

Rebuttal

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Norwich
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On behalf of

Historic England

14 January 2020

Prepared by

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1.0 INTRODUCTION & INSTRUCTIONS

- 1.1 In accordance with the pre-inquiry meeting and the timetable set out, I have prepared this rebuttal in response to the Proof of Evidence prepared by Mr Truss of Carter Jonas.
- 1.2 Whilst I had the opportunity of seeing for the first time the appraisal of Mr Truss on 22 November 2019, it was not until he had prepared his proof of evidence was I able to more fully understand his approach and methodology.
- 1.3 However, as highlighted in my own Proof of Evidence, the information requested from the applicant post the meeting on 18th October 2019 has not been forthcoming. The applicant, and as a result, Mr Truss, continue rely upon what they consider to be commercial sensitivities even though I have offered to sign a non-disclosure agreement.
- 1.4 This is especially pertinent to the value of the commercial elements of the proposed scheme, where the applicant and their advisors have suggested they have pre-let some of the accommodation including retail space, the public car park, the cinema and hotel. However, no evidence of this or the rents achieved has been provided.
- 1.5 In my original report I included various comments and opinions on the appraisal prepared by Iceni, but did not include an actual valuation. Having now received Mr Truss's appraisal as part of his Proof of Evidence, I consider it is helpful to utilise this to emphasise some of the points I raised both in my original report and proof of evidence. I have therefore prepared an appraisal, using that prepared by Mr Truss as a basis, to the extent I have kept his build costs, but have amended the Gross Development Value (as detailed in my original report) and the timescales of the various inputs.
- 1.6 The inclusion of my appraisal of my appraisal in this Rebuttal does not, in my opinion, introduce anything new but provides some further clarity on the points raised herein and how these changes impact the viability and deliverability of the proposed scheme.

2.0 SCOPE OF PROOF OF EVIDENCE OF MR TRUSS

- 2.1 I note Mr Truss considers his appraisal is not a Red Book valuation. I assume he means it has not been undertaken in accordance with the Valuation Professional Standards as prepared by the RICS. However, he does not choose to qualify this by suggesting that whilst he may not consider the valuation to be "Red Book", he has prepared the valuation with reference to the principles of best practice as detailed in the Valuation Professional Standards.
- 2.2 Mr Truss does not refer to the existing use value of the property in preparing his evidence in order to demonstrate his opinion that the scheme is not only viable but also deliverable. He has rather preferred to suggest the land is being put in for free, or £Nil value, which is contrast to the fact that Columbia Threadneedle acquired the property in 2014 for a sum in the order of £7.50m.
- 2.3 I understand there is a joint venture agreement which exists between Columbia Threadneedle and Weston Homes, but I have not been provided with either a copy or any details of this. On the basis Mr Truss assumes the land is being put in for free, I can only assume that Columbia Threadneedle have a preferable level of return from any profits which the scheme might generate.
- 2.4 However, in my experience, the existing value of the property is often used in viability assessments to assist in determining any quantum of affordable housing. The existing value is deducted from the residual site value of the proposed scheme in order to demonstrate that the profitability of scheme is below the acceptable level of between 15-20% on GDV.
- 2.5 By assuming the land is being put in for free, this should, in my opinion, increase the profitability of the scheme to be above the acceptable level.
- 2.6 Whilst it has not been explicitly stated in Mr Truss' evidence, from his appraisal it would seem he has assumed the entirety of the commercial / non-residential elements of the scheme have been pre-let. I consider this point further below in Section 3.0.
- 2.7 Mr Truss has stated that his appraisal is merely an update of the original Viability Appraisal prepared by Iceni in September 2018 and does not seek to repeat any information which is still valid. However, he does not highlight what changes he has made or why these have been made in comparison to the inputs used by Iceni in their appraisal.
- 2.8 A direct comparison of the appraisals prepared by Mr Truss and Iceni is complicated by the absence of an electronic version of Iceni appraisal and as such the way, in particular, the inputs have been cashflowed or timed.
- 2.9 Mr Truss makes reference to a report prepared by Deloitte in providing Homes England with advice regarding the Housing Infrastructure Funding of £15m which has been granted. He states this report was focussed on the deliverability of the scheme as Homes England has an objective to see housing is built. I have not been provided with a copy of this report, or any details of the terms associated with the £15m of funding and why Homes England decided to provide this. In this context, I do not consider much weight should be given to the Deloitte report.
- 2.10 In incorporating the £15m of funding in his appraisal, Mr Truss has chosen to inflate his opinion of the Gross Development Value (GDV) as opposed to reducing the cost of constructing the scheme, which is what the funding has been provided for.
- 2.11 Furthermore, and as highlighted above, Mr Truss in valuing the commercial and non-residential elements of the scheme has effectively assumed they have been pre-let but without providing any supporting evidence.

- 2.12 A very good example of this is in respect of the multi-storey car park in Block A which is proposed to accommodate 600 cars. Mr Truss has assumed this has been pre-let at a rent of £425,400 per annum and as such has valued this by adopting a yield of 4.50%. It should be noted that in the Icen appraisal no reference has been made to this.
- 2.13 With regards the CIL Exceptional Circumstances Relief Policy of Norwich City Council, I now understand that this can only be applied for each phase of the development. I note Mr Truss has assumed that there is no CIL liability in his appraisal even though this has not yet been approved, even for the first phase in Block A at an estimate of £2.60m.
- 2.14 In light of the potential quantum of any CIL liability, which I understand has been estimated to be in the order of £8m, the loss of some or all of this would have a direct impact on the profitability of the scheme and as such its viability and deliverability.

3.0 CASHFLOW APPROACH & TIMING OF COSTS & SALES INPUTS

Private Residential

- 3.1 With regards the timing of sales of the private residential, I note Mr Truss has assumed, for example, in Block A that the sales of flats can commence from 18 months after the commencement of construction. I understand this is on the basis the scheme has been designed with six cores, which would mean Block A can be delivered in stages.
- 3.2 However, Mr Truss has assumed that almost 32% of the entirety of Block A will be sold off-plan, amounting to a capital receipt of £21.34m. This represents 49 of the 1 bed flats and 54 of the 2 bed flats, from a total of 323 units. Given the construction period to complete the whole of Block is 34 months (25 months construction and a further 9 months to complete the internal works) from March 2021 to December 2023 I would question as to whether this is reasonable. In my opinion, delivering 32% of the units after 18 months is very ambitious especially as Mr Truss has not allowed for any pre-construction period to undertake ground and site enabling works.
- 3.3 Given that Block A incorporates 323 residential units and six service cores, I would also question as to whether this could be constructed in 25 months, with a further 9 months to complete the internal works. I would expect a scheme of this size and complexity to take longer.
- 3.4 In my experience, the usual methodology in applying sales is to cashflow these from practical completion and to either assume some off-plan sales, which delivers higher sale receipts initially, or to spread these evenly over the sales period post completion.
- 3.5 In subsequent phases, Blocks E & F and G & H, Mr Truss has again assumed that sales can be achieved before practical completion. In Blocks E & F he has assumed some off-plan sales of the 1 bed flats only, meaning 45% of these sold within 9 months. However, the cashflow suggests that out of a total of 137 1 bed flats, only 32 flats would remain to be sold post practical completion. This is in my opinion unrealistic. For the 2 bed flats, Mr Truss has assumed almost all of these would be sold before practical completion.
- 3.6 For Blocks G & H, Mr Truss has assumed the sales would be spread evenly over a period, but again he has assumed that almost all of them would be sold prior to practical completion.
- 3.7 The effect of these sales timings, which has been used to offset the cost of the development by earlier sales receipts of increasing the profitability, and as such, the viability and deliverability of the scheme.

Commercial uses

- 3.8 Mr Truss has assumed the commercial space in each of the relevant phases would be let and be capable of being sold upon practical completion. This includes the retail units, hotel, cinema and public car park and in the absence of any evidence or supporting documentation I consider this to be unreliable.
- 3.9 Mr Truss has however chosen to adjust his values of the commercial elements to reflect an allowance for rent free periods and capital incentives which might need to be granted to in-going tenants. A period of 24 months has been assumed for the retail units and 12 months for the hotel. For the cinema a period of 10 years has been assumed, but this is to reflect a quantum of about £1.40m to be given as a capital incentive to assist with any in-going tenant's fit-out.

Site Works

- 3.10 Whilst Mr Truss has assumed in his appraisal a pre-construction period, he has not used this in his cashflow, to the extent that none of the site works (demolition, archaeology, ground works, etc) have been included in this time period.

- 3.11 By delaying these costs, even by 3-6 months, helps to reduce their impact on the profitability of the proposed scheme.

Marketing Costs

- 3.12 Mr Truss has cashflowed these costs in each phase slightly differently for the commercial elements. Generally, these have been timed to occur only upon the sale of the commercial elements, which is at the end of the construction period upon practical completion. In reality, in order to achieve the pre-lets Mr Truss has assumed would be achieved, the marketing would need to occur during the construction period to assist with getting the premises let. However, for Blocks G & H, Mr Truss has cashflowed the marketing costs over a longer period, both before and after the sale of the commercial space in this phase.
- 3.13 For the residential elements, however, he has been consistent in spreading the cost in line with his sales cashflow. However, again I would suggest in order to achieve sales the marketing for each phase need would need to occur in advance.
- 3.14 By cashflowing these marketing costs in this way, Mr Truss has again sought to increase the profitability, and as such, the viability and deliverability of the scheme.

4.0 RETAIL & LEISURE ASSUMPTIONS

- 4.1 Within Appendix I of Mr Truss' Proof of Evidence is a review of the retail and leisure elements of the proposed scheme, prepared by Cushman and Wakefield (C&W).
- 4.2 I note that C&W considers the existing retail facilities provide local facilities serving the need of the immediate catchment and as such is seen as a district centre of a discount / value led nature. Furthermore, they consider the proposed scheme will continue to in this same vein and whose visitor requirements would not necessitate a visit to the retail core within the city centre.
- 4.3 C&W go on to comment however that they consider the existing centre functions well, even though it is recognised I believe, by all parties, that the existing site requires redevelopment. The property is, in my opinion, at the end of its economic life and the remaining occupation of the existing centre is as a consequence of both low rents and non-domestic business rates.
- 4.4 I have previously requested details from both the applicant and their advisors for a copy of the current tenancy schedule and any potential lettings of the proposed scheme as a result of discussions with existing retail tenants. Nothing has been forthcoming. The reason given is that this is commercially sensitive information, even though I have offered to sign a non-disclosure agreement.
- 4.5 Both C&W and Mr Truss are seeking to rely on unsubstantiated claims that deals have been agreed with existing retailers to acquire space in the new scheme. Furthermore, they are also claiming that any existing tenancies have been agreed at below market rents and are on short term leases in order to both maintain occupancy levels and to enable vacant possession to be obtained. Even where they comment on potential retailers, such as Poundland, Shoe Zone and Boots, they are not prepared to suggest the size of unit these retailers may be prepared to acquire.
- 4.6 Given the parlous state of the retail market, which has been exacerbated by the recent Christmas trading results, which suggest the worst trading environment for 25 years, the appetite of retailers to acquire new premises is very limited. In fact many retailers are closing stores, not opening new premises.
- 4.7 I note from Figure 8 of Mr Truss' proof of evidence that C&W have stated the number of potential occupiers for each type of unit. In total they are suggesting only a maximum total of 31 retail units, 1 foodstore, 8 restaurants and 1 cinema. Whilst they do not specify the total amount of space for each, they provide a range of unit sizes, which suggests the amount of space that maybe provided could reduce. For example, for Comparison Goods retailers their range is in the order of 540-5,400 sq ft per unit (for a total number of 12 units) with two units of up to 13,500 sq ft each.
- 4.8 The fact there is not a definitive schedule of accommodation suggests, in my opinion, that rather than having the scheme pre-let, there remains a huge amount of ambiguity and indeed uncertainty as to the quantum of commercial space required. As such, I do not think it is reasonable to assume much, if any, of the commercial space is pre-let for the purposes of this viability appraisal exercise.
- 4.9 With regards C&W's opinion on rental levels, the evidence they have provided is in my opinion not comparable to the subject property on the basis that almost all of it is situated in or around the city centre. As C&W have stated themselves, the scheme is to be a district centre serving the immediate catchment and furthermore will effectively not compete with the core city centre retail facilities. In addition, the centre is recognised as a discount location, which in my opinion is likely to result in lower rents.
- 4.10 In my original report I provided the following evidence, which I consider is a better reflection of what is achievable in this location.

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 & 1 st floors (assume split equally)	£5.43 per sq ft with 1 st floor at 10%
Desh Wholesaler (100 Magdalen St)	£20,000	7/2015	8,204 sq ft on basement, ground & 1 st floors (assume split equally)	£6.09 per sq ft with basement & 1 st 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 & 1 st floors (assume split equally)	£9.03 per sq ft with 1 st floor at 10%
Sense (74 Magdalen St)	£18,000	12/2014	1,544 sq ft on ground	£11.66 per sq ft

- 4.11 I note that C&W have reduced their opinion of rents for the proposed restaurant units of between 1,075-10,750 sq ft, from £25 to £20 per sq ft. This is on the basis this sector has also retracted in the last few years. However, I am of the opinion that even at this level and given both the location and size of the proposed premises that this is too high.
- 4.12 C&W have made some assumptions regarding the potential amount of incentives which occupiers of the commercial space may require. This comprises both rent free periods and capital contributions. For the retail and restaurant space they have assumed 24 months in total. I have assumed a blended average of 18 months across the retail space.
- 4.13 With regards the cinema, the proposed size is 17,704 sq ft and up to 8 screens. I consider this is too big as would provide in the order to 1,600 seats and given there are already two main cinemas in Norwich – Odeon of 2,530 seats and Vue of 2,050 seats – I would question as to what operator may acquire premises of this size. Curzon cinemas are a possibility, but they only tend to operate out of a maximum of 5 screens, which may accommodate up to 600 seats, which would suggest a cinema of only about 12,000 sq ft.
- 4.14 C&W have assumed that any in-going tenant would require a substantial capital incentive to acquire the space, which is effectively a landlord contribution towards the fit-out. Whilst they have assumed a 10 year incentive based on their opinion of rent, equating to about £1.40m, this may also be analysed as representing £79 per sq ft. My own appraisal also reflects a 10 year incentive but on a lower quantum of rent given the smaller size of the cinema.
- 4.15 The proposed multi-storey public car park of 600 spaces which is to be used to service the commercial elements of the scheme will replace the existing surface car park, which I understand provides up to 400 spaces. C&W have suggested a potential operator exists who would acquire this car park at a rent of £425,400 per annum on a long lease with indexed rent reviews. However, they have not been prepared to provide any supporting documentation in this regard.
- 4.16 In my opinion, this level of rent is high on the basis the Gildengate car park only currently charges £1 per hour or £5 per day. If one adopts an average occupancy rate of 75% over the year and the £1 per hour charge, I would estimate an operator would be prepared to commit to paying a rent in the order of £375,000 per annum.
- 4.17 C&W have adjusted their opinion of yield for the commercial elements and cinema from 7.00% to 8.50%. However, they have also adjusted their yield on the multi-storey public car park from 7.00% to 4.50%, but have not provided any supporting evidence in this regard. In addition, the hotel yield has been adjusted from 7.00% to 6.25% again with no supporting evidence.

- 4.18 I remain of the opinion the commercial elements should be valued at 9.00%, with the cinema at 10% and the hotel at 8.00%. As for the car park, I consider that as this is effectively attached to the shopping / district centre it should be valued at the same yield of 9.00%.

5.0 DELIVERABILITY & VIABILITY CONCLUSIONS

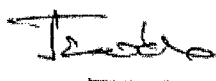
- 5.1 Mr Truss' appraisal provides a profit on GDV of only 14.7%, which is below the generally recognised level of between 15-20% as he states himself at paragraph 5.29 of his Proof of Evidence.
- 5.2 His rationale for concluding that the scheme is viable at this level of profit is that the scheme will achieve higher residential sales receipts in the future.
- 5.3 In addition, he considers the commercial elements would also increase in value through higher rents.
- 5.4 However, he does not balance these with any increase building cost inflation. Given the timeline for the whole development being about 11 years from starting on site, I consider there would be inflation. For example, over the last 10 year period the average annual BCIS generic build cost inflation for East Anglia has been approximately 3.75%. Over the last 5 years it has been an average of about 2.25%. This is shown in Appendix B attached hereto.
- 5.5 On this basis the 10% increase in values applied to Blocks G & H and Block J suggested by Mr Truss would be more than off-set by build cost inflation, based on the historical data.
- 5.6 Furthermore, at paragraph 6.9 of his Proof of Evidence Mr Truss has assumed the public sector would benefit as a consequence of both the Section 106 and CIL. The proposed Section 106 costs are only about £175,000 which is very low for a scheme incorporating over 1200 residential units (£145 per unit). With regards the CIL liability, given Mr Truss has assumed there will be no CIL as a consequence of Exceptional Circumstances Policy of Norwich City Council and as such there will be no benefit in this regard.
- 5.7 However, Mr Truss has not commented on the impact on his appraisal should it transpire that none or only some of this CIL exemption becomes available. On the basis it was estimated at £8m previously by Icení, the loss of all of this would reduce the profitability to £35m, a reduction of almost 20%.
- 5.8 As may be seen from the above, there are some fairly significant differences between Mr Truss and myself, both in terms of specific inputs (rents and yields) but also the fundamental timing of some of the inputs (for example the sale of the residential units). However, even in adopting this methodology, Mr Truss is only able to achieve a very marginal level of profitability, which even he admits is below the reasonably accepted level.
- 5.9 By adjusting only a few of these inputs, the profitability of the scheme reduces. The inputs around both the multi-storey public car park and hotel yield at 4.50% and 6.25%, would have a substantial impact on the profitability of the scheme. For example, by adjusting these to even 6.50% and 8.00%, the GDV reduces from about £58m to just below £52m, which reduces the profitability from £43m to £36m, reflecting a profit on cost of only 13.78% and on GDV of 12.64%.
- 5.10 This demonstrates that any adjustment in the GDV has a direct impact on the profitability of the scheme. Therefore, it stands to reason that any adjustment in the timing of sales receipts of the GDV would do likewise as the impact of the development costs would be more apparent.
- 5.11 I consider the current state of the retail market and the uncertainty as to when the proposed scheme might be delivered, along with the timing of the various phases, would make it difficult for potential occupiers to be prepared to commit to acquiring space in the future. Whilst some of the existing occupiers may be prepared to tentatively commit verbally, I would very much doubt potential operators of either the car park, hotel or cinema would especially given these are not due to be completed, according to Mr Truss, until December 2023, September 2027 and January 2030 respectively.

- 5.12 Furthermore, whilst the proposed cost of the tower has been included as part of the average overall cost for Blocks E & F, I consider the cost of construction, in isolation, balanced against my opinion of GDV would impact the profitability of this element.
- 5.13 On balance, therefore, I cannot reach the same conclusion as Mr Truss that this scheme is viable, as in my opinion the proposed scheme is not profitable as is shown by my own appraisal. This is the case despite the proposed development being highly reliant on very considerable public funding by way of £15m of Homes Infrastructure Funding and the potential exemption of £8m in CIL payments.
- 5.14 In adopting the build costs prepared by the Applicant, I have not accepted these as being fair and reasonable, but have done so in order to demonstrate that even by using these the proposed scheme is not viable. The differences between Mr Truss and myself are, to large extent, due to our opinions of the commercial GDV being so far apart, but also as a consequence of the timing of some of the inputs.

6.0 EXPERT'S STATEMENT

- 6.1 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.
- 6.2 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.
- 6.3 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.
- 6.4 I confirm that I am not instructed under any conditional fee arrangement.
- 6.5 I confirm that I have no conflicts of interest of any kind other than those already disclosed in my report.
- 6.6 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.
- 6.7 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: 14 January 2020

APPENDIX A
VIABILITY APPRAISAL

Planning Viability Review
SUBMISSION SCHEME with NO CIL FULL HIF

Anglia Square
Norwich

Development Appraisal
Prepared by Jonathan Rhodes
GL Hearn
14 January 2020

APPRAISAL SUMMARY**GL HEARN****Planning Viability Review
SUBMISSION SCHEME with NO CIL FULL HIF****Summary Appraisal for Merged Phases 1 2 3 4 5 6 7**

Currency in £

REVENUE

Sales Valuation	Units	ft²	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	275.19	220,000	37,180,000
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	281.82	220,000	45,320,000
Block E & F Twr - 2 Bed Flats	36	28,103	294.63	230,000	8,280,000
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	274.07	220,000	29,040,000
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	82.12	129,000	1,161,000
Block J - GG 1 Bed Flats	48	26,850	286.03	160,000	7,680,000
Block J - GG 2 Bed Flats	<u>20</u>	<u>17,348</u>	<u>275.54</u>	<u>239,000</u>	<u>4,780,000</u>
Totals	1,209	815,780			217,601,000

Rental Area Summary

	Units	ft²	Rate ft²	Initial MRV/Unit	Net Rent at Sale	Initial MRV
Block A - Retail A1.01	1	20,330	10.00	203,300	203,300	203,300

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 Icen Projects Ltd

APPRAISAL SUMMARY**GL HEARN****Planning Viability Review****SUBMISSION SCHEME with NO CIL FULL HIF**

Block A MSCP Public	600	220,633	1.70	625	375,000	375,000
Block A - Retail A2.01	1	18,848	10.00	188,480	188,480	188,480
Block A Retail Other - A3.01	1	2,501	10.00	25,010	25,010	25,010
Block A Retail Other - A4.01	1	851	10.00	8,512	8,512	8,512
Block A MSCP Residential	335	129,253		0	0	
Block A Loading Bay	1	10,506		0	0	
Chapel Relocation	1			1	1	1
Block D - Retail D1.01	1	3,687	10.00	36,870	36,870	36,870
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	10.00	110,520	110,520	110,520
Block E & F - Retail E1.01	1	7,923	10.00	79,230	79,230	79,230
Block E & F - Retail Other E3.01	1	2,816	10.00	28,160	28,160	28,160
Block E & F - Retail Other F2.01	1	2,213	10.00	22,130	22,130	22,130
Block E & F - Retail E2.01	1	4,977	10.00	49,770	49,770	49,770
Block E & F - F3.01 - Retail Other	1	1,188	10.00	11,880	11,880	11,880
Block E & F Hotel	110	48,375	10.25	4,508	495,844	495,844
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 E & F Hotel	110	48,375	10.25	4,508	495,844	495,844
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	17.50	30,905	30,905	30,905
Block G & H - Retail H1.01	1	2,315	17.50	40,513	40,513	40,513

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APPRAISAL SUMMARY**GL HEARN****Planning Viability Review****SUBMISSION SCHEME with NO CIL FULL HIF**

Block G & H - Retail H2.01	1	2,855	17.50	49,963	49,963	49,963
Block G & H - Retail H3.01	1	8,921	15.00	133,815	133,815	133,815
Block G & H Loading Bay	1	14,413		0	0	
Totals	1,768	804,096			2,612,139	2,612,139

Investment Valuation**Block A - Retail A1.01**

Current Rent	203,300	YP @	9.0000%	11.1111	2,258,889
--------------	---------	------	---------	---------	-----------

Block A MSCP Public

Current Rent	375,000	YP @	9.0000%	11.1111	4,166,667
--------------	---------	------	---------	---------	-----------

Block A - Retail A2.01

Current Rent	188,480	YP @	9.0000%	11.1111	2,094,222
--------------	---------	------	---------	---------	-----------

Block A Retail Other - A3.01

Current Rent	25,010	YP @	9.0000%	11.1111	277,889
--------------	--------	------	---------	---------	---------

Block A Retail Other - A4.01

Current Rent	8,512	YP @	9.0000%	11.1111	94,579
--------------	-------	------	---------	---------	--------

Block A MSCP Residential

Manual Value					1,884,375
--------------	--	--	--	--	-----------

Block D - Retail D1.01

Current Rent	36,870	YP @	9.0000%	11.1111	409,667
--------------	--------	------	---------	---------	---------

Block D - Retail Other D2.01

Current Rent	3,783	YP @	9.0000%	11.1111	42,033
--------------	-------	------	---------	---------	--------

Block A MSCP Residential

Manual Value					628,125
--------------	--	--	--	--	---------

Block E & F - Retail F1.01

Current Rent	110,520	YP @	9.0000%	11.1111	1,228,000
--------------	---------	------	---------	---------	-----------

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Current Rent	79,230	YP @	9.0000%	11.1111	880,333
--------------	--------	------	---------	---------	---------

Block E & F - Retail Other E3.01

Current Rent	28,160	YP @	9.0000%	11.1111	312,889
--------------	--------	------	---------	---------	---------

Block E & F - Retail Other F2.01

Current Rent	22,130	YP @	9.0000%	11.1111	245,889
--------------	--------	------	---------	---------	---------

Block E & F - Retail E2.01

Current Rent	49,770	YP @	9.0000%	11.1111	553,000
--------------	--------	------	---------	---------	---------

Block E & F - F3.01 - Retail Other

Current Rent	11,880	YP @	9.0000%	11.1111	132,000
--------------	--------	------	---------	---------	---------

Block E & F Hotel

Current Rent	495,844	YP @	8.0000%	12.5000	6,198,047
--------------	---------	------	---------	---------	-----------

Block E & F - MSCP Residential

Manual Value					1,890,000
--------------	--	--	--	--	-----------

Block E & F Hotel

Current Rent	495,844	YP @	8.0000%	12.5000	6,198,047
--------------	---------	------	---------	---------	-----------

Block G & H - Retail G1.01

Current Rent	60,168	YP @	9.0000%	11.1111	668,533
--------------	--------	------	---------	---------	---------

Block G & H - Cinema

Market Rent	141,635	YP @	9.0000%	11.1111	
(10yrs Rent Free)		PV 10yrs @	9.0000%	0.4224	664,756

Block G & H - Retail G2.01

Current Rent	20,808	YP @	9.0000%	11.1111	231,194
--------------	--------	------	---------	---------	---------

Block G & H MSCP Resi

Manual Value					2,062,500
--------------	--	--	--	--	-----------

Block G & H - Retail G3.01

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Current Rent	30,905	YP @	9.0000%	11.1111	343,389
Block G & H - Retail H1.01					
Current Rent	40,513	YP @	9.0000%	11.1111	450,139
Block G & H - Retail H2.01					
Current Rent	49,963	YP @	9.0000%	11.1111	555,139
Block G & H - Retail H3.01					
Current Rent	133,815	YP @	9.0000%	11.1111	1,486,833
					35,957,135

GROSS DEVELOPMENT VALUE **253,558,135**

Purchaser's Costs (1,626,171)

(1,626,171)

NET DEVELOPMENT VALUE **251,931,964**

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 **266,931,964**

OUTLAY

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APPRAISAL SUMMARY**GL HEARN****Planning Viability Review****SUBMISSION SCHEME with NO CIL FULL HIF****ACQUISITION COSTS**

Fixed Price	(1)	
Survey	50,000	(1) 50,000

CONSTRUCTION COSTS

Construction	Units	Unit Amount	Cost
Chapel Relocation	1 un	2,000,000	2,000,000
	ft ²	Rate ft ²	Cost
Block A - Retail A1.01	33,006 ft ²	53.53 pf ²	1,766,811
Block A MSCP Public	220,633 ft ²	52.85 pf ²	11,660,454
Block A - Retail A2.01	30,599 ft ²	53.53 pf ²	1,637,964
Block A Retail Other - A3.01	4,170 ft ²	52.85 pf ²	220,385
Block A Retail Other - A4.01	1,351 ft ²	52.85 pf ²	71,400
Block A MSCP Residential	129,253 ft ²	52.85 pf ²	6,831,021
Block D - Retail D1.01	5,350 ft ²	47.62 pf ²	254,767
Block D - Retail Other D2.01	595 ft ²	48.57 pf ²	28,899
Block E & F - Retail F1.01	14,498 ft ²	77.71 pf ²	1,126,640
Block E & F - Retail E1.01	10,394 ft ²	77.71 pf ²	807,718
Block E & F - Retail Other E3.01	3,603 ft ²	72.87 pf ²	262,551
Block E & F - Retail Other F2.01	2,832 ft ²	72.87 pf ²	206,368
Block E & F - Retail E2.01	6,529 ft ²	77.71 pf ²	507,369
Block E & F - F3.01 - Retail Other	1,521 ft ²	72.87 pf ²	110,835
Block E & F Hotel	48,375 ft ²	72.87 pf ²	3,525,086
Block E & F - Hotel Car Park	9,920 ft ²	72.87 pf ²	722,870

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Block E & F - MSCP Residential	95,354 ft ²	117.47 pf ²	11,201,257	
Block E & F - MSCP No Value	14,379 ft ²	117.47 pf ²	1,689,078	
Block E & F Hotel	48,375 ft ²	72.87 pf ²	3,525,086	
Block G & H - Retail G1.01	8,392 ft ²	96.93 pf ²	813,437	
Block G & H - Cinema	29,632 ft ²	96.93 pf ²	2,872,230	
Block G & H - Retail G2.01	1,990 ft ²	96.93 pf ²	192,891	
Block G & H MSCP Resi	96,350 ft ²	112.97 pf ²	10,884,659	
Block G & H - Retail G3.01	2,955 ft ²	96.93 pf ²	286,428	
Block G & H - Retail H1.01	3,874 ft ²	96.93 pf ²	375,507	
Block G & H - Retail H2.01	4,777 ft ²	96.93 pf ²	463,035	
Block G & H - Retail H3.01	14,931 ft ²	96.93 pf ²	1,447,262	
Block A - 1 Bed Flats	123,321 ft ²	129.31 pf ²	15,946,639	
Block A - 2 Bed Flats	190,221 ft ²	129.31 pf ²	24,597,478	
Block D - 1 Bed Flats SR	29,844 ft ²	139.44 pf ²	4,161,447	
Block E & F - 1 Bed Flats	101,940 ft ²	117.47 pf ²	11,974,892	
Block E & F - 2 Bed Flats	215,094 ft ²	117.47 pf ²	25,267,092	
Block E & F Twr - 2 Bed Flats	37,589 ft ²	117.47 pf ²	4,415,580	
Block E & F - 1 Bed Flats SR	26,787 ft ²	117.47 pf ²	3,146,687	
Block E & F - 1 Bed Flats IO	13,394 ft ²	117.47 pf ²	1,573,343	
Block G & H - 1 Bed Flats	147,564 ft ²	112.97 pf ²	16,670,305	
Block G & H - 2 Bed Flats	154,226 ft ²	112.97 pf ²	17,422,911	
Block B - 1 Bed Flats SR	13,179 ft ²	110.76 pf ²	1,459,706	
Block B - 3 Bed Houses SR	14,138 ft ²	97.08 pf ²	1,372,517	
Block J - GG 1 Bed Flats	32,910 ft ²	112.97 pf ²	3,717,843	
Block J - GG 2 Bed Flats	<u>19,069 ft²</u>	112.97 pf ²	<u>2,154,225</u>	
Totals	1,987,833 ft²		197,372,672	199,372,672

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APPRAISAL SUMMARY

GL HEARN

Planning Viability Review

SUBMISSION SCHEME with NO CIL FULL HIF

Block A Construction Contingency	5.00%	1,459,024	
Block C Construction Contingency	5.00%	100,000	
Block D Construction Contingency	5.00%	36,531	
Block E&F Construction Contingency	5.00%	1,360,396	
Block G&H Construction Contingency	5.00%	1,133,029	
Archaeology		2,000,001	
Decontamination		999,999	
On site public realm		917,172	
Edward and Magdalan Street public realm		834,773	
Demolition		4,500,000	
Pitt Street off site public realm		230,105	
			13,571,030
Other Construction			
Block A Preliminaries	10.00%	6,992,448	
Block D Preliminaries	10.00%	446,956	
Block E&F Preliminaries	10.00%	7,048,149	
Block G&H Preliminaries	10.00%	5,325,133	
			19,812,686
Section 106 Costs			
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

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APPRAISAL SUMMARY**GL HEARN****Planning Viability Review****SUBMISSION SCHEME with NO CIL FULL HIF**

Professional Fees	8.00%	4,957,354	
			4,957,354
MARKETING & LETTING			
Marketing Commercial	1.50%	256,441	
Marketing Residential		3,131,400	
Marketing MSCP	1.50%	28,350	
Letting Agent Fee	10.00%	3,352	
Letting Agent Fee	10.00%	257,862	
Letting Legal Fee	5.00%	130,607	
			3,808,011
DISPOSAL FEES			
Sales Agent Fee	1.00%	855,083	
Sales Agent Fee Commercial	1.00%	222,107	
Sales Agent Fee Residential	1.00%	1,363,700	
Sales Legal Fee	0.50%	427,542	
Legal Fee		25,000	
Sales Legal Fee Commercial	0.50%	78,741	
Sales Legal Fee Residential	0.50%	681,850	
Sales Legal Fee Commercial	0.50%	32,312	
			3,686,335
Additional Costs			
Retail Incentives		637,500	
Car Park Incentive		375,000	
Retail Incentives		80,000	
Retail Incentives E3 & F2		75,000	

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APPRAISAL SUMMARY**GL HEARN****Planning Viability Review****SUBMISSION SCHEME with NO CIL FULL HIF**

Hotel Incentives	1,984,000	
Retail Incentives Other	375,000	
Retail Incentives	715,000	
		4,241,500
FINANCE		
Debit Rate 6.000%, Credit Rate 0.000% (Nominal)		
Total Finance Cost		41,163,786
TOTAL COSTS		290,778,374
PROFIT		(23,846,410)

Performance Measures

Profit on Cost%	(8.20)%
Profit on GDV%	(9.40)%
Profit on NDV%	(9.47)%
Development Yield% (on Rent)	0.90%
Equivalent Yield% (Nominal)	8.59%
Equivalent Yield% (True)	9.07%
 IRR	 3.00%
 Rent Cover	 -9 yrs -2 mths
Profit Erosion (finance rate 6.000%)	N/A

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**Planning Viability Review
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Planning Viability Review
SUBMISSION SCHEME with NO CIL FULL HIF

Project Timescale	
Project Start Date	Aug 2019
Project End Date	Jan 2033
Project Duration (Inc Exit Period)	162 months

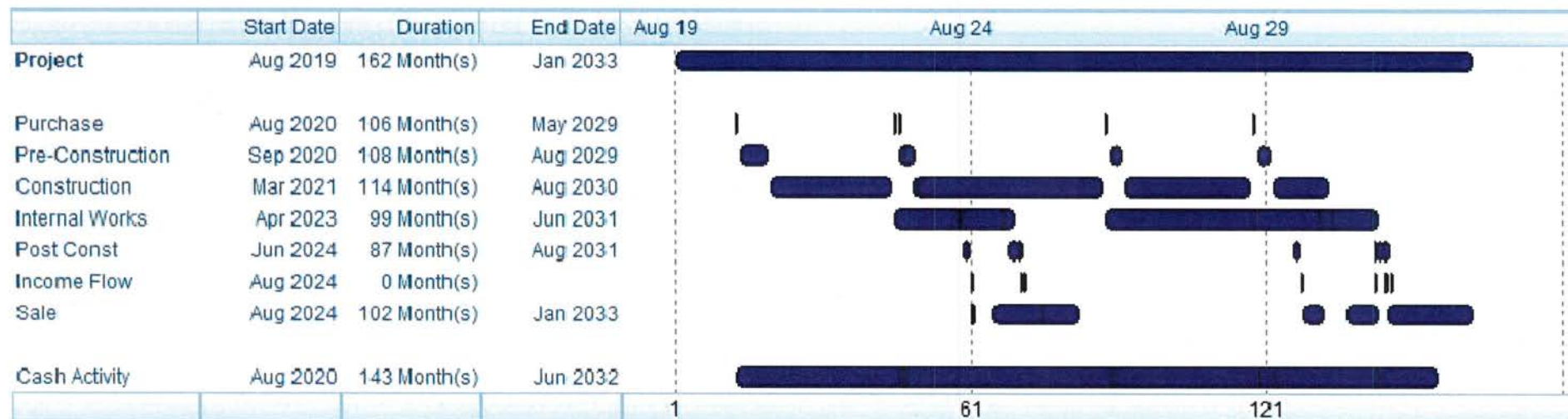
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TIMESCALE AND PHASING GRAPH REPORT

GL HEARN

Planning Viability Review
SUBMISSION SCHEME with NO CIL FULL HIF

All Phases



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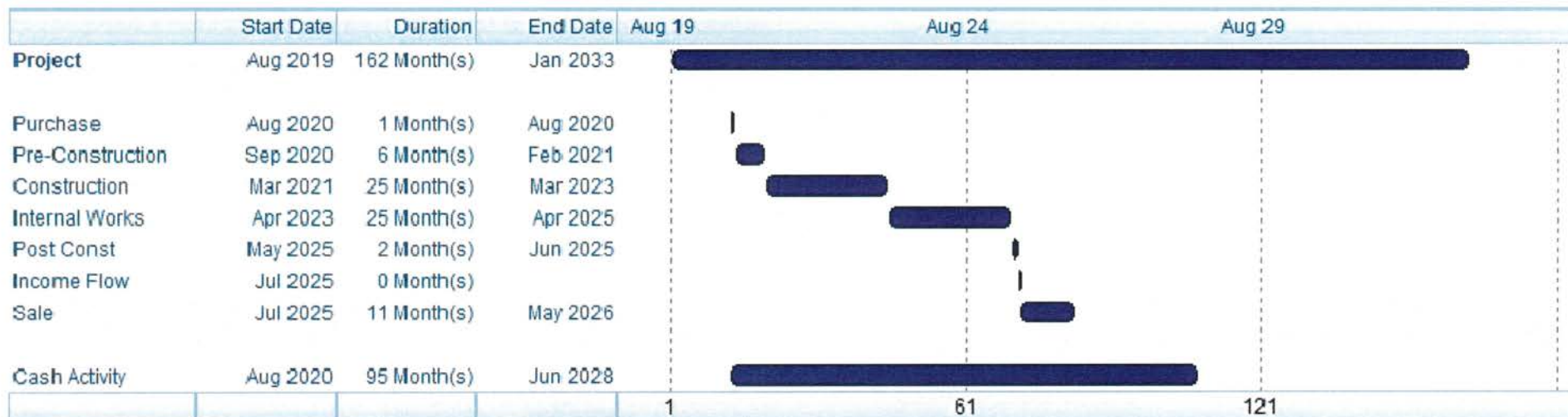
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TIMESCALE AND PHASING GRAPH REPORT

GL HEARN

Planning Viability Review
SUBMISSION SCHEME with NO CIL FULL HIF

1. Phase 1 - Block A



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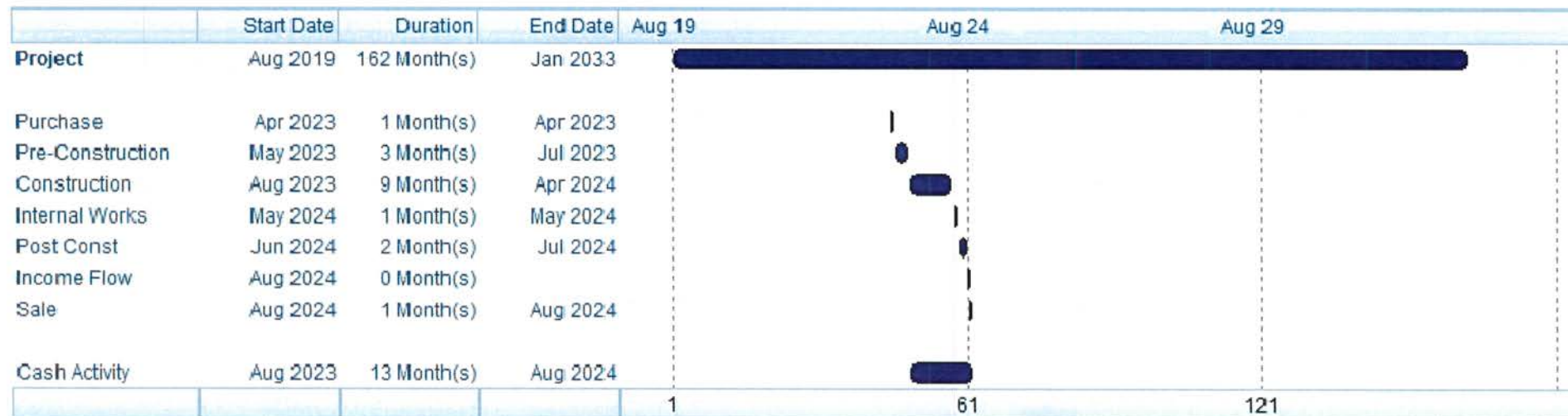
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TIMESCALE AND PHASING GRAPH REPORT

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2. Phase 2a Block C



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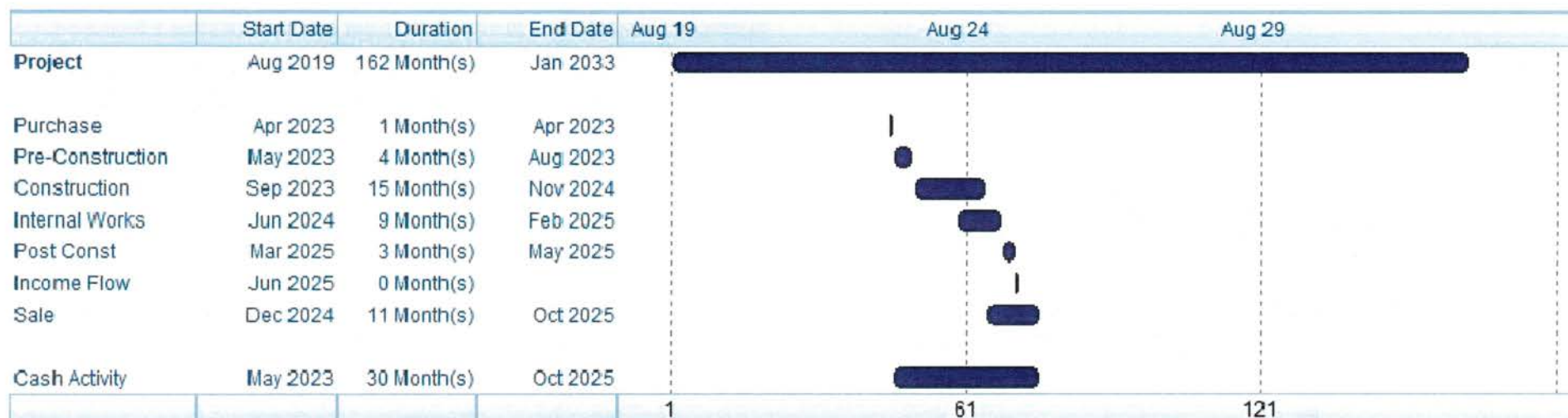
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TIMESCALE AND PHASING GRAPH REPORT

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3. Phase 2b - Block D



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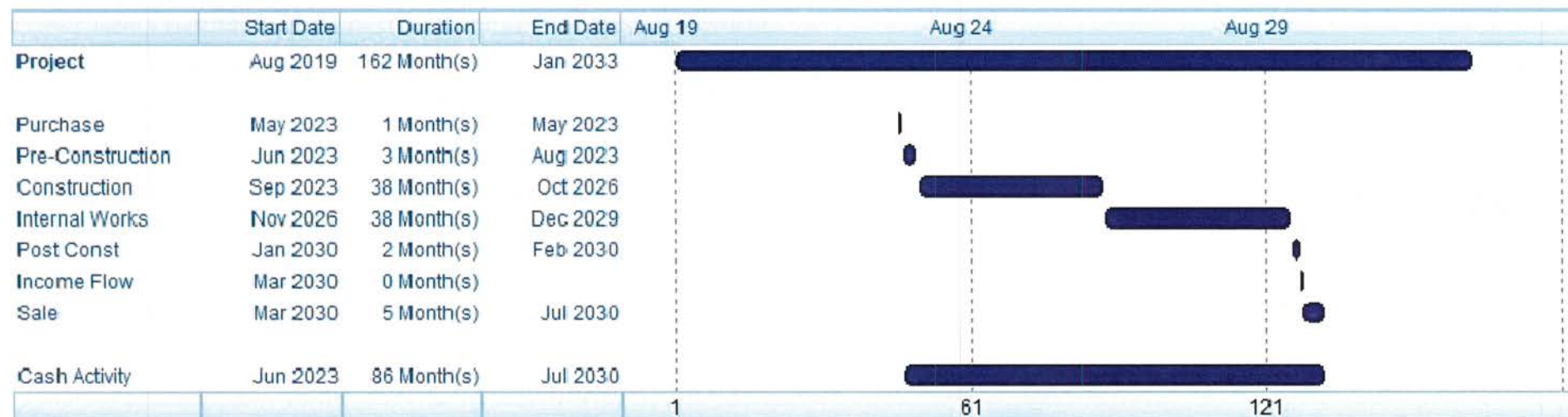
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Planning Viability Review
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4. Phase 2d & 2c - Block E and F



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Planning Viability Review
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5. Phase 3 - Blocks G and H



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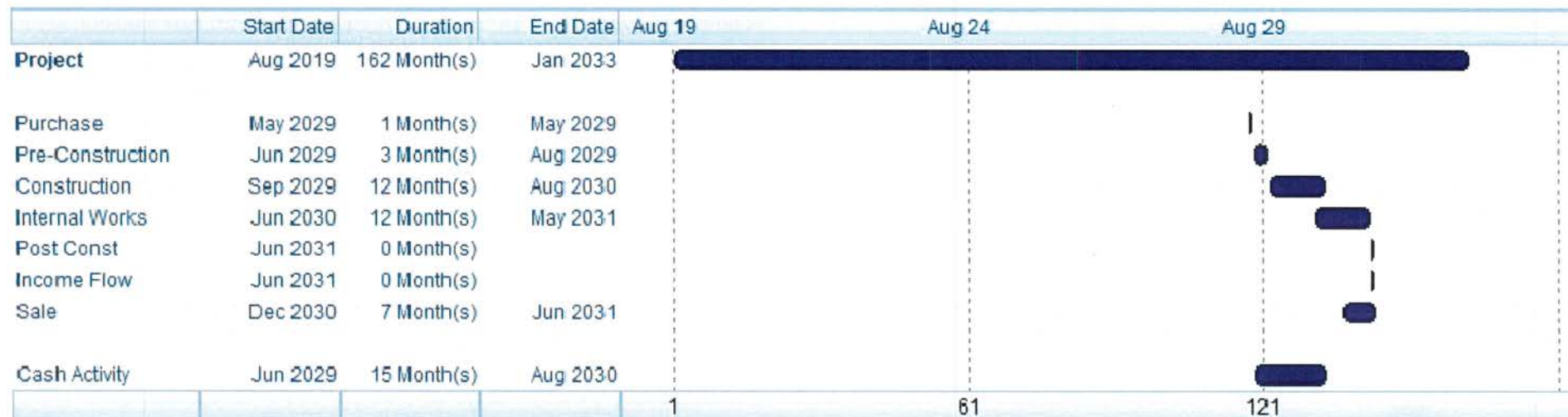
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TIMESCALE AND PHASING GRAPH REPORT

GL HEARN

Planning Viability Review
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6. Phase 4a - Block B



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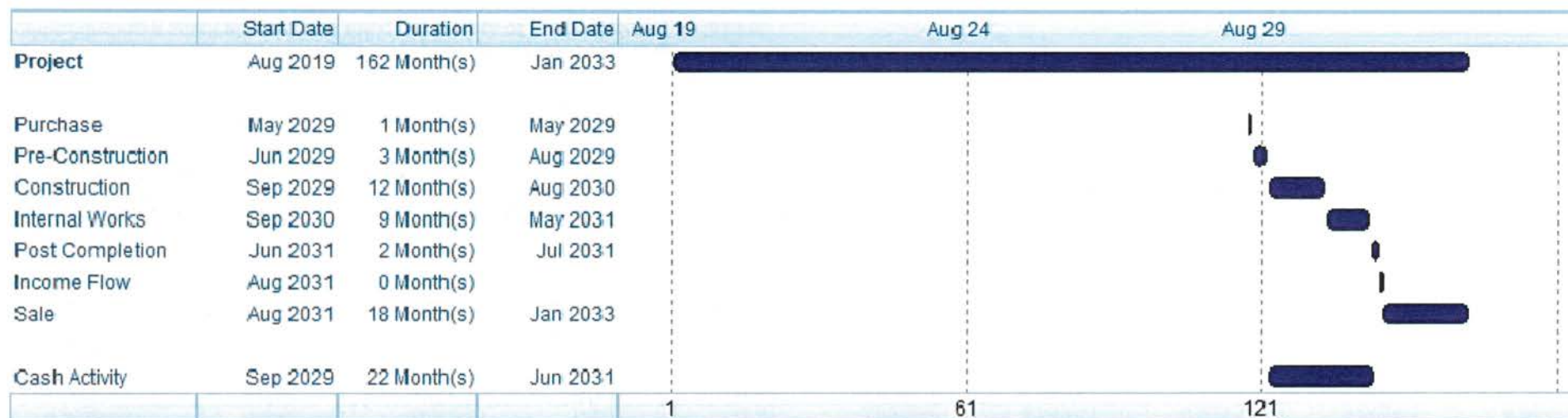
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Planning Viability Review
SUBMISSION SCHEME with NO CIL FULL HIF

7. Phase 4b - Block J Gildengate House



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SENSITIVITY ANALYSIS REPORT

GL HEARN

Planning Viability Review
SUBMISSION SCHEME with NO CIL FULL HIF

Table of Profit on GDV% and Profit on Cost%

Rent: Rate pf ²									
Rent: Yield	-8.00 pf ²	-6.00 pf ²	-4.00 pf ²	-2.00 pf ²	0.00 pf ²	+2.00 pf ²	+4.00 pf ²	+6.00 pf ²	+8.00 pf ²
-2.0000%	N/A	N/A	N/A	N/A	-4.732%	1.280%	6.503%	11.085%	15.185%
7.0000%	N/A	N/A	N/A	N/A	-4.316%	1.241%	6.673%	11.989%	17.260%
-1.5000%	N/A	N/A	N/A	N/A	-6.117%	-0.351%	4.720%	9.185%	13.191%
7.5000%	N/A	N/A	N/A	N/A	-5.504%	-0.334%	4.749%	9.718%	14.633%
-1.0000%	N/A	N/A	N/A	N/A	-7.340%	-1.842%	3.102%	7.461%	11.373%
8.0000%	N/A	N/A	N/A	N/A	-6.528%	-1.729%	3.067%	7.740%	12.345%
-0.5000%	N/A	N/A	N/A	N/A	-8.429%	-3.176%	1.626%	5.887%	9.708%
8.5000%	N/A	N/A	N/A	N/A	-7.418%	-2.943%	1.583%	6.000%	10.334%
0.0000%	N/A	N/A	N/A	N/A	-9.405%	-4.377%	0.281%	4.438%	8.177%
9.0000%	N/A	N/A	N/A	N/A	-8.201%	-4.007%	0.270%	4.452%	8.552%
+0.5000%	N/A	N/A	N/A	N/A	-10.283%	-5.464%	-0.972%	3.100%	6.765%
9.5000%	N/A	N/A	N/A	N/A	-8.894%	-4.949%	-0.921%	3.065%	6.964%
+1.0000%	N/A	N/A	N/A	N/A	-11.079%	-6.453%	-2.126%	1.860%	5.454%
10.0000%	N/A	N/A	N/A	N/A	-9.511%	-5.788%	-1.991%	1.815%	5.533%
+1.5000%	N/A	N/A	N/A	N/A	-11.803%	-7.355%	-3.183%	0.711%	4.232%
10.5000%	N/A	N/A	N/A	N/A	-10.065%	-6.540%	-2.949%	0.685%	4.236%
+2.0000%	N/A	N/A	N/A	N/A	-12.464%	-8.182%	-4.155%	-0.361%	3.090%
11.0000%	N/A	N/A	N/A	N/A	-10.565%	-7.219%	-3.813%	-0.345%	3.055%
+2.5000%	N/A	N/A	N/A	N/A	-13.071%	-8.943%	-5.052%	-1.378%	2.020%
11.5000%	N/A	N/A	N/A	N/A	-11.018%	-7.833%	-4.595%	-1.300%	1.975%

Sensitivity Analysis - Assumptions for Calculation

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Planning Viability Review SUBMISSION SCHEME with NO CIL FULL HIF

Rent: Rate pf²

Original Values are varied in Fixed Steps of £2.00

Heading	Phase	Rate	No. of Steps
Block A - Retail A1.01	1	£10.00	5 Up & Down
Block A MSCP Public	1	£1.70	5 Up & Down
Block A - Retail A2.01	1	£10.00	5 Up & Down
Block A Retail Other - A3.01	1	£10.00	5 Up & Down
Block A Retail Other - A4.01	1	£10.00	5 Up & Down
Block D - Retail D1.01	3	£10.00	5 Up & Down
Block D - Retail Other D2.01	3	£9.75	5 Up & Down
Block E & F - Retail F1.01	4	£10.00	5 Up & Down
Block E & F - Retail E1.01	4	£10.00	5 Up & Down
Block E & F - Retail Other E3.01	4	£10.00	5 Up & Down
Block E & F - Retail Other F2.01	4	£10.00	5 Up & Down
Block E & F - Retail E2.01	4	£10.00	5 Up & Down
Block E & F - F3.01 - Retail Other	4	£10.00	5 Up & Down
Block E & F Hotel	4	£10.25	5 Up & Down
Block G & H - Retail G1.01	5	£12.00	5 Up & Down
Block G & H - Cinema	5	£8.00	5 Up & Down
Block G & H - Retail G2.01	5	£17.50	5 Up & Down
Block G & H - Retail G3.01	5	£17.50	5 Up & Down
Block G & H - Retail H1.01	5	£17.50	5 Up & Down
Block G & H - Retail H2.01	5	£17.50	5 Up & Down

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SENSITIVITY ANALYSIS REPORT

GL HEARN

Planning Viability Review

SUBMISSION SCHEME with NO CIL FULL HIF

Block G & H - Retail H3.01	5	£15.00	5 Up & Down
Block E & F Hotel	4	£10.25	5 Up & Down

Rent: Yield

Original Values are varied in Fixed Steps of 0.50%

Heading	Phase	Cap. Rate	No. of Steps
Block A - Retail A1.01	1	9.0000%	5 Up & Down
Block A MSCP Public	1	9.0000%	5 Up & Down
Block A - Retail A2.01	1	9.0000%	5 Up & Down
Block A Retail Other - A3.01	1	9.0000%	5 Up & Down
Block A Retail Other - A4.01	1	9.0000%	5 Up & Down
Block D - Retail D1.01	3	9.0000%	5 Up & Down
Block D - Retail Other D2.01	3	9.0000%	5 Up & Down
Block E & F - Retail F1.01	4	9.0000%	5 Up & Down
Block E & F - Retail E1.01	4	9.0000%	5 Up & Down
Block E & F - Retail Other E3.01	4	9.0000%	5 Up & Down
Block E & F - Retail Other F2.01	4	9.0000%	5 Up & Down
Block E & F - Retail E2.01	4	9.0000%	5 Up & Down
Block E & F - F3.01 - Retail Other	4	9.0000%	5 Up & Down
Block E & F Hotel	4	8.0000%	5 Up & Down
Block G & H - Retail G1.01	5	9.0000%	5 Up & Down
Block G & H - Cinema	5	9.0000%	5 Up & Down
Block G & H - Retail G2.01	5	9.0000%	5 Up & Down
Block G & H - Retail G3.01	5	9.0000%	5 Up & Down

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Planning Viability Review**SUBMISSION SCHEME with NO CIL FULL HIF**

Block G & H - Retail H1.01	5	9.0000%	5 Up & Down
Block G & H - Retail H2.01	5	9.0000%	5 Up & Down
Block G & H - Retail H3.01	5	9.0000%	5 Up & Down
Block E & F Hotel	4	8.0000%	5 Up & Down

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SENSITIVITY ANALYSIS REPORT

GL HEARN

Planning Viability Review SUBMISSION SCHEME with NO CIL FULL HIF

+10.00 pf ²
18.850%
22.451%
16.808%
19.501%
14.926%
16.914%
13.190%
14.632%
11.587%
12.610%
10.104%
10.806%
8.727%
9.186%
7.445%
7.724%
6.249%
6.396%
5.125%
5.181%

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APPENDIX B

BCIS INDEX

BCIS Regional TPI: East Anglia #226

Base date: 2010 mean = 100 | Updated: 03-Jan-2020 | #226

Date	Index	Equiv. Sample	Percentage change		
			On year	On quarter	On month
1Q 2010	97	19	-3.0%	2.1%	
2Q 2010	99	18	4.2%	2.1%	
3Q 2010	101	19	3.1%	2.0%	
4Q 2010	102	19	7.4%	1.0%	
1Q 2011	102	17	5.2%	0.0%	
2Q 2011	107	17	8.1%	4.9%	
3Q 2011	106	18	5.0%	-0.9%	
4Q 2011	105	19	2.9%	-0.9%	
1Q 2012	104	17	2.0%	-1.0%	
2Q 2012	107	16	0.0%	2.9%	
3Q 2012	105	17	-0.9%	-1.9%	
4Q 2012	108	18	2.9%	2.9%	
1Q 2013	109	19	4.8%	0.9%	
2Q 2013	113	20	5.6%	3.7%	
3Q 2013	110	23	4.8%	-2.7%	
4Q 2013	114	26	5.6%	3.6%	
1Q 2014	116	27	6.4%	1.8%	
2Q 2014	116	28	2.7%	0.0%	
3Q 2014	120	29	9.1%	3.4%	
4Q 2014	120	29	5.3%	0.0%	
1Q 2015	126	26	8.6%	5.0%	
2Q 2015	129	22	11.2%	2.4%	
3Q 2015	122	21	1.7%	-5.4%	
4Q 2015	122	21	1.7%	0.0%	
1Q 2016	128	23	1.6%	4.9%	
2Q 2016	130	24	0.8%	1.6%	
3Q 2016	130	24	6.6%	0.0%	
4Q 2016	129	23	5.7%	-0.8%	
1Q 2017	137	21	7.0%	6.2%	
2Q 2017	150	19	15.4%	9.5%	
3Q 2017	142	16	9.2%	-5.3%	
4Q 2017	148	14	14.7%	4.2%	
1Q 2018	152	11	10.9%	2.7%	
2Q 2018	153	10	2.0%	0.7%	
3Q 2018	149	8	4.9%	-2.6%	
4Q 2018	159	7	7.4%	6.7%	
1Q 2019	150	6	-1.3%	-5.7%	

Date	Index	Equiv. Sample	On year	Percentage change	
				On quarter	On month
2Q 2019	141	5	-7.8%	-6.0%	

