

# LIVE. WORK. PLAY.

## The Azure Tower

**1 Undershaft**

*Upper Ground*

*London, EC3, United Kingdom*



## EXECUTIVE SUMMARY

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**73-Story  
Mixed Use Building**



**154,264m<sup>2</sup>**  
Office | Hotel | Fitness | Conference  
Viewing | Restaurant | Amenities

**Class-A**  
London, England | Financial District

**21%**  
Lev IRR

**£1.1B**  
Total project cost

**60** month  
Hold Period

# Highest & Best Use Analysis

## Office



## Hotel/Hospitality



## Restaurants & Fitness Center



## Conference Center



- Fulfilling City of London's goal to deliver 2M sqm of new office by 2026
- Various floorplans to cater to **large & small firms**
- Modern amenities, sleek fixtures, and **balconies with lush naturalistic elements**
- Office tenants will have ease of access to dining, lodging and entertainment
  
- Luxury Boutique Hotel above the city skyline with **139 keys (Pullman Brand)**
- Synergies of hotel amenities with in-building contemporary offerings
- Pullman brand ethos **caters to the cosmopolitan big city traveler**
- Growing hotel demand in London with emphasis on Class-A locations
  
- 5 dining options anchored by **Luxury Restaurant & SkyBar** on Floor 69
- **2,500 Sqm + dining space**, variety of cuisine options and open floorplan
- Iconic upscale fitness center (**Third Space Gym**) catering to office workers
- Offerings cater to the 15,000+ daily building goers
  
- Current **mismatch in Supply/Demand** in London Conference Center luxury product with a severe shortage.
- Facility will be NNN leased to **Conference Center tenant**
- Efficient and open space allow for hosting thousands of event guests
- Allows for over **2,500 people per event** with high space efficiency and open layout

# Planning & Policy Considerations

## OBJECTIVES

### Goals:

1

Speed, Credibility,  
and Efficiency of  
Transaction

- Taking on bridging loans to get access to immediate financing for development and acquisition
- Creditworthiness of financing partners: PIF, Deutsche Bank, and Santander all have high creditworthiness

2

Contributing to  
the London  
Community

- Creating +10,000 jobs throughout the investment life cycle of the project
- Enhancing the tourism ecosystem through high-end dining, public viewing gallery, and a premium hotel

3

Matching the  
Market Demand

- Office: Class A office demand significantly outstrips office supply, especially in The City of London
- Conference: Post Covid-19 in-person conference demand boom, lack of supply in the London market to match

## MARKET ANALYSIS

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### Supply/ Demand

- Demand for Class-A office far outstrips supply
- Increasing Conference Center demand in urban London environments

### Office

- Strong market rent of £158 per Sqm per month
- Conference Center demand forecasted to increase 45% from 2022-2026 without match in supply

### Hotel

- Significant rise in tourism rates (140% increase) in the London CBD area with limited new supply

### London Fundamentals

- Average YoY GDP growth of ~6.8%
- Second-most visited globally and the third most visited for business travel

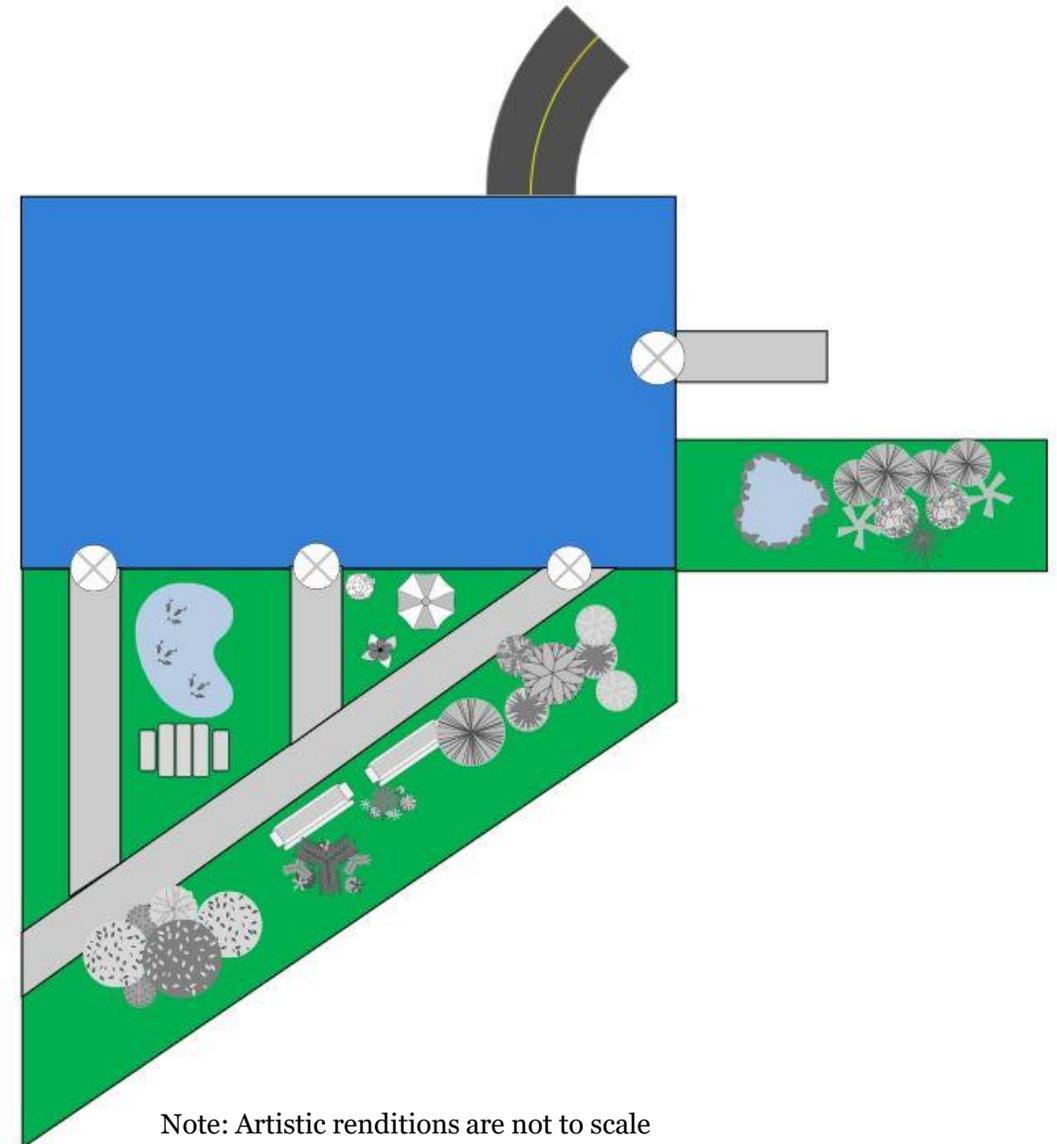
### Local Submarket

- City of London is a thriving Commercial Business District that houses established professional sectors (Finance, Legal, Research)
- Home to 13 tube stations with access to the entire city, within a 6-minute walk

## SITE PLAN

## Site Description

- The main building is at the center of our site with a revolving door entering into the main foyer of the lobby
- In front of the building lies a small park featuring a pond and assorted foliage – an oasis amidst the city
- Directly adjacent to the building, we will build a large park with paths, a koi pond, places to sit, and greenery
- Visitors can drive into the many levels of basement parking from the driveway connecting to the main road



# Acquisition & Development Strategy

## ACQUISITION & DEVELOPMENT STRATEGY

### ACQUISITION

£405.6m  
purchase

LP: Public Investment Fund  
(Saudi Arabian SWF)

£516m  
equity

*Appetite, capital, and  
experience to undertake  
Landmark Development in  
London CBD*

### ENVIRONMENTAL CONSCIOUSNESS

Building new space with **decarbonizing materials** to reduce maintenance costs, deliver a **new landmark**, and cultivate sky top and street level **green space**.

**6.5% Premium** to achieve LEED **Gold** and BREEAM **“Excellent”**

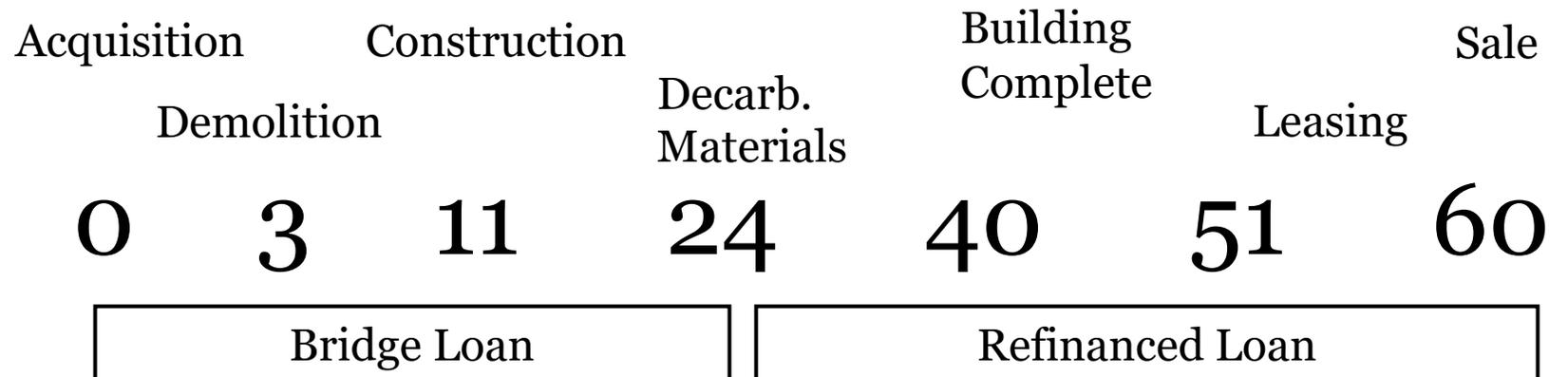
### DEBT FINANCING



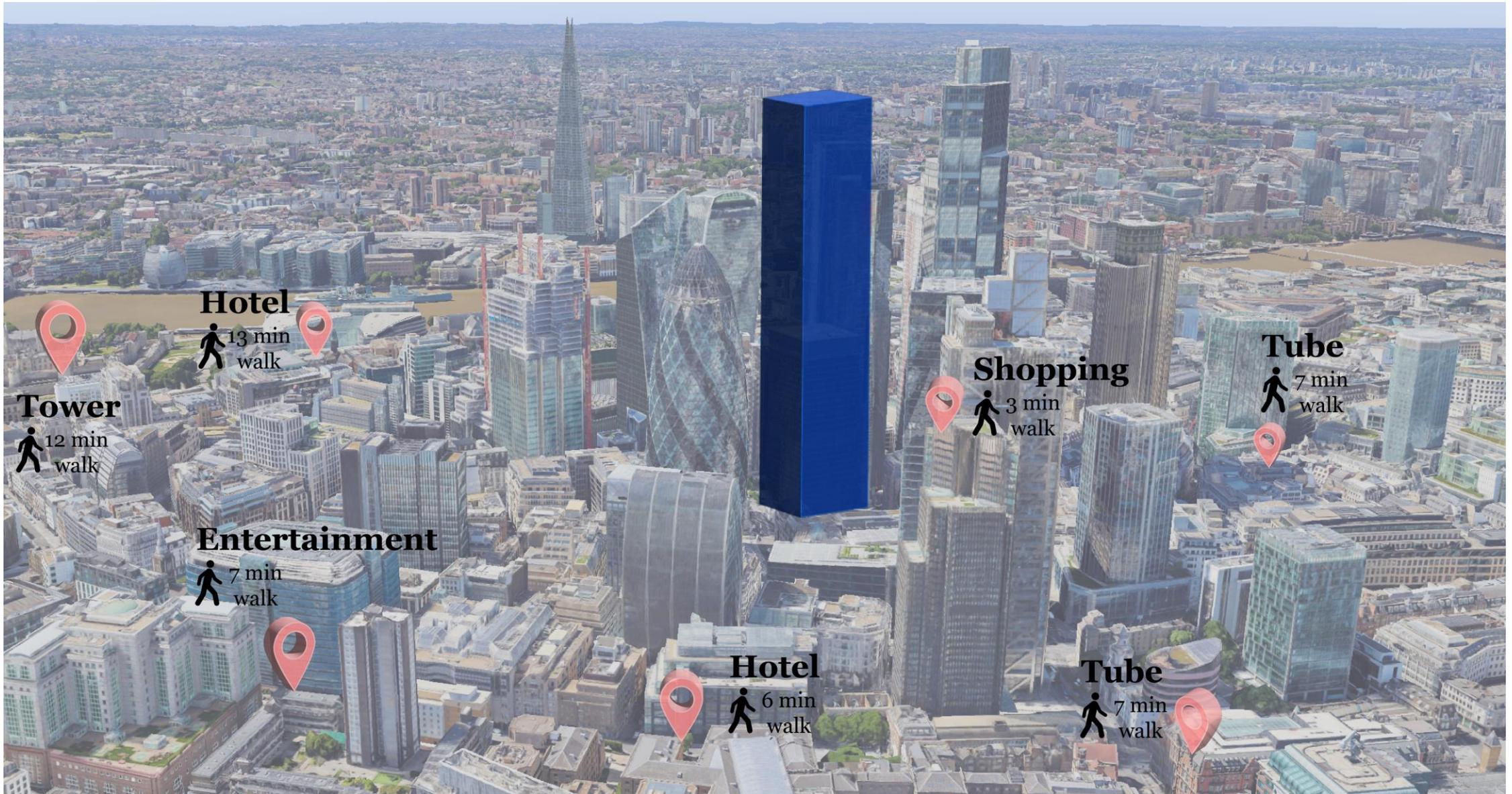
Santander &  
Deutsche Bank

Large balance sheet  
banks with history of  
CRE construction &  
acquisition financing

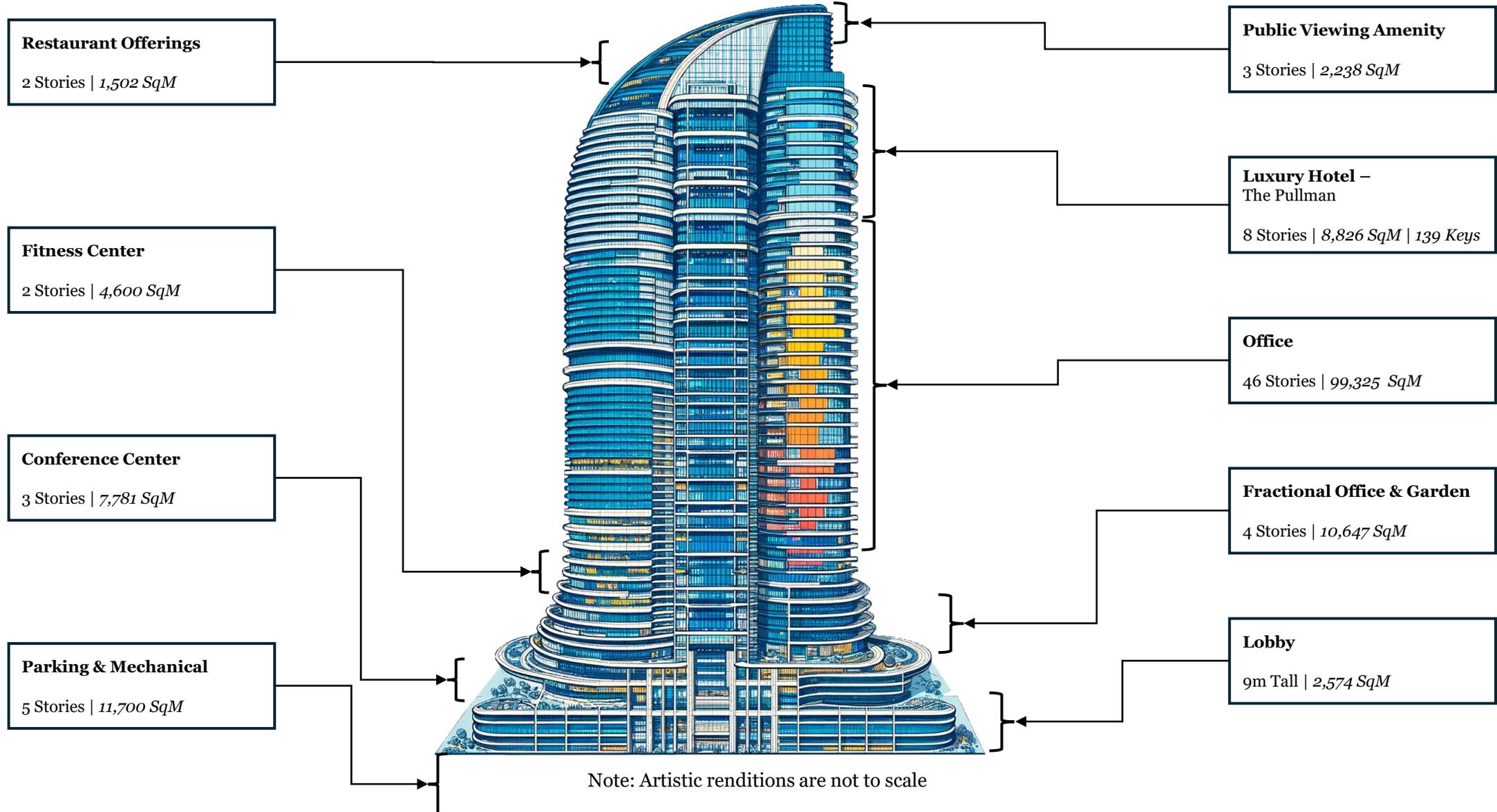
### DEVELOPMENT TIMELINE (MONTHS)



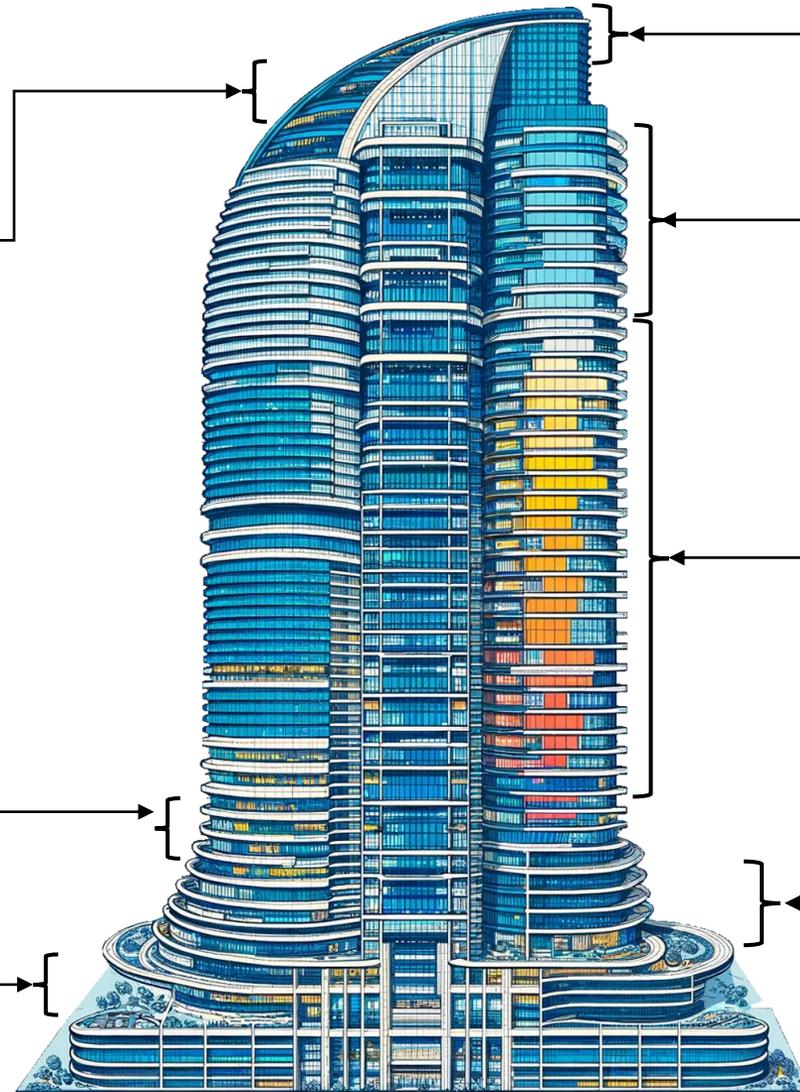
## SITE CONTEXT



## Development Structure



## Positioning Strategy



Note: Artistic renditions are not to scale

### Restaurant Offerings

- Luxurious Dining options
- Trendy, Upscale, high-end bar with views of the London Skyline
- Global destination for tourists

### Fitness Center

- State-of-the-Art Gym
- Fitness Center accessible for all office tenants 24/7
- "Third Space" gym hosting specialized equipment

### Conferences Centers

- Bespoke conference and event space for businesses
- Tailored for business travelers coming to London for meetings

### Public Viewing Amenity

- Panoramic Views of the London Skyline
- Tallest viewing deck in London
- "The Deathtrap" ride

### Luxury Hotel – The Pullman

- French Brand with a reputation for providing a lavish experience
- "Work Hard, Play Hard" motto works well with our vision

### Office

- Premier Class A office in the center of the London Business District
- Best-in-Class to satiate the strong demand for quality office

### Fractional Office & Viewing

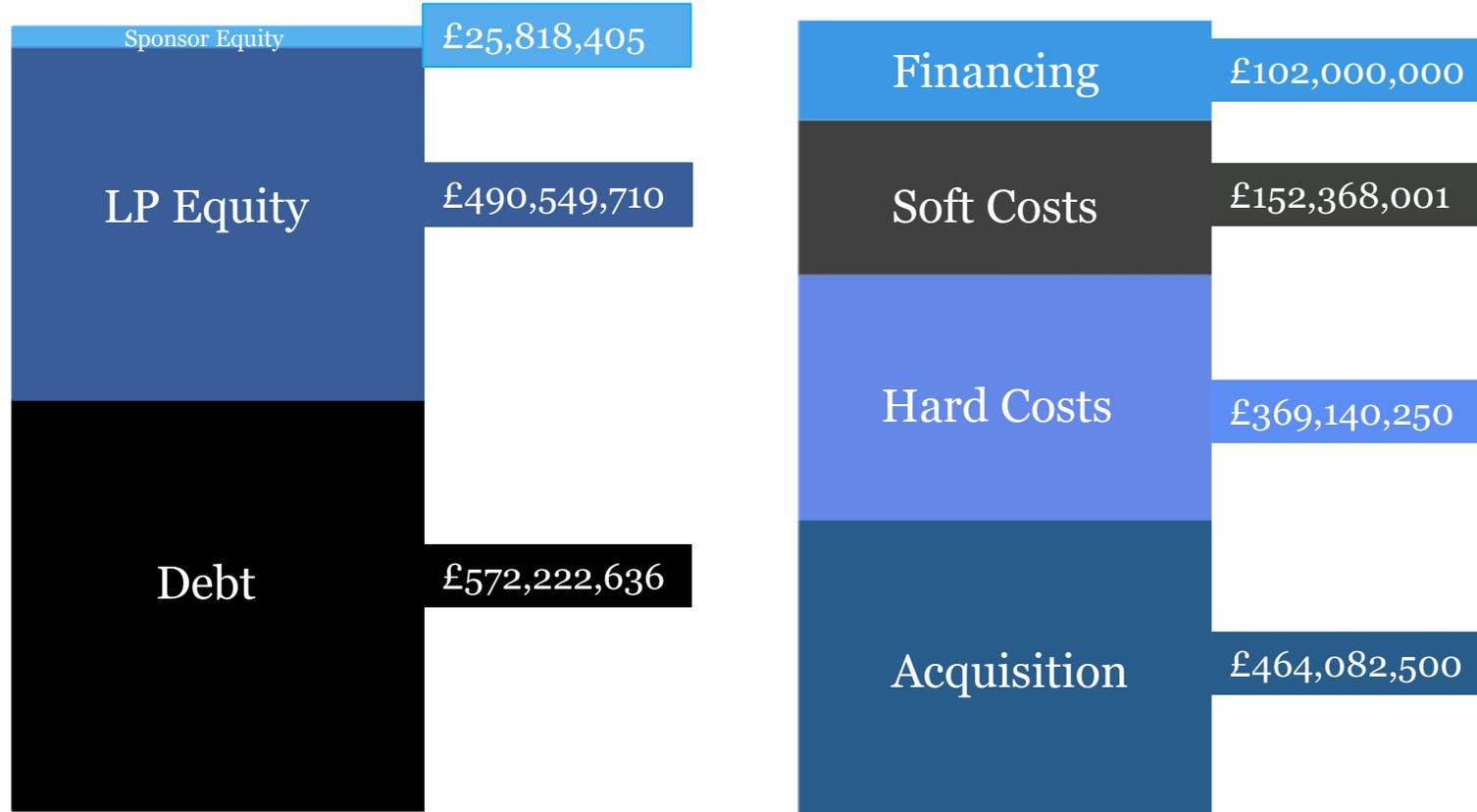
- Partial Class A office for government
- Lush Garden accessible for all building guests

### Lobby

- Three floors of extravagant finishings
- Palatial entrance into the lobby for The Pullman Hotel & viewing

# Capital Stack & Financial Returns

## CAPITAL STACK & FINANCIAL RETURNS



### RETURN METRICS

Project Unlevered IRR: 9.50%  
 Project Levered IRR: **23.03%**

Unlevered Equity Multiple: 1.57x  
 Levered Equity Multiple: **2.15x**

Investor Equity (95%): £490,549,710  
 Sponsor Equity (5%): £25,818,405

### CAP RATES & PROFITS

Exit Cap Rate: 6.75%

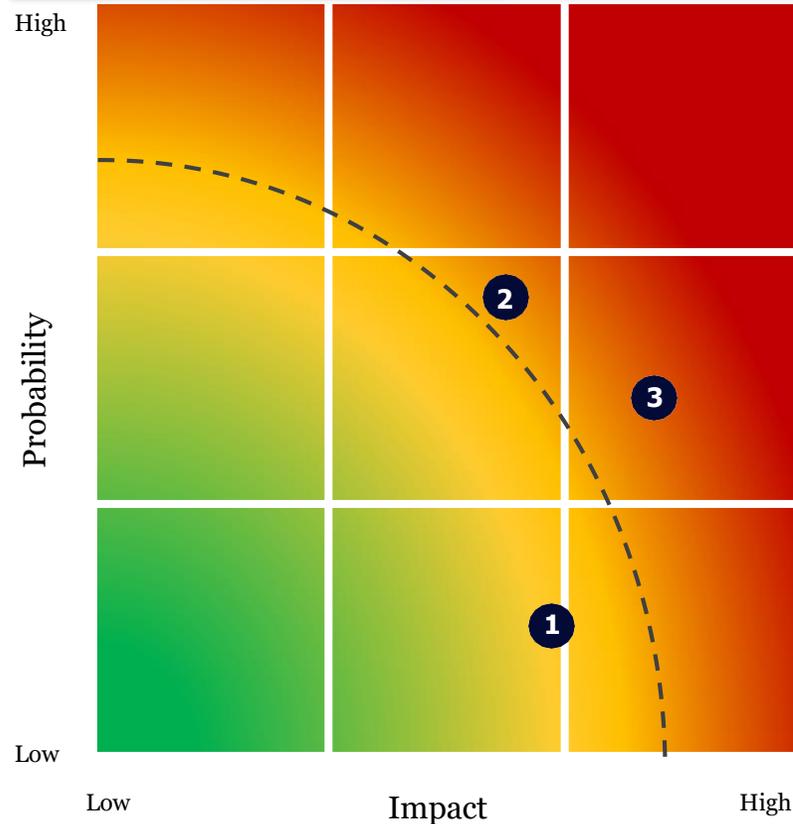
Purchase Price: £1,088,590,752  
 Sale Price: £1,637,633,424

Net Profit (Unlevered): £625,442,840  
 Net Profit (Levered): **£595,004,948**

## CAPITAL STACK &amp; FINANCIAL RETURNS

		Sensitivities	Bull Case	Base Case	Bear Case
<b>Bull</b>	Strong Sale Demand	Exit Cap Rate	6.25%	6.75%	7.50%
		Loan-to-Cost	66%	58%	50%
<b>Base</b>	On Plan	Project Unlevered IRR	11.10%	9.50%	7.37%
		<b>Project Levered IRR</b>	<b>28.12%</b>	<b>23.03%</b>	<b>17.23%</b>
		<b>Lev. Equity Multiple</b>	<b>2.64x</b>	<b>2.15x</b>	<b>1.74x</b>
<b>Bear</b>	Market Weakening	GP Levered IRR	63.60%	51.36%	17.23%
		LP Levered IRR	25.06%	21.64%	17.23%

## Identified Risks and Threats



## Potential Risks

- 1 Interest Rate Risk** – Due to financing strategy (taking bridge loans) interest rate spikes could heavily affect our debt service
- 2 Affordability & Permit Risk** – Due to the lack of on-site affordability and the significant height of the asset, permit issues could arise.
- 3 Office Market Distress** – Global office real estate market has undergone heavy losses in value. Due to the asset being majority office tenant, this could affect returns.

## Risk Mitigation Strategies

- 1 Risk Mitigation** - The bridge loans are only being used to secure financing instantly, it is planned to refinance before the 24-month mark. Furthermore, a portion of equity has been allocated to covering debt service during development periods
- 2 Risk Mitigation** – Paying the X Community Improvement Levy and the X Affordable Housing Stipend, as well as, satisfying architectural requirements will likely cause the permits to go through
- 3 Risk Mitigation** – Extensive due diligence has led to the conclusion that class A premier office demand still heavily outstrips supply, as such, the asset’s office floors take advantage of the spread

## PROJECT SUMMARY

### Property Information

Name	The Azure Tower
Address	1 Undershaft
City	London, United Kingdom
Acquisition Price	£ 464,082,500

### Development Schedule

Acquisition	1-Apr-24
Exit Date	31-Mar-29
Overall Duration	60 Months
Groundworks Start	1-Jun-24
Construction Duration	48 Months
Hold	10 Months

### Rent + Price Assumptions

	£	Average
Office	£	88
Hotel	£	356
Conference	£	41
Restaurant	£	32
Fitness	£	10
Parking	£	44,460

## Mixed-Use in City of London



### PROJECT

Total Development Cost	£ 1,088,590,751
Stabilized YTC	10.55%
Unlevered IRR	9.50%
Exit Cap	6.75%
Total Equity Invested	£ 516,368,115
Levered IRR	23.03%
Gross Equity Multiple	2.15x

### INVESTOR

Total Equity	£ 490,549,710.01
Unlevered IRR	8.45%
Levered IRR	21.64%
Gross Equity Multiple	2.00x

### SPONSOR

Total Equity	£ 219,453,465
Unlevered IRR	24.52%
Levered IRR	51.36%
Gross Equity Multiple	5.00x

Equity	Rate	Sponsor	Investor
Preferred Return	15%	5%	95%
Hurdle #1	18%	17.4%	82.7%
Final Hurdle	24%	22.1%	77.9%