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| Subject: | Nicholson's Valuations |
| Reason for briefing note: | Request for information on the valuations |
| Responsible officer(s): | Russell O'Keefe |
| Senior leader sponsor: | Russell O'Keefe |
| Date: | 4 September 2020 |

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SUMMARY

The note explains the difference between the valuation commissioned by Denhead and carried out by Knight Frank relating to the Nicholson's site and referenced in their planning submission and the valuation (section 123 report) commissioned by the Council and carried out by Lambert Smith Hampton on its interests relating to the site.

The two valuations are valuing different elements of the site and the different interests of the two parties but based on the information provided it is believed they align with each other.

1 BACKGROUND

- 1.1 Nicholson's Shopping Centre currently provides approximately 190,000 square feet of retail space over 4.5 acres in Maidenhead Town centre.
- 1.2 In line with shopping centres across the country the Nicholson's Shopping Centre has seen a decline in footfall and consumer spending over a number of years as consumer habits have been changing. It has seen increasing vacancy levels and declining rental values as it has struggled to attract and retain retailers to an outmoded shopping destination.
- 1.3 Nicholson's Shopping Centre was previously owned by Vixcroft (Maidenhead Ltd) and hedge fund Cheyne Capital. In October 2018 BDO were appointed as receivers with CBRE brought in to sell the centre.
- 1.4 In February 2019 Tikehau Capital in partnership with Areli Real Estate completed the purchase of Nicholson's shopping centre. They purchased from the receivers approximately 50% of the freehold and a long term lease (115 years remaining) on the whole site encompassing the income producing assets and covering the part of the freehold owned by the Council.
- 1.5 The Council also owns Central House, a vacant 1970s office building totalling 38,000 sq ft of unrefurbished office accommodation over 6 floors. Central House sits above the Nicholson's Shopping Centre and is linked to the Broadway Car Park. The Council bought back the long leasehold in 2017 from its former owners' administrators to facilitate redevelopment of the Broadway car park and the regeneration of the wider area.
- 1.6 Denhead (the company set up by Arelli and Tikehau) commenced work on developing proposals for a comprehensive redevelopment of the site.

- 1.7 Following negotiations informed by surveyors, valuers and lawyers acting on behalf the Council, the Council entered into a conditional sale agreement with Denhead for the sale of its freehold interest in the Nicholson's shopping centre and Central House for a combined fee of £6 million (£1million and £5 million respectively). This decision was supported by an independent valuation (section 123 report) carried out by Lambert Smith Hampton.
- 1.8 A valuation by Knight Frank was referenced in the planning information submitted on the site as part of the Financial Viability Assessment.

2 DETAILS

- 2.1 The valuation by Knight Frank is an existing use valuation, commissioned by Denhead (the company set up by Arelli and Tikehau), that covers the Nicholsons shopping centre including the ownerships of Denhead relating to their freehold interest in the site and their long leasehold interest until 2135 on the whole shopping centre site which included the income producing assets, in addition to the part of freehold that the Council owns.
- 2.2 The long leasehold (115 years remaining) purchased by Denhead from the receivers, also includes the ability for Denhead to develop the whole site, without permission being unreasonably withheld from the freeholder (the Council).
- 2.3 In regards to the Council's interests they were valued via an independent valuation (a section 123 report) by Lambert Smith Hampton (which just values the Council's interests) and the conditional sale contract that was negotiated with Denhead for their sale is in line with that. From the information we have seen in the Financial Viability Assessment (the Knight Frank valuation) it is also in line with that.
- 2.4 The Knight Frank Valuation is not in the public domain, but would have been used to support the Financial Viability Assessment in the planning submission by Denhead.
- 2.5 The two valuations are valuing different elements of the site and the different interests of the two parties but based on the information provided it is believed they align with each other.