

BNP Paribas Real Estate

Bishopsgate Goods Yard: LBTH CIL Strategic Sites Testing

Supplemental Appraisals

Report Date: 14 July 2014

BNP Paribas Real Estate

Bishopsgate Goods Yard Supplemental Appraisals

Supplemental Appraisal 1

Affordable Housing	20%
CIL	Full
Growth	Yes
IRR Achieved	21.22%

Report Date: 14 July 2014

APPRAISAL SUMMARY**BNP PARIBAS REAL ESTATE****Bishopsgate Goods Yard - LBTH CIL Strategic Sites Testing
20% AH, Residual S106 and Borough CIL & Growth****Summary Appraisal for Merged Phases 1 2 3 4 5**

Currency in £

REVENUE

Sales Valuation	Units	ft²	Rate ft²	Unit Price	Gross Sales	Adjustment	Net Sales
‡ Market Resi	1	232,256	900.00	209,030,400	209,030,400	102,740,548	311,770,948
Affordable Resi	1	66,456	200.00	13,291,200	13,291,200	0	13,291,200
Car Parking	51	0	0.00	25,000	1,275,000	0	1,275,000
Ground rents	467	0	0.00	4,500	2,101,500	0	2,101,500
‡ Market Resi	1	293,792	900.00	264,412,800	264,412,800	264,752,665	529,165,465
Affordable Resi	1	84,063	200.00	16,812,600	16,812,600	0	16,812,600
Ground rents	590	0	0.00	2,400	1,416,000	0	1,416,000
‡ Market Residential	1	202,614	900.00	182,352,600	182,352,600	460,571,050	642,923,650
Affordable Resi	1	57,974	200.00	11,594,800	11,594,800	0	11,594,800
Ground rents	<u>407</u>	<u>0</u>	0.00	4,500	<u>1,831,500</u>	<u>0</u>	<u>1,831,500</u>
Totals	1,521	937,155			704,118,400	828,064,263	1,532,182,663

Rental Area Summary

	Units	ft²	Rate ft²	Initial MRV/Unit	Net Rent at Sale	Initial MRV
Retail	1	46,754	30.00	1,402,611	1,402,611	1,402,611
Basement	1	26,815		0	0	
Retail	1	28,746	30.00	862,365	862,365	862,365
Basement	1	30,956		0	0	
Office	1	411,453	35.00	14,400,855	14,400,855	14,400,855
Retail	1	27,675	30.00	830,256	830,256	830,256
Basement	1	42,434		0	0	
Retail	1	47,884	30.00	1,436,505	1,436,505	1,436,505
Office	1	4,468	35.00	156,384	156,384	156,384
Community	1	6,035		0	0	
Basement	<u>1</u>	<u>24,856</u>		0	<u>0</u>	
Totals	11	698,075			19,088,976	19,088,976

APPRAISAL SUMMARY**BNP PARIBAS REAL ESTATE****Bishopsgate Goods Yard - LBTH CIL Strategic Sites Testing
20% AH, Residual S106 and Borough CIL & Growth****Investment Valuation****Retail**

Market Rent	1,402,611	YP @	6.0000%	16.6667	
(2yrs Rent Free)		PV 2yrs @	6.0000%	0.8900	20,805,313

Retail

Market Rent	862,365	YP @	6.0000%	16.6667	
		PV 2yrs 1mth @	6.0000%	0.8857	12,729,734

Office

Market Rent	14,400,855	YP @	5.7500%	17.3913	
(2yrs Rent Free)		PV 2yrs @	5.7500%	0.8942	223,954,442

Retail

Market Rent	830,256	YP @	6.0000%	16.6667	
(2yrs Rent Free)		PV 2yrs @	6.0000%	0.8900	12,315,415

Retail

Market Rent	1,436,505	YP @	6.0000%	16.6667	
(2yrs Rent Free)		PV 2yrs @	6.0000%	0.8900	21,308,072

Office

Market Rent	156,384	YP @	5.7500%	17.3913	
(2yrs Rent Free)		PV 2yrs @	5.7500%	0.8942	2,431,993
					293,544,969

GROSS DEVELOPMENT VALUE**1,825,727,632**

Purchaser's Costs	5.80%	(17,335,850)		(17,335,850)
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NET DEVELOPMENT VALUE**1,808,391,782****NET REALISATION****1,808,391,782****OUTLAY****ACQUISITION COSTS**

Fixed Price		17,808,000		
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APPRAISAL SUMMARY**BNP PARIBAS REAL ESTATE****Bishopsgate Goods Yard - LBTH CIL Strategic Sites Testing
20% AH, Residual S106 and Borough CIL & Growth**

Stamp Duty	4.00%	712,320	
Agent Fee	1.00%	178,080	
Legal Fee	0.80%	142,464	
			18,840,864

CONSTRUCTION COSTS

Construction	ft²	Rate ft²	Cost	
‡ Retail	66,791 ft ²	185.00 pf ²	13,964,409	
‡ Basement	26,815 ft ²	46.00 pf ²	1,394,018	
Retail	41,065 ft ²	185.00 pf ²	7,597,025	
‡ Basement	30,956 ft ²	43.00 pf ²	1,728,487	
‡ Office	587,790 ft ²	200.00 pf ²	152,784,497	
‡ Retail	39,536 ft ²	185.00 pf ²	9,505,863	
‡ Basement	42,434 ft ²	46.00 pf ²	2,536,874	
‡ Retail	68,405 ft ²	185.00 pf ²	18,933,526	
‡ Office	6,383 ft ²	200.00 pf ²	1,909,971	
‡ Community	8,622 ft ²	184.00 pf ²	2,373,547	
‡ Basement	24,856 ft ²	46.00 pf ²	1,710,649	
‡ Market Resi	331,794 ft ²	275.00 pf ²	103,117,998	
‡ Affordable Resi	94,937 ft ²	275.00 pf ²	29,505,415	
‡ Market Resi	419,703 ft ²	275.00 pf ²	149,874,412	
‡ Affordable Resi	120,090 ft ²	275.00 pf ²	42,883,716	
‡ Market Residential	289,449 ft ²	275.00 pf ²	119,090,201	
Affordable Resi	82,820 ft ²	275.00 pf ²	22,775,500	
Totals	2,282,446 ft²		681,686,107	681,686,107

Contingency	5.00%	39,806,888	
Demolition		106,208	
Residual S106		6,299,964	
Mayoral CIL & Crossrail S106		13,802,564	
Borough CIL		23,504,560	
			83,520,185

Other Construction

Abnormal costs (contamination etc)		13,236,219	
East London Line allowance		21,241,679	

APPRAISAL SUMMARY**BNP PARIBAS REAL ESTATE****Bishopsgate Goods Yard - LBTH CIL Strategic Sites Testing
20% AH, Residual S106 and Borough CIL & Growth**

Externals		15.00%	21,988,173	
Externals		15.00%	30,053,273	
Externals		15.00%	24,343,554	
Externals		15.00%	3,482,557	
				114,345,454
PROFESSIONAL FEES				
Professional Fees		12.00%	97,764,357	
				97,764,357
MARKETING & LETTING				
Resi Marketing		2.00%	29,677,201	
Commercial Marketing	624,750 ft ²	1.50 pf ²	937,125	
Letting Agent Fee		10.00%	1,908,898	
Letting Legal Fee		5.00%	954,449	
				33,477,673
DISPOSAL FEES				
Commercial Sales Agent Fee		1.00%	2,768,296	
Resi Sales Agent Fee		1.50%	12,614,046	
Resi Sales Agent Fee		2.00%	12,883,887	
Resi Sales Legal Fee		0.25%	3,823,561	
Commercial Sales Legal Fee		1.00%	317,940	
Commercial Sales Legal Fee		0.50%	1,225,178	
				33,632,909
TOTAL COSTS				1,063,267,548
PROFIT				745,124,234
Performance Measures				
Profit on Cost%		70.08%		
Profit on GDV%		40.81%		
Profit on NDV%		41.20%		
Development Yield% (on Rent)		1.80%		

APPRAISAL SUMMARY**BNP PARIBAS REAL ESTATE****Bishopsgate Goods Yard - LBTH CIL Strategic Sites Testing
20% AH, Residual S106 and Borough CIL & Growth**

Equivalent Yield% (Nominal)	5.81%
Equivalent Yield% (True)	6.02%
IRR	21.22%
Rent Cover	39 yrs
Profit Erosion (finance rate 0.000%)	N/A

‡ Inflation/Growth applied

Growth on Sales

		Ungrown	Growth	Total
Market Resi	Growth Set 1 at 8.240% var.	209,030,400	102,740,548	311,770,948
Market Resi	Growth Set 1 at 8.240% var.	264,412,800	264,752,665	529,165,465
Market Residential	Growth Set 1 at 8.240% var.	182,352,600	460,571,050	642,923,650

Inflation on Construction Costs

		Uninflated	Inflation	Total
Market Resi	Inflation Set 1 at 3.340%	91,243,429	11,874,569	103,117,998
Affordable Resi	Inflation Set 1 at 3.340%	26,107,714	3,397,701	29,505,415
Market Resi	Inflation Set 1 at 3.340%	115,418,286	34,456,126	149,874,412
Affordable Resi	Inflation Set 1 at 3.340%	33,024,750	9,858,966	42,883,716
Market Residential	Inflation Set 1 at 3.340%	79,598,357	39,491,844	119,090,201
Retail	Inflation Set 1 at 3.340%	12,356,335	1,608,074	13,964,409
Basement	Inflation Set 1 at 3.340%	1,233,490	160,528	1,394,018
Basement	Inflation Set 1 at 3.340%	1,331,108	397,379	1,728,487
Office	Inflation Set 1 at 3.340%	117,558,000	35,226,497	152,784,497
Retail	Inflation Set 1 at 3.340%	7,314,160	2,191,703	9,505,863
Basement	Inflation Set 1 at 3.340%	1,951,964	584,910	2,536,874
Retail	Inflation Set 1 at 3.340%	12,654,925	6,278,601	18,933,526
Office	Inflation Set 1 at 3.340%	1,276,600	633,371	1,909,971
Community	Inflation Set 1 at 3.340%	1,586,448	787,099	2,373,547
Basement	Inflation Set 1 at 3.340%	1,143,376	567,273	1,710,649

BNP Paribas Real Estate

Bishopsgate Goods Yard Supplemental Appraisals

Supplemental Appraisal 2

Affordable Housing	20%
CIL	Full
Growth	None
IRR Achieved	6.53%

Report Date: 14 July 2014

APPRAISAL SUMMARY**BNP PARIBAS REAL ESTATE****Bishopsgate Goods Yard - LBTH CIL Strategic Sites Testing
20% AH, Residual S106 CIL and Base Resi Values****Summary Appraisal for Merged Phases 1 2 3 4 5**

Currency in £

REVENUE

Sales Valuation	Units	ft²	Rate ft²	Unit Price	Gross Sales	Adjustment	Net Sales
Market Resi	1	232,256	900.00	209,030,400	209,030,400	0	209,030,400
Affordable Resi	1	66,456	200.00	13,291,200	13,291,200	0	13,291,200
Car Parking	51	0	0.00	25,000	1,275,000	0	1,275,000
Ground rents	467	0	0.00	4,500	2,101,500	0	2,101,500
Market Resi	1	293,792	900.00	264,412,800	264,412,800	0	264,412,800
Affordable Resi	1	84,063	200.00	16,812,600	16,812,600	0	16,812,600
Ground rents	590	0	0.00	2,400	1,416,000	0	1,416,000
Market Residential	1	202,614	900.00	182,352,600	182,352,600	16,763,176	199,115,776
Affordable Resi	1	57,974	200.00	11,594,800	11,594,800	0	11,594,800
Ground rents	<u>407</u>	<u>0</u>	0.00	4,500	<u>1,831,500</u>	<u>0</u>	<u>1,831,500</u>
Totals	1,521	937,155			704,118,400	16,763,176	720,881,576

Rental Area Summary

	Units	ft²	Rate ft²	Initial MRV/Unit	Net Rent at Sale	Initial MRV
Retail	1	46,754	30.00	1,402,611	1,402,611	1,402,611
Basement	1	26,815		0	0	
Retail	1	28,746	30.00	862,365	862,365	862,365
Basement	1	30,956		0	0	
Office	1	411,453	35.00	14,400,855	14,400,855	14,400,855
Retail	1	27,675	30.00	830,256	830,256	830,256
Basement	1	42,434		0	0	
Retail	1	47,884	30.00	1,436,505	1,436,505	1,436,505
Office	1	4,468	35.00	156,384	156,384	156,384
Community	1	6,035		0	0	
Basement	<u>1</u>	<u>24,856</u>		0	<u>0</u>	
Totals	11	698,075			19,088,976	19,088,976

APPRAISAL SUMMARY**BNP PARIBAS REAL ESTATE****Bishopsgate Goods Yard - LBTH CIL Strategic Sites Testing
20% AH, Residual S106 CIL and Base Resi Values****Investment Valuation****Retail**

Market Rent	1,402,611	YP @	6.0000%	16.6667	
(2yrs Rent Free)		PV 2yrs @	6.0000%	0.8900	20,805,313

Retail

Market Rent	862,365	YP @	6.0000%	16.6667	
		PV 2yrs 1mth @	6.0000%	0.8857	12,729,734

Office

Market Rent	14,400,855	YP @	5.7500%	17.3913	
(2yrs Rent Free)		PV 2yrs @	5.7500%	0.8942	223,954,442

Retail

Market Rent	830,256	YP @	6.0000%	16.6667	
(2yrs Rent Free)		PV 2yrs @	6.0000%	0.8900	12,315,415

Retail

Market Rent	1,436,505	YP @	6.0000%	16.6667	
(2yrs Rent Free)		PV 2yrs @	6.0000%	0.8900	21,308,072

Office

Market Rent	156,384	YP @	5.7500%	17.3913	
(2yrs Rent Free)		PV 2yrs @	5.7500%	0.8942	2,431,993

293,544,969**GROSS DEVELOPMENT VALUE****1,014,426,545**

Purchaser's Costs	5.80%	(17,335,850)		(17,335,850)
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NET DEVELOPMENT VALUE**997,090,695****NET REALISATION****997,090,695****OUTLAY****ACQUISITION COSTS**

Fixed Price	17,808,000
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APPRAISAL SUMMARY**BNP PARIBAS REAL ESTATE****Bishopsgate Goods Yard - LBTH CIL Strategic Sites Testing
20% AH, Residual S106 CIL and Base Resi Values**

Stamp Duty	4.00%	712,320	
Agent Fee	1.00%	178,080	
Legal Fee	0.80%	142,464	
			18,840,864

CONSTRUCTION COSTS

Construction	ft²	Rate ft²	Cost	
Retail	66,791 ft ²	185.00 pf ²	12,356,335	
Basement	26,815 ft ²	46.00 pf ²	1,233,490	
Retail	41,065 ft ²	185.00 pf ²	7,597,025	
Basement	30,956 ft ²	43.00 pf ²	1,331,108	
Office	587,790 ft ²	200.00 pf ²	117,558,000	
Retail	39,536 ft ²	185.00 pf ²	7,314,160	
Basement	42,434 ft ²	46.00 pf ²	1,951,964	
Retail	68,405 ft ²	185.00 pf ²	12,654,925	
Office	6,383 ft ²	200.00 pf ²	1,276,600	
Community	8,622 ft ²	184.00 pf ²	1,586,448	
Basement	24,856 ft ²	46.00 pf ²	1,143,376	
Market Resi	331,794 ft ²	275.00 pf ²	91,243,429	
Affordable Resi	94,937 ft ²	275.00 pf ²	26,107,714	
Market Resi	419,703 ft ²	275.00 pf ²	115,418,286	
Affordable Resi	120,090 ft ²	275.00 pf ²	33,024,750	
Market Residential	289,449 ft ²	275.00 pf ²	79,598,357	
Affordable Resi	<u>82,820 ft²</u>	275.00 pf ²	<u>22,775,500</u>	
Totals	2,282,446 ft²		534,171,467	534,171,467

Contingency	5.00%	31,495,206	
Demolition		100,000	
Residual S106		6,299,964	
Mayoral CIL & Crossrail S106		13,802,564	
Borough CIL		23,504,560	
			75,202,294

Other Construction

Abnormal costs (contamination etc)	11,712,000
East London Line allowance	20,000,000

APPRAISAL SUMMARY**BNP PARIBAS REAL ESTATE****Bishopsgate Goods Yard - LBTH CIL Strategic Sites Testing****20% AH, Residual S106 CIL and Base Resi Values**

Externals		15.00%	19,456,122	
Externals		15.00%	23,406,009	
Externals		15.00%	18,730,824	
Externals		15.00%	2,327,696	
				95,632,651

PROFESSIONAL FEES

Professional Fees		12.00%	76,967,919	
				76,967,919

MARKETING & LETTING

Resi Marketing		2.00%	13,451,180	
Commercial Marketing	624,750 ft ²	1.50 pf ²	937,125	
Letting Agent Fee		10.00%	1,908,898	
Letting Legal Fee		5.00%	954,449	
				17,251,651

DISPOSAL FEES

Commercial Sales Agent Fee		1.00%	2,768,296	
Resi Sales Agent Fee		1.50%	7,101,648	
Resi Sales Agent Fee		2.00%	4,007,729	
Resi Sales Legal Fee		0.25%	1,795,309	
Commercial Sales Legal Fee		1.00%	317,940	
Commercial Sales Legal Fee		0.50%	1,225,178	
				17,216,100

TOTAL COSTS**835,282,945****PROFIT****161,807,750****Performance Measures**

Profit on Cost%	19.37%
Profit on GDV%	15.95%
Profit on NDV%	16.23%
Development Yield% (on Rent)	2.29%

APPRAISAL SUMMARY**BNP PARIBAS REAL ESTATE****Bishopsgate Goods Yard - LBTH CIL Strategic Sites Testing****20% AH, Residual S106 CIL and Base Resi Values**

Equivalent Yield% (Nominal)	5.81%
Equivalent Yield% (True)	6.02%
IRR	6.53%
Rent Cover	8 yrs 6 mths
Profit Erosion (finance rate 0.000%)	N/A

‡ Inflation/Growth applied

Growth on Sales

	Ungrown	Growth	Total
Market Residential	182,352,600	16,763,176	199,115,776