

DEVELOPMENT VIABILITY REVIEW – HANOVER COURT & PRINCESS COURT, CORONATION STREET, CAMBRIDGE CB2 1HJ

In March 2026, Greater Cambridge Shared Planning (“the Council”) commissioned Quintic Advisory to advise on a viability assessment of the redevelopment (“the Development”) of Hanover Court & Princess Court, Coronation Street, Cambridge CB2 1HJ (“the Site” submitted by Savills on behalf of Cambridge Investment Partnership (“the Applicant”).

Our report provided an objective assessment of Savills’ viability submission in order to test the inputs to and results of the appraisal to determine whether the affordable housing offer and Section 106 contributions as proposed have been optimised. In summary, the Savills report concluded that *“a scheme with 2 (two) social rented units would generate a RLV that is very similar to the SVB and on that basis, the scheme would be financially viable and the Applicant would be prepared to implement the scheme on that basis”*. We assume that the Applicant is seeking to demonstrate that the scheme cannot viably deliver a meaningful level of affordable housing so that the scheme can be eligible for grant funding from Homes England¹.

In contrast, we concluded that the proposed Development including 25% affordable housing (5 social rent; 26 affordable rent at LHA levels; and 10 affordable rent units capped at 80% of Market Rent) generated a RLV of £30,286 resulting in a marginal surplus of £30,285 against the viability benchmark.

Savills provided further correspondence dated 1 April 2026 which we reviewed and provided our response dated 5 May 2026. After the inclusion of decant costs and leaseholder buyback costs, which amount to £15,300,000 and were supported with evidence² from the Applicant, we updated our conclusion that the proposed Development including 1.2% affordable housing (2 social rent units) generated a deficit of -£12,633,302 against the viability benchmark.

Savills further correspondence

We have received a response dated 8 May 2026 within which Savills have sought to provide further justification / evidence in support of their conclusion. We have reviewed the additional evidence submitted by Savills and have responded below in the same structure for ease of reference.

In the first instance, Savills state that *“given the size of the deficit, [their] position now is that the scheme cannot support the delivery of any affordable housing and remain commercially viable”*. To demonstrate this, Savills have updated their appraisal to *“delete the 2 affordable units and illustrate a wholly private residential scheme”*.

Private residential values: Savills have increased their private residential value to £633 per square foot reflecting our position in our 5 May 2026 response. We therefore consider this assumption to be agreed between the parties.

Affordable housing revenue: In our March 2026 review, we increased the affordable housing values for all tenures to reflect what we considered to be achievable in the current market. We undertook our assessment using a bespoke model specifically created for this purpose. In their 1 April 2026 response, Savills proposed a mid-point between the parties due to the difference equating to circa 4.4%. However, we did not consider a mid-point to be a robust position for the Council to adopt and maintained our assumed affordable housing values. In their most recent correspondence Savills state that they have reverted back to their original position; however, they have not provided any justification or evidence that would warrant a change in our position. For the avoidance of doubt, our affordable housing values remain unchanged; however, due to Savills now submitting a 100% private housing scheme this is a moot point³.

¹ Affordable housing which can be provided through developer contributions is generally not eligible for grant funding. Therefore any affordable housing provided in a development which is not secured by a planning obligation will be eligible for grant.

² Which Savills had not previously incorporated in their FVA submission.

³ Although this may become relevant when the Applicant submits their application to Homes England for grant funding.

Construction costs: To establish construction costs for the proposed Development, Savills relied upon a cost plan prepared by The Hill Group which reported a total construction cost of £44,715,316.

The Council instructed Stace LLP ("Stace") to undertake a review of The Hill Group's cost plan. In conclusion, Stace considered the total cost to exceed a reasonable amount in the current market and concluded that a total cost of £41,437,072 (inclusive of contingency) should be adopted within the appraisal. Savills have adopted the total cost of £41,437,072 (inclusive of contingency) in their appraisal; therefore, we therefore consider this assumption to be agreed between the parties.

Building Safety Levy: Both parties agree that the Building Safety Levy should equate to £2.36 per square foot within the appraisal. This results in a total payment of £344,723 for a 100% private housing scheme; however, we have adopted this payment on a 'subject to confirmation' and 'without prejudice' basis.

Finance rate: We reduced the finance rate from 7.25% to 7% within our March 2026 review; however, in their 1 April 2026 response, Savills maintained their 7.25% all-inclusive rate. We stated in our 5 May 2026 response that in our experience, the majority of viability assessments being submitted by Applicant's are now reflecting an all-inclusive finance rate of 7%; therefore, we do not consider this assessment should be viewed differently. Savills have not provided any justification that would warrant a change from our position. In their most recent correspondence, Savills have adopted our finance rate of 7% within their appraisal.

Disposal costs: Whilst we agreed with the majority of the disposal costs proposed by Savills, we reduced the sales legal fee from 0.5% of GDV (equating to £2,078 per unit) to £800 per unit.

In our 5 May 2026 response, we proposed a sales legal fee of £1,000 per unit in the interests of reaching an agreed position. In their most recent correspondence, Savills have adopted the £1,000 per unit in their appraisal; therefore, we consider this assumption to be agreed between the parties.

Developer profit: Savills assumed profit levels of 20% of GDV and 6% of GDV for the private residential and affordable housing elements of the scheme in their original submission; this position has been maintained in their most recent correspondence; however, they state that for "*ease of comparison, [they] have used the lower rate of 17.5% of private GDV*" in their appraisal.

For the avoidance of doubt, as set out in our 5 May 2026 response, we consider the profit level of 17.5% of GDV to be reasonable for the private residential element of the scheme with a reduced profit level of 6% of GDV for the affordable housing. Savills have not provided any further justification or evidence that would warrant a change in our position.

Development programme: We set out our programme timetable in our 5 May 2026 response which Savills state in their most recent correspondence that they have adopted and are now in agreement. We therefore consider this assumption to be agreed between the parties.

Viability benchmark: Savills adopted a viability benchmark based upon an Existing Use Value ("EUV") plus a 30% landowner premium equating to £2,364,700 (EUV of £1,819,000 plus a 30% landowner premium of £545,700).

In our March 2026 response, we stated that we did not consider the cross-check of land transactions to be a reasonable basis for determining benchmark land values, in addition to none of the sites relied upon by Savills being existing Council housing estates. We also noted the existence of a Cambridge City Council moribund report that referred to "*significant fire safety risks*"; "*waking watch in place to safeguard residents*"; and "*cracking and movement in structure, concrete deterioration, instability and brickwork failures*". Indeed, the moribund report tested 4 scenarios as follows:

- "*Option 1 – Do nothing*"
- "*Option 2 – Retain the building in existing form and undertake essential repairs*"
- "*Option 3 – Retail the building and retrofit to achieve enhanced energy standards*"
- "*Option 4 – Redevelopment the blocks through the Cambridge Investment Partnership to provide 138 new homes, including 40-60% affordable homes for rent*".

In relation to establishing a viability benchmark, Options 1-3 are of most interest with the moribund report concluding that *"it is clear.....that the 'do nothing' option is not a viable option and should be discounted from any further analysis"*. In addition, Options 2 and 3 generated Net Present Values of -£13.2 million and -£20.4 million respectively. It is therefore inexplicable that Savills are stating that the EUV should therefore equate to £1,819,000 with a 30% landowner premium applied in addition.

In their most recent correspondence, Savills have stated that they *"continue to have a difference of opinion on the Existing Use Value and benchmark land value"*. For the avoidance of doubt, Savills have not provided any justification / evidence that would warrant a change in our assessment of the viability benchmark. Notably, they have not provided any justification for any value for the existing estate given that the Council's feasibility study indicates that the estate has a negative value of between -£13 to -£20 million. We have maintained our benchmark land value of £1 in our assessment.

Decant costs: In their original submission, Savills referred to decant costs that the Applicant has both incurred in addition to those that are forecast and yet to be paid; however, they did not include them as a cost in their appraisal; rather reference was made to them in relation to the benchmark land value. The total decant cost equates to £15.3 million. After discussions at a meeting on 15 April 2026 between the Council, the Applicant and their advisors, the parties agreed that the Applicant should submit a breakdown of these costs for us to review. In our 5 May 2026 response, we confirmed that the Applicant provided a breakdown of the decant costs including acquisition costs; home loss payments; and disturbance costs. They provided this information on a strictly private and confidential basis; therefore, we are unable to provide comprehensive detail in our response; however, in summary, after review of the submitted costs we have adopted the total decant costs of £15.3 million within our appraisal.

In their most recent correspondence, Savills have adopted this position within their appraisal of the proposed Development.

Updated appraisal results

Savills have concluded in their most recent correspondence that they *"have conclusively demonstrated through viability testing that the scheme at Hanover & Princess Court cannot support the delivery of any affordable housing and remain commercially viable"*.

We have undertaken an updated appraisal of the proposed Development including 100% private housing taking into account the amendments set out above. We have concluded that the proposed Development with 100% private housing generates a RLV of -£11,745,865 providing a deficit of -£11,745,866 against the viability benchmark of £1.

We note that in correspondence prepared by Carter Jonas ("CJ") dated 19 May 2026, the Applicant *"remain[s] committed to delivering new affordable housing in the City and, subject to Homes England funding being secured, is seeking to ensure that 44% (72) of the proposed new homes at Hanover and Princess Court will be delivered as council homes (two of the four blocks). This commitment is separate to any consented planning approval but if funding is secured and council homes are able to be delivered here, they would contribute towards the Council's portfolio approach"*.

Quintic Advisory
22 May 2026

Appendix 1 – Argus Appraisal Proposed Development 100% private housing

**Hanover and Princess Court
Proposed Development
100% private housing**

Project Pro Forma for Phase 1

Currency in £

REVENUE

Sales Valuation	Units	ft²	Sales Rate ft²	Unit Price	Gross Sales
Private residential units	165	108,359	633.00	415,705	68,591,247

TOTAL PROJECT REVENUE **68,591,247**

DEVELOPMENT COSTS

ACQUISITION COSTS

Residualized Price (Negative land)	(11,745,865)	(11,745,865)
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CONSTRUCTION COSTS

Construction

	Units	Unit Amount	Cost	
Build costs	1 un	41,437,072	41,437,072	41,437,072
Building Safety Levy			344,723	
BNG Units			100,000	
Section 106 payment			600,000	
Section 106 indexation			30,000	
Decant costs			15,300,000	
				16,374,723

PROFESSIONAL FEES

Professional fees	1,939,902	1,939,902
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MARKETING & LEASING

Marketing	1.50%	1,028,869	1,028,869
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DISPOSAL FEES

Sales Agent Fee	1.50%	1,028,869	
Sales Legal Fee	165 un 1,000.00 /un	165,000	
			1,193,869

Additional Costs

Profit on private	17.50%	12,003,468	12,003,468
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TOTAL COSTS BEFORE FINANCE **62,232,037**

FINANCE

Timescale	Duration	Commences
Pre-Construction	6	Mar 2026
Construction	28	Sep 2026
Sale	40	Jan 2029
Total Duration	74	

Debit Rate 7.000%, Credit Rate 0.000% (Nominal)	
Land	(1,838,988)
Construction	5,916,520
Other	2,281,697
Total Finance Cost	6,359,228

TOTAL COSTS **68,591,266**

PROFIT

(19)

Performance Measures

Profit on Cost%	0.00%
Profit on GDV%	0.00%
Profit on NDV%	0.00%
IRR% (without Interest)	8.51%