

**Town and Country Planning Act 1990**

**Acquisition of Land Act 1981**

**Local Government (Miscellaneous Provisions) Act 1976**

**Inquiry into:**

**THE COUNCIL OF THE CITY OF COVENTRY (CITY CENTRE SOUTH) COMPULSORY  
PURCHASE ORDER 2022**

**and**

**Town and Country Planning Act**

**Stopping-up of public highway**

**Rebuttal Proof of Evidence**

**of**

**Tony Parker FCA BSc (Hons)**

**Finance Director, Hill Residential Limited**

**On behalf of the Council of the City of Coventry**

**In response to the proof of evidence submitted by:**

- **Robert Fourt on behalf of Royal London**

**12 January 2023**

## 1. INTRODUCTION

- 1.1 My name is Tony Parker. Details of my qualifications and experience are set out in my Main Proof of evidence (document no. DR2.10).
- 1.2 In this further proof of evidence (“**Rebuttal**”) I adopt the same references and abbreviations as I used in my first proof, document DR2.10 (my “**Main Proof**”). This Rebuttal has been prepared to respond certain elements of the Proof of Evidence submitted by Robert Fourt on behalf of “Royal London” in respect of the CPO. Further Rebuttal Evidence in respect of Robert Fourt’s evidence is provided by Alex Morton of Deloitte LLP.
- 1.3 This is not intended to be an exhaustive rebuttal of the contentions made in the evidence listed in paragraph 1.2 above. This document only deals with certain points where it is considered appropriate and helpful to respond in writing. Where specific points have not been dealt with, this does not mean that those points are accepted and they may be dealt with further at the Inquiry and/or in writing.

## 2. THE ROYAL LONDON MUTUAL INSURANCE SOCIETY LIMITED (“ROYAL LONDON”)

### Provision of Cost and Value Assumptions

- 2.1 Assumptions with regard to value and cost variables are for each party to make their own assessment of. SPRL has set out its assumptions within my Main Proof (DR2.10).
- 2.2 Having reviewed the proof of evidence of Robert Fourt, it appears that the different conclusions he has arrived at with regard to the viability of the scheme have been primarily driven by the cost and value assumptions he has made.

### Comparison of Viability Assessments

- 2.3 In his Rebuttal Evidence Alex Morton provided a summary comparison of the appraisal prepared by SPRL (and referred to within my Main Proof) and the appraisal prepared by Robert Fourt and which is re-presented within Table1 below.

*Table 1: Appraisal Comparison*

Variable	SPRL	Fourt	Difference
Private Sale Revenue	£191.9m	£163.5m	-£28.3m
Build to Rent Revenue	£112.2m	£113.4m	£1.2m
Affordable Revenue	£62.5m	£42.4m	-£20.0m
<b>Total Residential Revenue</b>	<b>£366.6m</b>	<b>£319.4m</b>	<b>-£47.2m</b>
 <b>Commercial Revenue (Net)</b>	 <b>£31.3m</b>	 <b>£48.6m</b>	 <b>£17.3m</b>
 <b>Gross Development Value</b>	 <b>£397.9m</b>	 <b>£368.0m</b>	 <b>-£29.8m</b>
<b>Costs</b>			
Acquisition Costs	£0.9m	£0.0m	-£0.9m
Construction Costs and Professional Fees	£413.4m	£425.2m	£11.8m
Sales and Marketing Costs	£8.0m	£9.1m	£1.0m
S106 Costs	£0.0m	£3.0m	£3.0m
Finance Costs	£3.8m	£184.0m	£180.2m
Historic Costs	£0.0m	£15.0m	£15.0m
Servicing Costs	£0.0m	£2.0m	£2.0m

<b>Gross Development Costs</b>	<b>£426.2m</b>	<b>£638.3m</b>	<b>£212.1m</b>
<b>Grant Funding</b>	<b>£71.8m</b>	<b>£0.0m</b>	<b>-£71.8m</b>
<b>Net Development Costs</b>	<b>£354.4m</b>	<b>£638.3m</b>	<b>£283.9m</b>
<b>Profit</b>	<b>£43.5m</b>	<b>-£270.3m</b>	<b>-£313.8m</b>

2.4 Alex Morton has responded on the differences in Table 1 above in his Rebuttal Evidence. I will not repeat those points but I will add commentary on the following areas:

- (a) Private Sales Revenue;
- (b) Affordable Housing Revenue; and
- (c) Finance Costs.

2.5 Taking each of these items in turn, I comment as follows:

*Private Sales Revenue*

2.6 Robert Fourt has adopted the same floor areas for the private residential units, meaning that the difference in value is a product of the sales value assumptions adopted. The assumptions Robert Fourt has adopted equate to an average value of £307 psf, compared to £368 psf adopted by SPRL.

2.7 In arriving at its assumptions and as explained further within my Main Proof (DR2.10), SPRL has relied upon both external residential sales advice provided by Savills, as well as the insight of Hill Residential's internal sales team. A copy of letters from both Savills and Hill's Residential internal sales team are appended as **Appendix TP1** and **Appendix TP2** to this Rebuttal.

2.8 Further evidence from Rightmove shows the following second hand apartments on sale within a similar distance to Coventry Station as this scheme:

Address	No Beds	Selling Price	Distance to station	NIA (sq ft)	£ psf
Earlsdon Avenue	2	£300,000	0.6 miles	895	335
Davenport Road	3	£290,000	0.3 miles	765	379
Corporation Street	2	£280,000	0.7 miles	Not available	
Warwick Road	2	£265,000	0.1 miles	672	394
Corporation Street	2	£250,000	0.6 miles	Not available	
Kings Chambers	1	£195,000	0.3 miles	452	431

2.9 As Alex Morton notes within his Main Proof (DR 2.5), the sales values adopted by SPRL reflect a premium over those achieved within Coventry city centre. This reflects a number of factors including a 'new build, regeneration premium', arising from delivering a scheme of a scale and quality not currently available on the market.

### *Affordable Housing Revenue*

- 2.10 As I explain within my Main Proof at paragraph 7.9, SPRL has derived its affordable housing value assumptions from bids received from three Registered Providers.
- 2.11 I enclose at **Appendix TP3** to this Rebuttal a letter from Hill's Affordable Housing specialist which confirms the approach taken which is considered robust.

### *Finance Costs*

- 2.12 As indicated within Table 1, financing costs represent the most significant difference between the SPRL appraisal and Robert Fourt's assessment.
- 2.13 From the information provided within Robert Fourt's evidence, I attribute this to the following factors:
- 2.13.1 **Grant Funding** – Robert Fourt has excluded all of the WMCA Grant Funding and Council contributions. As these can be utilised towards a range of early works, including demolition and various infrastructure works, this grant funding helps to significantly reduce the call upon developer equity and third party debt in the early stages of development. Omission of this grant contributes around £60m of additional interest when utilising Robert Fourt's assumed interest rate;
- 2.13.2 **Finance Rate** – Robert Fourt has adopted a blended cost of finance of 8.5%. This is based on an assumed margin of in excess of 5% representing junior debt from non-bank funding sources. This is amongst the most expensive debt in the market and does not reflect the funding rates available to SPRL. In comparison, SPRL has adopted 7.5% (including bank fees) for debt finance and 5% for its equity, which blends to around 6.5%. As explained in my Main Proof (DR2.10), SPRL has access to a five-year rolling credit facility (RCF) which has a margin ratchet ranging from 2.5% to 3.25%. This pricing structure has remained unchanged from our previous 2017 refinance of the facility. Other project specific fund-raising activities has shown pricing available to Hill has remained unchanged over the past 2-3 years. We have therefore assumed that pricing will not increase at the time of our next refinance in 2026. Our expectation is that the applicable margin will average around 2.75% during the development programme. The 2% discrepancy in interest rates contributes to around £40m of additional interest in Robert Fourt's modelling. I consider the approach SPRL has taken to be robust; and
- 2.13.3 **Cashflow Assumptions** – at paragraph 8.10 of his proof of evidence, Robert Fourt states that he has assumed "two singular sales proceeds on practical completion", in respect of the Build to Rent blocks. This approach differs from that adopted by SPRL, which assumes that the Build to Rent investor makes 'golden brick' payments followed by monthly staged payments throughout the construction period of the relevant block(s), therefore reducing the need for the developer to fund works through debt or equity which is consistent the forward funding terms available from Build to Rent investors. I consider the approach SPRL has taken to be robust.

### **CONCLUSION**

- 2.13.4 For the reasons set out above, I consider the SPRL viability assessment to be fully robust and we are looking forward to delivering the Scheme and realising this transformational project for Coventry.

### **3. STATEMENT OF TRUTH**

- 3.1 I confirm that I have made clear which facts and matters referred to in this report are within my own knowledge and which are not. Those that are within my own knowledge I confirm to

be true. The opinions I have expressed represent my true and complete professional opinions on the matters to which they refer.

A handwritten signature in black ink, appearing to read 'a Parker'.

Tony Parker

12 January 2023

**Appendices  
to the Rebuttal Proof of Evidence  
of  
Tony Parker FCA BSc (Hons)**

**CONTENTS**

**APPENDIX TP1: Letter from Savills, dated 12 January 2023**

**APPENDIX TP2: Letter from Hill's Residential internal sales team, dated 12 January 2023**

**APPENDIX TP3: Letter from Hill's Affordable Housing specialist, dated 10 January 2023**

12 January 2023



Our Ref: Coventry City Centre South  
 Rebecca Littler  
 Group Sales & Marketing Director  
 Hill Group

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Dear Rebecca

12 January 2023

### **Coventry City Centre South: Private Sale and Built to Rent**

I write on behalf of Savills to confirm the work we have undertaken for the Hill Group in respect of the Private Sale and Build to Rent ("BtR") market in Coventry.

The context for this work is that Hill is progressing its role in the Coventry City Centre South (CCS) scheme in Coventry. Savills regularly provides advice to and works with the Hill Group.

Savills has been commissioned in two main areas:

#### **1. Sales and Marketing Reports (June 2021 and July 2022)**

In June 2021 and July 2022, Savills provided Hill with market reports for Coventry City Centre South assessing the housing market in Coventry as at the date of the commissions. The conclusions included:

- Coventry is an up and coming City which has been awarded UK City of Culture 2021 and is witnessing rapid growth in student numbers that are fueling construction and regeneration. It is becoming a place people increasingly want to relocate to.
- Coventry has experienced significant investment over recent years, with many regeneration projects and infrastructure improvements taking place.
- Coventry has excellent transport connections and is poised to benefit from the High Speed 2 rail link from London Euston to Birmingham which was approved in 2020. The site is well-served by public transport.
- The majority of residents in Coventry are relatively young compared with the West Midlands region. The median age in Coventry is 32.1 years, younger than both London at 35.6 years and Birmingham at 32.6 years. Our research indicated that there was currently a strong demand for one and two bedroom apartments across the City. There is a drive from the Council to create a diverse range of housing in the City Centre, and thus, there is a need for three bedroom apartments to cater for the small families and those wishing to downsize.
- The majority of buyer demand is expected to come from young professionals, as 90% of the City's residents are economically active, and there are a range of employment opportunities across Coventry, with a host of large employers.
- It was anticipated that the scheme will appeal to both domestic owner occupiers and young families who are also seeking to live in the City.
- It was anticipated that there would be interest from investors, being both domestic and overseas, assuming a strong tenant demand sufficient levels of return, and we considered that the opportunity would be well received by investors.
- Evidence has demonstrated that there is a clear uplift in values between second-hand stock and new homes and that Coventry was growing at a faster pace than Birmingham and the wider West Midlands; however, Coventry values were still lagging behind those of Birmingham.
- The report detailed our opinion of values at the respective dates.

- The proposed scheme will take a number of years to roll out and concluded that Coventry is witnessing a huge amount of regeneration and enhancement which will no doubt alter the City's buyer demographic.
- The average sales values which the Scheme could realise at the date of the reports would be subject to any anticipated house price growth for Coventry over the next 5 years.

The reports were provided on a strictly private and confidential basis.

It is understood and appreciated that Hill Group have continued to progress their internal private sales assumed valuations since our report. Savills is aware of those valuations and consider that they are in a reasonable range of tolerance for Hill Group to make in the context of the work Savills have undertaken and in the overall timescales of the Scheme.

## **2. Build to Rent (BTR) Architects Design Brief and Rental and Investment Pricing (July 2022) and BTR Investment Case (December 2022)**

Savills was commissioned to provide input and commentary on an Architects Design Brief and Rental and Investment Pricing in July 2022 followed by an overview of the Coventry BtR market, in the context of the CCS Scheme, in December 2022. The conclusions of the December 2022 market report included that:

- Summary, growth in the UK BTR market is currently driven by the supply and demand imbalance, caused by the lack of availability of rental product. This imbalance is particular acute, which is driving strong rental growth in all locations across the UK.
- With strong investment fundamentals, there is a depth of capital targeting the sector.
- Demand is highest for well-located sites, with strong counterparties (such as Hill).
- In Coventry specifically, there is an undersupply of rental product. It was considered that the CCS Site offers a unique opportunity to transform the city centre and contribute good quality stock to the city's rental market.
- The BTR component is likely to achieve a premium to achieved rents in the local area based on a fully optimized and institutionally managed product.

The reports were provided on a strictly private and confidential basis.

It is understood and appreciated that Hill Group have continued to progress their internal BtR assumed pricing assumptions since our report to reflect the up to date position. Savills is aware of those assumptions and consider they are in a reasonable range of tolerance for Hill Group to make in the context of the work Savills have undertaken and in the overall timescales of the Scheme.

I hope this is helpful confirmation of the work we have undertaken for you. Savills remains keen to help support Hill in relation to the delivery of the CCS scheme going forward in any way we can.

Yours sincerely,

A handwritten signature in dark ink, appearing to read "Andrew Brentnall", written in a cursive style.





Our Ref: RL/Coventry

Alex Morton  
Deloitte

Dear Alex,

12<sup>th</sup> January 2023

### **Coventry City Centre South: Private Sale and Built to Rent**

I write on behalf of Hill Residential Limited ("HRL") in respect of the Private Sale and Build to Rent ("BtR") values for Coventry City Centre South ("CCS") which have informed an appraisal prepared by Shearer Property Regen Limited ("SPRL") as part of the Viability Gap request made 26<sup>th</sup> October 2022.

### **Background**

I have been employed as the Hill Group's Sales and Marketing Director since 2020 overseeing all elements of sales and the marketing activity of the business. I have extensive experience and track record on the sale of private tenure and BtR homes having worked in the industry for almost twenty years.

I spent three years at Taylor Woodrow starting as a marketing co-ordinator, then moving into sales becoming a senior sales manager (2004 – 2007) followed by four years at Barratt Developments (Eastern Counties Division) (2007 – 2012) as Divisional Sales and Marketing Director where I managed a team of 32 staff across 13 active outlets by the end of 2011. In 2012 I was appointed as shareholder to set up the sales department for London Square Developments and as Sales and Marketing Director I was responsible for all sales related matters ranging from starter homes to high end apartments including both domestic and overseas sales. The price point ranged from £325,000 up to £9,250,000.

I joined HRL in 2020 as Group Sales and Marketing Director overseeing all sales and marketing activity across the business including high rise apartment schemes and house building. This accounts for over 700 sales a year. As a business we run a very lean stock level with as of today less than 20 stock units and a 40% forward sold position for 2023 year end.

### **Private Sale Valuations**

As with the majority of our major projects I commission external marketing reports to support our own internal private sales valuations. This provides robustness to support our own internal processes. I commissioned Savills Plc to carry out a detailed market report relating to the residential market within Coventry on a strictly private and confidential basis.

I am also of the opinion that our average private sales values of £368psf as set out in the Proof of Evidence of Alex Morton and Tony Parker is appropriate and justified. HRL will be able to generate a premium above other schemes within Coventry due to the higher quality design of the scheme, its strong location within the city centre and quality of the homes and associated private and communal amenity space. We would expect values to grow as the regeneration develops and people can see the standard of the buildings, landscaping and public realm open up and access to city centre, services and amenities.

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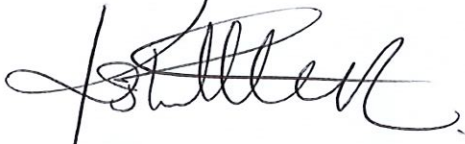
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## **Build to Rent**

As per our approach to private sales, I also commissioned Savills to provide an overview of the Coventry BtR market, review the emerging design proposals, scale and quantum of BtR homes, amenity spaces and provide rents and investment pricing.

In summary, my assessment of the values for private sale and BTR homes is informed by both external advice and both my and Hill's wider collective experience and is appropriate and justified.

Yours sincerely,



Rebecca Littler  
**Group Sales and Marketing Director**  
**Hill Group Limited**



Our Ref: DM/Coventry

Alex Morton  
Deloitte

10<sup>th</sup> January 2023

Dear Alex,

## **Coventry City Centre South: Affordable Housing**

I write on behalf of Hill Residential Limited (“HRL”) in respect of the affordable housing values for Coventry City Centre South (“CCCS”) which have informed an appraisal prepared by Shearer Property Regen Limited (“SPRL”).

### **Background**

I have been employed by HRL since April 2022 to provide strategic advice on affordable housing matters. By way of background, I have extensive experience and expertise on affordable housing matters having worked in the industry for over thirty years. I have had Director roles at Swan Housing Association (1993-2000) and Pavilion Homes (2000-2002) before spending over 15 years at Family Mosaic (2002-2017) in a range of different senior roles within the business including Development Director, Property Services Director and Development & Sales Director. During this time I worked on a range of different sites across London and the South East.

In 2017 (to 2022) I was Development and Sales Executive Director of Peabody – one of the leading registered providers in the country managing a programme of 20,000 homes with an annual minimum programme of 1,500 homes. I have advised the GLA on London’s bid for grant funding and worked alongside Homes England including negotiations for Strategic Partner status for specific projects.

In addition to advising HRL, I have been asked to advise Rochdale Borough Housing on development issues following the Secretary of State for Levelling Up, Housing and Communities review and decision to dismiss the Chief Executive and am advising Lambeth Chief Executive on options for housing delivery at the end of 2022.

### **Affordable Housing Valuation**

As outlined in the Proof of Evidence of Andy Fancy (dated 29<sup>th</sup> December 2022), I have led the affordable housing partner tender process for the CCCS scheme since April 2022 including engagement with Coventry City Council’s housing and planning teams on the affordable housing mix for CCCS. I have progressed discussions with Homes England regarding the grant funding for a preferred registered housing provider.

As set out in the Proof of Evidence of Tony Parker (dated 29<sup>th</sup> December 2022), two Registered Providers have provided offers for the affordable homes within a range of approximately £250-£300psf with grant funding from Homes England. I am currently engaged in the discussions with the shortlisted two housing associations. Alongside price considerations, our negotiations with them have focused on a qualitative approach to ensuring that the management of the housing association stock to help to create a place to live – a key factor for the SPRL when appointing a partner.

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I have a strong track record of working with registered providers and valuation of affordable housing stock. The values assumed by SPRL are consistent with that which I would expect to be achieved in Coventry for CCCS and supported by the confidential offers which have been received in November 2022.

Yours Sincerely,

*D. Mortimer*

Richard Mortimer  
**Hill Residential Limited**

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