

# *Central Winchester Regeneration*

**Summary Document: Informal Soft Market Testing Exercise – January 2021**



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# 1 Introduction

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The purpose of the soft market testing exercise was to speak with a broad range of parties that may be interested in pursuing the CWR opportunity. Our aim to better understand the level of market interest in the site particularly around the proposed deal structure and method of delivery. This information in turn will help inform the Council on its preferred delivery approach.

In late September 2020, our 'clear steer' from the Winchester City Council Cabinet was that the Council would look to procure a partner for the site by way of development agreement. This would be a partner across the whole CWR site who could then bring forward development in phases. A partner would be procured through an OJEU compliant process. This was the deal structure that was tested with the market. This preferred delivery route is subject to further consultation and approval by Cabinet in Q1 2021.

## **The Format**

In order to engage with each of the parties that we spoke to, JLL prepared an information pack which was shared with each of the consultees before the soft market testing meeting. This information pack was issued on a commercial in confidence basis and can be found at appendix 1. The information pack included the following:

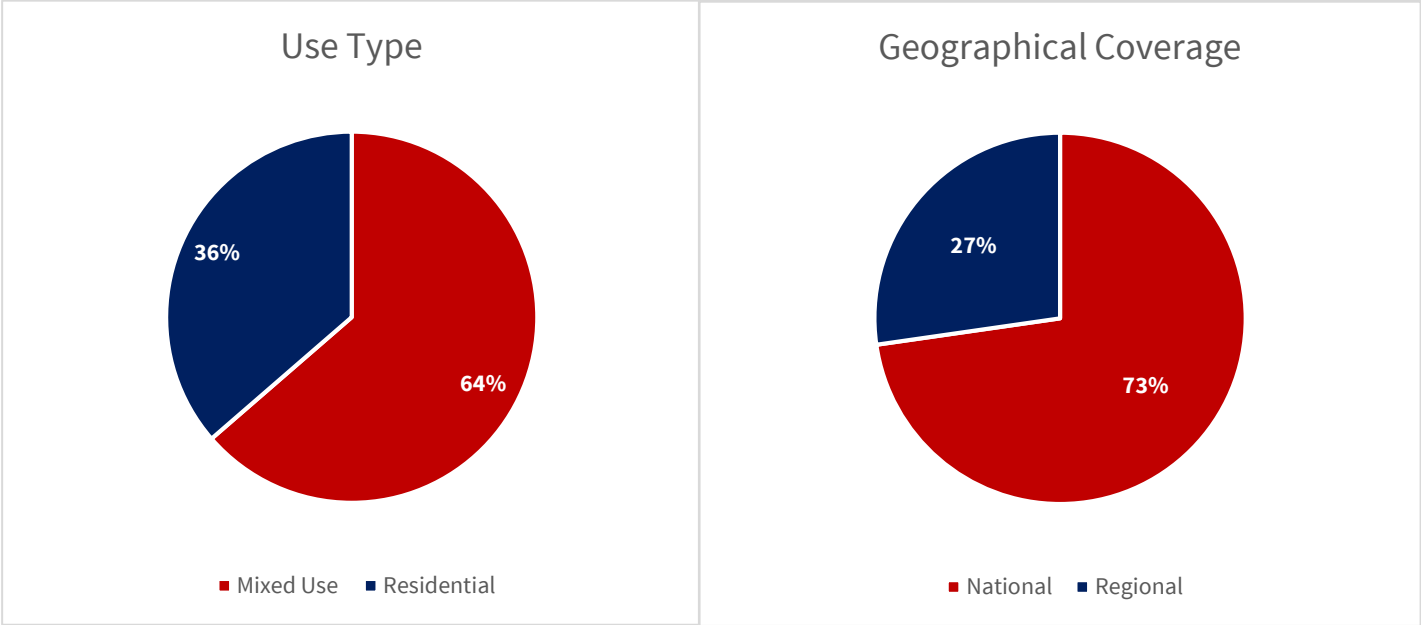
- Introduction to the opportunity;
- Planning context;
- Movement strategy and bus solution;
- Emerging development proposal;
- WCC objectives and proposed delivery model; and
- Expected timescales.

JLL then organised a virtual meeting with each consultee to discuss the opportunity in more detail. At the meeting we talked through the information pack and asked key questions of each party in relation to the following areas:

- View on the overall attractiveness of the opportunity;
- View on the proposed mix of uses;
- View on achieving net zero carbon;
- View on the proposals for Kings Walk; and
- View on the proposed delivery structure.

## 2 Interviews

12 parties were invited to partake in the discussions and we successfully discussed the opportunity with 11. Due to the commercially sensitive nature of these conversations, we have anonymised their names but below provides an overview in terms of the type of organisation and their coverage across the UK.



### 3 Consistent Themes

Each party interviewed provided observations on behalf of their organisation. However, we have tried to pull out themes which were consistently raised by a number of the consultees. These are both summarised in the table below and provided in more detail under each theme.

Theme	Mixed Use	Residential
Initial reaction / appetite	<ul style="list-style-type: none"> <li>Interested in the site as a whole</li> <li>Comfort with vision and mix of uses proposed</li> </ul>	<ul style="list-style-type: none"> <li>Predominantly interested in residential elements only</li> </ul>
Observations / concerns	<ul style="list-style-type: none"> <li>Relatively limited scale in national terms</li> <li>Land assembly</li> <li>Viability and Covid -19 impacts</li> </ul>	<ul style="list-style-type: none"> <li>Amount of parking</li> <li>Viability and Covid - 19 impacts</li> </ul>
View on achieving Net Zero Carbon	<ul style="list-style-type: none"> <li>Achievable but cost implications</li> </ul>	<ul style="list-style-type: none"> <li>Achievable but cost implications</li> </ul>
View on Kings Walk	<ul style="list-style-type: none"> <li>Supportive and important to whole masterplan</li> <li>Would prefer to deliver themselves</li> </ul>	<ul style="list-style-type: none"> <li>Supportive and important to whole masterplan</li> <li>Would seek comfort that the Council will maximise the potential</li> </ul>
Delivery structure and procurement	<ul style="list-style-type: none"> <li>Comfortable with Development Agreement – however clarity of Council objectives imperative</li> <li>Comment that the scale of the opportunity likely does not merit a corporate Joint Venture</li> <li>OJEU – requirement for a cost and time efficient process</li> </ul>	<ul style="list-style-type: none"> <li>Comfortable with Development Agreement – however clarity of Council objectives imperative</li> <li>Flagged some concern over an OJEU compliant process given the scale of residential opportunity</li> <li>OJEU – requirement for a cost and time efficient process</li> </ul>

#### **Initial reaction / appetite:**

- The quality of Winchester as a place creates market appetite.
- Mixed use developers were positive about the site and generally comfortable with the mix of uses and scale.
- Residential developers would typically prefer not to seek to deliver commercial uses other than those that are ancillary to the residential.
- The national developers comment that the scale of the opportunity is ok although at the lower end whereas the smaller mixed-use developers are attracted to the quantum of development.

#### **Observations / concerns:**

- Several bidders asked in relation to the commercial space if the Council would consider acquiring the space or taking a headlease to share risk and accelerate the delivery of elements of the commercial accommodation (e.g. offices).
- Some concern over land assembly – particularly in relation to St Clements Surgery and M&S ownerships.
- Most developers were comfortable with an incremental approach to delivery.
- If Middle Brook Street car park was included within the ‘red line’ it would make this opportunity more attractive to the national developer market.

- Concern around the lack of parking – especially in relation to residential and hotel provision.
- Concern over scale for the residential Build to Rent market (to make it viable against a private for sale model)
- Some concern over the impact from Covid-19.

**View on achieving Net Zero Carbon:**

- All the developers were comfortable with this however noted the cost / viability implications of delivery.
- Some developers observe that this is more of a desire for long term owners of property and will be of benefit to the wider community.

**View on Kings Walk**

- The mixed use developers would ideally prefer to do this element themselves.
- The residential developers were generally more comfortable with the option of the Council delivering this element themselves however this would need to be a high quality facility which worked in the context of the wider scheme.
- The majority of those approached are supportive of the vision for this element and believe it to be key to the development.

**Delivery structure and procurement**

- The interested parties were generally comfortable with a Development Agreement route. There was some concern that the scale of the opportunity was not large enough to warrant setting up a corporate JV (albeit a number of the consultees highlighted that a corporate JV in the right circumstances can underpin very effective partnership working).
- In general, the market dislikes OJEU procurement. Some parties we invited were clear that an OJEU process would preclude them from bidding. If the process is OJEU, then the structure needs to be as efficient as possible. For example, a light touch sifting process with a sensible number of bidders taken through to more detailed competition on key aspects. This would help mitigate concern by limiting the level of design and legal costs during the early stages of bidding.
- Clarity of process, and an efficient bidding timeline/structure is important to maximise interest.
- The procurement process should largely focus on track record and vision for the site, rather than requiring bidders to prepare a high level of design input. A costly and resource intensive process will put some bidders off.
- The transfer of the freehold ownership to the developer was preferred however if the Council wished to offer a long leasehold interest it will need to be of sufficient length i.e. 250 years plus.



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