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# Former Bristol & West Arcade, 173–175 Friar St. & 27-32 Market Place Reading

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## Economic Benefits Assessment



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## Executive Summary

Savills has been commissioned by Sonic Star Properties Ltd to assess the economic benefits of a hotel, retail and residential proposal at the Former Bristol & West Arcade 173 – 175 Friar Street and 27-32 Market Place.

The site is currently brownfield with an area of approximately 0.2 hectares (ha). It is located in the town centre of Reading in close proximity to the rail station and key office employment and leisure spaces.

In 2019 planning consent was granted for a mixed-use development on the site, composed of residential, office and retail units. Unfortunately there has been very little demand for the mixed-use development. Savills, jointly with Campbell Gordon, carried out an off-market campaign in 2017 to assist the landowner of the Bristol & West Arcade with the disposal. No proceedable offers were obtained, and it was agreed that a more formal process would subsequently be run once a planning permission had been obtained. Savills and Campbell Gordon, launched the site to the market on the 7th November 2019 and received only 35 enquiries in the first three weeks of marketing. Of these enquires, only seven parties showed 'firm' interest with four of whom, looking at the site in terms of a hotel scheme and did not intend building out the site as per the 2019 planning permission.

In light of this feedback and lack of demand, the landowners decided to seek permission to develop a hotel at the Former Bristol & West Arcade 173-175 Friar Street rather than the mixed-use development granted in 2019. On this basis we have estimated the number of jobs created, value generated to the economy and revenues arising from tourist activities due to the development of the hotel. We have compared this economic benefit impact against the site in its existing vacant state. We have also calculated these figures for the redevelopment of 27-32 Market Place, which align to the proposals set out in the 2019 planning consent.

In comparison to the currently vacant site, the proposed scheme is estimated to generate up to 100 local jobs per annum during construction, about 100 local jobs during operation (compared to 0 jobs on-site currently), £2.8 million per annum in gross value added (GVA) to the economy and a one-off stimulus of £5.9m in GVA as a result of construction. Annual visitor expenditure to the hotel is expected to release £3.9 million into the local economy, and the eight residences in Market Place are expected to generate £90,000 in annual residential expenditure and up to £15,000 in Council Tax receipts. These GVA and job figures could increase by a further 10% if the redevelopment helps to stimulate wider redevelopment in the area.

### Summary of Economic Benefits Net of Reference Case

| Outcome                                                                        | Comparison with vacant site |                     |
|--------------------------------------------------------------------------------|-----------------------------|---------------------|
|                                                                                | 173-175 Friar Street        | 27-32 Market Place  |
| Additional floorspace (sq.m GIA)                                               | 6,494                       | 979                 |
| Total net average construction jobs per year in Reading (rounded to nearest 5) | 90 (over 1.8 years)         | 10 (over 1.5 years) |
| Total net operational phase jobs for Reading residents (rounded to nearest 5)  | 60                          | 40                  |
| Total new residential expenditure per annum (rounded to nearest £1,000)        | 0                           | £88,000             |
| Additional GVA stimulated during construction (rounded to nearest £10k)        | £5.5 million                | £410,000            |
| Total gross GVA per annum during operation (rounded to nearest £100k)          | £1.6 million                | £1.2 million        |
| Total Business Rates Income p.a (rounded to nearest £5k)                       | £205,000                    | £150,000            |
| Council tax contributions                                                      | £0                          | £15,000             |
| Hotel visitor expenditure in local economy p.a.                                | £3.9 million                | £0                  |

Source: Savills, 2020

## 1. Introduction

### 1.1. Purpose

- 1.1.1. Savills has been commissioned by Sonic Star Properties Ltd to assess the economic benefits of proposals for a hotel at the site of the Former Bristol & West Arcade, 173 – 175 Friar Street and for flexible retail, pub and residential units at 27-32 Market Place.

### 1.2. Method and Scope

- 1.2.1. The assessment of economic benefits has followed the approach set out in guidance including the Homes and Communities Agency Additionality Guide (HCA, 2014) and the DCLG Appraisal Guide (2016). It includes the methods and approaches described to assess leakage, displacement and multiplier impacts of development projects.
- 1.2.2. The assessment considers the economic benefits of the proposed scheme against a reference case which taken to be the site in its existing vacant state. The assessment is twofold, as the economic benefits of 173-175 Friar Street and 27-32 Market Place have been assessed separately.
- 1.2.3. The assessment has utilised relevant local level data available to consider the scale of the employment workforce, Gross Value Added (GVA) benefits, and revenues to local government.
- 1.2.4. The results of the assessment assume that there will be demand for the proposed land uses and that displacement elsewhere will be in line with established guidance. However, the current Coronavirus crisis will have a major impact on demand and values in the short to medium term. As such, the analysis and conclusions should be considered as potentially relevant to the situation once the UK economy has recovered from the most significant impacts of the crisis. In Savills' view it is still too early to estimate how the crisis will impact on demand, though we suspect that it is likely to make potential buyers even more conservative.

### 1.3. Report Structure

- 1.3.1. This report is structured as follows:
- Section 2 - Site and development context
  - Section 3 - Economic benefits assessment
  - Section 4 - Conclusion

## 2. Site and Development Context

2.1.1. This section provides details of the site, the operational environment, current uses and the proposed development.

### 2.2. Site Details

2.2.1. The Former Bristol & West Arcade and 27-32 Market Place is a currently vacant site of 0.2ha within the town centre of Reading on Friar Street and Market Place Street, two main commercial arteries. It lies partly within the Market Place/London Street Conservation Area and the properties which front Market Place are Grade II Listed.

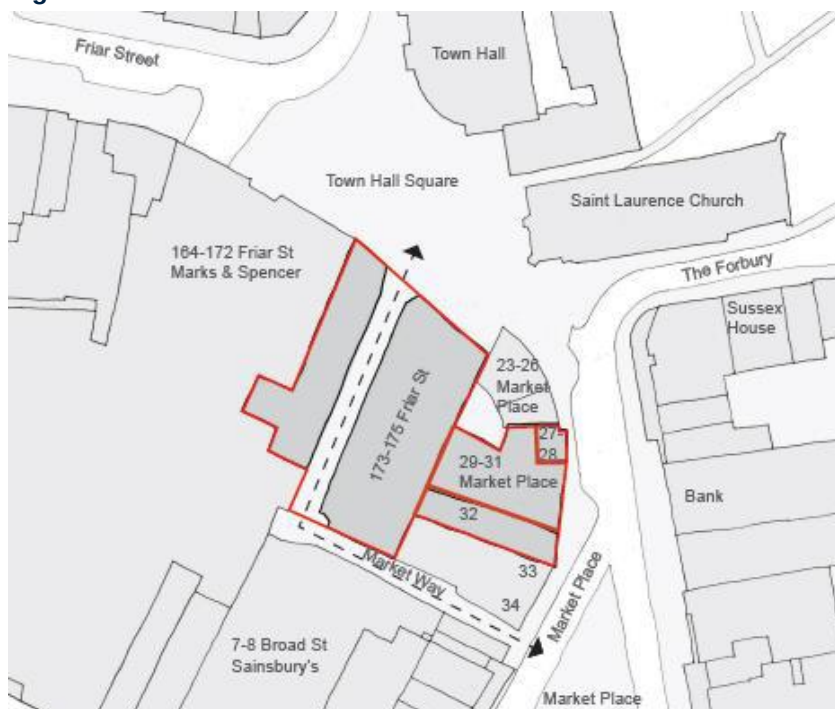
2.2.2. The site is located in a key central location, being situated on the corner of the Town Hall square and in close proximity to the Reading rail station to the north (a key transport hub) and town centre destinations such as the Oracle to the South. The Town Hall, Reading Country Court and the Grade I Listed St Lawrence Church are also located near the site, as well as a range of other businesses, restaurants and leisure amenities.

2.2.3. The site lies in a highly accessible location with access to several local bus services and is in close proximity to Reading Station which will also be served by Crossrail in the near future, providing excellent access to London and from other parts of the country.

2.2.4. Given its location in a prominent position in Reading town centre it is essential that viable proposal to reinvigorate this vacant and derelict site comes forward.

2.2.5. **Figure 2.1** presents the location of the Former Bristol & West Arcade and 27-32 Market Place site.

**Figure 2.1 Former Bristol & West Arcade and 27-32 Market Place site Context Plan**



Source: Savills, 2019

# Former Bristol & West Arcade, 173–175 Friar Street



## Economic Benefits

### 2.3. Development Proposals

- 2.3.1. In 2019 the site was previously granted planning consent for a mixed-use residential, retail and office redevelopment, with a total of 8,854 sq.m GIA. The Bristol & West Arcade part of the site was to host residential and office units, as well as retail uses on ground and basement levels. The Market Place buildings had retail units on ground floor with residential uses on upper floors.
- 2.3.2. A lack of demand for residential and office space in the area, evidenced by a marketing overview, has encouraged the current Proposed Development to come forward, replacing the Bristol & West Arcade use with a hotel, while keeping the residential and commercial units in the Market Place buildings.
- 2.3.3. The proposed development includes 6,094 sq.m gross internal area (GIA) of hotel space, 330 sq.m GIA for a bar, buffet and restaurant 71 sq.m GIA for a leisure space on the Former Bristol & West Arcade (now 173-175 Friar Street). It also includes 163 sq.m GIA for retail units, 260 sq.m GIA for a public house, and 556 sq.m GIA in 27-32 Market Place. **Table 2.1** summarises the proposed floorspace.

**Table 2.1 173-175 Friar Street and 27-32 Market Place Proposed Floorspace**

| Use Type             | 173-175 Friar Street (Gross Internal Area (sq.m)) | 27-32 Market Place (Gross Internal Area (sq.m)) |
|----------------------|---------------------------------------------------|-------------------------------------------------|
| Hotel                | 6,094                                             | 0                                               |
| Gym and leisure      | 71                                                | 0                                               |
| Restaurants and bars | 330                                               | 260                                             |
| Retail               | 0                                                 | 163                                             |
| Residential          | 0                                                 | 556                                             |
| <b>Total</b>         | <b>6,494</b>                                      | <b>979</b>                                      |

Source: NORR Consultants Ltd., 2020

### 2.4. Planning Policy and Context

- 2.4.1. The current Local Plan of Reading Borough Council was adopted in November 2019.
- 2.4.2. In the Local Plan the site is identified for development within Central Reading, which is the main hub of retail and employment in the borough. It is a highly accessible area, yet that includes large amounts of underused land. It is therefore expected that a significant amount of development in Reading will be in the central area. This includes a projected 27,000 sq.m of retail and related uses, almost all of what is planned for over the plan period.

### 3. Economic Benefits

#### 3.1. Introduction

- 3.1.1. This section provides an overview of the estimated economic benefits which could be generated from the proposed development.
- 3.1.2. Compared to the existing vacant site the hotel development will provide 6,494 sq.m (GIA) of additional employment floorspace. This could generate an average of 90 construction jobs per year during construction. On completion we estimate it will provide 60 net additional jobs during operation, £1.6 million per annum in GVA to the local economy, and an annual visitor expenditure of £3.9 million.
- 3.1.3. Redevelopment of 27-32 Market Place will create eight construction jobs during construction and 40 net additional jobs during operation. It would also generate £1.2m per annum in GVA to the local economy, and £88,400 annually in local expenditure by new residents.
- 3.1.4. We conclude that the proposed scheme is expected to generate significantly more jobs, value, and revenues to local government than the current use. Therefore the proposed scheme is expected to yield substantial economic benefits.

#### 3.2. Scheme Assessed

- 3.2.1. The following two scenarios have been assessed:
- Proposed Development Scheme – The economic benefits generated from the development scheme for the site identified in **Figure 2.1**.
  - Reference Case – the site in its existing vacant use without the proposed development.

#### 3.3. Floorspace

- 3.3.1. **Table 3.1** compares the existing and proposed floorspace uses at the site. The existing employment floorspace at the site is 0 sq.m (GIA). The proposed development at 173-175 Friar Street would create an additional 6,494 sq.m (GIA) of employment space, providing a total of 6,094 sq.m (GIA) of hotel floorspace, 71 sq.m (GIA) of leisure space, 330 sq.m (GIA) of restaurant and bar floorspace. Redevelopment of the Market Place units would generate 163 sq.m (GIA) of retail floorspace, 260 sq.m (GIA) of restaurant and bars through a public house, as well as 8 residential units totalling 556 sq.m (GIA).

**Table 3.1 Floorspace Quantum by Use Type**

| Use Type            | Reference Case (sq.m GIA) | 173-175 Friar Street (sq.m GIA) | 27-32 Market Place (sq.m GIA) |
|---------------------|---------------------------|---------------------------------|-------------------------------|
| Hotel               | 0                         | 6,094                           | 0                             |
| Retail unit         | 0                         | 0                               | 163                           |
| Residential units   | 0                         | 0                               | 556                           |
| Restaurant and bars | 0                         | 330                             | 260                           |
| Gym / Leisure       | 0                         | 71                              | 0                             |
| <b>Total</b>        | <b>0</b>                  | <b>6,494</b>                    | <b>979</b>                    |

Source: NORR Consultants Ltd 2020, Savills 2020

\* For 173-175 Friar Street and 27-32 Market Place respectively.

### 3.4. Employment Impacts

- 3.4.1. The proposal is expected to generate temporary jobs during the construction period and permanent jobs at the operational stage.

#### **Construction Jobs**

- 3.4.2. Estimates of the construction costs have been provided for the Friar Street part of the Proposed Development, and amount to £20m, including the demolition of the current building on the Bristol & West Arcade part of the site. Construction costs for the Market Place buildings are expected to amount to £1.25m. We have also used data on the output per construction worker in the South West region<sup>1</sup> to estimate the construction jobs of the proposed scheme.
- 3.4.3. We estimate that the construction phase will generate around 135 person years of gross construction employment for the proposed scheme. The development at 173-175 Friar Street is estimated to provide 91 jobs per annum while 27-32 Market Place provides about 8. Of these, 65 of the 91 jobs at 173-175 Friar Street and 5 of the 27-32 Market Place are predicted to be on-site. These calculations are based upon an assumed construction period of 1.8 years for Friar Street and 1.5 years for Market Place, with the total jobs including those arising from direct, indirect and induced employment. This method is referred to in the Additionality Guide (HCA, 2014) as the 'gross direct' employment and can be considered as the number of workers on-site, on average, throughout the construction period.
- 3.4.4. We then estimate the indirect and induced construction employment effects (offsite benefits down the supply chain and from expenditure by the workers in the local area). We also estimate how much of this employment is likely to be taken up by residents of Reading. We assume that 25% of the construction workforce will live outside of the Reading area<sup>2</sup>. This complies with Reading Borough Council's Employment, Skills and Training Supplementary Planning Document (2013), which requires a minimum of 50% of local labour in construction employment. We allow for a moderate level of displacement on existing construction projects (25%) based on the Additionality Guide (HCA, 2014) recommendations and the market reports<sup>3</sup>. We then apply a multiplier of 2.48<sup>4</sup>.
- 3.4.5. **Figure 3.1** and **Table 3.2** presents the estimate of the total on and off site construction jobs created by the reference case and the proposed development. The proposed scheme at 173-175 Friar Street is expected to generate an average of 91 total net construction jobs for residents of Reading during the construction period. The redevelopment of the Market Place units could generate a further seven net construction jobs in the local area.

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<sup>1</sup> Business population estimates for the UK and regions (2018) Department for Business, Innovation and Skills

<sup>2</sup> This assumption is based on the 'Distance Travelled to Work by Industry (Workplace Population)' based on Census 2011 data.

<sup>3</sup> According to CITB Construction Skills Network South West 2019-2023 – The construction workforce in the South West is set to grow strongly with an average annual increase of 1.2%, which is the highest level across all regions and nations. The South West of England is one of the best performing areas of the UK with an extra 27,200 new workers needed between 2019 and 2023. This analysis was presented before the current Coronavirus Crisis and consequently the displacement assumption may underestimate net benefits.

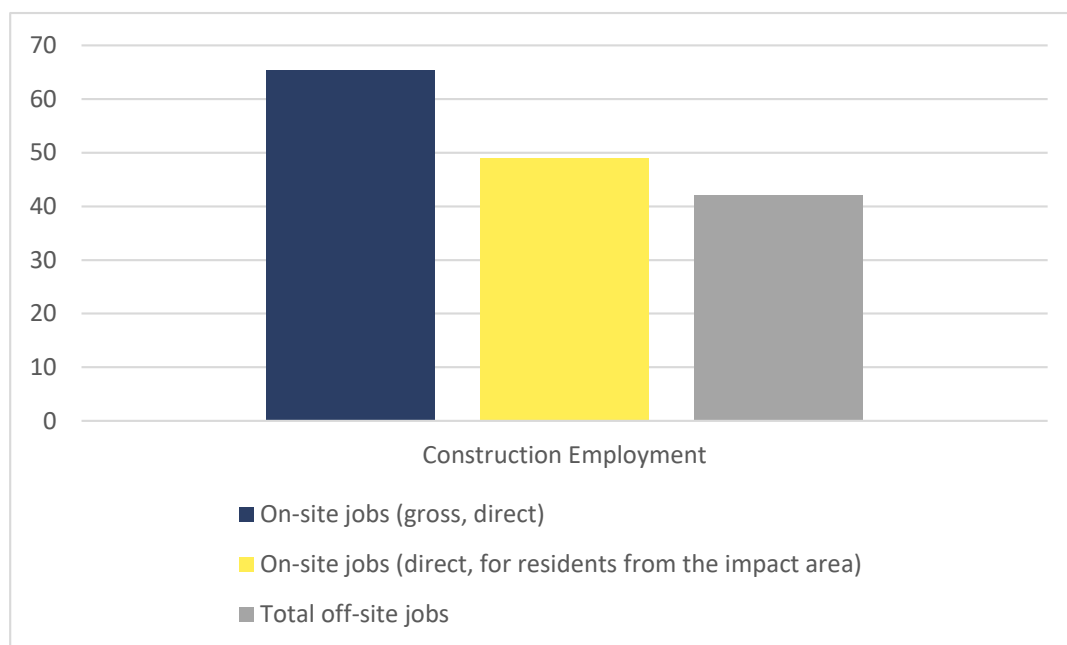
<sup>4</sup> ONS, Input Output Analytical Tables, 2015

# Former Bristol & West Arcade, 173–175 Friar Street

## Economic Benefits



**Figure 3.1 Estimated Construction Phase Jobs for 173-175 Friar Street**



Source: Savills, 2020

**Table 3.2 Estimated Construction Phase Jobs in Reading**

|                                                                                 | 173-175 Friar Street | 27-32 Market Place |
|---------------------------------------------------------------------------------|----------------------|--------------------|
| <b>Gross Direct Construction Jobs per annum</b>                                 | 65                   | 5                  |
| <i>Leakage from the local area (25%)</i>                                        | -16                  | -1                 |
| <b>Onsite Jobs (for residents of Reading)</b>                                   | 49                   | 4                  |
| <i>Displacement (25%)</i>                                                       | -12                  | -1                 |
| <i>Multiplier (2.48)</i>                                                        | 54                   | 4                  |
| <b>Offsite Construction Jobs</b>                                                | 42                   | 3                  |
| <b>Net Direct and Indirect Construction Jobs per Annum in Reading (rounded)</b> | <b>91</b>            | <b>7</b>           |

Source: Savills, 2020

### Operational Jobs

- 3.4.6. Operational jobs will be created at the development site through the creation of the new hotel, facilities and retail units.
- 3.4.7. The hotel is anticipated to support 46 full-time equivalent (FTE) on-site jobs.
- 3.4.8. For the number of jobs associated with the retail, restaurant, leisure and residential units we estimate the gross direct jobs which will be generated by applying the employment density assumptions reported in the 'Employment Density Guide' (HCA, 2015). These figures are summarised in **Table 3.3**.

**Table 3.3 Employment Density Assumptions**

## Former Bristol & West Arcade, 173–175 Friar Street



### Economic Benefits

| Land Use            | Job Density (Sq.m per full-time equivalent FTE) |
|---------------------|-------------------------------------------------|
| Retail unit         | 15                                              |
| Restaurant and Cafe | 15                                              |
| Leisure             | 65                                              |

Source: Homes and Communities Agency (2015)

3.4.9. We also include an estimate of the total net local employment effect for each case in accordance with the 'Additionality Guide' (HCA, 2014), incorporating leakage, multiplier, and displacement effects. Additionally we account for small vacancy levels, typical to the local market. **Table 3.4** presents the assumptions used to calculate the total net local employment effects. The assumptions of leakage rate comply with Reading Borough Council's Employment, Skills and Training Supplementary Planning Document (2013), which requires a minimum of 50% of local labour in operational employment by end users.

**Table 3.4 Operational Employment Assumptions**

| Land Use          | Leakage | Displacement | Multiplier | Vacancy |
|-------------------|---------|--------------|------------|---------|
| Hotel             | 33%     | 25%          | 1.55       | 6%      |
| Retail unit       | 31%     | 0%           | 1.44       | 1.4%    |
| Restaurant & cafe | 31%     | 0%           | 1.55       | 1.4%    |
| Residential space | 0%      | 0%           | 1          | 0%      |
| Gym / Leisure     | 31%     | 0%           | 1.39       | 1.4%    |

**Notes:**

- Leakage assumptions are based on distance travelled to work by industry (workplace population) available through Nomis, and HCA Additionality Guide (2014).
- We use ONS Input Output Analytical Tables (2015) to estimate multiplier effects
- We use Homes and Communities Agency Additionality Guide (2014) to estimate displacement effects

Source: Savills, 2019

3.4.10. **Figure 3.2, Figure 3.3** and **Table 3.5** summarise the estimated operational jobs created onsite.

3.4.11. We estimate the proposal would generate a total of 68 gross on-site jobs at 173-175 Friar Street, and 38 on-site jobs at 27-32 Market Place.

3.4.12. Once leakage, displacement and multiplier effects have been taken into account, the proposed scheme is estimated to generate 59 on and off site jobs at 173-175 Friar Street, and 37 at 27-32 Market Place.

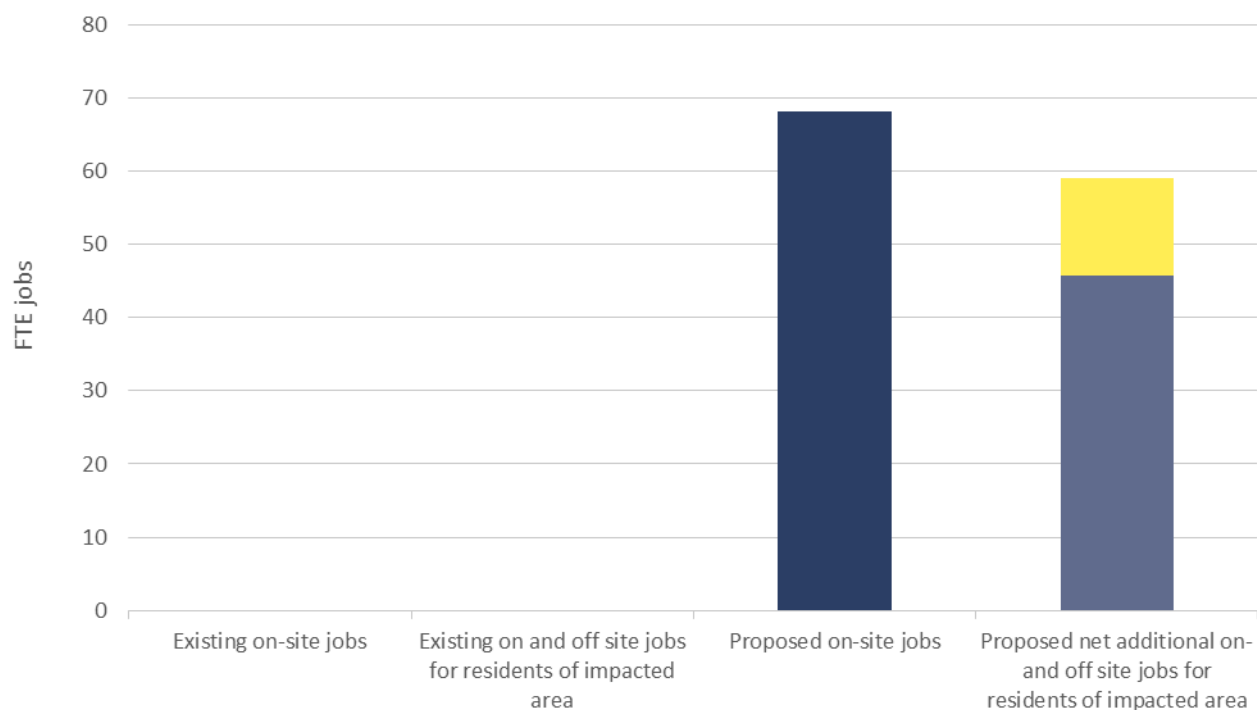
3.4.13. These job figures could increase by a further 10% if the redevelopment has a catalytic effect that helps to stimulate wider redevelopment in the area, potentially resulting in an extra ten jobs being created in the local area.

## Former Bristol & West Arcade, 173–175 Friar Street

### Economic Benefits

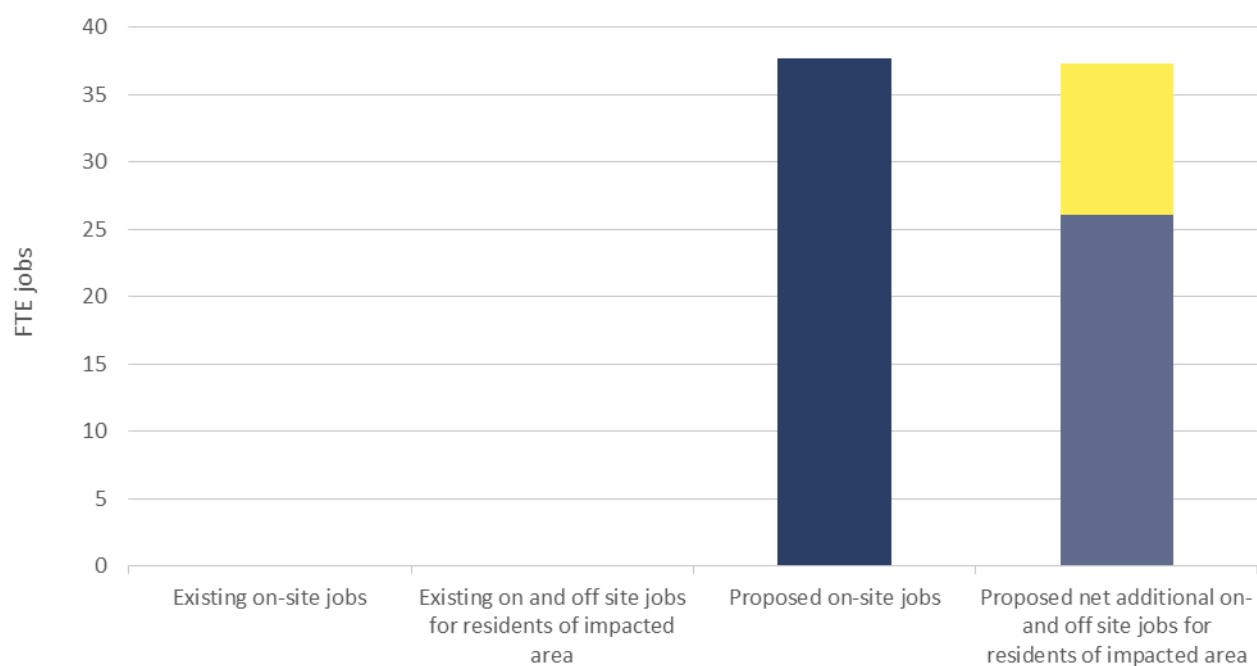


**Figure 3.2 Estimated Operational Jobs in 173-175 Friar Street in Comparison with the Current Vacant Site**



Source: Savills, 2020

**Figure 3.3 Estimated Operational Jobs in 27-32 Market Place in Comparison with the current vacant site**



Source: Savills, 2020

# Former Bristol & West Arcade, 173–175 Friar Street

## Economic Benefits



**Table 3.5 Estimated Operational Jobs**

| Land Use                                                  | Reference Case | 173-175 Friar Street | 27-32 Market Place |
|-----------------------------------------------------------|----------------|----------------------|--------------------|
| Hotel                                                     | 0              | 46                   | 0                  |
| Retail unit                                               | 0              | 0                    | 19                 |
| Restaurant & Cafe                                         | 0              | 22                   | 18                 |
| Gym / Leisure                                             | 0              | 1                    | 0                  |
| Residential / Homeworkers                                 | 0              | 0                    | 1                  |
| <b>Gross Direct Operational Jobs</b>                      | <b>0</b>       | <b>68</b>            | <b>38</b>          |
| <i>Leakage (31% to 47% depending on land use)</i>         | 0              | -22                  | -12                |
| <b>Onsite Jobs for Residents of Reading</b>               | <b>0</b>       | <b>46</b>            | <b>26</b>          |
| <i>Displacement (25% or 50%)</i>                          | 0              | -8                   | 0                  |
| <i>Multiplier (1.39 to 1.63 depending on land use)</i>    | 0              | 21                   | 11                 |
| <b>Offsite Jobs</b>                                       | <b>0</b>       | <b>13</b>            | <b>11</b>          |
| <b>Net Direct and Indirect Operational Jobs (rounded)</b> | <b>0</b>       | <b>59</b>            | <b>37</b>          |

Source: Savills, 2020. Note figures may not add up due to rounding

### 3.5. Gross Value Added

- 3.5.1. Gross Value Added (GVA) is an indicator of wealth creation, measuring the contribution to the economy of economic activity associated with the operations in the development proposal. This section outlines the estimated GVA benefits which would be generated by the proposed scheme compared to the reference case. We have based our estimates on the GVA generated per worker in the South East region<sup>5</sup> and the number of operational jobs created by each use type presented in **Table 3.5** above.
- 3.5.2. During construction, the investment and economic activity is expected to stimulate £5.9m of additional GVA, of which about £5m should occur within the local area.
- 3.5.3. **Table 3.6** present a summary of our GVA estimates for the Operational phase. It shows that the proposed development at is estimated to generate £2.8m per annum in GVA (rounded to nearest £100k).

**Table 3.6 Estimated GVA per Land Use Type during operation (not rounded)**

| Use Type                               | Reference Case | 173-175 Friar Street | 27-32 Market Place |
|----------------------------------------|----------------|----------------------|--------------------|
| Hotel                                  | 0              | £1,080,000           | 0                  |
| Retail unit                            | 0              | 0                    | £795,104           |
| Restaurant & Cafe                      | 0              | £511,651             | £417,085           |
| Gym / Leisure                          | 0              | £45,154              | 0                  |
| Residential / homeworkers              | 0              | 0                    | £40,545            |
| <b>Total Gross Direct GVA (annual)</b> | <b>0</b>       | <b>£1,636,805</b>    | <b>£1,212,734</b>  |

Source: Savills, 2020

<sup>5</sup> GLA Economics Productivity Trends: GVA per workforce job estimates for London and the UK, 1997-2015

# Former Bristol & West Arcade, 173–175 Friar Street



## Economic Benefits

### 3.6. Local expenditure by new residents.

- 3.6.1. The 8 new residential units at 27-32 Market Place would be expected to generate £88,443 annually in local spending. This includes £73,891 of retail expenditure and £14,552 of food and beverage expenditure.

### 3.7. Business Rates

- 3.7.1. To estimate business rates we use rateable from Valuation Office Agency (VOA). At 173-175 Friar Street, these are estimated to be £249 per sq.m for the restaurant and cafe, £114 per sq.m for the gym & leisure facility, and unit fee of £315,800 for the hotel. At 27-32 Market Place the values are £368 per sq.m for the retail units and a unit fee of £46,575 for the public house. According to VOA the existing floorspace generates a combined total of around £280,000 per annum in business rates compared to nothing for the existing vacant site once the standard multiplier rate is taken into account. The £280,000 figure is made up of £205,000 from 173-175 Friar Street and £77,000 from 27-32 Market Place.
- 3.7.2. Approximately 50% of the above business rates revenues are likely to accrue to local government. This means that Reading Borough Council will receive roughly £140,000, of which £102,000 from 173-175 Friar Street and £38,000 from 27-32 Market Place. This will depend on decisions of central government on rates retention and re-apportionment in the future. Whether or not these are the actual revenue for local government they will be revenues for government more widely.

### 3.8. Council tax

- 3.8.1. The eight residential units 27-32 Market Place are likely to generate a maximum of about £15,000 of council tax receipts, assuming an average banding of between C and D. This includes the contributions to Reading Borough Council, Thames Valley Police authority and Royal Berkshire and Rescue Service. Receipts will fall if any of the tenants or residents qualify for discounts on their Council Tax contributions.

### 3.9. S106 Contributions

- 3.9.1. The proposed scheme will generate S106 contributions which as this stage are not confirmed. Any financial contributions can provide further improvements to the local area.

### 3.10. Hotel Visitor Expenditure

- 3.10.1. This section presents the findings on the estimated visitor expenditure associated with the proposed hotel.
- 3.10.2. We analysed the average total expenditure, the number of visits, and the average length of visits in the South-East of England<sup>6</sup>, to calculate the average daily expenditure per person. **Table 3.7** presents the estimated average daily expenditure per visitor in the South East.

**Table 3.7 Visitor Expenditure in the South East in 2018**

|                                                  | Visitor Expenditure |
|--------------------------------------------------|---------------------|
| Number of visits to the South-East p.a.          | 16,171,000          |
| Total Tourist Expenditure in the South-East p.a. | £2,705m             |
| Average expenditure per visit per person         | £167                |
| Average duration of visits (days)                | 2.8                 |
| Average daily expenditure                        | £59                 |

Source: Visit Britain ONS 2019, Savills 2020

<sup>6</sup> Visit Britain ONS Data, 2019, International Visitors to South West. International Passenger Survey, Quarterly Data Area

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### Economic Benefits

*Due to rounding, numbers presented may not add up precisely to the totals provided.*

3.10.3. To estimate the total hotel visitor expenditure per annum associated with the proposed development, average occupancy rates were considered. Occupancy rates are a key metric when measuring performance in the hotel industry. The occupancy rate for hotels in Reading in 2017 was approximately 66%<sup>7</sup>.

3.10.4. **Table 3.8** lists the key figures and steps of the calculations to estimate the total expenditure for all visitors per year associated with the proposed development.

**Table 3.8 Average Visitor Expenditure**

| Key figures                                                      | Total      |
|------------------------------------------------------------------|------------|
| Occupancy rate                                                   | 66%        |
| Number of hotel rooms in the proposed development                | 182        |
| Average occupied rooms                                           | 120        |
| Average number of visitors per day (assumed 1.5 people per room) | 180        |
| Average expenditure per visitor per day                          | £58.8      |
| Total expenditure of visitors per day                            | £10,584    |
| Total expenditure for all visitors per year (rounded)            | £3,860,000 |

Source: Savills 2020.

3.10.5. Based on a 66% occupancy rate, the 182 bed hotel with an average occupation of 1.5 people per room, is estimated to generate a total gross tourist expenditure of £3.9 million per annum. A proportion of this expenditure would be retained in Reading.

<sup>7</sup> Hotel Britain: The guide to performance of hotels in the UK, 2018 edition; [https://www.bdo.co.uk/getmedia/7a802f46-99f5-49bc-bbd0-7bc2b69d6542/hotelbritain19\\_web\\_version.pdf.aspx](https://www.bdo.co.uk/getmedia/7a802f46-99f5-49bc-bbd0-7bc2b69d6542/hotelbritain19_web_version.pdf.aspx)

## 4. Conclusion

- 4.1.1. We have estimated the number of jobs created, value generated in the economy and income arising from tourist expenditure. We have compared this economic benefit impact against both the reference case of the site in its existing vacant use and the development scheme that received planning consent in 2019.
- 4.1.2. Overall the proposed scheme is expected to generate 7,473 sq.m GIA additional floorspace at the site – 6,494 sq.m in 173-175 Friar Street and 979 sq.m in 27-32 Market Place.
- 4.1.3. In comparison to the currently vacant site, the proposed scheme is estimated to generate up to 100 local jobs per annum during construction, and a similar number local jobs during operation (compared to 0 jobs on-site currently), £2.8 million per annum in gross value added (GVA) to the economy and a one-off stimulus of £5.9m in GVA as a result of construction.
- 4.1.4. Annual visitor expenditure to the hotel is expected to release £3.9 million into the local economy, and the eight residences in Market Place are expected to generate £90,000 in annual residential expenditure and up to £15,000 in Council Tax receipts.
- 4.1.5. The expenditure, GVA and job figures could increase by a further 10% if the redevelopment helps to stimulate wider redevelopment of the area.
- 4.1.6. **Table 4.1** provides a summary of the estimated economic benefits of the proposed scheme, broken down by site.

**Table 4.1 Summary of Economic Benefits**

| Outcome                                                                        | 173-175 Friar Street | 27-32 Market Place  |
|--------------------------------------------------------------------------------|----------------------|---------------------|
| Additional floorspace (sq.m GIA)                                               | 6,494                | 979                 |
| Total net average construction jobs per year in Reading (rounded to nearest 5) | 90 (over 1.8 years)  | 10 (over 1.5 years) |
| Total net operational phase jobs for Reading residents (rounded to nearest 5)  | 60                   | 40                  |
| Additional GVA stimulated during construction (rounded to nearest £10k)        | £5.5 million         | £410,000            |
| Total gross GVA per annum during operation (rounded to nearest £10k)           | £1.6 million         | £1.2 million        |
| Total new residential expenditure per annum (rounded to nearest £1,000)        | 0                    | £88,000             |
| Total Business Rates Income p.a (rounded to nearest £5k)                       | £205,000             | £150,000            |
| Council tax contributions                                                      | £0                   | £15,000             |
| Hotel visitor expenditure in local economy p.a.                                | £3.9 million         | 0                   |

Source: Savills, 2020

- 4.1.7. The proposed scheme is expected to yield substantial economic benefits.

## Appendix 1

### Glossary, Definitions and Accuracy

#### Glossary

|      |                                |
|------|--------------------------------|
| CIL  | Community Infrastructure Levy  |
| FTE  | Full Time Equivalent           |
| GIA  | Gross Internal Area            |
| GVA  | Gross Value Added              |
| HCA  | Homes and Communities Agency   |
| MOD  | Ministry of Defence            |
| NPV  | Net Present Value              |
| ONS  | Office for National Statistics |
| S106 | Section 106                    |
| VOA  | Valuation Office Agency        |

#### Definitions

| Term               | Definition                                                                                                                      |
|--------------------|---------------------------------------------------------------------------------------------------------------------------------|
| Leakage            | 'The proportion of output that benefit those outside of the intervention's target area or group'.                               |
| Displacement       | 'The proportion of intervention outputs/outcomes accounted for by reduced outputs/outcomes elsewhere in the target area'.       |
| Multiplier effects | 'Further economic activity (jobs, expenditure or income) associated with additional local income and local supplier purchases'. |
| On-site Jobs       | Jobs created on-site.                                                                                                           |
| Off-site Jobs      | Jobs in a supply chain and services. The result of multiplier effects after allowing for leakage and displacement.              |

#### Accuracy

By its nature estimation of employment and GVA benefits is subject to a range of uncertainties. Our estimates are based on good practice, guidance, data and estimates based on knowledge and experience. There will though remain a degree of uncertainty around estimates. We estimate that actual impacts are likely to be in a range of +/- 20% of figures given.

Revenue figures are given based on current rates and values and could be significantly higher in real terms given the long timescale before completion and anticipated growth in the economy.

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