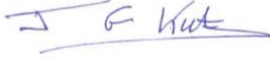
We have undertaken a further appraisal on the assumption that grant funding is available, in order to assess the impact this could have on the provision of affordable housing.

If funding was available, the proposed scheme would qualify for potential grant funding of £964,000 assuming £60,000 is claimable for the social rent units and £28,000 for the London Living Rent and Discounted London Living Rent. Applying this to our appraisal of the proposed scheme would make a marginal difference only - increasing the profit on GDV to 10.08%. This is still well below the target which the GLA has deemed appropriate (16.48%) and would not provide a reasonable basis for expecting the applicant to increase the affordable housing offer. This would not, therefore, be a good use of grant.

Notting Hill Gate KCS Limited
July 2018

We trust the above is sufficient for your purposes.

Yours faithfully

Handwritten signature of Jacob Kut in blue ink.

Jacob Kut MRICS
Senior Director
020 7911 2829
jacob.kut@gva.co.uk
For and on behalf of GVA Grimley Limited

Handwritten signature of Juliet Farrow in blue ink.

Juliet Farrow MRICS
Associate
020 7911 2843
juliet.farrow@gva.co.uk

SUPPORTING INFORMATION

Existing Use Valuation and Cost Plan

REPORT**Valuation Summary****GVA**

Report Date 12 July 2018
Valuation Date 05 July 2018

Property

Address Newcombe House, Notting Hill Gate, London
File/Ref No

Gross Valuation £48,869,819
 Capital Costs -£11,170,785
 Net Value Before Fees £37,699,033

Less Stamp Duty @4.97% of Net Value -£1,785,192
 Agents Fee @1.00% of Net Value -£430,966
 Legal Fee @0.50% of Net Value -£215,483

Fees include non recoverable VAT @ 20.00 %
 Net Valuation £35,267,392
 Say £35,270,000

Equivalent Yield 5.2388% True Equivalent Yield 5.4033%
 Initial Yield (Deemed) 3.2767% Initial Yield (Contracted) 3.2767%
 Reversion Yield 7.2896%

Total Contracted Rent £1,372,379 Total Current Rent £1,372,379
 Total Rental Value £2,748,290 No. Tenants 30
 Capital value per ft² £535.55

Running Yields

| Date | Gross Rent | Net Rent | Annual | Quarterly |
|-------------|------------|------------|----------|-----------|
| 05-Jul-2018 | £1,372,379 | £1,235,359 | 3.2767 % | 3.3449 % |
| 03-Aug-2018 | £1,297,884 | £1,127,014 | 2.9893 % | 3.0460 % |
| 21-Aug-2018 | £1,239,249 | £995,079 | 2.6394 % | 2.6835 % |
| 28-Sep-2018 | £1,317,999 | £1,073,829 | 2.8482 % | 2.8997 % |
| 29-Sep-2018 | £1,209,506 | £904,386 | 2.3988 % | 2.4352 % |
| 05-Oct-2018 | £1,191,378 | £736,658 | 1.9539 % | 1.9780 % |
| 01-Jan-2019 | £1,158,878 | £704,158 | 1.8677 % | 1.8897 % |
| 05-Jan-2019 | £1,200,578 | £745,858 | 1.9783 % | 2.0030 % |
| 09-Jan-2019 | £1,080,578 | £625,858 | 1.6600 % | 1.6774 % |
| 05-Apr-2019 | £1,199,178 | £773,758 | 2.0523 % | 2.0789 % |
| 04-May-2019 | £1,146,178 | £720,758 | 1.9117 % | 1.9348 % |
| 31-May-2019 | £988,178 | £479,408 | 1.2716 % | 1.2818 % |
| 28-Jun-2019 | £929,078 | £343,008 | 0.9098 % | 0.9150 % |
| 29-Jun-2019 | £1,053,478 | £467,408 | 1.2398 % | 1.2494 % |
| 05-Jul-2019 | £1,268,918 | £790,568 | 2.0969 % | 2.1247 % |
| 31-Jul-2019 | £1,236,418 | £758,068 | 2.0107 % | 2.0362 % |

Portfolio: jf

CIRCLE VISUAL INVESTOR 2.50.048

Report Date 12 July 2018
Valuation Date 05 July 2018

| | | | | |
|-------------|------------|------------|----------|----------|
| 03-Aug-2019 | £1,304,118 | £859,618 | 2.2801 % | 2.3129 % |
| 21-Aug-2019 | £1,450,718 | £1,079,518 | 2.8633 % | 2.9153 % |
| 29-Sep-2019 | £1,572,618 | £1,262,368 | 3.3483 % | 3.4196 % |
| 01-Oct-2019 | £1,632,618 | £1,322,368 | 3.5075 % | 3.5857 % |
| 05-Oct-2019 | £1,931,818 | £1,771,168 | 4.6979 % | 4.8391 % |
| 09-Jan-2020 | £2,147,818 | £1,987,168 | 5.2708 % | 5.4491 % |
| 04-Feb-2020 | £2,207,818 | £2,047,168 | 5.4299 % | 5.6193 % |
| 01-May-2020 | £2,270,318 | £2,109,668 | 5.5957 % | 5.7970 % |
| 31-May-2020 | £2,437,018 | £2,359,718 | 6.2589 % | 6.5116 % |
| 28-Jun-2020 | £2,591,618 | £2,591,618 | 6.8740 % | 7.1798 % |
| 19-Sep-2020 | £2,536,618 | £2,499,968 | 6.6309 % | 6.9151 % |
| 18-Oct-2020 | £2,481,618 | £2,408,318 | 6.3878 % | 6.6512 % |
| 01-Jan-2021 | £2,337,618 | £2,180,868 | 5.7845 % | 5.9999 % |
| 19-Sep-2021 | £2,410,918 | £2,290,818 | 6.0762 % | 6.3141 % |
| 29-Sep-2021 | £2,367,193 | £2,247,093 | 5.9602 % | 6.1890 % |
| 18-Oct-2021 | £2,440,493 | £2,357,043 | 6.2518 % | 6.5040 % |
| 01-Jan-2022 | £2,607,393 | £2,607,393 | 6.9159 % | 7.2255 % |
| 05-Feb-2022 | £2,666,593 | £2,666,593 | 7.0729 % | 7.3970 % |
| 24-Jun-2022 | £2,591,293 | £2,591,293 | 6.8732 % | 7.1789 % |
| 29-Jun-2022 | £2,651,293 | £2,651,293 | 7.0323 % | 7.3526 % |
| 05-Feb-2023 | £2,527,093 | £2,464,993 | 6.5382 % | 6.8143 % |
| 24-Jun-2023 | £2,624,093 | £2,561,993 | 6.7954 % | 7.0942 % |
| 05-Feb-2024 | £2,748,293 | £2,748,293 | 7.2896 % | 7.6342 % |
| 25-Dec-2057 | £2,748,290 | £2,748,290 | 7.2896 % | 7.6342 % |

Yields based on £37,701,641

REPORT

Valuation Summary

GVA

Report Date 12 July 2018
Valuation Date 05 July 2018

Tenants

| Tenant name | File / Ref No | Next Review | Expiry Date | Current Rent | ERV Method | ERV | Cap.Group | Val.Meth. | Yield 1 | Yield 2 | Gross Value |
|-------------------|---------------|-------------|-------------|-------------------|------------|-------------------|-----------|------------------|---------|---------|--------------------|
| Tenant 1 | | NA | 08-Nov-2021 | £192,000 | Rounded | £233,700 | Retail | Term & Reversion | 4.750 | 4.750 | £4,899,865 |
| Tenant 2 | | 05-Apr-2024 | 04-Apr-2044 | £0 | Manual | £60,000 | Retail | Term & Reversion | 4.750 | 4.750 | £1,219,950 |
| Tenant 3 | | NA | 31-Dec-2018 | £32,500 | Manual | £60,000 | Retail | Term & Reversion | 4.750 | 4.750 | £1,208,042 |
| Tenant 4 | | NA | 23-Jun-2022 | £75,300 | Manual | £97,000 | Retail | Term & Reversion | 4.750 | 4.750 | £1,888,235 |
| Tenant 5 | | NA | 28-Sep-2021 | £43,725 | Manual | £60,000 | Retail | Term & Reversion | 4.750 | 4.750 | £1,178,242 |
| Tenant 6 | | NA | 03-May-2019 | £53,000 | Manual | £60,000 | Retail | Term & Reversion | 4.750 | 4.750 | £1,215,868 |
| Tenant 7 | | NA | 30-Jul-2019 | £32,500 | Manual | £62,500 | Retail | Term & Reversion | 4.750 | 4.750 | £1,242,335 |
| Tenant 8 | | NA | 28-Sep-2018 | £27,787 | Manual | £64,500 | Retail | Term & Reversion | 4.750 | 4.750 | £1,303,653 |
| Tenant 9 | | NA | 28-Sep-2018 | £43,000 | Manual | £59,900 | Retail | Term & Reversion | 4.750 | 4.750 | £1,214,563 |
| Vacant | | NA | 23-Nov-2022 | £0 | Manual | £58,600 | Retail | Term & Reversion | 4.750 | 4.750 | £1,170,385 |
| Tenant 10 | | NA | 08-Jan-2019 | £120,000 | Manual | £216,000 | Retail | Term & Reversion | 4.750 | 4.750 | £4,298,636 |
| Tenant 11 | | NA | 28-Sep-2018 | £1,000 | Rounded | £5,000 | Retail | Term & Reversion | 4.750 | 4.750 | £104,360 |
| Vacant | | 05-Jul-2024 | 04-Jul-2044 | £0 | Rounded | £3,040 | Offices | Term & Reversion | 5.500 | 5.500 | £50,950 |
| Vacant | | NA | 04-Jul-2024 | £0 | Rounded | £77,600 | Offices | Term & Reversion | 5.500 | 5.500 | £1,300,577 |
| Vacant | | NA | 04-Jul-2024 | £0 | Rounded | £134,800 | Offices | Term & Reversion | 5.500 | 5.500 | £2,259,250 |
| Tenant 12 | | NA | 04-Oct-2018 | £4,128 | Rounded | £299,200 | Offices | Term & Reversion | 5.500 | 5.500 | £4,948,921 |
| Tenant 13 | | NA | 20-Aug-2018 | £58,635 | Rounded | £146,600 | Offices | Term & Reversion | 5.500 | 5.500 | £2,447,580 |
| Tenant 14 | | NA | 02-Aug-2018 | £74,495 | Rounded | £67,700 | Offices | Term & Reversion | 5.500 | 5.500 | £1,135,062 |
| Tenant 15 | | NA | 28-Sep-2018 | £41,706 | Rounded | £78,800 | Offices | Term & Reversion | 5.500 | 5.500 | £1,313,734 |
| TAW Various | | NA | 27-Jun-2019 | £59,100 | Rounded | £154,600 | Offices | Term & Reversion | 5.500 | 5.500 | £2,513,601 |
| Tenant 16 | | NA | 30-May-2019 | £158,000 | Rounded | £166,700 | Offices | Term & Reversion | 5.500 | 5.500 | £2,797,622 |
| Vacant | | NA | 28-Sep-2018 | £0 | Rounded | £43,100 | Offices | Term & Reversion | 5.500 | 5.500 | £713,423 |
| Tenant 18 | | 05-Feb-2022 | 04-Feb-2023 | £65,000 | Rounded | £124,200 | Offices | Term & Reversion | 5.500 | 5.500 | £1,932,116 |
| Tenant 19 | | NA | 31-Dec-2020 | £144,000 | Rounded | £166,900 | Offices | Term & Reversion | 5.500 | 5.500 | £2,774,892 |
| Tenant 20 | | NA | 04-Oct-2021 | £14,000 | Manual | £0 | Other | Term & Reversion | 7.500 | 7.500 | £0 |
| Tenant 21 | | 25-Dec-2018 | 24-Dec-2057 | £3 | Manual | £0 | Other | Term & Reversion | 7.500 | 7.500 | £0 |
| Tenant 22 | | 24-Jun-2019 | 23-Jun-2119 | £0 | Manual | £0 | Other | Term & Reversion | 7.500 | 7.500 | £0 |
| Tenant 23 | | NA | 17-Oct-2020 | £55,000 | Rounded | £73,300 | Offices | Term & Reversion | 5.500 | 5.500 | £1,202,189 |
| Tenant 24 | | NA | 18-Sep-2020 | £55,000 | Rounded | £73,300 | Offices | Term & Reversion | 5.500 | 5.500 | £1,203,063 |
| Various Licencees | | NA | 27-Sep-2018 | £22,500 | Manual | £101,250 | Other | Term & Reversion | 7.500 | 7.500 | £1,332,703 |
| Total | | | | £1,372,379 | | £2,748,290 | | | | | £48,869,819 |

Brockton Capital
Newcombe House
Date: 28.06.2018

Cost Update to 2Q2018 (Rev 00)

Cast has been requested by GVA to provide a cost update statement for the Notting Hill Gate EUV scheme to capture Tender Price Indices and Exchange Rate fluctuation change from baseline estimate for discussions with the GLA. The previous cost estimate was base dated at 3Q2017.

(i) EUV Scheme

| | |
|--------------------------------------------------------------------------------------|------------|
| - Office refurbishments scheme (Order of Cost Estimate September 2017 Rev01) | £8,479,000 |
| - Adjustment for tender price inflation at 0.88% | £75,000 |
| - Adjustment for change to exchange rate from €1.08 : £1 to £1.14 : £1 (5% stronger) | -£22,000 |

Current fluctuating price based at 2Q2018 £8,532,000

Note: all rates are inclusive of Preliminaries, OH&P and Design Development / Construction Contingency
For other notes and exclusions please refer to the original cost plan document

Cost Plan – Proposed Scheme

Cost Plan Update to 2Q2018 (Rev 00)

Cast has been requested by GVA to provide a cost update statement for the Notting Hill Gate application scheme to capture the recent amendments made following discussions with the GLA. The previous cost plans and estimates produced by Arcadis were base dated at 4Q2015. These were previously updated to 3Q2016 in August 2016 (for inflation and exchange rate) and are now updated again (for scope changes, inflation and exchange rate)

(i) Application Scheme

| | |
|-------------------------------------------------------------------------------------|--------------|
| - Stage C Plus cost plan (report dated 26th November 2015) | £106,998,493 |
| - Adjustment for tender price inflation at 3% | £3,210,000 |
| - Adjustment for change to exchange rate from €1.43 : £1 to £1.17 : £1 (18% weaker) | £2,000,000 |

Current fixed price based at 3Q2016 **£112,208,493**

(ii) Adjustments to Cost - June 2018

| Description | Cost (£) |
|---------------------------------------------------------------------------------------------------------------------------|-----------|
| <u>General</u> | |
| Cycle parking - increased number provided | 12,500 |
| BREEAM 2018 - management of more onerous requirements | 25,000 |
| Hackitt Review: contractors cost for clear procedure to manage sign off of high risk areas | 100,000 |
| London Plan: add drinking fountain (public realm) | 1,000 |
| Extend surgery infrastructure / risers through two levels of commercial office | 25,000 |
| Office building: allowance for 120mm glass partition and doors to G-L3 | 550,000 |
| <u>West Perimeter Building 3</u> | |
| Additional two levels of commercial office space @ 2nd & 3rd | 1,125,000 |
| Lift changes: additional lift; now 1x 13person (B2 to 6th) and 1x 8person (Grd to 5th) | 115,000 |
| Lift changes: structural implications - lift shaft | 15,000 |
| Lift changes: structural implications - suspended lift pit | 10,000 |
| Lift: one firefighting lift required | 15,000 |
| Additional lift drawing: fire curtain requirements for fire compartmentalisation | 60,000 |
| Increased lift complexity as drawn (front and side door but with increased install difficulty owing to new adjacent lift) | 10,000 |
| Revised structural drawings: basement transfer structure; parapet wall from RC to steelwork | 5,000 |
| <u>West Perimeter Building 1</u> | |
| Infill living room voids | 60,000 |
| Changes to layouts; allowance for fit out to additional floor area | 59,000 |
| Layouts generally - changes for affordable housing specification | (454,000) |
| Lift to become a fire fighting lift | 15,000 |
| Additional MVHR required to each unit following removal of cooling | 10,000 |
| Access some utility cupboards from corridors through Fire Rated doors (double) | 3,500 |
| Sprinkler every apartment | 10,000 |
| carried forward | 1,772,000 |

| | | |
|----------------------------------------------------------------------------------------------------------------|----------------------------|------------------|
| | brought forward | 1,772,000 |
| <u>Kensington Church Street Building 1</u> | | |
| Omit communal roof terrace | | (215,000) |
| Add rooftop amenity | | 50,000 |
| Add extra external wall | | 40,000 |
| Reduced internal space (unit adjustments) | | (200,000) |
| Step slabs to allow for level thresholds; possibly some additional floor build up required depending on detail | | 5,000 |
| Additional floor (affordable housing accommodation at 1st floor) | | 1,929,000 |
| Add Photovoltaic cells to roof top - 140m2 shown on drawings | | 90,000 |
| Sprinkler every apartment | | 37,500 |
| Evacuation lift required | | 15,000 |
| Structural changes - including steelwork and transfer beams | | 15,000 |
| Revisions to risers at roof level - affecting play space walls | | 500 |
| Addition of mechanical vent to basement amenity | | 10,000 |
| Basement amenity area to be fitted out | | 50,000 |
| Additional concrete wall basement to roof | | 25,000 |
| Additional slot window to the south elevation (1st - 4th) | | 7,500 |
| Introduction of 3 Luxcrete pavement lights | | 20,000 |
| Introduction of slab edge beams where windows changed | | 4,000 |
| <u>Kensington Church Street Building 2</u> | | |
| Elevations to be developed | | 73,000 |
| Changes to mix / tenure (on site affordable housing) | | (1,405,000) |
| Additional HIU complexity to 3 wheelchair accessible units; HIU to go high level in kitchen | | 3,000 |
| Sprinkler every apartment | | 37,500 |
| Evacuation lift required | | 15,000 |
| New planting to the west elevation of KCS2 | | 5,000 |
| Revisions to balcony glazing; spandrels introduced where kitchens meet balconies | | 4,000 |
| | Adjustment to 3Q2016 total | 2,388,000 |

(iii) Revised Cost - June 2018

| | |
|--------------------------------------------------------------------------------------|---------------------|
| - Stage C Plus cost plan (report dated 26th November 2015) | £106,998,493 |
| - Adjustment for tender price inflation at 3% (4Q2015 to 3Q2016) | £3,210,000 |
| - Adjustment for change to exchange rate from €1.43 : £1 to £1.17 : £1 (18% weaker) | £2,000,000 |
| - Changes to scope: GLA update | £2,388,000 |
| | <hr/> |
| Sub-total based at 3Q2016 | £114,596,493 |
| | |
| - Adjustment for tender price inflation at 2.75% (3Q2016 to 2Q2018) | £3,152,000 |
| - Adjustment for change to exchange rate from €1.17 : £1 to £1.14 : £1 (2.5% weaker) | £280,000 |
| | <hr/> |
| Current fixed price based at 2Q2018 | £118,028,493 |

Note: all rates are inclusive of Preliminaries, OH&P and Design Development / Construction Contingency
For other notes and exclusions please refer to the original cost plan document

Retail Pricing

7-10 Chandos Street
London
W1G 9DQ

T: +44 20 7580 3366
Fax: +44 20 7580 3399

www.shelleysandzer.co.uk



Andy McIntyre
Brockton Capital
89 Wardour Street
London, W1F 0UB

3rd July 2018

Dear Andy,

Following on from our recent discussions, please see below my thoughts on the current state of the market and rental values in Notting Hill.

The retail and leisure market has had something of an adjustment over the past year with the high profile CVA's and operators becoming more cautious when considering new sites. There is still a great shopping and dining culture in London, particularly in vibrant and affluent areas. As I have previously noted, Notting Hill benefits from a strong tourist trade and an affluent catchment which results in a stronger demand for sites than other areas.

The overall cap-ex required to open a site has become more of a consideration meaning that smaller units are still in demand, particularly to smaller and independent operators who will be the main target for this scheme. Retail and restaurant rents have fallen slightly on secondary pitches but prime rents have remained at the same level.

The attached schedule of rents is representative of where we currently see the market for the units as they are currently configured. We would expect to give market rent free periods of circa 6 – 12 months depending on size of unit and type of operator taking occupation. We would look to pre-let the units, likely commencing marketing 9-12 months prior to practical completion with a view to having found operators within that period. Lease lengths will likely be 15-20 years for the larger units and 10-15 years for the smaller. Also attached is a suggested list of potential tenants and operators. The vision will be to curate a boutique tenant mix to encourage a point of difference for the local area and maintain a sense of community.

Notting Hill Gate is underway with a period of transition and The Office Group coming in to Notting Hill will further improve the area as a commercial centre. Along with the redevelopment and refurbishment of numerous large sites along Notting Hill Gate, the area is well positioned to continue to improve further.

Best regards,
Leo

Leo Feldman

E: Lfeldman@shelleysandzer.co.uk

T: 020 7580 3366

Brockton - Notting Hill - ERV's

| Frontage | NHG | NHG/KCS | KCS/NPS | KCS/NPS | KCS/NPS | KCS/NPS | KCS/NPS | KCS/NPS | KCS/NPS | NPS | NPS | NPS | NPS | NPS |
|--------------------|---------|---------|---------|----------|---------|----------|---------|---------|----------|---------|---------|---------|---------|---------|
| Unit Number | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 14 | 8 | 9 | 10 | 11 | 12 | 13 |
| Ground Floor sq ft | 495 | 990 | 388 | 1,572 | 926 | 1,776 | 1,033 | 646 | 1,259 | 678 | 786 | 840 | 700 | 388 |
| Basement sq ft | 0 | 0 | 0 | 2,476 | 980 | 1,399 | 743 | 377 | 1,206 | 1,087 | 1,119 | 1,313 | 883 | 0 |
| Weighted sq ft | 495 | 990 | 388 | 2810 | 1416 | 2475.5 | 1404.5 | 834.5 | 1862 | 1221.5 | 1345.5 | 1496.5 | 1141.5 | 388 |
| Rate per sq ft | £100 | £90 | £90 | £55 | £60 | £65 | £65 | £50 | £65 | £45 | £45 | £45 | £45 | £70 |
| ERV | £49,500 | £89,100 | £34,920 | £154,550 | £84,960 | £160,908 | £91,293 | £41,725 | £121,030 | £54,968 | £60,548 | £67,343 | £51,368 | £27,160 |
| Quote | £55,000 | £95,000 | £35,000 | £160,000 | £87,500 | £170,000 | £95,000 | £45,000 | £125,000 | £55,000 | £62,500 | £67,500 | £52,500 | £30,000 |

Residential Pricing Schedule

Project: Newcombe House - Proposed Scheme
 Schedule: Area schedule and floor plans received 21/06/2018
 Date: Jul-18
 Ref: HWJ



| Unit No | Block | Floor | Tenure | Beds | Aspect | Outside Space | Outside Space M² | Outside Space FT² | M² | FT² | Achievable prices | £/ft² | |
|---------------|------------|----------|--------|---------------|-----------|----------------------------------------------------------------|---------------------------|-------------------|--------------|---------------|-------------------|---------------------|---------------|
| WP B.1.A1 | WP1 | Low Rise | 1/2 | LLR | 3B | Tube Station / Public Courtyard | Terrace | 5 | 54 | 110 | 1,184 | £2,325,000 | £1,964 |
| WP B.1.A2 | WP1 | Low Rise | 1/2 | LLR | 3B | Public Courtyard | Terrace | 5 | 54 | 96 | 1,033 | £2,125,000 | £2,056 |
| WP B.1.A3 | WP1 | Low Rise | 1/2 | LLR | 3B | Public Courtyard | Terrace | 5 | 54 | 86 | 926 | £1,900,000 | £2,052 |
| WP B.1.A4 | WP1 | Low Rise | 1/2 | LLR | 3B | Tube Station / Public Courtyard | Terrace | 5 | 54 | 110 | 1,184 | £2,425,000 | £2,048 |
| KCS B.1.A1 | KCS1 | Low Rise | 1 | LLR | 3B | Public Courtyard / Kensington Church Street | Terrace | 7 | 75 | 178 | 1,916 | £3,975,000 | £2,075 |
| KCS B.1.A2 | KCS1 | Low Rise | 1 | LLR | 1B | Public Courtyard | Terrace | 4 | 43 | 43 | 463 | £975,000 | £2,107 |
| KCS B.1.A3 | KCS1 | Low Rise | 1 | LLR | 3B | Public Courtyard / Kensington Church Street | Terrace | 8 | 86 | 146 | 1,572 | £3,825,000 | £2,434 |
| KCS B.1.A4 | KCS1 | Low Rise | 1 | LLR | 1B | Kensington Church Street | Terrace | 4 | 43 | 60 | 646 | £1,200,000 | £1,858 |
| KCSB.2.A1 | KCS2 | Low Rise | 1 | Social rented | 1B | Kensington Church Street | Terrace | 3 | 32 | 46 | 495 | £1,050,000 | £2,121 |
| KCSB.2.A2 | KCS2 | Low Rise | 1 | Social rented | 1B | Kensington place | Terrace | 5 | 54 | 50 | 538 | £1,075,000 | £1,997 |
| KCSB.2.A3 | KCS2 | Low Rise | 1 | Social rented | 1B | Public Courtyard | Terrace | 3 | 32 | 50 | 538 | £1,000,000 | £1,858 |
| KCSB.2.A4 | KCS2 | Low Rise | 1 | Social rented | 2B | Public Courtyard | Terrace | 3 | 32 | 65 | 700 | £1,475,000 | £2,108 |
| KCSB.2.A5 | KCS2 | Low Rise | 1 | Social rented | 1B | Kensington Church Street | Terrace | 3 | 32 | 55 | 592 | £1,200,000 | £2,027 |
| KCSB.1.A5 | KCS1 | Low Rise | 2 | Private | 2B | Public Courtyard / Kensington Church Street | Terrace | 7 | 75 | 178 | 1,916 | £3,525,000 | £1,840 |
| KCSB.1.A6 | KCS1 | Low Rise | 2 | Private | 1B | Public Courtyard | Terrace | 4 | 43 | 43 | 463 | £975,000 | £2,107 |
| KCSB.1.A7 | KCS1 | Low Rise | 2 | Private | 2B | Public Courtyard / Kensington Church Street | Terrace | 8 | 86 | 146 | 1,572 | £3,025,000 | £1,925 |
| KCSB.1.A8 | KCS1 | Low Rise | 2 | Private | 1B | Kensington Church Street | Terrace | 4 | 43 | 60 | 646 | £1,225,000 | £1,897 |
| KCSB.2.A6 | KCS2 | Low Rise | 2 | Social rented | 1B | Kensington Church Street | Terrace | 3 | 32 | 46 | 495 | £1,075,000 | £2,171 |
| KCSB.2.A7 | KCS2 | Low Rise | 2 | Social rented | 1B | Kensington place | Terrace | 5 | 54 | 50 | 538 | £1,100,000 | £2,044 |
| KCSB.2.A8 | KCS2 | Low Rise | 2 | Social rented | 1B | Public Courtyard | Terrace | 3 | 32 | 50 | 538 | £1,025,000 | £1,904 |
| KCSB.2.A9 | KCS2 | Low Rise | 2 | Social rented | 2B | Public Courtyard | Terrace | 3 | 32 | 65 | 700 | £1,500,000 | £2,144 |
| KCSB.2.A10 | KCS2 | Low Rise | 2 | Social rented | 1B | Kensington Church Street | Terrace | 3 | 32 | 55 | 592 | £1,225,000 | £2,069 |
| KCSB.1.A9 | KCS1 | Low Rise | 3 | Private | 2B | Public Courtyard / Kensington Church Street | Terrace | 7 | 75 | 178 | 1,916 | £3,625,000 | £1,892 |
| KCSB.1.A10 | KCS1 | Low Rise | 3 | Private | 1B | Public Courtyard | Terrace | 4 | 43 | 43 | 463 | £1,000,000 | £2,161 |
| KCSB.1.A11 | KCS1 | Low Rise | 3 | Private | 2B | Public Courtyard / Kensington Church Street | Terrace | 8 | 86 | 146 | 1,572 | £3,050,000 | £1,941 |
| KCSB.1.A12 | KCS1 | Low Rise | 3 | Private | 1B | Kensington Church Street | Terrace | 4 | 43 | 60 | 646 | £1,225,000 | £1,897 |
| KCSB.2.A11 | KCS2 | Low Rise | 3 | Social rented | 1B | Kensington Church Street | Terrace | 3 | 32 | 46 | 495 | £1,075,000 | £2,171 |
| KCSB.2.A12 | KCS2 | Low Rise | 3 | Social rented | 1B | Kensington place | Terrace | 5 | 54 | 50 | 538 | £1,125,000 | £2,090 |
| KCSB.2.A13 | KCS2 | Low Rise | 3 | Social rented | 1B | Public Courtyard | Terrace | 3 | 32 | 50 | 538 | £1,050,000 | £1,951 |
| KCSB.2.A14 | KCS2 | Low Rise | 3 | Social rented | 2B | Public Courtyard | Terrace | 3 | 32 | 65 | 700 | £1,550,000 | £2,215 |
| KCSB.2.A15 | KCS2 | Low Rise | 3 | Social rented | 1B | Kensington Church Street | Terrace | 3 | 32 | 55 | 592 | £1,225,000 | £2,069 |
| KCS B.1.A13 | KCS1 | Low Rise | 4 | Private | 2B | Public Courtyard / Kensington Church Street | Terrace | 7 | 33 | 178 | 1,916 | £3,675,000 | £1,918 |
| KCS B.1.A14 | KCS1 | Low Rise | 4 | Private | 2B | Public Courtyard / Kensington Church Street | Terrace | 8 | 34 | 146 | 1,572 | £3,100,000 | £1,973 |
| KCS B.1.A15 | KCS1 | Low Rise | 4 | Private | 1B | Kensington Church Street | Terrace | 4 | 35 | 60 | 646 | £1,250,000 | £1,935 |
| CB.A1 | East Blade | Tower | 4 | Private | 3B | Public Courtyard / Kensington Church Street | Winter Garden | 6 | 65 | 160 | 1,722 | £4,650,000 | £2,700 |
| CB.A2 | West Blade | Tower | 4 | Private | 3B | Kensington Church Street / Intensive Garden | Winter Garden and Terrace | 191 | 2,056 | 157 | 1,690 | £5,025,000 | £2,973 |
| CB.A3 | East Blade | Tower | 5 | Private | 3B | Public Courtyard / Kensington Church Street / Nottinghill Gate | Winter Garden | 6 | 65 | 158 | 1,701 | £4,725,000 | £2,778 |
| CB.A4 | West Blade | Tower | 5 | Private | 3B | Kensington Church Street / Intensive Garden | Winter Garden | 6 | 65 | 157 | 1,690 | £4,525,000 | £2,678 |
| CB.A5 | East Blade | Tower | 6 | Private | 3B | Public Courtyard / Kensington Church Street / Hyde Park | Winter Garden | 6 | 65 | 158 | 1,701 | £4,875,000 | £2,866 |
| CB.A6 | West Blade | Tower | 6 | Private | 3B | Kensington Church Street / Uxbridge Street / Nottinghill Gate | Winter Garden | 6 | 65 | 157 | 1,690 | £4,600,000 | £2,722 |
| CB.A7 | East Blade | Tower | 7 | Private | 3B | Public Courtyard / Kensington Church Street / Hyde Park | Winter Garden and Terrace | 6 | 65 | 158 | 1,701 | £5,025,000 | £2,955 |
| CB.A8 | West Blade | Tower | 7 | Private | 3B | Kensington Church Street / Uxbridge Street / Nottinghill Gate | Winter Garden | 246 | 2,648 | 157 | 1,690 | £5,450,000 | £3,225 |
| CB.A9 | East Blade | Tower | 8 | Private | 3B | Public Courtyard / Kensington Church Street / Hyde Park | Winter Garden | 6 | 65 | 158 | 1,701 | £5,175,000 | £3,043 |
| CB.A10 | West Blade | Tower | 8 | Private | 3B | Kensington Church Street / Uxbridge Street / Nottinghill Gate | Winter Garden | 6 | 65 | 157 | 1,690 | £4,950,000 | £2,929 |
| CB.A11 | East Blade | Tower | 9 | Private | 3B | Public Courtyard / Kensington Church Street / Hyde Park | Winter Garden | 6 | 65 | 158 | 1,701 | £5,325,000 | £3,131 |
| CB.A12 | West Blade | Tower | 9 | Private | 3B | Kensington Church Street / Uxbridge Street / Nottinghill Gate | Winter Garden | 6 | 65 | 157 | 1,690 | £5,025,000 | £2,973 |
| CB.A13 | East Blade | Tower | 10 | Private | 3B | Public Courtyard / Kensington Church Street / Hyde Park | Winter Garden | 6 | 65 | 158 | 1,701 | £5,500,000 | £3,234 |
| CB.A14 | West Blade | Tower | 10 | Private | 3B | Kensington Church Street / Uxbridge Street / Nottinghill Gate | Winter Garden | 6 | 65 | 157 | 1,690 | £5,100,000 | £3,018 |
| CB.A15 | East Blade | Tower | 11 | Private | 3B | Public Courtyard / Kensington Church Street / Hyde Park | Winter Garden | 6 | 65 | 158 | 1,701 | £5,650,000 | £3,322 |
| CB.A16 | West Blade | Tower | 11 | Private | 3B | Kensington Church Street / Uxbridge Street / Nottinghill Gate | Winter Garden | 6 | 65 | 157 | 1,690 | £5,175,000 | £3,062 |
| CB.A17 | East Blade | Tower | 12/13 | Private | 4B Duplex | Public Courtyard / Kensington Church Street / Hyde Park | Winter Garden | 14 | 151 | 297 | 3,197 | £10,425,000 | £3,261 |
| CB.A18 | West Blade | Tower | 12 | Private | 3B | Kensington Church Street / Uxbridge Street / Nottinghill Gate | Winter Garden | 6 | 65 | 155 | 1,668 | £5,250,000 | £3,147 |
| CB.A19 | West Blade | Tower | 13 | Private | 3B | Kensington Church Street / Uxbridge Street / Nottinghill Gate | Winter Garden | 6 | 65 | 155 | 1,668 | £5,325,000 | £3,192 |
| CB.A20 | West Blade | Tower | 14/15 | Private | 4B Duplex | 360 degree | Winter Garden and Terrace | 92 | 990 | 325 | 3,444 | £15,075,000 | £4,309 |
| CB.A21 | West Blade | Tower | 16/17 | Private | 4B Duplex | 360 degree | Winter Garden | 14 | 151 | 325 | 3,444 | £14,300,000 | £4,088 |
| TOTALS | | | | | | | | | 6,644 | 71,408 | | £193,325,000 | £2,703 |

Car Spaces 25 @ £150,000

Notes:

- 1 Assumes 24 hour concierge / security
- 2 Assumes secure car parking for all 2+ bed flats
- 3 Assumes ceiling heights of 2.7m clear in principal rooms
- 4 Assumes units are finished to a good specification in line with market expectation at this price point
- 5 Assumes all affordable is priced as if fully private (does not reflect LLR or social rented values)

Please note any advice contained or attached in this report is informal and given purely as guidance unless otherwise explicitly stated. Our views on price are not intended as a formal valuation and should not be relied upon as such. They are given in the course of our estate agency role. No liability is given to any third party and the figures suggested are in accordance with Professional Standards PS1 and PS2 of the RICS Valuation – Professional Standards, effective from 6th January 2014. Any advice attached is not a formal ("Red Book") valuation, and neither Savills nor the author can accept any responsibility to any third party who may seek to rely upon it, as a whole or any part as such. If formal advice is required this will be explicitly stated along with our understanding of limitations and purpose.

JLL Report

11 October 2017



Newcombe House, W11

Disposal Report

1 Introduction

The aim of this report is to provide our recommendations for the leasing of Newcombe House, W11 once it has undergone refurbishment, or redevelopment. The report will analyse the rental tone for both options, as well as set out an appropriate strategy for identifying and securing suitable tenants on the best commercial terms, to drive the asset's performance and value. The report will also analyse these commercial terms by way of forecasted rent frees and letting voids and appropriate yields.

2 The Property

Newcombe House is one of the most distinctive office buildings in West London. The building now looks tired and in need of refurbishment however. We understand two scenarios are currently being reviewed for the renovation. Firstly on the basis of a refurbishment, and secondly by way of a full redevelopment to create a brand new building.

The new redevelopment will be a residential led scheme, although will also provide c.31,000 sqft of brand new, Grade A office space, which the report will be centred around. It is noted that the refurbishment option would retain the current c.42,000 sqft of office space, meaning the redevelopment would result in a net loss of 11,000 sqft in office area. Furthermore the new office building would provide office accommodation up to only the third floor, as opposed to the current 11 floors of offices.

Location and Demand

Notting Hill Gate is a typically residential and retail location, and sits in one of the most desirable residential locations of the Royal Borough of Kensington and Chelsea. Most comparable rental evidence will come from larger office schemes nearby in the Kensington High Street area, as well as smaller transactions within the local vicinity. We have also provided transaction details of 20 Eastbourne terrace, which was a similar building, albeit with a more substantial refurbishment in the Paddington sub-market.

Demand for office space in locations such as Notting Hill tends to be driven by the sub-5,000 sqft requirements and normally in the financial sector; often for companies with executives who live in the area and strive for live-work convenience.

This does not mean that there is not a demand for larger occupiers however, as shown by the transactions at 5 Young Street to Partners Capital and Endeavour mining, which will be visited in more detail later on. Furthermore of note is the Mulberry HQ on Kensington Church Street, who reside in 36,000 sqft, Net a Porter in 46,000 sqft and Betfair in 9,500 sqft in the nearby Yellow Building, as well as Sony, Universal and Equinox Gyms- proving the theory that Kensington attracts a wide range of tenant mix.

The fact that the demand for offices in the Kensington and Chelsea borough has remained strong means that new schemes are starting to be committed to. The most relevant being at Lancer Square, a Squire and Partners designed scheme offering c.50,000 sqft of Grade A offices. Typical floor plates are c.8,000 sqft, and is a commitment to the demand in the local area. Lancer Square resides at the southern end of Kensington Church Street.

Proposed Schemes

As mentioned above, the two schemes being considered are a light touch refurbishment of the existing building, whereby the floor areas will remain the same, but the building will be refurbished and updated, or a brand new scheme will be redeveloped. The former comprises 11 floor totalling 41,834 sqft and the new build comprising 3 floors of offices totalling 30,936 sqft. The purpose of this report is not to comment on any design development points or critique the scheme, but rather assess commercial terms. However, we would be delighted to assist further with any design work you would like commercial advice on.

3 Leasing Strategy

Given the similar size of units in both schemes, we recommend the following similar strategies for both the schemes:

Phase 1

Given the size of offices that will be available, a full pre-let tenant targeting campaign is unlikely to be effective, as tenants of this size tend to not plan ahead to commit to a pre-let. However, getting a marketing agency on board early to work up and brand and pre-completion brochure with a visual campaign (CGIs, floor plans, building mock ups etc.) will be important, as well as branded hoarding with agency contact details. Bearing in mind a lot of our target occupiers will already be in the local area, this will be particularly important to raise local awareness.

However, both schemes would also lend themselves well to the ever active serviced office industry, and so we would suggest circulating all details to some chosen operators (should this be a sector you would be interested in leasing to) as we suspect it may be possible to pre-let either scheme to one of these providers on good commercial terms.

Phase 2

On completion of the works, we recommend launching the building to the market and to commence a comprehensive marketing campaign. We include our recommended marketing strategy below.

4 Tenant Targeting

Given the location of the building, we believe the vacant space will have wide sector appeal, and local occupiers will be the largest sector of demand in our favour. Therefore on street marketing with hoarding, wraps, and eventually contravision stencilling/in window marketing will be key to tenant targeting. More specifically, mail drops to local occupiers in both conventional leasehold properties and neighbouring serviced offices will also be important.

5 Marketing Initiatives

We propose a two phase marketing strategy.

Phase 1

Before, and while the office refurbishment works are undertaken, a specialist marketing company should be appointed. Newcombe House will not present optimally during phase 1, so the marketing campaign will be focused on tenants who have active requirements with a 'visual e-campaign'. We would also draft in-house particulars setting out the salient property details in conjunction with the pre-completion brochure to be created by the chosen marketing company. These will be used in response to requirements.

We would not recommend any inspections before c.3 months prior to completion of the works, and even then only when a requirement is a particularly close match or to tenants on particularly tight time schedule.

The property will be placed on JLL's global website (should we be appointed) which is the widest used of all the commercial agencies and our marketing particulars will also be given to search websites such as EG Property Link and CoStar, which allows both agents and occupiers to search the internet for property.

Phase 2: From completion of the refurbishment works

The second phase of marketing will commence at completion of the refurbishment works and the following primary initiatives are recommended to enable a successful and expedient letting campaign. We have included approximate costs for each as follows:

| Marketing Initiative | Cost |
|-------------------------------------------------|--------------------|
| Pre-Completion Brochure (not inclusive of CGIs) | £5,000 + VAT |
| Post-Completion Brochure | £8,000 + VAT |
| Website | £3,000 |
| HTML Emailers | c.£750 per emailer |
| On Floor Marketing Panels / Vinyls | c.£2,500 |
| Building Launch | c.£10,000 |
| TOTAL | c.£30,000 plus VAT |

6 Commercial Terms

Lease Terms

We propose to offer the floors on new leases available direct from the Landlord on a term to be agreed. We will target a term of 5 years, however consideration should be given to 3 year breaks. A current trend with leaseholders of the floor by floor sizes is that flexibility is key. This is a trend we expect to continue, so the potential to offer more flexible leases may be a leasing strategy to consider- especially if the

refurbishment option was chosen, as this would likely provide economical space to tenants who typically desire maximum flexibility.

Market Rent – light touch refurbishment

On the basis of a light touch refurbishment of the floors and common parts, the ERV will vary for the accommodation depending on the height of the floor due to the views over London:

| Floor | NIA Areas (sq ft) | Market Rent (psf) | Total Rent |
|--------------------------|--------------------------|--------------------------|-----------------------|
| Mezzanine / Storage Area | 304 | £ 10.00 | £ 3,040.00 |
| 1st Floor | 2,216 | £ 35.00 | £ 77,560.00 |
| 2nd Floor | 3,851 | £ 35.00 | £ 134,785.00 |
| 3rd Floor | 3,979 | £ 35.00 | £ 139,265.00 |
| 4th Floor | 3,904 | £ 37.50 | £ 146,400.00 |
| 5th Floor | 3,988 | £ 37.50 | £ 149,550.00 |
| 6th Floor | 3,904 | £ 37.50 | £ 146,400.00 |
| 7th Floor | 3,914 | £ 39.50 | £ 154,603.00 |
| 8th Floor | 3,988 | £ 39.50 | £ 157,526.00 |
| 9th Floor | 3,922 | £ 42.50 | £ 166,685.00 |
| Part of 10th Floor | 3,937 | £ 42.50 | £ 167,322.50 |
| 11th Floor | 3,927 | £ 42.50 | £ 166,897.50 |
| Total: | 41,834 | £ 36.17 | £ 1,610,034.00 |

Market conditions may vary during the period to completion of refurbishment works and we would seek to review the appropriate quoting terms with you on completion of the refurbishment works.

Rent Free

Rent free periods have moved out slightly, subsequent to the referendum, and given the location, the rent free period should be expected to be between 1.8 to 2 months per year of term.

Letting Void

Once the refurbishment is completed, we would expect a maximum letting void of 12 months in which to lease the floors.

Yield

Expected yield on the refurbished building is 5%, reflecting the fact the market is currently attracted towards defensive long term income, rather than the small floors which may be asset management intensive.

Market Rent – New build development

On the basis of a full redevelopment, we would expect the ERV to be as follows:

| Floor | Building | NIA | Market Rent (psf) | Total Rent |
|--------------|----------------------------|------------|--------------------------|-------------------|
| GF | Central Form | 323 | £ - | £0 |
| 1 | Central Form | 1,216 | £ 60.00 | £72,960 |
| 2 | Central Form | 1,216 | £ 62.50 | £76,000 |
| 3 | Central Form | 1,216 | £ 65.00 | £79,040 |
| GF | East Form | 1,055 | £ 45.00 | £47,475 |
| 1 | East Form | 1,668 | £ 60.00 | £100,080 |
| 2 | East Form | 1,668 | £ 62.50 | £104,250 |
| 3 | East Form | 1,668 | £ 65.00 | £108,420 |
| 1 | Notting Hill Gate Building | 3,369 | £ 60.00 | £202,140 |
| 2 | Notting Hill Gate Building | 3,369 | £ 62.50 | £210,563 |
| 3 | Notting Hill Gate Building | 3,068 | £ 65.00 | £199,420 |

| | | | | |
|--------------|---------------------------|---------------|----------------|-----------------------|
| GF | West Perimeter Building 2 | 2,002 | £ 45.00 | £90,090 |
| 1 | West Perimeter Building 2 | 2,982 | £ 62.50 | £186,375 |
| 2 | West Perimeter Building 2 | 2,164 | £ 65.00 | £256,750 |
| Basement | | 3,950 | £ 35.00 | £138,250 |
| Total | | 30,934 | £ 58.21 | £ 1,871,812.50 |

Market conditions may vary during the period to completion of development works and we would seek to review the appropriate quoting terms with you on completion of the development works.

Rent Free

Rent free periods for a new build development tend to come at a discount to refurbished buildings and would be expected to be at 1.6 – 1.8 months per year’s term commitment

Letting Void

Once the redevelopment is completed, we would expect a maximum letting void of 9 months in which to lease the floors.

Yield

Expected Yield on the newly developed building is 4.5%. The 25 basis points reduction reflecting the fact that there is a new building to trade.

7 Comparable Evidence

| Photo | Date | Size | Tenant | Rent psf | Rent-Free | Lease Term |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------|--------|------------------|--------------|-----------|-------------------------------|
| <p>5 Young Street,  4th/5th floors</p> | Sep-15 | 16,874 | Partners Capital | £66.50-67.50 | 6 months | 10 years (Break at year 5) |
| <p>5 Young Street , 2nd  floor</p> | Aug-16 | 10,087 | Endeavour Mining | £63.00 | 6 months | 10 years (Break at year 5) |
| <p>20 Eastbourne Terrace, 3rd floor </p> | Apr-17 | 5,877 | Return Path UK | £63.00 | 6 months | 10 years (Break at year 5) |
| <p> 20 Eastbourne Terrace, 2nd floor</p> | Apr-17 | 5,861 | World Sailing | £62.50 | 18 months | 10 years (Break at year 5) |

| | | | | | | |
|--------------------------------------------------------------------------------------------------------------------|--------|-------|-----------------------|--------|----------|-------------------------------|
| 2-4 Lambton Place  | Apr-17 | 2,025 | Eucalyptus Ltd | £59.50 | 3 months | 5 years |
| 88-94 Westbourne  Grove | Jan-17 | 2,300 | King Media Management | £53.90 | 9 months | 2.75 years |
| 346 Kensington  High Street | Jun-17 | 1,702 | Cipla | £45.00 | N/A | 5 years |
| 87-89 Notting Hill Gate  | Mar-17 | 1,195 | De Rosee Sa | £40.00 | 6 months | 10 years (Break at year 5) |
| 125 Kensington High Street  | Nov-16 | 2,207 | Beauty Trend | £32.50 | 6 months | 3 years |

As discussed, the good quality supply of office schemes in this area is fairly sparse. We have therefore analysed good quality refurbishment schemes of a similar nature for the new build option. 5 Young Street corners Kensington High Street and Young Street, and was a building which achieved very good transaction levels. This is currently one of the best performing buildings in the area and was carefully considered in the formation of our ERVs.

20 Eastbourne Terrace is, in our opinion, a very similar building to Newcombe House. The thorough refurbishment was very well received and shows that refurbished buildings can achieve good rental levels. The discount has been applied to show that the refurbished option is a light touch. These transactions were analysed in the context of residing in the different sub-market of Paddington and a higher quality refurbishment.

Finally, we have a few smaller building transactions. These buildings are not necessarily comparable to Newcombe House, as they are of a higher specification and different office type, but give an idea of what good quality space in the area would

9 Conclusion

Newcombe house is an exciting proposition for the office market. There is a large pool of smaller occupiers whom have not had the opportunity to stay in the area whilst upgrading their building. Newcombe house is therefore a unique building, and whilst our ERVs are based on reasoned education from other transactions, the unique nature of this offering means that we could envisage out-performance.

If there are any further queries, please do not hesitate to contact us.



JLL

Jones Lang LaSalle
30 Warwick Street
London, W1B 5NH

Alex Browning
Associate Director
T: +44 (0) 20 7087 5675
Alex.Browning@eu.jll.com

Adrian Crooks
Lead Director
T: +44 (0) 20 7399 5135
Adrian.Crooks@eu.jll.com

About JLL

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Supporting Appraisals

Newcombe House
Notting Hill Gate
Revised Scheme July 2018

Development Appraisal
GVA
12 July 2018

**Newcombe House
Notting Hill Gate
Revised Scheme July 2018**

Summary Appraisal for Phase 1

Currency in £

REVENUE

| Sales Valuation | Units | ft ² | Sales Rate ft ² | Unit Price | Gross Sales |
|-----------------------|----------|-----------------|----------------------------|-------------|--------------------|
| Car Parking | 1 | 25 | 150,000.00 | 3,750,000 | 3,750,000 |
| Private Residential | 1 | 54,003 | 2,904.01 | 156,825,000 | 156,825,000 |
| Social Rented - KCS2 | 1 | 8,587 | 195.44 | 1,678,243 | 1,678,243 |
| LLR - KCS1 | 1 | 4,596 | 383.81 | 1,763,991 | 1,763,991 |
| Discounted LLR - WPB1 | 1 | 4,327 | 232.90 | 1,007,758 | 1,007,758 |
| Totals | 5 | 71,538 | | | 165,024,992 |

Rental Area Summary

| | Units | ft ² | Rent Rate ft ² | Initial MRV/Unit | Net Rent at Sale | Initial MRV |
|----------------|----------|-----------------|---------------------------|------------------|------------------|------------------|
| Offices | 1 | 37,060 | 60.22 | 2,231,753 | 2,231,753 | 2,231,753 |
| Retail | 1 | 24,058 | 57.46 | 1,382,373 | 1,382,373 | 1,382,373 |
| Surgery | 1 | 7,255 | 31.66 | 229,693 | 229,693 | 229,693 |
| Farmers Market | 1 | | | 10,500 | 10,500 | 10,500 |
| Totals | 4 | 68,373 | | | 3,854,319 | 3,854,319 |

Investment Valuation

| | | | | | | |
|-----------------------|-----------|----------------|---------|---------|-------------------|--|
| Offices | | | | | | |
| Market Rent | 2,231,753 | YP @ | 4.5000% | 22.2222 | | |
| (1yr 6mths Rent Free) | | PV 1yr 6mths @ | 4.5000% | 0.9361 | 46,425,781 | |
| Retail | | | | | | |
| Market Rent | 1,382,373 | YP @ | 4.2500% | 23.5294 | | |
| (1mth Rent Free) | | PV 1mth @ | 4.2500% | 0.9965 | 32,413,794 | |
| Surgery | | | | | | |
| Current Rent | 229,693 | YP @ | 4.5000% | 22.2222 | 5,104,296 | |
| Farmers Market | | | | | | |
| Market Rent | 10,500 | YP @ | 7.5000% | 13.3333 | | |
| (6mths Rent Free) | | PV 6mths @ | 7.5000% | 0.9645 | 135,028 | |
| | | | | | 84,078,899 | |

GROSS DEVELOPMENT VALUE

249,103,891

| | |
|----------------------------------|-------------|
| Purchaser's Costs | (5,353,338) |
| Effective Purchaser's Costs Rate | 6.80% |
| | (5,353,338) |

NET DEVELOPMENT VALUE

243,750,553

NET REALISATION

243,750,553

OUTLAY

ACQUISITION COSTS

| | | | | | |
|-------------|-------|------------|--|------------|--|
| Fixed Price | | 33,000,000 | | | |
| | | | | 33,000,000 | |
| Stamp Duty | 5.00% | 1,650,000 | | | |
| Agent Fee | 1.00% | 330,000 | | | |
| Legal Fee | 0.80% | 264,000 | | | |
| | | | | 2,244,000 | |

CONSTRUCTION COSTS

| | | | | | |
|-------------------------------------|-------|-----------|--|-----------|--|
| Developers Contingency | 5.00% | 6,210,421 | | | |
| Zero Carbon Contribution | 1.00% | 124,959 | | | |
| S106 Monitoring fee | | 9,500 | | | |
| Traffic Man Plan | | 1,000 | | | |
| Demolition / Construction Managemen | | 5,600 | | | |
| Legible London contribution | | 3,017 | | | |
| Cycle hire | | 170,000 | | | |
| Public Art | | 100,000 | | | |
| Construction Training Contribution | | 261,500 | | | |
| Mayoral CIL | | 473,158 | | | |
| Borough CIL | | 1,978,276 | | | |
| | | | | 9,337,431 | |

Other Construction

| | |
|-------------------------|-----------|
| Surgery Fitout | 1,500,000 |
| Step Free Access Part 2 | 5,067,524 |

**Newcombe House Notting Hill Gate
Revised Scheme July 2018**

| | | | |
|-------------------------------------------------|--------|--------------|--------------------|
| Other development costs | | 1,072,500 | |
| Step Free Access Part 1 | | 1,112,400 | |
| Construction | | 118,028,493 | 126,780,917 |
| PROFESSIONAL FEES | | | |
| Other Professionals | 12.00% | 14,905,010 | 14,905,010 |
| MARKETING & LETTING | | | |
| Commercial marketing | | 50,000 | |
| Residential marketing | | 2,500,000 | |
| Letting Agent Fee | 10.00% | 384,382 | |
| Letting Legal Fee | 5.00% | 192,716 | 3,127,098 |
| DISPOSAL FEES | | | |
| Sales Agent Fee | 1.00% | 2,356,646 | |
| Sales Legal Fee | 0.50% | 1,178,323 | 3,534,969 |
| FINANCE | | | |
| Debit Rate 6.500%, Credit Rate 0.000% (Nominal) | | | |
| Land | | 10,608,954 | |
| Construction | | 16,229,937 | |
| Total Finance Cost | | | 26,838,890 |
| TOTAL COSTS | | | 219,768,315 |
| PROFIT | | | 23,982,238 |
| Performance Measures | | | |
| Profit on Cost% | | 10.91% | |
| Profit on GDV% | | 9.63% | |
| Profit on NDV% | | 9.84% | |
| Development Yield% (on Rent) | | 1.75% | |
| Equivalent Yield% (Nominal) | | 4.41% | |
| Equivalent Yield% (True) | | 4.54% | |
| IRR | | 11.41% | |
| Rent Cover | | 6 yrs 3 mths | |
| Profit Erosion (finance rate 6.500) | | 1 yr 7 mths | |

Newcombe House
Notting Hill Gate
Revised Scheme July 2018 Scenario 2

Development Appraisal
GVA
12 July 2018

**Newcombe House
Notting Hill Gate
Revised Scheme July 2018 Scenario 2**

Summary Appraisal for Phase 1

Currency in £

REVENUE

| Sales Valuation | Units | ft ² | Sales Rate ft ² | Unit Price | Gross Sales |
|---------------------|----------|-----------------|----------------------------|-------------|--------------------|
| Car Parking | 1 | 25 | 150,000.00 | 3,750,000 | 3,750,000 |
| Private Residential | 1 | 67,189 | 2,746.73 | 184,550,000 | 184,550,000 |
| Discounted LLR | <u>1</u> | <u>4,327</u> | 232.90 | 1,007,758 | <u>1,007,758</u> |
| Totals | 3 | 71,541 | | | 189,307,758 |

Rental Area Summary

| | Units | ft ² | Rent Rate ft ² | Initial MRV/Unit | Net Rent at Sale | Initial MRV |
|----------------|----------|-----------------|---------------------------|------------------|------------------|------------------|
| Offices | 1 | 37,060 | 60.22 | 2,231,753 | 2,231,753 | 2,231,753 |
| Retail | 1 | 24,058 | 57.46 | 1,382,373 | 1,382,373 | 1,382,373 |
| Surgery | 1 | 7,255 | 31.66 | 229,693 | 229,693 | 229,693 |
| Farmers Market | <u>1</u> | | | 10,500 | <u>10,500</u> | <u>10,500</u> |
| Totals | 4 | 68,373 | | | 3,854,319 | 3,854,319 |

Investment Valuation

| | | | | | | |
|-----------------------|-----------|----------------|---------|---------|-------------------|--|
| Offices | | | | | | |
| Market Rent | 2,231,753 | YP @ | 4.5000% | 22.2222 | | |
| (1yr 6mths Rent Free) | | PV 1yr 6mths @ | 4.5000% | 0.9361 | 46,425,781 | |
| Retail | | | | | | |
| Market Rent | 1,382,373 | YP @ | 4.2500% | 23.5294 | | |
| (1mth Rent Free) | | PV 1mth @ | 4.2500% | 0.9965 | 32,413,794 | |
| Surgery | | | | | | |
| Current Rent | 229,693 | YP @ | 4.5000% | 22.2222 | 5,104,296 | |
| Farmers Market | | | | | | |
| Market Rent | 10,500 | YP @ | 7.5000% | 13.3333 | | |
| (6mths Rent Free) | | PV 6mths @ | 7.5000% | 0.9645 | 135,028 | |
| | | | | | 84,078,899 | |

GROSS DEVELOPMENT VALUE

273,386,657

| | |
|----------------------------------|-------------|
| Purchaser's Costs | (5,353,338) |
| Effective Purchaser's Costs Rate | 6.80% |
| | (5,353,338) |

NET DEVELOPMENT VALUE

268,033,319

NET REALISATION

268,033,319

OUTLAY

ACQUISITION COSTS

| | | | | |
|-------------|-------|------------|--|------------|
| Fixed Price | | 33,000,000 | | 33,000,000 |
| Stamp Duty | 5.00% | 1,650,000 | | |
| Agent Fee | 1.00% | 330,000 | | |
| Legal Fee | 0.80% | 264,000 | | |
| | | | | 2,244,000 |

CONSTRUCTION COSTS

| | | | | |
|-------------------------------------|-------|-----------|--|-----------|
| Developers Contingency | 5.00% | 6,319,205 | | |
| Zero Carbon Contribution | 1.00% | 124,959 | | |
| S106 Monitoring fee | | 9,500 | | |
| Traffic Man Plan | | 1,000 | | |
| Demolition / Construction Managemen | | 5,600 | | |
| Legible London contribution | | 3,017 | | |
| Cycle hire | | 170,000 | | |
| Public Art | | 100,000 | | |
| Construction Training Contribution | | 261,500 | | |
| Mayoral CIL | | 473,158 | | |
| Borough CIL | | 1,978,276 | | |
| | | | | 9,446,215 |

Other Construction

| | |
|-------------------------|-----------|
| Surgery Fitout | 1,500,000 |
| Step Free Access Part 2 | 5,067,524 |
| Other development costs | 1,072,500 |
| Step Free Access Part 1 | 1,112,400 |

**Newcombe House
Notting Hill Gate
Revised Scheme July 2018 Scenario 2**

| | | | |
|-------------------------------------------------|--------|---------------|--------------------|
| Construction | | 120,204,183 | 128,956,607 |
| PROFESSIONAL FEES | | | |
| Other Professionals | 12.00% | 15,166,093 | 15,166,093 |
| MARKETING & LETTING | | | |
| Commercial marketing | | 50,000 | |
| Residential marketing | | 2,500,000 | |
| Letting Agent Fee | 10.00% | 384,382 | |
| Letting Legal Fee | 5.00% | 192,716 | 3,127,098 |
| DISPOSAL FEES | | | |
| Sales Agent Fee | 1.00% | 2,633,896 | |
| Sales Legal Fee | 0.50% | 1,316,948 | 3,950,844 |
| FINANCE | | | |
| Debit Rate 6.500%, Credit Rate 0.000% (Nominal) | | | |
| Land | | 10,600,529 | |
| Construction | | 16,370,087 | |
| Total Finance Cost | | | 26,970,616 |
| TOTAL COSTS | | | 222,861,473 |
| PROFIT | | | 45,171,846 |
| Performance Measures | | | |
| Profit on Cost% | | 20.27% | |
| Profit on GDV% | | 16.52% | |
| Profit on NDV% | | 16.85% | |
| Development Yield% (on Rent) | | 1.73% | |
| Equivalent Yield% (Nominal) | | 4.41% | |
| Equivalent Yield% (True) | | 4.54% | |
| IRR | | 15.35% | |
| Rent Cover | | 11 yrs 9 mths | |
| Profit Erosion (finance rate 6.500) | | 2 yrs 10 mths | |

Newcombe House
Notting Hill Gate
Revised Scheme July 2018 - Testing no SFA or
Surgery

Development Appraisal
GVA
12 July 2018

**Newcombe House
Notting Hill Gate
Revised Scheme July 2018 - Testing no SFA or Surgery**

Summary Appraisal for Phase 1

Currency in £

REVENUE

| Sales Valuation | Units | ft ² | Sales Rate ft ² | Unit Price | Gross Sales |
|-----------------------|----------|-----------------|----------------------------|-------------|--------------------|
| Car Parking | 1 | 25 | 150,000.00 | 3,750,000 | 3,750,000 |
| Private Residential | 1 | 44,811 | 3,105.82 | 139,175,000 | 139,175,000 |
| Social Rented - KCS2 | 1 | 8,587 | 195.44 | 1,678,243 | 1,678,243 |
| LLR - KCS1 | 1 | 4,596 | 383.81 | 1,763,991 | 1,763,991 |
| Discounted LLR - WPB1 | 1 | 13,520 | 232.90 | 3,148,808 | 3,148,808 |
| Totals | 5 | 71,539 | | | 149,516,042 |

Rental Area Summary

| | Units | ft ² | Rent Rate ft ² | Initial MRV/Unit | Net Rent at Sale | Initial MRV |
|----------------|----------|-----------------|---------------------------|------------------|------------------|------------------|
| Offices | 1 | 44,315 | 61.66 | 2,732,463 | 2,732,463 | 2,732,463 |
| Retail | 1 | 24,058 | 57.46 | 1,382,373 | 1,382,373 | 1,382,373 |
| Farmers Market | 1 | | | 10,500 | 10,500 | 10,500 |
| Totals | 3 | 68,373 | | | 4,125,336 | 4,125,336 |

Investment Valuation

| | | | | | | |
|-----------------------|-----------|----------------|---------|---------|-------------------|--|
| Offices | | | | | | |
| Market Rent | 2,732,463 | YP @ | 4.5000% | 22.2222 | | |
| (1yr 6mths Rent Free) | | PV 1yr 6mths @ | 4.5000% | 0.9361 | 56,841,735 | |
| Retail | | | | | | |
| Market Rent | 1,382,373 | YP @ | 4.2500% | 23.5294 | | |
| (1mth Rent Free) | | PV 1mth @ | 4.2500% | 0.9965 | 32,413,794 | |
| Farmers Market | | | | | | |
| Market Rent | 10,500 | YP @ | 7.5000% | 13.3333 | | |
| (6mths Rent Free) | | PV 6mths @ | 7.5000% | 0.9645 | 135,028 | |
| | | | | | 89,390,557 | |

GROSS DEVELOPMENT VALUE

238,906,599

| | |
|----------------------------------|-------------|
| Purchaser's Costs | (5,691,534) |
| Effective Purchaser's Costs Rate | 6.80% |
| | (5,691,534) |

NET DEVELOPMENT VALUE

233,215,066

NET REALISATION

233,215,066

OUTLAY

ACQUISITION COSTS

| | |
|-------------|------------|
| Fixed Price | 33,000,000 |
| | 33,000,000 |
| Stamp Duty | 5.00% |
| Agent Fee | 1.00% |
| Legal Fee | 0.80% |
| | 2,244,000 |

CONSTRUCTION COSTS

| | | |
|--------------------------------------|-------|------------------|
| Developers Contingency | 5.00% | 5,861,862 |
| Zero Carbon Contribution | 1.00% | 124,959 |
| S106 Monitoring fee | | 9,500 |
| Traffic Man Plan | | 1,000 |
| Demolition / Construction Management | | 5,600 |
| Legible London contribution | | 3,017 |
| Cycle hire | | 170,000 |
| Public Art | | 100,000 |
| Construction Training Contribution | | 261,500 |
| Mayoral CIL | | 473,159 |
| Borough CIL | | 1,978,276 |
| | | 8,988,873 |

Other Construction

| | |
|-------------------------|--------------------|
| Office fit out | 725,500 |
| Other development costs | 1,072,500 |
| Construction | 116,511,736 |
| | 118,309,736 |

**Newcombe House
Notting Hill Gate
Revised Scheme July 2018 - Testing no SFA or Surgery**

| | | | |
|-------------------------------------------------|--------|---------------|--------------------|
| PROFESSIONAL FEES | | | |
| Other Professionals | 12.00% | 13,981,408 | 13,981,408 |
| MARKETING & LETTING | | | |
| Commercial marketing | | 50,000 | |
| Residential marketing | | 2,500,000 | |
| Letting Agent Fee | 10.00% | 411,484 | |
| Letting Legal Fee | 5.00% | 206,267 | |
| | | | 3,167,750 |
| DISPOSAL FEES | | | |
| Sales Agent Fee | 1.00% | 2,284,305 | |
| Sales Legal Fee | 0.50% | 1,142,153 | |
| | | | 3,426,458 |
| FINANCE | | | |
| Debit Rate 6.500%, Credit Rate 0.000% (Nominal) | | | |
| Land | | 10,604,617 | |
| Construction | | 15,080,063 | |
| Total Finance Cost | | | 25,684,680 |
| TOTAL COSTS | | | 208,802,905 |
| PROFIT | | | 24,412,161 |
| Performance Measures | | | |
| Profit on Cost% | | 11.69% | |
| Profit on GDV% | | 10.22% | |
| Profit on NDV% | | 10.47% | |
| Development Yield% (on Rent) | | 1.98% | |
| Equivalent Yield% (Nominal) | | 4.42% | |
| Equivalent Yield% (True) | | 4.54% | |
| IRR | | 11.72% | |
| Rent Cover | | 5 yrs 11 mths | |
| Profit Erosion (finance rate 6.500) | | 1 yr 9 mths | |

Newcombe House
Notting Hill Gate
Revised Scheme July 2018 with grant
funding

Development Appraisal
GVA
12 July 2018

**Newcombe House
Notting Hill Gate
Revised Scheme July 2018 with grant funding**

Summary Appraisal for Phase 1

Currency in £

REVENUE

| Sales Valuation | Units | ft ² | Sales Rate ft ² | Unit Price | Gross Sales |
|-----------------------|----------|-----------------|----------------------------|-------------|--------------------|
| Car Parking | 1 | 25 | 150,000.00 | 3,750,000 | 3,750,000 |
| Private Residential | 1 | 54,003 | 2,904.01 | 156,825,000 | 156,825,000 |
| Social Rented - KCS2 | 1 | 8,587 | 195.44 | 1,678,243 | 1,678,243 |
| LLR - KCS1 | 1 | 4,596 | 383.81 | 1,763,991 | 1,763,991 |
| Discounted LLR - WPB1 | 1 | 4,327 | 232.90 | 1,007,758 | 1,007,758 |
| Totals | 5 | 71,538 | | | 165,024,992 |

Rental Area Summary

| | Units | ft ² | Rent Rate ft ² | Initial MRV/Unit | Net Rent at Sale | Initial MRV |
|----------------|----------|-----------------|---------------------------|------------------|------------------|------------------|
| Offices | 1 | 37,060 | 60.22 | 2,231,753 | 2,231,753 | 2,231,753 |
| Retail | 1 | 24,058 | 57.46 | 1,382,373 | 1,382,373 | 1,382,373 |
| Surgery | 1 | 7,255 | 31.66 | 229,693 | 229,693 | 229,693 |
| Farmers Market | 1 | | | 10,500 | 10,500 | 10,500 |
| Totals | 4 | 68,373 | | | 3,854,319 | 3,854,319 |

Investment Valuation

| | | | | | | |
|-----------------------|-----------|----------------|---------|---------|-------------------|--|
| Offices | | | | | | |
| Market Rent | 2,231,753 | YP @ | 4.5000% | 22.2222 | | |
| (1yr 6mths Rent Free) | | PV 1yr 6mths @ | 4.5000% | 0.9361 | 46,425,781 | |
| Retail | | | | | | |
| Market Rent | 1,382,373 | YP @ | 4.2500% | 23.5294 | | |
| (1mth Rent Free) | | PV 1mth @ | 4.2500% | 0.9965 | 32,413,794 | |
| Surgery | | | | | | |
| Current Rent | 229,693 | YP @ | 4.5000% | 22.2222 | 5,104,296 | |
| Farmers Market | | | | | | |
| Market Rent | 10,500 | YP @ | 7.5000% | 13.3333 | | |
| (6mths Rent Free) | | PV 6mths @ | 7.5000% | 0.9645 | 135,028 | |
| | | | | | 84,078,899 | |

GROSS DEVELOPMENT VALUE

249,103,891

| | |
|----------------------------------|-------------|
| Purchaser's Costs | (5,353,338) |
| Effective Purchaser's Costs Rate | 6.80% |
| | (5,353,338) |

NET DEVELOPMENT VALUE

243,750,553

Additional Revenue

| | |
|-------|---------|
| Grant | 964,000 |
| | 964,000 |

NET REALISATION

244,714,553

OUTLAY

ACQUISITION COSTS

| | | | |
|-------------|-------|------------|------------|
| Fixed Price | | 33,000,000 | |
| | | | 33,000,000 |
| Stamp Duty | 5.00% | 1,650,000 | |
| Agent Fee | 1.00% | 330,000 | |
| Legal Fee | 0.80% | 264,000 | |
| | | | 2,244,000 |

CONSTRUCTION COSTS

| | | | |
|-------------------------------------|-------|-----------|--|
| Developers Contingency | 5.00% | 6,210,421 | |
| Borough CIL | | 1,978,276 | |
| Mayoral CIL | | 473,158 | |
| Construction Training Contribution | | 261,500 | |
| Public Art | | 100,000 | |
| Cycle hire | | 170,000 | |
| Legible London contribution | | 3,017 | |
| Demolition / Construction Managemen | | 5,600 | |
| Traffic Man Plan | | 1,000 | |
| S106 Monitoring fee | | 9,500 | |
| Zero Carbon Contribution | 1.00% | 124,959 | |

**Newcombe House
Notting Hill Gate
Revised Scheme July 2018 with grant funding**

| | | | |
|-------------------------------------------------|--------------|-------------|--------------------|
| | | | 9,337,431 |
| Other Construction | | | |
| Construction | | 118,028,493 | |
| Step Free Access Part 1 | | 1,112,400 | |
| Other development costs | | 1,072,500 | |
| Step Free Access Part 2 | | 5,067,524 | |
| Surgery Fitout | | 1,500,000 | |
| | | | 126,780,917 |
| PROFESSIONAL FEES | | | |
| Other Professionals | 12.00% | 14,905,010 | |
| | | | 14,905,010 |
| MARKETING & LETTING | | | |
| Residential marketing | | 2,500,000 | |
| Commercial marketing | | 50,000 | |
| Letting Agent Fee | 10.00% | 384,382 | |
| Letting Legal Fee | 5.00% | 192,716 | |
| | | | 3,127,098 |
| DISPOSAL FEES | | | |
| Sales Agent Fee | 1.00% | 2,356,646 | |
| Sales Legal Fee | 0.50% | 1,178,323 | |
| | | | 3,534,969 |
| FINANCE | | | |
| Debit Rate 6.500%, Credit Rate 0.000% (Nominal) | | | |
| Land | | 10,605,699 | |
| Construction | | 16,080,712 | |
| Total Finance Cost | | | 26,686,411 |
| TOTAL COSTS | | | 219,615,836 |
| PROFIT | | | 25,098,717 |
| Performance Measures | | | |
| Profit on Cost% | | 11.43% | |
| Profit on GDV% | | 10.08% | |
| Profit on NDV% | | 10.30% | |
| Development Yield% (on Rent) | | 1.75% | |
| Equivalent Yield% (Nominal) | | 4.41% | |
| Equivalent Yield% (True) | | 4.54% | |
| IRR | | 11.66% | |
| Rent Cover | 6 yrs 6 mths | | |
| Profit Erosion (finance rate 6.500) | 1 yr 8 mths | | |

Definitions and Reservations

Definitions and Reservations for Valuations

Information

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

Tenure

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

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

Tenants

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

Plans

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

Site Areas

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

Floor Areas and Dimensions

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

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

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

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

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

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

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

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

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

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

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

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

Ground Conditions

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

Condition of Buildings, Plant Etc

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

cement concrete or calcium chloride additive or any other deleterious materials or permanent woodwool shuttering or composite panelling has been used in the construction.

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

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

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

Asbestos Regulations

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

Fire Safety

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

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

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

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

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

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

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

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

Accessibility

From 1 October 2010, the Equality Act 2010 replaced previous anti-discrimination laws, including the Disability Discrimination Act, with a single Act to make the law simpler and to remove inconsistencies. The Equality Act protects the important rights of disabled people to access everyday facilities and services and to ensure that disabled workers are not disadvantaged.

Our report will contain observations of a general nature on the extent to which we consider that the building would be regarded by the market as complying with the accessibility requirements of the Equality Act. We have not, however, carried out an in-depth study which would be required to reach a formal view.

Energy Performance Certificates

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

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

Services

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

Composite Panels and Insurance

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

Defective Premises Act 1972

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

Environmental Issues

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

Enquiries

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

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

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

Flooding Risk

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

Plant, Machinery, Fixtures and Fitting

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

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

Unless otherwise specified, the following items are excluded:-

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

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

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

Taxation and Grants

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

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

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

Market Value (MV)

The estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion.

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

Fair Value

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

Depreciated Replacement Cost

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

Operational Entities

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

Our valuations reflect the following:-

- a. The market's perception of trading potential with an assumed ability on the part of the purchaser to renew existing licenses, consents, registrations and permits;
- b. That the property is offered with vacant possession throughout, although in the case of nursing and residential care homes, subject to the contractual rights of the patients/residents occupying the home from time to time;
- c. That trade fixtures, fittings, furniture, furnishings and equipment are included.

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

Existing Use Value

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

Market Rent

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

Insurance

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

Reinstatement Cost Assessment

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

- a. the accommodation provided will be similar in construction, design and area to the existing buildings;
- b. the works will be in compliance with conditions imposed by local Authorities in connection with the construction of the building;
- c. unless reported separately, allowances are made to cover the cost of necessary demolition and site clearance prior to rebuilding, external works such as hardstandings, private roadways and fences and professional fees which would normally be incurred.

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

- a. any loss of rent incurred during rebuilding;
- b. planning restrictions which a planning authority might impose;
- c. special foundations required for plant and machinery or due to adverse ground conditions;
- d. any plant, machinery, equipment, tanks, loose tools, office furniture and equipment (refer to the heading "Plant, Machinery, Fixtures and Fittings" for details of items normally included);
- e. any effect of inflation on building costs occurring after the valuation date;
- f. VAT (except on professional fees) which will normally be payable in addition.

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

Apportionment of Values

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

Future Useful Economic Life

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

Compliance with Valuation Standards

Where applicable our valuations are in accordance with the RICS Valuation – Global Standard 2017, published by the Royal Institution of Chartered Surveyors ("RICS"), the Insurance Companies (Valuation of Assets) Regulations 1981, the Financial Conduct Authority (FCA) "Listing Rules" ("Source Book") and "City Code on Takeovers and Mergers" ("Blue Book") as amended and revised from time to time. A copy is available for inspection.

RICS investigations

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

Total Valuation

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

Legal Issues

Any interpretation of leases and other legal documents and legal assumptions is given in our capacity as Property Consultants (including Chartered Surveyors and

Chartered Town Planners) and must be verified by a suitability qualified lawyer if it is to be relied upon. No responsibility or liability is accepted for the true interpretation of the legal position of the client or other parties.

Date, Market Conditions and Validity of Valuation

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

Valuations and Reports

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

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

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

Warranties

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

Updated: May 2018