

Our Ref: ROY525-1488306
Your Ref: Oluremi Aremu

6 January 2023

Oluremi Aremu
Coventry City Council
Head of Legal and Procurement Services
Legal Services
Council House
Coventry
CV1 5RR

By email only

Dear Oluremi

**The Council of the City of Coventry (City Centre South) Compulsory Purchase Order 2022
The Royal London Mutual Insurance Society Ltd ("Royal London")**

Royal London has repeatedly requested from Coventry City Council (the Acquiring Authority) information in relation to the viability and funding of the Scheme (development permitted by planning permission OUT/2020/2876, or development permitted pursuant to planning application S73/2022/3160). The original request was made through a freedom of information request dated 19 May 2022 followed by a review of the response to that request dated 10 August 2022. Prior to the pre-inquiry meeting a further, detailed request (by way of a letter dated 17 November 2022) was made for the information required to enable Royal London to prepare and present its evidence. Further information concerning viability and funding of the CPO scheme was requested by way of two letters dated 13 December 2022 and 15 December 2022 respectively.

The information has not yet been provided by the Acquiring Authority. We refer to your letter dated 22 December 2022 which stated that the requested information would be provided with proofs of evidence but despite the latter having been provided, we still do not have the requested information.

The requested information has been referred to and relied upon in the various proofs of evidence submitted by the Acquiring Authority. The lack of information provided which the Acquiring Authority are relying on has a direct impact on Royal London's submissions. By way of this letter, we now make a further request for the information listed at Schedule 1 to this letter.

We would reiterate the point made in previous correspondence that should the requested information not be forthcoming, Royal London will make an application to the Inspector for an order under Section 250(2) of the Local Government Act 1972 - that the Acquiring Authority disclose the information at or

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before the inquiry. Such an order would be by way of summons and any deliberate failure to comply with its terms attracts criminal sanctions.

Yours sincerely

DAC Beachcroft LLP

DAC Beachcroft LLP

Schedule 1 – Information List

No	Information	Documents	Reference in Proof of Evidence (Name of person, paragraph number)
1	Arrangements between the Council and Shearer	Memorandum of Information dated 6 th November 2015	Morton, 3.3
		June 2017 Heads of Terms	Morton, 3.6
		Development Agreement dated 21 st March 2019 including any form of headlease proposed and to be appended to the Development Agreement and any other annexures and appendices	Morton, 3.9 Parker, 2.7 Markwell, 1.12 and 6.2
		Shearer's request to approve Hill as funder dated 22 nd February 2022	Morton, 3.15 Fancy, 4.5
		Council's written confirmation of Hill as approved funder dated 3 rd March 2022	Morton, 3.16 Fancy, 4.5
		Viability Gap Funding Request dated 26 th October 2022	Parker, 6.3 Morton, 8.8
		Private Papers reported to the Cabinet dated 15 th November 2022	
		Letter from Andy Hill to the Coventry City Council Dated 11 th November 2022	Morton, 8.25(a)
		Draft variations to the development agreement	Fancy, 5.4 and 7.8
2	Arrangements between Hill and Shearer	Share Sale and Purchase Agreement including milestones	Parker, 3.3 Morton, 3.16
		Joint Venture Agreement between Hill and Shearer	Fancy, 4.6
		Business Plan dated 18 th March 2022	Parker, 3.4 Fancy, 4.8
		Heads of Terms for the funding agreement approved on 14 th June 2022	Parker, 4.1
		Funding agreement between Hill and Shearer	Morton, 5.2
		The deed to be executed by the approved funder	Morton, 8.25(b)

		The deed to be executed by the approved funder	Morton, 8.25(c)
		Board resolutions passed by Shearer and Hill that state that if profit on cost is under 16.5% under the Development Agreement that they will proceed (and any other associated board resolutions)	
3	Information Supplied to Shearer	Proposals submitted to Shearer by Registered Providers	Morton, 8.19(d)
4	Hill's funding arrangements	List of projects which the £100,000,000 is forward fund (including the funding requirements for each project)	Parker, 2.2 Fancy, 3.5
		Extent of 'headroom' on £220,000,000 revolving credit facility	Parker, 2.8 Fancy, 3.7
5	Public Funding arrangements	Full Business Case	Morton, 1.6(c)
		Grant Agreement dated 8 th February 2018	Parker, 5.1 Morton, 7.1 Markwell, 6.3
		The Change Request made by Coventry City Council	Parker, 5.2 Morton, 7.5
		Updated business case to support the Change Request	Morton, 7.6
		WMCA Investment Board dated 17 th October 2022 papers	Morton – footnote 10 link but note too this is also referenced in Item 12 of the Public Agenda Pack relating to Coventry City Centre South to which the pages are blank and marked 'restricted'
		Coventry City Council Cabinet meeting dated 15 th November 2022 – documents referred to: 1. Viability Review Report 2. Draft Heads of Terms for Variations to the City Centre South Development Agreement	
		The grant agreement as amended	Morton, 7.8

		Full details of the grant funding from Homes England	Parker, 7.10
6	Council Cabinet Meeting dated 15 th November 2022	<p>Public reports pack page 121</p> <p>The following appendices are attached in the private element of this report:</p> <ol style="list-style-type: none"> 1. Viability Review Report 2. Draft Heads of Terms for Variations to the City Centre South Development Agreement 	
7	Other	Property Market Information Service (PROMIS) report produced by PMA LLP	Markwell, 3.23 and 3.24
		CACI's Report, 'Understanding the Future Potential of City Centre South (2022)'	Markwell, 3.4
		THG Build Budget dated 25 th October 2022	Morton, 8.5 (reference is within Appendix AM2 referred to within this paragraph)

Coventry City Centre South
Coventry Section 73 Scheme
Mr Morton Phased Replica

Development Appraisal
Gerald Eve LLP
11 January 2023

APPRAISAL SUMMARY**GERALD EVE LLP****Coventry City Centre South
Coventry Section 73 Scheme
Mr Morton Phased Replica**

Appraisal Summary for Merged Phases 1 2 3 4 5 6 7

Currency in £

REVENUE

Sales Valuation	Units	ft²	Sales Rate ft²	Unit Price	Gross Sales
Phase A1 - BTR	245	162,796	345.41	229,516	56,231,366
Phase A1 - Retail, Leisure and Medical Centre Uses	1	9,400	249.82	2,348,308	2,348,308
Phase A2 - BTR	244	162,131	345.41	229,515	56,001,669
Phase A2 - Retail, Leisure and Medical Centre Uses	1	9,400	249.82	2,348,308	2,348,308
Phase B - Residential - Private	369	270,569	368.00	269,836	99,569,392
Phase B - Residential - Affordable	156	113,638	285.83	208,212	32,481,150
Phase B - Retail, Leisure and Medical Centre Uses	1	37,602	249.82	9,393,732	9,393,732
Phase C - Residential - Private	131	96,056	368.00	269,837	35,348,608
Phase C - Residential - Affordable	55	40,065	285.83	208,214	11,451,779
Phase C - Retail, Leisure and Medical Centre Uses	1	18,800	249.82	4,696,616	4,696,616
Block E - Retail, Leisure and Medical Centre Uses	1	6,267	249.82	1,565,622	1,565,622
Phase D - Residential - Private	211	154,716	368.00	269,836	56,935,488
Phase D - Residential - Affordable	89	64,832	285.83	208,213	18,530,931
Phase D - Retail, Leisure and Medical Centre Uses	1	43,868	249.82	10,959,104	10,959,104
Totals	1,506	1,190,140			397,862,071

Additional Revenue

Grant - Demolition	15,937,022
Grant CCC Contribution	32,750,000
Grant - WMCA Phase 1	12,452,084
Grant - PCE Savings	5,755,568
Grant - WMCA Phase 2	4,922,917
	71,817,591

NET REALISATION**469,679,662****OUTLAY****CONSTRUCTION COSTS**

Construction	ft²	Build Rate ft²	Cost
Phase A1 - BTR	220,668	259.48	57,258,933
Phase A1 - Retail, Leisure and Medical Centre Uses	9,400	259.48	2,439,112
Phase A2 - BTR	219,768	259.48	57,025,401
Phase A2 - Retail, Leisure and Medical Centre Uses	9,400	259.48	2,439,112
Phase B - Residential - Private	368,515	259.48	95,622,272
Phase B - Residential - Affordable	154,775	259.48	40,161,017
Phase B - Retail, Leisure and Medical Centre Uses	37,602	259.48	9,756,967
Phase C - Residential - Private	130,828	259.48	33,947,249
Phase C - Residential - Affordable	54,568	259.48	14,159,305
Phase C - Retail, Leisure and Medical Centre Uses	18,800	259.48	4,878,224
Block E - Retail, Leisure and Medical Centre Uses	6,267	259.48	1,626,161
Phase D - Residential - Private	210,723	259.48	54,678,404
Phase D - Residential - Affordable	88,301	259.48	22,912,343
Phase D - Retail, Leisure and Medical Centre Uses	43,868	259.48	11,382,869
Totals	1,573,483 ft²		408,287,369

408,287,369

PROFESSIONAL FEES

Legal and Monitoring Costs	941,564
Planning and Design Fees	4,180,952
	5,122,516

MARKETING & LETTING

Marketing	1,122,341
	1,122,341

DISPOSAL FEES

Sales Agent Fee	1.25%	2,398,169
Sales Legal Fee	711 un 600.00 /un	426,600
		2,824,769

TOTAL COSTS BEFORE FINANCE**417,356,994****FINANCE**

Debit Rate 7.000%, Credit Rate 0.000% (Nominal)	
Total Finance Cost	52,969,738

TOTAL COSTS**470,326,732****PROFIT****-647,070****Performance Measures**

Profit on Cost%	-0.14%
Profit on GDV%	-0.16%
Profit on NDV%	-0.16%

Coventry City Centre South
Coventry Section 73 Scheme
Mr Morton Phased Replica

IRR% (without Interest)

6.77%

Country Economic Forecast | UK

Fallout from mini-Budget set to ignite recession

- We expect UK GDP to fall by 0.5% in 2023, down from 0.2% growth previously, as the negative market reaction to the mini-Budget causes a more severe squeeze on household incomes, a correction in house prices, and leads the government to choose renewed austerity. Bank Rate is now forecast to peak at 4% in early-2023 and remain at that level for more than a year.
- New Chancellor Kwasi Kwarteng presented a [mini-Budget](#) on September 23, unveiling tax cuts worth 1.5% of GDP. He said these measures, alongside supply-side reforms, would generate much stronger GDP growth over the medium term. But we don't see this argument as credible, a view echoed by financial markets, with the fiscal event being followed by a [major sell-off of UK assets](#).
- We think the government will struggle to regain its lost credibility, so the tightening in financial conditions is unlikely to reverse any time soon. This will have serious ramifications for the economy. The BoE is likely to tighten monetary policy more aggressively, with Bank Rate now forecast to reach 4% in early 2023. The rise in swap rates has significantly increased quoted mortgage interest rates and – based on the affordability of mortgage repayments – we estimate that [house prices are now 37% overvalued](#). The high share of fixed-rate mortgages will mean most homeowners have some time to adapt, limiting the number of forced sales, but we think house prices will fall by 13% over the next two years. The negative wealth effects of this correction, in addition to the drag on household spending power from higher debt-servicing costs and the inflationary consequences of a weaker pound, will deepen the consumer downturn.
- The annual Blue Book revisions revealed the ONS judged there was a steeper fall in GDP in 2020 (-11% instead of -9.3%). Though the subsequent recovery was stronger than previously thought – which explains the upgrade to our 2022 forecast for GDP growth to 4.5% from 3.5% – GDP is now estimated to have been 0.2% short of pre-pandemic levels in Q2 2022, not 0.6% above.

Table 1: UK forecast overview

(Annual percentage changes unless specified)						
	2020	2021	2022	2023	2024	2025
GDP	-11.0	7.5	4.5	-0.5	1.8	2.7
Private consumption	-12.9	6.2	4.9	-0.7	2.6	3.2
Fixed investment	-10.5	5.6	5.4	0.2	0.8	3.5
Government consumption	-7.3	12.6	1.4	3.0	1.1	0.8
Exports of goods and services	-12.1	-0.3	6.8	4.7	3.6	3.0
Imports of goods and services	-16.0	2.8	14.0	0.2	2.7	3.1
Industrial Production	1.3	7.4	-2.0	-1.1	0.8	1.6
Consumer prices	0.9	2.6	8.9	6.0	2.2	1.7
Unemployment rate (%)	4.6	4.5	3.8	4.6	4.5	4.1
Current a/c balance (% of GDP)	-3.1	-2.0	-5.6	-4.1	-3.4	-3.1
Government balance (% of GDP)	13.1	7.4	5.5	9.3	6.7	4.0
Cen. bank policy rate (% EOP)	0.10	0.25	3.75	4.00	3.50	2.50
10yr govt. bond yield (% EOP)	0.20	0.97	4.50	4.16	3.58	2.70
Exchange rate (US\$ per £, EOP)	1.36	1.35	1.10	1.12	1.16	1.21
Exchange rate (euro per £, EOP)	1.11	1.19	1.12	1.12	1.12	1.12

Source: Oxford Economics

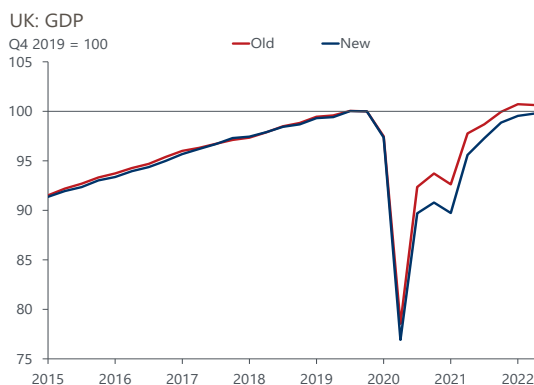
Fallout from mini-Budget set to ignite recession

Forecast overview

Recent developments

The Quarterly National Accounts for Q2 included the annual Blue Book revisions, with methodological improvements introduced and 2020 put through the Supply and Use Tables (SUTs) framework for the first time. The ONS judged that the fall in GDP in 2020 – the first year of the pandemic – was much larger (-11%) than previously thought (-9.3%), due to a deeper downturn in the services sector. The subsequent recovery is now thought to have been stronger, which accounts for the upward revision to our forecast for GDP growth in 2022 to 4.5% from 3.5% last month. However, GDP is now estimated to have been 0.2% short of pre-pandemic levels in Q2 2022, not 0.6% above (**Chart 1**).

Chart 1: The UK's performance since the start of the pandemic now looks much weaker



Source: Haver Analytics

Short-term outlook

The ONS now estimates that GDP rose 0.2% q/q in Q2 2022, rather than fell 0.1%. But monthly data points to a loss of momentum and with September having had an extra bank holiday for the state funeral of Queen Elizabeth II, we think that GDP likely fell in Q3.

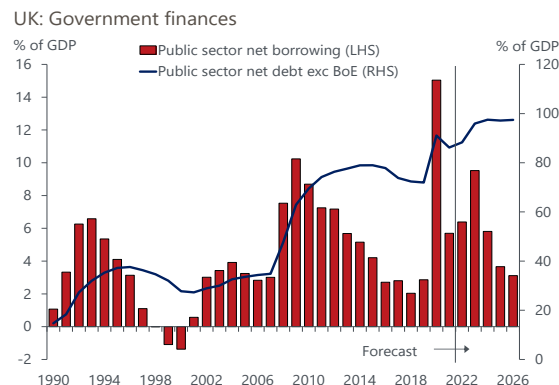
We now expect GDP to fall by 0.5% in 2023, down from 0.2% growth expected last month. The large downgrade reflects the consequences of the very negative market reaction to last month's mini-Budget. Though fiscal policy will be slightly looser than expected (our September forecast already accounted for the bulk of the measures), any benefit will be more than offset

by the impact of tighter financial conditions, with the consumer sector and the housing market looking particularly vulnerable. We also assume that the Chancellor will announce renewed austerity measures to try to bolster market confidence in its fiscal plans.

Key drivers of our short-term forecast

Tax cuts likely to prove ineffective and force spending cuts. The Chancellor unveiled tax cuts worth 1.5% of GDP in his [mini-Budget](#). Given they were key priorities of new Prime Minister Liz Truss, we'd already incorporated the abolition of the health and social care levy and the decision not to increase the headline rate of corporation tax into our September forecast. These measures, plus the extra cuts, are likely to offer only modest support to demand while having a marked negative impact on the fiscal arithmetic. We assume the Chancellor will opt to cut current and capital spending when he presents his Medium-Term Fiscal Plan on October 31, enabling the OBR to judge that the public sector net debt ratio will stabilise within five years (**Chart 2**).

Chart 2: We assume the government will cut current and capital spending to stabilise debt

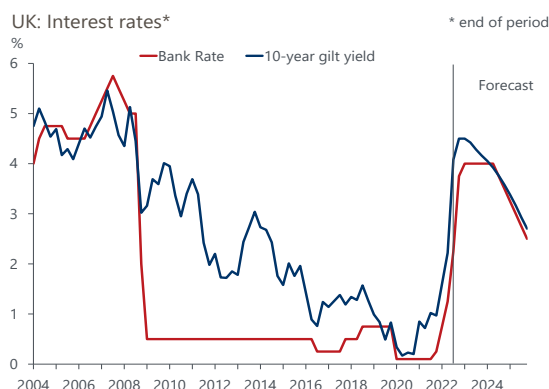


Sources: Oxford Economics/Haver Analytics

Tighter monetary policy. The BoE increased Bank Rate by 50bps to 2.25% at the September MPC meeting and warned that looser fiscal policy would be met by a more aggressive monetary policy response. Following the mini-Budget, market pricing implies that Bank Rate will reach 5.75% by mid-2023. While we think this is far too high, we now see the policy rate peaking at 4% in February – 100bps higher than our previous forecast – with subsequent rate cuts postponed until 2024 (**Chart 3**).

Fallout from mini-Budget set to ignite recession

Chart 3: We now expect Bank Rate to peak at 4% in early 2023

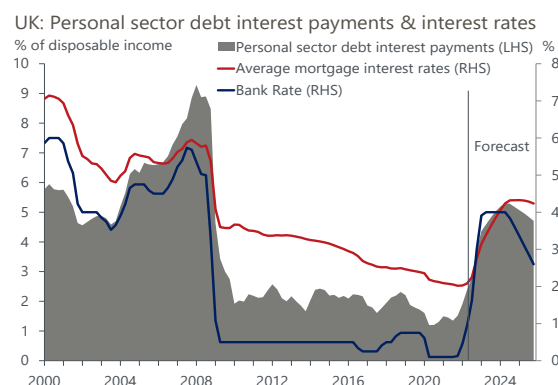


Sources: Oxford Economics/Haver Analytics

Marked rise in mortgage costs. The mini-Budget triggered a re-pricing of UK assets. In early October, two- and five-year swap rates were 130bps and 150bps, respectively, higher than their mid-September levels. This is translating into much higher quoted mortgage interest rates to the extent that – based on the affordability of mortgage repayments – we estimate that [house prices are now 37% overvalued](#).

Housing transactions are likely to fall sharply in the short term. We also expect house prices to correct, though the high share of fixed-rate mortgages should limit the extent of forced sales and, therefore, the fall in prices. Still, negative wealth effects will weigh on consumer confidence, and higher mortgage interest payments will add to the squeeze on household spending power. We expect debt interest payments to average 5.2% of household income in 2024, the highest share since 2008 (**Chart 4**).

Chart 4: Households face a marked increase in debt-servicing costs

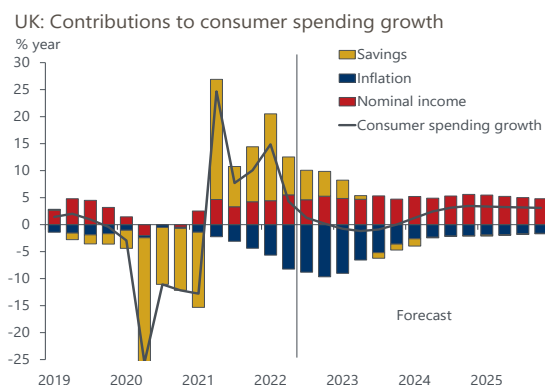


Sources: Oxford Economics/Haver Analytics

Consumers will endure a severe squeeze on their spending power. The likely sharp increase in mortgage costs comes on top of the squeeze that consumers already face from high inflation. We expect the CPI measure to peak at around 10.5% in October. The subsequent decline in inflation looks likely to be more gradual than we previously expected given the recent downward pressure on sterling. The combination of a strong US dollar and the negative market reaction to the mini-Budget means we now expect the \$/£ exchange rate to remain at \$1.10 over the next few quarters and then recover only very slowly. Relative to our September forecast, this means sterling is around 5% weaker on a trade-weighted basis, which will add just over 1ppt to the level of prices over three years.

We now expect real household income to fall by nearly 5% between the Q2 2021 peak and its forecast trough in Q1 2023. There's some scope for households to cushion the blow by taking on new credit and spending a portion of the excess savings they accumulated during the coronavirus pandemic in 2020-2021. But that scope looks fairly limited given that the household saving ratio is already relatively low, and that many mortgagors facing a steep rise in their debt servicing costs are likely to save more in an attempt to better absorb the higher payments. We expect consumer spending to fall throughout H2 2022 and H1 2023 (**Chart 5**).

Chart 5: A severe squeeze on real household incomes will cause spending to fall



Sources: Oxford Economics, Haver Analytics

Fallout from mini-Budget set to ignite recession

Economic risk

Economic risk evaluation

Overall risk for UK: 3.1/10*

The UK's overall economic risk score of 3.1 is relatively low, ranking 19th of the 164 countries in our survey. But it's a bit above the Western European average of 3 (**Chart 6**). The risk score is higher than six months ago due to higher scores for exchange rate and sovereign credit risk.

GDP fell by 11% in 2020, making the UK one of the worst performers among the advanced economies, and this followed several years of underperformance. However, a strong consumer-led recovery took hold in 2021 as social-distancing restrictions were lifted. Although the legacy of Brexit will weigh on medium-term growth prospects, the impact should be mitigated by the UK's more favourable demographic profile than most other Western European economies and by its strength in faster-growing areas of private services.

Market demand: 2/10

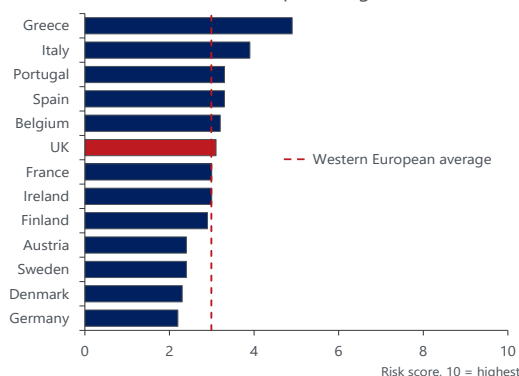
The market demand risk score remains low at 2, below the Western European average of 3.3.

Over the medium term, the UK's favourable demographics mean it should achieve firmer

rates of economic growth than many other Western European economies, while its sectoral profile is also supportive.

Chart 6: The UK's risk score is just above the Western European average

Economic risk: UK vs Western Europe average



Source: Oxford Economics

Market cost: 3/10

The market cost risk score is 3, slightly above the Western European average of 2.8.

CPI inflation averaged just 1.8% a year from 2012-2021, below the BoE's target of 2%. Though inflation is likely to remain very high in the near term, we expect this to prove temporary given the pandemic is unlikely to have dislodged the long-term structural factors that have kept inflation low over the past two decades.

Table 2: Economic Risk Index

	Oct 2022 (Scores from 1 to 10 with 10 = highest risk)	Score change from April	Rank out of 164 (1= lowest)
Overall	3.1	0.2	19
Market demand	2.0	0.0	2
Market cost	3.0	0.0	13
Exchange rate	3.8	0.6	59
Sovereign credit	3.8	0.7	33
Trade credit	3.0	0.0	12

Source: Oxford Economics

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Exchange rate: 3.8/10

Under our methodology, the UK's exchange rate risk score is 3.8, up from 3.2 six months ago and above the Western European average of 2.3.

Sterling depreciated sharply in the aftermath of the UK's decision to leave the EU in 2016, reflecting investors' perception that Brexit has damaged prospects for economic growth over the medium term. The pound then fell sharply again against the US dollar in H1 2022 due to heightened uncertainty caused by Russia's invasion of Ukraine and the Fed's hawkish shift.

More recently, September's mini-Budget triggered substantial volatility in sterling and other asset prices. We attribute this to market concerns about the credibility of the government's medium-term fiscal plans, and we think the government will struggle to regain this lost credibility in the near term. So, though we estimate sterling is currently heavily undervalued against the dollar, any recovery is likely to be gradual.

Sovereign credit: 3.8/10

The UK's sovereign credit score of 3.8 based on our data-driven methodology is higher than six months ago (3.1), and above the Western European average (3.5).

The mini-Budget in late-September unveiled tax cuts worth 1.5% of GDP. Though the government argued these tax cuts, along with planned supply-side reforms, would boost the UK's long-term growth prospects, we think the impact will be very modest. And unless the government offsets these measures with spending cuts or other tax rises, the tax cuts will put the public sector net debt-to-GDP ratio on an upward trend. In response to the mini-Budget, Fitch and S&P have revised the UK's outlook from stable to negative.

Trade credit: 3/10

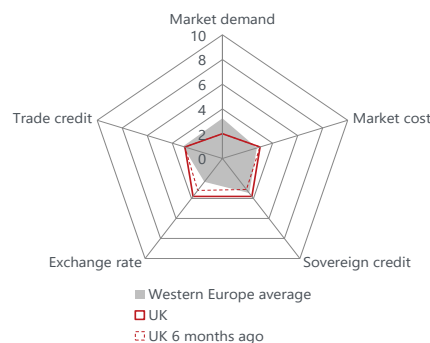
The trade credit risk – a measure of private sector repayment risk – score of 3 is slightly below the Western European average of 3.2.

We expect trade credit risk to remain relatively low. UK companies have deleveraged significantly

since the global financial crisis, and large companies are in particularly good financial health.

Chart 7: UK scores comparatively badly on FX and sovereign credit risk

Economic risk: UK vs Western Europe average



Source: Oxford Economics

* Risk scores are from 1 to 10, with 10 representing the highest risk. For our full country risk service, see <http://www.risk-evaluator.com/>. Sovereign credit risk comes from our sovereign risk tool and foreign exchange risk comes from our FX tool. [Find out more.](#)

Risk warnings

Chart 8: Risk levels are generally low

Risk warnings		
GDP growth	●	Covid recession set to leave limited permanent scarring
CPI inflation	●	Recent inflation spike largely due to global factors
Current account balance	●	Strong services exports to offset wide visible deficit
Government balance	●	Government places high value on achieving low deficits
Government debt	●	Tax cuts set to keep debt ratio high in the medium-term
External debt	●	Debt levels have been reduced since financial crisis

Source: Oxford Economics

What to watch out for

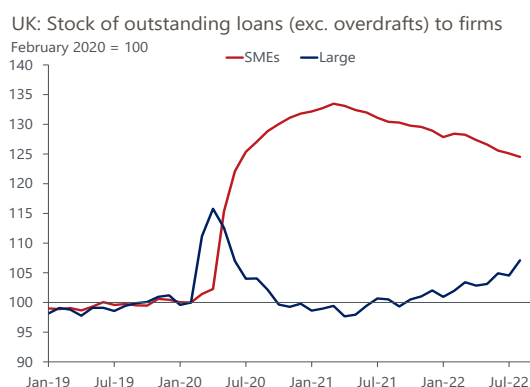
Market volatility in response to government policy. Asset prices have been incredibly volatile since the mini-Budget in September. The Medium-Term Fiscal Plan on October 31 gives the government a chance to begin to rebuild its credibility. Given its determination to press ahead with tax cuts, it will need to present credible plans for cutting government spending to satisfy markets. But we're sceptical that it will be able to

Fallout from mini-Budget set to ignite recession

present spending cuts that are both large enough and credible, and there's a high risk that UK assets sell off again in response. Such a sell-off could materially worsen financial conditions, adding to the [problems in the housing market](#).

Rising corporate insolvencies. Government support schemes helped to cushion businesses from the financial blow of the pandemic. But much of the support came in the form of loans, and the stock of outstanding loans to SMEs is 25% higher than before the pandemic (**Chart 9**). Though the interest rate on loans through the state-backed scheme is fixed, firms will have to cope with a sharp rise in debt-servicing costs on other borrowings.

Chart 9: SMEs took on a lot of new debt during the pandemic



Source: Bank of England

At the same time, firms face higher energy bills. The government has offered financial support for six months, with more targeted support beyond that. But if the scheme fails to get the money to firms quickly, there could be a sharp rise in company failures.

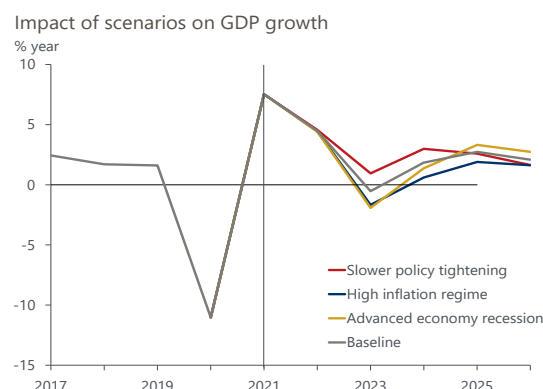
Trade war with the EU. The UK government has [presented a bill](#) that would unilaterally override large parts of the [Northern Ireland Protocol](#) agreed with the EU in 2020. The EU has retaliated by [restarting legal action](#), and there is a risk that the situation could escalate into a trade war between the UK and the EU. The importance of the EU as a destination for UK exports means such an outcome could be very damaging.

Exposure to key global risks

Slower policy tightening. In this scenario, price pressures fall amid easing supply-chain pressures

and less-than-expected commodity market disruption. Lower inflation prompts a slowing of monetary policy tightening. Household, business, and market sentiment improves, and global GDP is significantly stronger. UK GDP growth is 0.9ppts a year above our baseline forecast over the next three years (**Chart 10**).

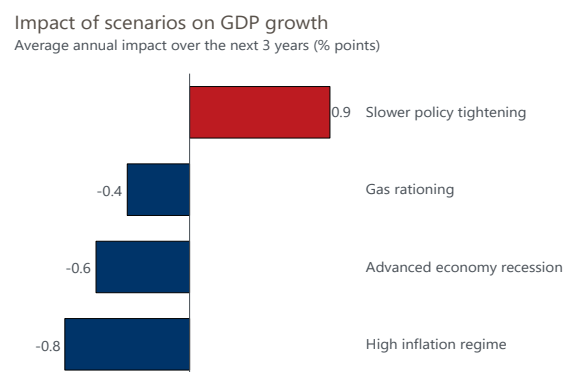
Chart 10: Persistently high inflation would be the most damaging scenario



Source: Oxford Economics

High inflation regime. In this scenario, inflation expectations become de-anchored from central bank targets and remain elevated for a prolonged period. Financial markets are rocked, with marked and persistent increases in market interest rates and declines in equities. Demand slows as real disposable incomes are squeezed, and world GDP is significantly weaker in the medium term. Over the next three years, UK GDP growth is 0.8ppts a year below our baseline forecast (**Chart 11**).

Chart 11: The risks are heavily skewed to the downside



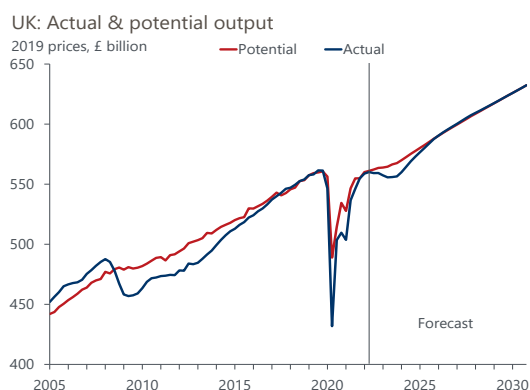
Source: Oxford Economics

Fallout from mini-Budget set to ignite recession

Long-term prospects

We expect potential output to grow by 1.9% a year between 2021-2030 (**Chart 12**). Though this is markedly faster than the 0.8% annual average achieved over the previous decade, that period was heavily distorted by the pandemic and the legacy of the global financial crisis. In a wider historical context, our forecast looks soft – between 1948 (when the GDP series began) and 2019, UK GDP growth averaged 2.5% a year.

Chart 12: Our UK GDP growth forecast is relatively soft compared with post-war history



Sources: Oxford Economics/Haver Analytics

The government led by new Prime Minister Liz Truss has set a target of boosting UK GDP growth back to 2.5% a year through a combination of tax cuts, deregulation, and other supply-side reforms. But the tax cuts it has announced are very unlikely to have much impact, and so far, it hasn't presented concrete plans on what supply-side reforms it will pursue. Three factors lead us to think growth will be much lower than 2.5% a year over the medium-term.

First, though the UK and EU have struck a basic free-trade agreement, the switch from EU membership to the new relationship introduced significant friction in UK-EU trade. This will result in some degree of trade destruction, limiting improvements in total factor productivity, and will reduce the attractiveness of the UK as a destination for FDI.

Second, the legacy of the coronavirus pandemic will exert a further drag, albeit much less than Brexit. Lower migration has meant weaker working-age population growth, while low levels of business investment have reduced the degree of capital deepening.

Third, demographics are a key influence on the outlook. The UK's demographic profile is much more favourable than that of most Western European economies. However, the dynamics for the coming decade are much shakier than the recent past when an expanding working-age population had been a key driver of potential output growth.

Between 2010 and 2020, the state pension age was raised from 60 to 66 for females and from 65 to 66 for males. By contrast, the state pension age is scheduled to rise by just one year (from 66 to 67) in the 2020s.

Alongside this, the new immigration regime put in place after the UK left the EU is likely to result in lower levels of immigration – a key source of workforce growth in recent years.

Table 3: Potential GDP and its components

Average Percentage Growth		
	2011-2020	2021-2030
Potential GDP*	0.8	1.9
Employment at NAIRU	0.8	0.5
Capital Stock	1.6	1.2
Total Factor Productivity	-0.3	1.1
* $\ln(\text{Potential GDP}) = 0.65 \ln(\text{Employment at NAIRU}) + 0.35 \ln(\text{Capital Stock}) + \ln(\text{Total Factor Productivity})$		

Source: Oxford Economics

Fallout from mini-Budget set to ignite recession

Table 4: Long-term forecast for the UK

(Average annual percentage change unless otherwise stated)				
	2010-2014	2015-2019	2020-2024	2025-2029
GDP	2.0	2.1	0.2	1.8
Consumption	1.9	2.4	-0.2	2.1
Investment	3.0	3.3	0.1	2.4
Government consumption	0.8	1.4	2.0	1.2
Exports of goods and services	3.1	3.8	0.3	1.9
Imports of goods and services	4.2	3.6	0.3	2.3
Unemployment (%)	7.6	4.5	4.4	3.8
Consumer prices, average	2.9	1.5	4.1	1.6
Current a/c balance (% of GDP)	-3.6	-4.2	-3.7	-3.2
Exchange rate (Trade-Weighted Index)	82.3	81.5	77.6	75.0
Government balance (% of GDP)	7.1	3.0	8.4	3.3
Short-term Interest Rates (%)	0.7	0.6	2.2	2.4
Long-term Interest Rates (%)	2.7	1.3	2.4	2.5
Working population	0.8	1.0	0.4	0.4
Labour supply	0.8	0.8	0.1	0.7
Participation ratio	81.7	81.4	79.5	80.7
Labour productivity	0.9	0.8	0.3	1.0

Source: Oxford Economics

Fallout from mini-Budget set to ignite recession

Background

Economic development

With the demise of heavy industry during the 20th century, the UK's economic prosperity suffered considerably and, by the early 1980s, the nation was known as the "sick man of Europe", with GDP per capita around 75% that of Germany and France and only 65% that of the US. But in the 1980s, under the leadership of Margaret Thatcher, most state-owned enterprises were privatised, paving the way for a more entrepreneurial and competitive economy. The UK was particularly badly hit by the global financial crisis in 2008-2009, with the economy enduring its deepest recession since World War II and the subsequent recovery being relatively weak. The UK also suffered one of the steepest falls in GDP in 2020 due to the Covid pandemic, although this was partly due to measurement differences.

Structure of the economy

On the output side, the services sector is the key driver of the economy and makes up nearly 80% of GDP. Financial services are particularly important to the UK economy, especially banking and insurance, with London being one of the world's largest financial centres. The UK has endured a long period of deindustrialisation and the contribution to total output from manufacturing has declined from 25% in the 1970s to 10% today. On the expenditure side, the economy is dominated by consumer spending, which accounts for more than 60% of GDP. The UK is a relatively open economy, with exports and imports accounting for around 30% of GDP.

Balance of payments and structure of trade

The UK has consistently run large current account deficits since the mid-1990s. This has typically been due to large visible deficits, though a slump in returns on its investments abroad since the global financial crisis meant the UK started to run deficits on primary income as well, causing the current account deficit to hit a record 5.3% of GDP in 2016. In contrast, the UK consistently achieves large surpluses on its services trade. Services account for a larger proportion of total exports in the UK (49%) than in most other economies. In 2020, 42% of UK exports went to EU countries, with a further 9% going elsewhere in Europe. The US is the UK's largest individual market, taking 21% of UK exports. The UK has struggled to penetrate emerging markets, with just 7% of its exports going to the BRIC economies.

Policy

The UK joined the European Economic Community (EEC) in 1973 (which was later incorporated into the new European Union in 1993) but resisted further integration by remaining outside the Economic and Monetary Union. In a referendum in June 2016, the UK voted by 52% to 48% to leave the EU. The nation formally left the bloc on 31 January 2020, and the UK and EU subsequently struck a free-trade agreement, allowing tariff- and quota-free trade for qualifying goods, which came into force on 1 January 2021.

The Bank of England has operational independence. Its Monetary Policy Committee – comprising the governor, four other senior bank officials, and four external economists – sets interest rates to meet the target set by the Chancellor of 2% CPI inflation.

Politics

The Conservative Party has been in power since 2010 but spent the first five of those years governing in a coalition with the Liberal Democrats. Between 2017-2019, the party relied on support from Northern Ireland's Democratic Unionist Party (DUP) via a confidence and supply agreement to pass legislation. But with the Conservative Party winning a majority of 80 seats in the December 2019 general election, it no longer faces any serious parliamentary constraints and has the freedom to shape post-Brexit policy.

Coventry City Centre South
Coventry Section 73 Scheme
Scenario 1

Development Appraisal
Gerald Eve LLP
11 January 2023

Coventry City Centre South Coventry Section 73 Scheme Scenario 1

Appraisal Summary for Merged Phases 1 2 3 4 5 6 7

Currency in £

REVENUE

Sales Valuation	Units	ft²	Sales Rate ft²	Unit Price	Gross Sales
Phase A1 - BTR	245	162,796	345.41	229,516	56,231,366
Phase A2 - BTR	244	162,796	345.41	230,456	56,231,366
Phase B - Residential - Private	369	270,569	307.07	225,159	83,083,695
Phase B - Residential - Affordable	156	113,638	190.00	138,405	21,591,220
Phase C - Residential - Private	131	96,056	307.07	225,160	29,495,901
Phase C - Residential - Affordable	55	40,065	190.00	138,406	7,612,350
Phase D - Residential - Private	211	154,716	307.07	225,159	47,508,609
Phase D - Residential - Affordable	89	64,832	190.00	138,405	12,318,080
Totals	1,500	1,065,468			314,072,588

Rental Area Summary

	Units	ft²	Rent Rate ft²	Initial MRV/Unit	Net Rent at Sale	Initial MRV
Phase A1 - Retail	1	4,700	25.00	117,500	117,500	117,500
Phase A1 - F+B	1	4,700	30.00	141,000	141,000	141,000
Phase A2 - Retail	1	4,700	25.00	117,500	117,500	117,500
Phase A2 - F+B	1	4,700	30.00	141,000	141,000	141,000
Phase B - Retail	1	9,400	25.00	235,000	235,000	235,000
Phase B - Office	1	9,400	30.00	282,000	282,000	282,000
Phase B - F+B	1	9,400	30.00	282,000	282,000	282,000
Phase B - Leisure	1	9,400	20.00	188,000	188,000	188,000
Phase C - Retail	1	18,800	25.00	470,000	470,000	470,000
Pavilion - Retail	1	3,133	25.00	78,325	78,325	78,325
Pavilion - F+B	1	3,134	30.00	94,020	94,020	94,020
Phase D - Retail	1	43,868	25.00	1,096,700	1,096,700	1,096,700
Totals	12	125,335			3,243,045	3,243,045

Investment Valuation

Phase A1 - Retail

Market Rent	117,500	YP @	8.7500%	11.4286	
		PV 2yrs @	8.7500%	0.8456	1,135,459

Phase A1 - F+B

Market Rent	141,000	YP @	8.5000%	11.7647	
		PV 2yrs @	8.5000%	0.8495	1,409,096

Phase A2 - Retail

Market Rent	117,500	YP @	8.7500%	11.4286	
		PV 2yrs @	8.7500%	0.8456	1,135,459

Phase A2 - F+B

Market Rent	141,000	YP @	8.5000%	11.7647	
		PV 2yrs @	8.5000%	0.8495	1,409,096

Phase B - Retail

Market Rent	235,000	YP @	8.7500%	11.4286	
		PV 2yrs @	8.7500%	0.8456	2,270,917

Phase B - Office

Market Rent	282,000	YP @	8.0000%	12.5000	
		PV 2yrs @	8.0000%	0.8573	3,022,119

Phase B - F+B

Market Rent	282,000	YP @	8.5000%	11.7647	
		PV 2yrs @	8.5000%	0.8495	2,818,193

Phase B - Leisure

Market Rent	188,000	YP @	8.2500%	12.1212	
		PV 2yrs @	8.2500%	0.8534	1,944,680

Phase C - Retail

Market Rent	470,000	YP @	8.7500%	11.4286	
		PV 2yrs @	8.7500%	0.8456	4,541,834

Pavilion - Retail

Market Rent	78,325	YP @	8.7500%	11.4286	
		PV 2yrs @	8.7500%	0.8456	756,892

Pavilion - F+B

Market Rent	94,020	YP @	8.5000%	11.7647	
		PV 2yrs @	8.5000%	0.8495	939,597

Phase D - Retail

Market Rent	1,096,700	YP @	8.7500%	11.4286	
		PV 2yrs @	8.7500%	0.8456	10,597,935

APPRAISAL SUMMARY

GERALD EVE LLP

Coventry City Centre South Coventry Section 73 Scheme Scenario 1

Total Investment Valuation		31,981,278
GROSS DEVELOPMENT VALUE		346,053,866
Purchaser's Costs	6.80%	-173,030
Purchaser's Costs	6.80%	-173,030
Purchaser's Costs	6.80%	-683,802
Purchaser's Costs	6.80%	-308,845
Purchaser's Costs	6.80%	-115,361
Purchaser's Costs	6.80%	-720,660
Effective Purchaser's Costs Rate	6.80%	-2,174,727
NET DEVELOPMENT VALUE		343,879,139
NET REALISATION		343,879,139
OUTLAY		
ACQUISITION COSTS		
Fixed Price	1	1
Fixed Price		1
CONSTRUCTION COSTS		
Construction	Units	Unit Amount
Demolition and Site Preparation	1 un	2,500,000
	ft²	Build Rate ft²
Phase A1 - Retail	4,700	199.00
Phase A1 - F+B	4,700	279.00
Phase A2 - Retail	4,700	192.00
Phase A2 - F+B	4,700	279.00
Phase B - Retail	9,400	192.00
Phase B - Office	9,400	203.00
Phase B - F+B	9,400	279.00
Phase B - Leisure	9,400	315.00
Phase C - Retail	18,800	192.00
Pavilion - Retail	3,133	192.00
Pavilion - F+B	3,134	279.00
Phase D - Retail	43,868	192.00
Phase A1 - BTR	220,669	192.00
Phase A2 - BTR	219,768	192.00
Phase B - Residential - Private	368,515	192.00
Phase B - Residential - Affordable	154,775	192.00
Phase C - Residential - Private	130,828	192.00
Phase C - Residential - Affordable	54,568	192.00
Phase D - Residential - Private	210,723	192.00
Phase D - Residential - Affordable	88,301	192.00
Totals	1,573,482 ft²	305,309,302
Contingency	7.50%	22,898,198
Other Construction Costs		330,707,500
Externals	10.00%	4,330,375
Externals	10.00%	4,309,786
Externals	10.00%	10,418,468
Externals	10.00%	3,920,563
Externals	10.00%	6,583,526
Section 106 Costs		29,562,718
NHS University Hospital		2,110,699
Off Site Primary Medical Care		862,778
Travel monitoring		5,000
		2,978,477
PROFESSIONAL FEES		
Professional Fees	12.00%	40,184,642
		40,184,642
MARKETING & LETTING		
Marketing	1.00%	2,725,509
Letting Agent Fee	10.00%	324,305
Letting Legal Fee	5.00%	162,152
		3,211,966
DISPOSAL FEES		
Sales Agent Fee	1.00%	3,438,791
Sales Legal Fee	0.50%	1,719,396
		5,158,187
Additional Costs		
Historic Scheme Costs		15,000,000
Servicing Costs		2,000,000

APPRAISAL SUMMARY**GERALD EVE LLP****Coventry City Centre South
Coventry Section 73 Scheme
Scenario 1**

17,000,000

TOTAL COSTS BEFORE FINANCE**428,803,491****FINANCE**

Debit Rate 8.500%, Credit Rate 0.000% (Nominal)

Total Finance Cost

176,363,214

TOTAL COSTS**605,166,706****PROFIT****-261,287,567****Performance Measures**

Profit on Cost%

-43.18%

Profit on GDV%

-75.50%

Profit on NDV%

-75.98%

IRR% (without Interest)

-9.65%

Coventry City Centre South
Coventry Section 73 Scheme
Scenario 1 - Cost and revenue sensitivity

Table of Profit Amount and Profit on Cost%

Construction: Gross Cost	Sales: Gross Sales				
	-10.000%	-5.000%	0.000%	+5.000%	+10.000%
-10.000%	(£204,188,052)	(£193,590,161)	(£182,992,270)	(£172,394,379)	(£161,796,488)
	-38.377%	-36.563%	-34.732%	-32.882%	-31.014%
-5.000%	(£243,335,701)	(£232,737,809)	(£222,139,918)	(£211,542,027)	(£200,944,136)
	-42.600%	-40.931%	-39.246%	-37.546%	-35.830%
0.000%	(£282,483,349)	(£271,885,458)	(£261,287,567)	(£250,689,676)	(£240,091,785)
	-46.282%	-44.736%	-43.176%	-41.603%	-40.017%
+5.000%	(£321,630,997)	(£311,033,106)	(£300,435,215)	(£289,837,324)	(£279,239,433)
	-49.520%	-48.080%	-46.629%	-45.166%	-43.691%
+10.000%	(£360,778,646)	(£350,180,755)	(£339,582,864)	(£328,984,972)	(£318,387,081)
	-52.389%	-51.043%	-49.686%	-48.318%	-46.941%

Sensitivity Analysis : Assumptions for Calculation

Sales: Gross Sales

Original Values are varied by Steps of 5.000%.

Heading	Phase	Amount	No. of Steps
Phase B - Residential - Private	4	£83,083,695	2.00 Up & Down
Phase C - Residential - Private	5	£29,495,901	2.00 Up & Down
Phase D - Residential - Private	7	£47,508,609	2.00 Up & Down

Construction: Gross Cost

Original Values are varied by Steps of 5.000%.

Heading	Phase	Amount	No. of Steps
Demolition and Site Preparation	1	£2,500,000	2.00 Up & Down
Phase A1 - Retail	2	£935,300	2.00 Up & Down
Phase A1 - BTR	2	£42,368,448	2.00 Up & Down
Phase A2 - Retail	3	£902,400	2.00 Up & Down
Phase A2 - BTR	3	£42,195,456	2.00 Up & Down
Phase B - Retail	4	£1,804,800	2.00 Up & Down
Phase B - Residential - Private	4	£70,754,880	2.00 Up & Down
Phase B - Residential - Affordable	4	£29,716,800	2.00 Up & Down
Phase C - Residential - Private	5	£25,118,976	2.00 Up & Down
Phase C - Residential - Affordable	5	£10,477,056	2.00 Up & Down
Phase D - Residential - Private	7	£40,458,816	2.00 Up & Down
Phase D - Residential - Affordable	7	£16,953,792	2.00 Up & Down
Phase A1 - F+B	2	£1,311,300	2.00 Up & Down
Phase A2 - F+B	3	£1,311,300	2.00 Up & Down
Phase B - Office	4	£1,908,200	2.00 Up & Down
Phase B - F+B	4	£2,622,600	2.00 Up & Down
Phase B - Leisure	4	£2,961,000	2.00 Up & Down
Phase C - Retail	5	£3,609,600	2.00 Up & Down
Pavilion - Retail	6	£601,536	2.00 Up & Down
Pavilion - F+B	6	£874,386	2.00 Up & Down
Phase D - Retail	7	£8,422,656	2.00 Up & Down

Coventry City Centre South
Coventry Section 73 Scheme
Scenario 1 - Interest rate sensitivity

Table of Profit Amount and Profit on Cost%

Rates: Interest Rates				
-0.50%	-0.25%	0.00%	+0.25%	+0.50%
(£246,376,471)	(£253,741,538)	(£261,287,567)	(£269,018,885)	(£276,939,922)
-41.741%	-42.459%	-43.176%	-43.893%	-44.609%

Sensitivity Analysis : Assumptions for Calculation**Rates: Interest Rates**

Original Values are varied in Fixed Steps of 0.250%
Debit Rates are included. Credit Rates are not included.

Set Name	Debit Rate	Credit Rate	No. of Steps
Interest Set 1	8.500%	0.000%	2.00 Up & Down

Coventry City Centre South
Coventry Section 73 Scheme
Scenario 2

Development Appraisal
Gerald Eve LLP
11 January 2023

Coventry City Centre South Coventry Section 73 Scheme Scenario 2

Appraisal Summary for Merged Phases 1 2 3 4 5 6 7

Currency in £

REVENUE

Sales Valuation	Units	ft²	Sales Rate ft²	Unit Price	Gross Sales
Phase A1 - BTR	245	162,796	345.41	229,516	56,231,366
Phase A2 - BTR	244	162,796	345.41	230,456	56,231,366
Phase B - Residential - Private	369	270,569	307.07	225,159	83,083,695
Phase B - Residential - Affordable	156	113,638	190.00	138,405	21,591,220
Phase C - Residential - Private	131	96,056	307.07	225,160	29,495,901
Phase C - Residential - Affordable	55	40,065	190.00	138,406	7,612,350
Phase D - Residential - Private	211	154,716	307.07	225,159	47,508,609
Phase D - Residential - Affordable	89	64,832	190.00	138,405	12,318,080
Totals	1,500	1,065,468			314,072,588

Rental Area Summary

	Units	ft²	Rent Rate ft²	Initial MRV/Unit	Net Rent at Sale	Initial MRV
Phase A1 - Retail	1	4,700	25.00	117,500	117,500	117,500
Phase A1 - F+B	1	4,700	30.00	141,000	141,000	141,000
Phase A2 - Retail	1	4,700	25.00	117,500	117,500	117,500
Phase A2 - F+B	1	4,700	30.00	141,000	141,000	141,000
Phase B - Retail	1	9,400	25.00	235,000	235,000	235,000
Phase B - Office	1	9,400	30.00	282,000	282,000	282,000
Phase B - F+B	1	9,400	30.00	282,000	282,000	282,000
Phase B - Leisure	1	9,400	20.00	188,000	188,000	188,000
Phase C - Retail	1	18,800	25.00	470,000	470,000	470,000
Pavilion - Retail	1	3,133	25.00	78,325	78,325	78,325
Pavilion - F+B	1	3,134	30.00	94,020	94,020	94,020
Phase D - Retail	1	43,868	25.00	1,096,700	1,096,700	1,096,700
Totals	12	125,335			3,243,045	3,243,045

Investment Valuation

Phase A1 - Retail

Market Rent	117,500	YP @	8.7500%	11.4286	
		PV 2yrs @	8.7500%	0.8456	1,135,459

Phase A1 - F+B

Market Rent	141,000	YP @	8.5000%	11.7647	
		PV 2yrs @	8.5000%	0.8495	1,409,096

Phase A2 - Retail

Market Rent	117,500	YP @	8.7500%	11.4286	
		PV 2yrs @	8.7500%	0.8456	1,135,459

Phase A2 - F+B

Market Rent	141,000	YP @	8.5000%	11.7647	
		PV 2yrs @	8.5000%	0.8495	1,409,096

Phase B - Retail

Market Rent	235,000	YP @	8.7500%	11.4286	
		PV 2yrs @	8.7500%	0.8456	2,270,917

Phase B - Office

Market Rent	282,000	YP @	8.0000%	12.5000	
		PV 2yrs @	8.0000%	0.8573	3,022,119

Phase B - F+B

Market Rent	282,000	YP @	8.5000%	11.7647	
		PV 2yrs @	8.5000%	0.8495	2,818,193

Phase B - Leisure

Market Rent	188,000	YP @	8.2500%	12.1212	
		PV 2yrs @	8.2500%	0.8534	1,944,680

Phase C - Retail

Market Rent	470,000	YP @	8.7500%	11.4286	
		PV 2yrs @	8.7500%	0.8456	4,541,834

Pavilion - Retail

Market Rent	78,325	YP @	8.7500%	11.4286	
		PV 2yrs @	8.7500%	0.8456	756,892

Pavilion - F+B

Market Rent	94,020	YP @	8.5000%	11.7647	
		PV 2yrs @	8.5000%	0.8495	939,597

Phase D - Retail

Market Rent	1,096,700	YP @	8.7500%	11.4286	
		PV 2yrs @	8.7500%	0.8456	10,597,935

APPRAISAL SUMMARY**GERALD EVE LLP****Coventry City Centre South
Coventry Section 73 Scheme
Scenario 2**

Total Investment Valuation **31,981,278**

GROSS DEVELOPMENT VALUE **346,053,866**

Purchaser's Costs	6.80%	-173,030
Purchaser's Costs	6.80%	-173,030
Purchaser's Costs	6.80%	-683,802
Purchaser's Costs	6.80%	-308,845
Purchaser's Costs	6.80%	-115,361
Purchaser's Costs	6.80%	-720,660
Effective Purchaser's Costs Rate	6.80%	
		-2,174,727

NET DEVELOPMENT VALUE **343,879,139**

Additional Revenue

Grant - Demolition	15,937,022
Grant - CCC Contribution	32,750,000
Grant - WMCA Phase 1	12,452,084
Grant - PCE Savings	5,755,568
Grant - WMCA Phase 2	4,922,917
	71,817,591

NET REALISATION **415,696,730**

OUTLAY**ACQUISITION COSTS**

Fixed Price	1	1	
Fixed Price			1

CONSTRUCTION COSTS

Construction	Units	Unit Amount	Cost
Demolition and Site Preparation	1 un	2,500,000	2,500,000
	ft ²	Build Rate ft ²	Cost
Phase A1 - Retail	4,700	199.00	935,300
Phase A1 - F+B	4,700	279.00	1,311,300
Phase A2 - Retail	4,700	192.00	902,400
Phase A2 - F+B	4,700	279.00	1,311,300
Phase B - Retail	9,400	192.00	1,804,800
Phase B - Office	9,400	203.00	1,908,200
Phase B - F+B	9,400	279.00	2,622,600
Phase B - Leisure	9,400	315.00	2,961,000
Phase C - Retail	18,800	192.00	3,609,600
Pavilion - Retail	3,133	192.00	601,536
Pavilion - F+B	3,134	279.00	874,386
Phase D - Retail	43,868	192.00	8,422,656
Phase A1 - BTR	220,669	192.00	42,368,448
Phase A2 - BTR	219,768	192.00	42,195,456
Phase B - Residential - Private	368,515	192.00	70,754,880
Phase B - Residential - Affordable	154,775	192.00	29,716,800
Phase C - Residential - Private	130,828	192.00	25,118,976
Phase C - Residential - Affordable	54,568	192.00	10,477,056
Phase D - Residential - Private	210,723	192.00	40,458,816
Phase D - Residential - Affordable	88,301	192.00	16,953,792
Totals	1,573,482 ft²		305,309,302
Contingency		7.50%	22,898,198
			330,707,500

Other Construction Costs

Externals	10.00%	4,330,375
Externals	10.00%	4,309,786
Externals	10.00%	10,418,468
Externals	10.00%	3,920,563
Externals	10.00%	6,583,526
		29,562,718

Section 106 Costs

NHS University Hospital	2,110,699
Off Site Primary Medical Care	862,778
Travel monitoring	5,000
	2,978,477

PROFESSIONAL FEES

Professional Fees	12.00%	40,184,642
		40,184,642

MARKETING & LETTING

Marketing	1.00%	2,725,509
Letting Agent Fee	10.00%	324,305
Letting Legal Fee	5.00%	162,152
		3,211,966

APPRAISAL SUMMARY**GERALD EVE LLP****Coventry City Centre South
Coventry Section 73 Scheme
Scenario 2****DISPOSAL FEES**

Sales Agent Fee	1.00%	3,438,791	
Sales Legal Fee	0.50%	1,719,396	
			5,158,187

Additional Costs

Historic Scheme Costs		15,000,000	
Servicing Costs		2,000,000	
			17,000,000

TOTAL COSTS BEFORE FINANCE**428,803,491****FINANCE**

Debit Rate 8.500%, Credit Rate 0.000% (Nominal)			
Total Finance Cost			127,912,465

TOTAL COSTS**556,715,956****PROFIT****-141,019,227****Performance Measures**

Profit on Cost%	-25.33%
Profit on GDV%	-40.75%
Profit on NDV%	-41.01%
IRR% (without Interest)	-1.49%

Coventry City Centre South Coventry Section 73 Scheme Scenario 2 - Cost and Revenue Sensitivity

Table of Profit Amount and Profit on Cost%

Sales: Gross Sales					
Construction: Gross Cost	-10.000%	-5.000%	0.000%	+5.000%	+10.000%
-10.000%	(£83,919,712)	(£73,321,821)	(£62,723,930)	(£52,126,039)	(£41,528,148)
	-17.353%	-15.243%	-13.111%	-10.955%	-8.775%
-5.000%	(£123,067,360)	(£112,469,469)	(£101,871,578)	(£91,273,687)	(£80,675,796)
	-23.542%	-21.622%	-19.683%	-17.724%	-15.745%
0.000%	(£162,215,009)	(£151,617,118)	(£141,019,227)	(£130,421,336)	(£119,823,444)
	-28.869%	-27.108%	-25.331%	-23.537%	-21.726%
+5.000%	(£201,362,657)	(£190,764,766)	(£180,166,875)	(£169,568,984)	(£158,971,093)
	-33.502%	-31.876%	-30.236%	-28.582%	-26.913%
+10.000%	(£240,510,306)	(£229,912,414)	(£219,314,523)	(£208,716,632)	(£198,118,741)
	-37.568%	-36.059%	-34.537%	-33.003%	-31.456%

Sensitivity Analysis : Assumptions for Calculation

Sales: Gross Sales

Original Values are varied by Steps of 5.000%.

Heading	Phase	Amount	No. of Steps
Phase B - Residential - Private	4	£83,083,695	2.00 Up & Down
Phase C - Residential - Private	5	£29,495,901	2.00 Up & Down
Phase D - Residential - Private	7	£47,508,609	2.00 Up & Down

Construction: Gross Cost

Original Values are varied by Steps of 5.000%.

Heading	Phase	Amount	No. of Steps
Demolition and Site Preparation	1	£2,500,000	2.00 Up & Down
Phase A1 - Retail	2	£935,300	2.00 Up & Down
Phase A1 - BTR	2	£42,368,448	2.00 Up & Down
Phase A2 - Retail	3	£902,400	2.00 Up & Down
Phase A2 - BTR	3	£42,195,456	2.00 Up & Down
Phase B - Retail	4	£1,804,800	2.00 Up & Down
Phase B - Residential - Private	4	£70,754,880	2.00 Up & Down
Phase B - Residential - Affordable	4	£29,716,800	2.00 Up & Down
Phase C - Residential - Private	5	£25,118,976	2.00 Up & Down
Phase C - Residential - Affordable	5	£10,477,056	2.00 Up & Down
Phase D - Residential - Private	7	£40,458,816	2.00 Up & Down
Phase D - Residential - Affordable	7	£16,953,792	2.00 Up & Down
Phase A1 - F+B	2	£1,311,300	2.00 Up & Down
Phase A2 - F+B	3	£1,311,300	2.00 Up & Down
Phase B - Office	4	£1,908,200	2.00 Up & Down
Phase B - F+B	4	£2,622,600	2.00 Up & Down
Phase B - Leisure	4	£2,961,000	2.00 Up & Down
Phase C - Retail	5	£3,609,600	2.00 Up & Down
Pavilion - Retail	6	£601,536	2.00 Up & Down
Pavilion - F+B	6	£874,386	2.00 Up & Down
Phase D - Retail	7	£8,422,656	2.00 Up & Down

Coventry City Centre South
 Coventry Section 73 Scheme
 Scenario 2 - Interest rate sensitivity

Table of Profit Amount and Profit on Cost%

Rates: Interest Rates				
-1.00%	-0.50%	0.00%	+0.50%	+1.00%
(£119,372,852)	(£129,915,262)	(£141,019,227)	(£152,712,745)	(£165,025,186)
-22.310%	-23.811%	-25.331%	-26.867%	-28.417%

Sensitivity Analysis : Assumptions for Calculation

Rates: Interest Rates

Original Values are varied in Fixed Steps of 0.500%
 Debit Rates are included. Credit Rates are not included.

Set Name	Debit Rate	Credit Rate	No. of Steps
Interest Set 1	8.500%	0.000%	2.00 Up & Down

Coventry City Centre South
Coventry Section 73 Scheme
Scenario 3

Development Appraisal
Gerald Eve LLP
11 January 2023

Coventry City Centre South Coventry Section 73 Scheme Scenario 3

Appraisal Summary for Merged Phases 1 2 3 4 5 6 7

Currency in £

REVENUE

Sales Valuation	Units	ft²	Sales Rate ft²	Unit Price	Gross Sales
Phase A1 - BTR	245	162,796	345.41	229,516	56,231,366
Phase A2 - BTR	244	162,796	345.41	230,456	56,231,366
Phase B - Residential - Private	369	270,569	307.07	225,159	83,083,695
Phase B - Residential - Affordable	156	113,638	190.00	138,405	21,591,220
Phase C - Residential - Private	131	96,056	307.07	225,160	29,495,901
Phase C - Residential - Affordable	55	40,065	190.00	138,406	7,612,350
Phase D - Residential - Private	211	154,716	307.07	225,159	47,508,609
Phase D - Residential - Affordable	89	64,832	190.00	138,405	12,318,080
Totals	1,500	1,065,468			314,072,588

Rental Area Summary

	Units	ft²	Rent Rate ft²	Initial MRV/Unit	Net Rent at Sale	Initial MRV
Phase A1 - Retail	1	4,700	25.00	117,500	117,500	117,500
Phase A1 - F+B	1	4,700	30.00	141,000	141,000	141,000
Phase A2 - Retail	1	4,700	25.00	117,500	117,500	117,500
Phase A2 - F+B	1	4,700	30.00	141,000	141,000	141,000
Phase B - Retail	1	9,400	25.00	235,000	235,000	235,000
Phase B - Office	1	9,400	30.00	282,000	282,000	282,000
Phase B - F+B	1	9,400	30.00	282,000	282,000	282,000
Phase B - Leisure	1	9,400	20.00	188,000	188,000	188,000
Phase C - Retail	1	18,800	25.00	470,000	470,000	470,000
Pavilion - Retail	1	3,133	25.00	78,325	78,325	78,325
Pavilion - F+B	1	3,134	30.00	94,020	94,020	94,020
Phase D - Retail	1	43,868	25.00	1,096,700	1,096,700	1,096,700
Totals	12	125,335			3,243,045	3,243,045

Investment Valuation

Phase A1 - Retail

Market Rent	117,500	YP @	8.7500%	11.4286	
		PV 2yrs @	8.7500%	0.8456	1,135,459

Phase A1 - F+B

Market Rent	141,000	YP @	8.5000%	11.7647	
		PV 2yrs @	8.5000%	0.8495	1,409,096

Phase A2 - Retail

Market Rent	117,500	YP @	8.7500%	11.4286	
		PV 2yrs @	8.7500%	0.8456	1,135,459

Phase A2 - F+B

Market Rent	141,000	YP @	8.5000%	11.7647	
		PV 2yrs @	8.5000%	0.8495	1,409,096

Phase B - Retail

Market Rent	235,000	YP @	8.7500%	11.4286	
		PV 2yrs @	8.7500%	0.8456	2,270,917

Phase B - Office

Market Rent	282,000	YP @	8.0000%	12.5000	
		PV 2yrs @	8.0000%	0.8573	3,022,119

Phase B - F+B

Market Rent	282,000	YP @	8.5000%	11.7647	
		PV 2yrs @	8.5000%	0.8495	2,818,193

Phase B - Leisure

Market Rent	188,000	YP @	8.2500%	12.1212	
		PV 2yrs @	8.2500%	0.8534	1,944,680

Phase C - Retail

Market Rent	470,000	YP @	8.7500%	11.4286	
		PV 2yrs @	8.7500%	0.8456	4,541,834

Pavilion - Retail

Market Rent	78,325	YP @	8.7500%	11.4286	
		PV 2yrs @	8.7500%	0.8456	756,892

Pavilion - F+B

Market Rent	94,020	YP @	8.5000%	11.7647	
		PV 2yrs @	8.5000%	0.8495	939,597

Phase D - Retail

Market Rent	1,096,700	YP @	8.7500%	11.4286	
		PV 2yrs @	8.7500%	0.8456	10,597,935

APPRAISAL SUMMARY**GERALD EVE LLP****Coventry City Centre South
Coventry Section 73 Scheme
Scenario 3****Total Investment Valuation** 31,981,278**GROSS DEVELOPMENT VALUE** 346,053,866

Purchaser's Costs	6.80%	-173,030
Purchaser's Costs	6.80%	-173,030
Purchaser's Costs	6.80%	-683,802
Purchaser's Costs	6.80%	-308,845
Purchaser's Costs	6.80%	-115,361
Purchaser's Costs	6.80%	-720,660
Effective Purchaser's Costs Rate	6.80%	
		-2,174,727

NET DEVELOPMENT VALUE 343,879,139**Additional Revenue**

Grant - Demolition	15,937,022
Grant - CCC Contribution	32,750,000
Grant - WMCA Phase 1	12,452,084
Grant - PCE Savings	5,755,568
Grant - WMCA Phase 2	4,922,917
	71,817,591

NET REALISATION 415,696,730**OUTLAY****ACQUISITION COSTS**

Fixed Price	1	1
Fixed Price		1

CONSTRUCTION COSTS

Construction	ft²	Build Rate ft²	Cost
Phase A1 - Retail	4,700	259.48	1,219,556
Phase A1 - F+B	4,700	259.48	1,219,556
Phase A2 - Retail	4,700	259.48	1,219,556
Phase A2 - F+B	4,700	259.48	1,219,556
Phase B - Retail	9,400	259.48	2,439,112
Phase B - Office	9,400	259.48	2,439,112
Phase B - F+B	9,400	259.48	2,439,112
Phase B - Leisure	9,400	259.48	2,439,112
Phase C - Retail	18,800	259.48	4,878,224
Pavilion - Retail	3,133	259.48	812,951
Pavilion - F+B	3,134	259.48	813,210
Phase D - Retail	43,868	259.48	11,382,869
Phase A1 - BTR	220,669	259.48	57,259,192
Phase A2 - BTR	219,768	259.48	57,025,401
Phase B - Residential - Private	368,515	259.48	95,622,272
Phase B - Residential - Affordable	154,775	259.48	40,161,017
Phase C - Residential - Private	130,828	259.48	33,947,249
Phase C - Residential - Affordable	54,568	259.48	14,159,305
Phase D - Residential - Private	210,723	259.48	54,678,404
Phase D - Residential - Affordable	88,301	259.48	22,912,343
Totals	1,573,482 ft²		408,287,109

Section 106 Costs

NHS University Hospital	2,110,699
Off Site Primary Medical Care	862,778
Travel monitoring	5,000
	2,978,477

MARKETING & LETTING

Marketing	1.00%	2,725,509
Letting Agent Fee	10.00%	324,305
Letting Legal Fee	5.00%	162,152
		3,211,966

DISPOSAL FEES

Sales Agent Fee	1.00%	3,438,791
Sales Legal Fee	0.50%	1,719,396
		5,158,187

TOTAL COSTS BEFORE FINANCE 419,635,741**FINANCE**

Debit Rate 8.500%, Credit Rate 0.000% (Nominal)	
Total Finance Cost	105,793,777

TOTAL COSTS 525,429,517**PROFIT**

**Coventry City Centre South
Coventry Section 73 Scheme
Scenario 3****-109,732,787****Performance Measures**

Profit on Cost%	-20.88%
Profit on GDV%	-31.71%
Profit on NDV%	-31.91%
IRR% (without Interest)	-0.50%

Coventry City Centre South
Coventry Section 73 Scheme
Scenario 3 - Cost and revenue sensitivity

Table of Profit Amount and Profit on Cost%

Sales: Gross Sales					
Construction: Gross Cost	-10.000%	-5.000%	0.000%	+5.000%	+10.000%
-10.000%	(£51,307,637)	(£40,709,746)	(£30,111,855)	(£19,513,964)	(£8,916,073)
	-11.377%	-9.079%	-6.754%	-4.403%	-2.024%
-5.000%	(£91,118,103)	(£80,520,212)	(£69,922,321)	(£59,324,430)	(£48,726,539)
	-18.565%	-16.493%	-14.399%	-12.282%	-10.142%
0.000%	(£130,928,569)	(£120,330,678)	(£109,732,787)	(£99,134,896)	(£88,537,005)
	-24.675%	-22.789%	-20.884%	-18.961%	-17.018%
+5.000%	(£170,739,036)	(£160,141,145)	(£149,543,253)	(£138,945,362)	(£128,347,471)
	-29.932%	-28.202%	-26.457%	-24.695%	-22.917%
+10.000%	(£210,549,502)	(£199,951,611)	(£189,353,720)	(£178,755,829)	(£168,157,937)
	-34.503%	-32.906%	-31.296%	-29.671%	-28.033%

Sensitivity Analysis : Assumptions for Calculation

Sales: Gross Sales

Original Values are varied by Steps of 5.000%.

Heading	Phase	Amount	No. of Steps
Phase B - Residential - Private	4	£83,083,695	2.00 Up & Down
Phase C - Residential - Private	5	£29,495,901	2.00 Up & Down
Phase D - Residential - Private	7	£47,508,609	2.00 Up & Down

Construction: Gross Cost

Original Values are varied by Steps of 5.000%.

Heading	Phase	Amount	No. of Steps
Phase A1 - Retail	2	£1,219,556	2.00 Up & Down
Phase A1 - BTR	2	£57,259,192	2.00 Up & Down
Phase A2 - Retail	3	£1,219,556	2.00 Up & Down
Phase A2 - BTR	3	£57,025,401	2.00 Up & Down
Phase B - Retail	4	£2,439,112	2.00 Up & Down
Phase B - Residential - Private	4	£95,622,272	2.00 Up & Down
Phase B - Residential - Affordable	4	£40,161,017	2.00 Up & Down
Phase C - Residential - Private	5	£33,947,249	2.00 Up & Down
Phase C - Residential - Affordable	5	£14,159,305	2.00 Up & Down
Phase D - Residential - Private	7	£54,678,404	2.00 Up & Down
Phase D - Residential - Affordable	7	£22,912,343	2.00 Up & Down
Phase A1 - F+B	2	£1,219,556	2.00 Up & Down
Phase A2 - F+B	3	£1,219,556	2.00 Up & Down
Phase B - Office	4	£2,439,112	2.00 Up & Down
Phase B - F+B	4	£2,439,112	2.00 Up & Down
Phase B - Leisure	4	£2,439,112	2.00 Up & Down
Phase C - Retail	5	£4,878,224	2.00 Up & Down
Pavilion - Retail	6	£812,951	2.00 Up & Down
Pavilion - F+B	6	£813,210	2.00 Up & Down
Phase D - Retail	7	£11,382,869	2.00 Up & Down

Coventry City Centre South
Coventry Section 73 Scheme
Scenario 3 - Interest rate sensitivity

Table of Profit Amount and Profit on Cost%

Rates: Interest Rates				
-1.00%	-0.50%	0.00%	+0.50%	+1.00%
(£92,026,177)	(£100,657,829)	(£109,732,787)	(£119,272,174)	(£129,298,097)
-18.125%	-19.494%	-20.884%	-22.295%	-23.725%

Sensitivity Analysis : Assumptions for Calculation**Rates: Interest Rates**

Original Values are varied in Fixed Steps of 0.500%
Debit Rates are included. Credit Rates are not included.

Set Name	Debit Rate	Credit Rate	No. of Steps
Interest Set 1	8.500%	0.000%	2.00 Up & Down