

**BRENT LOCAL PLAN
ADDENDUM ON OFFICE DEVELOPMENT**

We understand that the Plan is not seeking to deliver extensive amounts of new office space, but that the GLA is seeking to promote office development in Wembley.

There have been no office lettings in the Wembley area since August 2018 and only three lettings in the first eight months of 2018. These three lettings achieved rents of between £15 to £18 per square foot. In the previous year, there were only eight lettings, achieving rents ranging from £7 to £22.50 per square foot. In 2016, a number of small units were let, achieving rents ranging from £6.23 to £18 per square foot.

To generate a positive residual land value for a new build office development, rents would need to increase to £34 per square foot and significantly higher than this to generate residual values which exceed existing use values on sites (see appraisal attached as Appendix 1). The increased rents required for new office developments to exceed existing use values would be significantly higher than locally available office space and likely to be comparable to rent levels at Stratford, Canary Wharf and other established commercial hubs. Although Wembley Park has good transport links, they are significantly inferior in comparison to those available at Canary Wharf and Stratford which will limit the extent to which Wembley can achieve similar rent levels.

BNP Paribas Real Estate
2 September 2020

Appendix 1

APPRAISAL SUMMARY

BNP PARIBAS REAL ESTATE

Wembley spec office

Summary Appraisal for Phase 1

Currency In £

REVENUE

Rental Area Summary

	Units	ft ²	Rate ft ²	Initial MRV/Unit	Net Rent at Sale	Initial MRV
Offices	1	135,000	34.00	4,590,000	4,590,000	4,590,000

Investment Valuation

Offices					
Market Rent	4,590,000	YP (%)	6.0000%	16.6667	
(2yrs Rent Free)		PV 2yrs (%)	6.0000%	0.8900	68,084,728

GROSS DEVELOPMENT VALUE 68,084,728

Purchaser's Costs 6.80% (4,629,761)
(4,629,761)

NET DEVELOPMENT VALUE 63,454,968

NET REALISATION 63,454,968

OUTLAY

ACQUISITION COSTS

Residualised Price			704,271	
Stamp Duty		5.00%	35,214	
Agent Fee		1.00%	7,043	
Legal Fee		0.80%	5,634	
				752,161

CONSTRUCTION COSTS

	ft ²	Rate ft ²	Cost	
Construction	158,824 ft ²	269.00 pf ²	42,723,529	42,723,629
Contingency		5.00%	2,136,176	2,136,176

PROFESSIONAL FEES

Professional fees		10.00%	4,272,353	4,272,353
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MARKETING & LETTING

Letting Agent Fee		10.00%	459,000	
Letting Legal Fee		5.00%	229,500	
				688,500

DISPOSAL FEES

Sales Agent Fee		1.00%	634,550	
Sales Legal Fee		0.50%	317,275	
				951,824

FINANCE

Debt Rate 6.000% Credit Rate 0.000% (Nominal)				
Land			66,233	
Construction			1,651,480	
Total Finance Cost				1,717,713

TOTAL COSTS 68,242,267

PROFIT

10,212,700

Performance Measures

Profit on Cost%	19.18%
Profit on GDV%	15.00%
Profit on NDV%	16.09%
Development Yield% (on Rent)	8.62%
Equivalent Yield% (Nominal)	6.00%
Equivalent Yield% (True)	6.23%

IRR 38.08%

Rent Cover 2 yrs 3 mths

Profit Erosion (finance rate 6.000%) 2 yrs 11 mths