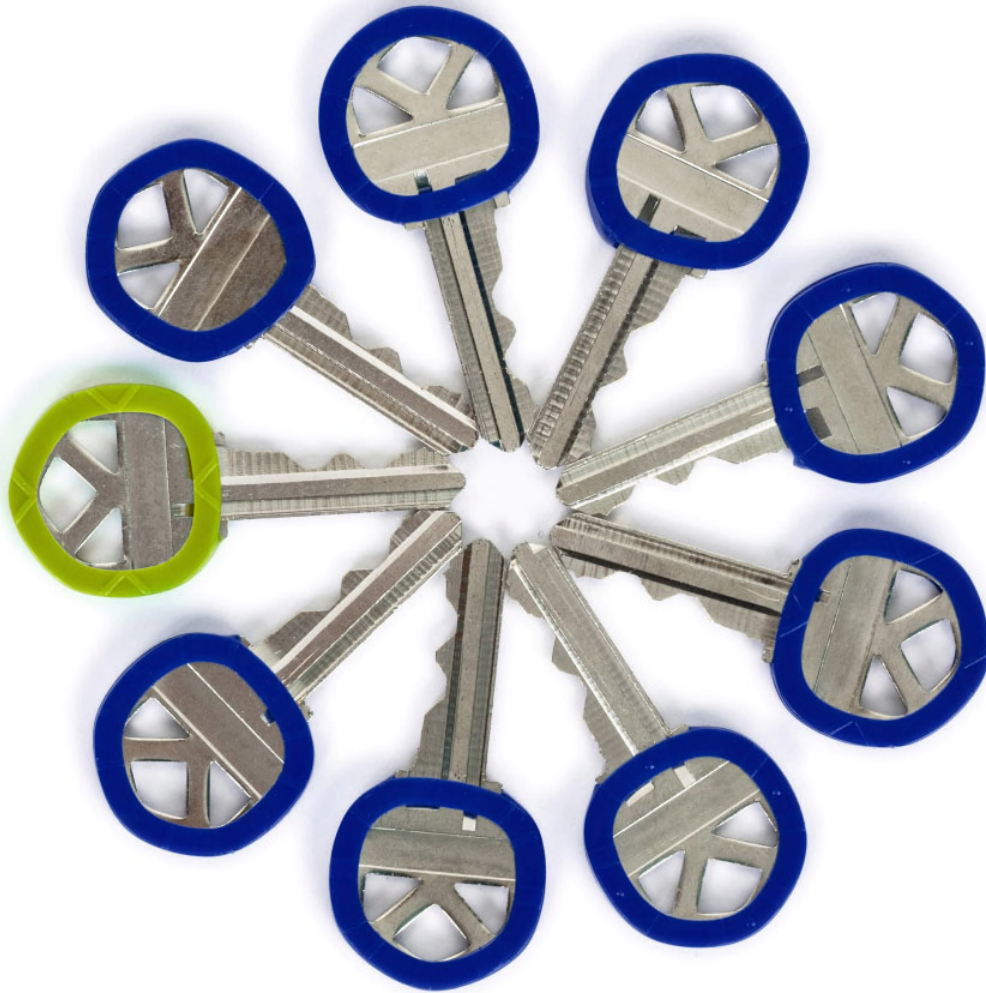




Financial Viability Assessment

Union T2 - Enterprise City

31 March 2020

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31 March 2020

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For the attention of [REDACTED]

Our Ref: AH/EB

Dear Sirs

**Union - Enterprise City
T2, Water Street, Enterprise City, St John's, Manchester
Financial Viability Assessment**

We enclose our report ("the report") providing a Financial Viability Assessment in respect of your proposed development of the T2 site within Enterprise City in St John's, which is to be developed for Co-Living purposes. Our report has been prepared for the sole purpose of assisting and advising St Johns Manchester Newco Ltd (the "Client") in support of the planning application for the proposed development, in accordance with our engagement letter dated 23 March 2020 (Appendix 2). This report includes information provided by you and your consultants, namely Arcadis UK.

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We draw your attention to the scope and basis of our work in Appendix 1. We have not been asked to advise on cost or town planning, although our work shall inevitably interface with these elements. The focus of the review is limited to the sites as defined in our engagement letter.

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The figures contained within this report are presented in the context of advising on the viability of the Union T2 development site. They should not therefore be construed as a formal valuation for accounts, lending or any other purposes. All values, costs and figures are provided as at 31 March 2020 unless stated otherwise.

Yours faithfully



Edwin Bray
For and on behalf of Deloitte LLP

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Executive Summary

Description

- We have carried out a Financial Viability Assessment ("FVA") in accordance with the 'Financial Viability in planning: conduct and reporting (2019)', published by the Royal Institution of Chartered Surveyors (RICS; the National Planning Policy Framework (NPPF) 2019; and Planning Practice Guidance (PPG) 2019.
- The FVA is in respect of T2 Enterprise City, Manchester which is a proposed Co-Living scheme accommodating a total of 372 Co-Living apartments (806 bedrooms). Ancillary facilities include a commercial unit over the ground and mezzanine levels; first floor residential amenity space; and three floors of Co-Working office space.
- The site and adjoining land already has a planning permission granted in 2016 for a residential development comprising 305 private sale residential apartments; and a commercial unit arranged over the ground floor and level 1. The consent remains extant as enabling works have taken place. The consent did not include any requirement to provide affordable housing.
- The 2016 consent included basement car parking, which is outside the curtilage of the site that this is subject to the planning application for the Co-Living scheme.
- Our appraisals assess whether the site is financially viable, by looking at whether the value generated by the development is more than the cost of developing it. This includes looking at the key elements of gross development value, costs, land value, landowner premium and developer return.

Residual Appraisal - Proposed Development

Gross Development Value

We summarise the inputs for the gross development value of the proposed scheme below.

We have assumed in the appraisal that 5% of the scheme (40 beds) will be let in the initial release on completion of construction. We assume that following release, an extra circa 5% of units (40 beds) are leased every month until the scheme is fully occupied 20 months after release. Upon full letting of the scheme, the development is sold.

Revenues	Input
Co-Living Gross Development Value	£110,218,720
Commercial/Co-Working Gross Development Value	£11,198,306
Total Gross Development Value	£121,417,026

The income generated from the development during the hold period to achieve full occupancy is as follows:

Revenues	Input
Income from Tenants	£4,954,645

Costs

We summarise the inputs for the costs of the proposed scheme below.

Costs	Input
Construction Costs *	£73,457,534

Costs	Input
Infrastructure Costs*	£750,000
External Works*	£900,000
Canal Basin Contribution	£500,000
Other construction	£1,304,500
Contingency	£2,203,726
Professional Fees	£5,177,027
Letting costs	£95,022
Sale costs	£1,821,255
Finance Cost	£17,571,508
Developer's Profit	£18,315,938
Total Cost	£122,096,510

*Provided by Arcadis UK

Our residual appraisal on the this basis provides a surplus of £4,275,161 which, once acquisition fees and Stamp Duty Land Tax is deducted, leaves a residual amount of £4,014,234, say **£4,015,000**, for the land.

Residual Appraisal - Benchmark Land Value

Given the property is a predominantly cleared site, with planning consent for residential development, we have used AUV to establish the Benchmark Land Value based on a residual appraisal of the 2016 planning permission for phase 1 of the development site, which was for 305 apartments. We have, however, excluded the basement car parking in the 2016 consent, as that is on land outside the curtilage of the site that this is subject to the planning application for the Co-Living scheme.

Gross Development Value

We summarise the inputs for the gross development value of the proposed scheme below.

We have assumed in the appraisal that 55% of the scheme (168 units) will be sold on completion of construction. We assume that 15% of units are sold in the following month (45 units) with sales tapering 3% per month thereafter following release, which provides a total sales period of six months.

Revenues	Input
Residential Gross Development Value	£98,100,000
Commercial Gross Development Value	£1,829,100
Total Gross Development Value	£99,929,100

Costs

We summarise the inputs for the costs of the proposed scheme below.

Costs	Input
Construction Costs*	£66,424,000
External Works*	£350,000
Infrastructure	£750,000

Costs	Input
Contingency	£1,992,720
Professional Fees	£2,656,960
Marketing, Letting and Sale costs	£2,162,762
Finance Cost	£6,267,722
Developer's Profit	£15,007,500
Total Costs	£95,611,664

*Provided by Arcadis UK

Our residual appraisal on this basis provides a surplus of £4,317,436. Once acquisition fees and Stamp Duty Land Tax is deducted, this leaves a residual amount of £4,053,930, say **£4,050,000**, for the land.

Conclusion

In conclusion the value of the site for the proposed Co-Living scheme is £35,000 less than the Benchmark Land Value on the basis of the existing planning permission for residential use. As a result there is no surplus available for the developer to make a financial contribution for planning purposes.

It should be noted that our appraisal of the Co-Living scheme reflects the Client's intention to maintain rents at 20% below Manchester's average salary for 20% of the total beds (161 en-suite rooms).

COVID-19

As a result of the COVID-19 pandemic, our Financial Viability Assessment is reported on the basis of 'material valuation uncertainty' as per VPS 3 and VPGA 10 of the RICS Red Book Global. Consequently, less certainty – and a higher degree of caution – should be attached to our Financial Viability Assessment than would normally be the case. Given the unknown future impact that COVID-19 might have on the real estate market, we recommend that you keep the Financial Viability Assessment of this property under frequent review.

1 Introduction & Instructions

1.6 COVID-19

The outbreak of the Novel Coronavirus (COVID-19), declared by the World Health Organisation as a “Global Pandemic” on the 11th March 2020, has impacted global financial markets. Travel restrictions have been implemented by many countries.

Market activity is being impacted in many sectors. As at the date of our Financial Viability Assessment, we consider that we can attach less weight to previous market evidence for comparison purposes to inform opinions of value. Indeed, the current response to COVID-19 means that we are faced with an unprecedented set of circumstances on which to base a judgement.

Our Financial Viability Assessment is therefore reported on the basis of ‘material valuation uncertainty’ as per VPS 3 and VPGA 10 of the RICS Red Book Global. Consequently, less certainty – and a higher degree of caution – should be attached to our Financial Viability Assessment than would normally be the case. Given the unknown future impact that COVID-19 might have on the real estate market, we recommend that you keep the Financial Viability Assessment of this property under frequent review.

There is an undoubted impact on all aspects of the property market of COVID-19, as evidenced by the reduction in the share price of Real Estate related businesses, whether they be focused on residential or commercial property. Commercial property occupiers have also been severely affected as many office workers are working from home. Non-essential retail, leisure and restaurant occupiers have also been forced to close their doors and whilst the Government has put forward measures to try and support as many businesses through the disruption as possible, many of these businesses could still fail.

There are examples of property transactions taking place but the transaction volume is significantly reduced and pricing is reported to have been adjusted in some cases. Where properties are still being marketed, there is anecdotal evidence of there being a reduced number of bidders, restrictions on the availability of debt finance and pricing having been adversely affected.

Our instructions are to provide a Financial Viability Assessment of the proposed development and should not therefore be construed as a formal valuation for accounts, lending or any other purposes. In the absence of any comparable rental and sales evidence which post-dates the COVID-19 pandemic we have based our Financial Viability Assessment on evidence which pre-dates the pandemic. This also allows a direct comparison with the Financial Viability Assessment that we have recently undertaken for the neighbouring T1, which pre-dated the lockdown of the UK.

We do expect that all aspects of the proposed and consented development (residential, Co-Living, Co-Working and retail/leisure) will be impacted by the effect of COVID-19. However, as yet we do not know to what extent each of these sectors has been or will be affected. In the absence of any such evidence we have assumed that the consented and proposed schemes of development for T2 would be affected to the same degree and that therefore our overall conclusion of viability would not be impacted. We would, however, reiterate that we recommend you keep the Financial Viability Assessment of this property under frequent review.

1.7 Instructions

We are instructed to provide a Financial Viability Assessment report in respect of T2 Enterprise City, which is within the St John’s regeneration area of Manchester city centre. T2 is to be developed for Co-Living purposes and is to be branded as “Union”. The proposed development will comprise a Co-Living scheme accommodating a total of 372 Co-Living apartments (806 bedrooms). The

development includes a double height ground floor; a commercial unit arranged over ground and mezzanine floors; amenity space on the first floor; three floors of Co-Working offices; and 31 residential levels.

The report has been prepared for the sole purpose of supporting a planning application for the above scheme, which is to be submitted by St Johns Manchester Newco Ltd to Manchester City Council.

We draw your attention to the scope and basis of our work in Appendix 2. The scope of this report does not include advice on development costs or town planning, although our work shall inevitably interface with these elements. As noted in our engagement letter, the focus of the review is limited to a Financial Viability Assessment of the proposed development, based on the information provided to us in respect of your development proposals.

Our assessment of the residual appraisal assumes that planning permission has been secured for the development proposal for the site.

Our appraisals assess whether the value generated by the proposed development is more than the costs of developing it. This includes assessing the key elements of gross development value, costs, developer return and Benchmark Land Value ("BLV").

BLV can be determined on the basis of existing use value, plus a premium which it is considered that a reasonable land owner would require to sell their land. Together this represents the landowner's reasonable expectation of the value of the land, which is sufficient to incentivise the landowner to sell without planning permission for development.

Alternative Use Value (AUV) can also be used in establishing BLV, where that use would comply with up to date development plan policies. If AUV is adopted as BLV, no premium is assumed to incentivise the landowner to sell.

We understand that our report is to be used in connection with the Client's planning application for development on the subject site.

1.8 Information Provided

We have been provided with the following information, upon which we have relied:

- Stage 1 Cost Plan Report – Rev 4, dated 27 March 2020, prepared by Arcadis UK in respect of the T2 Co-Living scheme;
- Stage 0 Cost Plan Report – Rev 4 (Residential), dated 11 March 2020, prepared by Arcadis UK in respect of the consented residential development of T2;
- Tower 2 Riverside Accommodation Schedule [6510-T2-P-B500-Z-002], prepared by Denton Corker Marshall in respect of the consented residential development of T2 and dated 1 December 2016;
- Decision Notice dated 7 December 2016 (Reference 114723/FO/2016) in respect of the consented residential development;
- Area and Accommodation Schedule for the Co-Living scheme. (reference 6556-A-Z100-A-100 and dated 27 March 2020), prepared by Denton Corker Marshall;
- Design and Access Statement from Denton Corker Marshall dated 27 March 2020 for the Co-Living scheme (Doc Ref: 6555/D/2/001) referred to as the "DAS"; and
- Design and Access Statement from Denton Corker Marshall (Residential Scheme) (December 2016).

1.9 Purpose and Appraisal Date

The date of our Financial Viability Assessment is 31 March 2020.

The assessment is required for internal purposes to support the planning application.

1.10 Compliance

Our report complies with the requirements of the Royal Institution of Chartered Surveyors (RICS) Valuation – Global Standards 2020 including the UK National Supplement (Red Book). Our valuation is compliant with the International Valuation Standards (IVS), which is incorporated within the Global Standards.

The FVA has also been undertaken in accordance with the Guidance on Viability published by The Ministry of Housing, Communities and Local Government, as updated on 24 July 2018 following the new National Planning Policy Framework published in July 2018. We have also followed the RICS's mandatory Practice Statement, "Financial viability in planning: conduct and reporting", 1st edition dated May 2019 ("RICS Practice Statement").

In accordance with the RICS Practice Statement we confirm that:

- in preparing this report no performance related or contingent fee has been agreed; and
- we have not prepared and neither are we aware that a market value report has recently been prepared.

1.11 Status of the Valuer

This report has been prepared by [REDACTED]. We confirm that each has the necessary and relevant expertise and experience to carry out the Financial Viability Assessment.

In accordance with our standard Firm policy we have undertaken a conflict check.

As you are aware we are acting as your planning consultants for the property and we have provided a Financial Viability Assessment in respect of the adjoining development, T1 Union. We are also required to inform you that Manchester City Council is a non-audit client of Deloitte LLP. We confirm that this will not affect the provision of Services set out and that no member of the team working on this assignment has had any previous involvement with Manchester City Council.

We can confirm that we did not identify any potential conflict in relation to St Johns Manchester Newco Ltd as client or any of the connected parties or any conflicts in relation to the properties concerned. Should we become aware of any circumstances that might give rise to a conflict of interest we will notify you as soon as possible.

In accordance with the RICS Practice Statement the valuers who have prepared this report have acted:

- with objectivity;
- impartially;
- without interference; and
- with reference to all appropriate sources of information.

1.12 Inspection

The site was inspected externally by [REDACTED] on 13 February 2020.

1.13 Basis of Value and Sources of Information

This report should be read in conjunction with the Sources and Verification of Information and Basis of Valuation attached at Appendix 1.

Our Financial Viability Assessment does not make any allowance for any expenses of realisation, nor does it allow for any liability for the payment of any tax, including Capital Gains Tax, whether existing or which might arise in the future. They are exclusive of Value Added Tax (VAT).

1.14 Services

Unless stated within the appraisal of the site, we have assumed that all the usual mains services are available to be connected to the site.

1.15 Environmental /Ground Conditions

We have not carried out an investigation into the ground conditions for the subject Property and, as such, it is not possible to certify formally that satisfactory ground conditions exist for the proposed development. Similarly we are unable to guarantee or warrant that the site is not and never has been subject to contaminative uses or contaminated.

We have assumed that any abnormal costs associated with any abnormal environmental and/or ground conditions have been reflected in the costs provided to us.

1.16 Flood Risk

Our enquiries of the Government's online "Flood Map for Planning" indicates that the subject site is within Flood Zone 2 and is adjacent to a Flood Zone 3 area, which comprises the adjacent River Irwell and Canal Basin. We have assumed that the design proposals include appropriate consideration of the identified flood risk.

1.17 Highways

Our appraisal assumes that the Property has the benefit of appropriate rights of way to enable access for the proposed development from publically adopted highways and/or from the roads within the St John's estate, subject to a service charge, where applicable.

1.18 Tenure

We are advised by the Client that the Property is to be acquired on the basis of a lease for a term of 250 years. There will be a service charge reserved for the St John's estate which covers the maintenance of common areas, landscaping, conduits, plant and machinery, signs, staff & managing agents, traffic management, refuse, easements, etc. We have not been provided with an estimated service charge liability for the subject Property.

We have assumed that the lease is subject to a peppercorn rent and that there are no onerous covenants affecting value.

We are advised by the Client that the premium to be paid on commencement of the lease is still under negotiation but that as part of the deal structure the Client will be required to contribute £500,000 towards landscaping the canal basin to the north of T2.

1.19 Ground Rents

There has recently been a great deal of press scrutiny of the ground rent market in the residential sector, as ground rent review mechanisms have, in some cases, left homeowners facing unsustainable ground rents, meaning that their homes have become either unsaleable or unmortgageable. In December 2017 the Government announced proposals that included making certain that ground rents on new long leases – for both houses and flats – are set at zero. As a result our experience is that developers are no longer explicitly pricing ground rents in their appraisal of a

residential developments. It is also our experience that ground rents are incompatible with the development of residential units of scale for investment purposes, whether that be for the Private Rented Sector or Co-Living. On this basis we have excluded ground rent income in our development appraisal of the subject site.

1.20 Market Commentary

A market commentary and the comparable evidence relevant to the Financial Viability Assessment is provided in Appendix 5.

1.21 Confidentiality

This report (the "Report") has been prepared by Deloitte LLP ("Deloitte") for St Johns Manchester Newco Ltd in accordance with the contract with them dated 23 March 2020 ("the Contract") and on the basis of the scope and limitations agreed therein.

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2 Planning Policy

2.6 National Planning Policy Framework (NPPF) and Planning Practice Guidance (PPG)

Our Financial Viability Assessment reflects guidance in the National Planning Policy Framework (NPPF) and Planning Practice Guidance (PPG) 2019. The National Planning Policy Framework sets out the Government's planning policies for England and how these should be applied. The Planning Practice Guidance sets out key principles in understanding viability in plan making and decision taking.

2.7 Core Strategy

Manchester's Core Strategy was adopted on 11 July 2012 and is the key development plan in the Local Development Framework. The Local Development Framework ("LDF") is a collection of statutory Development Plan Documents ("DPDs") that together set out the vision and spatial strategy for the future development of Manchester.

The Core Strategy replaces significant elements of the Unitary Development Plan ("UDP") as the document that sets out the long term strategic policies for Manchester's future development and will form the framework that planning applications will be assessed against.

The subject site is located outside of the City Centre in the Core Strategy but falls within the City Centre Fringe. As set out in Policy CC1, a variety of high quality accommodation types, size and foot-plates will be encouraged within the City Centre and fringe, in order to boost investment by local, national and international businesses.

2.8 Strategic Regeneration Framework (SRF and Masterplan)

There is a Strategic Regeneration Framework ("SRF") for St John's, which was adopted by Manchester City Council's ("MCC") Executive Committee in February 2015. In November 2016, an update to the SRF was presented to the MCC Executive Committee.

The SRF establishes the development principles for St John's, which extends to approximately 13 acres. The SRF identified St John's as presenting an immediate opportunity to lead the next phase of the city's regeneration. In particular it identifies an opportunity to deliver a "best in class" residential led mixed use development.

2.9 Conservation Area

The site is located in the Castlefield Conservation Area and is adjacent to the St John Street Conservation Area to the east.

2.10 Listed Buildings

The SRF area contains the Grade II listed Manchester and Salford Junction Canal Tunnel and the Grade II listed Colonnaded Railway Viaduct, although the Viaduct is outside the subject site's boundary. Whilst the subject site does not include any listed buildings, there are a number in close proximity to the subject site. These include the adjacent hotel.

2.11 Affordable Housing

We have reviewed Manchester City Council's Affordable Housing Policy (Policy H8). We understand this policy applies to all residential developments on sites of 0.3 hectares and above or where 15 or more units are proposed.

The policy states that:

- New development will contribute to the City-wide target for 20% of new housing provision to be affordable. Developers are expected to use the 20% target as a starting point for calculating affordable housing provision. It is envisaged that 5% of new housing provision will be social or affordable rented and 15% will be intermediate housing, delivering affordable home ownership options.
- The proportion of affordable housing units will reflect the type and size of the development as a whole; and, where appropriate, provision will be made within Section 106 agreements to amend the proportion of affordable housing in light of changed economic conditions, subject to a financial viability assessment.
- Affordable housing units will be inclusively designed to reflect the character of development of the development.

We note from the Design and Access Statement that the proposed development of the subject Property is defined as being sui generis, rather than being a residential development. We have, however, had regard to the affordable housing policy for residential uses in preparing the Financial Viability Assessment.

2.12 Previous Planning Consents

The site's recent planning history is summarised in the table below:

Name and PP Reference	Description	Status	Notes
Land bounded by River Irwell Canal Basin to the north, Water Street to the east, Princes Bridge to the south and the River Irwell to the west – PP. Ref.: 114723/FO/2016	Demolition of existing buildings and structures to enable construction of a 36 storey residential tower (Class C3) with retail uses at lower floors (Classes A1/A2/A3 and A4), new public realm, landscaping including the first phase of Riverside Park and Walkway, provision of external seating areas, car and cycle parking, access arrangements and other associated works.	Implemented.	The Proposed Development detailed in this Report will supersede the 36-storey residential tower approved under this Planning Permission.

Together with the existing planning permission for the residential development of the subject site, there are a number of relevant planning permissions relating to adjacent Sites related to delivery of the wider St John's masterplan:

- St John's Place (Ref:109660/FO/2015/C1): Mixed use proposals comprising hotel and residential, with a variety of ground floor uses.
- St John's Place (Ref:121721/FO/2018): Proposals for nine storey office, superseding the above.
- 'T2' (Ref:114723/FO/2016): 36 storey residential tower with retail at ground floor.
- Factory (Ref:119890/VO/2018): Flexible arts and events space.
- Old Granada Studios (118040/FO/2017): 10 storey residential and commercial mixed use tower, provision of events and filming studios, and a hotel.

3 Site Information

3.6 Location

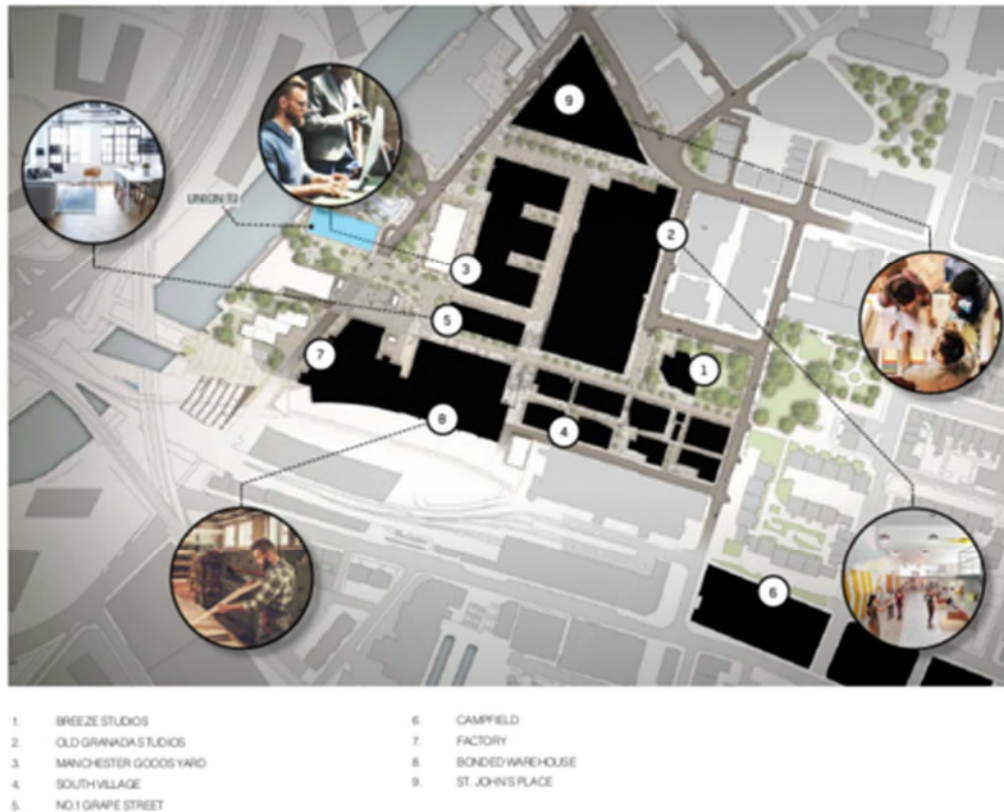
St John's comprises the site of the former Granada TV Studios complex, which is located on the western edge of Manchester city centre. The site is bounded by the River Irwell to the west; the four star Marriott Victoria and Albert Hotel on the River Irwell embankment; by Quay Street to the north; and by Atherton Street to the east. To the south St John's is bounded by buildings fronting Liverpool Road.

To the north are two significant business districts straddling the River Irwell; the established Spinningfields and the ongoing development of New Bailey. Spinningfields is home to a number of major North West office occupiers and also includes a vibrant retail and leisure offer, as well as apartments. New Bailey has attracted office occupiers including Freshfields Bruckhaus Deringer and HMRC, and also includes both apartments and retail/leisure units.

The site is located within the St. John's Masterplan area, the aim of which is to create a mixed-use, residential-led city centre neighbourhood, the strategic vision for which is to create a 'best-in-class' City Centre neighbourhood, where people can live, work and experience cultural events in the local area, helping to raise Manchester's international profile. The Enterprise City concept within St John's is to establish a media and tech creative hub within St John's.

Enterprise City will comprise a unique offering of multi-studios for TV, film and music recording/production, entertainment, places to start a retail brand, a restaurant or a café, all anchored on 21st Century workspace infrastructure.

The location of the subject property relative to the remainder of the St John's estate is shown on the plan below:



Source: Design and Access Statement prepared by Denton Conker Marshall

The subject site is bounded by Water Street to the east and by the River Irwell to the west.

We have summarised below the proposed development for each element of St John's:

Breeze Studios

Breeze Studios will remain in its current capacity as a public park and heritage site within the St John's development. The site is a mature garden parkland with a building currently located in the centre of the park and will be maintained as a managed park in the development.

Old Granada Studios

The Old Granada Studios building is to be developed into a 25,548 sq m (275,000 sq ft) mixed use scheme that will offer a range of different commercial spaces. The proposed development will include 9,290 sq m (10,000 sq ft) of hotel space; 6,968 sq m (75,000 sq ft) for studio and events area; 5,946 sq m (64,000 sq ft) of office accommodation; 1,301 sq m (14,000 sq ft) of modular workspace; 1,291 sq m (13,900 sq ft) of restaurant facilities; and 743 sq m (8,000 sq ft) of retail space. It is currently under construction.

Manchester Goods Yard

The Manchester Goods Yard is the development of a technology campus that provide three 10-storey office towers in the centre of the St John's development, which also includes a two storey basement comprising 465 car parking spaces. Booking.com has taken a lease for 220,000 sq ft (20,438 sq m) of office space, aiming to relocate 1,500 employees from across Manchester city centre into one building. It is currently under construction.

South Village

The planning application for South Village has been withdrawn and the development will no longer proceed.

No.1 Grape Street

No. 1 Grape Street will be a 10-storey mixed-use building comprising office workspace on the upper floors and retail use on the ground floor. The development will provide car parking and cycle storage for the tenants.

Campfield

Upper Campfield is a grade-II listed building at the entrance of the St John's development from Deansgate. Lower Campfield building is currently used by the Museum of Science and Industry as the Air and Space Gallery.

Factory

The Factory is a large scale venue for culture and performing arts built on the western periphery of the St John's development. The venue will be a flexible space that can be manipulated into different configurations to provide optimal space for the cultural shows, performing arts events or large screen broadcasts. Factory will be approximately 65,959 sq m (710,000 sq ft) and is aiming to be complete in 2020.

Bonded Warehouse

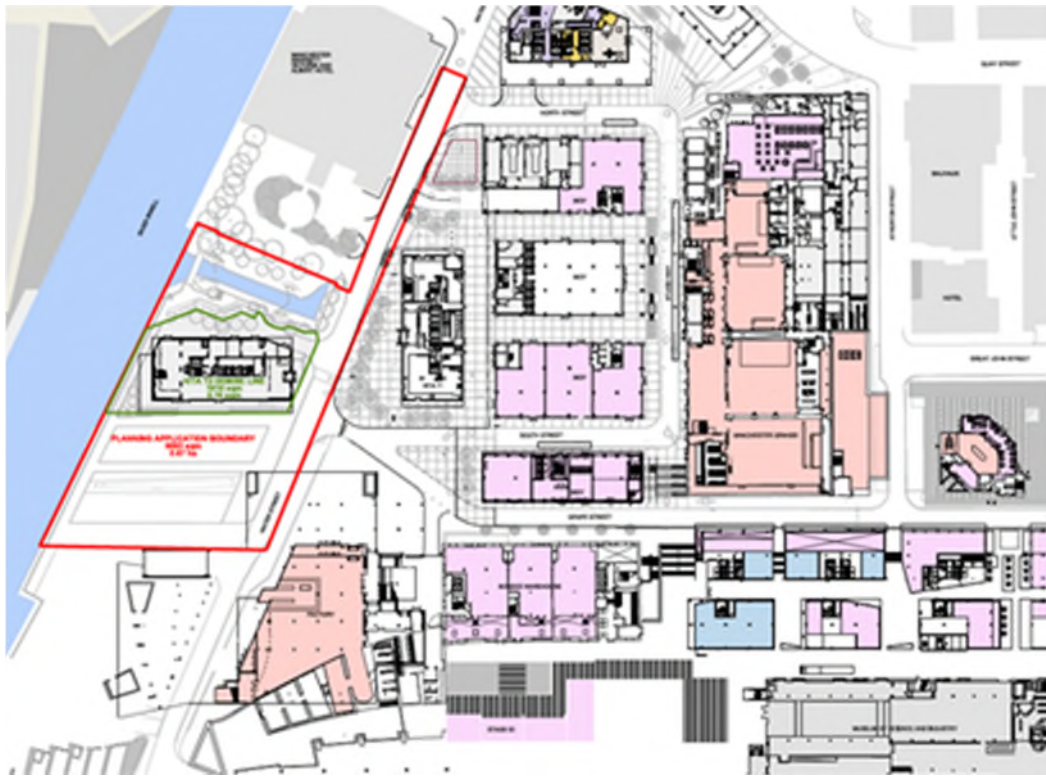
Bonded Warehouse is an enterprise hub for small to medium business in a redesigned and reconfigured 1800's warehouse. The building is six-storeys tall, with the ground floor being a series of leisure facilities including cafes and restaurants. The levels above it are creative studios, events zones and co-working spaces. The property is approximately 11,891 sq m (128,000 sq ft) and is currently at the design stage.

St. Johns Place – Globe and Simpson

Demolition of on site structures was completed in 2019 and now work is underway to provide 8,361 sq m (90,000 sq ft) of Grade A office floorspace over ten storeys, with ground floor active uses, known as Globe and Simpson, with basement parking and back of house areas. WPP has pre-let the entire office floorspace. It forms part of the wider St. John's Place element of the scheme, which is a phased development that also has approval for a 51 storey residential and hotel tower block and the redevelopment of the Albert's Shed site for residential use.

3.7 Description

The subject site extends to approximately 0.16 hectares (0.40 acres) as shown edged green on the plan included below.



Source: Design and Access Statement prepared by Denton Conker Marshall

3.8 The consented T2 development

The original consented development for the site was a 36-storey residential tower known as T2.

The consented T2 scheme would be located on the west side of Water Street, with the entrance to the Tower being from the Water Street frontage and leading to an extensive residential lobby. A commercial unit arranged over the ground floor and level 1 was to be located towards the River Irwell frontage.

Large, double basement levels were located beneath the proposed building and beneath the public realm to the south of the building, extending towards the proposed "Factory" building on the opposite side of Water Street. These basement levels were to be accessed via a ramp from the Water Street frontage. The basement was to provide 78 car parking spaces; 11 motorcycle parking spaces; storage for 300 bicycles; and residential amenity such as storage.

The application boundary is shown edged red on the plan included in section 3.7. It should be noted that the site that this is being acquired for the development of T2 is much smaller and is shown edged in green on the same plan. The area edged green excludes the basement car parking referred to above. On this basis we have not taken account of either the costs or potential revenue from basement car parking when assessing Benchmark Land Value.

T2 was designed to accommodate 305 apartments in the form of high-rise city centre living. The development proposed five different apartment types throughout the development, ranging from one bedroom apartments to large flexible two bedroom penthouses. Below is a table summarising the different apartment types and the number of the apartments in the development.

Apartment Type	Size (Sq M)	Description	Number of Apartments in development
Type A	43 sq m – 49 sq m	One bedroom, one bathroom with an open plan living area.	101
Type B	64 sq m – 70 sq m	Two bedroom apartment with two bathrooms and an open plan living area.	150
Type C	68 sq m – 72 sq m	Two bedroom apartment with two bathrooms and a large open plan living area.	20
Type D	68 sq m – 72 sq m	Two bedroom apartment with two bathrooms and a large open plan living area which is adaptable.	31
Type E	138 sq m	Two bedroom penthouse with two bathrooms and a large open plan living area with storage.	3
Total			305 units

On the ground floor, Level 1, Level 35 and at roof level were private resident amenity levels offering space for leisure, dining and entertainment. At Level 1 there was to be a Co-Working lounge and dry gym area. On Level 35 and at roof level residential amenity areas were proposed which would have included private dining rooms, an external terrace, lounge, media room, semi external dining and a wellness area.

3.9 Proposed Development

The proposed development is a 36-storey, mixed-use building, which is of a similar scale to the previously approved residential tower. It comprises a double height ground floor; a commercial unit arranged over ground and mezzanine floors; amenity space on the first floor; three floors of Co-Working offices; and 31 residential levels. The residential levels provide a mix of Co-Living apartments in the form of studio, 'trio' and 'quad' apartments. Typical floor plans are included in Appendix 3.

The Co-Living scheme will provide 372 units (806 bedrooms). The tower will be bounded to the east by Water Street and to the west by the River Irwell. On the opposite side of Water Street will be Union T1, which is a similar proposed Co-Living tower.

In the DAS, the architect provides a series of visualisations for the specification of the scheme. Based upon the visualisations we have assumed that the development will be of high quality specification.

The exterior of the building will be designed to incorporate a cellular exterior. This is to incorporate the tower with the rest of the St John's developments and the developer's new approach to development of residential towers. In Appendix 3 there is a visualisation of the proposed scheme.

The proposed mix of residential accommodation comprises:

- 62 x 4-bed 'Quad' apartments – 99.0 sq m (248 beds – 17% of the overall mix);
- 124 x 3-bed 'Trio' apartments – 72.0 sq m (372 beds – 33% of the overall mix);
- 27 x Studio Plus 2 – 27.0 sq m (27 beds – 7% of the overall mix)
- 31 x Studio Plus 1 – 31.0 sq m (31 beds – 8% of the overall mix)
- 4 x Accessible Studio- 27.0 sq m (4 beds – 1% of the overall mix) and
- 124 x Studio apartments – 17.0 sq m (124 beds – 34% of the overall mix)

A total of 806 bed spaces will be provided, of which 70% will be within the Trio and Quad apartments.

A summary of the residential accommodation is provided in the table below.

Apartment Type	Units	Beds	Apartment Area (Sq M)
Quad	62	248	99 sq m
Trio	124	372	72 sq m
Studio Plus 2	27	27	27 sq m
Studio Plus 1	31	31	31 sq m
Accessible Studio	4	4	27 sq m
Studio	124	124	17 sq m
Total	372	806	

The accommodation is arranged as follows:

Basement

The basement will provide plant rooms and cycle storage for residents.

Ground Floor

The majority of the ground floor comprises a commercial unit, in addition to reception area for the Co-Living and Co-Working elements of the building, which is accessed from the Water Street frontage. There is also a second entry point on the northern elevation of the building, which will provide access for residents to the basement. Access to the upper floors will otherwise be via a service core with four passenger lifts.

The commercial unit will be arranged over ground and mezzanine levels, with full height glazed frontages overlooking the public realm and the river. The ground floor commercial unit extends to 341 sq m (3,670 sq ft).

Back-of-house facilities are limited to bin stores.

Mezzanine

The mezzanine provides a combination of plant rooms and a mezzanine level occupied in conjunction with the ground floor commercial unit. The mezzanine commercial unit extends to 274 sq m (2,949 sq ft).

First Floor

The entire first floor is entirely dedicated to residents' and Co-Working amenity space. The amenities will include an open lounge, hot desking, library/quiet room space, private dining rooms; flexible event areas; a gaming room; and a laundry room.

Level 2 to 4

Three levels of Co-Working space are to be provided over levels 2 to 4, which is to be open to both residents and non-residents. The space will extend in total to 1,995 sq m (21,466 sq ft).

The Co-Working space will be available 24 hours a day, seven days a week and will include a reception area, a coffee shop and layout providing both hot desking and formal meeting rooms.

Upper Floors

The remaining upper floors will typically comprise two no. Quad (4 bedroom apartment units; four no. Trio (3 bedroom) apartment units; and six no. studios. The studios range between 17.0 sq m (183 sq ft) to 31 sq m (334 sq ft) for the largest Studio Plus and accessible units.

- Studio (17 sq m): self-contained studio with private bathroom, kitchen and living room.
- Studio Plus Apartment (27 to 31 sq m): as above, but suitable for couples/dual occupants, with more space and therefore suited to longer occupation.
- DDA Studio Apartment (26 sq m): Accessible studios.
- Trio: three bed apartments, each bedroom with en-suite, and shared kitchen and living room.
- Quad: four bed apartments, each bedroom with en-suite, and shared kitchen and living room.

All apartments are accessed via the central corridor. All floors benefit from four passenger lifts and refuse chutes in the corridor.

4 Financial Viability Assessment

4.1 Financial Viability Assessment

We have carried out the Financial Viability Assessment in accordance with the 'Financial Viability in planning: conduct and reporting (2019)', published by the Royal Institution of Chartered Surveyors (RICS); the National Planning Policy Framework (NPPF) 2019; and Planning Practice Guidance (PPG) 2019.

4.2 Methodology

We have assessed the viability of the foregoing scheme using the residual method of valuation. We would at this stage comment that a residual valuation is sensitive to small changes in key variables, including construction costs & fees, funding costs, construction/development timing, rental values and investor returns. Appraisals of this nature depend for their accuracy on the input variables, of which some of the most crucial (build costs, rental value and investment yield, etc.) can be subject to substantial variation over the project period.

Changes to specific inputs may have a disproportionate effect on value. A greater degree of risk and uncertainty is inherent in this methodology compared with a standard comparable investment valuation approach.

Our appraisals assess whether the site is financially viable, by looking at whether the value generated by the development is more than the cost of developing it. This includes looking at the key elements of gross development value, costs, land value, landowner premium and developer return.

4.3 Co-Living Appraisal

4.3.5 Gross Development Value

4.3.5.1 Co-Living

The gross development value of the scheme has been determined by using market evidence (outlined in Appendix 5) and making adjustments to take into account variations in use, form, scale, location, rents and yields.

The proposed development comprises a Co-Living scheme accommodating a total of 372 Co-Living accommodation apartments (806 bedrooms). In addition there is a commercial unit over ground and mezzanine levels of 615 sq m (6,619 sq ft) and three floors of Co-Working office space totalling 1,995 sq m (21,474 sq ft).

Co-Living in the UK is in its infancy and there is no direct rental and sales evidence in the sector. We have therefore had regard to rental and sales evidence in other markets, comprising the residential and purpose built student accommodation sectors, before making appropriate adjustments to take into account the differences in use.

In forming our opinion of Market Rent we have considered the following comparable rental evidence of existing Build to Rent properties within the city centre, as well the comparable evidence provided in Appendix 5:

Scheme	Comparison to Subject Property
The Slate Yard, Stanley Street (JLL / L&G)	This Build to Rent property in close proximity to Spinningfields which was completed in two phases in 2017 and 2018 comprising 90 and 135 units respectively. The property is finished to a high level of specification and offers a variety of 1, 2 and 3 bedroom furnished apartments. The facilities included within the scheme are free Wi-Fi usage, bike store, car club, gym and residents lounge/co-working space. The average rentals achieved for each bedroom type are as per the below: • 1 Bedroom - £1,000 pcm • 2 Bedroom - £1,400 pcm (£700 per room) • 3 Bedroom - £2,000 pcm (£667 per room)
Pomona Wharf, Castlefield (Vista Fund)	A Build to Rent property completed in Q3 2018 in Castlefield offering 164 apartments across two purpose built blocks. Amenities include parking, bike storage and high speed broadband. Other amenities are limited. The average rentals achieved for each bedroom type are as per the below: • 1 Bedroom - £770 pcm • 2 Bedroom - £930 pcm (£465 per room) • 3 Bedroom - £1,350 pcm (£450 per room)
Greengate, Salford (JLL)	This development by Renaker comprises 497 apartments across two residential towers which were completed in July 2016 and January 2017. The apartments are understood to be finished to a good internal standard with the following common facilities; 24-hour concierge, gym, resident's lounge, parking, communal kitchen and courtyard. The scheme is located in the northern Greengate area of Salford close to Manchester Victoria train station. This location would be regarded as inferior to the subject property location. The average rates achieved for each room type are as per the below: • Studio - £895 pcm • 1 Bedroom - £925 pcm • 2 Bedroom - £1,050 pcm (£525 per room) • 3 Bedroom - £1,650 pcm (£550 per room)

Scheme	Comparison to Subject Property
Rivergate House, Wilburn Street Basin (Renaker)	Rivergate House forms part of the Renaker Wilburn Wharf development and was completed in late 2016. The development was finished to a high level specification and comprises a mix of one, two and three bedroom apartments. The common facilities include concierge reception, gym, cinema room, outdoor space and car parking. The location of the property is close to the subject site but in a more inferior location west of the River Irwell. The average rentals achieved for each room type are as per the below: • 1 Bedroom - £825 pcm • 2 Bedroom - £1,050 pcm (£525 per room) • 3 Bedroom - £1,350 pcm (£450 per room)
Anaconda Cut 100 Greengate M3 7NG (Renaker)	44 storey purpose built build to rent property located in the Greengate area of the city. The development opened in 2019 and offers 349 units benefitting from 24 hour concierge service, residents gym and yoga studio, cinema room, co working space, underground parking and a communal sky lounge roof terrace space. The 1, 2 and 3 bedroom apartments are all finished to a high standard of specification with furniture included. The typical rentals for each apartment are as per the below: • 1 Bedroom - £900 - £1,350 pcm • 2 Bedroom - £1,150 - £1,500 pcm (£575 - £750 per room) • 3 Bedroom - £1,800 - £1,900 pcm (£600 - £633 per room)

We have also given consideration to rents being achieved at key, high quality purpose built student accommodation schemes in central Manchester. All of the rents below are on the basis of 51 week tenancies:

Scheme	Comparison to Subject Property
Circle Square, Manchester (Vita Student)	We understand from the client that this development comprises three buildings which have been completed consecutively with the final building due to complete in time for the 2019/2020 academic year. The property provides a range of cluster and studio rooms on both 44 and 51 week tenancies. We understand the specification of the buildings is of a high standard, providing a high service level which includes concierge service and 'grab and go' breakfast in two of the buildings. The quoting rents for the 2019/2020 academic year are as follows: - Cluster Studios – from £270 per week (£1,170 pcm) - Private Studios – rents range from £261 to £486 per week (£1,130 to £2,100 pcm) The location of Circle Square is superior to St John's for students, given the proximity of the University campus.
Wilmslow Park (iQ Student Accommodation)	Modern scheme which was recently refurbished to provide high quality en-suite room shared accommodation. The building also offers a range of common facilities including a gym, social hub, table tennis and study areas. The property is located on Oxford Road to the south of the city, close to the university district. For the 2019/2020 academic year the quoting rents are as follows: Cluster Studios – from £172 to £199 per week (£745 to £860 pcm) The specification of the proposed development will be superior to Wilmslow Park and the location is also better.

Scheme	Comparison to Subject Property
The Chapel (Hello Student)	Grade II listed building which opened for the 2017/18 academic year offering high quality en-suite and studio rooms. The converted building also provides a gym, cinema room, study areas and social spaces. The property benefits from a strong student location in close proximity to both The University of Manchester and Manchester Metropolitan University. The quoting rents for the 2019/2020 academic year are as follows: - Cluster Studios – from £185 per week (£800 pcm) - Private Studios – rents range from £195 to £257 per week (£845 to £1,100 pcm) The property is location in an inferior location, however the specification is finished to a very high level.

The proposed scheme comprises 62 x 4 bed 'Quad' apartments; 124 x 3 bed 'Trio' apartments; and 186 studio apartments.

We understand that the subject development will offer flexible tenancies with a minimum stay of six months up to 24 months for the Co-Living shared apartments. The studios will be run on a more flexible basis, similar to a serviced apartment.

The rents we have applied for the Co-Living scheme are generally at the lower end of the range compared to the comparable evidence for similarly specified schemes. We consider that this is consistent with the Co-Living concept, which has been brought forward by developers to partly provide affordable rental levels to tenants, especially targeting young people, often just out of university. However, the property does benefit from being in closer proximity to the Spinningfields district and the associated amenities, compared to much of the comparable evidence outlined above. This has also been reflected in the rents.

With regard to affordability, we understand from the Client that the scheme is designed to be accessible for a range of incomes, based on circa 30% of gross income, as recommended by Manchester City Council. We are advised that the Client is also committed to maintaining rents at 20% below Manchester's average salary for 20% of the total beds (161 en-suite rooms), which would be affordable to those earning an average Graduate salary.

The Union model will therefore ultimately offer an on-site discounted form of rent for those who meet the income eligibility criteria, without any form of public subsidy or government grant funding.

Based on the evidence outlined above, we have adopted accommodation only rents of between [REDACTED] pcm and [REDACTED] pcm for a bedroom in the Co-Living clusters; [REDACTED] pcm for the 17 sq m Studios; [REDACTED] pcm for the 27 sq m Studios; and [REDACTED] pcm for the 31 sq m Studios. These rents map across to the rents charged for conventional apartments as follows:

The five residential schemes detailed above range between £450 and £700 pcm per bedroom for two to three bedroom apartments, although the tone is typically £450 to £600 pcm. The evidence provided for studio or one bed apartments is £770 to £1,350 pcm.

The additional evidence in Appendix 5 provides a range of £825 to £900 pcm for one bed units in the immediate area of Spinningfields; £588 to £1,050 pcm per bedroom for two bedroom units; and £525 to £1,583 pcm per bedroom for three bedroom units.

The rental evidence provides a wide range and is difficult to interpret for Co-Living. We have consequently concentrated on rental evidence from Deansgate Square which is a new build tower of similar specification to Union. In that scheme we have evidence ranging between £850 and £1,050 pcm per bedroom for two bedroom units. Our rent for a Co-Living three bed unit is [REDACTED] pcm per bedroom, which is lower than Deansgate Square to reflect the nature of Co-Living. We have applied a discount of [REDACTED] pcm to the four bed unit in T2, which reflects the increased impact of Co-Living as the units get larger.

Rents for studios are more difficult to benchmark given a lack of such units in the market. However, the rate adopted of [REDACTED] to [REDACTED] pcm is supported by the range of the comparable evidence for Purpose Built Student Accommodation. Our analysis of comparable student accommodation blocks shows rents for private studios ranging from £845 to £2,100 pcm. Bedrooms in student cluster units range from £745 to £1,170 pcm. The rent that we have adopted for the Co-Living studios is again at the lower end of the range of the evidence.

Lower rents of [REDACTED] per bed per pcm have been adopted for 161 beds which the Client has committed to provide as affordable to those earning an average Graduate salary.

In the case of Co-Living the rent paid is also inclusive of bills, which we have estimated to be approximately [REDACTED] per month. These bills would include utilities, wi-fi, etc., which would otherwise be a tenant's responsibility in the traditionally rented sector of the residential market.

We have therefore appraised the proposed development on the foregoing basis and summarise below the rents that we have adopted, which include bills at [REDACTED] per month:

Apartments	No. of beds	Rent per room pcm (incl. bills)	Total Gross Rent pa
Studio + (31.0 sq m)	31	[REDACTED]	[REDACTED]
Studio (27.0 sq m)	31	[REDACTED]	[REDACTED]
Studio (17.0 sq m)	124	[REDACTED]	[REDACTED]
Co-Living 3 bed	372	[REDACTED]	[REDACTED]
Co-Living 4+ bed	87	[REDACTED]	[REDACTED]
Affordable (Co-Living 4/4+ bed)	161	[REDACTED]	[REDACTED]
Total	806		[REDACTED]

We have also included an additional nominal income of £5 per month per bed which is expected to be generated through operations such as washing machines, vending machines and cleaning services.

To arrive at a sustainable net rental figure, we have deducted [REDACTED] of the gross rental values to reflect operational, void, letting costs and the St. John's estate service charge. Whilst the operating costs for Co-Living are untested, we understand the build to rent rental leakage tends to fall within a range of 23% - 28% with the lower end of the range only possible when institutional investors are able to increase operational efficiency with the operation of multiple schemes. We consider the rate applied should be higher than the lower end of the range for Co-Living to reflect that costs for Co-Living are untested and, at the subject scheme, there is a the mix of flexible and comparatively short stay income in the Studios which comprise 23% of the bedspaces.

All length of stays will be secured with a licence to occupy agreement rather than a standard Assured Shorthold Tenancy agreement which allows greater flexibility to extend tenancies or move between units types within the building but may lead to a higher turnover of tenants.

Properties held for investment purposes are usually valued using the investment or income method of valuation, which is based on the capitalisation of present and predicted income to produce an opinion of capital value.

Where properties are bought and sold on the basis of their trading potential, such as hotels, pubs and bars, the valuation reflects the trading potential of the property is valued by the use of the profits method. This is a form of the income method and requires the valuer to form their opinion on a Fair Maintainable Trade and Fair Maintainable Operating Profit ("FMOP") in the hands a Reasonably Efficient Operator. It is the FMOP that provides the income that is capitalised.

In addition to being sold on the basis of their trading potential, another essential characteristic of this type of property is that it has been designed or adapted for a specific use. The resultant lack of flexibility usually means that the value of the property interest is intrinsically linked to the returns that an owner can generate from that use.

We consider that the proposed development shares some of the characteristics of a trade related property, although we understand that the design is such that the building could be adapted for conventional residential use. However, the property does offer furnished accommodation and ancillary amenity services. The appraisal of the proposed development therefore assumes that on the sale of the property, it will be sold together with the trade inventory, which usually comprising all trade fixtures, fittings, furnishings and equipment, as well as any licences or consents required to continue trading. We further assume that a purchaser would have the benefit of future bookings, any website domain or operating platform, and retain the existing staff.

Furthermore, considering the varying levels of length of stay and elasticity of income that people can afford, it is assumed that Co-Living yields could vary more on location and amenities rather than comparative transactions.

Below we have summarised the relevant yield benchmark for these sectors from the CBRE yield matrix and the Knight Frank Yield Guide for December 2019 (either Manchester or Regional):

Sector	CBRE Yield	Knight Frank Yield
Build-to-Rent	4.25%	4.25%
Purpose Built Student Accommodation	5.00+%	5.25%
Budget Hotel (Fixed/RPI uplifts 20yr+ term, Strong Covenant)	4.25%	4.00%
Hotel VP (Upscale)	6.25%	n/a
Hotel Management Contract	7.50%	n/a

Manchester is though considered a 'super prime' location in terms of student accommodation. This is due to the significant lack of supply (with a restriction of building new student accommodation up until 2018 when it was lifted) coupled with a continual increase in student numbers. The table below is a benchmark for prime Purpose Built Student Accommodation on a direct let basis.

		2018	2019
"Super-prime" regional	CBRE	5.00%	5.00%
	JLL	5.25%	5.25%
	C&W	4.75%	4.75%

Whilst there is demand from certain investors for Co-Living, there have yet to be any Co-Living schemes that have transacted due to the infancy of the Co-Living market. Therefore in order to assess the capitalisation rates, we have assessed some-what comparable but more established asset classes including student accommodation and build-to-rent residential.

Our foregoing benchmarks provide 'Build to Rent' residential prime yields of 4.25% in the regions and student accommodation yields of 4.75% to 5.25% for the regions.

In light of the evidence above, we have adopted a yield of [REDACTED] for the Co-Living scheme. [REDACTED]

[REDACTED] The yield differential reflects the as yet unproven viability of Co-Living in a regional city but also reflects the prime location and specification of the proposed development. We would expect that a Co-Living scheme in a more secondary location in the city than St John's would achieve a weaker yield.

We have also adopted a blended yield. Approximately 21% of the rooms will be let on a more short term and flexible basis. We consider if the different length of stay were separately capitalised, then the yields on short stay income would be higher than for long stay income.

4.3.5.2 Retail/Leisure

With regards to the retail/leisure element, we have adopted a rental value of £113,868 per annum, equating to £25.00 per sq ft for the ground floor and £7.50 per sq ft for the mezzanine. We have assumed that the unit is let on completion, subject to an initial six months' rent free.

The subject scheme's retail/leisure unit is similar to many of the schemes in the Ancoats, Northern Gateway and Green Quarter areas. In the early stages of an area's regeneration these types of units often take a long time to let up and whilst the voids experienced improve as the location matures, the units are often occupied by tenants of limited covenant strength. However, in business districts such as Spinningfields, New Bailey, First Street and Central Square, the established critical mass of the scheme helps to drive stronger demand. We anticipate that St. Johns will perform on a similar basis to these business districts.

In Appendix 5 we have provided comparable rental evidence for a number of retail and leisure locations throughout the city. These range between £12.30 and £35.84 per sq ft. Included is a letting at First Street which is a similar but more established Business District, where a rent of £37.71 per sq ft was achieved. We are also aware that at Circle Square on Oxford Road, which is again similar Business District but is one still under construction, that rents of £20.00 to £30.00 per sq ft have been mooted for the ground floor commercial. Whilst the rents for the subject property's commercial element is partly dependent on progress on the wider St John's development, the rents that we have adopted are within the range of the rental evidence provided in similar Business Districts in the city.

We have capitalised the rental generated by the commercial element using a hardcore yield of 6.50%. There is a limited, recent comparable evidence for the sale of standalone ground floor commercial retail/restaurant/leisure units in the city centre. They are more often than not sold as part of a wider investment and we have had regard to such sales. However, we are also aware that the retail/leisure element of the First Street development in Manchester was sold in December 2019 for £11 million, which was a net initial yield of 6.6%. First Street comprises nine units with occupiers including Sainsbury's, Starbucks, Pizza Express, Junkyard Golf, Tiffin Rooms, Dockyard, BJ's, Simon Wood Restaurant. The weighted average unexpired lease term is 12.5 years to lease expiry and 9.5 years to

break. The current net annual income totals £788,760 per annum, which reflects an average of £24.00 per sq ft.

4.3.5.3 Co-Working

In relation to the Co-Working office space, we have adopted a rental value of £633,483 per annum, equating to £29.50 per sq ft. We have assumed that office space is let on completion, subject to an initial 12 months' rent free.

In Appendix 5 we have provided comparable rental evidence for a number of office locations throughout the city. These range between £28.00 and £36.00 per sq ft for new or modern offices. In arriving at our opinion of rental value we have reflected on the location on the edge of the city centre, albeit within the emerging St Johns area and in close proximity to both New Bailey and Spinningfields. We have also taken into account the fact that this is floor space within a Co-Living building, which is unusual.

We have given significant weighting to the lettings achieved at the newly built Riverside House in New Bailey, which is in close proximity to St Johns. This achieved £28.50 per sq ft headline. We have also given weighting to a number of lettings in Piccadilly Place at between £28.00 and £29.50 per sq ft. Piccadilly Place is similarly on the edge of the established city centre core, but does have the advantage of being close to Piccadilly station for both trains and the Metrolink. We do, however, consider that overall Piccadilly Place is an inferior development to that proposed for St Johns.

In light of this evidence we have adopted a rental value which is towards the lower end of the range of the evidence for new buildings in city centre Manchester.

In terms of yield we have provided comparable evidence for investment evidence in Appendix 5. These provide a range of yields between 4.70% and 7.50%, on either a net initial or reversionary basis. The upper end of the evidence is for a building which is shortly to fall vacant (Eversheds House) and this transaction has therefore been given limited weighting in our consideration of yield. Excluding that transaction the yields are typically between 5.0% and 6.0% for buildings that are located in the traditional core, although some are inferior in terms of age and specification to the proposed building.

We have adopted a yield of 6.25%, which reflects the same factors as those affecting the rental value, but also additionally reflects the unknown nature of the covenant and lease term that would be achieved in letting the Co-Working accommodation.

We summarise the inputs to our residual appraisal below:

Revenues	Input
Timescales	18 months construction plus six months pre-construction. 5% of the Co-Living units (40 beds) will be let in the initial release on completion of the construction. We assume that following release, an extra circa 5% of units (40 beds) are leased every month until the scheme is fully occupied 20 months after release.
Co-Living Sustainable Gross Rental Revenue	£7,381,860 per annum
Co-Living Revenue Leakage	

Revenues	Input
Co-Living Sustainable Net Rental Revenues	£5,462,576 per annum
Additional Income	£48,360 p.a.
Co-Living Yield	
Commercial Revenue	£113,868 per annum
Commercial Yield	
Co-Working Revenue	£633,483 p.a.
Co-Working Yield	

On the basis of the foregoing we summarised below the gross development value of the proposed scheme:

Revenues	Input
Co-Living Gross Development Value	£110,218,720
Commercial/Co-Working Gross Development Value	£11,198,306
Total Gross Development Value	£121,417,026

We have assumed in the appraisal that 5% of the scheme (40 beds) will be let in the initial release on completion of the construction. We assume that following release, an extra circa 5% of units (40 beds) are leased every month until the scheme is fully occupied 20 months after release. Upon full letting of the scheme, the development is sold. This produces an additional revenue during the holding period of £4,836,455 from the Co-Living element and a total of **£4,954,645**, inclusive of the commercial elements.

4.3.6 Costs

The latest guidance in the National Planning Policy Framework 2019 highlight that costs should be based on evidence which is reflective of local market conditions. Importantly, we have relied upon the Cost Plan for the overall construction costs in respect of the proposed development produced by Arcadis UK dated 27 March 2020. We have not verified these figures. If these costs vary there will be an impact on our residual appraisals.

We have allowed for a pre-construction period of six months followed by a build period of ■ months. This has been provided to us by the cost consultant, Arcadis UK, and includes five months for the creation of the basement. We have cross checked the timescale advised by Arcadis UK with BCIS which states that it would take between 105 (circa two years) to 138 weeks (circa two years and nine months) for the construction of a scheme this size.

We have adopted the construction period advised to us by Arcadis UK. Whilst it is as at the upper end of the BCIS range, we are advised that this is attributable to the provision of the basement, which accounts for circa five months of the construction period.

We summarise the inputs below:

Costs	Input	Comment
Timescale	■ months construction plus six months pre-construction.	As provided by Arcadis UK, cross-referenced with BCIS data.

Costs	Input	Comment
Construction Costs	£73,457,534	Based on the Cost Plan provided by by Arcadis UK, which they analyse to equate to £231 per sq ft, excluding external works and infrastructure costs, which we have stated separately, where applicable. The costs are based upon known high specification residential apartment block costs and definitive costs such as cladding and frame. We are advised by Arcadis UK that the costs include furniture but that the commercial units will be provided to shell only. We have not verified these figures. If these costs vary there will be an impact on our residual appraisals. We have compared the build costs provided with data from BCIS, which shows the price per sq ft is above the upper quartile for apartments of six storeys or above in Manchester (£185.80 per sq ft). We understand this reflects the specification of the proposed scheme as Co-Living product, which is denser use than traditional residential, and the requirement for quality materials in response to the Site's context.
Infrastructure Costs	£750,000	Based on the Cost Plan provided by the consultant Arcadis UK, we have allowed for an additional sum for infrastructure cost at £750,000. We understand that this relates to works associated with the wider St John's estate.
External Works	£900,000	Based on the Cost Plan provided by the consultant Arcadis.
Canal Basin Contribution	£500,000	We are advised that as part of the transaction to acquire the property the Client is required to contribute towards works to the adjacent Canal Basin. This cost is not provided for in the Arcadis Cost Plan and has been provided to us by the Client.
Other Construction	£1,304,500	As advised to us by the Client. Includes pre-construction fees and non-recoverable VAT.
Contingency	£2,203,726	We have allowed for developer's contingency based on 3.0% of costs. The adopted percentage is towards the lower end of a reasonable range, based on our experience.

Costs	Input	Comment
Professional Fees	£5,177,027	The Cost Plan excludes an allowance for professional fees. We have adopted 7% of costs. The adopted percentage is towards the lower end of a reasonable range, based on our experience. This reflects the amount of work undertaken to date for the consented scheme, which is similar in many respects to the proposed Co-Living development.
Letting Costs	£95,022	We have allowed for letting fees in respect of the commercial element, based on 15% of rental value.
Sale costs	£1,821,255	We have allowed for agency and legal fees for sales, based on 1.5% of the sales values. This is based upon experience of similar Build-to-Rent or residential schemes.
Finance Cost	£17,571,508	We have assumed a finance rate of 6.0%. This is based upon our experience of similar Build-to-Rent or residential schemes and the typical rate that would be adopted.
Developer's Profit	£18,315,938	A profit rate of 15% gross development value (16.78% of costs) rate has been adopted for the development. This reflects experience of residential schemes and a rate adopted by the market.
Total Costs	£122,096,510	

In respect of the profit rate adopted, we would expect a developer to typically require a profit based upon between 15% and 20% of costs for city centre residential schemes. The profit rate that we have adopted of 15% of gross development value (16.95% of costs) is towards the lower end of that range, for what we have identified as being an immature market and hence one which may be regarded as being more risky than traditional residential development.

We have, however, also adopted a yield

Some of the risk for Co-Living as a result of its immaturity as a sector is therefore reflected in the higher yield adopted in comparison to these similar asset classes. To have also adopted a profit rate at the upper end of the range i.e. 20%, would therefore have included an element of double counting.

4.3.7 Residual Land Value

Our residual appraisal on this basis provides a surplus of £4,275,161 which, once acquisition fees and Stamp Duty Land Tax is deducted, leaves a residual amount of £4,014,234 say £4,015,000, for the land on the basis of the proposed Co-Living development. This is the amount that the developer could afford to pay for the land for the proposed use, whilst achieving an adequate return for the risk in undertaking the development.

4.4 Benchmark Land Value

4.5.1 General

To define land value for any viability assessment, a Benchmark Land Value (BLV) should be established on the basis of the Existing Use Value (EUV) of the land, plus a premium for the landowner (National Planning Practice Guidance 2019). The premium for the landowner should reflect the minimum return at which it is considered a reasonable landowner would be willing to sell their land. The premium should provide a reasonable incentive, in comparison with other options available, for the landowner to sell land for development while allowing a sufficient contribution to fully comply with policy requirements. Landowners and site purchasers should consider policy requirements when agreeing land transactions. This approach is often called 'existing use value plus' (EUV+).

In accordance with the National Planning Practice Guidance, Alternative Use Value (AUV) may be used in establishing Benchmark Land Value. For the purpose of viability assessment AUV refers to the value of land for uses other than its existing use. AUV of the land may be informative in establishing Benchmark Land Value. If applying alternative uses when establishing Benchmark Land Value these should be limited to those uses which would fully comply with up to date development plan policies, including any policy requirements for contributions towards affordable housing at the relevant levels set out in the plan. Where it is assumed that an existing use will be refurbished or redeveloped this will be considered as an AUV when establishing BLV.

Plan makers can set out in which circumstances alternative uses can be used. This might include if there is evidence that the alternative use would fully comply with up to date development plan policies, if it can be demonstrated that the alternative use could be implemented on the site in question, if it can be demonstrated there is market demand for that use, and if there is an explanation as to why the alternative use has not been pursued. Where AUV is used this should be supported by evidence of the costs and values of the alternative use to justify the land value. Valuation based on AUV includes the premium to the landowner. If evidence of AUV is being considered the premium to the landowner must not be double counted.

In arriving at our opinion of Benchmark Land Value, we have initially had regard to the viability assessment that was carried out as part of the adoption of the Local Plan. The viability assessment was provided in the "Assessment of the viability of SHLAA and Strategic Sites" report, dated 2009. This provided an indicative land value of £690,000 per hectare (£279,239 per acre) based on contemporaneous benchmarks for industrial land provided by the Valuation Office Agency. There is reference to land within the city centre being potentially based on values for office use, but no benchmark value is provided in the report.

We have given no weighting to the "Assessment of the viability of SHLAA and Strategic Sites" report as it is over ten years old and does not align with current guidance issued for assessing financial viability. We have instead had regard to the value of the site with the extant planning permission for residential development and its allocation as part of a residential-led mixed-use development in the SRF.

The subject site extends 0.40 acres (0.16 hectares) and is a predominantly cleared site. In 2016, planning permission was approved for a residential development comprising 305 private sale residential apartments. We understand that whilst the development has not taken place, the consent has been implemented. The consent did not include any requirement to provide affordable housing.

Given the property is a predominantly cleared site, with planning consent for residential value, and in line with other Financial Viability Assessments, we have used AUV to establish the Benchmark Land Value based on a residual appraisal of the 2016 planning permission (excluding car parking), which was the 305 apartments. The residential areas that we have adopted are those contained within the 2016 Design and Access Statement produced by Denton Conker Marshall for the previously consented scheme. This provides the following applicable areas:

Element	Basis of Measurement	Sq M (Sq Ft)
Commercial	Net internal	471.0 (5,070)
Residential	Gross internal	18,805.0 (202,417)

Below we outline the assumptions applied to assess the Benchmark Land Value based on the 2016 consented scheme (excluding basement car parking).

4.4.5 Gross Development Value

4.4.5.1 Residential

For the residential units we have adopted an average capital rate of £484.64 per sq ft, assuming private sales. The average reflects that the uppermost floors will command a higher price than the lower floors. The pricing reflects the premium apartment specification in comparison to the evidence in Appendix 5. The proposed scheme is for a premium tower and would have premium residential amenities such as a gym and leisure space. This has also been reflected in the capital value adopted.

In Appendix 5 we have provided details of pricing for a number of schemes, which provides a wide range of evidence from sub £350 per sq ft to nearly £600 per sq ft. The higher pricing is for prime, new build schemes such as Axis and Elizabeth Tower, where pricing is typically in excess of £400 per sq ft. We have also identified in our analysis a premium for upper floors.

Having regard to the evidence we have applied an average sales rate of £419 per sq ft to units on level 2, rising to a rate of £552 per sq ft on the uppermost floor. This is based on a circa 1% premium per floor. These rates are typically circa 10% to 15% less than the comparable rates per floor quoted for units at Axis, which is one of Manchester's highest priced developments. The rates are higher than pricing of Elizabeth Tower on Great Jackson Street, given the strength of the subject property's location in St John's.

It has been assumed that sales will commence during the construction period and that 55% will be sold upon practical completion. The remaining units are assumed to be sold over the following five months, tapering from 15% of the units in month one to 3% of units in month five.

We have cross checked our sales values with a capitalisation of a net operating income, assuming that the units are let. We have adopted rents of £900 - £1,000 pcm (pcm) for one bedroom units; £1,650 - £2,100 pcm for two bedroom units; and £2,400 pcm for three bedroom units.

Most of the evidence for rental evidence currently on the market is inferior to the subject property, with many not offering the same amenities as the consented T2 scheme. The consented scheme benefitted from extensive private resident amenity levels offering space for leisure, dining and entertainment; a Co-Working lounge; and a dry gym area. To reflect this, we believe that there should be a premium attached to the rents available on the older units such as Beetham Tower.

We believe that rents for the subject property would be more in line with rental evidence from Regent Road, Deansgate Square and Slate Yard. One bedroom apartments at Regent Road are priced at £875 pcm; Two bedroom apartments at Deansgate Square are priced at £1,700 - £2,100 pcm; whilst at Slate Yard rents range from £1,000 pcm for a one bedroom apartment, £1,400 pcm for a two bedroom apartment; and £2,000 pcm for a three bedroom apartment.

We have allowed for a deduction of 25% from the total gross income for voids, management costs, repairs and insurance, and adopted a net initial yield of 4.25%. This is consistent with the prime regional benchmark yields published for the rented sector. In accordance with the 2016 planning permission we have not made any allowance for affordable housing.

We have adopted a rental value for the commercial unit of £126,750 per annum, equating to £25.00 per sq ft overall. This is consistent with the pricing that we adopted in our Co-Living appraisal.

4.4.5.2 Retail/Leisure

We have capitalised the rental value using a hardcore yield of 6.5%. This is also consistent with the pricing that we adopted in our Co-Living appraisal.

Purchaser's costs have been deducted at 6.2% of the gross value of the commercial element, in order to reflect Stamp Duty Land Tax, agency costs and legal costs for the purchaser.

On the basis of the foregoing we summarised below the gross development value of the proposed scheme:

Revenues	Input
Residential Gross Development Value	£98,100,000
Commercial Gross Development Value	£1,829,100
Total Gross Development Value	£99,929,100

4.4.6 Costs

Costs	Input	Comment
Timescales	30 months construction plus six months pre-construction.	We have allowed a pre-construction period of six months and a build period of 30 months. BCIS states that it would take between 101 to 132 weeks for the construction of a scheme this size. We have adopted a period of 30 months (130 weeks), which is at the upper end of this range. It is, however, consistent with the build period adopted for the Co-Living scheme, albeit it is three months less as the apartments will also have a more traditional residential specification and fit out, which is less dense than that for a Co-Living scheme.

Costs	Input	Comment
Construction Costs	£66,424,000	Based on the Cost Plan provided by Arcadis UK, which equates to £223 per sq ft, inclusive of the allowance for external works. We have compared the build costs provided with data from the BCIS, which shows the price per sq ft is above the upper quartile for apartments of six storeys or above in Manchester (£185.80 per sq ft), although it is lower than the absolute highest cost of £480.39 per sq ft provided by BCIS. The cost per sq ft is circa 3.5% less than the cost which has been provided by Arcadis UK for a Co-Living scheme in what is a tower of similar scale and massing. However, this also reflects that the residential product is less dense in fit out terms than the Co-Living scheme. We have therefore adopted the cost provided to us by the Client (provided by Arcadis UK). We have not verified these figures. If these costs vary there will be an impact on our residual appraisals.
External Works	£350,000	Based on the Cost Plan provided by Arcadis UK.
Infrastructure	£750,000	Based on the Cost Plan provided by the consultant Arcadis for the Co-Living scheme, we have allowed for an additional sum for infrastructure cost at £750,000. We understand that this relates to works associated with the wider St John's estate.
Contingency	£1,992,720	We have allowed for developer's contingency based on 3% of costs. This is in line with our assumption for the similar Co-Living scheme.
Professional Fees	£2,656,960	The Cost Plan excludes an allowance for professional fees. We have adopted 4% of costs, which is based on our experience of similar schemes in the city and the fact that the developer has already incurred a significant proportion of professional fees in securing planning permission.
Leasing costs	£19,013	We have allowed for agency and legal fees for the letting of the commercial unit, based on 15% of rental value.

Costs	Input	Comment
Sale costs	£672,250	We have allowed 0.5% for agency costs and legal fees on sales of £500 per apartment. For the sale of the commercial unit, we have adopted a sales agent fee of 1% and a legal fee of 0.5%. These assumptions are in line with our experience of similar city centre residential schemes.
Marketing costs	£1,471,500	We have allowed 1.5% of sales value for the marketing of each apartment. This is in line with our experience of similar city centre residential schemes.
Finance costs	£6,267,722	We have adopted a finance rate of 6% in our appraisal, which is consistent with the rate that we have seen as yield adopted in the market by residential developers.
Developer's Profit	£15,007,500	We have adopted a profit on gross development value of 15% (17.67% profit on cost) is supported by our experience of similar residential schemes in the city.
Total Costs	£95,611,664	

In respect of the profit rate adopted, we would again expect a developer to typically require a profit based upon between 15% and 20% of costs for city centre residential schemes. The profit rate that we have adopted of 15% on gross development value (17.67% of costs) is within this range. Whilst there are risks in constructing high rise residential towers in regional markets, our discussion with Arcadis UK in respect of costs and with the Client, indicates that they have the appropriate experience of such schemes to mitigate the construction risk. Whilst there a number of competing towers under construction or recently completed, which would provide competing supply, these demonstrate demand for a premium product. The subject property occupies a strong location with St John's.

On this basis we consider that adopting a profit rate which is towards the middle of the range is a reasonable assumption.

4.4.7 Residual Land Value

Our residual appraisal on this basis provides a surplus of £4,317,436. Once acquisition fees and Stamp Duty Land Tax is deducted, this leaves a residual amount of £4,053,930, say £4,050,000, for the land.

This Benchmark Land Value of £4,050,000 is on the basis of the existing planning permission (excluding car parking). As this is the approach that we have adopted we have not allowed a premium to incentivise a landowner to sell as we consider that this is reflected in the approach that we have adopted.

This Benchmark Land Value equates to £10,125 per acre or £13,278 per plot. We have cross referenced these rates with various evidence of land transactions across Manchester, as outlined in Appendix 5.

It is relatively rare for city centre residential sites to change hands with the benefit of full planning permission for development. It is more common that sites are subject to options granted to

developers, with the developer submitting the planning application and triggering an acquisition once a satisfactory consent is received. This can often be many years after the option pricing was agreed.

In terms of devaluing any land transactions, no two sites are directly comparable and whilst the comparable method can be used, the metric of a price per plot rather than a price per acre is often more meaningful.

On this occasion we have identified a number of land sales in the areas surrounding the city centre. These transactions are as follows:

- **50/54 Shudehill, Manchester**

The property is located on the northern fringe of the city centre, fronting Shudehill and opposite the Shudehill Transport Interchange. The site extends to 0.04 hectares (0.10 acres), has vehicular access from Salmon Street at the rear and comprises surface car parking for circa 18 cars.

The site was sold in March 2017 without planning permission for an alternative use, for £800,000. The price paid equates to £8,000,000 per acre.

- **Dulwich Street, Manchester**

The property is located in close proximity to the aborted Angelgate residential development and comprises a site of 0.63 hectares (1.55 acres) with outline planning permission for residential development to provide 400 apartments.

The site was sold in December 2017 for £2,700,000, which equates to £1,741,935 per acre or £6,750 per consented plot.

- **1 Lord Street, Green Quarter, Manchester**

The property is located on the fringe of the Green Quarter, which is to the north of the city centre and which is a recognised residential and mixed use neighbourhood as part of NOMA. The site extends to (0.57 acres) and has planning permission for a 16 storey residential scheme providing 192 apartments, a small element of ground floor commercial and parking for 67 cars.

The property was sold in March 2018 to Delph Property Group for £6,000,000, which equates to £10,526,316 per acre or £31,250 per residential plot.

- **Angelgate, Dantzic Street, Manchester**

Angelgate is an aborted residential development site located to the north of the city centre. The site 0.79 hectare (1.96 acre) had planning permission for the development of 344 apartments, commercial space and parking for 274 cars. The developer was placed into administration and the property was offered for sale in an online auction.

The property was sold in April 2018 for £5,200,000 and it is understood that the new owners intend to re-apply for planning permission for residential use.

The price paid equates £15,116 per consented plot or £2,653,061 per acre.

- **Talbot Mill, Ellesmere Street, Hulme**

Capital and Centric acquired Talbot Mill on Ellesmere Street in Hulme in 2016. It is a one acre site for conversion/development of 202 units, for which a price of £5,000,000 was paid. The price equates to £24,752 per residential plot, for a site that had previously been granted planning permission.

The range provided by the comparable evidence is as follows:

Metric	Minimum	Maximum
Rate per acre	£1,741,935	£10,526,316
Rate per plot	£6,750	£31,250

We are also aware that the Council have re-gearred a number of ground leases in the City, in order to enable residential development. These re-gears are based on land values of circa £5,000,000 per acre.

The rate per plot provided by our assessment of Benchmark Land Value at £13,278 per plot is at the lower end of the comparable evidence, which is reflective of the difficulties of delivering tall residential towers. The rate per acre at £10,125,00 is at the upper end of the range of the values per acre, which we consider to be reasonable given the location in an emerging residential district; the use for residential development that has been established by the 2016 planning permission; and the small plot size. We consider the plot value to be a relevant metric than the rate per acre for the development of apartments in a city centre location.

4.5 Conclusion

The Client is a residential developer and operator, with a range of residential products operating in the UK, including Vita Student – high-end, Purpose-built Student Accommodation located in Russell Group cities across the UK, Affinity Living – an amenity-rich built to rent residential product aimed at the established professionals market; and CitySuites – a sui generis serviced apartment concept bridging between hotel and residential uses, including a full service-wrap. The Client operates and manages all of their properties on an ongoing basis. Union is the latest residential concept to be developed by Vita Group.

Basis	Value
Benchmark Land Value (based on the existing planning permission for 305 apartments plus commercial)	£4,050,000
Residual on the basis of the proposed Co-Living scheme of 372 units (806 bedrooms)	£4,015,000
Surplus over Benchmark Land Value on the basis of the proposed scheme	Minus £35,000

In conclusion the residual land value produced by the Co-Living scheme is £35,000 less than the Benchmark Land Value based on the 2016 residential planning permission (excluding car parking). On this basis there is no surplus available for the developer to make a financial contribution for planning purposes.

Union is a new concept being developed by the Client to expand and diversify their portfolio of residential products. This presents a specific motivation for the Client to progress with the co-living proposition rather than a build-to-rent residential proposals as approved.

It should be noted that our appraisal reflects the Client's intention to maintain rents at 20% below Manchester's average salary for 20% of the total beds (161 en-suite rooms). This has impacted on the residual value reported on the basis of the proposed scheme and demonstrates that the Client's commitment is in excess of what can be justifiably supported by the scheme.

4.6 Sensitivity Analysis

As required by the RICS Practice Statement we have run a sensitivity analysis for the proposed scheme. A sensitivity analysis demonstrates how changes to the assumed inputs can influence viability. In the case of the subject property we have prepared our sensitivity analysis based on varying the yield by +/- 10 basis points and the construction cost by +/-2% and shown the effect on both the residual land value produced by the Co-Living scheme and the surplus over Benchmark Land Value, the latter being shown in bold italics.

Residual on the basis of the proposed Co-Living scheme vs Surplus over BLV

Construction: Rate /ft ²	Rent: Yield				
	-0.1000%	-0.0500%	0.0000%	0.0500%	0.1000%
-2.000%	£6,692,580	£6,024,698	£5,370,174	£4,728,611	£4,099,628
	£2,642,580	£1,974,698	£1,320,174	£678,611	£49,628
-1.000%	£6,014,610	£5,346,728	£4,692,204	£4,050,641	£3,421,658
	£1,964,610	£1,296,728	£642,204	£641	-£628,342
0.000%	£5,336,640	£4,668,758	£4,014,234	£3,372,671	£2,743,688
	£1,286,640	£618,758	-£35,766	-£677,329	-£1,306,312
1.000%	£4,658,670	£3,990,788	£3,336,264	£2,694,701	£2,065,718
	£608,670	-£59,212	-£713,736	-£1,355,299	-£1,984,282
2.000%	£3,980,699	£3,312,818	£2,658,294	£2,016,731	£1,387,748
	-£69,301	-£737,182	-£1,391,706	-£2,033,269	-£2,662,252

The sensitivity analysis shows that if construction costs were maintained, a yield reduction of ten basis points would result in a surplus of up to circa £1,285,000. However given the immature nature of the Co-Living market we do not consider that a yield as low as [REDACTED] can be justified when regard is had to more mature sectors such as Purpose Built Student Accommodation, Hotels and PRS/BTR residential.

If build costs increased by 2.0% and the yield remained static at [REDACTED], the viability gap would also be widened significantly to circa £1.390 million. Until such time as build costs are contracted, potential for a variance in the estimated construction cost remains a significant risk to the viability of any development project.

The sensitivity analysis reinforces our earlier point that the residual valuation approach is sensitive to small changes in key variables and that changes to specific inputs may have a disproportionate effect on value. Whilst there is therefore a greater degree of risk and uncertainty is inherent in this methodology compared with a standard comparable investment valuation approach, we consider that our approach to undertaking the Financial Viability Assessment has been robust and is supported by market data and inputs provided by others where we do not have the expertise, such as Arcadis UK providing a Cost Plan.

Appendix 1 Basis of Valuation, Limitations and Sources & Verification of Information

General

In preparing our valuations, we have had regard to the Royal Institution of Chartered Surveyors (RICS) Valuation – Global Standards 2020 including the UK national supplement (Red Book). However, we would stress that none of the values or supplementary figures that we provide should be viewed as formal opinions of value. They have been provided to assist strategy and are specifically excluded from the provisions of the Red Book.

We have also had regard to the Guidance on Viability published by The Ministry of Housing, Communities and Local Government, as updated on 24 July 2018 following the new National Planning Policy Framework published in July 2018 and the 'Financial Viability in planning: conduct and reporting (2019)', published by the Royal Institution of Chartered Surveyors (RICS).

General Purpose of our Work

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All advice, including any deliverables that we provide, is confidential. If there is a requirement to release any information, relating to the advice that we provide or where you subsequently receive a request under the FOIA for disclosure of any information, relating to this instruction you will inform us when such a request is made to ensure that we are in a position to make any representations and these are fully taken into account by you when you respond to such a request.

Market Value & Market Rent

Royal Institution of Chartered Surveyors (RICS) Valuation – Global Standards 2017 including the UK national supplement (Red Book) defines Market Value and Market Rent as follows:

Market Value

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

Market Rent

"The estimated amount for which a property, or space within a property, should lease on the date of valuation between a willing lessor and a willing lessee on appropriate lease terms, in an arm's length transaction, after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion".

Existing Use Value

'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 acted knowledgeably, prudently and without compulsion, assuming that the buyer is granted vacant possession of all parts of the asset required by the business, and disregarding potential alternative uses and any other characteristics of the asset that would cause its market value to differ from that needed to replace the remaining service potential at least cost.'

Estimated Rental Value

Where appropriate we have also reported 'estimated rental value' our opinion of the rent likely to be payable for a property, or space within a property, on rent review in accordance with the rent review clause (and therefore in accordance with the terms of the hypothetical lease) or on renewal of the existing lease on the same terms and conditions.

We will use these definitions in conjunction with the interpretative commentaries as set out in the Red Book. Where relevant, we will also follow the guidance set out in the Standards and technical guides published by the RICS.

Portfolio Valuations

Where we are providing valuations for more than one property our valuations represent the aggregate value of the individual properties. Unless we have specifically stated within our report to the contrary, no account has been taken of any discount or premium that may be negotiated in the market if all or part of the portfolio was to be marketed simultaneously, either in lots or as a whole.

Synergistic Values

Where identified and specifically commented upon within our report, we have examined the potential synergistic value, also known as marriage value, of the property(ies). Synergistic value arises from the combination of two or more assets to create a new asset that has a higher value than the sum of the individual assets.

Professional Statements (PS), Valuation Technical and Performance Standards (VPS) & Valuation Practice Guidance Applications (VPGAs)

We have used these definitions in conjunction with the interpretative commentaries as set out in the Red Book. Where appropriate, we have also followed the guidance set out in the Professional Statements, Valuation Technical and Performance Standards and Valuation Practice Guidance - Applications (UK and Global) as published by the RICS.

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 have been accepted as being correct, unless otherwise specified.

Inspections

External inspections of the properties have been undertaken by our firm.

Legal, Leasing and Title

Title - We have not carried out our own investigations into title. Where we have been provided with a report on title and the report concludes that there is "good and marketable" title, we have relied upon that advice when forming our conclusions. You should read any report on title in full before entering into any contractual commitment in relation to the property/ies.

We have assumed that the legal interests that are subject to valuation are free from all unusual and onerous covenants or restrictions other than those notified to us.

For the purposes of this advice we have assumed that the property owner has full control over the freehold or heritable (Scottish equivalent of freehold) interests of its property(ies). Furthermore, unless notified, we have assumed that the freehold/heritable interests are not subject to any unusual restrictions, servitudes and onerous covenants and that it is in all respects good and marketable.

Leases - Where provided to us, we have read occupational lease documentation. We have not reviewed the occupational leases in detail but have relied upon, if available, lease summaries produced by your solicitors. For details of all tenancies we have relied upon the information provided to us. Where a summary of lease terms has been provided the information in our report is a summary only. In cases where those documents are not inspected by us, and in the absence of a solicitor's report on leases, we have assumed that leases are drawn on standard commercial terms and contain no unusual clauses that impact on rental value.

Legal Issues - Any interpretation of leases and other legal documents and legal assumptions is given in our capacity as Chartered Surveyors and must be verified by a suitably 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.

Building and Technical

Floor and Site Areas - We have relied upon floor areas and additional supporting information provided to us. We were not instructed to re-measure the property/properties.

In respect of the properties currently used for industrial purposes, unless we were provided with floor areas which specifically state to have been prepared in accordance with RICS Property Measurement (incorporating the International Property Measurement Standards("IPMS"): Industrial Buildings) we have assumed they have been calculated in accordance RICS Code of Measuring Practice (6th Edition) on a Gross Internal Area ("GIA") basis and we have, as instructed, adopted them for the purpose of our advice. Similarly for the residential units we have assumed the floor areas provided to us have been calculated in accordance RICS Code of Measuring Practice (6th Edition) on a Gross Internal Area ("GIA") and Net Sales Area ("NSA") basis and we have, as instructed, adopted them for the purpose of our advice.

Any comparables that are referred to and used in the course of our engagement, as well as any included within our report, are assumed to have been measured on a basis consistent with GIA or NSA unless specifically stated to the contrary. Accordingly we have used our estimate of the property's/properties' GIA or NSA in our analysis and determination of the advice have provided. We confirm that all measurements and floor areas provided are approximate.

We have estimated the total site area utilising ProMap. Site areas, where given, have been calculated from Ordnance Survey plans and by reference to observed boundaries.

Building Survey - We have reviewed Building Inspection and Environmental Audit Report Reports, if made available to us. We confirm that any Building Survey and Environmental Audit Reports, and the recommendations contained therein, have been read in full.

Deloitte has not undertaken any structural surveys, and we have not had sight of any specialist survey reports apart from the any reports mentioned above.

Equality/Disability Discrimination Acts - We have not undertaken any assessment or investigation into the compliance of any building or structure on the site with the Equality Act 2010.

In arriving at our opinion of value, we have not made any allowance for any works required by this legislation that have not been carried out and would need to be carried out in order to make the property compliant with the Equality Act 2010.

Structural Conditions & Deleterious Materials - At no time have we carried out any structural survey nor inspected those parts which are covered, unexposed or inaccessible and such parts will be assumed to be in good repair and condition. We cannot express an opinion about or advise upon the condition of uninspected parts, and our valuation report should not be taken as making any implied representation or statement of such matters.

We have not arranged for any investigation to be carried out to determine whether or not high alumina cement, woodwool slabs (used as permanent shuttering), blue asbestos, calcium chloride or other deleterious materials have been used in the construction of any of the buildings, or have since been incorporated.

However, for the purposes of our valuation(s) we have assumed that such investigation would not disclose the presence of any such material in any adverse conditions, except where we have been specifically notified.

Asbestos - The Control of Asbestos at Work Regulations 2002 require the management of asbestos within the premises and that arrangements are recorded in writing, usually in an asbestos management plan. We have not been provided with a copy of any asbestos management plan in respect of the properties, and therefore asbestos issues are not reflected in the valuation.

For the purpose of our valuation(s) we have assumed that no remedial works are needed due to the presence of 'deleterious or hazardous materials'. We have not read any specialist reports, however due to the age of the building, it is possible that 'deleterious or hazardous materials' such as asbestos and concrete additives may have been used in the construction of the property.

Services - We have not investigated the availability of services to the site(s). We have assumed that all mains services including gas, electricity, water and drainage are connected to the subject property/ies to enable its/their beneficial occupation. We have not tested any of these services. Unless otherwise informed we have assumed that the services are available or can be connected without abnormal cost. We have also assumed that any associated controls or software, are in working order and free from defect.

Statutory Obligations - Our valuation(s) has/have been prepared on the assumption that the property/ies conforms to all building regulations and all other relevant legislation.

Profile Panels & Cladding - Where we are made aware that the property's/ies' walls and roofs are clad with profile panels we would confirm that the cladding may consist of composite sheets containing polyurethane foam infill or similar potentially flammable material. In such cases we would recommend that further enquiries are made in this respect. Where we are not provided with a report or confirmation that the cladding or infill material contains non-flammable material we have assumed this to be the case for the property/ies. If the cladding is subsequently found to

be of a flammable type, then this could have a considerable impact on the valuation which we have reported and we reserve the right to review should further information be provided.

Radon - We have not made any enquires as to whether the property/ies is/are located in areas in which the levels of radon gas entering the property/ies may require remedial action. This may require the use of vapour membranes and/or the use of ventilation systems. We have assumed that the findings of any such report would not have a material impact on the valuation reported.

High Voltage Power Lines & Sub Stations - Where we are aware of the presence of high voltage overhead power lines or electricity sub stations within the immediate vicinity of the property/ies we have commented upon these issues within the report. Whilst there is no firm evidence to suggest that high voltage electrical installations are harmful to health in the course of normal exposure, some purchasers may consider the presence of such apparatus negatively when considering a property. Where appropriate we have provided commentary on any adverse impact on the valuation of the property/ies within the report.

The Regulatory Reform (Fire Safety) Order 2005 (England & Wales) & Fire (Scotland) Act 2005 and Fire Safety (Scotland) Regulations 2006 - We have not had sight of any Fire Safety Assessment for the property/ies, and we would recommend therefore that the occupiers ensure that they are in compliance with the legislation. Our valuation assumes, on the basis that a Fire Safety Assessment has not been carried out, that the findings of any such report would not have a material impact upon the valuation reported.

Where any Fire Safety Assessments have been carried out, we have assumed that any recommendations have been implemented. Where the property is let the obligation to comply is normally a tenant obligation, not the landlord, except in respect of the common parts of the property/ies.

Plant & Machinery - Our valuation(s) take account of those items of plant and machinery normally associated with the valuation of land and buildings, such as boilers, heating, sprinklers, ventilation systems and the like.

Our valuation(s) exclude process plant, machinery and fixtures and fittings that are normally taken to be the property of the tenants.

Planning and Environmental

Planning - Our valuation(s) are based upon the assumption that detailed planning consent for the property/ies was/were granted in accordance with the expectations summarised in our report. Within our report we have detailed the extent of web based research and/or verbal enquiries that have been made of the local planning authorities in order to ascertain policies and commitments in so far as they might affect the subject property/ies. However, these enquiries only reveal those proposals formally approved by the authorities and not those under consideration and therefore the property/ies may be affected by proposals currently under consideration of which we are unaware. No responsibility is accepted for any inaccurate information provided.

Environmental Contamination - In forming our assessment we have not carried out any investigations into the presence or otherwise of contaminative substances or substances which may give rise to contamination in any form whatsoever. We have relied upon environmental reports if provided to us.

We are unable to guarantee or warrant that the site(s) is/are not and never have been subject to contaminative uses or contaminated. These are matters upon which you or anyone else relying upon this report, must satisfy themselves. Our valuation(s) have been prepared on the assumption that no contaminative substances are present on the site or neighbouring sites so as to affect the same.

Ground Conditions – We have not undertaken mining, geological, archaeological, soil or other investigations into the ground conditions of the site(s).

We have assumed that the site(s) would be physically capable of redevelopment and that no special or unusual costs would be incurred.

We have not carried out any investigations into the ground conditions of the site and we have not been supplied with any specialist reports. As such, it is not possible to certify formally that good ground conditions exist, although at the time of our inspection, we did not note any obvious signs that the property is affected by adverse ground conditions.

Flood Risk – At no time did we commission the preparation of a flood risk assessment. Where we have been provided with such an assessment we have reviewed and commented upon it within the report. Otherwise we have reviewed the UK Government's 'Flood Map for Planning' website or Scottish Environment Protection Agency's flood risk maps and have commented upon this in our report.

Japanese Knotweed – Where we have not been provided with a specific report in respect of Japanese Knotweed we would recommend an assessment is carried out. Our valuation(s) is/are based on the assumption that Japanese Knotweed is not present or does not have a material impact on the valuation(s).

Sustainability, Energy Performance Certificates (EPCs) and Display Energy Certificates (DECs) – While not a term that yet has a universally recognised definition in a valuation context sustainability encompasses a wide range of physical, social, environmental and economic factors that can affect value.

The range of issues includes, but is not limited to, key environmental risks, such as flooding, energy efficiency and climate, as well as matters of design, configuration, accessibility, legislation, management and fiscal considerations. As commercial markets in particular become more sensitised to sustainability matters, so they may begin to complement traditional value drivers, both in terms of occupier preferences and in terms of purchaser behaviour.

Furthermore with the introduction of legislation in England & Wales and Scotland sustainability issues are increasingly being factored into considerations that need to be reflected in the pricing of real estate within the UK. Investors and occupiers are developing an understanding of the risks attached to buildings which are not sustainable and a value differential is emerging. It is our view that properties which compare unfavourably to their peers in sustainability terms will, with all other pricing factors being equal, become more susceptible to value erosion and be at heightened risk of premature depreciation and obsolescence. Similarly, those properties which are considered sustainable will be more resilient to value erosion going forwards.

At no time did we either carry out, or commission the preparation of any assessment relating to sustainability, for the purposes of the report this includes an EPC, DEC, a Flood Risk Assessment or a review/survey of the property's(ies) mechanical and electrical services. Where we were provided with information relating to sustainability we have commented upon the potential issues within our report and reflected upon the market's likely reaction to its/their content in forming our opinion of value. Where we have not been provided with sufficient information relating to sustainability, or where none exists, we have assumed that if this information was available it would result in the market arriving at a 'neutral' value position.

Capital and Reporting Values

Covenant Status – In the context of this engagement we are not qualified to report on the financial health or covenant status of the occupational entities but we have had regard to publicly available information where available, in order that our valuation reflects the market's perception of the quality of those entities' covenants.

We have limited our enquiries as to the financial status of any tenant to information available in the public domain and in making such enquiries our objective will solely be to gain an understanding as to the manner in which purchasers of the type of investment being valued would consider the tenant's (or tenants') covenant strength. Our investigations have specifically not been undertaken to assess the actual covenant strength and our findings and conclusions must not be interpreted as providing any expression of opinion whatsoever as to its status. In the absence of publicly available information we have assumed that the tenant's (or tenants') financial position to be acceptable to purchasers of that type of investment.

Development Sites - The universally adopted approach to the valuation of development sites is reference to comparable market transactions and use of the 'residual' method. Typically, the availability of comparable evidence is limited, therefore reliance is placed on the residual method. In accordance with RICS Valuation Information Paper 12 (Valuation of Development Land) it is important to appreciate that the residual method requires the input of a large amount of data, which is rarely absolute or precise and this is coupled with making a large number of assumptions. Small changes in any of the inputs can cumulatively lead to a large change in the resultant land value appraisal. Some of these inputs can be assessed with reasonable objectivity, but others are more subjective and volatile.

Market Investigations & Volatility - We have taken reasonable steps to corroborate comparable transaction evidence, however we cannot guarantee the accuracy of information provided to us in the course of such investigations. To a greater or lesser extent, certain markets are less transparent and subject to greater volatility and are therefore reliant upon varying levels of valuer interpretation of market sentiment. Our report sets out the ` and the extent to which we have relied upon them as well as observations on the perceived volatility within the specific markets.

Costs - No allowance have been made in our valuations for any expenses of realisation.

Acquisition Costs - We have reflected the relevant purchaser's costs in respect of individual properties to take account of Stamp Duty Land Tax/Land and Buildings Transaction Tax, agents and legal fees as well as VAT on fees. These costs reflect the following:

Agents' fees	1%
Legal fees	0.5%
VAT on fees (20%)	0.3%

Stamp Duty Land Tax (SDLT) (England, Northern Ireland & Wales (Wales until 1 April 2018))

Non-Residential or Mixed Use Property:

SDLT is charged at different rates depending on the portion of the purchase price that falls into each rate band.

Up to £150,000	0%
Over £150,000 to £250,000	2%
Over £250,000	5%

Residential:

SDLT is charged at different rates depending on the portion of the purchase price that falls into each rate band.

Up to £125,000	0%
Over £125,000 to £250,000	2%
Over £250,000 to £925,000	5%
Over £925,000 to £1.5million	10%
Over £1.5 million	12%

Each of the above percentages increase by 3 percentage points where the purchase involves additional residential properties, such as second homes and buy-to-let properties, above certain price threshold.

Reduced rates and reliefs may be available to certain purchasers, and if relevant to the valuation(s) we have commented upon these within this report.

Taxation

Our valuations make no allowance for any liability for the payment of any tax, including Capital Gains Tax, whether existing or which may arise in the future.

Our valuations are exclusive of Value Added Tax (VAT).

Appendix 2 Terms of Engagement

the 1990s, the incidence of *S. flexneri* infections in the United Kingdom has increased [10]. In the United States, *S. flexneri* has been reported as the most common serotype of *Shigella* isolated from patients with shigellosis [11]. In the United Kingdom, *S. flexneri* is the most common serotype isolated from patients with shigellosis [12].

There is a paucity of data on the epidemiology of *S. flexneri* in the United Kingdom. In the 1980s, *S. flexneri* was the most common serotype isolated from patients with shigellosis in the United Kingdom [12]. In the 1990s, the incidence of *S. flexneri* infections in the United Kingdom has increased [10]. In the United States, *S. flexneri* has been reported as the most common serotype of *Shigella* isolated from patients with shigellosis [11].

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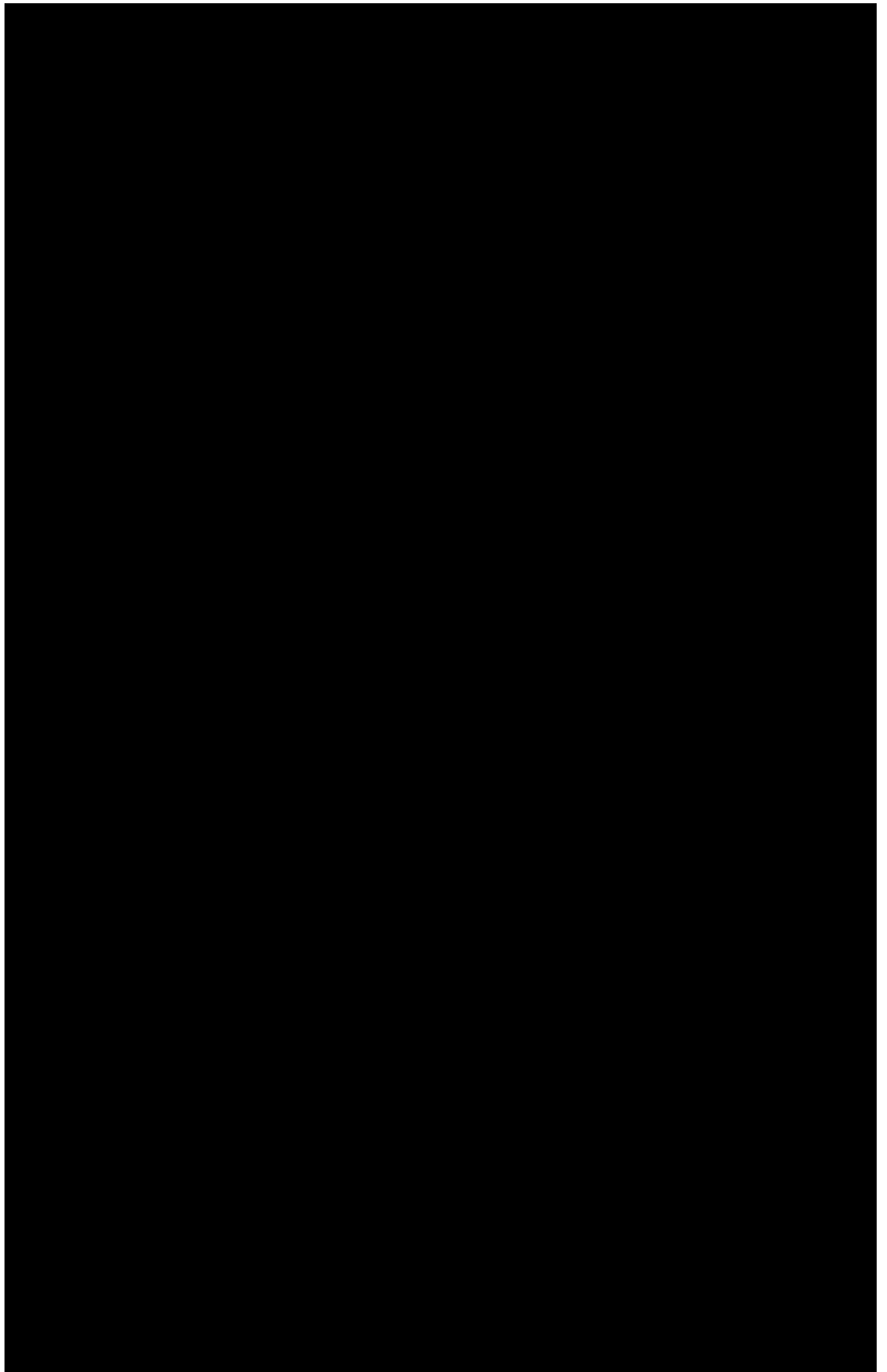
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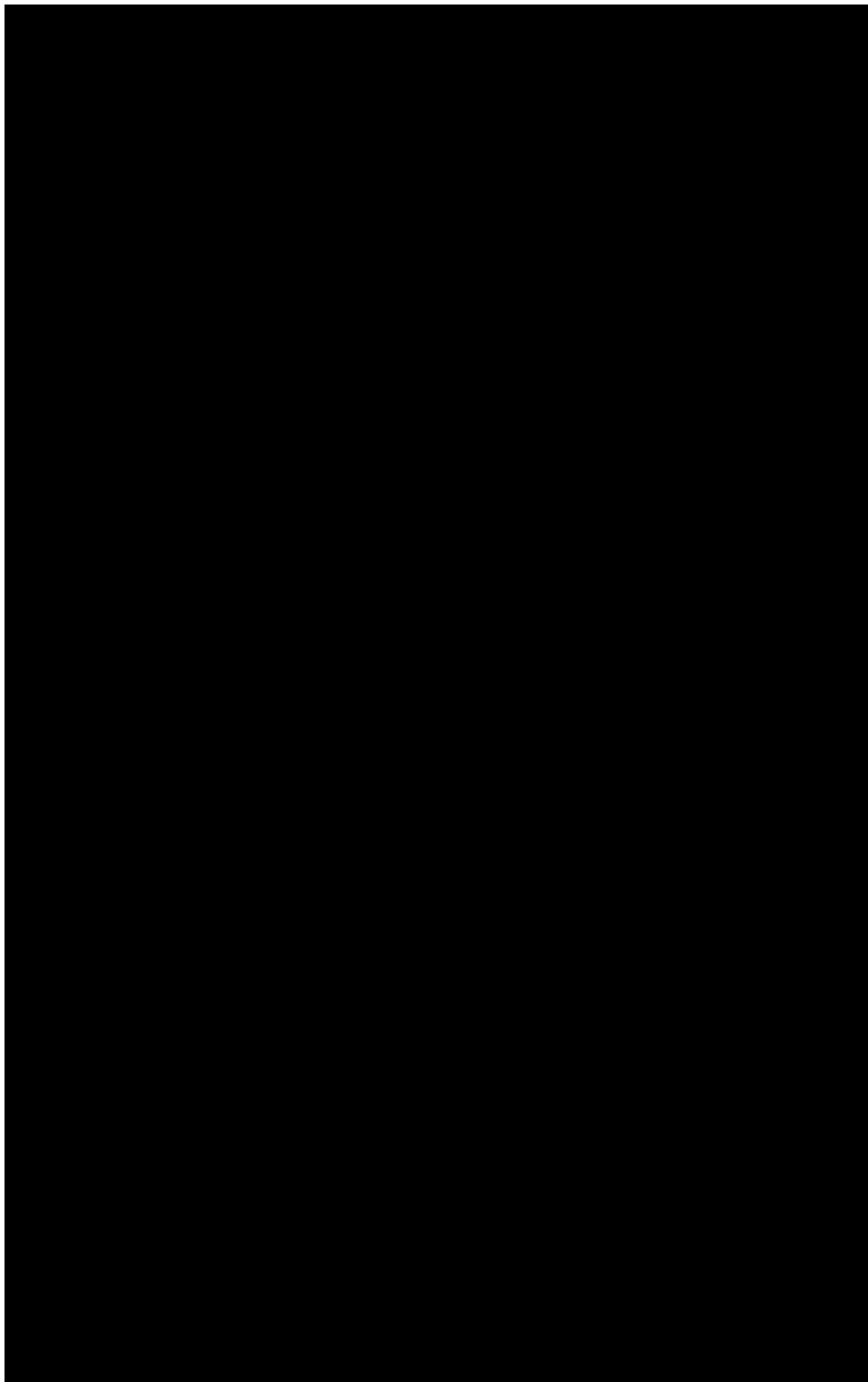
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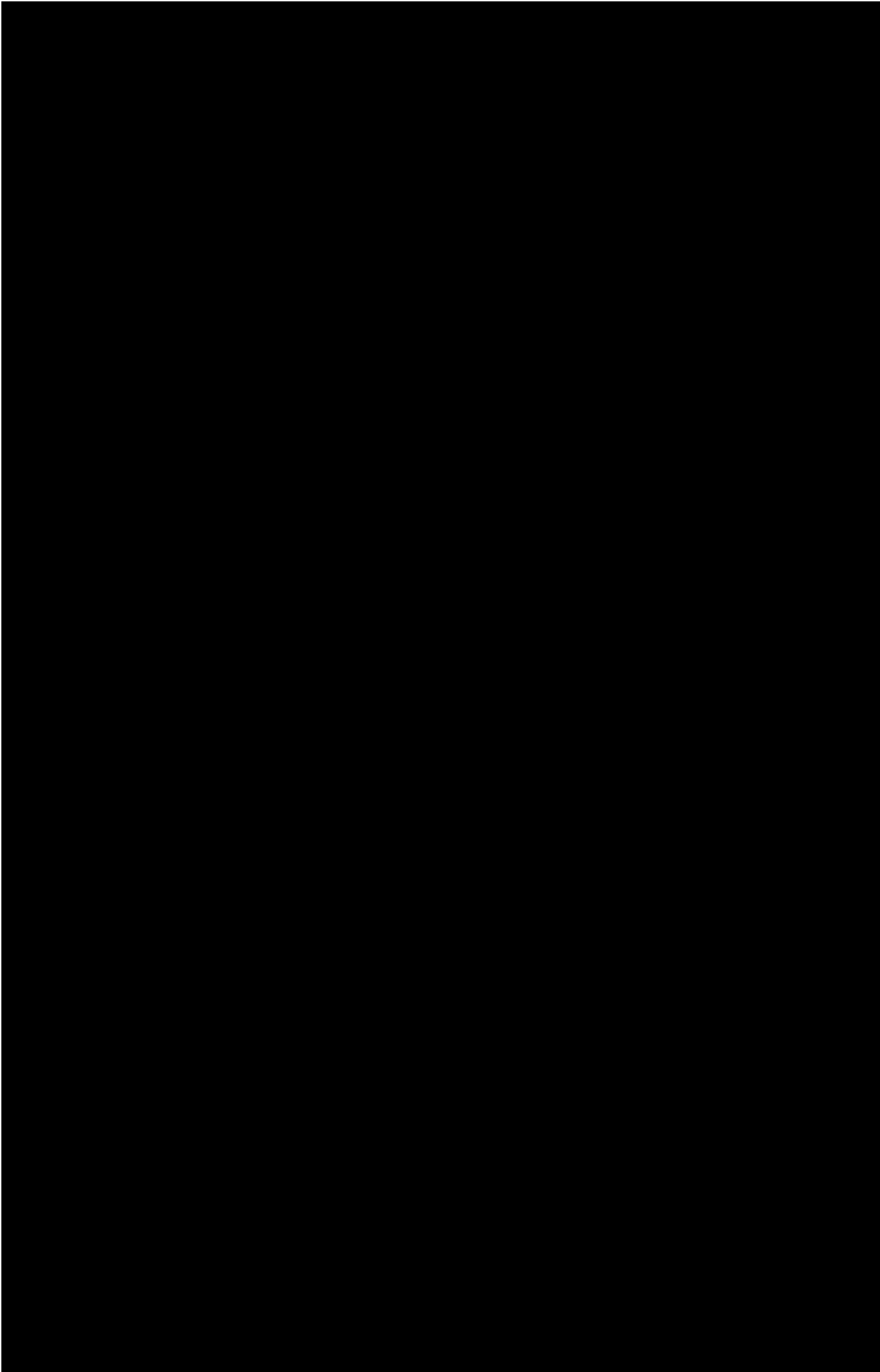
[The following text is a dense, handwritten manuscript, likely a letter or a page from a book. It is written in a cursive script and is mostly illegible due to the quality of the scan. The text appears to be a continuous paragraph or a series of connected sentences. The handwriting is fluid and somewhat slanted. There are some words that are more legible than others, but the overall content cannot be accurately transcribed. The text is written in dark ink on a light-colored paper. The margins are narrow, and the handwriting fills most of the page area.]

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Appendix 2 - Deloitte LLP Terms & Conditions

The following are the terms and conditions along with the Data Protection Appendix 1A (together the “Terms and Conditions”) on which we, Deloitte (as defined in clause 13.8 below), will provide certain services (the “Services”) to you as set out within the attached Letter of Engagement. The Letter of Engagement and the Terms and Conditions are together referred to as the “Contract” or “the Engagement”.

1. The contract between us

- 1.1 This Contract represents the entire understanding, constitutes the entire agreement between the parties in relation to its subject matter, and supersedes any previous agreement between the parties as to such subject matter. Each of the parties acknowledges and agrees that in entering into this Contract it has not relied on any representation or warranty or undertaking other than those expressly set out in this Contract and, except in relation to any liability for fraudulent misrepresentation, neither party shall be under any liability or shall have any remedy in respect of misrepresentation or untrue statement unless and to the extent that a claim lies under this Contract.
- 1.2 If we have already started work (e.g. by gathering information, project planning or giving initial advice) then you agree that this Contract applies retrospectively from the start of our work.

2. Confidentiality

- 2.1 No party will disclose to any third party without the prior written consent of the relevant party any confidential information which is received from the relevant party for the purposes of providing or receiving Services which if disclosed in tangible form is marked confidential or if disclosed otherwise is confirmed in writing as being confidential or, if disclosed in tangible form or otherwise, is manifestly confidential. Each of us agrees that any confidential information received from the other party shall only be used for the purposes of providing or receiving Services under this Contract. These restrictions will not apply to any information which:
- (a) is or becomes generally available to the public other than as a result of a breach of an obligation under this Clause 2.1;
 - (b) is acquired from a third party who owes no obligation of confidence in respect of the information; or
 - (c) is or has been independently developed by the recipient or was known to it or prior to receipt.
- 2.2 Notwithstanding Clause 2.1 above each party will be entitled to disclose confidential information of the other:
- (a) to their respective legal advisers,
 - (b) to their respective directors, officers, members, partners or employees;
 - (c) to any Deloitte Party and any subcontractors we use to provide the Services (or more generally in support of our office administration); and
 - (d) to a third party to the extent that this is required by any court of competent jurisdiction or by a governmental or regulatory authority or where there is a legal or professional duty or requirement to disclose it.
- 2.3 Unless otherwise set out in the Letter of Engagement, we shall be entitled to disclose, advertise and publicise our Engagement although we shall use our reasonable endeavours to inform you of any publicity or advertisement in advance of its release.

3. Reports and advice; communications

- 3.1 **Reliance on Drafts or oral advice:** You shall not place reliance on oral advice or draft reports, conclusions or advice, issued by us as the same may be subject to further work, revision and other factors which may mean that such drafts are substantially different from any final report or advice issued.
- 3.2 **Use and Purpose of Advice, Reports and Models:** Any advice given or report or model issued by us is provided solely for your use and benefit and then only in connection with the purpose in respect of which the Services are provided. Unless you are permitted to do so pursuant to clause 2.2 above, you shall not provide such report or model or advice to any third party or refer to us or the Services without our prior written consent, which we may at our discretion grant, withhold or grant subject to conditions. In no event, regardless of whether consent has been provided, shall we assume any liability or responsibility to any third party to whom any advice or report or model is disclosed or otherwise made available, and you will indemnify us against all claims resultant from your breach of this clause
- 3.3 **Electronic Communications:** During the Engagement, we may wish to communicate electronically with each other. However, the electronic transmission of information cannot be guaranteed to be secure or error free and such information could be intercepted, corrupted, lost, destroyed, arrive late or incomplete or otherwise be adversely affected or unsafe to use. We each agree to use commercially reasonable procedures to check for the most commonly known viruses before sending information electronically, but we recognise that such procedures cannot be a guarantee that transmissions will be virus free. Accordingly, we shall each be responsible for protecting our own interests in relation to electronic communications and for ensuring that an electronic communication is not misaddressed.
- 3.4 In the course of providing the Services, we may make references to spreadsheets or computer models (together “models”) that you may provide to us or ask us to rely upon (“Your Models”) or that we may have developed or used in connection with the Services (“Our Models”). All models have limits and may not produce valid results for all possible combinations of input data; errors and potential errors may therefore go unnoticed. Unless otherwise expressly agreed in the Letter of Engagement, (i) we will not be responsible for reviewing, testing or detecting any errors in any of Your Models and (ii) we will not provide you with a copy of any of Our Models for your use. In some cases, it may be expedient for us to provide you for your convenience with a copy of one or more of Our Models by way of explanation or illustration of our Services or related advice. Where we agree to do so, any such model will have been developed solely for our internal use and incidental to our providing the Services, rather than being a deliverable itself. Consequently, without in any way qualifying the Services, in providing you with any of Our Models, we make no representation, warranty or undertaking (express or implied) in relation to and take no responsibility for the accuracy, suitability, adequacy, completeness or reasonableness of any of Our Models for your own use. Prior to manipulating or placing any reliance on any models – Our Models or Your Models – you are advised to carry out appropriate checks on them.

- 3.5 **Post date events:** We have no responsibility to update any report or advice for events occurring after completion of this Contract (which, unless provided otherwise in the Engagement Letter, will be the date on which the final report or advice is delivered or signed), nor to monitor its continuing relevance or suitability for your purposes.

4. The services and our respective responsibilities in relation to them

- 4.1 The scope of the Services and any reports to be provided under this Contract together with our responsibilities for them are as described in the Letter of Engagement. We will use all reasonable efforts to supply the Services in accordance with any timetable referred to in the Letter of Engagement or otherwise specified by the parties. However, unless specifically agreed otherwise between you and us, all dates given or specified by you for the supply of the Services are intended for planning and estimating purposes only and are not contractually binding.
- 4.2 Whilst we will attempt to comply with your request for specific individuals, the appointment of all personnel to perform the Services and the nature and duration of their assignment shall be made, as we consider appropriate. We may at any time replace or reassign any personnel assigned by us to the Services. In such circumstances, we will endeavour to give you reasonable notice.
- 4.3 You will give us all the information and access that is necessary for the performance of the Services. Further, where needed to assist us in performing the Services, you will (i) take decisions and obtain management approvals promptly; (ii) give us full and prompt access to your personnel and premises and those of your affiliates and to your other advisers associated with the Engagement (if any), together with all necessary administrative support; (iii) obtain any approvals, licences and security clearances promptly (including any relating to third parties, our personnel and any subcontractors).
- 4.4 You agree that (except as otherwise specifically notified to us by you in writing) that all information provided by and on your behalf in respect of the Services is complete and accurate and is not misleading (either on its face or by inference or omission) and that there are no other material facts known to you that may be relevant to us in carrying out the Services and further that we may rely on such information. Any reports issued or conclusions reached by us may be based upon information provided by and on your behalf. Accordingly, we assume no responsibility and make no representations with respect to the accuracy or completeness of any information provided by you and on your behalf.
- 4.5 You agree that you will apply your independent business judgment to evaluate any report we produce, including any advice or recommendations we give you. You will be responsible for deciding whether our recommendations make sense in the context of your business and whether you wish to rely on, implement or act on them, including the actions necessary to realise any expected benefits.
- 4.6 Where you are using third parties to provide information, materials or other assistance in support of the Services, or you are employing other suppliers whose work may affect our ability to deliver the Services, you will be responsible for the management of such persons and their performance, including the timeliness and quality of their input and work.
- 4.7 Unless the Letter of Engagement specifies otherwise, you agree that any report prepared pursuant to the Services will be deemed accepted by you (and the Services, or the relevant part of them, completed) when it is delivered to you in its final form.

5. Intellectual property

- 5.1 All intellectual property rights including copyright, database rights, design rights (whether registered or unregistered), trade mark rights (or patent rights) in any materials created or produced by us in relation to the Services (including any reports, forecasts, drawings, spreadsheets, plans or other material) shall remain our property absolutely unless otherwise expressly stated in the Letter of Engagement provided always that we hereby grant to you a revocable licence to use and copy such materials for your own internal use subject to clause 3.2 above.

6. Fees

- 6.1 **Fee Basis:** Our fees will be charged on the basis set out in the Letter of Engagement or as otherwise notified to you.
- 6.2 **Payment of Fees:** The timing for payment of fees and expenses shall be of the essence. If we do not receive payment of any invoice within 30 days of the invoice date we shall be entitled, without prejudice to any other rights that we may have, to charge you interest accruing on the sum due to us at the rate of 3% above the base rate of the Royal Bank of Scotland Plc from time to time calculated on a daily basis from the date of the relevant invoice until the date of payment in full. If any invoice remains unpaid (whether in whole or in part) for a period of 60 days or more, we shall be entitled to suspend provision of the Services in accordance with Clause 9.1 below until all sums due are paid in full.
- 6.3 **Payment of Tax:** All sums charged in connection with the Services, including expenses and disbursements, will be stated exclusive of any taxes. You will be responsible for paying any taxes arising from the Contract for which you are legally liable as well as Value Added Tax at the rate in force at the date the liability arises.

7. Other consultants

- 7.1 **Your Responsibility for Other Parties:** You shall be solely responsible for the work and fees (which shall be paid directly by you) of any other party (including co-consultants and contractors) engaged by you, or by us on your behalf, to participate in the Engagement regardless of whether such party was introduced to you by us. Except as provided in the Letter of Engagement, we shall not be responsible for providing or reviewing specialist advice or services including surveying, legal, due diligence or any other investigative services.
- 7.2 **Subcontracting the Services to Deloitte Parties:** This Contract is between you and Deloitte. You agree that your relationship is solely with Deloitte as the entity contracting with you to provide the Services. Notwithstanding the fact that certain Services under the Contract may be carried out by personnel provided to Deloitte from other Deloitte Parties through service or other agreements, you agree that none of the Deloitte Parties (except Deloitte) will have any liability to you and that you will not bring any claim or proceedings of any nature (whether in contract, tort, breach of statutory duty or otherwise and including, but not limited to, a claim for negligence) in any way in respect of or in connection with this Contract against any of the Deloitte Parties (except Deloitte) we use to provide the Services. The foregoing exclusion does not apply to any liability, claim or proceeding founded on an allegation of fraud or other liability that cannot be excluded under English law.

- 7.3 Notwithstanding clause 7.1 and in addition to clause 7.2, we may delegate the provision of our Services, or part of them, to a third party that is not a Deloitte Party where this is reasonable, but we shall also remain liable for the acts and omissions of that third party unless you agree in advance to rely on the services and products provided by that third party, such agreement not to be unreasonably withheld or delayed. If delegation is at your specific request, we will not be liable for the actions of the third party
- 7.4 We will have no liability for services or products that we reasonably need to obtain from others in order to provide our Services
- 8. Changes To Services And To The Contract**
- 8.1 Any party may request changes to the Services. We shall work with you to consider and, if appropriate, to vary any aspect of the Engagement, subject to payment of reasonable additional fees and a reasonable additional period to provide any additional Services. Any variation to the Contract, including any variation to fees, services or time for the performance of the Services, shall only be effective if set forth in a supplemental letter of engagement signed by an authorised signatory of Deloitte which shall form part of the Contract and to which these Terms and Conditions shall apply.
- 9. Suspension of contract**
- 9.1 **Suspension of the Contract:** At any time during the term of the Contract, any party may give immediate notice to the other suspending the performance of its duties and obligations under the Contract in the event that:
- (a) circumstances exist or arise which, in the reasonable opinion of that party, materially and adversely affect the performance of, or the ability to perform, that party's duties and obligations under the Contract;
- (b) any party becomes aware that another party has failed (whether before or after the date of the Letter of Engagement) to disclose to it information which in the reasonable opinion of that party is material to the performance of its duties and obligations under the Contract.
- 9.2 We shall be entitled to suspend the Services and performance of our duties and obligations under the Contract in the event that any invoice remains unpaid (whether in whole or in part) for a period of 60 days or more and except as provided by Clause 9.1(b), we shall not be liable for any delays, losses, costs, damages or expenses resulting from such suspension.
- 9.3 **Variation Following Suspension:** If we suspend the performance of the Contract pursuant to Clauses 9.1 or 9.2, we shall be entitled reasonably to vary our fees for the resumed performance of the Contract.
- 10. Termination**
- 10.1 **The Contract may be terminated:**
- (a) by any party on written notice with immediate effect if another party commits a material breach of any term of this Contract which is irremediable or, if remediable, is not remedied within 30 days of a written request to remedy the same;
- (b) by any party upon written notice if the period of suspension of the Contract referred to in Clause 9.1 continues for 30 days or more;
- (c) by any party upon notice if the other party becomes the subject of insolvency proceedings or calls any meeting of its creditors. Alternatively, either party may terminate this Contract at any time on 30 days written notice to the other party;
- (d) should any action by you create a situation which amounts to a professional conflict of interest under the rules of the professional and/or regulatory bodies regulating the activities of the Deloitte Parties, we may terminate this Contract without penalty on written notice. We will inform you as soon as reasonably practicable of any situation that occurs that we become aware of that may create a professional conflict of interest which could result in termination in accordance with this clause
- 10.2 **Upon termination of the Contract:**
- (a) each party shall upon written request from the other return to the other all property and documentation of the other that is in its possession or control except that we shall be entitled to retain a reasonable number of copies of such documents that we require to maintain a record of our involvement in the Engagement;
- (b) we shall be entitled to retain all fees, expenses and disbursements previously paid by you to us and you shall pay forthwith all fees, disbursements and expenses due in respect of the Services provided up to the date of termination together with our reasonable costs and expenses incurred in connection with the termination of the Contract;
- (c) the terms of the Contract which expressly or by implication are intended to survive its termination or expiry will survive and continue to bind all parties.
- 11. Liability**
- 11.1 **Limitation of our liability:**
- (a) We will seek to provide a service such as would be expected of a national firm of professional consultant surveyors and we will use reasonable skill, care and diligence in the provision of the Services.
- (b) Nothing in this Contract shall exclude, restrict or prevent a claim being brought in respect of any liability arising from fraud or other liabilities which cannot lawfully be limited or excluded.
- (c) We shall not accept liability for any loss, damage, cost or expense arising from (i) any breach by you of your agreement with us or any act or omission of any other person or (ii) any use by you of our reports or Services for a purpose other than as set out in the Letter of Engagement.
- (d) Our liability to you and to all other persons who we both have agreed may have the benefit of and rely on our work on the terms hereof (you and they each "a Beneficiary") to pay damages as a direct result of breach of contract or negligence or any other tort by us in connection with or arising out of the Engagement or any addition or variation thereto shall be limited to that proportion only of your actual loss which was directly caused by us and in any event our liability shall in no circumstances exceed in aggregate the amount specified in the Letter of Engagement or, if no amount is specified in there, £500,000. In any event, we will not be liable for any indirect, special and consequential loss, and/or any loss which is caused by circumstances beyond our reasonable control.
- (e) Any liability which we may have to you under or in connection with this Contract for losses suffered by you shall (so far as permitted by law) be limited to such an amount as is finally determined to be just and equitable, having regard to the extent of responsibility for those losses of us, you (including your directors, officers, employees or agents), and any person other than us who is jointly or severally liable to you for all or part of the same losses, provided always that our liability to you shall not under any circumstances exceed in aggregate the amount set out in this contract. Any limitation or exclusion or restriction on the liability of any such other person under any jurisdiction, whether arising under statute or contract or resulting from death, bankruptcy or insolvency, or any settlement of such liability agreed with you, shall be ignored for the purposes of determining whether that other person is liable to you and the extent of responsibility of that other person to you.
- (f) Where there is more than one Beneficiary of the Services, the limit of liability specified in clause 11.1(d) above will have to be allocated between all Beneficiaries. No Beneficiary shall dispute or challenge the validity, operation or enforceability of this clause on the grounds that no such apportionment has been so agreed or on the grounds that the agreed share of the limitation amount so apportioned to any Beneficiary is unreasonably low.
- (g) We have no responsibility for anything that is beyond the scope of the Services defined in the Letter of Engagement. In particular, we have no obligation to provide, nor any liability for either an opinion on price (unless specifically instructed to carry out a Valuation as covered by the RICS Red Book) or advice, or failure to advise, on the condition of a property (unless specifically instructed to carry out a formal building survey).
- 11.2 **Liability Limitation and the Provision of Information:** Notwithstanding clause 11.1(b) and 11.1(d), but subject always to clause 11.1(a), in no circumstances shall we be liable to pay any damages to you for losses arising out of or in any way connected with the provision of information to us by you or your failure to provide information to us either punctually or at all or any fraudulent act, misrepresentation or wilful default on your part.
- 12. Personnel**
- 12.1 No party shall directly solicit the services of any employee, agent or representative of the other who is involved in the Engagement without the prior written consent of the relevant party during the term of the Contract or for the period of six months after the termination of the Contract. If during the term of the Contract or for the period of six months after the termination of the Contract any employee of any party accepts an offer of employment made by another party as a result of an introduction in the course of the Engagement, the party shall pay to the other a sum equivalent to six months gross salary of the employee concerned including any monetary bonuses payable to that employee during the term of the Contract or for the period of six months after termination of the Contract.
- 13. Miscellaneous provisions**
- 13.1 **Actions Required by Law:** Nothing in the Contract shall prevent us from taking all such action as may be required by law or statute or to comply with the regulations of any relevant professional or regulatory bodies. This includes compliance with Anti-Money Laundering Regulations.
- 13.2 **Conflict:** In the event of any conflict between the Terms and Conditions and the Letter of Engagement, the Terms and Conditions shall prevail except where amended by specific reference to the relevant paragraph of the Terms and Conditions. In the event and only to the extent of any conflict between the Letter of Engagement and any referenced or attached document other than the Terms and Conditions the Letter of Engagement will take precedent.
- 13.3 **Force Majeure:** Neither party shall be liable for any failure or delay in performing any of its obligations hereunder if such failure or delay is caused by the occurrence of an event outside of that party's reasonable control.
- 13.4 **Waiver of Remedies:** No forbearance, delay or indulgence by either party in exercising or enforcing the provisions of this Contract shall prejudice or restrict the rights (whether provided by this Contract or by law) of that party nor shall any waiver of its rights operate as a waiver of any subsequent breach and no right, power or remedy herein conferred upon or reserved for either party or available by law is exclusive of any other right, power or remedy available to that party (whether under this Contract or at law) and each such right, power or remedy shall be cumulative.
- 13.5 **Severability:** If any provision in this Contract is, in whole or in part, held by a court or administrative body of competent jurisdiction to be illegal, invalid or unenforceable under any enactment or rule of law then that provision or part thereof shall to that extent be deemed not to form part of this Contract and the enforceability and validity of the remainder of this Contract shall not be affected. Provided always that if any such deletion substantially affects or alters the commercial basis of these Terms and Conditions the parties shall negotiate in good faith to amend and modify them as may be necessary or desirable in the circumstances.
- 13.6 **Rights of Third Parties:** No person who is not a party to this Contract other than the Deloitte Parties and our subcontractors, if any, shall have any rights under the Contracts (Rights of Third Parties) Act 1999 to enforce any of its terms.
- 13.7 **Assignment:** Neither of us may assign or otherwise transfer the benefit of this Contract without the prior express written consent of the other, save that we may assign the benefit of this Contract to any of the Deloitte Parties, including any successor to our business. Further, neither of us will directly nor indirectly transfer any claim against the other arising out of this Contract to any other person.
- 13.8 **Interpretation:** "Unless otherwise stated herein, "Deloitte", "we" and "us" refers to Deloitte LLP, a limited liability partnership registered in England and Wales with number OC303675 and whose registered office is at 1 New Street Square, London EC4A 3HQ and references to "Addressee(s)", "you" and "your" refers to the Addressee(s) on whose behalf this Contract was acknowledged and accepted. "Addressee" means you, the original addressee(s) of the Letter of Engagement together with any other persons whom we have agreed in writing may have the benefit of the Services or to whom we have assumed a duty of care in respect of the Services under written arrangement with them, provided that such other persons have agreed to the terms of this Contract. Deloitte LLP is the United Kingdom affiliate of Deloitte NSE LLP, a member firm of Deloitte Touche Tohmatsu Limited, a UK private company limited by guarantee ("DTTL"), its network of member firms and their related entities. DTTL and each of its member firms are legally separate and independent entities "Deloitte Parties" means all entities (including Deloitte) that are members of the DTTL worldwide network and each of their subsidiaries, predecessors, successors and assignees, and all partners, associate partners, members, owners, directors, employees and agents of all such entities. We use the word partner to describe a member of Deloitte LLP in their capacity as such. A list of members of Deloitte LLP is available at the Companies House website.
- 13.9 **Governing Law:** This Contract (including all contractual and non-contractual rights and obligations arising out of or relating thereto) shall be governed by and interpreted in accordance with English law. Each party hereby irrevocably agrees to submit to the exclusive jurisdiction of the courts of England and Wales in respect of any claim, dispute or difference of whatever nature concerning the Contract and any matter arising from it.
- 13.10 **Dispute Resolution:** The parties will attempt to resolve any dispute that may arise under or in connection with this contract by negotiation. If after a reasonable time any dispute has not been resolved by negotiation, then subject to both parties' consent in writing, the parties may refer the dispute to mediation.

Appendix 1A - Data Protection Appendix

Annex 1: Details of processing of client personal data

- 1.1 In this Appendix 1A, "Data Protection Legislation" means (i) before 25 May 2018, all applicable data protection laws, including the Data Protection Act 1998; and (ii) on or after 25 May 2018, the EU General Data Protection Regulation 2016/679; together with all other applicable legislation relating to privacy or data protection and including any statute or statutory provision which amends, extends, consolidates or replaces the same. The terms "personal data", "data subject", "controller", "processor" and "process" (and its derivatives) shall have the meanings given to them in the Data Protection Legislation.
- 1.2 Each party shall comply with its obligations under Data Protection Legislation in respect of personal data processed by it in connection with the Contract and the Services ("Personal Data").
- 1.3 Subject to clause 1.8 of this Appendix 1A, we shall act as a processor of the Addressee(s) in respect of the Personal Data. Annex 1 to this Appendix 1A sets out the scope of the processing carried out by us.
- 1.4 We shall:
- 1.4.1 only process Personal Data: (a) to the extent necessary to provide the Services; (b) in accordance with your specific instructions (save to the extent, in our opinion, such instructions infringe Data Protection Legislation, in which case we shall notify you); or (c) as required by any competent authority or applicable law;
 - 1.4.2 implement appropriate technical and organisational measures to ensure a level of security appropriate to the risk relating to our processing of the Personal Data;
 - 1.4.3 keep, and procure that the Deloitte Parties keep, Personal Data confidential in accordance with our confidentiality obligations contained in clause 4 (Confidentiality) of the Terms of Business;
 - 1.4.4 notify you without undue delay, and provide reasonable cooperation after becoming aware of a personal data breach relating to Personal Data in our possession or control;
 - 1.4.5 provide reasonable cooperation and assistance to you in relation to any request by a data subject to have access to Personal Data held about them or in relation to a reasonable request, allegation or complaint by a competent authority or data subject, including notifying you in writing without undue delay of receipt of any request (save to the extent prevented from doing so by applicable law);
 - 1.4.6 be entitled to recover any reasonable costs incurred in assisting you in meeting your obligations under Data Protection Legislation;
 - 1.4.7 subject to clause 1.8 of this Appendix 1A, at your reasonable request, delete or return all Personal Data to you on termination or expiry of the Contract.
- 1.5 To the extent required by Data Protection Legislation, we shall maintain a record of our processing activities and provide such cooperation and information to you as is reasonably necessary for you to demonstrate compliance with Data Protection Legislation. Such cooperation shall include permitting you, at your sole cost and expense, to audit our compliance with this Appendix 1A, provided that (unless expressly required otherwise by any competent authority):
- 1.5.1 reasonable notice of not less than 30 days is given of any proposed audit and the parties shall, acting reasonably, agree the scope and parameters of any such audit;
 - 1.5.2 to the extent the audit scope is covered in any audit carried out for us by an independent third party auditor within twelve months prior to your audit request and there have been no material changes to the controls audited, we may share the report to the extent relevant to you and the disclosure of such report shall be deemed to satisfy the audit request you make by you;
 - 1.5.3 where, acting reasonably, a specific audit is still required by you, such audit shall be conducted during regular business hours, subject to our policies and may not unreasonably interfere with our business activities;
 - 1.5.4 the audit shall be subject to our duties of confidentiality owed to any of our clients or employees and shall not extend to our subcontractors or Deloitte Parties; and
 - 1.5.5 the rights granted in this Clause 1.5 may not be conducted more than once in any calendar year.
- 1.6 You authorise us to use any subcontractor, including any Deloitte Party, to process Personal Data as a subprocessor of ours provided that we shall ensure that (a) such processing is subject to a written contract or other legal act with such sub-processor containing data protection obligations no less onerous than those set out in this Appendix 1A; and (b) we shall remain liable for the acts and omission of any such sub-processor with respect to the processing of Personal Data. A list of our material subprocessors appointed, as at the later of the date of this Contract or 25 May 2018, is set out on the Deloitte website and any additional subprocessors material to this instruction are listed at clause 6 of Annex 1 to this Appendix 1A. Any objection to an amendment to the centralised list of subprocessors, may be escalated for discussion pursuant to the negotiation/mediation procedure at Clause 9 of the Terms of Business.
- 1.7 We shall be entitled to process or transfer Personal Data to any jurisdiction including a jurisdiction outside the European Economic Area ("EEA") including to any subcontractor, provided that such transfer is permissible under Data Protection Legislation.
- 1.8 In addition to processing Personal Data as part of the Services, you acknowledge that we may also process Personal Data as a controller for the purpose of, or in connection with: (i) applicable legal, professional or regulatory requirements; (ii) requests and communications from competent authorities; and (iii) administrative, financial accounting, risk analysis and client relationship purposes. Clauses 1.3-1.5 of this Appendix 1A shall not be deemed to apply to the processing of the Personal Data in connection with those purposes provided that we shall use reasonable endeavours to notify you of any request for Personal Data from a competent authority in accordance with Clause 1.4.5 of this Appendix 1A, save to the extent prevented from doing so by applicable law.

This Annex 1 includes certain details of the Processing of client Personal Data as required by Article 28(3) GDPR.

- 1 Subject matter, nature and purpose of processing: in connection with the provision of the Services as described in the Engagement Letter and/or any Appendices to this Contract.
- 2 Duration: for the term of the Contract.
- 3 Types of Personal Data and categories of data subjects: those categories that are described in the scope of the Services in the Engagement Letter and/or any other appendices to the Contract describing the same (if applicable).
- 4 The obligations and rights of the Addressee(s) and its group companies are set out in the Contract.
- 5 Subprocessors used: subsidiaries of Deloitte, and other member firms of DTTL and their respective subsidiaries.

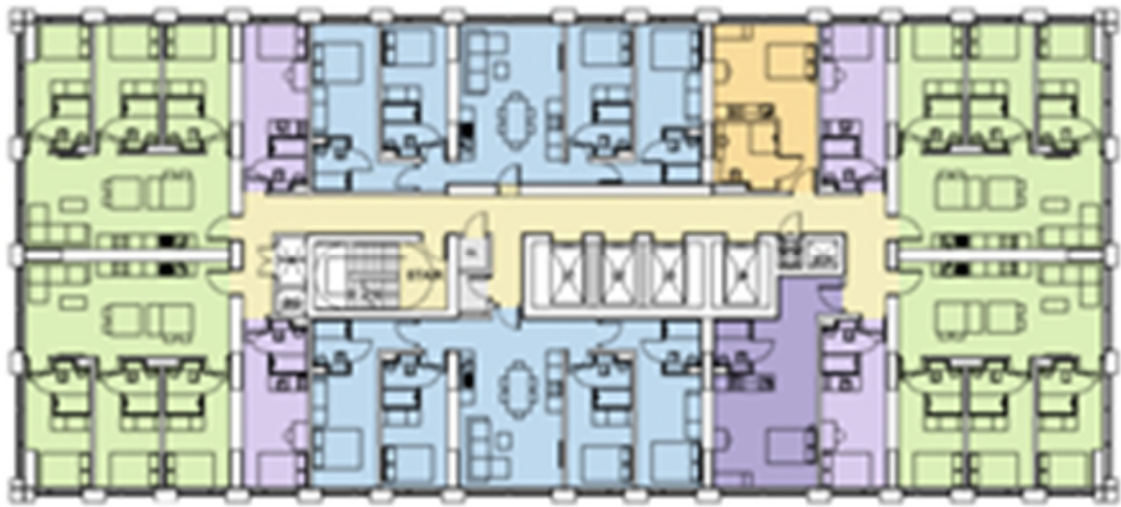
Appendix 3 Floor Plans and Photographs



Aerial Site View (Source: DAS prepared by Denton Corker Marshall)



View from Water Street (Source: DAS prepared by Denton Corker Marshall)



KEY

	STUDIO
	STUDIO PLUS 1
	STUDIO PLUS 2
	STUDIO - ACCESSIBLE
	3 BED
	4 BED
	BACK OF HOUSE
	CIRCULATION

Typical Floor Plan for Co-Living (Source: DAS prepared by Denton Corker Marshall)



Visualisation of Shared Accommodation (Source: DAS prepared by Denton Corker Marshall)



Visualisation of the Exterior

Appendix 4 Development Appraisals

Union T2 - Enterprise City

Development Appraisal
Licensed Copy
31 March 2020

APPRAISAL SUMMARY

Union T2 - Enterprise City

LICENSED COPY

Appraisal Summary for Phase 1

Currency in £

REVENUE

Rental Area Summary

	Units	ft²	Rent Rate ft²	Initial MRV/Unit	Net Rent at Sale	Initial MRV	Net MRV at Sale
Co-living	806			6,777	5,462,576	5,462,576	5,462,262
Basement	1	8,053		0	0		
Ground Floor Commercial	1	3,670	25.00	91,750	91,750	91,750	91,750
Mez Commercial	1	2,949	7.50	22,118	22,118	22,118	22,118
Additional Revenue	806			60	48,360	48,360	48,360
Co-Working Space	1	21,474	29.50	633,483	633,483	633,483	633,483
Totals	1,616	36,146			6,258,286	6,258,286	6,257,973

Investment Valuation

Co-living

Current Rent 5,462,576 YP @

Ground Floor Commercial

Current Rent 91,750 YP @

Mez Commercial

Current Rent 22,118 YP @

Additional Revenue

Current Rent 48,360 YP @

Co-Working Space

Current Rent 633,483 YP @

Total Investment Valuation

122,106,256

APPRAISAL SUMMARY

Union T2 - Enterprise City

LICENSED COPY

GROSS DEVELOPMENT VALUE **122,106,256**

Purchaser's Costs		(689,230)	
Effective Purchaser's Costs Rate	0.56%		(689,230)

NET DEVELOPMENT VALUE **121,417,026**

Income from Tenants

Co-living		4,779,782	
Ground Floor Commercial		68,813	
Mez Commercial		16,588	
Additional Revenue		36,673	
Co-Working Space		52,790	
			4,954,645

NET REALISATION **126,371,672**

OUTLAY

ACQUISITION COSTS

Residualised Price		4,014,234	
			4,014,234
Stamp Duty	5.00%	200,712	
Agent Fee	1.00%	40,142	
Legal Fee	0.50%	20,071	
			260,925

CONSTRUCTION COSTS

Construction	ft²	Build Rate	ft²	Cost
Co-living	281,581	231.20		65,100,579
Basement	8,053	231.20		1,861,854
Ground Floor Commercial	3,670	231.20		848,504
Mez Commercial	2,949	231.20		681,809

APPRAISAL SUMMARY

LICENSED COPY

Union T2 - Enterprise City

Co-Working Space	21,474	231.20	4,964,789	
Totals	317,727 ft²		73,457,534	
Developers Contingency		3.00%	2,203,726	
External Works			900,000	
Infrastructure Costs			750,000	77,311,260
Other Construction				
Canal Basin Works			500,000	
Other Construction			1,304,500	1,804,500
PROFESSIONAL FEES				
All Professional Fees		7.00%	5,177,027	5,177,027
MARKETING & LETTING				
Letting Agent Fee		10.00%	63,348	
Letting Legal Fee		5.00%	31,674	95,022
DISPOSAL FEES				
Sales Agent Fee		1.00%	1,214,170	
Sales Legal Fee		0.50%	607,085	1,821,255
FINANCE				
Debit Rate 6.000%, Credit Rate 2.000% (Nominal)				
Land			1,017,252	
Construction			9,105,086	
Letting			978,886	
Other			6,470,285	17,571,508
Total Finance Cost				
TOTAL COSTS				108,055,733
PROFIT				18,315,938

APPRAISAL SUMMARY

Union T2 - Enterprise City

Performance Measures

Profit on Cost%	16.95%
Profit on GDV%	15.00%
Profit on NDV%	15.09%
Development Yield% (on Rent)	5.79%
Equivalent Yield% (Nominal)	5.13%
Equivalent Yield% (True)	5.29%
IRR% (without Interest)	11.44%
Rent Cover	2 yrs 11 mths
Profit Erosion (finance rate 6.000)	2 yrs 8 mths

ARGUS Developer Version: 8.20.003

LICENSED COPY

Date: 31/03/2020

T2 - Residential Use

Development Appraisal
Licensed Copy
31 March 2020

APPRAISAL SUMMARY

T2 - Residential Use

LICENSED COPY

Appraisal Summary for Phase 1

Currency in £

REVENUE

Sales Valuation	Units	ft²	Sales Rate ft²	Unit Price	Gross Sales
Residential	1	202,417	484.64	98,100,000	98,100,000

Rental Area Summary

	Units	ft²	Rent Rate ft²	Initial MRV/Unit	Net Rent at Sale	Initial MRV
Commercial	1	5,070	25.00	126,750	126,750	126,750

Investment Valuation

Commercial					
Current Rent	126,750	YP @	6.5000%	15.3846	1,950,000

GROSS DEVELOPMENT VALUE

100,050,000

Purchaser's Costs			(120,900)	
Effective Purchaser's Costs Rate	6.20%		(120,900)	

NET DEVELOPMENT VALUE

99,929,100

NET REALISATION

99,929,100

OUTLAY

ACQUISITION COSTS

Residualised Price (0.79 Acres @ 5,131,556.81 /Acre)				4,053,930
				4,053,930
Stamp Duty	5.00%	202,696		
Agent Fee	1.00%	40,539		

APPRAISAL SUMMARY

LICENSED COPY

T2 - Residential Use

Legal Fee	0.50%	20,270	
			263,505

CONSTRUCTION COSTS

Construction	ft²	Build Rate ft²	Cost	
Residential	294,428	225.60	66,424,000	
Developers Contingency		3.00%	1,992,720	
External Works			350,000	
Infrastructure Works			750,000	
				69,516,720

PROFESSIONAL FEES

All Professional Fees	4.00%	2,656,960	
			2,656,960

MARKETING & LETTING

Marketing	1.50%	1,471,500	
Letting Agent Fee	10.00%	12,675	
Letting Legal Fee	5.00%	6,338	
			1,490,512

DISPOSAL FEES

Sales Agent Fee	0.50%	490,500	
Sales Agent Fee	1.00%	19,500	
Sales Legal Fee	0.50%	9,750	
Sales Legal Fee		152,500	
			672,250

FINANCE

Debit Rate 6.000%, Credit Rate 0.000% (Nominal)			
Land		819,140	
Construction		5,238,847	
Other		209,735	
Total Finance Cost			6,267,722

TOTAL COSTS

84,921,600

PROFIT

APPRAISAL SUMMARY

T2 - Residential Use

LICENSED COPY

15,007,500

Performance Measures

Profit on Cost%	17.67%
Profit on GDV%	15.00%
Profit on NDV%	15.02%
Development Yield% (on Rent)	0.15%
Equivalent Yield% (Nominal)	6.50%
Equivalent Yield% (True)	6.77%

IRR% (without Interest)	18.09%
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Rent Cover	118 yrs 5 mths
Profit Erosion (finance rate 6.000)	2 yrs 9 mths

ARGUS Developer Version: 8.20.003

Date: 31/03/2020

Appendix 5 Market Commentary and Comparable Evidence

5.1 National Housing Market

The RICS UK Residential Market Survey¹ for December 2019 outlined an uplift in sentiment following recent political results. A number of key activity metrics have moved in positive territory for the first time in six months, over taking the cautious sentiment that was prevalent in November. Sales expectations have risen sharply. This has been coupled with the expectation that house price inflation will increase over the coming months.

In the lettings market, December produced an increase in tenant demand from the November survey which was the first month to report negative tenant demand in eight months. This was balanced with the negative statistic that landlord instructions were also down, with the statistic remaining in negative territory since early 2016. All suggestions are that these numbers are symptomatic of a decline in the volume of new rental stock coming to the market.

The RICS Market Survey rental growth projections for the five-year horizon stand at more than 3% per annum until 2024. On a more short term view, contributors to the Survey expect rental growth to be around 2% during the next 12 months. Both these forecasts have been contributed to by the imbalance between supply and demand in the market. Over the same five-year period that rental growth is expected to grow at 3.5% per annum, house prices are expected to rise 2.5% per annum over the same period.

In their Residential Market Forecast² Knight Frank expect rental value growth to increase momentum in 2020 as greater political certainty returns to the UK following the transition phase in January 2020. This is combined with the assumption that interest rates are set to begin the process of normalisation in 2020, marking the end of ultra-low mortgage rates, which will squeeze the affordability of some purchasers in the market.

In terms of pricing, the HM Land Registry UK House Price Index³ shows that as of November 2019 the average house price in England was £251,000. Property prices are unchanged from the previous month and have risen by 1.3% compared to the previous year.

The Halifax House Price Index⁴ reports that prices in the three months to December 2019 were 1.0% higher than the previous quarter, and that the change on an annual basis was 4.0%. The annual change percentage was the highest point of the predicted range, this was fuelled by the biggest monthly change in 2019, with a 1.7% increase between November and December. This was led by the increasing affordability of mortgages/deposits and undersupply of properties to the market.

The Nationwide House Price Index⁵ for November was much more subdued on monthly house price growth, estimating growth at 0.1%, after taking into account seasonal factors. Nationwide also estimate that house price growth for the past 12 months was 1.4%, significantly lower than the 2.6% estimate by Halifax.

¹ RICS UK Residential Market Survey – December 2019

² Knight Frank Residential Market Forecast – December 2019;

<https://content.knightfrank.com/research/367/documents/en/uk-housing-market-forecast-2020-6869.pdf>

³ HM Land Registry – UK House Price Index: September 2019;

<https://www.ons.gov.uk/economy/inflationandpriceindices/bulletins/housepriceindex/september2019>

⁴ Halifax House Price Index – December 2019; <https://static.halifax.co.uk/assets/pdf/mortgages/pdf/December-2019-House-Price-Index.pdf>

⁵ Nationwide House Price Index – December 2019; https://www.nationwide.co.uk/-/media/MainSite/documents/about/house-price-index/2019/Dec_Q4_2019.pdf

HMRC monthly data shows that the number of UK home sales rose 4.4% between July and August. The figure represents the sales volume of 90,894 properties transacted across the UK.

According to Savills⁶, Oxford Economics have downgraded the GDP outlook for UK by approximately 0.3%, which is based upon the expectation that the UK will have a looser relationship with Europe and other economic factors. This will in turn restrict the average household income growth, subsequently limiting long term house price growth.

Whatever the economics of the national market, the country is still facing a housing shortage, which the Government is trying to solve with introduction of measures such as reduced Stamp Duty Land Tax for first time buyers, 'Help To Buy' schemes for new homes and cash injections into the housebuilding sector.

As many young people view the ownership of a home as an unrealistic short term goal, the direct rented sector has seen availability of units on the market decrease along with rising rental levels. This is coupled with the reduction in private landlords following a removal of a number of financial incentives and increased lender scrutiny.

According to the Knight Frank UK Tenant Survey 2019⁷, the proportion of households in the Private Rented Sector (PRS) is set to rise to 22% by 2023 (currently at 20.6%), with capital committed to professionally managed PRS accommodation to rise to £75 million by 2025. This is paired with UK housing policy becoming more encouraging for multi-house development, consisting of PRS, professionally managed PRS and the Build-to-Rent (BtR) sector. The surge in multi-housing development has subsequently been accompanied with the decline of traditional buy-to-let landlords, with mortgage lending data showing the number of new mortgages taken out by individual landlords having fallen over the past two years.

The outlook for the UK PRS market remains strong, with demographic fundamentals driving the constant flow of institutional investment. Large scale professional PRS landlords are ideally placed to take advantage of the market following the government's changes to the buy-to-let market which have increased pressure on private landlords. While the housing market struggles to provide first time buyers with the affordable housing, it is the PRS that stands to benefit from increasing demand.

5.2 Manchester City Centre Residential Market

It is expected that by the year 2026, Manchester city centre will have a population of 100,000. In 2018, the estimate for the population stood at around 55,000⁸. To match the demand for residential accommodation, it is estimated that the supply of units to the market will have to increase 300% on the current supply levels being brought to the market.

In the report, JLL estimate that during the five period to 2024 house price growth in Manchester city centre is to increase 3% per annum and rents are set to grow at a rate of 3.1% per annum. These are higher than the national average growth rates predicted by JLL, highlighting the opportunity for investment in Manchester's residential market.

The 2020 Deloitte Crane Survey⁹ highlights the increasing redevelopment of neighbourhoods on the periphery of the city centre core. Early place-making by Urban Splash has continued and has been added to by Manchester Life through a public-private partnership. Other developers such as Mulberry and FEC have added to this area.

⁶ Savills Research – UK Housing Market Update – December 2019; <https://pdf.euro.savills.co.uk/uk/residential---other/uk-hmu-2019.pdf>

⁷ Knight Frank Multihousing 2019 PRS Research; <https://content.knightfrank.com/research/707/documents/en/the-uk-tenant-survey-2019-6118.pdf>

⁸ JLL – Northern England Residential Forecast – February 2019; <https://residential.jll.co.uk/insights/research/regional-forecasts-2019>

⁹ Deloitte Manchester Crane Survey – February 2020; <https://www2.deloitte.com/content/dam/Deloitte/uk/Documents/real-estate/deloitte-uk-manchester-crane-survey-2020.pdf>

Ancoats has undergone significant transformation in the past five years, with historical street patterns now being reformed, the canal basin restored and the area being accessible and vibrant throughout the day. Residential-led neighbourhoods are also developing at Middlewood Locks, the Northern Gateway, Salford Central and Great Jackson Street. Each of these are the success of long-term strategic planning and land assembly by the public-private partnership.

43% of units that completed construction in 2019 are located within Central Salford (1,549 units), with 690 units being completed in the Southern Arc and a further 700 units completed in the Eastern Gateway. Salford has the highest number of units under construction overall; 5,203 units across 16 residential schemes. Activity is expected to continue across Central Salford and the Southern Arc, where 75% of new residential units started construction in 2019.

Although the number of units under construction came down in 2019, with the trend likely to continue in subsequent years, more planning permissions have been granted in both 2017 and 2018 compared to 2019, of which 51% have since been converted into development schemes. Of the 5,391 units approved in 2019, it is anticipated that between 2,500 and 2,750 will commence construction over the next two years.

Competition in the Build-to-Rent sector is leading developers to think of new products for investment. New permissions are likely to move away from predominantly Build-to-Rent schemes, and instead may include family housing, bespoke owner occupation, Co-Living and age-friendly developments. In addition, the role of registered providers in Build-to-Rent schemes is likely to increase.

Population growth was constrained by a shortage of new residential supply between 2013 and 2016. Over 6,500 two bed units have been delivered since the beginning of 2016 in an attempt to address the shortage. Two-bed rental values continued to rise during 2018 and 2019, and reached just short of £1,000 per a calendar month on average in Manchester city centre, despite the number of units delivered between 2016 and 2020.

However, growth in rental income has slowed from a 7% increase over 2015 and 2017, to 3.1% between 2017 and 2019. Salford Central has seen the strongest price growth, with a 6% increase in 2018 and 2019. As many of these are recent graduates or highly-skilled workers, the GDP per capita is growing in tandem with the overall increase in the city centre population, which is expected to increase GDP overall significantly.

'Co-Living' seeks to cater for those who may not have a tenant to share with, or may want to venture on their own, by offering single occupancy tenancies in shared apartments or studios. These Co-Living offerings provide a substantial amount of shared amenity space for residents in communal areas.

The buildings typically offer flexibility for consumers, with varied lengths of tenancy, and seek to address problems of isolation that can become an issue in poorly designed and badly managed apartment blocks. As with Build-to-Rent, the success of Co-Living developments will inevitably be defined by the quality of their offering, proximity to employment opportunities and their ongoing management and maintenance. They will only meet a small portion of housing need in the city.

Much of the residential development that has taken place since the recovery from the 2007-08 recession has formalised the rental market to respond to the UK population now typically renting for longer. First time owner-occupiers are now on average two years older than they were ten years prior. Delivery in Manchester has recognised the need for a high quality rental sector to satisfy these changing lifestyle patterns.

Those currently renting in the city centre will be generally transient, moving on to buy or rent elsewhere and be replaced by new city centre workers and residents. This will impact sale prices and areas like the Northern and Eastern Gateways will have a role in satisfying this type of housing need in the regional

centre. The average first time buyer in Manchester now pays £176,000¹⁰ and residential areas offering family-style properties around this £175-£200k mark could see prices start to rise.

Greater Manchester towns connected to Manchester and Salford Central will also need to contribute to regional growth over the plan period and deliver residential-led regeneration. The revised Greater Manchester Spatial Framework, due to be published in summer 2020, will look at Manchester, Salford and Trafford to deliver over half of new housing (106,490 units – 53%) by 2037, but a balance will be needed. This will comprise both the high density rented accommodation, in locations well-connected to public transport outside the regional centres to satisfy pockets of rental demand, as well as lower density family housing for sale.

Areas outside the regional centre can capitalise on the increase in residential demand, and spread geographically the availability of good quality and well-connected accommodation. This in turn will create better conditions for investing and access to jobs and leisure opportunities, and support a strong vibrant regional economy.

5.3 Manchester City Centre New Build and Under Construction Market

In Manchester city centre, there are a number of high-quality residential schemes either under construction or that have just been completed. We have summarised below the developments that are being built to reflect the prime range of the market, which subject to the previous planning consent would be direct competition to the development.

Deansgate Square – Developer: Renaker

Four glazed towers offering over 1,500 luxury apartments, with one tower becoming Manchester's tallest building at 64 storeys. The development will offer a multitude of different amenities to the residents including; a 25m swimming pool, sports arena, a gym and a public realm plaza. The scheme is located to the south of Deansgate in an area that has been earmarked for further development. L&G acquired the West tower on a forward funded basis for an undisclosed price.

Manchester New Square – Developer: Urban and Civic

The development comprises three towers ranging from 12 to 15-storeys, offering 351 one, two and three bed apartments. Manchester New Square is set to offer high specification apartments to the market in a city centre location.

Manchester Gardens – Developer: DeTrafford

This development is part of DeTrafford's wider development of the south-west corridor of Manchester city centre. The first part of the scheme, Roof Gardens, has completed and there are plans for a further five towers to be built in the area. These will offer 575 apartments to the market.

Elizabeth Tower – Developer: Select Property Group

The development will be a 52 story tower located on Crown Street to the south of the city centre. The tower will offer 484 luxury units to the market with amenities such as a 44th floor swimming pool with a gym and a garden.

Meadowside – Developer: Far East Consortium

The development will be four buildings ranging from 22 to 41 storeys comprising 756 one, two and three bedroom apartments and penthouses. One of the towers will have a private gym and dining facility for residents.

¹⁰ Rental Market Report, Zoopla 2019. www.zoopla.co.uk/discover/renting/zoopla-rental-market-report/

Oxygen Towers – Developer: Property Alliance Group

A 31 story development near Piccadilly station offering 345 one, two and three bedroom apartments. The development will also offer 12 townhouses on the ground floor. The tower will have a range of amenities including; high quality gym, a steam room, three swimming pools, a cinema and a sky garden.

5.4 Manchester City Centre Residential Lettings Market

Manchester City Council's Quarterly Economy Dashboard for Quarter 2 2018¹¹ (the latest report) highlights that the average price for a two-bedroom property in March 2016 was £945 per month ("p/m") and £688 p/m outside the city centre. In Q2 of 2018/19, average values were £981 p/m in Manchester City Centre and £733 p/m elsewhere, representing a 3.8% increase in the city centre and 6.5% elsewhere over the two-year period. There are higher value sub-areas within the city centre, with Deansgate and Spinningfields averaging £1,339 p/m for a two-bedroom property, and New Islington at the lower end of the scale averaging £917 p/m.

Considering affordability, the average salary in the city centre is £28,558. Assuming a target average spend of 30% of gross income on rent, in line with Manchester City Council's Affordability Framework, this equates to an affordable rental value of £713.50 p/m per person. However, most two-bedroom apartments are shared between couples or a pair of young professionals, and this increases the affordability of even the higher end of the rental market for this particular demographic.

We summarise the latest rental evidence across Manchester City Centre below:

5.4.1 Manchester City Centre Residential Rents

One Bed Units

Address	Comment	Beds	Status	Rent pcm
Worsley Street, Manchester	Third floor apartment with a full length balcony. The apartment is fully furnished and has an underground car park space.	1	Available	£850
Kelso Place, Manchester	Eighth floor full furnished apartment with a secure car park. Located in Castlefield.	1	Available	£850
Beetham Tower, 301 Deansgate, Manchester	Studio apartment on the 46 th floor of the Beetham Tower. The property is fully furnished with a 24/7 concierge.	1	Available	£825
Bury Street, Salford	Twelfth floor apartment with balcony. The apartment block offers gym, lounge and 24 hour concierge.	1	Available	£900
One Regent, Regent Road, Manchester	Eleventh floor apartment will a balcony. The apartment is fully furnished and has a 24/7 concierge.	1	Available	£875

¹¹ Manchester Quarterly Economy Dashboard – Q2 2018/19;
https://www.manchester.gov.uk/downloads/download/422/corporate_research_and_intelligence_publications_economy

Address	Comment	Beds	Status	Rent pcm
One Regent, Regent Road, Manchester	Tenth floor apartment will have a balcony. The apartment is fully furnished and has a 24/7 concierge.	1	Available	£875

The foregoing provides a range of £825 to £900 pcm for one bed apartments in the immediate area of Spinningfields.

5.4.2 Two bed Units

Address	Comment	Beds	Status	Rent pcm
Deansgate Square, South Tower, Owen Street, Manchester	49 th floor corner apartment. The apartment has an allocated car park space as well as being fully furnished.	2	Available	£2,100
One Regent, Regent Road,	23 rd floor apartment with a south facing balcony. The apartment is part-furnished and has an allocated car park space.	2	Available	£1,175
301 Deansgate, Manchester	The apartment is on the 46 th floor of the Beetham Tower. The property is fully furnished with a 24/7 concierge.	2	Available	£1,450
301 Deansgate, Manchester	The apartment is on the 41 st floor of the Beetham Tower. The property is fully furnished with a 24/7 concierge.	2	Available	£1,300
301 Deansgate, Manchester	The apartment is on the 40 th floor of the Beetham Tower. The property is fully furnished with a 24/7 concierge.	2	Available	£1,300
Deansgate Square, South Tower, Owen Street, Manchester	38 th floor corner apartment. The apartment has an allocated car park space as well as coming fully furnished. Apartment floor area of 70 sq m.	2	Available	£1,795
Angel Square, Rochdale Road, Manchester	Top floor apartment with modern bathroom. The apartment is part furnished and the apartment floor area is 66 sq m.	2	Available	£1,700
Deansgate Square, South Tower, Owen Street, Manchester	43 th floor corner apartment. The apartment has an allocated car park space as well as being fully furnished. Apartment floor area of 70 sq m.	2	Available	£1,700

The foregoing provides a wide range of £1,175 to £2,100 pcm (£650 to £1,050 per bedroom) for two bed apartments in the immediate area of Spinningfields.

5.4.3 Three Bed Units

Address	Comment	Beds	Status	Rent pcm
Logik Square, Salford, M5	Furnished apartment in a modern block. Includes an allocated car parking space.	3	Available	£1,575
One Regent, Regent Road, M3 4JU	Furnished apartment in a modern block. Includes car parking at an additional cost.	3	Available	£1,600
Great Northern Tower	20 th floor penthouse in a modern tower block. Includes two allocated car parking spaces.	3	Available	£4,750
Beetham Tower, 301 Deansgate, Manchester	36 th floor apartment in a modern tower block. Includes car parking space.	3	Available	£4,000
Deansgate Square, South Tower, Owen Street, Manchester	Furnished apartment in a modern tower. Includes an allocated car parking space.	3	Available	£2,100

There is a significant range of typical pricing for three bed units of between £1,575 and £4,750 pcm (£525 to £1,583 per bedroom). The wide variance in pricing is consistent with the range seen in the re-sale market and is again indicative of the varying specification seen in this relatively small part of the supply pipeline.

In determining our opinion of market rent for the Benchmark Land Value consented scheme, we have considered the rental evidence from Regent Road, Deansgate Square and Slate Yard as the most applicable. Most of the evidence for rental evidence currently on the market is inferior to the subject property, with many not offering the same amenities as the consented T1 scheme. The designs benefit from a gym, tenant storage space and a roof top resident's leisure space. To reflect this, we believe that there should be a premium attached to the rents available on the older units such as Beetham Tower. We believe that rents would be more in line with rents at Deansgate Square or Anaconda Cut.

The rental evidence for the new developments are the most applicable to the build-to-rent development as they offer similar amenities and specification as the subject development. In the table below, we set out the rental values adopted per month per bed type for the consented residential development of T1:

Type	Level 02-05	Level 06-16	Level 17	Level 18-21	Level 22-31	Level 32-34
Type A (One bed)	£900	£950	£950	£975	£975	£1,000
Type B (Two bed with small living area)	£1,650	£1,750	£1,800	£1,800	£1,850	£1,950
Type C (Two bed with large living area)	£1,750	£1,800	£1,900	£2,000	£2,100	-
Type D (Two bedroom with large adaptable living area)	£1,750	£1,800	£1,900	£2,000	£2,100	-
Type E (Two large bedroom and large open plan living area)	-	-	-	-	-	£2,400

We have applied a premium rate for each bed type depending upon the level which the apartment is located. This is supported by evidence we have for a capital value premium applied the higher the apartment.

5.5 Manchester City Centre Residential Sales

According to JLL, Manchester's residential market has seen itself become the most established and significant city centre residential market outside of London. With the maturation of the residential market, prices have risen accordingly, with the average price of a two bedroom apartment increasing by 2.0% over the previous 12 months, standing at £255,000. Their forecast was that prices would rise by 3.0% per annum over the course of the next five years.

We understand the nearby Renaker development at Deansgate Square, which is to comprise 1,508 apartments within four residential towers ranging from 40 to 67 storeys, have achieved sale prices ranging from approximately £420 - £470 per sq ft. The prices achieved reflect this is set to be a premium build in a good location with residents set to benefit from access to a tennis court, swimming pool, cinema, gym, and studios with three basement car parking levels.

We have had regard to residential sales/lettings at schemes within close proximity to the subject scheme. Such evidence can be used as a benchmark to gauge the pricing across the subject units. It is important to note that the evidence provided below is derived from traditional residential schemes and not schemes considered to be build-to-rent.

Sales data has been sourced from HM Land Registry, Zoopla and Rightmove, whilst current availability has been derived from online estate agent portals such as Rightmove. We have also compared re-sales with new homes and for the latter we have also relied online data provided by the developer and/or their agents.

In the evidence collected, we have searched for developments that are, or have previously been the most desirable residential towers in Manchester. The site currently has planning for the erection of a 37-storey tower that would become attract a prime rent/premium price.

5.5.1 One Bed Units

Set out below is a summary of one bed units that are either available or which have sold in the re-sale market, within close proximity to the subject scheme:

Development	Type	Sales Price	Sales Rates per sq ft	Date	Comments
Axis Tower, Manchester	1 bed	£265,503	£493	Undisclosed	5 th floor apartment in the Axis Tower development. The apartment has views over the city and Salford Quays.
Axis Tower, Manchester	1 bed	£270,180	£570	Undisclosed	20 th floor apartment in the Axis Tower development. The apartment has views over the city.
Axis Tower, Manchester	1 bed	£279,660	£590	Undisclosed	23 rd floor apartment in the Axis Tower development. The apartment has views over the city and Salford Quays.
Axis Tower, Manchester	1 bed	£305,030	£590	Undisclosed	23 rd floor apartment in the Axis Tower development. The apartment has views over the city and Salford Quays.
Apartment 819, 6 Leftbank, M3 3AE	1 bed	£230,000	£319	Aug-19	8 th floor apartment in the Leftbank development, located in the heart of Spinningfields.

Development	Type	Sales Price	Sales Rates per sq ft	Date	Comments
Apartment 719, 6 Leftbank, M3 3AE	1 bed	£246,000	£352	Jun-19	7 th floor apartment in the Leftbank development, located in the heart of Spinningfields.
Block C 8-4, 1 Watson Street, M3 4EF	1 bed	£210,000	£354	Apr-19	8 th floor apartment in the Great Northern development, located in the centre of the city.
Apartment 227, 6 Leftbank, M3 3AE	1 bed	£257,000	£281	Feb-19	2 nd floor apartment in the Leftbank development, located within the Spinningfields area.

The foregoing provides a range of £206,000 to £257,000 for the re-sale of one bedroom apartments. The difference in values reflect a premium attached to the higher specification and better location schemes. Differences of this nature are to be expected as no two schemes are identical and units within each scheme will attract a different value based on position and aspect. New residential developments attract a higher range for one bedroom apartments, with Axis Tower attracting £265,503 to £305,030.

We have also had regard to new build pricing and have set out below a summary of available one bed apartments in this area of the city:

Address	Description	Bed	Parking	Status	Price	Price per sq ft
Axis Tower, Manchester	New build development located to the south of Manchester city centre.	1	No	Available	£214,935 to £321,048	£467 to £580
Manchester Gardens, M15	New build development on the south-west edge of the city centre.	1	No	Available	£199,000 to £202,000	-
The Linter Building, Manchester New Square, M1	New build development on Canal Street. There is a private residents' gym, lounge and 24 hour confidence.	1	No	Available	£220,000 to £249,000	-
Great Jackson Street, M15	New build forming part of the Elizabeth Tower. Private residents' gymnasium, swimming pool & concierge services.	1	No	Available	£243,000	£394
Store Street, Manchester, M1	New development near Piccadilly station. Residents have access to gymnasium and spa.	1	No	Available	£197,995 to £263,347	

Address	Description	Bed	Parking	Status	Price	Price per sq ft
Meadowside, Green Quarter	New build forming part of NOMA. Private residents' gymnasium, concierge services, private parking & raised podium gardens	1	No	Available	£197,500 to £233,500	

The new units are priced at between £197,995 and £321,048. The top end of the range is £64,048 or 25% higher than the upper end of the re-sales range.

The pricing of new build units demonstrates a new build premium but is also likely to be representative of the enhanced quality of these schemes compared to older schemes. These qualities can include the provision of facilities such as a concierge, rooftop gardens, communal lounges and gym facilities.

5.5.2 Two Bed Units

The following is a summary of two bed units that are either available or which have sold in the re-sale market, within close proximity to the subject scheme:

Development	Type	Sales Price	Sales Rates per sq ft	Date	Comments
Axis Tower, Manchester	2 bed	£396,316	£533	Undisclosed	17 th floor apartment in the Axis Tower development. The apartment has views over Cheshire.
Axis Tower, Manchester	2 bed	£380,867	£588	Undisclosed	23 rd floor apartment in the Axis Tower development. The apartment has views over the Peak district and Cheshire.
Axis Tower, Manchester	2 bed	£474,395	£573	Undisclosed	25 th floor apartment in the Axis Tower development. The apartment has views over the city and Peak District.
Apartment 836, 6 Leftbank, M3 3AE	2 bed	£530,000	£359	Aug-19	8 th floor apartment in the Leftbank development, located in the heart of Spinningfields.
Flat 601, 1 Deansgate, M3 1AZ	2 bed	£390,000	£438	May-19	Apartment located in the Beetham Tower. The apartment does not have an allocated parking space.
Apartment 713, 18 Leftbank, M3 3AJ	2 bed	£288,000	£315	Mar-19	7 th floor apartment in the Leftbank development, located in the heart of Spinningfields.
Block C 3-1, 1 Watson Street, M3 4EF	2 bed	£285,000	£327	Mar-19	3 rd floor apartment located in the Great Northern development, located in the centre of the city.
Apartment 912, 18 Leftbank, M3 3AL	2 bed	£325,000	£318	Feb-19	9 th floor apartment in the Leftbank development, located in Spinningfields.
Block C 2-2, 1 Watson Street, M3 4EF	2 bed	£390,000	£431	Feb-19	2 nd floor apartment in the Great Northern development, located in the centre of the city.
Flat 3106, 1 Deansgate, M3 4LQ	2 bed	£233,000	£416	Feb-19	Apartment in the Beetham Tower development. The tower has a 24-hour concierge service.
Flat 3409, 1 Deansgate, M3 4LQ	2 bed	£380,000	£464	Feb-19	Apartment in the Beetham Tower development. The tower has a 24-hour concierge service.

The re-sales evidence for two bedroom apartments in the immediate area provides a typical range of £233,000 to £530,000, which is less than the average of £255,000 for the city as a whole referred to by JLL. Two bedroom apartments in new developments attract a higher range than re-sales, with Axis providing a range of £396,316 to £474,395.

The capital rates per sq ft vary between £315 and £588 per sq ft, providing an average of £366 per sq ft.

We have again had regard to new build pricing and have set out below a summary of available two bed apartments in this area of the city:

Address	Description	Bed	Parking	Status	Price	Price per sq ft
Axis Tower, Manchester	New build development located to the south of Manchester city centre.	2	No	Available	£390,075 to £429,083	£525 to £619
Store Street, Manchester, M1	New development near Piccadilly station. Residents have access to gymnasium and spa.	2	No	Available	£300,000 to £350,000	-
Manchester Gardens, M15	New build development on the south-west edge of the city centre.	2	No	Available	£245,000 to £290,000	-
Great Jackson Street, M15	New build forming part of the Elizabeth Tower. Private residents' gymnasium, swimming pool & concierge services.	2	No	Available	£436,682 to £608,907	£404 to £459
Meadowside, Green Quarter	New build forming part of NOMA. Private residents' gymnasium, concierge services, private parking & raised podium gardens	2	No	Available	£295,000 to £335,000	

As with the one bedroom units, the pricing of new build, two bedroom units demonstrates a new build premium but is also likely to be representative of the enhanced quality of these schemes compared to older schemes. Prices range from £245,000 to £608,907, the top end of the range is £135,550 or 56% higher than the upper end of the re-sales range.

5.5.3 Three Bed Units

Pricing for three bed apartments in the city centre is summarised below:

Development	Type	Sales Price	Sales Rates per sq ft	Date	Comments
Axis Tower, Manchester	3 bed	£515,214	£514	Undisclosed	11 th floor apartment in the Axis Tower development. The apartment has views over the Peak district and Cheshire.
Axis Tower, Manchester	3 bed	£520,695	£519	Undisclosed	12 th floor apartment in the Axis Tower development. The apartment has views over the Peak district and Cheshire.

Development	Type	Sales Price	Sales Rates per sq ft	Date	Comments
Flat 607, 1 Deansgate, M3 1AZ	3 bed	£1,200,000	£648	Feb-19	Apartment located in the Beetham Tower development. The property has one bathroom. The Tower has a 24 hour concierge service.
Apartment 4505, Beetham Tower, M3 4LX	3 bed	£775,000	£471	Oct-18	Apartment located in the Beetham Tower development. The Tower has a 24 hour concierge service.

The three bed apartment market is a small proportion of overall supply and encompasses a wide range of quality from standard units to premium duplex or penthouse apartments with external terraces/balconies.

As with the one and two bed apartment market, we have had regard to new build pricing and have set out below a summary of available three bed apartments in this area of the city:

Address	Description	Bed	Parking	Status	Price	Price per sq ft
Axis Tower, Manchester	New build development located to the south of Manchester city centre.	3	No	Available	£526,176 to £547,000	£525 to £541
Great Jackson Street, M15	New build forming part of the Elizabeth Tower. Private residents' gymnasium, swimming pool & concierge services.	3	No	Available	£1,263,158 to £1,800,000	£382 to £519
Meadowside, Green Quarter	New build forming part of NOMA. Private residents' gymnasium, concierge services, private parking & raised podium gardens.	3	No	Available	£352,500 to £495,000	Undisclosed

The pricing of three bed new build apartments provides a range of pricing from £352,500 and £547,000.

Differences in pricing can depend upon the floor level of the apartment. For example, the Axis Tower has a series of three bedroom apartments available for sale. The apartments have the same area and are located on the 13th, 15th and 16th floor. They are available at rates per sq ft of £524, £535 and £541 respectively. This is the case for both one and two beds for the Tower. A series of two bedroom apartments on the 15th, 16th, 17th and 19th floor are available or have sold for a rate per sq ft of £525, £529, £533 and £541 respectively. For a one bed comparison, a 1 bedroom flat on the 20th floor is available for £570 per sq ft and an identical flat on the 22nd floor is available for £580 per sq ft.

In assessing the Benchmark Land Value on the basis of the consented scheme, we have used the above sales evidence to determine the overall average sales value at circa £485 per sq ft for the residential. In the Design and Access Statement for the previous scheme, the architects and planners stated that the T1 tower would be a high-end specification that would be regarded as prime in the market. We have adopted a sale value in line with the latest high specification residential units in Manchester, having particular regard to Axis Tower development capital values.

5.6 Manchester City Centre Residential Investment

In 2017 Grainger have acquired three refurbished blocks in New Islington and Ancoats, known as The Tribe for a price of circa £26 million. The blocks were refurbished in 2015 by the City Council. The blocks are outside the core area of city centre but are expected to generate the investor a gross yield approaching 7%.

There is otherwise limited evidence of completed PRS schemes transacting, although there have been a number of forward funding transactions. Agents are, however, reporting gross yields of circa 5.7% and net initial yields of 4.25% to 4.75% for prime regional assets. For secondary PRS schemes reports suggest gross yields of 7.25% and net initial yields of circa 5.25%. In many cases though the stated net initial yields are yet to be proven as the schemes are immature and the sustainable net operating income is, as yet, unproven.

In terms of forward funding, examples include:

- We understand the forward funding of Angel Gardens, located in the centre of the Co-op and Hermes 20 acre Noma masterplan, has been completed at **£185,000 per unit (£380 per sq ft)**. This landmark development comprises a 32 storey block providing 458 residential units, gardens and high quality resident amenities tailored for the Private Rented Sector. Amenities are to include cinema rooms, resident lounges, meeting spaces, roof terraces and unique 'Multi Moda Courts' where tenants can participate in Yoga, outdoor gym classes, tennis, basketball or football at roof level.
- We are aware that the forward funding agreement for New Bailey, a development of 100 PRS apartments, reflects **circa £112,000 per unit (£300 per sq ft)**. Located on the edge of the River Irwell, on the site of the original Vimto factory, the scheme includes a mix of one, two and three bedroom apartments.
- A forward funding deal has been agreed with Ares Investment Management, for the PRS element of the Kampus scheme. We understand the circa £150m deal reflects a capital value of approximately **£280,000 per unit (£400 per sq ft)**. Kampus is a 50/50 joint venture between Capital & Centric and Henry Boot Developments, it will comprise 540 apartments, hotels and leisure space aimed at independent restaurants and artisan bars. The site, previously known as the Aytoun Street Campus, was home to the Manchester Metropolitan University Business School.
- M&G Real Estate have agreed to finance Mulbury Homes' 74 – 88 Great Ancoats Street, a development of 135 new private rental homes and c. 6,000 sq ft of commercial ground floor office space, for £27.6m. The deal reflects an overall capital value of approximately **£205,000 per unit (£300 per sq ft)**, which includes a ground floor commercial, with a value in excess of this amount apportioned to the residential element.
- Listed residential property company Grainger agreed to buy Clippers Quay, a major private rental sector (PRS) scheme in Salford Quays. We understand the circa £100m deal reflects a capital value of approximately **£167,000 per unit (£220 per sq ft)**. Clippers Quay will deliver over 600 new private rented homes, along with commercial and amenity space.
- The Lancastrian development on Oldham Road within the New Cross area has been forward funded by AIG Real Estate. Balfour Beatty is developing two towers comprising six to ten storeys and 274 apartments with communal lounges, gym and roof terraces. There is also (3,700 sq ft) of commercial space and 60 car parking spaces. AIG forward funded the scheme in April 2018 off a reported gross development value which equates to a rate of **£237,000 per unit (£343 per sq ft)**, inclusive of the commercial space.
- Delph Property Group purchased the One Lord Street site in Manchester from Developer Anglesource for £6m in 2018. The site had planning permission for 192 apartments across 16-storeys and Delph are partnering with Fortis Developments to complete the scheme. On the ground floor there is a retail provision and 67 car parking spaces. The price paid for the development reflects a rate of **£31,250 per units (£34 per sq ft)**.

- Legal and General have announced that they are acquiring the 44 storey West Tower in Deansgate Square from Renaker. The tower is reported to be the tallest Built to Rent tower in the UK and will provide 350 units with 147 car parking spaces and ancillary commercial space. A further three towers of up to 64 storeys are in the development pipeline, providing 1,508 apartments. Pricing has not been disclosed.
- Heitman have forward funded a Build to Rent scheme that is being undertaken by Brickland at Cornbrook in Old Trafford. The scheme provides two towers of 16 and 19 storeys, providing 363 one and two bedroom apartments. The apartments include duplex and townhouse apartments, with communal facilities including lounges, a gym, a library and co-working spaces. The price paid has not been disclosed.
- In November 2018, Barings Real Estate's deal made it a joint venture partner in the acquisition and development of the Cornbrook site, which represents a £57m project. Designed by Sheppard Robson, it comprises two blocks, each with 14 floors of build-to-rent apartments. Upon completion, Cornbrook – adjacent to the Metrolink station of the same name – will consist of 280 apartments, including 93 one-bed, 172 two-bed, and 15 three-bed homes. The scheme will include a resident lounge and gardens together with a gym and yoga studio all located on the top floor of the development, with convenience retail at ground floor. Completion is expected in October 2020. The price equates to **£203,500 per unit (£217 per sq ft)**.
- In May 2019, RBC Real Estate Capital Partners were reported to have provided PRS brand Get Living with a combined £180m in term and development financing for its part of the Middlewood Locks scheme in Salford. The funding is split across two phases of Get Living's recently acquired Middlewood Locks units – the loan will finance the forward-funding of around 546 flats. The price equates to a rate for **£329,670 per unit**.
- In June 2019, AIMS Investments bought a portfolio of residential assets across Manchester city centre for £39m. The portfolio comprises Basil House on Portland Street, Salisbury House on Princess Street, 51 King Street and 341 Great Western Street. Together, they total 163 units. Shariah funding for the acquisition was sourced from the UK arm of Abu Dhabi Islamic Bank (ADIB UK). The price reflects a rate of **£240,000 per unit**.
- In March 2019, Castleforge Partners bought 'The Apple Building' on 270 Oldham Road for £6 million, reflecting a yield of 7.17% for a PRS scheme of 53 units.
- High Street Residential have recently agreed a joint venture with Logik developments for £100m. The development will consist of three towers of 23, 9 and 8 storeys. The JV will initially see HSR assist with funding, planning, designing and developing Logik's 355-apartment PRS scheme in Manchester's Castlefield district. The SimpsonHaugh-designed scheme will offer a mix of one, two and three bedroom apartments as well as rooftop gardens and commercial, retail and leisure space. The deal reflects an overall capital value of approximately **£282,000 per unit (£285 per sq ft)**, inclusive of the commercial space.

5.7 Co-Living Market

Co-Living is a concept that has been brought about by developers in large metropolitan areas seeking to provide affordable rental levels to tenants. The target audience being young people, perhaps just out of university, moving to new cities for job prospects, looking for safe and secure accommodation that offers proximity to work, leisure and social infrastructure.

According to Faithful + Gould, Co-Living is a community centred environment that not only provides privacy in living arrangements but also promotes social contact through shared amenity spaces and community events. The occupant rents a small private space—a studio or a bedroom in a shared apartment—and benefits from those shared facilities. The shared amenity spaces are an important

differentiator and are typically marketed as an all-inclusive experience, with facilities ranging from workspaces, lounges and libraries, to cinema rooms, gyms and outdoor/roof terrace space.

The licences for the stay will vary in length, aimed at offering short-term stay with furnished apartments, to longer leases aimed at creating communities for people to stay for a realistic budget. The ultimate aim is that this will be a small initial step on the property ladder for people to establish roots locally before renting or purchasing a property.

Occupants of a Co-Living scheme would pay an all-in rent that would include utility bills, Wi-Fi and Council Tax. This element helps the Co-Living accommodation from the conventional permanent dwellings (Use Class C3), along with other factors such as the management function and layout of the property. According to Faithful + Gould, schemes currently undergoing development are mainly being brought forward by specialist developer/operators, so mainstream developers are not yet accessing this segment of the market. Planning departments are still reviewing applications in the absence of any defined category or standards, so every project is appraised on a case by case basis.

Although Co-Living in the UK is in its infancy, it is still attracting a lot of interest from the property industry. The sector is seen as attractive because of the parallels, which can be drawn with the student accommodation, build-to rent and hotels, which have all experienced exponential growth in the last 5-10 years. UK developer operator The Collective, backed by DTZ Investors, recently announced plans to raise up to £650 million (€740.8 billion) for a Co-Living fund. The fund will hold a portfolio of around six to 10 assets, with aims to attract £1 billion of investment over the next 10 years.

In Manchester, iQ Student Accommodation, owned by Goldman Sachs and The Wellcome Trust, was the first to announce they were bringing Co-Living to Manchester, providing 621 bedrooms at Echo Street, alongside a neighbouring 242-bed student accommodation block. It is intended that there will be a mix of standard and premium units, with various configurations of studios, "twodios", and two-, three- and four-bed shared apartments. In addition, developer Downing have submitted a planning application for a Co-Living tower which will complete the regeneration of First Street and provide a vibrant new Co-Living neighbourhood.

JLL in their European Co-Living index 2019 highlights Manchester as one of the cities targeted for growth in the European market, coming 13th out of forty cities assessed. However, Manchester City Council have warned that development of Co-Living schemes in Manchester should be limited until the concept is properly tested, as some schemes may not meet minimum space standards or generate public revenues.

5.8 Student Accommodation

Manchester has three universities; The University of Manchester, Manchester Metropolitan University and The Royal Northern College of Music. The latest Higher Education Statistics Agency (HESA) estimates that there are 64,460 full time student enrolled in Manchester for 2017/18¹². A majority of the student accommodation for the university is located in close proximity to the academic buildings, along Oxford Road.

The student accommodation sector remains strong in Manchester with student numbers increasing year on year and the accommodation supply failing to keep up with demand. Recent developments in the student accommodation sector are summarised below and include the current rents for the 2019/2020 academic year:

¹² HESA. January 2019. <https://www.hesa.ac.uk/data-and-analysis>

Address (Provider)	Comment	Rent pcm
Circle Square (Vita Student)	The development comprises three buildings, with the final building complete for the start of the 2019/2020 academic year. The towers will offer 1,100 student beds on both 44 and 51 week tenancies. In two of the towers, there will be a concierge service and a grab-and-go breakfast service. The development is located close to the universities.	Cluster studios - £1,170 Private Studios - £1,130 to £2,100
Wilmslow Park (iQ Student Accommodation)	The student accommodation development was recently refurbished to provide en-suite shared accommodation. The facility offers a gym, social hub, table tennis and study areas. The property is located on Oxford Road south of the universities.	Cluster studios - £745 to £860
The Chapel (Hello Student)	This scheme is a converted Grade II building, which was completed in the summer of 2017. The development offers high quality en-suite and studio rooms with a gym, cinema room, social spaces and study areas. The development is located close to the universities.	Cluster Studios - £800 Private Studios - £845 to £1,100

*All the rents are inclusive of utility bills.

In the assessment of the accommodation offered by the proposed development and comparing that to the student accommodation evidence above, we have commented on the expectation of the Co-Living rents in relation to the evidence.

Circle Square would attract a superior rent to the subject development, when considered on an all-inclusive basis. The location of the property in relation to the city centre and university has factored into the development attracting a higher rent.

Wilmslow Park is located in an inferior location to the subject development and the facilities would also be inferior. It is on this basis that the subject development would attract higher rents than Wilmslow Park.

The Chapel is finished to a higher specification than the subject property, but it is located in an inferior location. The location is close to the university district but it is outside of the city centre ring road. In assessing these factors, it is expected that rental levels for this property would be similar to the proposed development.

5.9 Co-Living Yield Benchmarks

Despite the demand from certain investors, due to the infancy of the Co-Living market, there have yet to be any Co-Living schemes that have transacted. In order to assess the gross development value of the proposed scheme, we have assessed some-what comparable but more established asset classes including student accommodation, build-to-rent and houses in multiple occupation (HMO).

Considering the varying levels of length of stay and elasticity of income that people can afford, it is assumed that Co-Living yields could vary more on location and amenities rather than comparative transactions.

Below we have summarised the relevant yield benchmark for these sectors from the CBRE yield matrix and the Knight Frank Yield Guide for December 2019^{13 14} (either Manchester or Regional):

¹³ Knight Frank – Investment Yield Guide – December 2019;

<https://content.knightfrank.com/research/522/documents/en/investment-yield-guide-december-2019-6856.pdf>

¹⁴ Knight Frank – Residential Yield Guide – December 2019; <https://www.knightfrank.com/research/uk-residential-investment-yield-guide-december-2019-6890.aspx>

Sector	CBRE Yield	Knight Frank Yield
Build-to-Rent	4.25%	4.25%
Purpose Built Student Accommodation	5.00+%	5.25%
Budget Hotel (Fixed/RPI uplifts 20yr+ term, Strong Covenant)	4.25%	4.00%
Hotel VP (Upscale)	6.25%	N/a
Hotel Management Contract	7.50%	N/a

Manchester is though considered a 'super prime' location in terms of student accommodation. This is due to the significant lack of supply (with a restriction of building new student accommodation up until 2018 when it was lifted) coupled with a continual increase in student numbers. The table below is a benchmark for prime Purpose Built Student Accommodation on a direct let basis

		2018	2019
"Super-prime" regional	CBRE	5.00%	5.00%
	JLL	5.25%	5.25%
	C&W	4.75%	-4.75%

In light of the evidence above, we have adopted a yield of [REDACTED] for the Co-Living scheme. We believe that this reflects the risk that would be attached to a Co-Living scheme with the market is it's infancy, and a discount to the yield for the more established Build To Rent residential and Purpose Built Student Accommodation markets.

5.10 Manchester City Centre Retail and Leisure

The subject schemes include commercial units on the ground floor, which is similar to many of the schemes in the Ancoats, Northern Gateway and Green Quarter areas. In the early stages of an area's regeneration these types of units often take a long time to let up and whilst the voids experienced improve as the location matures, the units are often occupied by tenants of limited covenant strength. However, in business districts such as Spinningfields, New Bailey, First Street and Central Square, the critical mass of the schemes drives stronger demand. We consider that St Johns would fall into the latter category.

In assessing the likely rate to be achieved, local comparables have been considered, as shown below:

Property	Deal Date	Size (sq ft)	Headline Rent (per annum)	Rent per sq ft
50-56 High Street	Oct 2019	1,975	£41,750	£21.14
Tib Street	Oct 2019	1,387	£35,062	£25.28
12-14 Cross Street	Sep 2019	3,002	£94,999	£31.64
Units 5 – 9, First Street	Jun 2019	1,127	£42,500	£37.71
Chapel Street	Feb 2019	1,571	£19,327	£12.30
55 King Street	Feb 2019	2,314	£48,759	£21.07
78 Deansgate	Feb 2019	2,702	£65,000	£24.05
4 Piccadilly Place	Dec 2018	1,613	£43,387	£26.90
36-40 Edge Street	Sep 2018	711	£15,193	£21.37
61-95 Oxford Street	Sep 2018	1,817	£36,655	£20.17
55 Spring Gardens	Aug 2018	1,708	£49,107	£28.75
5 St Marys Gate	Nov 2018	2,511	£89,999	£35.84

Source: EGi Deals

5.11 Manchester City Centre: Offices

5.11.1 Manchester Office Market: Occupier

Manchester's position remains undisputed in the national market. Manchester currently has the highest rent of all the regional cities in the UK and with the introduction of HS2, Manchester's role looks set to increase. Increasingly, tenants are looking to reduce their floor space in the London market and increase their presence in the regional markets. With the availability of transport and exposure to working population, Manchester has often been the destination of choice for companies. However, this has not led to an undersupply of office space to the market, with CBRE estimating that the availability rate of Manchester is 16.4%, the second highest availability rate behind Aberdeen.

5.11.2 Manchester Development Pipeline

The amount of space under construction in 2019 was broadly similar when compared to 2018¹⁵. There is currently 195,090 sq m (2.1m sq ft) under construction, 1,765 sq m (19,000 sq ft) more than 2018. The amount under construction remains constant at 43,106 sq m (464,000 sq ft), which is a similar level to the amount of new space delivered during the same prior period. There were five new starts in the office sector during 2019. The total volume under construction is around double the average amount observed on site over the past 12 years.

Office development activity is taking place across 14 schemes, with the focus predominantly in the City Core (8 schemes), but there is also activity in the St. John's (2), Salford (3) and NOMA (1). New starts include Globe and Simpson in St. John's, 11 York Street and 3 New Bailey, with completed schemes of Dantzie in NOMA, Heron House, No. 8 First Street and ABC on Quay Street offering new and refurbished floor space in 2019. The completions in NOMA and First Street have also contributed important pieces of the surrounding public realm within their respective Masterplans.

Globe and Simpson, St John's



Source: Allied London

¹⁵ Deloitte Manchester Crane Survey 2020 – February 2020; <https://www2.deloitte.com/uk/en/pages/real-estate/articles/manchester-crane-survey.html>

11 York Street



Source: OBi Property

3 New Bailey



Source: Place North West

Take-up is high with 1m sq ft taken across the area as a whole. Pre-lets on new and refurbished space under construction also suggests demand for space is high. The Deloitte Crane Survey 2020 shows the amount of pre-let space is up to 40 percent, comprising 80,405 sq m (865,500 sq ft).

This suggests that there is currently an undersupply of new space to the market, demonstrated by prime rents rising in the City Centre. This is a consequence of high levels of growth, a diversified local economy and a constrained supply of Grade A space, driven by some significant pre-lets in both Salford and Manchester.

Booking.inc are set to occupy the entirety of Manchester Goods Yard; WPP occupy Globe and Simpson in St. John's; Spaces – a serviced office occupier – have taken the whole of OneTwoFive Deansgate; HMRC are set to occupy all of Three New Bailey; and Two New Bailey is set to be occupied by Eversheds Sutherland.

Manchester Goods Yard



Source: St John's Manchester

OneTwoFive Deansgate



Source: Glenn Howells

Two New Bailey



Source: New Bailey

Total take-up in Manchester in the first three quarters of 2019 reached 102,190 sq m (1.1 million sq ft), with 40,303 sq m (433,828 sq ft) of this being Grade A space, accounting for approximately 39%¹⁶. The city is expected to have reached in excess of 139,350 sq m (1.5 million sq ft) by the end of 2019, which would be the second highest annual take-up level since 2018. Colliers estimate that 92% of all grade office space in Manchester city centre is occupied¹⁷; whereas, 98% of Grade A offices are occupied.

There has been activity from a variety of sectors during the first three quarters, with significant activity from Serviced Offices (20.4%), Tech, Media & Telecoms (19.9%) and Business & Consumer Services (14%). Serviced office providers: Spaces, WeWork, Huckletree and Regus have all took space in Manchester city centre in 2019, signing for a combined 20,907.2 sq m (225,051 sq ft) of space.

Q2 2019 provided the majority of the major Grade A deals in Q1-Q3 2019 totalling 23,679 sq m (254,892 sq ft). Prime rents in Manchester city centre currently sit at £36.50 per sq ft¹⁸, increasing 7% since the end of 2018. This is contrasted by Colliers who estimate that prime rents remained at £37.50 per sq ft¹⁹. Savills forecasts that prime rents in Manchester city centre will reach £38.50 per sq ft in 2020, breaking the £40 per sq ft barrier by 2021. This would be a record rent for Manchester and the highest of the big six city centre regional office markets.

The Grade B market has seen significant rental growth due to the lack of available Grade A space, with Grade B rents now at £28.50 per sq ft. There is an increased pressure on Grade A rents from the upward

¹⁶ Savills – Market in Minutes: Manchester Offices – December 2019;

https://www.savills.co.uk/research_articles/229130/293405-0

¹⁷ Colliers – Manchester Office Snapshot Q3 2019 – November 2019; <https://www2.colliers.com/en-GB/Research/Manchester-Offices-Snapshot-Q3-2019>

¹⁸ Savills – Market in Minutes: Manchester Offices – December 2019;

https://www.savills.co.uk/research_articles/229130/293405-0

¹⁹ Colliers – Manchester Office Snapshot Q3 2019 – November 2019; <https://www2.colliers.com/en-GB/Research/Manchester-Offices-Snapshot-Q3-2019>

pressure on rents in the Grade B market. Colliers also forecast that a shortage of supply over the next two years will see Grade A rents reach £40 per sq ft in 2020.

5.11.3 Manchester Office Market: Investor

From Q1 to Q3 2019, the Manchester and Salford market has seen total commercial investment volume of £408m; 34% of that total was for office space (£137m)²⁰. Investment volumes in the city centre for Q3 2019, reached £35.75 million, which is the highest quarterly level of investment in 2019. However, investment volumes remain subdued for the year-to-date currently totalling £63 million. Topland Group PLC's purchases of 58 Spring Gardens (£19.1 million, 6.3% yield) and 151 Deansgate (£10.5 million, 5.5% yield) dominated Q3 investment transactions.

58 Spring Gardens



Source: Savills

151 Deansgate



Source: GM Chamber

Prime yields in Manchester are at 4.75% and have remained so for several years. As a result of continued occupational and investor demand and sustained rental growth, Colliers forecast that prime yields will be maintained for the foreseeable future and capital values will increase through further rental growth²¹. Investor demand in Manchester for prime let stock remains buoyant and diverse. Manchester's global appeal with sustained rental and capital performance has made the city the preferred UK regional destination for international investors and UK funds alike seeking to invest outside of London.

With the increased political and economic certainty in 2020, Savills expect Manchester's office investment volumes to experience a significant increase from 2019. However they too report predict that prime yields to remain stable at 4.75%.

²⁰ Savills – Market in Minutes: Manchester Offices – December 2019;
https://www.savills.co.uk/research_articles/229130/293405-0

²¹ Colliers – Manchester Office Snapshot Q3 2019 – November 2019; <https://www2.colliers.com/en-GB/Research/Manchester-Offices-Snapshot-Q3-2019>

5.11.4 Rental comparable evidence: Offices

We have conducted market research of lettings for office space in Manchester city centre. We have summarised the evidence into a table below.

Address	Sq M (Sq Ft)	Lease Terms	Headline Rent per sq ft (Net Effective)	Comments	
	125 Deansgate	11,32,8 (121,892)	Let to Spaces on a 15 year lease from June 2019	£35.00	OneTwoFive Deansgate is a new office development within the traditional city centre. The building has been let to Spaces, which is part of Regus. We understand that a devaluation of the rent reflects a premium for the upper floors. 125 Deansgate is closer to the prime office area of Spinningfields than the subject property and is a self-contained building. Therefore we would expect the proposed accommodation to command a lower rent.
	No. 3 Piccadilly Place	3,004.9 (32,346)	Ten year lease of the 7 th and 8 th floors to Barclays Bank, from July 2019	£29.00	Piccadilly Place is a modern office campus located in close proximity to Piccadilly Station. The location is peripheral in terms of the established city centre office market. We consider that a similar rent would be achievable on a headline basis for the subject property.
	No. 3 Piccadilly Place	3,004,9 (32,346)	Ten year lease of the first floor to Secretary of State for Communities and Local Government, from July 2019	£29.50	Piccadilly Place is a modern office campus located in close proximity to Piccadilly Station. The location is peripheral in terms of the established city centre office market. We consider that a similar rent would be achievable on a headline basis for the subject property.

Address	Sq M (Sq Ft)	Lease Terms	Headline Rent per sq ft (Net Effective)	Comments	
	No.1, Circle Square, Oxford Road	2,649.3 (28,518)	Ten year lease of the 9 th floor to Hewlett Packard	£33.00	Circle Square is a new office campus located in close proximity to the University campus on Oxford Road. Circle Square is an emerging new Business Quarter, but has the advantage of being located close to the Universities. We consider that a lower rent would be achievable on a headline basis for the subject property.
	3 Hardman Square, Spinningfields	2,052.6 (22,095)	General Medical Council took a ten year lease of the 8 th floor in January 2019. Fifth year break option (penalty of £562,190)	£32.50 (£26.00)	Whilst not a new building, Spinningfields is a more established location than NOMA. The incentive equates to circa 12 months' rent free on a five year term certain, once the break penalty is taken into account. We would expect the subject property to command a lower rent on a headline basis, due to the established location of this building in Spinningfields.
	No.2, St Peter's Square	1,519.0 (16,351)	The 6 th floor was let to Knights plc on a lease from February 2019 for a term of eight years and ten months.	£32.84	Knights took an assignment of an existing lease, which includes a December 2022 review. The transaction has therefore been given limited weighting in our valuation.

Address	Sq M (Sq Ft)	Lease Terms	Headline Rent per sq ft (Net Effective)	Comments
	Landmark, St Peter's Square	1,290.9 (13,896)	JLL have leased the 10 th floor on undisclosed lease terms.	£36.00 Landmark is a brand new building in the rapidly improving St Peter's Square. We would expect that a lower rent would be achievable on a headline basis for the subject property. This is due to a difference in overall location and the fact that Landmark is one of the city's premier new office buildings.
	No.1, Marsden Street	558.9 (6,016)	Calvi Capital took a ten year lease of the 9 th floor, for a term of ten years from June 2019	£32.00 No.1 Marsden Street is relatively modern building in the traditional core, which has historically set new rental benchmarks for the city. We would expect that a lower rent would be achievable on a headline basis for the proposed offices, due to a difference in overall location.
	No. 4 Piccadilly Place	749.5 (8,068)	Scenic Tours (UK) Limited have leased the 1 st floor on a ten year lease (five year break), from March 2019	£28.50 Piccadilly Place is a modern office campus located in close proximity to Piccadilly Station. The location is peripheral in terms of the established city centre office market. We consider that a similar rent would be achievable on a headline basis for the subject property.
	No. 3 Piccadilly Place	698.0 (7,514)	Instant Offices took a lease of part of the 5 th floor in March 2019. The lease is for ten years with a five year break.	£28.50 Piccadilly Place is a modern office campus located in close proximity to Piccadilly Station. The location is peripheral in terms of the established city centre office market. We consider that a similar rent would be achievable on a headline basis for the subject property.

Address	Sq M (Sq Ft)	Lease Terms	Headline Rent per sq ft (Net Effective)	Comments
	No. 3 Piccadilly Place	635.6 (6,842)	Lockton Insurance Agency Limited took a lease of the 1 st floor in January 2019. The lease is for ten years with a five year break. Rent free period of 8 months.	£28.00 (£25.66) Piccadilly Place is a modern office campus located in close proximity to Piccadilly Station. The location is peripheral in terms of the established city centre office market. We consider that a similar rent would be achievable on a headline basis for the subject property.
	Riverside House, Irwell Street, New Bailey	545.5 (5,872)	Muse Developments Limited took a ten year lease of the 2 nd and 3 rd floors in March 2019. Ten year term.	£28.50 New Bailey is the development of a new Business District that also includes built to rent apartments and ground floor retail/leisure units. It is therefore similar to NOMA, albeit it is at a more advanced stage of development. Riverside House is in close proximity to the proposed offices. We consider that a similar rent would be achievable for the subject property.

5.11.5 Investment comparable evidence: Offices

We have set out below comparable evidence for investment transactions in Manchester city centre. As mentioned previously, the investment market in 2019 was subdued with large transactions dominating the market. We have summarised the evidence below with commentary about the comparability of the transactions to the subject property.



40 Spring Gardens

40 Spring Gardens is a 2007 built office building which is located within traditional office core of Manchester's Central Business District. It extends to 9,242.5 sq m (99,489 sq ft), which includes 590.7 sq m (6,358 sq ft) of ground floor retail let to Hervia, Evelyn and Café Beermoth. The eight upper floors of office accommodation are let to Lloyds Bank, Aon plc and Aldermore Bank plc.

The property was sold for £54.5m (£548 per sq ft) in November 2019 subject to an unexpired lease term of 6.18 years. The yield at 5.70% reflects building being fully-let at the time of the acquisition.

40 Spring Gardens is a modern, fully let office building in the traditional office core. We therefore conclude that the yield achieved for the proposed offices would be higher than that achieved in the sale of 40 Spring Gardens.



Elliot House, Deansgate

Elliot House is located on Deansgate, which is one of the city centre's principal roads, but is accessed off Lloyd Street. The property extends to 2,656.9 sq m (28,600 sq ft) and comprises a ground floor restaurant let to Gusto and two upper floors of office provision let to the Greater Manchester Chamber of Commerce on three separate co-terminus leases.

The restaurant is let at £23.00 per sq ft and the office element let at a range of £21.50 - £25.00 per sq ft. The average unexpired lease term at the point of sale was 11.62 years. The deal reflected an off-market transaction, with interested purchasers offered the asset at £11.0m. The property was sold to Topland Group in December 2019 for £10.5m (£367 per sq ft), reflecting a net initial yield of 5.50%. We understand that the property was offered to potentially interested parties at a price of £11.0m.

Whilst the proposed offices would offer a superior product as new build offices, the superior location of Elliot House and the unexpired lease term leads us to conclude that the proposed offices would attract a higher yield.



The Chancery, 58 Spring Gardens

The Chancery, 58 Spring Gardens sold in May 2019 for £20.44m, at a net initial yield of 6%. The property was subsequently re-sold in September 2019 for £19.4m (£360 per sq ft at a net initial yield of 6.32%).

The property has a Grade-II listed façade and was extensively refurbished in 2017/2018 to a modern office specification. It provides 5,005.5 sq m (53,880 sq ft) of accommodation and is located within the traditional office core of Manchester's Central Business District.

The property was 87% let at the time of the most recent transaction with 2.62 years average unexpired lease term. The vacant fourth floor had an 18-month vendor guarantee.

The property is within the traditional prime office core but offers a limited unexpired lease term. As a result of these factors and its size, we have given the sale limited weighting in our Financial Viability Assessment, other than to conclude that the proposed offices would command a superior yield as new build offices which are assumed to be let on a medium to long term lease.



Eversheds House, 70/76 Great Bridgewater Street

Eversheds House was sold in June 2019 for £22.5m (£312.50 per sq ft), reflecting a net initial yield of 7.50%. The offices were 100% let at the time of the sale to Evershed Sutherland, with two years remaining to expiry. The tenant is, however, relocating to a new building at New Bailey.

The purchase price of the building and the yield therefore reflects the short-term income of the property and the need for capital expenditure to refurbish the property once Eversheds have vacated. It is therefore of limited reference on terms of a yield for the proposed offices.



125 Portland Street

125 Portland Street is located just outside Manchester's Central Business District and only a short walk from St Peters Square and Oxford Road Station. The building extends to 2,986.9 sq m (32,152 sq ft), including ground floor retail and 2,751.2 sq m (29,615 sq ft) of office accommodation across the ground floor and five upper floors. The office accommodation was refurbished before the sale.

The property is multi-let to four tenants including Manchester Building Society and Alliance Franchise. There is one floor void with a twelve month guarantee from the vendor. The passing rent is £445,993 per annum (£13.16 to £16.25 per sq ft). At the sale date, the property had an average unexpired lease term of 5.69 years to earliest termination and of 4.99 years to the breaks.

The property was sold in August 2019 for £7.35m (£228 per sq ft), reflecting a net initial yield of 5.69%.

Whilst 125 Portland Street is inferior to the specification of the proposed development, it is in a more established location. On balance we would expect the proposed offices to achieve a higher yield.



Riverside House, Irwell Street, Salford

Riverside House is an 1890's building which has effectively been redeveloped behind the existing façade. It is located on the Salford side of the River Irwell but immediately to the west of Manchester city centre and Spinningfields. It is part of New Bailey which is the development of a new Business District that also includes built to rent apartments and ground floor retail/leisure units. The development has attracted occupiers including Freshfields Bruckhaus Deringer, Eversheds Sutherland, BLM LLP and HMRC.

Riverside House comprises 1,035.5 sq m (11,147 sq ft) of Grade A office space over four floors with high quality finishes and a south-facing riverside courtyard. Legal & General purchased the long leasehold interest in Riverside House in December 2019 for £6.33m (£568 per sq ft), reflecting a net initial yield of 4.7%. The property was 100% let at the time to two tenants, Muse Developments Limited and Leonard Curtis. Muse took 537.4 sq m (5,785 sq ft) on the second and third floor, whilst Leonard Curtis took 498.1 sq m (5,362 sq ft) on the ground and first floor. Both tenants signed ten year leases in 2019 at headline rents of £28.50 per sq ft.

The yield achieved is representative of a prime yield for a relatively small lot size but one which provides ten year income in what is well advanced and significant new Business District in the city.

Whilst Riverside House is in relatively close proximity to the proposed offices, New Bailey is a more established location; Riverside House is a self-contained building; and this is a relatively small lot size. We would expect that the proposed offices would achieve a higher yield.



Peter House, St Peter's Square

Peter House is an eleven storey building with basement car parking, located in a prime location facing on to St Peter's Square. The property was originally built in 1958 and comprises of 8,793.4 sq m (94,654 sq ft) of newly refurbished (2019) Grade A office space and ancillary retail and leisure accommodation. The property was historically in a secondary location but St Peter's Square has seen significant office development of late, which has improved the quality of the location.

The office accommodation is fully let to Spaces (Regus plc) on a 15 year lease, with a remaining 14.25 years term certain at the date of sale. Including the ground floor leisure and retail income, the property had an average unexpired lease term of 13.85 years (to earliest termination) at the date of sale.

The office accommodation totals 7,643.3 sq m (82,274 sq ft) with the ground floor leisure/retail accounting for 1,150.2 sq m (12,380 sq ft). Peter House was sold in January 2019 for £45.1m (£476 per sq ft), reflecting a net initial yield of 5.12%. The office accommodation in particular is thought to be reversionary and the agent's stated opinion of rental value would provide a reversionary yield of 5.89%. The property was marketed at £44.0 million, which was quoted as providing an equivalent yield of 5.85%.

Peter House occupies a central location than CIS Tower with good rail and Metrolink connectivity. As a result of these factors and the lengthy unexpired term offered by Peter House, we consider that the proposed offices would command a higher yield.



31 Booth Street

31 Booth Street is located in traditional office core of Manchester's Central Business District. Following a complete refurbishment in 2017, the building comprises 2,313.4 sq m (24,902 sq ft) of Grade A office space across seven floors.

The property was 91% let to nine occupiers at the date of sale, with an average unexpired lease term of 9.80 years to expiry and to break of 4.75 years. The vacant space has a vendor 12 month rent guarantee. In an off-market transaction, Helical plc sold the property to the Mayfair Capital managed Property Income Trust for Charities fund (PITCH) for £11.925m (£479 per sq ft) in December 2018. The sale reflected a net initial yield of 5.05%. The agent has commented that there were three to four bids on the property and that the reversionary yield is 5.4%.

The property is of a similar size to the proposed offices, but is in the heart of the traditional office core of the city centre. As a result we would expect the proposed offices to achieve a higher yield in comparison.



Linley House, Dickinson Street

Linley House is located just outside Manchester's Central Business District and only a short walk from St Peter's Square and Oxford Road Station. It is, however, set back from the main road and is therefore in a relatively secondary location. 125 Portland Street, the sale of which is referenced at 12.2.2.5, is virtually adjacent to Linley House.

The property is a 7,837.0 sq m (84,360 sq ft), nine storey office building. The building is circa 60 years old but was refurbished in 2010 to provide Grade A office accommodation.

Castleforge Partners acquired the freehold interest in the Linley House in December 2019 from Patrizia for £14.25m as an investment, reflecting a net initial yield of 5.6%. The property was 92.56% at the date of sale to occupiers such as Electricity North West, My Home Move, and London School of Business and Finance, producing a combined passing rent of £845,000 per annum.

We expect that once fully occupied the yield would rise to circa 6.0%. This is an older building than the proposed offices but it has been refurbished to a Grade A specification. It is though in a secluded, secondary position in the city centre. We would therefore the proposed offices to attract a similar yield.

Appendix 6 Cost Plan

VITA

VITA T2 - MANCHESTER

Stage 1 Cost Plan Report - REV 4

27th March 2020

VITA T2 - MANCHESTER

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Section 1. Executive Summary

1.1 Overview

This cost plan provides a financial appraisal for Vita in respect of the T2 development located in Manchester. A design has been prepared by DCM with an accompanying area and accommodation schedule that has been utilised in the formulation of this study.

The scheme comprises 806 units constructed in a Mixed Blocks with a maximum of 36 storey tower (including ground and mezzanine). This equates to approximately 314,341sqft of new build development.

The estimated out-turn construction cost for the base case scheme including Infrastructure and External Works is **£75,108,000 (£236/ft²)** based on a current day cost.

The rates used within the body of this estimate and summarised here are dated 2nd Quarter 2019 and are provided on a 'Current Fixed Price Basis'. Inflation is excluded.

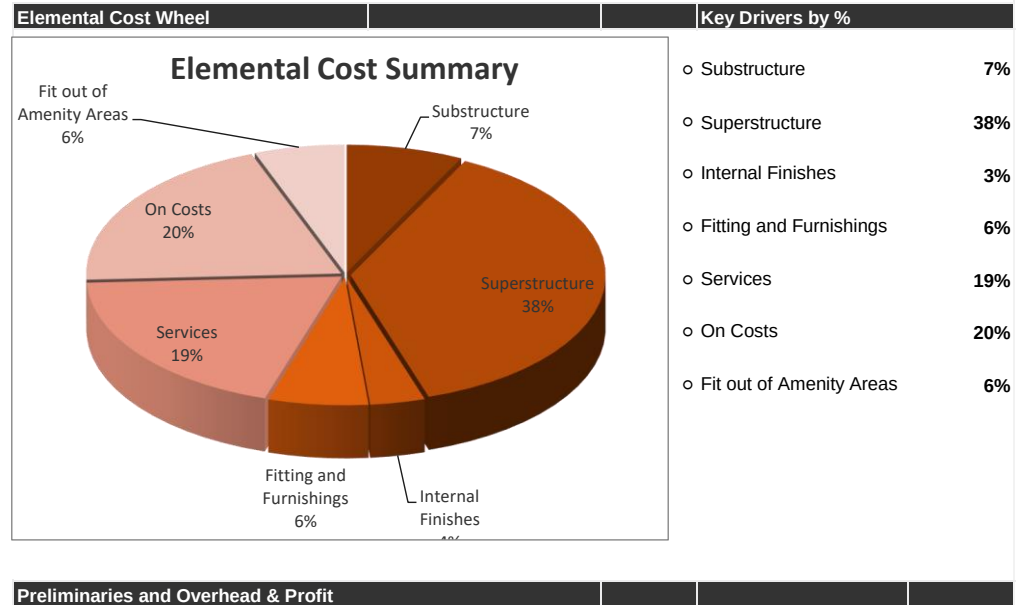
Construction Costs	£	£/m ²	£/ft ²
		29,518	317,727
Basement Base and fit-out Cost	5,203,150	6,956	646
Co-working Fit-out Cost	3,372,472	1,433	134
Co-Living Space floor 5 - 35	64,881,912	2,255	210
Sub-Total (Rounded)	73,457,534	2,489 £/m ²	231 £/ft ²
External Works	900,000	30	3
Infrastructure	750,000	25	2
Total current day cost	75,108,000	2,545 £/m ²	236 £/ft ²
Tender Price Inflation to mid-point TBA	0	0 £/m ²	0 £/ft ²
Construction Cost @ Q1 2020	75,108,000	2,545 £/m ²	236 £/ft ²

Note: £/m² and £/ft² calculated using the total GIA of the residential block.

Developer - Cost Model Elemental Summary

Element	£	GIA £/m	GIA £/tf
Substructure	5,373,149.96	182.03	16.91
Substructure (a)	5,373,149.96	182.03	16.91
Frame	10,846,139.20	367.45	34.14
Upper Floors	incl	Incl.	Incl.
Roof	408,348.00	13.83	1.29
Stairs	450,289.00	15.25	1.42
External Walls	11,748,654.24	398.02	36.98
Windows and External Doors	incl	Incl.	Incl.
Internal Walls	2,310,058.00	78.26	7.27
Internal Doors	1,488,800.00	50.44	4.69
Superstructure (b)	27,252,288.44	923.26	85.77
Wall Finishes	431,544.00	14.62	1.36
Floor Finishes	1,327,544.71	44.97	4.18
Ceiling Finishes	757,634.65	25.67	2.38
Internal Finishes (c)	2,516,723.35	85.26	7.92
Fittings and Furnishings	4,588,842.00	155.46	14.44
Fitting and Furnishings (d)	4,588,842.00	155.46	14.44
Sanitary Appliances	2,454,000.00	83.14	7.72
Mechanical Services	10,174,200.00	344.68	32.02
Electrical Services	0.00	0.00	Incl.
Lift Installations	1,062,000.00	35.98	3.34
M&E Builders Work	337,086.00	11.42	1.06
Services (e)	14,027,286.00	475.22	44.15
Fit-out of Amenity Areas	4,208,372.16	142.57	13.25
Sub Total (a+b+c+d+e)	57,966,661.91	1,963.80	182.44
Main Contractors Preliminaries	8,890,000.00	301.18	27.98
Pre-Construction Fee	0.00	0.00	0.00
Sub Total	66,856,661.91	2,264.98	210.42
Main Contractor's Overheads & Profit	4,371,000.00	148.08	13.76
Sub Total	71,227,661.91	2,413.06	224.18
Contractors Risk	1,253,000.00	42.45	3.94
Sub Total	72,480,661.91	2,455.51	228.12
Inflation Allowance	See Exec Summary		
Sub Total	72,480,661.91	2,455.51	228.12
Total (rounded)	72,480,661.91	2,455.51	228.12
External Works	0.00	0.00	0.00
Abnormals	976,871.85	33.09	3.07
Total (rounded)	73,457,533.76	2,488.60	231.20

Gross Internal Floor Area: -			29,518 m²	317,727 ft²
Net Internal Floor Area: -			19,535 m²	210,272 ft²



Preliminaries and Overhead & Profit

These costs relate to site supervision, contractors overheads and the general management of the contract.

Preliminaries

These include for time related and fixed running costs and are typically split across the following headings; management and staff, site accommodation, services and welfare facilities, temporary works, temporary power and services, site security, health and safety provisions, producing O&M documentation.

Overhead & Profit

The Contractor's management overheads include; a proportion of the company's central overheads such as head office and staff costs which are not in the preliminaries, and an amount for profit.

VITA T2

Rev -



Stage 0 Basement Estimate

16-Oct-19

Basement

Basement GIA

748	m ²	Cost per m ²	6,956
8,051	ft ²	Cost per ft ²	646

Ref.	Item description	Quantity	Unit	Rate (£)	Total (£)	Notes
	BASEMENT COSTS					
	Excavation & Disposal					
	Site clearance / preparation	748	m ²	10	7,480	
	Excavation down to lowest full basement level; assume 5m deep	3,740	m ³	8	29,920	
	Extra over for; removing obstructions	1	item	50,000	50,000	Incl Disposal
	Disposal; assume mix of inert and non-hazardous	2,244	m ³	40	89,760	
	Disposal of hazardous material	1,496	m ²	250	374,000	
	Dewatering; allowance	1	item	50,000	50,000	
	Perimeter Wall					
	Pile mat; 6f2	898	m ²	55	49,368	
	Contig piled wall; assume 900 dia piles; maximum retained height 7m; including concrete capping beam; including spray concrete to piles	115	m	4,500	517,500	full depth tbc
	Concrete liner wall in front of piles incl drainage channel; 350 thick; 150kg/m3 reinforcement	575	m ²	230	132,250	
	Frame					
	Frame; based on gia	748	m ²	100	74,800	
	Cores; extending down from buildings above	1	nr	75,000	75,000	
	Basement Slab					
	Concrete; assume 2.5m thick	1,870	m ³	160	299,200	
	Reinforcement to slab; 175kg/m3	327	t	1,200	392,700	
	Hardcore sub-base; 250 thick	187	m ³	45	8,415	To upper slab only
	Waterproofing	575	m ²	80	46,000	
	Piling to Basement slab and cropping etc	2,250	m	250	562,500	

VITA T2		Rev -		 Design & Consultancy for natural and built assets		
Stage 0 Basement Estimate		16-Oct-19				
Basement						
Basement GIA		748 m ²		Cost per m ²		6,956
		8,051 ft ²		Cost per ft ²		646
Ref.	Item description	Quantity	Unit	Rate (£)	Total (£)	Notes
	Ground Floor Slab					
	Concrete; 450 thick	337	m³	160	53,856	Suspended and ground bearing
	Reinforcement to slab; avg 225kg/m3	76	t	1,200	90,882	
	Formwork	748	m²	65	48,620	
	Insulation to underside of basement slab	748	m²	50	37,400	under public realm
	Waterproofing to concrete lid	748	m²	60	44,880	
	Level B1 Floor Slab					
	Concrete; 250 thick	0	m³	160	0	gf slab less building gf gias
	Reinforcement to slab; avg 220kg/m3	0	t	1,200	0	
	Formwork	0	m²	65	0	
	Finish	0	m²	30	0	
	Slab to Public Realm					
	Concrete; 450 thick	0	m³	160	0	gf slab less building gf gias
	Reinforcement to slab; avg 220kg/m3	0	t	1,200	0	
	Formwork	0	m²	65	0	
	Insulation to underside of basement slab	0	m²	50	0	under public realm
	Waterproofing to concrete lid	0	m²	60	0	
	Ramp					
	Ramp; assume 250 thick; 350kg/m3 rebar	0	m²	310	0	
	Reinforced concrete wall to ramp; 250 thick	0	m²	375	0	
	Stairs					
	Pre Cast Concrete Stairs; ground to roof; 2 nr stairs per floor	2	nr	6,500	13,000	
	Handrail to stairs; stainless steel (assume 15m per lift)	30	m	95	2,850	lower spec than above ground
	Balustrade to stairs (assume 10m per lift)	20	m	350	7,000	lower spec than above ground

VITA T2		Rev -		 Design & Consultancy for natural and built assets		
Stage 0 Basement Estimate		16-Oct-19				
Basement						
Basement GIA		748 m ²	Cost per m ²	6,956		
		8,051 ft ²	Cost per ft ²	646		
Ref.	Item description	Quantity	Unit	Rate (£)	Total (£)	Notes
	Internal Walls & Doors					
	Generally; based on gia	748	m ²	50	37,400	
	Extra for secondary steelwork; windposts, head restraints etc..	748	m ²	10	7,480	
	Internal doors	748	m ²	25	18,700	
	Finishes					
	Wall Finishes	748	m ²	20	14,960	
	Floor Finishes	748	m ²	25	18,700	
	Ceiling Finishes	748	m ²	10	7,480	
	F&F					
	Cycle Racks	388	nr	400	155,200	
	Metalwork; barriers, wall protection etc...	748	m ²	5	3,740	
	Roller shutter door at top of ramp	0	nr	20,000	0	
	Lockable storage	0	nr	75,000	0	
	Access barrier	0	item	30,000	0	including concrete plinths etc...
	M&E					
	M&E; generally; assume mechanical shunt vents	748	m ²	0	0	to basement only; plant covered in building estimates
	Service Lift	1	nr	100,000	100,000	
	Foundations (allowance for foundations outside of basement)					
	Allowance	1	nr	250,000	250,000	
	Sub-Contract Preliminaries @ 10%	1	item	3,671,041	367,104	inc temp work allowances etc...
					4,038,145	
	Main Contractor Preliminaries @ 18%				726,866	
	Risk @ 2.0%				80,763	no risk on prelims
	Overheads & Profit @ 7.5%				357,376	no profit on risk
TOTAL BASEMENT COSTS (Carried forward to Executive Summary)					5,203,149.96	

Co-working Fitout

Ref	Element	Quantity		Unit	Rate	Totals			Comments
		Per Unit	Total			£	£/m2	£/sqft	
1.00	Allowance for Fit-out of Co-Working	2005	2005	m2	1,300.00	2,606,500.00			CAT A - £40/ft CAT B - £60/ft Furniture - £30/ft
SUB TOTAL						2,606,500.00			
Preliminaries			18%			469,170.00			
Overheads and Profit			8%			230,675.25			
Risk			2%			66,126.91			
TOTAL COST						3,372,472.16	1,682.03	156.26	

Section 3. Area Schedule

Proposed Co-Living Building Floor Area Schedule - Metric

18	Residential N/A	Residential GIFA	Net:Gross Efficiency	Amenity GIFA	Non- Residential GIFA	Commercial	Total GIFA
	m²	m²	%	m²	m²	m2	m²
Level 00	0	0	0%	180	589	0	769
Mezz	0	0	0%	0	559	0	559
Level 01	0	0	0%	463	309	0	772
Level 02	0	0	0%	0	784	0	784
Level 03	0	0	0%	0	784	0	784
Level 04	0	0	0%	0	784	0	784
Level 05	614	784	78%	0	0	0	784
Level 06	614	784	78%	0	0	0	784
Level 07	614	784	78%	0	0	0	784
Level 08	614	784	78%	0	0	0	784
Level 09	614	784	78%	0	0	0	784
Level 10	614	784	78%	0	0	0	784
Level 11	614	784	78%	0	0	0	784
Level 12	614	784	78%	0	0	0	784
Level 13	614	784	78%	0	0	0	784
Level 14	614	784	78%	0	0	0	784
Level 15	614	784	78%	0	0	0	784
Level 16	614	784	78%	0	0	0	784
Level 17	614	784	78%	0	0	0	784
Level 18	614	784	78%	0	0	0	784
Level 19	614	784	78%	0	0	0	784
Level 20	614	784	78%	0	0	0	784
Level 21	614	784	78%	0	0	0	784
Level 22	614	784	78%	0	0	0	784
Level 23	614	784	78%	0	0	0	784
Level 24	614	784	78%	0	0	0	784
Level 25	614	784	78%	0	0	0	784
Level 26	614	784	78%	0	0	0	784
Level 27	614	784	78%	0	0	0	784
Level 28	614	784	78%	0	0	0	784
Level 29	614	784	78%	0	0	0	784
Level 30	614	784	78%	0	0	0	784
Level 31	614	784	78%	0	0	0	784
Level 32	614	784	78%	0	0	0	784
Level 33	614	784	78%	0	0	0	784
Level 34	614	784	78%	0	0	0	784
Level 35	614	784	78%	0	0	0	784
Total	19,040	24,316	78%	643	3,810	0	28,770

Proposed PRS Building Unit Schedule

Level	Studio	1 Bed	3 Bed	4 Bed Inc 3BSP Dup	Total by Floor
	nr	nr	nr	nr	nr
Level 00	0	0	0	0	0
Level 01	0	0	0	0	0
Level 02	0	0	0	0	0
Level 03	0	0	0	0	0
Level 04	0	0	0	0	0
Level 05	6	0	4	2	12
Level 06	6	0	4	2	12
Level 07	6	0	4	2	12
Level 08	6	0	4	2	12
Level 09	6	0	4	2	12
Level 10	6	0	4	2	12
Level 11	6	0	4	2	12
Level 12	6	0	4	2	12
Level 13	6	0	4	2	12
Level 14	6	0	4	2	12
Level 15	6	0	4	2	12
Level 16	6	0	4	2	12
Level 17	6	0	4	2	12
Level 18	6	0	4	2	12
Level 19	6	0	4	2	12
Level 20	6	0	4	2	12
Level 21	6	0	4	2	12
Level 22	6	0	4	2	12
Level 23	6	0	4	2	12
Level 24	6	0	4	2	12
Level 25	6	0	4	2	12
Level 26	6	0	4	2	12
Level 27	6	0	4	2	12
Level 28	6	0	4	2	12
Level 29	6	0	4	2	12
Level 30	6	0	4	2	12
Level 31	6	0	4	2	12
Level 32	6	0	4	2	12
Level 33	6	0	4	2	12
Level 34	6	0	4	2	12
Level 35	6	0	4	2	12
Total	186	0	124	62	312
Total Beds	186	0	372	248	806

Please refer to DCM Schedule

Proposed Co-Living Building Floor Area Schedule - Imperial

Level	Residential N/A	Residential GIFA	Net:Gross Efficiency	Amenity GIFA	Non- Residential GIFA	Commercial	Total GIFA
	ft²	ft²	%	ft²	ft²		ft²
Level 00	0	0	0%	1,938	6,340	0	8,278
Level 01	0	0	0%	0	6,017	0	6,017
Level 01	0	0	0%	4,984	3,326	0	8,310
Level 02	0	0	0%	0	8,443	0	8,443
Level 03	0	0	0%	0	8,443	0	8,443
Level 04	0	0	0%	0	8,443	0	8,443
Level 05	6,611	8,443	78%	0	0	0	8,443
Level 06	6,611	8,443	78%	0	0	0	8,443
Level 07	6,611	8,443	78%	0	0	0	8,443
Level 08	6,611	8,443	78%	0	0	0	8,443
Level 09	6,611	8,443	78%	0	0	0	8,443
Level 10	6,611	8,443	78%	0	0	0	8,443
Level 11	6,611	8,443	78%	0	0	0	8,443
Level 12	6,611	8,443	78%	0	0	0	8,443
Level 13	6,611	8,443	78%	0	0	0	8,443
Level 14	6,611	8,443	78%	0	0	0	8,443
Level 15	6,611	8,443	78%	0	0	0	8,443
Level 16	6,611	8,443	78%	0	0	0	8,443
Level 17	6,611	8,443	78%	0	0	0	8,443
Level 18	6,611	8,443	78%	0	0	0	8,443
Level 19	6,611	8,443	78%	0	0	0	8,443
Level 20	6,611	8,443	78%	0	0	0	8,443
Level 21	6,611	8,443	78%	0	0	0	8,443
Level 22	6,611	8,443	78%	0	0	0	8,443
Level 23	6,611	8,443	78%	0	0	0	8,443
Level 24	6,611	8,443	78%	0	0	0	8,443
Level 25	6,611	8,443	78%	0	0	0	8,443
Level 26	6,611	8,443	78%	0	0	0	8,443
Level 27	6,611	8,443	78%	0	0	0	8,443
Level 28	6,611	8,443	78%	0	0	0	8,443
Level 29	6,611	8,443	78%	0	0	0	8,443
Level 30	6,611	8,443	78%	0	0	0	8,443
Level 31	6,611	8,443	78%	0	0	0	8,443
Level 32	6,611	8,443	78%	0	0	0	8,443
Level 33	6,611	8,443	78%	0	0	0	8,443
Level 34	6,611	8,443	78%	0	0	0	8,443
Level 35	6,611	8,443	78%	0	0	0	8,443
Total	204,944	261,742	24	6,921	41,013	0	309,676

Notes to be read in conjunction with the Proposed Floor Area Schedule:

- 1) All areas referred to in this model are as measured from the architects drawings.
2) We are working with DCM to agree an area schedule for the scheme.

Summary	Area	%
Nett: Gross	0.73	73%
Wall : Floor	0.49	49%
% Areas over 16 Storey	14,903.60	52%
% Areas below 16 Storey	13,866.00	48%
% of Amenity Space	643.00	2%
% of Retail Space	0.00	0%
% of Apartment Space	19,039.74	66%
% of BOH / Plant	772.00	3%

Section 4. General and Key Assumptions

The following are key assumptions made in the preparation of the cost plan:

4.1 General

- Costs current at 1Q 2020
- Inflation is currently excluded
- Overall construction period assumed at 142 weeks
- Anticipated form of contract is the JCT Design and Build
- Anticipated procurement route is a two-stage tender
- Works procured under a single contract
- All works to be undertaken during normal working hours
- Sufficient time will be allowed for design development
- Local labour used for works
- Vacant possession at start on site
- Assume site is clear and ready for construction to commence

4.2 Key Assumptions

- Basement shell constructed by vendor
- Demolition if required undertaken separately
- No outstanding contamination / deleterious materials
- No archaeological works required
- No major services diversions on and/ or off site
- Blinds included to bedrooms
- No BREEAM or exceptional requirements imposed by Lifetime Homes or National Technical Standard requirements
- Windows to be cleaned by BMU
- Loose FF&E by others, no provision made other than the Co Working space
- Allowance for a refuse chute
- Allowance for landscaping and incoming services
- Provisional allowance for incoming utilities
- Refuse compactors excluded from costs (assumed to be leased from others)

4.3 Assumed Building Specification

- | | |
|------------------|--|
| Ground Floor | ▪ Reinforced concrete slab |
| Frame | ▪ Insitu concrete frame |
| Upper Floors | ▪ PT Concrete slab |
| Roof | ▪ PT Concrete slab |
| Stairs | ▪ PCC stairs |
| External Walls | ▪ Standard façade & windows |
| Internal Walls | ▪ Concrete core walls (frame cost), plasterboard faced stud partitions |
| Finish/ Fittings | ▪ Communal floors in carpet/ tile. |
| | ▪ Apartment flooring living areas Amtico and bedroom carpet |
| | ▪ Kitchen provision: medium range kitchen |
| | ▪ Bathroom provision: pods medium range |
| | ▪ Exposed blockwork and concrete to BoH and plant; no decoration |
| Mechanical | ▪ Ventilation systems within apartments |
| | ▪ Heating electrical |
| | ▪ Boosted cold water installation |
| | ▪ Budget range sanitaryware |
| | ▪ Assume Otis lifts or similar |
| | ▪ Sprinkler installation |
| Electrical | ▪ Combination of pendant and LED lighting within apartments |
| | ▪ White plastic cover plates for apartment switches and sockets |
| | ▪ Audio entry system |
| | ▪ Fire detection and alarm system / fire rated ductwork |
| | ▪ We have assumed that the utilities costs cover all sub-station works |

Section 5. Exclusions List

The following items are excluded, but have a potential cost impact and therefore need to be covered by other budgets within the Client's project appraisal.

The list is intended as a guide only and cannot be relied upon to be exhaustive:

- Value Added Tax (VAT)
- Capital allowances or other incentives/ grants
- Developer's risk allowance/ overall project contingency
- Inflation; to mid-point of construction
- Design, statutory/ commissioning fees, novated design fees
- Independent commissioning management fees
- Site acquisition fees/ costs, air rights, oversailing, rights to light
- Legal, planning, building control, fees and the like
- Costs arising from a Section 106 / 278 / CIL agreements
- Allowance for currency fluctuations
- Project insurances (beyond contractors 'all risks')
- Client finance costs and other insurances
- Contractors PCSA fee
- Costs associated with NHBC Guarantee and Warranty
- UXO implications
- Local Authority charges, road closures, etc.
- Compensation payments for road closures
- Compensation payments for parking bay suspensions
- Archaeological excavation costs for trial pits
- Site, architectural, building condition or monitoring surveys
- Phasing, sectional completion/ other requirements imposed by third parties
- Restricted/ out of hours working
- Removal of deleterious materials
- Abnormal ground conditions (see assumptions regarding enabling works)
- External works or infrastructure costs, beyond the allowance identified
- Diversion of services, within or outside of the site boundary
- Reinforcement of services infrastructure
- Asset protection costs; waterways etc.
- Monitoring of adjacent buildings, and work to existing structures
- Enabling Works / Demolition
- Sliding doors
- Provision for specialist joinery work is excluded
- Bespoke curtains/ blinds (allowance included for a small budget blind)
- Artwork, furniture, internal planting and the like (beyond allowances stated)
- Green roof/ terraces
- Marketing floors/ suites; any other marketing costs (brochures, etc.)

Section 6. Information Used

The following is a list of consultants who have provided information for the development of this cost plan:

- Layouts from DCM

VITA GROUP

St JOHNS T2

Stage 0 Cost Plan Report - REV 4 (Residential)

11th March 2020

St JOHNS T2

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Section 1. Executive Summary

1.1 Overview

This cost plan provides a financial appraisal for VITA in respect of the St Johns T2 development located in central Manchester. A design has been prepared by DCM with an accompanying area and accommodation schedule that has been utilised in the formulation of this study.

The scheme comprises 305 units including constructed in a 35 storey tower. This would equate to approximately 299,508 sqft of new build development.

The estimated out-turn construction cost for the base case scheme including Infrastructure and External Works is **£66,774,000(£223ft2)** based on a current day cost.

We have assumed a construction delivery programme of 142 weeks

Construction Costs	£	£\m²	£\ft²
		27,825	299,508
Total Building Cost	53,070,302	1,907 £/m²	177 £/m²
Prelims, OHP & Risk	13,704,000	493 £/m²	46 £/m²
Sub-Total (Rounded)	66,774,000	2,400 £/m²	223 £/ft²
Tender Price Inflation to mid-point TBA	0	0 £/m²	0 £/ft²
Construction Cost @ Q1 2020	66,774,000	2,400 £/m²	223 £/ft²

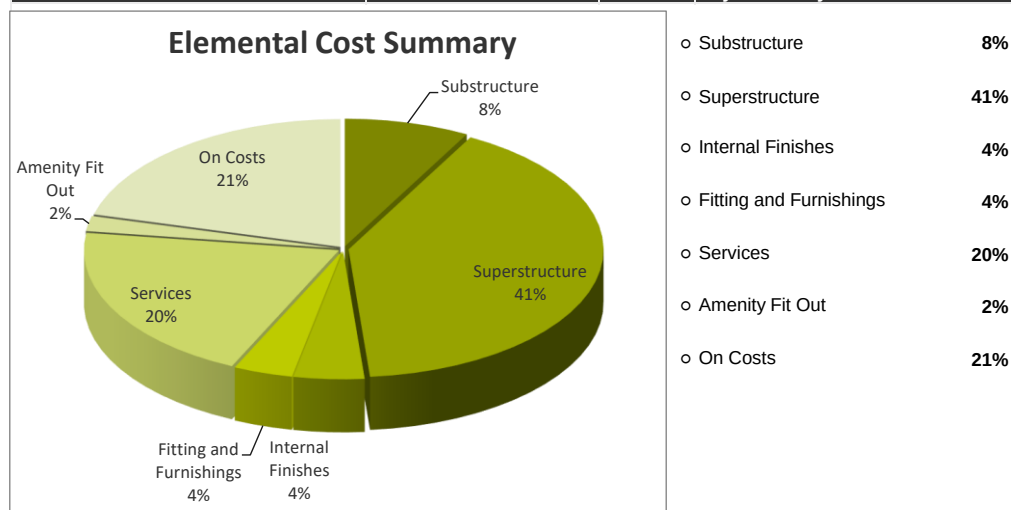
Note: £/m2 and £/ft2 calculated using the total GIA of the residential block.

VITA T2 - Cost Model Elemental Summary

Element	£	GIA £/m	GIA £/tf
Basement / Foundations	5,207,686.54	187.16	17.39
Substructure (a)	5,207,686.54	187.16	17.39
Frame	10,070,625.00	361.93	33.62
Upper Floors	incl	Incl.	Incl.
Roof	448,010.00	16.10	1.50
Stairs	450,289.00	16.18	1.50
External Walls	11,652,927.50	418.79	38.91
Windows and External Doors	incl	Incl.	Incl.
Internal Walls	2,819,775.00	101.34	9.41
Internal Doors	1,243,600.00	44.69	4.15
Superstructure (b)	26,685,226.50	959.04	89.10
Wall Finishes	456,535.00	16.41	1.52
Floor Finishes	1,538,506.08	55.29	5.14
Ceiling Finishes	940,143.08	33.79	3.14
Internal Finishes (c)	2,935,184.17	105.49	9.80
Fittings and Furnishings	2,460,850.00	88.44	8.22
Fitting and Furnishings (d)	2,460,850.00	88.44	8.22
Sanitary Appliances	2,724,000.00	97.90	9.09
Mechanical Services	9,129,025.00	328.09	30.48
Electrical Services	0.00	0.00	Incl.
Lift Installations	1,134,000.00	40.75	3.79
M&E Builders Work	307,890.75	11.07	1.03
Services (e)	13,294,915.75	477.80	44.39
Fit-out of Amenity Areas	1,258,800.00	45.24	4.20
Sub Total (a+b+c+d+e)	51,842,662.96	1,863.17	173.09
Main Contractors Preliminaries	8,394,000.00	301.67	28.03
Pre-Construction Fee	0.00	0.00	0.00
Sub Total	60,236,662.96	2,164.84	201.12
Main Contractor's Overheads & Profit	4,127,000.00	148.32	13.78
Sub Total	64,363,662.96	2,313.16	214.90
Contractors Risk	1,183,000.00	42.52	3.95
Sub Total	65,546,662.96	2,355.68	218.85
Inflation Allowance	See Exec Summary		
Sub Total	65,546,662.96	2,355.68	218.85
Total (rounded)	65,546,662.96	2,355.68	218.85
External Works	350,000.00	12.58	1.17
Abnormals	877,638.60	31.54	2.93
Total (rounded)	66,774,301.56	2,399.80	222.95

Gross Internal Floor Area: -		27,825 m²	299,508 ft²
Net Internal Floor Area: -		18,642 m²	200,662 ft²

Elemental Cost Wheel		Key Drivers by %
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Preliminaries and Overhead & Profit			
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These costs relate to site supervision, contractors overheads and the general management of the contract.

Preliminaries

These include for time related and fixed running costs and are typically split across the following headings; management and staff, site accommodation, services and welfare facilities, temporary works, temporary power and services, site security, health and safety provisions, producing O&M documentation.

Overhead & Profit

The Contractor's management overheads include; a proportion of the company's central overheads such as head office and staff costs which are not in the preliminaries, and an amount for profit.

Section 3. Area Schedule

Proposed PRS Building Floor Area Schedule - Metric

Level	Residential NIA	Residential GIFA	Net:Gross Efficiency	Amenity GIFA	Non- Residential GIFA	Total GIFA
	m²	m²	%	m²	m²	m²
Basement B2	0	0	0%	0	475	475
Basement B1	0	0	0%	0	495	495
Level 00	0	0	0%	292	461	753
Level 01	258	310	40%	315	19	644
Level 02	558	753	74%	0	0	753
Level 03	558	753	74%	0	0	753
Level 04	558	753	74%	0	0	753
Level 05	558	753	74%	0	0	753
Level 06	558	753	74%	0	0	753
Level 07	558	753	74%	0	0	753
Level 08	558	753	74%	0	0	753
Level 09	558	753	74%	0	0	753
Level 10	558	753	74%	0	0	753
Level 11	558	753	74%	0	0	753
Level 12	558	753	74%	0	0	753
Level 13	558	753	74%	0	0	753
Level 14	558	753	74%	0	0	753
Level 15	558	753	74%	0	0	753
Level 16	558	753	74%	0	0	753
Level 17	516	712	72%	0	41	753
Level 18	558	753	74%	0	0	753
Level 19	558	753	74%	0	0	753
Level 20	558	753	74%	0	0	753
Level 21	558	753	74%	0	0	753
Level 22	558	753	74%	0	0	753
Level 23	558	753	74%	0	0	753
Level 24	558	753	74%	0	0	753
Level 25	558	753	74%	0	0	753
Level 26	558	753	74%	0	0	753
Level 27	558	753	74%	0	0	753
Level 28	558	753	74%	0	0	753
Level 29	558	753	74%	0	0	753
Level 30	558	753	74%	0	0	753
Level 31	558	753	74%	0	0	753
Level 32	562	753	75%	0	0	753
Level 33	562	753	75%	0	0	753
Level 34	562	753	75%	0	0	753
Level 35	0	0	0%	432	177	609
Total	18,642	25,118	23	1,039	1,491	27,825
						67%

Proposed PRS Building Unit Schedule

Level	Studio	1 Bed Inc. 1B2P Dup	2 Bed Inc. 2B4P Dup	3 Bed Inc 3B5P Dup	Total by Floor
	nr	nr	nr	nr	nr
Level 00	0	0	0	0	0
Level 01	0	0	0	0	0
Level 02	0	8	3	0	11
Level 03	0	8	3	0	11
Level 04	0	8	3	0	11
Level 05	0	8	3	0	11
Level 06	0	2	7	0	9
Level 07	0	2	7	0	9
Level 08	0	2	7	0	9
Level 09	0	2	7	0	9
Level 10	0	2	7	0	9
Level 11	0	2	7	0	9
Level 12	0	2	7	0	9
Level 13	0	2	7	0	9
Level 14	0	2	7	0	9
Level 15	0	2	7	0	9
Level 16	0	2	7	0	9
Level 17	0	4	5	0	9
Level 18	0	2	7	0	9
Level 19	0	2	7	0	9
Level 20	0	2	7	0	9
Level 21	0	2	7	0	9
Level 22	0	2	7	0	9
Level 23	0	2	7	0	9
Level 24	0	2	7	0	9
Level 25	0	2	7	0	9
Level 26	0	2	7	0	9
Level 27	0	2	7	0	9
Level 28	0	2	7	0	9
Level 29	0	2	7	0	9
Level 30	0	2	7	0	9
Level 31	0	2	7	0	9
Level 32	0	5	3	1	9
Level 33	0	5	3	1	9
Level 34	0	5	3	1	9
Level 35	0	0	0	0	0
Total	0	101	201	3	305

Proposed PRS Building Floor Area Schedule - Imperial

Level	Residential NIA	Residential GIFA	Net:Gross Efficiency	Amenity GIFA	Non- Residential GIFA	Total GIFA
	ft²	ft²	%	ft²	ft²	ft²
Basement B2	0	0	0%	0	5,113	5,113
Basement B1	0	0	0%	0	5,328	5,328
Level 00	0	0	0%	3,143	4,962	8,105
Level 01	2,777	3,333	40%	3,391	209	6,932
Level 02	6,006	8,105	74%	0	0	8,105
Level 03	6,006	8,105	74%	0	0	8,105
Level 04	6,006	8,105	74%	0	0	8,105
Level 05	6,006	8,105	74%	0	0	8,105
Level 06	6,006	8,105	74%	0	0	8,105
Level 07	6,006	8,105	74%	0	0	8,105
Level 08	6,006	8,105	74%	0	0	8,105
Level 09	6,006	8,105	74%	0	0	8,105
Level 10	6,006	8,105	74%	0	0	8,105
Level 11	6,006	8,105	74%	0	0	8,105
Level 12	6,006	8,105	74%	0	0	8,105
Level 13	6,006	8,105	74%	0	0	8,105
Level 14	6,006	8,105	74%	0	0	8,105
Level 15	6,006	8,105	74%	0	0	8,105
Level 16	6,006	8,105	74%	0	0	8,105
Level 17	5,554	7,664	72%	0	441	8,105
Level 18	6,006	8,105	74%	0	0	8,105
Level 19	6,006	8,105	74%	0	0	8,105
Level 20	6,006	8,105	74%	0	0	8,105
Level 21	6,006	8,105	74%	0	0	8,105
Level 22	6,006	8,105	74%	0	0	8,105
Level 23	6,006	8,105	74%	0	0	8,105
Level 24	6,006	8,105	74%	0	0	8,105
Level 25	6,006	8,105	74%	0	0	8,105
Level 26	6,006	8,105	74%	0	0	8,105
Level 27	6,006	8,105	74%	0	0	8,105
Level 28	6,006	8,105	74%	0	0	8,105
Level 29	6,006	8,105	74%	0	0	8,105
Level 30	6,006	8,105	74%	0	0	8,105
Level 31	6,006	8,105	74%	0	0	8,105
Level 32	6,049	8,105	75%	0	0	8,105
Level 33	6,049	8,105	75%	0	0	8,105
Level 34	6,049	8,105	75%	0	0	8,105
Level 35	0	0	0%	4,650	1,905	6,555
Total	200,662	270,366	23	11,184	16,053	299,508

Notes to be read in conjunction with the Proposed Floor Area Schedule:

- 1) All areas referred to in this model are as measured from the architects drawings.
2) We are working with DCM to agree an area schedule for the scheme.

Summary	Area	%
Nett: Gross	0.67	67%
Wall : Floor	0.50	50%
% Areas over 16 Storey	12,048.00	43%
% Areas below 16 Storey	15,777.00	57%
% of Amenity Space	1,039.00	4%
% of Retail Space	0.00	0%
% of Apartment Space	18,642.00	67%
% of BOH / Plant	644.00	2%

Section 4. General and Key Assumptions

The following are key assumptions made in the preparation of the cost plan:

4.1 General

- Costs current at 1Q 2020
- Inflation is currently excluded
- Overall construction period to be confirmed
- Anticipated form of contract is the JCT Design and Build
- Anticipated procurement route is a two-stage tender
- Works procured under a single contract
- All works to be undertaken during normal working hours
- Sufficient time will be allowed for design development
- Local labour used for works
- Vacant possession at start on site
- External works 500m2 allowed only

4.2 Key Assumptions

- Site prepared (by enabling contract), with very limited remodelling anticipated
- Demolition undertaken in separate enabling contract
- No outstanding contamination / deleterious materials
- No archaeological works required
- No major services diversions on and/ or off site
- No allowance for Blinds
- No BREEAM or exceptional requirements imposed by Lifetime Homes or National Technical Standard requirements
- Windows to be cleaned by abseiling method
- Loose FF&E by others, no provision made other than general FF&E fit out to reception
- Allowance for a refuse chute
- Allowance for landscaping and incoming services
- Provisional allowance for incoming utilities
- Refuse compactors excluded from costs (assumed to be leased from others)

4.3 Assumed Building Specification

- | | |
|------------------|--|
| Ground Floor | ▪ Reinforced concrete slab and piles |
| Frame | ▪ Insitu concrete frame |
| Upper Floors | ▪ PT Concrete slab or Insitu (to be defined) |
| Roof | ▪ PT Concrete slab or Insitu (to be defined) |
| Stairs | ▪ PCC stairs |
| External Walls | ▪ Target rate of £825/m2 |
| Internal Walls | ▪ Concrete core walls (frame cost), plasterboard faced stud partitions |
| Finish/ Fittings | ▪ Communal floors in carpet/ tile. |
| | ▪ Apartment flooring living areas Amtico and bedroom carpet |
| | ▪ Kitchen provision: medium range kitchen £5250 allowance |
| | ▪ Bathroom provision: pods medium range £5250 allowance |
| | ▪ Exposed blockwork and concrete to BoH and plant; no decoration |
| Mechanical | ▪ Ventilation systems within apartments |
| | ▪ Heating electrical |
| | ▪ Boosted cold water installation |
| | ▪ Budget range sanitaryware |
| | ▪ Assume Otis lifts or similar |
| | ▪ Sprinkler installation |
| Electrical | ▪ Combination of pendant and LED lighting within apartments |
| | ▪ Connection for future under cupboard lighting in apartment kitchens |
| | ▪ White plastic cover plates for apartment switches and sockets |
| | ▪ Audio entry system |
| | ▪ Fire detection and alarm system / fire rated ductwork |
| | ▪ We have assumed that the utilities costs cover all sub-station works |
| Internal Doors | ▪ No Jack and Jill Doors |

Section 5. Exclusions List

The following items are excluded, but have a potential cost impact and therefore need to be covered by other budgets within the Client's project appraisal.

The list is intended as a guide only and cannot be relied upon to be exhaustive:

- Value Added Tax (VAT)
- Capital allowances or other incentives/ grants
- Developer's risk allowance/ overall project contingency
- Inflation; to mid-point of construction
- Design, statutory/ commissioning fees, novated design fees
- Independent commissioning management fees
- Site acquisition fees/ costs, air rights, oversailing, rights to light
- Legal, planning, building control, fees and the like
- Costs arising from a Section 106 / 278 / CIL agreements
- Allowance for currency fluctuations
- Project insurances (beyond contractors 'all risks')
- Client finance costs and other insurances
- Contractors PCSA fee
- Costs associated with NHBC Guarantee and Warranty
- UXO implications
- Local Authority charges, road closures, etc.
- Compensation payments for road closures
- Compensation payments for parking bay suspensions
- Archaeological excavation costs for trial pits
- Site, architectural, building condition or monitoring surveys
- Phasing, sectional completion/ other requirements imposed by third parties
- Restricted/ out of hours working
- Removal of deleterious materials
- Abnormal ground conditions (see assumptions regarding enabling works)
- External works or infrastructure costs, beyond the allowance identified
- Diversion of services, within or outside of the site boundary
- Reinforcement of services infrastructure
- Asset protection costs; waterways etc.
- Monitoring of adjacent buildings, and work to existing structures
- Enabling Works / Demolition
- Sliding doors
- Provision for specialist joinery work is excluded
- Bespoke curtains/ blinds (allowance included for a small budget blind)
- Artwork, furniture, internal planting and the like (beyond allowances stated)
- Green roof/ terraces
- Marketing floors/ suites; any other marketing costs (brochures, etc.)

Section 6. Information Used

The following is a list of consultants who have provided information for the development of this cost plan:

- Planning Design Pack from DCM Architects



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