

# **Viability Representations on the emerging Westminster Retrofit Policy**

Westminster Property Association

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## **1 Introduction**

- 1.1 Within this Appendix, we review the Viability Review document produced by BNPPRE with particular focus on their adopted viability assumptions. Within this section we present our critique of the respective assumptions adopted by BNPPRE.
- 1.2 Whilst we have reviewed BNPPRE's document in full, we comment only on various aspects of it owing to the lack of transparency in methodology, together with the level of information provided. Where we do not comment upon specific parts, this is not to be interpreted as either an agreement or disagreement with the contents or conclusions arrived at.

## **2 Methodology Transparency and Data Transparency**

- 2.1 The NPPF (paragraph 58) states that 'all viability assessments, including any undertaken at the plan-making stage, should reflect the recommended approach in national planning guidance, including standardised inputs, and should be made publicly available.'
- 2.2 A significant drawback of BNPPRE's viability approach is that the modelling used to assess residual land value is not provided. It is therefore not possible to properly assess the outputs and determine if the soundness of the methodology. This lack of transparency is a significant failing of the viability evidence base.
- 2.3 Generally, there is a lack of data transparency regarding various appraisal assumptions, including, but not limited to, rents, yields, construction costs, and finance rate. This directly conflicts with RICS professional standards outlined in 'Financial viability in planning: conduct and reporting' (1st edition, May 2019).
- 2.4 Naturally, given the geographical size of the City of Westminster, together with the quantum of various asset classes which comprise its various submarkets, a significant amount of rental and yield evidence would naturally need to be assembled in order to draw reasonable conclusions from for the purposes of the appraisal assumptions.

### 3 Gross Development Value

#### Yields for Commercial Development

- 3.1 Yield assumptions are provided for commercial uses in Prime, Core and Fringe areas. Overall, we consider this to be a crude generalisation and grouping of the diverse range of sub-markets which comprise the City of Westminster. Overall, these assumptions are too keen and there is minimal supporting evidence to underpin these assumptions. We are also concerned that the geographical definitions of the three specified areas i.e. Prime, Core and Fringe in the BNPRE report are wider in the case of Prime and Core value benchmarks used to inform the market evidence base.
- 3.2 For example, the adopted Prime and Core Yield of 3.75% for offices is not supported by evidence. BNPRE state that these assumptions are informed by Knight Frank's 'Prime Yield Guide' (December 2023). However, upon review of this document, we note that West End Prime Core (which refers specifically to Mayfair & St James's) offices yields are stated as 4.00%, with yields of 3.75% last reported in December 2022. Further, we note within BNPRE's Q4 2023 Central London Offices Update that they consider Central London Prime Yields for the West End to be between 4.00% – 4.25%.
- 3.3 We have had regard to the same Knight Frank's Yield Guide (December 2023 and March 2024), which presents West End Prime Core office yields as stable at 4.00% which we outline in Table 1 below.

**Table 1: Knight Frank Yield Guide – December 2023 and March 2024**

Use	Nov-23	Dec-23	Jan-24	Feb-24	Mar-24
West End: Prime Core (Mayfair & St James's)	4.00%	4.00%	4.00%	4.00%	4.00%
West End: Non-Core	4.75%	4.75%	4.75%	4.75%	4.75%

- 3.4 We provide in the table below examples of key market research regarding current West End office yields.

**Table 2: Reported Office Yields Data**

<b>Submarket</b>	<b>Savills (Feb 2024)</b>	<b>Cushman &amp; Wakefield (March 2024)</b>	<b>JLL (Jan 2024)</b>	<b>Colliers (Jan 2024)</b>	<b>BNPPRE Paribas (Feb 2024)</b>
West End	4.00%	4.00%	4.00%	4.25%	4.00 – 4.25%

- 3.5 The yields adopted by BNPPRE are therefore inappropriate and not in line with RICS guidance as the conclusions drawn are not soundly supported by the evidence base. It is clear in the case of yields that the market evidence has not been appropriately analysed or adjusted and therefore falls to apply relevant RICS guidance. Therefore, this serves to overstate any reported viability outcomes.
- 3.6 We also consider the retail yields adopted by BNPPRE to be too keen for the purposes of an area wide study. The adoption of a 3.00% yield across the whole area defined as Prime, which incorporates areas such as Belgravia and St John’s Wood, is wholly inappropriate. Only the most central area, including Bond Street, a small portion of this area, would have the prospect of achieving this yield.
- 3.7 Oxford Street, as reported by Knight Frank, reflects a yield of 4.50%. Applying this yield to the Core area, which includes Westbourne Grove, Paddington, Bayswater, and Victoria, is again wholly inappropriate. A 5.00% yield has been applied to the Fringe area which we would not expect to be achievable and consider entirely unsuitable.
- 3.8 The whole approach on retail yields will have generated significantly higher values than what we would realistically anticipate for this element of the respective tested appraisals. This calls into question the evidence base.
- 3.9 The Topic Paper prepared as part of the Local Plan evidence base identifies that current barriers to retrofit include viability and the ability to secure investment, industry perceptions on retrofitted commercial environments and future rental yields or sale of assets. Overall, the yields adopted by BNPPRE are considerably keener than can be justified by the evidence, especially if these are to be intended as representative of retrofitted stock.

### Rental Incentives

- 3.10 BNPPRE adopt a 12-month rent free period and apply this to all commercial floorspace. We consider this assumption to be insufficient and this does not adequately represent the diverse range of asset classes and their respective incentives found within the City of Westminster. BNPPRE do not state their lease assumptions to which this 12-month rent free period is applied. On the basis of a 10-year standard lease assumption, our view is that rent free periods between 18 to 24 months would be more appropriate.
- 3.11 We outline in the table below our expectation of typical rent-free incentives for Grade A office space on the basis of a 10-year lease assumption, for each submarket within the City of Westminster.

**Table 3: Prime, Core, and Fringe Location Incentives**

Submarket	Typical Rent-Free Period (months)
Paddington	24
Marylebone	21-24
Mayfair	21
St James's	21
Knightsbridge	21-24
Victoria	21-24
Soho	21-24
Fitzrovia	21-24
Covent Garden	24

### Commercial Letting Voids

- 3.12 Typically, commercial lettings would be subject to letting voids after completion, void periods can vary as office developments are frequently let to multiple tenants. This is not considered by BNPPRE within their appraisal assumptions which is a significant omission. This overstates the viability of all commercial case studies and presents unreliable results.

- 3.13 Depending on the asset class and submarket in question, we would anticipate letting voids of an average between 12 to 18 months, reflecting that some space will be pre-let while other space will have longer letting voids.

## **4 Construction Costs**

- 4.1 BNPPRE adopt build costs sourced from the Building Cost Information Service (BCIS), stating that base costs have been adjusted for local circumstances by reference to BCIS multiplier for Westminster and to Q4 2023. Further, they state base costs have been adjusted by 10% to account for external works which includes car spaces.
- 4.2 There is lack of transparency with how this construction cost has been determined. For example, offices are stated to be £3,124 per square metre, with this figure then subject to a 10% externals allowance. However, regarding the base cost of £3,124 per square metre, it is not stated if this is an average of all costs from the respective data set, or if, for example, the Upper Quartile or the Lower Quartile has been adopted. As such, we are unable to determine what cost has been selected and are therefore unable to properly determine if this is appropriate.
- 4.3 In arriving at its costs, BCIS, as a default, will collate data from the last 15 years. When analysing this data sample, rebasing for City of Westminster, Q1 2024, and having reference to the 'Generally' category, only two schemes are captured within the last five years. This highlights the extremely limited nature of costs presented by BCIS for this location and demonstrates how these are not reflective of current construction costs. We note these two sets of data present an average of £3,319 per square metre, £195 per square metre above those costs adopted by BNPPRE. In any event, the costs adopted by BNPPRE significantly overstate the viability position within their tested appraisals. As such, the conclusions arrived at are misinformed and not appropriate for the basis of an area wide study.
- 4.4 BNPPRE state that BCIS accounts for an 'average' level of costs for abnormal ground conditions and that some other abnormal costs are already reflected in BCIS data. This is not the case. There are several significant costs that BCIS does not account for with these including, but not limited to, decontamination & eradication of invasive plants, minor or major demolition works, temporary diversion works, or specialist ground works. We provide in the table below a breakdown of developmental cost elements not captured by BCIS data:

**Table 4: Excluded Cost Elements from BCIS Data**

Element		Excluded
Facilitating works	Decontamination & eradication of invasive plants	X
	Major demolition works	X
	Temporary support to structures	X
	Specialist ground works	X
	Temporary diversion works	X
	Extraordinary site investigation works	X
Prefabricated buildings and building units	Prefabricated buildings and building units	X
Works to existing building	Minor demolition & alteration works	X
	Repairs to existing services	X
	Damp proof courses etc.	X
	Façade retention	X
	Cleaning existing surfaces	X
	Renovation works	X
External works	Site preparation works	X
	Roads, paths, paving and surfacing	X
	Soft landscaping, planting, and irrigation systems	X
	Fencing, railings, and walls	X
	External features	X
	External drainage	X
	External services	X
	Minor building works and ancillary buildings	X
Project/design team fees	Consultant's fees	X
	Main contractor's pre-construction costs	X
	Main contractor's design fees	X
Other development/project costs	Other development/project costs	X
Risk (client's contingencies)	Risk (client's contingencies)	X

Source: BCIS



- 4.5 These excluded costs are of high significance and highlight the weakness of drawing conclusions from BCIS data for the purposes of an area-wide study, particularly within the City of Westminster, where premium office values will require a standard of space which is market leading, the actual realistic cost position will be significantly higher than what is reported by BCIS.
- 4.6 Moreover, the constrained nature of development sites typically found within the City of Westminster will naturally be exposed to these 'excluded costs', including but not limited to temporary support to structures, diversion works, potential façade retention, and minor or major demolition. As such, the adoption of BCIS costs is inappropriate as it fails to include key development costs which serves to significantly overstate the resulting viability position.
- 4.7 As such, BCIS costs provide a diluted view of construction costs, often failing to account for several significant development costs. As such, this will serve to significantly overstate the viability position within the tested appraisals. In any event, the BCIS costs adopted by BNPPRE are low and are reflective of costs associated with lower quality schemes. As such, this cost does not appropriately account for the quality of product delivered within Westminster and is therefore not representative.
- 4.8 Arcadis state in their International Construction Costs (2024) report that London has now become the most expensive city in the world for construction costs. This is owing to specification enhancements related to building safety, sustainability and client expectations which has pushed prices up further than most cities. Naturally, given that BCIS is backward looking, its data does not reflect these rising cost trends. This serves to overstate the resulting viability position by presenting a diluted picture of costs.
- 4.9 When looking at Westminster, many investors that have the means to do so will also be considering investment in other global real estate markets. Therefore, it is paramount to present a correct viability picture and appropriately account for costs.

#### **Net zero carbon (operational) and embodied carbon**

- 4.10 BNPPRE state that the cost of achieving zero embodied carbon above base build costs is an area of debate. They comment that WSP have advised this can be achieved within a cost "uplift of -1% (minimum policy requirement) to 7% (maximum policy requirement) for offices".

- 4.11 The WSP report states a Baseline Total Building Cost for offices of £3,500 per square metre. From this, BNPPRE state, for the purposes of their appraisals, they have assumed that the cost of achieving net zero regulated energy combined and low embodied carbon is 7% for all uses and this highest possible figure 'stress tests' the policy. BNPPRE comment that it is likely that the actual impact on viability will be lower than indicated in their appraisal outputs.
- 4.12 On top of the BCIS rate applied, BNPPRE have also included a 10% externals rate. WSP reference the inclusion of externals, however, do not state the allowance made for this. In the below chart we have included the externals rate proposed by BNPPRE, on top of the £3,124 per square metre.
- 4.13 This indicates an inconsistency between the build costs used and that this 7% stress test has not been adequately tested.
- 4.14 For example, a 7% uplift on a base cost of £3,500 is an extra £245 per square metre, totalling £3,745. However, applying this to a base of £3,436 per square metre is an extra £241 per square metre, totalling £3,676 per square metre. In any event, the figure of £3,436 per square metre presents an artificial starting point which overstates the viability from a base position. By stress testing this artificial base, the result suggests a figure which is not reflective of reality. As such, this assumption is inaccurate.
- 4.15 Moreover, the topic paper states "the viability report used the estimated build costs from the Embodied Carbon Evidence Base report". However, this is not the case as it appears BNPPRE have adopted BCIS costs which have then been adjusted by a 10% externals allowance. It is therefore incorrect for the topic paper to state that BNPPRE's viability report is a 'stress test' of the draft policy on the basis of using the costs from the Embodied Carbon Evidence Base report. This stress test has been done using BCIS costs, not those stated within the Embodied Carbon Evidence Base report. Therefore, BNPPRE have not stress tested the draft policy and the resulting opinions of viability are misinformed.

## **5 Development Finance Costs**

- 5.1 BNPPRE have adopted a flat rate of 6.75% across all their appraisals, stating that this is inclusive of arrangement and exit fees and reflective of funding conditions over the plan period. However, no evidence is provided to support this assumption.

- 5.2 This figure does not reflect market assumptions regarding development finance and serves to overstate the viability position within each tested scheme. In any case, this rate is low, both from a current day and looking forward perspective.
- 5.3 We note that BNPPRE state within their recent Economic & Real Estate Outlook (January 2024) that 'development finance costs remain in excess of 7% even for fully pre-let developments'. This directly conflicts with their adopted development finance rate of 6.75% and further states that this rate is inappropriate.
- 5.4 There is plenty of evidence in the market with various schemes ongoing or recently completed. In addition, there is the Bayes Business School Commercial Real Estate Lending Report mid-Year 2023 study, which is an industry benchmark. Financing of development should reflect practice in that it is often multi-layered being a combination of junior, senior, mezzanine debt, as well as equity finance.
- 5.5 The finance rate applied in appraisals represents a total cost of capital in financing the Scheme. The rate adopted represents the combined cost of both debt and equity financing. When broken down, the debt element of the cost of finance includes a margin and risk premium above a 5-year swap rate. The Bayes Business School Commercial Real Estate Lending Report mid-Year 2023 study reports margins development lending margins ranging from 436bps (for pre-let commercial development) to 530bps (for residential development).
- 5.6 Given that senior debt is generally offered at 50% to 90% of cost of development projects, the remainder of project financing will, in most cases, be comprised of equity and in some cases varying levels of junior debt, mezzanine debt. Arrangement fees range from 100bps to 150bps upfront, with another 100bps to 200 bps exit fee.
- 5.7 Five year SONIA swap rates remain above 4% as at 23<sup>rd</sup> April 2024, having peaked in excess of 5.25% in July 2023. Considering the market uncertainty and combined with reported development finance margins of 436bps to 530bps according to the latest Bayes report, a more appropriate level for area-wide testing is therefore in excess of 8.00% on all costs.
- 5.8 We understand only a minority of lenders are active in, or targeting, development lending. With this, we would anticipate development finance rates for deep retrofit projects to reflect higher pricing, given these projects are often underpinned by a higher degree of complexity and risk. We would therefore anticipate this complexity and risk to be reflected in the respective finance rate.

- 5.9 The finance rate we have adopted of 8.00% here is therefore conservative and is subject to a higher degree of uncertainty than usual and therefore we recommend that this is kept under review. We also reserve the right to revise this figure should more evidence come to light.

## 6 Appraisal Analysis

- 6.1 We have assessed the various inputs proposed by BNPPRE in their report, many of these are industry standard inputs and are non-controversial. We do, however, query the appropriateness of some of the inputs applied or the clarity of the information provided to support them. We have for ease analysed the office led typology appraisals to demonstrate these queries although our comments are not limited to just this use class. These are set out in Table 5 below.

**Table 5: Appraisal input differences**

Inputs	BNPPRE	WPA
<b>Gross Development Value</b>		
Office Prime Core Yield	3.75%	4.00%
Office Non-Core Yield	3.75%	4.75% (Knight Frank March 2024)
Rent Free	12 months	18 - 24 months
<b>Build Costs</b>		
Estimated build cost psf	£3,124 per sqm Unknown BCIS type, age, and decile	£3,519 per sqm (BCIS Offices Generally Upper Quartile Q2 2024 - rebased to Westminster)
Demolition	Not included	Allowance should be included
Additional costs (e.g. RoL)	Not included	Allowance should be included
<b>Standard Cost Assumptions</b>		
Purchasers Costs	Not included	6.80%
Letting Agents & Legal Fee	Not included	15%
Finance	6.75%	8.00%
Letting Void	4 months	12 months

- 6.2 The BCIS costs are a key area of concern, BNPPRE have not stated the necessary source information such as build type or quartile. As such we have provided the most up to date BCIS costs for offices rebased to Westminster and collated from the Upper Quartile of the BCIS data, this equates to £3,519 per sqm whereas BNPPRE have provided an average office BCIS rate of £3,124 per sqm. This reduced BCIS rate applied by BNPPRE could result in a typology demonstrating a viable outcome where in reality the site faces a higher viability hurdle.
- 6.3 BNPPRE have not included demolition costs, nor is there clear definition of whether the typology scheme is considered a refurbishment, retrofit or rebuild. This would also impact upon the BCIS rate applied to the typology.
- 6.4 BNPPRE have not included a wide range of additional costs anticipated in an area like Westminster such as facilitating works, party wall issues, rights of light, site investigation works, archaeology studies, and cleaning of existing surfaces, stating that some of these will be included within the BCIS rate applied. Given the significantly decreased BCIS rate applied and the exclusion of this multitude of costs from the BCIS data sample, we would consider it prudent to include some level of cost for these costs.
- 6.5 BNPPRE have not included purchaser's costs or letting agents' fees in their analysis of typology 78. These are significant costs and we would typically expect to see these reflected in Local Plan Viability Assessments.

## **7 Benchmark Land Value - Existing Use Value (EUV)**

- 7.1 We have been unable to determine how the Existing Use Value (EUV) and subsequent BLV have been calculated by BNPPRE. Our calculation of the typology EUV has been undertaken using a standard term and reversion calculation. Given the information provided within the BNPPRE report, we have been unable to establish the BNPPRE assessment of EUV for any of the typology assessments. It is clear from our assessment of Typology 78 set out in Table 6 that as our EUV is higher than the BNPPRE BLV (which is inclusive of premium) there is a discord between the base information required to undertake the EUV assessment or the methodology applied.

7.2 We have undertaken a sample analysis of Typology Proxy Number 78, a BLV of £32.2m is reported within the BNPPRE report. To test how this BLV has been concluded, we have replicated the inputs outlined within BNPPRE's report.

7.3 We outline below the inputs we have adopted as provided within the BPPRE report and the resulting EUV and BLV figures.

**Table 6: BNPPRE and WPA EUV Calculation Inputs**

<b>Inputs</b>	<b>BNPPRE</b>	<b>WPA</b>
Typology	Typology 78	Typology 78
GIA sqm (sqft)	5,500 (53,820)	5,500 (53,820)
NIA sqm (sqft)	3,750 (40,365)	3,750 (40,365)
Rent (£psf)	£52	£52
Rent per Annum	Unknown	£2,062,500
Yield	5.5%	5.50%
Rent Free	Unknown	12 months
Purchasers Costs	Unknown	6.80%
<b>EUV</b>	<b>Unknown</b>	<b>£33.1m</b>
Premium (20%)	20%	20%
<b>BLV</b>	<b>£32.2m</b>	<b>£39.8m</b>

7.4 The result of the above process produces an EUV of £33.1m based on our updated assumptions. Applying a 20% premium to this figure results in a BLV of £39.8m. It is unclear how our analysis has resulted in a differing BLV to the BNPPRE BLV analysis for Typology 78 of £32.2m as we have adopted the same inputs as provided within the BNPPRE report.

7.5 As such, we are unable to properly determine how BNPPRE have reached their opinion regarding the EUV and subsequently their BLV. Without thoroughly understanding how these figures have been arrived at, we are unable to appropriately comment on their suitability. In any event, based on our

replication of BNPPRE's approach, our resulting indicative BLV is significantly higher which suggests BNPPRE's BLV overstates the viability position by adopting a lower benchmark.

- 7.6 We also note that Table 5.39.1 in the BNPPRE report contains different typology BLV's to those contained in the Appendix 2 appraisal results table. There is no clear reasoning for why this is the case.

#### **Benchmark Land Value - Existing Use Value plus Premium**

- 7.7 The NPG indicates that a premium should provide reasonable incentive for a landowner to bring forward land for development. This will be an iterative process informed by professional judgement and must be based upon best available evidence. Market evidence can include Benchmark Land Values from other viability assessments whilst land transactions can be used as a cross check to other evidence.
- 7.8 BNPPRE adopt a blanket 20% premium across all of their viability tests. There is no supporting evidence for this figure which conflicts with overarching policy guidance and RICS guidance.
- 7.9 There is no reference within the appraisal assumptions to the consideration of Alternative Use Value (AUV) as a method of determining the BLV. This is a significant omission in the context of the varied urban land use characteristics within the City of Westminster, where the AUV of land may be informative in establishing BLV.

#### **Sensitivity Analysis**

- 7.10 BNPPRE's sensitivity analysis is limited solely to a single scenario, testing the impact of growth in sales values/capital values of 10% and cost inflation of 5%. No downside viability testing has been undertaken. This is a major failing of the analysis given the current high level of uncertainty on market inputs including finance rates.
- 7.11 This only tests the results of one relationship and fails to proportionally demonstrate other potential scenarios. For example, we are unable to determine the outcome of costs increasing 5% and sales / capital values remaining static and the resultant impact this has on the Residual Land Value and subsequent viability position.

## **8 Monitoring of Proposed Retrofit Policy and Key Performance Indicators**

- 8.1 The Retrofit-first Topic Paper correctly identifies that the proposed draft policy has relatively far-reaching implications and its intention to change the pattern of development will require careful monitoring of the impacts of any policy adopted.
- 8.2 However, given the significant viability concerns, the recommendation to trigger a review of the policy based on “two consecutive years of reduced job delivery or reduction in overall jobs” is woefully inadequate. This could effectively result in reduced job delivery or a reduction in overall jobs throughout the Plan period without this occurring in consecutive years. We consider as a minimum a review should be triggered should in any single year there be reduced job delivery or a reduction in overall jobs.
- 8.3 We consider a more effective Key Performance Indicator would be for a review trigger to be adopted that tests a minimum uplift for job delivery over two consecutive years not been achieved. This would ensure that over the Plan period job creation is not compromised. It is essential that the objectives of the Plan review on embodied carbon does not stymie or reverse economic growth and job delivery across the city. Based on the current proposed policy drafting, viability evidence and Key Performance Indicator proposed we consider this is a significant risk.

## **9 Conclusion**

- 9.1 The RICS professional standard ‘Financial viability in planning: conduct and reporting’ (1st edition, May 2019) clearly states “the assessment of viability must be carried out having proper regard to all material facts and circumstances, whether for area-wide or scheme-specific assessments.” However, there are multiple incorrect inputs that have been used in the viability assessment, which do not reflect the current position and are painting an inaccurate picture. The Planning Practice Guidance (PPG) on Viability states that assumptions concerning costs and values must be both realistic and broadly accurate.
- 9.2 From our analysis of the inputs provided by BNPPRE, it becomes clear that the following categories do not meet these criteria: Yields, Commercial Letting Voids, Rent-free periods, Construction costs, and Development Finance costs. We are also concerned that there is a mis-match between the geographical definitions in the BNPRE report and the market data that informs them. Areas that the



market would consider 'Core' are being valued as 'Prime' and 'Fringe' areas are being included as 'Core', which skews the viability position.

- 9.3 For many other assumptions, including Benchmark Land Value, the data is not transparent and utilises a black-box methodology. The Council state in the topic paper 'Retrofit first and reducing embodied carbon' it is satisfied that the draft policy will not unduly impact development viability in the City. The explanation used to indicate viability is not of concern, which relates to cost sensitivity (para 2 on page 66 of the Topic Paper) is fundamentally flawed. The additional explanation that many of the sites that are unviable "were already unviable" is not a rationale for moving forward with a policy that will compromise Plan deliverability.
- 9.4 The viability approach adopted falls short on transparency and evidential integrity. Our review of the viability evidence presented demonstrates that an office retrofit within the core area could be unviable and this is likely to depend on site-specific factors.
- 9.5 In non-core and fringe areas our initial analysis indicates a higher proportion of sites are likely to be unviable than indicated in the BNPPRE assessment. We do not consider a sufficient proportion of schemes are viable to result in a deliverable Plan. We consider it is likely to result in stranded assets across the City of Westminster. Rather than the intended aim of accelerating the upgrading of commercial buildings to meet modern standards, the proposed policy wording jeopardises both the prospective delivery of commercial floorspace and the necessary growth in jobs.
- 9.6 In light of the significant viability concerns stated above, it is crucial to undertake effective monitoring to ensure job creation is not compromised. This requires a rethink of the appropriate Key Performance Indicator given the potential far reaching implications of the proposed policy change and the need to balance other Plan requirements.