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Tonbridge & Malling BC – Viability Assessment Report

17.04.23

Executive Summary

Bracketts has been instructed by Mace to provide in this report a market commentary of prospective occupier demand across a mix of commercial and residential uses, together with anticipated rental and sales values, for the potential redevelopment of Tonbridge & Malling Borough Council owned land within Tonbridge town centre.

The anticipated development mix could include the following uses:

Residential
- Private residential
- Affordable housing
- PRS
- Retirement living

Commercial
- Retail
- Food & Beverage
- Hotel
- Leisure
- Healthcare

The report has identified recent trends and opportunities in the Tonbridge market place.

The report provides both a general national and local market overview of the various market sectors, and highlights both key transactional activity and evidence of market transactions in the Tonbridge market.

Bracketts has investigated potential demand from the various sectors and we have outlined our findings in this report.

We have provided in the report a high level projection of anticipated rental and capital values for various different uses that may be incorporated into the proposed development.

All opinions provided by Bracketts on rental or capital values will not constitute as a formal RICS Red Book Valuation and should be used as a guide for marketing purposes only.

The report has been undertaken by Dominic Tomlinson MRICS, a RICS Registered Valuer and Chartered Surveyor.

He is a Partner at Bracketts with over 25 years' experience in dealing with both commercial and residential property development, agency and valuations nationwide and within the local Kent marketplace.

We are satisfied that he has sufficient current knowledge of the local market, and the skills and understanding to undertake the report competently.

Market Sector Overview

General property market overview

The Royal Institution of Chartered Surveyor (RICS) Economy and Property Market update, which was published earlier this year, reports activity in the commercial property market in the UK. The market update reports that the final quarter of 2022 was unsurprisingly hit by the turmoil unleashed following the 'mini-budget', with transaction volumes slumping to just £7.3bn. This represents the lowest figure since Q2 2020.

In terms of sectors, it is offices that appear to have been most under pressure with sales of only £1.3bn during the period, close to the lowest figures recorded since the aftermath of the Global financial crisis in 2008.

This softer tone is also visible in feedback to the RICS Commercial Property Monitor, with the net balance metric for investment enquiries in Q4 slipping to -30%. Within this figure, the reading for both offices and retail continued to weaken (-39% and -48% respectively) and there was also a noticeable turnaround regarding industrials/logistics.

According to the RICS Monitor, the occupier market is generally anticipated to continue to show greater strength than the investment market (as has been the case in recent quarters) helped by the somewhat less negative economic outlook. This is highlighted by stronger expectations for rental than capital growth (or more modest drops) in all sectors included in the survey.

Opinion from the British Property Federation's Property Leader Sentiment Survey of over 100 industry leaders in January this year, showed that more than three quarters are confident that the real estate sector will perform strongly over the next five years, despite the current economic pressures.

The survey suggests that industry leader confidence for the UK real estate sector is more positive for the longer-term, rather than the shorter-term.

Table 1 –Research into Regional office yields November 2022 source Savills

Location	Year	Prime	Secondary
Around M25	Nov 22	6%	10%
	Nov 21	5.5%	8.5%

Table 1 above illustrates the softening of office yields in locations around the M25 for the period November 2021 to November 2022.

Table 2 –Research into Regional retail yields November 2022 source Savills

Type	Year 2021	October 2022
High Street	6%	6.5%
Shopping Centres	7.5%	8%

Table 2 above also demonstrates that regional retail property yields moved out from November 2021 to November 2022 following the down turn in the market.

While the turbulence in the financial market came later in 2022, the occupier market has been perceived to have performed reasonably well throughout the year. However, despite the performance take-up only likely to match 2021's level, the year has seen an improving depth to activity at the smaller to medium-sized end of the market.

Changes to traditional working practises resulting from the pandemic's legacy of massively increased hybrid working is pushing occupiers in ever greater numbers to exchange quantum for quality accommodation.

The pressure to do so has also strengthened on the back of unprecedented rises in energy costs, with the business case for occupying environmentally efficient buildings now working alongside the increasingly accepted ethical case.

While landlords find themselves under immediate pressure from pricing shifts, a window of opportunity is nonetheless opening up to the reposition of tired existing buildings to the desired quality, in turn capturing substantially higher rents.

Research carried out by The Kent Property Market Report (KPMR) for 2022 has highlighted that the office market is still stabilising. The average Monday to Friday occupancy across the country has increased every week since the new year, and reached 34.3% in the fourth week of January, the highest since monitoring began in May 2021, according to Remit Consulting. Tuesday to Thursday occupancy hit more than 40% for the first time. Office occupancy, whilst never at 100% before the pandemic, was estimated at 60 to 80%.

The findings in the KPMR suggests that the Kent office market place is well placed to ride economic any volatility across 2023 that we may encounter in the office sector, and provide temporary office space solutions to businesses, who may be struggling with increased operational costs or are not in a position to commit to longer leases.

The retail property sector across the UK still appears to be in decline as retailers try to navigate the cost of living crisis. Despite some positivity around the Christmas trading period and an incremental increase in consumer confidence during December, retailers are rapidly transitioning their efforts to overcome the cost-of-living crisis and ensure healthy cash flow remains.

Multiple national operators, with expansion plans are currently few and far between and new take up of voids are generally being filled with hospitality businesses, barbers, hairdressers, charity shops and nail bars.

A number of retailers are under-taking both store and range rationalisation strategies and re-focussing efforts on their top performing locations and products in order to avoid administration or business failure.

Such has been the effect of the harsh trading conditions throughout last year. Retail sales volumes remained slightly below their pre-pandemic 2019 levels, and significantly below their

2021 volumes, whilst 2022 total sales values outperformed both years, owed to the impact of inflation.

Although these economic headwinds serve as a stark warning, such trading conditions have significantly eroded brand loyalty and resulted in fierce competition for market share across a range of categories. This is most notable in the grocery sector, where retailers are rapidly offering a range of discounting and promotions to capture new consumers.

Retailers have to now consider a complete omni-channel experience throughout their operations. This is having a considerable impact on both location and fit-out considerations for those occupiers who wish to acquire new space whilst trying to ensure operational efficiency is not compromised.

Furthermore, an increase in the number of administrations and bankruptcies, particularly within the retail world, is providing opportunities to acquire space within prominent, well fronted locations, often at a discount through assignment or sublease.

Investment activity remains subdued according to RCA with some £6.9bn of retail assets having been transacted during 2022, 36.7% below the volume transacted last year.

The number of properties transacted fell by 21% on the previous year, highlighting a fall in the average transaction value.

Of the total volume, a considerable contraction was recorded within the single asset category, approximately 43% down on last year, whilst the number of portfolios being acquired fell by just 8%.

Leisure / Food & Beverage (F&B)

The UK leisure sector continues to struggle economic uncertainty, an inflationary-linked squeeze on discretionary spending and weakened consumer sentiment together with increasing occupational costs.

These occupation pressures will see the leisure sector look to access cash locked up in assets.

As costs across the board rise for beer, food, labour and energy, coupled with COVID loan repayments and meeting lending covenants, many operators have put their property acquisitions on hold until the market stabilises. The lack of appetite generally for companies to acquire new properties is likely to continue for the foreseeable future, especially in poorer performing locations.

Tonbridge Property Market Overview

Office Sector

As requirements for new accommodation in the Tonbridge office sector appeared to be returning after the seismic shifts that have culminated in changes to traditional office work practises from the Covid pandemic, stakeholders across the office sector have now been served with another set of pressures in the form of high inflation and rising finance costs.

Market demand for offices from occupiers and the volume of new office lettings last year were at historical low levels.

However, 2023 has seen an increase in activity and the number of new office requirements in the Tonbridge market, from companies seeking new accommodation either to downside or upside.

New lettings have been completed on the soon to be refurbished Wharf House on Medway Road, comprising of 669 sq. m (7,200 sq. ft.). The property now fully let with new tenants due to take occupation at the end of next month.

Office accommodation at Hildenbrook House which extends to 241 sq. m (2,600 sq. ft.) has been reconfigured to now accommodate smaller office suites of circa 46.45 sq. m (500 sq.

ft.). This reconfiguration of the larger office footprint, has proved popular with prospective tenants and the accommodation is now fully let.

We have witnessed a number of smaller office lettings in Tonbridge over the last six months, resulting in office take up of over 929 sq. m (10,000 sq. ft.) for the period.

Headline office rentals are currently around £20 psf.

Table 3 – Tonbridge office accommodation current availability

Address	Sq M	SQ FT	QUOTING	PSF
Town Centre				
First Floor Douglas House, Quarry Hill Road, Tonbridge	474	5100	£76,500	£15.00
Second Floor Douglas House, Quarry Hill Road, Tonbridge	683	7347	£110,205	£15.00
1-2 Botany, Tonbridge	68	734	£10,000	£13.62
190 High Street, Tonbridge	66	715	£14,000	£19.58
194 High Street, Tonbridge	155	1668	£36,696	£22.00
6 Lyons Crescent , Tonbridge	117	1263	£25,200	£19.95
Tyler House, Morley Road, Tonbridge	26	282	£8,500	£30.14
Sub total	1589	**17109**	£281,101	
Average	227	**2444**	£40,157.29	£16.43
Out of Centre				
Saw Mill, Capel, Tonbridge	125	1,345	£32,500	£24.16
Tatlingbury Oast, Five Oak Green, Tonbridge	595	6400	£130,000	£20.31
The Oak Barn, Plaxtol	56	598	£9,600	£16.05
Somerhill Business Park, Tonbridge	168	1805	£40,000	£22.16
First Floor, Unit 3 Goblands Farm, Hadlow	73	784	£14,500	£18.49
The Hoopers. Goblans Farm, Hadlow	215	2312	£36,000	£15.57
Sub total	1230	13,244	£262,600	
Average	205	**2207**	£43,767	£19.83
Total	2820	**30353**	**£543,701**	
Average	217	**2335**		**£17.91**

Table 3 illustrates that there is currently 2,280 sq. m (30,353 sq. ft.) of office accommodation currently available in Tonbridge. The accommodation is split between 1,589 sq. m (17,109 sq. ft.) in Tonbridge town centre and 1,230 sq. m (13,244 sq. ft.) of out of centre accommodation, including locations such as Five Oak Green and Hadlow.

Quoting rentals range from £15.00 psf to £30.14 psf.

Floor areas range from the smallest available office suite extending to 26 sq. m (282 sq. ft.) to 1,156 sq. m (12,447 sq. ft.) over first and second floors at Douglas House, a 1960's mixed use building situated close to Tonbridge train station.

Average floor areas of the available accommodation in Tonbridge are 227 sq. m (2,335 sq. ft.) with an average rental of £17.91 psf.

However, if the accommodation at Douglas House were to let or be repurposed for an alternative use, the available office stock in Tonbridge town centre would reduce to only 433 sq. m (4,662 sq. ft.) with an average floorplate of just 62 sq. m (666 sq. ft.).

Retail

Tonbridge appears to be bucking the national trend. Whilst the retail core is situated around a more condensed trading centre compared to locations with similar populations nationally, retail availability has remained significantly low with opportunities for new retailers or existing operators looking to relocate to new premises being few and far between.

Notable recent retail deals in Tonbridge town centre have included the letting of 79-81 High Street Tonbridge TN9 to Poundland. The property extends to 1,443 sq. m (15,541 sq ft) over GF and FF. A new lease commencing 30 January 2022 and expiring 29 January 2027 was agreed at a rent of £165,000 pax. This breaks back at £48.51 psf in terms of Zone A (ITZA) / £10.61 psf overall

Specsavers have completed a relocation to the former WH Smith unit at 61-63 High Street. The accommodation extends to 213 sq. m (2,292 sq ft). The new leases were completed in March, for a term of 10 years at a rent of £55,000 pax. The headline analysis is £38.71 psf ITZA / £23 psf overall.

The headline rental tone in the town has dropped from c£60 psf ITZA pre Covid levels to c£40 psf ITZA. Despite recent lettings demonstrating that this trend is reversing, the strong weight of evidence, due to lack of open market lettings, still supports a headline rental tone of c£40 psf.

Terms have been agreed on the former Beer Seller unit at 64 High Street for a new 15 year straight lease. The unit extends to 1,000 sq ft at £34,000 pax and which breaks back to £54 psf ITZA / £34 psf overall.

Table 4 - Tonbridge Retail accommodation availability

Address	Sq. m	Sq. ft.	Quoting rent £psf	Quoting rent £pa
1 High Street	697	7500	£20.00	£150,000
76-78 High Street	283	3045	£21.35	£65,000
121 High Street	195	2100	£26.19	£55,000
1 Railway Approach	21	221	£31.67	£7,000
3 Railway Approach	41	438	£27.40	£12,000
5 Railway Approach	127	1365	£17.58	£24,000
7 Railway Approach	70	757	£22.46	£17,000
9 Quarry Hill	63	680	£28.68	£19,500
10 Quarry Hill	90	971	£20.85	£20,250
TOTAL	**1586**	**17077**		**£369,750**
AVERAGE	**176**	**1897**	**£21.65**	**£33,614**

The table illustrates that there is currently 1,586 sq. m (17,077 sq. ft.) of available retail accommodation in Tonbridge town centre. However, if the accommodation at 1 High Street were to let, the available retail stock in Tonbridge town centre, would reduce to only 890 sq. m (9,577 sq. ft.), with an average floorplate of just 99 sq. m (1,064 sq. ft.).

Overall quoting rentals range from £17.58 psf to £31.67 psf.

Floor areas range from the smallest available retail suite extending to 21 sq. m (221 sq. ft.) to 697 sq. m (7,500 sq. ft.) at 1 High Street. The property is currently occupied on flexible terms by Poundstretcher but planning has been granted to reconfigure the accommodation into smaller units.

Average floor areas of the available accommodation in Tonbridge extends to 176 sq. m (1,897 sq ft) with an average rental of £21.65 psf.

The long awaited refurbishment of a tired parade of shops at Railway Approach by the Arch Co. has now commenced. The comprehensive refurbishment of the parade will bring four small units ranging from 20.4 sq. m – 126 sq. m (221 sq. ft – 1,365 sq ft) and extending to 258 sq. m (2,781 sq. ft) to this gateway location from the train station to Tonbridge's main retail centre.

Leisure / Food & Beverage (F&B)

Despite local operators being faced with challenges of increased operational costs coupled with the struggle of economic uncertainty, the local leisure / F&B sectors appears to be fairly resilient and Tonbridge has only seen one bar led operation close its doors over the last year.

There are a number of long standing F&B requirements from both national and good quality local operators with active requirements to open new premises in Tonbridge. However, as we are witnessing in the retail sector, suitable available units that are able to meet the company's operational requirements are currently very limited.

Residential

Private Residential Sales

Activity in the Tonbridge housing market still remains busy, despite the nervousness in the general wider economy since the mini budget last October, which has led to the cost of debt financing increasing significantly for new home owners.

Mortgage approvals are generally down as lending has become more challenging to secure as the criteria for borrowing has become more stringent.

On a positive note, despite the lack of confidence in the wider housing market at present, there is still very limited availability of residential properties for sale in the Tonbridge market and there are currently half as many properties available to buy, since the start of last year.

The falling rate of stock levels has resulted in a clear mismatch between supply and demand, which continues to support sale prices.

On average properties were selling, once solicitors had been formally instructed in just 31 days, over the last 18 months. However, the sales process is now averaging in 100 days.

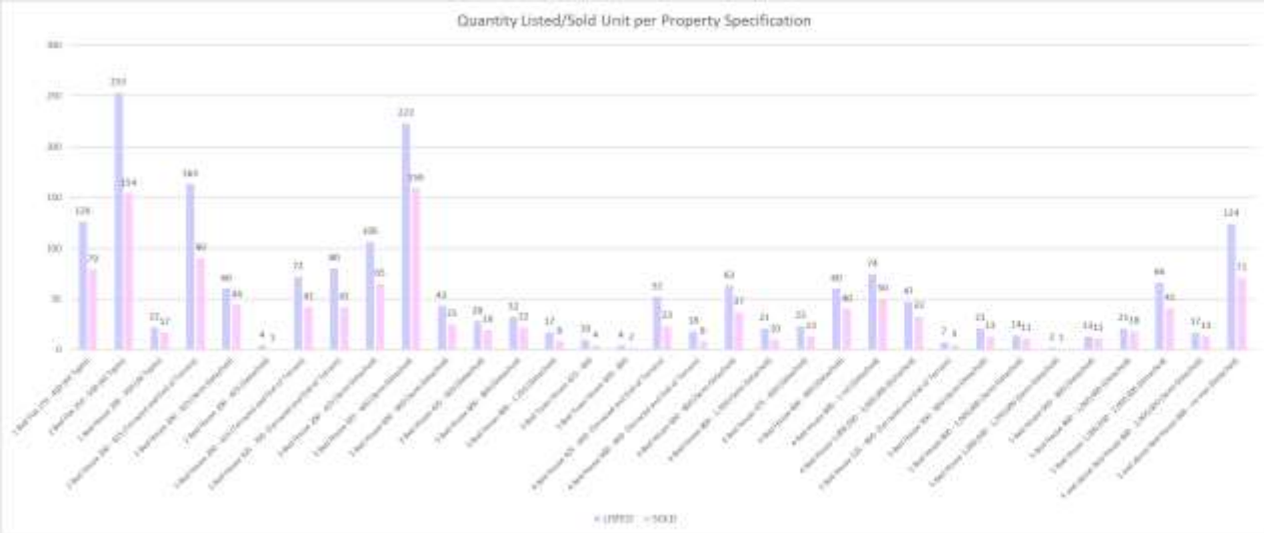
Table 5 – General Tonbridge residential sales data

1st Jan 2022 – 31 Dec 2022

PROPERTY TYPE	LISTED	SOLD	CONVERSION	AVERAGE LISTED PRICE	AVERAGE SOLD PRICE	Average Size PSF Listing Sold	Average sale £PSF
1 Bed Flat 170 - 400 (All Types)	126	79	63%	£179,526	£196,195	551	£356
2 Bed Flat 250 - 500 (All Types)	253	154	61%	£318,128	£310,489	777	£400
1 Bed House 200 - 500 (All Types)	22	17	77%	£247,952	£248,232	457	£543
2 Bed House 200 - 425 (Terraced and End of Terrace)	163	90	55%	£336,036	£346,177	758	£457
2 Bed House 200 - 425 (Semi-Detached)	60	44	73%	£365,620	£369,636	823	£449
2 Bed House 200 - 425 (Detached)	4	1	25%	£392,500	£380,000	789	£482
3 Bed House 200 - 425 (Terraced and End of Terrace)	72	42	58%	£354,120	£372,021	899	£414
3 Bed House 425 - 700 (Terraced and End of Terrace)	80	42	53%	£501,574	£485,810	1241	£391
3 Bed House 200 - 425 (Semi-Detached)	106	65	61%	£370,834	£400,921	893	£449
3 Bed House 425 - 600 (Semi-Detached)	223	159	71%	£495,149	£490,816	1163	£422
3 Bed House 600 - 800 (Semi-Detached)	43	25	58%	£661,163	£663,200	1390	£477
3 Bed House 425 - 600 (Detached)	28	19	68%	£537,893	£544,684	1167	£467
3 Bed House 600 - 800 (Detached)	32	22	69%	£699,531	£714,090	1976	£361
3 Bed House 800 - 1.250 (Detached)	17	8	47%	£943,235	£1,105,625	2049	£540
3 Bed Town House 425 - 600	10	4	40%	£512,485	£487,487	1397	£349
3 Bed Town House 600 - 800	4	2	50%	£631,250	£637,500	1369	£466
4 Bed House 425 - 600 (Terraced and End of Terrace)	52	23	44%	£512,403	£517,608	1395	£371
4 Bed House 600 - 800 (Terraced and End of Terrace)	18	8	44%	£646,888	£665,000	1573	£423
4 Bed House 600 - 800 (Semi-Detached)	63	37	59%	£673,523	£682,160	1588	£430
4 Bed House 800 - 1.500 (Semi-Detached)	21	10	48%	£922,995	£928,500	1934	£480
4 Bed House 475 - 600 (Detached)	23	13	57%	£558,347	£574,615	1219	£471
4 Bed House 600 - 800 (Detached)	60	40	67%	£706,773	£703,622	1653	£426
4 Bed House 800 - 1 mil (Detached)	74	50	68%	£900,743	£904,090	1925	£470
4 Bed House 1,000,000 - 3,000,000 (Detached)	47	33	70%	£1,248,296	£1,202,272	2516	£478
5 Bed House 525 - 800 (Terraced and End of Terrace)	7	5	71%	£700,000	£660,000	1882	£351
5 Bed House 500 - 800 (Semi-Detached)	21	13	62%	£684,690	£681,923	1648	£414
5 Bed House 800 - 1,000,000 (Semi-Detached)	14	11	79%	£870,714	£871,818	2015	£433
5 Bed House 1,000,000 - 1,250,000 (Semi-Detached)	2	1	50%	£1,175,000	£1,100,000	2833	£388
5 Bed House 650 - 800 (Detached)	13	11	85%	£753,461	£745,000	1908	£390
5 Bed House 800 - 1,000,000 (Detached)	21	18	86%	£893,095	£903,055	2309	£391
5 Bed House 1,000,000 - 2,000,000 (Detached)	66	41	62%	£1,347,878	£1,359,268	2760	£492
5 and above Bed House 800 - 2,000,000 (Semi-Detached)	17	13	76%	£1,031,764	£1,053,076	3453	£305
5 and above Bed House 800 - no max (Detached)	124	71	57%	£1,602,004	£1,375,774	4087	£337
TOTAL	1886	1171	62%				
Average				£690,169	£687,293	1648	£426

Our research has found that 1,171 residential properties were sold in the Tonbridge market place in 2022.

Table 6 – Tonbridge residential sales quantity listed / sold unit per property specification, 1st January 2022 – 31 December 2023



The most common type of house sold in Tonbridge in 2022 was a 3-bedroom semi-detached property in the size bracket of 39 sq. m – 55 sq. m (425 – 600 sq. ft). The average sale price £490,816 sq ft / £422 psf

Table 7 - Tonbridge residential sales quantity listed / sold unit per property specification 1st January 2022 – 31 December 2023

The average sale price of properties sold in Tonbridge in 2022 was £687,293.

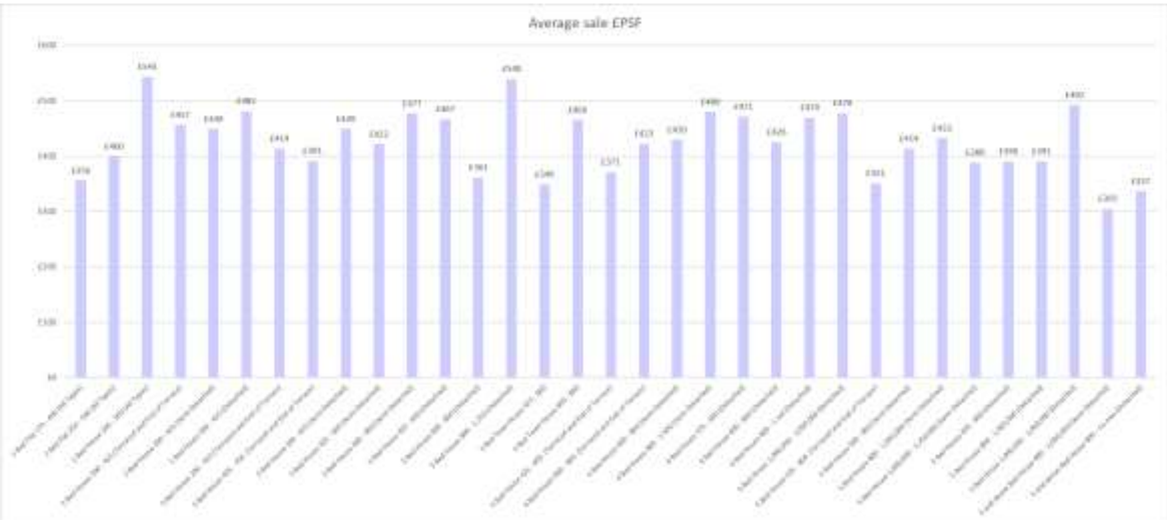
Table 8 - Tonbridge average size PSF listing sold

1st January 2022 – 31 December 2023

The average size of sold properties sold in Tonbridge in 2022 was 153 sq. m (1,648 sq. ft)

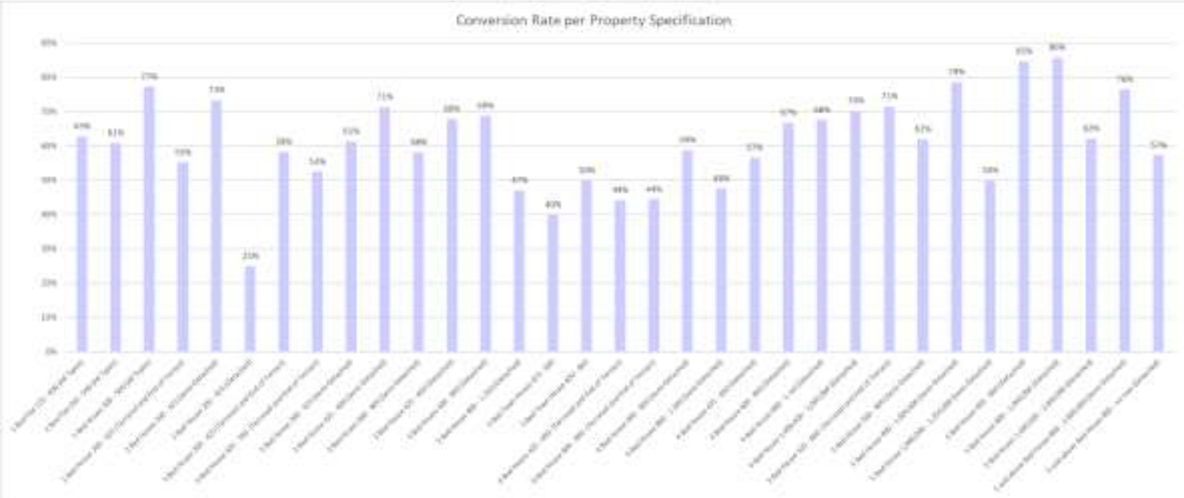
Table 9 – Tonbridge residential sales Average Sale £psf

1st January 2022 – 31 December 2023



The average sale price of properties sold in 2022 per sq. ft. was £426.

Table 10 – Tonbridge residential sales Conversion rate per property specification quantity listed / sold unit per property specification
1st January 2022 – 31 December 2023



The average conversion rate of properties sold after being formally registered for sale was 62%.

We anticipate that confidence in the residential market will return as the cost of borrowing continues to stabilise, coupled with the lack of housing both generally nationwide and in the local market which will underpin capital value growth.

We have witnessed reductions in residential development land values over the last year, as developer's factor in increased costs such as construction and finance into their development viability appraisals. However, as these variable costs stabilise it is likely that developer confidence will return as the volume of sales rise and delivery pressure on house builders to grow their internal development pipeline increases.

Notable proposed new residential developments in Tonbridge include the former Gas Works site and former River Centre Car Park both of which are located on Medway Wharf Road.

The proposed redevelopment of the former Gas Works site, is anticipated to comprise of 144 new units over 5 storeys extending to 14,791 sq. m (159,204 sq. ft.) with a mix of 1, 2 and 3 bedrooms and 567 sq. m (6,103 sq. ft.) of flexible Class E/ancillary floor space.

The development formerly River Centre Car Park Medway is planned to include a 9 storey building in two blocks comprising of 118 residential units, extending to 9,272 sq. m (99,805 sq. ft.)

Formal planning approval decisions are still outstanding for both sites and no start / practical completion dates for handover have been stated.

Private Residential Lettings

In the private residential lettings sector, rents nationally have risen with an average increase of 7% (excluding London market which saw higher increases), between December 2021 and December 2022.

The local residential letting market in Tonbridge has generally mirrored national trends with strong demand for all property types. As with residential sales, stock levels remain low by historical standards in the Tonbridge lettings market, with the number of new properties coming to the market down from previous years.

Monthly rentals for good quality apartments in Tonbridge town centre, are currently averaging at the following rentals for different accommodation types:

- Studio - £725
- 1 bed - £850
- 2 bed - £1,150

The local market is witnessing a shortage of available stock of all property types, as the number of new listings to the market continue to fall month on month.

Bracketts maintains a long standing list of residential applicants waiting for both flats and houses in Tonbridge.

We are witnessing an increase in the number of new prospective tenants registering with our lettings team and properties being let within 24 hours of them coming on to the market has become a common practise in the local market.

If this imbalance between tenant demand and lack of available stock continues, it is likely to continue to drive rental increases for landlords seeking to let their properties in Tonbridge.

Build to Rent (BTR)

The BTR sector is to remain stable but pricing is likely to be adjusted as anticipated by market research carried out by CBRE in their recent market outlook of the BTR sector.

The research has identified that high borrowing costs will result in many potential home owners being unable to secure funding to acquire their homes, resulting in further increased demand in the private rental sector, where we are witnessing high demand significantly outweigh supply, resulting in record levels of rent inflation.

In terms of the investment market, demand for Build-to-Rent across both the multifamily and single-family sector is anticipated to remain strong.

Yields are projected to soften given the broader interest rate backdrop. However, this will be limited to an extent by strong rental growth.

Despite the strong growth of rental values, BTR developers will continue to face development challenges until the cost of construction and borrowing stabilises.

Affordable Housing

It is widely acknowledged that the Affordable Housing sector faces an uncertain future. The wider economic environment is challenging and the political environment has been in a state of flux, which will have a potential impact on policy.

The 2022 Autumn Statement confirmed that rent rises would be capped at 7% from April next year. This will at least help to reassure investors looking to deploy capital in 2023.

However, from a tenant point of view, this level of rent inflation could lead to an increase in arrears. This may lead to voids and bad debts, which could translate into a value adjustment in 2023.

Regardless of the uncertainty the Affordable Housing sector faces, the sector has always been able to counter downturns in the economy and demand for all accommodation types in this sector remains high.

Sector Demand & Projected Rental and Capital Values

Our research has identified the following sector demand & projected rental and capital values as outlined below.

Table 11 - Sector Demand & Projected Rental and Capital Values

Use	Target occupier	Requirements sq.m (sq. ft.)	Projected Rental / Capital values (CV)	Notes
Cinemas	Everyman	1,393 (15,000)	Rental - £15 PSF Yield 10%* (lack of current direct comparable sales evidence)	The anticipated capital contribution required from the cinema operator is likely to be £2m-£3m
Hotels	Travelodge, Accor UK & Ireland	1,754 - 2,787 (19,000 - 30,000)	Rental -£ 5,500 - £6,000 per room Gross Yield - 6%* (lack of current direct comparable sales evidence)	The hotel operator is likely to enter into a 25 year unbroken lease, with 5 yearly upward rent reviews, and an option for a further 25 years at term expiry. Rent reviews will be to CPI with a "Cap & Collar" of 1% & 4%. A rent free period of 6 months would be required. As a guideline for appraisal purposes the estimated design & build construction cost is likely to be in the region of £75,000 per room. However, as a result of current issues in the construction industry the costs may come in higher. A separate figure for Loose Fixtures and Fittings (L F & F) in the order of £3,250 / £3,500 per room will need to be added to the development appraisal. In addition, the hotel operator would require the payment of a Technical Services Fee (TSF) amounting to £2,800 per room.

Class E				*this covers uses previously defined in the revoked Use Classes A1/2/3, B1, D1(a-b) and indoor sport' from D2*
Retail	Multiple national & local operators including Gails, Sweaty Betty, Jojo Maman Bene, Whistles, Sea Salt, Crew Clothing, Oliver Bonas, Neils Yard Remedies	1,393 (15,000) +	Rental - £36 psf Gross Yield 8%* (lack of current direct comparable sales evidence)	NB We have based our rental projections on an overall £psf basis rather than In Terms of Zone (ITZA) £psf. Incentive packages will be dependent on operator demand, but could be between 6-24 months rent free to attract suitable tenant.
Food & Beverage (including pubs, bars - Sui Generis use)	Multiple national & local operates including Gails, Kokora, Loungers / Cosy Club, Franca Manca, Wagamama, Nandos	743 (8,000) +	Rental £25 psf Gross Yield 9%* (lack of current direct comparable sales evidence)	Incentive package will be dependent on operator demand, but could be between 6-24 months rent free to attract suitable tenant.
E(d) Indoor sport, recreation or fitness *(not involving motorised vehicles or firearms or use as a swimming pool or skating rink,)*	Go Jump	2,787 (30, 000)	Rental - £10 psf Gross Yield 10%* (lack of current direct comparable sales evidence)	indoor trampoline centre
Supermarket	Lidl	1,767 (19,000) / 1.53 acres site	CV - £2.2m	Will only consider a standalone store.
E(e) Provision of medical or health services	confidential national Medicentre operator	15,000	CV -£3m	The operator would wish to acquire a FH or Long Leasehold building to shell & core specification.
E(f) Crèche, day nursery or day centre	various national nursery operators	3,500 - 7,500	£15 psf Gross Yield 5.5%*	Incentives package to be confirmed .
Offices - Serviced	IWG (serviced office providers)	15,000	£35 psf Gross Yield 8.5%*	
Offices	various local and national office requirements	10,000	£25 psf Gross Yield 8%*	
F1 Learning and non-residential institutions – Use (not including residential use) defined in 7 parts:	Local SEN educational facility	15,000 - 30,000	£20 psf Gross Yield 7%* (lack of current direct comparable sales evidence)	

*Gross yields may vary subject to the tenant's covenant strength and lease length / terms

Type	Target Developer / Occupier	Requirements	Comments
Private Residential	Redrow, Crodauce Homes, Crest Nicholson, Taylor Wimpy; Fernham Homes, Persimmon Homes	30 - 500 units	We have received multiple expressions of interest from national residential developers with active requirements for new housing sites in Tonbridge town centre. The majority of developers have cited their preference would be family housing with a mix of 2, 3, 4 and 5 bed and townhouses given the city centre location. The appetite of developers to developed high rise apartments would be led by market saturation and dependent on the product type (apartments or houses).
Build to Rent	Grainger PLC, Cala Homes (Legal & General), Dandara	Typically 150-250 lot size.	No upper limit confirmed for Tonbridge but average development size is between 150-250 units.
Affordable Housing	Town & Country Housing (Part of Peabody), Clarion Housing	Will take any size unit development but with a minimum of 50 units	Unit density is confirmed on a site by site basis. Most affordable developers are focusing on new schemes that are houses led. For rented typically units sizes are 2B4P, 3B6P and some 4B7P houses. Shared Ownership tend to limit / refuse the 4 beds on affordability, so units are 2B3P, 3B5P and 3B6P in the main. Flats ideally need to in low rise blocks with balconies or private amenity. 3 bedroom flats tend to be excluded from developments. Affordable Housing providers have a strategic grant allocation from Homes England which needs to see a start on site by March 2026 to count the grant. They can explore 100% affordable land led packages provided the delivery partner is a LA etc. otherwise they require a 10% performance bond and PCG if partner doesn't turnover £250m.
Retirement Living	Pegasus	50+ units	There are a number of retirement living developments currently planned for Tonbridge, including Churchill's development of the R/O of 182 High Street and McCarthy & Stone's redevelopment of R/O 76-78 High Street. Retirement Living demand would be led by market saturation, once the planned new developments are completed.

Table 12 – Projected residential sale values

Market Flats	Projected Sale Price
1-Bed	£275,000
2-Bed	£350,000
3-Bed	£400,000
Houses	
2-Bed	£495,000
3-Bed	£575,000
4-Bed	£650,000

Affordable Housing

The sales values that can be achieved will be highly dependent on a number of factors, including the location and specification to which the units are built.

Affordable Housing Gross Development Values are calculated at a discounted rate to private sales market values (MV).

Assumed sales values for social rent and are generally appraised at around 35% of MV private sales and shared ownership units are detailed at around 65% of MV.

Table 13 – Projected residential letting values

Market Flats	Projected Rental Price PCM	Projected Rental Price PA
Studio	£750	£9,000
1-Bed	£900	£10,800
2-Bed	£1,200	£14,400
3-Bed	£1,450	£17,400

Build to Rent

Build to Rent (BTR) figures are fundamentally calculated to open market rental values or above if there are 'facilities' within developments that are included and which can be rentalised.

The developer will seek to minimise deductions to their rental income letting fees, void periods and other owner's costs in regard to maintenance and repairs etc. but these rental deductions are normally to be circa 25% of the gross income.

There is a wide range of what these BTR rentals might be, and their value will vary from one developer to another, as some developers categorise these costs as 'soft income' and others don't.

There are very limited market comparable yields for Tonbridge, as the majority of BTR developments have been constructed in London and larger regional centres such as Manchester. Generally, BTR yields are calculated between 4 - 5% dependent upon town, location, and the number of funds that have an appetite for the product.

CONCLUSION

Our research has investigated current sector demand for both new residential and commercial development opportunities.

We have identified in the report that there appears to be demand from a wide range of uses including both residential and commercial.

In the residential sector, we have received confirmation from a number of private residential developers, Affordable Housing providers and Build to Rent developers to acquire sites in Tonbridge with planning potential for residential development.

Our investigations into demand in the commercial sector has demonstrated that both retail, F&B and office stock in the town centre are currently at low levels, with national and good quality operators being unable to secure suitable trading locations for their operations.

We have also identified requirements for a new boutique 3 screen cinema, 80 bed hotel, a new medical centre and other complementary medical services such as a new dental practice.

PUBLICATION AND LIABILITY

This report is provided for the stated purpose and for MACE and TMBC sole use. It is confidential to you and your professional advisers and therefore we accept no responsibility to any other parties.

Neither the whole nor any part of this report, or any reference hereto, is to be included in any published document, circular or statement other than for the stated purpose.