# DEVELOPMENT OPTIONS REPORT

# WINCHEAP, CANTERBURY

**Final Report**

**Canterbury City Council**

**October 2022**

Carter Jonas

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# 1. INTRODUCTION

The Council is currently undertaking a review of its Local Plan and is developing a new Local Plan (2040). As part of this it is looking to update its planning policies for Wincheap, which has a site-specific policy in the current Local Plan – TCL7 Wincheap Retail Area. This provides for an additional 33,800 sqm of retail space. As part of the evidence base for the new Local Plan, the Council has commissioned an updated Retail and Leisure Study by GL Hearn (July 2020). This has reported that the retail need requirement has changed markedly from previously and there is now very little additional retail need identified for the period to 2040. This updated evidence clearly changes the development context for Wincheap quite significantly and the Council has commissioned Carter Jonas to undertake an initial study to consider the options for how the area could now be developed.

We understand that the emerging policy for Wincheap seeks the reprovision of the equivalent levels of business, commercial and leisure floorspace, and seeks the provision of a new public car park with a minimum of 300 spaces and approximately 300 residential dwellings.

This report will therefore consider the development options that are more focused on the intensification of this brownfield site for existing industrial and retail warehouse operators to release land for non-commercial uses, particularly residential.

Members of the Carter Jonas team were formerly at GL Hearn and have previously advised the City Council on the Wincheap site. A Viability Assessment was previously provided in respect of the site in July 2016.

The report provides updated options advice for the Wincheap site, although it should be noted that the advice does not constitute a formal Red Book valuation in accordance with the RICS Valuation – Global Standards 2022.

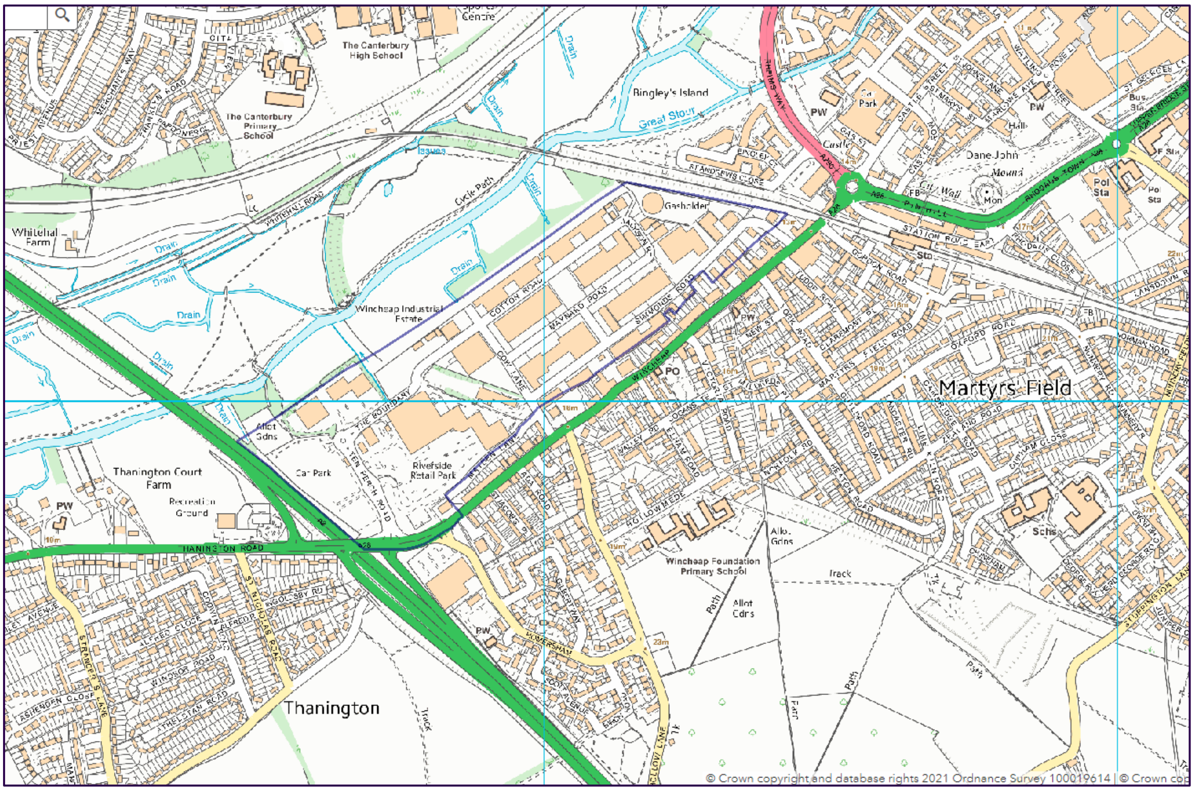
This report provides a review of the existing uses, constraints and property market, together with high level masterplan options and development appraisals of these options with the key assumptions and inputs, followed by recommendations on the future planning policy for the site.

## 2. SITE DESCRIPTION AND LOCATION

The Wincheap regeneration area includes the Riverside and Wincheap Retail Parks, Wincheap Park & Ride, and Wincheap Industrial Estate. The land is bounded by Wincheap A28 road to the east, the A2 dual carriageway to the south, Whitehall Meadows and the River Great Stour to the west, and the railway line to the north.

The Wincheap Industrial Estate was originally constructed in the 1970s and over time a number of the industrial and warehouse units have secured a change of use to retail, such as for example Go Outdoors, Iceland Foods, and American Golf. The two retail parks are of late 1990s construction and have lost several occupiers in recent years, including Argos, Mothercare, and Carphone Warehouse, although there remain key occupiers such as Boots, Pets at Home, B&M and Pure Gym. The retail parks are anchored by a Morrisons foodstore.

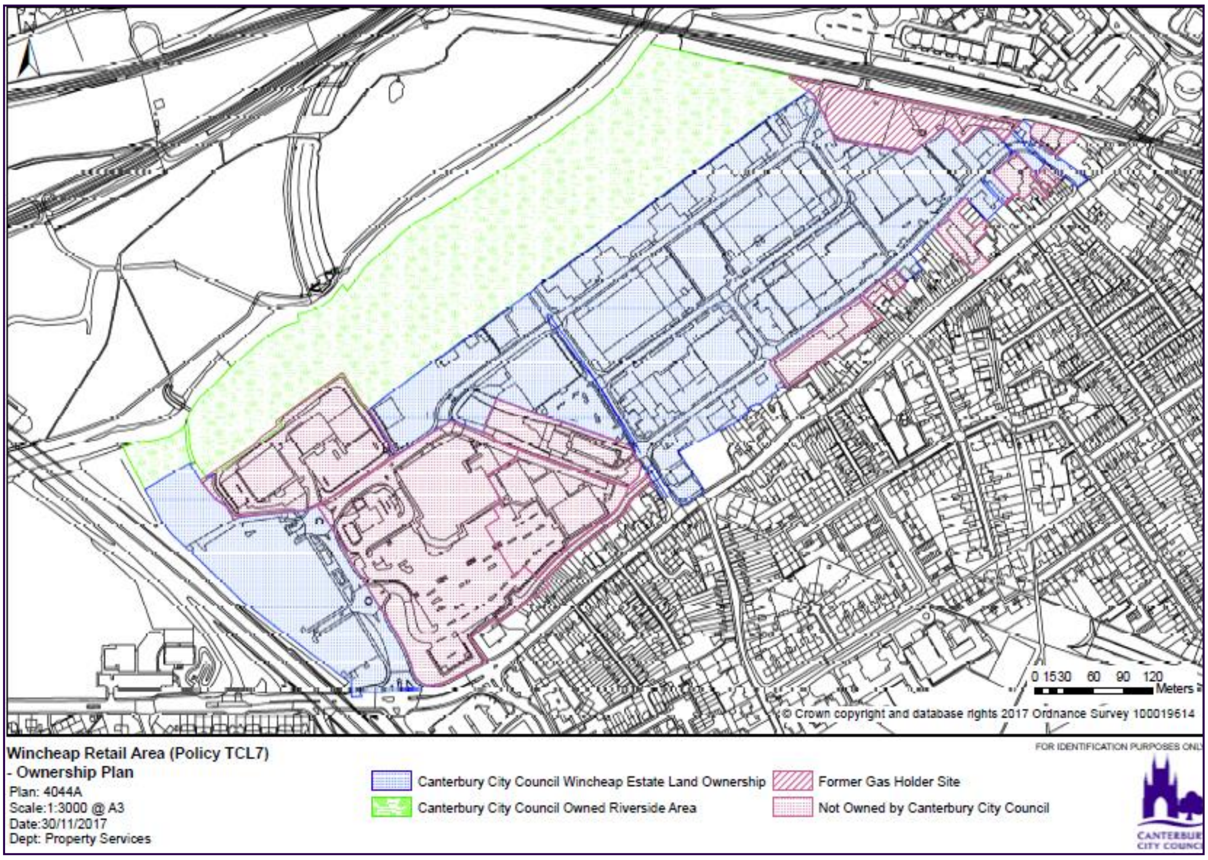
A site plan showing the location of Wincheap is provided below, and the land extends to circa 23.5 hectares (58 acres) in overall area.




The site is located to the south west of the city centre, with the High Street within 750 metres of the northern part of the site at the entrance to Simmonds Road. The site is in close proximity to the inner ring road at Rheims Way and Canterbury East Rail Station is located to the east, some 250 metres from Simmonds Road.

The land at Wincheap is relatively flat and forms part of the floodplain area for the River Great Stour, which runs to the north of the site. A gas holder was present on part of the site adjacent to the railway line, although this has been removed in recent years. The site appears to have some operational gas apparatus in-situ.

In terms of landownership, the plan below shows the land owned freehold by Canterbury City Council, which is the majority of the Wincheap Industrial Estate, as shown in blue, together with the Park & Ride facility. Riverside Retail Park (B&M, Pets at Home, Pure Gym) is owned by BNP Paribas Depository Services, the Wincheap Retail Park (Boots, and former Carphone Warehouse, Argos and Mothercare units) is owned by The Local Authorities' Mutual Investment Trust, and the Morrisons foodstore and petrol filling station is owned freehold by Morrisons. There are several long leasehold interests in place, for example at 1-8 Wincheap Trade Park, which has 120 years unexpired.



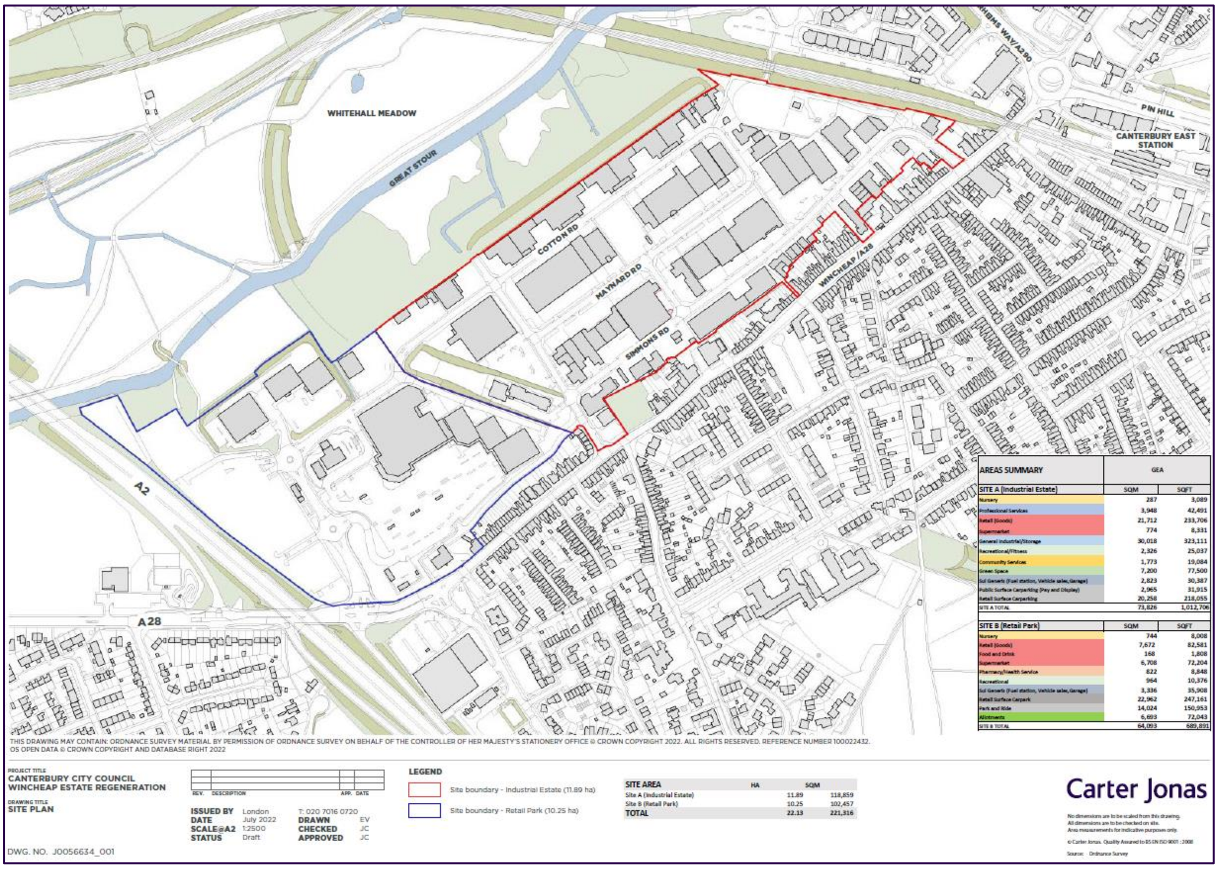
There are two footpaths within the site that provide access to Whitehall Meadows at the western end adjacent to Riverside Retail Park, and an underpass to the railway line at the eastern end of the site, which provides pedestrian access from Cotton Road to St Andrews Close.

The photographs presented below show examples of the types of buildings on the Wincheap estate:





The plan below shows the existing uses at Wincheap, split between the retail parks/park & ride area and the Wincheap Industrial Estate. These are estimated figures based on our measurements off the plan and review of storey heights using google mapping. The two principal land uses within Wincheap area are industrial and retail uses.



# 3. PLANNING POLICY CONTEXT

We present in this section an overview of the current planning policies that relate to the redevelopment of the Wincheap site.

## 3.1 National – National Planning Policy Framework

The updated Government's National Planning Policy Framework ("NPPF") was published in July 2021.

At the heart of the NPPF is a presumption in favour of sustainable development which includes "three overarching objectives, which are interdependent and need to be pursued in mutually supportive ways (so that opportunities can be taken to secure net gains across each of the different objectives)". These are; an economic objective; a social objective; and an environmental objective.

Paragraph 60 seeks to boost the supply of homes, stating that *"it is important that a sufficient amount and variety of land can come forward where it is needed, that the needs of groups with specific housing requirements are addressed and that land with permission is developed without unnecessary delay".*

The definition of affordable housing, included within the Glossary (Annex 2) of the NPPF, states that social rented, affordable rented and intermediate tenure types all make a valid contribution towards affordable housing delivery, providing housing to eligible households whose needs are not otherwise met by the market.

First Homes has been introduced into the Planning Practice Guidance in May 2021 and should be considered to meet the definition of affordable housing in the NPPF. First Homes are Discounted Market Sale units with a minimum discount of 70% to market value; meet eligibility criteria (first-time buyer with combined household income of no more than £80,000) and be no more than £250,000 capital value. It is recommended that First Homes account for 25% of all affordable homes to be delivered as part of the planning obligations.

The NPPF also supports business growth stating that *"Planning policies and decisions should help create the conditions in which businesses can invest, expand and adapt. Significant weight should be placed on the need to support economic growth and productivity, taking into account both local business needs and wider opportunities for development."*

Making effective use of land is a key policy of the NPPF, stating that *"Planning policies and decisions should promote an effective use of land in meeting the need for homes and other uses, while safeguarding and improving the environment and ensuring safe and healthy living conditions."*

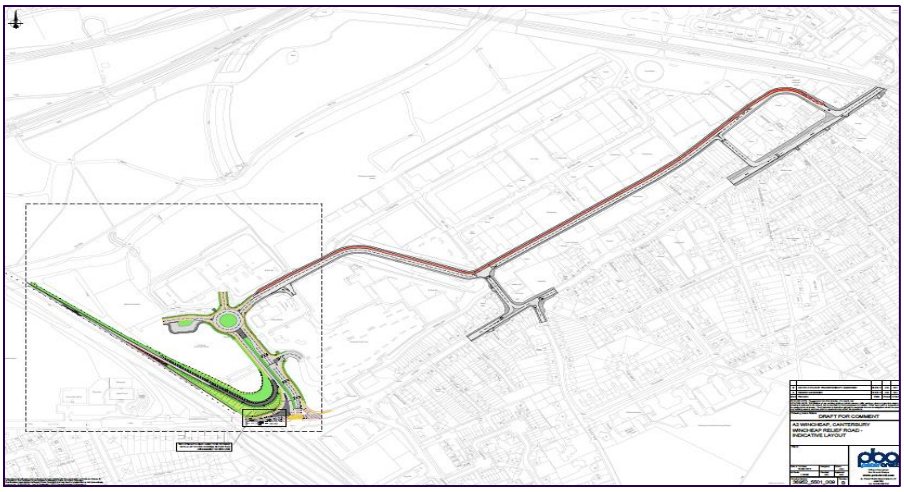
## 3.2 Local – Canterbury District Local Plan

The Canterbury District Local Plan was adopted in July 2017 and presents the planning policies for the City and the wider District together with the County Minerals and Waster Local Plan. The current allocation for Wincheap is Policy TCL7 which seeks to accommodate up to 33,800 sq.m. net of large format comparison retail and leisure floorspace to complement the city centre offer. The development of a 'bulky goods' scheme has not come to fruition, and we understand that there is no additional comparison goods retail floorspace identified within the recent retail and leisure study for the Local Plan Review, which suggests that this is no longer the primary focus for the site.

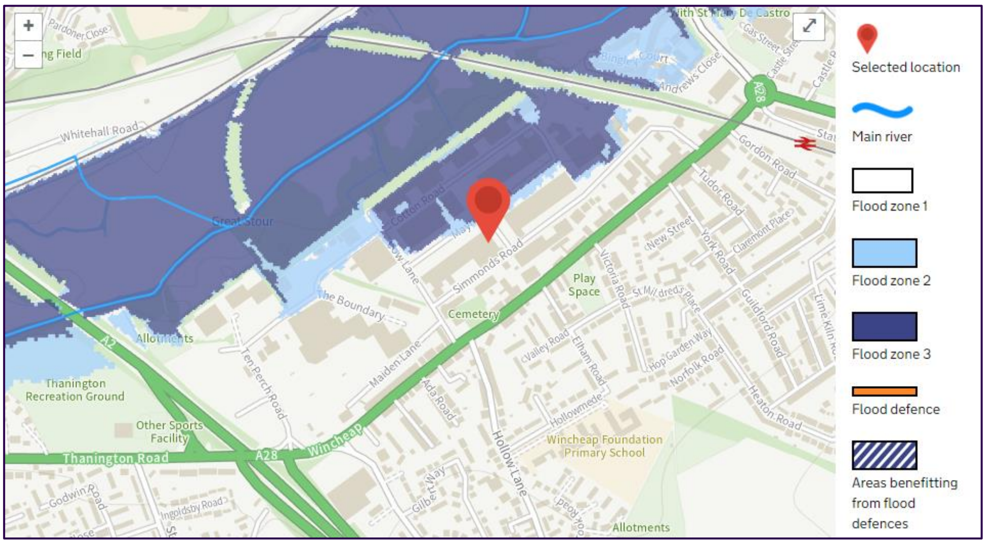
Policy T11 – Wincheap Traffic Management Scheme remains a relevant policy within the current Local Plan. The Policy states: *"The Council will seek to implement the A2 off-slip road at Wincheap, an A28 relief road through the industrial estate and improvements at Wincheap Green. Any development proposals that might prejudice these improvements will be resisted. Contributions towards these infrastructure improvements will be sought from appropriate developments."*

The proposed A28 Wincheap relief road is shown below and this is due to be implemented in early 2023 and is to be delivered by Redrow as part of the Thanington residential development of 400 homes.


There remains a longer-term ambition to implement the slip road off the A2, as shown on the plan below:



- **Flood Risk –** The site as shown on the plan below is within Flood Risk Zones 1, 2 and 3. The land within Flood Zone 3 would require appropriate mitigation measures if promoted for residential uses.




- **Minerals Safeguarding** – part of the Wincheap site is allocated in the Kent County Council's Minerals and Waste Local Plan 2013-2030 for minerals safeguarding as the site has sub-alluvial river terrace deposits (shown below in brown) and sand and gravel (shown below in blue) and clay and silt (shown below in orange).

- **Heritage** – the A28 Wincheap road has a number of listed buildings and forms part of the Canterbury City Conservation Area (as shown in red on the plan below). Wincheap House is a Grade II* building and is a 16th Century timber framed house with the overhang of its 1st and 2nd floors on carved brackets (as shown by the blue square on the plan below) and the remainder of the listed buildings are Grade II (as shown by the red squares on the plan below). In accordance with Local Plan Policy HE6, development adjoining the Conservation Area will need to ensure no detrimental harm to the Conservation and the setting of listed buildings.

- **Affordable Housing** – Policy HD2 states that 30% affordable housing is required on major sites of 11 or more dwellings with a current tenure split of 70% affordable rent and 30% shared ownership, although in accordance with the NPPF/PPG, 25% of the intermediate tenure is to be First Homes, with 5% other forms, such as shared ownership. A Vacant Building Credit will be applied, where a building is vacant but not abandoned with the floorspace deducted from the proposed floorspace to reduce the quantum of affordable housing. The policy states that "*Where the proposed provision of affordable houses is below the requirements set out above, the City Council will require applicants to provide evidence by way of a financial appraisal to justify a reduced provision.*

- **Housing Mix** – the Council's preferred housing mix is set out within the 'Housing, Homelessness and Rough Sleeping Strategy 2018-2023'.

Preferred Private Market Housing Mix

| | 1 Beds | 2 Beds | 3 Beds | 4+ Beds |
|---|---|---|---|---|
| District | 0-5% | 26-31% | 36-41% | 23-28% |
| City area | Higher end of range | Higher end of range | Centre of range | Centre of range |

Preferred Affordable Housing Mix

| Affordable Tenure | 1 Beds | 2 Bed Flats | 2 Bed Houses | 3 Beds | 4 Beds |
|---|---|---|---|---|---|
| Affordable Rent | 18% | 21% | 21% | 31% | 9% |
| Home Ownership Products (e.g. shared ownership) | 0% | 60% (two bed units) | | 40% | 0% |

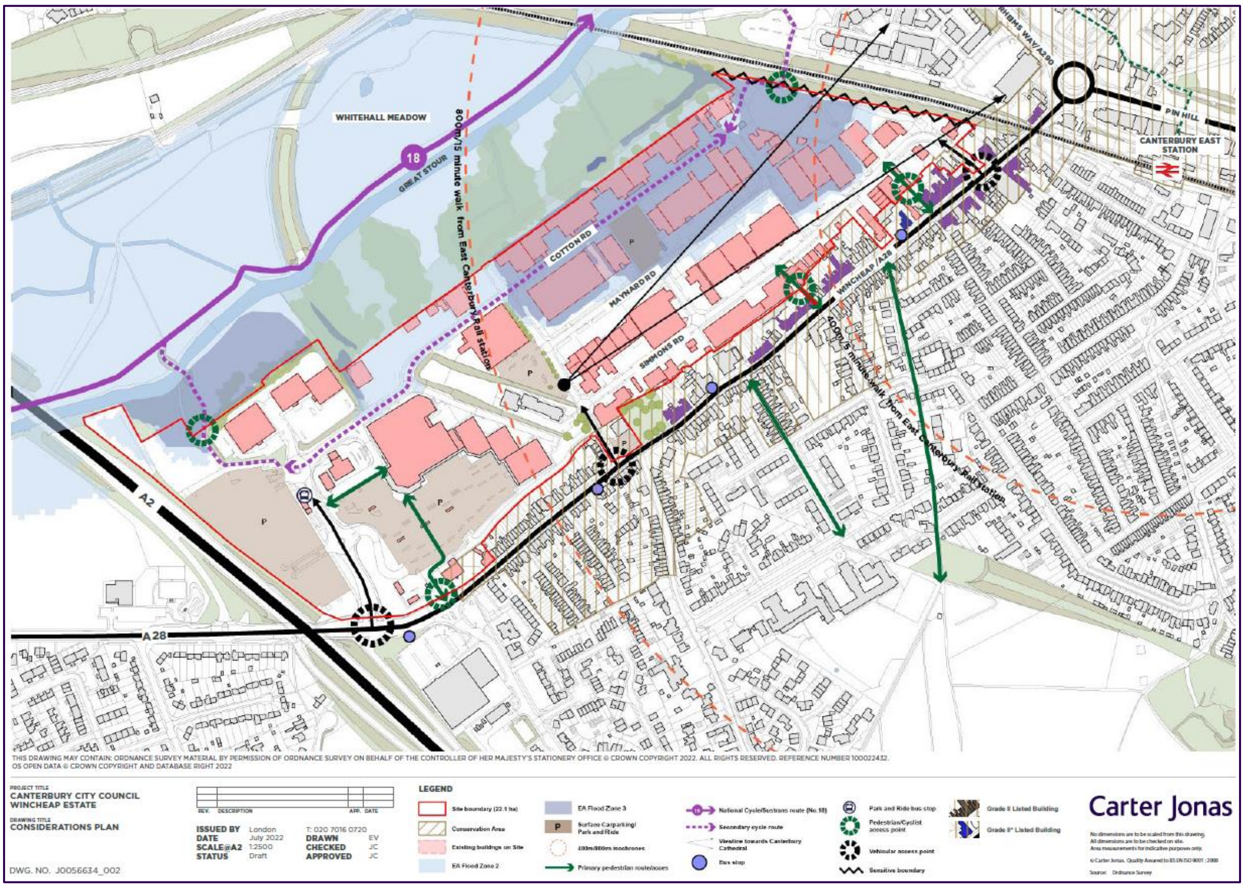
- **Parking** – standards for new residential development is set out in Appendix 4 of the Local Plan, and states that for suburban locations, the standards are 1 space per one and two bedroom flats/houses and 1.5 spaces per three bed houses, and 2 spaces per four bed houses.

- **Trees** – A review of the Council's on-line database reveals that there are no TPOs on the site, although there are several mature trees on site that maybe worthy of retention.

- **Land Contamination** – The Wincheap site is not listed on the Council's Brownfield Land Register. However, given the previous uses on the site, we would expect potential for some level of remedial works for sites being redeveloped, especially to residential.

- **Nutrients Neutrality -** In July 2020, Natural England raised the issue of Nutrient Neutrality regarding lakes at Stodmarsh, in which they had identified that some lakes had higher nitrogen and phosphate levels. As a result of this, planning applications within Canterbury District are required to undertake an impact assessment to ensure that that any new development does not cause further deterioration of the water quality at Stodmarsh. Given the site's location within the Canterbury Wastewater Treatment Works network, this would apply to the site and require mitigation either on or off-site. This is likely to be in the form of a commuted payment or the provision of offsite wetlands. Canterbury City Council owns land at Whitehall Meadows, which potentially could be used as wetlands.

A summary of the key constraints at Wincheap is shown in the plan below:

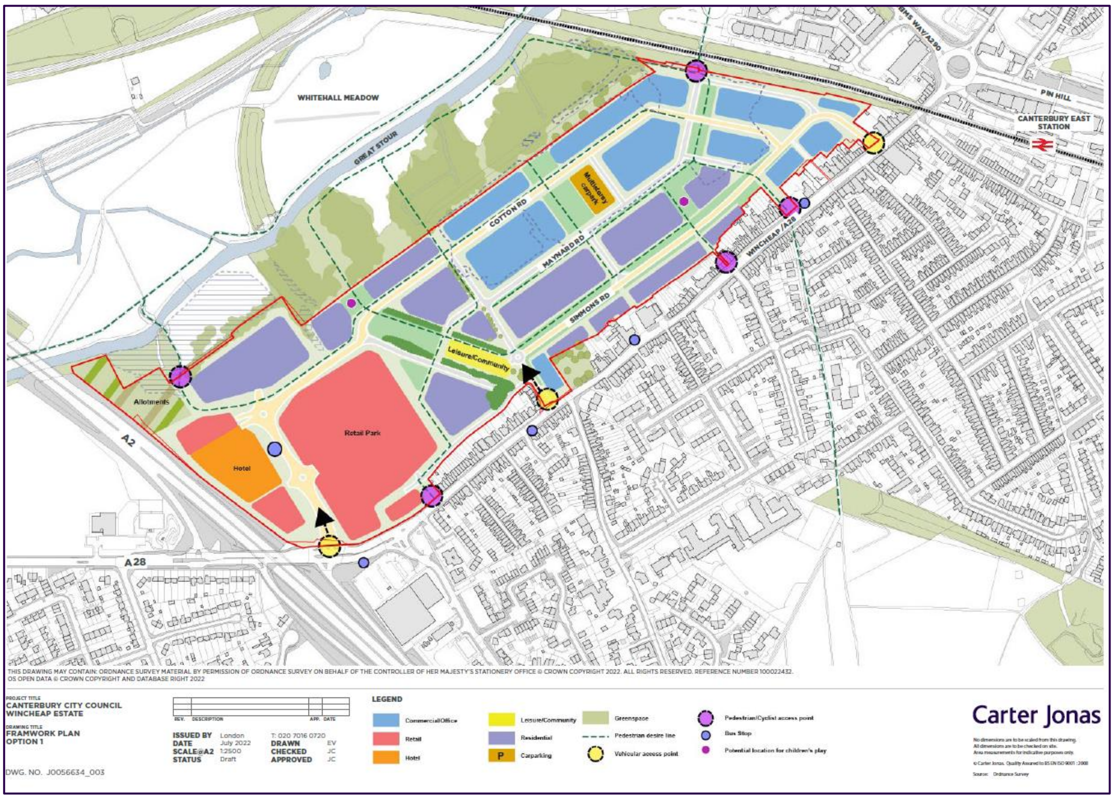


# 4. DEVELOPMENT OPTIONS

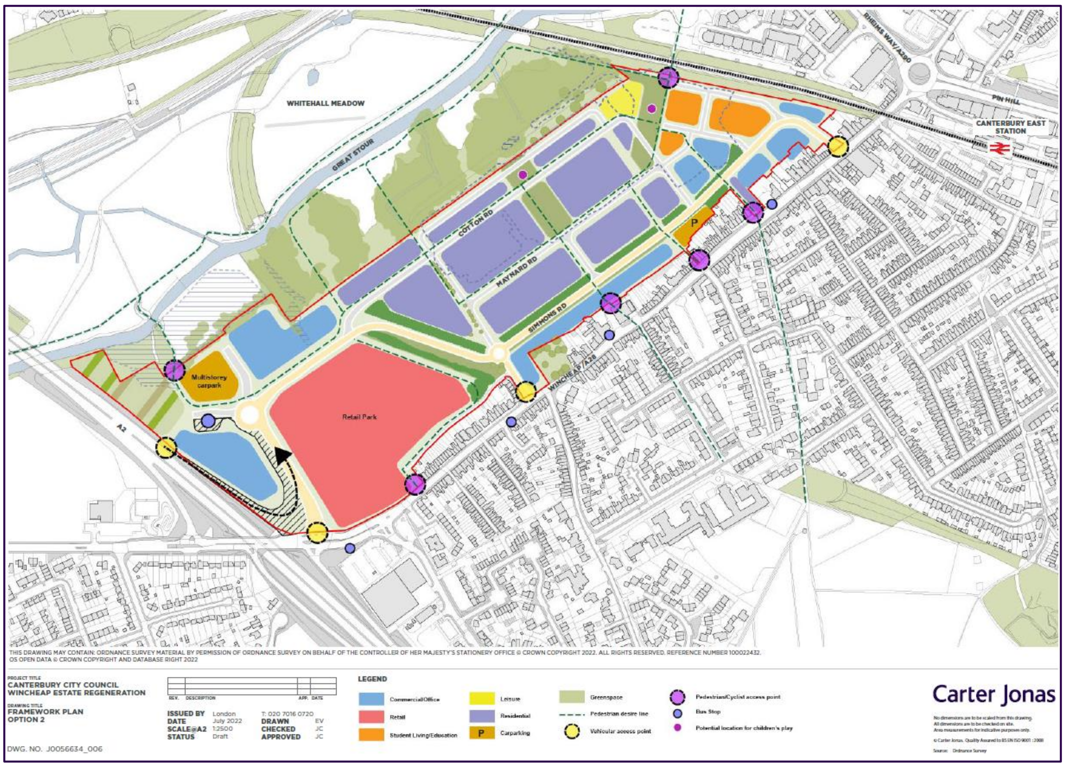
Carter Jonas has devised two main options for the Wincheap site, although there could be a number of sub-options beneath these two main options. The design options have been formulated through our planning review and our property market overview as presented at Appendix 1.

The options are summarised as follows:

- **Option 1** – reflects the site constraints and seeks to formulate a design solution to address in particular the flood risk issues, with industrial uses are situated in the highest area of flood risk (Flood Zone 3) and the residential uses are situated in the lowest area of flood risk (Flood Zone 1). The retail parks are consolidated due to the existing vacancies with older stock redeveloped for housing and new units created together with a hotel on the park & ride site. The scheme Is not reliant on large scale land assembly and development parcels can come forward in response to market dynamics over time. The plan below shows Option 1:



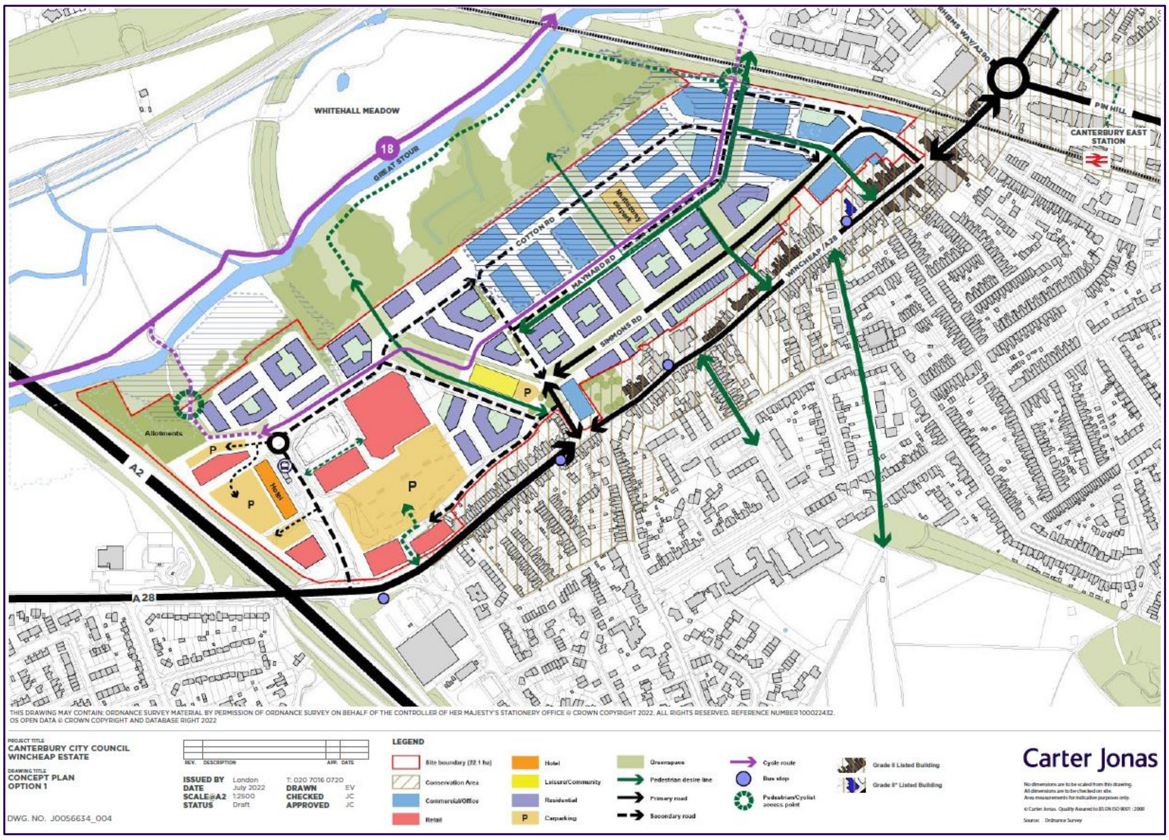
- **Option 2** – is designed to be more interventionalist and seeks to create a residential neighbourhood that takes advantage of the position and views overlooking the river away from the busier parts of the Wincheap area. This solution includes student accommodation at the northern end of the industrial estate and focuses commercial uses along Simmonds Road, which can benefit from the proposed new relief road along this route. Additional commercial uses are proposed at the retail parks, which could include some new office space on both the Riverside Retail Park and Park & Ride sites. The retail offer is consolidated at Wincheap Retail Park with potential to create some new units. The option would benefit from the slip road off the A2 and the new road alignment through to Simmonds Road. This option would require a comprehensive land assembly strategy to acquire the interests to create the residential neighbourhood. The plan below shows Option 2:




In terms of the form of development, the block plans and schedules of accommodation for both options are presented below:

**Option 1**

Option 1 seeks to locate town houses of three storeys in height along Simmonds Road adjacent to the Wincheap Conservation Area and then provide blocks of residential flats of five storeys in other parts of the Wincheap area with podium car parking provided at ground floor (i.e. four floors of residential). The new commercial uses provided are predominantly industrial units in this option, with ground and part mezzanine space within each of the buildings. A hotel with is located in the retail parks area, with the Morrisons foodstore retained and and new retail units created adjacent of single storey (double height) and a three storey leisure/community building at Cow Lane.

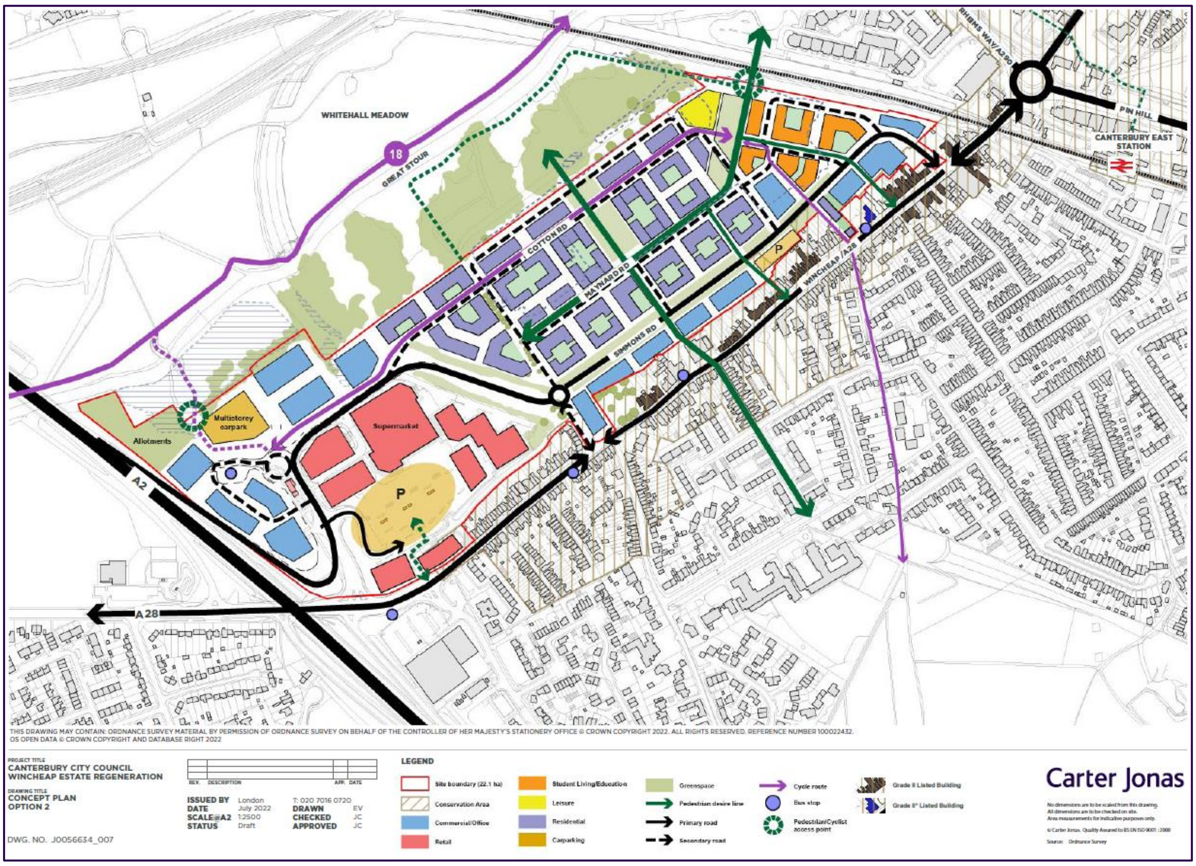



| Wincheap | GIA (sq.ft.) | Private Units | Affordable Units | Total |
|---|---|---|---|---|
| **Industrial Estate Area** | | | | |
| Residential Flats | 516,074 (4 floors) | 393 | 169 | 562 |
| Residential Townhouses | 65,827 | 46 | 20 | 66 |
| Commercial | 343,438 | | | |
| Multi-storey car park | 72,308 (269 spaces) | | | |
| **Retail Parks Area** | | | | |
| Hotel | 100 Beds | | | |
| New Retail | 83,206 | | | |
| Leisure/Community | 35,682 | | | |
| Residential Flats | 339,644 (4 floors) | 259 | 111 | 370 |

The total number of residential units for Option 1 is 998.

## Option 2

Option 2 seeks to maximise the commercial benefits of the relief road at Simmonds Road and the link through to the new slip road off the A2 with more commercial uses located along this route, with industrial and quasi-retail uses, such as DIY stores and builders' merchants, car showrooms etc. located along Simmonds Road with ground and part mezzanine space within each of the buildings. A multi-storey car parking is also provided to serve the commercial businesses. The new business park at the retail parks end of the Wincheap area would be designed for office occupiers and be arranged in buildings over three storeys with surface parking around the blocks and with additional parking within a multi-storey car park. The residential and student accommodation blocks are five storeys in height with podium car parking provided at ground floor (i.e. four floors of living space). A new leisure or community building arranged over three floors is located at Cotton Road. The retail is consolidated at Wincheap Retail Park with the Morrisons and existing units retained, but with the opportunity to provide new single storey (double height) units around the existing car park. The petrol filling station is phased out.



| Wincheap | GIA (sq.ft.) | Private Units | Affordable Units | Total |
|---|---|---|---|---|
| **Industrial Estate Area** | | | | |
| Residential Flats | 1,101,261 (4 floors) | 770 | 330 | 1,100 |
| Student Accommodation | 191,735 (4 floors) | 584 | | |
| Commercial | 125,396 | | | |
| Leisure/Community | 47,512 | | | |
| Multi-storey car park | 27,900 (100 spaces) | | | |
| **Retail Parks Area** | | | | |
| New Retail | 72,269 | | | |
| Offices | 282,247 | | | |
| Multi-storey car park | 144,732 (538 spaces) | | | |

The total number of residential units for Option 2 is 1,100.

A comparison between the current position in relation to the commercial uses and the options proposed is presented below, with the existing position taken from a review of the floorspace figures within the Ratings List for existing occupiers on the Wincheap Industrial Estate in uses ranging from B1-B8 uses/Sui Generis and open A1 retail.

| Existing Floorspace (sq.ft.) | Option 1 GIA (sq.ft.) | Option 2 GIA (sq.ft.) |
|---|---|---|
| 407,384 | 343,438 | 407,643 |

NB: Figures exclude Riverside and Wincheap Retail Parks

The analysis shows that Option 1 provides a lower quantum of commercial floorspace from the existing provision at the estate, however, the existing provision does include retail uses. Option 2 is at a similar level, principally due to the provision of offices at the retail parks end of the Wincheap area.

# 5. FINANCIAL APPRAISAL OF OPTIONS

Carter Jonas has prepared financial appraisals of the two options for the Wincheap area and compared the residual land values produced to the benchmark land value for the site, which is based on an estimate of the Existing Use Value plus a landowner's premium.

Existing Use Value

The assessment of Existing Use Value (EUV) has been undertaken by adopting the Rateable Values of individual properties within the Wincheap area and applying an 'all risks' investment yield to the total rateable value. The estimated EUV should be created with caution as it provides an indication of value, rather than a detailed assessment of the market rent and yields achievable for each unit.

We present below the EUVs in relation to the two options, as the existing retail premises in both options are removed from the assessment of the EUV i.e. Morrisons foodstore/petrol station in Option 1, and Morrisons foodstore and Wincheap Retail Park in Option 2.

| Wincheap | Option 1 | Option 2 |
|---|---|---|
| Wincheap Industrial Estate | £31m | £31m |
| Riverside Retail Park | £8m | £8m |
| Wincheap Retail Park | £11m | £2m |
| **Total** | **£50m** | **£41m** |

In terms of a suitable landowner's premium to add to the Existing Use Value, we have adopted 20%, which reflects a reasonable level of incentive for individual landowners to sell their land, especially given the strong performance of the industrial market currently. The 20% premium could also reflect the land assembly costs required by the Council to assemble land holdings not within its control.

The benchmark land value for the two options is therefore as follows:

| Wincheap | Option 1 | Option 2 |
|---|---|---|
| Existing Use Value | £50m | £41m |
| Landowner's Premium | 20% | 20% |
| **Benchmark Land Value** | **£60m** | **£49.2m** |

Development Value of Options

The financial appraisal of the options has been undertaken in Argus Developer, which is an industry-standard development appraisal software package that calculates the residual land value of a scheme based on the costs and values and timing assumptions inputted into the model. The development appraisal results do not constitute formal RICS Red Book valuations but provide a good indication of the value of the land based on the development described. It should be noted that the values reported assume that the schemes have secured planning permission.

The key assumptions used in the appraisals are:

- The flats are based on an average size of 735 sq.ft. and town houses on 1,000 sq.ft.;
- Net to gross ratio on the flats is 80%; on the offices is 85%; and on student accommodation is 70%.
- Blended private sale values for flats are £265,000 and for townhouses are £350,000;
- Blended affordable values are based on 60% of market value;
- Industrial rental values of £8psf with 6 months' rent free period and capitalised at an investment yield of 5.50%;
- Office rental values of £20psf with 12 months' rent free period and capitalised at an investment yield of 6.00%
- Retail warehouse rental values of £20psf with 12 months' rent free period and capitalised at an investment yield of 6.00%;
- Budget hotel rental value of £5,500 per room capitalised at an investment yield of 5.50%;
- Student accommodation capital values of £100,000 per room;
- Base build costs – we have adopted the Lower Quartile index of the RICS BCIS database and rebased to Canterbury, as follows:
    - Flats = £145psf
    - Townhouses = £127psf
    - Industrial = £70psf
    - Offices = £160psf
    - Retail warehousing = £90psf
    - Budget hotel = £70,000 per room
    - Student accommodation = £199psf
    - Podium car parking = £47psf
- The leisure/community uses and multi-storey car parks are treated as cost neutral items and not included within the development appraisals;
- External works – we have adopted 5% of base build costs for external works associated with the development for internal roads, landscaping, services etc.;
- Contingency – 5% is applied to the base build costs and external works;
- Demolition and Site preparation – an estimated sum of £2m-2.3m is included for each option to cover the costs of demolishing the existing buildings

- Abnormal development costs – we have not included any allowances for abnormal costs at this stage, which includes the highways works associated with the slip road off the A2 or investment in utilities, remediation or flood protection works;
- Professional fees of between 6%-10% is applied to the base build costs and external works;
- Sales agency, legal fees and marketing – we have applied 1.5% to all units to cover the sale and legal fees for residential, and a further 1% is applied to the private units marketing. For the commercial we have adopted investment sales agency and legal fees of 2%;
- Letting fees of 15% for agency and legals is adopted for the commercial uses;
- Purchaser's costs of 6.8% is applied to most of the commercial uses;
- CIL – Community Infrastructure Levy is zero for the Wincheap area;
- Section 106/278 contributions – we have assumed a sum of £2,500 per residential unit for any s.106/s.278 requirements and a small contribution from the commercial uses of either £250,000 or £400,000.
- Finance – a debit rate of 6.0% has been applied to the cashflow, with no credit rate applied;
- Developer profit margin – blended profit of 15.15% is applied to the residential GDV (reflecting 17.50% for private and 6% for affordable) and 15% for the commercial uses;
- Acquisition costs – Stamp Duty Land Tax is applied to the residual land value, together with agency and legal fees of 1.5%; and
- Development programme – the programme is on a phased basis.

Appraisal Results

The results of the development appraisals are presented in the table below:

| Wincheap | Option 1 | Option 2 |
|---|---|---|
| Residual Land Value | £29.5m | £21.4m |
| Benchmark Land Value | £60m | £49.2m |
| Surplus/Deficit | -£30.5m | -£27.8m |

The table shows that although both options show a positive residual land value, when compared to the respective benchmark land values, there is a deficit position, which reveals that the value of the current uses is higher than the development value.

# 6. SUMMARY AND CONCLUSIONS

The Council is currently undertaking a review of its Local Plan and is developing a new Local Plan (2040). As part of this it is looking to update its planning policies for Wincheap, which has a site-specific policy in the current Local Plan – TCL7 Wincheap Retail Area.

We understand that the emerging policy for Wincheap seeks the reprovision of the equivalent levels of business, commercial and leisure floorspace, and seeks the provision of a new public car park with a minimum of 300 spaces and approximately 300 residential dwellings.

The development options formulated for the Wincheap site is based on a review of planning policy, physical constraints, and the property market. The development options cover the whole of the Wincheap area, including the retails parks and the park & ride.

Two principal development options have been designed, although we appreciate that there could be a number of sub-options that sit underneath these two main options. Option 1 is more constraint-led in its approach, seeking to utilise land within flood risk zone 1 for residential and locating the commercial uses in flood risk zones 2 and 3. This option delivers 998 residential units arranged in flats and townhouses, together with a 100 bedroom budget hotel, circa 343,500 square feet of commercial floorspace (which is lower than the current provision of circa 407,000 square feet), circa 83,000 square feet of additional retail and a 269 space multi-storey car park. Option 1 is designed to allow landowner to bring forward schemes on a flexible basis within the context of the masterplan framework.

Option 2 is more interventionalist in its approach and would require significant land assembly to be undertaken to deliver the quantum of residential envisaged. The residential areas are focused more within the flood risk zone 2 and 3 areas to maximise the benefit of the views over the river meadows. In total, there are 1,100 flats, together with 584 bed student accommodation scheme, circa 125,000 sq.ft. of industrial/commercial space and circa 282,000 sq.ft. of offices (this maintains the current provision of commercial floorspace), circa 72,000 square feet of additional retail and two multi-storey car parks with capacity for 638 spaces.

The current value of the properties at Wincheap is high with an Existing Use Value of £50m for Option 1 and £41m for Option 2. We have applied a landowner's premium of 20% on top of the EUV for each option to incentivise the landowners to sell their land.

The development value of the options as calculated using Argus Developer shows a positive residual land value for each of the options, although as the table below shows, there is a deficit position in each case when the residual land value is compared to the Benchmark Land Value.

| Wincheap | Option 1 | Option 2 |
|---|---|---|
| Residual Land Value | £29.5m | £21.4m |
| Benchmark Land Value | £60m | £49.2m |
| Surplus/Deficit | -£30.5m | -£27.8m |

At face value the results suggest that the scheme is not viable. However, the viability position is often very nuanced, especially for complex brownfield sites and a 'starting' deficit position is not an unusual outcome for a regeneration scheme of this scale. Indeed, the viability of complex brownfield schemes tend to improve over time, as public sector support strengthens, landowners make investment decisions about their properties and market interest in the scheme increases.

Moreover, for Option 1, the design work provides the framework in which sites can come forward on an independent basis to deliver new development without the costs of land assembly, making delivery more financially viable, especially when the buildings in question are coming to end of their economic life.

Therefore, we would expect the asset value of properties to decline over time, if there is no on-going investment or refurbishment. As a result, the expectation would be that the Benchmark Land Value would decrease over time to a point where the residual land value would be equal to, or higher than the Benchmark Land Value.

# APPENDIX 1 PROPERTY MARKET OVERVIEW

## Economic Outlook

**Output**

Over the last three months, concern has shifted from Omicron to the rapid rise in inflation, and a weaker short-term outlook for UK and global economic growth. The UK's economic output fell by 0.1% in March, following no change in February (revised down from +0.1%). The services sector declined by 0.2% on the month and this was the main contributing sector to the decline (with a large decrease in the wholesale and retail trade). On the other hand, construction sector output rose by 1.7%, while the production sector declined by 0.2%.

On a quarterly basis, output is still rising, by 0.8% in the three months to March, with the services sector being the main upward contributor. However, it is widely anticipated that this will probably be the high point for GDP growth in 2022.

The S&P Global / CIPS Manufacturing PMI moved up slightly in April, to 55.8 from March's 55.3 reading. Delivery delays were cited as having reduced from earlier in the year, while higher production rates were linked with new business intakes. Downward pressure has come from a subdued export market, the war in Ukraine and transportation issues including higher shipping costs and customs checks.

The UK Services PMI remains in very strongly positive territory at 58.9 in April, but this is well below March's figure of 62.6, and there are signs that rising costs and the war in Ukraine will limit the pace of growth going forward. New business growth stalled sharply and is the weakest figure this year. Business confidence has also dropped to its weakest level in over 18 months, while input costs rose to their highest rate in the 26 years of this data series.

The UK Construction index also declined in April, down to 58.2 from 59.1 the previous month. This is still indicative of strong growth in the sector with new orders growing, albeit at their lowest rate this year. Rising material costs, higher borrowing costs and geopolitical uncertainty are all cited as placing downward pressure on future demand.

The war in Ukraine has severe economic implications both globally and in the UK. In particular, the price of oil and gas, as well as many other commodities, has soared. This will exacerbate the headwinds facing consumers, who were already contending with higher energy prices, as well as April's increase in National Insurance contributions and rising interest rates. Given the inflationary shock, historically low levels of consumer confidence, ongoing supply chain disruptions, and slower global growth, forecasts for UK growth in 2022 are being revised downwards.

The HM Treasury-compiled consensus published in December 2021 expected growth of 4.7% for 2022, which has fallen steadily to 3.9% as at May. The Office for Budget Responsibility April) expected 3.8%

in its April forecast, compared with the 6.0% it expected in its previous October forecast. Although these 2022 growth projections still sound reasonably strong, most of the growth for this year has already occurred (in January), and in addition, it is comparing this year's output with the whole of 2021, which suffered significant falls due to the pandemic.

With economic growth now stalled, and the combined headwinds of inflation, ongoing supply chain issues and a challenging global outlook, the broad picture for the rest of this year is one of relatively flat output but rapidly rising prices, so-called 'stagflation'. At least one quarter of modestly declining output now appears likely.

**Labour Market**

The UK labour market remains buoyant, despite the economic headwinds. The employment rate rose again to 75.7% in the three months to March 2022, compared with the low point of 74.6% during the pandemic, although still below its pre-pandemic peak of 76.6%. The unemployment rate fell further to 3.7% in the three months to March, its lowest rate in 50 years (since records began).

The number of vacancies rose again between February and April, to a new record of 1.295 million. Data shows that the pace of vacancy growth may be slowing, but 11 of 18 industry sectors are still displaying record high ratios of vacancies to employed persons. This emphasises the current very tight labour market conditions, resulting from an ongoing mismatch between vacancies and available skills, and the exit from the labour force of more than one million workers during the pandemic.

Regular pay is lagging behind inflation as wage growth reached 4.2% per annum in the three months to March (excluding bonuses). Adjusted for inflation this means wages fell by 1.2% over the period, as the cost of living continues to squeeze. Job-to-job moves are beginning to slow as consumer confidence falls and employees feel 'safer' staying put. As a result, this may be bringing the pace of wage growth down.

**Inflation and Interest Rates**

Inflation is now a primary concern for the economic outlook. UK consumer price inflation reached 9.0% in the 12 months to April, a significant rise over March's figure of 7.0% and the highest rate in over 40 years, according to the latest data from the ONS. The sharp rise in energy prices in April were a significant contributor but other increases came from recreational and cultural activities, restaurant and hotel prices, food and non-alcoholic beverages and household goods.

Global supply chain problems for energy, food, and other commodities are likely to be further stretched by the war in Ukraine. We have seen significant additional price rises in global oil and gas markets since the start of the conflict, and April's increase in National Insurance is now adding to the pressure (albeit somewhat mitigated by the increase in the National Insurance threshold announced in the Spring Statement). In addition, the value of Sterling has depreciated in recent weeks, further increasing the cost of imported goods.

In reaction to rapidly rising inflation, the Bank of England's Monetary Policy Committee (MP) raised Bank Rate in May for the fourth consecutive meeting, by 0.25 percentage points to 1.0%. Three of the nine MPC members voted to raise rates by 0.5 percentage points, and a further rise in Bank Rate in the coming months appear highly likely. There is a clearly a limit to the Bank's ability to control inflation through monetary policy, as inflation is currently so heavily influenced by global commodity prices. Changes in Bank Rate take time to have an impact, and are aimed more at controlling inflation in the medium term. The next MPC meeting will take place on 16th June.

A key question is whether higher inflation will become entrenched or fall back relatively quickly. The Bank of England's central outlook is for inflation to increase further, peaking at 10.2% in Q4 this year, before falling back to 3.6% in Q4 2023 and reaching the 2% inflation target by Q2 2024. The current consensus view is 7.8% by Q4 this year (see table).

There are clear risks around this inflation outlook. For example, higher inflation expectations in the current tight labour market could lead to a wage-price spiral, or Russia could disrupt gas supplies to more European countries, further increasing prices.

**Summary of Key Economic Forecasts**

| | 2022 | 2023 |
|---|---:|---:|
| GDP growth | 3.9% | 1.3% |
| CPI inflation | 7.8% | 2.8% |
| Unemployment rate (LFS) | 4.0% | 4.1% |
| Employment growth | 0.9% | 0.7% |
| Private consumption | 4.5% | 1.1% |

*Source: HM Treasury compilation of independent forecasts, May 2022*

## Retail Occupier Market

The cost of living crisis and concerns about the economy are being reflected in a sharp fall in consumer confidence. The GfK Consumer Confidence Index fell for the sixth consecutive months in May, to a record low of -40 (the previous record low of -39 was set during the Global Financial Crisis). The index for the general economic outlook was -56 for the coming year.

This collapse in consumer confidence reflects the rapid rise in inflation, which is creating the biggest fall in real household disposable incomes since the 1950s. With inflation yet to peak and set to remain high for the rest of the year, very weak confidence will continue for some time. On the positive side, disposable incomes should be cushioned to some extent by the ability of households to use some of the substantial savings accrued during the pandemic, or to increase borrowing. The buoyant labour market will also help.

Retail sales volumes increased in April, up 1.4% compared with the month prior when a (revised) fall of 1.2% was experienced (ONS). Some of the increase may be reflecting consumers opting to stay in rather than going out, perhaps to save money due to rising prices, with the food and drink sector accounting for the majority of the increase in sales during the month. Given the low confidence and sharply rising prices, retail sales figures are likely to be less positive going forward.

Town centre footfall has responded positively to the lifting of pandemic restrictions, with city centres benefiting from the removal of guidance to work from home. However, overall footfall remains below pre-pandemic levels.

Average retail rental values had been declining for 18 months prior to the COVID crisis, a trend that accelerated sharply with the onset of the pandemic, and are now -17.6% below their 2018 peak (MSCI Monthly Index, April). The rate of decline has been moderating, and average all-rental values have now broadly levelled off. However, this masks significant differences, depending on the type of property and location.

The retail warehouse subsector has fared considerably better than most of the wider retail sector over the last year, with the fall in average rental values decelerating during 2021, and starting to rise during the first four months of 2022 (by 0.7%).

Average shopping centre rental values are still falling, but at a considerably slower rate than was the case in 2020 and 2021. Average shopping centre rental values have fallen by -1.1% in the first four months of this year, and by -2.6% over the last 12 months. Average standard retail rents have fallen by -0.6% in the first four months of this year, and by -4.2% over the last 12 months.

## Office Occupier Market

Rising inflation is creating greater cost pressures for corporates, which is likely to further increase the focus on cost reduction and productivity. Although corporate real estate is the second highest cost after salaries for many businesses, the provision of high-quality space can also help to increase productivity. This, together with the longer-term impacts of the working from home revolution, means that many businesses continue to assess their real estate footprint, and are placing an ever-greater emphasis on smaller but higher quality space.

Across our regional 'Commercial Edge' cities (Bristol, Birmingham, Bath, Cambridge, Oxford and Leeds), total take-up in Q1 was 885,500 sq ft, on par with the same quarter last year, and only 11% below the 10-year quarterly average. Whilst there is a large quantity of office stock available, much of it does not meet the requirements of today's occupiers, and a two-tier market is increasingly apparent. In many locations, a shortage of quality space rather than occupier demand is holding back take-up, and the modest amount of speculative development in the short-term pipeline is unlikely to change this picture.

The flexible space market (or serviced office sector) continues to benefit as more occupiers are looking for flexible short-term leases due to the lack of certainty over future office space requirements, with many companies remaining cautious about committing to new space. This is encouraging flexible space operators to take more space.

Despite uncertainties around future levels of office occupation, we have not seen any falls in prime rental levels in our key locations. Indeed, most city-centres have seen prime rents continue to climb, and are above their pre-pandemic levels.

The resilience of prime rents reflects the increasing focus of occupier demand towards top quality space, driven by the desire to create a vibrant and attractive work environment to encourage employees back to the office and assist with recruitment, retention and productivity strategies, as well as staff health & wellbeing issues. In addition, there is a greater focus on buildings that are sustainable and energy-efficient, as occupiers try to meet increasingly ambitious ESG aspirations.

The dearth of new development coming through will mean that upward pressure on prime rents will continue, and the gap with rents for poorer quality grade B stock is likely to widen.

Many owners in smaller towns and city suburbs have been taking advantage of permitted development rights over the past decade and have converted empty secondary office buildings into alternative uses (especially hotels and residential), which has meant that many markets have lost office stock on a net basis in recent years. This trend is likely to continue, especially as new environmental regulations will make many office buildings unoccupiable in the coming years, and will reduce the overall supply.

According to the MSCI Monthly Index, average UK office rental values peaked in April 2020, but experienced only a modest fall of -0.8%, bottoming out in November 2020. In the year to April 2022, average UK office rental values increased by 1.3%, and are now 0.7% higher than their pre-pandemic peak.

Average rental value growth for standard offices in the 12 months to April 2022 was 0.6% in central London, 1.5% in suburban London, 2.1% in the Outer South East, and 1.7% in the rest of the UK. UK office parks saw growth of 1.9%.

## Industrial Occupier Market

A range of economic drivers continue to benefit the logistics sector. The accelerated shift to e-commerce brought about by the pandemic has fueled the expansion of retailers and third-party logistics firms, while the UK's exit from the EU single market and customs union is leading to increased inventory holding, resulting in the need for additional warehousing. These factors will help to sustain demand for large distribution warehouses and smaller urban distribution units. However, a continued lack of stock continues to put upward pressure on rents and land values.

There remains a severe shortage of well-located sites for distribution use, and also urban sites suitable for last mile delivery, waste recycling and open storage. Overall, it remains hugely challenging to satisfy occupier demand.

We believe that the often-overlooked open storage sector will continue to see huge demand amid a shortage of sites. This follows strong growth over the last two years, most notably for the highest quality ‘class 1’ sites which are available on leases of two years or more.

ESG concerns are playing an increasing role in occupiers' decisions. Following trends in the office market, ‘green' warehousing is increasingly favoured by occupiers. Around 30% of industrial space absorbed in 2021 was in BREEAM Very Good, Excellent or Outstanding-rated warehouses (the five-year average is 15%).

We are likely to see an increasing number of larger transactions, with deals over one million sq ft becoming more commonplace. This is putting greater pressure on site availability, with limited sites of sufficient size coming forward. Eaves heights are also increasing in line with a greater use of automation and robotics.

High levels of demand and constrained supply are resulting in some astonishing rates of rental growth. The Carter Jonas prime industrial index recorded an increase in prime rents of 21.5% across the UK in 2021. However, even this stellar performance was greatly outpaced by the increase in UK industrial land values, which rose by an incredible 33.6% during the year.

According to the MSCI Monthly Index, average annual industrial rental value growth has accelerated rapidly, from 1.8% in September 2020 to 11.9% by April 2022. Over the three months to April 2022, the growth rate was 3.8%, the equivalent of 16.2% over one year, suggesting that the annual rate may have even further to rise.

## Investment Market

**Transaction Volumes**

£14.5bn of commercial property was traded in Q1 2022. Although this was down 19% from an exceptionally strong Q4 2021, it was still 5% above the five-year quarterly average and was the third strongest quarter since the start of the pandemic. Notably, the rolling annual total hit its highest level since Q4 2018, nearing £60bn.

Strong demand for high-quality office space has supported elevated investment in London, which accounted for nearly 67% of all investment (excluding portfolio deals) in Q1, one of its highest shares on record and in contrast to the five-year average of just above 50%.

Overseas investment totalled £7.5bn in Q1, its highest since Q4 2020. Spending by Far Eastern investors surged, totalling £2.6bn, primarily in London, buoyed by the £1.2bn acquisition of 5 Broadgate by NPS of Korea and the acquisition of The Scalpel by Ho Bee Land for £718m. US investment cooled in Q1 following two strong quarters, falling to £2.3bn, the weakest total since Q4 2020.

At £5.6bn, office investment volumes showed the strongest Q1 since 2017, and this was the only sector to be above the 5-year quarterly average in Q1. Strong demand for prime office space, especially in the City of London, has supported volumes.

Industrial investment was down by 50% quarter-on-quarter in Q1 2022, to £2.5bn. However, we believe that investor demand remains extremely strong, and the lower Q1 volume suggests that a lack of available stock has adversely affected transaction levels.

Retail investment totalled £1.5bn, the strongest Q1 since 2018, driven by the out-of-town market. The largest deal of the quarter was LaSalle Investment Management's purchase of Cheshire Oaks Designer Outlet and Swindon Designer Outlet for £600m.

Several student accommodation and hotel deals supported volumes in the alternative sectors during Q1, including CCP 5 Long Life Fund's acquisition of a six-asset student accommodation portfolio for £400m. On the hotel side, Kings Park Capital paid £300m for the Inn Collection Portfolio.

**Investment Performance**

Having moved up by 33 basis points during the initial months of the pandemic, peaking at 6.3% in June 2020, the all-property equivalent yield has shifted downwards by 105 basis points to 5.18% as at April

2022 (MSCI Monthly Index). The three months to April saw a continued steady downward shift of 20 basis points, driven by the industrial, shopping centre and retail warehousing sectors.

Industrials saw a downward shift in average equivalent yields of 13 basis points in the three months April. The marked downward shift in shopping centre yields seen in late 2021/early 2022 has come to a halt, with little change over the last two months. The retail warehousing sector remains attractive, has continued to see strong downward yield movement of more than 50 basis points over the last three months (to April).

The UK 10-year gilt yield has been on a rising trend over the last year, on the expectation of higher interest rates. As of late May, the yield had risen to 1.9%, compared with 1.0% as the start of 2022 and the lows of under 0.2% seen in 2020. With gilt yields rising and property yields continuing to fall, the yield gap has narrowed, but remains substantial (with the all-property equivalent yield currently at 5.18%). Against a backdrop of rising interest rates and a scaling back of quantitative easing, we may well see further rises in gilt yields in 2022.

All property capital value growth has continued to accelerate, reaching 19.0% per annum in April 2022 (MSCI Monthly Index). This reflects rising values across all of the main commercial sectors, although rates of growth remain very different.

Industrial property saw a rise of 37.3% in the 12 months to April, driven by double-digit rental value growth combined with the continued downward shift in yields. Retail capital values rose by 14.8% in the 12 months to April. However, this masks significant differences by subsector, with retail warehouse capital values rising by a remarkable 26.8%, but shopping centres falling by -1.9% and standard retail falling by -0.3%. Office capital values increased by 2.3% in the year to April.

The all-property annual total return has risen steadily over the last year, reaching 24.9% in April. The industrial return is now an incredible 42.8% per annum, and almost all key commercial sub-sectors are now in positive territory.

All-property returns over the short-term three-month measure peaked at 7.9% in December 2021, decelerating to 5.6% over the three months to March, and picking up a little in April to 6.2%. However, this 27% on an annualised basis, still slightly above the actual year-on-year rate.

## Outlook

We expect strong demand for the logistics and life science sectors to continue. The lack of stock in both sectors and competition for available assets are likely to put further upward pressure on pricing.

Investors are likely to continue to prioritise prime and core investments, with competition for the best assets leading to further yield compression. However, the lack of available stock might push some investors up in the risk curve.

Value-add investors and developers alike will continue to seek older in-town and out-of-town office buildings for conversion to far more valuable alternative uses such as industrial/logistics and residential.

Investors will become increasingly attracted to the fact that retail is currently offering higher income returns than competing sectors. However, the road to recovery in this sector may be hindered in the short term by the current decline in consumer confidence.

Property is traditionally seen as a hedge against inflation as it increases the rate of rental growth, and in turn property values. In addition, more leases are now indexed directly to inflation. This contrasts with the potential for lower returns for bonds and greater volatility in equities. As a result, property as an asset class tends to perform well in inflationary periods, a characteristic that will be important over the next 12 months.

## Local Commercial Market

At Wincheap the general tone for industrial units on the estate is circa £7.50-£7.75 per sq.ft. per annum. The industrial market is currently buoyant and there are few vacancies at the Estate. Units 1-8 Wincheap Trade Park is currently on the market for sale as an investment, with 120 years unexpired and a rent roll of circa £450,000. The asking price for the trade park is circa £7m, reflecting a net initial yield of 6.00%. The trade park has several national covenants, including Howdens, Screxfix and Dreams.

The retail parks in the current economic climate are faring less well, with a number of vacancies. However, once stable conditions return to the economy and consumer confidence returns, we expect occupier demand for the vacant units to increase.

## Residential Market

### Sale Prices and Rents

Annual UK house price growth slowed slightly in April, to 12.1% down from March's long-term high of 14.3%, according to Nationwide. Nevertheless, as the bank goes on to say, this is the 11th time in the last 12 months that house price growth has been in double digits. On a monthly basis, house price growth is also slowing, moving from 1.1% in March to just 0.3% in April.

The pace of house price growth slowed in April according to Halifax, as well. Annually, prices rose by 10.8% but this is down from 11.0% in March. On a monthly basis house price inflation was found to have risen by 1.1% during the month, compared with 1.5% the month prior. Halifax notes that detached and semi-detached property prices have risen by over 12% over the past year, compared with 7.1% for flats, further enforcing the notion that the majority of demand has come from larger families looking to upsize or relocate for more space.

The official house price index from HM Land Registry and the ONS found that UK house prices rose by an average of 9.8% over the 12 months to March, down from (an upwardly revised) 11.3% in February. On a monthly basis prices grew by an average of 0.3%, with this monthly growth showing signs of slowing. Average UK house prices are now £278,436, equating to an additional £45,750 to the average cost of a house since the pandemic began two years ago.

House prices in the East Midlands were found to have grown the most in March, with the average property price there rising by 12.4% on the year. This was closely followed by Wales and the South East which posted 11.7% house price growth. This is now the 13th consecutive month of double-digit house price inflation in Wales, with prices there now averaging £206,400. This is 24% above where they were at the start of the pandemic two years ago, or nearly £40,000 more.

Across our Carter Jonas office location areas, yet again the top of the table is dominated by areas across the South and West, with Cornwall experiencing a 15.3% increase, although this is closely followed by Winchester (14.7%), and North Northamptonshire (14.5%), West Oxfordshire (14.4%) and Bath and North East Somerset (14.4%).

London's house price growth is still more subdued when compared with most of the rest of the country although this month prices across the prime central London market jumped by a hefty 14.2%, while south west London saw increases of 8.3%, some of the strongest growth we have seen in these areas recently.

House prices continue to be driven upwards amid a backdrop of restricted supply, according to the April edition of the RICS residential market survey. A net balance of +80% of respondents noted an increase in house prices during the month, up from +74% in March. This measure is a little forward-looking, so it can be assumed that prices in the near-term will continue to rise. A net balance of +62% of participants expect prices to continue to increase over the next 12 months, down slightly from two months prior when the balance was +78%.

Zoopla's latest house price index (March) reports annual price growth of 8.3% across the UK as buyer demand continues putting upward pressure on prices. Yet again, the highest house price growth was recorded in Wales (12.1%), compared with a meagre rise of 3.4% in London.

Rents across the country continue to rise substantially, with HomeLet noting a UK annual growth rate of 9.5% in April (although this drops slightly to 7.9% when London is excluded). Greater London has now seen the sixth consecutive month of double-digit rental growth, now reaching an annual rate of 14.2% according to the series. Scotland was next in the table with 12.3% growth recorded, followed by the North West at 11% annual increase.

Rightmove's first quarter 2022 rental index also reports rapidly rising asking rental rates across the country. UK asking rents were said to have risen by 10.8% annually, the first time this dataset has risen by over 10%. Greater London asking rents grew by 14.3% according to the web giant, the largest annual rise of any region since their records began.

Zoopla / Hometrack's Q1 2022 rental market report finds that rents across the UK rose by an average of 11%. Across London, rents were found to have risen by 15.7% annually. The report goes on to say that rental growth is likely to ease over the latter half of 2022 due to increasing affordability constraints and 'challenging economic conditions'.

The May RICS residential market survey reports that +63% of respondents expect rents to rise over the next three months, once again a new record for this metric, in the over 23 years of data collection. All regions and countries of the UK expect to see rental growth pressure continue over the short term.

**Activity**

Bank of England data on mortgage approvals for March (latest data) finds that the number of approvals has not changed over February's figure, reaching 70,691 for the month. Although these numbers are down significantly from the same time last year, they are still above their longer-run pre-COVID average by around 6% and indicate that demand is so far holding up, despite rising interest rates and inflation.

Property transactions during March (HMRC latest data) actually rose, increasing 3% over February to just under 115,000 transactions. This remains well above the longer-term average although as with mortgage levels, it is well below the same time last year when 183,000 transactions took place (March 2021 however was the 'original' end of the stamp duty holiday, before it was extended).

Meanwhile Zoopla's latest house price index report mirrors the transaction data in that buyer demand is still very strong, sitting at 58% above the five-year average for this time of year. On the other hand, the number of properties listed for sale is 40% below the five-year average. Having said that, the web giant does go on to say that the supply of newly listed homes for sale has started to rise.

A striking 38% of consumers are either considering or are in the process of a move according to Nationwide. The Bank conducted a consumer survey as part of their latest house price index this month.

On a regional level, the number was highest in London where almost half of those surveyed said they were moving or considering a move.

Buyer demand remained in positive territory according to the RICS April market survey. A net balance of +10% of participants reported another increase in new buyer enquiries, little changed from +9% the previous month. Meanwhile, new instructions were again virtually unchanged with a net balance of -1% of respondents indicating there were new listings. Average stock levels on agents' books remain at historically low levels while market appraisals undertaken have also seen very little change.

Tenant demand in the rental sector continues to outstrip supply with Rightmove noting in their latest quarterly rental market tracker. On a national basis tenant demand is up 6% while available properties are down 50% compared to the same period last year. In London though the mismatch is even more stark with tenant demand up by 81% while available properties are down 47% compared to the more 'normal' market in 2019.

Zoopla's latest quarterly rental report finds that tenancy lengths are rising. Tenants may be more inclined to stay put, negotiating with the current landlord rather than moving and risking a higher rent increase.

Once again, the RICS market survey on the lettings side reported a net balance of +52% of participants noting an increase in tenant demand in the three months to April. At the same time, the landlord instruction indicator remained negative at -7%, although this is not as low as the previous four months which were all in double-digit negative territory.

## Canterbury Residential Market

The average house prices in Canterbury City local authority area according to the House Price Index was £366,029 in April 2022, which shows an annual increase of 11.82%. Average prices for detached houses in Canterbury District are £571,056, for semi-detached houses £375,936, for terraced houses £312,961 and for flats £205,149.

According to Rightmove, the average prices for Canterbury City area over the past 12 months have been £337,211 over the last year. The majority of sales in Canterbury during the last year were terraced properties, selling for an average price of £315,171. Semi-detached properties sold for an average of £362,927, with flats fetching £222,469.

Overall, sold prices in Canterbury over the last year were 1% up on the previous year and 2% up on the 2019 peak of £330,702.

A review of new build schemes in the City has revealed that average prices are typically £350psf for houses and £375psf for flats.

# APPENDIX 2 DEVELOPMENT APPRAISALS

Wincheap
Option 1

Development Appraisal
Carter Jonas LLP
04 August 2022

**Wincheap**
**Option 1**

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

**Currency in £**

**REVENUE**

| **Sales Valuation** | **Units** | **ft²** | **Sales Rate ft²** | **Unit Price** | **Gross Sales** |
|---|---|---|---|---|---|
| Private Flats | 393 | 288,855 | 360.54 | 265,000 | 104,145,000 |
| Affordable Flats | 169 | 124,215 | 216.00 | 158,760 | 26,830,440 |
| Private Townhouses | 46 | 46,000 | 350.00 | 350,000 | 16,100,000 |
| Affordable Townhouses | 20 | 20,000 | 210.00 | 210,000 | 4,200,000 |
| Private Flats | 259 | 190,365 | 360.54 | 265,000 | 68,635,000 |
| Affordable Flats | 111 | 81,585 | 216.00 | 158,760 | 17,622,360 |
| **Totals** | **998** | **751,020** | | | **237,532,800** |

| **Rental Area Summary** | **Units** | **ft²** | **Rent Rate ft²** | **Initial MRV/Unit** | **Net Rent at Sale** | **Initial MRV** |
|---|---|---|---|---|---|---|
| Industrial Units | 1 | 343,438 | 8.00 | 2,747,504 | 2,747,504 | 2,747,504 |
| Hotel | 100 | | | 5,500 | 550,000 | 550,000 |
| Retail Units | 1 | 83,206 | 20.00 | 1,664,120 | 1,664,120 | 1,664,120 |
| **Totals** | **102** | **426,644** | | | **4,961,624** | **4,961,624** |

**Investment Valuation**

| | | | | | |
|---|---|---|---|---|---|
| **Industrial Units** | | | | | |
| Market Rent | 2,747,504 | YP @ | 5.5000% | 18.1818 | |
| (6mths Rent Free) | | PV 6mths @ | 5.5000% | 0.9736 | 48,635,055 |
| **Hotel** | | | | | |
| Current Rent | 550,000 | YP @ | 5.5000% | 18.1818 | 10,000,000 |
| **Retail Units** | | | | | |
| Market Rent | 1,664,120 | YP @ | 6.0000% | 16.6667 | |
| (1yr Rent Free) | | PV 1yr @ | 6.0000% | 0.9434 | 26,165,409 |
| **Total Investment Valuation** | | | | | **84,800,464** |

| | | | |
|---|---|---|---|
| **GROSS DEVELOPMENT VALUE** | | | **322,333,264** |
| Purchaser's Costs | 6.80% | (3,307,184) | |
| Purchaser's Costs | 6.80% | (1,779,248) | |
| Effective Purchaser's Costs Rate | 6.00% | | |
| | | | (5,086,432) |
| **NET DEVELOPMENT VALUE** | | | **317,246,833** |
| **NET REALISATION** | | | **317,246,833** |

**OUTLAY**

| **ACQUISITION COSTS** | | | |
|---|---|---|---|
| Residualised Price | | 29,502,994 | |
| | | | 29,502,994 |
| Stamp Duty | | 1,412,649 | |
| Effective Stamp Duty Rate | 4.79% | | |
| Agent Fee | 1.00% | 295,030 | |
| Legal Fee | 0.50% | 147,515 | |
| | | | 1,855,194 |

**CONSTRUCTION COSTS**

| **Construction** | **Units** | **Unit Amount** | **Cost** |
|---|---|---|---|
| Hotel | 100 un | 70,000 | 7,000,000 |
| | **ft²** | **Build Rate ft²** | **Cost** |

| APPRAISAL SUMMARY | CARTER JONAS LLP |
|---|---|

**Wincheap**
**Option 1**

| | | | | |
|---|---|---|---|---|
| Industrial Units | 343,438 | 70.00 | 24,040,660 | |
| Retail Units | 83,206 | 90.00 | 7,488,540 | |
| Private Flats | 361,069 | 145.00 | 52,354,969 | |
| Affordable Flats | 155,269 | 145.00 | 22,513,969 | |
| Car Parking at Ground | 167,477 | 47.00 | 7,871,419 | |
| Private Townhouses | 46,000 | 127.00 | 5,842,000 | |
| Affordable Townhouses | 20,000 | 127.00 | 2,540,000 | |
| Private Flats | 237,956 | 145.00 | 34,503,656 | |
| Affordable Flats | 101,981 | 145.00 | 14,787,281 | |
| Car Parking | 109,304 | 47.00 | 5,137,288 | |
| **Totals** | **1,625,700 ft²** | | **177,079,782** | **184,079,782** |
| | | | | |
| External Works | | 5.00% | 9,203,989 | |
| Demolition | | | 2,050,000 | |
| Contingency | | 5.00% | 8,282,153 | |
| s.106 | | | 250,000 | |
| s.106 | 370 un | 2,500.00 /un | 925,000 | |
| | | | | 20,711,142 |
| **Section 106 Costs** | | | | |
| Section 106 | 562 un | 2,500.00 /un | 1,405,000 | |
| | | | | 1,405,000 |
| | | | | |
| **PROFESSIONAL FEES** | | | | |
| Professional Fees | | 6.00% | 7,886,244 | |
| Professional Fees | | 10.00% | 3,345,566 | |
| | | | | 11,231,810 |
| **MARKETING & LETTING** | | | | |
| Marketing | | 1.00% | 1,727,800 | |
| Letting Agent Fee | | 10.00% | 441,162 | |
| Letting Legal Fee | | 5.00% | 220,581 | |
| | | | | 2,389,544 |
| **DISPOSAL FEES** | | | | |
| Sales Agent Fee | | 1.00% | 1,309,754 | |
| Sales Agent Fee | | 1.25% | 912,765 | |
| Sales Agent Fee | | 1.50% | 1,293,860 | |
| Sales Legal Fee | | 0.50% | 1,086,164 | |
| Sales Legal Fee | | 0.75% | 547,659 | |
| | | | | 5,150,203 |
| **FINANCE** | | | | |
| Debit Rate 6.000%, Credit Rate 0.000% (Nominal) | | | | |
| Total Finance Cost | | | | 7,155,435 |
| | | | | |
| **TOTAL COSTS** | | | | **263,481,105** |
| | | | | |
| **PROFIT** | | | | |
| | | | | **53,765,728** |
| | | | | |
| **Performance Measures** | | | | |
| Profit on Cost% | | 20.41% | | |
| Profit on GDV% | | 16.68% | | |
| Profit on NDV% | | 16.95% | | |
| Development Yield% (on Rent) | | 1.88% | | |
| | | | | |
| Rent Cover | | 10 yrs 10 mths | | |
| Profit Erosion (finance rate 6.000) | | 3 yrs 1 mth | | |

Wincheap
Option 2

Development Appraisal
Carter Jonas LLP
28 July 2022

## APPRAISAL SUMMARY — CARTER JONAS LLP

**Wincheap**
**Option 2**

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

**Currency in £**

**REVENUE**

| Sales Valuation | Units | ft² | Sales Rate ft² | Unit Price | Gross Sales |
|---|---|---|---|---|---|
| Private Flats | 770 | 565,950 | 360.54 | 265,000 | 204,050,000 |
| Affordable Flats | 330 | 242,550 | 216.00 | 158,760 | 52,390,800 |
| Student Accommodation | 584 | 134,320 | 434.78 | 100,000 | 58,400,000 |
| **Totals** | **1,684** | **942,820** | | | **314,840,800** |

| Rental Area Summary | Units | ft² | Rent Rate ft² | Initial MRV/Unit | Net Rent at Sale | Initial MRV |
|---|---|---|---|---|---|---|
| Industrial Units | 1 | 125,396 | 8.00 | 1,003,168 | 1,003,168 | 1,003,168 |
| Offices | 1 | 239,910 | 20.00 | 4,798,199 | 4,798,199 | 4,798,199 |
| Retail Units | 1 | 72,269 | 20.00 | 1,445,380 | 1,445,380 | 1,445,380 |
| **Totals** | **3** | **437,575** | | | **7,246,747** | **7,246,747** |

**Investment Valuation**

| | | | | | |
|---|---|---|---|---|---|
| **Industrial Units** | | | | | |
| Market Rent | 1,003,168 | YP @ | 5.5000% | 18.1818 | |
| (6mths Rent Free) | | PV 6mths @ | 5.5000% | 0.9736 | 17,757,620 |
| **Offices** | | | | | |
| Market Rent | 4,798,199 | YP @ | 6.0000% | 16.6667 | |
| (1yr Rent Free) | | PV 1yr @ | 6.0000% | 0.9434 | 75,443,381 |
| **Retail Units** | | | | | |
| Market Rent | 1,445,380 | YP @ | 6.0000% | 16.6667 | |
| (1yr Rent Free) | | PV 1yr @ | 6.0000% | 0.9434 | 22,726,101 |
| **Total Investment Valuation** | | | | | **115,927,101** |

| | | | |
|---|---|---|---|
| **GROSS DEVELOPMENT VALUE** | | | **430,767,901** |
| Purchaser's Costs | 6.80% | (1,207,518) | |
| Purchaser's Costs | 6.80% | (5,130,150) | |
| Purchaser's Costs | 6.80% | (1,545,375) | |
| Effective Purchaser's Costs Rate | 6.80% | | |
| | | | (7,883,043) |
| **NET DEVELOPMENT VALUE** | | | **422,884,858** |
| **NET REALISATION** | | | **422,884,858** |

**OUTLAY**

| ACQUISITION COSTS | | | |
|---|---|---|---|
| Residualised Price | | 21,363,209 | |
| | | | 21,363,209 |
| Stamp Duty | | 924,869 | |
| Effective Stamp Duty Rate | 4.33% | | |
| Agent Fee | 1.00% | 194,574 | |
| Legal Fee | 0.50% | 97,287 | |
| | | | 1,216,730 |

**CONSTRUCTION COSTS**

| Construction | ft² | Build Rate ft² | Cost |
|---|---|---|---|
| Industrial Units | 125,396 | 70.00 | 8,777,720 |
| Offices | 282,247 | 160.00 | 45,159,520 |
| Retail Units | 72,269 | 90.00 | 6,504,210 |
| Private Flats | 707,438 | 145.00 | 102,578,437 |

# APPRAISAL SUMMARY — CARTER JONAS LLP

**Wincheap**
**Option 2**

| | | | | |
|---|---|---|---|---|
| Affordable Flats | 303,188 | 145.00 | 43,962,187 | |
| Car Parking at Ground | 325,510 | 47.00 | 15,298,970 | |
| Student Accommodation | 191,886 | 199.00 | 38,185,257 | |
| Car Parking | 60,431 | 47.00 | 2,840,257 | |
| **Totals** | **2,068,364 ft²** | | **263,306,559** | **263,306,559** |
| | | | | |
| External Works | | 5.00% | 13,165,328 | |
| Demolition | | | 2,325,000 | |
| Contingency | | 5.00% | 10,969,471 | |
| s.106 | | | 400,000 | |
| | | | | 26,859,799 |
| **Section 106 Costs** | | | | |
| Section 106 | 1,100 un | 2,500.00 /un | 2,750,000 | |
| | | | | 2,750,000 |
| | | | | |
| **PROFESSIONAL FEES** | | | | |
| Professional Fees | | 6.00% | 9,277,956 | |
| Professional Fees | | 10.00% | 1,809,730 | |
| Professional Fees | | 8.00% | 3,793,400 | |
| | | | | 14,881,086 |
| **MARKETING & LETTING** | | | | |
| Marketing | | 1.00% | 2,624,500 | |
| Letting Agent Fee | | 10.00% | 724,675 | |
| Letting Legal Fee | | 5.00% | 362,337 | |
| | | | | 3,711,512 |
| **DISPOSAL FEES** | | | | |
| Sales Agent Fee | | 1.00% | 3,148,408 | |
| Sales Agent Fee | | 1.25% | 1,365,645 | |
| Sales Legal Fee | | 0.50% | 1,574,204 | |
| Sales Legal Fee | | 0.75% | 819,387 | |
| | | | | 6,907,644 |
| **FINANCE** | | | | |
| Debit Rate 6.000%, Credit Rate 0.000% (Nominal) | | | | |
| Total Finance Cost | | | | 11,205,500 |
| | | | | |
| **TOTAL COSTS** | | | | **352,202,039** |
| | | | | |
| **PROFIT** | | | | |
| | | | | **70,682,819** |
| | | | | |
| **Performance Measures** | | | | |
| Profit on Cost% | | 20.07% | | |
| Profit on GDV% | | 16.41% | | |
| Profit on NDV% | | 16.71% | | |
| Development Yield% (on Rent) | | 2.06% | | |
| | | | | |
| Rent Cover | | 9 yrs 9 mths | | |
| Profit Erosion (finance rate 6.000) | | 3 yrs 1 mth | | |

Carter Jonas