



Aberdeen City Centre Living Strategy Report and Recommendations

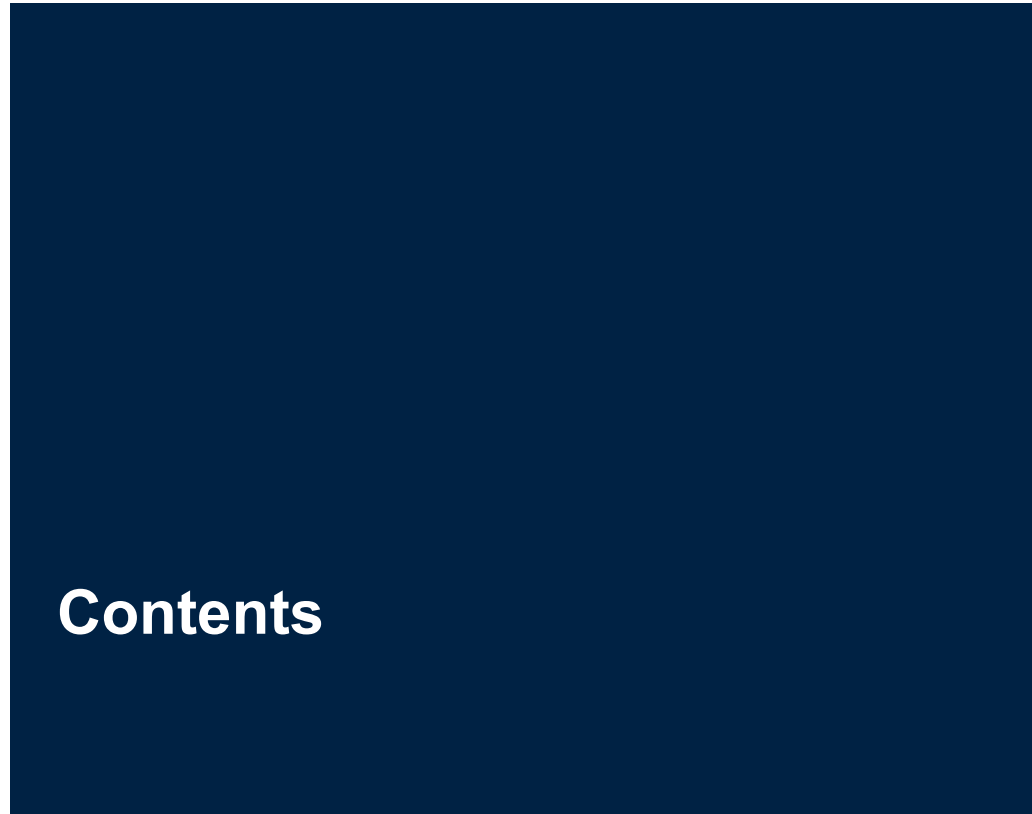
December 2017



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Executive Summary



Executive Summary

The Aberdeen City Centre Masterplan (CCMP), prepared by Aberdeen City Council (ACC) and released to the public in 2015, is a plan that intends to transform the city centre and enhance its reputation as a place to live, work and visit.

The masterplan identifies eight key objectives, one of which is to create a “living city for everyone” with the aim of attracting 3,000 more residents to live in the city centre.

The purpose of this study has been to test the appetite for city centre living within Aberdeen and to provide ACC with a residential strategy to support the CCMP. Our report considers the scale, scope, programme and practical actions to enable ACC to deliver on the aspiration of encouraging 3,000 new residents to the City Centre by 2040.

In preparing our report, we have carried out quantitative and qualitative research which included: comprehensive data analysis on demographics and the existing city centre population focusing on age, tenure, income and employment; analysis of the current residential property market; analysis of the commercial property market and vacant commercial property; stakeholder engagement; public engagement through a survey launched on 20th February 2017; working groups with those who have an active interest in city centre development, and; comprehensive analysis of city living initiatives adopted by Edinburgh, Derby and Preston as well as specific examples from other cities across the UK.

We identify that demand for city centre housing in the UK is on the increase with people generally aspiring to live and work in the urban core. This urban tendency is a growing global trend where urban living and lifestyles are increasingly popular among young professional workers, families and downsizers. This is creating new opportunities for property investors and property developers.

Within Aberdeen the demographics and economic profile clearly support a city living strategy if the right product can be delivered at the right price point. There is an obvious gap in the existing residential offering within the city centre, in particular for aspirational Build to Rent (BTR), Build to Sell (BTS) and mixed tenure affordable housing.

We establish that there is a range of development partner profiles that can support delivery across all tenure types and of varying scales: from small single residence conversions through to large scale transformational multi unit projects. ACC should seek to mobilise development activity across all sectors including local property developers and investors; house builders; property companies, and Registered Social Landlords (RSLs).

The CCMP covers a 25 year period and therefore is somewhat overwhelming when all the projects and interventions are grouped together. We feel that there is an opportunity to break this down to ensure a clear short term focus on delivery and to generate maximum short to medium term impact.

We also establish that there is a clear economic rationale for pursuing a city living strategy. An increased city living population will create many economic and social benefits for ACC, the Scottish Government and the people of Aberdeen, for example:

- Increased consumer spend in the city centre which in turn will boost retail and leisure businesses’ profitability and encourage the occupancy of otherwise vacant space
- Attracting businesses into the city centre through a skilled workforce that will be living in the city centre, resulting in greater demand for Marischal Square as well as increased rateable income
- A greater sense of community and an increased population with a direct stake in the city centre

- Additional Council Tax revenue to help fund the revenue account. Given our demographic and supply analysis we anticipate pressure on public services will be less than the revenue collected, i.e. likely to be fewer family households and so less pressure on, for example, education
- Profit on investment activities or commercial risk-taking to be reinvested into other initiatives or to support the revenue account in the medium to long term
- Less reliance on cars and a safer city centre leading to greater health and wellbeing and more civic pride
- When a functioning market place is created, an ability to collect developer contributions and increase the delivery of affordable housing which is currently not being delivered by the private sector
- Additional Land and Buildings Transaction Tax (LBTT) receipts on property sales where LBTT applies.

However, funding to unlock this economic potential is a challenge for many cities across the country. From our research it is apparent there is a range of potential funding sources available to explore. These include the Public Works Loan Board (PWLB); the bond markets; Growth Accelerator Model Funding (or a variation thereof); the Housing Fund for Scotland; the Hearthstone Residential Fund Two (BTR focused fund made up of five English Pension Funds who are seeking to develop a UK portfolio of BTR schemes); direct or indirect investment from the North East Scotland Pension Fund (subject to them having an appetite), and; potential City Deal two funding. We also believe that there may be merit in exploring funding options with the Scottish Government that are tailored to city living (i.e. ring fencing the first tranche of LBTT receipts generated from a new Build To Sell (BTS) development that has been delivered as a direct result of ACC intervention) or the introduction of a New Homes Bonus or Home Zone initiative similar to England.

Where there is a gap in available funding it may be possible to bridge this gap by entering into a joint venture or partnership agreement with a private sector developer and/or institutional investor. For example the three possible phase 1 flagship interventions highlighted earlier could be wrapped into one delivery vehicle which had a clear business plan and delivery strategy agreed from the outset. This might, for example, include capital receipts from the sale of serviced land parcels; the distribution of profits from BTS development, or the distribution of net operating income from BTR, or Mid Market Rent developments, with ACC underwriting an element of market risk (perhaps in turn mitigated by the Scottish Government Rental Income Guarantee Scheme (RIGS)). ACC could help facilitate development through, for example, the supply of land.

The fact that ACC already has experience of public/ private sector partnership working through the Marischal Square and the Shaping Housing Limited Liability Partnership (LLP) projects will help in terms of providing confidence to other potential private sector partners and also demonstrating an existing level of sophistication. The Shaping Housing LLP was a joint venture with Places for People that involved the transfer of ACC land (8 sites) into a new entity. The agreement is structured so that the land payments are on completion of the developments with an equal share of any profits. The proposal includes the development of 1,000 homes for private sale.

However, the reason that there has been no recent residential development of note within the CCMP boundary for a number of years (market failure) requires addressing if the opportunity is to be harnessed. The following key challenges are identified:

- In the short term, a nil parking provision is considered as a weakness as local developers appear to be unwilling to commit to projects without a car parking provision. Residents continue to be reliant on their cars as the public transport system is ranked poorly and the cost is considered to be too high
- The general relationship between the public and private sector has a negative impact on development in the city
- Investors are cautious of the Aberdeen market as a result of its reliance on the oil and gas market and current local market conditions

- Fragmented ownership of land in the city centre requires land assembly and 'problem solving'
- A price gap exists in the market where sellers expectations are, in some cases, significantly higher than a developer is able to offer. This has resulted in sites stalling and an increased number of vacant buildings
- Developer obligations are uncertain and can take a long time to agree adding significant cost to the development process
- Market risk and viability represent the key challenge.

However, these challenges are, with the exception of the reliance on oil and gas, not unique to Aberdeen. We identify numerous examples of the public sector actively engaging in the regeneration process at a project level and a city wide level. Through our research we identify a number of key themes/ initiatives:

- Cities from across the UK are taking a direct approach to regeneration and are much more than just planning authorities. A ring fenced regeneration fund is required to support these activities. They are increasingly taking more risks and a commercial approach to regeneration, looking at the economic benefits 'in the round'
- Dedicated regeneration teams with a city living resource help to manage the complexities of regeneration and are needed to implement strategies. They also help to improve public/ private sector relationships and attract inward investment
- In England funding support from central government and the Homes and Communities Agency is providing valuable support. In Scotland, the Scottish Futures Trust is working with Local Authorities to explore funding support such as the Growth Accelerator Model
- There are numerous examples of partnership working whereby the public and private sectors share risk and return through innovative structures. There are variety of initiatives, tools, deal and funding structures that can be applied to individual projects and across a city area
- Successful initiatives seek to cover the whole market including small, medium and transformational projects

- A comprehensive marketing and PR strategy is essential
- Identifying key sites and supporting them through the development process can be an effective delivery tool
- Strong leadership and political support is critical.

Derby in particular provides a useful insight into a dedicated and comprehensive city living strategy and is approximately five years ahead of Aberdeen in terms of maturity. ACC may wish to engage with Derby City Council directly to gain first hand experience of their approach given the number of similarities to Aberdeen.

Having considered the opportunities, the challenges and what other cities are doing on this issue, we have sought to build upon these themes within our recommendations.

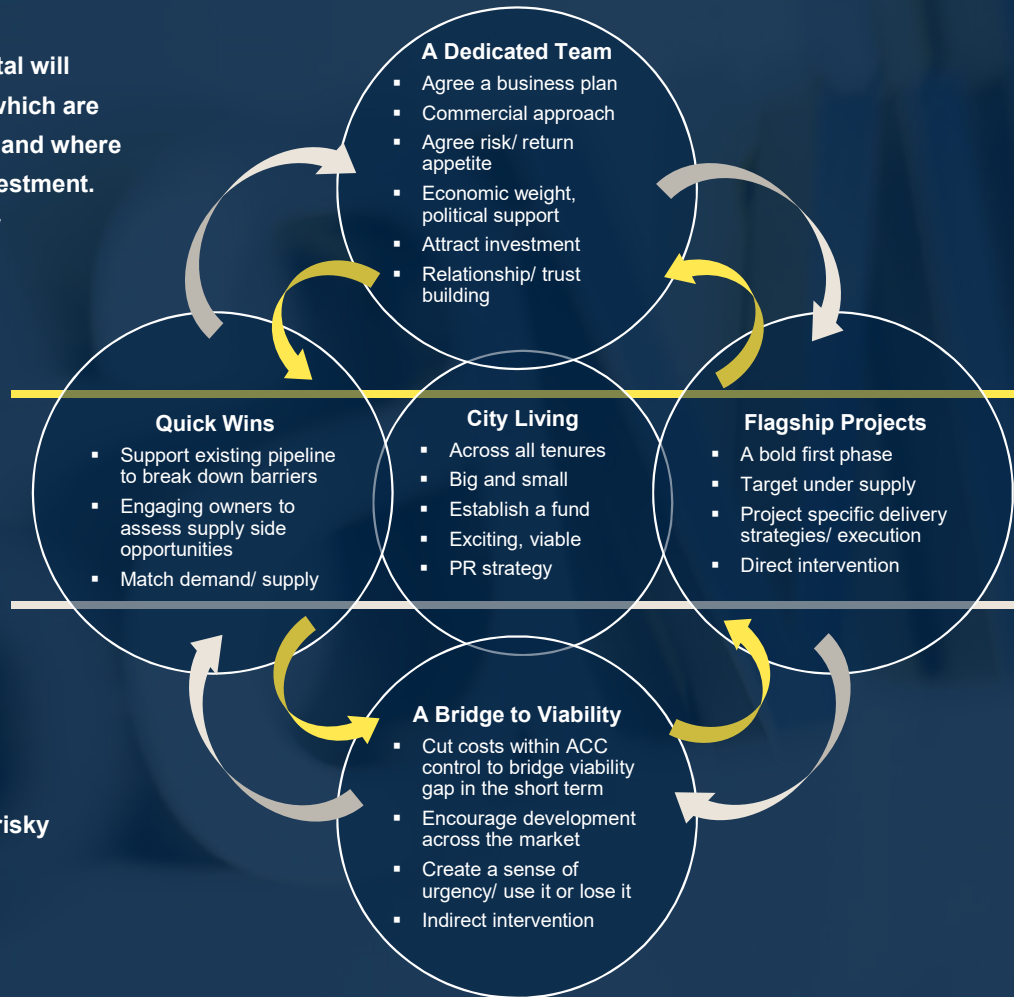
We have identified four key recommendations as follows:

- 1. form a dedicated city living team**
- 2. take a lead role in the delivery of transformational projects**
- 3. identify and support 'quick wins'**
- 4. introduce a two year moratorium on Developer Obligations within the CCMP boundary on developments of up to 50 units**

In the page we attempt to demonstrate what a comprehensive strategy within the CCMP boundary might look like should ACC ultimately adopt our recommendations.

Without intervention private sector capital will be drawn to other UK and global cities which are experiencing positive market sentiment and where authorities are actively encouraging investment. Local developers will continue to favour easier and less risky edge of town sites

Strong political support and engagement is fundamental
In building short term credibility and long term confidence



Strong Governance and oversight is essential as regeneration, by nature, is risky

Addressing market failure is complex. Aberdeen is not alone in this respect. However, while the rest of Scotland and the UK has been experiencing market growth and improving confidence, Aberdeen has not. This compounds the challenge facing the city centre



1

Introduction

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The Aberdeen City Centre Master Plan (CCMP), prepared by Aberdeen City Council and released to the public in 2015, is a plan that intends to transform the city centre and enhance its reputation as a place to live, work and visit.

The masterplan identifies eight key objectives, one of which is to create a “living city for everyone” with the aim of attracting 3,000 more residents to live in the city centre.

Savills has been instructed by Aberdeen City Council (ACC) to carry out a comprehensive review of the property market with the direct intention of making recommendations to encourage the growth of the city centre population.

What have we been asked to do?

The purpose of this study has been to test the appetite for city centre living within Aberdeen and to provide ACC with a residential strategy to support the CCMP. Our report considers the scale, scope, programme and practical actions to enable ACC to deliver on the aspiration of encouraging 3,000 new residents to the City Centre by 2040.

The commission outputs as established in our brief are:

- A series of SMART (specific, measureable, assignable, realistic, time-related) recommendations to help the council develop a new city centre living residential strategy that responds to two key objectives:
 1. Increasing the City Centre residential population by approx. 3,000 residents by 2040
 2. Finding alternative uses for obsolete property, particularly in former commercial areas or at upper floor level on main shopping streets

- Drafting of any new policies that will be recommended for approval as part of the residential strategy and ultimately for incorporation as future statutory planning guidance
- Consideration of funding opportunities, including public subsidies, to support this strategy, along with a statement on VAT and Tax implications on any resultant proposals, specifically for Private Rented Sector (PRS)/ refurbishment and the impact on particular site proposals
- A risk assessment on the proposed recommendations.

What have we done?

Our study has been structured across four key workstreams with each workstream having a dedicated report.

Workstream one considered and quantified the residential market within the city centre. Workstream two assessed the opportunities and constraints relating to city centre development within Aberdeen while Workstream Three sought to explore what other comparable cities within the UK are doing to tackle this issue and to identify key themes that are emerging and areas of best practice. Within Workstream Three we explore how public and private sector development can be funded and structured to break down barriers.

Finally, this report comprises the fourth workstream where we have sought to summarise our findings and identify key themes. We have then set out our final recommendations to create a framework for ACC to address the various issues identified during our study.

In preparing our report, we have carried out quantitative and qualitative research which has involved the following:

- Comprehensive data analysis on demographics and the existing city centre population focusing on age, tenure, income and employment
- Analysis of the current residential property market
- Analysis of the commercial property market and vacant commercial property
- Stakeholder engagement
 - Public engagement survey launched on 20th February 2017 through a joint press release by ACC and Savills. The survey was circulated to a list of stakeholders including lawyers, agents, housing associations, RICS, NHS Grampian, Aberdeen & Robert Gordon University, AGCC and many more
 - Working groups held with those who have an active interest in city centre development. A list of questions was prepared to stimulate debate and discussion amongst attendees. For those who were unable to attend, we held one to one discussions using the same questions structure.
- Comprehensive analysis of city living initiatives adopted by Edinburgh, Derby and Preston and specific examples from other cities across the UK.



2

Opportunities

Opportunities

City Living

Demand for city centre housing in the UK is on the increase with people generally aspiring to live and work in the urban core. This urban tendency is a growing global trend where urban living and lifestyles are increasingly popular among young professional workers, families and downsizers. This is creating new opportunities for property investors and property developers.

Increasing numbers of students, graduates and an ageing population are instrumental in generating growing demand for new market sectors in urban locations. A wide range of tenures, types, price points, etc are required to capture this demand. Cities need to embrace this opportunity and offer residents a more exciting range of housing options in order to retain talent and create less transient and commuter based populations whilst building communities.

Our analysis in workstreams one and two has revealed a chronic under supply of quality new build housing stock across all segments of the market. Whilst there has been a dramatic increase in housing supply since the oil price crash of 2014, there is a distinct lack of quality product available in the city centre. The more modern stock that does exist appears to perform best, often offering more accommodation and better layouts.

This section explores the opportunity for city living within Aberdeen city centre.

CCMP Initiatives

The city centre is going through a period of significant transformation through the implementation of a number of significant CCMP projects, including; the £30m redevelopment of Aberdeen Art Gallery; the £7.9m redevelopment of the Music Hall; a £3million investment in cleaning buildings and pavements and upgrading/ removing/ fixing and repainting street furniture on Union Street; a £2m+ fund to improve the fabric of historic buildings, a £3.2m re-design of Broad Street to deliver a new public realm space, and; the £20m revitalisation of Union Terrace Gardens.

“The demand for city centre living has increased considerably in recent years – the populations of the city centres of English and Welsh cities increased by 37 per cent between 2001 and 2011. This is particularly stark when comparing it to the longer term trends in city centre living, where city centres saw declining populations through the 1970s and 1980s.” Urban Demographics, 2015

There are also plans to host a number of year round events (Aberdeen 365), a creative lighting initiative (Aberdeen in Colour) and offer support and to promote home grown retail businesses to add to the distinctiveness of the city centre (Independent Aberdeen).

These initiatives will address a number of the negative perceptions that residents identified in our survey and stakeholder sessions. Ultimately they will make the case for city living more compelling and make the city centre a more pleasant place to spend time.

Grade A Office Stock

Aberdeen city centre until very recently had a limited Grade A office offering. This contributed to the outward migration of businesses to purpose built office parks on the periphery of Aberdeen such as Prime Four in Kingswells and Arnhall Business Park in Westhill.

Thanks to the recent completion of Marischal Square, The Capitol and the Silver Fin office buildings, 385,000. sq.ft of exceptional quality Grade A office is now available in the city centre.

A number of high calibre tenants have already been identified for these developments including PWC, Dentons, Chrysaor and Aberdeen Journals and more will follow as tenants are drawn to the quality offering.

Marischal Square has contributed to 385k sq.ft of new Grade A office space in the city centre



This will create exciting employment opportunities in the heart of the city centre and, in turn, lead to demand for high quality homes.

In addition, much of the older office stock in the city centre is now sitting vacant or is likely to become vacant in the short to medium term. This will create opportunities for conversion of these buildings to residential use and provide a development pipeline to help make city living a reality.

Retail and Leisure Offering

In our survey of local residents, shopping and entertainment are ranked particularly positively with 60% of respondents ranking shopping as good or excellent, and 50% of respondents saying the same of entertainment.

With the various CCMP initiatives underway, the completion of Marischal Square and the proposed extension of Hammerson's Union Square development and Land Securities' Bon Accord and St Nicholas centre, the offering is set to improve further.

In July 2017, PMA (Property Market Analysis) reported a vacancy rate in Aberdeen city centre of 8.7%, well below the retail PROMIS (Property Market Information Service) average for the remainder of the UK.

A strong retail and leisure offering is essential for a credible city living proposition and the city centre is providing this.

Economy and workforce

North East Scotland contributes substantially to both the Scottish and wider UK economy with Gross Value Added (GVA) of £18bn and 284,000 jobs (2013, source: Opportunity North East). The region has consistently exceeded its own economic growth target of 2.5% per annum (source: Opportunity North East). Aberdeen's economy is forecast to grow by 7.4% over the next five years (-2.3% over the last five years) according to Oxford Economics.

There are challenges associated with Aberdeen's reliance on the oil and gas sector and this is recognised in the Regional Economic Strategy prepared by Aberdeen City Council, Aberdeenshire Council and Opportunity North East. There is a clear vision for the future of the local economy which focuses on four key themes: investment in infrastructure; innovation; inclusive economic growth; and internationalisation. There is an opportunity to highlight this clear diversification strategy to potential inward investors.

There is an underlying desire to broaden the economy with investment in food, drink and agriculture, life sciences and tourism. However, Aberdeen does benefit from two universities; one college; two innovation centres funded through the city region deal; and world class food and drink production. Aberdeen is also alongside Cambridge as the main cluster in the UK for R&D in biologics and is ranked 5th in the Mercer quality of living index (source: Aberdeen Grampian Chamber of Commerce).

Average weekly earnings in Aberdeen are amongst the highest in the UK at £593.40 (2016, Centre for Cities) and unemployment is 2.1% within Aberdeen City (September 2017, Grampian Chamber of Commerce). 46.5% of the working age population had a qualification at NVQ4 or above in 2015 which is seventh out of the 63 cities in the UK analysed by Centre for Cities.

In addition, the city and wider region houses a maturing population that has benefited from the fortunes Aberdeen has experienced over the last four decades in terms of wealth creation and long term growth in property values.

The local property market is also showing some signs of recovery with an increase in transaction levels and a stabilisation in values (Savills North East Spotlight, Winter 2017). Albeit, the market continues to suffer from an oversupply of second hand stock.

Demographics

As people's priorities and needs change throughout their lives, they choose to live in those places that best suit their needs at a particular time. Single people, including graduates and professionals, are more likely to cluster in central areas, where homes are smaller and they are more likely to rent, but where they can easily access jobs, restaurants, and amenities. As with all demographic groups there will be a range of spend and affordability profiles. However, millennials (typically regarded as those born between the early 1980s and early 2000s) are more likely to rent, reflecting a change in consumer habits and strict mortgage criteria. Indeed, millennials priced out of the housing market are boosting rental growth across much of the UK, particularly the large cities.

Married couples, by contrast, are more likely to locate further out, in suburbs and rural hinterlands – reflecting the greater likelihood of these people to have children and to require cheaper housing, larger homes and proximity to schools and green spaces. Within our survey Aberdeenshire is identified as the main destination for those moving out of Aberdeen City with a number of established communities just beyond the border where there has been considerable new build development over the past twenty or so years.

71% of people living in Aberdeenshire who completed our survey had previously lived in the city/ city centre. Of this, 33% stated that they would return to the city. We feel that the city centre has the potential to capture much of this potential demand. Furthermore, with the various CCMP interventions underway we anticipate that this % will increase over time, subject to suitable housing options being available. Within our survey, overall access to amenities and facilities within the city centre was ranked as fair to good. Schools, medical services and the sense of community were primarily ranked well.

The city centre is perceived as a safe place with 50% of respondents ranking it as fair and 30% ranking it as good. These attributes are important in attracting and retaining new residents, particularly families.

Whilst there is limited capacity for new build family housing within the city centre boundary, we believe that larger three bedroom apartments in the city centre and the conversion of period dwellings towards the west end of Aberdeen including within Golden Square and Bon Accord Square could cater well for families. However, family housing is likely to make up a small proportion of overall demand within the CCMP boundary (although consideration could be given to reimagining the waterfront area as family housing to boost demand within this sub sector).

One feature of the current UK and local market is the emergence of the downsizer. The downsizer market is driven by aspiration; the desire for a high quality, mortgage-free lifestyle in desirable areas, often near the family home, family members and good local amenities. CALA's Parklands development, just outside of Aberdeen city centre, featured high specification apartments with lift access and parking and attracted a number of downsizers.

A two-tier approach is required to cater for both downsizers operating at the top end of the market, and also for more modest retirement housing such as WestPoint's Cottage Street development in Paisley which included 30 shared equity apartments, with lift access, for sale to those over 60 who can demonstrate a housing need. The shared equity element is held by Scottish Government and the level of equity varies depending on affordability and level of savings.

ACC are forecasting that the city's population of over-65s will more than double by 2036. These demographics suggest a huge untapped opportunity for the right product for the right buyer/tenant in the city centre. As sectors such as student housing and Build to Rent mature, investors are becoming increasingly aware of the untapped opportunities in the retirement and assisted living sectors.

There is a compelling case for high quality new development for young people, students, graduates, families and the over-60s. Increasing the delivery of a range of residential properties in the city core will be fundamental in meeting demographic change across all income and affordability levels. The city centre should be able to cater for every life stage.

Rental Stock

Within the city centre there is a dominance of rental stock (both private and social) in comparison to the wider city region. The core of the city centre is under represented by home owners and this indicates a potential gap in the market. The private rental stock is of mixed quality and ownership is dominated by buy-to-let (BTL) investors. Recent policy restrictions targeted at the sector have affected domestic investors, particularly those dependent on mortgages. Across the country, the number of mortgaged buy-to-let transactions fell by 37% between 2015 and the year to May 2017. Investors in the Savills new homes market outside London fell from being 32% of buyers in 2015 to 19% of buyers in the first half of 2017.

Whilst demand from BTL investors is reducing there remains an active BTL sector in Aberdeen and we expect some demand from this sector going forward. As a general trend we have seen an influx in overseas investors purchasing apartments within central office conversions, such as Prosperity House in Derby (below). The developers have been targeting this sector through astute marketing techniques such as a 'rental assurance plan' which includes 5 years rent and void assurance and a predicted yield of over 7%.



Build to Rent

There is currently no Build to Rent (BTR) product within the city centre and this represents a clear opportunity to deliver a substantial tall building that is consistent with the vision of the CCMP. As its name suggests, these are homes built for renters, but funded and held by long term institutional investors rather than BTL landlords who currently own the vast majority of private rented accommodation in the UK.

As more people in the UK opt, or are forced, to rent and the rented accommodation sector improves in tandem, so does the expectation of a good-quality offer. Family-friendly tenancies that encourage residents to stay make a lot of sense to long-term investors and there is clear evidence that the sector is finally starting to gain some traction, with approaching 48,000 homes now under construction or in planning across the UK. There is a growing pipeline of schemes across the regions and build to rent is no longer just a feature of the London or Manchester markets. There is now a trend of professional build to rent operators such as L&G, LaSalle and M&G widening their geographical focus beyond London and into the regions, including Scotland.

Some of the best BTR accommodation available today boasts a range of amenities, including onsite gyms, concierges, postal and parking facilities, retail, leisure and garden amenity, allowing tenants a quality of lifestyle not previously associated with the rented sector. The standard of purpose-built rental accommodation is shaking off the stigma historically associated with the rental sector. As a result BTR tends to attract premium prices in comparison to BTL rental values.

Above Right: Legal and General's new Slate Yard BTR scheme, near to Spinningfields in Manchester: 80% of occupiers are under the age of 35, 50% under 25. Amenities include high speed Wi-Fi, security, car club membership, and 24/7 concierge, with no fees and the option to bring your pets. From March 2018, residents will also have access to a gym included in their rent.

Left: Prosperity House in Derby which was completed in 16/17 and targets BTL investors



Savills experience of BTR properties in England is that they predominantly cater for young people aged between 18-35 who are usually looking to buy but cannot afford to. Instead they rent for approximately 12-24 months while they continue saving, by which time they have grown accustomed to the amenities and management provided in their rented accommodation (often also as an extension from their time in a purpose build full amenity student development). At the point where they are ready to buy, many renters choose to remain and invest in the same area, which is a testament to the success of new BTR developments.

Savills Scotland currently (Dec 17) have two BTR funding deals under offer to separate UK institutions at a combined value of more than £150m. Our experience of the regional markets is that schemes are most successful when they offer 250 units or more within areas of critical mass and close to good transport links, where the accelerated market absorption leads to faster build-out rates. Funders typically look for an ungeared Internal Rate of Return (IRR) of 7.5% based on a 7 year hold period post completion. Golden brick contracts are preferable to minimise VAT and LBTT costs. A Golden brick contract involves the investor purchasing the land from the developer in this first instance (taking title) and then paying the developer on a staged payment basis as the building works progress.



Above: Dandara delivered the first purpose built Build to Rent scheme in Scotland at Stoneywood in Aberdeen. Now managed by Dandara Living and owned by LaSalle Investment Management, Forbes Place offers a mixed community of 292 apartments and townhouses. The development provides homes for economically mobile professionals who prefer to rent over being tied to a purchase.

Faced with more competition from the BTR sector, this is likely to mean BTL landlords across the UK will either have to step up the quality of their offering or, where they are heavily geared, look at exiting the sector. Overall, however, this is an opportunity to increase the range of housing options to younger households who are critical to our economic future.

Student Housing

The student housing market (purpose built student accommodation) has come of age and is no longer classed as a specialist or alternative investment. Record levels of institutional activity are testament to its global potential as a mainstream real estate asset, totalling \$13.5 billion in 2015 (Savills UK Research).

According to our local research, Aberdeen already has a very generous supply of approximately 7,000 student bedrooms and is facing renewed competition from the BTL sector. Rents are down by c.15% over the last two years and voids are becoming increasingly common.

In addition, we estimate that there are 1,500 bedrooms in the committed pipeline and a further 1,100+ in the potential pipeline. With a student population of c.22,000 this represents a very generous supply and consequently a cautious approach is now being taken by investors and developers.

However, despite this growing supply, there has been very little development in the city centre core in recent years. Accordingly it is exciting to note that Dandara appear to have made a start on their 342 bedroom Triple Kirks development. This will be a transformational and flagship development that will attract students with disposable incomes to the city centre and provide a pipeline of city centre graduates to occupy any new BTR schemes or Build to Sell schemes. Against a backdrop of challenging viability ACC should seek to support this scheme to ensure its successful completion.



Above: Dandara's 342 bedroom Triple Kirks development will provide luxury student accommodation. We understand that the development, whilst stalled for a number of years, is now underway despite market conditions and a lack of appetite from institutional investors.

Build to Sell

Despite some recent apartment led developments on the periphery of the CCMP area by builders including Bancon Homes (Union Grove); Barratt Homes (the beach and Berryden), and; CALA Homes, (Cornhill) there has been no similar activity within the CCMP area for a number of years.

Where development has occurred within the city centre in the past and has been of a high quality, including Bancon Homes St Andrews Square development (which was developed during the financial recession of 2008 when market conditions were challenging) it tends to have performed well.

There is currently no new build aspirational housing stock available which is essential to attract and retain skilled graduates within the city whilst also catering for the potentially lucrative aspirational downsizer market.

Whilst there is a notable supply of second hand stock within the market there is also an opportunity to service increased demand through CCMP interventions from first time buyers, single person households and those on more modest mainstream budgets within upper floor conversions and interesting redevelopments of absolute office blocks.

Barratt Homes Ocean development (below) near to Aberdeen beach offers one and two bedroom flats priced up to c. £250k. The commitment was made to develop this site before the oil price slide



Interview with Managing Director of a National Developer: “Urbanisation is taking place and there is demand for city centre development”



Above: 255 and 262 Union Street were converted from offices to 13 one, two and three bedroom apartments in 2014/15 – the development, which was marketed by AC & Co, was targeted towards Buy To Let (BTL) investors and first time buyers.

Affordable Housing

Whilst we identify in our research that there is a higher proportion of social rented housing within the CCMP area in comparison to Aberdeen as a whole, the quality of affordable offering is noticeably poor and uninspiring in comparison to new affordable schemes in, for example, Countesswells, St Machar Road (above right) or Craiginches (far right).

There is also a notable lack of tenure options for those on incomes that are not quite enough to afford home ownership, or private sector rents. As we revealed in Workstream One, the city centre, which is distinctly attainable when compared to other parts of the city, is out of reach for purchasers on a single median gross income unless they have access to considerable deposits. There is also a projected growth of single household with Aberdeen City which could be well catered for within the city centre. There are opportunities for new social rented developments, mid market rental (MMR) developments and shared equity developments.



Above: Robertson Partnership Homes, in collaboration with Hillcrest Housing Association are in the process of delivering a new community of 138 properties in St Machar.

There is also a notable lack of tenure blind, low cost home ownership options which could help to cater for median or low income aspirational purchasers that are less transient and seeking to put down firm roots in the heart of the city centre.

Demand Drivers

To summarise, the city centre, particularly as it becomes increasingly attractive and vibrant in years to come, has the potential to cater for all demographics across all tenures and income thresholds. There are particular gaps in the provision of executive housing options, retirement and assisted living options, BTR and tenure blind and attractive affordable housing.

There is likely to be less capacity and demand from families although in order to create a rich tapestry of people into the city centre this market should be encouraged where possible.

It is important that any city living strategy seeks to address the entire market in order to ensure diversity whilst seeking to avoid concentration risk.

Development Partners

Aberdeen and the wider region benefits from a number of high calibre and well established housebuilding and development companies. Many of these, including privately owned regional businesses and national volume builders have engaged with us through our stakeholder sessions. This group is typically risk averse and require developments to be more than 40 or 50 units in scale to justify an investment and control preliminary costs. They also typically only look at new build proposals given the level of construction risk associated with conversions. The majority of feedback suggested that they would be unlikely to invest in the short term in developments without car parking. However, there is strong interest in the CCMP and one Managing Director (MD) of a significant regional house builder stated “private businesses will be keen to participate in delivery but now more than any other time, developers and their funders are mindful of risk and reward”. Another MD of a National developer stated “urbanisation is taking place and there is demand for city centre development”.

Below: Sanctuary Housings MMR aspirational development at Craiginches which comprises 106 flats and 18 houses. Mid-market rent is suitable for people on incomes that are not quite enough to afford home ownership, or private sector rents.



Car Parking

In relation to car parking, where there is an appropriate public transportation offering, there is growing evidence of mainstream city living developments increasingly moving towards a car free model. Savills new homes business in Scotland has considerable experience in marketing reduced car or car free developments including Land Securities Buchanan Gardens development in Glasgow (below).

It is also worth bearing in mind that certain residential development types are likely to be less reliant on cars including BTR, sheltered housing, retirement living, student accommodation and affordable housing.



Above: Buchanan Gardens is a recently completed new build development of 49 one, two and three bedroom apartments in the heart of Glasgow city centre with no onsite car parking. Developed by Land Securities and marketed by Savills, unit prices ranged from between £149,000 and £325,000. The development was marketed as 'an oasis in the heart of the city' and the developer offered a 3 year NCP lease within the sales price as well as cycle stores. Savills is currently advising clients on a number of projects in Glasgow where there is no or very limited car parking and advising that developers offer: i) NCP car parking for 2/3 years within the price ii) membership for an agreed period in the Glasgow City Car Club (managed by Enterprise Car Club) iii) an Uber or taxi account with a pre agreed budget limit.

“there is evidence of mainstream city living developments increasingly moving to a car free model”

The CCMP provides an opportunity for Aberdeen to move towards a car free model in the city centre, however this only appears to be successful where there is an appropriate public transportation offering. In other city centres such as Glasgow, developers are offering marketing tools such as car parking in nearby multi-storey car parks for a fixed period, membership of car clubs and taxi account budgets to entice purchasers.

Overview of Demand

The interest from the house building industry suggests that if low risk opportunities can be identified that offer the potential for blocks or phases of more than 40 units then there will be demand.

Retirement living specialists such as McCarthy and Stone, who have a requirement for Aberdeen sites and have recently completed successful projects in Cults and Springfield Road, are likely to have an appetite for aspirational projects in the city centre. However as with house builders this markets preference is for new build development rather than conversion.



The last decade or so has seen an increased emergence of entrepreneurial property companies and regeneration specialists who recognise the constraints (i.e. capacity for parking) and opportunities that city living presents. Companies such as Artisan Real Estate (the developer behind the award winning New Waverley development in Edinburgh which Savills is advising on); Inhabit (the purchaser of Broadford Works in Aberdeen); Muse (the developer of Marischal Square in collaboration with ACC); Compendium Living (a key developer in the Derby City Living strategy) and Urban Union are just some examples. Places for People also represents an organisation that thrives on strong public/private sector working and developing models that balance risk/ return and funding requirements.

Through our research we have met with a number of local property developers, investors and entrepreneurs who are actively seeking to enter the city living market at a more modest scale. These developers will take on more risk than house builders and have the potential to play a crucial role in delivering the city living agenda. If this group can overcome current viability constraints and secure redevelopment opportunities at the right price, they have the ability to make an immediate impact on the market. Investors, if they can secure the appropriate income yield, will forgo developer's profit and may, as in the case of the investor who converted the upper floors of 407 Union Street, already own the property.

This group will be critical in the aspiration of bringing the upper floors of Union Street back to life and transforming obsolete office buildings back into economic use. They can also act as pioneers to help establish momentum in a city living initiative (as is currently being experienced in Preston for example) and generate data, case studies and evidence of a city living market place. All things being equal, this could create confidence for a future wave of developments and overcome the existing stalemate in the market.

“we have met with a number of local property developers, investors and entrepreneurs who are actively seeking to enter the city living market at a more modest scale”

Left: McCarthy and Stone's Florence Court assisted living development in Cults sold well and this type of development would suit a high amenity city centre environment.

“owner occupiers do not require to extract developers profit”

We also see an opportunity for families and individuals to acquire existing office stock and convert this back into a principle residence. As we explored in Workstream Two, owner occupiers do not require to extract developer’s profit and whilst they are likely to experience higher conversion costs, this could help to reduce the viability gap referred to in Chapter Three.

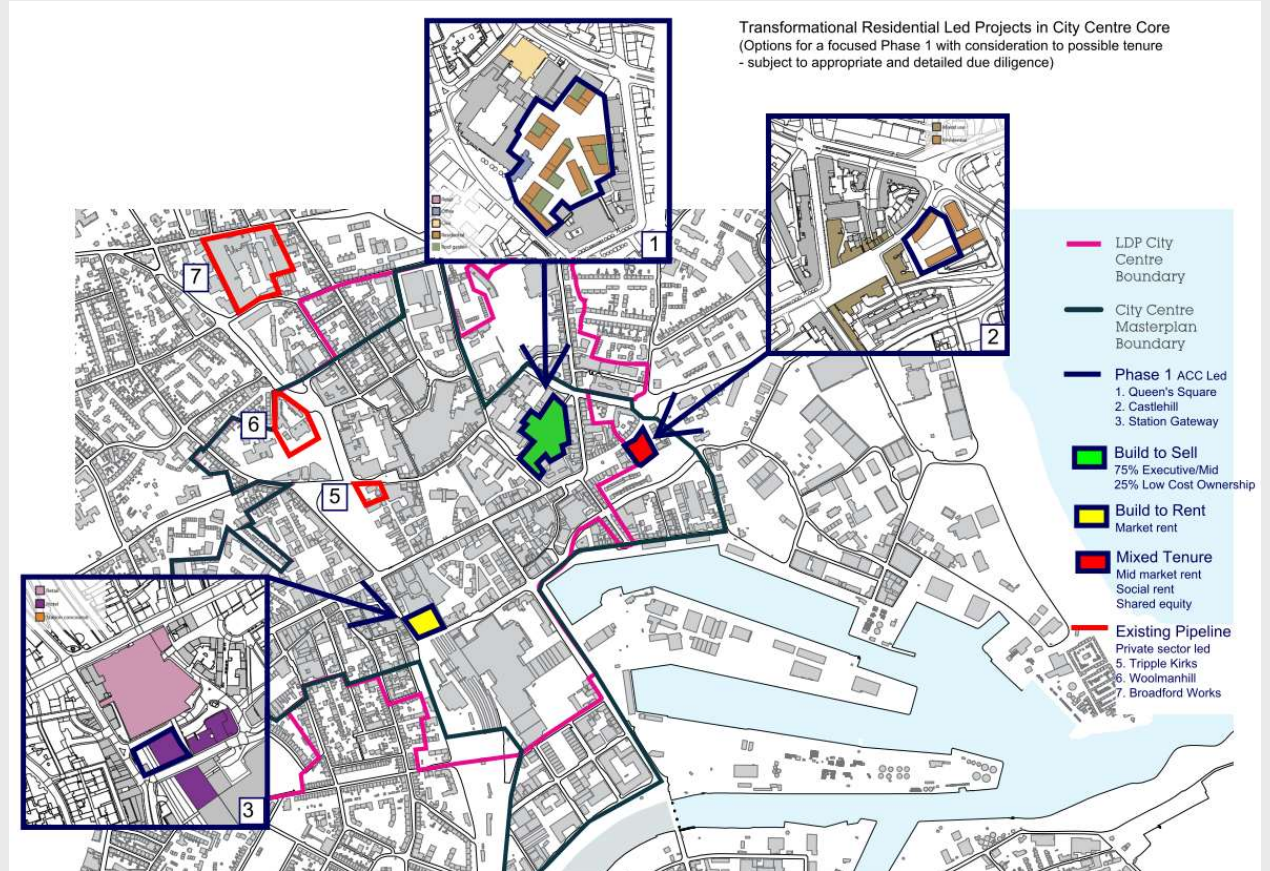
Finally, another trend over the last three or four years has been the emergence of affordable housing developers who work collaboratively with Registered Social Landlords (RSLs) to deliver high quality social housing schemes. Developers, including for example Robertson Partnership Homes, Stewart Milne Homes and Bancon Homes, are attracted by the cash flow benefits and lack of sales risk that affordable developments can offer. With no financing risk or funding cost (developers are typically paid in staged payments over the course of construction) and no sales risk, developers are able to justify a lower target margin. RSLs benefit from the delivery expertise of the private sector and favourable access to private and Government funding. The tenants benefit from high quality, high amenity developments that are increasingly tenure blind.

To summarise, there are a wide range of private sector development partners to help deliver the ambitions of the CCMP. For any city living in Aberdeen to be successful and deliver across the market with a combination of quick wins and transformational projects, the engagement of all the groups identified above will be required.

Where developers are already pursuing opportunities in the CCMP boundary (on projects such as Broadford Works, Triple Kirks and Woolmanhill: outlined in red on the adjacent plan) the council should work collaboratively with these businesses to drive delivery and help to gain traction in the short term.

Matching Demand and Supply

The CCMP looks at development potential over a 25 year period. At first glance, the residential development opportunities within the CCMP can be seen as somewhat daunting and overly concentrated in one development type (tall apartment based schemes). This is something which we feel should be addressed in the short term through consideration to phasing and tenure mix.



There is an opportunity to condense the CCMP into a series of deliverable priority projects. Firstly ACC should seek to identify projects where they can actively facilitate transformational, inspirational and flagship development activity (above).

We would suggest that this is focused on three key projects in the city core that can be delivered over a two to ten year time horizon and cater for a range of the demand drivers and gaps in supply that we have identified. This is considered further under recommendations.

Secondly, ACC should identify quick wins at a more modest scale across the CCMP area.

The illustration to the right identifies how a pattern of small to medium sized development activity might reasonably emerge over the course of the next 25 years.

Whilst this illustration is just indicative it is useful in highlighting the potential opportunities that do exist and that can be unlocked at scale, and quickly, if the barriers to development are removed.

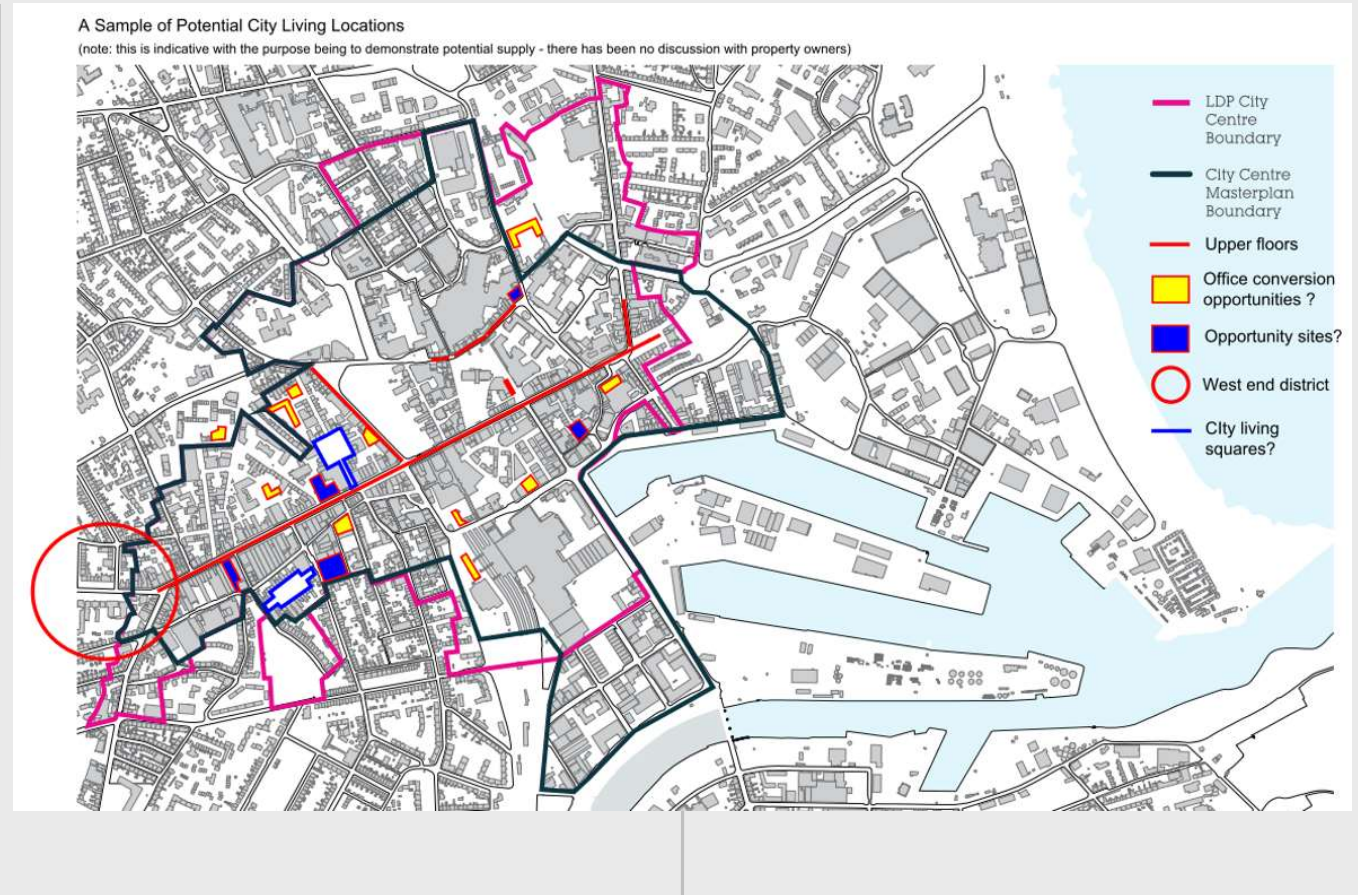
Planning Policy

Our detailed analysis of existing policy suggests that it is generally favourable and fit for purpose. More could be done to bring all of the policy together and strengthen guidelines/ development briefs and so forth, although policy is favourable for the City Living concept (with the exception of developers contributions and affordable housing policy in the short term given the stalemate the market is experiencing as we consider in Chapter Three below).

National, regional and local planning policy all have a 'town centre first' focus, with a recognition that increasing a variety of complementary uses in addition to retail and business builds a vibrant 24 hour economy. The Aberdeen City & Shire Strategic Development Plan (2014) (SDP) highlights that the city centre is an important asset for the region; and its regeneration is vital for the economic future of the area and how potential investors and residents see it. Further, the Aberdeen Local Development Plan (2017) (LDP) reinforces the focus on the city centre.

ACC Interventions

We identify through our research that small, medium and large local authorities across the UK are taking an active role in the delivery of city living initiatives. ACC can actively help to shape and participate in developments subject to securing appropriate funding and balancing risk relative to other competing priorities.



Economic Case

Whilst regeneration strategies and interventions, particularly direct interventions, require a substantial short term investment and heightened risk profile, the medium to long term goal should be to secure a return on that investment, reflective of the risk. To an extent, and excluding external market forces outwith one's control, ACC can help influence heightened demand and positive market sentiment through delivery of the CCMP initiatives and the creation of momentum through the implementation of our recommendations and a strong promotional strategy.

An increased city living population will create many economic and social benefits for ACC, Scottish Government and the people of Aberdeen, for example:

- Increased consumer spend in the city centre which in turn will boost retail and leisure businesses' profitability and encourage the occupancy of otherwise vacant space
- Attracting businesses into the city centre through a skilled workforce that will be living in the city centre, resulting in greater demand for Marischal Square as well as increased rateable income
- Greater sense of community and increased population with a direct stake in the city centre
- Additional Council Tax revenue to help fund the revenue account. Given our demographic and supply analysis we anticipate pressure on public services will be less than the revenue collected, i.e. likely to be fewer family households and so less pressure on, for example, education
- Profit on investment activities or commercial risk-taking to be reinvested into other initiatives or to support the revenue account in the medium to long term
- Less reliance on cars and a safer city centre leading to greater health and wellbeing and more civic pride
- When a functioning market place is created, an ability to collect developer contributions and affordable housing delivery which is currently not being collected/ delivered
- Additional Land and Buildings Transaction Tax (LBTT) receipts on property sales where LBTT applies.

In the short term interventions will inevitably be required by ACC to unlock this economic potential. In the medium to long term ACC may choose to move away from taking a direct approach and adopt more of a guiding and strategic role. Alternatively, ACC may choose to continue to invest directly in the city centre residential market as part of a medium to long term financial strategy in parallel to any short term regeneration requirements. City councils across the UK are increasingly seeking to participate in property development and investment activities through normal course (i.e. not driven by a regeneration agenda) in order to reduce their exposure to the vagaries of central funding. From analysis of our case study cities we note that Edinburgh and Derby in particular are moving towards a more direct approach.

Indeed, we note with some interest that Derby City Council has recently developed an appraisal model that considers not only the financial return of a direct investment in a property or development, but also the total indirect return to include additional Council Tax revenue and New Homes Bonus collected (source: interview with senior regeneration official).

Funding

We would highlight through our research in Workstream Three in particular, that there is a range of potential funding sources available to explore including the Public Works Loan Board (PWLB); the bond markets; Growth Accelerator Model Funding (or a variation thereof); the Housing Fund for Scotland; the Hearthstone Residential Fund Two (BTR focused fund made up of five English Pension Funds who are seeking to develop a UK portfolio of BTR schemes); direct or indirect investment from the North East Scotland Pension Fund (subject to them having an appetite); potential City Deal two funding; and a case for exploring funding options with the Scottish Government that are tailored to city living (i.e. ring fencing the first tranche of LBTT receipts generated from a new Build to Sell development that has been delivered as a direct result of ACC intervention) or the introduction of a New Homes Bonus or Home Zone initiative similar to England.

Where there is a gap in available funding it may be possible to bridge this gap by entering into a joint venture or partnership agreement with a private sector developer and institutional investor. For example the three possible phase 1 flagship

interventions highlighted earlier could be wrapped into one delivery vehicle which had a clear business plan and delivery strategy agreed from the outset. This might, for example, include receipts from the sale of serviced land parcels, the distribution of profits from BTS development or the distribution of net operating income from BTR, or MMR developments, with ACC underwriting an element of market risk (perhaps in turn mitigated by the Scottish Government Rental Income Guarantee Scheme (RIGS)); and facilitating development through, for example, the supply of land.

The fact that ACC already has experience of public/ private sector partnership working through the Mariscal Square and the Shaping Housing LLP projects will help in terms of providing confidence to other potential private sector partners and also demonstrating an existing level of sophistication. The Shaping Housing LLP was a 50/50 JV with Places for People called and involved the transfer of ACC land (8 sites) into a new LLP. The agreement is structured so that the land payments are on completion of developments with an equal share of any profits. The proposal includes the development of 1,000 homes for private sale.



Above: the Edinburgh St James redevelopment (currently under construction) has been supported through direct intervention by Edinburgh City Council (ECC) and will include 150 homes. ECC secured GAM funding from the Scottish Government (managed by the Scottish Futures Trust (SFT)). We understand from discussion with SFT that discussions are already underway with The CCMP Board on a similar model in Aberdeen to support public realm interventions. ECC also used the threat of their CPO powers effectively, with the potential cost of any purchase formally underwritten by the private sector partner.

Key Themes and Conclusions

ACC is already committed to delivering the first phase of CCMP interventions and this is welcomed by the various stakeholders with whom we have engaged.

Within this section we have explored a range of opportunities and strengths which the city already offers and is capable of offering going forward. There are also opportunities available for the council to explore in terms of phasing, funding and delivery structures to bring the city living strategy to life.

The key themes that have emerged during our research are:

- There is a growing trend of urbanisation in the UK
- The demographics and economic profile of Aberdeen clearly support a city living strategy if the right product can be delivered at the right price point
- There is an obvious gap in the existing residential offering within the city centre, in particular for aspirational Build to Rent and Build to Sell development and tenure blind affordable housing
- There is a range of development partner profiles that can support delivery across all tenure types and of varying scales: from small single residence conversions through to large scale transformational multi unit projects. ACC should seek to mobilise development activity across all sectors including local property developers and investors; house builders, property companies, and; Registered Social Landlords
- There is an opportunity to develop a short to medium term residential strategy that prioritises the delivery of three key flagship sites
- There is a clear economic rationale for pursuing a city living strategy
- There is a range of funding mechanism and structures available for ACC to explore

With a proactive approach to working with the private sector at all levels and with a bold approach to aiding delivery, there is an exciting opportunity to redefine the city centre as a place where people aspire to live.



Halliday Fraser Munro

Above: the proposed Atholl House development: could this become a core city centre BTR led scheme?



Halliday Fraser Munro

Above: the acquisition of Broadford Works by Inhabit earlier this year represents a significant investment in what could be a transformational development of 890 units including 517 mainstream units (source: S75 agreement). ACC should continue (see below) to adopt a proactive and collaborative approach to ensure delivery of this residential led scheme

David Westwater, Inhabit: "In our interactions to date with ACC it has been apparent that the authority recognizes the importance of the Broadford Works site in its own right as well as its imprint on the local community and the wider city. Issues such as provision of affordable housing were considered carefully and in good open dialogue with us which resulted in a successful outcome for all. ACC understands that PRS (BTR) is an emerging use class and is important to the future of housing in Aberdeen. They have already had some experience with the Forbes Place scheme so perhaps they are further ahead in terms of this knowledge than other local authorities. We hope to continue the collaborative partnership with ACC as we progress through the next stages of planning and development of the site"



3

Challenges

Challenges



Introduction

There is a growing demand for city centre living throughout the UK as a general change in lifestyle has led to a growing trend for urban living. However, our research has shown that, at the time of the most recent Census (2011), Aberdeen City Centre accounted for approximately 8% of households within the Aberdeen Local Authority area and only 7% of the Aberdeen City population. Aberdeen appears to be falling behind the trend.

The city centre population is dominated by residents aged 20 – 44, as current housing options meet the requirements of students, graduates and young professionals. Indeed, residents aged between 18 and 29 account for approximately 50% of the residents in the city centre. It is clear from the demographics that families and the older generation have a strong preference to live outwith the city centre.

In addition to the above, there has been no new build development projects within the city centre that have provided quality, modern residential accommodation in recent years. Developers consider city centre developments to be challenging and risky, many prefer to develop in out of town locations on greenfield land, of which there is a greater supply.

This chapter considers the challenges of city living for residents in Aberdeen and furthermore, we consider the challenges to developers and why the CCMP area is considered to be high risk.

Below: Aberdeen city centre population by age bracket (Census, 2011)

	All people	0 to 4	5 to 7	8 to 9	10 to 14	15	16 to 17	18 to 19	20 to 24
Aberdeen City Centre	16,526	541 3%	176 1%	84 1%	248 2%	47 0%	156 1%	1,442 9%	3,727 23%
Aberdeen Local Authority Area	222,793	11,512 5%	5,633 3%	3,539 2%	9,401 4%	2,050 1%	4,369 2%	8,273 4%	23,207 10%
	All people	25 to 29	30 to 44	45 to 59	60 to 64	65 to 74	75 to 84	85 to 89	90 and over
Aberdeen City Centre	16,526	2999 18%	3657 22%	1830 11%	535 3%	495 3%	445 3%	104 1%	40 0%
Aberdeen Local Authority Area	222,793	21,216 10%	46,610 21%	42,498 19%	12,454 6%	16,242 7%	11,680 5%	2,792 1%	1,317 1%

“It could be argued that city centre development should rule over greenfield in terms of services being readily available, however the remediation and more importantly the planning risk associated with city centre development negates any of these positives”

“The appearance of the city centre in general is poor at present with dirty buildings, and poorly maintained facades. Quality of shops/ bars/ restaurants on Union street does not encourage people to live in the area, when compared to outer parts of the city/shire”
Aberdeen Resident

What are the challenges for Residents?

The results of our public survey are analysed in detail in Work Stream 1 and the results are summarised in the chart (right). In relation to public perception of city centre living, the following are the key challenges for residents:

Poor Quality Housing

Over 40% of respondents consider the quality of housing in the city centre to be ‘poor’ or ‘very poor’. This is largely due to a lack of development taking place within the city centre in recent years and therefore a lack of high quality stock that can compete with the available stock out of the city.

Developments have been focused on edge of city centre locations such as the West End, Cornhill and off King Street.

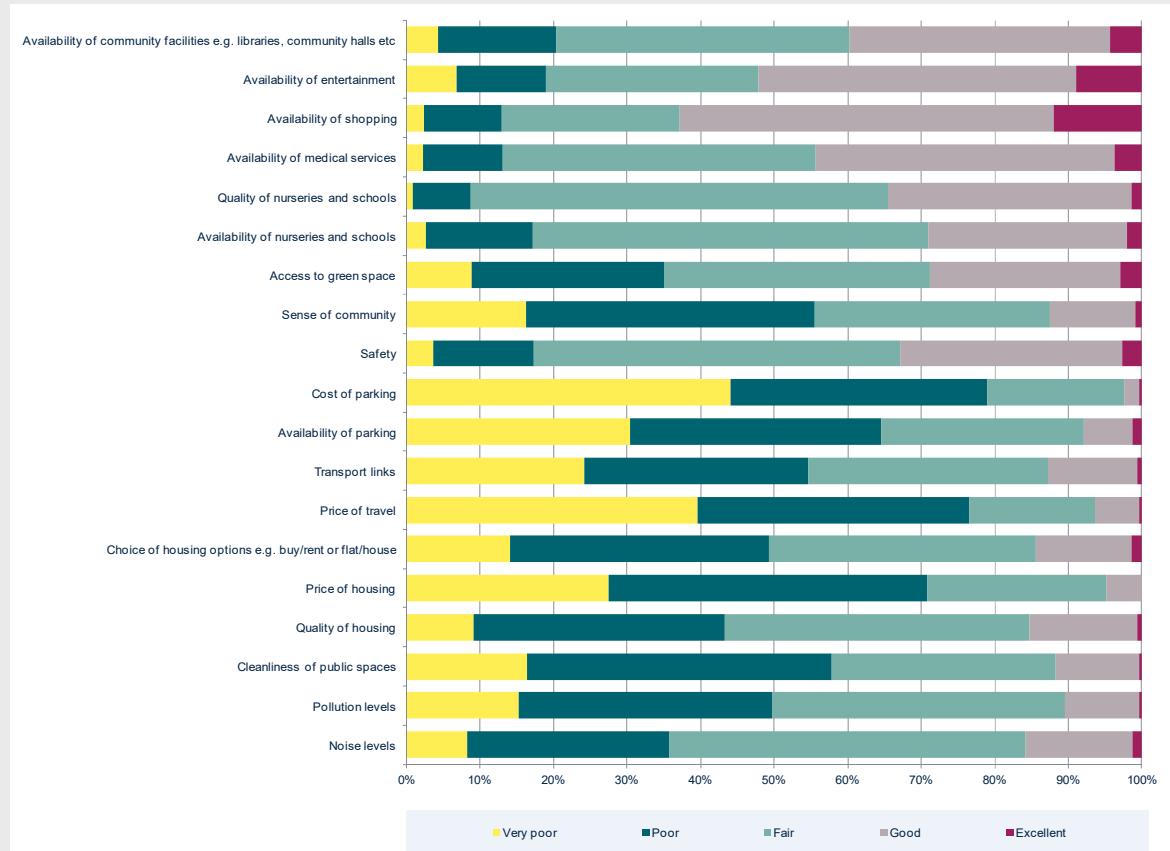
Housing Options

50% of respondents consider the choice of housing options to be poor or very poor. A number of respondents commented that there is a high proportion of one and two bedroom flats in the city centre and a poor choice of housing options outwith this sector. The dominance of flats and a lack of modern, flexible accommodation has led to available housing being unsuitable for families and the older generation.

Of those respondents who left the city centre, 57% left due to a lack of housing choice, preferring to move to the suburbs, or most frequently to Aberdeenshire, where there is a wider range of housing options.

Public Transport / Car Parking

Car parking and public transport are key issue for residents. Notably, 50% of respondents to our public survey suggested that public transport links are poor or very poor and 80% consider the price of public travel to be poor or very poor. As such, improving the public transport service is considered key to city living.



Above: the results of our public survey where we asked respondents to rank their opinion of various city centre factors.

What are the challenges for Developers?

The 'oil price crash' has had a significant impact on Aberdeen's local economy resulting in 30% fewer property transactions and falling prices. For investors and developers, this has highlighted the city's reliance on the oil market and resulted in reduced levels of confidence. The main challenge for developers is market risk and the viability of proposed development schemes during weak market conditions. This is a complex area and we have sought to consider this in detail at pages 27-30. Further, the following challenges were also identified during our stakeholder engagement interviews:

Car Parking / Public Transport

Supporting the public's perception, the stakeholder interviews drew out negative comments on the public transport system and the fact residents have a strong preference to own a car in order to travel within the city.

The feedback from our interviews suggested that some developers would be unwilling to commit or invest in projects without car parking, particularly in the short term (i.e. while car free mainstream developments remain untested). This is unlikely to change without a commitment to improve public transport and/ or evidence that car free mainstream developments can be successful in the city centre (perhaps by encouraging developers who have undertaken car free developments in other cities).

Area	Greenfield	Brownfield
Aberdeen City	86%	14%
Aberdeenshire (part)	94%	6%
Aberdeen Housing Market Area	89%	11%
Rural Housing Market Area	91%	9%
Strategic Development Plan Area	89%	11%

Above: established housing land supply on greenfield and brownfield land (Aberdeen City and Aberdeenshire Housing Land Audit, 2017)

Relationship With Planners

It was clear from our stakeholder interviews that there is a generally poor relationship between developers /private sector professionals and ACC planners.

A number of private sector stakeholders commented that they felt planners focused on reasons to reject planning applications rather than reasons to approve them. In addition, stakeholders found that there were inconsistencies between departments in relation to advice on vertical mixed use development, change of use, affordable housing and developers contributions. They consider that a consistent approach and strong leadership is required.

On the other hand, the public sector commented that the private sector often provides insufficient information when making an application and therefore inconsistencies are due to a lack of detail and/ or poor quality proposals.

Regardless of the above, the relationship between the sectors is considered to be a challenge in promoting development within the city centre. Both parties need to be on board and a consistent, collaborative approach would be beneficial to all.

Our discussions with public and private sector stakeholders in Derby, Preston and Edinburgh, identified the importance of strong leadership and support from senior staff as well as the clear articulation of the public sectors expectations from the private sector as being key to improving relationships.

Lack of Investor Demand

Out of town investors are cautious of Aberdeen due to its heavy reliance on the oil and gas industry. Even during peak market conditions, many investors were not willing to invest in the market due to concerns over the economy's reliance on a high oil price. This, coupled with political uncertainties, has resulted in investors diverting their attention elsewhere.

Indeed, one developer we spoke to about the prospects of institutional BTR funding in Aberdeen said "Aberdeen is suffering from a triple threat; Brexit; uncertainties over regulatory changes in Scotland and a challenging Aberdeen economy/ market". Investors have no shortage of opportunities where there is currently less risk.

While there are signs of investors beginning to get comfortable with Brexit and the Scottish landscape through activity in Edinburgh and Glasgow, the Aberdeen factor may be one step to far for many.

Land Ownership

A key constraint in the city centre is the fragmented ownership of different assets and a lack of comprehensive and accessible data on public sector assets.

For example, Queen's Square is owned by a number of public and private sector parties. Development of this site will involve land assembly, whereby the Council / developer will need to acquire the land (or enter some form of joint venture) prior to bringing development forward.

Preference for Greenfield Development

There is a significant lack of land supply within the city centre with no greenfield sites available.

We are not aware of any sites that have been cleared for development and therefore the only development opportunities would involve significant pre-construction costs to demolish or convert existing buildings. Developers and potential investors consider such developments to be high risk and therefore prefer to commit to greenfield sites in edge of town locations.

ACC and Aberdeenshire Council's 2017 Land Audit 2017 states that 86% of the established housing land supply in Aberdeen City comprises greenfield sites. Allocated and now effective greenfield sites on the edge of Aberdeen City include Grandhome (up to 7,000 homes), Countesswells (up to 3,000 homes) and Maidencraig (up to 750 homes). These sites, and other emerging sites, will be critical to the future success of Aberdeen City and are very effective at offering high quality new build housing stock to cater for the family market in particular. They will also satisfy many housebuilders land requirements over the coming years.

“The obvious choice is to develop in the peripheral city sites or the shire”

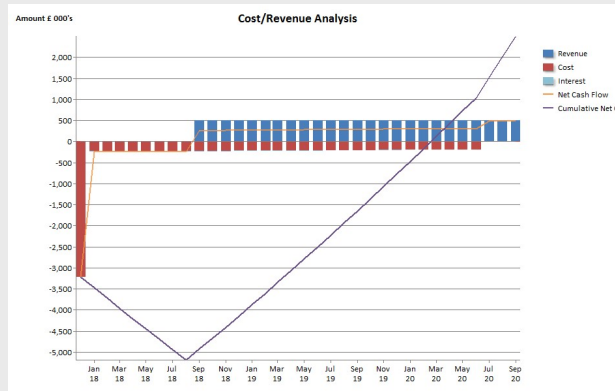
Managing Director of a local housebuilder

The development of new homes on greenfield land is more attractive to housebuilders as it allows them to phase a development to suit market conditions and their business model. While there are significant pre-construction costs to prepare the land for development and to carry out initial infrastructure works, their cash flow turns positive much earlier in the development cycle as the first dwelling can generally be completed within 10 – 12 months of land purchase.

On the other hand, development of a brownfield city centre site is likely to comprise the conversion of an existing building or demolition and construction of a block of flats / apartments. This involves a significant cost outlay from the outset and, depending on the size and scale of the site, the development will require to be completed before the cash flow turns positive. This is considered to be riskier from a developer / housebuilders perspective. Further, it is also riskier for lenders as it will take longer for their loan to be repaid (they are therefore more likely to lend on greenfield sites in comparison to brownfield sites).

It is common for lenders to insist on phasing within residential developments. With the exception of loan availability to the largest housebuilders, lenders are unlikely to support large speculative schemes that are not phased. Banks have a strong preference to fund in phases of 6-18 units which allows the cashflow to turn positive far earlier and also provides a natural review point where the lender can assess if they want to continue to support the project. This funding model works well for greenfield development where planning can take account of phasing, and often the developer interests are aligned to manage their own risk/exposure. However, this model creates real challenges when it comes to brownfield developments/ conversions where a disproportionate amount of development cost is spent early meaning phasing is far less effective, if possible at all. As a result, only a small proportion of the developer community can feasibly consider city centre brownfield development/ conversion of any scale.

Greenfield ‘edge of town’ site



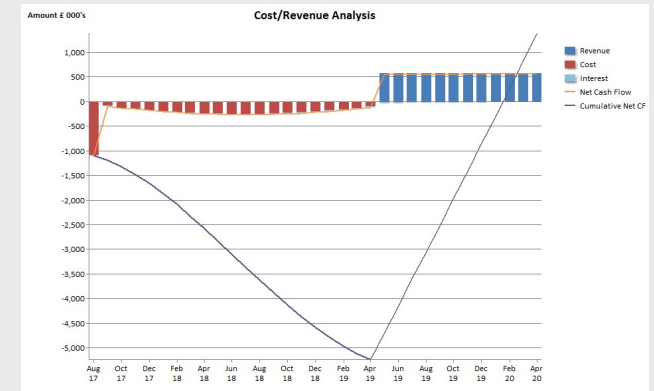
Above: a hypothetical cash flow for a 50 unit development scheme on greenfield land. The cash flow assumes that the housebuilder would phase the construction works over a two year period and we have adopted a sales absorption rate of two units per month.

In this case the cash flow shows income from an early stage in the cycle, as construction of the initial dwellings is completed and sales can conclude. The cash flow allows for a three month overlap from the completion of construction works to the final sale being concluded.

The Cumulative Net Cash Flow shows that the cash flow turns positive after 12 months, with the scheme becoming profitable after approximately 27 months.

This method of housebuilding means that a developer can be flexible with phasing, timescale and house mix in order to meet market demands.

Brownfield ‘city centre’ site



Above: the cash flow for a brownfield city centre site is very different as the developer must incur all construction costs before they can receive any income.

The above example is based on a hypothetical 50 unit apartment scheme in the city centre where by the developer is converting an existing building.

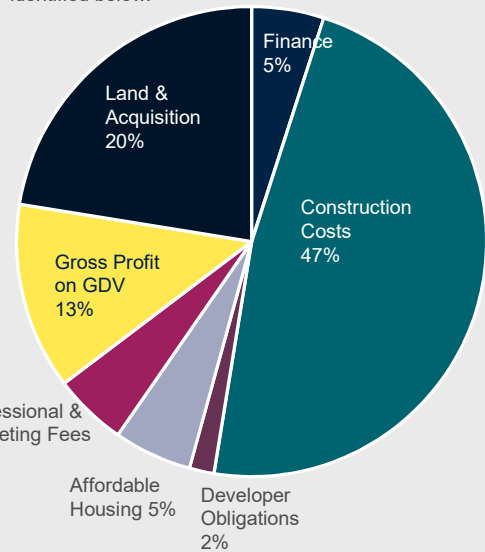
In comparison to the greenfield site, the development timescale is shorter. However the cash flow does not turn positive until April 2019, some 20 months after the site is purchased. The developer must seek to fund 100% of the development cost from the outset with no income to offset interest costs etc. Lenders will consider this method of development to be higher risk as they will not see a return on their investment until much later in the development. Interest costs will be higher which further impacts total development costs.

Viability & Market Risk

The current economic context and challenges facing the local market in Aberdeen adds to the immediate challenge for developers and investors. Many feel there is too much market risk to develop speculatively in what they see as an untested and volatile market and, as discussed above, it is their preference to build on out of town greenfield sites which is less risky and allows them to phase the development to suit the changes in the market.

The business case for investing in residential development in the city centre today is marginal. Many projects are unviable and development activity is stalling.

In order to address the viability challenge, it is important to understand the various costs involved beyond construction work alone. A developer typically determines the purchase price for a site by estimating the sale price which could be achieved for the completed development and thereafter deducting the costs identified below.



The pie chart has been prepared based on a live city centre conversion opportunity where a vacant office has the potential to be converted to residential. The report assumes a fixed land price which results in a Profit on Gross Development Value of 13%.

Gross Development Value (GDV)

The anticipated selling price of the residential units following completion.

The average price for a residential property in Aberdeen has fallen by 3.5% from Q32016 to Q32017, as the supply / demand dynamic in the market has continued to impact pricing. In addition, there is very little evidence of modern / new build flatted accommodation in the city centre to provide any concrete evidence to support developers appraisals.

In relation to BTR, market value is derived based on the level of net rental income generated by development which is then capitalised using an investment yield. The yield is influenced by the underlying income stream and the level of risk associated with the project. The lower the perceived risk, the higher the value and visa versa. Investors who have appetite to fund BTR projects will perceive Aberdeen to be of a higher risk in comparison to opportunities in cities such as Glasgow, Manchester and London. Therefore, the value will ultimately be lower.

Land and Acquisition Costs

The cost relates to the purchase of land and the associated legal and professional fees (including LBTT).

In the majority of city centre and brownfield development cases, the price a developer is willing to pay is lower than the existing land and building owner's expectations on price. This is curtailing supply.

In Aberdeen this issue is magnified as the city experienced a period of extraordinary growth followed by a significant decline which resulted in volatile pricing for both residential and commercial property. In particular, vacant west end office buildings were achieving c. £400 - £450 per sq.ft at the height of the market, however the most recent deals have achieved £200 - £250 per sq.ft. Even at this level, purchasing for development purposes would be marginal.

Over time sellers' price expectations may reduce (indeed this is starting to happen in some cases) but this may take a number of years to occur if there is no direct intervention by ACC. Examples of the types of direct intervention that ACC can implement are explored in Chapter Four.

If Gross Development Value remains the same and development costs reduce then land price will increase. This will narrow or eliminate the gap and encourage development activity.

Should the Gross Development Value increases over time (this may take a number of years) and development costs are reduced then this is likely to result in a significant upturn in activity. At this stage it may be possible to withdraw any financial intervention partially or completely and the expectation would then be that the market was functioning and well balanced. Indeed, it would be important to ensure at this stage that there was a sufficient pipeline of new supply coming through to avoid any potential overheating in the market.

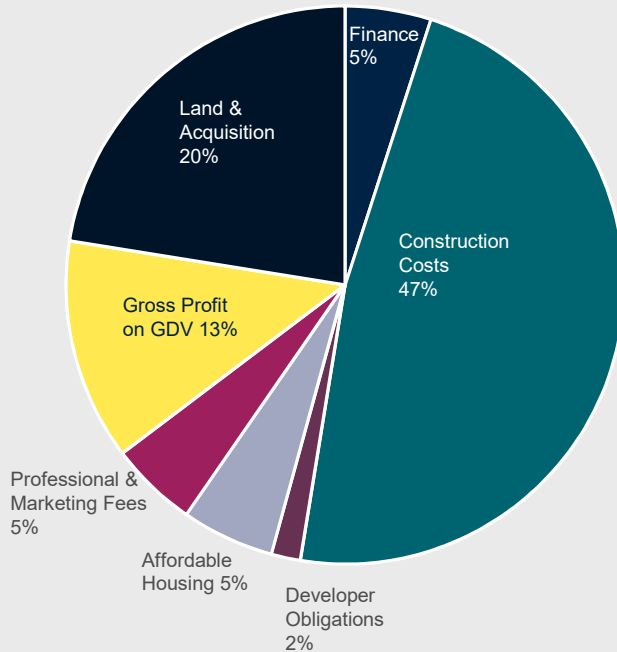
Construction Costs

This accounts for 47% of the total cost in our example. This relates to build costs and an allowance for contingencies.

As we identified in Chapter 2 of this report, there are a large number of conversion and brownfield opportunities within Aberdeen city centre and these tend to carry relatively high construction costs (through abnormal works or conversion costs) and therefore additional risks for developers. For example, Atholl House has been identified as a potential transformational 'flagship' site. However, the existing building is over a railway line which will significantly increase demolition and construction costs. We also understand there is a ground lease over part of the site.

We understand that there is also an additional 5% non-recoverable VAT cost for conversion opportunities (where the use prior to development was also residential) which directly impacts viability.

“Strong leadership is required (from ACC) to deliver a plan which sets out how they will encourage and support private investment through such matters as relaxation of planning gain”
MD large regional housebuilder



Developers Fees / Costs

This includes developers obligations, professional fees and affordable housing, assuming that a commuted sum is payable for affordable housing.

Developer obligations and affordable housing requirements have featured extensively in our conversations with local consultants and developers and is an area where intervention could be key.

During our stakeholder interviews a number of national, regional and local housebuilders stated that there needs to be a relaxation in developer obligations in order to improve viability and encourage city centre development. A number of professionals stated that they have projects in the pipeline which would go ahead if developer obligations were waived.

The World Bank highlights in their Urban Regeneration Decision Tool that Developer Obligations (Exactions) are “subject to the volatility of land markets in that the amount of exaction a project investor can afford to pay varies according to land value” and “with the exception of some robust real estate markets imposing an extra levy can at times have the effect of discouraging, rather than incentivizing, private sector investment”.

Developer obligations are uncertain and are described as somewhat of a lottery by developers. The length of time it can take to agree and finalise an agreement can add significant cost and uncertainty to the development process.

ACC have already demonstrated an ability to be flexible in negotiating on the grounds of viability (for example, Broadford Works). This has been well received by the development community.

The reality of the city centre today is that the market is not robust and therefore ACC will repeatedly be asked to waive developer obligations and affordable housing requirements on the grounds of viability.

Finance

In our example, this equates to 5% of the total cost. The actual % will vary by project depending on the timescale, spend profile and level of risk. This is essentially the cost of obtaining funding to carry out a development. A small proportion of the total cost in our example but one of the most important factors in delivery.

As density increases the amount of capital required (peak debt) increases and funding becomes more challenging for many smaller developers to secure. Accordingly any large scale

development is more likely to attract Plc Housebuilders, large property companies and institutional investors. At this level Aberdeen will be competing with other cities across the UK, and indeed globally to attract capital.

The ability of the private sector to secure finance has not been raised as a significant constraint by the local development community.

Gross Profit Margin

Our example is based on a speculative BTS conversion opportunity where a fixed land price is required by the seller.

This results in the developer achieving a low margin of 13%. While 13% may appear to be a healthy profit margin to some, this is a gross profit before deduction of a housebuilders internal overhead costs, such as staff and office costs. In addition development carries significant risk including the risk of unforeseen cost overruns and reduced selling prices between the date of purchase and the date of completion/ sale. Within our example, in the event that costs increased by 10% (i.e. as a result of the discovery of unexpected structural issues) and sales prices fell (or the untested target pricing proved to be unattainable) by 10% then the project would be loss making.

The necessity to achieve a certain level of profit is driven by market practice, lender requirements and/ or shareholder requirements. The level of profit required is assessed relative to the risk involved in a project. The lower the risk the greater the target return and visa versa.

Developers target margins' for mainstream housing developments typically range from between 17.5% of GDV (in a very strong market) to 25% of GDV (in a riskier market). This will depend on the type of housing being delivered, market conditions, the target market and the scale of development.

In short, a developer is unlikely to proceed with a projected profit of 13% when they can achieve a full margin in out of town, greenfield development sites or in other market areas (where there is less construction and/ or market risk). Valuation surveyors (including Savills valuation team) are generally applying target profit margins in the region of 20% when assessing greenfield land values within the Aberdeen Housing Market Area.

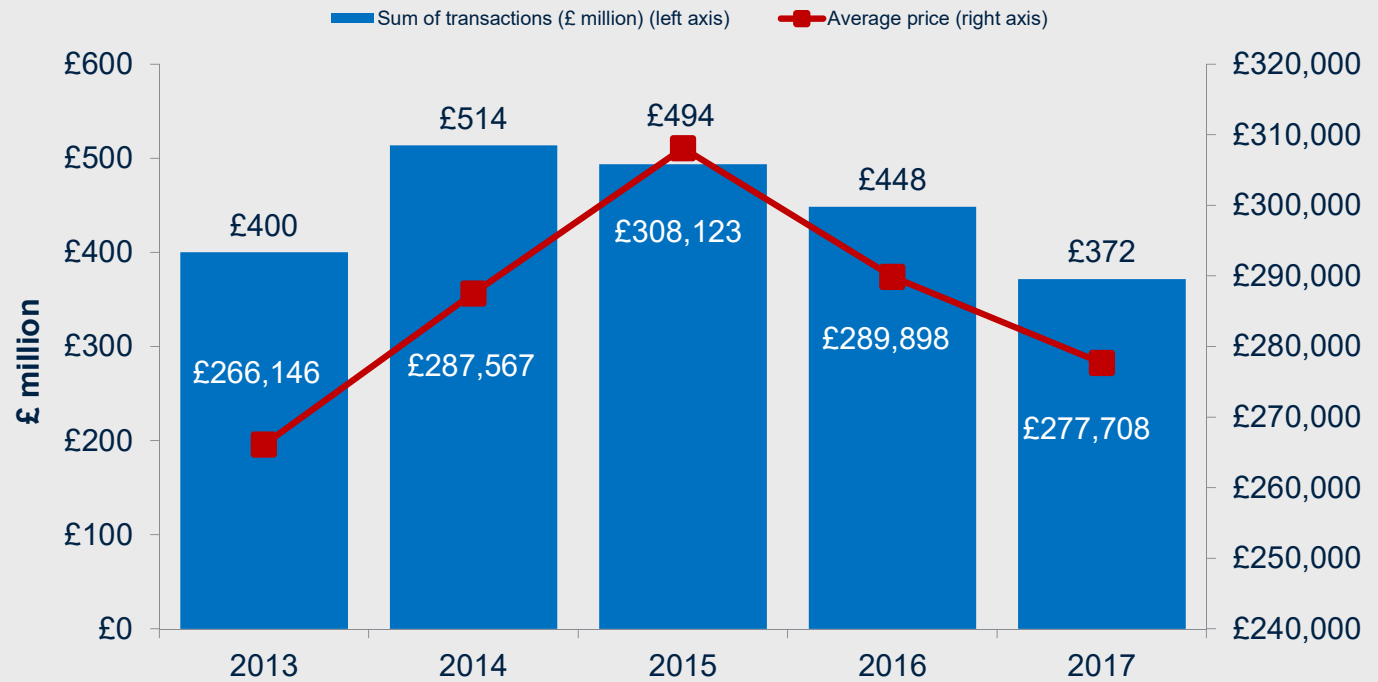
A 5% reduction in the target margin can increase land value by as much as 20% (and visa versa) and hence land is a very volatile asset class. Market sentiment can play a significant role therefore in driving viability.

In addition, by taking steps to reduce risk (for example, buying a pump primed site or having access to a detailed technical pack on a building) a developer may reduce their target margin requirements.

We highlight that since the 'oil price crash' the housebuilders active within the Aberdeen Housing Market Area (AHMA) have had to adjust to falling consumer demand, reduced pricing and a much slower rate of sale. Further information on the local market can be found in our 'North East Residential Market Spotlight' at Appendix 4. Therefore, the development of greenfield sites (let alone brownfield sites) has been challenging for housebuilders.

Our chart (right), identifies the level of new build sales volume within the AHMA (including Aberdeen City Local Authority Area or those areas within a c.20 mile radius of Aberdeen) and average pricing achieved over the last 5 years.

Falling demand and activity, coupled with an increase in supply of second hand stock across the market and increased competition between new build developers, has led to house builders having to react by offering numerous incentives and discounted prices. Ultimately, this has resulted in developers generating less profit and has affected their appetite for new projects and at the same time heightening their aversion to risk.



Above: Registers of Scotland data shows that the sum of transactions within the Aberdeen Housing Market Area (within c. 20 miles of Aberdeen City) have fallen back by c.27% since 2014. Average prices have also fallen back by c.10% since 2015.

Key Themes and Conclusions

This chapter has considered the key challenges and constraints for city living. The key themes are:

- A need to address the quality of housing and the range of housing options in the city centre in order to attract residents in to the city centre
- Residents continue to be reliant on their cars as the public transport system is ranked poorly and the cost is considered to be too high
- The relationship between the public and private sector has a negative impact on development in the city
- Aberdeen's reliance on the oil and gas market and local market conditions makes investors cautious
- Fragmented ownership of land in the city centre requires land assembly and 'problem solving'
- A price gap exists in the market where sellers expectations are, in some cases, significantly higher than a developer is able to offer. This has resulted in developments stalling and an increase in vacant buildings/ sites
- Market risk and viability are the key challenges to the market
- Developer obligations are uncertain and the length of the agreement period can add significant costs to the development process

“Market risk and viability are the key challenges to the market”



4

City Living Examples and Case Studies

Introduction

The benefits of city living outlined in Chapter 2 are becoming increasingly apparent to the public sector within the UK and globally. There are numerous examples of the public sector actively engaging in the regeneration process at a project level and a city wide level.

This involvement ranges from direct intervention through public sector financing and the development of mainstream and affordable housing through to public/ private sector partnerships. The introduction of policies and specific resources that help to break down the barriers of development and/ or unlock the opportunities are unique to every city. Although every city and every project is unique we have found an interesting pattern of interventions that seem to be making a difference at both city and project level. We have sought to detail these in Workstream Three and summarise them in this report.

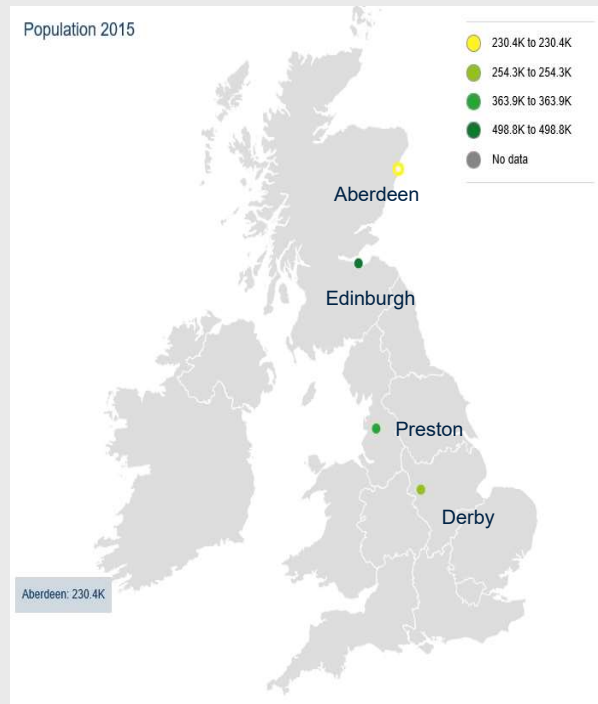
We selected Edinburgh, Derby and Preston as our three key case study cities (see map to right) and further information on each city and our findings on each can be found in Workstream Three. We have purposefully avoided large cities such as London, Manchester and Glasgow which are of a different scale to Aberdeen and the selected cities have all adopted strategically planned initiatives. Within this section we have focused our commentary on Derby. Derby is similar to Aberdeen in terms of economic profile, population and challenges and it is also at an interesting stage in its five year city living strategy and its wider nine year regeneration journey. This provides useful context in terms of timing and key learning that has directly influenced our recommendations.

We have also looked at specific initiatives that have been implemented across the UK at a project level where we think these are relevant to Aberdeen.

Derby

Derby shares a number of similarities to Aberdeen:

- It is similar in terms of population (250k compared with 230k) and average weekly earnings (£579 compared with £593 -both cities were in the top 10 in the UK in 2016 according to the Centre for Cities)



Above: Edinburgh, Derby and Preston were selected as our key case study cities to establish what other cities are doing to support city living and city centre development. However, we have not limited our research to these cities in isolation and have highlighted key examples where we think they provide valuable insight (source: Centre for Cities)

- It is a University town with a large student population, similar to Aberdeen in numbers (22,000). There is a skilled and high earning workforce that creates the potential for a strong city living proposition
- The city centre has been and is going through a period of regeneration with investment in place making as well as the retail, leisure and office sectors (although unlike Aberdeen, Derby has struggled to attract the same level of Grade A office development and lags behind in terms of student residential development)
- The wider city region housing market has been relatively robust whilst the city centre has underperformed. Prior to 2014 there had been a noticeable gap in the provision of high quality residential development and the new build market was untested
- Residents have been drawn out of the city centre into greenfield housing sites on the edge of town or in the wider region
- Viability within the city centre has been challenging, particularly in relation to brownfield or conversion projects
- There has not yet been any institutional grade BTR development and interest in the city from national developers and investors was notably lacking before 2012
- There are a number of obsolete 70's and period office buildings within the city centre
- There is a real desire by Derby City Council (DCC) to attract more aspirational and exciting housing stock in the context of budget constraints and a long list of competing priorities
- DCC are seeking to attract 2,200 new homes into the city by 2028.

However, despite the similarities, there is a noticeable difference. The Derby economy is in no way related to the vagaries of the oil and gas sector. This is important as, like much of the rest of the UK, the current economic context and property market fundamentals are favourable. The wind has been behind the Derby market since 2012 and this has undoubtedly aided the city living agenda. The challenges within Aberdeen are therefore greater in a viability context.

Derby: Key Themes and Lessons

A Simple Understanding

In 2012, Derby City Council (DCC) identified the benefits of city living as:

- creating a more sustainable local economy
- supporting the night time economy
- capturing investment that would otherwise leak to other cities
- enhance the built environment and vitality of the city centre to attract and retain young professionals with a high level of disposable income who have traditionally had to live outside of Derby
- to increase the Council Tax base for the city as well as attracting the New Homes bonus payment

Comment: this created a strong sense of political and officer level buy in from the outset and increased private sector confidence. Due economic weight was given to the strategy.

A Comprehensive Approach

In the period 2007-2012 DCC invested £50m on public realm and highway improvements and restored 64 historic shop fronts through the Shopfront and Building Repair Scheme.

The first phase of regeneration was retail and leisure based with the catalyst being a £340m investment in 2007 by an Australian investor. There was subsequently additional investment in infrastructure, hotels, leisure, place making. The city living initiative was rolled out in 2012.

Comment: regeneration is complex and requires investment on many fronts and across many levels.

Patience

Our research has revealed that the initial building blocks for the residential projects were laid as early as 2005 and it has taken a number of years to deliver a step change in the city living market.

Comment: it takes time to see tangible results, particularly for large scale and complex housing sites (involving land assembly, etc) where a partnership approach is taken with the private sector (i.e. Castleward where there was a competitive tendering process and a complex development agreement). The developer we spoke to on one key project was not aware of the extent of the foresight and vision the council had shown in making the development a reality.

PR and Marketing

Marketing Derby (MD) has been crucial in creating a sense of momentum by promoting the city in order to attract and support investment. The Board is made up of non-executive directors who provide governance and strategic oversight. Board Members include the Managing Director of Compendium Living, (the developer behind an 800 unit residential development), the Editor-in-Chief of the Derby Telegraph, the Deputy Leader at DCC, the Director of Regeneration, Property, and Housing at DCC and the Pro Vice-Chancellor, External Affairs at University of Derby.

MD is supported by a group of Bondholders, a collection of businesses that financially support the objective of attracting inward investment activity.

Comments: an initiative such as MD, which straddles the public and private sectors, helps to showcase the public-private partnership approach that the city takes. However, the website could do more to showcase specific case studies.



Top: extract from the Marketing Derby website

Bottom: a selection of the private sector 'bondholders' who support the Marketing Derby initiative

Derby: Key Themes and Lessons

A Dedicated Team

DCC have a dedicated Regenerations Project team. The service “promotes Derby’s physical regeneration and economic development by supporting job creation, encouraging investment and promoting city centre vibrancy. They do this in four ways:

1. Leading and co-ordinating the Council’s interest in relation to major strategic projects
2. Working in partnership or joint ventures with private sector partners
3. Providing loans through the Derby Regeneration Investment Fund and City Living Initiative
4. Undertaking community regeneration

In addition, the regeneration team carries out informal discussions with a number of owners of secondary office buildings and gap sites to identify a series of opportunities and assess any site specific issues/ opportunities whilst adopting a problem solving approach.

Comment: regeneration requires resources and crucially the right expertise. The feedback we received from the private sector developers we interacted with was that the team were very effective at breaking down some of the frustrations that had previously existed between the private sector and development management officers (particularly planning and transportation officers). The team helps to ‘smooth’ the process for the private sector and were commended for their “excellent communication skills”. We had in depth discussions with a number of team members during our research and they demonstrated a clear understanding of their specific projects and wider objectives.

We understand that the team has recently recruited, with financial support from the Homes and Communities Agency, a surveyor with direct experience in the private sector. The Head of Regeneration Projects recognised the need for a diverse team with a range of skills and crucially a commercial outlook.

Creation of a ‘Housing Zone’

The Derby City Centre Housing Zone (HZ) was approved in January 2015. The purpose of the HZ was to “help unlock brownfield land and provide viable sites for housing developments” and “to deliver 2,200 new homes in the city centre by 2028 including 230 homes through the conversion of empty buildings and 300 homes through small sites for new build activity”.

In 2016 DCC secured £213,616 in Capacity Funding from the Homes and Communities Agency to provide consultancy monies to help address some of the barriers that the sites within the Housing Zone need to overcome and to fund a dedicated resource to the delivery of the Housing Zone. In 2016 there was a formal launch of the Housing Zone initiative which included representatives from the Council and over 50 local and national developers and agents. A new web page was also created.

Comment: the introduction of a HZ has reinforced the message to the private sector that DCC are ‘open for business’. There is no doubt that DCC has benefited from the direct support of the Homes & Communities Agency.

A Regeneration Fund

In 2015 DCC allocated £38.1m (over a three year period) to “enable the Council’s direct investment and intervention to support the delivery of projects”.

Comments: we note that “a fundamental principle of the Regeneration Fund is that it is recycled, i.e. projects are supported by a mechanism that generates a financial return to the Fund, which can then be used to support further projects in the future”.

Relaxation of Planning in Home Zone

The relaxation of planning requirements in respect of change of use from offices to residential within the HZ has accelerated the opportunity to refurbish obsolete office buildings and create new flats and houses to meet demand.

The Housing Zone also offers DCC access to the Homes and Communities’ Agency, ATLAS (Advisory Team for Large Planning Applications) to assist with overcoming planning hurdles on large development sites (including helping to facilitate processing agreements).

Comment: this initiative has helped to bring a number of conversion projects forward including Prosperity House and Heritage Gate and therefore has been successful in bringing obsolete buildings back into economic use whilst boosting the city living population.

There has been concern expressed by some commentators that the office supply is being adversely impacted due to the success of the city living strategy (both in terms of attracting talent to the city that is attractive to businesses and by reducing office supply). However, the counter argument to this is that increased demand and reduced supply is making the case for speculative Grade A office development stronger. A key lesson is therefore that it is necessary to monitor the demand and supply equation across the various sectors on a regular basis and adapt policies to any changes in market conditions.

“to help unlock brownfield land and provide viable sites for housing developments and to deliver 2,200 new homes in the city centre by 2028 including 230 homes through the conversion of empty buildings and 300 homes through small sites for new build activity” DCC in relation to the purpose their Housing Zones

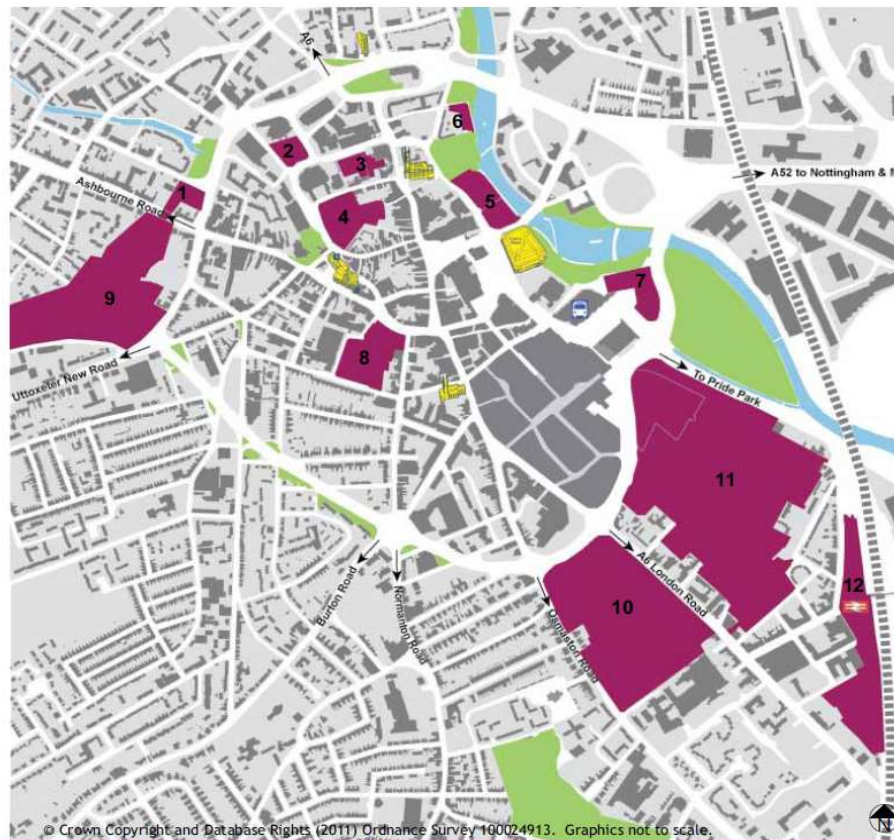
Derby: Key Themes and Lessons

A. Priority Projects

Priority projects are the 'top twelve' emerging projects (not in any priority order) that are anticipated to start within the next five years. These projects include:

- Major strategic sites with identified developers;
- Large scale site with planning permission granted;
- Key projects with significant regeneration benefits;
- Proposals under consideration for the Regeneration Fund;
- Strategic priorities for Derby City Council in terms of location, size, benefits and problem solving.

- Priority projects
- Existing buildings
- River Derwent
- Green open spaces



A Focused Approach on Key Sites

Left: an extract from DCC's Development Framework

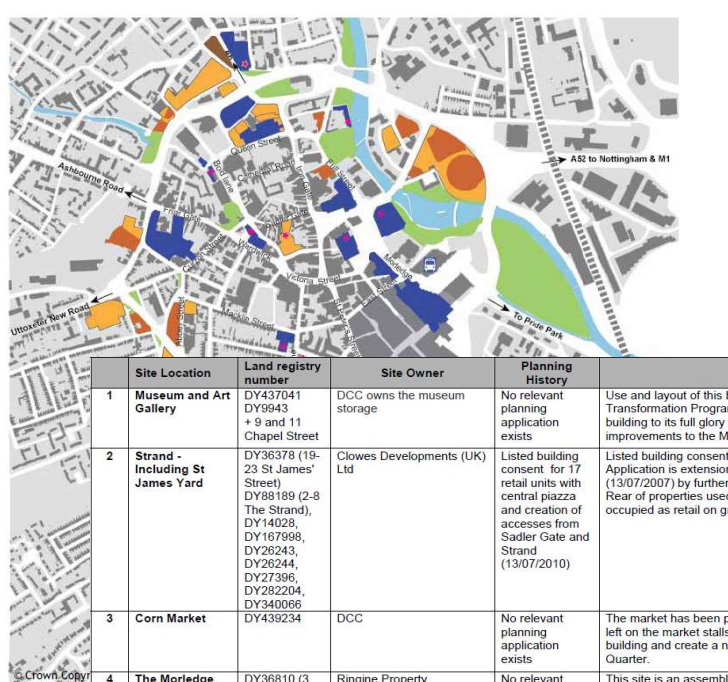
This is a very useful tool in clearly identifying large scale transformational sites where development would result in significant regeneration benefits. These projects relate to both commercial and residential projects rather than specifically addressing city living opportunities.

The development framework also set out key design and development principles including guidance on "tall buildings" while the DCC website has a section dedicated to Urban Design providing both information and advice.

Comment: we would highlight that priority sites include those that require 'problem solving' – not just the 'quick wins'.

Derby: Key Themes and Lessons

B. Investment Opportunities



Note: The development schedule in Appendix B provides more detailed information for each site including site location, landowners, area, planning history and constraints.

Development Framework

Site Location	Land registry number	Site Owner	Planning History	Comments
1 Museum and Art Gallery	DY437041 DY9943 + 9 and 11 Chapel Street	DCC owns the museum storage	No relevant planning application exists	Use and layout of this building is being reviewed under the Museums Transformation Programme. Opportunity exists to bring this listed building to its full glory and create a cultural hub including improvements to the Museums Square.
2 Strand - Including St James Yard	DY36378 (19-23 St James' Street) DY88189 (2-8 The Strand), DY14028, DY167998, DY26243, DY26244, DY27396, DY282204, DY340066	Clowes Developments (UK) Ltd	Listed building consent for 17 retail units with central piazza and creation of accesses from Sadler Gate and Strand (13/07/2010)	Listed building consent conditional permission. Application is extension of the limit of previously approved application (13/07/2007) by further three years Rear of properties used as several private car parks and buildings occupied as retail on ground floor.
3 Corn Market	DY439234	DCC	No relevant planning application exists	The market has been partly vacant for a long time. Five years lease is left on the market stalls. Opportunity exists to regenerate this listed building and create a niche luxury market venue in the Cathedral Quarter.
4 The Morledge	DY36810 (3 Morledge), DY332438 (5 Morledge), DY23156 (7 Morledge), DY7572 (11 Morledge), DY360727 & DY421691 (13 Morledge), DY144902 (15 Morledge), DY142883 (17-19 Morledge), DY333917 (21	Ringine Property Developments (3 Morledge), Comrie Leisure (5 Morledge), Mohammed Fazal (7 Morledge), Jagdaman Kataria (11 Morledge), John Gains (13 Morledge), Ian Trackman (15 Morledge), Gas and Electric Showrooms 2000 (17-19 Morledge), Rihana Bi (21 Morledge), Eginaville Ltd (1-6 East Street & 27 Morledge), NBC Apparel (8 East Street), Punch Taverns (Thorn tree Lane), Central Midlands Estates	No relevant planning application exists	This site is an assembly of many small properties. A development brief for this site exists, prepared by the former Derby Cityscape. With the completion of Riverlights and the refurbishment of the Council House, this side of the Morledge provides opportunity for change.

Understand Supply

Derby City Council stated in 2012 that "A continuing dialogue with owners and agents will be encouraged to identify any future funding opportunities or potential occupiers to attract inward investment and facilitate private sector led regeneration".

The images to the left illustrate, very clearly, where there may be potential for future development across the city centre. Sites identified included derelict or vacant land in strategic locations; sites ready for development with planning; sites with owners or developers who have come forward with an interest in development or where pre-application discussions are in progress, and; sites in strategic locations that will be vacant in the near future. The idea was to make it simple as possible to match investors/developers with opportunities (with an implied suggestion that the Council would look favourably on development).

*Left (top): extract from DCC's Development Framework that identifies opportunity sites; and
Left (bottom): table showing more detailed information on each site including ownership – Appendix B in the Development Framework.*

Derby: Key Themes and Lessons

City Living Fund

In October 2014 a £6.5m recoverable loan fund in support of the city living initiative was set up to encourage reuse of vacant and under-used properties in the city centre. Through the Housing Zone, DCC is able to take advantage of discounted loan rates from the Public Works Loan Board (PWLb) to fund this offering.

Wilson Bowden's Number One Cathedral Green mixed use development included 46 apartments was completed in 2016 and supported by the City Living Fund. Radleigh Homes Weavers Point development was also supported by the fund.

Comment: the Wilson Bowden and Radleigh Homes schemes helped to demonstrate a positive attitude towards residential development in the city centre from both a developer's and a purchaser's perspective.



Above: the Number One Cathedral Green development of 46 apartments was supported by the City Living Fund and helped to establish a city living market.

Left: Weavers Point in Derby (now sold out), a prime city centre residential scheme offering 35 apartments, was supported by the Derby City Living Fund in 2016. Tom Finnegan, Joint Managing Director of Radleigh Homes, said at the time: "Weavers Point is set to contribute to the vitality of the city centre and provide a housing choice to people in the city centre that is currently limited." Councillor Martin Rawson, Deputy Leader of DCC, said: "Besides the physical regeneration of Derby, these homes will also bring new people, and a new vitality to our city centre"

A Recognition of Viability

Derby also recognises the financial viability challenge for "most residential schemes" and that there is a need to consider the approach to Section 106 contributions on a "scheme by scheme" basis to encourage new investment.

Comment: we understand from discussions with a development consultant active in the Derby market that the District Valuer is "under resourced and can take in excess of 12 months to determine a viability assessment on a single project which is resulting in some frustration within the private sector" and ultimately delaying the delivery of city living.

An All Encompassing Financial Model

Following a discussion with a senior regeneration official, we understand that DCC has introduced a new model that considers the total return that a direct investment will generate for the Council. As well as looking at the financial return that a direct commercial investment will make (i.e. in the case of the purchase of a completed BTR block, the net rental yield or IRR) and also the return generated from additional Council Tax revenue and the New Homes Bonus*.

Comment: this is a logical step towards looking at the total return a local authority will make from an investment 'in the round'. An element of adjustment would inevitably be required to predict the likely net Council Tax revenue after an allowance for costs.

* The New Homes Bonus does not apply in Scotland

Castleward: A Flagship Site

The Castleward development in Derby was the first regeneration project of scale (30 acres) in Derby city centre. All of the land within phase 1 (c. 4 acres) was in DCC ownership and an adjacent former car park was acquired by the council.

We understand from a DCC Cabinet Minute in April 2008, that, in recognition of a “significant funding gap” the intent was to defer any land receipt until the end of the project in order to reduce the impact on cash flow with land payment being taken as overage “as and when the project breaks even”.

In 2011 Compendium Living were appointed, following a competitive tendering process, as DCC’s preferred development partner for the £108 million scheme. Dave Bullock, Managing Director of Compendium Living, said: “we believe Castleward Urban Village will provide a great new residential neighbourhood and be a perfect environment for people who want to enjoy the benefits of city centre living with the comfort and amenity of high quality family housing”.

The development proved extremely popular from the start, with the first 20 homes sold and occupied in 2014. The development will be carried out over a number of phases over a 15-20 year period. We understand that additional Compulsory Purchase Orders will be required to complete the wider development and that “funding of such compulsory purchase orders will be recovered from the developer”.

Comment: DCC recognised the need to take a direct approach in a large scale project that could transform the city centre. We understand that third party land issues have posed a challenge to delivery of the site demonstrating the need to have a robust land assembly strategy in place from the outset.



Above: a visualisation of the Castleward scheme which has been instrumental in the success of the City Living strategy

Compendium Living: “the location of the site means the Castleward redevelopment will significantly improve an important gateway to the city, providing a wider benefit to all residents and visitors to Derby.”

Right: the actual Castleward sales & marketing suite



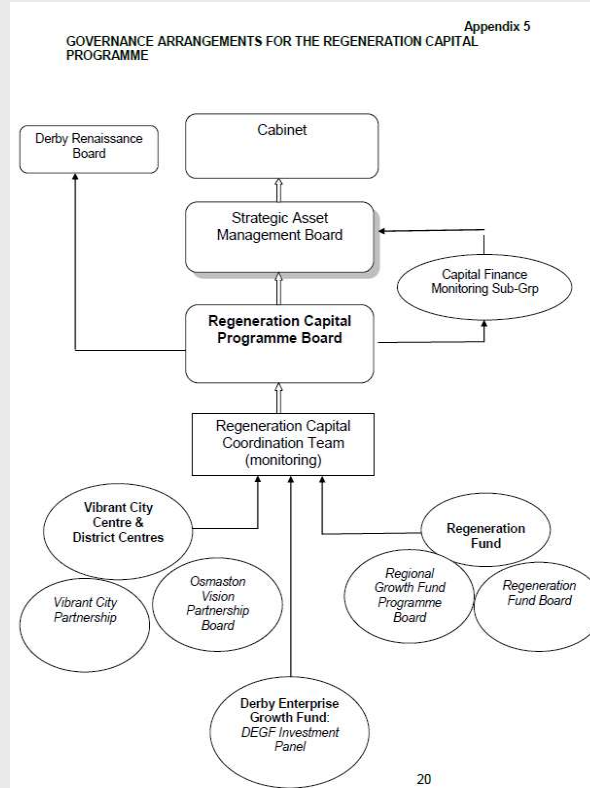
Derby: Key Themes and Lessons

Governance and Delivery

In terms of Governance and Delivery, a Vibrant City Group was created to steer and monitor the delivery of the Action Plan and the priority projects. The Group includes representatives from partners such as Business Improvement Districts (BIDs), Westfield and Marketing Derby along with Derby City Council's internal departments such as the Regeneration Projects Team, Streetpride, Derby Live and Derby City and Neighbourhood Partnership.

Beyond this, the Regeneration and Capital Programme Board monitors the wider activities (including of the Regeneration Fund) who in turn report into the Regeneration Capital Programme Board and ultimately the Cabinet.

Comment: Strong Governance and monitoring of delivery is essential given the complex nature of regeneration and the level of investment involved.



Above: the governance and monitoring arrangements within DCC (Source: DCC Cabinet minutes)

Right: Heritage Gate in the city centre is being converted by Regency Residential who bought the site in 2015

Left: DCC recently approved Agard Court development which will provide 244 student rooms over a nine storeys tall building

Overall Impact

There is a sense of momentum in Derby city centre and the regeneration strategy and specifically the City Living strategy is delivering tangible results. In 2005 the city centre lacked any vibrancy or residential development with most activity taking place in greenfield land. Today there are a number of examples of small, medium and large developments that are complete, under construction or are progressing through planning. According to Marketing Derby, 1,000 residential units have been built or converted to date with a further 2,394 units in the immediate pipeline (Marketing Derby, Dec 17).

For example, Heritage Gate (a former DCC office complex) in the city centre is being converted by Regency Residential, part of the MCR Property Group, who bought the site in 2015. With prices starting at £85,000 the developer has experienced 'high demand' for its three phase city living development which is targeted at first time buyers and buy to let investors offering a projected annual yield of up to 8%. Phase One sold out in two months bringing 86 newly converted apartments to Derby and the next phase of development is due to be released early in 2018.



Other Key Examples

We highlight the following key regeneration examples that emerged from our research into urban regeneration initiatives:

<p>Land Acquisition or Use of Publically Owned Land</p>	<ul style="list-style-type: none"> Local authorities (LA's) across the UK are purchasing and/or using the existing asset base to pump-prime development that will support economic growth. Sunderland LA acquired strategically significant sites in the city centre (including Gillbridge Police Station) as part of a more strategic asset management and investment approach. We understand that this would not have taken place without the strong support from the council's executives and the political leadership 	<p>Forward Commit or Offer a "Guaranteed Purchase"</p>	<ul style="list-style-type: none"> In order to reduce a developer's sales risk it is possible to guarantee a purchase at a certain level should they not sell on the open market. We understand through our research that Eastleigh Borough Council (EBC) offered developers a "guaranteed purchase" to mitigate their market risk. EBC provided a letter of guarantee that the council would buy the property if it failed to sell on the open market. We understand that under this arrangement the developer had an agreed period to sell, and the flats were all sold on the open market to private buyers.
<p>Due Diligence Packs</p>	<ul style="list-style-type: none"> LA's are funding due diligence packs to assess or mitigate the key risks or uncertainties associated with a specific opportunity which provide a low cost solution to bring a land supply forward 	<p>Lease Wraps or Income Guarantee</p>	<ul style="list-style-type: none"> Not aware of any examples in the BTR sector although the principles are similar to the office sector where lease wraps have been used by ACC (Marischal Square), Bournemouth and Newcastle LA's. We are aware that a number of other LA's, including Dundee, are exploring this approach on new projects. Lease wrap deals essentially use the financial covenant of a LA to guarantee the future income stream of a completed development and the LA is exposed to market risk, in return for a profit rent element and some form of profit share or retention of the asset at the end of the lease period.
<p>Land Assembly</p>	<ul style="list-style-type: none"> There are examples of LA's carrying out enabling works to help to reduce abnormal development costs (for example, demolition and site clearance or remediation). This approach helps to increase the supply of development sites whilst also reducing a developers level of project specific risk therefore making the case for development more compelling. It is also less costly than participating in full construction and development risk 	<p>Flexibility on Developers Contributions</p>	<ul style="list-style-type: none"> There are many examples of developments across the UK where LA's have taken a pragmatic view towards developers obligations and affordable housing requirement on viability. However there is a period of uncertainty before the outcome of any negotiations are known and this is often a costly and time consuming exercise that can increase market risk (due to delays) and lead to frustration. We have reviewed a number of confidential S106 agreements that seek to introduce claw back provisions. These are complicated agreements and in one case: "the developer hates it because it is creating uncertainty about costs when they are seeking funding".

Joint Ventures

- Enter into Joint Ventures (JV's) with landowners, developers or investors to unlock opportunities whilst sharing market risk and therefore return: this could take many different forms depending on the circumstances and the nature of a specific opportunity. ACC has experience of JV's as is discussed in Workstream Three.
- Local Asset Backed Vehicles are increasingly popular tools allowing public and private sector partners to pool finance, land, planning powers and expertise whilst sharing risk. They often operate on a bundle of projects of different expected returns in order to spread risk.

Build to Sell

- There is a growing trend across the UK of LA's acting as developers of residential and commercial property. We note that Edinburgh Council are actively exploring the creation of an 'Edinburgh Homes' business. Savills new homes team in London are currently marketing Camden Council's (CC) new Maiden Lane Estate development of 273 apartments for private sale. Proceeds from the private sales are to be reinvested in the form of new low-cost housing, better public and green space, new shops and community facilities.

Build to Rent

- We understand that CC are exploring a direct investment BTR model to reduce some of their sales risk exposure and to develop a long term income model that can help fund local services. Many LA's have invested in commercial income producing portfolios over recent years (e.g. Eastleigh Borough Council) to manage their revenue accounts, and BTR investment represents a logical extension of this trend. Five local authorities in England have very recently launched an indirect BTR investment fund with the goal of investing in BTR projects across England and Scotland.
- We note that Salford LA have recently created a new company called Derive (Salford) Ltd to become BTR landlord.



Above: Camden Council made its debut as a house builder, launching new homes for sale on the open market under its own name. Savills is marketing this development on behalf of the Council. The timing of development in Camden was interesting as the site was acquired during the economic downturn which provided a good opportunity to be more proactive during what was a quieter time in the market. However we note that it is becoming harder for the LA to continue to act as a developer due to rising costs and the comparative advantage that larger established developers and house builders enjoy .

Understanding Land Ownership

- The Greater Manchester Combined Authority developed a comprehensive cross-public sector property register. This was suggested in our stakeholder session by a ACC employee and would be a logical step to ensuring and influencing an effective land supply pipeline within the city centre
- In Bournemouth, extensive mapping of council-owned public sector assets was carried out in 1996 which enabled them to take a strategic and comprehensive (rather than piecemeal) approach to development



Above: Dundee City Council (DCC) are marketing and promoting a number of development blocks which they have remediated and serviced. To assist developers with their diligence, DCC provides a series of supporting documents online that offer detailed technical, design and planning guidance including; development briefs; site specific infrastructure information; community benefit agreements, and; active ground floor development guidance. DCC has sought to combine commercial and residential uses within the same development blocks and some residential developers we have interviewed have found this off putting.

Left: Savills Bristol office advised the public sector (the South West RDA and Bristol City Council) on the sale of this site which had been assembled and 'pump primed'. The site was ultimately brought forward through a JV with a private sector developer.

Innovatory LLP Structures

Savills are advising Birmingham City Council and Canal & River Trust in the delivery of a major inner urban area brownfield residentially led mixed use regeneration development through an innovatory LLP structure.

Icknield Port Loop is a nationally significant brownfield development regeneration site accessible to the central high value areas of central Birmingham and Edgbaston, but currently in a low value area. It benefits from an existing planning consent for up to 1,150 new homes and up to 6,960 sq.m. of retail, service, employment, leisure and non-residential institutional uses.

Pre-recession Savills provided a detailed and project specific options report which considered the alternative delivery mechanisms, including Governance and Board structures. We also considered the relevant strengths and weaknesses of each option, based on the underlying assumption that all landowning parties needed to be aligned in their objectives and that there was a requirement for an equalisation agreement. A separate allowance against individual landowners for abnormal costs was required, and the site needed to be delivered and developed out comprehensively.

The site has since been consolidated from three to two ownerships. Savills was re-appointed in September 2014 and provided an initial report on the delivery of the scheme to the market. A pre-requisite was that the landowners' objectives were agreed and aligned.

That report looked at the timing of marketing in general but in particular at the concept of selling a share in an LLP structure (the LLP having cast iron options to drawdown the land) to a private sector development partner on the basis that:

- the partners would "stay in" thereby sharing in the benefit of an uplift in values over time through placemaking without necessarily having to take development risk

- the landowners establish a base value through the development partner procurement process
- the partner is responsible for delivery but the landowning partners can choose to invest alongside
- the initial phases (with key infrastructure) are to be undertaken by the development partner to establish a benchmark of quality and value
- certain future phases are exposed to the open market

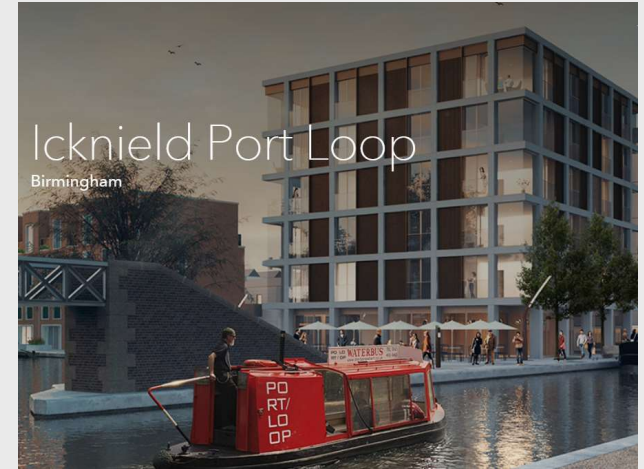
Savills established those key elements which would have an impact on securing a development partner and on delivery of the landowners' objectives, and worked closely with the landowners and their legal advisors to develop the LLP functionality and transparency.

Whilst not needing to be OJEU compliant we utilised a similar two stage process to procure a private sector partner competitively; Stage 1 being Expressions of Interest (EOI) to deliver a shortlist based on an agreed scoring matrix; and Stage 2 being the formal bid stage which was undertaken against agreed legal documentation, and key financial criteria. Submissions were scored against:

- acceptance of LLP structure and mark-up of documentation
- financial and business plan
- development management services
- due diligence completed
- financial proposal

The financial proposals were modelled to properly evaluate the varying approaches to the application and timing of debt and equity.

A Joint Venture between Places for People and Urban Splash were appointed and became LLP partners in April 2016.



Progress

Since the preferred private sector partner was signed up in 2016 they have been working on the masterplan, scheme layout, unit mix and specification.

Planning consent for the first phase has recently been secured with the private sector partners carrying out delivery of the initial 77 units of Phase1. They are due to start on site in January 2018 with early phases delivering upfront investment in the public realm.

"Both partners are delighted to be named as partner for this major regeneration scheme. We formed our joint venture with Urban Splash to bring together our combined strength in designing and delivering great places and look forward to working with Birmingham Council and the Canal & River Trust to create a truly memorable development and a vibrant new neighbourhood." Group Director, Places for People

Key Themes and Conclusions

Every city is different and as a result what works in one city cannot be guaranteed to work in another.

However, our analysis of other cities and projects across the UK demonstrates the following key themes:

- Cities from across the UK are taking a direct approach to regeneration and are much more than just planning authorities. A ring fenced regeneration fund is required to support these activities
- Dedicated regeneration teams with a city living resource help to manage the complexities of regeneration and are needed to implement strategies
- Local authorities are absorbing an element of market risk to drive change
- In England funding support from central government and the Homes and Communities Agency is providing valuable support. In Scotland, the Scottish Futures Trust is working with LAs to explore funding support such as the Growth Accelerator Model
- Cities need to proactively attract investment
- Cities are increasingly taking more risk and a commercial approach to development, looking at the economic benefits 'in the round'
- There are numerous examples of partnership working whereby the public and private sectors share risk and return through innovative structures
- Successful area based initiatives seek to cover the whole market including small, medium and transformational projects
- A comprehensive marketing and PR strategy is essential

- There are a variety of initiatives, tools, deal structures and funding structures that can be applied to individual projects and across cities
- Identifying key sites and supporting them through the development process is an effective strategy
- Strong leadership and political support is critical

Derby provides a useful insight into a dedicated and comprehensive city living strategy and is approximately five years ahead of Aberdeen in terms of maturity.

Preston City Council is also adopting a comprehensive city living agenda although is less advanced than Derby in terms of implementation. We highlight as identified in Workstream Three that Preston is adopting a very effective PR strategy. We understand through an interview with a senior regeneration specialist in Preston that the Welsh Assembly recently carried out a field trip to Preston to explore the Housing Zone approach.

ACC may wish to engage with Derby to gain first hand experience of their approach given the number of similarities to Aberdeen.



5

The Risk of Doing Nothing

Introduction

This short chapter considers the risk to Aberdeen, and Aberdeen City Council, if action is not taken to address the challenges facing the city centre.

Aberdeen City Council has a great opportunity to improve the public realm and to attract residents to live, work and play in the city centre, thereby ultimately improving the perception of the city. A successful city living strategy coupled with ongoing initiatives to attract more activity in the city will enhance the national perception of the City.

Competition

There is growing cynicism from developers that the Council will not take this opportunity to implement a strategy to improve the city centre and attract city living. This has led private sector developers and housebuilders to look elsewhere, locally and nationally.

Locally, there are a wide range of greenfield sites identified in the Local Development Plan (LDP). The plan on the far right is the existing allocated land supply in the LDP. The housing land is coloured orange and is clearly a far more obtainable option. As discussed in Chapter 3, this is also a safer option for house builders.

Nationally, there is competition from other cities who have City Living strategies and city centre initiatives, where developers are being welcomed and processes are being streamlined in order to make it easy for developers to do business. We have discussed this in detail in Workstream Three but in particular cities such as Derby and Edinburgh are great examples where initiatives have been put in place to attract investment such as 'Marketing Derby' and the 'Edinburgh 12' initiative.

Rising to the Challenge

Our research suggests that the quality of housing and the options available are considered to be poor and this is impacting the number of residents living in the city centre.

Not acting will lead to further decline in the quality of housing available to residents and, ultimately, a further reduction in the city centre population as residents choose to move outwith the city centre for a better standard of living.

CCMP Initiatives

A failure to capitalise on other City Centre Masterplan Initiatives such as the Music Hall, Aberdeen Art Gallery (below) and the recently formed Invest Aberdeen programme, would be frustrating to Aberdeen residents and wasteful.



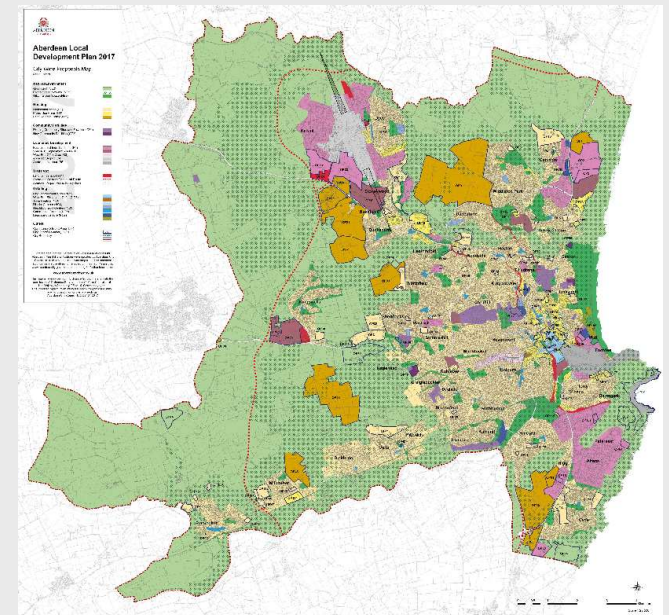
Above: Artist's impression of Aberdeen Art Gallery and its completed extension.

Right: Proposals Map from the adopted Aberdeenshire Local Development Plan (2017).

Revenue

Improving the quality of residential accommodation in the city and ultimately increasing the volume of units, will result in additional Council Tax revenue. Naturally, as the population of an area increases, the amenities and facilities in the surrounding area improve. The Council will further benefit from additional revenue on business rates.

Not delivering a city living strategy would lead to a loss of this income, with it potentially being lost to neighbouring authorities. For example, housebuilders will continue to seek greenfield sites in Aberdeenshire locations where development is less risky.





6

Conclusion

Conclusion

Urbanisation is taking place across the UK, particularly in larger cities. Within Aberdeen we feel that there is an excellent opportunity to implement a credible and practical city living strategy that harnesses and builds on the good work already done by ACC.

We established through our research that all the ingredients for a city living market exist: there are opportunity sites; there are demand drivers and clear gaps in product offering; there is private sector appetite, and the retail, leisure and business space offering is already strong and is set to improve further. We expect that the case for city living will become stronger as the CCMP initiatives gain further traction.

However, we also established that there are a number of very significant constraints to development and that market failure exists within the city centre residential development market.

ACC already has a sophisticated understanding of the benefits of private/ public sector working and this skill set and knowledge base/ track record will help in the implementation of a city living strategy, particularly at a project level.

We looked at examples of initiatives taken by LAs across the UK to deal with similar constraints and challenges. Our research into the Derby market proved to be particularly insightful and highlighted that a comprehensive approach to regeneration is required and that regeneration takes time.

The majority of other cities across the UK, including our case study cities, have experienced a gradual improvement in market sentiment and economic conditions since 2008 and this has supported their regeneration initiatives. Aberdeen, in contrast, has operated in a counter-cyclical manner and is currently exposed to negative market sentiment and therefore an additional constraint to delivery, compared to many other UK cities.

However, with a bold approach and implementation of a multi-layered strategy, Aberdeen city centre has the potential to become a very desirable place to live whilst offering a variety of housing options that are notably absent today.



Above: 'Poised' sculpture by Andy Scott at Marischal Square

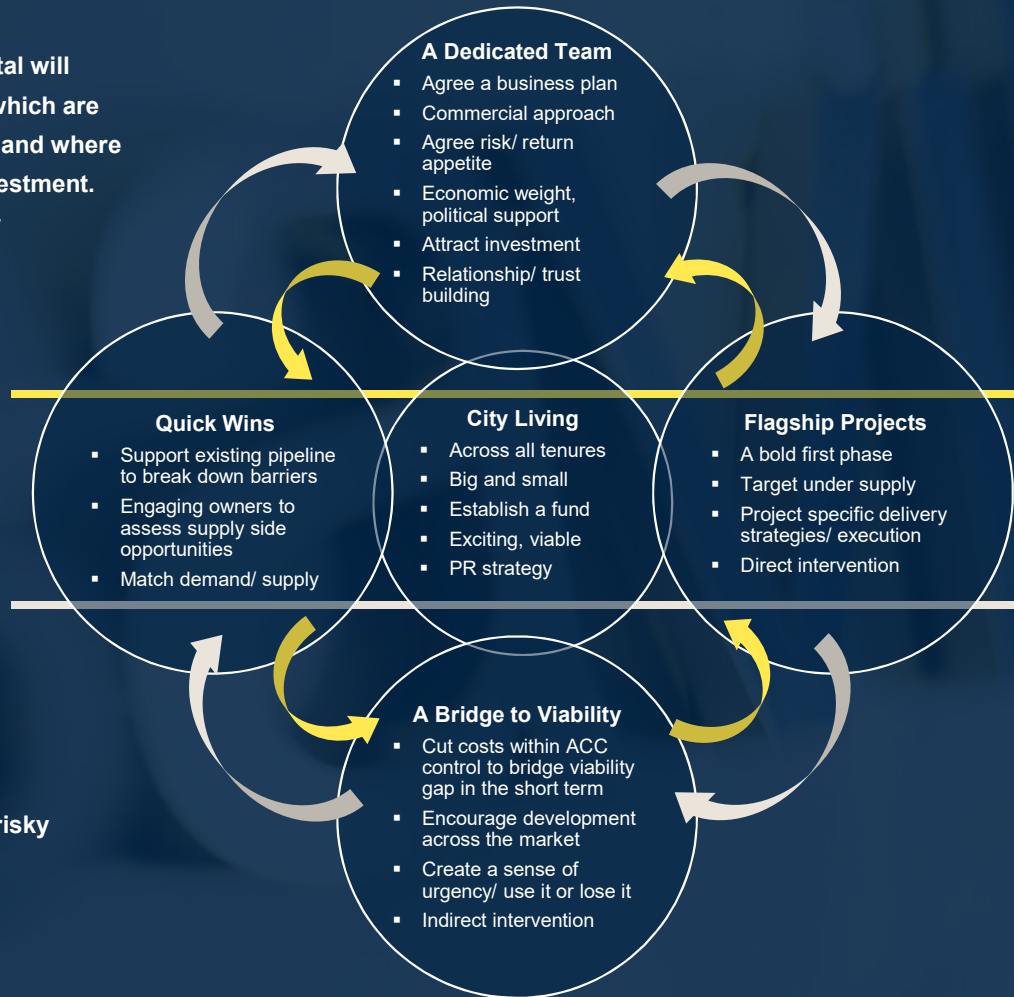
Key Themes

- **Market failure** for residential development exists within the city centre
- Cities from across the UK are taking a **direct approach to regeneration** and are much more than just planning authorities. Local authorities are **absorbing an element of market risk to drive change** and they are also **leveraging funding support from central government** and the Homes and Communities Agency is providing valuable support in England
- Regeneration and city living strategies are complicated and interventions are becoming increasingly **sophisticated**. LAs need to have the **skills and resources** in place to address the issues and **drive best value**
- Strong **communication skills** between the public and private sector across the UK are starting to improve. **PR strategies** can build a sense of momentum and change market sentiment
- Large **flagship projects** are an extremely effective tool in driving change and acting as a **catalyst** for transformation whilst offering the potential to generate **financial returns** and **economic benefits** for the public sector
- A **comprehensive approach** across the **whole market** within a regeneration area is required to ensure a variety of product types come forward within different timescales
- **Viability** is the main blocker to many projects and there is a recognition at a UK level that where viability is constrained, developers obligations and affordable housing requirements should be relaxed. If a project or market is not viable, or too challenging, the private sector will **divert capital to other opportunities**
- **Strong senior leadership, empowered and experienced officers and long term political support** are crucial.

We have sought to build upon these themes within our recommendations. In the next page we attempt to demonstrate what a comprehensive strategy within the city centre might look like before going onto summarise our recommendations.

Without intervention private sector capital will be drawn to other UK and global cities which are experiencing positive market sentiment and where authorities are actively encouraging investment. Local developers will continue to favour easier and less risky edge of town sites

Strong political support and engagement is fundamental
In building short term credibility and long term confidence



Strong Governance and oversight is essential as regeneration, by nature, is risky

Addressing market failure is complex. Aberdeen is not alone in this respect. However, while the rest of Scotland and the UK has been experiencing market growth and improving confidence, Aberdeen has not. This compounds the challenge facing the city centre



7

Recommendations

Recommendation 1: form a dedicated city living team

We recommend the creation of a new city living team that reports onto the CCMP Board with a focus being placed on regeneration.

The team would be responsible for:

1. Leading and co-ordinating the Councils interest in relation to flagship city living projects (including managing a team of external advisors and consultants in relation to, for example site specific due diligence, land assembly strategies, design briefs, exit strategies, viability assessments, etc.)
2. Working in partnership or joint venture with private sector partners if applicable (drawing on the direct experience and lessons learned from the existing ACC JV's)
3. Working with existing ACC officers (Invest Aberdeen) and external advisors to develop and implement an inward investment strategy (consider a collaborative approach with Opportunity North East)
4. Mapping out a pipeline of development opportunities (including cross public sector opportunities) with a detailed understanding of potential site specific constraints and potential solutions. Engage with local property owners, agents and consultants

In the short term this may involve the appointment of one key person who reports into the CCMP Board and is solely responsible for implementing a city living strategy.

Ideally the appointed person should have direct experience of residential development and/ or investment, partnership working, funding models, and have a commercial outlook with excellent communication, inter personal and negotiation skills.

Outline Programme

We would advise that an individual is identified and appointed as a priority in the short term (within 6 months) in order to create ownership and buy in from the outset.

Key Themes Being Addressed

- An acknowledgment of the complexity and extent of resources that are required to deliver successful results
- A recognition of the need to work across all levels of the market (small, medium and large) to drive activity
- Making it easier for the private sector to do business
- The need to attract inward investment in a competitive market
- The need to match demand with supply whilst 'problem solving' and to identify the right (most cost effective) tools/ interventions that might assist on a project by project basis
- A recognition that the economic benefits of regeneration need to be given more weight and that a commercial approach is required to drive value and ultimately deliver returns to and/or long term income for ACC
- A recognition that the opportunities identified with the CCMP will require a clear and robust execution strategy to ensure delivery
- A dedicated team can help in smoothing public and private sector relationships by acting as an intermediary between developers and front line development management officials

Evidence

Derby and Preston both have dedicated regeneration teams and Edinburgh has gone some way towards trying to achieve this through a champion role. We note that both Derby and Preston have recently appointed dedicated city living officers who report into the existing regeneration teams. Our research across all three cities, particularly Derby and Preston, clearly supports this approach.

Risk	Commentary
Attracting the right person	Failure to attract the right person could undermine the success of the wider initiative. A careful approach to recruitment and an appropriate remuneration package would be required to attract the right calibre of individual.
Resource	Any individual (short term) or team (medium term) will require the support of external consultants (architectural, development consultancy, scheme specific viability assessments, etc.) and access to internal resources (access to finance teams, PR, planning, estates, etc.). Accordingly a sufficient budget would need to be set from the outset and sufficient weight given to the importance of the role internally.
Political Support	To be successful the individual will need to feel that they have strong political and senior level support within ACC and can therefore operate within a confident and bold framework. Realistic goals should be set from the outset in order to maintain credibility within the Council and externally.
Governance	A clear strategy and regular monitoring framework will be required given the nature, complexity and sophistication of the work being done by the team.

Note: we have presented these as individual recommendations although the complexity of market failure, property development and regeneration is such that all of our recommendations are interlinked and, as Derby has demonstrated, should be implemented in tandem

SMART Analysis: A Dedicated City Living Team

Specific	<ul style="list-style-type: none">• This recommendation specifically relates to the formation of a new regeneration team/ role in the short term with a dedicated focus on city living.
Measurable	<ul style="list-style-type: none">• The success of this team will be measured in the short term by its ability to develop a credible business plan (within say 6 months) whilst developing strong relationship with internal and external stakeholders (measured within say 12 months). The team should be highly visible within the market place (within say 3 months) and begin to develop momentum in terms of bringing short term projects forward and laying the foundations for the delivery of large scale sites (within say 12 months).• Housing starts (including conversions) and completions should be recorded and reported on a quarterly basis as should city living planning applications defined based on tenure and target market.
Achievable	<ul style="list-style-type: none">• This is a proven approach that has been adopted in two of our three case study cities and is achievable (with strong leadership and political support being a prerequisite). Edinburgh introduced a 'project champion' for their 'Edinburgh 12' initiative although we do not think that this was sufficient and instead would advise that a dedicated resource is created.
Relevant	<ul style="list-style-type: none">• This team/ role would be focused on city living delivery and would therefore be relevant.
Time-oriented	<ul style="list-style-type: none">• An individual should be appointed within 6 months of the city living strategy being supported.

Recommendation 2: take a lead role in the delivery of transformational projects

We recommend that ACC take a lead role in delivering a small number of large, transformational city living projects. As there will be a funding and capacity issue (together with a fragile market) we would advise that this be limited to say three key projects as outlined in Chapter Two and illustrated in page 53.

These projects should each be different in terms of target market, risk profile and delivery methods (BTR, land assembly and sale of serviced plots to developers, etc.) to avoid concentration risk and to enable concurrent development. The projects should be concentrated within the core city centre area to deliver a tangible impact. The aspiration should be that the developments are of high quality and make a significant positive contribution to the wider transformation of the city centre.

A detailed strategy for each project identified by ACC should be developed and various delivery methods explored. It may be that, for example, each project could be delivered with different funding structures, partners, etc. Alternatively, it may be logical to cluster the projects into one project with one private sector partner, one affordable housing partner and one institutional backer.

Outline Programme

These projects will inevitably be complex and require engagement with multiple stakeholders and existing property/ land owners in particular. The programme will be heavily influenced by the chosen funding structures and preferred method of delivery/ procurement.

So far as we are aware, none of the CCMP projects are sufficiently advanced to enable a detailed programme to be developed by ACC. We would estimate that delivery could take between two and ten years albeit this will be influenced by a wide range of variables.

Note: we have presented these as individual recommendations although the complexity of market failure, property development and regeneration is such that all of our recommendations are interlinked and, as Derby has demonstrated, should be implemented in tandem

Key Themes Being Addressed

- An acknowledgment that market failure exists within the city centre
- The CCMP sets out a long term vision and is dominated by tall apartment led buildings. This recommendation acknowledges that a narrower and more focused approach is required (whilst in no way preventing third parties from bring other CCMP projects forward)
- There is a lack of new build development opportunities that can deliver parcels of 40-50 + units (a potential land sale approach at Queens Square)
- There is a lack of high quality tenure blind affordable housing that can be incorporated as explored in Chapter two
- A recognition that large scale flagship projects can have a transformational impact on a market
- A recognition that the opportunities identified with the CCMP are likely to require an element of problem solving and a clear and robust execution strategy to ensure delivery
- There is potential for ACC to secure development profits and/or long term income by taking a lead role

Evidence

As we identify in Chapter three, cities from all across the UK are taking a lead role in delivery of large scale regeneration projects from carrying out enabling works and selling serviced plots (Dundee City Council) through to creating house building companies (Camden).

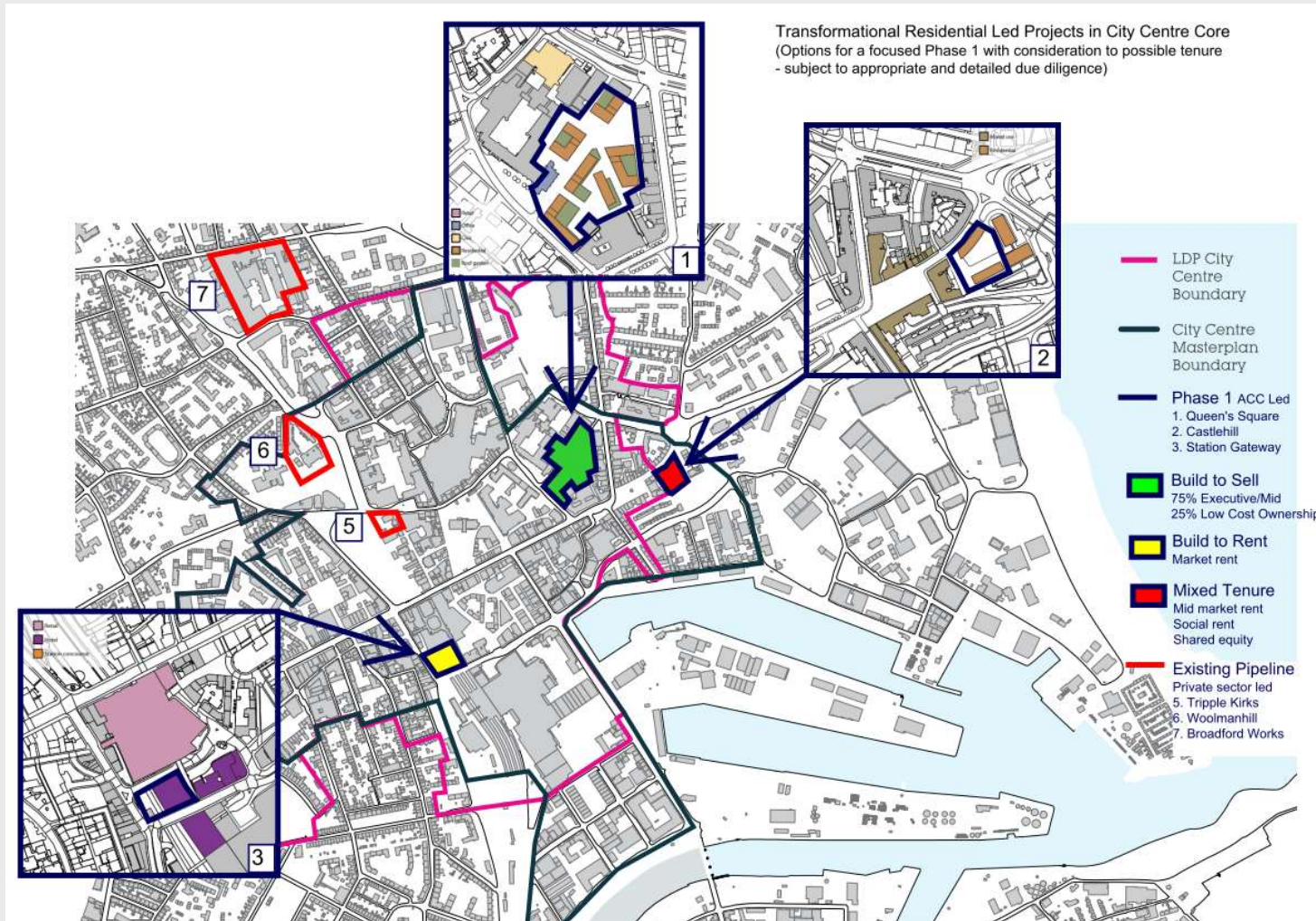
ACC already have direct experience of large scale transformational projects through the development of Marischal Square.

Risk	Commentary
Market	<p>Where market failure exists and direct intervention is required there is inevitably heightened market risk. A 5% drop in the sales value of a completed development can reduce land value by as much as 20% or more. Land is a volatile asset class that is heavily influenced by sentiment.</p> <p>The long development and implementation period of an urban regeneration project faces commercial risks that are difficult to mitigate, particularly those related to changes in the market cycle that affect demand, rate of sale, and pricing. When markets weaken, developers often slow delivery, delaying implementation of projects under preparation.</p> <p>This type of risk is difficult to contain although projects where there is certainty of income (i.e. where income is guaranteed by ACC) are less exposed to the vagaries of the market. Developers and ACC can conduct realistic market studies to try to minimise risk. The analysis of different growth scenarios and their impact on the commercial aspects of a programme allows developers to fine tune the size and phasing of their investment. This helps to minimize the adverse effects of changes in the economic cycle.</p> <p>ACC can look to invest in a variety of sub markets (i.e. land sales, BTR, BTS, affordable housing) to minimise concentration risk and take advice from external consultants on project specific market risk.</p> <p>Each project should be sensitised individually and then collectively through a business plan to consider most likely case (management case), best case and base case assumptions.</p>

Project	<p>It is crucial to think through all of the ways in which a project or initiative might stall or not succeed. Consideration needs to be given to counterparty risk (including financial and track record analysis), construction risk, probability of cost over-runs, etc.. ACC cannot regulate for all these outcomes, as it would create a legal barrier to executing any contract and may preclude private sector participation. However, it is important that key protections are in place, such as phasing and performance conditions for the transfer of land ownership and protecting against land-banking; claw-backs of funding if not utilised; clear allocation of profits and when and how the public will participate; adherence to financial covenants and so forth.</p> <p>It is critical that a competitive process be instituted and rigorously followed for negotiating contracts and selecting development partners.</p> <p>Choosing the right partners is crucial to a projects success.</p>
Land	<p>Land ownership (including the impact of long leases, including ground leases, i.e. from Network Rail or the Harbour Board, on residential development in Scotland) and title conditions, can bring with them a number of problems. If a site is in private or mixed ownership, the owners might change their minds during the process, bringing the redevelopment to a halt or delaying it. Similarly, an incoherent legal framework can hamper redevelopment goals and can push costs beyond initial assessments.</p> <p>To mitigate ownership and legal covenant hurdles, good legal specialists should be hired by ACC. Solid contracts should be signed with all vested parties before commencing any promotion or development activities.</p>

Public interest	<p>When public/ private contracts are developed and negotiated, transparency is vital so that all interests are clear (for example, we note the volume of freedom of information requests on Marischal Square). Contracts should not be subject to allegations of corruption or “soft deals.”</p> <p>It is important for the public sector to ensure transparency regarding the financial proposals, funding capacity, and company financial status. In doing so, the public sector will help to guarantee that proper and thorough due diligence is carried out to ensure the appropriateness of the proposed terms of private sector participation.</p>
Fiduciary	<p>There should be a comprehensive and credible budget linked to the project. This requires sound procurement law and practices as well as good contract management.</p> <p>A clearly defined budget, well-planned procurement and a clear plan for implementation are key to managing this risk.</p> <p>In addition ACC will need to ensure compliance with State Aid requirements.</p>
VAT/ Tax	<p>Project specific VAT and Tax advice (including on LBTT) should be taken on a case by case basis.</p>
Political	<p>To be successful there will need to be strong and unwavering political support and regeneration should not be used as a ‘political football’.</p>
Governance	<p>A clear strategy and regular monitoring framework will be required given the nature, complexity and sophistication of likely intervention requirements.</p>

Potential phase 1 transformational/ flagship projects



SMART Analysis: take a lead role in the delivery of transformational projects

<h3>Specific</h3>	<ul style="list-style-type: none">• Identify and progress three strategically significant projects.• Progress should be monitored on a monthly basis to the CCMP Board (or equivalent). At this stage we are unable to be specific about particular projects and this is something which ACC need to explore with a team of external advisors on a case by case basis.
<h3>Measurable</h3>	<ul style="list-style-type: none">• The CCMP board will monitor and review progress on a monthly basis.• External visibility will be less noticeable in the short term as projects progress through the commercially sensitive land assembly, planning, and pre delivery stage (albeit key milestones should be promoted to help build a sense of momentum externally and demonstrate a proactive approach by ACC).
<h3>Achievable</h3>	<ul style="list-style-type: none">• This is complex but achievable. There are many examples from across the UK including within Aberdeen city centre.
<h3>Relevant</h3>	<ul style="list-style-type: none">• As we identified in our analysis of the Castleward scheme in Derby, flagship projects are critical in building confidence, changing perceptions and transforming an area. This is an established and well recognised principle in urban regeneration.• ACC can take a lead role in re balancing the city centre market and filling gaps in both the land and housing mix supply.
<h3>Time-oriented</h3>	<ul style="list-style-type: none">• This will take time given the complex nature of the sites. The expectation would be that at least one project would be delivered within five years and two or more within ten years.

Recommendation 3: identify and support ‘quick wins’

We recommend that ACC (the regeneration team in particular) engage proactively with developers. In particular we would advise that officials work and/or continue to work with the developers behind the following projects (in the context of challenging market conditions):

- Woolmanhill
- Triple Kirks
- Broadford Works

In addition, ACC should identify and map out a series of development opportunities and work collaboratively with the private sector to break down site specific barriers and influence new starts.

An underlying ‘can do’ and ‘problem solving’ approach to delivery is required.

Outline Programme

We would advise that this process commences with immediate effect. The expectation would be that development within existing sites would start within 12 months (recognising that this is ultimately dependent on private sector appetite and viability) and that a base line opportunities map (also identifying publically owned sites) could be completed within 12 months.

Key Themes Being Addressed

- Market failure
- The need to create a diverse pipeline of development opportunities across the CCMP that can cater for various groups of individuals and developers
- The need to create short term momentum and success stories and to create positive market sentiment
- The need to leverage private sector investment and make it easy to do business

Evidence

Preston and Derby have both recognised the need to interact with the private sector at a project specific level and to introduce policies that cater for the whole market. Preston has engaged with individual property owners and worked collaboratively on speculative jobs with local developers.

In Edinburgh there was some negative feedback from elements of the private sector that there was too much focus on just the large ‘flagship’ sites and that all developers should receive “gold service”. However, Edinburgh did introduce a ‘developers forum’ to generate a formal platform of discussion with the private sector including agents and consultants.

Derby included an opportunity map and detailed schedule within their Development Framework.

Note: we have presented these as individual recommendations although the complexity of market failure, property development and regeneration is such that all of our recommendations are interlinked and, as Derby has demonstrated, should be implemented in tandem

Risk	Commentary
Market/ Project/ Public/ Political Support/ Governance	Per recommendation two where direct interventions are being made.
Quality and diversity	<p>There is a risk that new developments do not provide a varied mix of product and tenure to cater for the various groups identified in Chapter Two. There is a risk that the private sector does not deliver exciting, bold and aspirational stock.</p> <p>Where possible and practical/ viable, steps should be taken to drive quality. In addition projects which are clearly capable of supporting a diverse mix where there is a gap in provision or tenure should be identified and supported as a priority (i.e. Woolmanhill or Golden Square).</p> <p>In the short term much of the market is likely to gravitate towards the middle of the market as a) this carries less market risk/ is easier to benchmark and b) many of the development opportunities are secondary, i.e. 80’s office stock. While there is an underlying goal, rightly, to vastly improve quality, there needs to be an element of practical pragmatism on a case by case basis. Some opportunities (or elements thereof) may be constrained (i.e. poor views from back lying flats) although ultimately developers and investors will need to be confident of saleability/ pricing before bringing a proposal forward.</p> <p>Ultimately the re-development of absolute office stock is likely to enhance the city centre offering, create more vibrancy and cater for elements of the market identified in Chapter two.</p>

SMART Analysis: identify and support 'quick wins'

Specific	<ul style="list-style-type: none">• ACC should work collaboratively with the private sector to support existing pipeline projects.• ACC should work across the public and private sector to develop an emerging supply of deliverable sites and map these out.
Measurable	<ul style="list-style-type: none">• This will be measured by existing pipeline sites progressing towards a site start in the next 12 months.• Within 12 months (ideally much earlier) there should be a map of potential opportunity sites with commentary on ownership, status, etc..
Achievable	<ul style="list-style-type: none">• This can be done and has been/ is being done by authorities across the UK.
Relevant	<ul style="list-style-type: none">• This is relevant to provide an effective land supply and help match up land supply with developer appetite. Where sites are undeliverable an action plan can be created to break down any barriers using direct interventions (if possible and where there is sufficient merit). Once a comprehensive land supply is established ACC can adopt a more strategic approach and prioritise those sites that will deliver the greatest benefits to the city living agenda.
Time-oriented	<ul style="list-style-type: none">• This should be implemented with immediate effect and results should be evident within 12 months.

Recommendation 4: introduce a two year moratorium on Developer Obligations within the city centre

We recommend that ACC introduce a two year moratorium on developer obligations and affordable housing requirements in respect of residential development of less than 50 units within the city centre.

If necessary, this temporary stimulus provision will be achieved via formal amendment to the Council's Supplementary Guidance on Planning Obligations and Affordable Housing (subject to legal opinion/ review).

This will demonstrate to the market that ACC is aware of the existing viability challenge and is willing to introduce a bold policy to drive activity. Imposition of a two-year time horizon will also create a sense of urgency on a 'use it or lose it' basis.

On sites of more than 50 units we advise that a fast track viability process is agreed and ACC should consider introducing a cap based on likely needs. We anticipate that viability will also be a constraint/ factor in most projects over 50 units.

For example, it is evident that the majority of new-build city centre accommodation is unlikely to be utilised by families. Obligations towards upgrade and/or replacement of education facilities are a significant constraint and usually unwarranted. Viability assessments for developments of over 50 units can consider dwelling size and type, with a sliding scale of impact upon education services.

The goal would be that after the initial two year period, viability across the market will have improved and developer obligations and affordable housing requirements can be reintroduced in line with pre-existing contribution levels.

Outline Programme

We advise that this is implemented as soon as possible in order to create an element of urgency and encourage developers and landowners to come forward.

Key Themes Being Addressed

- Market failure
- Viability challenges across the market driven by uncertainty, abnormal development costs and a high number of conversion opportunities (which carry high construction risk)
- Cost uncertainty for developers
- Timing/ delay/ resource in negotiating and finalising S75 agreements
- Frustrations experienced by the private sector with the existing process
- S75 agreements represent a development cost that can be directly influenced by ACC
- Aberdeen is experiencing not only a 'city living' challenge but also an economic and market headwind as a result of negative market sentiment and a rapid reduction in asset values. This is in contrast to our case study cities (and much of the rest of the UK) which have been experiencing positive growth since the economic downturn of 2008. This suggests that Aberdeen requires to adopt an even bolder approach in order to drive short term activity.

Evidence

We have been unable to find any evidence of area wide moratoriums on developer obligations and affordable housing requirements. We are however aware of numerous examples from across the UK of exemptions being made on a case by case basis on grounds of viability (including Broadford Works in Aberdeen in relation to affordable housing). We also note that Moray Council has very recently introduced a financial cap on developer obligations of £6.5k per unit across the region.

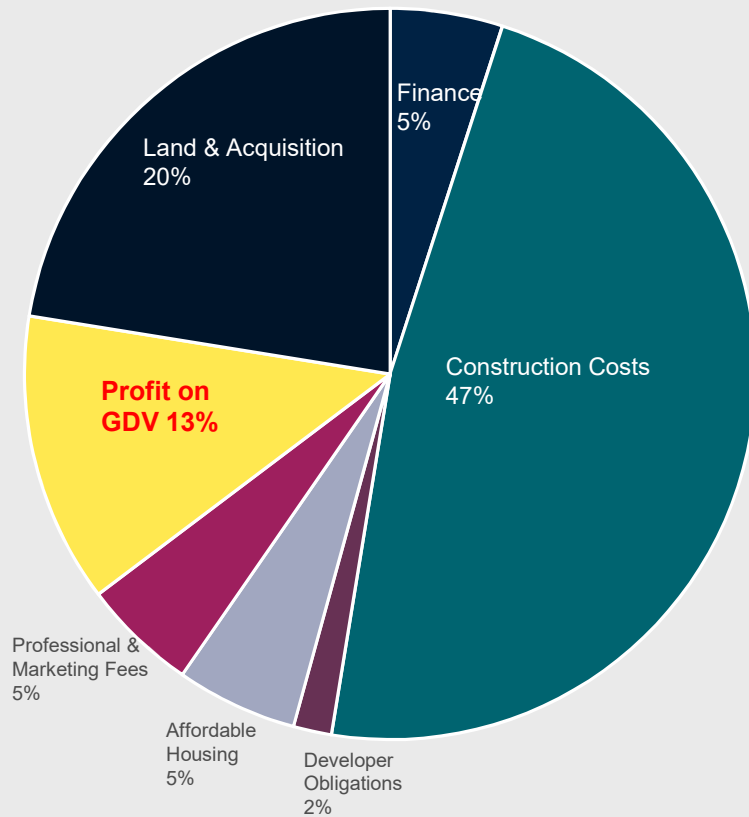
“With the exception of some robust real estate markets (for example, Hong Kong SAR, China), imposing an extra levy (developers exactions) can at times have the effect of discouraging, rather than incentivizing, private sector investment.” World Bank

Risk	Commentary
Land banking	<p>There is a risk that landowners and developers simply secure a consent to enhance value with no intention of developing the site in the short term.</p> <p>Accordingly we propose a two year 'use it or lose it' mechanism so that if a material start on development has not been made (i.e. substantially under construction) then the exemption would fall.</p>
Displacement	<p>There is a risk that this policy will create a two-tier market that results in less development activity outwith the CCMP boundary.</p> <p>This should be monitored at a strategic level by ACC through the recording of consents issued utilising this mechanism as well as start and completion notices.</p>
Pressure on existing services	<p>There is a risk that by not contributing towards public services and infrastructure that are at capacity, new development will put these services under increasing pressure. This in turn may result in more people moving away from the city centre. Accordingly we advise that the scale of development be limited to no more than 50 units and that the policy is only in place for a two-year period (limiting the overall number of units that are likely to be delivered).</p> <p>We also advise that ACC review the existing capacity of services at a strategic level across the city centre: where are the pressure points and can these be alleviated some other way or through some separate fund? Will, for example, more single person households living in apartments create an additional burden? Will additional residents reverse under capacity issues?</p> <p>Can support be secured from Scottish Government in the form of a new homes bonus?</p>

<p>Affordable housing delivery</p> <p>We have already identified in Chapter two that there is a shortage of good quality affordable housing stock in the city centre boundary. To introduce a policy that essentially stops one in every four new homes from being affordable therefore seems counter-intuitive.</p> <p>However, the reality of the current market is that no new affordable housing is being delivered because no new mainstream housing is being delivered. Where development is happening (i.e.. Broadford Works) there has been an acceptance that viability is a constraint in any event.</p> <p>Beyond the two-year period the goal would be that viability has been restored and that a 25% affordable housing requirement can be reintroduced. With the market now functioning and delivering mainstream housing the net number of new affordable homes will increase dramatically over the course of the anticipated 20 year lifespan of the CCMP.</p> <p>ACC should seek to bring forward high quality tenure blind schemes as part of Recommendation Two.</p> <p>For developments of more than 50 units, a range of alternative options could be considered including; off-site affordable housing delivery in partnership with a RSL; commuted payments (or reduced levels of financial payments), or; some form of claw back arrangement whereby if a development performs better than expected then a top up payment is made to ACC.</p>	<p>Untested</p> <p>An area-based approach to the removal, temporary or otherwise of developer's obligations is untested.</p> <p>We have sought to mitigate this by setting a threshold of 50 units and a defined boundary, set out in the CCMP, or as otherwise agreed.</p> <p>For developments of more than 50 units a range of options could be explored before waiving any obligations including deferring all payments until after the developer has sold the final unit, or some form of claw-back arrangement (per affordable above) whereby if a development performs better than expected then a top up payment is made to ACC.</p> <p>Through our research we have reviewed a number of S106 agreements that adopt a claw-back structure and these are complex legal documents and have received a mixed reaction from developers. In order to simplify the process, we recommend that this is done through amendment of existing supplementary guidance.</p>
	<p>Political support</p> <p>We recognise that this is a bold initiative that may seem counter-intuitive. However the positive development momentum that this policy would generate would deliver significant social and economic benefits to ACC in the long term.</p> <p>However it is essential that this policy is supported at both a senior leadership level and politically within ACC.</p>

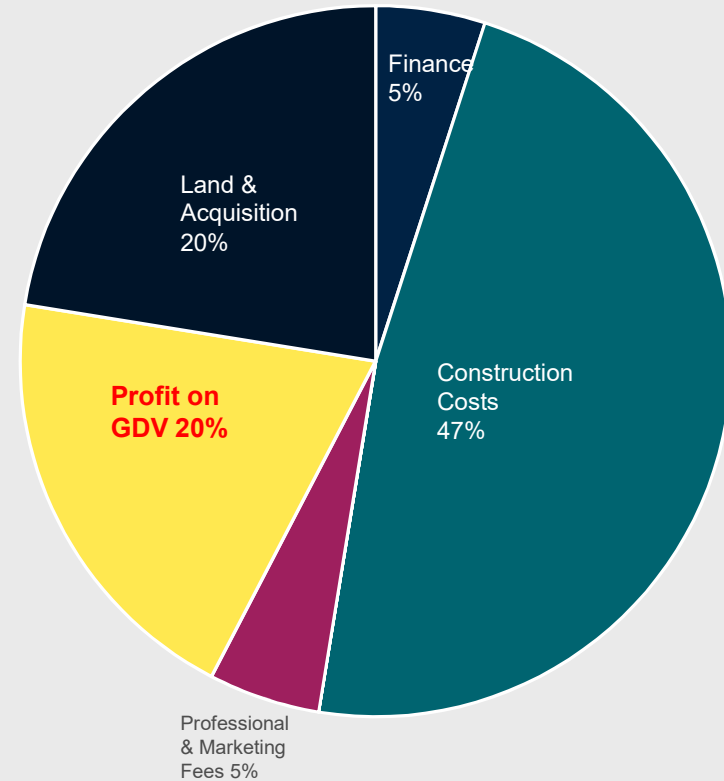
Note: we have presented these as individual recommendations although the complexity of market failure, property development and regeneration is such that all of our recommendations are interlinked and, as Derby has demonstrated, should be implemented in tandem

Viability before implementation of Recommendation Four



Above: the pie chart is based on our viability example discussed in Chapter Three which involves the conversion of a vacant office building within the city centre. The example adopts a fixed land price based on sellers expectations. By adopting current commuted sum requirements for affordable housing and estimated developer obligations of £3,000 per unit results in a marginal profit of 13% on GDV for a high risk speculative development. Developers will simply choose to invest in other areas or cities if they can't achieve their target profit margins (or those required by their banks or shareholders). Within the wider Aberdeen Housing Market Area target profit margins in the region of 20% are being sought by housebuilders and applied by valuation surveyors in relation to greenfield sites where there is less risk.

Viability after implementation of Recommendation Four



Above: adopting the same example but excluding affordable housing and developer obligations increases the profit to 20% on GDV. Given the high risk of a project of this nature, we consider that this would be a sufficient margin to encourage a developer to commit to development.

While a 13% return on sales may appear to be a healthy profit margin to some, this is a gross profit before deduction of overhead costs, such as staff and office costs. Further, development is risky: particularly in relation to brownfield sites in city centres where abnormal costs exist (with a higher than average risk of cost overruns compared with greenfield sites and detached family housing) and there is heightened market risk.

SMART Analysis: Developer obligations

Specific

- Introduce a two-year moratorium on developer's obligations and affordable housing requirements in respect of residential development of less than 50 units within the CCMP boundary.
- This will be adopted as policy.

Measurable

- We would advise that this is introduced asap for applications validated within two-years of the date of commencement; and expires after two-years.
- We recommend that ACC review the usage of the moratorium mechanism after 18-months, with a view to potentially extending the period if there remains a need for such intervention.

Achievable

- Exemptions from developers obligations and/or affordable housing requirements have been introduced on a case by case basis across the UK and by ACC. Whilst an area-based policy is untested we believe that it is achievable and actionable by ACC (although we advise that this is reviewed by legal counsel).
- This would be similar to the introduction of *Simplified Development Zones* set out in the recent Planning Bill.

Relevant

- This is relevant because our research clearly identifies a viability challenge across various case study developments within the CCMP. We believe that introducing this policy will stimulate development activity and encourage purchasers and sellers of development sites into action.

Time-oriented

- This policy will expire within the two-years of being introduced (unless otherwise agreed following review of the impact of the moratorium).



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Comment on VAT

VAT on new build

Value Added Tax (VAT) on new build properties is zero rated (with the exception of certain goods, such as whitegoods) and therefore there are no cash flow or viability implications for developers.

VAT on conversions

However, as we established in Chapter Three, VAT is chargeable in relation to converted properties.

According to Moore Stephens accountants:

“The conversion of a non-residential building into a house or flats will usually qualify for the 5% VAT rate. For example, if an office building is converted into a house at a cost of £500,000, the VAT charged would be just £25,000 rather than £100,000.

The 5% rate also applies to conversions that change the number of dwellings, for example, converting flats into one house, or a single property into multiple apartments. Furthermore, if a residential building has been empty for two or more years, the 5% is also available for most renovation and alteration works.

Following discussions with developers and legal professionals we understand that a 5% irrecoverable VAT charge applies where an existing development opportunity in residential use is being re-developed to form more (or fewer) residential units.

VAT on Build to Rent

New Build to Rent (BTR) developments, benefit from zero-rating on the construction costs although when a completed development switches to being operational (income producing), it is likely that there will be a irrecoverable VAT cost because the landlord makes the last supply in the chain as an exempt letting to tenants. Ultimately this irrecoverable charge impact the net operating income of a BTR scheme.

Earlier this year Savills completed a study on behalf of The British Property Federation (BPF) recommended zero-rating of residential leases to enable the VAT to be recovered. It recognised that to achieve this we would need Brexit to happen to free the UK from the European rules which would prevent such a change.

The Government would also need to be motivated to accept a reduction of VAT moving to the Exchequer as a result of the change and this would be linked to underlying housing policy.

Additional Dwelling Supplement in BTR

Professional landlords in Scotland (i.e. those who acquire six or more dwellings, whether in a single transaction or linked transactions in Scotland) will not be subject to the Additional Dwelling Supplement 3% surcharge if the relief is claimed.

Early land sale to Registered Social Landlords and ‘Golden Brick’ schemes

It often makes sense for a developer to sell a plot of land to a Registered Social Landlord (RSL) at an early stage in the development process and then get paid on a phased basis through the construction of the development. This approach significantly helps a developer’s cash flow and therefore funding costs.

“A so-called “golden brick” scheme is where land is transferred by a developer to a RSL, after the sub-structure, and one level of “golden” brickwork above, has been constructed, but before completion of the housing units. The developer then stays on-site to complete the construction.

The situation arises where a developer has opted to tax land so that VAT on its development costs can be recovered. A sale of land in that circumstance would ordinarily attract a VAT charge at the standard rate of 20%.” (Morton Fraser, 2016)

Note: Savills is not expert in matters of taxation and VAT and we would advise that ACC secure project specific advice from a Chartered Accountant at the appropriate stage. We are unaware of any detailed or specific site proposals and therefore are unable to comment further.

Important Note

In accordance with our normal practice, we would state that this report is for general informative purposes only and does not constitute a formal valuation, appraisal or recommendation. It is only for the use of the persons to whom it is addressed and no responsibility can be accepted to any third party for the whole or any part of its contents. It may not be published, reproduced or quoted in part or in whole, nor may it be used as a basis for any contract, prospectus, agreement or other document without prior consent, which will not be unreasonably withheld.

Our findings are based on the assumptions given. As is customary with market studies, our findings should be regarded as valid for a limited period of time and should be subject to examination at regular intervals.

Whilst every effort has been made to ensure that the data contained in it is correct, no responsibility can be taken for omissions or erroneous data provided by a third party or due to information being unavailable or inaccessible during the research period. The estimates and conclusions contained in this report have been conscientiously prepared in the light of our experience in the property market and information that we were able to collect, but their accuracy is in no way guaranteed.

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