ADDRESS: EAGLE QUARTER, NEWBURY, RG20 4HR
FVA REPORT DATE: 14 FEBRUARY 2024
PLANNING REFERENCE: 23/02094/FULMAJ

## EXECUTIVE SUMMARY / NON-TECHNICAL SUMMARY OF FINANCIAL VIABILITY ASSESSMENT REPORT

We have been instructed by Lochailort Newbury Ltd (the Applicant) to provide an affordable housing Financial Viability Assessment (FVA) of their development proposals located within the centre of Newbury, Berkshire and is known as the Kennet Centre (the Subject Site). This non-technical summary presents an overview of the FVA and a summary of the viability position.

There is commercially sensitive information included within the FVA and subsequent reports (specifically related to vacant possession costs). Release of any information into the public domain in relation to the current landlord and tenant negotiations, in respect of securing vacant possession of the Kennet Centre, would prejudice the Applicant / Landlord's negotiating position. As such we have provided this non-technical summary of the viability position submitted as part of the wider planning application.

The proposal titled "Eagle Quarter II" is a redevelopment of the existing Kennet Centre shopping centre. The proposed scheme principally consists of 9no. residential blocks, commercial space made up of retail and office uses. Furthermore, the proposal is tied together by a new landscaped pedestrian route connecting Market Street to Bartholomew Street and Cheap Street. There is the addition of a new public square enhancing the public realm and further connecting the proposal to the emerging Market Street development.

The scheme is essentially split into 3no. key elements; Residential (Build-to-Rent), office and ground floor retail. The residential element of the scheme is arranged over 9no. blocks and comprise 1, 2 and 3-bed flats. The majority of the residential element is provided across blocks A to F. Blocks B, E and F are located above under-croft parking which is exclusively for the Build-to-Rent (BtR) residents. On the ground floor, below the residential units, facing New Street will be flexible commercial retail uses. These will be small retail units aimed at start-up retailers and artisan local producers/businesses. There is a small amount of office spaces, 5,979 sq ft, designed as a smaller flexible tech hub. A total of 83no. under-croft parking spaces will be provided for the residential element of the development. As part of the redevelopment, there will be internal changes to the Vue cinema block in respect of the changes to the access and internal arrangement alongside the fire safety changes. Further information of the proposed scheme is available within the documents provided as part of the wider planning application.

The financial viability assessment considers the total value of the completed scheme and the total cost of its delivery, using recognised residual appraisal software - Argus Developer. The resulting residual land value is then compared with an appropriate benchmark value to determine the scheme's viability.

The developer is seeking to maximise the amount of affordable housing delivered on site with an affordable housing target of 30% (as the site is previously developed). In accordance with national policy, we have assumed that the affordable housing offer will be comprised of Discount Market Rent (DMR) as the scheme is designed for the BtR market. We have assumed that the DMR units will be delivered at a maximum of 80% of open market rents.

We have established that the scheme delivering 100% Private Tenure generates a Gross Development Value (GDV) of £130.64 million. The total costs for delivering the scheme are £158.00 million. We have assumed a developer return of £14.52 million which equates to 12.50% return on GDV. When delivering a 100% private tenure mix the scheme generates a residual land value of -£41.61 million. It is important to note that a return of 12.50% is below the guidance of the NPPF (15.00% - 20.00% return on GDV) and is based on a forward fund delivery model. It is unlikely that this would be achieved in the market at today's date.

We calculate that the Existing Use Valuation (EUV) of the site is £4.25 million. We have applied a premium of 10%. This generates a benchmark land value of £4.68 million.

When the residual land value of the proposed scheme delivering 100% private tenure is compared against the benchmark land value of £4.68 million, this produces a deficit of -£46.36 million. Therefore, the scheme is unable to provide any affordable housing.

Dixon Searle were appointed by the LPA to review the submitted FVA and while they disagreed with a number of the appraisal inputs, they agreed with the overall conclusion of the submitted viability conclusion that no affordable housing was viable.

It is important to note, it is not unusual for a brownfield redevelopment of this size to have viability constraints. The size of the existing building and planning constraints lead to high development costs in comparison to greenfield / less complex schemes which is the main viability constraint in this case.

The table below summarises the viability position from our initial report alongside the Dixon Searle assumptions within their review:

| Assumption | Rapleys Position | Dixon Searle Position |
|---|---|---|
| GROSS DEVELOPMENT VALUE | £130.97m | £146.95m |
| Less | | |
| DEVELOPMENT COSTS | £158.03m | £157.80m |
| less | | |
| PROFIT | £14.55m | £16.33m |
| equals | | |
| RESIDUAL LAND VALUE | -£41.61m (Neg) | -£27.18m (Neg) |
| compared to | | |
| APPROPRIATE BENCHMARK VALUE (Including Premium) | £4.68m | £4.68m |
| Equals | | |
| DEFICIT | -£46.36m | -£31.85m |

Notwithstanding the current viability deficit, the proposed regeneration of the Kennet Centre will considerably improve the centre of Newbury. The scheme provides improved access through the centre of the site to pedestrians and improves the connectivity between the train station to the south and the town centre to the north. The scheme will still make contributions of approximately £1.63m towards CIL and £1.00m in S.106 contributions.

Additionally, the proposed scheme will revitalise the existing retail offering in the centre of the town with the option of various smaller retail units for start-up retailers looking to capture the additional footfall of the developed scheme and enhanced town centre.