

Arkwood Briefing – 5 March 2024

Development Activity

Arkwood are in the final stages of completing the build of 87 new homes at The Avenues, Bowbridge Road, Newark. Work is expected to conclude by the end of March 2024, with all the remaining units now at, or approaching, final snagging stage.

Sales Activity

Sales activity has slowed over the last 6 months, in line with general market conditions. However, we continue to secure new customers, with six new sales having been secured from December 2023 up until early Feb 2024. At the time of writing there remains 10 units to sell and we anticipate these to be sold and completed by the middle of 2024.

Despite the challenges faced as a result of the liquidation of Robert Woodhead Ltd, the expected return for the project remains well above the initial viability/profitability approved by the Arkwood Board.

Market Conditions

As a result of increase interest rates, mortgage rates have been higher than what the market has seen in well over a decade. This has had a gradual knock on effect to the housing market, with buyers either putting their move plans on hold or waiting for the forecast mortgage rate decreases to come forwards.

Mortgage rates are now beginning to reduce in response to falling inflation figures and the predicted interest rate reductions expected during 2024. A mortgage price war from the big providers at the start of 2024 led to the market seeing an upturn in customer activity, albeit gradually, over the past month or so.

The sales market remains in a position where supply numbers are still relatively low, which bodes well for future sales once customer confidence returns. This is expected to be led by interest rates falling during the early to mid-point of 2024.

Future Development Pipeline

This is a critical element for the Company being able to successfully deliver to the business plan. In the early years of the business over 600 potential units, across a number of sites, were identified by the Council as opportunities for Arkwood to focus upon and deliver. These sites formed the basis of the Business Plan, however, as members of the Executive Shareholder Committee are aware, many of these opportunities have been delayed or fallen. These delays have had a significant impact upon the delivery of the Arkwood Business plan and planned dividend payments to the Shareholder, due to the temporary hole left in the delivery pipeline. A number of these potential NSDC sites have now been removed from the recent Business Plan update, with the revised approach now being to source land externally.

In response to the emerging impact of the above, Arkwood in August 2022 began recruitment of a specialist land buyer, who subsequently joined the business in Feb 2023. This has been a successful appointment with a number of new external sites now secured and further opportunities being progressed.

Currently Arkwood are working on 3 out of District land opportunities and two Council owned land/development opportunities, where a purchase has been agreed or completed. These are;

Out of District

1) Manea – Cambridgeshire

32 units, All Market Sale – full planning consent. Land purchased, site clearance has been completed and the Company is currently working with a build partner to conclude drawing sign off for planning with a start planned for Spring 2024.

2) Wirksworth – Derbyshire

30 units, All Market Sale – Full Planning Consent. Land purchase agreed. Currently awaiting final gas testing results. Heads of Terms for purchase signed and exchange of contracts for the conditional land acquisition is due once gas testing is concluded. A section 73 planning amendment is required to commence works on site, which we anticipate will be by the early summer of 2024. A build partner has already been secured for this project.

3) Long Bennington – Lincolnshire

50 units, Market Sale/Affordable Housing – Outline Planning consent with reserved matters is in place. Land purchase agreed. Currently finalising the Heads of Terms with the vendor. Upon completion of the Heads of Terms, we will be progressing a reserved matters application. Build partner identified and we anticipate a start on site late 2024.

NSDC Land

4) Lowfield Lane – Balderton

141 units, Market sale/Affordable Housing – Currently in for planning consent and this is a key pipeline site given that it will form the backbone of the overall land pipeline for the next 3-4 years. At the time of writing, we are working on concluding some additional works linked to the s106 contributions, a number of new comments from NCC Highways which link to the adoption of roads and footpaths and finalising the ecology contribution.

Subject to a positive outcome of these works we expect this to go before the planning committee in the spring of 2024 and if successful Arkwood will conclude the procurement of a build partner with an expected commencement on site of late 2024

5) Stodman St – Newark

29 Apartments, all Market Rent -- This is a re-development of the former Marks & Spencer site in Newark that was purchased by the Council and is being constructed by the Council. As there was no interest from the private sector (as there is no established market for town centre apartments in Newark) in purchasing the apartments, Arkwood stepped in to support the delivery of this key strategic town centre development, which will provide much needed market rental accommodation for the town and help support the town centre economy.

Arkwood will purchase a long lease in all 29 apartments on practical completion which is anticipated in late 2026. Arkwood will in turn let these apartments for open market rent and manage these properties in order to provide a long-term income stream to the business. The return to the business is only 2% to 3%, hence the lack of private sector interest. However, Arkwood has considered it more important to intervene and enable the Council to deliver this important strategic scheme, rather than focus purely on profitability.

Total number of new units currently secured and being progressed towards commencement is 282.

In addition to the above Arkwood are progressing with a number of additional site opportunities as we now move towards securing the medium and long term land pipeline. The market conditions are currently more favourable in terms of value for money and availability of good land opportunities. Arkwood are seeking to take advantage of this position whilst it remains, ahead of an expected upturn in the housing market over the next 12 months, linked to predicted mortgage rate reductions.

Arkwood are currently reviewing around a dozen site opportunities, totalling over 1000 potential units. This total is not a complete picture of all opportunities currently under consideration, but those that offer a more realistic chance of progression, or where progress is more advanced.

However, due to the dynamic nature of reviewing land and development opportunities, from the sites identified, it is likely that some will progress while others will not be secured or will be rejected as a result of due diligence investigations or not proving to be financially viable options. Third party factors such as securing planning consent may also impact the outcome.

New opportunities continue to arise on a regular basis, both off market opportunities and sites more widely marketed through agents and promoters. Therefore, by way of an update this can be viewed as a 'snapshot' at the current time as the pipeline continues to evolve. The table is not a comprehensive list of all opportunities under consideration, but those that offer a more realistic chance of progression, or where progress is more advanced.

Forthcoming Activity

In response to a number of new developments commencing in 2024,

- i) Progressing the new developments and achieving sales during 24/25 financial year
- ii) Planning growth of the business to successfully deliver the new sites
- iii) Further strengthening the future land pipeline, primarily targeting more lucrative/geographically suitable locations

Andrew Dewberry - Managing Director

Manea – Cambridgeshire – Commencement of Site Works

