

PRIVATE & CONFIDENTIAL

**Assessment of Joint Venture
Proposals**

29th April 2005

**EDINBURGH - EAST MARKET
STREET SURPLUS SITES**

**On behalf of:
The City of Edinburgh Council**

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I. INTRODUCTION

Under the terms of the contract Rationalisation of Council Accommodation - Marketing & Disposal of Surplus Council Properties dated 23rd April 2002, Cushman & Wakefield Healey & Baker ("C&W/H&B") are engaged to provide advice to The City of Edinburgh Council ("CEC") on how to optimise sale proceeds from surplus assets following the Council's move to its new Headquarters at East Market Street, Edinburgh.

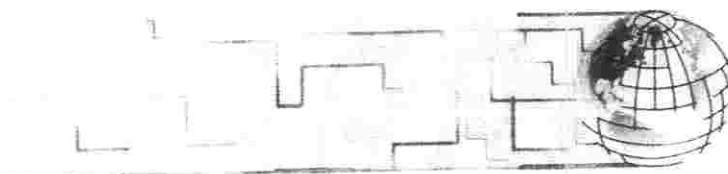
This contract covers two surplus sites on East Market Street, known as "The Canongate Centre", and "The Garage Site". In addition to these two sites, CEC also own a strip of land between Cranston Street and Jeffrey Street, and approximately 24 road supporting arches fronting East Market Street. These sites sit opposite CEC's new headquarters which is under construction and due for completion at the end of 2006. As a result a number of parties have expressed interest in acquiring the existing sites or entering into joint venture or profit share arrangements with CEC.

CEC have asked C&W/H&B to provide advice in connection with future disposal of this site, and in particular to assess proposals received from Morley Fund Management and Mountgrange Limited.

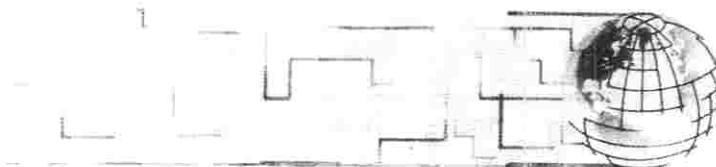
CONFIDENTIALITY AGREEMENT

C&W/H&B have been asked to sign an onerous Confidentiality Undertaking in relation to the proposals from Mountgrange Limited. As a result, C&W/H&B are required to ensure that this report and any analysis and/or recommendations contained therein relating to proposals from Mountgrange are kept confidential.

C&W/H&B require immediate notification of any breach of confidentiality so that they can inform Mountgrange Limited.



Irrespective of the existence of this Confidentiality Undertaking with Mountgrange, if CEC's decision is to proceed with either Morley or Mountgrange, then this report contains sensitive commercial information which could seriously undermine CEC's negotiating position should this information find its way to either party or their advisors.



2. ASSESSMENT OF SITES

2.1 SUBJECTS

The sites surplus to the requirements of CEC including the following:

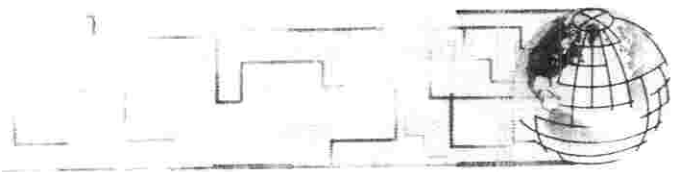
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| • Canongate Venture | 0.433 acres (0.175 hectares) |
| • Garage Depot | 0.504 acres (0.204 hectares) |
| • Strip of Land between Cranston Street and Jeffrey Street | 0.179 acres (0.072 hectares) |
| • 24 Arches | Unknown |

The total site area available for disposal therefore is 1.116 acres (0.451 hectares).

The plan attached in Appendix 1 shows the site boundaries for the first three sites, however, we have not yet been provided with sufficient information to assess floor areas or usability of the 24 Arches.

2.2 PLANNING

C&W/H&B have been provided with a report dated 18th October 2002 from Andrew Sykes, Principal Planner, Policy Planning & Strategy, CEC. The brief for the garage and associated land at East Market Street/Cranston Street was as follows:

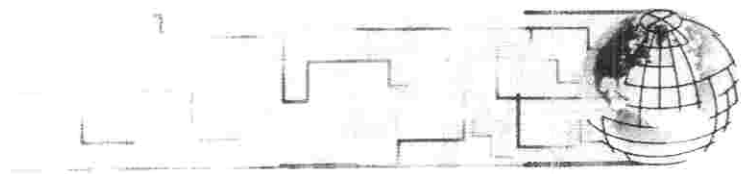


"The principle of major office development in this location is considered acceptable - the site has been the subject of such interest in the past. The former school, "Canongate Venture", is a Listed Building Category C(s).

The prospect of a new Waverley Station entrance onto Market Street and the proximity of the new CEC headquarters enhances the attractiveness of this site for new development. New development should seek to create pedestrian interest at street level, respecting the urban grain of the Old Town, by developing blocks in fingers and recreating historic closes. The height of the new development should respect the topography of the area, stepping down from the Canongate, to ensure that long distance views across the site are protected, eg development may be required to be kept below the ridge of the Canongate or possibly lower."

Mr Sykes commented in his letter of 18th October 2002 that a more considered response to the possible development of the sites is required, including for the East Market Street/Cranston Street site, and in this respect development guidelines are either in preparation or will be prepared for these sites.

C&W/H&B have not received anything further from the Council and are therefore relying on the above planning statement for our assessment of development proposals.



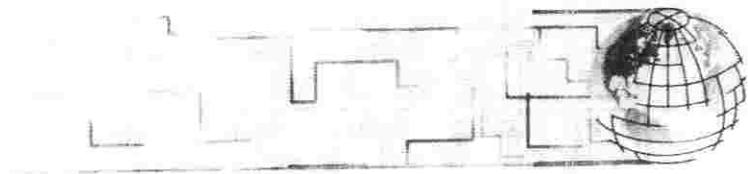
Development of the East Market Street site by itself (ie with no other developments on site) would be unlikely to proceed without a pre-let of part or all of the building. However, once Calton Gate is on site, the chances of a speculative development increase considerably.

Some would argue that office occupiers are less sensitive about location and office address than they were 10 years ago. However, image and location are still important – particularly to the private sector. Also, office occupiers like to locate beside other similar businesses, their clients or their service providers.

Two good examples of developments which demonstrates this are Capital House and Saltire Court in Edinburgh. Capital House, which was built off Lothian Road in the 1980s, has had a chequered history in the letting market, despite being developed by Miller Developments and funded by British Telecom Pension Fund.

The Hole in the Ground site which eventually housed Saltire Court on Castle Terrace lay vacant for many years despite its attractive situation beside Edinburgh Castle. Despite being one of Scotland's most successful office buildings now, the development nearly brought down Scottish Metropolitan Plc as occupiers were reluctant to relocate from their traditional office core running from Charlotte Square to St Andrew Square.

CEC thereafter had the foresight to expand from the Exchange area to create scope for further office development to the south and west side of Lothian Road and both Capital House and Saltire Court now benefit from the critical mass generated over the past 10 years.



If the Council is aware of any information which could alter any of the above assumptions please advise us before reaching any conclusions regarding the disposal strategy.

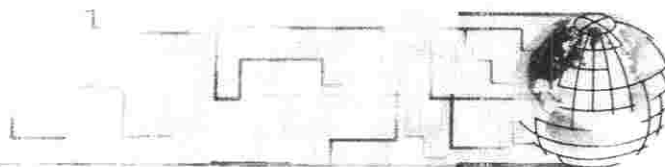
2.4 **WAVERLEY CORRIDOR DEVELOPMENT**

The Waverley Valley has long been held as one of the most attractive property development opportunities in any City Centre in the UK.

There have been a number of proposals to better utilise the area between Waverley Station and the Haymarket Tunnel and there is a strong political and commercial will for Waverley Station itself to be redeveloped. It has always been assumed that development of Waverley Station itself will be the trigger for generating new development to the east of Waverley.

Development beside major rail stations or on top of them has been commercially successful with high profile schemes like Broadgate in the City of London but there remains a high degree of scepticism within the commercial property market that the existing owners of Waverley Station will be capable of delivering more than token "piecemeal refurbishment" of Waverley Station due to the extremely high rail user demands and the fact that any development will have to be carried out with the guarantee that the station remains open and functioning throughout the development period.

The risk profile therefore for any developer or investor looking at the Waverley Corridor is extremely high. The complexities of working with Network Rail and the Rail Operators are unlimited and some will argue that only the UK Government or Scottish Parliament could underwrite the "rail risks" to allow the substantial redevelopment of Waverley Station.



This debate has been going on for nearly 20 years with various high profile and experienced developers investing time to unlock the potential – so far without success.

Whilst political will remains strong to have an improved City Centre station in keeping with the Capital City and whilst there can be no disagreement that retail, office or residential development would prove successful in the location, the dilemma for the Council is how they can act as the driver or catalyst to solve this longstanding challenge.

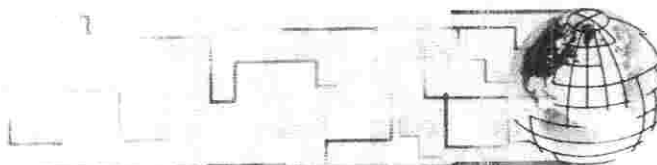
In the meantime, the decision to locate Scottish Parliament at Holyrood has to some extent turned developers' attention towards the eastern corridor where there are less rail related constraints. Further, the new CEC headquarters is now under construction and a tangible sign that investment in this area is commercially viable and desirable.

2.5 MARKET STREET SITE DEVELOPMENT CAPACITY

C&W/H&B have considerable experience in dealing with city centre development sites like this. Our view is that the East Market Street site presents an attractive development opportunity and that there would be strong competition to acquire it if it was openly marketed.

Development proposals for the site are likely to include the following uses:

- **Offices** - CEC's decision to locate their new headquarters at East Market Street could trigger an interest for office development in this corridor. Nevertheless convincing other occupiers of the attractiveness of this location could take many years.



Development of the East Market Street site by itself (ie with no other developments on site) would be unlikely to proceed without a pre-let of part or all of the building. However, once Calton Gate is on site, the chances of a speculative development increase considerably.

Some would argue that office occupiers are less sensitive about location and office address than they were 10 years ago. However, image and location are still important – particularly to the private sector. Also, office occupiers like to locate beside other similar businesses, their clients or their service providers.

Two good examples of developments which demonstrates this are Capital House and Saltire Court in Edinburgh. Capital House, which was built off Lothian Road in the 1980s, has had a chequered history in the letting market, despite being developed by Miller Developments and funded by British Telecom Pension Fund.

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CEC thereafter had the foresight to expand from the Exchange area to create scope for further office development to the south and west side of Lothian Road and both Capital House and Saltire Court now benefit from the critical mass generated over the past 10 years.



There is no reason why the East Market Street corridor could not develop and expand in a similar way to The Exchange. It is well located beside Waverley Station, and close to the bus terminal at St Andrew Square. It has excellent connections to the city centre retail and restaurant offering, and it has two public car parks nearby. Most importantly, the Scottish Parliament and CEC have located in this quarter, demonstrating their commitment to the area.

The lessons of The Exchange however are that it takes more than one office building to create a new centre.

- **Retail** - East Market Street is not a recognised retailing location. The nearest retail destination is the High Street and Canongate, but the retail offering there is largely focussed at tourists and local residents. There is undoubtedly a shortage of good quality retail space in the city of Edinburgh, but our view is that this location would be seen as peripheral. Retail use would be restricted to ground floor level and would be lower value uses such as art galleries, cafes, and support uses for offices such as coffee bars, restaurants, and sandwich shops.

There is an outside possibility of an in-town food store looking at a major development but this probably hinges on the Calton Gate scheme going ahead, increasing the number of residents in the area.

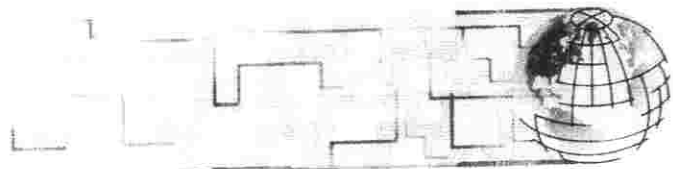
- **Residential** - Sales of other sites in Council ownership demonstrate extremely keen competition between residential developers for prime sites. Undoubtedly this site would attract interest from house builders.



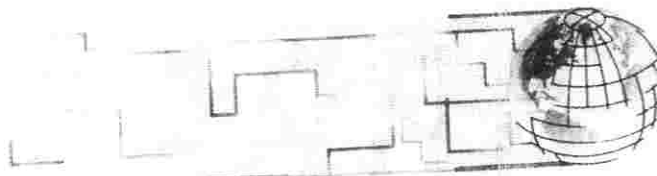
Site values generated for housing are unlikely to exceed those for retail or offices in this location due the constraints on height. With interest rates rising during 2004, and the prospect that they may increase again nearer the end of 2005, we are anticipating a slow down in the residential market. RICS and other house price surveys suggest this has already begun in the south of England and residential estate agents are reporting that there is less competition at closing dates, depending on the quality of the product.

It is inevitable that certain parts of the market will start to slow down in line with the rest of the UK and this again could impact on bids for city centre Edinburgh opportunities in the short to medium term.

- **Hotels** - As proven by the sale of the George IV Bridge property, there remains keen interest in prime city centre opportunities in Edinburgh. The site is attractive for tourists, but it is less attractive for business. Hotels located in the Old Town appear to be trading well - Radisson (formerly the Scandic Crown), Travelodge, Apex, Jurys, Ibis, The Carlton, and The Scotsman. However, hotel operators tend not to be the most aggressive bidders for development sites and are generally most successful in off prime locations. The George IV Bridge site is perhaps the exception to this rule as it is such a prominent location for tourists, two minutes walk from the Castle and Princes Street, and in the heart of the Old Town.
- **Industrial/Storage** - This produces the lowest value and is the least attractive use, notwithstanding the fact that part of the site is already utilised for a garage/store.



- **Other** – The old town is the home of the University of Edinburgh and student residencies remain very much in demand. These developments tend to be high density and are often architecturally minimalist due to tight cost restraints. Other potential uses could include a public or civic use space which we assume the Council would take cognisance of assessing this opportunity. Undoubtedly this would be seen as an attractive site for a public gallery or museum space.



3. OPTIONS FOR DISPOSAL

The subject sites will not be available with vacant possession until CEC occupy their new headquarters. CEC therefore has a number of ways of dealing with the disposal and have asked C&W/H&B to advise on the advantages and disadvantages of each option.

3.1 OPEN MARKET SALE

It is our view that the best way to optimise the sale price is to sell the Canongate Venture building, the East Market Street garage, the land between Cranston Street and Jeffrey Street, and The Arches as a single package. The first three areas are capable of development jointly, bridging over Cranston Street, and whilst it could be argued that there is no material reason to include The Arches in the overall package, developers of the larger part of the site will find it advantageous to have control of The Arches to ensure that these are developed to a high standard that adds value to the East Market Street location.

If CEC's sole objective is to maximise sale proceeds there is a strong argument that the best way to do this would be to put the property on the market, subject to a development/planning brief and invite residential, office and mixed use developers to come forward with their proposals.

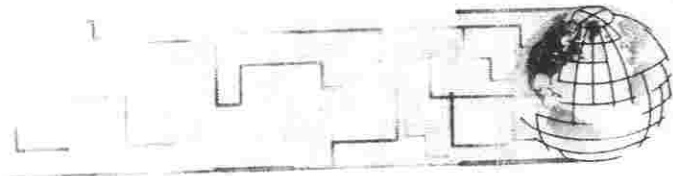
C&W/H&B would market the sites on as wide a basis as possible and include a closing date notification as part of an advertising campaign.

At the closing date we would expect bidders to come forward with notification of their credentials, track record, funding, purchase price, other conditions, all in the form of a formal legal offer. We would also make it a requirement that all proposals should be accompanied by detailed plans showing developers' proposals for the site which we could then assess jointly with CEC's Planning Department.

This would be a complicated process because the site involves the demolition of a Grade C Listed building and developers will see this in different ways, making it difficult to judge what is deliverable through the planning process for both the local authority's point of view and, equally importantly, Historic Scotland.

Developers will often try and push the limits of density to maximise site value and then negotiate back to what is permitted. Whilst CEC are not obliged to accept the highest bid, CEC or their advisors need sound reasons to reject the highest bid, for example, reasons why the proposed scheme would not secure planning or why the land use might be unacceptable or some other overriding reason why the highest bid should be discounted. This is extremely difficult when CEC are also the Planning Authority and in the eyes of developers there could be potential for conflicting objectives.

It would be a condition of this sale route that developers offer a cash sum on receipt of satisfactory planning consent, but also offer to share development overage. This can also make it difficult to compare bids as some will maximise the Day One receipt but offer little prospect of profit share and others offer a lower Day One receipt but a good share of development profit.

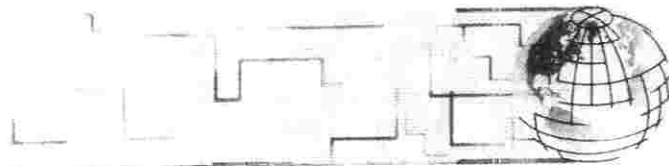


Advantages

- Maximisation of sale proceeds through optimising development density.
- The marketing and subsequent planning process could commence in 2006 with a view to obtaining satisfactory planning consent prior to CEC vacating the building.
- All parties currently wishing to enter a joint venture with CEC have the opportunity to bid.

Disadvantages

- Proposals are not necessarily linked to any development proposals for other sites adjacent or nearby.
- Mountgrange have made it clear that they will not bid against the market but will proceed with their own plans for Carlton Gate independently.
- A possible missed opportunity for CEC to influence redevelopment of the Waverley corridor.
- Risk of development proposals that CEC are uncomfortable with but which could secure planning consent on appeal.
- Difficulties in judging the "best" solution for the Council.



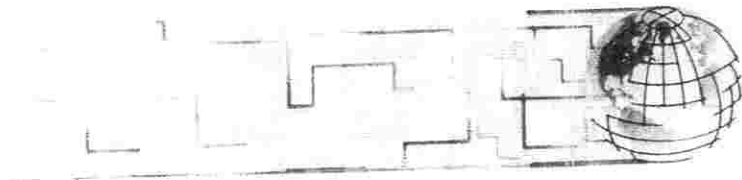
- Once the site is sold, CEC lose control of the site and cannot determine future use/development proposals unless there is a positive obligation to develop (which most likely will be resisted).

3.2 JOINT VENTURE WITH MORLEY

C&W/H&B have been provided with copies of correspondence from Morley Fund Management, including a proposal to alter lease terms for the new CEC headquarters and for the sale of the subject site to Morley. The principal terms of the proposal are attached in Appendix 2 and include:

- The land and profit payments for East Market Street.
- The capital payment for a longer lease commitment on the new CEC headquarters.
- A reduction in dilapidation obligations in the new CEC headquarters.
- A reduction in the gearing rate on the annual rent in the new CEC headquarters.

All the proposals made in connection with the new headquarters are financially attractive to Morley Fund Management, irrespective of whether there is linkage to the subject site at East Market Street. Morley may argue against this but there can be no doubt that extending the length of CEC's lease on the new headquarters will create value, if not now, certainly in the future when the lease has 15 years or less to run.



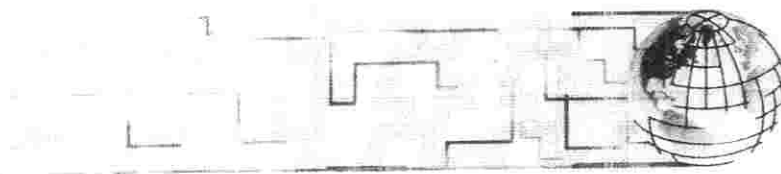
The ceiling on dilapidations liability is an interesting proposal particularly if the lease is extended and the building is that much older on lease expiry. CEC will have their own views on the potential dilapidation settlements but in our experience these tend to be in the range of £5 to £15 per sq ft for buildings which are adequately maintained on an annual basis. However, if the lease is extended beyond 20 years there could be considerable advantage in capping repairing liability.

The reduction in the gearing rate on the annual rent from 3.25% per annum to 3% per annum would save CEC money during the first 20 years of the lease. However, this offer is linked to the extension of the lease for a further 15 years so there is not a "saving" as the actual rent obligation will increase from the current 20 year commitment to the new figure for a 35 year lease.

Morley have made two proposals for the East Market Street site. One is on the basis of an 80,000 sq ft building with 50% pre-let and the other 125,000 sq ft which 50% pre-let. It may be that CEC is prepared to take a pre-let of part of the building but it would be wrong to judge this proposal on the basis of a pre-let without also looking at the impact of a 50% pre-let on the other disposal options. Needless to say a CEC pre-let has considerable value to commercial market, reducing development risk and maximising investment value due to the security of income flow from a local authority.

Advantages

- CEC have a good working relationship with Morley Fund Management.
- Morley appear to be delivering the new CEC headquarters on time and therefore have a good track record of delivery.



- Morley have good working relationships with Planning and Building Control departments within CEC and have also established relationships with the other important public interest groups in Edinburgh.

Disadvantages

- Morley are likely to be more risk averse than an out and out developer, although they would argue against this.
- The two sites in question are separated by a main road and have little direct relationship with each other.
- Morley's proposal assumes a pre-let to CEC of 50% of any new building.
- Morley's proposals are restricted to development of the sites in the Council's ownership.

3.3 JOINT VENTURE WITH MOUNTGRANGE

Mountgrange have made a proposal to combine the site in their ownership at New Street known as "Carlton Gate" with those sites owned by CEC.

They have produced a masterplan for a mixed use development which includes the construction of a new extension of Market Street through to the Canongate, which is attached in Appendix 3. The extension which would be known as "Parliament Way" follows a curved

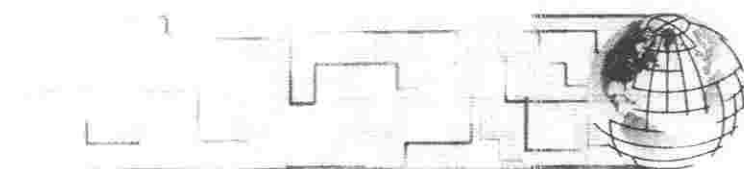
line through to the Canongate similar to the sweeps of the Mound, Cockburn Street and Jeffrey Street onto the High Street/Royal Mile.

As a result of the increased development capacity created by linking the two sites, Mountgrange are proposing to construct a new Civic Square at the junction of the new Parliament Way and a central street which will open up the remainder of the Carlton Gate site for development. The proposals include the construction of 170,000 sq ft net atrium office building, a 200 bed hotel, 214 residential units within the Carlton Gate scheme and a further 62 units on the Market Street site. C&W/H&B are awaiting an information pack confirming the experience and track record of Mountgrange and their key personnel but we understand that they are extremely capable and well respected developers.

The proposals by Mountgrange are extremely ambitious but they undoubtedly have a track record in delivering complicated mixed use developments in sensitive inner city sites.

Advantages

- Mountgrange are the only party that can offer comprehensive and co-ordinated development proposal for a wider area.
- Mountgrange are the only party capable of delivering Parliament Way by combining the land holdings of Mountgrange and CEC.
- The masterplan includes more civic space than would be possible if the Carlton Gate scheme is developed in isolation.



- Rental values for completed offices and retail, and sale values for residential, are likely to be enhanced if there is a co-ordinated approach due to the critical massing of development.
- The planning argument for demolition of the Grade C Listed building (The Canongate Venture) will be much stronger if the demolition is linked to a larger development with civic benefits.
- Opportunity to share in profits for the larger Calton Gate scheme.

Disadvantages

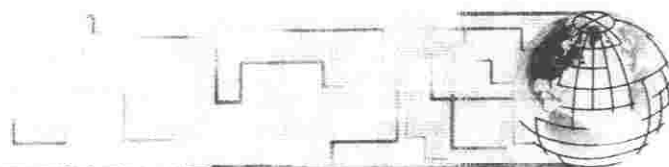
- Compulsory purchase powers may be required to complete acquisition of flats fronting Canongate.
- Mountgrange have no existing relationship with CEC.

3.4 JOINT VENTURE WITH ANOTHER PARTY

We are aware that the Council have been approached by EDI to enter into a joint venture to maximise the sale proceeds of the site. However we are unaware of any other land owners who could put proposals forward other than perhaps Network Rail. It is our view that any other parties who would wish to enter into a joint venture arrangement should have made themselves known to either the Council or C&W/H&B by now. The Council's disposal programme has been well advertised in the press and developers and other land owners have been quick to express interest in other assets which are surplus to requirements.

C&W/H&B cannot advise the Council whether it is right or not to enter into joint venture arrangements with EDI. We can comment that it is unlikely that their development proposals would differ from any other developer pursuing the first option, ie to acquire the site and then share overage. The issue for the Council is whether it is right to enter into an arrangement with EDI without offering the opportunity to other developers. The counter argument is that the Council have an equity stake in EDI who are demonstrably capable of undertaking development on this site and maximising sale proceeds so the Council would have the opportunity to share in the developer's profit for any development as well as sharing in overage.

Turning to other land owners, it is our view that no other land owner has such a strong case as either Morley or Mountgrange to enter into exclusive joint venture arrangements on an off market basis.



4. CONCLUSIONS AND RECOMMENDATIONS

C&W/H&B are employed to advise the Council of maximisation of sale proceeds from their surplus assets following their relocation to the new Headquarters.

The surplus sites at East Market Street provide unique development opportunity within the heart of the Scottish Capital City sitting opposite the new prestigious headquarters for CEC.

Development of the site is constrained by the Grade C listing of The Canongate Venture however it is our view that a high quality urban development which contributes to the regeneration of the Waverley Corridor will secure planning consent.

There are no other major site constraints regarding development and the Planning Authority could be persuaded to accept office, retail, residential, hotel or hostel uses at the site due to the mixed use nature of the area.

Development in the Waverley Corridor has been severely constrained by Network Rail and their predecessors and is long overdue.

OPEN MARKET SALE

The least contentious way to dispose of this site is to put it on the open market and attempt to maximise sale proceeds.

The risks of this route are that the Council will not have 100% certainty on what will be constructed opposite the front door of its new headquarters and when this development will take place. It would also be difficult for CEC to select the developer with the most acceptable and desirable development in regeneration and sustainability terms, if this produces a lower land value than other proposals.

Finally, the Council could also be criticised for missing the opportunity to take a more active role in promoting a larger development particularly when serious proposal has been offered by a reputable developer with track record.

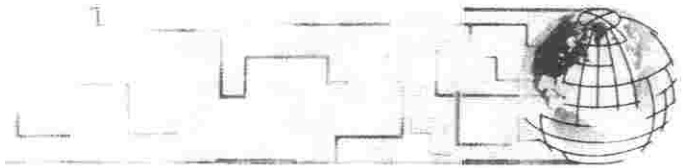
JOINT VENTURE WITH MORLEY

Three out of four of the proposals for Morley involve value enhancement to their investment in the new CEC headquarters. Our view is that all of these enhancements would still make financial sense without entering into a joint venture on the East Market Street site.

Morley have the financial strength and development experience, and have a professional team capable of delivering a high quality development on East Market Street but they could prove more difficult to deal with on a speculative venture than an out and out developer.

Morley are committed to inner city development and sustainable future for the building environment but these proposals currently do not include other land holdings in the area and therefore restrict the Council's ability to influence a wider development.

Morley's proposals also rely on a part pre-let of as much as 50% of any new building which would undoubtedly help the sale but could be justifiably criticised in the market.



JOINT VENTURE WITH MOUNTGRANGE

C&W/H&B have concluded that proposals tabled by Mountgrange present a one off opportunity for CEC to contribute to the redevelopment of the Waverley Valley in a pro-active and creative way. Mountgrange are the only party that can offer this comprehensive redevelopment.

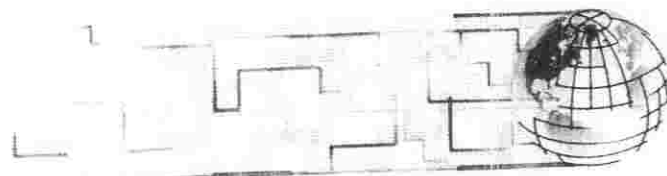
Mountgrange's proposals create civic benefits which are otherwise unavailable - namely the construction of Parliament Way creating a new thoroughfare through to the Canongate and on to the Scottish Parliament and the creation of 4 civic spaces within the Carlton Gate scheme.

Mountgrange have a proven track record of delivering complicated mixed use developments and have demonstrated in the last 3/6 months their commitment and enthusiasm for this joint approach.

Mountgrange should be able to offer the Council a base sale price which is in line with market for a sensible deliverable planning consent.

There will also be a unique opportunity for CEC to benefit in the upside of the development of the whole project creating the potential for a much larger profit than if solely restricted to the East Market Street site.

Based on the above benefits, our view is that the Mountgrange proposal offers considerable advantage over any proposal which deals with the subject site by itself. It is possible that the initial site purchase price may not be as high as could be achieved in the open market but the profit share on any development surplus could potentially be much larger for the whole development of Calton Gate and the East Market Street sites than for a development solely of the East Market Street site.



C&W/H&B's recommendation therefore is to enter into negotiations with Mountgrange. We do not believe that the Council should be taking matters further with Mountgrange until they have reached a decision in principle on whether they wish to proceed with this route and if they are able to do so without breaching the requirements of OJEC.

CONCLUDING A DEAL

If the Council accept these recommendations, then C&W/H&B will immediately work with the Council to:

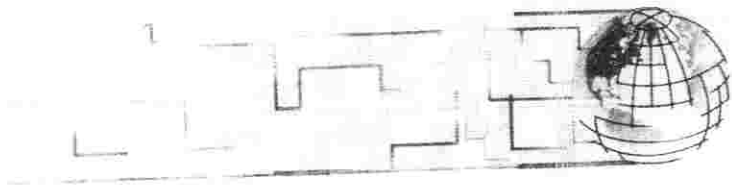
1. Agree a "base value", which requires a detailed review of site development capacity, market analysis and an investment review.
2. Work with CEC's legal advisors to ensure that there is an unchallengeable position for CEC to enter a joint venture arrangement with Mountgrange that did not breach OJEC procurement requirements. This must be 100% robust.
3. Check and vet the financial appraisals provided by Mountgrange.
4. Agree a strategy for responding to Morley, EDI and any other interested parties (without breaching the Mountgrange confidentiality undertaking).
5. Agree a timetable with Mountgrange for conclusion of legally binding contract to enable full planning application to be submitted.
6. Assess the deal structure and risks associated with joint venture as opposed to a land sale and profit share on overage, jointly with CEC's legal advisors.



This report has been prepared by David A Davidson PSC MRICS, Partner, Head of Investment and Head of Edinburgh Office, Cushman & Wakefield Healey & Baker with assistance from Angela Lowe, Associate, Business Space Department, Cushman & Wakefield Healey & Baker.

Cushman & Wakefield Healey & Baker

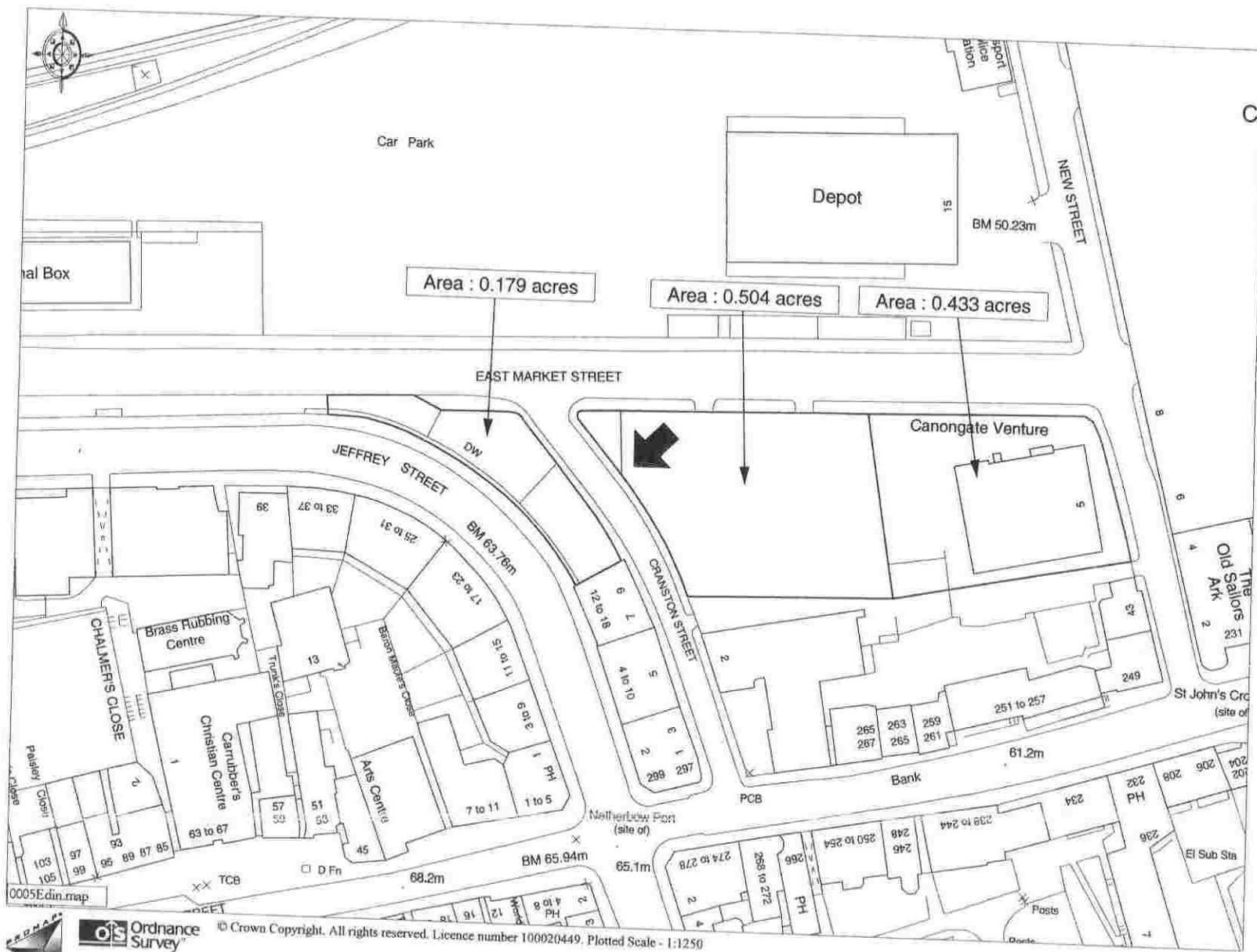
Cushman & Wakefield Healey & Baker



APPENDIX I

SITE BOUNDARY PLAN

Edinburgh - East Market Street.



This plan is shown for convenience of identification.
Any site boundaries shown are indicative only and
should be checked against Title Deeds.

PMP21432072

- The land and profit payments for East Market Street.
- The capital payment for a longer lease commitment on the new CEC headquarters.
- A reduction in dilapidation obligations in the new CEC headquarters.
- A reduction in the gearing rate on the annual rent in the new CEC headquarters.

Morley Fund Management / Edinburgh City Council

CEC Headquarters, Waverley and East Market Street, Edinburgh

Summary of payments / savings

1. Land and Profit Payments - East Market Street, Edinburgh

Based on the attached appraisals, we estimate that Edinburgh City Council will receive £7,255,000 for the land and £484,393 for the profit share of the development, which totals £7,739,393, say **£7,740,000**.

2. Capital payment for longer lease commitment – CEC Headquarters

If the lease on the CEC Headquarters were extended up to a maximum of 35 years, Morley Fund Management would be prepared to make a cash payment to the Council based on 50% of the increased capital value attributable to the extended period of the lease. We estimate that this increase in capital value is approximately £3,400,000, and as such, the payment to the Council will be **£1,700,000**.

3. Reduction in dilapidations obligations – CEC Headquarters

Morley Fund Management is prepared to limit the level of the Council's reinstatement obligations at the end of the lease to a maximum of £15.00 ft² of the total built floor area. We would estimate that a dilapidations claim would be in the region of £25.00 ft². Based on a current area of 193,891 ft², this would equate to a saving of £10.00 ft², which would total **£1,940,000**.

4. Reduction in the gearing rate on the annual rent – CEC Headquarters

Morley Fund Management is prepared to reduce the current gearing rate of 3.25% per annum on the annual rent by 0.25% to 3.00% per annum. Over the current 20 year lease, the total rent commitment for the Council is £127,207,636. This will be reduced to £124,626,746 if a gearing rate of 3.00% per annum is adopted, a saving of **£2,580,000**. Additionally, Morley Fund Management would also be prepared to reduce the gearing rate on the extended term if a longer lease is agreed.

CASH PAYMENTS

1	£7,740,000
2	£1,700,000
TOTAL	<u>£9,440,000</u>

COST SAVINGS

3	£1,940,000
4	£2,580,000
TOTAL	<u>£4,520,000</u>

TOTAL CASH PAYMENTS / COST SAVINGS **£13,960,000**

APPENDIX 3

MASTERPLANNING DRAWINGS FOR MAINTENANCE PROPOSAL

[illegible][illegible][illegible]

Figure 1: Aerial photograph showing a residential area with a road and several houses. The road is labeled 'Road' and the houses are labeled 'Houses'.

[illegible]

	HPLC-MS/MS	MET C7AC	MET AC08
VFA ₆ :A	500	90	-
(VFA) ₆ :I	200	50	-
(VFA) ₆ :G	100	10	100
(VFA) ₆ :L	90	100	100
(VFA) ₆ :D	100	<10	10
TZB	1.00g 25.00mg/kg	Keto 10.00 mg/g	1.00g 10.00 mg/g

RAYBURN & CYRUS, INCORPORATED		
RAYBURN & CYRUS	GROSS REVENUE	NETT PAYEE - NETT RECEIVABLE
1979-80	100	100
1980-81	250	250
1981-82	200	200
1982-83	500	500
1983-84	800	800
TOTAL	1,850 \$4.00	1,850 \$4.00
	1,850 \$4.00	22,000 \$4.00

Unit 2002 C. Schmitt (all rights reserved)		
Page 8		
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250. 100%	251. 100%	252. 100%
253. 100%	254.	

Option 1 is the full 'monotrip' scheme which encompasses all of the bus depot sites, the Ark, the 22 upland Congrean properties and on Market Street the following properties are included: Cambridge Vantage, Cleansing Department building, and of Conston Street and the triangular 'Arches' site.

RETAIL AREA: 44,000 sq. ft.
TOTAL RESIDENTIAL SPACE: 101,000 sq. ft./Unit
TOTAL OFFICE AREA: 207,040 sq. ft./Unit
HOTEL BUILDING: 130,000 sq. ft./Room

TOTAL NETT AREA: 612,690 sq. ft. Nett
(Hotel included as gross)

Drinking for 420 sports

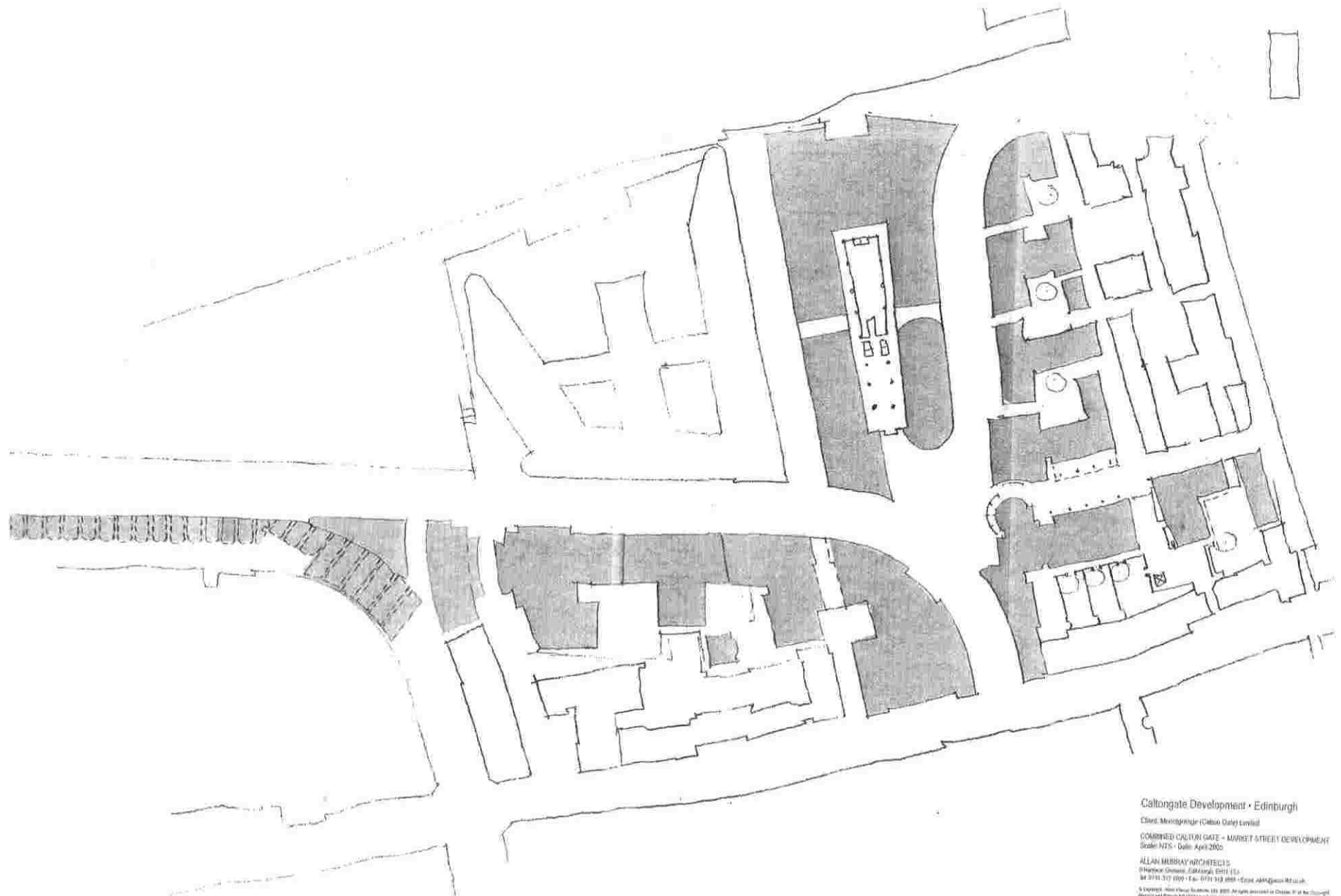
COMBINED/CLUSTER (P) & SEVERAL-STEP INVESTIGATION
- continuation of

Source: [Frost & Sullivan](#) / [Dunn](#) / April 2019

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OPTION 1: COMBINED CALTON GATE AND MARKET STREET DEVELOPMENT



Caltongate Development • Edinburgh
Client: Strathgordon (Calton Gate) Limited
COMBINED CALTON GATE & MARKET STREET DEVELOPMENT
Scale: 1:750 - Date: April 2000
ALLAN MURRAY ARCHITECTS
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