Proof of Evidence

Anglia Square
Magdalen Street
Norwich
NR3

On behalf of

Historic England

2 December 2019

Prepared by

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1.0 INTRODUCTION & INSTRUCTIONS

1.1 I was issued with instructions by Historic England on 23 May 2019. In accordance with their instructions, I prepared a review of the viability assessment prepared by Messrs Iceni acting in the capacity of an Expert Witness, which was finalised on 10 July 2019.

1.2 My Report was prepared in connection with a possible public inquiry with regards the proposed redevelopment and sets out my thoughts with regards the approach and methodology to the viability together with the factual details upon which my opinions have been based.

1.3 The report was prepared in accordance with the current edition of the Valuation Professional Standards prepared by the Royal Institution of Chartered Surveyors ('the Red Book') and is also Civil Procedure Rule 35 compliant. It is attached as Appendix A to this Proof of Evidence.

1.4 In preparing my report I considered, amongst other matters, the following in undertaking my review of Iceni's appraisals and assessment of viability:-

- Gross Development Value – review of the two components – residential & commercial; including capital values, rents, yields and the question of ground rents
- Construction timescales, phasing of the development and timing of sales
- Income from tenants and whether these should be included over and above any capital value
- Demolition costs and the need for these to be included
- Construction Costs – comment on the rates used and how these vary between the different blocks, together with a comment on the tower cost
- Contingency – what the appropriate rate is
- Preliminaries – what this includes
- Professional Fees – what the appropriate rate is
- Sale & Letting Fees – separately for the residential and commercial elements, including marketing costs; plus the fees to let the commercial space
- Incentives for commercial tenants – in the form of rent free periods and / or capital sums
- Finance - what the appropriate rate is
- Profit - what the appropriate rate is
- The impact of both the Homes England grant and the waiving of any Community Infrastructure Levy ("CIL") liability
- The quantum of commercial (predominantly retail) space in the scheme
- Absence of commercially sensitive information

1.5 Since preparing my report, the Applicant has appointed a different valuer, Mr Truss of Carter Jonas who has prepared his own valuation of the subject property and the proposed development.

1.6 I have only had one opportunity to meet with Mr Truss and the Applicant to discuss the valuation on Friday 18th October. It was at this meeting we were advised the Applicant was changing their valuer and since then I have requested information to assist me in considering any amendments to my opinions as detailed in my report, dated 10 July 2019.

1.7 Whilst I have been provided with a draft copy of Mr Truss's valuation appraisal, I have not been provided with any other information to date. I discuss this further below in Section 5.0.

2.0 EMPLOYMENT HISTORY

2.1 I, Jonathan Rhodes BSc (Hons) MRICS, am a Director at GL Hearn Chartered Surveyors, having been elected as a member of the Royal Institute of Chartered Surveyors in April 1991.

2.2 I have been an employee of GL Hearn Chartered Surveyors, 65 Gresham Street, London EC2V 7NQ, since January 2009 and am the National Head of Valuation.

2.3 My primary responsibility is valuation, but otherwise I advise clients on all aspects of professional property related matters, whether they are investors, owner occupiers or tenants across the UK.

2.4 Prior to my employment at GL Hearn, I was employed at DTZ 125 Old Broad Street, London EC2N 2BQ between July 2007 and December 2008; Donaldsons 48 Warwick Street, London W1B 5NL between July 2000 and July 2007; Chesterton, 30/34 Moorgate, London EC2R 6PJ between September 1996 and June 2000; and Edward Erdman (now Colliers CRE) 9 Marylebone Lane, London W1 between September 1988 and September 1996. I have been a Director / Salaried Partner since July 2000.

2.5 My employment as a surveyor commenced in September 1988 and during the entirety of my 30+ years of working I have always been employed as a Valuer, covering a wide range of property sectors and professional matters countrywide. I have been a qualified member of the RICS for over 28 years and am a RICS Registered Valuer.

2.6 I have extensive experience in undertaking valuations of this nature across the UK. My valuations of development sites, using residual methodology, range from the redevelopment of small residential plots to large strategic land. The sites I have been involved with were sometimes where a planning permission had not been obtained, or where a consent had been granted. In addition, the information regarding the proposed development may also vary, with some having comprehensive details of the scheme, the size of the units, detailed costings, opinions of potential sale values and agreed Section 106 agreements. Whilst others were purely speculative and I have had to use my experience to conceptually value a potential scheme and determine the likely development costs. Where a planning permission does not exist, my valuation has had to be adjusted to reflect the risk and uncertainty of achieving the necessary consent.

3.0 CASE BACKGROUND

3.1 There is general agreement that the entire Anglia Square site should be redeveloped. Norwich City Council (NCC) is minded to grant planning permission to proposals put forward by Weston Homes, in partnership with the site's freeholder, Colombia Threadneedle.

3.2 Homes England have made a conditional offer of a £15m grant, albeit I have not seen the terms of this nor any timescale or other limitations. An additional £8m of subsidy has also been agreed with NCC by way of an exemption from CIL in line with their new policy in this regard.

3.3 Historic England recommended that planning permission should be refused, as the proposals would cause severe harm to the character of Norwich, one of England's and Europe's great historic cities, and to the significance of numerous of the city's historic buildings, including that of the medieval cathedral. The Secretary of State has responded to numerous requests that he do so by calling in the application to allow for its examination at a public inquiry.

3.4 The planning application was called in by the Secretary of State for MHCLG on 21st March 2019 and Historic England will appear as a rule 6 Party at the forthcoming public inquiry.

4.0 INITIAL REPORT SUMMARY & CONCLUSIONS

4.1 My report from July 2019 was prepared as a review of the viability assessment provided by Messrs Iceni, dated November 2018.The subject property comprises a shopping centre constructed in about 1970 and provides 34 retail units, cinema, two office buildings, a nightclub and a multi-storey car park totalling about 345,000 sq ft on a site of about 11.5 acres.The site lies to the north of Norwich city centre, on the northern side of St Crispins Road and is bounded by Magdalen Street to the east, Pitt Street to the west and Edward Street to the north

Proposals

- Demolition and clearance of all buildings and structures except Gildengate House. Comprehensive redevelopment with 7 buildings providing a maximum of 1,250 residential dwellings; 11,350 sqm hotel; 11,000 sqm ground floor flexible retail, services, food and drink, office, non-residential institution and other, service yards, cycle and refuse stores, plant rooms and other ancillary space; up to 3,400 sqm cinema; 1,300 sqm place of worship; and multi-storey car park (public element: 600 car spaces, 24 motorcycle spaces; plus 940 car parking spaces for the residential and commercial spaces).
- Private residential 739,353 sq ft (aggregate saleable area)
- Affordable residential 76,416 sq ft (aggregate saleable area)
- Commercial premises 105,272 sq ft of flexible commercial space (mostly retail), 96,628 sq ft hotel, 16,663 sq ft cinema and 590,808 sq ft of car parking and ancillary space.

Exceptions

- I have not been provided with any details regarding existing tenancies especially with regard to the retail premises and Gildengate House. It is possible that the leases have been structured in such a way so as to enable the freeholder to gain vacant possession.
- However, in the absence of such detail it is not possible to confirm whether there would be any cost to obtain vacant possession to enable the development.

4.2 I also made the following **Additional Specific Assumptions for this Valuation** in the absence of the appropriate information being made available.

i. I have adopted the floor areas as set out in the Accommodation Schedule attached as Appendix D. This indicates a proposed residential saleable gross internal area of 75,787 sq m (815,769 sq ft) and a proposed gross external floor area of 103,981 sq m (1,119,253 sq ft). This effectively assumes a gross internal to gross external area ratio of about 73% over the residential elements of the scheme. In addition, there are the commercial and ancillary elements totalling 78,192 sq m (809,371 sq ft).

ii. I have had regard to the construction costs as detailed in the viability appraisal prepared by Iceni, dated November 2018, as well as the experience of my project and cost consultant colleagues in such matters.

iii. I note the appraisal prepared Iceni adopts a cost of £3.0m in respect of site remediation, abnormal ground conditions and archaeological issues which might be required and would incur additional enabling works and costs. I have adopted this cost in the absence of information to the contrary. My own judgement of this estimation is limited as I am not an expert in these matters, but in the absence of the appropriate detail in this regard, I consider it is prudent to allow for some costs in this regard.

iv. I note Iceni have not allowed for any demolition costs and as such have adopted a cost of £4m in this regard. However, it should be noted in my opinion that in the absence of any detailed asbestos report, this cost excludes the removal of any asbestos. In reality, given the age of the buildings I consider it highly likely that asbestos is present in the structures and as such the cost of demolition is likely to increase substantially.

v. I have assumed the proposed development would be undertaken in accordance with the prevailing Building Regulations and undertaken to a high level of quality control on the standard of workmanship throughout the construction process.

vi. In the absence of any further detail in the Iceni report in respect of both Section 106 and Section 278 costs, my appraisal only included the £115,000 as stated in the Iceni report, but would comment that this looks exceptionally low in light of, in particular, the 1250 residential units being proposed as well as the large area of commercial space.

vii. I have assumed that all collateral warranties would be available from the contractor, sub contractors and professional advisers to the owner and any third party.

viii. I have assumed that the private residential apartments would be sold on standard long leases. However, in light of potential Government legislation with regards ground rents, I have not attributed any value in this regard.

ix. The appraisals prepared by Iceni, have only allowed for 10% of the residential to be affordable.The affordable housing would be a mixture of social rented and shared ownership and have assumed this will be split 85% social rent and 15% shared ownership.

x. In respect of the affordable housing element, I have assumed that Registered Providers would be able to obtain the necessary grants to fund the acquisition of these parts of the proposed development. In this regard, I have assumed a purchaser of the affordable housing would have been found before the development commenced and as such would pay for this element during the construction period.

xi. I have assumed the development would have obtained an NHBC Guarantee or equivalent for a term of 10 years and that all conditions would have been met in order that purchasers of the houses and flats can benefit from this.

xii. I have assumed the commercial elements would have been let on standard institutional occupational leases at the prevailing market rent(s).

xiii. I have assumed that the location of the subject site provides the potential for the site to be connected to the mains supply of electricity, gas and water, and that it could also have been connected to the mains drainage system. I have assumed there are no material defects or capacity issues to the existing utility services, which would incur substantially greater costs than those provided.

xiv. I have not been provided with a copy of a Report on Title and have assumed there is nothing contained therein which would make it necessary for me to reconsider my opinions of value. I have assumed that there are no encumbrances or unduly onerous or unusual easements, restrictions, outgoings or conditions likely to have an adverse effect upon the value of the subject site. I have also assumed for the purposes of this valuation and report that a good and marketable title is held.

xv. I have assumed the subject site was available with vacant possession and that there are no licences, leases or other occupational arrangements which would have prevented the subject premises of being sold without full vacant possession.

xvi. I have assumed there are no Rights to Light issues with the proposed development and that should any obligations in this regard have become apparent, this could have had a substantial impact on the scheme and its profitability, thereby having an adverse impact on the valuations provided.

xvii. I have assumed any new access way(s) have been appropriately assessed by highways consultants and agreed with the Highways Authority in order that the proposed scheme has the necessary road capacity without causing any undue access issues.

xviii. I have assumed that building insurance would have been available for prospective purchasers without payment of an excessive premium or excess. In addition, I have assumed the construction costs for the proposed development would not have been materially affected from those used in arriving at my opinions of value.

4.3 The major differences between Iceni and myself were summarised in Appendix E of my report, which for ease of reference I also attach as Appendix B to this proof of evidence.

4.4 One of the main differences are in respect of the proposed value of the commercial / retail / cinema / hotel elements, where my opinion is in the order of £24m whilst Iceni were at £62m.

4.5 Another major difference was construction costs where I was at £276m, whilst Iceni were at £197m.

4.6 Even if I were to adopt the construction costs adopted by Iceni at £197m, I am of the opinion the scheme would still not be viable. I set this out as follows:-

Total Gross Development Value (residential + commercial etc)		£238.50m
Less Development Costs:		
• Construction	£197m	
• Preliminaries @15.50%	£30.535m	
• Construction Contingency @5%	£9.85m	
• Development Contingency @5%	£9.85m	
• Archaeology & De-contamination	£3.0m	
• Demolition	£4.0m	
• Site Enabling Works	£11.0m	
• Section 106 Costs	£0.115m	
• Finance @6% (estimate)	£8.14m	
• Residential Sales & Marketing Fees @2.50%	£5.36m	
• Commercial Letting Fees @15%	£0.328m	
• Commercial Sale Fees @1.50%	£0.361m	
TOTAL DEVELOPMENT COSTS		£279.539m
Residual Value		-£41.039m

4.7 This does not include any developer's profit as the scheme is not viable.

4.8 If a developer's profit of 20% on GDV is included, which equates to £47.70m, then development costs would need to reduce by £88.739m to make the scheme break even.

4.9 Even adopting Iceni's residential GDV of £221.732m, plus my total commercial GDV of £24.065m still results in an unviable scheme, again even before any developer's profit is accounted for.

4.10 The inclusion of the Homes England grant of £15m towards infrastructure works and Norwich City Council exempting the CIL cost of £8m would still not make the scheme viable.

5.0 INFORMATION REQUESTS & IMPACT ON VALUATION

5.1 A meeting was held between the parties on Friday 18 October 2019, despite having made a number of requests for an earlier meeting just between the Valuers to discuss the question of viability and the appraisals that had been prepared.

5.2 As a result of this meeting where the various valuation inputs were discussed, we made a request for additional information, as follows:-

1. Carter Jonas valuation. The electronic Argus Developer file is to be provided.

   A draft version was received on Friday 22 November at 12.51pm, but no report or valuation methodology explanation has, as of yet, been forthcoming

2. Copy of Deloitte report in respect of the HIF bid. Confirmation of actual sum being provided and any timescale and / or other limitations.

   Homes England have advised the Deloitte report is not in the public domain and as such cannot be provided. We have not been provided with details of this funding and any limitations, either in terms of timescales or otherwise, which may have a detrimental impact on the cashflow in the valuation appraisals.

3. Copy of Norwich City Council's CIL exemption policy and explanation as to how this works and is to be applied to the proposed scheme. Confirmation of actual amount of CIL being waived.

   No calculations have been provided as to how the £8m being exempted has been calculated so we are not able to confirm the validity of this sum.

4. Residential values and assumed sales rate – more detail and explanation to be provided, preferably valued per block. We would like to see how Gildengate House has been assessed in particular given this is a conversion not new build. It has been confirmed that no ground rents will be assumed.

   No breakdown of the residential values has been provided, with the appraisal applying a total value per unit type to some but not all of the individual blocks (for example, blocks E&F and G&H remain combined). We have noted that ground rents have been included.

5. Service charge. Please explain arrangement and split between Weston & Threadneedle. We note the generic assumption is the service charge across both the residential and commercial elements will be "reasonable" and not out of line with the Norwich market in general.

   No details have been provided as of yet.

6. Retail. To provide the current tenancy schedule for Anglia Square and analysis of passing rents and how these have been agreed / determined. Furthermore, details (Heads of Terms) are to be provided where existing tenants are prepared to commit to taking space in the new scheme.

   The applicant considers these details to be confidential and commercially sensitive so cannot be provided.

7. Rental value of each proposed retail & commercial unit to be provided by Cushmans and the rationale / analysis that sits behind this, including supporting evidence. Likewise an explanation of the rent free periods / capital incentives expected to be granted based on the assumed length of leases that maybe achieved across the different unit sizes (small local shops to large units occupied by national retailers).

   The applicant considers the future tenancy schedule to be confidential and commercially sensitive so cannot be provided. No other detail supporting their opinions of rental value have, as of yet, been provided.

8. The yield of 7% adopted for the retail value etc assumes the scheme is 100% pre-let, but the assertion is that the risk profile to achieve this has been reflected in the profit level adopted. This needs to be explained and demonstrated.

   The draft appraisal prepared by Carter Jonas incorporates a different yield profile from that previously presented by Iceni at 7%. The yields now adopted are at 4.50% for the public car park, 6.25% for the hotel, 8.50% for the commercial elements and 10% for the ground rents (the latter was previously at 5.25%, whilst all the other elements were at 7%).

9. Cinema & hotel. Size and value need to be explained and supporting evidence behind the values being adopted.

   No details have been provided as of yet.

10. Construction costs. We need a more detailed breakdown of these per use / building /phase. For example, the tower was discussed as the build cost average reported in the Iceni appraisal looks artificially low as the rate is not just for the tower.

    The applicant considers these details to be confidential and commercially sensitive so cannot be provided.

11. A written explanation, in the absence of the Weston Homes financial model, would be helpful as to how the build costs have been determined and how they are made up.

    No details have been provided as of yet.

12. Demolition costs need to be reported separately and explained. We would expect these to reflect the need to remove asbestos given the age and construction of the property.

    No details or explanation has, as of yet, been provided except the applicant has advised these costs have been included within their overall construction costs. Given that demolition would occur at the outset of the redevelopment, the inclusion of this cost in the overall costs moves this cost further into the future, which would have a positive impact on the appraisal. In addition, it is not clear if this cost has also been included in each phase, when in reality the entire demolition, with the exception of Gildengate House (which is remaining) may be done at the very start of the redevelopment. No detail has been provided in respect of the removal of any asbestos, or no details of how much asbestos exists and in which buildings, but given the age and nature of the premises I am of the opinion asbestos would have been widely used.

13. Details required on site wide enabling works to deliver the proposed scheme, including for example enhanced utilities and larger sub station capacity / more sub stations.

    No details or explanation has, as of yet, been provided except the applicant has advised these costs have been included within their overall construction costs. Given that site enabling works would occur at the outset of the redevelopment, the inclusion of this cost in the overall costs moves this cost further into the future, which would have a positive impact on the appraisal. In addition, it is not clear if this cost has also been included in each phase, when in reality the vast majority (for example, the creation of new utility services) would be done at the very start of the redevelopment.

14. Contingency – please provide an explanation regarding the quantum used for the various elements / phases of the scheme.

    The draft appraisal prepared by Carter Jonas has continued to use a 3% contingency with no explanation, as of yet, having been provided.

15. JV agreement between Weston Homes and Threadneedle. We can sign an NDA and in the absence of not seeing the actual agreement, can a brief overview of the principal terms (including the financial aspects) be provided.

    The applicant considers these details to be confidential and commercially sensitive so cannot be provided.

16. Vacant possession. Can proof or a written explanation be provided to be demonstrate that no compensation or other payments are needed in order to obtain vacant possession.

    The applicant considers these details to be confidential and commercially sensitive so cannot be provided.

5.3 I have suggested any confidential and / or commercially sensitive information could be provided on the basis of a non-disclosure agreement being signed in order to assist in discussions regarding the valuation appraisal, but this has not been forthcoming.

6 REVIEW OF VALUATION APPRAISAL OF MR TRUSS OF CARTER JONAS

6.1 Mr Truss of Carter Jonas has now been retained by the applicant, Weston Homes, as their valuer, replacing Messrs Iceni. He has prepared a draft appraisal, dated 22 November 2019, in both printed and electronic form (using industry standard valuation software called Argus Developer).

6.2 My original report, dated July 2019, was a review of the viability assessment prepared by Messrs Iceni.

6.3 However, it should be noted that in the absence of any detailed explanation or rationale for the approach of Mr Truss, my comments are limited as I have only been provided with a copy of his appraisal (see Appendix C). Appendix D to this Proof of Evidence provides a more detailed analysis, but for ease of reference I summarise the principle key aspects as follows:-

i) The value of the commercial elements (retail, office, cinema, car park) as well as the ground rents has reduced by just over £4.0m.

ii) The rates adopted by Mr Truss in arriving at his opinion of rental value of the commercial space may have changed from that prepared by Iceni, although Iceni had not provided a detailed breakdown in this regard.

iii) Mr Truss has substantially changed the yield applied to the retail and office elements from 7.00% to 8.50%.

iv) Mr Truss has reduced the yield on the public car park from 7.0% to 4.50%.

v) The yield on the hotel has been reduced from 7.0% to 6.25%.

vi) The yield on the ground rents has been increased from 5.25% to 10%.

vii) Mr Truss has assumed the commercial elements would be sold upon practical completion. Whilst it appears he has allowed for a 2 year rent free period to the whole of the retail and office elements, he has assumed the capital receipts will be obtained upon practical completion. This means he assumes the entirety of this space will be pre-let, which I consider to be highly unrealistic. No information has been forthcoming in this regard despite being requested.

viii) The demolition, archaeology and de-contamination works have not been incorporated into any pre-construction periods in Mr Truss's appraisal.

ix) The public realm works have been incorporated at the start of the main construction when it might be expected for these to be undertaken at a later stage.

x) Mr Truss has assumed some of the capital receipts from the sales of the residential elements will be received before practical completion has been obtained, which I consider to be incorrect.

xi) Mr Truss has assumed, because of his assumption on the residential sales, that ground rents will also begin to be received on a quarterly basis 16 months after the first sales have been achieved.

xii) Mr Truss has valued the vast majority of the residential car spaces across the scheme at £15,000 per space, which I consider to be ambitious.

xiii) Mr Truss has valued the public car park as an investment and I await to understand this in more detail from his Proof of Evidence, but as already stated above I consider his yield to be exceptionally low.

xiv) I note the main cost has increased by about £2m, but the municipal costs totalling £8.8m have gone but public realm at £2m has now been included. This is a net reduction of £4.8m and await to see if there is any explanation in Mr Truss's Proof of Evidence.

xv) The construction periods overall seem reasonable given the size of the various blocks and mixture of uses.

xvi) I have noted that both the Prelims, Contingency and Professional Fees sums only relate to the man construction costs and are not linked to other items such as archaeology, decontamination or public realm works. In my opinion they should be.

xvii) In the absence of any further detail in respect of the HIF Funding, I am not able to comment as to the validity of how Mr Truss has incorporated this into his appraisal and whether the funding from Homes England is time or indeed phase limited.

xviii) The cost of Marketing the commercial at 1.50% of the completed value of the commercial elements looks high, but I await to understand the rationale behind this in Mr Truss's proof of evidence.

xix) The sales fees for the residential at 1% looks low, but balanced against the marketing cost at 1.5%, this provides a total of 2.5%, which in my opinion is at the lower end of the scale and for a scheme of this nature could be at 3% or higher in total.

xx) In my opinion, the finance rate of 6.5% is too high in todays climate of low interest rates and I consider 6.0% is more applicable.

xxi) The amount of profit Mr Truss's appraisal provides is exceptionally low at 14.71% on GDV / 16.44% on cost.

7 RESIDUAL VALUATIONS SENSITIVITY ANALYSIS

7.1 Any residual valuation is subject to variation as a consequence of one or more of the inputs changing. Some inputs, such as construction cost or the gross development value, have a more significant impact than others. A relatively minor change can have a disproportionate impact on the residual value, or in this instance the profit.

7.2 To highlight this sensitivity, I have used the appraisal of Mr Truss.

7.3 Firstly, I have adjusted the construction cost by £5 per sq ft on an upwards and downwards basis across the entire scheme. Adopting the fixed land price of £1 as Mr Truss has used as the basis of his valuation, this provides the following impact on the profitability of the scheme:-

CONSTRUCTION COST	PROFIT AMOUNT	PROFIT ON GDV
Decrease of £5 per sq ft	£56.563m	19.327%
No change	£43.135m	14.739%
Increase of £5 per sq ft	£27.744m	9.48%

7.4 As may be seen from the above, this £5 per sq ft change, which is about a 5% change in the overall average construction cost over the entire scheme, impacts the profit by between 31-35% on the current profit in Mr Truss's appraisal.

7.5 One of the reasons why the construction cost change has a more significant impact is due to the fact that both the contingency and professional fees costs are linked to the construction cost rate.

7.6 Secondly, I have adjusted the sales rate on the residential elements by £5 per sq ft on an upwards and downwards basis across the entire scheme. Adopting the fixed land price of £1 as Mr Truss has used as the basis of his valuation, this provides the following impact on the profitability of the scheme:-

SALES RATE	PROFIT AMOUNT	PROFIT ON GDV
Decrease of £5 per sq ft	£38.60m	13.376%
No change	£43.135m	14.739%
Increase of £5 per sq ft	£47.477m	15.999%

7.7 As may be seen from the above, this £5 per sq ft change, which represents about a change of 1.74% in the overall average sales rate of the entire residential elements of the scheme, impacts the profit by about 10% on the current profit in Mr Truss's appraisal.

7.8 The removal of the ground rents from the calculations, which amounts to a reduction in the total GDV of £3.318m, the profit amount reduces to £39.535m (a reduction of %) which reflects a reduction in the profit on GDV to 13.66% (down from 14.739%).

7.9 On a similar basis, a reduction in the value of the commercial elements would equally have a demonstrable impact on the profit amount. Any such reduction would be driven by a number of factors, including (but not exclusively) a lower rental value, a higher yield and incorporation of a period to let the space post practical completion. On a gross basis, Mr Truss has assessed these elements have a value of £45.258m excluding the value of the residential car parks. A reduction in value of £10m would result in the profit amount decreasing to £31.22m (a reduction of over 27%) which reflects a reduction in the profit on GDV to 11.04% (down from 14.739%).

7.10 Another aspect of sensitivity analysis which may be considered is the scheme itself. For example, Blocks E & F incorporate the proposed tower. I have not been provided with a breakdown of the proposed residential scheme on a block by block basis or indeed on a unit by unit basis. However, Mr Truss's appraisal suggests there are 36 2 bed flats in the tower and if one assume there is an equal amount of 1 bed flats as well, the impact the removal of these on the profit amount can be assessed.

7.11 The impact this has is the profit reduces to £36.976m (a reduction of just over 14%) which reflects a reduction in the profit on GDV to 13.34% (down from 14.739%).

7.12 However, in my opinion the removal of the tower would have a greater impact as there would be a greater cost saving as the cost of constructing the tower is significantly more than the other residential elements.

7.13 The impact of timing of the inputs in the cashflow on the appraisal can also be substantial. For example, Mr Truss has assumed in Block A that the sale of the residential elements would occur before practical completion. If the sale receipts were due to commence from practical completion, the profit amount would reduce to £33.991m (a reduction of over 21%) which reflects a reduction in the profit on GDV to 11.62% (down from 14.739%).

7.14 In my opinion, a development of this type should be seeking to achieve an overall blended profit on GDV in excess of 20%, which would reflect a profit amount of over £58m based on Mr Truss's opinion of GDV of £292m.

8 AMENDMENTS TO MY VALUATION APPRAISAL SINCE JULY 2019

8.1 Given that Mr Truss's proof of evidence has not yet been provided, and as such I have only had sight of his final valuation appraisal, any changes to my own opinions of value will be included in my rebuttal.

8.2 Whilst Mr Truss has opted to prepare his appraisal based on a fixed land cost of £1, I consider this valuation should also be considered on the basis of whether a positive residual site value can be achieved. This uses the same appraisal, but rather than targeting the profit amount, as Mr Truss has done, the residual site value approach adopts a given profit on GDV, of say 20%, in order to determine what the site value may be.

8.3 The relevance of doing this, in my opinion, is that it more clearly demonstrates whether a proposed is scheme is viable based on the level of profit (or return on the capital invested through the development costs) typically required.

8.4 Should the appraisal provide a negative residual site value, this demonstrates in my opinion that the scheme would not be considered viable.

8.5 Furthermore, I understand Threadneedle acquired the subject property in 2014 in the sum of about £7.50m. Therefore, I would expect that they would wish to see the value of their investment increase above this through any proposed development.

9 EXPERT'S STATEMENT

9.1 I confirm that I have made clear which facts and matters referred to in this report are within my own knowledge and which are not. Those that are within my own knowledge I confirm to be true. The opinions I have expressed represent my true and complete professional opinions on the matters to which they refer.

9.2 I confirm that my report includes all facts which I regard as being relevant to the opinions which I have expressed and that attention has been drawn to any matter which would affect the validity of those opinions.

9.3 I confirm that my duty to The Court as an expert witness overrides any duty to those instructing or paying me, that I have understood this duty and complied with it in giving my evidence impartially and objectively, and that I will continue to comply with that duty. I have read Part 35 of the Civil Procedure Rules and the accompanying practice direction including the Protocol for the Instruction of Experts to give Evidence in Civil Claims and I have complied with their requirements. I am aware of the Practice Direction Pre-Action Conduct.

9.4 I confirm that I am not instructed under any conditional fee arrangement.

9.5 I confirm that I have no conflicts of interest of any kind other than those already disclosed in my report.

9.6 I confirm that my report complies with the requirements of the Royal Institution of Chartered Surveyors (RICS), as set down in *Surveyors acting as expert witnesses*: RICS practice statement.

9.7 As my Professional Declaration, I declare:-

(a) that I believe the facts stated in this report are true and that the opinions expressed are correct

(b) that the Report includes all facts which I regard as being relevant to the opinions which I have expressed, and

(c) that the Report complies with the requirements of the Royal Institution of Chartered Surveyors as set down in "Surveyors Acting as Expert Witnesses: Practice Statement (3rd Edition 2008)" as amended.

Signed:

Jonathan Rhodes MRICS
Valuation Director
Head of Valuation
RICS Registered Valuer

For and on behalf of GL Hearn Limited

Dated: 2 December 2019

APPENDIX A

REVIEW OF VIABILITY ASSESSMENT – REPORT BY J RHODES JULY 2019

GL Hearn

Review of Viability Assessment

Anglia Square
Magdalen Street
Norwich
NR3

On behalf of

Historic England

10 July 2019

Prepared by

Jonathan Rhodes MRICS
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London EC2V 7NQ

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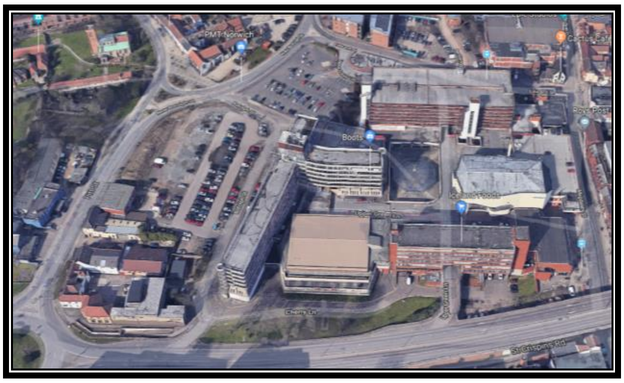
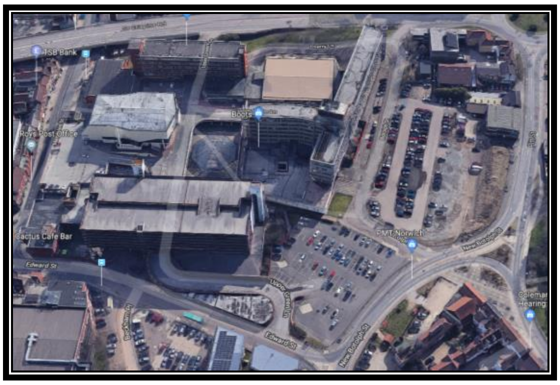
EXECUTIVE SUMMARY





Address	Anglia Square, Magdalen Street, Norwich NR3 1DY
Property Overview	The subject property comprises a shopping centre constructed in about 1970 and provides 34 retail units, cinema, two office buildings, a nightclub and a multi-storey car park totalling about 345,000 sq ft on a site of about 11.5 acres. The site lies to the north of Norwich city centre, on the northern side of St Crispins Road and is bounded by Magdalen Street to the east, Pitt Street to the west and Edward Street to the north.
Proposed Residential Led Applicant Scheme	Demolition and clearance of all buildings and structures except Gildengate House. Comprehensive redevelopment with 7 buildings providing a maximum of 1,250 residential dwellings; 11,350 sqm hotel; 11,000 sqm ground floor flexible retail, services, food and drink, office, non-residential institution and other, service yards, cycle and refuse stores, plant rooms and other ancillary space; up to 3,400 sqm cinema; 1,300 sqm place of worship; and multi-storey car park (public element: 600 car spaces, 24 motorcycle spaces; plus 940 car parking spaces for the residential and commercial spaces).
Floor Areas of Proposed Applicant Scheme	Private residential 739,353 sq ft (aggregate saleable area) Affordable residential 76,416 sq ft (aggregate saleable area) Commercial premises - 105,272 sq ft of flexible commercial space, 96,628 sq ft hotel, 16,663 sq ft cinema and 590,808 sq ft of car parking and ancillary space.
Specification	I have assumed the residential will be of a modern construction, albeit designed and finished to a modern standard in accordance with current Building Regulations. The commercial units will be finished to a shell specification to be fitted out by the future occupiers.
Valuation Date	10 July 2019
Purpose	The purpose of this report is to provide my opinions on the viability assessment prepared by Messrs Iceni, dated September 2018. This report has been prepared in the capacity of myself acting as an expert witness in connection with a possible public enquiry with regards the proposed redevelopment.
Tenure	Freehold.
Tenancies	I have not been provided with any details regarding existing tenancies especially with regard to the retail premises and Gildengate House. It is possible that the leases have been structured in such a way so as to enable the freeholder to gain vacant possession.

	However, in the absence of such detail it is not possible to confirm whether there would be any cost to obtain vacant possession to enable the development.
Residential Market Summary	• Annual house price growth slowed to 0.6% in May • Prices fell 0.2% month-on-month • New buyer enquiries and consumer confidence have remained subdued in recent months • The number of property transactions and mortgages approved have remained broadly stable • First time buyer numbers have continued their steady recovery in recent quarters, reaching 359,000 in the twelve months to March, just 10% below 2006 peaks • Help to Buy accounted for 14% of first time buyer transactions in England in 2018 and almost 40% of private new build homes
Commercial Market Summary	• In times of economic uncertainty there is a flight to safety and more secure assets, with the compression in average yields partly reflects the current investor preference for prime, well-let property but particularly in alternatives and industrials. • Although average capital values of the UK real estate market are continuing to increase, there is significant polarisation between the sectors due to both structural and cyclical factors. • Industrial became the lowest-yielding sector for the first time. The average industrial yield dropped nearly 50 bps to 6.04%, with the average London & South East industrial yield falling to just 4.60%. • Investors' confidence in the regional and secondary markets has waned and the upward movement in yields has been more pronounced in these markets. • Stock shortage continues to be a significant factor, with decrease in volume of opportunities of over 35% since 2015. • The geared investor can still improve their returns and whilst lending margins have increased, the historical level of base rates and LIBOR means the debt is cheap even though LTVs remain around the 50-60% bracket. • Looking ahead, healthy occupier market fundamentals, the relative value of commercial property versus other asset classes, and continued overseas demand, should offer support to property pricing in the near term. • Further out, much will depend on the pace of interest rate rises and the impact Brexit has upon business investment.
Key Development / Market Considerations	*Strengths:* • The property comprises a large island site with the potential for a comprehensive redevelopment • The property is situated in Norwich, which is the dominant commercial and employment centre in Norfolk • Norwich is an affluent city and draws on a large hinterland with a catchment population of almost 900,000 • About a quarter of the site currently comprises surface level car parking and as such provides the opportunity to be developed *Weaknesses:* • The existing premises comprise a dated 1960s development with part no longer in use • The existing accommodation is tired and is in a layout which is no longer of a nature which would suit most modern occupiers and consumers alike

	• The property is located to the north of Norwich city centre but also north of the inner ring road (St Crispins Road) and as such is in a tertiary commercial location • Whilst Magdalen Street provides a retail thoroughfare, it provides facilities very much for the local retailer, but is separated from the city centre by the River Wensum with the underpass to St Crispins Road providing a further break • We are of the opinion the amount of proposed commercial space in the Applicant's scheme is excessive at 11,000 sq m and would question the viability of this especially in the current retail climate • The proposed hotel of 11,350 sq m would also appear to be excessive given that a standard 100 bed hotel would only be up to 4,000 sq m in size • Similarly, the proposed cinema of 3,400 sq m appears large especially given the existence of both a Vue and Odeon cinema in the city already • The number of residential units at 1,250 is high, especially as these are all apartments. Norwich has seen a reasonable amount of new flat developments in the last 10 years or so, but most of the new housing is of a traditional nature, comprising terraced, semi-detached and detached houses on schemes around the outskirts of the city *Opportunities:* • The property has been identified in the current local plan as being suitable for a mixed use redevelopment • The site could be redeveloped in sections, but the cost in doing so, balanced against value generation maybe less profitable *Threats:* • The retention of the property as existing will, in our opinion, not be without its challenges both in terms of maintaining a rental income stream and minimising any voids • Parts of the property are plainly redundant and would require significant capital expenditure to put back into a viable use • The existing buildings all require capital expenditure over the short and longer term to maintain them as operational assets and in our opinion the landlord is likely to have a shortfall in this regard, so may have a significant liability • In our opinion this is a depreciating asset, with its value likely to continue to fall without either significant investment, or as is being proposed a comprehensive redevelopment *Conclusion:* Subject to the valuation figures reported herein I consider that the subject property provides an attractive potential residential led development site. It is not without its challenges and risks in terms of both the planning situation and in connection with demolition and any subsequent site remediation and infrastructure / enabling works.

1.0 INTRODUCTION & INSTRUCTIONS

1.1 I was issued with instructions by Historic England on 23rd May 2019. In accordance with their instructions, I have prepared this review of the viability assessment prepared by Messrs Iceni, dated September 2018, acting in the capacity of an Expert Witness.

1.2 This Report has been prepared in connection with a possible public enquiry with regards the proposed redevelopment.

1.3 My instructions incorporate a review of the viability assessment of the subject property as at today's date. This report sets out my thoughts with regards the approach and methodology to the viability together with the factual details upon which my opinions have been based. The report is Civil Procedure Rule 35 compliant.

1.4 In particular, I have considered the following, amongst other matters, in undertaking my review of Iceni's appraisals and assessment of viability:-

- Gross Development Value – review of the two components – residential & commercial; including capital values, rents, yields and the question of ground rents
- Construction timescales, phasing of the development and timing of sales
- Income from Tenants and should these be included over and above any capital value
- Demolition costs and the need for these to be included
- Construction Costs – comment on the rates used and how these vary between the different blocks, together with a comment on the tower cost
- Contingency – what is the appropriate rate
- Preliminaries – what does this include
- Professional Fees – what is the appropriate rate
- Sale & Letting Fees – separately for the residential and commercial elements, including marketing costs; plus the fees to let the commercial space
- Incentives for commercial tenants – in the form of rent free periods and / or capital sums
- Finance - what is the appropriate rate
- Profit - what is the appropriate rate
- The impact of both the Homes England grant and the waiving of any CIL liability
- The quantum of commercial (predominantly retail) space in the scheme
- Absence of commercially sensitive information

1.5 First and foremost this will comprise a sensitivity analysis of some of the key inputs, but in the absence of an electronic copy of their appraisal, we will not seek to replicate their workings.

1.6 I have undertaken an external inspection of the subject site, limited to a walk around the site.

1.7 This Report is prepared in accordance with the current edition of the Valuation Professional Standards prepared by the Royal Institution of Chartered Surveyors ('the Red Book').

1.8 The Report comprises a Valuation followed by Appendices:

A. Details of Property being Valued
B. Location and Site Layout Plans
C. Photographs
D. Proposed Accommodation Schedule
E. Comparison of Appraisals
F. Curriculum Vitae of Jonathan Rhodes
G. Valuation Assumptions

2.0 EMPLOYMENT HISTORY

2.1 I, Jonathan Rhodes BSc (Hons) MRICS, am a Director at GL Hearn Chartered Surveyors, having been elected as a member of the Royal Institute of Chartered Surveyors in April 1991.

2.2 I have been an employee of GL Hearn Chartered Surveyors, 65 Gresham Street, London EC2V 7NQ, since January 2009 and am the National Head of Valuation.

2.3 My primary responsibility is valuation, but otherwise I advise clients on all aspects of professional property related matters, whether they are investors, owner occupiers or tenants across the UK.

2.4 Prior to my employment at GL Hearn, I was employed at DTZ 125 Old Broad Street, London EC2N 2BQ between July 2007 and December 2008; Donaldsons 48 Warwick Street, London W1B 5NL between July 2000 and July 2007; Chesterton, 30/34 Moorgate, London EC2R 6PJ between September 1996 and June 2000; and Edward Erdman (now Colliers CRE) 9 Marylebone Lane, London W1 between September 1988 and September 1996. I have been a Director / Salaried Partner since July 2000.

2.5 My employment as a surveyor commenced in September 1988 and during the entirety of my 30+ years of working I have always been employed as a Valuer, covering a wide range of property sectors and professional matters countrywide. I have been a qualified member of the RICS for over 28 years and am a RICS Registered Valuer.

2.6 I attach a copy of my CV as Appendix F.

2.7 I have extensive experience in undertaking valuations of this nature across the UK. My valuations of development sites, using residual methodology, range from the redevelopment of small residential plots to large strategic land. The sites I have been involved with were sometimes where a planning permission had not been obtained, or where a consent had been granted. In addition, the information regarding the proposed development may also vary, with some having comprehensive details of the scheme, the size of the units, detailed costings, opinions of potential sale values and agreed Section 106 agreements. Whilst others were purely speculative and I have had to use my experience to conceptually value a potential scheme and determine the likely development costs. Where a planning permission does not exist, my valuation has had to be adjusted to reflect the risk and uncertainty of achieving the necessary consent.

3.0 CASE BACKGROUND

3.1 There is general agreement that the entire Anglia Square site should be redeveloped. Norwich City Council (NCC) is minded to grant planning permission to proposals put forward by Weston Homes, in partnership with the site's freeholder, Colombia Threadneedle.

3.2 Homes England have made a conditional offer of £12M grant and an additional £8M of subsidy being by way of exemption from CIL is being sought.

3.3 Historic England recommended that planning permission should be refused, as the proposals would cause severe harm to the character of Norwich, one of England's and Europe's great historic cities, and to the significance of numerous of the city's historic buildings, including that of the medieval cathedral. The Secretary of State has responded to numerous requests that he do so by calling in the application to allow for its examination at a public inquiry.

3.4 The planning application was called in by the Secretary of State for MHCLG on 21st March 2019 and Historic England will appear as a rule 6 Party at the potentially forthcoming public inquiry into the proposed redevelopment of Anglia Square, Norwich.

3.5 Historic England intends to submit a broadly argued case against the proposals, in that the proposed development would be profoundly harmful. In addition, there is the question whether public authorities would match the level of public subsidy the application proposals will require in order to facilitate the redevelopment of the site. Another concerns the brief for redevelopment.

3.6 As part of the Historic England case, the starting point for any redevelopment of this site is that it should provide for a scheme which would be broadly consistent with the character of the city. It should reinstate and reinforce the traditional grain of the city, although anticipate that the scale of development would be greater than that of the historic cityscape.

3.7 The City Council's "Anglia Square Policy Guidance Note" does not provide a coherent framework for development, as the quantity of development it envisages could not be reconciled with the environmental constraints it identifies. This is particularly true in respect of reconciling the development with the character of the adjacent streets, and the wider cityscape.

3.8 While the City Council's guidance provides an important point of reference, we also attach importance to the community's vision, as expressed in the St. Augustine's & Anglia Square Regeneration Community vision.

4.0 DETAILS OF PROPERTY

4.1 The premises which are the subject of this valuation report are set out in detail in Appendix A together with details of tenure. The subject site comprises a mixed use site, providing the Anglia Square shopping centre, two office buildings known as Sovereign House and Gildengate House, a multi-storey car park, surface car parking and some ancillary buildings including a chapel. Most of the development is dated from the late 1960's. The shopping centre has a frontage onto Magdalen Street and is predominantly covered by a service deck with access off St Crispins Road and which also connects into the multi-storey car park.

4.2 The subject site extends to about 4.65 hectares (11.50 acres)

4.3 Further details of the subject site are set out in Appendix A. Location and site layout plans are provided as Appendix B with photographs of the property as Appendix C. Within Appendix D is the Proposed Accommodation Schedule in respect of the Applicant's proposed residential led scheme.

5.0 BASIS OF VALUATION & SPECIAL ASSUMPTIONS

5.1 I have assumed the viability assessment of the subject site had regard to the prevailing market conditions and have been undertaken in accordance with the RICS Valuation Professional Standards. As such I assume this has been based on the Market Value of the property, and note it has been undertaken on the Special Assumption the proposed scheme as detailed in the planning application has been granted consent.

5.2 I have not been provided with any commercially sensitive documentation for the purposes of this exercise and have therefore made the following additional assumptions.

5.3 **Additional Specific Assumptions for this Valuation**

5.3.1 I have adopted the floor areas as set out in the Accommodation Schedule attached as Appendix D. This indicates a proposed residential saleable gross internal area of 75,787 sq m (815,769 sq ft) and a proposed gross external floor area of 103,981 sq m (1,119,253 sq ft). This effectively assumes a gross internal to gross external area ratio of about 73% over the residential elements of the scheme. In addition, there are the commercial and ancillary elements totalling 78,192 sq m (809,371 sq ft).

5.3.2 I have had regard to the construction costs as detailed in the viability appraisal prepared by Iceni, dated November 2018, as well as the experience of my project and cost consultant colleagues in such matters.

5.3.3 I note the appraisal prepared Iceni adopts a cost of £3.0m in respect of site remediation, abnormal ground conditions and archaeological issues which might be required and would incur additional enabling works and costs. I have adopted this cost in the absence of information to the contrary. My own judgement of this estimation is limited as I am not an expert in these matters, but in the absence of the appropriate detail in this regard, I consider it is prudent to allow for some costs in this regard.

5.3.4 I have assumed the proposed development would be undertaken in accordance with the prevailing Building Regulations and undertaken to a high level of quality control on the standard of workmanship throughout the construction process.

5.3.5 I have assumed that all collateral warranties would be available from the contractor, sub contractors and professional advisers to the owner and any third party.

5.3.6 I have assumed that the private residential apartments would be sold on standard long leases. However, in light of potential Government legislation with regards ground rents, I have not attributed any value in this regard.

5.3.7 The affordable housing would be a mixture of social rented and shared ownership and have assumed this will be split 85% social rent and 15% shared ownership. The appraisals prepared by Iceni, have only allowed for 10% of the residential to be affordable.

5.3.8 In respect of the affordable housing element, I have assumed that Registered Social Landlords (Housing Associations) would be able to obtain the necessary grants to fund the acquisition of these parts of the proposed development. In this regard, I have assumed a purchaser of the affordable housing would have been found before the development commenced and as such would pay for this element during the construction period.

5.3.9 I have assumed the development would have obtained an NHBC Guarantee or equivalent for a term of 10 years and that all conditions would have been met in order that purchasers of the houses and flats can benefit from this.

5.3.10 I have assumed the commercial elements would have been let on standard institutional occupational leases at the prevailing market rent(s).

5.3.11 I have assumed that the location of the subject site provides the potential for the site to be connected to the mains supply of electricity, gas and water, and that it could also have been connected to the mains drainage system. I have assumed there are no material defects or capacity issues to the existing utility services, which would incur substantially greater costs than those provided.

5.3.12 I have not been provided with a copy of a Report on Title and have assumed there is nothing contained therein which would make it necessary for me to reconsider my opinions of value. I have assumed that there are no encumbrances or unduly onerous or unusual easements, restrictions, outgoings or conditions likely to have an adverse effect upon the value of the subject site. I have also assumed for the purposes of this valuation and report that a good and marketable title is held.

5.3.13 I have assumed the subject site was available with vacant possession and that there are no licences, leases or other occupational arrangements which would have prevented the subject premises of being sold without full vacant possession.

5.3.14 I have assumed there are no Rights to Light issues with the proposed development and that should any obligations in this regard have become apparent, this could have had a substantial impact on the scheme and its profitability, thereby having an adverse impact on the valuations provided.

5.3.15 I have assumed any new access way(s) have been appropriately assessed by highways consultants and agreed with the Highways Authority in order that the proposed scheme has the necessary road capacity without causing any undue access issues.

5.3.16 I have assumed that building insurance would have been available for prospective purchasers without payment of an excessive premium or excess. In addition, I have assumed the construction costs for the proposed development would not have been materially affected from those used in arriving at my opinions of value.

6 MARKET SUMMARY

6.1 Economic and Property Market Overview

Economic Overview

6.1.1 For ease of reference, the key economic indicators are detailed in the table below:-

	Rate	Date updated	Comment
Gross Domestic Product (quarterly)	0.50%	10/05/19	Up from 0.20% in Q4 2018.
Consumer Price Index (CPI)	2.00%	19/06/19	Down from 2.1% in April 2019
Consumer Price Index including owner occupiers' Housing (CPIH)	1.90%	19/06/19	Down from 2.0% in April 2019
Retail Price Index (RPI)	3.00%	19/06/19	Unchanged from April 2019
UK Interest Rate	0.75%	02/08/18	Interest raised in August 2018, from 0.50% which was set in November 2017
European Union Interest Rate	0.00%	10/03/16	Decreased by 5bps in March 2016
USA Interest Rate	2.50%	20/12/18	Unchanged from December 2018 when it increased from 2.25%

6.1.2 UK gross domestic product (GDP) growth was estimated to have grown at 0.5% in Q1 2019 (January to March), up from 0.2% in Q4 2018. The strength in quarterly growth is in part due to the low December monthly growth in the base period, which makes the current period look stronger in comparison.

6.1.3 The services sector was the largest contributor to quarterly GDP growth, increasing by 0.4% in Quarter 1 (Jan to Mar) 2019. The main drivers to this were retail trade and the information and communication sub-sector. Professional, scientific and technical activities acted as a drag on GDP growth, after peaking in November 2018.

6.1.4 Month-on-month growth in the services sector was negative 0.1% in March 2019. The largest negative contributor to this was the information and communication sector, driven by computer programming, which contracted by 2.3%. However, this is an industry that has performed strongly in the past year, with its overall output remaining high.

6.1.5 The production and construction sectors also contributed positively, with growths of 1.4% and 1.1%, respectively. Within production, manufacturing growth was notably strong at 1.9%, which is its strongest rate since Quarter 3 (July to Sept) 1999 when manufacturing output grew by 2.1%, driven by pharmaceuticals, food products and basic metals, although these numbers are not entirely consistent over time due to changes in methods and definitions related to the treatment of stocks.

6.1.6 Monthly growths in production and manufacturing were 0.7% and 0.9%, respectively. This was the third positive monthly manufacturing growth in a row; the last time this occurred was between October and December 2017.

6.1.7 The strong growth in manufacturing is consistent with an increase in activity ahead of the UK's originally intended departure date from the European Union, but we were unable to quantify the effect of this.

6.1.8 Monthly growth in construction was negative 1.9% in March 2019, as both new work, and repair and maintenance declined. Despite that, there was a rolling three-month growth in construction of 1.0%, as the strong monthly growth in January 2019 boosted the three-month period. Rolling three-month growth in construction was driven by repair and maintenance.

6.1.9 The Consumer Prices Index including owner occupiers' housing costs (CPIH) 12-month inflation rate was 1.90% in May 2019, down from 2.00% in April 2019.

6.1.10 Price movements for most of the broad categories of goods and services had an upward effect on the Consumer Prices Index including owner occupiers' housing costs (CPIH) 12-month rate in May 2019. The exception was clothing and footwear, which was the only broad group producing a downward contribution in May 2019, reflecting a fall in prices of 1.6% on the year. The contribution from this category has been negative for nine months.

6.1.11 The largest upward contribution to the CPIH 12-month rate in May 2019 came from housing and household services, with prices rising by 2.3% on the year. The 12-month rate for this broad group was last higher in August 2013 when it was 2.4%. Within the group (which contributed 0.68 percentage points to the overall rate), the largest contributions were from electricity, gas and other fuels (a 0.28 percentage point contribution) and owner occupiers' housing costs (a 0.20 percentage point contribution).

6.1.12 There was also a large upward contribution from transport, where prices rose by 2.7% on the year, down from 4.6% in April 2019, which was influenced by the timing of Easter. The 12-month rate for May 2019 was the lowest observed since April 2018. Within transport, the most notable contributions were from motor fuels and new cars.

6.1.13 The largest upward contribution to the change in the CPIH 12-month rate came from recreation and culture, where prices rose by 0.5% between April and May 2019 compared with a smaller rise of 0.1% between the same two months of 2018. Within this group, the largest upward effect came from games, toys and hobbies, partially from computer games but also from more traditional toys and games. Price movements for computer games can often be relatively large depending on the composition of bestseller charts. Within recreation and culture, there was a small, partially offsetting, downward effect from package holidays, which fell in price this year but rose in 2018.

6.1.14 Restaurants and hotels also produced an upward contribution, with prices for accommodation services, particularly overnight hotel accommodation, rising by more than a year ago.

6.1.15 By far the largest downward contribution to the change in the CPIH 12-month rate came from transport, where prices fell by 0.3% between April and May this year compared with a 1.5% rise between the same two months a year ago. The main downward effect came from transport services: fares fell by 3.8% overall between April and May this year, with the April prices influenced by Easter and the associated school holidays falling in the middle of the month. In 2018, when Easter fell in early April before the price collection dates, fares rose between April and May by 2.0%. The contribution from transport services came from all categories – air, sea, rail and road – with the single largest contribution from air transport.

6.1.16 Within transport overall, there were also smaller downward contributions from the purchase of vehicles (second-hand and new cars) and motor fuels. Petrol prices rose by 4.2 pence per litre between April and May 2019 compared with a larger rise of 4.6 pence per litre a year ago. They now stand on average at 128.3 pence per litre. Similarly, diesel prices rose by 2.8 pence per litre this year to stand at 135.8 pence per litre, compared with a rise of 4.7 pence per litre a year ago.

6.1.17 The Retail Price Index (RPI), which is no longer considered an official measure by the ONS, is 3.00%, unchanged from April 2019.

6.2 **Residential Market Overview**

- Annual house price growth slowed to 0.6% in May
- Prices fell 0.2% month-on-month

6.2.1 UK house price growth slowed to 0.6% in May 2019. This means that house price growth has remained below 1% for the sixth month in a row. Survey data suggests that new buyer enquiries and consumer confidence have remained subdued in recent months. Nevertheless, indicators of housing market activity, such as the number of property transactions and the number of mortgages approved for house purchase, have remained broadly stable.

6.2.2 The May 2019 RICS UK Residential Market Survey results point to a slightly more stable picture coming through over the month. Indeed, new buyer enquiries held steady, while the negative trend in agreed sales, new instructions and prices diminished to a certain degree. Having said that, near term expectations are still a little downbeat, although sentiment on the 12 month outlook for both sales and prices still signals a modest recovery further out.

6.2.3 Housing market trends are likely to continue to mirror developments in the broader economy. While healthy labour market conditions and low borrowing costs will provide underlying support, uncertainty is likely to continue to act as a drag on sentiment and activity, with price growth and transaction levels remaining close to current levels over the coming months.

6.2.4 First time buyer numbers have continued their steady recovery in recent quarters, reaching 359,000 in the twelve months to March, just 10% below 2006 peaks. The trend is partly due to robust labour market conditions, with employment rising at a healthy rate, and earnings growth slowly gathering momentum.

6.2.5 Low borrowing costs have also provided important ongoing support. Even though house prices remain high relative to average incomes, the cost of servicing the typical mortgage as a share of take home pay has remained close to or below long run averages in most parts of the country. The main exception is in London, where a period of rapid house price growth in the three years to 2015 means that monthly mortgage payments would also be unaffordable for a large proportion of the local population. Outside of London and the South East, raising a deposit appears to be the main challenge for most prospective first time buyers.

6.2.6 Reflecting the trend in overall house prices, the deposit challenge is most daunting in the South of England, where it would take an average earner a decade or more to amass a 20% deposit. Again, the pressures are most acute in the capital, where someone earning an average income would take more than 15 years to save a 20% deposit on the typical London property (even longer than was the case before the financial crisis when it would have taken over ten years).

6.2.7 In recent years a growing proportion of first time buyers have been drawing on help from friends and family or an inheritance to help raise a deposit, as illustrated in the chart below. In 2017/18 almost half of first time buyers had some help raising a deposit, either in the form of a gift or loan from family or a friend or through inheritance, up from around a quarter in the mid-1990s and 35% of buyers in 2015/16. The government's Help to Buy equity loan scheme has also been an important source of support for first time buyers by easing deposit constraints. Those buying with Help to Buy accounted for 14% of first time buyer transactions in England in 2018 and almost 40% of private new build homes were bought under the scheme last year, although the proportion varies across the country. The Help To Buy equity loan scheme in England provides borrowers who have a 5% deposit and are buying a newly built home (up to £600,000) access to an equity loan of up to 20% (40% in London), which is interest free for the first five years.

6.2.8 The interest rates charged on mortgages where the borrower puts down a smaller deposit have also declined relative to those with larger deposits in recent quarters, as shown in the chart below. "This trend is also likely to be allowing some borrowers to enter the market sooner, as there is less of a cost advantage to waiting to accrue a larger deposit.

6.2.9 The regional breakdown shows the South East now exhibits the weakest sentiment on price movements, while some of the downward pressure has seemingly eased in London during recent months (albeit the price indicator still remains quite comfortably negative in the capital). Going forward, near term price expectations remain marginally negative for the country as a whole, although less so than in the April results, with the net balance coming in at -14% relative to -18% previously. However, on a twelve month view, a net balance of +22% of contributors anticipate prices will rise. In fact, the twelve month expectations series has now inched higher for five successive months at the national level.

6.2.10 From a regional perspective, virtually all parts of the UK are expected to see some uplift in prices over the year ahead. London remains the sole exception, although even here projections are broadly flat. At the other end of the scale, contributors in Scotland, the North West and the West Midlands returned the strongest expectation for house price growth over the next twelve months.

6.2.11 In the lettings market, tenant demand increased modestly for a fifth month in a row (non-seasonally adjusted data). At the same time, landlord instructions declined once more, a persistent theme over much of the past three years. Given this imbalance, near term rental expectations are now more elevated than at any other point since May 2016, with rents seen rising across all regions/countries of the UK.

6.3 **<u>Local Residential Market</u>**

6.3.1 Norwich is the regional centre for this part of Norfolk and acts as the focal point for employment, health, education, retail and leisure. With its large and wide catchment area, it acts as a draw to both businesses and people alike, which helps to support the housing market. However, in order to meet the needs of people already living in the City or those looking to move there, it needs to grow and attract investment to develop more housing.

6.3.2 The Strategic Housing Market Assessment prepared in June 2017 suggested the population data showed household numbers across the study area would increase over the 21-year period 2015-36 by an average of 2,468 per year. The housing mix analysis identified a need to provide 17,450 additional affordable homes over the remaining Plan period 2015-36 (an average of 830 dwellings per year). Providing for an increase of 52,830 households yields a baseline housing need of 55,807 dwellings; an average of 2,660 dwellings per year over the 21-year period 2015-36.

6.3.3 Owner occupation of housing in Norwich is the dominant tenure type at about 67.3%, compared to the national average for England of 64.1%. Both the private rented and affordable housing sectors are about equal at 16.3% each. However, Norwich has seen the amount of home ownership decline in recent years, alongside the market across England, as affordability becomes more of an issue with rising prices.

6.3.4 The Norwich housing market is dominated by traditional housing as opposed to flats. Over the last year, the number of properties advertised for sale of a detached, semi-detached or terraced housing nature was about 70%. The number of flats being sold also decreased in the last year by about 10%. Furthermore, about 27% of properties were of a 4 or 5 bedroom nature, 35% 3 bedroom and 28% 2 bedroom, with less than 10% being 1 bedroom.

6.3.5 Within the NR3 postcode area of Norwich, sales volumes have averaged about 130 units over the last 5 years. Of these, over 70% were in the £100,000-200,000 price bracket. Less than 8% of units sold were in the £200-250k bracket, which was similar for the £300-400k and £400-500 brackets. However, about 60% of units were traditional housing, whilst the remaining 40% was flats.

6.3.6 The majority of new developments in Norwich over the last 10 years has been of a traditional housing nature, with much of this having occurred around the periphery of the City. Whilst there has been some new flat development, this has tended to be mostly in central Norwich, although since the change in permitted development much of this has comprised the conversion of former office buildings.

6.3.7 However, the time it takes to sell flats compared to houses is that much longer. Flats take, on average 142 days, compared to detached houses 131 days, whilst semi-detached and terraced houses take just over 100 days each.

6.3.8 In the last year average property prices in Norwich have shown detached houses at about £332k, semi-detached at £225k, terraced at £189k and flats at £157k. Within the NR1, NR2 and NR3 postcodes within central Norwich, average house prices are as follows:-

NR1 1	£204,000	NR2 1	£271,000	NR3 1	£204,000
NR1 2	£218,000	NR2 2	£322,000	NR3 2	£175,000
NR1 3	£177,000	NR2 3	£279,000	NR3 3	£189,000
NR1 4	£234,000	NR2 4	£185,000	NR3 4	£175,000

6.3.9 The above shows the western side of the centre of Norwich is the most valuable, followed by the eastern side, with the northern area being the lowest. Anglia Square is situated within the NR3 1 postcode, albeit is in the northern part of this area closer to the NR3 3&4 postcodes where prices fall away. Within these latter postcodes the vast majority of residential property types is traditional housing, representing about 80% of the housing stock. Any new development has occurred at the northern edges of these postcodes away from the more central areas.

6.4 **Property Market Overview**

6.4.1 £54.4bn spent on UK commercial property in 2018, down 12% from 2017's £62.1bn, with high-value investments popular but activity slowed, reflected in the number of £1m-plus deals falling to a six-year low. Investment totalled £15.2bn in Q4 2018, up 18% Q-o-Q but down 20% from Q4 2017 and the weakest fourth quarter since Q4 2012.

6.4.2 Strongest performers in Q4 2018 were industrial, regional offices and build-to-rent. The picture was polarised across the main sectors, with retail volumes down 30% year on year to a decade low of £7bn, robust investment in the major office markets underpinned by strong occupier market fundamentals, industrials (record 15% share of total) and alternatives (particularly hotels and build-to-rent) remained popular. Weakest year for shopping centres in over 10 years, second-weakest year for retail parks (lowest annual volume since 2013). Alternatives dropped largely due to a 44% decline in student accommodation volumes, but hotels and build-to-rent remain very popular.

6.4.3 Pattern of investment has been shifting to the regions since Q2 2018, with 53% of all spending was in the regions in Q4 2018, up from 46% in Q3 and 37% n Q2. £2.5bn also spent on multi-region portfolios in Q4 with industrial portfolios particularly popular. City of London office investment has cooled since a record Q2 2018. Domestic investors bought £2.2bn of London assets in Q4 2018, a 50% increase from Q4 2017.

6.4.4 Volumes rose in Yorkshire & Humber (43%), North East (39%) and Midlands (15%). Volumes fell sharply in North West (-42%), East of England (-28%) and South West (-25%). Record office volumes in Scotland and Wales, driven by Glasgow and Cardiff respectively. Multi-region portfolio volumes fell 32% to £8.6bn, although industrial portfolios remained popular.

6.4.5 Domestic investment fell by 19%, largely due to retail, but increasingly active in London offices. UK local authority investment fell slightly from 2017's record, but remained elevated at £1.7bn and spending on offices rose 23% to a record £1bn.

6.4.6 Foreign investment in UK CRE fell 2% to £23.7bn in 2018, but it was the highest-ever share of total spending (49%). Foreign investors' net spend fell to lowest level since 2013, largely due to North American investors realising gains and selling assets in London. North Americans were heavy net sellers at -£4bn, Asian investors were big net buyers at £10bn and increasingly moving beyond London (record amounts spent on industrial, up 220% Y-o-Y). Record spending by South Korea and Singapore increased sharply but China/Hong Kong spending fell by 57% to £3.5bn. European investment reached a 10-year high in 2018, despite German spending falling by 50%.

6.4.7 Average all-property yield rose to a two-year high in Q4, a reversal of trend and pushed up by retail. Average yields rose to a near two-year high in Q4 2018, a reversal of trend and pushed up by retail. Industrial sector became the lowest-yielding sector for the first time ever in 2018.

6.4.8 2019 has started strongly, with several big deals completing in January (£1.2bn Goldman Sachs HQ, £1.5bn Network Rail). But deal frequency likely to remain weak in the near term as political uncertainty continues.

Retail Sector

6.4.9 The last 12 months have been seismic for the retail sector. The affects of Brexit, uncertainty, tightening in consumer expenditure and irrefutable evidence of a change in consumer spending patterns became absolutely clear in 2018. As a result there has been a polarisation in the fortunes of retailers. Some of those who specialise, meet the needs of niche markets and generate contemporary brand image have continued to succeed in spite of headwinds. However, many retailers, including traditional high street favourites, who have rested on their laurels and continued in established, but perhaps tired fashion, have found conditions over the last 12 months to be extremely challenging.

6.4.10 The full force of the downturn in fortunes of retail property investments became apparent in the 4th Quarter of 2018 with reports showing negative returns for stalwarts, such as Liverpool One of -5%, while Nuveen's Retail Warehouse Fund declined by 10% over the same period. Perceptions for retail have not been assisted by the RICS's warning to Valuers regarding giving appropriate consideration to the instability in the retail sector and the uncertainty attaching to valuations against that background.

6.4.11 Sentiment has been further exacerbated by high profile administrations (such as Nicholsons Shopping Centre in Maidenhead for c£25m (acquired for £37m in 2015 and £85m in 2007) and the offering of the shopping centre in Kirkaldy, Fife for a token sum of £1.

6.4.12 The DIY sector faces problems of its own; it has been affected just as much as traditional retail by uncertainty and the change in consumer spending patterns. However, in addition to this, it is further affected by the downturn in the housing market and, as a result, a decline in purchases that would normally be associated with a new home upon which the DIY traders have typically thrived. There is also a clear trend in a move away from do-it-yourself to the employment of tradesmen to carry out event the smallest domestic projects. This has again been to the detriment of the DIY retailers.

6.4.13 This culminated with the Homebase announcing a CVA in 2018, handing back the keys to a number of landlords and slashing rents (by up to 50%) on others. Homebase's circumstances might be attributed in part to the factors referred to above, but also to a fairly disorganised operation over the last couple of years as the business has been passed from pilar to post. The impact of Homebase's CVA, alongside other multiple representatives on retail parks, such as Carpetright, Brantano, Multiyork, etc has been an increase in the amount of available space and a consequent re-basing of rental levels – both by virtue of new lettings (see the evidence generated by the re-letting of the former Homebase in Aylesbury, referred to below) or evidence that landlord's are prepared to accept reduced rents under the CVA in order to avoid a vacant unit. While this may not be 'perfect' open market evidence, it will inevitably be brought to bear by occupying tenants at lease renewals.

6.4.14 Against this background, retail warehouse rents are under pressure across much of the UK with the possible exception of the strongest retail parks. The nature of the tenant mix at most retail parks leaves exposure to the threat of further CVAs going forwards. Accordingly, investment yields are generally softening in tune with rental levels.

6.4.15 Accordingly, these are bleak times for the retail sector in general, including retail warehousing. One area of better fortune relates to the discount food sector in which Aldi and Lidl are performing strongly and both have extensive requirements for further units throughout the UK. Indeed, Lidl now has a requirement for larger format stores of up to c30,000 sq ft and has acquired at least one of the vacated Homebase units.

6.4.16 Other acquisitive retail warehouse operators include the discounters, such as B&M, The Range, Dunelm, Home Sense, etc. However, these retailers are wise to their bargaining position in the prevailing climate and will only consider stores at the most competitive rents.

6.4.17 Having regard to the above, the rationale for investment in the retail warehouse sector at the date of this report is not obvious. It is arguable that the the only purchasers in the market might be 'vultures' – funds, property companies and private investors speculating on the possibility that the prevailing circumstances are a 'blip', albeit extended, and that rents might rapidly grow off levels rebased by exceptional circumstances. We are also aware of sales of solus sites, particularly, where there might be perceived potential for residential-led development; this is particularly so in London, but perhaps less obvious elsewhere.

Outlook

6.4.18 Global capital remains hungry for real estate and the UK remains a favoured destination. While there continues to be a fall in the number of transactions, there is no indication of a lack of appetite, just a lack of willing sellers.

6.4.19 But, the crucial planks of the long real estate bull run – record low interest rates and quantitative easing - are finally coming to the end of their respective roads. In unsettling times for the UK, the ongoing strength of commercial property markets is helping to maintain confidence.

6.4.20 However, capital values in the main commercial markets are now moving in opposite directions for the first time in 15 years, demonstrating that there is no such thing as a single UK real estate cycle with regular peaks and troughs.

6.4.21 We expect City office and retail capital values will fall over the next two years, whereas industrial and regional office capital values should increase or remain stable. The influence of infrastructure will remain important for all sectors (eg. the Elizabeth Line), with investor preference for prime, well-let property but particularly in alternatives and industrials remaining.

Rental Growth – the industrial sector is the only market where minimum growth forecasts remain positive until 2021. Office sentiment has reversed, with a more negative outlook for 2019 and 2020. The Standard Retail average remained virtually flat, with Retail Warehouses showing the most significant downward trend followed by Shopping Centre rents.

Capital Values – over the next five years, expectations are that 2019 will be the low point, albeit positive growth is not expected until 2021. Industrials remain the only positive, with expectations it will remain so over the next five years. Both Retail and Office values expected to show an overall decline in 2018, continuing into both 2019 and 2020. Shopping Centres are expected to be the worst performer over the next five years, with the Office sector potentially becoming the strongest from 2021.

6.5 **Local Retail Market**

6.5.1 The retail market in Norwich comprises approximately 3.94m sq ft of general retail space, 1.38m sq ft of shopping centre space and 685,000 sq ft of retail parks. The historical vacancy rate has been at 2.20% and currently stands at 1.70% across the market, although it is the retail park market which is currently well above trend at over 5%.

6.5.2 Net absorption is expected to below the historical trend of 17,000 sq ft a year, falling to about 7,000 sq ft. The availability rate across the market is broadly in line with trend, although the amount of new accommodation is expected to about half the historical average which has been at 18,000 sq ft a year.

6.5.3 We understand that Anglia Square has a vacancy rate of 1.70% and completed two small deals in the last 12 months, albeit these appear to have been for units of less than 1,000 sq ft.

6.5.4 Rental levels in Norwich have been falling over the last year, having experienced some limited rental growth since 2014, with expectations this year will see an average fall of -3%, but that rents will continue to decrease for the foreseeable future at about -1% a year.

6.5.5 In terms of the shopping centre market, expectations are that this will remain relatively flat, based on the detail below.

SHOPPING CENTRE SUPPLY & DEMAND

	Inventory			Net Absorption		
Year	SF	SF Growth	% Growth	SF	% of Inv	Construction Ratio
2023	1,390,943	3,715	0.3%	1,453	0.1%	2.6
2022	1,387,228	3,303	0.2%	903	0.1%	3.7
2021	1,383,925	2,564	0.2%	(486)	0%	-
2020	1,381,361	901	0.1%	(1,729)	-0.1%	-
2019	1,380,460	(269)	0%	(5,626)	-0.4%	-
YTD	1,380,729	0	0%	(4,587)	-0.3%	-
2018	1,380,729	0	0%	9,928	0.7%	0
2017	1,380,729	0	0%	(6,800)	-0.5%	-
2016	1,380,729	104,655	8.2%	106,524	7.7%	1.0
2015	1,276,074	0	0%	11,272	0.9%	0
2014	1,276,074	0	0%	(3,074)	-0.2%	-
2013	1,276,074	0	0%	(2,722)	-0.2%	-
2012	1,276,074	0	0%	6,787	0.5%	0
2011	1,276,074	0	0%	7,538	0.6%	0
2010	1,276,074	0	0%	(710)	-0.1%	-
2009	1,276,074	-	-	(8,162)	-0.6%	-

	Vacancy		
Year	SF	Percent	Ppts Chg
2023	19,936	1.4%	0.2%
2022	17,687	1.3%	0.2%
2021	15,302	1.1%	0.2%
2020	12,266	0.9%	0.2%
2019	9,635	0.7%	0.4%
YTD	8,862	0.6%	0.3%
2018	4,275	0.3%	-0.7%
2017	14,203	1.0%	0.5%
2016	7,403	0.5%	-0.2%
2015	9,272	0.7%	-0.9%
2014	20,544	1.6%	0.2%
2013	17,470	1.4%	0.2%
2012	14,748	1.2%	-0.5%
2011	21,535	1.7%	-0.6%
2010	29,073	2.3%	0.1%
2009	28,363	2.2%	-

6.5.6 Norwich is the county town of Norfolk and the largest of the major East Anglican centres, with a primary catchment population of 894,000 significantly above the Regional Centre average and ranking the city 11th out of the PROMIS Centres. The city benefits from its isolation by having a much wider draw than normal due to the distance between the city and its major competitors. As an historic city, spending within Norwich is also boosted through tourism.

6.5.7 The affluence indicator for Norwich has recently improved due to falling unemployment and rising average house prices within the Norwich area as well as an over-representation of "comfortable communities" and "affluent achievers". The service sector currently accounts for around 64% of the total employment in Norwich, slightly above the retail PROMIS average, within this sector financial and business services accounts for 28% of total employment (Promis, 2017). The insurance industry is also a key industry within Norwich and the insurance group Aviva is the largest private employer within the city.

6.5.8 Norwich's emerging reputation as a centre for technology businesses is evidenced by companies such as Epos Now which announced it was recruiting an additional 200 staff in 2016. Furthermore, the proposed "Tech Corridor" along the A11 linking Norwich and Cambridge is set to create over £500m of innovation-led growth, investment in infrastructure, housing and skills between Cambridge and Norwich.

6.5.9 Norwich is also expected to see above average population growth between 2015 and 2020.

6.5.10 Norwich is the dominant retail centre in East Anglia and has a strong retailing tradition. Norwich ranks 17 on the basis of its PMA Retail Score and ranks 7 on the PMA AnchorScore. It has more park & ride schemes than any other centre in the East Anglia region.

6.5.11 Historically the pedestrianised Streets of Haymarket and Gentleman's Walk have formed the City's prime retail pitch anchored by Jarrold's Department Store on London Street. The City has however expanded its prime pitch to include Intu Chapelfield to the southern end of the City centre providing 540,000 sq ft of retail and leisure space. The main retail core is also supported by the Castle Mall shopping centre comprising of around 380,000 sq ft.

6.5.12 The north-eastern part of the city centre, around London Street, London Road and Bedford Street is also home to a number of upmarket and specialist retailers with White Stuff, Gap and Jack Wills trading from these locations, as well as several upmarket independent retailers.

6.5.13 The city has seen significant development in recent years with major projects that include the regeneration of the Riverside Area, completion of the new Forum Library. Norwich is one of the most vibrant and attractive cities in Europe. It is ranked in the Top 10 shopping cities in the UK and as well as being a hotbed for the arts, culture, music, nightlife, and tourism. The City offers historical architecture, a Norman Cathedral and a 12th Century Castle, as well as the largest open air market in the UK, which trades 6 days a week.

6.5.14 Prime rental levels in Norwich are at £180 per sq ft Zone A, with prime yields at about 5.50-6.00%.

7 COMPARABLE EVIDENCE

7.1 In preparing the valuations I have sought to establish market evidence both within the residential and retail markets.

Residential Market

7.2 There is limited comparable evidence of new flats being sold in the vicinity of the subject property and the wider NR3 postcode especially north of the inner ring road. Some new developments have occurred along the River Wensum, but in my opinion given the environment in which these are situated in comparison to the subject property they are not directly comparable. Much of the housing stock in this area is of a dated nature and as such is also not directly comparable to the proposed scheme.

7.3 **Beckham Place**

A development by the Chipro Group, comprising eight 1 bedroom flats and four 2 bedroom flats, together with 13 3 bedroom town houses. All of the 1 bedroom flats are seeking the same price of £165,000, equating to between £289-374 per sq ft on the basis they range in size from 441-570 sq ft. All of the 2 bedroom flats are seeking the same price of £200,000, equating to between £244-305 per sq ft on the basis they range in size from 657-818 sq ft. Only a few of the flats have been sold, but I am not aware of the actual prices achieved.

7.4 **118 Magdalen Road**

A development comprising a mixture of 1 and 2 bedroom flats within a two storey new development. The 1 bed flats are available at between £135,000 to £150,000, equating to between £296-377 per sq ft on the basis they range in size from 358-506 sq ft. The 2 bed flats are quoting £160,000 equating to £281 per sq ft based on the flat size of 570 sq ft.

7.5 I note from the Iceni viability report that they have referenced other new build schemes in the wider central Norwich area. These include the following:-

- Wharf House where 1 bed prices are between £162,950 and £204,950, with 2 bed prices at £209,950 and £275,000.
- Skipper House, where 1 bed prices are between £127,000 and £168,000 equating to about £249-322 per sq ft. 2 bed prices are between £189,000 and £306,000 equating to about £274-425 per sq ft.
- Caius Apartments, where a 1 bed flat price is £146,000 equating to about £268 per sq ft, with 2 bed flats prices between £174,000 and £206,000 equating to £226-282 per sq ft.
- Baxter Apartments, where 2 bed prices are between £200,000 and £226,000 equating to about £272-313 per sq ft.
- Hayden Apartments, where 1 bed prices are between £137,000 and £160,000 equating to about £265-310 per sq ft. 2 bed prices are between £192,000 and £338,000 equating to about £257-295 per sq ft.

7.6 In addition, Iceni have referenced Sentinel House to the south of the City Centre and on the southern side of the inner ring road, which comprises an office conversion. They state a few comparables, including 1 bed flat prices of between £122,000 and £168,000 and a 2 bed flat at £184,000. In my opinion this scheme is not comparable to a new build development as it is an office conversion. However, being on the southern side of the inner ring road is useful in the context of it is similarly disconnected from the City Centre, albeit is a lot closer than the subject property. In addition, it is closer to the train station and the leisure facilities in Chapelfield.

Retail Market

7.7 Within Anglia Square, including premises fronting Magdalen Street, I have established the following:

Retailer	Rent (£pa)	Date	Size & Floors	Analysis
Poundland	£82,500	11/2015	4,189 sq ft on ground	£19.69 per sq ft
Iceland	£32,000	9/2014	10,710 sq ft on ground & 1st floors (assume split equally)	£5.43 per sq ft with 1st floor at 10%
Desh Wholesaler (100 Magdalen St)	£20,000	7/2015	8,204 sq ft on basement, ground & 1st floors (assume split equally)	£6.09 per sq ft with basement & 1st floor at 10%
Greggs	£26,000	4/2017	2,384 sq ft on ground	£10.91 per sq ft
Savers	£19,450	4/2018	1,100 sq ft on ground	£17.68 per sq ft
Boots the Chemist	£22,500	1/2015	4,533 sq ft on ground & 1st floors (assume split equally)	£9.03 per sq ft with 1st floor at 10%
Sense (74 Magdalen St)	£18,000	12/2014	1,544 sq ft on ground	£11.66 per sq ft

7.8 In terms of retail investment, I am aware that 3/4 Haymarket in Norwich sold in Feb 2018 for £5.16m, reflecting an initial yield of 6.00%. The entire property is let to Fat Face for a term expiring in April 2023 at a rent of £330,000 per annum (£206 per sq ft Zone A). The property is considered to be in the 100% prime retail location in Norwich at the eastern end of Gentleman's Walk.

7.9 I am also aware 15-23 London Road & 4-8 Bedford Street in Norwich sold in April 2018 for £9.40m, reflecting an initial yield of 6.96%. The property is multi-let to eight tenants, comprising seven retail units and a gym at first and second floor levels. Four retail units are on London Street, which is the better retail pitch with rents equating to about £90 per sq ft Zone A, with Bedford Street at about £40 per sq ft Zone A. On a split yield basis, the sale price equates to a best initial yield of about 6.50% on the London Street retail units.

7.10 Intu Properties and the Greater Manchester Pension Fund have entered a joint venture on the Chapelfield shopping centre in Norwich in February 2018 on a 50/50 basis. The agreement reflects an asset value of £296m equating to an initial yield of 5.00%.

8 VALUATION METHODOLOGY

8.1 Valuation Considerations

8.1.1 The subject property is in need of a comprehensive redevelopment, which was acknowledged in the previous Northern City Centre Area Action Plan 2010 and in the planning consents obtained thereafter.

8.1.2 I have assumed that vacant possession is available at nil cost, but in the absence of any detail in this regard there has to be some uncertainty as the ability to achieve this. Not least there may well be compensation payments to any tenants who have security of tenure.

8.1.3 The retention of Gildengate House is an interesting strategy and whilst the Applicant's plans are not clear, I assume their intention is to convert some of this space into residential use. However, the cost of conversion is often as much as new build and the ease with which the building can be converted is unknown in the absence of any detailed plans.

8.1.4 In my opinion the quantum of retail being proposed is excessive and in the current climate I do not consider there would be sufficient demand to be able to fully let this space. Furthermore, the viability of this amount of space has to be in question although the Applicant has applied, in my opinion, values which are not achievable. It is possible therefore that in order to off-set the negative value of this amount of retail space, the Applicant has chosen to increase the amount of residential.

8.1.5 As discussed above, the vast majority of housing in Norwich is of a traditional nature, with flatted schemes being in the significant minority. Furthermore, within this area of Norwich there has been very little in the way of new development and whilst there are a couple of schemes (Beckham Place & 118 Magdalen Street) which incorporate some flats, only 40% of the stock comprises flats.

8.1.6 In my opinion, there is a question over the amount of flats the Norwich market requires, with the majority of demand for traditional housing. Pricing also comes into the equation, with new build schemes on the outskirts of Norwich commanding prices for 2 bed houses in the order of £215,000-260,000.

8.1.7 Whilst there may be some buy to let investors in the market these are fewer in number than there used to be as a consequence of tax and other changes. Some demand may come from such buyers, but I would expect most purchasers would be of an owner occupier nature.

8.1.8 However, this does not mean a developer could not choose to undertake a dedicated private rented sector scheme on part of the site. Similarly, a student accommodation scheme may be considered, although the distance from the main university campus may not make this the most attractive location although there are some student schemes around the City Centre.

8.1.9 All this points towards a question as to whether there is a value threshold for the proposed flats and I note that Iceni have adopted an average of £160,000 for the 1 bed flats, £250,000 for the 2 bed flats and £270,000 for those 2 beds in the tower from the 11th floor. In my opinion the average value of the 2 bed flats looks high, not only in comparison to other schemes nearby but also those in more central locations and given the situation in which the property is located.

8.1.10 The overall amount of residential units being proposed is high in the context of the overall housing need for Norwich. Whilst Government guidance centres on the amount of units to be provided, it also needs to consider the local market dynamics. As discussed above, the Norwich market is predominantly one where the vast majority of stock is of a traditional nature.

8.1.11 However, given the local council are still progressing through a revised Greater Norwich Local Plan, which will include a further call for sites for residential development, there remains some uncertainty as to whether the existing level of provision would meet with recent Government guidelines. The previous call for sites, prepared in December 2014, incorporated 73 sites providing for 3,142 new houses and flats, which is below that calculated in the most recent SHMA prepared in June 2017.

8.1.12 I consider the size of the proposed hotel at almost 100,000 sq ft to be excessive, with a typical budget hotel of 100 beds being in the order of 40,000 sq ft in size. There are no indications of how Iceni have valued this aspect of the proposed scheme, but given the location and other hotels already in Norwich that there would be demand for an hotel of this size.

8.1.13 I would also question the need for a cinema, given the existing facilities that are already in Norwich and whilst Anglia Square incorporates a small local cinema, the viability of providing a new one is questionable.

General Valuation Methodology

8.1.14 In arriving at their opinions of value of the subject site, Iceni have relied upon residual valuation methodology in the absence of available evidence from sales of comparable development sites.

8.1.15 This requires the estimation of the total sales proceeds on the special assumption that the proposed scheme has been completed (Gross Development Value 'GDV'). In arriving at an opinion of the GDV of the proposed development, this is based on the assumption that it has been completed to a good standard and the specification as proposed.

8.1.16 From this, the costs required to achieve it have been deducted, including construction costs, professional fees, finance costs, sales and legal fees and developer's profit. Subjective judgements are involved in this valuation process and material changes in the input data may produce significant changes in the resultant valuation, such as construction costs, GDV, developers profit and timescales.

8.1.17 I would stress that any value produced by the residual valuation method is sensitive to a wide range of inputs; relatively small changes in the cost or revenue can have a disproportionately large impact on value.

8.2 Market Value

The Proposed Applicant Scheme

8.2.1 I have obtained from Norwich City Council's website details of the proposed scheme from the March 2018 planning application and the viability assessment prepared by Iceni, dated September 2018, as follows:-

Private Residential	1,089 residential apartments, providing 526 1 beds and 563 2 beds	68,688	739,353
Affordable Residential	10% of the residential will be affordable, totalling 120 apartments, providing 111 1 beds and 9 3 beds	7,099	76,416
Commercial Space	Retail space as well as the retained Gildengate House	9,780	105,272
Hotel	We have assumed this will be a budget hotel providing over 200 beds	8,977	96,628
Cinema	This is to replace an existing facility	1,548	16,663
Car Parking & Ancillary Space	Parking for both the residential and various commercial uses totalling 1,540 car spaces	54,887	590,808

8.2.2 The proposed residential scheme may further be broken down as follows:-

Unit Type	Block	Private	% of Private	Affordable	% of Affordable	Total
1 bed flats	A	154	14.14%	0	0.00%	154
2 bed flats	A	169	15.52%	0	0.00%	169
1 bed flats	B	0	0.00%	16	13.33%	16
3 bed houses	B	0	0.00%	9	7.50%	9
1 bed flats	D	0	0.00%	41	34.17%	41
1 bed flats	E & F	137	12.58%	54	45.00%	191
2 bed flats	E & F	206	18.92%	0	0.00%	206
Tower - 2 bed flats	E & F	36	3.31%	0	0.00%	36
1 bed flats	G & H	187	17.17%	0	0.00%	187
2 bed flats	G & H	132	12.12%	0	0.00%	132
1 bed flats	J	48	4.41%	0	0.00%	48
2 bed flats	J	20	1.84%	0	0.00%	20
TOTAL		**1089**	**100.00%**	**120**	**100.00%**	**1209**

Unit Type	Block	Average Size Private	Total Size Private	Average Size Affordable	Total Size Affordable
1 bed flats	A	569	87,591		
2 bed flats	A	799	135,106		
1 bed flats	B			610	9,753
3 bed houses	B			1,571	14,138
1 bed flats	D			548	22,485
1 bed flats	E & F	556	76,211	556	30,039
2 bed flats	E & F	781	160,805		
Tower - 2 bed flats	E & F	781	28,102		
1 bed flats	G & H	542	101,388		
2 bed flats	G & H	803	105,953		
1 bed flats	J	559	26,851		
2 bed flats	J	867	17,347		
TOTAL			**739,353**		**76,416**

8.2.3 I detail below my review of the various inputs suggested by Iceni in their viability assessment of the proposed residential scheme.

<u>Gross Development Value</u>

8.2.4 My opinion of GDV has been arrived at in consideration of the value for each type of proposed residential unit, summarised as follows:-

Unit Type	Block	Private	Value	Affordable	Value
1 bed flats	A	£160,000	£24,640,000		
2 bed flats	A	£220,000	£37,180,000		
1 bed flats	B			£73,500	£1,176,000
3 bed houses	B			£143,000	£1,287,000
1 bed flats	D			£66,500	£2,726,500
1 bed flats	E & F	£156,000	£21,372,000	£67,000	£3,618,000
2 bed flats	E & F	£215,000	£44,290,000		
Tower - 2 bed flats	E & F	£230,000	£8,280,000		
1 bed flats	G & H	£152,000	£28,424,000		
2 bed flats	G & H	£221,000	£29,172,000		
1 bed flats	J	£157,000	£7,536,000		
2 bed flats	J	£239,000	£4,780,000		
TOTAL			**£205,674,000**		**£8,807,500**

8.2.5 It would appear that Iceni have adopted a private sales rate to the value of the 3 bed houses, when in fact these are affordable housing units, so should be discounted. I have assumed that these 9 units would be a mixture of both social rented and shared ownership units. My assessment of value of the affordable units has been made on the basis of the proposed split of 85% social rented and 15% shared ownership.

8.2.6 I do not consider it appropriate in the current political climate, given the Government's proposal to introduce legislation to restrict the use of ground rents on residential schemes, to adopt any value to the proposed scheme in this regard.

8.2.7 My overall opinion of the GDV for the residential elements is **£214,481,500**.

8.2.8 In arriving at my opinion of value for the commercial elements, these have been based on the following:-

SPACE	AREA (sq ft)	RENT (£psf)	YIELD	VALUE
Retail	89,482*	£10	9.00%	£9,320,000
Hotel	96,628	£11.64	8.00%	£13,185,000
Cinema	16,663	£10	10.00%	£1,560,000
TOTAL				**£24,065,000**

* This is the net lettable area

8.2.9 As may be seen my opinion of rental value is considerably lower than the £20 per sq ft adopted by Iceni for which no rationale is provided. My assessment has been based on the comparable evidence detailed above. My opinion of the aggregate Market Rent for these elements is **£2,186,450 per annum**. In light of the value of the component parts of the commercial elements, I would deduct standard purchaser's costs equating to an average of 6.67% to arrive at the Market Value of these elements.

8.2.10 Furthermore, Iceni have adopted a yield of 7% which in my opinion reflects, at the very best, the yield that may be applied once the retail units have been fully let and are income producing, but not for a speculative scheme.

8.2.11 In summary, my opinion of GDV for the entire development is therefore **£238,546,500**.

<u>Residual Appraisal Inputs</u>

8.2.12 As detailed above, the residual method of valuation involves the deduction of the costs of development from the GDV. The assumptions adopted within my residual appraisal in terms of these costs can be summarised as follows:-

<u>Timescale</u>

8.2.13 I consider that in order to undertake the development, a lead in period of eighteen months in which to tender the construction contract, demolish the existing buildings (except Gildengate House) and undertake the site enabling works. Construction periods of between up to 24 months may then be required to construct the various phases.

8.2.14 I have also considered the timescale within which I am of the opinion it might have taken to sell the various elements of the residential scheme at my opinions of market value. I have assumed a 30 month total sales period for each phase where there are private flats. I have not allowed for any pre-sales off plan and as such have spread the sales evenly over the 30 month periods.

8.2.15 In terms of the affordable units, I have assumed a Housing Association would have entered into a contract to acquire these units before construction commences and as such have assumed the capital receipts would be received during the development period of each relevant phase.

8.2.16 In terms of the commercial and retail space, I have assumed the space will be let and income producing within 12 months from practical completion at which time it could then be sold. I would, however, have also allowed for rent free periods of 12 months average for the retail and cinema space to be granted to incoming tenants. The total cost of this based on my opinion of Market Rent would be **£2,186,450** and would be a cost deduction in the appraisal.

<u>Construction Costs</u>

8.2.17 The construction costs adopted by Iceni for the residential elements appear to be quite low when compared to the Mean for new build flat schemes in Norwich as detailed in the table below.

BCIS® RICS®

£/m2 study

Description: Rate per m2 gross internal floor area for the building Cost including prelims.
Last updated: 06-Jul-2019 00:39
› Rebased to Norwich (96; sample 39)

Maximum age of results: Default period

Building function (Maximum age of projects)	£/m² gross internal floor area						Sample
	Mean	Lowest	Lower quartiles	Median	Upper quartiles	Highest	
New build							
816. Flats (apartments)							
Generally (15)	1,476	723	1,230	1,405	1,670	4,998	942
1-2 storey (15)	1,408	878	1,203	1,343	1,555	2,582	227
3-5 storey (15)	1,453	723	1,226	1,392	1,655	2,902	629
6+ storey (15)	1,836	1,074	1,491	1,724	1,942	4,998	83

8.2.18 The rates adopted by Iceni range between £1,044.97 per sq m (Block B 3 bed affordable houses) and 1,500.93 per sq m (Block D 1 bed affordable flats). Furthermore, for the proposed 21 storey tower (2 bed flats) they have only adopted a rate of £1,264.45 per sq m, which in my opinion is exceptionally low.

8.2.19 I have been provided with estimated construction costs in respect of the proposed development prepared by my in-house project and cost management colleagues, as follows:-

- Private Residential units £2,200 per sq m
- Affordable Residential units £1,722 per sq m
- Retail units £960 per sq m
- Cinema £1,500 per sq m
- Hotel £950 per sq m
- Car Parks £576 per sq m

8.2.20 In contrast, Iceni have adopted a range of values for the other component parts; Retail units £568.88 & £935.18 per sq m; Cinema £935.18 per sq m; Hotel is not listed; Car Parks £568.88 & £1,216.01 & £1,264.45 per sq m.

8.2.21 In summary, my construction costs would amount to a total of about £276m, compared with Iceni's of about £197m before any other additions.

8.2.22 In the absence of any further detail in this regard I would adopt the archaeology and decontamination costs totalling £3m in the Iceni viability appraisal. In addition, I would adopt their £2m cost for relocating the place of worship.

8.2.23 However, I note Iceni have not allowed for any demolition costs and as such have adopted a cost of £4m in this regard. However, it should be noted in my opinion that in the absence of any detailed asbestos report, this cost excludes the removal of any asbestos. In reality, given the age of the buildings I consider it highly likely that asbestos is present in the structures and as such the cost of demolition is likely to increase substantially.

8.2.24 I would allow for site enabling works in the order of 4% of total construction costs, totalling £11.0m.

8.2.25 Whilst Iceni have included construction preliminaries in their appraisal, these have been based on 10% of their construction costs for each block. Based on the advice of my in-house project and cost management colleagues, they consider this should be at 15.50% to include phasing and temporary works, but plus overhead and profit at 5%. Iceni do not appear to have included these latter items. Indeed, Iceni acknowledge that BCIS has a mean range of between 13.4% to 17.3%, but still chose to adopt 10%.

Professional Fees

8.2.26 I would allow for professional fees of 10% of the construction costs. At 8% I consider Iceni's cost to be too low and whilst it may be argued this is a large scheme which may attract a discount in the quantum of fees, it is however a complex, multi-phase and multi-use development. The normal range for these fees, spread across the numerous consultants, is usually an aggregate of between 10-15%. I would adopt the lowest end of this range on the basis some professional fees would have already been incurred and that these would be fully transferable and that any third party would have step in rights.

Contingency

8.2.27 I would adopt a contingency allowance of 5.00% of total construction costs. In addition, I would allow for a design and development contingency of an additional 5%.

8.2.28 Iceni acknowledge that a 5% construction cost is normal, but adopt 3% for no reason. In addition, they also state a developer contingency would be allowed for, although they suggest this would be to cover the marketing and sales of the residential units. This is incorrect as they have separately allowed for these costs under Marketing & Letting and Disposal Fees, as direct costs, but have not in fact allowed for any development contingency.

Section 106 / Section 278 Agreements

8.2.29 In the absence of any further detail in this regard I would adopt the Section 106 costs totalling £115,000 in the Iceni appraisal. No reference has been made to any Highways works which may be required under a Section 278 agreement.

8.2.30 However, the Municipal Costs adopted by Iceni total £8.807m in respect of CIL. They have adopted a range of costs between £6.03 and £90.85 per sq m depending on the proposed use / block.

Finance

8.2.31 In the current economic climate, and based upon my experience, I would adopt a finance rate of 6.00%. In the absence of sufficient detail it is difficult to know either the amount of borrowing required or the terms of any loan facility in this regard. The finance cost should relate to both the acquisition of the site, in representing a holding cost, and the development costs, although these may be mitigated as the various phases are completed and sold.

Site Acquisition Fees

8.2.32 I would expect the acquisition of the property to incur standard purchaser's acquisition costs to include stamp duty land tax, legal and surveyor's fees. Stamp duty is based on thresholds of 0% on the first £150,000, 2% on the next sum between £125,001 - £250,000 and 5% on the next sum above £250,000. Legal and surveyor's fees would be 1.50% plus VAT, totalling 1.80%.

Sales/Letting Fees

8.2.33 I would allow for agency fees of 2% including marketing and promotion and legal fees of 0.50%in respect of the private residential units. This compares to the total of 3% in the Iceni appraisal.

8.2.34 However, I consider there is an error in their appraisal. Taking the 1% Sales Agent Fee and their opinion of GDV at £221m, this would equate to £2.21m not £3.387m as stated. Similarly, the Sales Legal Fee of 0.50% of GDV would equate to £1.105m not £1.278m as stated. However, this GDV includes the amount for the affordable units, which would not normally incur such fees as these would be sold directly to a Housing Association.

8.2.35 A similar error would appear to have occurred with regards their Marketing Fees for both the residential and commercial space, which totals about £5.352m. I calculate this should be £4.23m based on 1.50% of £282m.

8.2.36 In addition, their Letting Agent Fee at 10% should equate to £356,500 based on their stated Gross Rental Value of £3.565m. Equally, the Letting Legal Fee should be £178,250 not £982,708.

8.2.37 With regards the retail, hotel and cinema space I agree with letting fees of 10% agency and 5% legal.

8.2.38 In terms of the sale of the commercial space (retail, hotel and cinema) I would adopt agency fees of 1% and legal fees of 0.50%.

Developer's Profit

8.2.39 I have had regard to the nature of the proposed scheme and have assumed that a developer will require a return based on profit on GDV of 20% for the Blocks except Blocks B & D where I have only allowed 6% to reflect the affordable housing nature only of these elements.

Residual Valuation

8.2.40 In adopting the above inputs into the appraisal, I would conclude the proposed scheme is not viable. My opinion of GDV at about £238.50m is below my estimated construction cost of £276m.

8.2.41 For ease of reference I attach at Appendix E a comparison of the appraisal inputs between my own and those of Iceni.

9 CONCLUSIONS

9.1 Having regard to the above, even if I were to adopt the construction costs adopted by Iceni at £197m, I am of the opinion the scheme would still not be viable. I set this out as follows:-

GDV		£238.50m
Less Development Costs:		
• Construction	£197m	
• Preliminaries @15.50%	£30.535m	
• Construction Contingency @5%	£9.85m	
• Development Contingency @5%	£9.85m	
• Archaeology & De-contamination	£3.0m	
• Demolition	£4.0m	
• Site Enabling Works	£11.0m	
• Section 106 Costs	£0.115m	
• Finance @6% (estimate)	£8.14m	
• Residential Sales & Marketing Fees @2.50%	£5.36m	
• Commercial Letting Fees @15%	£0.328m	
• Commercial Sale Fees @1.50%	£0.361m	
TOTAL DEVELOPMENT COSTS		£279.539m
Residual Value		-£41.039m

9.2 This does not include any developer's profit as the scheme is not viable.

9.3 If a developer's profit of 20% on GDV is included, which equates to £47.70m, then development costs would need to reduce by £88.739m to make the scheme break even.

9.4 Even adopting Iceni's residential GDV of £221.732m, plus my commercial GDV of £24.065m still results in an unviable scheme, again even before any developer's profit is accounted for.

9.5 The inclusion of the CIL costs as estimated by Iceni at £8.807m would make this position worse. However, there is a possibility that Homes England might provide a grant of £12m towards infrastructure works, whilst Norwich City Council might waive the CIL costs at £8m. But, the benefit of this £20m would still not make the scheme viable.

10 EXPERT'S STATEMENT

10.1 I confirm that I have made clear which facts and matters referred to in this report are within my own knowledge and which are not. Those that are within my own knowledge I confirm to be true. The opinions I have expressed represent my true and complete professional opinions on the matters to which they refer.

10.2 I confirm that my report includes all facts which I regard as being relevant to the opinions which I have expressed and that attention has been drawn to any matter which would affect the validity of those opinions.

10.3 I confirm that my duty to The Court as an expert witness overrides any duty to those instructing or paying me, that I have understood this duty and complied with it in giving my evidence impartially and objectively, and that I will continue to comply with that duty. I have read Part 35 of the Civil Procedure Rules and the accompanying practice direction including the Protocol for the Instruction of Experts to give Evidence in Civil Claims and I have complied with their requirements. I am aware of the Practice Direction Pre-Action Conduct.

10.4 I confirm that I am not instructed under any conditional fee arrangement.

10.5 I confirm that I have no conflicts of interest of any kind other than those already disclosed in my report.

10.6 I confirm that my report complies with the requirements of the Royal Institution of Chartered Surveyors (RICS), as set down in *Surveyors acting as expert witnesses*: RICS practice statement.

10.7 As my Professional Declaration, I declare:-

(a) that I believe the facts stated in this report are true and that the opinions expressed are correct

(b) that the Report includes all facts which I regard as being relevant to the opinions which I have expressed, and

(c) that the Report complies with the requirements of the Royal Institution of Chartered Surveyors as set down in "Surveyors Acting as Expert Witnesses: Practice Statement (3rd Edition 2008)" as amended.

Signed:

Jonathan Rhodes MRICS
Valuation Director
Head of Valuation
RICS Registered Valuer

For and on behalf of GL Hearn Limited

Dated: 10 July 2019

APPENDIX A

DETAILS OF PREMISES

CONTENTS - APPENDIX A

APPENDIX A - DETAILS OF PREMISES

A1 **Situation**

1 The subject property is situated in the City of Norwich, which is located in the county of Norfolk at the northern end of East Anglia region. Norwich is the dominant centre in this part of Norfolk and is situated 45 miles north of Ipswich, 64 miles north east of Cambridge, 78 miles east of Peterborough and 118 miles north east of Central London.

2 The City has an urban population in excess of 200,000, showing an increase of about 9% on the 2001 census, but has an extensive catchment population of almost 900,000.

3 It is well served by the road network, with the A11 trunk road linking to the northern end of the M11 motorway 68 miles to the south west. The A47 trunk road provides the main east / west route, linking with Great Yarmouth on the east coast and Peterborough to the west. The A140 is the main road in a north / south axis, linking with Cromer on the north coast and Ipswich to the south.

4 Norwich has a rail service, which provides services in all directions, although the mainline runs in a southerly direction with the fastest service to London Liverpool Street station in about 90 minutes.

5 Norwich has its own airport providing both some international and regional connections. The closest major airport is Luton airport over 100 miles to the south west.

6 The subject property is situated approximately 0.70 miles north of the centre of the City. It is located on the northern side of the inner ring road, formed by the A147, with the section of this road forming the southern boundary of the property known as St Crispins Road and is formed of four lanes of traffic. The property forms an island site, being bounded to the west by Pitt Street, Edward Street to the north and Magdalen Street to the east. The latter forms the main link to the south into the City.

7 The area in which the property is situated is mixed use in nature, although to the north this is dominated by traditional terraced housing, whilst to the south there is a mixture of residential units and commercial buildings of various ages. The River Wensum forms the northern boundary to the city centre.

8 I attach as Appendix B a Location Plan showing the position of Woodley in its regional context, a Street Map with the property shown in its local context and an extract from the Ordnance Survey on which the subject property is edged red in accordance with my understanding of the site boundaries.

A2 **Description**

1 The subject property comprises a mixed use site, providing the Anglia Square shopping centre, two office buildings known as Sovereign House and Gildengate House, a multi-storey car park, surface car parking and some ancillary buildings including a chapel. Most of the development is dated from the late 1960's. The shopping centre has a frontage onto Magdalen Street and is predominantly covered by a service deck with access off St Crispins Road and which also connects into the multi-storey car park.

2 Photographs of the subject premises are included as Appendix C.

A3 **Development Proposals**

1 An hybrid planning application (18/00330/F) was submitted on 2 March 2018. The proposal was for the following scheme:-

Hybrid (part full/part outline) application on site of 4.51 ha for demolition and clearance of all buildings and structures except Gildengate House and the phased, comprehensive redevelopment of the site with 7 buildings and refurbished Gildengate House for a maximum of 1,250 residential dwellings (Use Class C3); 11,350 sqm hotel (Use Class C1); 9,850 sqm ground floor flexible retail, services, food and drink, office, non-residential institution and other floorspace (Use Classes A1/A2/A3/A4/B1/D1/Sui Generis (bookmakers and/or nail bars, up to 550 sqm and public conveniences)) ; 1,150 sq m ground floor flexible commercial floorspace (Use Classes A1/A2/A3/A4/B1/D1), service yards, cycle and refuse stores, plant rooms and other ancillary space; up to 3,400 sqm cinema (Use Class D2); 1,300 sqm place of worship (Use Class D1); and multi-storey car park (public element: 600 car spaces, 24 motorcycle spaces), with associated new and amended means of access, closure of existing means of access, widening of footways, formation of service/taxi/car club/bus stop laybys and other associated highway works on all boundaries, maximum of 940 car parking spaces for Use Classes C1 / C3 / B1 / D1, (of which maximum of 40 spaces for C1/B1/D1), hard and soft landscaping of public open spaces comprising 2 streets and 2 squares for pedestrians and cyclists, other landscaping including existing streets surrounding the site, service infrastructure and other associated work; (all floor areas given as maximum gross external area).

2 The planning application was called in by the Secretary of State for MHCLG on 21st March 2019 and Historic England will appear as a rule 6 Party at the forthcoming public inquiry into the proposed redevelopment of Anglia Square, Norwich. The scheme had been recommended for approval in December 2018 at a City Council planning committee, having passed at seven votes to five.

A4 **Accommodation**

1 I have been provided with the following floor areas for the purposes of my valuation(s). I have assumed that these areas have been calculated in accordance with the current Code of Measuring Practice prepared by the Royal Institution of Chartered Surveyors.

Section	Description	Sq M	Sq Ft
Private Residential	1,089 residential apartments, providing 526 1 beds and 563 2 beds	68,688	739,353
Affordable Residential	10% of the residential will be affordable, totalling 120 apartments, providing 111 1 beds and 9 3 beds	7,099	76,416
Commercial Space	Retail space as well as the retained Gildengate House	9,780	105,272
Hotel	We have assumed this will be a budget hotel providing over 200 beds	8,977	96,628
Cinema	This is to replace an existing facility	1,548	16,663
Car Parking & Ancillary Space	Parking for both the residential and various commercial uses totalling 1,540 car spaces	54,887	590,808
TOTAL		**150,979**	**1,625,140**

2 The extent of the site boundaries, as I understand them, are shown edged red and blue on the Ordnance Survey extract included within Appendix B.

3 The total site area is approximately 11.50 acres (4.65 ha).

A5 **Services**

1 I have assumed the subject site is supplied by all mains water, gas and electricity services and is connected to the mains drainage system.

2 I have undertaken no investigations to ascertain the condition and capacity of these services.

3 I have assumed that the location within which the property is situated provides the potential for the site to be connected to the mains supply of electricity, gas and water, and that it can also be connected to the mains drainage system. I have assumed there are no material defects or capacity issues to the existing utility services, which would incur substantially greater costs than those provided.

A6 **Condition**

1 At the date of my external inspection for valuation purposes, the premises appeared to be in a mixed state of repair and condition having regard to their age, character, specification and use. Anglia Square is in a reasonable state of repair as most of it is still in use and is mostly occupied. Sovereign House is in a poor and dilapidated condition and Gildengate House is in a reasonable condition, being part occupied.

2 I have not been instructed to carry out a structural survey of the subject premises and the comments above should not be regarded as such.

3 I must stress that I have not carried out any detailed investigations of the fabric of the buildings and are, therefore, unable to report that they are free from defect arising from the use of High Alumina Cement, Asbestos or any deleterious material. If further investigation of the property is required, I recommend that this work be carried out by a qualified Civil or Structural Engineer. The age and style of construction of the subject property are such that materials such as high alumina cement concrete, woodwool shuttering, calcium chloride or asbestos are may have been used in its original construction or subsequent alteration.

4 No enquiries have been made to determine whether any Asbestos insulation or coating nor any other deleterious material has been used in the fabric, finishes or services to the premises, which may need removal by a Licensed Operator or sealing permanently. If it is considered that the presence of deleterious materials would necessitate detailed investigation we recommend a full survey be commissioned.

5 The Control of Asbestos at Work Regulations 2002 imposes a duty to manage the risk of asbestos by ensuring that a suitable and sufficient assessment is carried out as to whether asbestos is or is liable to be present in the premises. The regulations came into force in May 2004 from which date it is assumed that asbestos is present within a building unless "proved" otherwise. The regulations require non-domestic property to have asbestos management plans in place.

6 In the absence of any such report, I have assumed for the purposes of this report that no asbestos is present in the property or, alternatively, that the removal of any asbestos will result in no significant costs to the borrower.

7 This legislation imposes duties on, amongst others, employers, service providers and landlords not to discriminate against disabled persons. Whilst employers are not required to make changes in anticipation of employing a disabled person, they have to make reasonable adjustments to their employment arrangements and premises if a disabled person might otherwise be substantially disadvantaged. In addition, service providers have a duty to make reasonable adjustments to physical features of buildings or provide agreeable terms in making the service available.

8 I have not been provided with an audit of the property in relation to the Equality Act 2010. However, in the absence of any such audit report and having regard to the proposed redevelopment of the property I have assumed the proposed scheme will be fully compliant in this regard.

9 In accordance with the provisions of the Energy Performance of Buildings Regulations 2008 (as amended) all commercial buildings will require an Energy Performance Certificate (EPC) with effect from 4 January 2009. Exempt buildings are temporary buildings with a planned time of use of two years or less, workshops and non-residential agricultural buildings with low energy demand and stand-alone buildings with a total useful floor area of less than 50 sq.m (538 sq ft) which are not dwellings.

10 An EPC is a document which states the energy efficiency of a building based on the standardised way that the building is used. Carbon Dioxide ratings are shown in bandings from A to G, with A being the least polluting.

11 The EPC is to be provided by the seller (if the building is to be sold) and by the prospective landlord (if the building is to be let) and be made available free of charge to a prospective buyer or prospective tenant.

12 I have not been provided with copies of any EPCs for the subject property, but given the redevelopment proposals I have assumed for the purposes of this valuation exercise that the current EPC Bandings have no material impact upon the Valuation figure reported herein.

A7 **Environmental Matters**

1 I am not aware of the content of any environmental audit or other environmental investigation or soil survey which may have been carried out on the property and which may draw attention to any contamination or the possibility of any such contamination. In undertaking my work I have assumed that no contaminative or potential contaminative uses have ever been carried out on the property. I have not carried out any investigation into past or present uses of either the property or of any neighbouring land to establish whether there is any potential for contamination from these uses or sites to the subject property and have, therefore, assumed that none exists.

2 Should it be established subsequently that contamination exists at the property or on any neighbouring land or that the premises have been or are being put to a contaminative use of which I am currently not aware, this might reduce the values now reported.

3 I have made enquiries of the Environment Agency web site and I note that the subject property falls outside the extent of the extreme flood. The site is categorised as having a chance of flooding equivalent to 0.10% and the risk of flooding from the river or sea is very low. However, the risk from surface water flooding is higher at 3.30%.

4 If the property lies within or close to a flood plain, or has a history of flooding, I have made an Assumption that building insurance is in place regarding flooding and available to be renewed by the current or any subsequent owner of the property, without payment of an excessive premium or excess.

A8 **Planning and User**

1 I have set out under Section A3, above, details of the planning proposals relating to the subject property.

2 In addition, website enquiries have been made of Norwich City Council planning authority www.norwich.gov.uk as to the possibility of highway improvement proposals, comprehensive development schemes and other ancillary planning matters that could affect property values.

3 The property is within an area covered by the Norwich Local Plan, which was adopted by the Council in November 2014. The Joint Core Strategy (JCS) sets out the strategy for regeneration and growth in the greater Norwich area up to 2026, while the Site Allocations and Development Management plans provide detailed polices to guide and implement this strategy. From 1 April 2016 the Northern City Centre Area Action Plan 2010 (NCCAAP) no longer forms part of the Local Plan. The Council are in the process of working with Broadland District Council, South Norfolk District Council and Norfolk County Council to prepare the new Greater Norwich Local Plan (GNLP), which will plan for development until 2036. Once adopted in 2020-21 the new GNLP will supersede the JCS and Norwich's Site Allocations and site specific policies plan. They envisage the GNLP will be adopted by September 2021.

4 The property is identified within the Local Plan as being suitable for a comprehensive redevelopment, previously within the now expired NCCAAP. The Council have prepared the Anglia Square Policy Guidance Note, dated March 2017, in this regard.

5 The property is located in the Norwich City Centre Conservation Area but no part of it is listed.

6 I am not aware of any planning proposals in the vicinity of the subject premises which might have adversely affected the subject property.

7 I have not considered the planning history for the subject property, although am aware the property previously had the benefit of the following planning permissions:-

- Planning consent was granted in October 2009 (08/00974/F) for comprehensive regeneration of Anglia Square and environs for mixed use development, including approximately 200 residential units, a foodstore (clarify size), a bridge link from St. Crispin's, a health centre, the potential relocation of Surrey Chapel, and enhancement of landscaping including an enlarged square. The proposal for redevelopment included the demolition of all the units along Pitt Street (including the locally-listed buildings), Surrey Chapel, Sovereign House, Gildengate House, some of the units around the Square, and the removal of Botolph Street and the twelve trees and open space adjacent to St Crispin's Road.

- Phased planning consent was granted in March 2013 for the comprehensive redevelopment of Anglia Square including land and buildings to the north and west of the Square (applications reference 11/00160/F, 11/00161/F). The first phase proposals were for mixed use development, including an enlarged Anglia Square, a new 7,792 sqm foodstore, supported by 507 car park spaces, amendments to the current access arrangements including enhanced pedestrian, cycle, public transport accessibility, a bridge link from St Crispin's Road, and closing of subway. Also, additional retail and other town centre uses (Class A1, A2, A3, A4) totalling 3,565 sqm net, a creche (Class D1) and up to 91 residential units (Class C3) in mixed private/housing association use. Outline planning permission was also granted for 16 housing association units on land west of Edward Street.

- Planning consents were also granted for latter phases of development in this area and included additional retail and food and drink uses (Class A1/A3) totalling of 2,985 sqm; rooftop parking providing 99 spaces and 29 private flats with temporary car parking; external refurbishment of Gildengate House offices and improvement to existing office entrance; additional retail and food and drink uses (Class A1/A3) of 2,094 sqm and the provision of a gym (Class D2) of 1,478 sqm.

8 I draw your attention to the fact that employees of town planning departments now always give information on the basis that it should not be relied upon and that formal searches should be made if more certain information is required.

A9 **Highways**

1 I have made verbal enquiries of the local highways authority who have advised that the roads surrounding the subject property are adopted and maintained at public expense.

A10 **Business Rates & Council Tax**

1 The proposed development would need to be assessed for both Business Rates and Council Tax in line with Norwich City Council's rates for the relevant tax year they are completed.

2 The English 2019/20 Uniform Business Rate (NNDR) is £0.504, with the small business rate multiplier being at £0.491. An additional charge is levied by the Regional Water Company.

3 The Council Tax for Norwich City Council's area are as follows:

Band	2019/20 Liability	Band	2019/20 Liability
A	£908.16	E	£1,664.96
B	£1,059.52	F	£1,967.68
C	£1,210.88	G	£2,270.40
D	£1,362.24	H	£2,724.48

A11 **Tenure**

1 I have been instructed to value the unencumbered freehold interest in the property, the extent of which I have assumed is edged red on the attached Ordnance Survey extract at Appendix B. I have not been provided with a copy of the lease, but have made the following assumptions:-

2 In the absence of a Report on Title, I have assumed that there are no encumbrances or unduly onerous or unusual easements, restrictions, outgoings or conditions likely to have an adverse effect upon the value of the property. I have also assumed for the purposes of this valuation and report that good and marketable title is held.

3 **VAT:** I have assumed that no election has been made to waive exemption to VAT in respect of this property. The valuation(s) included in this Report are net of Value Added Tax at the prevailing rate.

A12 **Tenancy**

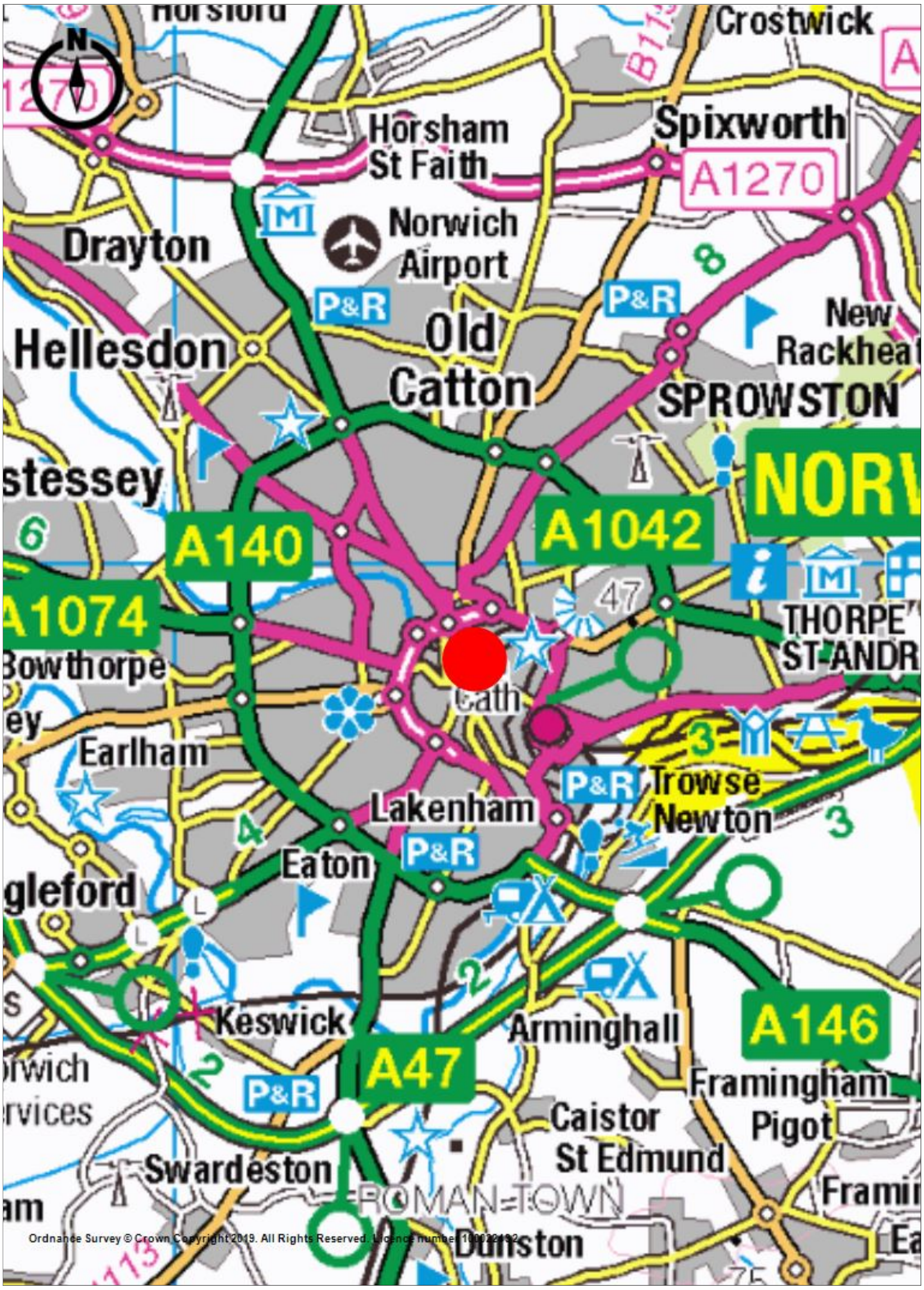
1 I have assumed the property would be available with full vacant possession.

APPENDIX B

LOCATION AND SITE LAYOUT PLANS

CONTENTS - APPENDIX B

Anglia Square, Norfolk, NR3

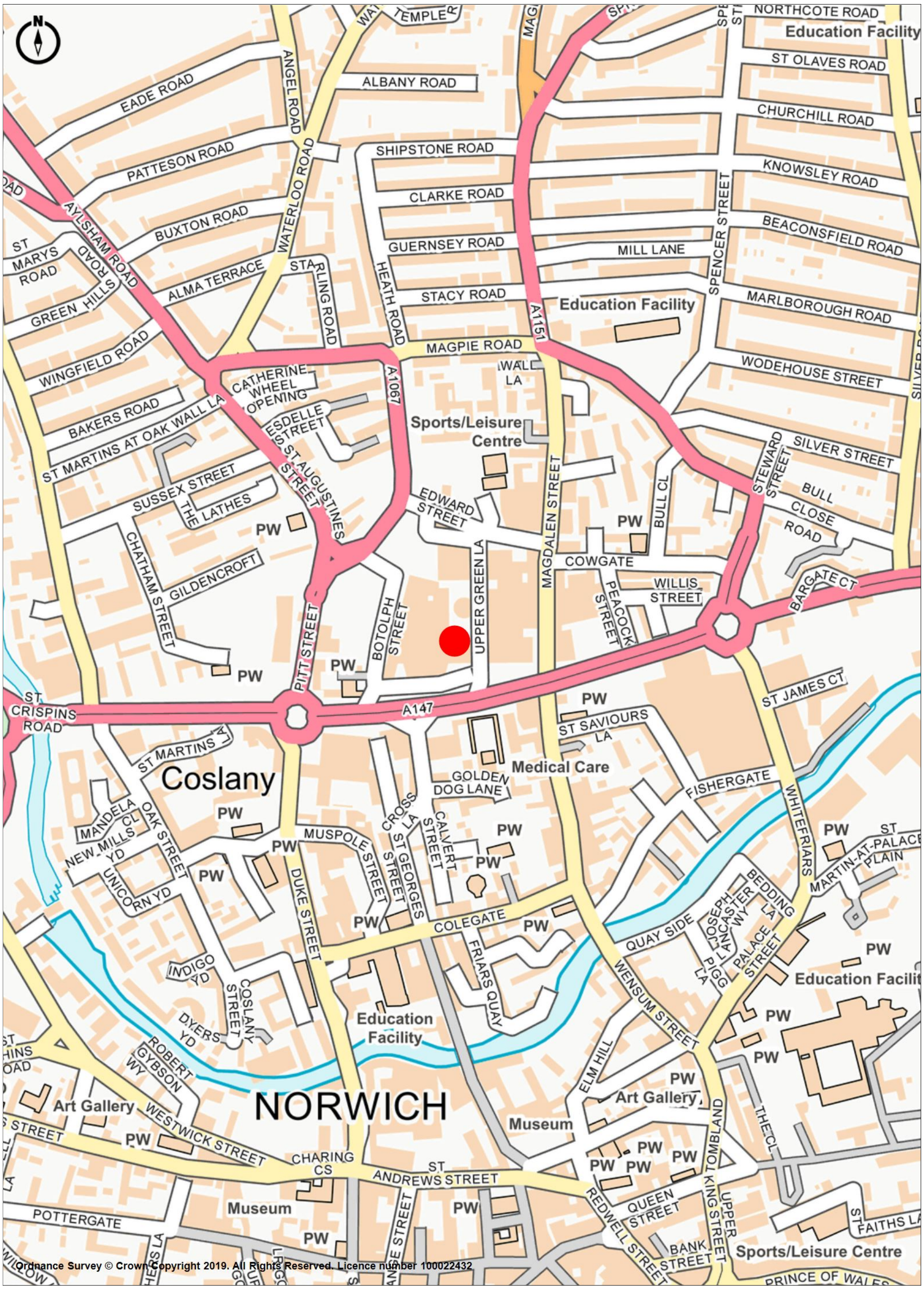


Promap v2
LANDMARK INFORMATION

Plotted Scale - **1:75000**. Paper Size - **A4**

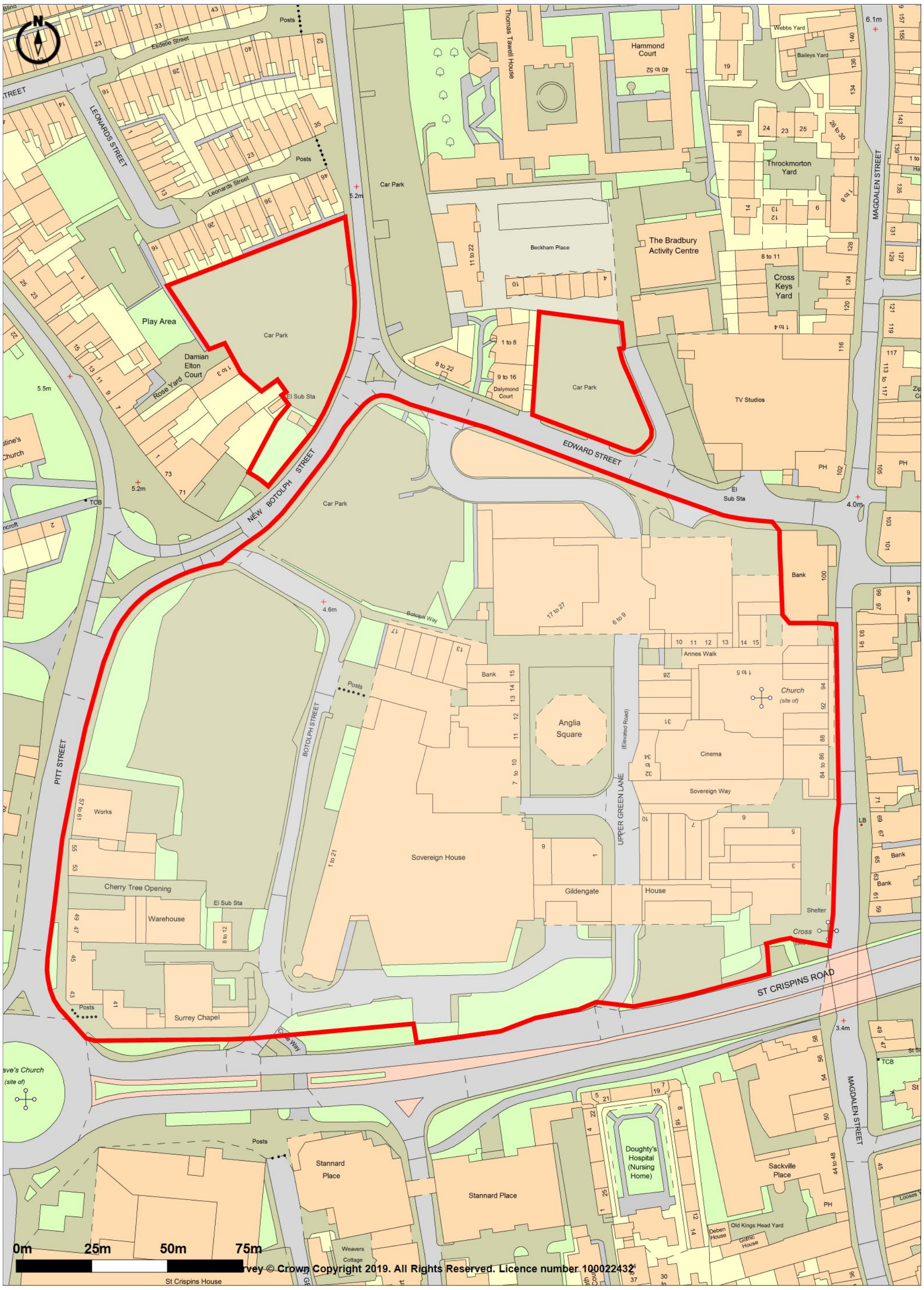
GL Hearn
Part of Capita plc

Anglia Square, Norfolk, NR3



Plotted Scale - **1:7500**. Paper Size - **A4**

Anglia Square, Norfolk, NR3

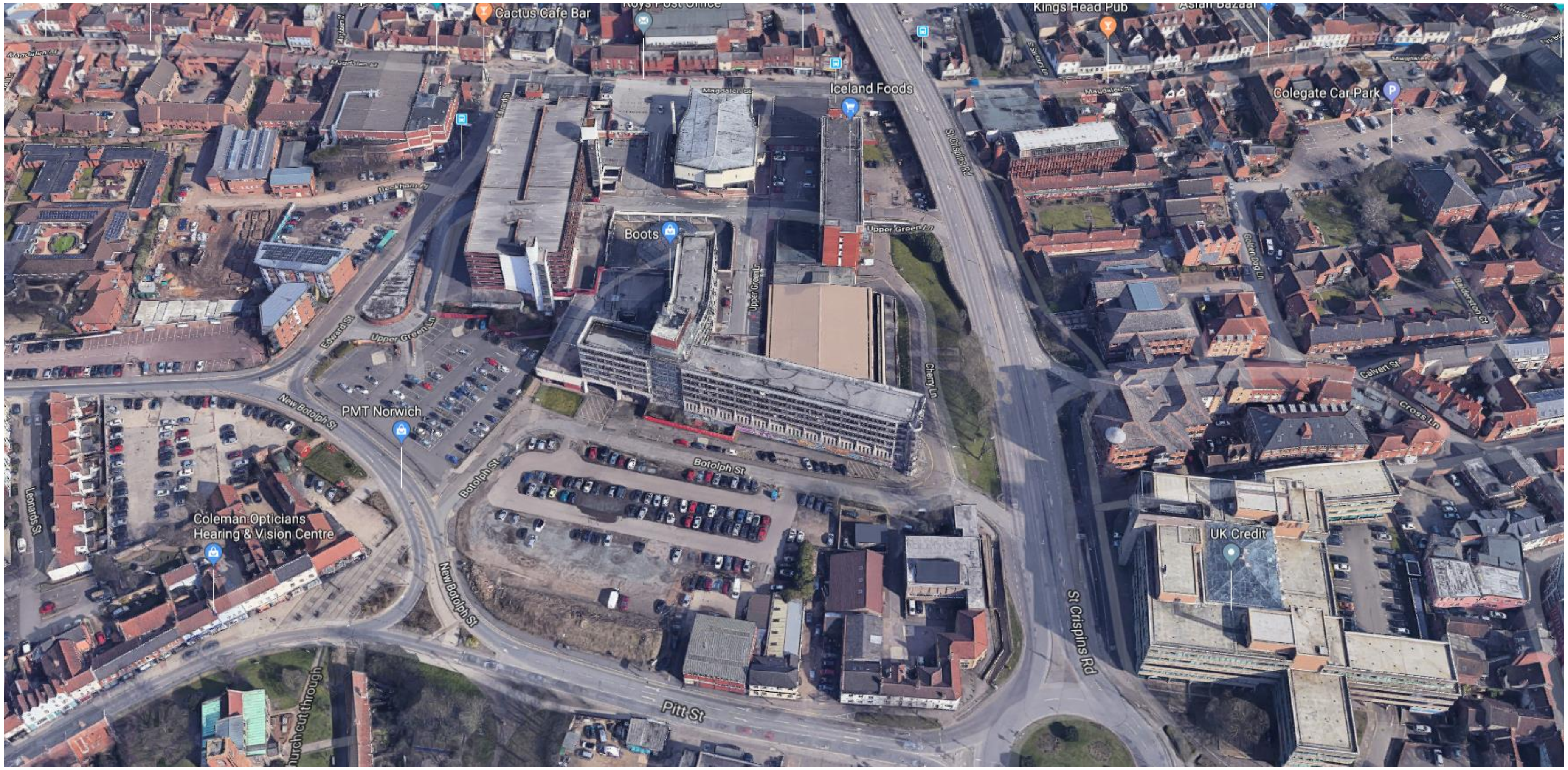


Plotted Scale - **1:2250**. Paper Size - **A4**

APPENDIX C

PHOTOGRAPHS

Aerial of Anglia Square from the South looking North



Aerial of Anglia Square from the West looking East

Aerial of Anglia Square from the North looking South

Aerial of Anglia Square from the East looking West

Anglia Square looking North West and North up Magdalen Street

Anglia Square looking South

The Shopping Precinct from the deck level looking West

Gildengate House looking North

APPENDIX D

PROPOSED ACCOMMODATION SCHEDULE

Proposed Accommodation Schedule
ANGLIA SQUARE, NORWICH
Details as at 10 July 2019

Description / Tenant	Terms of lease	Floors	Area GIA / NIA [(1)]		Market Rent £ pa excl	Comments
			sq m	sq ft		
Private Residential	These units will be sold	Up to 21 stories	68,688	739,353	N/A	1,089 residential apartments, providing 526 1 beds and 563 2 beds
Affordable Residential	These units will be sold	Up to 10 stories	7,099	76,416	N/A	10% of the residential will be affordable, totalling 120 apartments, providing 111 1 beds and 9 3 beds
Commercial Space	5-10 year leases	Ground Floor	9,780	105,272	£894,820	Retail space as well as the retained Gildengate House
Hotel	15-20 year lease	Multi-storey	8,977	96,628	£1,124,750	I have assumed this will be a budget hotel providing over 200 beds
Cinema	5-10 year lease	Multi-storey	1,548	16,663	£166,630	This is to replace an existing facility
Car Parking & Ancillary Space	Not applicable	Ground Floor and Multi-storey	54,887	590,808	N/A	Parking for both the residential and various commercial uses totalling 1,540 car spaces
Totals			**150,979**	**1,625,140**	**£2,186,200**	

Notes:

1 GIA is the gross internal area and has been applied to the residential, hotel, cinema and car parking & ancillary space. The above floor area is the GIA, but for the purposes of my valuation I have used the NIA (net internal area) of 89,482 sq ft.

2 I have relied upon floor areas provided. I have assumed these have been calculated in accordance with the current Code of Measuring Practice prepared by the Royal Institution of Chartered Surveyors.

APPENDIX E

COMPARISON OF APPRAISALS

Comparison of GL Hearn & Iceni Residual Appraisals Inputs **10.07.2019**

Inputs		GL Hearn	Iceni
VALUES			
Residential Revenue	Values by Flat Type - Private	1 bed £156-160,000 2 bed £221-239,000 2 bed (tower) £230,000	1 bed £160,000 2 bed £250,000 2 bed (tower) £270,000
	Values by Flat Type - Affordable SR	1 bed £64,000 2 bed N/A 3 bed £129,000	1 bed £64,000 2 bed £100,000 3 bed £130,000
	Values by Flat Type - Affordable SO	1 bed £96,000 2 bed N/A 3 bed £193,000	1 bed £96,000 2 bed £150,000 3 bed £195,000
	Ground Rents (pa) (Private flats only)	£0 per unit	£250 / £350 per 1 bed / 2 bed unit
	Ground Rent Yield (Private flats only)	0.00%	5.25%
OVERALL TOTAL RESIDENTIAL GDV	**Residential GDV only**	**£214,500,000**	**£221,700,000**
Commercial Revenue	Retail / Commercial Rent (flexible)	£10 psf	£15.39-21.06 psf
	Retail / Commercial Yield	9.00%	7.00%
	Void Period	12 months	Not Included months
	Rent Free	12 months	Not Included months
	Hotel Rent	£11.64 psf	Not specified
	Hotel Yield	8%	Not specified
	Cinema Rent	£10 psf	Not specified
	Cinema Yield	10%	Not specified
COMMERCIAL GDV	**Commercial GDV only**	**£24,065,000**	**£62,250,000**
Total GDV	**Gross Development Value**	**£238,500,000**	**£282,000,000**
CONSTRUCTION COSTS			
Main Construction Costs	Flats - All Tenures (£per sq m)	£2,200 private / £1,722 affordable	£1,265-1,392 private / £1,045-1,500 affordable
	Retail / Commercial	Retail £960 per sq m; Cinema £1,500 per sq m; Hotel £950 per sq m; Car Parks £576 per sq m	Retail units £568.88 & £935.18 per sq m; Cinema £935.18 per sq m; Hotel is not listed; Car Parks £568.88 & £1,216.01 & £1,264.45 per sq m
TOTAL MAIN CONSTRUCTION COSTS		**£276,000,000**	**£197,365,000**

ADDITIONAL COSTS				
Other Costs	Archaeology & De-contamination	£3,000,000	£3,000,000	
	Demolition	£4,000,000	Not Included	
	Community	£2,000,000	£2,000,000	
	Site Enabling Works	£11,000,000	Not Included	This may be off-set by Homes England of £12m
	Preliminaries	15.50 %	10.00 %	
	Contingency	5.00 %	3.00 %	
	Development Contingency	5.00 %	Not Included	
	Professional Fees	10.00 %	8.00 %	
	CIL	Not Included	£8,807,000	This may be off-set by Norwich City Council of £8m
	Finance Rate	6.00 %	6.50 %	
Marketing & Letting, Disposal Fees (Sales Agents / Sales Legal Fees)	Purchasers Costs (On Commercial GDV only)	6.80 %	6.75 %	
	Sales Agent Residential	2.00 %	1.50 %	But incorrect values in the appraisal?
	Sales Legal Residential	0.50 %	Included in the above	
	Sales Agent Commercial	1.00 %	1.50 %	But incorrect values in the appraisal?
	Sales Legal Commercial	0.50 %	Included in the above	
	Letting Agent Fee (commercial only)	10 %	10 %	But incorrect values in the appraisal?
	Letting Legal Fee (commercial only)	5 %	5 %	But incorrect values in the appraisal?
PROFIT				
Profit	Profit on GDV (blended return)	20.00 %	5.36 %	
	Profit on Cost (blended return)	Not included	5.70 %	
TIMESCALES				
Timescales per Block(s)	Lead-in period	18 months		
	Construction Period	24 months		
	Sale Period	30 months		
Project Length	TOTAL Project Timescale (All Blocks)	135 months	Not identified	
SALES PROFILE				
Private Sales Profile	Private Off Plan Sales (Percentage)	No private off plan sales	Not identified	
Affordable Sales Profile	Affordable Sales Profile	Revenue spread evenly over the construction period for each phase.	Not identified	

APPENDIX F

CURRICULUM VITAE OF JONATHAN RHODES

GL Hearn
Part of Capita plc

Curriculum vitae

Jonathan Rhodes
Director

Qualifications

Member Of The Royal Institution Of Chartered Surveyors
BSC (Hons)

Profile

Jonathan, is the National Head of Valuation and specialises in advising on all aspects of capital markets, including valuation, investment and corporate activity.

He has over 30 years of experience in property, having built up considerable experience in both valuing and advising on all types of commercial, residential and institutional investment and development property across the UK, for financing, accounts and other purposes.

From a valuation perspective, he has expert knowledge in valuing a wide variety of properties, whilst also providing a consultancy and advisory service to both investors and corporate occupiers. The work ranges from valuations for loan security purposes to due diligence and asset valuations in flotation and take-over situations.

Jonathan has been qualified for over 28 years and is a RICS Registered Valuer.

Areas of Expertise

Valuations for Secured Lending
Valuations of between £500,000 to £500m in single lots and portfolios for both acquisition and re-financing purposes across all the main property sectors in the UK. This may include investment properties of a single or multi-let/use and development properties of a single or mixed use nature, as well as owner-occupied properties. I also have a good knowledge of debt structures.

Clients have included all the main UK clearing banks, building societies and a range of foreign banks.

Valuations for Accounts Purposes
Valuations are Red Book, UKGAAP and IFRS compliant in the preparation of financial statements. Includes regular portfolio valuations, investment advice on acquisitions as well as asset management strategies for both private and public sector clients.

280 High Holborn
London WC1V 7EE

+44 (0) 20 7851 4818
jonathan.rhodes@glhearn.com

Employment history

2009 - present
GL Hearn, London

2007 - 2009
DTZ, London

2000 - 2007
Donaldsons, London

1996 - 2000
Chesterton, London

1988 - 1996
Edward Erdman / Colliers CRE, London

Clients have included large property companies (eg. Hammerson), Institutions (eg. Canada Life, Invesco, Aberdeen), Government departments (eg. Home Office, Defra, GLA) and a wide variety of medium and smaller sized property companies.

Development Appraisals
Valuations to assess the residual land value for acquisition or disposal purposes of greenfield and brownfield sites (strategic land) as well as properties suitable for regeneration / refurbishment either with or without planning consent. Also includes viability exercises (calculation of worth / profit) where the property is already owned.

Clients have included residential developers and housing associations, as well as a substantial number of property companies and off-shore trusts.

Dilapidations and Section 18 Valuations
Acting as an Expert Witness in providing Section 18 reports. Section 18 valuations enable the landlord to fully defend a claim and demonstrate the legal obligation to mitigate any diminution in value. Alternatively they can provide a tenant with an invaluable argument of refuting a claim by demonstrating what the hypothetical landlord could do with the property and / or its marketability.

Clients have included corporate occupiers and property companies or private investors.

Mergers & Acquisition Advice
Central co-ordinating role on all the property related matters in advising on take-overs, mergers or acquisitions. The advice includes valuation, dilapidation liability assessments, property management and strategic asset advice. I am aware of the need for speed and quality of delivery given the often tight timescales and limited information available (eg. in data rooms). Clients often require both pre and post acquisition advice including reducing costs, developing synergies and maximising proceeds from any sales.

Clients include private equity and venture capitalists, where we have advised on the takeover of retailers and industrial conglomerates.

Strategic Asset Advice
Understanding the client's business to enable strategies to be conceived and implemented in order to maximise asset management opportunities and therefore enhance value. Includes portfolio rationalisation, relocation, redevelopment, acquisition, disposal and lease re-gears. Our philosophy reflects a flexible approach to how we interact with clients, but perhaps more importantly we have adopted a holistic approach with the core aim of fully understanding the client's business and strategies.

Valuation for Tax Purposes
Valuation advice in respect of capital gains tax, inheritance tax and probate purposes for corporate and private clients.

Debt Advisory
We aim to provide discrete specialist services to assist in creating and implementing new strategies, work-out solutions and cost saving measures for both commercial and residential properties for properties subject to either existing or proposed loan structures. We provide an integrated and tailored approach with clients with the aim to establish a clear and well informed strategy in order to maximise value in either the short or longer term through our knowledge of the debt market and loan structures.
Clients include Lloyds Banking Group, Clydesdale Bank, HSBC, the Irish Banks and Grant Thornton.

GL Hearn
Part of Capita plc

Expert Witness Advice
High quality valuation advice in either defence or support of litigation, negligence and specialist matters. I adopt a steadfast and robust approach on such matters, although I only take on work where I have the necessary expertise and knowledge. Whilst I have limited experience in Court, I have the confidence in my own expertise, knowledge and general approach as well as the personality to be able to manage this process effectively. I have been in Court three times in the last five years.

Selected Expert Witness Projects

Litigation claim relating to a fiduciary responsibility
I was retained by the defendent as an Expert Valuer. I provided expert evidence in March 2018 in the Property and Technology Court on Fetter Lane.

The property is located near Reading and comprised a residential development opportunity. The valuation date was June 2009, which meant I had to retrospectively value the property. I had to consider the potential value on the basis the property did not benefit from a valid planning permission as at the date of valuation.

Negligence Claims
I have been involved in a number of relatively recent cases, acting for the claimant, where a professional practice has been sued for negligence. In one of these cases I was required to provide expert evidence in Court in November 2016.

These cases have included residential development sites and high end residential apartments.

Expert Witness on CPO Claim
I was involved in the first Crossrail case to have reached the Lands Tribunal. I acted as an Expert Valuer for the Claimant. The property in question was a former retail and office building located on Oxford Street in London which has since been demolished as part of the Crossrail development.

Litigation claim relating to a construction defect
I was involved in a case concerning a shopping centre, where I provided advice on the potential diminution in value of the property arising from the leaching of salts. I was retained by the claimant as an Expert Valuer.

The shopping centre is anchored by three large units, with a further 20 retails units, office and community premises and 22 residential units and forms an important part of the retail facilities in the town centre. I had to use my extensive property experience to provide a valuation based on a clear and reasoned approach in determining any potential diminution in value. I also had to apply my knowledge of the investment market in being able to provide an opinion on a matter which is by no means straightforward or mainstream.

Expert Witness advice relating to dilapidation claims
I have many years of experience in undertaking Section 18 valuations for either landlords or tenants, with the majority acting on behalf of the tenant. In most instances they usually are settled and agreed through negotiation or otherwise mediation. Examples include office buildings of between 25,000-100,000 sq ft in Watford, Leatherhead, Telford and London; warehouse premises of between 10,000-35,000 sq ft in Oxford, London and Poole; retail premises of a variety of natures including High Street and out of town.

I act in the capacity of an Expert Witness, although during the pre-litigation and negotiation stages, I am retained solely by the client.

APPENDIX G

VALUATION ASSUMPTIONS

CONTENTS - APPENDIX G

APPENDIX G – VALUATION ASSUMPTIONS

In carrying out this Valuation I have made the following assumptions in relation to each property. References to PS and UKPS are to the Practice Statements of the current edition of the Valuation Professional Standards published by the Royal Institution of Chartered Surveyors.

G1 BASIS OF VALUATION

1 **Market Value (MV)** as defined in PS 3.2:

"The estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion"

Market Rent (MR) as defined in PS 3.3:

“The estimated amount for which a property, or space within a property, should lease (let) on the date of valuation between a willing lessor and a willing lessee on appropriate lease terms in an arm’s-length transaction after proper marketing wherein the parties had acted knowledgably, prudently and without compulsion.”

2 The basis of valuation is a statement of the fundamental terms upon which a hypothetical exchange is assumed to take place. Any change in basis is likely to have a material effect on the valuation.

3 We confirm that in our view no "Special Assumptions" as envisaged in PS 2.2 have been made in arriving at our opinion of value.

4 We have not reflected any element of "marriage value" and have valued the property as a single property unit and not as part of any property portfolio.

5 We have valued the premises on an investment basis and have assumed that existing lettings will continue without excessive voids or vacancies for the type of property concerned.

6 The Valuation has been made having regard to current market conditions. Specific factors affecting the general economic and property outlook may cause short term movement in values due to changes in investment yields and demand for particular types of property. In the event of any transaction being contemplated at a subsequent date it is recommended that a reassessment of value for the purpose of that transaction be made.

Valuation Uncertainty

7 With Britain having voted to leave the EU on 23 June 2016, there will be a period of uncertainty as both the UK and indeed the world economy adjust to the implications. The impact on the UK property market is similarly likely to lead to a period of ‘wait and see’ with a consequent reduction in the number of comparable property transactions in what could be a fluid and potentially volatile macroeconomic climate.

8 The short term implications will be one of adjustment and will be dependent upon financial stability, while markets, both in the UK and internationally, find a level. However, the immediate impact on the UK property market is unclear. A period of inertia might be expected and remains to be seen, although whether there is a more dramatic change, manifesting itself in both forced selling and disinclination to trade, is uncertain until it is clear how prices in the market will be affected in the longer term.

9 The valuation of assets including property will be challenging pending evidence of market transactions in the aftermath the Referendum. In advance of new market evidence, the valuer must consider the consequent uncertainty and its impact on various factors, including the following:

- Nature of the property or location
- Restrictions on enquiries or information provided
- Method of valuation (in particular when using residual method)
- Hope value
- Legal changes (e.g.: impending legislation or disputes pending a court decision)
- Market instability
- The target market for an asset

10 However, in the narrower sense of the local market (and asset type), the valuer must decide whether there is market instability and, if so the valuer must decide to what extent there is uncertainty relating to a specific asset and to what degree this impacts on the advice given. It should be emphasised that the characteristics of market instability as described in GN5 of the Valuation Professional Standards prepared by the RICS (the "Red Book") will not be the same in all circumstances. For example, reference is made to an event which causes a sudden and dramatic change on markets. There can be circumstances, such as those which exist at the present time, which can lead to a more prolonged period of uncertainty and possibly instability.

11 In such circumstances, it is likely that a valuer will still be able to make a judgement regarding value albeit that this judgement is expressed as being provided in conditions of uncertainty. This means that in the expected period of inertia there will probably be a lesser amount of comparable evidence on which to base our opinions of value. While we are confident the opinions expressed within this report are reasonable, we must point out that current market conditions dictate lesser certainty pending a return to a reasonable volume of market transactions in the 'New World'. However, if the impact is one of a very significant fall in the volume of transactions and greater financial volatility, albeit on the assumption of a still functioning market, our opinions may be subject to a greater degree of variance than in a more normal and stable environment.

12 This means there is a lesser amount of comparable evidence on which to base our opinions of value. While we are confident of the opinions expressed within this report are reasonable, we must point out that current market conditions mean these are subject to a degree of uncertainty.

G2 **CONDITION OF PREMISES**

1 I have assumed that the premises, as described, are in the condition existing at the time of my inspection. I was not instructed to carry out a structural assessment or building condition survey and cannot give any assurance as to their structural condition, the absence of rot or timber infestation, or the service installations. None of the services were tested during the course of my inspection of the property.
In addition:

a) I have not made allowances for items of disrepair where these were patent and significant and would materially affect the market value. In these cases as I have not carried out a structural assessment or building condition survey the items identified do not purport to be a list of all or potential defects.

b) In the case of English properties, no allowances have been made for any rights, obligations or liabilities which might arise under the Defective Premises Act 1972. This Act does not apply to Scotland.

c) I have assumed there are no adverse ground conditions or latent defects, other than those specifically referred to, which would materially affect value.

d) I have assumed the floors and substructure have not been adversely affected by process chemicals and liquids including oil.

2 I have assumed that the land and buildings together with their uses evident at the time of our inspection:

a) are lawfully established and not in breach of any planning permission, Act of Parliament or regulation thereunder, by-law of a local authority, or similar provision or any conditions attached thereto,

b) will comply with the provisions as to user contained in any lease and conform to any enforceable restrictive covenant,

c) are served by easements for rights of way, support, services and emergency escape routes etc which are enjoyed as of right or will be renewable upon terms which will not materially affect value,

d) are not detrimentally affected by any highway, town planning or compulsory purchase proposals,

e) are not subject to outstanding notices requiring substantial works to be carried out.

3 I have assumed that adequate public and private utility services are available for the premises existing uses and that these services will continue for the foreseeable future without material change.

4 In cases where properties lie within or close to a flood plain or have a history of flooding I have assumed that building insurance is available without payment of an excessive premium or excess.

G3 TENURE

1 With regard to premises subject to a lease, and unless stated otherwise, I have assumed that:

a) any provision for the review of rent is upwards only to 100% of the full market rent of the property, as existing at the time of our inspection, without any restrictions, assumptions, covenants or conditions which might materially affect the open market rental value, and

b) the provisions for the review of any rent will be operative on the dates referred to in the details of tenure, and

c) the lease freely permits sub-letting and assignment of the whole premises, and

d) the uses to which the premises are put comply with the covenants contained in the lease, and

e) there are no material breaches of covenants, and

f) there are no restrictive covenants or any other limitations whatsoever which might materially affect the open market capital value.

2 I have assumed that the tenure information supplied to us by your company is correct and that good titles can be shown free of any encumbrances, borrowings, unusual or onerous charges or covenants which would materially affect the value.

G4 TAXATION

1 I have neither had regard to any allowances, grants or subsidies of any nature which may be available from Central or Local Government or any other body statutory or otherwise, nor any liability to repay such sums which may arise upon disposal.

2 No specific allowance has been made for any effect that the 2010 commercial rating revaluation and uniform business rate may have upon the market value of the subject premises.

3 I have not included VAT at the standard rate on any of the following:

a) Construction materials and services on new or altered non-domestic property.

b) Professional services.

c) Demolition costs and other similarly associated construction costs.

d) Receipts from the freehold sale of a new non-domestic building.

e) Receipts from the freehold sale of an existing non-domestic building.

f) Receipts from the sale of a lease or the rent on a lease of developed or undeveloped land.

4 Items a) to d) above will be charged VAT at the standard rate, items e and f are exempt but with an irrevocable option for VAT to be charged. The incidence of VAT on rents, capital receipts and construction work and services could be significant.

5 In arriving at my opinion of value I have made no allowance for Capital Gains Tax or any other tax liability nor any allowance for expenses of realisation which might arise upon disposal whether deemed or otherwise.

G5 ITEMS EXCLUDED

1 All Plant and Machinery installed wholly or primarily in connection with industrial or commercial processes has been excluded from my opinion of value.

2 All antiques, fine art and chattels have been excluded from my opinion of value

G6 EQUALITY ACT 2010

1 The Act imposes a duty to make physical alterations or adjustments to property occupied by employers with fifteen or more employees. This can impact on the value of the property interest.

2 Employers are under a duty to make reasonable changes to practices and procedures within the workplace to enable disabled people to do their jobs. This may extend to making physical alterations to the workplace. These provisions came into force in 1996, and further provisions came into effect in October 2004, when Part III of the Act came into force. This covers the provision of goods, services and facilities directly to the public. From this date, a service provider has to take reasonable steps to remove or alter any feature that makes it impossible, or unreasonably difficult, for a disabled person to make use of services.

G7 FIRE SAFETY LAW

1 The Regulatory Reform (Fire Safety) Order 2005 came into effect on 1 October 2006 and applies to all non-domestic property. The Order replaces the certificate procedure under the Fire Precautions Act 1971 with a requirement for the 'responsible person' (e.g.: occupier or owner of a property) to make a suitable and sufficient assessment of the risks and to identify the fire precautions required to comply with the Order.

2 It is assumed that an adequate Fire Risk Assessment has been carried out and the significant findings recorded where there are more than five people employed on the premises.

G8 RESIDENTIAL PROPERTY

1 In the case of the construction of a new residential property or conversion of an existing property to residential use, the construction of which has not yet been completed it is assumed that the construction will be satisfactorily completed and that the builder is a registered member of the NHBC or equivalent and has registered the subject project in accordance with the scheme concerned.

APPENDIX B

COMPARISON OF APPRAISALS BETWEEN ICENI & GL HEARN

Comparison of GL Hearn & Iceni Residual Appraisals Inputs

10.07.2019

Inputs		GL Hearn	Iceni
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	Values by Flat Type - Affordable SR	1 bed £64,000 2 bed N/A 3 bed £129,000	1 bed £64,000 2 bed £100,000 3 bed £130,000
	Values by Flat Type - Affordable SO	1 bed £96,000 2 bed N/A 3 bed £193,000	1 bed £96,000 2 bed £150,000 3 bed £195,000
	Ground Rents (pa) (Private flats only)	£0 per unit	£250 / £350 per 1 bed / 2 bed unit
	Ground Rent Yield (Private flats only)	0.00%	5.25%
OVERALL TOTAL RESIDENTIAL GDV	**Residential GDV only**	**£214,500,000**	**£221,700,000**
Commercial Revenue	Retail / Commercial Rent (flexible)	£10 psf	£15.39-21.06 psf
	Retail / Commercial Yield	9.00%	7.00%
	Void Period	12 months	Not Included months
	Rent Free	12 months	Not Included months
	Hotel Rent	£11.64 psf	Not specified
	Hotel Yield	8%	Not specified
	Cinema Rent	£10 psf	Not specified
	Cinema Yield	10%	Not specified
COMMERCIAL GDV	**Commercial GDV only**	**£24,065,000**	**£62,250,000**
Total GDV	**Gross Development Value**	**£238,500,000**	**£282,000,000**
CONSTRUCTION COSTS			
Main Construction Costs	Flats - All Tenures (£per sq m)	£2,200 private / £1,722 affordable	£1,265-1,392 private / £1,045-1,500 affordable
	Retail / Commercial	Retail £960 per sq m; Cinema £1,500 per sq m; Hotel £950 per sq m; Car Parks £576 per sq m	Retail units £568.88 & £935.18 per sq m; Cinema £935.18 per sq m; Hotel is not listed; Car Parks £568.88 & £1,216.01 & £1,264.45 per sq m
TOTAL MAIN CONSTRUCTION COSTS		**£276,000,000**	**£197,365,000**

ADDITIONAL COSTS				
Other Costs	Archaeology & De-contamination	£3,000,000	£3,000,000	
	Demolition	£4,000,000	Not Included	
	Community	£2,000,000	£2,000,000	
	Site Enabling Works	£11,000,000	Not Included	This may be off-set by Homes England of £12m
	Preliminaries	15.50 %	10.00 %	
	Contingency	5.00 %	3.00 %	
	Development Contingency	5.00 %	Not Included	
	Professional Fees	10.00 %	8.00 %	
	CIL	Not Included	£8,807,000	This may be off-set by Norwich City Council of £8m
	Finance Rate	6.00 %	6.50 %	
Marketing & Letting, Disposal Fees (Sales Agents / Sales Legal Fees)	Purchasers Costs (On Commercial GDV only)	6.80 %	6.75 %	
	Sales Agent Residential	2.00 %	1.50 %	But incorrect values in the appraisal?
	Sales Legal Residential	0.50 %	Included in the above	
	Sales Agent Commercial	1.00 %	1.50 %	But incorrect values in the appraisal?
	Sales Legal Commercial	0.50 %	Included in the above	
	Letting Agent Fee (commercial only)	10 %	10 %	But incorrect values in the appraisal?
	Letting Legal Fee (commercial only)	5 %	5 %	But incorrect values in the appraisal?
PROFIT				
Profit	Profit on GDV (blended return)	20.00 %	5.36 %	
	Profit on Cost (blended return)	Not included	5.70 %	
TIMESCALES				
Timescales per Block(s)	Lead-in period	18 months		
	Construction Period	24 months		
	Sale Period	30 months		
Project Length	TOTAL Project Timescale (All Blocks)	135 months	Not identified	
SALES PROFILE				
Private Sales Profile	Private Off Plan Sales (Percentage)	No private off plan sales	Not identified	
Affordable Sales Profile	Affordable Sales Profile	Revenue spread evenly over the construction period for each phase.	Not identified	

APPENDIX C

COPY OF VALUATION APPRAISAL OF MR TRUSS OF CARTER JONAS

Anglia Square, Norwich
Planning Viability Review
SUBMISSION SCHEME with NO CIL FULL HIF

Development Appraisal
Prepared by Francis Truss
Carter Jonas LLP
22 November 2019

APPRAISAL SUMMARY **CARTER JONAS LLP**

Anglia Square, Norwich
Planning Viability Review
SUBMISSION SCHEME with NO CIL FULL HIF

Appraisal Summary for Merged Phases 1 2 3 4 5 6 7

Currency in £

REVENUE

Sales Valuation	**Units**	**ft²**	**Sales Rate ft²**	**Unit Price**	**Gross Sales**
Block A - 1 Bed Flats	154	87,591	281.31	160,000	24,640,000
Block A - 2 Bed Flats	169	135,108	312.71	250,000	42,250,000
Block D - 1 Bed Flats SR	41	22,482	116.72	64,000	2,624,000
Block E & F - 1 Bed Flats	137	76,215	287.61	160,000	21,920,000
Block E & F - 2 Bed Flats	206	160,814	320.25	250,000	51,500,000
Block E & F Twr - 2 Bed Flats	36	28,103	345.87	270,000	9,720,000
Block E & F - 1 Bed Flats SR	36	20,027	115.04	64,000	2,304,000
Block E & F - 1 Bed Flats IO	18	10,014	172.56	96,000	1,728,000
Block G & H - 1 Bed Flats	187	101,380	295.13	160,000	29,920,000
Block G & H - 2 Bed Flats	132	105,957	311.45	250,000	33,000,000
Block B - 1 Bed Flats SR	16	9,753	104.99	64,000	1,024,000
Block B - 3 Bed Houses SR	9	14,138	82.76	130,000	1,170,000
Block J - GG 1 Bed Flats	48	26,850	286.03	160,000	7,680,000
Block J - GG 2 Bed Flats	20	17,348	288.22	250,000	5,000,000
Totals	**1,209**	**815,780**			**234,480,000**

Rental Area Summary	**Units**	**ft²**	**Rent Rate ft²**	**Initial MRV/Unit**	**Net Rent at Sale**	**Initial MRV**
Block A - Retail A1.01	1	20,330	20.00	406,600	406,600	406,600
Block A MSCP Public	600	220,633	1.93	709	425,400	425,400
Block A - Retail A2.01	1	18,848	20.00	376,960	376,960	376,960
Block A Retail Other - A3.01	1	2,501	9.75	24,385	24,385	24,385
Block A Retail Other - A4.01	1	851	9.75	8,299	8,299	8,299
Block A MSCP Residential	335	129,253		0	0	
Block A Ground Rents 1 Bed	154			250	38,500	38,500
Block A Ground Rents 2 beds	169			350	59,150	59,150
Block A Loading Bay	1	10,506		0	0	
Chapel Relocation	1			1	1	1
Block D - Retail D1.01	1	3,687	20.00	73,740	73,740	73,740
Block D - Retail Other D2.01	1	388	9.75	3,783	3,783	3,783
Block E & F - Retail F1.01	1	11,052	12.00	132,624	132,624	132,624
Block E & F - Retail E1.01	1	7,923	20.00	158,460	158,460	158,460
Block E & F - Retail Other E3.01	1	2,816	9.75	27,456	27,456	27,456
Block E & F - Retail Other F2.01	1	2,213	9.75	21,577	21,577	21,577
Block E & F - Retail E2.01	1	4,977	12.00	59,724	59,724	59,724
Block E & F - F3.01 - Retail Other	1	1,188	9.75	11,583	11,583	11,583
E & F Ground Rents 1 Bed	158			250	39,500	39,500
E & F Ground Rents 2 Beds	242			350	84,700	84,700
Block E & F Hotel	225	96,750	10.25	4,408	991,688	991,688
Block E & F - Hotel Car Park	26	9,920		0	0	
Block E & F - MSCP Residential	252	95,354		0	0	
Block E & F - MSCP No Value	38	14,379		0	0	
Block G & H - Retail G1.01	1	5,014	12.00	60,168	60,168	60,168
Block G & H - Cinema	1	17,704	8.00	141,635	141,635	141,635
Block G & H - Retail G2.01	1	1,189	17.50	20,808	20,808	20,808
Block G & H MSCP Resi	275	96,350		0	0	
Block G & H - Retail G3.01	1	1,766	20.00	35,320	35,320	35,320
Block G & H - Retail H1.01	1	2,315	20.00	46,300	46,300	46,300
Block G & H - Retail H2.01	1	2,855	20.00	57,100	57,100	57,100
Block G & H - Retail H3.01	1	8,921	20.00	178,420	178,420	178,420
Block G & H Ground Rents 1 Bed	187			250	46,750	46,750
Block G & H Ground Rent 2 Bed	132			350	46,200	46,200

APPRAISAL SUMMARY **CARTER JONAS LLP**

Anglia Square, Norwich
Planning Viability Review
SUBMISSION SCHEME with NO CIL FULL HIF

Block G & H Loading Bay	1	14,413		0	0	
J/GG Ground Rents 1 Bed	48			250	12,000	12,000
J/GG Ground Rent 2 Beds	20			350	7,000	7,000
Totals	**2,883**	**804,096**			**3,595,830**	**3,595,830**

Investment Valuation

Block A - Retail A1.01					
Market Rent	406,600	YP @	8.5000%	11.7647	
(2yrs Rent Free)		PV 2yrs @	8.5000%	0.8495	4,063,394
Block A MSCP Public					
Market Rent	425,400	YP @	4.5000%	22.2222	
(6mths Rent Free)		PV 6mths @	4.5000%	0.9782	9,247,553
Block A - Retail A2.01					
Market Rent	376,960	YP @	8.5000%	11.7647	
(2yrs Rent Free)		PV 2yrs @	8.5000%	0.8495	3,767,184
Block A Retail Other - A3.01					
Market Rent	24,385	YP @	8.5000%	11.7647	
(2yrs Rent Free)		PV 2yrs @	8.5000%	0.8495	243,691
Block A Retail Other - A4.01					
Market Rent	8,299	YP @	8.5000%	11.7647	
(2yrs Rent Free)		PV 2yrs @	8.5000%	0.8495	82,940
Block A MSCP Residential					
Manual Value					5,025,000
Block A Ground Rents 1 Bed					
Current Rent	38,500	YP @	10.0000%	10.0000	385,000
Block A Ground Rents 2 beds					
Current Rent	59,150	YP @	10.0000%	10.0000	591,500
Chapel Relocation					
Current Rent	1	YP @	100.0000%	1.0000	1
Block D - Retail D1.01					
Market Rent	73,740	YP @	8.5000%	11.7647	
(2yrs Rent Free)		PV 2yrs @	8.5000%	0.8495	736,927
Block D - Retail Other D2.01					
Market Rent	3,783	YP @	8.5000%	11.7647	
(2yrs Rent Free)		PV 2yrs @	8.5000%	0.8495	37,806
Block E & F - Retail F1.01					
Market Rent	132,624	YP @	8.5000%	11.7647	
(2yrs Rent Free)		PV 2yrs @	8.5000%	0.8495	1,325,390
Block E & F - Retail E1.01					
Market Rent	158,460	YP @	8.5000%	11.7647	
(2yrs Rent Free)		PV 2yrs @	8.5000%	0.8495	1,583,585
Block E & F - Retail Other E3.01					
Market Rent	27,456	YP @	8.5000%	11.7647	
(2yrs Rent Free)		PV 2yrs @	8.5000%	0.8495	274,384

APPRAISAL SUMMARY **CARTER JONAS LLP**

Anglia Square, Norwich
Planning Viability Review
SUBMISSION SCHEME with NO CIL FULL HIF

Block E & F - Retail Other F2.01					
Market Rent	21,577	YP @	8.5000%	11.7647	
(2yrs Rent Free)		PV 2yrs @	8.5000%	0.8495	215,629
Block E & F - Retail E2.01					
Market Rent	59,724	YP @	8.5000%	11.7647	
(2yrs Rent Free)		PV 2yrs @	8.5000%	0.8495	596,857
Block E & F - F3.01 - Retail Other					
Market Rent	11,583	YP @	8.5000%	11.7647	
(2yrs Rent Free)		PV 2yrs @	8.5000%	0.8495	115,756
E & F Ground Rents 1 Bed					
Market Rent	39,500	YP @	10.0000%	10.0000	
		PV 2mths @	10.0000%	0.9842	388,775
E & F Ground Rents 2 Beds					
Market Rent	84,700	YP @	10.0000%	10.0000	
		PV 2mths @	10.0000%	0.9842	833,652
Block E & F Hotel					
Market Rent	991,688	YP @	6.2500%	16.0000	
(1yr Rent Free)		PV 1yr @	6.2500%	0.9412	14,933,647
Block E & F - MSCP Residential					
Manual Value					3,780,000
Block G & H - Retail G1.01					
Market Rent	60,168	YP @	8.5000%	11.7647	
		PV 2yrs @	8.5000%	0.8495	601,294
Block G & H - Cinema					
Market Rent	141,635	YP @	8.5000%	11.7647	
(10yrs Rent Free)		PV 10yrs @	8.5000%	0.4423	736,977
Block G & H - Retail G2.01					
Market Rent	20,808	YP @	8.5000%	11.7647	
(2yrs Rent Free)		PV 2yrs @	8.5000%	0.8495	207,942
Block G & H MSCP Resi					
Manual Value					4,125,000
Block G & H - Retail G3.01					
Market Rent	35,320	YP @	8.5000%	11.7647	
(2yrs Rent Free)		PV 2yrs @	8.5000%	0.8495	352,974
Block G & H - Retail H1.01					
Market Rent	46,300	YP @	8.5000%	11.7647	
(2yrs Rent Free)		PV 2yrs @	8.5000%	0.8495	462,703
Block G & H - Retail H2.01					
Market Rent	57,100	YP @	8.5000%	11.7647	
(2yrs Rent Free)		PV 2yrs @	8.5000%	0.8495	570,634
Block G & H - Retail H3.01					
Market Rent	178,420	YP @	8.5000%	11.7647	
(2yrs Rent Free)		PV 2yrs @	8.5000%	0.8495	1,783,057
Block G & H Ground Rents 1 Bed					

APPRAISAL SUMMARY **CARTER JONAS LLP**

Anglia Square, Norwich
Planning Viability Review
SUBMISSION SCHEME with NO CIL FULL HIF

Current Rent	46,750	YP @	10.0000%	10.0000	467,500
Block G & H Ground Rent 2 Bed					
Current Rent	46,200	YP @	10.0000%	10.0000	462,000
J/GG Ground Rents 1 Bed					
Current Rent	12,000	YP @	10.0000%	10.0000	120,000
J/GG Ground Rent 2 Beds					
Current Rent	7,000	YP @	10.0000%	10.0000	70,000
Total Investment Valuation					**58,188,752**

GROSS DEVELOPMENT VALUE				**292,668,752**
Purchaser's Costs			(3,054,966)	
Effective Purchaser's Costs Rate		5.25%		
				(3,054,966)
NET DEVELOPMENT VALUE				**289,613,786**
Income from Tenants				
Block A Ground Rents 2 beds			103,513	
Block A Ground Rents 1 Bed			64,167	
Block G & H Ground Rent 2 Bed			61,600	
Block G & H Ground Rents 1 Bed			62,333	
J/GG Ground Rent 2 Beds			8,167	
J/GG Ground Rents 1 Bed			14,000	
				313,779
Additional Revenue				
HiF Funding A			8,606,557	
HiF Funding D			3,688,525	
HiF Funding E&F			2,704,918	
				15,000,000
NET REALISATION				**304,927,566**
OUTLAY				
ACQUISITION COSTS				
Site Value		1		
Site Value			1	
				1
Land Acquisition Agent Fee		1.00%	0	
Legal Fee		0.50%	0	
Survey			50,000	
				50,000

CONSTRUCTION COSTS

Construction	**Units**	**Unit Amount**	**Cost**
Chapel Relocation	1 un	2,000,000	2,000,000
	ft²	**Build Rate ft²**	**Cost**
Block A - Retail A1.01	33,006	53.53	1,766,811
Block A MSCP Public	220,633	52.85	11,660,454
Block A - Retail A2.01	30,599	53.53	1,637,964
Block A Retail Other - A3.01	4,170	52.85	220,384
Block A Retail Other - A4.01	1,351	52.85	71,400

APPRAISAL SUMMARY — CARTER JONAS LLP

Anglia Square, Norwich
Planning Viability Review
SUBMISSION SCHEME with NO CIL FULL HIF

Block A MSCP Residential	129,253	52.85	6,831,021	
Block D - Retail D1.01	5,350	47.62	254,767	
Block D - Retail Other D2.01	595	48.57	28,899	
Block E & F - Retail F1.01	14,498	77.71	1,126,640	
Block E & F - Retail E1.01	10,394	77.71	807,718	
Block E & F - Retail Other E3.01	3,603	72.87	262,551	
Block E & F - Retail Other F2.01	2,832	72.87	206,368	
Block E & F - Retail E2.01	6,529	77.71	507,369	
Block E & F - F3.01 - Retail Other	1,521	72.87	110,835	
Block E & F Hotel	96,750	72.87	7,050,172	
Block E & F - Hotel Car Park	9,920	72.87	722,870	
Block E & F - MSCP Residential	95,354	117.47	11,201,257	
Block E & F - MSCP No Value	14,379	117.47	1,689,078	
Block G & H - Retail G1.01	8,392	96.93	813,437	
Block G & H - Cinema	29,632	96.93	2,872,230	
Block G & H - Retail G2.01	1,990	96.93	192,891	
Block G & H MSCP Resi	96,350	112.97	10,884,659	
Block G & H - Retail G3.01	2,955	96.93	286,428	
Block G & H - Retail H1.01	3,874	96.93	375,507	
Block G & H - Retail H2.01	4,777	96.93	463,035	
Block G & H - Retail H3.01	14,931	96.93	1,447,262	
Block A - 1 Bed Flats	123,321	129.31	15,946,639	
Block A - 2 Bed Flats	190,221	129.31	24,597,478	
Block D - 1 Bed Flats SR	29,844	139.44	4,161,447	
Block E & F - 1 Bed Flats	101,940	117.47	11,974,850	
Block E & F - 2 Bed Flats	215,094	117.47	25,267,109	
Block E & F Twr - 2 Bed Flats	37,589	117.47	4,415,597	
Block E & F - 1 Bed Flats SR	26,787	117.47	3,146,701	
Block E & F - 1 Bed Flats IO	13,394	117.47	1,573,393	
Block G & H - 1 Bed Flats	147,564	112.97	16,670,305	
Block G & H - 2 Bed Flats	154,226	112.97	17,422,911	
Block B - 1 Bed Flats SR	13,179	110.76	1,459,706	
Block B - 3 Bed Houses SR	14,138	97.08	1,372,517	
Block J - GG 1 Bed Flats	32,910	112.97	3,717,843	
Block J - GG 2 Bed Flats	19,069	112.97	2,154,202	
Totals	**1,987,833 ft²**		**197,372,705**	**199,372,705**
Block A Construction Contingency		3.00%	2,070,161	
Block C Construction Contingency		3.00%	60,000	
Block D Construction Contingency		3.00%	146,689	
Block E&F Construction Contingency		3.00%	2,312,063	
Block G&H Construction Contingency		3.00%	1,697,146	
Block B Construction Contingency		3.00%	93,463	
Block J Construction Contingency		3.00%	193,777	
Archaeology			2,000,001	
Decontamination			999,999	
On site public realm			917,172	
Edward and Magdalan Street public r			834,773	
Pitt Street off site public realm			230,105	
				11,555,349
Other Construction				
Block A Preliminaries		10.00%	6,273,215	
Block D Preliminaries		10.00%	444,511	
Block E&F Preliminaries		10.00%	7,006,251	
Block G&H Preliminaries		10.00%	5,142,866	
Block B Preliminaries		10.00%	283,222	
Block J Preliminaries		10.00%	587,205	
				19,737,271

Section 106 Costs

This appraisal is not a Valuation and must not be used for borrowing, lending or funding purposes.
This appraisal must only be read in conjunction with the accompanying report setting out the assumptions used within it.
This appraisal is one of a range of possible outcomes based on the assumptions that are made in its formulation. It should be noted that due to the effect of factoring and compounding a small alteration to the components of the appraisal may lead to significant change to the outputs.
This appraisal is prepared for the party named on the cover and may not be used by any other party without the express written permission of the author of this report and Iceni Projects Ltd

APPRAISAL SUMMARY **CARTER JONAS LLP**

Anglia Square, Norwich
Planning Viability Review
SUBMISSION SCHEME with NO CIL FULL HIF

Block A Section 106 Costs		30,000	
Block E&F Section 106 Costs		55,000	
Block G&H Section 106 Costs		30,000	
			115,000
PROFESSIONAL FEES			
Professional Fees	8.00%	15,949,816	
			15,949,816
MARKETING & LETTING			
Marketing Commercial	1.50%	1,348,900	
Marketing Residential	1.50%	1,078,725	
Marketing Residentail	1.50%	1,329,720	
Marketing Residential	1.50%	1,195,875	
Letting Agent Fee	10.00%	124,164	
Letting Agent Fee	10.00%	202,038	
Letting Legal Fee	5.00%	163,101	
			5,442,524
DISPOSAL FEES			
Sales Agent Fee	1.00%	2,688,851	
Sales Legal Fee	0.50%	1,353,066	
Legal Fee		25,000	
			4,066,917
FINANCE			
Debit Rate 6.500%, Credit Rate 0.000% (Nominal)			
Total Finance Cost			5,589,437
TOTAL COSTS			**261,879,020**
PROFIT			
			43,048,545
Performance Measures			
Profit on Cost%	16.44%		
Profit on GDV%	14.71%		
Profit on NDV%	14.86%		
Development Yield% (on Rent)	1.37%		
Equivalent Yield% (Nominal)	7.14%		
Equivalent Yield% (True)	7.47%		
IRR% (without Interest)	20.21%		
Rent Cover	11 yrs 12 mths		
Profit Erosion (finance rate 6.500)	2 yrs 4 mths		

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APPENDIX D

REVIEW OF VALUATION APPRAISAL OF MR TRUSS OF CARTER JONAS

REVIEW OF VALUATION APPRAISAL OF MR TRUSS OF CARTER JONAS

Mr Truss of Carter Jonas has now been retained by the applicant, Weston Homes, as their valuer, replacing Messrs Iceni. He has prepared a draft appraisal, dated 22 November 2019, in both printed and electronic form (using industry standard valuation software called Argus Developer).

My original report, dated July 2019, was a review of the viability assessment prepared by Messrs Iceni. I highlight the key differences between this appraisal and that of Carter Jonas as follows:-

	ICENI	**CARTER JONAS**
GDV – Residential	£234.48m	£234.48m
GDV – Commercial Rent Commercial Value	£3,565,625 £62.238m	£3,595,830 £58.188m
GDV – Total	£296.718m	£292.668
Purchaser's Costs	6.75%	6.75%
Yields: Retail / office Car Park Hotel Ground Rents	7.00% 7.00% 7.00% 5.25%	8.50% 4.50% 6.25% 10.0%
Rental Voids: Retail / office Car Park Hotel Ground Rents	None None None None	2 years 6 months 1 year None except Blocks E&F 2 months
Income from Tenants	£164,188	£313,779
HIF Funding	£12.20m	£15.0m
Construction Costs	£197.363m	£199.372m
Contingency	3.0%	3.0%
Archaeology	£2.0m	£2.0m
Decontamination	£1.0m	£1.0m
Public Realm	None	£1.982m
Municipal Costs	£8.807m	None
Other Construction – Prelims	10.0%	10.0%
Section 106 Costs	£115,000	£115,000
Professional Fees	8.0%	8.0%
Marketing – Commercial	£1,815,252	£1,348,900
Marketing – Residential	£3,538,319	£3,604,320
Letting Agent – Commercial	£1,200,100 (10.0%)	£326,202 (10.0%)
Letting Legal – Commercial	£982,708 (5.00%)	£163,101 (5.00%)
Sales Agent – Entire	£3,043,233 (1.0%)	£2,688,851 (1.0%)
Sales Legal - Entire	£1,142,817 (0.50%)	£1,353,066 (0.50%)
Finance Rate	6.50%	6.50%
Profit: On Cost On GDV	5.70% 5.36%	16.44% 14.71%

As maybe seen from the above, there are some fundamental differences between the two appraisals, which I comment on further below. However, it should be noted that in the absence of any detailed explanation or rationale for the approach of Mr Truss, my comments are limited at this juncture.

The value of the commercial elements (retail, office, cinema, car park) as well as the ground rents has reduced by just over £4.0m. The reduction of only £30,000 per annum in respect of the total rent is not sufficient to explain this difference, but the change in yields and the inclusion of rental voids does.

However, I have noted the rates adopted by Mr Truss in arriving at his opinion of rental value of the commercial space may have changed from that prepared by Iceni. I set out below a table which briefly sets this out, but in the absence of any further detail either from the Iceni report or from Mr Truss, this has been done based on an average rate per Block. This includes both the hotel and the cinema.

BLOCKS	ICENI	CARTER JONAS
A	£21.06 per sq ft	£19.19 per sq ft
D	£20.00 per sq ft	£19.02 per sq ft
E & F	£15.39 per sq ft	£11.06 per sq ft
G & H	£15.56 per sq ft	£13.57 per sq ft

On the question of yields, a shift of 1.50% from that used by Messrs Iceni is substantial in respect of the retail and office elements. It is my understanding that Iceni had assumed the entirety of the commercial space was pre-let. I have not been provided with any details regarding any pre-lets, so in the absence of this information I assumed none had been achieved. It would surely be in the interest of the developer to disclose any such pre-lets if they existed as this would benefit their appraisal.

However, Mr Truss has heavily reduced the yield on the public car park from 7.0% to 4.50%. Even for the best shopping centres in the UK yields are in the 4.50-5.0% bracket. Even if the car park was pre-let to say NCP on a long lease with indexed increases, I consider the yield would not be this low. Furthermore, given the car park is predominantly for the benefit of the proposed retail and other commercial space, its value is closely associated with the success of these elements. In my opinion, the yield should be in line with the wider commercial yield.

The yield on the hotel has been reduced from 7.0% to 6.25%, which I can only assume is on the basis Mr Truss considers this to be pre-let. Furthermore, the valuation assumes a bedroom rate of £4,408 per annum which is broadly in line with my own opinion, although I consider a 225 bedroom hotel is oversized.

The yield on the ground rents has been reduced from 5.25% to 10%, but even so this contributes a value of £3.315m towards the overall GDV of the commercial elements, equating to 5.70%. In my opinion, in light of the Government's concerns regarding ground rents and the potential threat of legislation that these should be excluded from the appraisal.

Mr Truss has incorporated rental voids into his calculation of the commercial GDV, in contrast to Iceni, which he describes as rent free periods. I have interpreted this as being a blend between a letting void and a rent free period which may be granted to the in-going tenants. In the absence of any explanation, this suggests that Mr Truss considers none of the retail or office elements have been pre-let, although by only allowing for a total rental void of 2 years this limits the amount of rent free periods which may be granted. For example, if it is assumed the letting void is 1 year, then the rent free period would also be 1 year, but I would question if 1 year is sufficient for the letting void given the current poor state of the retail market. In addition, for the larger units, which pay the highest rents (in quantum terms) in my experience they would demand longer rent free periods than 1 year.

With regards to timescales and phasing, I note Mr Truss has assumed a 1 year lead in period and then a further 6 months pre-construction, before work commences on Phase 1 (Block A). However, whilst he has allowed for a pre-construction period the costs for the archaeology and decontamination do not commence until the main construction works commence. In my opinion this is incorrect as these would occur beforehand, and equally he has spread some of this cost over a number of the phases. However, any public realm works have been incorporated at the same time (at the start of the main construction) when it might be expected for these to be undertaken at a later stage.

In terms of sales, Mr Truss has assumed the commercial elements would be sold upon practical completion, so whilst he has allowed for a 2 year rent free period, the capital receipts have been cashflowed so that there are in fact no letting voids. In my opinion this is incorrect.

For the residential elements, I note in Block A Mr Truss has assumed capital receipts will be received upto 21 months before practical completion and that about 32% of the total GDV for the Block A residential will be received at this point. The remainder of the sales are spread over a 38 month period, which reflects a sales rate of 8.5 units per month or just under 2 per week. In my opinion, the timing of any sales before practical completion is incorrect and artificially inflates the profit being generated from the scheme. Similarly, Mr Truss has assumed, because of his assumption on sales, that ground rents will also begin to be received on a quarterly basis 16 months after the first sales have been achieved.

Connected to the sale of the flats, Mr Truss has also incorporated a value of the residential car park, which provides 335 spaces, against the total number of flats of 323 in Block A. A total value of £5.025m has been adopted, equating to £15,000 per space. This looks high in conjunction with the proposed values of the flats. In addition, the availability of car spaces may assist in the selling of the flats, but equally not all buyers may require a car space.

On the subject of car parking, for the proposed public car park Mr Truss has assumed an annual income of £709 per space in this 600 space multi-storey car park, reflecting about £2 per space per day. However, this is a very large car park, which is also outside of the city centre, so occupancy levels may be quite low as a consequence, which would have the impact of reducing revenue. I note the current Gildengate car park charges £1 per hour or £5 per day. Adopting £1 per hour, and assuming an 8 hour day, this would reflect an average occupancy level of 25%, or 150 car spaces being occupied all the time.

With regards construction, I note the main cost has increased by about £2m, but the municipal costs totalling £8.8m have gone but public realm at £2m has now been included. This is a net reduction of £4.8m.

With regards the timing of the main construction works, this has been done as follows:

PHASE	PRE-CONSTRUCTION	CONSTRUCTION	INTERNAL WORKS	POST CONSTRUCTION
1 – Block A	6 months from Sept 2020	25 months from March 2021	25 months from Dec 2021	2 months from Jan 2024
2A – Block C	3 months from May 2023	9 months from Aug 2023	1 month from May 2024	2 months from June 2024
2B – Block D	4 months from May 2023	15 months from Sept 2023	9 months from June 2024	3 months from March 2025
2C & 2D – Blocks E & F	3 months from June 2023	38 months from Sept 2023	38 months from Aug 2024	2 months from Oct 2027
3 – Blocks G & H	3 months from Dec 2026	26 months from March 2027	26 months from Dec 2027	2 months from Feb 2030
4A – Block B	3 months from June 2029	12 months from Sept 2029	12 months from June 2030	None
4B – Block J	3 months from June 2029	12 months from Sept 2029	9 months from March 2030	2 months from Dec 2030

As I have stated above for Block A (Phase 1) the pre-construction periods for each of the phases has not been used for any works to be undertaken. In my opinion, and subject to when demolition and other site enabling works are to be undertaken, the omission of any costs in these periods has a positive effect on the overall cashflow as it reduces the financial burden as the costs are being delayed.

The construction periods overall seem reasonable given the size of the various blocks and mixture of uses.

However, I have noted that both the Prelims, Contingency and Professional Fees sums only relate to the man construction costs and are not linked to other items such as archaeology, decontamination or public realm works. In my opinion they should be so related.

The HIF funding has been cashflowed into the appraisal to run through the main construction period up to Phase 2c and 2d for Blocks E & F, being available up to March 2024. In the absence of any further detail in this regard, I am not able to comment as to the validity of doing this and whether the funding from Homes England is time or indeed phase limited.

With regards the cost of marketing the scheme, I note that a flat rate of 1.50% has been used for both the commercial and residential space. This looks high in respect of the commercial at almost £1.35m, but I await to understand the rationale behind this in Mr Truss's proof of evidence.

The sales fees for the residential at 1% looks low, but balanced against the marketing cost at 1.5%, this provides a total of 2.5%, which in my opinion is at the lower end of the scale and for a scheme of this nature could be at 3% or higher in total.

In my opinion, the finance rate of 6.5% is too high in todays climate of low interest rates and I consider 6.0% is more applicable.

The amount of profit Mr Truss's appraisal provides is exceptionally low at 14.71% on GDV / 16.44% on cost. In my experience, a residential led scheme such as this, given both the number of units and the amount of speculative commercial space would demand a greater risk / reward ratio than this. Most housebuilders base their appraisals using profit on GDV, with schemes typically based off 15-20% profit on cost. However, given the amount of commercial being proposed of a speculative nature, I consider the profit on these elements should be in the order of 25% profit on GDV given the greater risk and uncertainty of being able to let this space and on what terms. The affordable housing elements, on the assumption a housing association / registered provider would acquire these units can be assessed off a lower profit on GDV at about 10%.

The overall blended profit on GDV should therefore be in excess of 20% in my opinion.

This would result in the value of the scheme being negative on the basis nothing else changes in the appraisal.