

BASILDON TOWN CENTRE REGENERATION STUDY

Development Appraisal Results

FINAL REPORT

NOVEMBER 2021

DISCLAIMER

This report is confidential to Basildon Borough Council. It includes commercially confidential information and it is recommended that it is not distributed to any third party. In the event that it is distributed to any party, C&W accepts no liability to such third parties.

No part of this report constitutes a formal valuation in accordance with the RICS Professional Standards ("PS"), RICS Global Valuation Practice Statements ("VPS"), RICS Global Valuation Practice Guidance – Applications ("VPGAs") and United Kingdom Valuation Standards ("UKVS") contained within the RICS Valuation - Professional Standards 2014, (the "Red Book").

In our development appraisals a series of assumptions on costs and values have been made. In using the results of the analysis, it should be realised that there is a degree of risk and uncertainty in attempting to predict future events. Consequently, the appraisal results are provided on the following express basis:

The development appraisals have not been externally audited and the information in the appraisals has not been verified, and whilst it has been prepared in good faith by C&W, it does not purport to be comprehensive. Any projections, estimates and opinions involve significant elements of subjective judgement. No representation is made, nor warranty given, by C&W as to the accuracy or completeness of the information contained within the appraisals and no liability in respect of their contents is accepted by C&W or any of its directors, employees, agents or advisers.

The development appraisals are forward looking and by their nature are inherently predictive, speculative and involve risk and uncertainty because they relate to events and depend on circumstances that will occur in the future. There are a number of factors that could cause actual results to differ materially from those expressed or implied in these forward looking appraisals. The appraisals should therefore not be relied on as a promise or representation as to the future.

Build Cost Inflation

C&W is currently seeing significant variation in tendered build costs across all sectors driven by supply chain shortages affecting the construction industry. As a result, the build cost assumptions that have been applied in this appraisal/assessment are susceptible to short term changes.

As a matter of prudence we recommend that where not already provided, sensitivities should be examined to test the effects of such variations and that further advice should be sought to market test such cost assumptions to inform decision making and prior to any investment commitments. It is also recommended that changes in build costs are closely monitored and the impacts on development viability kept under review.

Novel coronavirus (COVID-19)

The outbreak of COVID-19, declared by the World Health Organisation as a “Global Pandemic” on the 11th March 2020, has and continues to impact many aspects of daily life and the global economy – with some real estate markets having experienced lower levels of transactional activity and liquidity. Travel, movement and operational restrictions have been implemented by many countries.

We continue to be faced with an unprecedented set of circumstances caused by COVID-19 and an absence of relevant/sufficient market evidence on which to base our judgements. Our advice is provided study area

to this material uncertainty and a higher degree of caution should be attached to our advice than would normally be the case.

This explanatory note is included to ensure transparency and to provide further insight as to the market context under which our advice has been prepared. In recognition of the potential for market conditions to move rapidly in response to changes in the control of future spread of COVID-19 we highlight the importance of the date on which this advice is provided.

INTRODUCTION

Scope of Instruction

Cushman & Wakefield (C&W) has undertaken development appraisals for a set of sites in Basildon town centre using the inputs agreed with Basildon Borough Council and Porter Planning Economics (PPE). These appraisals are for Scenarios A and B of the We Made That Town Centre Urban Capacity Study (21st October 2021) and demonstrate the implications of different building heights.

The sites are:

- UC02 – Church Walk House
- UC03 – M&S/ Town Centre North
- UC04 – Post Office Element Only (Green)
- UC05 – Car Park 2/ Southernhay
- UC06 – Former Toys ‘R’ Us
- UC07 – Eastgate
- UC09 – Gateway Site
- UC10 – Market Square
- UC15 – Car Park 13
- UC17 – Car Park 12
- UC19 – Car Park 11
- UC22 – Car Park 14
- UC23 – East Walk/ Southernhay

Definitions

One of the principal development appraisal outputs in this report is the Residual Land Value (RLV) The RLV is the amount remaining once all the costs to deliver a project are deducted from that project’s Gross Development Value, and an appropriate profit has been deducted. This is effectively the amount that a developer could afford to pay for a piece of development land, assuming they are able to deliver the project being appraised.

Benchmark Land Value (BLV) is the theoretical value below which a reasonable landowner is unlikely to release a site for development.

DEVELOPMENT APPRAISAL ASSUMPTIONS

	Input	Basis of assumption
Market residential	£385.00psf	Land Registry – local comparable evidence
Intermediate residential	£250.00psf	Local Plan Viability Study Update (65% of open market values)
Social rent residential	£154.00psf	Local Plan Viability Study Update (40% of open market values)
BTR yield	4.25%	C&W market view
BTR rent	£23.00psf	C&W market view
Retail yield	7.00%	C&W market view
Retail rent	£15.00psf	C&W market view (6 months' rent free and 18 months void)
Workspace yield	7.00%	C&W market view
Workspace rent	£17.00psf	C&W market view (6 months' rent free and 18 months void)
Purchaser's costs	6.8% on commercial GDV	5% SDLT, 1.8% purchasers costs (agents and legal fees combined)
Disposal – letting agent fee	10% on commercial GDV	Industry standard
Disposal – letting legal fee	5% on commercial GDV	Industry standard
Disposal – sale agent fee	1% on GDV	Industry standard
Disposal – sale legal fee	0.5% on GDV	Industry standard
Disposal – marketing	1% on residential GDV	Industry standard
Residential build cost	£157psf GIA – 1-2 storey £166psf GIA – 3-5 storey £191psf GIA – 6+ storey	BCIS
Retail build cost	£114psf GIA	BCIS
Workspace build cost	£207psf GIA – 6+ storey	BCIS
Podium car parking cost	£73psf	BCIS
Residential Section 106	£19,217 per market residential unit	Local Plan Viability Study Update
Demolition & site clearance	£30/m3	Industry standard cost. In order to calculate the volume of the existing buildings, we measured the footprint of each building being demolished, and used We Made That's "building height" diagram within the Urban Capacity Study (p.7) to establish the number of storeys. We then assumed a single storey height of 3m – a figure obtained from RIBA – to calculate building height.
External works	10% on costs	Industry standard
Contingency	4% on costs	Aligned with PPE
Professional fees	8% on costs	Aligned with PPE
Finance	5% on costs	Aligned with PPE
Market residential profit	20% on GDV	Industry standard
Affordable residential profit	6% on GDV	Industry standard
Retail and workspace profit	15% on GDV	Industry standard
Benchmark Land Value	£700,000 per hectare	Aligned to Local Plan Viability Study Update – EUV+ 25%

RESULTS

Appraisal Outputs Table - Baseline

Site Name & Reference	Scenario	Site Capacity by Residential Units				Commercial Floor Area (GIA)	Max Building Storeys	Gross Development Value	S106	Benchmark Land Value	Residual Land Value
		Total	M	I	S						
UC02 – Church Walk House	A	53	36	5	12	-	8	£10,799,616	£691,812	£89,265	(£1,664,382)
	B	80	55	8	17	-	11	£16,199,261	£1,060,553		(£2,270,988)
UC03 – M&S/ Town Centre North	A	275	190	26	59	-	8	£55,636,243	£3,642,473	£691,338	(£9,491,104)
	B	411	284	38	89	-	11	£85,454,593	£5,463,709		(£12,756,445)
UC04 – Post Office Element Only (Green)	A	28	19	3	6	-	5	£5,732,777	£365,123	£33,600	£29,087
	B	42	29	4	9	-	8	£8,599,166	£562,987		(£966,033)
UC05 – Car Park 2/ Southernhay	A	281	194	26	61	-	5	£56,850,449	£3,721,969	£916,538	(£1,728,459)
	B	420	291	39	90	-	8	£85,275,771	£5,559,294		(£13,259,862)
UC06 – Former Toys 'R' Us	A	116	80	11	25	-	5	£23,528,543	£1,530,313	£605,594	(£3,619,873)
	B	174	120	16	38	-	7	£35,292,708	£2,311,554		(£8,201,851)
UC07 – Eastgate	A	949	654	88	207	225,070 sqft retail	8	£231,776,832	£12,566,290	£3,196,621	(£37,628,351)
	B	1,422	982	132	308	250,078 sqft retail	11	£330,760,935	£18,878,260		(£59,066,626)
UC09 – Gateway Site	A	-	-	-	-	80,774 sqft workspace	6	£16,119,424	-	£449,794	(£13,946,739)
	B	-	-	-	-	134,624 sqft workspace	8	£25,011,299	-		(£14,669,409)
UC10 – Market Square	A	210	145	19	46	60,867 sqft retail	6	£53,904,531	£2,786,465	£504,660	(£9,191,358)
	B	315	217	29	69	67,630 sqft retail	9	£76,440,539	£4,170,089		(£13,903,574)
UC15 – Car Park 13	A	111	76	10	25	-	3	£27,302,527	£1,460,492	£1,125,909	(£212,881)
	B	163	114	16	33	-	5	£40,953,856	£2,190,738		(£961,362)
UC17 – Car Park 12	A	140	97	13	30	-	5	£28,365,506	£1,864,049	£509,274	(£921,142)
	B	210	145	20	45	-	7	£42,383,054	£2,786,465		(£6,439,342)
UC19 – Car Park 11	A	186	129	17	40	-	7	£39,875,023	£2,478,993	£784,335	(£5,988,119)
	B	256	176	24	56	-	7	£55,226,441	£3,382,192		(£8,944,017)

M = Market Sale Residential
I = Intermediate Residential
S = Social Rent Residential

UC22 – Car Park 14	A	194	134	18	42	-	3	£47,558,495	£2,575,078	£2,091,575	(£1,617,946)
	B	290	200	27	63	-	5	£71,337,972	£3,843,400		(£4,488,679)
UC23 – East Walk/ Southernhay	A	138	87	39	12	-	5	£25,427,504	£1,671,879	£149,030	(£1,392,573)
	B	188	130	17	41	-	8	£38,141,362	£2,498,210		(£6,565,446)

Key factors affecting viability of Baseline Scenario:

- In general, taller buildings are more challenged due to higher build costs. This point is best demonstrated when comparing the similar sized sites of Scenario A UC03 and UC05. UC03 was tested assuming a 6+ storey build cost at £191psf and UC05 was tested assuming a 3-5 storey build cost at £166psf. With all other variables remaining proportional to the schemes, the residual land value for UC03 is approximately £4 million lower than UC05. Therefore, by increasing the density of a 6+ storey scheme, the viability gap only becomes more challenged.
- Additionally, larger schemes require a longer build time which leads to higher finance costs.
- It should be noted that in order to understand the true height where viability becomes challenged, a more detailed scheme design and cost estimates should be sought and appraised.
- High Section 106 costs are negatively affecting the viability of the market residential elements.
- In isolation, retail and workspace values are not high enough to achieve a positive residual land value. The viability gap is worse for workspace due to increased build costs associated with 6+ storeys.

SCENARIO TESTING

Following discussions with the Client regarding the baseline appraisal outputs, it was agreed C&W would model additional scenarios to understand how some fundamental viability ‘levers’ may impact the final RLV position of the sites. These agreed scenarios are as follows:

- Scenario 1: Reduced S106 payments by 30%.
- Scenario 2: Altered Affordable Housing Levels. The baseline appraisals assumed policy compliant levels of affordable housing – Scenario 2 seeks to understand the impact that reducing this provision of affordable housing to 10% and subsequently 0% of the total number of units would affect the RLV.
- Scenario 3: Reduced S106 payments by 30%, plus reducing the provision of affordable housing in line with Scenario 2.
- Scenario 4: Increasing the sales values of those sites deemed to be “Long Term” by the We Made That Urban Capacity Study to reflect a “Regeneration Effect” (Site UC19). A 20% uplift on private sales values was applied.
- Scenario 5: Build to Rent included in place of private sale on Site UC10.

The results of these scenarios are set out below.

Scenario 1 : Reduced S106

Site Name & Reference	Scenario	Site Capacity by Residential Units				Commercial Floor Area (GIA)	Max Building Storeys	Gross Development Value	S106	Benchmark Land Value	Residual Land Value
		Total	M	I	S						
UC02 – Church Walk House	A	53	36	5	12	-	8	£10,799,616	£484,268	£89,265	(£1,038,073)
	B	80	55	8	17	-	11	£16,199,261	£739,855		(£1,534,035)
UC03 – M&S/ Town Centre North	A	275	190	26	59	-	8	£55,636,243	£2,555,861	£691,338	(£4,704,364)
	B	411	284	38	89	-	11	£83,454,593	£3,820,340		(£7,439,802)
UC04 – Post Office Element Only (Green)	A	28	19	3	6	-	5	£5,732,777	£255,586	£33,600	£133,314
	B	42	29	4	9	-	8	£8,599,166	£390,105		(£797,511)
UC05 – Car Park 2/ Southernhay	A	281	194	26	61	-	5	£56,850,449	£2,609,669	£916,538	(£670,074)
	B	420	291	39	90	-	8	£85,275,771	£3,914,503		(£11,615,068)
UC06 – Former Toys ‘R’ Us	A	116	80	11	25	-	5	£23,528,543	£1,076,152	£605,594	£70,157
	B	174	120	16	38	-	7	£35,292,708	£1,614,228		(£4,182,856)
UC07 – Eastgate	A	949	654	88	207	225,070 sqft retail	8	£231,776,832	£8,797,543	£3,196,621	(£23,460,558)
	B	1,422	982	132	308	250,078 sqft retail	11	£330,760,935	£13,209,766		(£42,908,684)
UC09 – Gateway Site	A	-	-	-	-	80,774 sqft workspace	6	£16,119,424	-	£449,794	(£13,946,739)
	B	-	-	-	-	134,624 sqft workspace	8	£25,011,299	-		(£14,669,409)
	A	210	145	19	46	60,867 sqft retail	6	£53,904,531	£1,950,526	£504,660	(£6,155,545)

UC10 – Market Square	B	315	217	29	69	67,630 sqft retail	9	£76,440,539	£2,919,062		(£10,452,676)
UC15 – Car Park 13	A	111	76	10	25	-	3	£27,302,527	£1,022,344	£1,125,909	£204,142
	B	163	114	16	33	-	5	£40,953,856	£1,533,517		(£304,138)
UC17 – Car Park 12	A	140	97	13	30	-	5	£28,365,506	£1,304,834	£509,274	(£414,374)
	B	210	145	20	45	-	7	£42,383,054	£1,950,526		(£5,603,402)
UC19 – Car Park 11	A	186	129	17	40	-	7	£39,875,023	£1,735,295	£784,335	(£5,184,923)
	B	256	176	24	56	-	7	£55,226,441	£2,367,534		(£7,929,356)
UC22 – Car Park 14	A	194	134	18	42	-	3	£47,558,495	£1,802,555	£2,091,575	(£845,422)
	B	290	200	27	63	-	5	£71,337,972	£2,690,380		(£3,335,657)
UC23 – East Walk/ Southernhay	A	138	87	39	12	-	5	£25,427,504	£1,165,305	£149,030	(£274,107)
	B	188	130	17	41	-	8	£38,141,362	£1,748,747		(£5,204,098)

Key factors affecting viability Scenario 1:

- Reduction in S106 in isolation does not have a significant effect on the viability of these schemes as the cost reduction is not large enough to overcome the other viability pressures: Only two sites (UC06 and UC15, both Scenario A) have changed from a negative to a positive RLV.
- The most significant benefits are felt on the larger scale sites, where the cost accrued from S106 is higher. However, given these sites are generally the ones with the most height and therefore the highest build costs, these are the sites with the most significantly negative RLVs and thus the gap is still too great to overcome.
- Due to the incremental changes initiated by the change in 106 costs, most of the viability pressures present in the Baseline Scenario are still present here.

Scenario 2 : Altered Affordable Housing Levels

Site Name & Reference	Affordable Housing Levels	Scenario	Site Capacity by Residential Units				Commercial Floor Area (GIA)	Max Building Storeys	Gross Development Value	S106	Benchmark Land Value	Residual Land Value
			Total	M	I	S						
UC02 – Church Walk House	10%	A	53	48	2	3	-	8	£12,160,973	£922,220	£89,265	(£930,704)
		B	88	80	2	6	-	11	£19,982,659	£1,383,329		(£1,030,810)
	0%	A	53	53	-	-	-	8	£12,770,604	£1,018,501		(£629,528)
		B	80	80	-	-	-	11	£19,155,906	£1,537,033		(£703,713)
UC03 – M&S/ Town Centre North	10%	A	274	247	8	19	-	8	£62,650,373	£4,751,051	£691,338	(£5,130,081)
		B	413	371	13	29	-	11	£93,975,502	£7,126,577		(£6,069,208)
	0%	A	275	275	-	-	-	8	£65,791,649	£5,265,458		(£3,381,600)
		B	411	411	-	-	-	11	£98,687,473	£7,918,419		(£3,410,482)
UC04 – Post Office Element Only (Green)	10%	A	28	25	1	2	-	5	£6,455,688	£489,554	£33,600	£416,460
		B	42	38	1	3	-	8	£9,683,262	£734,331		(£361,103)
	0%	A	28	28	-	-	-	5	£6,779,311	£543,949		£576,085
		B	42	42	-	-	-	8	£10,168,967	£815,923		(£122,687)
UC05 – Car Park 2/ Southernhay	10%	A	281	252	9	20	-	5	£64,017,794	£4,849,136	£916,538	£1,986,086
		B	422	379	13	30	-	8	£96,026,520	£7,282,112		(£7,739,117)
	0%	A	281	281	-	-	-	5	£67,277,295	£5,394,157		£3,459,892
		B	420	420	-	-	-	8	£100,841,106	£8,091,236		(£5,571,443)
UC06 – Former Toys 'R' Us	10%	A	117	105	4	8	-	5	£26,494,764	£2,009,210	£605,594	(£2,081,455)
		B	173	156	5	12	-	7	£39,742,170	£3,000,032		(£5,919,679)
	0%	A	116	116	-	-	-	5	£27,823,122	£2,229,172		(£1,459,229)
		B	174	174	-	-	-	7	£41,734,520	£3,348,684		(£5,047,355)

UC07 – Eastgate	10%	A	950	854	29	67	225,070 sqft retail	8	£253,305,101	£16,419,694	£3,196,621	(£21,857,343)
		B	1,424	1,281	43	100	250,078 sqft retail	11	£369,005,841	£24,612,316		(£35,611,160)
	0%	A	949	949	-	-	225,070 sqft retail	8	£264,153,862	£18,256,150		(£15,613,643)
		B	1,422	1,422	-	-	250,078 sqft retail	11	£383,278,493	£27,347,017		(£26,355,877)
UC09 – Gateway Site	10%	A	-	-	-	-	80,774 sqft workspace	6	£16,119,424	-	£449,794	(£13,946,739)
		B	-	-	-	-	134,624 sqft workspace	8	£25,011,299	-		(£14,669,409)
	0%	A	-	-	-	-	80,774 sqft workspace	6	£16,119,424	-		(£13,946,739)
		B	-	-	-	-	134,624 sqft workspace	8	£25,011,299	-		(£14,669,409)
UC10 – Market Square	10%	A	210	189	6	15	60,867 sqft retail	6	£59,472,304	£3,632,013	£504,660	(£6,690,752)
		B	315	284	9	22	67,630 sqft retail	9	£85,000,502	£5,457,628		(£10,282,630)
	0%	A	210	210	-	-	60,867 sqft retail	6	£62,143,100	£2,199,873		(£5,484,000)
		B	315	315	-	-	67,630 sqft retail	9	£88,977,032	£6,053,355		(£7,868,710)
UC15 – Car Park 13	10%	A	111	99	3	9	-	3	£30,922,182	£1,883,266	£1,125,909	£1,761,645
		B	163	147	5	11	-	5	£45,862,868	£2,824,899		£1,496,142
	0%	A	111	111	-	-	-	3	£33,457,463	£2,171,521		£2,418,798
		B	163	163	-	-	-	5	£48,261,650	£3,132,371		£2,692,779
UC17 – Car Park 12	10%	A	140	126	4	10	-	5	£31,977,734	£2,421,342	£509,274	£801,151
		B	210	189	6	15	-	7	£48,045,160	£3,632,013		(£4,052,869)
	0%	A	140	140	-	-	-	5	£33,742,039	£2,690,380		£1,605,785
		B	210	210	-	-	-	7	£50,787,823	£4,035,570		(£2,878,350)
UC19 – Car Park 11	10%	A	186	167	6	13	-	7	£44,904,217	£3,209,239	£784,335	(£3,621,415)
		B	256	229	8	19	-	7	£62,494,266	£4,400,693		(£5,834,855)
	0%	A	186	186	-	-	-	7	£47,385,891	£3,574,362		(£2,466,843)
		B	256	256	-	-	-	7	£66,206,364	£4,919,552		(£4,245,140)

UC22 – Car Park 14	10%	A	194	175	8	11	-	3	£54,006,272	£3,362,975	£2,091,575	£1,897,257
		B	290	260	9	21	-	5	£80,615,166	£4,996,420		(£349,288)
	0%	A	194	194	-	-	-	3	£56,747,929	£3,728,098		£2,600,999
		B	290	290	-	-	-	5	£85,253,763	£5,572,930		£1,587,027
UC23 – East Walk/ Southernhay	10%	A	126	113	4	9	-	5	£28,710,266	£2,171,375	£149,030	£168,578
		B	188	169	6	13	-	8	£43,091,213	£3,247,673		(£4,272,247)
	0%	A	126	126	-	-	-	5	£30,351,648	2,412,639		£913,529
		B	188	188	-	-	-	8	£45,460,764	£3,612,796		(£3,118,497)

Key factors affecting viability of Scenario 2:

- The reduction in affordable housing from a policy compliant position to 10% affordable housing sees the number of positive RLVs increase from 1 to 7.
- The majority of these positive RLVs are on the “Scenario A” designs. The lower build costs resulting from these designs being lower density means the negative residual land values are not as large in the baseline scenario, and thus the increase in income associated with increasing the number of private sale units is significant enough to generate a positive land value.
- It is important to note that – whilst in some instances the RLV is positive – the development proposal does not in all instances exceed the BLV of the site and as such is not viable from a planning perspective.
- Only 1 additional site achieves a positive RLV once all affordable housing is removed; most of the benefit is to be found on the sites that became positive at 10%.

Scenario 3: Altered Affordable Housing Levels & Reduced S106

Site Name & Reference	Affordable Housing Levels	Scenario	Site Capacity by Residential Units				Commercial Floor Area (GIA)	Max Building Storeys	Gross Development Value	S106	Benchmark Land Value	Residual Land Value
			Total	M	I	S						
UC02 – Church Walk House	10%	A	53	48	2	3		8	£12,160,973	£645,554	£89,265	(£654,038)
		B	88	80	2	6		11	£19,982,659	£968,537		(£616,017)
	0%	A	53	53	-	-		8	£12,770,604	£717,282		(£328,309)
		B	80	80	-	-		11	£19,155,906	£1,076,152		(£242,826)
UC03 – M&S/ Town Centre North	10%	A	274	247	8	19		8	£62,650,373	£3,336,071	£691,338	(£3,715,101)
		B	413	371	13	29		11	£93,975,502	£4,997,203		(£3,919,829)
	0%	A	275	275	-	-		8	£65,791,649	£3,685,821		(£1,801,960)
		B	411	411	-	-		11	£98,687,473	£5,542,183		(£1,034,232)
UC04 – Post Office Element Only (Green)	10%	A	28	25	1	2		5	£6,455,688	£336,298	£33,600	£562,286
		B	42	38	1	3		8	£9,683,262	£511,172		(£137,944)
	0%	A	28	28	-	-		5	£6,779,311	£376,653		£735,271
		B	42	42	-	-		8	£10,168,967	£564,980		£122,036
UC05 – Car Park 2/ Southernhay	10%	A	281	252	9	20		5	£64,017,794	£3,383,879	£916,538	£3,374,538
		B	422	379	13	30		8	£96,026,520	£5,084,818		(£5,541,824)
	0%	A	281	281	-	-		5	£67,277,295	£3,779,984		£4,995,822
		B	420	420	-	-		8	£100,841,106	£5,663,250		(£3,143,452)
UC06 – Former Toys 'R' Us	10%	A	117	105	4	8		5	£26,494,764	£1,398,998	£605,594	(£1,471,242)
		B	173	156	5	12		7	£39,742,170	£2,111,948		(£5,031,591)
	0%	A	116	116	-	-		5	£27,823,122	£1,560,420		(£790,476)
		B	174	174	-	-		7	£41,734,520	£2,340,631		(£4,039,290)

UC07 – Eastgate	10%	A	950	854	29	67	225,070 sqft retail	8	£253,305,101	£11,474,471	£3,196,621	(£16,912,119)
		B	1,424	1,281	43	100	250,078 sqft retail	11	£367,005,841	£17,231,884		(£28,230,719)
	0%	A	949	949	-	-	225,070 sqft retail	8	£264,153,862	£12,779,305		(£10,136,768)
		B	1,422	1,422	-	-	250,078 sqft retail	11	£383,278,493	£19,128,602		£18,137,449
UC09 – Gateway Site	10%	A	-					6			£449,794	
		B	-					8				
	0%	A	-					6				
		B	-					8				
UC10 – Market Square	10%	A	210	189	6	15	60,867 sqft retail	6	£59,472,304	£2,542,409	£504,660	(£5,601,131)
		B	315	284	9	22	67,630 sqft retail	9	£85,000,502	£3,820,340		(£8,645,321)
	0%	A	210	210	-	-	60,867 sqft retail	6	£62,143,100	£2,824,899		(£3,596,710)
		B	315	315	-	-	67,630 sqft retail	9	£88,977,032	£4,237,349		(£6,052,711)
UC15 – Car Park 13	10%	A	111	99	3	9	-	3	£30,922,182	£1,318,286	£1,125,909	£1,991,359
		B	163	147	5	11	-	5	£45,862,868	£1,977,429		£2,264,132
	0%	A	111	111	-	-	-	3	£33,457,463	£1,507,804		£3,009,158
		B	163	163	-	-	-	5	£48,261,650	£2,192,660		£3,544,348
UC17 – Car Park 12	10%	A	140	126	4	10	-	5	£31,977,734	£1,694,939	£509,274	£1,459,429
		B	210	189	6	15	-	7	£48,045,160	£2,542,409		(£2,963,268)
	0%	A	140	140	-	-	-	5	£33,742,039	£1,883,266		£2,337,200
		B	210	210	-	-	-	7	£50,787,823	£2,824,899		(£1,667,678)
UC19 – Car Park 11	10%	A	186	167	6	13	-	7	£44,904,217	£2,246,467	£784,335	(£2,580,421)
		B	256	229	8	19	-	7	£62,494,266	£3,080,485		(£4,514,662)
	0%	A	186	186	-	-	-	7	£47,385,891	£2,502,053		(£1,308,746)
		B	256	256	-	-	-	7	£66,206,364	£3,443,686		(£2,769,270)
UC22 – Car Park 14	10%	A	194	175	8	11	-	3	£54,006,272	£2,354,083	£2,091,575	£2,811,530
		B	290	260	9	21	-	5	£80,615,166	£3,497,494		£1,537,642

	0%	A	194	194	-	-	-	3	£56,747,929	£2,609,669		£3,614,544
		B	290	290	-	-	-	5	£85,253,763	£3,901,051		£3,082,109
UC23 – East Walk/ Southernhay	10%	A	126	113	4	9	-	5	£28,710,266	£1,519,962	£149,030	£758,896
		B	188	169	6	13	-	8	£43,091,213	£2,273,371		(£3,297,960)
	0%	A	126	126	-	-	-	5	£30,351,648	£1,688,847		£1,569,440
		B	188	188	-	-	-	8	£45,460,764	£2,528,957		(£2,104,655)

Key Factors Affecting the Viability of Scenario 3

- This “dual lever” approach does result in additional positive RLVs compared with Scenario 2 – 8 sites have a positive RLV at 10%, and 10 at 0%, however the majority of the uplift is felt by schemes that are already in a positive RLV position at Scenario 2. As highlighted above, this approach could potentially result in the less viable schemes still not being brought forward as these approaches are not sufficient to deliver a scheme.
- As with the other scenarios, the majority of the sites where a positive RLV has been achieved is designs with 5 storeys or fewer.
- Only one design with height above 5 storeys has achieved a positive RLV position – UC04, where costs associated with demolition are lower due to it being a cleared site, and the small number of units being delivered results in lower finance costs.

Scenario 4: Long Term Value Increase

UC19 – Car Park 11: Value Increase (Long Term Site)	A	186	129	17	40	-	7	£47,855,397	£2,478,993	£784,335	(£249,995)
	B	256	176	24	56	-	7	£66,279,165	£3,382,192		(£1,251,438)

UC19 is identified as a Medium-Long Term site in the We Made That study. Achieving a positive RLV is challenging under current conditions under all scenarios. However, in this scenario we have assumed that as a medium - long term site the site benefits from an uplift in values (20% on private sales values) building for example on the regeneration initiatives underway in the town centre at present. Under this scenario the site does get close to a break even RLV position in the less dense Scenario A. Whilst we have not tested this site at reduced levels of affordable housing in addition to the long term sales increase modelled in Scenario 4, the RLV of Scenario 4 indicates that reaching a viable position could be possible in the future with a combination of long term value uplift and policy levers.

This therefore suggests that, in the future, some of the more challenging sites in the town centre could be deliverable given the correct market conditions. As such, one can conclude that an important step in the long term future of Basildon town centre will be the selection of appropriate sites to bring forward in the short term – potentially using policy levers or government funding where available – that are both on the cusp of being viable but also capable of delivering a regenerative effect within the town centre that incentivises development longer term.

Scenario 5: Build to Rent

UC10 – Market Square: Build to Rent	A	210	168	12	19	60,867 sqft retail	6	£73,189,695	£2,259,919	£504,660	£11,594,949
	B	315	252	19	44	67,630 sqft retail	9	£104,540,204	£3,389,879		£16,011,389

For the Build to Rent modelling, we have adopted a rent of £23 psf for the private units, capitalised at 4.25%, and with a reduced profit rate of 15%. 20% affordable housing has been adopted for this scenario in line with the viability advice within the Basildon Local Plan Viability Study Update (November 2020). All other assumptions have been retained from our market sale appraisals, including intermediate and social rent income assumptions at £250 and £154 psf respectively.

It is important to note that these assumptions around BTR are at a very high level; we have not undertaken detailed market research in order to reach an income figure, instead relying on more general market views from our internal Build to Rent team without the benefit of insight regarding either the design or the micro-location of the development site. It is also notable that we have not changed our approach to costs, and the design of the scheme has not been altered to reflect the different end use. Furthermore, whilst we have sought to sense check these assumptions, business models and the modelling methodology employed to deliver and test BTR

typically vary significantly depending on the developer, and as such any methodology adopted to assess the viability of BTR in Basildon Town Centre will inevitably differ from the approach we have employed within this document.

The increased viability associated with BTR in place of market sale is predominantly a result of three major factors. Firstly, the effective capital value psf of the private sale units increases from £385 psf on the private sale, up to £541 psf on the build to rent, with no associated increase in costs or decrease in the efficiency of the block designs. Secondly, the reduction to 20% affordable housing alongside this significant jump in income from private units means the increase in value is realised across more of the units being delivered than if it was a policy compliant private sale scheme. Thirdly, the finance costs are reduced significantly compared with a similarly sized private sale scheme as there is no conventional “sales period” across which the income is staggered.

Whilst these figures are generally more positive than the market sales assumptions, this is not a universal delivery model that will be able to work throughout the town centre, and the appraisal outputs should be read with this in mind, and with the understanding that this delivery model will be very unlikely to work as a panacea that is capable of creating viable sites where market sale fails to.

Conclusion

Several conclusions can be drawn from this workstream that may inform future decision making regarding development in Basildon town centre. It is important to reiterate at this stage that the modelling and design work has been undertaken at a very high level, and therefore they should be approached with caution. These conclusions include:

- Viability is challenging to achieve at the sales values currently being reached within the town centre.
- This means that examining other ways in which the RLV can potentially be increased will be key to unlocking future delivery of homes – and other complementary uses – within the town centre. Promisingly, our testing has shown that there are a number of potential levers that may be effective in increasing the viability of development in the town centre, including but not limited to affordable housing reduction or alternative delivery models for residential.
- Beyond the methods tested for their efficacy in increasing RLVs in this report, as more detailed modelling exercises are undertaken, considerations such as efficiency of scheme design to value engineer schemes and achieve the optimal balance between costs and values, different financing and delivery models, and approaches to funding can be examined in more depth. Additionally, examining the site by site development phasing schedule strategically to allocate sites for certain uses and development timeframes depending on how they will likely impact the wider town centre positively in practice may not just improve the viability of individual sites, but have a positive effect on the town centre as a whole.
- Furthermore, it is important to note that whilst none of the sites tested are viable in a conventional planning sense, several are still achieving positive RLVs with only small adjustments to the appraisal inputs. A more bespoke BLV exercise than the one undertaken in this report will likely change the benchmark above which these sites need to reach to demonstrate viability, providing a further option for Basildon Borough Council to utilise while testing viability in the future.

