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London Borough of Hammersmith and Fulham
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For the attention of: Nigel Pallace

1 November 2010

Dear Sir

**King Street Financial Model Review**

The King Street Regeneration Project is a project which will include a new civic office building and new infrastructure, a new public square, new residential accommodation and new commercial buildings. The London Borough of Hammersmith and Fulham has entered into a development agreement on the redevelopment of the site with Grainger Plc and Helical Bar Plc. An appraisal model has been prepared to enable the viability of the scheme to be assessed. This model has been prepared for the developers by Savills plc.

You engaged us to carry out a high-level review of the appraisal model, to confirm whether it is a reasonable basis to understand viability and to confirm whether the data collated in the appraisal model was of the type needed to assess project viability. This letter contains a summary of certains parts of the advice we have provided you.

Based on the work we have undertaken, the Argus Developer software used in the appraisal provides a reasonable basis for undertaking a viability assessment of the project. The data collated is of the type typically used for this kind of assessment.

We consider the project includes certain higher risk elements for the developer: The developer is required to provide new office accommodation in return for land rather than cash; the developer needs to find commercial tenants for all retail units; all residential properties will be for private sale; the early phasing of the new council offices means there is a significant investment and funding requirement to cover the delay prior to sales revenues being earned. Taking these matters into account, we would typically expect a higher level of developer returns than that which the developer is estimating on this project.

Based on the scope of work undertaken and the information we reviewed (within the constraints of the imposed time scale) the developer is using a reasonable approach and reasonable assumptions to support the project's viability assessment and the level of projected developer returns appear lower than those that we would typically expect for a project of this type. Accordingly, any reduction in the enabling elements of the scheme would worsen project viability and could potentially make it undeliverable.

Yours faithfully

Richard Parker

**Richard Parker**
for and on behalf of PricewaterhouseCoopers LLP