

## Appendix 2 – The Seaways Development

CBRE has researched and analysed the appropriateness of the proposed development at Seaways and whether it is likely to deliver the desired and predicted outcomes.

### Market Conditions

COVID-19 has created significant challenges for the leisure market, putting extreme pressure on operators. Most leisure businesses made a loss over 2020 and reopening through 2021 has been slow and highly regulated. As a result there have been a number of insolvencies, CVAs and capital raises for operators. However, there is an expectation that as the sector reopens there will be pent up demand to aid a meaningful recovery into 2022. Staycations in 2021 ought to benefit the Southend market and hotels nationally to drive this recovery.

In order to ensure that Seaways performs to expectations the recovery of the market should be monitored, and the scheme can be derisked by securing pre-lets with occupiers committing to the scheme.

### Scheme Status

The developer has secured key anchor tenant pre-lets to the largest units and operators. We understand these have recently been agreed to be extended (in legals) and relate to a significant proportion of the expected income from the scheme. However, there remains a large number of units without pre-lets. Whilst we understand positive conversations with operators are progressing, and we have seen strong demand from the leisure market, we would recommend that the anchors and some further pre-lets are legally secured before final commitment to the scheme is given.

We would also recommend monitoring the rents achieved on these agreements and liaison with the developer in relation to the options for management of the car park as part of the asset.

### Scheme Costs

CBRE has reviewed the construction cost plan and believe that it is broadly in line with market expectations. There are a number of areas where clarification is necessary from TEL to confirm our assumptions and we would recommend that as the project progresses this is reviewed further. We understand the construction is likely to be delivered by way of fixed price contract with appropriate liquidated and ascertained damages in the event of delays, which again should be reviewed and confirmed in due course.

### Prospect of Delivering Benefits

Having reviewed the Economic Benefits Assessment produced by Lambert Smith Hampton (December 2018), CBRE is of the opinion that there is no reason not to expect the benefits articulated as a result of construction to be delivered in line with forecasts.

The operational benefits of the scheme are based upon an assumption that the scheme becomes fully let and trades in line with forecasts. As such further pre-lets would be required to give greater confidence of those benefits being delivered over time.

**Based on the research and analysis undertaken into the proposed Seaways scheme, CBRE is of the opinion that the scheme remains broadly appropriate, and has the prospect of delivering the benefits expected. It is suggested that a number of modifications could be made and risks mitigated prior to construction which should be considered, subject to balancing the planning risk.**