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# Financial Viability Review Addendum

Norwich City Council

13<sup>th</sup> March 2023

## 1. The Proposed Scheme

1.1 We have been provided with the Anglia Square Viability Review dated February 2023 undertaken by Carter Jonas. The applicant's report includes an area schedule which we have relied upon for the purpose of this report (attached at Appendix 1).

1.2 We have adopted the following assumptions for the purpose of this report, however we understand that the outline scheme is subject to change at the reserved matters stage following a review of the parking quantum and unit numbers.

- 1,062 homes including 10% affordable
- 440 car parking spaces
- C. 80,000 sq ft of commercial space (NIA).

1.3 We have summarised the key figures from the area schedule in table below:

	Number of Units	Gross Internal Area (Sq Ft)	Net Internal Area (Sq Ft)	Gross to Net (%)
Private Residential	956	909,665	636,501	70%
Affordable Residential	106	82,534	62,971	76%
Commercial	-	108,689	79,971	74%
Car Parking	-	126,987	-	-
<b>TOTAL</b>	<b>1,062</b>	<b>1,227,875</b>	<b>779,443</b>	<b>-</b>

1.4 The number of units and areas have changed since the previous March 2022 FVA. There are 2 additional residential units, the GIA has increased by 57,172 sq ft, and the NIA has decreased by 6,367 sq ft. We understand that this is a consequence of design.

## 2. Market Commentary

2.1 We provided a full market commentary as part of our Financial Viability Review in June 2022 which has been included at Appendix 2. We have reviewed the market to establish whether there has been any movement in values since the date of our previous Financial Viability Review.

### Residential

2.2 Since January 2022 Land Registry data suggests average house prices in Norwich for all property types have increased by 11%, while flats have increased by 9%, to December 2022 (latest data available). Average flat prices in Norwich in December 2022 were c. £162,000 compared to c. £149,000 in January 2022, however we note that this data includes both secondary and new build stock.

2.3 We have summarised below the latest residential comparable evidence obtained between January 2022 and March 2023:

- **St James Quay – NR3 (New build) – Sold & asking prices:** St James Quay is a development of 220 residential units and 447 sq. m of commercial space being developed by Hill. The scheme comprises a mix of one, two and three bedroom apartments set within 11 blocks and is being delivered in three phases, with Phase 1 nearly complete and phase 2 and 3 yet to start. Phase 1 comprises 139 units in two buildings – Sewell Building and Pullman Building. Asking prices are from February 2023 and sold prices are from January 2022 to September 2022.
- **Canary Quay – NR1 (New build) – Asking prices:** Canary Quay is a development of 323 residential units developed by Broadland. The scheme comprises a mix of 1 and two bedroom apartments, including a proportion of shared ownership units. The asking prices are from February 2023.
- **Conisford Court – NR1 (New build) – Asking prices:** Conisford Court is a development of 26 residential units and commercial at the ground floor. The scheme comprises a mix of 1 and 2 bed apartments. The scheme is marketed as a luxury scheme with a high quality specification. The asking prices are from February 2023.

2.4 We have summarised our comparable evidence in the table below:

Schemes	Beds	Average Size (sq ft)	Average Price	Average Price (£per sq ft)	Price Date
St James Quay	1	550	£211,750	£385	Jan 2022 - Sep 2022
	2	858	£335,607	£392	
	3	1014	£500,800	£495	
St James Quay	2	828	£355,664	£428	Asking - Feb 23
	3	1066	£419,950	£394	
Canary Quay	1	550	£195,000	£356	Asking - Feb 23
	2	738	£238,125	£323	
Conisford Court	2	746	£272,500	£365	Asking - Feb 23

## Retail

### Letting Market

- 2.5 We have summarised below the latest retail comparable evidence obtained between January 2022 and March 2023 within a 1 mile radius of Norwich city centre:

Address	Town Centre / Out of Town	Occupier	£PSF	Sq. ft.	Date	Lease Term
Timberhill	TC	-	£14.84	3,201	05/01/2023	-
5a St Stephens St	TC	-	£44.82	569	13/12/2022	-
Castle Meadow	TC	Pure Norwich Limited	£10.71	3,736	01/12/2022	10 yrs
13 Back Of The Inns	TC	Lucy & Yak	£44.72	1,004	17/10/2022	10 yrs
2-4 Brigg St	TC	Adrian Moya Limited	£36.86	1,560	03/10/2022	10 yrs
17 Westlegate	TC	Norwich Samaritan	£12.30	2,027	30/09/2022	10 yrs
4 St. Augustines Gate	TC	-	£15.49	2,906	02/09/2022	-
7 Back of The Inns	TC	Saltrock Surfwear Ltd	£29.84	1,003	21/06/2022	8 yrs
24-26 St Stephens St	TC	Shoe Zone Retail Limited	£11.62	7,730	15/06/2022	5 yrs
10 White Lion St	TC	Loake	£33.94	884	04/05/2022	10 yrs
7 St Giles St	TC	Indigo Tattoo	£21.11	1,303	23/03/2022	10 yrs
8 Guildhall HI	TC	-	£22.86	700	15/03/2022	-
31 Gentlemans Walk	TC	-	£23.27	3,223	14/03/2022	-
21 Castle St	TC	Castle Fine Art	£20.37	4,908	02/02/2022	5 yrs
221-231 St Leonards Rd	OOT	Break Charity	£6.46	1,238	02/02/2022	-

- 1.5 The comparables reflect an average rent of £23.28 psf, although we would note the variance between £6psf and 45psf. Clearly, the evidence presented above takes account of a wide range of retail uses, across a wide geographic area, with varied stock size, condition, and lease terms.

### Investment Market

- 2.6 We have summarised below the latest retail comparable evidence obtained between January 2022 and March 2023 within a 1 mile radius of Norwich city centre:

Address	Size (sq. ft.)	Sale Price	£/sq. ft.	NIY (%)	Sale Date
12-13 Tombland	3,500	£250,000 (asking)	£71.43	-	07/12/2022
20 West End	1,342	£80,000 (asking)	£59.61	-	07/12/2022
2-4 Sprowston Rd	907	£102,000	£112.46	-	24/10/2022
22 Prince Of Wales Rd	4,844	£275,000 (asking)	£56.77	-	26/07/2022
3-5 Orford Pl (Part of Multi-Property Sale)	3,228	£792,642	£245.55	10.85%	06/07/2022
1 Orford Pl (Part of Multi-Property Sale)	1,107	£82,358	£74.40	10.85%	06/07/2022
46 St. Benedicts St	2,890	£184,500	£63.84	-	03/05/2022
9 White Lion St	4,980	£1,000,000 (asking)	£200.80	-	14/04/2022

18 Haymarket	4,674	£2,750,000	£588.36	-	18/03/2022
2 Rampant Horse St (Part of Portfolio)	2,420	£234,820	£97.03	-	07/01/2022
23 White Lion St	1,278	£500,000	£391.24	-	Under offer

2.7 The comparables reflect an average capital value of £178 psf, ranging from £56 to 588 psf. However we note that the evidence includes a wide range of tenants with different covenant strengths and remaining lease terms.

### 3. Affordable Housing Financial Contribution

3.1 In order to ascertain the level of affordable housing that the applicant can afford we have assessed the proposed scheme. The key components are as follows.

#### Gross Development Value (GDV)

3.2 Within their FVA, the applicant has assumed a base average private value of £350 per sq ft and a base average affordable value of £210 per sq ft. In the applicant's report the affordable units are a mix of 85% social rent and 15% shared ownership, and the blended affordable values are based on 60% of the private values. This assumption is marginally above our expectations, and implies that the quality of affordable homes will be high. Further, we recognise that this value is also marginally below the projected affordable values from the previous FVA submission. We understand that the reconfiguration has caused the alteration in values.

3.3 The applicant has adopted a regeneration premium for the residential values, including the private and affordable tenures, on a phased basis with 12.5% in phase 2, 20% in phase 3 and 27.5% in phase 4 which are all applied to the base value. A regeneration premium can be applied on significant, large scale schemes delivering a mix of uses and public amenity space which often lead to an uplift in values as the area repositions itself. The regeneration premium appears high in our experience however we recognise that this value uplift will be required to outperform any uplift in the base build costs and inflation over the development period which has not been accounted for in the applicant's appraisal. This therefore represents the best case scenario whereby the scheme achieves significant value uplift and build costs remain static in line with BCIS. We have adopted the applicant's regeneration premium assumptions, however we note that we would typically only apply the regeneration premium to the private tenure as affordable housing values are dictated by policy and have caps to ensure units remain affordable.

3.4 The applicant has included 440 car parking spaces at basement and internal ground level for Block A, at surface level in limited areas, and the remainder is over ground and first floors inside the residential blocks. The applicant's report assumes a value of £15,000 per space for the private parking spaces (415 spaces) and a nil value for the affordable housing parking spaces (12 spaces) and the non-residential spaces (13 spaces). In the applicant's appraisal this equates to a sales rate of £47.80 per sq ft or a blended sales value of £13,796 per space. Based on our calculations, using the same

number of car parking spaces and value assumptions, the sales rate should be £49.02 per sq ft or a blended sales value of £14,148 per space.

3.5 We understand the retail space is predominantly at ground floor level with a small amount at 1st, 2nd and 3rd floor. For the retail use the applicant has assumed a rent of £15 per sq ft for ground floor space with a 50% discount for the upper floor space at £7.50 per sq ft. The applicant has assumed a yield of 6%, a 12 month void and a 12 month rent free. We consider these rents to be below expectations. Whilst we appreciate the impact upon the overall position is minimal, we do require additional supporting information to substantiate the rents provided. We consider a prudent developer will not be providing commercial space that makes a loss, and we consider the space will generate a revenue stream above the stated cost profile. Essentially, this will be confirmed over the course of a review process.

3.6 In summary, we have compared the applicant's current value assumptions in their February 2023 FVA with their previous assumptions in their March 2022 FVA.

Values	Applicant March 2022	Applicant Feb 2023
Private residential	£340 per sq ft	P1 - £350 per sq ft P2 - £394 per sq ft P3 - £420 per sq ft P4 - 446 per sq ft
Affordable residential	£238 per sq ft	P1 - £210 per sq ft P2 - £236 per sq ft P3 - no affordable space included P4 - £268 per sq ft
Car parking	£15,000 per private space £0 per affordable space £0 per commercial space	£15,000 per private space £0 per affordable space £0 per commercial space
Commercial rent	£15 per sq ft (ground floor) £7.50 per sq ft (upper floors)	£15 per sq ft (ground floor) £7.50 per sq ft (upper floors)
Commercial yield	9%	6%
Commercial incentives	12 months void 12 months rent free	12 months void 12 months rent free

3.7 We have adopted the following value assumptions in our appraisal:

Values	Avison Young Assumptions	Comments
Private residential	P1 - £350 per sq ft P2 - £394 per sq ft P3 - £420 per sq ft P4 - 446 per sq ft	We have adopted the applicant's base private values which are in line with the comparable evidence available. We have also adopted the applicant's regeneration premium in the regeneration uplift option.
Affordable residential	P1 - £210 per sq ft P2 - £236 per sq ft	60% of the private residential values.

	P3 – no affordable space included P4 - £268 per sq ft	We have adopted the applicant's regeneration premium in the regeneration uplift option.
Car parking	£15,000 per private space £0 per affordable space £0 per commercial space	In line with the applicant's assumptions.
Commercial rent	£25 per sq ft	This rental tone would need to be achieved in order to ensure the commercial space makes a return.
Commercial yield	6%	As above.
Commercial incentives	12 months	Inclusive of rent free and void.

## Additional Revenue

- 3.8 The applicant has included £15m of HIF funding (non-repayable grant) which has been allocated to the site by Homes England. The funding must be spent by March 2024 and has been spread over the first and second phase in the applicant's appraisal.
- 3.9 From the start of development, the applicant has also included interim income generated from surface car parks, the Shopping Centre and the Pitt Street properties on the site. Given the disturbance from ongoing construction and uncertainty, the applicant has assumed a reduced income. The income for each element is received until the respective areas of the site are required for construction and/or new provision has been provided elsewhere. The applicant has assumed a 50% discount to reflect the short term nature of the leases/ facilities and poor quality of the environment:
- Surface Car Parks: £170,000 per annum which equates to £640,935 in their appraisal.
  - Shopping Centre: £206,000 per annum which equates to £362,436 in their appraisal.
  - Pitt Street Properties: £85,000 per annum which equates to £360,705 in their appraisal.
- 3.10 No interim income is assumed to be generated from either Sovereign House or Gildengate House.
- 3.11 The applicant's additional revenue assumptions have not changed since the previous March 2022 FVA. We have adopted the applicant's additional revenue assumptions noted above.

## Construction & Infrastructure Costs

- 3.12 In their March 2022 FVA the applicant previously relied upon a detailed cost plan from Exigere which assumed a rate of £244.50 per sq ft. Adopting this approach resulted in an unviable scheme, therefore the applicant has taken a different approach and cost basis within their February 2023 FVA. It is worth noting that that within their 2022 submission, the applicant did present alternative scenarios producing a lower cost profile and a basis on which they were willing to proceed. They stated that their cost profiling is a competitive advantage, and they anticipate being able to outperform the market.

3.13 The applicant has relied upon BCIS data for their build costs assuming the upper quartile cost (rebased to Norwich). The applicant has adopted the following build costs:

- Residential - £184 per sq ft for a '6 storey or above' apartment development
- Commercial - £194 per sq ft for 'shops, generally'
- Car parking - £61 per sq ft for 'multi-storey' car parking

3.14 The upper quartile benchmark is considered to be appropriate for a scheme of this scale and complexity therefore we have adopted the applicants build costs.

3.15 The applicant's build costs for the car parking total £7,746,268 which equates to a rate of £17,605 per space. This cost appears reasonable, however we note that we would typically expect a developer to seek a cost neutral position on the car parking. .

3.16 We have summarised the applicant's build cost assumptions in the table below:

<b>Build Costs</b>	<b>Applicant</b>
Residential	£184 per sq ft
Commercial	£194 per sq ft
Car Parking	£17,605 per space £61 per sq ft

## Demolition Costs

3.17 The applicant has included demolition costs of £14.53m for the scheme, in accordance with the Exigere cost estimate previously provided. The actual demolition costs total c. £11.1m and there are additional miscellaneous costs included as follows which total c. £3.4m.

<b>Miscellaneous costs</b>	<b>£</b>
Allowance for temporary works	£1,000,000
Allowance for removal of flyover connect to St Crispin Road	£500,000
Allowance for cut and fill across site	1,397,640
Risk allowance for dealing with contamination	£500,000
Allowance for asbestos removal	£1,555
<b>Total</b>	<b>£3,399,195</b>

3.18 We consider these miscellaneous costs to fall within site preparation costs and consider them reasonable on review. We recognise that these costs are a necessary form of site preparation, and will need to be accounted for accordingly. As with all costs, we recommend that these costs are reviewed by a monitoring surveyor at the appropriate time to confirm the actual costs incurred.

3.19 The applicant's costs for demolition on the whole appear reasonable and we have adopted these figures within our appraisals.

### Other Costs

3.20 The applicant has adopted off-site public realm works totalling £1.6m. Specific areas of work that have been identified include archaeological work, asbestos removal, drainage & services, utility connections and off site public realm. We have adopted the applicants off-site public realm costs.

3.21 The applicant has noted a S106 allowance of £4.19m within their report however the breakdown in the table totals £4,508,045, this figure has also been included within their appraisal. This is a significant increase on the previous s106 allowance of £319,000, which only included a Car Club Contribution and green infrastructure contribution. We have adopted the applicant's latest S106 costs totalling £4,508,045, and understand that these have been verified by the Council.

3.22 The applicant has assumed that CIL will not be payable based on the Council's CIL Exceptional Circumstances Relief policy which the applicant suggests will apply to the scheme once planning has been granted. The applicant has shown the viability of the scheme with and without a CIL payment. The applicant has assumed a CIL payment of £7,670,421 if applicable. We have been informed that CIL is currently applicable to this scheme, and as a result we have included the figures provided to us by the Council which totals £8,100,427.

3.23 We have set out in the table below the additional costs that have been assumed in the applicant's appraisal alongside our own assumptions:

Costs	Applicant March 2022	Applicant February 2023	Avison Young February 2023
Professional Fees	8%	7.5%	7.5%
Contingency	5%	5%	5%
Sale Legal Fee	0.5%	0.5%	0.25%
Sales Agents Fee	1.0%	1.0%	0.75%
Marketing Fee (commercial, private & car parking)	1.5%	1.5%	1.0%
Letting Agents Fee	10%	10%*	10%
Letting Legal Fee	10%	5%*	5%
Finance	6%*	6%*	6%*

\*These figures have been excluded from the appraisals.

3.24 The applicant has excluded letting agent and letting legal fees from their appraisals. We note that the applicant has also excluded finance from their appraisal. The applicant notes that there will be a cost



relating to finance but it's structuring needs to be consideration in detail and given the outcome of the viability analysis consideration of this structured is not deemed to be required at this stage. We have adopted the same approach in our appraisal for consistency. However, we consider that the applicant will be financing in a way that is advantageous to them and not be reliant on 100% debt as is what is commonly presented in development appraisals for similar schemes within FVAs. We appreciate that the applicant is presenting a scenario that is constructive at this stage and we can therefore endorse their position. Ultimately, finance will provide some form of additional cost.

### Programme & Phasing

3.25 The applicant has indicated that a Reserved Matters application will be submitted by April 2023 and the Outline element will be deliverable by June 2023. The applicant has divided the scheme into four phases:

- Phase 1 - Block A, B, C, D & M
- Phase 2 – Block J3 & K/L
- Phase 3 – G, H & J
- Phase 4 – E & F

3.26 In the February 2023 FVA the applicant has not provided a breakdown of the phasing assumptions for pre-construction, construction and sales therefore we are unable to comment on their assumptions.

### Conclusions

3.27 The applicant has provided two development appraisals, including and excluding CIL, as summarised in the table below. Both options include a regeneration uplift on the residential values and the base build cost assumptions with no build cost inflation. This represents a very optimistic view which is unrealistic in practice. We fully appreciate that the applicant is presenting a 'best case' situation which is designed to demonstrate that such a scenario will only generate a return in line with commercial practice.

### Applicant Outputs

Applicant	Regeneration Uplift	
	Including CIL	Excluding CIL
<b>Net Realisation</b>	£313.8m	£313.8m
<b>Total Costs</b>	£286.6m	£278.9m
<b>Profit</b>	£27.2m (9.1% on GDV)	£34.9m(11.7% on GDV)

3.28 We have adopted the same approach as the applicant for comparison purposes. We have also presented a base appraisal, which includes today's values and costs, and a regeneration uplift appraisal, which adopts the applicant's residential regeneration uplift. We note that the regeneration

uplift option only increases the values and does not include any build cost inflation. This is simply designed to align with the applicant's 'best case' scenario.

3.29 The results of our development appraisals are summarised in the table below.

### **Avison Young Outputs**

<b>Avison Young</b>	<b>Base Appraisal</b>		<b>Regeneration Uplift</b>	
	<b>Including CIL</b>	<b>Excluding CIL</b>	<b>Including CIL</b>	<b>Excluding CIL</b>
<b>Net Realisation</b>	£288.2m	£288.2m	£326.8m	£326.8m
<b>Total Costs</b>	£283.2m	£275.0m	£283.8m	£275.8m
<b>Profit</b>	£5.0m (1.8% on GDV)	£13.1m (4.8% on GDV)	£42.9m (13.7% on GDV)	£51.0m (16.3% on GDV)

3.30 Our base development appraisal including 10% affordable housing is returning a profit of 1.8% on GDV when CIL is included and 4.8% on GDV when CIL is excluded.

3.31 Our regeneration uplift appraisal including 10% affordable housing is returning a profit of 13.7% on GDV when CIL is included and 16.3% on GDV when CIL is excluded, which provides an improved profit position. We re-iterate that this option is optimistic in its assumptions, including a significant regeneration uplift with no allowances for build cost inflation. We also note that finance costs have been excluded from all appraisals at this stage which will add further costs.

3.32 We recognise that the applicant has undertaken a value engineering exercise to represent the value and build cost assumptions that would be required to deliver the scheme. On this basis we consider the regeneration uplift appraisal to represent the best case scenario and therefore do not believe the scheme can support more than the proposed 10% affordable housing.

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# Appendix 1 – Accommodation Schedule

Figure 4 - Area Schedule used in the Analysis

	Residential Units		Total Area		Residential Areas								Commercial				Car Parking (Gross)		
	Market	Affordable	GIA		GIA				NIA				GIA		NIA		SQ M	SQ FT	
			SQ M	SQ FT	Market	Affordable	Market	Affordable	Market	Affordable	Market	Affordable	SQ M	SQ FT	SQ M	SQ FT			
<b>Phase 01</b>																			
Block A	142	0	18,623	200,455	13,584	-	146,220	-	9,441	-	101,625	-	1,656	17,826	1,151	12,389	3,383	36,409	
Block B	0	25	1,871	20,135	-	1,871	-	20,135	-	1,557	-	16,759	-	-	-	-	-	-	
Block C	0	21	1,370	14,742	-	1,370	-	14,742	-	1,070	-	11,515	-	-	-	-	-	-	
Block D	28	0	3,295	35,471	2,398	-	25,812	-	1,863	-	20,052	-	897	9,659	697	7,504	-	-	
Block M	48	0	5,832	62,772	4,907	-	52,822	-	3,111	-	33,486	-	924	9,950	586	6,308	-	-	
<b>Total</b>	<b>218</b>	<b>46</b>	<b>30,990</b>	<b>333,575</b>	<b>20,890</b>	<b>3,240</b>	<b>224,855</b>	<b>34,877</b>	<b>14,415</b>	<b>2,627</b>	<b>155,164</b>	<b>28,275</b>	<b>3,478</b>	<b>37,435</b>	<b>2,434</b>	<b>26,200</b>	<b>3,383</b>	<b>36,409</b>	
<b>Phase 02</b>																			
Block J3	8	0	1,172	12,619	659	-	7,098	-	516	-	5,552	-	513	5,521	401	4,318	-	-	
Block K/L	53	28	10,315	111,032	4,284	2,086	46,112	22,453	3,334	1,623	35,886	17,474	3,945	42,466	3,070	33,048	-	-	
<b>Total</b>	<b>61</b>	<b>28</b>	<b>11,488</b>	<b>123,650</b>	<b>4,943</b>	<b>2,086</b>	<b>53,210</b>	<b>22,453</b>	<b>3,850</b>	<b>1,623</b>	<b>41,438</b>	<b>17,474</b>	<b>4,458</b>	<b>47,987</b>	<b>3,472</b>	<b>37,367</b>	<b>-</b>	<b>-</b>	
<b>Phase 03</b>																			
Block G	146	0	15,423	166,014	13,223	-	142,333	-	8,914	-	95,949	-	-	-	-	-	2,200	23,681	
Block H	129	0	11,207	120,632	10,481	-	112,814	-	7,675	-	82,613	-	726	7,818	532	5,725	-	-	
Block J	131	0	14,844	159,775	12,070	-	129,920	-	7,991	-	86,014	-	656	7,063	434	4,676	2,118	22,793	
<b>Total</b>	<b>406</b>	<b>-</b>	<b>41,474</b>	<b>446,421</b>	<b>35,774</b>	<b>-</b>	<b>385,067</b>	<b>-</b>	<b>24,580</b>	<b>-</b>	<b>264,577</b>	<b>-</b>	<b>1,382</b>	<b>14,881</b>	<b>966</b>	<b>10,401</b>	<b>4,318</b>	<b>46,473</b>	
<b>Phase 04</b>																			
Block E	148	32	20,227	217,725	13,519	2,342	145,521	25,204	9,238	1,600	99,437	17,222	406	4,374	278	2,989	3,960	42,625	
Block F	123	0	9,895	106,504	9,384	-	101,013	-	7,050	-	75,885	-	373	4,012	280	3,014	138	1,480	
<b>Total</b>	<b>271</b>	<b>32</b>	<b>30,122</b>	<b>324,229</b>	<b>22,904</b>	<b>2,342</b>	<b>246,534</b>	<b>25,204</b>	<b>16,288</b>	<b>1,600</b>	<b>175,322</b>	<b>17,222</b>	<b>779</b>	<b>8,386</b>	<b>558</b>	<b>6,003</b>	<b>4,098</b>	<b>44,105</b>	
<b>GRAND TOTAL</b>	<b>956</b>	<b>106</b>	<b>114,074</b>	<b>1,227,876</b>	<b>84,511</b>	<b>7,668</b>	<b>909,665</b>	<b>82,534</b>	<b>59,133</b>	<b>5,850</b>	<b>636,501</b>	<b>62,971</b>	<b>10,098</b>	<b>108,689</b>	<b>7,430</b>	<b>79,971</b>	<b>11,798</b>	<b>126,987</b>	

Calculation of the respective 'gross' areas for residential and commercial uses comes from pro-rata to net areas.

The split of the NIA (between 'market' and 'affordable' residential NIA) is taken from the Savills schedule as not set out in the Area Schedule.

The affordable/ private split is taken from Weston Homes' internal schedule.

Car parking space (sq m) including circulation: 27.5. The car parking space in Block B is 'surface' parking - therefore, no GIA is allowed for.

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# **Appendix 2 – Financial Viability Review June 2022**

# Financial Viability Review

Norwich City Council

15<sup>th</sup> June 2022

## Contents

1.	Introduction.....	3
2.	Approach to Assessing Viability.....	4
3.	The Council's Affordable Housing Policy.....	5
4.	Benchmark Land Value.....	8
5.	The Proposed Scheme.....	15
6.	Market Commentary.....	16
7.	Affordable Housing Financial Contribution.....	21

## Appendices

- Appendix I** Accommodation Schedule
- Appendix II** Sensitivity Testing
- Appendix III** Comparable Research – BLV
- Appendix IV** Cost Review

**Report title:** Norwich City Council

**Status:** Draft

**Draft date:** 15 June 2022

**For and on behalf of Avison Young (UK) Limited**

# 1. Introduction

1.1 In April 2022 Avison Young (AY) was instructed by Norwich City Council (the Council) to review the Financial Viability Assessment (FVA), issued by the applicant for the proposed development at Anglia Square, Norwich, NR3, including land and buildings to the north and west Norwich (the Site). The FVA was issued as part of a planning application submission and is an update on the previous draft we examined in March 2022.

1.2 Our understanding of the Site is shown outlined red on the graphic below:



1.3 The Site is situated to the north of St Crispin's Road (A147), Norwich City's inner ring road comprising four lanes of traffic, beyond the main nucleus of the town. The A147 provides access to the A11, which runs west towards Cambridge and provides links to J9 of the M11, heading south towards London.

1.4 The Site is characterised by commercial and residential uses, an RCP car park and the 1960s Anglia Square arcade. The south side of the A147 is mostly characterised by large office buildings. To the west is Pitt Street, which houses some commercial/industrial uses, turning into residential as the street reaches further north.

1.5 Norwich train station is located c. 1.3km to the south east of the site providing East Midlands Railway and Greater Anglia direct services to major cities such as London Liverpool Street (1hr 50mins), Nottingham (2hrs 30 mins), Cambridge (1hr 20 mins), Liverpool Lime Street (5hrs 25 mins) and Manchester Piccadilly (4hrs 30 mins). In addition to local services to Lowestoft, Sheringham and Great Yarmouth.

1.6 The contents of this report and attached appraisals do not constitute a Royal Institution of Chartered Surveyors (RICS) Valuation Standards (Red Book) Valuation, and should not be treated as such. The



content of this report and attached appraisals are intended for the use of the Council only and is not to be relied upon by any third party. It is important to note that appraisals are highly sensitive to changes in costs due to the volatility in the market particularly impacting supply chains and construction costs. Small changes in costs and values can alter viability.

## 2. Approach to Assessing Viability

2.1 The National Planning Policy Framework (NPPF) and Planning Practice Guidance (PPG) set the framework for Financial Viability Assessments (FVAs). The updated RICS Guidance Note 'Assessing viability in planning under the National Planning Policy Framework 2019 for England', introduced in March 2021 and effective from 1<sup>st</sup> July 2021, provides guidance for carrying out and interpreting the results of viability assessments under the NPPF and the updated PPG.

2.2 FVAs are used for a number of purposes in the planning process but most commonly in relation to assessing the amount of affordable housing and S106/CIL contributions a specific development can accommodate whilst still providing an appropriate return to the developer.

2.3 Paragraphs 010 to 019 of the PPG set out how an FVA should be approached. Paragraph 010 of the PPG sets out the FVA framework and states the following:

*'Viability assessment is a process of assessing whether a site is financially viable, by looking at whether the value generated by a development is more than the cost of developing it. This includes looking at the key elements of gross development value, costs, land value, landowner premium, and developer return'.*

2.4 There are three key components to an FVA:

1. Benchmark Land Value
2. Landowner Premium
3. Development Appraisal

2.5 The FVA process assesses a site by comparing the Benchmark Land Value plus the Landowner Premium to the Residual Land Value of the proposed scheme. The PPG and the RICS Guidance Note suggest that a Benchmark Land Value should be established on the basis of the Existing Use Value (EUUV) of the land, plus a premium for the landowner. The premium for the landowner should reflect the minimum return at which it is considered a reasonable landowner would be willing to sell their land. The premium should provide a reasonable incentive, in comparison with other options available, for the landowner to sell land for development while allowing a sufficient contribution to fully comply with policy requirements. This approach is often called 'Existing Use Value Plus' (EUUV+).

2.6 The residual valuation framework, as set out in the RICS Guidance Note Valuation of Development Property, calculates the total revenue of the proposed scheme, including the sales values of the private residential units, and any additional income items from the commercial elements. This provides the Gross Development Value (GDV) of the scheme. The total cost of the scheme, including build costs, professional fees, planning obligations, sales and letting fees, finance costs and profit, are deducted from the GDV. This returns a residual land value.

2.7 The viability of a scheme can be assessed in two ways. Firstly, by comparing the Residual Land Value (RLV) to the Benchmark Land Value. Where the RLV is greater than the BLV this returns a surplus thus proving that the development is viable. If it returns a deficit, then the scheme is not viable. This is summarised in the below formula.

$$\text{RLV} - \text{BLV} = \text{Surplus} / \text{Deficit}$$

2.8 Alternatively, if the land value is taken as the value at which the site would be released for development, i.e. a fixed cost within the appraisal, the remainder of GDV less total development costs is available as developer's profit. The profit generated can then be compared against the required level of developer return. If profit generated more than the required reasonable level of developer return then the scheme will return a surplus and is therefore viable. If the scheme returns a deficit, then the scheme is not viable. This is summarised in the below formula.

$$\text{Profit Generated} - \text{Required Developer Return} = \text{Surplus} / \text{Deficit}$$

2.9 A developer requires a return for investing and bringing forward a scheme. The level of profit required varies from scheme to scheme and depending upon the stage of the economic cycle, and the risk inherent in a project. Therefore, the level of developer's profit should take account of the risk in bringing forward the scheme as well as providing an appropriate return. A realistic profit margin is not only required to ensure the developer appropriate cover, but is now more than ever, a requirement of any bank looking to fund a scheme.

2.10 Typically, when reviewing policy compliant schemes (which deliver on-site affordable housing) we note that developers target a profit margin which is traditionally a combination of 20% for the private residential element and 6% of the affordable housing. This typically produces a profit margin between 17.5% and 18.5% on GDV. However, the applicant is proposing circa 10% of on-site affordable housing. For the purposes of our review, we have adopted a global profit margin of 15% of GDV which is in accordance with relevant policy guidance provided by the Council. It is worth noting that we consider this margin to be bullish in the current market climate and in our experience such a margin is targeted for those schemes which generate significant competitive tension on the market.

2.11 Our approach to assessing the viability of the proposed scheme is based on comparing the Benchmark Land Value, using the EUV+ method against a development appraisal of the proposed scheme. This follows the guidance set out in the RICS Guidance Note, NPPF and PPG.

### **3. The Council's Affordable Housing Policy**

3.1 The Council Affordable Housing Supplementary Planning Document (SPD) was adopted on 1<sup>st</sup> July 2019, and supplements the Joint Core Strategy's policy 4 (housing) and the Norwich Local Plan's policy DM33 (planning obligations). The SPD will also apply to housing proposals of 10+ dwellings within the Broads Authority Executive Area of Norwich.

- 3.2 The SPD states that it provides guidance on viability assessment and publication of viability information in order to better inform developers of the Council's expectations and ease the planning application process.
- 3.3 It notes (para 1.3) that the Central Norfolk Strategic Housing Market Assessment 2017 (the 2017 SHMA) identifies a shortfall in the supply of affordable housing, with the greatest need being for affordable rented homes (84%) and to a lesser extent for intermediate tenures (16%). The 2017 SHMA identifies that 278 units of affordable housing are required annually over the period to 2036.
- 3.4 Policy 4 of the Joint Core Strategy (JCS) seeks to achieve the following proportion of affordable housing on sites of 5 or more dwellings:
- On sites of 5 - 9 dwellings (or 0.2 - 0.4 ha), 20% with tenure to be agreed on a site-by-site basis (numbers rounded upwards from 0.5);
  - On sites for 10 - 15 dwellings (or 0.4 - 0.6 ha), 30% with tenure to be agreed on a site by site basis (numbers rounded upwards from 0.5); and
  - On sites of 16 dwellings or more (or over 0.6 ha) 33% with approximate 85% social rented and 15% intermediate tenures (numbers rounded upwards from 0.5). This can, however, be negotiated in exceptional circumstances and/or where certain tenures are not appropriate in specific areas of the city. This will be informed by the latest SHMA.
- 3.5 Policy 4 further sets out that the mix of housing must contribute to provide balanced communities and meet the needs of the area, as set out in the most up to date study of housing need and /or Housing Market Assessment.
- 3.6 At the time of the JCS's publication, the evidence base for housing market assessment to 2011 indicated a short term need across all tenures in the following size ranges:
- 1 bed: 13% - 17%
  - 2 bed: 29% - 33%
  - 3 bed: 35% - 36%
  - 4 bed+ 19% - 20%
- 3.7 However, the SPD contends (para 2.4) that the 2017 SHMA concludes that Norwich requires 57% affordable housing to be 1 and 2 bed flats, and the remaining 43% to be houses. It also found the predominant need is for affordable rent products, at 84%, whereas low-cost home ownership products are at 16%. This is reflected in the JCS policy 4 for sites of 16 dwellings or more.
- 3.8 The SPD notes concern (para 2.7) with reference to the National Planning Policy Framework (NPPF) para 64, which sets out that at least 10% of housing on major development sites must be affordable home ownership, that this will effectively reduce the level of affordable rented that can be achieved on major sites.

- 3.9 The SPD (para 2.9) also states that it might be possible to explore a trade-off between the level of affordable housing secured and the tenure of that housing - details to be set out in a s106 agreement.
- 3.10 It goes on to say (para 2.10) that it is current practice to accept affordable rent dwellings only where a developer can provide evidence that social rent is unviable or where evidence is provided that registered providers (RPs) will not accept social rented dwellings. It is considered preferable to accept affordable rent units on site, rather than as a commuted sum.
- 3.11 Build to Rent is considered in para 2.12 - 2.14 of the SPD - if provided (under the definition of affordable rented) it should be on the same site and/or contiguous with the main development. The SPD cites the NPPF statement that 20% is generally a suitable benchmark for the level of affordable private rent homes to be provided in any Build to Rent scheme, and that private rent should be at least 20% cheaper than the rest of the scheme.
- 3.12 Policy 4 of the JCS states that the proportion of affordable housing may be reduced and the balance of tenures amended where it can be demonstrated that site characteristics, including infrastructure provision, together with the requirement for affordable housing would render the site unviable in prevailing market conditions, taking account of the availability of public subsidy to support affordable housing.
- 3.13 The SPD notes the requirement for affordable provision applies to all C3 dwellings, C4 dwellings and sui generis dwellings (eg HMOs), irrespective of tenure or ownership model. It will also be encouraged for development proposals for care homes and purpose-built student accommodation on residential or residential-led plan allocations via a commuted sum.
- 3.14 Para 2.19 of the SPD sets out that affordable housing requirements apply to the net increase of dwellings only. It provides the example that if an application is to demolish 10 open market dwellings and replace with 20 dwellings then the net increase is 10 dwellings and the policy should then be applied to the 10 new dwellings.
- 3.15 The Council's preferred approach to delivering affordable housing is that it should be provided on site (SPD, para 5), however, if non-viability of development with a policy compliant level of affordable housing can be demonstrated (via open book viability assessment in accordance with the Planning Practice Guidance (PPG) and SPD), then reduced provision on site will be considered in the first instance.
- 3.16 Off-site affordable housing provision via a commuted sum is dealt with in section 6 of the SPD. This includes examples of when this might be acceptable, and appendix 3 of the SPD includes a schedule of the level of payments that will be used in calculating a commuted sum.
- 3.17 The Greater Norwich Local Housing Needs Assessment (LHNA) was published in June 2021. The LHNA was commissioned by the Greater Norwich local authorities to understand the make-up of current and future housing needs across Greater Norwich.

- 3.18 The LHNA suggests the affordable housing need is 26%, or 34% when including the current rate of right to buy sales in Norwich. It also suggests the mix of affordable required is 65% affordable/social rent and 35% intermediate tenures.

## 4. Benchmark Land Value

- 4.1 There are a number of different approaches in determining the Benchmark Land Value (BLV) and these can be found in:
- NPPF
  - PPG
  - Financial Viability in Planning - RICS
- 4.2 The assessment of the BLV is an important part of the FVA. The PPG and RICS Guidance Note identify the EUV+ method as the primary approach for assessing the BLV and that an Alternative Use Value (AUV) ignoring a premium can also be used in some circumstances.
- 4.3 The EUV+ method based on the current use value of a site plus an appropriate site premium. The principle of this approach is that a landowner should receive at least the value of the land in its 'pre-permission' use, which would normally be lost when bringing forward land for development. A premium is usually added to provide the landowner with an additional incentive to release the site, having regard to site circumstances, and where appropriate an alternative use of a higher value.
- 4.4 The RICS Guidance Note states that the formulation of the Benchmark Land Value requires the assessment of five components which should be calculated and reported separately. The five components are:
1. Existing Use Value
  2. Premium
  3. AUV, where appropriate
  4. Policy-compliant site value assessed by the residual method
  5. Policy-compliant site value assessed by the comparative method
- 4.5 The PPG is clear that market evidence can be used as a cross-check for BLV, but should not be used in place of BLV. BLV should not be assumed to equate to market value. It is based on PPG requirements and a prescribed method that may not accord with assumptions and methods used to assess the price paid for land in the marketplace at any particular point in time. Recognising this possible divergence between BLV for planning purposes and prices paid in the market, PPG paragraph 011 states that 'Under no circumstances will the price paid for land be a relevant justification for failing to accord with relevant policies in the plan'.
- 4.6 The Norwich City Council's Affordable Housing SPD 2019 advocates a 15% premium on brownfield sites which is taken as the starting point for consideration.

## Benchmark Land Value Assessment

4.7 The applicant has adopted the EUV+ method for their assessment of the BLV. The site totals circa 11.5 acres and is made up of the following elements:

- Surface Car Parks
- Sovereign House
- Gildengate House
- The Shopping Centre and multi-storey car park
- Pitt Street properties

4.8 The applicant has adopted a BLV of £14.78m and has confirmed that no value has been attributed to the substation or the existing Surrey Chapel within the site. We will now consider each of the assets in turn:

### Surface Car Parks

#### Applicant's Approach

4.9 The applicant has confirmed the presence of 394 surface car parking spaces which are operated by RCP at a day rate of £5 per space. We wish to point out that should this estimate of the number of parking spaces prove to be incorrect then this will impact our assessment, and we would need to amend our calculation accordingly. The applicant has adopted a capital value of £12,400 per space which is based on £867 of net income per space per annum and an all-risk yield profile of 7%.

4.10 As previously reported within our initial assessment prior to planning submission, the applicant has not provided substantial information in respect of this site. We wish to point out that the assumptions adopted are within what we consider to be sensible parameters. However, we would recommend that the applicant provides additional supporting information in respect of the 50% occupancy, and other operational costs. We have undertaken our own research and consider the yield profile adopted to be reasonable. This information should be readily available and should be able to confirm their stated position.

4.11 Interlinked to this, there is reference to a flexible rolling agreement between RCP and Columbia Threadneedle which results in them receiving 95% of the income generated from the surface car parks. We recommend that the Council seek evidence of this agreement.

#### Avison Young's Approach

4.12 For the Benchmark Land Value of the surface car parks we have adopted an EUV+ approach. We have undertaken an investment valuation to establish the EUV and applied an additional premium of 15%.

- 4.13 At this stage we consider the applicant's assumptions to be within a reasonable range but would note that we require further evidence from the applicant to justify their position. We have therefore accepted the applicant's value at this stage, subject to further evidence being provided.

### Summary

- 4.14 On the basis that further information will be provided in due course, we consider the value of circa £4.88m to be acceptable at this stage as set out in the table below:

Surface Car Parks	Applicant		AY	
	EUV	EUV+	EUV	EUV+
	£4.88m	£5.86m	£4.88m	£5.61m

## Sovereign House & Gildengate House

### Applicant's Approach

- 4.15 The applicant states that both of these assets are vacant and require significant capital expenditure in order to transform them back to income producing assets. Further, they have assumed that both vacant buildings can be restored as residential through permitted development rights. The applicant has not provided a traditional appraisal but has simply presented a calculus for a projected residual sum for each property. As previously relayed, we would expect an appraisal to be provided along with supporting evidence for the assumptions adopted.
- 4.16 For instance, we note that the applicant has adopted a core build cost from BCIS' lower quartile and then placed an additional 32% to reflect externals, contingency and professional fees. There is no explanation for this, and we would expect an appropriate rationale to be presented.
- 4.17 We also have considered the proposed development scenario for both of these sites and require additional supporting narrative as to how both of these buildings can be re-configured for residential use, and indeed whether there would be the requisite level of demand. We are concerned that the development scenario presented is merely a hypothetical one rather than one which is realistic. We strongly recommend that the applicant addresses this through setting out how this would be achievable. We understand that the Council remain unconvinced by this scenario.
- 4.18 The applicant has adopted a value of circa £2.76m for both of these assets combined..

### Avison Young's Approach

- 4.19 For the Benchmark Land Value of Sovereign House and Gildengate House we have assumed that both buildings are capable of being converted to residential use and have therefore undertaken a development appraisal to establish the AUV of each asset. We do not consider a premium to be appropriate in this instance due to the fact that the existing asset benefits from this alternative use within its existing structure.



4.20 We have undertaken comparable research and utilised our market knowledge to establish the assumptions set out in the table below.

	AY Assumptions	Comments
Areas	NIA – 129,400 GIA – 161,750 Gross to Net – 80%	Adopted applicant NIA at this stage, however this needs to be verified.
Values	£315 per sq ft	Based on our residential conversion comparable research.
Build Costs	£160 per sq ft (including externals)	Based on BCIS.
Contingency	5%	Standard assumption at date of report.
Professional Fees	8%	Standard assumption at date of report.
Sales & Marketing costs	3.5%	Standard assumption at date of report.
Finance	6%	Standard assumption at date of report.
Profit	15%	We expect a developer would have to accept a lower profit in order to deliver this site.
Timings	Construction - 12 – 18 months Sales – 8 – 18 months	Based on our experience of office to residential conversion schemes. Assumes 2 sales per week.

4.21 Full details of our residential conversion comparable research are included at Appendix 3.

### Summary

4.22 We have set out the applicant's BLV alongside our BLV for Sovereign House and Gildengate House in the table below:

	Applicant	AY
Sovereign House	£1.48m	£1.00m
Gildengate House	£1.28m	£0.78m

## The Shopping Centre and Multi-storey Car Park (MSCP)

### Applicant's Approach

4.23 We understand that the Shopping Centre has been operating with tenants on short term leases for a number of years due to the development potential identified for the site. We understand that certain lease agreements result in no net income to the landlord due to the fact that occupiers are currently operating in an unprecedented climate which has necessitated the re-evaluation of commercial terms as and when required.



- 4.24 It is worth noting that the applicant has not provided a tenancy schedule or even presented the ongoing committed income stream for the centre. We would expect this information to be provided to substantiate its existing use value. This information should be readily available.
- 4.25 The applicant has also presented the view that enhancing the Shopping Centre in isolation from the rest of the site would not be cost-effective and nor would it be operationally feasible due to the constraints of the structural connectivity of the multi-storey car park and other elements within the Centre. The applicant has provided some transactional evidence for comparable centres and has adopted a capital value of £24 per sq ft. It is worth noting that within the calculus they have adopted a rate of £20.20 per sq ft. We would recommend that clarity is provided on this matter.
- 4.26 Further, we would also recommend that confirmation is provided in respect of the incentive packages on offer to retailers within the scheme. We do note that the applicant has indicated a 12-month void and 3 months' rent-free allowance has been included within their estimate. We are simply suggesting that such assumptions should be demonstrable based on the information likely to be available to the applicant.
- 4.27 The applicant has assumed a 20% service charge shortfall / contingency which appears low given a number of the units are vacant. The level of vacancy in the shopping centre will affect the service charge shortfall, for example if there was 50% vacancy this would indicate that the applicant's rate is too low. This figure should be based on evidence readily available to the applicant.
- 4.28 The applicants adopted value of £5.52m requires additional evidence-based justification with a key focus on the income that is currently generated from the Shopping Centre. We also note that the applicant has attributed nil value to the multi-storey car park, and we consider this position to be acceptable based on the narrative presented.

### **Avison Young's Approach**

- 4.29 For the Benchmark Land Value of the Shopping Centre and MSCP we have adopted an EUV+ approach. We have undertaken an investment valuation to establish the EUV and applied an additional premium of 15%.
- 4.30 We have made a number of assumptions based on our comparable evidence and market knowledge, as set out in the table below:

	<b>AY Assumptions</b>	<b>Comments</b>
Gross Rent	Ground Floor – £5.00 per sq ft 1 <sup>st</sup> Floor - £0.00 per sq ft	Based on comparable evidence of similar retail units and the business rate assessment for the shopping centre units.
Service Charge Shortfall	60%	Based on our experience. We require evidence from the applicant to justify their assumption at 20%.
Void	12 months	At this stage we have adopted the applicant's void period however this requires justification and evidence.

Rent Free	3 months	At this stage we have adopted the applicant's rent free period however this requires justification and evidence.
Yield	17.50%	Based on comparable evidence of shopping centre sales.
Letting Agent & Legal Fees	15%	Standard assumption at date of report.

4.31 We have included details of our comparable evidence at Appendix 3.

### Summary

4.32 We have set out the applicant's BLV alongside our BLV, assuming an EUV+ approach, for the Shopping Centre and multi-storey car park (MSCP) in the table below:

	Applicant		AY	
	EUV	EUV+	EUV	EUV+
Shopping Centre	£3.52m	£4.22m	£2.10m	£2.41m
MSCP	£0	£0	£0	£0

## Pitt Street Properties

### Applicant's Approach

4.33 The applicant has stated that this part of the site comprises of 6 separate office properties which they understand to be let on a short-term basis. We recommend that the Council seek clarity on this matter. The applicant has assumed that the units are re-let at a rent of £10 per sq ft for all properties except 57/61 which is let at £5 per sq ft. Although the applicant has cited two comparable sources of evidence, we would suggest that further can be provided at the application stage to verify this assumption. The applicant has allocated a yield profile of 7.5% alongside an incentive package of 18 months to this asset.

4.34 The adopted value of £2.67m (EUV+) equates to circa £115 per sq ft. We would also request that the applicant also confirms whether any investment into these premises may result in higher rents being achieved.

### Avison Young's Approach

4.35 For the Benchmark Land Value of the Pitt Street properties we have adopted an EUV+ approach. We have undertaken an investment valuation to establish the EUV and applied an additional premium of 15%.

4.36 We have made a number of assumptions based on our comparable evidence and market knowledge, as set out in the table below:

	AY Assumptions	Comments
Rent	£4 - £8 per sq ft	Based on comparable research of similar office lettings.
Yield	8.50%	Based on comparable research of similar office sales.
Rent Free & Void	18 months	Based on comparable research.

4.37 Full details of our comparable evidence is included at Appendix 3.

### Summary

4.38 We have set out the applicant's BLV alongside our BLV, assuming an EUV+ approach, for the Pitt Street properties in the table below:

	Applicant		AY	
	EUV	EUV+	EUV	EUV+
Pitt Street properties	£2.22m	£2.67m	£1.60m	£1.84m

### BLV Conclusion

4.39 We are of the view that the applicant should be able to provide additional evidence and that the Council should seek to ensure this occurs. We are of the view (based on what has been presented to us to date) that the approach adopted by the applicant is broadly reasonable and that the values presented are within parameters that we deem acceptable. However, we consider that certain omissions need to be confirmed in order to validate what has been presented.

4.40 We note that the applicant has attributed a 20% Premium to each of the assets aside from Sovereign and Gildengate House where 10% has been placed. However, this 10% premium does not appear to have been added to the value of Sovereign and Gildengate House in the applicant's results table.

4.41 We have adopted 15% premium for each on the assets in accordance with Norwich City Council's Affordable Housing SPD 2019, with the exception of Gildengate House and Sovereign House where we have not applied a premium.

4.42 We have summarised the applicant's BLV alongside our BLV for the surface car parks, shopping centre & MSCP, Sovereign House & Gildengate House and the Pitt Street properties in the table below.

Site	Applicant		AY	
	EUV	EUV + (10/20%)	EUV	EUV + (15%*)
Surface car park	£4,880,000	£5,860,000	£4,880,000	£5,612,000
Shopping centre & MSCP	£3,520,000	£4,220,000	£2,100,000	£2,415,000
Gildengate House	£1,280,000	£1,280,000	£780,000	£780,000
Sovereign House	£1,480,000	£1,480,000	£1,000,000	£1,000,000

Pitt Street properties	£2,225,000	£2,670,000	£1,600,000	£1,840,000
<b>TOTAL</b>	<b>£13,385,000</b>	<b>£15,510,000</b>	<b>£10,360,000</b>	<b>£11,647,000</b>

\*Excluding Sovereign House & Gildengate House

## 5. The Proposed Scheme

5.1 We have been provided with the Anglia Square Viability Review (“the applicant’s report”) dated March 2022 undertaken by Carter Jonas. The applicant’s report includes an area schedule which we have relied upon for the purpose of this report (attached at Appendix 1). We understand this area schedule is based on the Schedule of Accommodation dated 31<sup>st</sup> March 2022 with some minor changes however the applicant has stated within their report that these changes do not materially impact upon the analysis and conclusions. We have not had sight of the updated schedule of accommodation document.

5.2 We note that some of the information in the Accommodation Schedule is incomplete therefore the applicant has made a number of assumptions for the areas which are set out in Appendix 1. In addition some of the information in the area schedule does not add up correctly, for examples the ‘Total Area’ column does not appear to align with the breakdown of the ‘Residential Areas’, ‘Commercial’ and ‘Car Parking’ columns. This may be due to this information being taken from various sources.

5.3 We have adopted the following assumptions for the purpose of this report, however we note that the outline scheme is subject to change at the reserved matters stage following a review of the parking quantum and unit numbers.

- 1,060 homes including 10% affordable (90% apartments, 10% townhouses).
- 424 car parking spaces.
- 73,819 sq ft of commercial space (NIA).

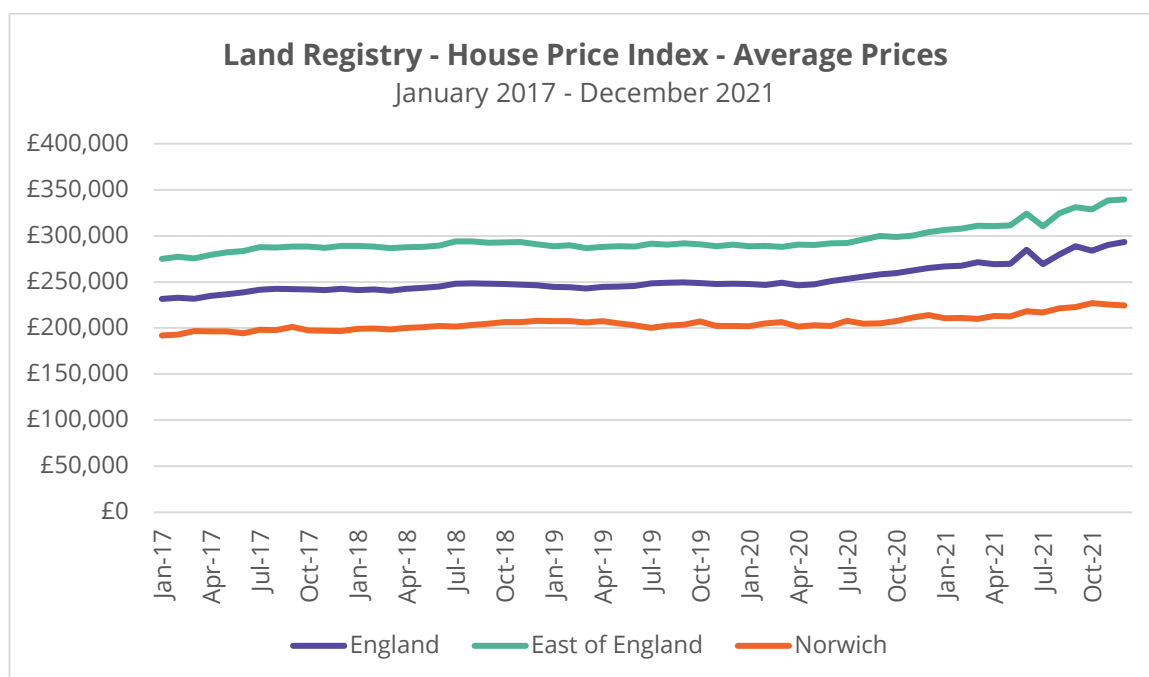
5.4 We have summarised the key figures from the area schedule in table below:

	Number of Units	Gross Internal Area (Sq Ft)	Net Internal Area (Sq Ft)	Gross to Net (%)
Private Residential	954	860,912	640,366	74.4%
Affordable Residential	106	87,007	71,625	82.3%
Commercial	-	97,277	73,819	75.8%
Car Parking	-	125,507	-	-
<b>TOTAL</b>	<b>1,060</b>	<b>1,170,703</b>	<b>785,810</b>	<b>-</b>

## 6. Market Commentary

### Residential

- 6.1 The Land Registry data in the graph below sets out the average prices for all property over the last five years in Norwich, East of England and England. All three locations follow a similar trend however average prices in Norwich are typically below those in England and East of England. Over the last 12 months average prices have increased across the board, with an increase on 4.9% in Norwich, 11.7% in East of England and 10.7% in England.



- 6.2 Land Registry data indicates an average price of £224,596 for all property in Norwich as at December 2021 (latest data available). The table below sets out the average prices for different property types.

Property Type	Average Price (12 months)	Average Price (Dec-21)
Detached	£414,526	£437,368
Semi Detached	£253,664	£263,061
Terraced	£230,602	£237,868
Flat	£147,410	£149,971

- 6.3 According to Zoopla the average sold price for a property in Norwich in the last 12 months is £310,444. Different property types in Norwich have different average sold prices over the last 12 months as set out in the table below.

Property type	Avg. current value	Avg. £ per sq ft.	Avg. No of beds	Avg. £ paid (last 12m)
Detached	£396,751	£232	3.6	£404,606

Semi-detached	£260,291	£225	3.0	£286,759
Terraced	£240,010	£228	2.8	£248,078
Flats	£171,503	£234	1.8	£158,623

6.4 According to Rightmove properties in Norwich had an overall average price of £289,796 over the last year. The majority of sales in Norwich during the last year were terraced properties, selling for an average price of £253,627. Semi-detached properties sold for an average of £307,569, with detached properties fetching £400,660.

### Comparable Evidence – Flats

6.5 We have analysed sales evidence within Norwich for new build properties sold between 2020 and 2022. We have noted details of the schemes below:

- **St James Quay – NR3 (New build) – asking prices:** St James Quay is a development of 220 residential units and 447 sq. m of commercial space being developed by Hill. The scheme comprises a mix of one, two and three bedroom apartments set within 11 blocks and is being delivered in three phases, with Phase 1 nearly complete and phase 2 and 3 yet to start. Phase 1 comprises 139 units in two buildings – Sewell Building and Pullman Building. Asking prices are from January 2022.
- **Narrows Place – NR1 (Conversion) – asking prices:** Narrows Place is a development of 25 units and 2 penthouses with larger terraces that overlook the Broads. The scheme comprises of a mix of one, two and three bedroom apartments. The scheme has recently launched with only two units currently reserved.
- **Kings Court – NR1 (New build):** Kings Court is a development of 34 one and two bed apartments. The gated development scheme is situated on the riverside, with some units benefitting from a car parking space. The development launched in 2017, with sales evidence reflecting achieved prices throughout 2020.
- **Eastgate House – NR1 (Conversion):** Eastgate House is a 47-unit office to residential conversion situated in close proximity to Norwich train station and the Riverside Complex. Help to buy is available. Sales evidence reflects achieved values between January 2020 and February 2021.
- **Lords Gardens – NR1 (New build):** Lords Gardens is a new-build residential development situated in Ann’s Quarter, in close proximity to Norwich Station. The development comprises one, two & three bedroom apartments. Sales evidence below reflects achieved values throughout between March 2020 and November 2020.
- **Mineral Court – NR1 (New build):** Mineral Court is a new-build residential development situated in Ann’s Quarter, in close proximity to Norwich Station. The development comprises

one and two bedroom apartments. Sales evidence reflects achieved values between January 2020 and September 2020.

- **Richard Hawthorn House, Canary Quay – NR1 (New build):** Canary Quay is a mixed-use development in Norwich city centre, offering a collection of four buildings providing 1 and 2 bedroom apartments. The Canary Quay apartments are in a desirable riverside city location in close proximity of Carrow Road stadium and Norwich train station. Sales evidence reflects achieved values between May 2020 and November 2020.
- **Grosvenor House – NR1 (New build):** Grosvenor House is a six storey development in Norwich City Centre, comprising one, two and three bedroom apartments. The development is situated 300 yards from Norwich train station. Sales evidence reflects achieved values between January 2020 to May 2020.
- **St Peters House – NR1 (Conversion):** St Peters House is a conversion of existing offices to provide a total of 53 units. The scheme comprises a mix of one and two bedroom apartments with some of the apartments offering balconies or roof terraces. We understand that the scheme is registered with Help to Buy. Sales evidence reflects achieved values between October 2020 and September 2021.

We have summarised our comparable evidence in the table below:

Schemes	Beds	Average Size (Sq Ft)	Average Price	Average Price (£ per Sq Ft)	Price Date
St James Quay	1	583	£229,950	£391	Asking – Jan 2022
	2	931	£419,950	£451	
	3	1066	£444,950	£417	
Narrows Place	1	560	£214,800	£384	Asking – Jan 2022
	2	742	£300,000	£404	
Kings Court	1	657	£175,883	£273	Feb 2020 - Aug 2020
Eastgate House	1	569	£158,091	£292	Feb 2020 -Feb 2021
	2	685	£222,200	£325	
Lords Gardens	1	506	£172,500	£341	March 2020-Nov 2020
	2	743	£286,000	£390	
	3	788	£334,167	£426	
Mineral Court	1	463	£150,000	£324	Jan 2020 -Sep 2020
	2	630	£233,750	£373	
Richard Hawthorn House - Canary Quay	1	559	£167,750	£301	May 2020- Nov 2020
	2	786	£243,333	£309	
Grosvenor House	1	684	£181,500	£269	Jan 2020 - May 2020
	2	716	£242,250	£339	
St Peters House	1	489	£150,962	£312	Oct 2020 - Sep 2021
	2	721	£235,000	£326	

The table below sets out the overall average price based on the schemes above.

Unit Type	Average Sq Ft	Average Price	Average £ per Sq Ft
1 Bedroom	563	£177,937	£321
2 Bedroom	744	£272,810	£365
3 Bedroom	927	£389,558	£422

## Retail

- 6.6 PROMIS indicates that there is c. 2.22 million sq. ft. of city centre retail floorspace in Norwich. This sits above the regional centre average, ranking Norwich as 9<sup>th</sup> in the PROMIS centres measure.
- 6.7 The opening of Intu Chantry Place shopping centre (formerly Chapelfield) on the southern edge of the City Centre in 2005 consolidated the retail offer within the City Centre. In response to this consolidation, the role and function of Castle Mall centre has changed and acts as a complementary 'secondary' shopping centre.
- 6.8 Furthermore, in recent years the centre has moved from providing traditional retail to include a leisure and dining offer. Norwich Lanes has continued to provide an independent retail and leisure offer and has a health mix of boutique retailers, cafes, delis, and restaurants trading from mainly small units.
- 6.9 The retail and leisure offering in Norwich is clustered within the city centre. As the major city in Norfolk, Norwich is the location of many of the regional flagships for major high street names. This includes John Lewis, Marks and Spencer and Primark which are located around Gentleman's Walk, a pedestrianised high street.
- 6.10 Chantry Place is the home to many national and international store chains including Accessorize, Apple, Boots, H&M, Hollister, Office and Superdry as well as several chain restaurants such as ASK Italian, Pizza Hut, Yo Sushi, Gourmet Burger Kitchen and other fast food establishments.
- 6.11 The Castle Quarter is home to some national chains such as Boots, Claire's Accessories, New Look and TK Maxx as well as smaller more local offerings. It also has an extensive leisure offer including a VUE Cinema, one of 3 cinemas in the City Centre, Superbowl UK Tenpin Bowling and SI5 Spy Missions, an indoor action centre.
- 6.12 The city also boasts many independent shops and boutiques which sell everything from fashion to household goods and high-quality furniture. Most of these shops are located in the centre of the city on Norwich Lanes, the Cathedral Quarter and Magdalen Street. Many independent stores are located in the Royal Arcade, an Art Nouveau covered arcade. This independent sector also extends to Jarrold, an award-winning independent department store which has traded in Norfolk since 1770.



- 6.13 Norwich Market provides a further city centre retail destination and has been described as one of the 'largest and oldest' outdoor markets in the country. There are nearly 200 stalls which trade 6 days a week and include foods, crafts, flowers, clothing, hardware and services.
- 6.14 In the centre of Norwich is The Forum, a venue which hosts a year-round programme of free events which celebrate local talent. The venue hosts an eclectic mix of events and activities, food and drink, shopping, information services and Norfolk and Norwich Millennium Library. Norwich is also home to several cultural venues including the Guildhall, Norwich Cathedral, Norwich Castle and Norwich Theatre Royal, as well as several museums.

## Rental Market

- 6.15 Prime zone A rents peaked at £220psf in 2005 following the opening of Chantry Place, though these have since experienced fluctuation, with an overall downward trend, reflecting the broader changes in the retail market. This has been compounded by the onset of Covid-19 accelerating structural changes experienced in the sector.
- 6.16 We have provided a table below setting out lease transactions through 2020-2022 within Norwich. We do not have details of all occupiers and can therefore only present the details we are aware of.

Address	Town Centre / Out of Town	Occupier	£PSF	Sq. ft.	Date	Lease Term
21 Castle St	TC	Joules	£41.70	2,398	02/02/2022	5 yrs
221-231 St Leonards Rd	OOT	Break Charity	£6.46	1,238	02/02/2022	-
64-66 Prince Of Wales Rd	TC	-	£17.63	879	10/12/2021	20 yrs
25A Earlham	OOT	Arlington Park East Ltd	£12.59	993	23/11/2021	5 yrs
152a Unthank Rd	OOT	-	£27.46	874	05/11/2021	-
129 Unthank Rd	OOT	Ramling Rose	£20.43	881	17/10/2021	-
2-4 Back Of The Inns	TC	Greggs plc	£55.20	1,721	15/10/2021	10 yrs
3-5 Orford Pl	TC	Hays Travel Ltd	£34.82	1,436	06/07/2021	10 yrs
131-143 Colman Rd	TC	-	£8.75	2,056	30/06/2021	-
11-11A Castle Meadow	TC	-	£28.92	415	24/06/2021	10 yrs
107 Unthank Rd	OOT	-	£31.78	472	21/05/2021	10 yrs
11 Gentlemans Walk	TC	Costa Limited	£18.96	3,955	04/05/2021	10 yrs
85 Prince Of Wales Rd	TC	Just4Children	£22.16	440	30/04/2021	5 yrs
1 Red Lion St	TC	-	£5.59	2,681	13/04/2021	15 yrs
1 All Saints St	TC	P&B Morgan Johnson	£11.77	2,718	01/04/2021	12 yrs
14 Prince Of Wales Rd	TC	-	£16.48	1,357	01/04/2021	10 yrs
8 Pottergate	TC	-	£23.29	569	16/03/2021	-
21 Haymarket	TC	Harris & James	£41.41	966	15/02/2021	10 yrs
1 St. Augustines Gate	OOT	Maggie Feel Good Food Ltd	£16.28	1,044	15/02/2021	5 yrs
4-6 Davey Pl	TC	-	£38.62	1,230	01/02/2021	-
95a Upper St Giles	TC	-	£28.00	534	30/09/2020	-

3-3a Castle Meadow	TC	Smart-Tech Repairs	£53.19	235	01/09/2020	-
36-38 St. Stephens St	TC	Starbucks	£26.62	3,132	06/08/2020	5 yrs
31 Magdelan	OOT	Urban Lounge	£9.31	1,281	24/04/2020	20 yrs
3 Bridewell Aly	TC	Sicily Trattoria	£18.50	659	03/04/2020	9 yrs
15 St Stephens St	TC	-	£55.62	890	13/03/2020	-
15 Old Palace	OOT	European Tyre Enterprise Ltd	£8.16	3,310	05/03/2020	15 yrs
24 Anglia Sq	TC	-	£5.86	1,024	02/03/2020	2 yrs
28 Anglia Sq	TC	-	£7.22	1,039	01/03/2020	2 yrs
9 Royal Arcade	TC	-	£59.67	419	14/01/2020	-
5 Timber HI	TC	-	£12.87	1,476	03/01/2020	5 yrs
63-79 Grove Rd	TC	Harveys	£14.12	1,133	01/01/2020	9 yrs

- 6.17 Average values reflect £24psf, although we would note a variance between £5psf and c.£59psf. Clearly, the evidence presented above takes account of a wide range of retail uses, across a wide geographic area, with varied stock size, condition, and lease terms.

## Investment Market

- 6.18 It is challenging to infer prime retail unit shop yields due to the lack of transactional evidence in Norwich. However, PROMIS indicates prime yields moved out by c. 100 basis points between end-2019 and end-2020.
- 6.19 Details of retail investment activity we are aware of have been provided below. As with rental values, we would note these transactions reflect a range of unit typologies across a wide area. Moreover, capital values and yields will be influenced significantly by the strength of occupier covenant.

Address	Size (sq. ft.)	Sale Price	£/sq. ft.	NIY (%)	Sale Date
4 Royal Arcade	33,015	£3,375,000	£102.23		24/09/2021
3-4 Haymarket	10,081	£2,250,000	£223.19		14/04/2021
63 London St	2,269	£265,000	£116.79	8.33%	23/03/2021
15 Old Palace Rd	3,310	£515,000	£155.59	5.00%	09/12/2020
1 Browne St	2,700	£250,000	£92.59		04/08/2020
31 Magdelan Rd	3,253	£216,500	£66.55		24/04/2020
6 Aylsham Cres	1,533	£180,000	£117.42		13/02/2020
18 Haymarket	4,674	£2,900,000	£620.45		Under Offer
1 All Saints St	3,701	£375,000	£101.32	8.53%	Under Offer
24D Magdalen St	3,280	£340,000	£103.66	4.41%	Under Offer

- 6.20 The evidence suggests an average capital value psf of c. £170psf, with yields reflecting an average of 6.60%.

## 7. Affordable Housing Financial Contribution

- 7.1 In order to ascertain the level of affordable housing that the applicant can afford we have assessed the proposed scheme. The key components are as follows.

## Gross Development Value (GDV)

- 7.2 Within their FVA, the applicant has assumed an average private value of £228,000 per unit (£340 per sq ft) and an average affordable value of £161,000 per unit (£238 per sq ft). In the applicant's report all of the affordable units are shared ownership and the affordable values are based on 70% of the private values. This assumption is broadly in keeping with market expectations. However, we would encourage further consideration as to what income threshold is envisaged. It is imperative to the Council that the units remain affordable to the public.
- 7.3 The applicant has included 424 car parking spaces at basement and internal ground level for Block A, at surface level in limited areas, and the remainder is over ground and first floors inside the residential blocks. The applicant's report assumes a value of £15,000 per space for the private parking spaces (382 spaces) and a nil value for the affordable housing parking spaces (42 spaces). In the applicant's appraisal this equates to a sales rate of £45.65 per sq ft or a blended sales value of £13,513 per space.
- 7.4 We understand the retail space is predominantly at ground floor level with a small amount at 1<sup>st</sup>, 2<sup>nd</sup> and 3<sup>rd</sup> floor. For the retail use the applicant has assumed a rent of £15 per sq ft for ground floor space with a 50% discount for the upper floor space at £7.50 per sq ft. The applicant has assumed a yield of 9%, a 12 month void and a 12 month rent free. The yield profile adopted is modest and we understand that this is a reflection of the covenant strength of the existing occupiers. However, we are of the opinion that development of this scale will require a viable position. We consider that a prudent developer would only commit to commercial development of this scale if it was generating a profit. Therefore, we would recommend that the applicant elaborates further to justify these assumptions.
- 7.5 We have adopted the following value assumptions in our appraisal:

	Avison Young Assumptions	Comments
Private residential	£415 per sq ft	We consider this figure to represent a level of specification that would need to be achieved based on the cost profile adopted. Further, this is a modest average when considered against the length of the development cycle in its entirety.
Affordable residential	£291 per sq ft	70% of the private residential values.
Car parking	£15,000 per private space £0 per affordable space	In line with the applicant's assumptions.
Commercial rent	£25 per sq ft	This rental tone would need to be achieved in order to ensure the commercial space makes a return.
Commercial yield	6%	As above.
Commercial incentives	12 months	Inclusive of rent free and void.

## Additional Revenue

- 7.6 The applicant has included £15m of HIF funding (non-repayable grant) which has been allocated to the site by Homes England. The funding must be spent by March 2024 and has been spread over the first and second phase in the applicant's appraisal.
- 7.7 From the start of development, the applicant has also included interim income generated from surface car parks, the Shopping Centre and the Pitt Street properties on the site. Given the disturbance from ongoing construction and uncertainty, the applicant has assumed a reduced income. The income for each element is received until the respective areas of the site are required for construction and/or new provision has been provided elsewhere. The applicant has assumed a 50% discount to reflect the short term nature of the leases/ facilities and poor quality of the environment:
- Surface Car Parks: £170,000 per annum which equates to £640,935 in their appraisal.
  - Shopping Centre: £206,000 per annum which equates to £362,436 in their appraisal.
  - Pitt Street Properties: £85,000 per annum which equates to £360,705 in their appraisal.
- 7.8 No interim income is assumed to be generated from either Sovereign House or Gildengate House.
- 7.9 We have adopted the applicant's additional revenue assumptions noted above.

## Construction & Infrastructure Costs

- 7.10 The applicant has commissioned a detailed cost plan from Exigere. The total construction and infrastructure cost is £290,360,629 which equates to a rate of £244.50 per sq ft or £2,624 per m2. These costs include:
- Demolition works - £14.5m
  - Scheme - £236.7m
  - External works - £6.7m
  - External services - £3.7m
  - Preliminaries - £28.8m
- 7.11 Our building consultancy team have reviewed the applicant's cost plan and we summarise their findings below:
- We have reviewed each Block's cost plan in detail, and made adjustments where applicable.
  - The main differences sit in preliminaries and location factor.
  - Assumption of a 24 month programme seems unrealistic, and therefore we have assumed 36 months. Overall cost of prelims has reduced, due to a reduction in the monthly cost.
  - We have made an adjustment based on location, as the rates used do not appear to fully take this into account.
  - Therefore after our reductions, we arrive at £2,432 m2 (£226 sq ft) all in which sits closer to our comparable project.

- Exigere have assumed a single stage D+B fixed price contract. In this current market our opinion is that you would not get a complete fixed price contract and therefore there is an element of risk.
- Due to the scale of this project we have been unable to benchmark with a relevant BCIS projects. We have therefore used a London project we have worked on previously, and re-based this for time and location.
- There needs to be a clarification regarding the inflation statement made, as Exigere state that construction inflation for 2 years is priced in (this would account to circa £25m within their numbers).

7.12 We have adopted a total cost of £270,088,226, which is circa £20,272,403 less than the applicant. We consider a 7% reduction in costs to be modest for a development of this scale. Further, based on the applicant's presentation of the development (i.e. significant loss-maker), we consider a reduced cost profile is imperative to the commencement of the project.

7.13 A full copy of the Cost Review can be found at Appendix 4.

### Other Costs

7.14 The applicant has included a S106 allowance of £319,000 which is based on the level that was agreed for the previous Anglia Square scheme. This includes a Car Club Contribution of £115,000 and a green infrastructure contribution of £204,000. No payment has been assumed for the 'under the flyover scheme' – rather, this is to be included within the Scheme's overall construction cost.

7.15 The applicant has not included an allowance for CIL, based on the Council's CIL Exceptional Circumstances Relief policy which the applicant suggests will apply to the scheme once planning has been granted. However, we have been informed that CIL is currently applicable to this scheme, and as a result we have included the figures provided to us by the Council.

7.16 We have set out in the table below the additional costs that have been assumed in the applicant's appraisal alongside our own assumptions:

Costs	Applicant	Avison Young
Professional Fees	8%	7.5%
Contingency	5%	2.5%
Sale Legal Fee	0.5%	0.25%
Sales Agents Fee	1.0%	0.75%
Marketing Fee (commercial, private & car parking)	1.5%	1.0%
Letting Agents Fee	10%	10%
Letting Legal Fee	10%	5%
Finance	6%	6%

7.17 We note that the applicant has excluded finance from their appraisal. The applicant notes that there will be a cost relating to finance but it's structuring needs to be consideration in detail and given the outcome of the viability analysis consideration of this structured is not deemed to be required at this stage. We have adopted the same approach in our appraisal for consistency. However, we consider that the applicant will be financing in a way that is advantageous to them and not be reliant on 100% debt as is what is commonly presented in development appraisals for similar schemes within FVAs.

### Programme & Phasing

7.18 The applicant has divided the scheme into four phases:

- Phase 1 - Block A, C, D & M
- Phase 2 - Block J3 & K/L
- Phase 3 - B, G, H & J
- Phase 4 - E & F

7.19 We have set out the applicant's appraisal timings in the table below and our respective comments. We note that this doesn't include the timescales for the interim income for the surface car parks, shopping centre and Pitt Street Properties.

Stage	Phase 0	Phase 1	Phase 2	Phase 3	Phase 4	AY Comments
Residential units	0	253	89	422	296	
Planning	13	-	-	-	-	The applicant's planning timing comments in the report do not appear to align with the phasing plan.
Pre-construction	-	6	5	6	0	This appears reasonable for the phased demolition, site clearance and archaeology studies.
Construction	-	28	28	30	54	The applicant has assumed the site will be developed on a phased basis. When comparing the number of residential units delivered in each phase against the construction period, some of the phases appear unreasonable.
Sales	-	29	8	50	33	The applicant has assumed private sales commence 20-24 months into the construction period. In phases 2 & 4 this results in a majority of the units being sold ahead of completion. The applicant has then assumed 8 sales per month which appears reasonable.
<b>Total</b>	<b>13</b>	<b>51</b>	<b>32</b>	<b>73</b>	<b>57</b>	

### Conclusions

7.20 The scheme shows a development cost of circa £320,886,003. When deducted from the GDV of circa £336,022,000, this option produces a profit of circa £15,136,064. This indicates that the scheme is incapable of providing additional affordable housing. It is worth noting that the presentation of such a low-margin scenario is rather uncommon when seeking planning approval for a scheme of this scale and strategic importance to all stakeholders.

- 7.21 It is our opinion that a prudent developer would only proceed with developing the scheme once the development inputs allow for a viable margin to be achieved. We appreciate that the applicant has also confirmed this within their FVA, where the need for deferred land payments, cost savings and sales growth are all cited. It is imperative to note that the scheme will be highly sensitive to any changes in development inputs. Whilst we appreciate that construction costs are increasing across the industry, it is worth noting that we are yet to see the impact that this will have on sales values. For development to occur, there will have to be strong confidence in sales value growth. As a result, we are of the opinion that the Council must ensure that adequate provision is secured within any S106 review mechanism for the growth of affordable housing on a phase-by-phase basis, or any other alternative form of payment.

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# Appendix I

## Accommodation Schedule



Detailed Application - Schedules of Accommodation 31.03.22

Blocks (All Blocks)

Development Overview

TYPE	AREA (sqm)	TENURE				UNIT TOTALS	HAB ROOM TOTALS	%	
		Private	Rented	S/O	Discount Sale				
1B1P	40	22	4	0	0	26	26	2.5%	44.7%
1B2P	50	359	89	0	0	448	896	42.3%	
2B3P	61	101	0	0	0	101	303	9.5%	50.4%
2B4P	70	433	0	0	0	433	1,299	40.8%	
3B4P	74	0	0	0	0	0	0	0.0%	4.91%
3B5P	86	38	13	0	0	51	204	4.8%	
3B6P	95	1	0	0	0	1	4	0.1%	
4B6P	0	0	0	0	0	0	0	0.0%	
TOTALS	N/A	954	106	0	0	1,060	2,732	N/A	
% UNITS	N/A	90.00%	10.00%			N/A	N/A	100%	
TOTAL HAB ROOMS	N/A	2,476	234						
HAB ROOMS BY TENURE			234	0	0				
HAB ROOMS BY %			100.00%	0.00%	0.00%				
TOTAL HAB ROOM %			90.63%	8.57%					

	Detail	Outline	Total
Total Units	367	693	1060
Dual aspect count	198	314	512
Dual aspect Percent	53.95%	45.31%	48.30%
Parking Number	142	159	301
Parking Percent for Application	38.69%	22.94%	28.40%

	Detail	Outline	Total
Total GIA (sqm)	43605.7	66724	110329.7
Total NIA (sqm)	23853.9	0	23853.9
Total NIA Commerical (sqm)	5926	932	6858
Total Bikes	604	1153	1757
Total Bins	122	231	353

# Appendix II

## Sensitivity Testing

# Appendix III

## Comparable Research – BLV

### Retail

#### Lettings

Address	Area (Sq Ft)	Rent (per annum)	Rent (per sq ft)	Date
24 Anglia Square	1,024	£6,000	£5.86	02/03/2020
28 Anglia Square	1,039	£7,502	£7.22	01/03/2020
16 Botolph Way	1,390	£3,503	£2.52	13/07/2020
1 Annes Walk	760	£3,002	£3.95	01/07/2020
2/4 Annes Walk	4,237	£5,000	£1.18	Asking (Historic)
26 Anglia Square	954	£5,000	£5.24	Asking (Historic)
82 Magdalen Street	337	£5,000	£14.84	Asking (Historic)
86 Magdalen Street	1,288	£8,000	£6.21	Asking (Historic)

#### Sales

Address	Area (Sq Ft)	Price	Price (per sq ft)	Yield	Date	Comments
Swansgate Centre, Spring Lane, Wellingborough, NN8 1EY	285,000	£4,300,000	£15.09	23.00%	15/03/2022	<ul style="list-style-type: none"><li>• Long leasehold interest.</li><li>• Built 1977, refurbished 2008.</li><li>• Tenants include Boots, Wilkos, Poundland, Iceland &amp; Superdrug.</li><li>• Gross income c.£2m pa and net income c.£1m pa.</li><li>• 13.3 years to expiry and 12.8 years to break.</li></ul>
The Guineas Shopping Centre, The Rookery, Newmarket, CB8 8HT	110,000	£8,500,000	£77.27	13.50%	08/10/2021	<ul style="list-style-type: none"><li>• Freehold interest.</li><li>• Built 1989.</li><li>• 45 retail units with anchor tenants such as M&amp;S and Argos.</li><li>• Income c.£1.2m pa.</li></ul>

The Swan Shopping Centre, Blackwell Street, Kidderminster, DY10 2EA	114,423	£3,770,000	£32.95	20.17%	06/05/2021	<ul style="list-style-type: none"> <li>• Freehold interest.</li> <li>• Built 1972.</li> <li>• Tenants include Poundland, Greggs, The Entertainer, Nationwide and B&amp;M.</li> <li>• Income c.£800k pa.</li> </ul>
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## Offices

### Lettings

Address	Area (Sq Ft)	Rent (per annum)	Rent (per sq ft)	Date
82 Upper St Giles Street	2,593	£21,000	£8.09	To Let
112-114 Prince of Wales Road	2,077	£21,995	£10.59	14/03/2022
1 Prince of Wales Road	2,356	£34,162	£14.50	16/11/2021
2 Barton Way	1,584	£16,996	£10.73	25/10/2021
31 Prince of Wales Road	1,666	£19,492	£11.70	27/07/2021
3-5 Orford Place	1,481	£17,772	£12.00	01/07/2021
48 Prince of Wales Road	2,674	£12,327	£4.61	03/11/2020

### Sales

Address	Area (Sq Ft)	Price	Price (per sq ft)	Date	Comments
Harbour House, 126 Thorpe Road	9,355	£1,550,000	£165.69	03/08/2021	<ul style="list-style-type: none"> <li>• Vacant possession sale.</li> <li>• 2 storey office building.</li> <li>• Available to let at an initial rent of £125,000 pa (£13.36 psf).</li> </ul>
35-37 Exchange Street	4,537	£500,000	£110.21	18/07/2021	<ul style="list-style-type: none"> <li>• Vacant possession sale.</li> <li>• Grade II listed 3 storey office building.</li> <li>• Available to let at an initial rent of £30,000 pa (£6.61 psf).</li> </ul>
295-297 Aylsham Road	12,702	£1,600,000	£125.96	05/05/2021	<ul style="list-style-type: none"> <li>• Vacant possession sale.</li> <li>• Single storey office building.</li> </ul>
100 Prince of Wales Road	5,543	£715,000	£128.99	01/02/2021	<ul style="list-style-type: none"> <li>• Vacant possession sale.</li> <li>• 3 storey office building.</li> </ul>

Cambridge House, 26 Tombland	7,317	£1,050,000	£143.50	17/08/2020	<ul style="list-style-type: none"> <li>• Investment sale.</li> <li>• Grade II listed 4 storey office building.</li> <li>• Single let to solicitors with a lease term expiring May 2023.</li> <li>• Annual income £61,000.</li> </ul>
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## Residential - Conversion

Schemes	Beds	Average Size (Sq Ft)	Average Price	Average Price (£ per Sq Ft)	Price Date
Narrows Place	1	560	£214,800	£384	Asking - Jan 2022
	2	742	£300,000	£404	
Eastgate House	1	569	£158,091	£292	Feb 2020 - Feb 2021
	2	685	£222,200	£325	
St Peters House	1	489	£150,962	£312	Oct 2020 - Sep 2021
	2	721	£235,000	£326	
Castle House	2	931	£263,750	£291	Asking - Jan 2022
	3	1045	£375,000	£359	
Skipper House	1	536	£152,530	£288	Jan 2018 - Oct 2018
	2	739	£225,867	£303	
Aldwych House	1	373	£146,921	£396	Feb 2019 - Mar 2020
	2	500	£174,000	£350	

## Car Parking

Address	Acres (approx) Parking Spaces	Tenancy Details	Rent pa £p/space	Yield	Price (per space) Date	Comments
Browns Yard, Bold Place / York Street, Chester CH1 3LY	65 spaces		£193,000 £3k p/sp	5.15%	£3.52m £54.2k p/sp Jan 21	NCP, uncovered
Alexander Gardens, Middleburg Sq, Folkestone CT20 1AU	549 spaces	NCP sublet 466 spaces Saga Grp Ltd Mon to Fri, £333k p/a		6.42%	£4.55m £8.3k p/sp Mar 21	Multi-storey

Ashford Park Mall, Ashford	289 spaces	Let to NCP for unexpired term of 17.5 years	£187,000 £647 p/sp	6.33%	£2.85m £9.9k p/sp Nov 20	Multi- storey. Property is held by long leasehold for 99 years expiring Dec 2084
Little Berrington Street, Hereford HR4 0BS	0.28 acres 63 spaces		£95,000 £1,512 p/sp	5.25%	£1.71m £27.1k p/sp Oct 20	Uncovered
Jackson Road, Clacton-on-Sea, Essex CO15 1JA	0.69 ac 90 spaces	Let to NCP for unexpired term of 17 years	£178,000 £2k p/sp	5.56%	£3m £33.3k Oct 20	Uncovered

# Appendix IV

## Cost Review

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**Avison Young**

65 Gresham Street, London EC2V 7NQ

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# Appendix 3 – Appraisals

Anglia Square, Norwich

1. Base Appraisal - No regeneration uplift

Excluding finance, including CIL

Anglia Square, Norwich

1. Base Appraisal - No regeneration uplift

Excluding finance, including CIL

**Appraisal Summary for Merged Phases 1 2 3 4 5**

Currency in £

**REVENUE**

Sales Valuation	Units	ft <sup>2</sup>	Sales Rate ft <sup>2</sup>	Unit Price	Gross Sales
Phase 1 - Block A - Private Residential	142	101,625	350.00	250,484	35,568,750
Phase 1 - Block C - Affordable Residential	21	11,515	210.00	115,150	2,418,150
Phase 1 - Block D - Private Residential	28	20,052	350.00	250,650	7,018,200
Phase 1 - Block M - Private Residential	48	33,486	350.00	244,169	11,720,100
Phase 1 - Block A - Car Parking (B&G)	1	36,409	49.02	1,784,769	1,784,769
Phase 1 - Block B - Affordable Residential	25	16,759	210.00	140,776	3,519,390
Phase 2 - Block J3 - Private Residential	8	5,552	350.00	242,900	1,943,200
Phase 2 - Block K/L - Private Residential	53	35,886	350.00	236,983	12,560,100
Phase 2 - Block K/L - Affordable Residential	28	17,474	210.00	131,055	3,669,540
Phase 3 - Block G - Private Residential	146	95,949	350.00	230,015	33,582,150
Phase 3 - Block H - Private residential	129	82,613	350.00	224,144	28,914,550
Phase 3 - Block J - Private residential	131	86,014	350.00	229,808	30,104,900
Phase 3 - Block G - Car Parking	1	23,681	49.02	1,160,843	1,160,843
Phase 3 - Block J - Car Parking	1	22,793	49.02	1,117,313	1,117,313
Phase 4 - Block E - Affordable Residential	32	17,222	210.00	113,019	3,616,620
Phase 4 - Block E - Private Residential	148	99,437	350.00	235,155	34,802,950
Phase 4 - Block F - Private residential	123	75,885	350.00	215,933	26,559,750
Phase 4 - Block E - Car Parking	1	42,625	49.02	2,089,478	2,089,478
Phase 4 - Block F - Car Parking	1	1,480	49.02	72,550	72,550
<b>Totals</b>	<b>1,067</b>	<b>826,457</b>			<b>242,223,302</b>

**Rental Area Summary**

	Units	ft <sup>2</sup>	Rent Rate ft <sup>2</sup>	Initial MRV/Unit	Net Rent at Sale	Initial MRV
Phase 1 - Block A - Commercial	1	12,389	25.00	309,725	309,725	309,725
Phase 1 - Block D - Commercial	1	7,504	25.00	187,600	187,600	187,600
Phase 1 - Block M - Commercial	1	6,308	25.00	157,700	157,700	157,700
Phase 2 - Block J3 - Commercial	1	4,318	25.00	107,950	107,950	107,950
Phase 2 - Block K/L - Commercial	1	33,048	25.00	826,200	826,200	826,200
Phase 3 - Block H - Commercial	1	5,725	25.00	143,125	143,125	143,125
Phase 3 - Block J - Commercial	1	4,676	25.00	116,900	116,900	116,900
Phase 4 - Block E - Commercial	1	2,989	25.00	74,725	74,725	74,725
Phase 4 - Block F - Commercial	1	3,014	25.00	75,350	75,350	75,350
<b>Totals</b>	<b>9</b>	<b>79,971</b>			<b>1,999,275</b>	<b>1,999,275</b>

**Investment Valuation**

**Phase 1 - Block A - Commercial**

Market Rent	309,725	YP @	6.0000%	16.6667	
(1yr Rent Free)		PV 1yr @	6.0000%	0.9434	4,869,890

**Phase 1 - Block D - Commercial**

Market Rent	187,600	YP @	6.0000%	16.6667	
(1yr Rent Free)		PV 1yr @	6.0000%	0.9434	2,949,686

**Phase 1 - Block M - Commercial**

Market Rent	157,700	YP @	6.0000%	16.6667	
(1yr Rent Free)		PV 1yr @	6.0000%	0.9434	2,479,560

**Phase 2 - Block J3 - Commercial**

Market Rent	107,950	YP @	6.0000%	16.6667	
(1yr Rent Free)		PV 1yr @	6.0000%	0.9434	1,697,327

**Phase 2 - Block K/L - Commercial**

Market Rent	826,200	YP @	6.0000%	16.6667	
(1yr Rent Free)		PV 1yr @	6.0000%	0.9434	12,990,566

**Phase 3 - Block H - Commercial**

Market Rent	143,125	YP @	6.0000%	16.6667	
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**Anglia Square, Norwich**

**1. Base Appraisal - No regeneration uplift**

**Excluding finance, including CIL**

(1yr Rent Free)		PV 1yr @	6.0000%	0.9434	2,250,393
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**Phase 3 - Block J - Commercial**

Market Rent	116,900	YP @	6.0000%	16.6667	
(1yr Rent Free)		PV 1yr @	6.0000%	0.9434	1,838,050

**Phase 4 - Block E - Commercial**

Market Rent	74,725	YP @	6.0000%	16.6667	
(1yr Rent Free)		PV 1yr @	6.0000%	0.9434	1,174,921

**Phase 4 - Block F - Commercial**

Market Rent	75,350	YP @	6.0000%	16.6667	
(1yr Rent Free)		PV 1yr @	6.0000%	0.9434	1,184,748

**Total Investment Valuation**

**31,435,142**

**GROSS DEVELOPMENT VALUE**

**273,658,443**

Purchaser's Costs			(1,823,238)		
Effective Purchaser's Costs Rate		5.80%		(1,823,238)	

**NET DEVELOPMENT VALUE**

**271,835,205**

**Additional Revenue**

Surface car parks			640,935		
Retail Units - Phase 2 impacted			153,846		
Pitt street properties			360,705		
Retail Units - Phase 3 impacted			208,590		
HIF			15,000,000		
				16,364,076	

**NET REALISATION**

**288,199,281**

**OUTLAY**

**ACQUISITION COSTS**

Fixed Price	11,674,000				
Fixed Price			11,674,000		
				11,674,000	
Stamp Duty			573,200		
Effective Stamp Duty Rate		4.91%			
Agent Fee		1.00%	116,740		
Legal Fee		0.50%	58,370		
				748,310	

**CONSTRUCTION COSTS**

Construction	ft <sup>2</sup>	Build Rate ft <sup>2</sup>	Cost
Phase 1 - Block A - Commercial	17,826	194.00	3,458,244
Phase 1 - Block D - Commercial	9,659	194.00	1,873,846
Phase 1 - Block M - Commercial	9,950	194.00	1,930,300
Phase 2 - Block J3 - Commercial	5,521	194.00	1,071,074
Phase 2 - Block K/L - Commercial	42,466	194.00	8,238,404
Phase 3 - Block H - Commercial	7,818	194.00	1,516,692
Phase 3 - Block J - Commercial	7,063	194.00	1,370,222
Phase 4 - Block E - Commercial	4,374	194.00	848,556
Phase 4 - Block F - Commercial	4,012	194.00	778,328
Phase 1 - Block A - Private Residential	146,220	184.00	26,904,480
Phase 1 - Block C - Affordable Residential	14,742	184.00	2,712,528
Phase 1 - Block D - Private Residential	25,812	184.00	4,749,408
Phase 1 - Block M - Private Residential	52,822	184.00	9,719,248
Phase 1 - Block A - Car Parking (B&G)	36,409	61.00	2,220,949
Phase 1 - Block B - Affordable Residential	20,135	184.00	3,704,840
Phase 2 - Block J3 - Private Residential	7,098	184.00	1,306,032
Phase 2 - Block K/L - Private Residential	46,112	184.00	8,484,608

**Anglia Square, Norwich**

**1. Base Appraisal - No regeneration uplift**

**Excluding finance, including CIL**

Phase 2 - Block K/L - Affordable Residential	22,453	184.00	4,131,352	
Phase 3 - Block G - Private Residential	142,333	184.00	26,189,272	
Phase 3 - Block H - Private residential	112,814	184.00	20,757,776	
Phase 3 - Block J - Private residential	129,920	184.00	23,905,280	
Phase 3 - Block G - Car Parking	23,681	61.00	1,444,541	
Phase 3 - Block J - Car Parking	22,793	61.00	1,390,373	
Phase 4 - Block E - Affordable Residential	25,204	184.00	4,637,536	
Phase 4 - Block E - Private Residential	145,521	184.00	26,775,864	
Phase 4 - Block F - Private residential	101,013	184.00	18,586,392	
Phase 4 - Block E - Car Parking	42,625	61.00	2,600,125	
Phase 4 - Block F - Car Parking	1,480	61.00	90,280	
<b>Totals</b>	<b>1,227,876 ft<sup>2</sup></b>		<b>211,396,550</b>	
Contingency		5.00%	10,569,827	
Off-site public realm works			1,600,000	
Demolition			14,530,000	
Detail CIL			2,474,836	
Outline CIL			5,625,591	
				246,196,804

**Section 106 Costs**

S106 - Management Plan			17,500	
S106 - RAMS			204,523	
S106 - Enhance green infrastructure			61,140	
S106 - Under the Flyover			328,288	
S106 - Nutrient neutrality			3,790,394	
S106 - Car club			106,200	
				4,508,045

**PROFESSIONAL FEES**

Professional Fees		7.50%	15,273,771	15,273,771
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**MARKETING & LETTING**

Marketing		1.00%	2,227,746	
Letting Agent Fee		10.00%	199,928	
Letting Legal Fee		5.00%	99,964	
				2,527,638

**DISPOSAL FEES**

Sales Agent Fee		0.75%	1,670,810	
Sales Legal Fee		0.25%	556,937	
				2,227,746

**TOTAL COSTS**

**283,156,315**

**PROFIT**

**5,042,966**

**Performance Measures**

Profit on Cost%	1.78%
Profit on GDV%	1.84%
Profit on NDV%	1.86%
Development Yield% (on Rent)	0.71%
Equivalent Yield% (Nominal)	6.00%
Equivalent Yield% (True)	6.23%
IRR% (without Interest)	1.02%
Rent Cover	2 yrs 6 mths
Profit Erosion (finance rate 0.000)	N/A

Anglia Square, Norwich

2. Base Appraisal - No regeneration uplift

Excluding finance & CIL

Anglia Square, Norwich

2. Base Appraisal - No regeneration uplift

Excluding finance & CIL

**Appraisal Summary for Merged Phases 1 2 3 4 5**

Currency in £

**REVENUE**

Sales Valuation	Units	ft <sup>2</sup>	Sales Rate ft <sup>2</sup>	Unit Price	Gross Sales
Phase 1 - Block A - Private Residential	142	101,625	350.00	250,484	35,568,750
Phase 1 - Block C - Affordable Residential	21	11,515	210.00	115,150	2,418,150
Phase 1 - Block D - Private Residential	28	20,052	350.00	250,650	7,018,200
Phase 1 - Block M - Private Residential	48	33,486	350.00	244,169	11,720,100
Phase 1 - Block A - Car Parking (B&G)	1	36,409	49.02	1,784,769	1,784,769
Phase 1 - Block B - Affordable Residential	25	16,759	210.00	140,776	3,519,390
Phase 2 - Block J3 - Private Residential	8	5,552	350.00	242,900	1,943,200
Phase 2 - Block K/L - Private Residential	53	35,886	350.00	236,983	12,560,100
Phase 2 - Block K/L - Affordable Residential	28	17,474	210.00	131,055	3,669,540
Phase 3 - Block G - Private Residential	146	95,949	350.00	230,015	33,582,150
Phase 3 - Block H - Private residential	129	82,613	350.00	224,144	28,914,550
Phase 3 - Block J - Private residential	131	86,014	350.00	229,808	30,104,900
Phase 3 - Block G - Car Parking	1	23,681	49.02	1,160,843	1,160,843
Phase 3 - Block J - Car Parking	1	22,793	49.02	1,117,313	1,117,313
Phase 4 - Block E - Affordable Residential	32	17,222	210.00	113,019	3,616,620
Phase 4 - Block E - Private Residential	148	99,437	350.00	235,155	34,802,950
Phase 4 - Block F - Private residential	123	75,885	350.00	215,933	26,559,750
Phase 4 - Block E - Car Parking	1	42,625	49.02	2,089,478	2,089,478
Phase 4 - Block F - Car Parking	1	1,480	49.02	72,550	72,550
<b>Totals</b>	<b>1,067</b>	<b>826,457</b>			<b>242,223,302</b>

**Rental Area Summary**

	Units	ft <sup>2</sup>	Rent Rate ft <sup>2</sup>	Initial MRV/Unit	Net Rent at Sale	Initial MRV
Phase 1 - Block A - Commercial	1	12,389	25.00	309,725	309,725	309,725
Phase 1 - Block D - Commercial	1	7,504	25.00	187,600	187,600	187,600
Phase 1 - Block M - Commercial	1	6,308	25.00	157,700	157,700	157,700
Phase 2 - Block J3 - Commercial	1	4,318	25.00	107,950	107,950	107,950
Phase 2 - Block K/L - Commercial	1	33,048	25.00	826,200	826,200	826,200
Phase 3 - Block H - Commercial	1	5,725	25.00	143,125	143,125	143,125
Phase 3 - Block J - Commercial	1	4,676	25.00	116,900	116,900	116,900
Phase 4 - Block E - Commercial	1	2,989	25.00	74,725	74,725	74,725
Phase 4 - Block F - Commercial	1	3,014	25.00	75,350	75,350	75,350
<b>Totals</b>	<b>9</b>	<b>79,971</b>			<b>1,999,275</b>	<b>1,999,275</b>

**Investment Valuation**

**Phase 1 - Block A - Commercial**

Market Rent	309,725	YP @	6.0000%	16.6667	
(1yr Rent Free)		PV 1yr @	6.0000%	0.9434	4,869,890

**Phase 1 - Block D - Commercial**

Market Rent	187,600	YP @	6.0000%	16.6667	
(1yr Rent Free)		PV 1yr @	6.0000%	0.9434	2,949,686

**Phase 1 - Block M - Commercial**

Market Rent	157,700	YP @	6.0000%	16.6667	
(1yr Rent Free)		PV 1yr @	6.0000%	0.9434	2,479,560

**Phase 2 - Block J3 - Commercial**

Market Rent	107,950	YP @	6.0000%	16.6667	
(1yr Rent Free)		PV 1yr @	6.0000%	0.9434	1,697,327

**Phase 2 - Block K/L - Commercial**

Market Rent	826,200	YP @	6.0000%	16.6667	
(1yr Rent Free)		PV 1yr @	6.0000%	0.9434	12,990,566

**Phase 3 - Block H - Commercial**

Market Rent	143,125	YP @	6.0000%	16.6667	
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**Anglia Square, Norwich**

**2. Base Appraisal - No regeneration uplift**

**Excluding finance & CIL**

(1yr Rent Free)		PV 1yr @	6.0000%	0.9434	2,250,393
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**Phase 3 - Block J - Commercial**

Market Rent	116,900	YP @	6.0000%	16.6667	
(1yr Rent Free)		PV 1yr @	6.0000%	0.9434	1,838,050

**Phase 4 - Block E - Commercial**

Market Rent	74,725	YP @	6.0000%	16.6667	
(1yr Rent Free)		PV 1yr @	6.0000%	0.9434	1,174,921

**Phase 4 - Block F - Commercial**

Market Rent	75,350	YP @	6.0000%	16.6667	
(1yr Rent Free)		PV 1yr @	6.0000%	0.9434	1,184,748

**Total Investment Valuation**

**31,435,142**

**GROSS DEVELOPMENT VALUE**

**273,658,443**

Purchaser's Costs			(1,823,238)		
Effective Purchaser's Costs Rate		5.80%		(1,823,238)	

**NET DEVELOPMENT VALUE**

**271,835,205**

**Additional Revenue**

Surface car parks			640,935		
Retail Units - Phase 2 impacted			153,846		
Pitt street properties			360,705		
Retail Units - Phase 3 impacted			208,590		
HIF			15,000,000		
				16,364,076	

**NET REALISATION**

**288,199,281**

**OUTLAY**

**ACQUISITION COSTS**

Fixed Price	11,674,000				
Fixed Price			11,674,000		11,674,000
Stamp Duty			573,200		
Effective Stamp Duty Rate		4.91%			
Agent Fee		1.00%	116,740		
Legal Fee		0.50%	58,370		
				748,310	

**CONSTRUCTION COSTS**

Construction	ft <sup>2</sup>	Build Rate ft <sup>2</sup>	Cost
Phase 1 - Block A - Commercial	17,826	194.00	3,458,244
Phase 1 - Block D - Commercial	9,659	194.00	1,873,846
Phase 1 - Block M - Commercial	9,950	194.00	1,930,300
Phase 2 - Block J3 - Commercial	5,521	194.00	1,071,074
Phase 2 - Block K/L - Commercial	42,466	194.00	8,238,404
Phase 3 - Block H - Commercial	7,818	194.00	1,516,692
Phase 3 - Block J - Commercial	7,063	194.00	1,370,222
Phase 4 - Block E - Commercial	4,374	194.00	848,556
Phase 4 - Block F - Commercial	4,012	194.00	778,328
Phase 1 - Block A - Private Residential	146,220	184.00	26,904,480
Phase 1 - Block C - Affordable Residential	14,742	184.00	2,712,528
Phase 1 - Block D - Private Residential	25,812	184.00	4,749,408
Phase 1 - Block M - Private Residential	52,822	184.00	9,719,248
Phase 1 - Block A - Car Parking (B&G)	36,409	61.00	2,220,949
Phase 1 - Block B - Affordable Residential	20,135	184.00	3,704,840
Phase 2 - Block J3 - Private Residential	7,098	184.00	1,306,032
Phase 2 - Block K/L - Private Residential	46,112	184.00	8,484,608



**Anglia Square, Norwich**

**2. Base Appraisal - No regeneration uplift**

**Excluding finance & CIL**

Phase 2 - Block K/L - Affordable Residential	22,453	184.00	4,131,352	
Phase 3 - Block G - Private Residential	142,333	184.00	26,189,272	
Phase 3 - Block H - Private residential	112,814	184.00	20,757,776	
Phase 3 - Block J - Private residential	129,920	184.00	23,905,280	
Phase 3 - Block G - Car Parking	23,681	61.00	1,444,541	
Phase 3 - Block J - Car Parking	22,793	61.00	1,390,373	
Phase 4 - Block E - Affordable Residential	25,204	184.00	4,637,536	
Phase 4 - Block E - Private Residential	145,521	184.00	26,775,864	
Phase 4 - Block F - Private residential	101,013	184.00	18,586,392	
Phase 4 - Block E - Car Parking	42,625	61.00	2,600,125	
Phase 4 - Block F - Car Parking	1,480	61.00	90,280	
<b>Totals</b>	<b>1,227,876 ft<sup>2</sup></b>		<b>211,396,550</b>	
Contingency		5.00%	10,569,827	
Off-site public realm works			1,600,000	
Demolition			14,530,000	

238,096,377

**Section 106 Costs**

S106 - Management Plan			17,500	
S106 - RAMS			204,523	
S106 - Enhance green infrastructure			61,140	
S106 - Under the Flyover			328,288	
S106 - Nutrient neutrality			3,790,394	
S106 - Car club			106,200	

4,508,045

**PROFESSIONAL FEES**

Professional Fees		7.50%	15,273,771	
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15,273,771

**MARKETING & LETTING**

Marketing		1.00%	2,227,746	
Letting Agent Fee		10.00%	199,928	
Letting Legal Fee		5.00%	99,964	

2,527,638

**DISPOSAL FEES**

Sales Agent Fee		0.75%	1,670,810	
Sales Legal Fee		0.25%	556,937	

2,227,746

**TOTAL COSTS**

**275,055,888**

**PROFIT**

**13,143,393**

**Performance Measures**

Profit on Cost%	4.78%
Profit on GDV%	4.80%
Profit on NDV%	4.84%
Development Yield% (on Rent)	0.73%
Equivalent Yield% (Nominal)	6.00%
Equivalent Yield% (True)	6.23%
IRR% (without Interest)	2.77%
Rent Cover	6 yrs 7 mths
Profit Erosion (finance rate 0.000)	N/A

Anglia Square, Norwich  
3. Regeneration uplift  
Excluding finance

**Anglia Square, Norwich**

**3. Regeneration uplift**

**Excluding finance**

**Appraisal Summary for Merged Phases 1 2 3 4 5**

Currency in £

**REVENUE**

Sales Valuation	Units	ft <sup>2</sup>	Sales Rate ft <sup>2</sup>	Unit Price	Gross Sales
Phase 1 - Block A - Private Residential	142	101,625	350.00	250,484	35,568,750
Phase 1 - Block C - Affordable Residential	21	11,515	210.00	115,150	2,418,150
Phase 1 - Block D - Private Residential	28	20,052	350.00	250,650	7,018,200
Phase 1 - Block M - Private Residential	48	33,486	350.00	244,169	11,720,100
Phase 1 - Block A - Car Parking (B&G)	1	36,409	49.02	1,784,769	1,784,769
Phase 1 - Block B - Affordable Residential	25	16,759	210.00	140,776	3,519,390
Phase 2 - Block J3 - Private Residential	8	5,552	394.00	273,436	2,187,488
Phase 2 - Block K/L - Private Residential	53	35,886	394.00	266,775	14,139,084
Phase 2 - Block K/L - Affordable Residential	28	17,474	236.00	147,281	4,123,864
Phase 3 - Block G - Private Residential	146	95,949	420.00	276,018	40,298,580
Phase 3 - Block H - Private residential	129	82,613	420.00	268,973	34,697,460
Phase 3 - Block J - Private residential	131	86,014	420.00	275,770	36,125,880
Phase 3 - Block G - Car Parking	1	23,681	49.02	1,160,843	1,160,843
Phase 3 - Block J - Car Parking	1	22,793	49.02	1,117,313	1,117,313
Phase 4 - Block E - Affordable Residential	32	17,222	268.00	144,234	4,615,496
Phase 4 - Block E - Private Residential	148	99,437	446.00	299,655	44,348,902
Phase 4 - Block F - Private residential	123	75,885	446.00	275,160	33,844,710
Phase 4 - Block E - Car Parking	1	42,625	49.02	2,089,478	2,089,478
Phase 4 - Block F - Car Parking	1	1,480	49.02	72,550	72,550
<b>Totals</b>	<b>1,067</b>	<b>826,457</b>			<b>280,851,006</b>

**Rental Area Summary**

	Units	ft <sup>2</sup>	Rent Rate ft <sup>2</sup>	Initial MRV/Unit	Net Rent at Sale	Initial MRV
Phase 1 - Block A - Commercial	1	12,389	25.00	309,725	309,725	309,725
Phase 1 - Block D - Commercial	1	7,504	25.00	187,600	187,600	187,600
Phase 1 - Block M - Commercial	1	6,308	25.00	157,700	157,700	157,700
Phase 2 - Block J3 - Commercial	1	4,318	25.00	107,950	107,950	107,950
Phase 2 - Block K/L - Commercial	1	33,048	25.00	826,200	826,200	826,200
Phase 3 - Block H - Commercial	1	5,725	25.00	143,125	143,125	143,125
Phase 3 - Block J - Commercial	1	4,676	25.00	116,900	116,900	116,900
Phase 4 - Block E - Commercial	1	2,989	25.00	74,725	74,725	74,725
Phase 4 - Block F - Commercial	1	3,014	25.00	75,350	75,350	75,350
<b>Totals</b>	<b>9</b>	<b>79,971</b>			<b>1,999,275</b>	<b>1,999,275</b>

**Investment Valuation**

**Phase 1 - Block A - Commercial**

Market Rent	309,725	YP @	6.0000%	16.6667	
(1yr Rent Free)		PV 1yr @	6.0000%	0.9434	4,869,890

**Phase 1 - Block D - Commercial**

Market Rent	187,600	YP @	6.0000%	16.6667	
(1yr Rent Free)		PV 1yr @	6.0000%	0.9434	2,949,686

**Phase 1 - Block M - Commercial**

Market Rent	157,700	YP @	6.0000%	16.6667	
(1yr Rent Free)		PV 1yr @	6.0000%	0.9434	2,479,560

**Phase 2 - Block J3 - Commercial**

Market Rent	107,950	YP @	6.0000%	16.6667	
(1yr Rent Free)		PV 1yr @	6.0000%	0.9434	1,697,327

**Phase 2 - Block K/L - Commercial**

Market Rent	826,200	YP @	6.0000%	16.6667	
(1yr Rent Free)		PV 1yr @	6.0000%	0.9434	12,990,566

**Phase 3 - Block H - Commercial**

Market Rent	143,125	YP @	6.0000%	16.6667	
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**Anglia Square, Norwich**

**3. Regeneration uplift**

**Excluding finance**

(1yr Rent Free) PV 1yr @ 6.0000% 0.9434 2,250,393

**Phase 3 - Block J - Commercial**

Market Rent 116,900 YP @ 6.0000% 16.6667  
 (1yr Rent Free) PV 1yr @ 6.0000% 0.9434 1,838,050

**Phase 4 - Block E - Commercial**

Market Rent 74,725 YP @ 6.0000% 16.6667  
 (1yr Rent Free) PV 1yr @ 6.0000% 0.9434 1,174,921

**Phase 4 - Block F - Commercial**

Market Rent 75,350 YP @ 6.0000% 16.6667  
 (1yr Rent Free) PV 1yr @ 6.0000% 0.9434 1,184,748

**Total Investment Valuation 31,435,142**

**GROSS DEVELOPMENT VALUE 312,286,147**

Purchaser's Costs (1,823,238)  
 Effective Purchaser's Costs Rate 5.80% (1,823,238)

**NET DEVELOPMENT VALUE 310,462,909**

**Additional Revenue**

Surface car parks 640,935  
 Retail Units - Phase 2 impacted 153,846  
 Pitt street properties 360,705  
 Retail Units - Phase 3 impacted 208,590  
 HIF 15,000,000  
 16,364,076

**NET REALISATION 326,826,985**

**OUTLAY**

**ACQUISITION COSTS**

Fixed Price 11,674,000  
 Fixed Price 11,674,000 11,674,000  
 Stamp Duty 573,200  
 Effective Stamp Duty Rate 4.91%  
 Agent Fee 1.00% 116,740  
 Legal Fee 0.50% 58,370  
 748,310

**CONSTRUCTION COSTS**

Construction	ft <sup>2</sup>	Build Rate ft <sup>2</sup>	Cost
Phase 1 - Block A - Commercial	17,826	194.00	3,458,244
Phase 1 - Block D - Commercial	9,659	194.00	1,873,846
Phase 1 - Block M - Commercial	9,950	194.00	1,930,300
Phase 2 - Block J3 - Commercial	5,521	194.00	1,071,074
Phase 2 - Block K/L - Commercial	42,466	194.00	8,238,404
Phase 3 - Block H - Commercial	7,818	194.00	1,516,692
Phase 3 - Block J - Commercial	7,063	194.00	1,370,222
Phase 4 - Block E - Commercial	4,374	194.00	848,556
Phase 4 - Block F - Commercial	4,012	194.00	778,328
Phase 1 - Block A - Private Residential	146,220	184.00	26,904,480
Phase 1 - Block C - Affordable Residential	14,742	184.00	2,712,528
Phase 1 - Block D - Private Residential	25,812	184.00	4,749,408
Phase 1 - Block M - Private Residential	52,822	184.00	9,719,248
Phase 1 - Block A - Car Parking (B&G)	36,409	61.00	2,220,949
Phase 1 - Block B - Affordable Residential	20,135	184.00	3,704,840
Phase 2 - Block J3 - Private Residential	7,098	184.00	1,306,032
Phase 2 - Block K/L - Private Residential	46,112	184.00	8,484,608

**Anglia Square, Norwich**

**3. Regeneration uplift**

**Excluding finance**

Phase 2 - Block K/L - Affordable Residential	22,453	184.00	4,131,352	
Phase 3 - Block G - Private Residential	142,333	184.00	26,189,272	
Phase 3 - Block H - Private residential	112,814	184.00	20,757,776	
Phase 3 - Block J - Private residential	129,920	184.00	23,905,280	
Phase 3 - Block G - Car Parking	23,681	61.00	1,444,541	
Phase 3 - Block J - Car Parking	22,793	61.00	1,390,373	
Phase 4 - Block E - Affordable Residential	25,204	184.00	4,637,536	
Phase 4 - Block E - Private Residential	145,521	184.00	26,775,864	
Phase 4 - Block F - Private residential	101,013	184.00	18,586,392	
Phase 4 - Block E - Car Parking	42,625	61.00	2,600,125	
Phase 4 - Block F - Car Parking	1,480	61.00	90,280	
<b>Totals</b>	<b>1,227,876 ft<sup>2</sup></b>		<b>211,396,550</b>	
Contingency		5.00%	10,569,827	
Off-site public realm works			1,600,000	
Demolition			14,530,000	
Detail CIL			2,474,836	
Outline CIL			5,625,591	
				246,196,804

**Section 106 Costs**

S106 - Management Plan			17,500	
S106 - RAMS			204,523	
S106 - Enhance green infrastructure			61,140	
S106 - Under the Flyover			328,288	
S106 - Nutrient neutrality			3,790,394	
S106 - Car club			106,200	
				4,508,045

**PROFESSIONAL FEES**

Professional Fees		7.50%	15,273,771	15,273,771
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**MARKETING & LETTING**

Marketing		1.00%	2,599,492	
Letting Agent Fee		10.00%	199,928	
Letting Legal Fee		5.00%	99,964	
				2,899,383

**DISPOSAL FEES**

Sales Agent Fee		0.75%	1,949,619	
Sales Legal Fee		0.25%	649,873	
				2,599,492

**TOTAL COSTS**

**283,899,805**

**PROFIT**

**42,927,180**

**Performance Measures**

Profit on Cost%	15.12%
Profit on GDV%	13.75%
Profit on NDV%	13.83%
Development Yield% (on Rent)	0.70%
Equivalent Yield% (Nominal)	6.00%
Equivalent Yield% (True)	6.23%

IRR% (without Interest) 7.63%

Rent Cover 21 yrs 6 mths  
 Profit Erosion (finance rate 0.000) N/A

Anglia Square, Norwich  
4. Regeneration uplift  
Excluding finance and CIL

**Anglia Square, Norwich**  
**4. Regeneration uplift**  
**Excluding finance and CIL**

**Appraisal Summary for Merged Phases 1 2 3 4 5**

Currency in £

**REVENUE**

Sales Valuation	Units	ft <sup>2</sup>	Sales Rate ft <sup>2</sup>	Unit Price	Gross Sales
Phase 1 - Block A - Private Residential	142	101,625	350.00	250,484	35,568,750
Phase 1 - Block C - Affordable Residential	21	11,515	210.00	115,150	2,418,150
Phase 1 - Block D - Private Residential	28	20,052	350.00	250,650	7,018,200
Phase 1 - Block M - Private Residential	48	33,486	350.00	244,169	11,720,100
Phase 1 - Block A - Car Parking (B&G)	1	36,409	49.02	1,784,769	1,784,769
Phase 1 - Block B - Affordable Residential	25	16,759	210.00	140,776	3,519,390
Phase 2 - Block J3 - Private Residential	8	5,552	394.00	273,436	2,187,488
Phase 2 - Block K/L - Private Residential	53	35,886	394.00	266,775	14,139,084
Phase 2 - Block K/L - Affordable Residential	28	17,474	236.00	147,281	4,123,864
Phase 3 - Block G - Private Residential	146	95,949	420.00	276,018	40,298,580
Phase 3 - Block H - Private residential	129	82,613	420.00	268,973	34,697,460
Phase 3 - Block J - Private residential	131	86,014	420.00	275,770	36,125,880
Phase 3 - Block G - Car Parking	1	23,681	49.02	1,160,843	1,160,843
Phase 3 - Block J - Car Parking	1	22,793	49.02	1,117,313	1,117,313
Phase 4 - Block E - Affordable Residential	32	17,222	268.00	144,234	4,615,496
Phase 4 - Block E - Private Residential	148	99,437	446.00	299,655	44,348,902
Phase 4 - Block F - Private residential	123	75,885	446.00	275,160	33,844,710
Phase 4 - Block E - Car Parking	1	42,625	49.02	2,089,478	2,089,478
Phase 4 - Block F - Car Parking	1	1,480	49.02	72,550	72,550
<b>Totals</b>	<b>1,067</b>	<b>826,457</b>			<b>280,851,006</b>

**Rental Area Summary**

	Units	ft <sup>2</sup>	Rent Rate ft <sup>2</sup>	Initial MRV/Unit	Net Rent at Sale	Initial MRV
Phase 1 - Block A - Commercial	1	12,389	25.00	309,725	309,725	309,725
Phase 1 - Block D - Commercial	1	7,504	25.00	187,600	187,600	187,600
Phase 1 - Block M - Commercial	1	6,308	25.00	157,700	157,700	157,700
Phase 2 - Block J3 - Commercial	1	4,318	25.00	107,950	107,950	107,950
Phase 2 - Block K/L - Commercial	1	33,048	25.00	826,200	826,200	826,200
Phase 3 - Block H - Commercial	1	5,725	25.00	143,125	143,125	143,125
Phase 3 - Block J - Commercial	1	4,676	25.00	116,900	116,900	116,900
Phase 4 - Block E - Commercial	1	2,989	25.00	74,725	74,725	74,725
Phase 4 - Block F - Commercial	1	3,014	25.00	75,350	75,350	75,350
<b>Totals</b>	<b>9</b>	<b>79,971</b>			<b>1,999,275</b>	<b>1,999,275</b>

**Investment Valuation**

<b>Phase 1 - Block A - Commercial</b>					
Market Rent	309,725	YP @	6.0000%	16.6667	
(1yr Rent Free)		PV 1yr @	6.0000%	0.9434	4,869,890
<b>Phase 1 - Block D - Commercial</b>					
Market Rent	187,600	YP @	6.0000%	16.6667	
(1yr Rent Free)		PV 1yr @	6.0000%	0.9434	2,949,686
<b>Phase 1 - Block M - Commercial</b>					
Market Rent	157,700	YP @	6.0000%	16.6667	
(1yr Rent Free)		PV 1yr @	6.0000%	0.9434	2,479,560
<b>Phase 2 - Block J3 - Commercial</b>					
Market Rent	107,950	YP @	6.0000%	16.6667	
(1yr Rent Free)		PV 1yr @	6.0000%	0.9434	1,697,327
<b>Phase 2 - Block K/L - Commercial</b>					
Market Rent	826,200	YP @	6.0000%	16.6667	
(1yr Rent Free)		PV 1yr @	6.0000%	0.9434	12,990,566
<b>Phase 3 - Block H - Commercial</b>					
Market Rent	143,125	YP @	6.0000%	16.6667	

**Anglia Square, Norwich**

**4. Regeneration uplift**

**Excluding finance and CIL**

(1yr Rent Free)		PV 1yr @	6.0000%	0.9434	2,250,393
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**Phase 3 - Block J - Commercial**

Market Rent	116,900	YP @	6.0000%	16.6667	
(1yr Rent Free)		PV 1yr @	6.0000%	0.9434	1,838,050

**Phase 4 - Block E - Commercial**

Market Rent	74,725	YP @	6.0000%	16.6667	
(1yr Rent Free)		PV 1yr @	6.0000%	0.9434	1,174,921

**Phase 4 - Block F - Commercial**

Market Rent	75,350	YP @	6.0000%	16.6667	
(1yr Rent Free)		PV 1yr @	6.0000%	0.9434	1,184,748

**Total Investment Valuation**

**31,435,142**

**GROSS DEVELOPMENT VALUE**

**312,286,147**

Purchaser's Costs			(1,823,238)		
Effective Purchaser's Costs Rate		5.80%		(1,823,238)	

**NET DEVELOPMENT VALUE**

**310,462,909**

**Additional Revenue**

Surface car parks			640,935		
Retail Units - Phase 2 impacted			153,846		
Pitt street properties			360,705		
Retail Units - Phase 3 impacted			208,590		
HIF			15,000,000		
				16,364,076	

**NET REALISATION**

**326,826,985**

**OUTLAY**

**ACQUISITION COSTS**

Fixed Price	11,674,000				
Fixed Price			11,674,000		
				11,674,000	
Stamp Duty			573,200		
Effective Stamp Duty Rate		4.91%			
Agent Fee		1.00%	116,740		
Legal Fee		0.50%	58,370		
				748,310	

**CONSTRUCTION COSTS**

Construction	ft <sup>2</sup>	Build Rate ft <sup>2</sup>	Cost
Phase 1 - Block A - Commercial	17,826	194.00	3,458,244
Phase 1 - Block D - Commercial	9,659	194.00	1,873,846
Phase 1 - Block M - Commercial	9,950	194.00	1,930,300
Phase 2 - Block J3 - Commercial	5,521	194.00	1,071,074
Phase 2 - Block K/L - Commercial	42,466	194.00	8,238,404
Phase 3 - Block H - Commercial	7,818	194.00	1,516,692
Phase 3 - Block J - Commercial	7,063	194.00	1,370,222
Phase 4 - Block E - Commercial	4,374	194.00	848,556
Phase 4 - Block F - Commercial	4,012	194.00	778,328
Phase 1 - Block A - Private Residential	146,220	184.00	26,904,480
Phase 1 - Block C - Affordable Residential	14,742	184.00	2,712,528
Phase 1 - Block D - Private Residential	25,812	184.00	4,749,408
Phase 1 - Block M - Private Residential	52,822	184.00	9,719,248
Phase 1 - Block A - Car Parking (B&G)	36,409	61.00	2,220,949
Phase 1 - Block B - Affordable Residential	20,135	184.00	3,704,840
Phase 2 - Block J3 - Private Residential	7,098	184.00	1,306,032
Phase 2 - Block K/L - Private Residential	46,112	184.00	8,484,608



**Anglia Square, Norwich**

**4. Regeneration uplift**

**Excluding finance and CIL**

Phase 2 - Block K/L - Affordable Residential	22,453	184.00	4,131,352	
Phase 3 - Block G - Private Residential	142,333	184.00	26,189,272	
Phase 3 - Block H - Private residential	112,814	184.00	20,757,776	
Phase 3 - Block J - Private residential	129,920	184.00	23,905,280	
Phase 3 - Block G - Car Parking	23,681	61.00	1,444,541	
Phase 3 - Block J - Car Parking	22,793	61.00	1,390,373	
Phase 4 - Block E - Affordable Residential	25,204	184.00	4,637,536	
Phase 4 - Block E - Private Residential	145,521	184.00	26,775,864	
Phase 4 - Block F - Private residential	101,013	184.00	18,586,392	
Phase 4 - Block E - Car Parking	42,625	61.00	2,600,125	
Phase 4 - Block F - Car Parking	1,480	61.00	90,280	
<b>Totals</b>	<b>1,227,876 ft<sup>2</sup></b>		<b>211,396,550</b>	
Contingency		5.00%	10,569,827	
Off-site public realm works			1,600,000	
Demolition			14,530,000	

238,096,377

**Section 106 Costs**

S106 - Management Plan			17,500	
S106 - RAMS			204,523	
S106 - Enhance green infrastructure			61,140	
S106 - Under the Flyover			328,288	
S106 - Nutrient neutrality			3,790,394	
S106 - Car club			106,200	

4,508,045

**PROFESSIONAL FEES**

Professional Fees		7.50%	15,273,771	
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15,273,771

**MARKETING & LETTING**

Marketing		1.00%	2,599,492	
Letting Agent Fee		10.00%	199,928	
Letting Legal Fee		5.00%	99,964	

2,899,383

**DISPOSAL FEES**

Sales Agent Fee		0.75%	1,949,619	
Sales Legal Fee		0.25%	649,873	

2,599,492

**TOTAL COSTS**

**275,799,378**

**PROFIT**

**51,027,607**

**Performance Measures**

Profit on Cost%	18.50%
Profit on GDV%	16.34%
Profit on NDV%	16.44%
Development Yield% (on Rent)	0.72%
Equivalent Yield% (Nominal)	6.00%
Equivalent Yield% (True)	6.23%
IRR% (without Interest)	9.44%
Rent Cover	25 yrs 6 mths
Profit Erosion (finance rate 0.000)	N/A