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# Old Kent Road Opportunity Area Viability Study

Prepared for

London Borough of Southwark

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**Contact details:**

Anthony Lee MRTPI MRICS
Director – Development Consulting
BNP Paribas Real Estate
5 Aldermanbury Square
London EC2V 7BP

Tel: 020 7338 4061
Email: anthony.lee@bnpparibas.com

Sacha Winfield-Ferreira MRICS
Associate Director – Development Consulting
BNP Paribas Real Estate
5 Aldermanbury Square
London EC2V 7BP

Direct line: 020 7338 4417
Email sacha.winfield-ferreira@bnpparibas.com

# 1 Summary

1.1 This report tests the ability of a range of representative real and notional sites across the Old Kent Road Opportunity Area ("OKR OA") in the London Borough of Southwark ("LBS") to viably meet planning policy requirements of the planning policies in the London Plan, the emerging New Southwark Plan ("NSP") and the emerging Old Kent Road Area Action Plan ("OKR AAP") and Opportunity Area Planning Framework (OAPF). The study tests the cumulative impact of the emerging draft policies in line with the requirements of the National Planning Policy Framework ("NPPF") and the Local Housing Delivery Group guidance "Viability Testing Local Plans: Advice for planning practitioners" (June 2012).

## Methodology

1.2 The study methodology compares the residual land values of a range of notional development scenarios and site specific schemes on sites in the OKR OA to their value in current use (plus a premium), herein after referred to as "benchmark land value". If a development incorporating the Council's policy requirements generates a higher residual land value than the benchmark land value, then it can be judged that the site is viable and deliverable. Following the adoption of policies, developers will need to reflect policy requirements in their bids for sites, in line with requirements set out in the RICS Guidance on "*Financial Viability in Planning*"[1].

1.3 The study utilises the residual land value method of calculating the value of each development. This method is used by developers when determining how much to bid for land and involves calculating the value of the completed scheme and deducting development costs (construction, fees, finance, sustainability requirements, CIL and S106) and developer's profit. The residual amount is the sum left after these costs have been deducted from the value of the development, and guides a developer in determining an appropriate offer price for the site.

1.4 The housing and commercial property markets are inherently cyclical and the Council is undertaking this viability assessment at a time when the market has recovered after a severe recession. Residential values have improved significantly in the LBS since the recession and in January/February 2012 surpassed their February 2008 peak levels. The Land Registry's online database identifies that residential values are currently 61%[2] higher than the peak of the market values.

1.5 Forecasts for the medium term predict growth in mainstream London markets. In this regard we have tested the impact of this by running a sensitivity analysis which varies the base sales values and build costs, with values increasing by 16%, accompanied by cost inflation of 24.6%[3]. This reflects the level of growth predicted by a number of sources (see paragraph 2.18) and a corresponding allowance considered to be appropriate for cost inflation based on BCIS All In Tender Price Index over the same period. We have also allowed for a further 5% uplift to residential values reflecting the impact of the regeneration of the

[1] This guidance notes that when considering site-specific viability "*Site Value should equate to the market value subject to the following assumption: that the value has regard to development plan policies and all other material planning considerations and disregards that which is contrary to the development plan*". Providing therefore that Site Value does not fall below a site's existing use value, there should be no reason why policy requirements cannot be achieved.

[2] As identified from the Land Registry's online House Price Index database (http://www.landregistry.gov.uk/public/house-prices-and-sales/search-the-index)

[3] Given that the forecast for the medium term is for growth in the area, it has not been deemed necessary to test a fall in sales values.

OA, which is in line with research undertaken by Knight Frank[4].

1.6 This analysis is indicative only, but is intended to assist the Council in understanding the viability of potential development sites on a high level basis, both in today's terms but also in the future. Some sites may require more detailed viability analysis when they come forward through the development management process.

## Key findings and recommendations

1.7 The key findings of the study are as follows:

- The results of this study are reflective of current market conditions, which will inevitably change over the medium term. It is therefore important that the Council keeps the viability situation under review so that policy requirements can be adjusted should conditions change markedly.
- Some development schemes tested were unviable in certain circumstances due to market factors, rather than the impact of the Council's proposed policy requirements. In particular it tends to be in relation to the high benchmark land values. These schemes are identified in the appraisals as being unviable at 0% affordable housing. These schemes will not come forward until there are changes in market conditions i.e. an improvement in sales values by comparison to build costs and the development value vs the existing use and competing uses for the site. In this regard their current unviable status should not be taken as an indication that the Council's requirements cannot be accommodated.
- It is also likely that the wider regeneration of the OA and arrival of the Bakerloo line extension will drive values beyond the forecasted growth of London residential values, which will assist with viability.
- We have tested the impact of the Council's affordable housing policies and other requirements (sustainability, CIL, Section 106 contributions etc). The results generated by these appraisals indicate that although viability can prove challenging in the OKR OA, dependent on benchmark land values in particular, developments could viably provide a large majority of the policy requirements.
- The testing has demonstrated that the Council's policy requirement of 35% affordable housing remains a reasonable requirement. Some schemes (subject to their benchmark land values and the availability of grant) are able to achieve higher amounts of affordable housing (45% affordable housing). As can be expected however some schemes are also identified as having challenging viability. The Council's flexible approach to the application of its affordable housing targets will ensure the viability of developments is not adversely affected over the economic cycle whilst still delivering the maximum quantum of viable affordable housing.
- Our appraisals indicate that the Council's proposed approach to adopting a flat rate of CIL for residential development at the higher Zone 2 charge as at 2017 in the OA (£217.69 per sq m) could be implemented without adversely impacting on the viability of developments. This has been identified as an increase in scheme costs by no more than 4.72% and an average of 2.86%,

[4] This rate reflects not only the widespread regeneration but also the impact on values a new underground station will make. We note that Knight Frank identify in their 2015 Crossrail research (Analysing Property Market Performance from Reading to Shenfield 2015) identifies "*to date, average residential price growth in and around Crossrail stations has outperformed that seen in the surrounding local authority areas by 5%. Some areas have seen stronger growth than others (see maps), with overall price performance generally stronger in central London.*"

resulting in CIL being no more than 6.27% of scheme value and an average of 4.33% of scheme value. Such a small change is very unlikely to prevent schemes coming forward.

- This modest change is however likely to offer a significant contribution towards the ability to fund infrastructure. This is particularly important as the delivery of the Bakerloo line extension is key to unlocking the opportunity to deliver the quantum of growth envisaged in the OA. Therefore the cost to benefit ratio of this change is significantly in favour of the increase in the CIL charge. It is also considered that this change would simplify the charging schedule with respect to development coming forward within the OA.

- This study demonstrates that the proposed increase to the residential CIL charge and the Council's flexible approach to applying its policy requirements, will ensure an appropriate balance between delivering affordable housing, sustainability objectives, necessary infrastructure and the need for landowners and developers to achieve competitive returns, as required by the NPPF. Maintaining this approach will ensure the "scale of obligations and policy burdens" (Para 174 of the NPPF) are appropriate in all instances to ensure that sites are, as far as possible, able to be viably developed throughout the economic cycle. This in turn will ensure the delivery of the aspirations of the London Plan, New Southwark Plan and Old Kent Road Area Action Plan.

1.8 The viability testing and report was produced prior to the EU Referendum and in this regard BNP Paribas Real Estate has included commentary in relation to impact of the Referendum after the conclusion of this report. This identifies that although it is only a matter of weeks since the EU Referendum result, Capital Economics state that *"the market response to the vote has so far been dramatic, but not catastrophic"*, Prime Central London *prices "have stagnated, not collapsed".* The future of the housing market is currently difficult to predict, and Capital Economics comment that *"the economy could prove more fragile than we expect, and overseas buyers may decide to dump central London market property".* Despite this however they consider both of these outcomes appear *"unduly pessimistic to form a sensible central scenario"*. Further, their *"central view is that the outlook for commercial property is healthier than the recent gloomy headlines would suggest*" but they have warned *that "there is a latent risk that negative sentiment itself could become self-fulfilling"*.

1.9 Analysts and commentators in the market agree that the stability provided by the new Prime Minister in office, earlier than expected, has assisted in subduing some of the uncertainty. However, sentiment is likely to fluctuate as negotiations to leave the EU and particularly the trade opportunities proceed. In the context of this uncertainty, financial institutions are likely to tighten their requirement for profit returns on developments. As a consequence, target profit levels are expected to increase back up to 20% in the short term. The residential market is also predicting lower transaction volumes and weaker house price growth in the near-term.

# 2 Introduction

2.1 The London Borough of Southwark ("the Council") has commissioned BNP Paribas Real Estate to undertake an assessment of the economic viability of the OKR OA. The study is required to contribute towards part of the evidence base for, and inform work associated with the production of the OKR AAP, which will also form an OAPF. The purpose of the Report is to test the cumulative impact of planning policies in the emerging NSP and the emerging OKR AAP and OAPF and to review the adopted CIL Charging Schedule (and alternative CIL levels) in so as it relates to the OKR OA.

2.2 In terms of methodology, we adopted standard residual valuation approaches to test the viability of nine representative notional development scenarios and ten representative real sites, including the impact of the Council's proposed planning policies alongside the planning policies in the London Plan and the adopted levels of CIL and alternative levels of CIL. However, due to the extent and range of financial variables involved in residual valuations, they can only ever serve as a guide. Individual site characteristics (which are unique), mean that conclusions must always be tempered by a level of flexibility in application of policy requirements on a site by site basis to allow schemes to come forward in the context of their site specific variations.

2.3 In light of the above, we would highlight that the purpose of this viability study is to support the Council's emerging policies through Examination in Public by providing evidence to show that the requirements set out within the NPPF are met. That is, that the policy requirements for development set out within the development plan do not threaten the ability of the sites and scale of that development to be developed viably.

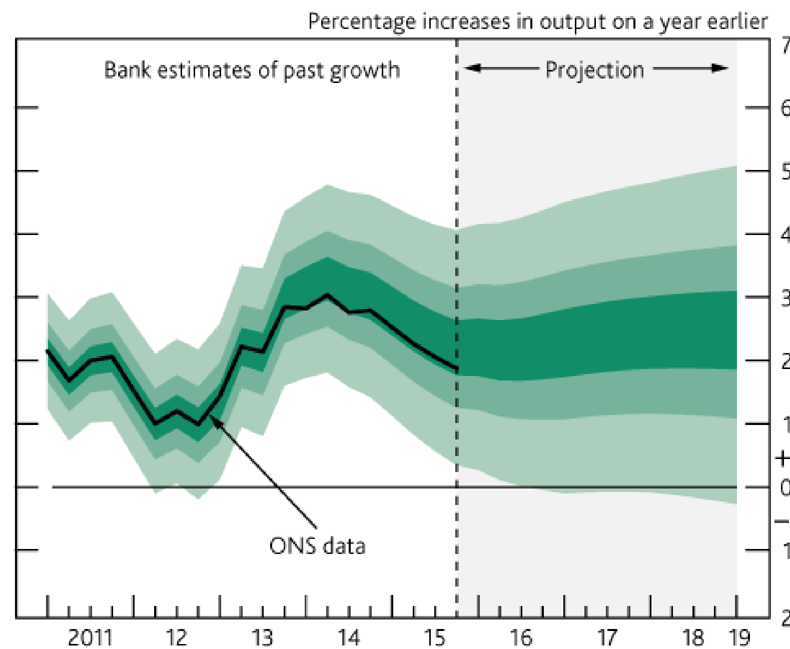
2.4 As an area wide study this assessment makes overall judgements as to viability in the LBS area and does not account for individual site circumstances and in this regard should not be relied upon for individual site applications.

2.5 This is recognised within Section 2 of the Local Housing Delivery Group guidance, which identifies the Purpose and role of viability assessments within plan-making. This identifies that: *"The role of the test is not to give a precise answer as to the viability of every development likely to take place during the plan period. No assessment could realistically provide this level of detail. Some site-specific tests are still likely to be required at the development management stage. Rather, it is to provide high level assurance that the policies within the plan are set in a way that is compatible with the likely economic viability of development needed to deliver the plan."*

## Economic and housing market context

2.6 The housing and commercial property markets are inherently cyclical. The historic highs achieved in the UK housing market by mid-2007 followed a prolonged period of real house price growth. However, a period of "readjustment" began in the second half of 2007, triggered initially by rising interest rates and the emergence of the US sub prime lending problems in the last quarter of 2007. The subsequent reduction in inter-bank lending led to a general "credit crunch" including a tightening of mortgage availability. The real crisis of confidence, however, followed the collapse of Lehman Brothers in September 2008, which forced the government and the Bank of England to intervene in the market to relieve a liquidity crisis.

2.7 The combination of successive shocks to consumer confidence and the difficulties in obtaining finance led to a sharp reduction in transactions and a significant correction in house prices in the UK, which fell to a level some 21% lower than at their peak in August 2007 according to the Halifax House Price Index. Consequently, residential land values fell by some 50% from peak levels. One element of government intervention involved successive interest rate cuts. As the cost of servicing many people's mortgages is linked to the base rate this, together with a return to economic growth early in 2010 (see February 2016 Bank of England GDP fan chart below, showing the range of the Bank's predictions for GDP growth to 2019), meant that consumer confidence started to improve.




Source: Bank of England

2.8 Throughout the first half of 2010 there were some tentative indications that improved consumer confidence was feeding through into more positive interest from potential house purchasers. Against the background of a much reduced supply of new housing, this would lead one to expect some recovery in prices. However, this brief resurgence abated with figures falling and then fluctuating in 2011 and 2012. The recovery during this period is partially attributed with first time buyers seeking to purchase prior to the reintroduction of stamp duty from 1st April 2012. The signs of improvement in the housing market towards the end of 2012 continued through into 2013 at which point the growth in sales values improved significantly through to the last quarter of 2014, where the pace of the improvement was seen to moderate and continued to do so in 2015. BNP Paribas Real Estate considered that the buoyancy seen during 2015 will persist into 2016 to deliver average price growth of 4.7%. However, there are downside risks in the form of the changing tax regime for buy to let investments and challenging economic conditions in some parts of the country. The regional economic implications of falling global demand in the manufacturing and oil sectors will take its toll on house price growth in those exposed regions.

2.9 In this regard Nationwide continues to report on the moderation of the annual pace of price growth I their April 2016 Housing Price Index. It identifies that, *"While UK house prices edged up 0.2% during the month of April, the annual rate of house price growth moderated to 4.9% from 5.7% in March."* Nationwide's Chief Economist, Robert Gardner highlights that, *"This slowdown*

*returns the annual pace of house price growth to the fairly narrow range between 3% and 5% that had been prevailing since the summer of 2015."*

2.10 The Halifax report in their April 2016 House Price Index that, *"House prices in the latest three months (January-March) were 2.9% higher than in the preceding three months"* and further that they were also *"2.9% higher than in the final quarter of 2015"* Martin Ellis, The Halifax Housing Economist, identifies that *"The annual rate has grown from 9.7% to 10.1% in March."*

2.11 Both Nationwide and The Halifax report on the increase in residential transactions, identifying that this was influenced by the introduction of the additional stamp duty levy on second properties from 1 April 2016. Nationwide identify that, *"There were 165,400 transactions in March, an all-time high, some c11% higher than the previous peak of c149,000 recorded in January 2007".*

2.12 Nationwide express concern that house purchase activity is likely to fall in the coming months due to the number of purchasers who brought forward transactions. They reflect that, *"The recovery thereafter may also be fairly gradual, especially in the BTL sector, where a wealth of other policy changes, such as the reduction in tax relief for landlords from 2017 are likely to exert an on-going drag."*

2.13 The Halifax also raises the issue of, *"worsening sentiment regarding the prospects for the UK economy and uncertainty ahead of the European referendum in June"* which it considers *"could result in some softening in the housing market over the next couple of months".*

2.14 Notwithstanding the previous comments, both Nationwide and The Halifax recognise that current market conditions remain very tight with an acute supply shortage. Nationwide highlight that the *"there is a risk that the surge in house purchases in recent months will exacerbate the shortage of homes on the market".* Both also reflect on the RICS statistics that the stock for sale remains close to record low levels, "*the number of properties on estate agents' books was already close to all-time lows on data extending back to the late 1970s."* The Halifax conclude that the supply/demand imbalance, *"together with continuing low interest rates and a healthy labour market, indicate that house price growth is set to remain robust."*

2.15 Moderation in the residential sales value forecasts by numerous property firms reflect the uncertainty in the market related to a number of policy changes and political decisions including the changing tax regime for buy to let/second homes, the Mayoral Elections in London in May and a decision on whether the UK should stay in the European Union in June.

2.16 The future trajectory of house prices will always be uncertain, however, despite this the fundamentals underpinning the housing market remain positive. Despite a slowdown in UK economic growth, the annual rate is still outperforming that seen in many countries. Taking this all into account the property firms forecast that values will increase over the next five years. BNP Paribas Real Estate's recent research[5] identifies that, *"The outlook for the housing market over the coming year will be influenced by a blend of economic, monetary and fiscal factors. The underlying economic environment suggests a slow but steady improvement in market activity. We forecast this will deliver house price growth of 4.7% in 2016 to produce an average house price of £206,314, an increase of just over £9,000 this year. The change to the tax calculations for BTL investors is likely to result in a frontloading of this growth during the year."* Further the report goes on to state that, on balance, *"we expect an average price increase of 5.0% per annum over the period 2016-*

[5] UK Housing Market Prospectus Spring 2016

*2019 for the UK as a whole. This is slightly down on our previous medium term forecast; a reflection of both economic and fiscal policy factors."* We provide further detail on sales value forecasts for London below in section 2.18.

2.17 According to Land Registry data (see graphs below), residential sales values in Southwark have recovered since the lowest point in the cycle in June 2009. Prices have increased by 96% between June 2009 and February 2016 (the most recent month for which data is available). In February 2016, sales values were circa 9% higher than the same period in 2015. In February 2012 house prices exceeded the previous peak prices in February 2008 and at February 2016 were circa 61% above the peak of the market values, demonstrating a strong recovery.

**Figure 2.17.1: Average house prices in Southwark**

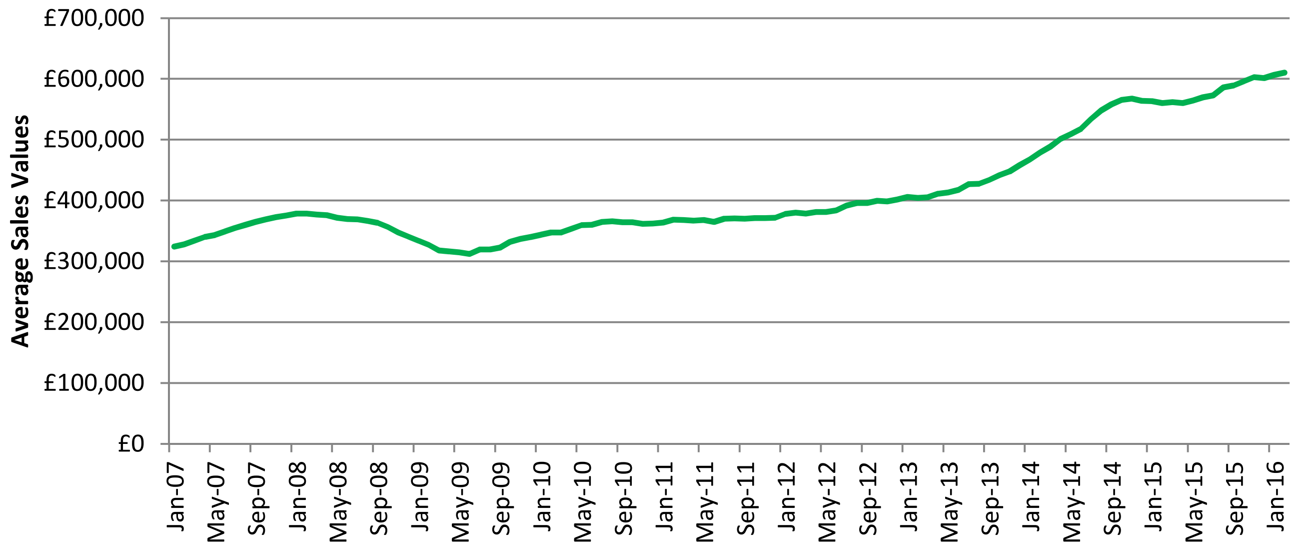
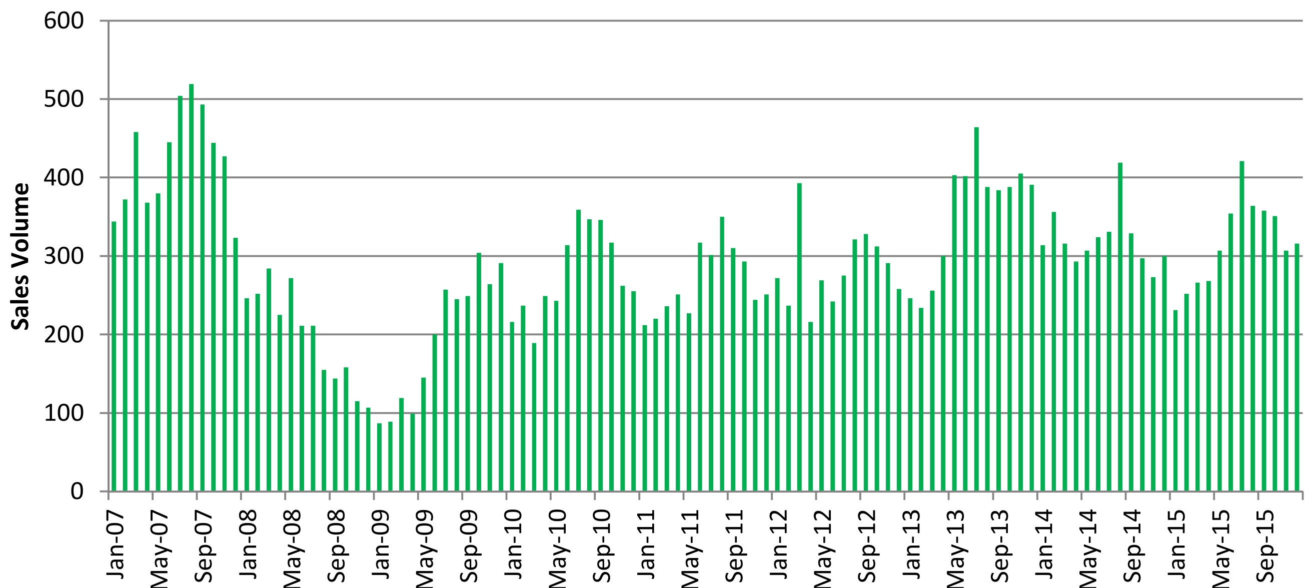



**Figure 2.17.2: Sales volumes in Southwark**




Source: Land Registry, Dates: January 2007 – February 2016

2.18 As identified above the future trajectory of house prices is currently uncertain, although we have reviewed a number of residential sales values forecasts for the next 5 years, all of which predict that sales values will increase further over the medium term. These forecasts are as follows:

- BNP Paribas Real Estate (Published Spring 2016) – 16.1% growth between 2016-2019;
- Knight Frank (published March 2016) – 19.3% growth between 2015-2019;
- Savills (published Feb 2016) – 15.3% growth between 2016-2020;
- JLL (published November 2015) - forecasted 17% growth 2016-2020, however this has now been revised in March 2016 and is now considerably more pessimistic at 9% growth; and
- CBRE (published Dec 2015) - 25% growth between 2016-2020.

2.19 In conjunction we have also reviewed the RICS BCIS database to establish the likely inflation in build costs over the same period. The BCIS All In tender Price Index[6] forecasts that build costs will increase by 24.6% between Q1 2016 and Q4 2020 (See **Appendix 1**).

2.20 In common with other Boroughs in London, there are variations in sales values between different parts of Southwark, and this is fairly stark even within the smaller boundary of the OKR OA. This is due to the existing nature of the area being predominantly commercial in nature with much of the housing being second hand stock and ex-local authority housing and a small number of new developments, which clearly show that where new development takes place it significantly outstrips the existing second hand stock values.

2.21 The OKR AAP/OAPF Integrated Impact Assessment: Scoping Report ("The Scoping Report") published in February 2016 confirms this position at paragraphs 3.2.24 to 3.2.29. The Scoping Report identifies that the OKR area,

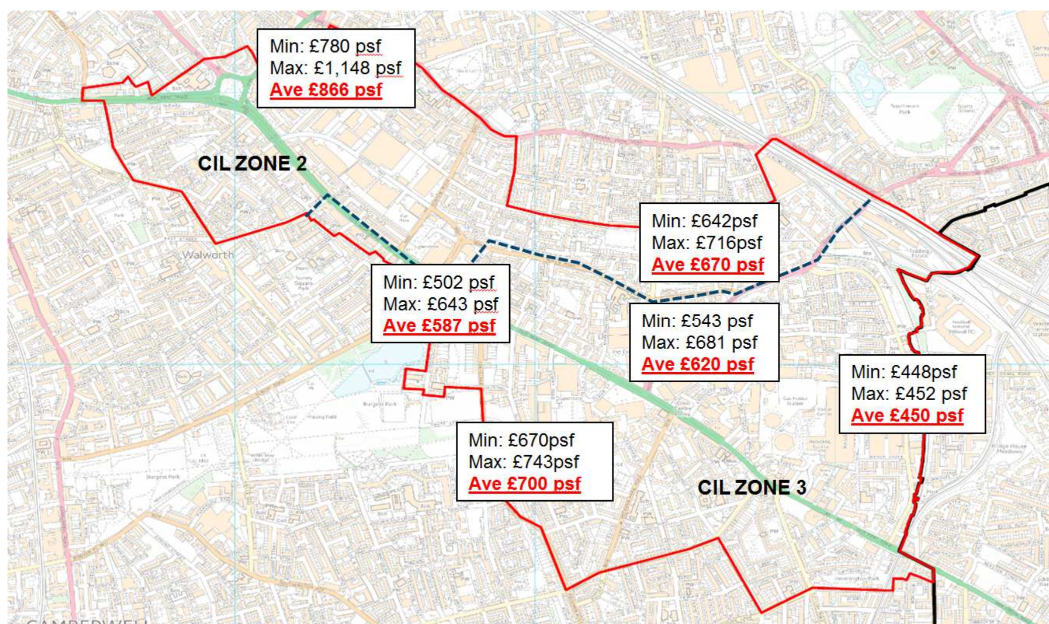
*"is characterised by a wide variety of housing types including terraced houses, cul-de-sacs, blocks of flats, maisonettes and some neo-Georgian architecture and mansion houses along the road frontage. Post-war clearances and the drive for redevelopment led to a number of new housing estates built in the 1960's, a substantial amount of pre-war historic housing estates also remain managed by the Peabody Trust and City of London Corporation, alongside newer 1980/90s developments, all of which are well served by schools, places of worship, open spaces and other community uses.*"

2.22 The Scoping Report goes on to highlight that, *"in the opportunity area, 58% of the housing stock is social rented, 17% of properties are privately owned, and 21% are privately rented. Flats are the dominant housing typology in the Old Kent Road, comprising 80% of the area's stock."*

2.23 The highest sales values are achieved in the north west of the OA, where values are influenced by a number of new developments in the Bermondsey market, with current units in schemes being marketed at values of up to £1,148 per sq ft (the values shown in the diagram below are averages for schemes as a whole). The lowest value area is identified as being the east of the OA where homes are achieving circa £450 per sq ft. However, these transactions relate to old second hand stock located around industrial areas. Values elsewhere in the OA range between circa £600 to £700 per sq ft, again with much of the available evidence relating to second hand stock or smaller new build developments.

[6] Updated 8 February 2016

**Figure 2.213.1: Sales values in OKR OA (approx. £s per square foot)**




Sources: Map – LB Southwark; Values – comparable evidence

## Commercial market context

2.24 The OKR is currently predominantly commercial in use, which is unsurprising given that much of the area around Old Kent Road is currently designated as a preferred industrial location.

2.25 The Scoping Report sets out a detailed description of the commercial uses in the OKR at section 3 and in particular Para 3.3.1 identifies that it:

*"is home to 9 industrial estates/areas, 3 retail parks and 2 high street locations. The southernmost end of Old Kent Road is one of the only remaining Strategic Industrial Locations (SIL) in inner London. The designation wraps around the superstores and retail parks which are located on the south side of Old Kent Road and is comprised of a mix of standalone warehouses, industrial estates and dense industrial buildings housing a myriad of uses. A second part of the SIL runs across a number of sites, including the Six Bridges Trading Estate on Marlborough Grove, the expansive gasworks and recycling facility, and including dense post-war warehouses along Ilderton Road. A third part of the SIL contains the railways arches and industrial estates located around South Bermondsey up to Spa Road, as well as the Jarrow Road Trading Estate and industrial estates off Almond Road. The Mandela Way Industrial Estate and its surrounds are classified as a Preferred Industrial Location (PIL) at the local level. The New Southwark Plan Preferred Options proposes to review the industrial designations and reclassify them as "mixed use neighbourhoods" (Policy DM26)."*

2.26 Of note the Scoping report also identifies at Para 3.3.2 that,

*"In 2015, Old Kent Road was home to 748 businesses and 9,500 jobs over 1,026,300 sq m of floorspace. In the Old Kent Road area, 66% of businesses employ less than 10 people and 77% are independent businesses with single sites. The proportion of jobs relative to employment floorspace is generally less due to the nature of large scale industrial and retail parks. For example, the area has 119 jobs per 10,000 sq m of industrial floorspace, 47 jobs per 10,000 sq m of retail park floorspace and 220 jobs per 10,000 sq m of high street*

*floorspace. Only 12% of the jobs within the area are on high streets, whilst 25% of jobs are in logistics and storage. The sectors which are the most intensive by floorspace include wholesale and storage (26%), services (26%) and utilities and car repair (20%). However this is not necessarily reflected in the proportion of employees to floorspace ratio. 25% of the businesses on Old Kent Road are in the service sector, 9% in business manufacture, 13% in the retail sector and 13% are cafes or restaurants. 7% of the businesses on Old Kent Road are faith premises, equating to over 50 of the total number of businesses."*

2.27 The Scoping Report also refers to analysis on the office market that was concluded by the 2010 Employment Land Review (ELR) which,

*"distinguished between two distinct office markets: SE1 and local. The SE1 market, extending within the Central Activities Zone (CAZ) within Borough, Bankside and London Bridge and the northern area of Elephant and Castle is considered the prime office location in the borough. This is due in part to the proximity to other large corporations and high accessibility by public transport This section of central London, outside of the wider West End, in the City of Westminster and the London Borough of Camden, combined with the financial centre of the City of London, is often known as the City Fringe.*

*The second, "local" market attracts small-to-medium sized businesses generally seeking more affordable office stock. The businesses that require such space typically provide services to other local businesses such as information technology companies, creative industries, public sector organisations and professional services."*

2.28 BNP Paribas Real Estate consider that this analysis remains valid, with the OKR being a secondary or local office market catering to small and medium sized businesses with limited demand for such space. We also understand that there is a tension between office and residential uses in such locations, where residential values outstrip office values and therefore there is pressure for the conversion of the office space to residential. We further note that in the Property Market Analysis Report November 2015, BNP Paribas Real Estate it was highlighted that the, *"lack of market appetite for developing offices in this general area is demonstrated by the fact that the Elephant & Castle redevelopment contains no major office element. Lendlease, who are working in partnership with Southwark Council to deliver the project, are focusing on the delivery of new homes, shops and restaurants and green space."*

2.29 The Scoping Report 3.3.17. The existing industrial estates in the area benefit from *"generally low vacancy rates"*, however the *"existing stock is generally aging and becoming poorer in condition"*.

2.30 The low vacancy rates reflects the ever reducing stock of available industrial space in central London, the Scoping Report identifies that the 2010 *"ELR confirms that the local market supply of industrial and warehouse property in the borough has been declining in recent years as land has been lost to other uses. This has occurred where there has been a lack of demand for sites/premises, mostly for B2 (industry), where they are outside the main employment areas. Despite the supply of industrial and manufacturing premises declining, there is still demand for new high specification B8 (warehousing and distribution) premises. The decline in B2 premises is linked to economic change and the trend of disappearing manufacturing companies from inner London. The increase in demand for B8 stock can be partly linked to the increase in the central London office market and its supply needs."*

2.31 The Scoping Report goes on to highlight that research in the 2014 Southwark Industrial and Warehousing Land Study acknowledges that there are, *"structural changes to Southwark's industrial employment and use of industrial land. For*

*example, the study found that the use of industrial sites in Southwark is diversifying, with a decline in the traditional manufacturing sector and (relatively) higher-value activities, which have a higher employment density and are focused on serving central London, are taking their place. Businesses, primarily smaller, productive businesses are moving from other parts of London into Southwark, with certain clusters forming in certain areas. Technology, such as computer aided design and manufacturing is having a "democratising" effect, supporting a new generation of "makers"."* The study concludes that the presence of industrial land capacity should be seen as a significant positive in attracting this sector, which is seen to be a key component of London's future knowledge based economy. However, it is also acknowledged that the right type of industrial/employment floor space to meet the needs of this sector is in short supply in London, especially in locations with good accessibility'

2.32 With respect to the retail uses, the OKR is a major comparison goods shopping destination in the borough, including a range of predominantly bulky goods retail units. We understand from the Scoping Report that the OKR accommodates, *"a total of 31,600 sq m of retail floor space, including 11,800 sq m of convenience goods floorspace and 19,800 sq m of comparison goods floorspace. Additionally the area accommodates 2,000 sq m of floorspace in the food and beverage sector"*. In addition the OKR also contains a number of retail parks and retail warehouses with associated car parking, accommodating large national retailers such as Toys R Us, B&Q and Argos. The area also accommodates a significant quantum of the Borough's larger "superstore" supermarkets (over 2,500 sq m of retail floorspace) including Tesco, Asda, Aldi and Lidl stores. Unsurprisingly therefore the Scoping Report identifies that, *"the results of the household survey undertaken as part of the Southwark Retail Study (2015) suggest the Old Kent Road is one of the dominant destinations in the borough for comparison shopping. Retail units along the Old Kent Road account for just under 19% of the comparison sales floorspace*"

## OKR OA emerging development proposals

2.33 The Further Alterations to the London Plan, incorporated into the London Plan in March 2015, identify a new Opportunity Area on the OKR. The designation identifies potential for at least 2,500 new homes and around 1,000 additional new jobs. Much of the area around the OKR is currently designated as a preferred industrial location. The new London Plan designation however states that a planning framework for the OKR should be informed by a review of employment locations and capacity to accommodate a phased rationalisation of their functions in the OA or re-provision elsewhere.

2.34 The OKR area is considered to have the potential to support very high levels of housing and business growth. The area is evolving and significant change is expected over the next 15 years. Key drivers include the potential for the Bakerloo line extension (BLE) and two new tube stations, the changing nature of business space, including growth of demand for flexible and hybrid business space and declining demand for warehousing and industrial space, changing shopping patterns and potential for growth of new residential neighbourhoods. The BLE in particular would need significant housing numbers to help justify the level of investment required and also help pay for it. However, it would also transform accessibility, increase land values and inflate demand for both residential and non-residential space. These changes have the potential to transform the OKR OA.

2.35 In light of this, in collaboration with the GLA and TfL, the Council is preparing an AAP, which identifies land uses, capacities, sites, design guidance and infrastructure requirements. The plan will help manage change and growth and ensure that the potential transformation happens in a way that results in a better place to live, visit and work while retaining and enhancing what is currently

valued.

2.36 At this preliminary stage of development of the AAP emerging proposals for the area as presented to stakeholders at a workshop held on 2 March 2016 are as follows:

- OKR: part of Central London;
- Transition to mixed use neighbourhoods;
- Around 20,000 new homes (high growth option explored through community forum);
- Around 5,000 new jobs;
- New infrastructure to support growth including schools, health facilities, open spaces and surface transport improvements;
- Bakerloo line extension;
- Expectation that growth in homes and jobs will help pay for infrastructure, through mechanisms such as CIL; and
- Revision of CIL Charging Schedule with focus on OKR opportunity area.

## National Policy context

### The National Planning Policy Framework

2.37 Since the Council adopted its Core Strategy in April 2011, the old suite of national planning policies (Planning Policy Statements and Planning Policy Guidance) has been replaced by a single document – the National Planning Policy Framework ("NPPF") (March 2012).

2.38 The NPPF provides more in-depth guidance on viability of development than its predecessor, Planning Policy Statement 3, which limited its attention to requiring local planning authorities to test the viability of their affordable housing targets. The NPPF requires at Paragraph 174 that local planning authorities have regard to the impact on viability of the *cumulative effect* of all their planning requirements on viability. Paragraph 177 identifies that, *"Any affordable housing or local standards requirements that may be applied to development should be assessed at the plan-making stage, where possible, and kept under review."*

2.39 Paragraph 173 of the NPPF requires that local planning authorities give careful attention "*to viability and costs in plan-making and decision-taking*". The NPPF requires that "*the sites and the scale of development identified in the plan should not be subject to such a scale of obligations and policy burdens that their ability to be developed viably is threatened*". After taking account of policy requirements, land values should be sufficient to "*provide competitive returns to a willing landowner and willing developer*".

2.40 The meaning of a "*competitive return*" has been the subject of considerable debate since adoption of the NPPF. For the purposes of testing the viability of a Local Plan, the Local Housing Delivery Group[7] has concluded that the current use value of a site (or a credible alternative use value) plus an appropriate uplift, represents a competitive return to a landowner. Some members of the RICS consider that a competitive return is determined by market value[8], although there is no consensus around this view.

2.41 Paragraph 174 identifies that "In order to be appropriate, the cumulative impact of these standards and policies should not put implementation of the plan at serious risk, and should facilitate development throughout the economic cycle. Evidence supporting the assessment should be proportionate, using only

[7] Viability Testing Local Plans: Advice for planning practitioners, June 2012
[8] RICS Guidance Note: Financial Viability in Planning, August 2012

appropriate available evidence."

### National Planning Practice Guidance

2.42 The National planning Practice Guidance ("NPPG") stresses the need for evidence in viability to ensure that Local Plan vision and policies are realistic and provide *"high level assurance"* that plan policies are viable. Evidence should be proportionate and not every site needs to be tested.

2.43 The NPPG goes on to indicate that local planning authorities should consider the range of costs on development, including those imposed through national and local standards; local policies; the Community Infrastructure Levy; and potential Section 106 obligations.

2.44 The NPPG indicates that local plan policies should be tested using current costs and current values, and not based on *"an expectation of future rises in values at least for the first five years of the plan period*".

### The London Plan

2.45 The text below takes into consideration the Minor Alterations to the London Plan 2015 which were considered by an independent inspector at an examination in public in March 2016.

2.46 The London Plan policy 3.3 (Increasing Housing Supply) Da identifies that in preparing their LDF's *"Boroughs should draw on the housing benchmarks in Table 3.1 in developing their LDF housing targets, augmented where possible with extra housing capacity to close the gap between identified housing need (see Policy 3.8) and supply in line with the requirement of the NPPF".* Table 3.1 identifies the minimum ten year housing target and the annual average housing supply monitoring target between 2015 and 2025 for Southwark as 27,362 and 2,736 respectively.

2.47 The London Plan also requires boroughs in preparing their LDFs and in taking planning decisions to identify and seek to meet the range of needs likely to arise within their areas to deliver a choice of housing (Policy 3.8 Housing Choice).

2.48 With respect to student accommodation the supporting text at Para 3.53B to policy 3.8 identifies that,

> *"Student accommodation should be secured as such by planning agreement or condition relating to the use of the land or to its occupation by members of specified educational institutions. Where there is not an undertaking with a specified academic institution(s), providers should, subject to viability, deliver an element of student accommodation that is affordable for students in the context of average student incomes and rents for broadly comparable accommodation provided by London universities. Further detail on this is now provided through the GLA's Draft Interim Housing Supplementary Planning Guidance."*

2.49 Para 5.53C goes on to set out that where, *"accommodation is not robustly secured for students, it will normally be subject to the requirements of affordable housing policy (policies 3.10-3.13)."*

2.50 The Mayor's Housing Supplementary Planning Guidance (March 2016) ("The SPG") identifies that, *"The requirement for affordable student accommodation will apply when a provider of student accommodation does not have an undertaking (such as a nominations agreement) with a specified academic institution(s) that specifies that the accommodation will be occupied by students of that institution(s)."* The SPG goes on to identify that, "*The element of affordable student accommodation provided in a development should be the*

*maximum reasonable amount subject to viability."* The SPG considers affordable student accommodation in light of the average student income and the proportion of a student's income considered reasonable to spend on accommodation costs, whilst also taking into consideration the rental cost of accommodation provided by London universities. Taking these factors into consideration the SPG identifies at Paras 3.9.12 to 3.9.13 that,

> *"To ensure the figure is up-to-date, the Mayor will publish the annual rental cost for purpose built student accommodation that is considered affordable for the coming academic year in his London Plan Annual Monitoring Report, based on the following formula:*
>
> ***Annual rental cost for affordable purpose built student accommodation in London ≤ average student income* x 0.55***
>
> *Using the above formula the annual rental cost for affordable PBSA in London for the academic year 2016/17 is £5,886 or less. For a 38-week contract this equates to weekly rent of £155".*

2.51 Policy 3.11 (Affordable Housing Targets) requires boroughs to *"maximise affordable housing provision"* and set an overall target over the plan period. In setting this target boroughs should take account of *"the viability of future development, taking into account future resources as far as possible."*

2.52 Policy 3.10 (Definition of Affordable Housing) clearly identifies affordable housing to be:

> "*social rented, affordable rented and intermediate housing (see Para 3.61), provided to eligible households whose needs are not met by the market. Eligibility is determined with regard to local incomes and local house prices. Affordable housing should include provisions to remain at an affordable price for future eligible households or for the subsidy to be recycled for alternative affordable housing provision"*

2.53 The London Plan identifies that separate targets should be set for social/affordable rented housing and intermediate housing.

2.54 Policy 3.13 (Affordable Housing Thresholds) identifies that boroughs should *"normally require affordable housing provision on a site which has capacity to provide 10 or more homes"*. It also highlights that, "*Boroughs are encouraged to seek a lower threshold through the LDF process where this can be justified in accordance with guidance, including circumstances where this will enable proposals for larger dwellings in terms of floorspace to make an equitable contribution to affordable housing provision."*

2.55 Policy 3.12 (Negotiating Affordable Housing and individual Private Residential and Mixed use Schemes) requires authorities to seek *"the maximum reasonable amount of affordable housing".* In particular we note that Policy 3.12 identifies that,

> *B "Negotiations on sites should take account of their individual circumstances including development viability, the availability of public subsidy, the implications of phased development including provisions for re-appraising the viability of schemes prior to implementation ("contingent obligations"), and other scheme requirements.*
>
> *C Affordable housing should normally be provided on-site. In exceptional cases where it can be demonstrated robustly that this is not appropriate in terms of the policies in this Plan, it may be provided off-site. A cash in lieu contribution should only be accepted where this would have demonstrable benefits in furthering the affordable housing and other policies in this Plan*

*and should be ring-fenced and, if appropriate, pooled to secure additional affordable housing either on identified sites elsewhere or as part of an agreed programme for provision of affordable housing."*

2.56 The SPG introduces the notion of a *"fixed percentage affordable housing target"* for opportunity areas and housing zones which can *"help provide certainty to developers and landowners about the affordable housing requirements and help prevent land price rises based on hope value"*. Such an approach is likely to require significantly more information on site conditions to set a robust target, as a fixed percentage with no flexibility on application could render a site unviable.

2.57 In addition to requiring housing developments to come forward in the highest quality internally and externally, it is noted that the Minor Alterations to the London Plan proposed text to Policy 3.5 (Quality And Design Of Housing Developments) identifies that,

*"LDFs should incorporate requirements for accessibility and adaptability, minimum space standards set out in Table 3.3 and water efficiency. The Mayor will, and boroughs should, seek to ensure that new development reflects these standards. The design of all new dwellings should also take account of factors relating to "arrival" at the building and the "home as a place of retreat". New homes should have adequately sized rooms and convenient and efficient room layouts which are functional and fit for purpose, meet the changing needs of Londoners over their lifetimes, address climate change adaptation and mitigation and social inclusion objectives and should be conceived and developed through an effective design process."*

2.58 Policy 5.2 (Minimising Carbon Dioxide Emissions) identifies that *"The Mayor will work with boroughs and developers to ensure that major developments meet the targets for carbon dioxide emissions reduction in buildings. These targets are expressed as minimum improvements over the Target Emission Rate (TER) outlined in the national Building Regulations leading to zero carbon residential buildings from 2016 and zero carbon non-domestic buildings from 2019".* This includes the delivery of sustainability measures through Allowable Solutions.

2.59 The SPG identifies at Paras 2.3.57 and 2.3.59 respectively that:

*"The London Plan policy seeking "zero carbon" homes remains in place and was not changed by the recent Minor Alterations to the London Plan. However, together with other standards "zero carbon" was tested through the needs and viability assessment for the Alteration which indicated that the standards would not compromise housing viability. This approach will also help ensure the development industry in London is prepared for the introduction of "Nearly Zero Energy Buildings" by 2020"; and*

*"In line with the implementation date for previous increases in the London Plan carbon dioxide targets and improvements to Part L of the Building Regulations, "zero carbon" housing will be implemented for Stage 1 schemes from 1st October 2016".*

### Mayoral CIL and Crossrail S106

2.60 Southwark falls within Mayoral CIL Zone 2, where a CIL of £35 per square metre is levied. In addition, the Crossrail and Mayoral CIL SPG[9] identifies that in particular locations, where appropriate, the Mayor could negotiate Section

[9]Paragraph 4.20- 8.21 of Use of planning obligations in the funding of Crossrail, and the Mayoral Community Infrastructure Levy (April 2013)

106 contributions over and above the Mayoral CIL towards Crossrail, dependent on the size and impact of the development and viability issues. Part of the north of the borough is located within the GLA's Central London designation liable for S106 contributions towards Crossrail, however this does not extend to the OKR OA. Accordingly this study takes full account of Mayoral CIL, but not Crossrail S106 as it is not applicable to the OKR OA.

2.61 In addition we have also allowed for inflation to the Mayoral CIL figure by applying the appropriate rate derived from the BICS All in Tender price index. The current day inflation allowance is 22.87% (taking the Mayoral CIL figure to £43 per sq m), whilst the 2017 allowance based on forecast figures equates to 26.91% (increasing the Mayoral CIL to £44.42).

## Local Policy context

### Southwark CIL Charging Schedule

2.62 The Council adopted its CIL Charging Schedule on 1 April 2015. This sets out a range of charges for different development types and in some instances geographical locations within the LBS. The pertinent charges to this study are as set out in Table 2.62.1 below.

**Table 2.62.1 LB Southwark CIL Charges**

| Use | Zone | CIL Rate per sq. m |
|---|---|---|
| Residential | Zone 2<br>Zone 3 | £200<br>£50 |
| Office | Zones 2-3 | £0 |
| Student Housing (assuming direct let) | Zones 1-3 | £100 |
| Retail | Zones 1-3 | £125 |
| Hotel | Zones 2-3 | £125 |
| Non-residential institutions | Zones 1-3 | £0 |

2.63 As with the Mayoral CIL we have also tested the Borough CIL incorporating the appropriate inflationary increases based on the indexation identified in the BCIS All in TPI Index. The current day inflation allowance is 5.385% (taking the Mayoral CIL figure to £43 per sq m), whilst the 2017 allowance based on forecast figures equates to 8.85%.

### Emerging New Southwark Plan

2.64 The Council's New Southwark Plan Preferred Option (October 2015) sets out the Council's strategy for delivering regeneration and wider improvements for the borough between 2018 to 2033.

2.65 An informal first stage of the preparation of the NSP, the Issues and Options paper, was consulted on until 6 March 2015. Comments received at this stage were taken into account in the preparation of the Preferred Option version of the NSP. The NSP Preferred Option has been published for public consultation from 26 October 2015 to 12 February 2016. The NSP sets out an emerging strategy for regeneration in Southwark including detailed development management policies. The NSP will replace the saved Southwark Plan and the Core Strategy and contains strategic and detailed policies in one whole document. The planning policies, as proposed in the New Southwark Plan, will have significant implications for the social, economic and environmental well-being and resilience of the borough and its residents.

2.66 Policy DM1 (Affordable homes) identifies that planning permission will be granted for,

> *"A minimum of 35% affordable housing where at least 70% of the affordable housing is for social rent and up to 30% is intermediate where developments provide 10 or more homes, as set out below, unless affordable housing requirements have been set through an area action plan. The affordable housing requirement will be calculated on a per sq m basis of the entire Gross Internal Area of the building used as dwellings."*

2.67 The supporting reasoning to the policy identifies that, where this target level of provision cannot be achieved for reasons of viability, the council will require a full viability appraisal.

2.68 Part 4 of Policy DM1 goes on to identify that intermediate tenure homes will be granted planning permission where they are affordable to Southwark residents and meet local intermediate income thresholds.

2.69 Policy DM2 (New family homes) seeks to secure larger family homes to meet the needs of families in the borough by granting consent to major residential development of 10 units or more where they:

- Include a minimum of 60% of units with 2 or more bedrooms;
- Provider a maximum of 5% studios; which can only be for private housing;
- The maximum number of bedspaces for the number of bedrooms where they are social rented;
- Minimums of 3, 4 or 5 bedroom affordable units as set out in Table 2 and in Figure 2. (The OKR OA is located within the Urban Zone and therefore is required to provide a minimum of 25% of homes as 3 bed or larger.)

2.70 Policy DM 6 (Homes for households with specialist needs) sets out that planning permission will be granted for residential development where,

- at least 10% of homes meet Building Regulation M4(3) standard (Wheelchair User Dwellings); and affordable wheelchair user homes are wheelchair accessible (M4(3b));
- wheelchair user dwellings provide a mix of dwelling sizes, including family homes.

2.71 Policy DM11 (Residential Design) identifies that planning permission will be granted for residential development where:

- All homes meet or exceed the minimum, national space standard;
- Suitable quantum of private and or communal amenity space is provided;

2.72 Policy DM 22 (Student homes) identifies that planning permission will be granted for student homes in Regeneration Areas to support the growth of universities and colleges where:

- Schemes providing direct let student rooms at market rent provide 35% of the Gross Internal Area as conventional affordable housing, and 27% of student rooms let at a rent that is affordable to students; and
- Schemes providing affordable student rooms for nominated further and higher institutions provide as much conventional affordable housing as is viable.

2.73 Policy DM 23 (Transition of preferred industrial locations to mixed use neighbourhoods) highlights that:

> *"The Southwark Core Strategy designates preferred industrial locations on Old Kent Road, South East Bermondsey, Mandela Way and Parkhouse Street. The New Southwark Plan will review these designations. Site specific policies (site allocations) for this land will be set out in the Old Kent Road AAP and the New Southwark Plan. These will aim to intensify development, increase job numbers and promote growth of business uses within new mixed use neighbourhoods. In the meantime there will be no loss of employment space unless there are community or other uses that will develop the local infrastructure. In addition, financial contributions will be required for future infrastructure funding for the Bakerloo Line extension".*

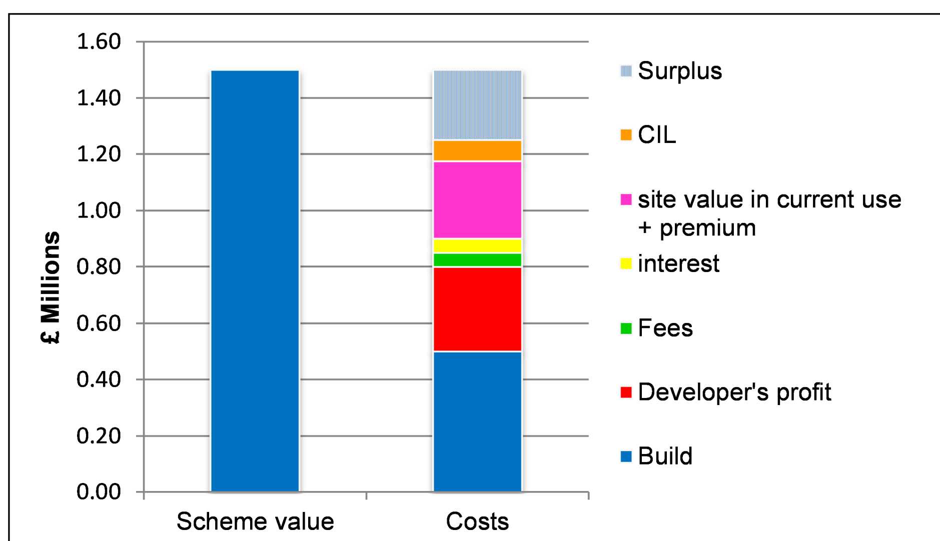
2.74 Policy DM 55 (Environmental Standards) identifies that planning permission will be granted for development that achieves high standards sustainable design and construction. Further for major non-residential and non-self-contained residential development a BREEAM rating of "Excellent" will be required.

# 3 Methodology

3.1 Our methodology follows standard development appraisal conventions, using assumptions that reflect local market and planning policy circumstances. The study is therefore specific to Southwark and reflects the Council's existing and emerging planning policy requirements.

## Approach to testing development viability

3.2 Appraisal models can be summarised via the following diagram. The total scheme value is calculated, as represented by the left hand bar. This includes the sales receipts from the private housing and the payment from a Registered Provider ("RP") for the completed affordable housing units. For a commercial scheme, scheme value equates to the capital value of the rental income. The model then deducts the build costs, fees, interest, Section 106 contributions and developer's profit. A "residual" amount is left after all these costs are deducted – this is the land value that the Developer would pay to the landowner. The residual land value is represented by the blue striped portion of the right hand bar in the diagram.




3.3 The Residual Land Value is normally a key variable in determining whether a scheme will proceed. If a proposal generates sufficient positive land value (in excess of existing use value), it will be implemented. If not, the proposal will not go ahead, unless there are alternative funding sources to bridge the "gap".

3.4 Problems with key appraisal variables can be summarised as follows:

- Development costs are subject to national and local monitoring and can be reasonably accurately assessed in "normal" circumstances. In boroughs like Southwark, many sites will be previously developed. These sites can sometimes encounter "exceptional" costs such as decontamination. Such costs can be very difficult to anticipate before detailed site surveys are undertaken;

- Development value and costs will also be significantly affected by assumptions about the nature and type of affordable housing provision and other Planning Obligations. In addition, on major projects, assumptions about development phasing; and infrastructure required to facilitate each phase of the development will affect residual values. Where the delivery of the obligations are deferred, the less the real cost to the applicant (and the

greater the scope for increased affordable housing and other planning obligations). This is because the interest cost is reduced if the costs are incurred later in the development cashflow; and

- While Developer's Profit has to be assumed in any appraisal, its level is closely correlated with risk. The greater the risk, the higher the profit level required by lenders. While profit levels were typically up to around 15% of completed development value at the peak of the market in 2007, banks currently require schemes to show a higher profit to reflect the current risk. Typically developers and banks are targeting around 17% to 20% profit on gross development value generated by private elements (GDV) or cost. We noted in the LB Southwark CIL Viability Update report produced in November 2014 that there is market sentiment that given the improvement in the market over the last few years that targeted profit margins have moved in. This was supported by a letter from the District Valuer's Service (DVS), who undertake the majority of the Council's site specific viability assessments for planning applications. In their letter they commented that:

  *"We have never accepted a profit level in excess of 20% of value*
  - *Typically over the last 18 months we have assessed profit on value in the order of 17.5%*
  - *As an alternative, sometimes we have assessed scheme profit on cost and typically in the order of 20%*
  - *The exact % will vary from scheme to scheme"*

3.5 Ultimately, the landowner will make a decision on implementing a project on the basis of return and the potential for market change, and whether alternative developments might yield a higher value. The landowner's "bottom line" will be achieving a residual land value that sufficiently exceeds "existing use value[10]" or another appropriate benchmark to make development worthwhile i.e. provides a The margin above existing use value may be considerably different on individual sites, where there might be particular reasons why the premium to the landowner should be lower or higher than other sites.

3.6 Clearly, however, landowners have expectations of the value of their land which often exceed the value of the current use. S106 including affordable housing and CIL will be a cost to the scheme and will impact on the residual land value. Ultimately, if landowners' expectations are not met, they will not voluntarily sell their land and (unless a Local Authority is prepared to use its compulsory purchase powers) some may simply hold on to their sites, in the hope that policy may change at some future point with reduced requirements. It is within the scope of those expectations that developers have to formulate their offers for sites. The task of formulating an offer for a site is complicated further still during buoyant land markets, where developers have to compete with other developers to secure a site, often speculating on increases in value.

3.7 The NPPG usefully clarifies that land owner expectations must be reasonable:

*"A competitive return for the land owner is the price at which a* ***reasonable*** *land owner would be willing to sell their land for the development. The price will need to provide an incentive for the land owner to sell in comparison with the other options available. Those options may include the current use value of the land or its value for a realistic alternative use that complies with planning policy."* **(bold** added).

[10] For the purposes of this report, existing use value is defined as the value of the site in its existing use, assuming that it remains in that use. We are not referring to the RICS Valuation Standards definition of "Existing Use Value".

## Viability benchmark

3.8 The NPPF is not prescriptive on the type of methodology local planning authorities should use when assessing viability. The National Planning Practice Guidance indicates that the NPPF requirement for a "competitive return" to the landowner will need to allow for an incentive for the land owner to sell and options may include "the current use value of the land or its value for a realistic alternative use that complies with planning policy" (Para 024; reference ID 10-024-20140306).

3.9 The Local Housing Delivery Group published guidance on 22 June 2012[11], which provides guidance on testing viability of Local Plan policies. The guidance notes that "consideration of an appropriate Threshold Land Value [or viability benchmark] needs to take account of the fact that future plan policy requirements will have an impact on land values and landowner expectations. Therefore, using a market value approach as the starting point carries the risk of building-in assumptions of current policy costs rather than helping to inform the potential for future policy".

3.10 Further, the GLA's Housing Supplementary Planning Guidance document identifies at paragraphs 4.1.4 to 4.16 that*,*

*"4.1.4 It should be noted that the NPPF's benchmark for viability appraisal is that it should "take account of the normal cost of development and mitigation, provide competitive returns to a willing land owner and willing developer to enable the development to be deliverable". In light of inference to the contrary[209], either "Market Value", "Alternative Use Value", "Existing Use Value plus" based approaches can address this requirement where correctly applied (see below); their appropriate application depends on specific circumstances. On balance, the Mayor has found that the "Existing Use Value plus" approach is generally most appropriate for planning purposes, not least because of the way it can be used to address the need to ensure that development is sustainable in terms of the NPPF and Local Plan requirements, he therefore supports this approach. The "plus" element will vary on a case by case basis based on the circumstances of the site and owner and policy requirements.*

*4.1.5 A "Market Value" approach is only acceptable where, in line with the NPPG[210], the value reflects all policy requirements and planning obligations and any CIL charges. Recent research carried out by RICS found that the "Market Value" approach is not being applied correctly and "if market value is based on comparable evidence without proper adjustment to reflect policy compliant planning obligations, this introduces a circularity, which encourages developers to overpay for sites and try to recover some or all of this overpayment via reductions in planning obligations" (RICS 2015[212] p26). Thus a market value approach should only be accepted where it can be demonstrated to properly reflect policy requirements and take account of site specific circumstances. In any cases this will require an adjustment of market comparables to take account of policy compliant planning obligations.*

*4.1.6 Likewise, if an "Alternative Use Value" approach is used it must also reflect policy requirements. In addition, the approach should only be used if the alternative use would fully comply with development plan polices and it can be demonstrated that the alternative use could be implemented on the site in question.*

[209] RICS Financial Viability in Planning 2012 ibid
[210] NPPG Viability and decision taking. Land value. Reference ID : 10-023-20140306

[11] Viability Testing Local Plans: Advice for planning practitioners, Local Housing Delivery Group, Chaired by Sir John Harman, June 2012

[211] RICS Financial Viability Appraisal in Planning Decisions: Theory and Practice. April 2015
[212] ibid"

3.11 In light of the weaknesses in the market value approach, the Local Housing Delivery Group guidance recommends that benchmark land value "*is based on a premium over current use valu*e" with the "*precise figure that should be used as an appropriate premium above current use value [being] determined locally"*. The guidance considers that this approach "*is in line with reference in the NPPF to take account of a "competitive return" to a willing land owner"*.

3.12 The examination on the Mayor of London's CIL charging schedule considered the issue of an appropriate land value benchmark. The Mayor had adopted existing use value, while certain objectors suggested that "Market Value" was a more appropriate benchmark. The Examiner concluded that:

*"The market value approach…. while offering certainty on the price paid for a development site, suffers from being based on prices agreed in an historic policy context." (Para 8)* and that "*I don't believe that the EUV approach can be accurately described as fundamentally flawed or that this examination should be adjourned to allow work based on the market approach to be done*" (Para 9).

3.13 In his concluding remark, the Examiner points out that

*"the price paid for development land may be reduced* [so that CIL may be accommodated]. *As with profit levels there may be cries that this is unrealistic, but a reduction in development land value is an inherent part of the CIL concept. It may be argued that such a reduction may be all very well in the medium to long term but it is impossible in the short term because of the price already paid/agreed for development land. The difficulty with that argument is that if accepted the prospect of raising funds for infrastructure would be forever receding into the future. In any event in some instances it may be possible for contracts and options to be re-negotiated in the light of the changed circumstances arising from the imposition of CIL charges."* (Para 32 – emphasis added).

3.14 It is important to stress, therefore, that there is no single threshold land value at which land will come forward for development. The decision to bring land forward will depend on the type of owner and, in particular, whether the owner occupies the site or holds it as an asset; the strength of demand for the site's current use in comparison to others; how offers received compare to the owner's perception of the value of the site, which in turn is influenced by prices achieved by other sites. Given the lack of a single threshold land value, it is difficult for policy makers to determine the minimum land value that sites should achieve. This will ultimately be a matter of judgement for each planning authority.

3.15 Respondents to consultations on planning policy documents in Southwark and other authorities in London have made various references to the RICS Guidance on "Viability in Planning" and have suggested that councils should run their analysis on market values. This would be an extremely misleading measure against which to test viability, as market values should reflect *existing policies already in place*, and would consequently tell us nothing as to how future (as yet un-adopted) policies might impact on viability. It has been widely accepted elsewhere that market values are inappropriate for testing planning policy requirements.)

3.16 Relying upon historic transactions is a fundamentally flawed approach, as offers for these sites will have been framed in the context of *current* planning policy requirements, so an exercise using these transactions as a benchmark would tell the Council nothing about the potential for sites to absorb *as yet unadopted*

policies. Various Local Plan inspectors and CIL examiners have accepted the key point that Local Plan policies and CIL will ultimately result in a reduction in land values, so benchmarks must consider a reasonable minimum threshold which landowners will accept. For local authority areas such as Southwark, where the vast majority of sites are previously developed, the "bottom line" in terms of land value will be the value of the site in its existing use. This fundamental point is recognised by the RICS at paragraph 3.4.4. of their Guidance Note on "Financial Viability in planning":

*"For a development to be financially viable, any uplift from current use value to residual land value that arises when planning permission is granted should be able to meet the cost of planning obligations while ensuring an appropriate Site Value for the landowner and a market risk adjusted return to the developer in delivering that project (the NPPF refers to this as "competitive returns" respectively). The return to the landowner will be in the form of a land value in excess of current use value".*

3.17 Commentators also make reference to "market testing" of benchmark land values. This is another variant of the benchmarking advocated by respondents outlined at paragraph 3.16. These respondents advocate using benchmarks that are based on the prices that sites have been bought and sold for. There are significant weaknesses in this approach which none of the respondents who advocate this have addressed. In brief, prices paid for sites are a highly unreliable indicator of their actual value, due to the following reasons:

- Transactions are often based on bids that "take a view" on squeezing planning policy requirements below target levels. This results in prices paid being too high to allow for policy targets to be met. If these transactions are used to "market test" benchmark land values for testing planning policies, the outcome would be unreliable and potentially highly misleading.

- Historic transactions of housing sites are often based on the receipt of grant funding, which is no longer available.

- There would be a need to determine whether the developer who built out the comparator sites actually achieved a profit at the equivalent level to the profit adopted in the viability testing. If the developer achieved a sub-optimal level of profit, then any benchmarking using these transactions would produce unreliable and misleading results.

- Developers often build assumptions of growth in sales values into their appraisals, which provides a higher gross development value than would actually be achieved today. Given that our appraisals are based on current values, using prices paid would result in an inconsistent comparison (i.e. current values against the developer's assumed future values). Using these transactions would produce unreliable and misleading results.

3.18 These issues are evident from a recent BNP Paribas Real Estate review of the differences between the value ascribed to developments by applicants in their viability appraisals and the amounts the sites were purchased for by the same parties. The prices paid exceeded the value of the consented schemes by between 52% and 1,300%.

3.19 For the reasons set out above, the approach of using current use values is a more reliable indicator of viability than using market values or prices paid for sites, as advocated by certain respondents. Both assessment and the Council's previous viability evidence base documents follow this approach. Further details are set out in Section 4.

# 4 Appraisal assumptions

## Representative schemes tested

### Notional development schemes

4.1 We have appraised nine notional development schemes reflecting both the range of sales values/capital values and also sizes/types of development and densities of development within the OKR OA. In establishing these typologies the Council have reviewed historic planning applications and in particular have had regard to development anticipated to come forward in the OA. These typologies are therefore reflective of developments that have been consented/delivered in the borough as well as those the Council expects to come forward in the OKR OA in future. Details of the residential schemes appraised are provided below in tables 4.1.1 and 4.1.2 below.

**Table 4.1.1: Notional development schemes**

| No. | Description of Development | Gross site area (Ha) | Site Gross to Net % |
|---|---|---|---|
| 1 | 11 homes and 500 sq m of retail - up to 6 storeys | 0.06 | 100% |
| 2 | 30 homes - up to 6 storeys | 0.15 | 100% |
| 3 | 65 homes - 7 to 13 storeys | 0.30 | 100% |
| 4 | 100 homes and 2,000 sq m of retail - 7 to 13 storeys | 0.5 | 100% |
| 5 | 180 homes and 2,000 sq m of employment space - 7 to 13 storeys | 0.7 | 100% |
| 6 | 300 homes and 3,000 sq m of employment space - 7 to 13 storeys | 1.1 | 100% |
| 7 | 450 homes, 1,000 sq m of retail use, 5,000 sq m of employment space and open space - 14 to 35 storeys | 1.2 | 95% |
| 8 | 650 homes, 3,000 sq m of retail use, 4,000 sq m of hotel space and open space - 14 to 35 storeys | 1.7 | 95% |
| 9 | 6,850 sq m of Student housing - 7 to 13 storeys | 0.32 | 100% |

**Table 4.1.2: Unit Mix (across all tenures taken together)**

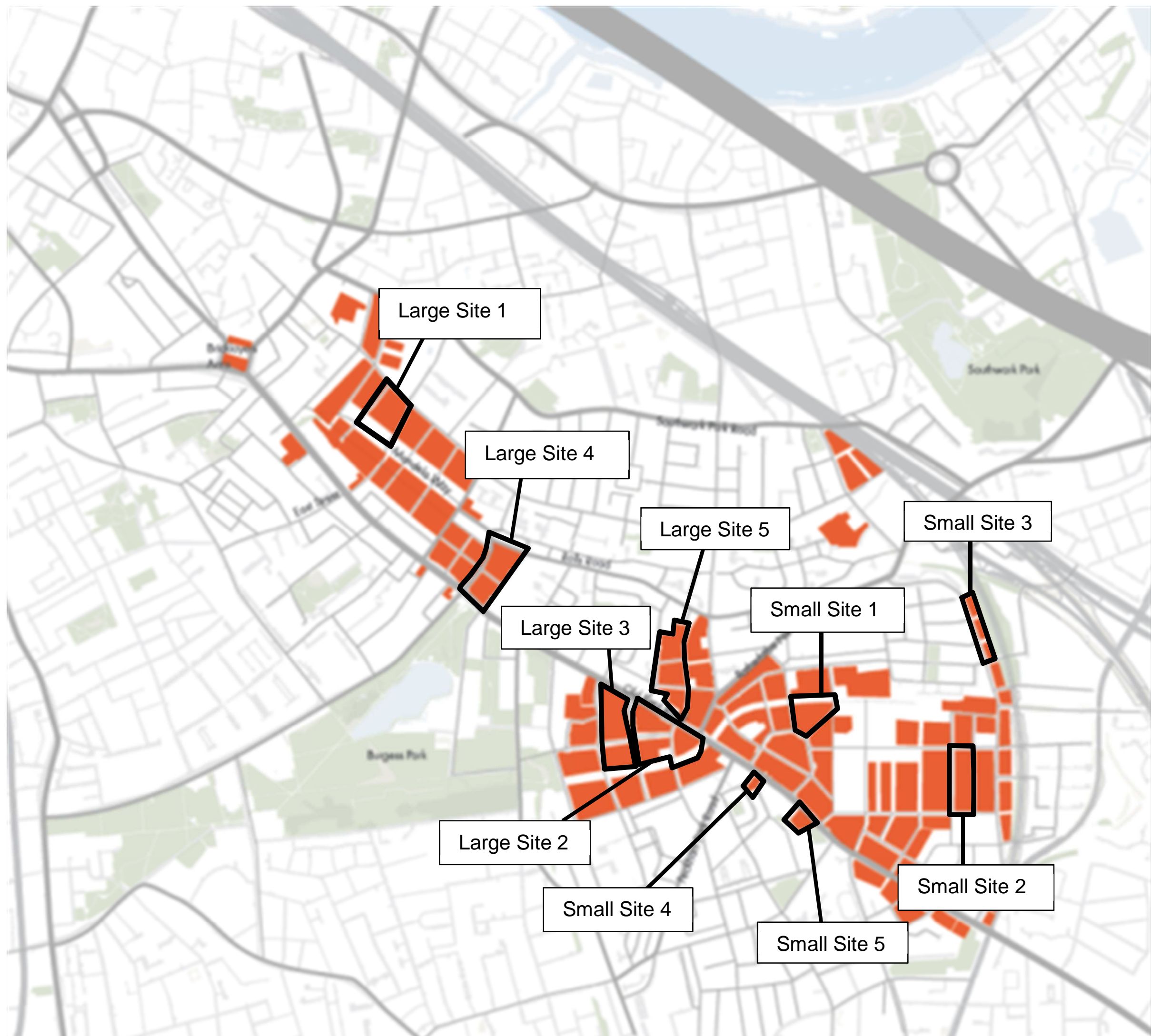
| Unit type | Unit size | Percentage |
|---|---|---|
| 1 Bed flat | 49 sq m | 35.00% |
| 2 bed flat | 70 sq m | 40.00% |
| 3 bed flat | 92 sq m | 20.00% |
| 4 bed flat | 110 sq m | 5.00% |

### Real sites schemes

4.2 As a second element of this study the Council have asked BNP Paribas Real Estate to consider the viability of ten potential real site schemes derived from the Council's "place making" study, which explored the potential to create new "places" along the Old Kent Road. This study includes an assessment and

rigorous testing of development capacity (taking into account the emerging place-making principles). The Council provided key data on each site including existing uses and floorspace, proposed uses, floor areas, open space etc. Full details on these sites and schemes are set out in **Appendix 2**. Figure 4.2.1 below identifies the locations of the real sites within the OKR OA with indicative site boundaries as identified by the Council.

**Figure 4.2.1 Location of real sites in OKR OA**




## Residential sales values

4.3 As identified in Section 2, at present the majority of the OKR OA residential stock is second hand with much of this being ex local authority stock. Therefore much of the available evidence is considered to be inappropriate as a comparable to the values that could be achieved in a significant new build development. Second hand existing housing stock in the area is identified as achieving between circa £346 per sq sq ft - £716 per sq ft. Where new developments have come forward it is evident that they are achieving well in excess of the values of the existing stock, for example units available in the new developments in the north of the OA are being marketed in excess of £1,000 per sq ft and developments in the south west of the OA have achieved in excess of £700 per sq ft.

4.4 In light of the above, in addition to available evidence of transactions and units on the market within the OKR OA we have also taken into consideration advice from our new homes team regarding the key surrounding locations. We have also considered the recent regeneration these areas have gone through and the manner in which the market has reacted.

4.5 The three target locations surrounding the OKR OA considered were: Elephant & Castle, Southwark/Borough, Surrey Quays/Deptford. All of these locations have benefitted from a degree of regeneration and as such are well placed to provide an indication on pricing in the OKR OA.

4.6 The Elephant and Castle area has seen a dramatic change in recent years, with a shift towards regeneration and new builds forming the base for the redefined location. This area benefits from excellent transport links, whilst not originally being perceived as the most desired location. With pricing having varied there greatly in terms of price per square foot, this has brought in an eclectic demographic of new residence, as well as the more common foreign investment. This varied pricing has led to a steady stream of availability, rather than the oversupply seen in other London regeneration locations. We note that values were identified as being on average between £450 - £650 per sq ft in the Elephant and Castle Opportunity Area in 2011. In 2013 when the new developments started coming forward they were averaging circa £800 per sq ft and in 2015 units in the Elephant Park development were marketed at an average of circa £1,000 per sq ft with minimum asking values of over £825 per sq ft. Developments in Albany Place and Stead Street, which are further away from the Elephant and Castle Tube Station and regeneration area are currently on the market for in excess of £700 per sq ft.

4.7 The Southwark and Borough areas have also undergone a transition. This is not as stark as the Elephant and Castle OA and other local regeneration areas, however, it is evenly balanced and in keeping with the local area. Both locations have an excellent image and are very central locations to travel across the capital. We understand that whilst the larger schemes overlooking the river are achieving values significantly in excess of £1,000 per sq ft, it is still possible to buy units in developments in and around the area for below £1,000 per sq ft. We understand that this is a key value range at the moment as this contains the largest proportions of active buyers and meets the needs of many demographics. This level is in particular of interest for first time buyers, investors and people looking for second homes or pied a terre. A good example of such a development is the Linden Homes Corio scheme (just north of the OKR OA), which is priced at an average of circa £934 per sq ft, which we understand is receiving strong interest from all buyer types and 15 units sold at the end of March since the launch in January 2016. With a number of schemes in the pipeline and yet to launch both of these areas are predicted to benefit from further sales grow in the future.

4.8 Surrey Quays and Deptford are considered to be most pertinent to the analysis of the OKR OA. This area is located between the popular SE1 and the increasingly sought after borough of Royal Greenwich. Surrey Quays and Deptford have benefited significantly from regeneration and redevelopment of these surrounding locations and there are a number of high profile developers active in these locations such as Barratt Homes, Berkeley & Galliard bringing forward schemes of varying size. The positive growth of these areas has been heavily influenced by surrounding infrastructure including good schools, excellent and improved transport links and strong retail presence, all of which add to the attractiveness of the location. Average sales prices of residential units are currently identified as being in the region of £700 per sq ft, seeing growth of just short of 30% in 18 months from developments sold in late 2014 (achieving circa £550 per sq ft). We are aware of two large developments being actively pursued, Timberyard (Lend Lease) & Convoys Wharf (Hutchinson),

delivering 1,132 and 3,500 units respectively. The delivery of such large schemes in these locations shows the confidence that the developers have of the market and further of the potential for growth in these markets as well as acknowledging the demand for affordable London living, i.e. not just luxury developments. The Timberyard scheme gained consent in late 2015 and the development was launched in February 2016 with asking prices ranging between £594 per sq ft and £1,018 per sq ft.

4.9 With respect to new developments in the OKR OA:

- The Arden Court Development on Page's Walk, Bermondsey in the North of the OKR OA is due to complete in mid-2017. Units are currently being marketed for between £915 - £1,011 per sq ft.

- The Bath House development by Higgins Homes at 525-539 Old Kent Road, is due to come to the market imminently. The website identifies that prices for units in the scheme will start from £525,000 for two bed units and £550,000 for three bed units. Discussions with the sales team have identified that they have already received strong interest in the run up to launch. Having reviewed the floor plans submitted for planning, we understand that the smallest 2 beds are circa 61 sq m in size and the smallest 3 bed is 74.6 sq m. Taking these figures the asking prices per sq ft break back to circa £800 per sq ft and £685 per sq ft. It would not be unreasonable therefore for the scheme as a whole to achieve in excess of £700 per sq ft.

- We understand that the Chevron Apartments scheme on St James/ Road was a conversion from offices to residential under permitted development rights. These units came to the market at the beginning of November 2014 at circa £560 per sq ft and in the first quarter of 2016 the remaining units were released for between £600 to £936 per sq ft.

- The Bermondsey Works or Southwark Freeschool development on Verney Road is currently under construction and due for completion in the third quarter of 2017. The scheme launched on 28 May 2015 and by of Q2 2015 (i.e. June 2015) 59 units had been sold off plan. By the end of quarter three 2015 a further 44 units had sold and the scheme has been taken off the market to re-launch later in 2016. The analysis of the values as at early to mid-2015 was £584 per sq ft. Given the rapidity of the off plan sales it is considered that the units could have achieved higher sales values at the time and in our opinion the units will be marketed at significantly higher values in 2016.

4.10 The OKR OA offers a rare pocket of opportunity for redevelopment going forward and given its designation as a formal London Opportunity Area, with a view to extending the Bakerloo line to serve the area, the location is primed for development. The property market in this location is already seeing the benefits of the ripple effect from the surrounding areas and the acknowledgement of commitment towards the delivery of the necessary infrastructure to support significant growth infrastructure.

4.11 In addition, property in central London has seen a slowdown in recent months; however the benefit of this has been seen in Zones 2 & 3 throughout London. This combined with the core influx of buyers in and around £1,000 per square foot and the continued demand for opportunities at this level means there is strong confidence from developers that this level is the key pricing band moving forward.

4.12 Given the above we consider that values for new build developments in the OA would achieve at least circa £650 - £725 per sq ft at launch in the current

market, driving through to £850 - £900 in the short term. These figures are conservative however as units in the most desirable/saleable location in the OA, Bermondsey, are already achieving and being marketed at in excess of £900 - £1,000. Values in this part of the OA are expected to drive towards £1,050 - £1,150 per sq ft in the short term. It is considered that this along with large scale regeneration of the area will have a favourable influence on values throughout the OA.

4.13 On this basis the range of sales values identified and adopted in the schemes tested in this study are between £900 per sq ft and £625 per sq ft, with the higher end of the range to be achieved in the north of the OA and the lower end of the values to the south east of the OA.

### Affordable housing tenure and values

4.14 As identified in section 2 above the Council's emerging NSP policy DM 1, sets out that that the Council will seek as much affordable housing as is financially viable on developments of 10 or more units and where developments comprised of 10 or more units they should provide a minimum of 35% affordable housing, subject to viability, with a tenure mix of at least 70% social rent and 30% intermediate homes. We have therefore tested the ability of all the typologies to deliver 35% affordable housing as well as a range between 10% to 50% affordable housing at 5% increments and 0% and 100% affordable housing scenarios.

4.15 Given that the CLG/HCA "*Affordable homes Programme 2015-2018: prospectus"* reconfirms that RPs will not receive grant funding for any affordable housing provided through planning obligations we have consequently assumed nil grant in all our base appraisals. We have however undertaken sensitivity testing, as requested by the Council, assuming the availability of grant of £72,000 per social rented dwelling and £28,000 per shared ownership dwelling.

#### *Social rented affordable housing*

4.16 We understand that based on the identified need in the LBS, the Council is prioritising the delivery of social rented accommodation at target rents. In this regard they have requested we test development with purely social rented units as the rented element of affordable housing.

4.17 We have used our bespoke model to value the affordable housing, specifically created for this purpose, which replicates how RPs undertake such appraisals. This model runs cashflows for the rented tenures in Southwark over a period of circa 35 years which capitalises the net rental income stream. With respect to the social rented accommodation the model calculates the gross rent for these properties derived from a combination of property values (as at January 1999), local earnings and property size subject to not exceeding the rent cap for the 2015-2016 period, in line with HCA guidance. The net rent is then calculated by taking into account factors such as: standard levels for individual registered providers (RP's) management and maintenance costs; finance rates currently obtainable in the sector; allowances for voids and bad debt.

4.18 In the July 2015 Budget, the Chancellor announced that RPs will be required to reduce rents by 1% per annum for the next four years. This will reduce the capital values that RPs will pay developers for completed affordable housing units. At this stage, it is unclear whether this requirement will roll forward beyond the four year period 2015/16 to 2018/19. Our model accounts for this by reducing rents in years 1 to 4, which is a cautious assumption and assumes that the restriction will remain in place in perpetuity for social rented accommodation in this study.

4.19 We set out the results of our appraisals from our bespoke model, taking into account the above, of the social rents achievable in the borough at **Appendix 3**.

***Intermediate affordable accommodation***

4.20 Our assessment of shared ownership units has been based on the following assumptions. RPs will sell 25% initial equity stakes and charge a rent of up to 2.75% on the retained equity. A 3% charge for management is deducted from the rental income and the net amount is capitalised using a yield of 5%. In all cases, the values are capped (if necessary) to ensure that total housing costs (mortgage payment, rent and service charge) are affordable to households on incomes identified in the Council's Draft Affordable Housing SPD, 2011 (as updated) and that households spend no more than 40% of their net income on housing. We have also undertaken sensitivity testing based on the GLA's higher income thresholds. We set out these income thresholds in Table 4.20.1 overleaf.

**Table 4.20.1 Intermediate income thresholds**

| Unit Type | LB Southwark threshold |
|---|---|
| 1 Bed | £39,087 |
| 2 Bed | £46,184 |
| 3 Bed | £53,612 |
| 4 Bed | £60,081 |

### Commercial revenue

4.21 We have undertaken research into the commercial revenue achievable for new build offices, retail, student and hotel uses in the OKR OA through online databases such as EGi and Costar Suite as well as discussions with active local agents and our in house valuation and agency teams. Based on this research and advice we have adopted the assumptions as set out in Table 4.21.1 overleaf.

**Table 4.21.1: Commercial revenue inputs adopted in Study**

| Use | Rent | Yield | Incentives/vacancy assumptions |
|---|---|---|---|
| **Office (B1)** | £25 per sq ft | 6.50% | 12 months RF[12] 12 months void |
| **Retail (A1-A5)**<br>**Retail warehouse/supermarket** | £20 per sq ft<br>£24 per sq ft | 6.00%<br>4.75% | 6 months RF, 12 months void<br>6 months RF, 12 months void |
| **Student housing (C2)**<br>Direct let/private scheme<br><br>GLA Affordable student accommodation | £195 per week for singles and £257 per week for studios; and<br><br>£225 per week average rent for all rooms;<br><br>£257 per week average rent for all rooms; and<br><br>£155 per week and £195 during summer period | 5.00% | 95% occupancy term time and 50% occupancy summer let<br><br>51 week let for private units 38 week term time let at affordable rents and 13 week summer let at lower market rents<br><br>40 week term time let and 11 week summer let<br><br>40 week term time let and 11 week summer let |

[12] RF – Rent Free

| Use | Rent | Yield | Incentives/vacancy assumptions |
|---|---|---|---|
| **Leisure (D2)** | £20 per sq ft | 6.50% | 6 months RF, 12 months void |
| **Hotel (C1)** | £150,000 per room capital value | | |
| **Community/health etc. (D1)** | £17 per sq ft | 7% | 6 months RF, 12 months void |

## Build costs

4.22 We have considered the characteristics of each of the notional development schemes and adopted scheme appropriate base build costs and external costs as advised by WT Partnership. We set these out in Table 4.22.1 below. For the 10 real sites WT Partnership have been instructed to provided order of cost estimates, which are attached at **Appendix 4**, and we have adopted these in our appraisals.

### Table 4.22.1: Residential base build costs adopted in notional development schemes testing

| No. | Height | Gross to net | Residential (C3) costs per sq m | Externals (% of Base build cost) |
|---|---|---|---|---|
| 1 | Low density/rise up to 6 storeys | 80% | £1,900 | 15% |
| 2 | Low density/rise up to 6 storeys | 80% | £1,900 | 15% |
| 3 | Medium density/rise 7- 13 Storey | 75% | £2,250 | 12.5% |
| 4 | Medium density/rise 7- 13 Storey | 75% | £2,250 | 12.5% |
| 5 | Medium density/rise 7- 13 Storey | 75% | £2,250 | 12.5% |
| 6 | Medium density/rise 7- 13 Storey | 75% | £2,250 | 12.5% |
| 7 | High density/rise 14-35 Storey | 75% | £2,800 | 10% |
| 8 | High density/rise 14-35 Storey | 75% | £2,800 | 10% |
| 9 | Medium density/rise 7- 13 Storey | 75% | £2,250 | 12.5% |

### Table 4.22.2: Commercial base build costs adopted in typology testing

| Use | Build Cost per sq m | External works |
|---|---|---|
| Office (B1) | £1,600 | 15% |
| Retail (A1-A5)<br>Retail warehouse/supermarket | £1,450<br>£1,400 | 15% |
| Student housing (C2) | £1,850 | 15% |
| Hotel (C1) | £2,000 | 15% |
| Community Space (D1) | | |

4.23 WTP have advised that they consider the base residential costs allow for meeting part L of the building regulations and the minimum requirements of the London Plan.

4.24 The new London zero carbon homes requirements as set out in the GLA's Housing SPG (March 2016) come into force as of October 2016. WT Partnership have advised that the new requirements can be achieved by a combination of on site solutions and financial contributions to off -site solutions such as a district heating network infrastructure and retrofit of existing properties.

4.25 WT Partnership have reviewed various publications on the costs in relation to achieving zero carbon homes including the Zero Carbon Hub and Sweet Group's February 2014 publication entitled, "Cost Analysis: Meeting The Zero Carbon Standard". They have advised that based on this research and their experience they would expect an extra over cost above base build costs of 1.10% on the large plots and 1.30% on the small plots for the additional cost of achieving zero carbon homes over and above the present London Plan. On this basis we have allowed for these costs within our assessment.

4.26 In addition we note that this is in line with the advice set out in the GLA commissioned housing viability study[13]. It sets out the estimated cost impact of moving to zero carbon homes in 2016 as representing an additional 1-1.4% on base build cost.

4.27 With respect to the commercial schemes WT Partnership have advised that an extra over cost above the base build costs of 2% should be allowed for to account for meeting BREAM Excellent on the commercial uses, which we have adopted.

4.28 We understand there is a requirement from Thames Water to limit surface water run off to a greenfield rate of 5 litre/second / hectare where feasible. WT Partnership have provided advice on this matter identifying that to assist in the reduction of surface water discharge the following approaches can be adopted: green roofs or roofs designed to retain some rainwater, permeable paving, attenuation tanks, rainwater harvesting, sustainable urban drainage systems (SUDs), ponds, swales, retention basins etc.

4.29 WT Partnership have identified that it is difficult to assess the cost effect of this requirement as there are many factors which will affect the chosen methodology adopted for each development. Further, many of the solutions such as paving and roofs are enhancements of construction elements that are already required. In order to arrive at a figure to adopt in this study they have benchmarked cost data against similar projects in Central London they have advised on. These were based upon a mixture of SUDs, attenuation tanks and permeable paving and identified the cost to amount to an average of circa 0.03% of base build costs. This cost has been allowed for in our assessments.

### Professional fees

4.30 In addition to base build costs, schemes will incur professional fees, covering design, valuation, highways consultants and so on. Our appraisals incorporate a 10-12% allowance, dependent on the nature of the scheme and site constraints, which is a reasonable range for most schemes.

### Development finance

4.31 Our appraisals assume that development finance can be secured at a rate of 7%, inclusive of arrangement and exit fees, reflective of current funding conditions.

### Marketing costs

4.32 Our appraisals incorporate an allowance of 3%, which we consider to be an appropriate allowance.

[13] Greater London Authority Housing Standards Review: Viability Assessment by David Lock Associates with Hoar Lea and Gardiner & Theobald (May 2015)

### Developer's profit

4.33 Further to our comments set out in section 2 above we highlight that Developer's profit is closely correlated with the perceived risk of residential development. The greater the risk, the greater the required profit level, which helps to mitigate against the risk, but also to ensure that the potential rewards are sufficiently attractive for a bank and other equity providers to fund a scheme. In 2007, profit levels were at around 15-17% of development costs. However, following the impact of the credit crunch and the collapse in interbank lending and the various government bailouts of the banking sector, profit margins increased.

4.34 It is important to emphasise that the level of minimum profit is not necessarily determined by developers (although they will have their own view and the Boards of the major housebuilders will set targets for minimum profit). The views of the banks which fund development are more important; if the banks decline an application by a developer to borrow to fund a development, it is very unlikely to proceed, as developers rarely carry sufficient cash to fund it themselves. Consequently, future movements in profit levels will largely be determined by the attitudes of the banks towards development proposals.

4.35 The near collapse of the global banking system in the final quarter of 2008 resulted in a much tighter regulatory system, with UK banks having to take a much more cautious approach to all lending. In this context, and against the backdrop of the sovereign debt crisis in the Eurozone, the banks were reluctant to allow profit levels to decrease much lower than their current level of 20%. Following the improvement of the market from 2012, the Council and BNP Paribas Real Estate understands that developers are currently targeting profit levels of between 17% to 20% of private housing GDV in the Borough as sales risk is perceived to be lower than during the housing market recession of 2008 to 2012.

4.36 Our assumed return on the affordable housing GDV is 6%. A lower return on the affordable housing is appropriate as there is very limited sales risk on these units for the developer; there is often a pre-sale of the units to an RP prior to commencement. Any risk associated with take up of intermediate housing is borne by the acquiring RP, not by the developer. A reduced profit level on the affordable housing reflects the GLA "Development Control Toolkit" guidance and Homes and Communities Agency's guidelines in its Economic Appraisal Tool.

4.37 This issue was considered in detail by the Inspector of the Former Holsworthy Showground, Trewyn Road, Holsworth Appeal[14]. The Inspector identified that, *"profit margin will vary from site to site and in different circumstances. On risky sites it is to be expected that profit expectations would be higher, and vice versa."* He goes on to state that, *"there are various "rules of thumb" which are quoted when discussing developer profit, and these tend to vary between 15% and 25%. That would tend to support a mid-range figure in the region of 20% for a "run of the mill" site. But equally it is often a "rule of thumb" that affordable housing carries less risk and that a profit of about 6% is reasonable. That is not the aspiration of the developer here. However, I have heard no convincing evidence that the risks of affordable housing provision on this site are such that 20% across the board profit is reasonable. Adoption of 20% for open market and 6% affordable in this case would produce a "blended" margin of about 18%."* He concludes by stating that, *"taking these matters in the round I am not persuaded that a profit of 20% on both open market and affordable housing has been justified. The risk of affordable provision here is not greater than would be expected on any site given the existing need for affordable housing."*

[14] Appeal Ref: APP/W1145/Q/13/2204429

4.38 This split profit approach accords with the approach taken in the Southwark CIL Viability Study as well as that adopted by developers in their assessments submitted to the Council for actual schemes seeking planning consent in the borough.
Notwithstanding the above, we note that there is market sentiment that given the improvement in the market since 2012 that targeted profit margins have moved in. We attached at **Appendix 5** of the CIL 2014 Viability Study Update assessment a copy of a letter from the District Valuers Service (DVS), who undertake the majority of the Council's site specific viability assessments for planning applications. In this letter dated 19 September 2014 they identified that,

*"We have never accepted a profit level in excess of 20% of value;*

- *Typically over the last 18 months we have assessed profit on value in the order of 17.5%;*
- *As an alternative, sometimes we have assessed scheme profit on cost and typically in the order of 20%; and*
- *The exact % will vary from scheme to scheme."*

4.39 Given the above and following discussions with the Council we have adopted an assumption of 18% profit on GDV for private residential and 6% on affordable.

**CIL and S106**

4.40 We have included allowances for Mayoral and borough CIL as appropriate. We have also allowed for indexation against the RICS BCIS All-In-Tender Price index as required by the regulations for the current day values of both Mayoral and Borough CIL and the forecast figures for 2017. This has identified the following assumptions:

- Mayoral CIL:
  - 2016 values (inflation between Q4 2011 to Q4 2015) 22.87%; and
  - 2017 values (inflation between Q4 2011 to Q4 2016) 26.91%.
- Borough CIL:
  - 2016 values (inflation between Q4 2014 to Q4 2015) 5.39%; and
  - 2017 values (inflation between Q4 2011 to Q4 2016) 8.85%.

4.41 In calculating the CIL liability of schemes we have allowed for discounts to CIL liable floorspace related to existing floorspace which has been occupied for 6 months in the last 36 months in line with the CIL Regulations. This is based on the actual existing floorspace identified for the real sites and an average of 20% existing floorspace allowed for in the notional schemes, derived from an analysis of the average existing floorspace in the real sites.

4.42 Our appraisals also incorporate notional allowances of £2,000 per unit for residential schemes and £30 per sq m for commercial schemes to address any residual Section 106 costs. These costs are based on advice from the Council following a review of actual residual S106 contributions secured on sites in the borough.

**Development and sales periods**

4.43 Development and sales periods are based on an assumption of a sales rate of 7 units per month, which is reflective of current market conditions. We have also allowed for an element of off plan sales as we understand from agents active in the local market that schemes are easily achieving off plan sales of up to 100%. Given this position we have allowed for 75% off plan sales.

### Exceptional costs

4.44 Exceptional costs can be an issue for development viability on previously developed land. Exceptional costs relate to works that are "atypical", such as remediation of sites in former industrial use and that are over and above standard build costs. However, for the purposes of this exercise, it is not possible to provide a reliable estimate of what exceptional costs would be, as they will differ significantly from site to site. Our analysis therefore excludes exceptional costs, as to apply a blanket allowance would generate misleading results. An "average" level of costs for decontamination, flood risk mitigation and other "abnormal" costs is already reflected in base build costs data, as such costs are frequently encountered on sites that form the basis of the benchmark data that have informed WT Partnership's advice.

4.45 We would also highlight that the Bristol CIL examiner identified at Para 26 of his report dated July 2012, that, "By definition, the CIL cannot make allowance for abnormal, site specific, costs. The rates have to be based on a generic analysis of a variety of size and type of schemes across the area, taking into account average local build costs, not the individual circumstances of particular sites. The fact that a few specific schemes that are already marginal may become unviable in certain locations should not have a significant impact on the delivery of new housing across the city to meet the requirements of the adopted CS." In addition it is considered that the costs associated with the remediation of such sites would be taken into consideration in the land value.

### Benchmark land values

4.46 As identified in Section 2 above, BNP Paribas Real Estate considers the appropriate benchmark land values to be based on the existing use value or alternative use value of sites in the assessment of development economics for testing planning policies and tariffs. This position is supported by the Harman Group Guidance. Clearly, there is a point where the Residual Land Value (what the landowner receives from a developer) that results from a scheme may be less than the land's existing use value. Existing use values can vary significantly, depending on the demand for the type of building relative to other areas. Similarly, subject to planning permission, the potential development site may be capable of being used in different ways – as a hotel rather than residential for example; or at least a different mix of uses. Existing use value or alternative use value are effectively the "bottom line" in a financial sense and therefore a key factor in this study.

4.47 We have undertaken an assessment of the existing use values of the site specific schemes. The existing use value for each site is determined by the existing use/building on the site and is calculated using local market rents and yields, gathered through research into rents and yields of comparable secondary space in the borough. These values are therefore based on local market information. See the schedule at **Appendix 2** for details of the benchmark land values and our assumptions adopted in arriving at the value of each of the 10 specific sites schemes tested in this study. A blanket premium assumption of 20% has been applied to each of the existing use values taking a cautious approach and reflecting that the sites identified in the study are currently occupied commercial floorspace. Premiums relate to the perceived investment value of a property, which in turn relates to the current condition of the premises, the occupancy and likely demand for the property in question. This is the amount over and above the existing value of the site that reflects an incentive for a landowner to sell their site i.e. a "competitive return" (Para 173 NPPF).

4.48 For the notional sites we have adopted a range of four benchmark values, which have been derived from the 10 specific sites identified in the study. This has ensured the consideration of a number of existing uses likely to come forward for redevelopment within the OKR OA and therefore the benchmarks adopted reflect an appropriate range of values for the study to consider. In order to arrive at appropriate benchmark values, we have analysed the benchmark land values for the 10 site specific schemes tested in the study on a per hectare basis. From this data we have established the likely range of average values, which we have adopted as our benchmark assumptions. These have been identified as follows:

**Table 4.48.1 Benchmarks adopted for Notional sites testing per Ha**

| Benchmark name | Benchmark Land Value |
|---|---|
| Highest value range | £27,624,000 |
| Upper mid value range | £17,299,000 |
| Lower mid value range | £13,474,000 |
| Lowest value range | £4,557,000 |

# 5 Appraisal outputs

5.1 The full inputs to and outputs from our appraisals of the various developments are set out in Section 4 and Appendices 4 to 9. We have appraised 9 notional development schemes, reflecting different densities and types of development across the OKR OA, likely to come forward and 10 specific site developments as advised by the Council.

5.2 Each appraisal incorporates the Council's affordable housing requirement (35%) and tests the scheme's ability to support the current adopted CIL indexed to 2016 values (different rates for zones 2 and 3) and the higher flat rate CIL across the OA (equivalent to zone 2 rate) at the indexed 2017 value of £217.70.

5.3 For each of the notional development schemes we have also undertaken further sensitivity testing including:

- higher and lower levels of affordable housing, in recognition that the policy is flexible in response to viability;
- the availability of grant; and
- growth in sales values including a further improvement of 5% related to the regeneration of the area and the forecast build costs[15].

5.4 Each page of appendices 4-6 shows the residual land value generated by the scheme (based on the particular combination of affordable housing percentage, sales values and costs), in the grey boxes, and compares this to each of the four benchmark land values, in the yellow boxes.

- Green shading in the results indicates that scheme is viable (where the residual land value is higher than the benchmark land value); and
- Red shading indicates that the scheme is unviable (where the residual land value is lower than the Existing Use Value).

5.5 The appraisals test the impact of the Council's planning requirements along with a matrix of varying levels of affordable housing and CIL.

5.6 An example of the layout used to present the Notional Schemes appraisal outputs is provided overleaf. The details as to scheme being tested and the assumptions on: value area, availability of grant and growth in sales value and costs (if any) for each set of results are stated at the top of each page.

5.7 In the example, this particular notional development scheme 2, located in value area £865 per sq ft assuming no growth or grant could viably absorb policy requirements along with 15% affordable housing at current Zone 2 CIL and 20% affordable housing at current Zone 3 CIL assuming the highest benchmark land value. This increases to 35% affordable housing for both current Zone 2 and 3 CIL when considering the scheme against benchmark land value 2. The results identify that the values remain unchanged where the higher 2017 CIL rates are charged as compared to the respective 2016 charges.

5.8 Viability has been tested at eleven levels of affordable housing, although it should be noted that if a scheme is shown to be viable, a greater level of affordable housing might be deliverable within the "interval" that has been tested. For example, if a scheme is shown to be viable with 35% affordable

[15] This rate reflects not only the widespread regeneration but also the impact on values a new underground station will make. We note that Knight Frank identify in their 2015 Crossrail research (Analysing Property Market Performance from Reading to Shenfield 2015) identifies "to date, average residential price growth in and around Crossrail stations has outperformed that seen in the surrounding local authority areas by 5%. Some areas have seen stronger growth than others (see maps), with overall price performance generally stronger in central London."

housing, but not with 40% affordable housing the actual level of affordable housing that could be provided will fall between 35 and 40%.

**Table 5.88.1: Example of notional development schemes appraisal results**

**LB SOUTHWARK**
**Old Kent Road Viability Study**

| T2 - 30 Flats | |
|---|---|
| No Units | 30 |
| Site Area | 0.15 Ha |

| | |
|---|---|
| Grant Available | No |
| Value Area | £865 psf |
| Sales value inflation | 0% |
| Build cost inflation | 0% |
| Sensitivity testing Assumption | None |

Residual land values:

| % of AH | % of AH as rented | 2016 values and indexed CIL (£210.77) | 2016 values and indexed CIL (£52.69) | 2016 values and 2017 indexed CIL (£217.69) | 2016 values and 2017 indexed CIL (£54.52) |
|---|---|---|---|---|---|
| 0% | 70% | £5,831,075 | £6,121,721 | £5,815,741 | £6,115,933 |
| 10% | 70% | £4,918,947 | £5,180,528 | £4,905,146 | £5,175,319 |
| 15% | 70% | £4,462,882 | £4,709,931 | £4,449,848 | £4,705,011 |
| 20% | 70% | £4,006,818 | £4,239,334 | £3,994,550 | £4,234,704 |
| 25% | 70% | £3,550,753 | £3,768,738 | £3,539,252 | £3,764,397 |
| 30% | 70% | £3,094,690 | £3,298,141 | £3,083,955 | £3,294,090 |
| 35% | 70% | £2,638,625 | £2,827,545 | £2,628,658 | £2,823,783 |
| 40% | 70% | £2,182,560 | £2,356,948 | £2,173,360 | £2,353,475 |
| 45% | 70% | £1,726,496 | £1,886,351 | £1,718,062 | £1,883,168 |
| 50% | 70% | £1,270,431 | £1,415,754 | £1,262,764 | £1,412,861 |
| 100% | 70% | -£3,344,025 | -£3,344,025 | -£3,344,025 | -£3,344,025 |

Residual Land values compared to benchmark land values
Benchmark 1 - Highest

£27,624,383

| % of AH | % of AH as rented | 2016 values and indexed CIL (£210.77) | 2016 values and indexed CIL (£52.69) | 2016 values and 2017 indexed CIL (£217.69) | 2016 values and 2017 indexed CIL (£54.52) |
|---|---|---|---|---|---|
| 0% | 70% | £1,687,418 | £1,978,064 | £1,672,083 | £1,972,276 |
| 10% | 70% | £775,289 | £1,036,870 | £761,489 | £1,031,662 |
| 15% | 70% | £319,224 | £566,273 | £306,191 | £561,354 |
| 20% | 70% | -£136,839 | £95,677 | -£149,107 | £91,046 |
| 25% | 70% | -£592,904 | -£374,919 | -£604,405 | -£379,260 |
| 30% | 70% | -£1,048,968 | -£845,516 | -£1,059,703 | -£849,568 |
| 35% | 70% | -£1,505,033 | -£1,316,113 | -£1,515,000 | -£1,319,875 |
| 40% | 70% | -£1,961,097 | -£1,786,710 | -£1,970,298 | -£1,790,182 |
| 45% | 70% | -£2,417,161 | -£2,257,307 | -£2,425,595 | -£2,260,490 |
| 50% | 70% | -£2,873,226 | -£2,727,903 | -£2,880,893 | -£2,730,796 |
| 100% | 70% | -£7,487,682 | -£7,487,682 | -£7,487,682 | -£7,487,682 |

Residual Land values compared to benchmark land values
Benchmark 2 - Upper mid

£17,299,427

| % of AH | % of AH as rented | 2016 values and indexed CIL (£210.77) | 2016 values and indexed CIL (£52.69) | 2016 values and 2017 indexed CIL (£217.69) | 2016 values and 2017 indexed CIL (£54.52) |
|---|---|---|---|---|---|
| 0% | 70% | £3,236,161 | £3,526,807 | £3,220,827 | £3,521,019 |
| 10% | 70% | £2,324,033 | £2,585,614 | £2,310,232 | £2,580,405 |
| 15% | 70% | £1,867,968 | £2,115,017 | £1,854,934 | £2,110,097 |
| 20% | 70% | £1,411,904 | £1,644,420 | £1,399,636 | £1,639,790 |
| 25% | 70% | £955,839 | £1,173,824 | £944,338 | £1,169,483 |
| 30% | 70% | £499,776 | £703,227 | £489,041 | £699,176 |
| 35% | 70% | £43,711 | £232,631 | £33,744 | £228,869 |
| 40% | 70% | -£412,354 | -£237,966 | -£421,554 | -£241,439 |
| 45% | 70% | -£868,418 | -£708,563 | -£876,852 | -£711,746 |
| 50% | 70% | -£1,324,483 | -£1,179,160 | -£1,332,150 | -£1,182,053 |
| 100% | 70% | -£5,938,938 | -£5,938,938 | -£5,938,938 | -£5,938,938 |

5.9 The real sites appraisals have been undertaken in Argus Developer (see **appendices 10 and 11**) and the results (residual values) have been included in a spreadsheet comparing the residual land values against the relevant benchmark land value (see **Appendix 9**). As with the notional schemes, the results schedule is colour coded so the scenario tested will indicate red where it is unviable against the benchmark land value and green where it is viable.

# 6 Assessment of the results

6.1 This section first sets out the results of our appraisals with the residual land values calculated for the 9 notional development scenarios with sales values and capital values reflective of market conditions across the OKR OA. These RLVs are then compared to four benchmark land values representing the likely range of existing use values for the sites. The second part of this section sets out the results of the appraisals of the 10 specific site appraisals compared to their own respective benchmark land value.

6.2 Development value is finite and – in densely developed Boroughs such as Southwark - is rarely enhanced through the adoption of new policy requirements. This is because existing use values are sometimes relatively high prior to development. In the case of low quality industrial sites, existing use values will be lower and they will clearly have greater scope to secure an uplift in land value through the planning process. Such sites are also more vulnerable to speculative purchase with purchasers often paying far more than existing use value in the hope of securing a change of use. It is also worth noting that the value of good quality industrial space, particularly in central London locations, has seen an increase given the ever reducing supply of such space as it is redeveloped for alternative uses, as well as reflecting the improved economic position. In contrast, areas which have previously undeveloped land clearly have greater scope to secure an uplift in land value through the planning process.

6.3 In assessing the results, it is important to clearly distinguish between two scenarios; namely, schemes that are unviable *regardless of the Council's policy requirements, including the level of CIL* and schemes that are viable *prior* to the imposition of policy requirements. If a scheme is unviable before policy requirements and CIL are levied, it is unlikely to come forward and policy requirements and CIL would not be a factor that comes into play in the developer's/landowner's decision making. The unviable schemes will only become viable following an increase in values and sites would remain in their existing use.

**Notional Development scenarios**

6.4 We set out below a sample of the results of our appraisals considering the impact of the Council's requirements for affordable housing and CIL at current indexation levels and assuming indexation for 2017 at both Zone 2 and Zone 3 residential charges. All of the appraisals for the notional developments are in Appendices 4 to 6.

6.5 Table 6.5.1 below summarises the results of our appraisals of a purely residential scheme at a range of sales values achievable in the OA measured against all four benchmark land values. This identifies that at higher benchmark land values and lower sales values viability can become challenging. The testing has also identified that an increase in the CIL rate from Zone 3 to Zone 2 rates (through redrawing the zone 2 boundary) has a nominal impact on viability and at most results in a 5% difference in affordable housing.

6.6 The Council requested we also test the viability of schemes allowing for an element of grant funding towards affordable housing. We have tested this and have included the results of this testing below as well as the results without grant funding. The results identify that the allowance of grant improves viability and can facilitate up to 10% additional affordable housing.

**Table 6.5.1: Notional Scheme 3 – 65 Flats**

***Sales value of £900 per sq ft***

***Benchmark land value 1***

**No grant**

| % of AH | % of AH as rented | 2016 values and indexed CIL (£210.77) | 2016 values and indexed CIL (£52.69) | 2016 values and 2017 indexed CIL (£217.69) | 2016 values and 2017 indexed CIL (£54.52) |
|---|---|---|---|---|---|
| 0% | 70% | £2,674,783 | £3,369,226 | £2,638,145 | £3,355,398 |
| 10% | 70% | £518,536 | £1,143,535 | £485,561 | £1,131,089 |
| 15% | 70% | -£559,588 | £30,689 | -£590,731 | £18,935 |
| 20% | 70% | -£1,637,712 | -£1,082,158 | -£1,667,022 | -£1,093,220 |
| 25% | 70% | -£2,715,835 | -£2,195,004 | -£2,743,315 | -£2,205,375 |
| 30% | 70% | -£3,793,959 | -£3,307,849 | -£3,819,606 | -£3,317,529 |
| 35% | 70% | -£4,872,083 | -£4,420,695 | -£4,895,898 | -£4,429,684 |
| 40% | 70% | -£5,950,207 | -£5,533,541 | -£5,972,190 | -£5,541,838 |
| 45% | 70% | -£7,028,330 | -£6,646,387 | -£7,048,482 | -£6,653,993 |
| 50% | 70% | -£8,106,454 | -£7,759,233 | -£8,124,773 | -£7,766,147 |
| 100% | 70% | -£19,061,064 | -£19,061,064 | -£19,061,064 | -£19,061,064 |

**With grant**

| % of AH | % of AH as rented | 2016 values and indexed CIL (£210.77) | 2016 values and indexed CIL (£52.69) | 2016 values and 2017 indexed CIL (£217.69) | 2016 values and 2017 indexed CIL (£54.52) |
|---|---|---|---|---|---|
| 0% | 70% | £2,674,783 | £3,369,226 | £2,638,145 | £3,355,398 |
| 10% | 70% | £852,722 | £1,477,721 | £819,747 | £1,465,275 |
| 15% | 70% | -£58,309 | £531,967 | -£89,452 | £520,212 |
| 20% | 70% | -£969,340 | -£413,786 | -£998,651 | -£424,849 |
| 25% | 70% | -£1,880,371 | -£1,359,539 | -£1,907,850 | -£1,369,911 |
| 30% | 70% | -£2,791,402 | -£2,305,292 | -£2,817,050 | -£2,314,972 |
| 35% | 70% | -£3,702,432 | -£3,251,045 | -£3,726,248 | -£3,260,034 |
| 40% | 70% | -£4,613,464 | -£4,196,798 | -£4,635,447 | -£4,205,095 |
| 45% | 70% | -£5,524,495 | -£5,142,551 | -£5,544,646 | -£5,150,156 |
| 50% | 70% | -£6,435,526 | -£6,088,305 | -£6,453,845 | -£6,095,219 |
| 100% | 70% | -£15,664,551 | -£15,664,551 | -£15,664,551 | -£15,664,551 |

***Benchmark land value 2***

**No grant**

| % of AH | % of AH as rented | 2016 values and indexed CIL (£210.77) | 2016 values and indexed CIL (£52.69) | 2016 values and 2017 indexed CIL (£217.69) | 2016 values and 2017 indexed CIL (£54.52) |
|---|---|---|---|---|---|
| 0% | 70% | £5,772,223 | £6,466,665 | £5,735,584 | £6,452,837 |
| 10% | 70% | £3,615,976 | £4,240,974 | £3,583,001 | £4,228,528 |
| 15% | 70% | £2,537,852 | £3,128,128 | £2,506,708 | £3,116,374 |
| 20% | 70% | £1,459,728 | £2,015,282 | £1,430,417 | £2,004,219 |
| 25% | 70% | £381,605 | £902,436 | £354,125 | £892,065 |
| 30% | 70% | -£696,520 | -£210,409 | -£722,167 | -£220,089 |
| 35% | 70% | -£1,774,644 | -£1,323,255 | -£1,798,459 | -£1,332,244 |
| 40% | 70% | -£2,852,768 | -£2,436,101 | -£2,874,750 | -£2,444,398 |
| 45% | 70% | -£3,930,891 | -£3,548,948 | -£3,951,043 | -£3,556,554 |
| 50% | 70% | -£5,009,015 | -£4,661,794 | -£5,027,334 | -£4,668,708 |
| 100% | 70% | -£15,963,625 | -£15,963,625 | -£15,963,625 | -£15,963,625 |

With grant

| % of AH | % of AH as rented | 2016 values and indexed CIL (£210.77) | 2016 values and indexed CIL (£52.69) | 2016 values and 2017 indexed CIL (£217.69) | 2016 values and 2017 indexed CIL (£54.52) |
|---|---|---|---|---|---|
| 0% | 70% | £5,772,223 | £6,466,665 | £5,735,584 | £6,452,837 |
| 10% | 70% | £3,950,162 | £4,575,160 | £3,917,186 | £4,562,714 |
| 15% | 70% | £3,039,130 | £3,629,407 | £3,007,987 | £3,617,652 |
| 20% | 70% | £2,128,099 | £2,683,654 | £2,098,789 | £2,672,591 |
| 25% | 70% | £1,217,068 | £1,737,900 | £1,189,589 | £1,727,528 |
| 30% | 70% | £306,037 | £792,147 | £280,390 | £782,467 |
| 35% | 70% | -£604,993 | -£153,606 | -£628,809 | -£162,595 |
| 40% | 70% | -£1,516,024 | -£1,099,359 | -£1,538,008 | -£1,107,656 |
| 45% | 70% | -£2,427,055 | -£2,045,112 | -£2,447,206 | -£2,052,717 |
| 50% | 70% | -£3,338,086 | -£2,990,865 | -£3,356,406 | -£2,997,779 |
| 100% | 70% | -£12,567,111 | -£12,567,111 | -£12,567,111 | -£12,567,111 |

***Benchmark land value 3***

No grant

| % of AH | % of AH as rented | 2016 values and indexed CIL (£210.77) | 2016 values and indexed CIL (£52.69) | 2016 values and 2017 indexed CIL (£217.69) | 2016 values and 2017 indexed CIL (£54.52) |
|---|---|---|---|---|---|
| 0% | 70% | £6,919,864 | £7,614,306 | £6,883,225 | £7,600,478 |
| 10% | 70% | £4,763,617 | £5,388,615 | £4,730,641 | £5,376,169 |
| 15% | 70% | £3,685,492 | £4,275,769 | £3,654,349 | £4,264,015 |
| 20% | 70% | £2,607,368 | £3,162,923 | £2,578,058 | £3,151,860 |
| 25% | 70% | £1,529,245 | £2,050,077 | £1,501,765 | £2,039,706 |
| 30% | 70% | £451,121 | £937,232 | £425,474 | £927,552 |
| 35% | 70% | -£627,003 | -£175,615 | -£650,818 | -£184,604 |
| 40% | 70% | -£1,705,127 | -£1,288,461 | -£1,727,110 | -£1,296,758 |
| 45% | 70% | -£2,783,250 | -£2,401,307 | -£2,803,402 | -£2,408,913 |
| 50% | 70% | -£3,861,374 | -£3,514,153 | -£3,879,693 | -£3,521,067 |
| 100% | 70% | -£14,815,984 | -£14,815,984 | -£14,815,984 | -£14,815,984 |

With grant

| % of AH | % of AH as rented | 2016 values and indexed CIL (£210.77) | 2016 values and indexed CIL (£52.69) | 2016 values and 2017 indexed CIL (£217.69) | 2016 values and 2017 indexed CIL (£54.52) |
|---|---|---|---|---|---|
| 0% | 70% | £6,919,864 | £7,614,306 | £6,883,225 | £7,600,478 |
| 10% | 70% | £5,097,802 | £5,722,801 | £5,064,827 | £5,710,355 |
| 15% | 70% | £4,186,771 | £4,777,048 | £4,155,628 | £4,765,293 |
| 20% | 70% | £3,275,740 | £3,831,294 | £3,246,429 | £3,820,231 |
| 25% | 70% | £2,364,709 | £2,885,541 | £2,337,230 | £2,875,169 |
| 30% | 70% | £1,453,678 | £1,939,788 | £1,428,031 | £1,930,108 |
| 35% | 70% | £542,648 | £994,035 | £518,832 | £985,046 |
| 40% | 70% | -£368,383 | £48,282 | -£390,367 | £39,985 |
| 45% | 70% | -£1,279,414 | -£897,471 | -£1,299,566 | -£905,076 |
| 50% | 70% | -£2,190,446 | -£1,843,224 | -£2,208,765 | -£1,850,138 |
| 100% | 70% | -£11,419,471 | -£11,419,471 | -£11,419,471 | -£11,419,471 |

***Benchmark land value 4***

**No grant**

| % of AH | % of AH as rented | 2016 values and indexed CIL (£210.77) | 2016 values and indexed CIL (£52.69) | 2016 values and 2017 indexed CIL (£217.69) | 2016 values and 2017 indexed CIL (£54.52) |
|---|---|---|---|---|---|
| 0% | 70% | £9,594,757 | £10,289,200 | £9,558,119 | £10,275,372 |
| 10% | 70% | £7,438,510 | £8,063,509 | £7,405,535 | £8,051,063 |
| 15% | 70% | £6,360,386 | £6,950,662 | £6,329,243 | £6,938,908 |
| 20% | 70% | £5,282,262 | £5,837,816 | £5,252,951 | £5,826,753 |
| 25% | 70% | £4,204,139 | £4,724,970 | £4,176,659 | £4,714,599 |
| 30% | 70% | £3,126,015 | £3,612,125 | £3,100,368 | £3,602,445 |
| 35% | 70% | £2,047,891 | £2,499,279 | £2,024,075 | £2,490,290 |
| 40% | 70% | £969,767 | £1,386,433 | £947,784 | £1,378,136 |
| 45% | 70% | -£108,356 | £273,587 | -£128,508 | £265,981 |
| 50% | 70% | -£1,186,480 | -£839,259 | -£1,204,800 | -£846,173 |
| 100% | 70% | -£12,141,090 | -£12,141,090 | -£12,141,090 | -£12,141,090 |

**With grant**

| % of AH | % of AH as rented | 2016 values and indexed CIL (£210.77) | 2016 values and indexed CIL (£52.69) | 2016 values and 2017 indexed CIL (£217.69) | 2016 values and 2017 indexed CIL (£54.52) |
|---|---|---|---|---|---|
| 0% | 70% | £9,594,757 | £10,289,200 | £9,558,119 | £10,275,372 |
| 10% | 70% | £7,772,696 | £8,397,694 | £7,739,721 | £8,385,248 |
| 15% | 70% | £6,861,665 | £7,451,941 | £6,830,522 | £7,440,186 |
| 20% | 70% | £5,950,634 | £6,506,188 | £5,921,323 | £6,495,125 |
| 25% | 70% | £5,039,603 | £5,560,435 | £5,012,124 | £5,550,063 |
| 30% | 70% | £4,128,572 | £4,614,682 | £4,102,924 | £4,605,002 |
| 35% | 70% | £3,217,541 | £3,668,929 | £3,193,726 | £3,659,940 |
| 40% | 70% | £2,306,510 | £2,723,176 | £2,284,527 | £2,714,879 |
| 45% | 70% | £1,395,479 | £1,777,422 | £1,375,328 | £1,769,817 |
| 50% | 70% | £484,448 | £831,669 | £466,129 | £824,755 |
| 100% | 70% | -£8,744,577 | -£8,744,577 | -£8,744,577 | -£8,744,577 |

***Sales value of £825 per sq ft***

***Benchmark land value 1***

**No grant**

| % of AH | % of AH as rented | 2016 values and indexed CIL (£210.77) | 2016 values and indexed CIL (£52.69) | 2016 values and 2017 indexed CIL (£217.69) | 2016 values and 2017 indexed CIL (£54.52) |
|---|---|---|---|---|---|
| 0% | 70% | £364,345 | £1,058,789 | £327,707 | £1,044,960 |
| 10% | 70% | -£1,569,274 | -£944,276 | -£1,602,249 | -£956,722 |
| 15% | 70% | -£2,536,085 | -£1,945,809 | -£2,567,228 | -£1,957,563 |
| 20% | 70% | -£3,502,895 | -£2,947,341 | -£3,532,207 | -£2,958,404 |
| 25% | 70% | -£4,469,706 | -£3,948,874 | -£4,497,185 | -£3,959,245 |
| 30% | 70% | -£5,436,516 | -£4,950,405 | -£5,462,163 | -£4,960,085 |
| 35% | 70% | -£6,403,325 | -£5,951,938 | -£6,427,141 | -£5,960,926 |
| 40% | 70% | -£7,370,136 | -£6,953,470 | -£7,392,119 | -£6,961,768 |
| 45% | 70% | -£8,337,760 | -£7,955,003 | -£8,358,241 | -£7,962,609 |
| 50% | 70% | -£9,320,383 | -£8,967,482 | -£9,339,002 | -£8,974,510 |
| 100% | 70% | -£19,146,608 | -£19,146,608 | -£19,146,608 | -£19,146,608 |

**With grant**

| % of AH | % of AH as rented | 2016 values and indexed CIL (£210.77) | 2016 values and indexed CIL (£52.69) | 2016 values and 2017 indexed CIL (£217.69) | 2016 values and 2017 indexed CIL (£54.52) |
|---|---|---|---|---|---|
| 0% | 70% | £364,345 | £1,058,789 | £327,707 | £1,044,960 |
| 10% | 70% | -£1,235,089 | -£610,090 | -£1,268,064 | -£622,536 |
| 15% | 70% | -£2,034,806 | -£1,444,530 | -£2,065,950 | -£1,456,284 |
| 20% | 70% | -£2,834,524 | -£2,278,970 | -£2,863,835 | -£2,290,033 |
| 25% | 70% | -£3,634,241 | -£3,113,409 | -£3,661,720 | -£3,123,781 |
| 30% | 70% | -£4,433,959 | -£3,947,849 | -£4,459,606 | -£3,957,529 |
| 35% | 70% | -£5,233,676 | -£4,782,289 | -£5,257,491 | -£4,791,277 |
| 40% | 70% | -£6,033,394 | -£5,616,728 | -£6,055,377 | -£5,625,025 |
| 45% | 70% | -£6,833,111 | -£6,451,167 | -£6,853,262 | -£6,458,773 |
| 50% | 70% | -£7,632,829 | -£7,285,606 | -£7,651,148 | -£7,292,521 |
| 100% | 70% | -£15,750,094 | -£15,750,094 | -£15,750,094 | -£15,750,094 |

***Benchmark land value 2***

**No grant**

| % of AH | % of AH as rented | 2016 values and indexed CIL (£210.77) | 2016 values and indexed CIL (£52.69) | 2016 values and 2017 indexed CIL (£217.69) | 2016 values and 2017 indexed CIL (£54.52) |
|---|---|---|---|---|---|
| 0% | 70% | £3,461,785 | £4,156,228 | £3,425,146 | £4,142,399 |
| 10% | 70% | £1,528,165 | £2,153,163 | £1,495,190 | £2,140,717 |
| 15% | 70% | £561,354 | £1,151,631 | £530,212 | £1,139,877 |
| 20% | 70% | -£405,456 | £150,099 | -£434,767 | £139,036 |
| 25% | 70% | -£1,372,266 | -£851,434 | -£1,399,745 | -£861,805 |
| 30% | 70% | -£2,339,076 | -£1,852,966 | -£2,364,723 | -£1,862,646 |
| 35% | 70% | -£3,305,886 | -£2,854,499 | -£3,329,702 | -£2,863,487 |
| 40% | 70% | -£4,272,697 | -£3,856,031 | -£4,294,680 | -£3,864,329 |
| 45% | 70% | -£5,240,321 | -£4,857,564 | -£5,260,802 | -£4,865,170 |
| 50% | 70% | -£6,222,943 | -£5,870,043 | -£6,241,563 | -£5,877,071 |
| 100% | 70% | -£16,049,169 | -£16,049,169 | -£16,049,169 | -£16,049,169 |

**With grant**

| % of AH | % of AH as rented | 2016 values and indexed CIL (£210.77) | 2016 values and indexed CIL (£52.69) | 2016 values and 2017 indexed CIL (£217.69) | 2016 values and 2017 indexed CIL (£54.52) |
|---|---|---|---|---|---|
| 0% | 70% | £3,461,785 | £4,156,228 | £3,425,146 | £4,142,399 |
| 10% | 70% | £1,862,350 | £2,487,349 | £1,829,376 | £2,474,903 |
| 15% | 70% | £1,062,633 | £1,652,909 | £1,031,490 | £1,641,155 |
| 20% | 70% | £262,915 | £818,469 | £233,604 | £807,406 |
| 25% | 70% | -£536,802 | -£15,969 | -£564,281 | -£26,341 |
| 30% | 70% | -£1,336,520 | -£850,409 | -£1,362,167 | -£860,089 |
| 35% | 70% | -£2,136,237 | -£1,684,849 | -£2,160,052 | -£1,693,837 |
| 40% | 70% | -£2,935,954 | -£2,519,288 | -£2,957,937 | -£2,527,585 |
| 45% | 70% | -£3,735,671 | -£3,353,728 | -£3,755,822 | -£3,361,334 |
| 50% | 70% | -£4,535,389 | -£4,188,167 | -£4,553,708 | -£4,195,082 |
| 100% | 70% | -£12,652,655 | -£12,652,655 | -£12,652,655 | -£12,652,655 |

***Benchmark land value 3***

**No grant**

| % of AH | % of AH as rented | 2016 values and indexed CIL (£210.77) | 2016 values and indexed CIL (£52.69) | 2016 values and 2017 indexed CIL (£217.69) | 2016 values and 2017 indexed CIL (£54.52) |
|---|---|---|---|---|---|
| 0% | 70% | £4,609,425 | £5,303,869 | £4,572,787 | £5,290,040 |
| 10% | 70% | £2,675,806 | £3,300,804 | £2,642,831 | £3,288,358 |
| 15% | 70% | £1,708,995 | £2,299,271 | £1,677,853 | £2,287,517 |
| 20% | 70% | £742,185 | £1,297,739 | £712,874 | £1,286,677 |
| 25% | 70% | -£224,626 | £296,207 | -£252,105 | £285,836 |
| 30% | 70% | -£1,191,435 | -£705,325 | -£1,217,083 | -£715,005 |
| 35% | 70% | -£2,158,245 | -£1,706,858 | -£2,182,061 | -£1,715,846 |
| 40% | 70% | -£3,125,056 | -£2,708,390 | -£3,147,039 | -£2,716,688 |
| 45% | 70% | -£4,092,680 | -£3,709,923 | -£4,113,161 | -£3,717,529 |
| 50% | 70% | -£5,075,303 | -£4,722,402 | -£5,093,922 | -£4,729,430 |
| 100% | 70% | -£14,901,528 | -£14,901,528 | -£14,901,528 | -£14,901,528 |

**With grant**

| % of AH | % of AH as rented | 2016 values and indexed CIL (£210.77) | 2016 values and indexed CIL (£52.69) | 2016 values and 2017 indexed CIL (£217.69) | 2016 values and 2017 indexed CIL (£54.52) |
|---|---|---|---|---|---|
| 0% | 70% | £4,609,425 | £5,303,869 | £4,572,787 | £5,290,040 |
| 10% | 70% | £3,009,991 | £3,634,990 | £2,977,017 | £3,622,544 |
| 15% | 70% | £2,210,274 | £2,800,550 | £2,179,130 | £2,788,796 |
| 20% | 70% | £1,410,556 | £1,966,110 | £1,381,245 | £1,955,047 |
| 25% | 70% | £610,839 | £1,131,671 | £583,360 | £1,121,299 |
| 30% | 70% | -£188,879 | £297,231 | -£214,526 | £287,551 |
| 35% | 70% | -£988,596 | -£537,208 | -£1,012,411 | -£546,196 |
| 40% | 70% | -£1,788,314 | -£1,371,647 | -£1,810,296 | -£1,379,944 |
| 45% | 70% | -£2,588,030 | -£2,206,087 | -£2,608,182 | -£2,213,693 |
| 50% | 70% | -£3,387,748 | -£3,040,526 | -£3,406,068 | -£3,047,441 |
| 100% | 70% | -£11,505,014 | -£11,505,014 | -£11,505,014 | -£11,505,014 |

***Benchmark land value 4***

**No grant**

| % of AH | % of AH as rented | 2016 values and indexed CIL (£210.77) | 2016 values and indexed CIL (£52.69) | 2016 values and 2017 indexed CIL (£217.69) | 2016 values and 2017 indexed CIL (£54.52) |
|---|---|---|---|---|---|
| 0% | 70% | £7,284,319 | £7,978,763 | £7,247,681 | £7,964,934 |
| 10% | 70% | £5,350,700 | £5,975,698 | £5,317,724 | £5,963,252 |
| 15% | 70% | £4,383,889 | £4,974,165 | £4,352,746 | £4,962,411 |
| 20% | 70% | £3,417,079 | £3,972,633 | £3,387,767 | £3,961,570 |
| 25% | 70% | £2,450,268 | £2,971,100 | £2,422,789 | £2,960,729 |
| 30% | 70% | £1,483,458 | £1,969,568 | £1,457,811 | £1,959,888 |
| 35% | 70% | £516,648 | £968,036 | £492,833 | £959,048 |
| 40% | 70% | -£450,162 | -£33,496 | -£472,145 | -£41,794 |
| 45% | 70% | -£1,417,786 | -£1,035,029 | -£1,438,267 | -£1,042,635 |
| 50% | 70% | -£2,400,409 | -£2,047,508 | -£2,419,028 | -£2,054,536 |
| 100% | 70% | -£12,226,634 | -£12,226,634 | -£12,226,634 | -£12,226,634 |

**With grant**

| % of AH | % of AH as rented | 2016 values and indexed CIL (£210.77) | 2016 values and indexed CIL (£52.69) | 2016 values and 2017 indexed CIL (£217.69) | 2016 values and 2017 indexed CIL (£54.52) |
|---|---|---|---|---|---|
| 0% | 70% | £7,284,319 | £7,978,763 | £7,247,681 | £7,964,934 |
| 10% | 70% | £5,684,884 | £6,309,884 | £5,651,910 | £6,297,438 |
| 15% | 70% | £4,885,168 | £5,475,444 | £4,854,024 | £5,463,690 |
| 20% | 70% | £4,085,450 | £4,641,004 | £4,056,139 | £4,629,941 |
| 25% | 70% | £3,285,733 | £3,806,565 | £3,258,254 | £3,796,193 |
| 30% | 70% | £2,486,015 | £2,972,125 | £2,460,368 | £2,962,445 |
| 35% | 70% | £1,686,298 | £2,137,685 | £1,662,482 | £2,128,697 |
| 40% | 70% | £886,580 | £1,303,246 | £864,597 | £1,294,949 |
| 45% | 70% | £86,863 | £468,806 | £66,712 | £461,200 |
| 50% | 70% | -£712,855 | -£365,633 | -£731,174 | -£372,548 |
| 100% | 70% | -£8,830,121 | -£8,830,121 | -£8,830,121 | -£8,830,121 |

***Sales value of £725 per sq ft***

***<u>Benchmark land value 1</u>***

**No grant**

| % of AH | % of AH as rented | 2016 values and indexed CIL (£210.77) | 2016 values and indexed CIL (£52.69) | 2016 values and 2017 indexed CIL (£217.69) | 2016 values and 2017 indexed CIL (£54.52) |
|---|---|---|---|---|---|
| 0% | 70% | -£2,716,239 | -£2,021,795 | -£2,752,877 | -£2,035,624 |
| 10% | 70% | -£4,359,340 | -£3,734,342 | -£4,392,315 | -£3,746,788 |
| 15% | 70% | -£5,180,891 | -£4,590,615 | -£5,212,034 | -£4,602,368 |
| 20% | 70% | -£6,002,442 | -£5,446,887 | -£6,031,753 | -£5,457,950 |
| 25% | 70% | -£6,823,993 | -£6,303,161 | -£6,851,472 | -£6,313,532 |
| 30% | 70% | -£7,645,544 | -£7,159,434 | -£7,671,191 | -£7,169,114 |
| 35% | 70% | -£8,470,037 | -£8,015,707 | -£8,494,241 | -£8,024,696 |
| 40% | 70% | -£9,305,025 | -£8,881,545 | -£9,327,367 | -£8,889,978 |
| 45% | 70% | -£10,140,013 | -£9,751,822 | -£10,160,492 | -£9,759,552 |
| 50% | 70% | -£10,974,999 | -£10,622,100 | -£10,993,619 | -£10,629,127 |
| 100% | 70% | -£19,324,875 | -£19,324,875 | -£19,324,875 | -£19,324,875 |

**With grant**

| % of AH | % of AH as rented | 2016 values and indexed CIL (£210.77) | 2016 values and indexed CIL (£52.69) | 2016 values and 2017 indexed CIL (£217.69) | 2016 values and 2017 indexed CIL (£54.52) |
|---|---|---|---|---|---|
| 0% | 70% | -£2,716,239 | -£2,021,795 | -£2,752,877 | -£2,035,624 |
| 10% | 70% | -£4,025,154 | -£3,400,156 | -£4,058,129 | -£3,412,602 |
| 15% | 70% | -£4,679,612 | -£4,089,336 | -£4,710,755 | -£4,101,091 |
| 20% | 70% | -£5,334,071 | -£4,778,517 | -£5,363,381 | -£4,789,580 |
| 25% | 70% | -£5,988,529 | -£5,467,696 | -£6,016,008 | -£5,478,068 |
| 30% | 70% | -£6,642,986 | -£6,156,877 | -£6,668,634 | -£6,166,557 |
| 35% | 70% | -£7,297,445 | -£6,846,057 | -£7,321,260 | -£6,855,046 |
| 40% | 70% | -£7,951,903 | -£7,535,237 | -£7,973,886 | -£7,543,535 |
| 45% | 70% | -£8,611,581 | -£8,224,418 | -£8,632,062 | -£8,232,024 |
| 50% | 70% | -£9,276,743 | -£8,923,842 | -£9,295,362 | -£8,930,870 |
| 100% | 70% | -£15,928,361 | -£15,928,361 | -£15,928,361 | -£15,928,361 |

## *Benchmark land value 2*

**No grant**

| % of AH | % of AH as rented | 2016 values and indexed CIL (£210.77) | 2016 values and indexed CIL (£52.69) | 2016 values and 2017 indexed CIL (£217.69) | 2016 values and 2017 indexed CIL (£54.52) |
|---|---|---|---|---|---|
| 0% | 70% | £381,201 | £1,075,644 | £344,562 | £1,061,815 |
| 10% | 70% | -£1,261,901 | -£636,902 | -£1,294,876 | -£649,348 |
| 15% | 70% | -£2,083,451 | -£1,493,175 | -£2,114,595 | -£1,504,929 |
| 20% | 70% | -£2,905,002 | -£2,349,448 | -£2,934,314 | -£2,360,511 |
| 25% | 70% | -£3,726,554 | -£3,205,722 | -£3,754,033 | -£3,216,093 |
| 30% | 70% | -£4,548,105 | -£4,061,994 | -£4,573,752 | -£4,071,674 |
| 35% | 70% | -£5,372,598 | -£4,918,267 | -£5,396,802 | -£4,927,256 |
| 40% | 70% | -£6,207,586 | -£5,784,105 | -£6,229,928 | -£5,792,538 |
| 45% | 70% | -£7,042,573 | -£6,654,383 | -£7,063,053 | -£6,662,113 |
| 50% | 70% | -£7,877,560 | -£7,524,660 | -£7,896,179 | -£7,531,687 |
| 100% | 70% | -£16,227,435 | -£16,227,435 | -£16,227,435 | -£16,227,435 |

**With grant**

| % of AH | % of AH as rented | 2016 values and indexed CIL (£210.77) | 2016 values and indexed CIL (£52.69) | 2016 values and 2017 indexed CIL (£217.69) | 2016 values and 2017 indexed CIL (£54.52) |
|---|---|---|---|---|---|
| 0% | 70% | £381,201 | £1,075,644 | £344,562 | £1,061,815 |
| 10% | 70% | -£927,715 | -£302,717 | -£960,690 | -£315,162 |
| 15% | 70% | -£1,582,173 | -£991,896 | -£1,613,316 | -£1,003,651 |
| 20% | 70% | -£2,236,631 | -£1,681,077 | -£2,265,942 | -£1,692,140 |
| 25% | 70% | -£2,891,089 | -£2,370,257 | -£2,918,568 | -£2,380,629 |
| 30% | 70% | -£3,545,547 | -£3,059,438 | -£3,571,194 | -£3,069,118 |
| 35% | 70% | -£4,200,006 | -£3,748,618 | -£4,223,820 | -£3,757,607 |
| 40% | 70% | -£4,854,464 | -£4,437,797 | -£4,876,446 | -£4,446,095 |
| 45% | 70% | -£5,514,142 | -£5,126,978 | -£5,534,623 | -£5,134,584 |
| 50% | 70% | -£6,179,304 | -£5,826,403 | -£6,197,923 | -£5,833,431 |
| 100% | 70% | -£12,830,922 | -£12,830,922 | -£12,830,922 | -£12,830,922 |

## *Benchmark land value 3*

**No grant**

| % of AH | % of AH as rented | 2016 values and indexed CIL (£210.77) | 2016 values and indexed CIL (£52.69) | 2016 values and 2017 indexed CIL (£217.69) | 2016 values and 2017 indexed CIL (£54.52) |
|---|---|---|---|---|---|
| 0% | 70% | £1,528,842 | £2,223,285 | £1,492,203 | £2,209,456 |
| 10% | 70% | -£114,260 | £510,738 | -£147,235 | £498,292 |
| 15% | 70% | -£935,811 | -£345,534 | -£966,954 | -£357,288 |
| 20% | 70% | -£1,757,361 | -£1,201,807 | -£1,786,673 | -£1,212,870 |
| 25% | 70% | -£2,578,913 | -£2,058,081 | -£2,606,392 | -£2,068,452 |
| 30% | 70% | -£3,400,464 | -£2,914,354 | -£3,426,111 | -£2,924,034 |
| 35% | 70% | -£4,224,957 | -£3,770,626 | -£4,249,161 | -£3,779,615 |
| 40% | 70% | -£5,059,945 | -£4,636,464 | -£5,082,287 | -£4,644,897 |
| 45% | 70% | -£5,894,932 | -£5,506,742 | -£5,915,412 | -£5,514,472 |
| 50% | 70% | -£6,729,919 | -£6,377,019 | -£6,748,538 | -£6,384,046 |
| 100% | 70% | -£15,079,794 | -£15,079,794 | -£15,079,794 | -£15,079,794 |

With grant

| % of AH | % of AH as rented | 2016 values and indexed CIL (£210.77) | 2016 values and indexed CIL (£52.69) | 2016 values and 2017 indexed CIL (£217.69) | 2016 values and 2017 indexed CIL (£54.52) |
|---|---|---|---|---|---|
| 0% | 70% | £1,528,842 | £2,223,285 | £1,492,203 | £2,209,456 |
| 10% | 70% | £219,926 | £844,924 | £186,951 | £832,478 |
| 15% | 70% | -£434,532 | £155,744 | -£465,675 | £143,989 |
| 20% | 70% | -£1,088,991 | -£533,436 | -£1,118,301 | -£544,499 |
| 25% | 70% | -£1,743,448 | -£1,222,616 | -£1,770,927 | -£1,232,988 |
| 30% | 70% | -£2,397,906 | -£1,911,797 | -£2,423,553 | -£1,921,477 |
| 35% | 70% | -£3,052,365 | -£2,600,977 | -£3,076,180 | -£2,609,966 |
| 40% | 70% | -£3,706,823 | -£3,290,157 | -£3,728,806 | -£3,298,455 |
| 45% | 70% | -£4,366,501 | -£3,979,337 | -£4,386,982 | -£3,986,943 |
| 50% | 70% | -£5,031,663 | -£4,678,762 | -£5,050,282 | -£4,685,790 |
| 100% | 70% | -£11,683,281 | -£11,683,281 | -£11,683,281 | -£11,683,281 |

***Benchmark land value 4***

No grant

| % of AH | % of AH as rented | 2016 values and indexed CIL (£210.77) | 2016 values and indexed CIL (£52.69) | 2016 values and 2017 indexed CIL (£217.69) | 2016 values and 2017 indexed CIL (£54.52) |
|---|---|---|---|---|---|
| 0% | 70% | £4,203,735 | £4,898,179 | £4,167,097 | £4,884,350 |
| 10% | 70% | £2,560,634 | £3,185,632 | £2,527,659 | £3,173,186 |
| 15% | 70% | £1,739,083 | £2,329,359 | £1,707,940 | £2,317,605 |
| 20% | 70% | £917,532 | £1,473,087 | £888,221 | £1,462,024 |
| 25% | 70% | £95,981 | £616,813 | £68,502 | £606,442 |
| 30% | 70% | -£725,570 | -£239,460 | -£751,217 | -£249,140 |
| 35% | 70% | -£1,550,063 | -£1,095,733 | -£1,574,267 | -£1,104,722 |
| 40% | 70% | -£2,385,051 | -£1,961,571 | -£2,407,394 | -£1,970,004 |
| 45% | 70% | -£3,220,039 | -£2,831,848 | -£3,240,519 | -£2,839,578 |
| 50% | 70% | -£4,055,025 | -£3,702,126 | -£4,073,645 | -£3,709,153 |
| 100% | 70% | -£12,404,901 | -£12,404,901 | -£12,404,901 | -£12,404,901 |

With grant

| % of AH | % of AH as rented | 2016 values and indexed CIL (£210.77) | 2016 values and indexed CIL (£52.69) | 2016 values and 2017 indexed CIL (£217.69) | 2016 values and 2017 indexed CIL (£54.52) |
|---|---|---|---|---|---|
| 0% | 70% | £4,203,735 | £4,898,179 | £4,167,097 | £4,884,350 |
| 10% | 70% | £2,894,820 | £3,519,818 | £2,861,845 | £3,507,372 |
| 15% | 70% | £2,240,362 | £2,830,638 | £2,209,218 | £2,818,883 |
| 20% | 70% | £1,585,903 | £2,141,457 | £1,556,592 | £2,130,394 |
| 25% | 70% | £931,445 | £1,452,277 | £903,966 | £1,441,906 |
| 30% | 70% | £276,987 | £763,097 | £251,340 | £753,417 |
| 35% | 70% | -£377,471 | £73,917 | -£401,286 | £64,928 |
| 40% | 70% | -£1,031,929 | -£615,263 | -£1,053,912 | -£623,561 |
| 45% | 70% | -£1,691,608 | -£1,304,444 | -£1,712,088 | -£1,312,050 |
| 50% | 70% | -£2,356,769 | -£2,003,868 | -£2,375,389 | -£2,010,897 |
| 100% | 70% | -£9,008,387 | -£9,008,387 | -£9,008,387 | -£9,008,387 |

*Sales value of £650 per sq ft*

***Benchmark land value 1***

**No grant**

| % of AH | % of AH as rented | 2016 values and indexed CIL (£210.77) | 2016 values and indexed CIL (£52.69) | 2016 values and 2017 indexed CIL (£217.69) | 2016 values and 2017 indexed CIL (£54.52) |
|---|---|---|---|---|---|
| 0% | 70% | -£5,026,676 | -£4,332,233 | -£5,063,314 | -£4,346,062 |
| 10% | 70% | -£6,457,361 | -£5,832,362 | -£6,490,335 | -£5,844,807 |
| 15% | 70% | -£7,172,702 | -£6,582,426 | -£7,203,846 | -£6,594,180 |
| 20% | 70% | -£7,888,045 | -£7,332,491 | -£7,917,356 | -£7,343,554 |
| 25% | 70% | -£8,608,558 | -£8,082,554 | -£8,636,486 | -£8,092,926 |
| 30% | 70% | -£9,335,600 | -£8,841,540 | -£9,361,666 | -£8,851,378 |
| 35% | 70% | -£10,062,641 | -£9,603,871 | -£10,086,846 | -£9,613,007 |
| 40% | 70% | -£10,789,684 | -£10,366,203 | -£10,812,026 | -£10,374,635 |
| 45% | 70% | -£11,516,725 | -£11,128,534 | -£11,537,206 | -£11,136,265 |
| 50% | 70% | -£12,243,766 | -£11,890,866 | -£12,262,386 | -£11,897,894 |
| 100% | 70% | -£19,514,183 | -£19,514,183 | -£19,514,183 | -£19,514,183 |

**With grant**

| % of AH | % of AH as rented | 2016 values and indexed CIL (£210.77) | 2016 values and indexed CIL (£52.69) | 2016 values and 2017 indexed CIL (£217.69) | 2016 values and 2017 indexed CIL (£54.52) |
|---|---|---|---|---|---|
| 0% | 70% | -£5,026,676 | -£4,332,233 | -£5,063,314 | -£4,346,062 |
| 10% | 70% | -£6,123,175 | -£5,498,177 | -£6,156,149 | -£5,510,622 |
| 15% | 70% | -£6,671,424 | -£6,081,147 | -£6,702,567 | -£6,092,902 |
| 20% | 70% | -£7,219,673 | -£6,664,119 | -£7,248,984 | -£6,675,182 |
| 25% | 70% | -£7,767,923 | -£7,247,091 | -£7,795,402 | -£7,257,462 |
| 30% | 70% | -£8,316,646 | -£7,830,062 | -£8,342,712 | -£7,839,742 |
| 35% | 70% | -£8,873,862 | -£8,415,092 | -£8,898,066 | -£8,424,227 |
| 40% | 70% | -£9,431,077 | -£9,007,598 | -£9,453,421 | -£9,016,030 |
| 45% | 70% | -£9,988,294 | -£9,600,103 | -£10,008,775 | -£9,607,833 |
| 50% | 70% | -£10,545,510 | -£10,192,610 | -£10,564,129 | -£10,199,637 |
| 100% | 70% | -£16,117,669 | -£16,117,669 | -£16,117,669 | -£16,117,669 |

***Benchmark land value 2***

**No grant**

| % of AH | % of AH as rented | 2016 values and indexed CIL (£210.77) | 2016 values and indexed CIL (£52.69) | 2016 values and 2017 indexed CIL (£217.69) | 2016 values and 2017 indexed CIL (£54.52) |
|---|---|---|---|---|---|
| 0% | 70% | -£1,929,236 | -£1,234,794 | -£1,965,875 | -£1,248,623 |
| 10% | 70% | -£3,359,921 | -£2,734,922 | -£3,392,896 | -£2,747,368 |
| 15% | 70% | -£4,075,263 | -£3,484,987 | -£4,106,406 | -£3,496,741 |
| 20% | 70% | -£4,790,606 | -£4,235,051 | -£4,819,916 | -£4,246,114 |
| 25% | 70% | -£5,511,119 | -£4,985,115 | -£5,539,047 | -£4,995,487 |
| 30% | 70% | -£6,238,160 | -£5,744,100 | -£6,264,227 | -£5,753,938 |
| 35% | 70% | -£6,965,202 | -£6,506,432 | -£6,989,407 | -£6,515,568 |
| 40% | 70% | -£7,692,244 | -£7,268,764 | -£7,714,587 | -£7,277,196 |
| 45% | 70% | -£8,419,286 | -£8,031,095 | -£8,439,767 | -£8,038,825 |
| 50% | 70% | -£9,146,327 | -£8,793,426 | -£9,164,946 | -£8,800,454 |
| 100% | 70% | -£16,416,743 | -£16,416,743 | -£16,416,743 | -£16,416,743 |

With grant

| % of AH | % of AH as rented | 2016 values and indexed CIL (£210.77) | 2016 values and indexed CIL (£52.69) | 2016 values and 2017 indexed CIL (£217.69) | 2016 values and 2017 indexed CIL (£54.52) |
|---|---|---|---|---|---|
| 0% | 70% | -£1,929,236 | -£1,234,794 | -£1,965,875 | -£1,248,623 |
| 10% | 70% | -£3,025,736 | -£2,400,737 | -£3,058,710 | -£2,413,182 |
| 15% | 70% | -£3,573,984 | -£2,983,708 | -£3,605,128 | -£2,995,463 |
| 20% | 70% | -£4,122,234 | -£3,566,680 | -£4,151,544 | -£3,577,743 |
| 25% | 70% | -£4,670,483 | -£4,149,651 | -£4,697,962 | -£4,160,022 |
| 30% | 70% | -£5,219,206 | -£4,732,623 | -£5,245,273 | -£4,742,303 |
| 35% | 70% | -£5,776,423 | -£5,317,652 | -£5,800,627 | -£5,326,787 |
| 40% | 70% | -£6,333,638 | -£5,910,159 | -£6,355,981 | -£5,918,591 |
| 45% | 70% | -£6,890,854 | -£6,502,664 | -£6,911,335 | -£6,510,394 |
| 50% | 70% | -£7,448,071 | -£7,095,170 | -£7,466,689 | -£7,102,197 |
| 100% | 70% | -£13,020,230 | -£13,020,230 | -£13,020,230 | -£13,020,230 |

***Benchmark land value 3***

No grant

| % of AH | % of AH as rented | 2016 values and indexed CIL (£210.77) | 2016 values and indexed CIL (£52.69) | 2016 values and 2017 indexed CIL (£217.69) | 2016 values and 2017 indexed CIL (£54.52) |
|---|---|---|---|---|---|
| 0% | 70% | -£781,596 | -£87,153 | -£818,234 | -£100,982 |
| 10% | 70% | -£2,212,281 | -£1,587,281 | -£2,245,255 | -£1,599,727 |
| 15% | 70% | -£2,927,622 | -£2,337,346 | -£2,958,766 | -£2,349,100 |
| 20% | 70% | -£3,642,965 | -£3,087,410 | -£3,672,275 | -£3,098,473 |
| 25% | 70% | -£4,363,478 | -£3,837,474 | -£4,391,406 | -£3,847,846 |
| 30% | 70% | -£5,090,520 | -£4,596,459 | -£5,116,586 | -£4,606,297 |
| 35% | 70% | -£5,817,561 | -£5,358,791 | -£5,841,766 | -£5,367,927 |
| 40% | 70% | -£6,544,603 | -£6,121,123 | -£6,566,946 | -£6,129,555 |
| 45% | 70% | -£7,271,645 | -£6,883,454 | -£7,292,126 | -£6,891,184 |
| 50% | 70% | -£7,998,686 | -£7,645,786 | -£8,017,306 | -£7,652,814 |
| 100% | 70% | -£15,269,102 | -£15,269,102 | -£15,269,102 | -£15,269,102 |

With grant

| % of AH | % of AH as rented | 2016 values and indexed CIL (£210.77) | 2016 values and indexed CIL (£52.69) | 2016 values and 2017 indexed CIL (£217.69) | 2016 values and 2017 indexed CIL (£54.52) |
|---|---|---|---|---|---|
| 0% | 70% | -£781,596 | -£87,153 | -£818,234 | -£100,982 |
| 10% | 70% | -£1,878,095 | -£1,253,096 | -£1,911,069 | -£1,265,541 |
| 15% | 70% | -£2,426,343 | -£1,836,067 | -£2,457,487 | -£1,847,822 |
| 20% | 70% | -£2,974,593 | -£2,419,039 | -£3,003,904 | -£2,430,102 |
| 25% | 70% | -£3,522,843 | -£3,002,010 | -£3,550,322 | -£3,012,381 |
| 30% | 70% | -£4,071,565 | -£3,584,982 | -£4,097,632 | -£3,594,662 |
| 35% | 70% | -£4,628,782 | -£4,170,012 | -£4,652,986 | -£4,179,147 |
| 40% | 70% | -£5,185,997 | -£4,762,518 | -£5,208,341 | -£4,770,950 |
| 45% | 70% | -£5,743,214 | -£5,355,023 | -£5,763,695 | -£5,362,753 |
| 50% | 70% | -£6,300,430 | -£5,947,529 | -£6,319,048 | -£5,954,556 |
| 100% | 70% | -£11,872,589 | -£11,872,589 | -£11,872,589 | -£11,872,589 |

***Benchmark land value 4***

**No grant**

| % of AH | % of AH as rented | 2016 values and indexed CIL (£210.77) | 2016 values and indexed CIL (£52.69) | 2016 values and 2017 indexed CIL (£217.69) | 2016 values and 2017 indexed CIL (£54.52) |
|---|---|---|---|---|---|
| 0% | 70% | £1,893,298 | £2,587,740 | £1,856,660 | £2,573,911 |
| 10% | 70% | £462,613 | £1,087,612 | £429,639 | £1,075,166 |
| 15% | 70% | -£252,729 | £337,548 | -£283,872 | £325,794 |
| 20% | 70% | -£968,071 | -£412,517 | -£997,382 | -£423,580 |
| 25% | 70% | -£1,688,584 | -£1,162,580 | -£1,716,513 | -£1,172,952 |
| 30% | 70% | -£2,415,626 | -£1,921,566 | -£2,441,692 | -£1,931,404 |
| 35% | 70% | -£3,142,667 | -£2,683,897 | -£3,166,872 | -£2,693,033 |
| 40% | 70% | -£3,869,710 | -£3,446,229 | -£3,892,052 | -£3,454,661 |
| 45% | 70% | -£4,596,751 | -£4,208,561 | -£4,617,232 | -£4,216,291 |
| 50% | 70% | -£5,323,793 | -£4,970,892 | -£5,342,412 | -£4,977,920 |
| 100% | 70% | -£12,594,209 | -£12,594,209 | -£12,594,209 | -£12,594,209 |

**With grant**

| % of AH | % of AH as rented | 2016 values and indexed CIL (£210.77) | 2016 values and indexed CIL (£52.69) | 2016 values and 2017 indexed CIL (£217.69) | 2016 values and 2017 indexed CIL (£54.52) |
|---|---|---|---|---|---|
| 0% | 70% | £1,893,298 | £2,587,740 | £1,856,660 | £2,573,911 |
| 10% | 70% | £796,799 | £1,421,797 | £763,825 | £1,409,352 |
| 15% | 70% | £248,550 | £838,827 | £217,407 | £827,072 |
| 20% | 70% | -£299,699 | £255,855 | -£329,010 | £244,792 |
| 25% | 70% | -£847,949 | -£327,117 | -£875,428 | -£337,488 |
| 30% | 70% | -£1,396,672 | -£910,088 | -£1,422,738 | -£919,768 |
| 35% | 70% | -£1,953,888 | -£1,495,118 | -£1,978,092 | -£1,504,253 |
| 40% | 70% | -£2,511,104 | -£2,087,624 | -£2,533,447 | -£2,096,056 |
| 45% | 70% | -£3,068,320 | -£2,680,129 | -£3,088,801 | -£2,687,859 |
| 50% | 70% | -£3,625,536 | -£3,272,636 | -£3,644,155 | -£3,279,663 |
| 100% | 70% | -£9,197,695 | -£9,197,695 | -£9,197,695 | -£9,197,695 |

6.7 The next set of results in Table 6.7.1 below summarises the results of our appraisals of mixed use schemes at a range of sales values achievable in the OA measured against all four benchmark land values. This identifies that the introduction and increase of commercial floorspace in developments has an impact on the viability of schemes. This is unsurprising however given that the subject area is not a strong commercial market. As with the previous results however the application of the higher Zone 2 CIL to the OA as a whole has a nominal impact with respect to scheme value and viability.

**Table 6.7.1: Notional Scheme 6 (300 flats and 3,000 sq m office) and Notional Scheme 7 (450 flats and 5,000 sq m office and 1,000 sq retail (assuming base values and no grant)**

***Sales value of £900 per sq ft***

***Benchmark land value 1***

**Notional Scheme 6 (300 flats and 3,000 sq m office use)**

| % of AH | % of AH as rented | 2016 values and indexed CIL (£210.77) | 2016 values and indexed CIL (£52.69) | 2016 values and 2017 indexed CIL (£217.69) | 2016 values and 2017 indexed CIL (£54.52) |
|---|---|---|---|---|---|
| 0% | 70% | £10,578,729 | £13,660,637 | £10,413,135 | £13,596,275 |
| 10% | 70% | £1,623,744 | £4,442,272 | £1,471,970 | £4,383,650 |
| 15% | 70% | -£2,872,656 | -£210,189 | -£3,016,167 | -£266,248 |
| 20% | 70% | -£7,369,056 | -£4,863,205 | -£7,504,305 | -£4,916,146 |
| 25% | 70% | -£11,865,457 | -£9,516,222 | -£11,992,442 | -£9,566,042 |
| 30% | 70% | -£16,361,857 | -£14,169,237 | -£16,480,579 | -£14,215,940 |
| 35% | 70% | -£20,858,258 | -£18,822,254 | -£20,968,717 | -£18,865,837 |
| 40% | 70% | -£25,354,658 | -£23,475,269 | -£25,456,854 | -£23,515,734 |
| 45% | 70% | -£29,851,058 | -£28,128,286 | -£29,944,991 | -£28,165,631 |
| 50% | 70% | -£34,412,241 | -£32,820,469 | -£34,499,312 | -£32,855,256 |
| 100% | 70% | -£80,111,636 | -£80,111,636 | -£80,114,726 | -£80,114,726 |

**Notional scheme 7 (450 flats and 5,000 sq m office and 1,000 sq retail)**

| % of AH | % of AH as rented | 2016 values and indexed CIL (£210.77) | 2016 values and indexed CIL (£52.69) | 2016 values and 2017 indexed CIL (£217.69) | 2016 values and 2017 indexed CIL (£54.52) |
|---|---|---|---|---|---|
| 0% | 70% | -£1,769,666 | £2,912,962 | -£2,025,875 | £2,810,563 |
| 10% | 70% | -£14,568,629 | -£10,354,264 | -£14,800,132 | -£10,447,338 |
| 15% | 70% | -£20,968,110 | -£16,987,876 | -£21,187,261 | -£17,076,289 |
| 20% | 70% | -£27,367,592 | -£23,621,489 | -£27,574,389 | -£23,705,239 |
| 25% | 70% | -£33,767,074 | -£30,255,102 | -£33,961,518 | -£30,334,190 |
| 30% | 70% | -£40,252,789 | -£36,921,339 | -£40,437,859 | -£36,996,982 |
| 35% | 70% | -£46,756,935 | -£43,663,446 | -£46,929,450 | -£43,734,350 |
| 40% | 70% | -£53,261,081 | -£50,405,553 | -£53,421,042 | -£50,471,719 |
| 45% | 70% | -£59,765,227 | -£57,147,659 | -£59,912,632 | -£57,209,086 |
| 50% | 70% | -£66,269,372 | -£63,889,765 | -£66,404,223 | -£63,946,454 |
| 100% | 70% | -£131,310,832 | -£131,310,832 | -£131,320,135 | -£131,320,135 |

***Benchmark land value 2***

**Notional Scheme 6 (300 flats and 3,000 sq m office use)**

| % of AH | % of AH as rented | 2016 values and indexed CIL (£210.77) | 2016 values and indexed CIL (£52.69) | 2016 values and 2017 indexed CIL (£217.69) | 2016 values and 2017 indexed CIL (£54.52) |
|---|---|---|---|---|---|
| 0% | 70% | £21,936,067 | £25,017,976 | £21,770,474 | £24,953,614 |
| 10% | 70% | £12,981,083 | £15,799,611 | £12,829,308 | £15,740,989 |
| 15% | 70% | £8,484,683 | £11,147,150 | £8,341,171 | £11,091,091 |
| 20% | 70% | £3,988,282 | £6,494,133 | £3,853,033 | £6,441,193 |
| 25% | 70% | -£508,118 | £1,841,117 | -£635,104 | £1,791,297 |
| 30% | 70% | -£5,004,518 | -£2,811,898 | -£5,123,241 | -£2,858,601 |
| 35% | 70% | -£9,500,919 | -£7,464,915 | -£9,611,379 | -£7,508,498 |
| 40% | 70% | -£13,997,319 | -£12,117,930 | -£14,099,516 | -£12,158,396 |
| 45% | 70% | -£18,493,719 | -£16,770,947 | -£18,587,652 | -£16,808,292 |
| 50% | 70% | -£23,054,902 | -£21,463,130 | -£23,141,973 | -£21,497,917 |
| 100% | 70% | -£68,754,297 | -£68,754,297 | -£68,757,387 | -£68,757,387 |

**Notional scheme 7 (450 flats and 5,000 sq m office and 1,000 sq retail)**

| % of AH | % of AH as rented | 2016 values and indexed CIL (£210.77) | 2016 values and indexed CIL (£52.69) | 2016 values and 2017 indexed CIL (£217.69) | 2016 values and 2017 indexed CIL (£54.52) |
|---|---|---|---|---|---|
| 0% | 70% | £11,272,384 | £15,955,013 | £11,016,176 | £15,852,614 |
| 10% | 70% | -£1,526,578 | £2,687,787 | -£1,758,081 | £2,594,712 |
| 15% | 70% | -£7,926,060 | -£3,945,826 | -£8,145,210 | -£4,034,238 |
| 20% | 70% | -£14,325,542 | -£10,579,439 | -£14,532,339 | -£10,663,189 |
| 25% | 70% | -£20,725,023 | -£17,213,052 | -£20,919,467 | -£17,292,139 |
| 30% | 70% | -£27,210,739 | -£23,879,289 | -£27,395,809 | -£23,954,931 |
| 35% | 70% | -£33,714,884 | -£30,621,395 | -£33,887,399 | -£30,692,300 |
| 40% | 70% | -£40,219,031 | -£37,363,502 | -£40,378,991 | -£37,429,668 |
| 45% | 70% | -£46,723,176 | -£44,105,609 | -£46,870,582 | -£44,167,035 |
| 50% | 70% | -£53,227,321 | -£50,847,714 | -£53,362,172 | -£50,904,404 |
| 100% | 70% | -£118,268,781 | -£118,268,781 | -£118,278,084 | -£118,278,084 |

***Benchmark land value 3***

**Notional Scheme 6 (300 flats and 3,000 sq m office use)**

| % of AH | % of AH as rented | 2016 values and indexed CIL (£210.77) | 2016 values and indexed CIL (£52.69) | 2016 values and 2017 indexed CIL (£217.69) | 2016 values and 2017 indexed CIL (£54.52) |
|---|---|---|---|---|---|
| 0% | 70% | £26,144,106 | £29,226,015 | £25,978,513 | £29,161,653 |
| 10% | 70% | £17,189,122 | £20,007,650 | £17,037,347 | £19,949,028 |
| 15% | 70% | £12,692,722 | £15,355,189 | £12,549,210 | £15,299,130 |
| 20% | 70% | £8,196,321 | £10,702,172 | £8,061,072 | £10,649,232 |
| 25% | 70% | £3,699,921 | £6,049,156 | £3,572,935 | £5,999,336 |
| 30% | 70% | -£796,479 | £1,396,141 | -£915,202 | £1,349,438 |
| 35% | 70% | -£5,292,880 | -£3,256,876 | -£5,403,340 | -£3,300,459 |
| 40% | 70% | -£9,789,280 | -£7,909,891 | -£9,891,477 | -£7,950,357 |
| 45% | 70% | -£14,285,680 | -£12,562,908 | -£14,379,614 | -£12,600,253 |
| 50% | 70% | -£18,846,863 | -£17,255,091 | -£18,933,934 | -£17,289,878 |
| 100% | 70% | -£64,546,258 | -£64,546,258 | -£64,549,348 | -£64,549,348 |

**Notional scheme 7 (450 flats and 5,000 sq m office and 1,000 sq retail)**

| % of AH | % of AH as rented | 2016 values and indexed CIL (£210.77) | 2016 values and indexed CIL (£52.69) | 2016 values and 2017 indexed CIL (£217.69) | 2016 values and 2017 indexed CIL (£54.52) |
|---|---|---|---|---|---|
| 0% | 70% | £16,104,631 | £20,787,259 | £15,848,422 | £20,684,860 |
| 10% | 70% | £3,305,668 | £7,520,033 | £3,074,165 | £7,426,959 |
| 15% | 70% | -£3,093,814 | £886,420 | -£3,312,964 | £798,008 |
| 20% | 70% | -£9,493,295 | -£5,747,193 | -£9,700,093 | -£5,830,942 |
| 25% | 70% | -£15,892,777 | -£12,380,805 | -£16,087,221 | -£12,459,893 |
| 30% | 70% | -£22,378,492 | -£19,047,043 | -£22,563,563 | -£19,122,685 |
| 35% | 70% | -£28,882,638 | -£25,789,149 | -£29,055,153 | -£25,860,053 |
| 40% | 70% | -£35,386,784 | -£32,531,256 | -£35,546,745 | -£32,597,422 |
| 45% | 70% | -£41,890,930 | -£39,273,363 | -£42,038,336 | -£39,334,789 |
| 50% | 70% | -£48,395,075 | -£46,015,468 | -£48,529,926 | -£46,072,157 |
| 100% | 70% | -£113,436,535 | -£113,436,535 | -£113,445,838 | -£113,445,838 |

***Benchmark land value 4***

**Notional Scheme 6 (300 flats and 3,000 sq m office use)**

| % of AH | % of AH as rented | 2016 values and indexed CIL (£210.77) | 2016 values and indexed CIL (£52.69) | 2016 values and 2017 indexed CIL (£217.69) | 2016 values and 2017 indexed CIL (£54.52) |
|---|---|---|---|---|---|
| 0% | 70% | £35,952,103 | £39,034,011 | £35,786,510 | £38,969,649 |
| 10% | 70% | £26,997,118 | £29,815,646 | £26,845,344 | £29,757,024 |
| 15% | 70% | £22,500,718 | £25,163,185 | £22,357,207 | £25,107,126 |
| 20% | 70% | £18,004,318 | £20,510,169 | £17,869,069 | £20,457,229 |
| 25% | 70% | £13,507,917 | £15,857,152 | £13,380,932 | £15,807,332 |
| 30% | 70% | £9,011,517 | £11,204,137 | £8,892,795 | £11,157,434 |
| 35% | 70% | £4,515,116 | £6,551,120 | £4,404,657 | £6,507,537 |
| 40% | 70% | £18,717 | £1,898,105 | -£83,480 | £1,857,640 |
| 45% | 70% | -£4,477,684 | -£2,754,912 | -£4,571,617 | -£2,792,257 |
| 50% | 70% | -£9,038,866 | -£7,447,095 | -£9,125,938 | -£7,481,882 |
| 100% | 70% | -£54,738,262 | -£54,738,262 | -£54,741,352 | -£54,741,352 |

**Notional scheme 7 (450 flats and 5,000 sq m office and 1,000 sq retail)**

| % of AH | % of AH as rented | 2016 values and indexed CIL (£210.77) | 2016 values and indexed CIL (£52.69) | 2016 values and 2017 indexed CIL (£217.69) | 2016 values and 2017 indexed CIL (£54.52) |
|---|---|---|---|---|---|
| 0% | 70% | £27,367,514 | £32,050,143 | £27,111,306 | £31,947,743 |
| 10% | 70% | £14,568,552 | £18,782,917 | £14,337,049 | £18,689,842 |
| 15% | 70% | £8,169,070 | £12,149,304 | £7,949,919 | £12,060,892 |
| 20% | 70% | £1,769,588 | £5,515,691 | £1,562,791 | £5,431,941 |
| 25% | 70% | -£4,629,894 | -£1,117,922 | -£4,824,338 | -£1,197,010 |
| 30% | 70% | -£11,115,609 | -£7,784,159 | -£11,300,679 | -£7,859,802 |
| 35% | 70% | -£17,619,754 | -£14,526,266 | -£17,792,270 | -£14,597,170 |
| 40% | 70% | -£24,123,901 | -£21,268,373 | -£24,283,861 | -£21,334,538 |
| 45% | 70% | -£30,628,046 | -£28,010,479 | -£30,775,452 | -£28,071,906 |
| 50% | 70% | -£37,132,192 | -£34,752,585 | -£37,267,043 | -£34,809,274 |
| 100% | 70% | -£102,173,651 | -£102,173,651 | -£102,182,955 | -£102,182,955 |

***Sales value of £825 per sq ft***

***Benchmark land value 1***

**Notional Scheme 6 (300 flats and 3,000 sq m office use)**

| % of AH | % of AH as rented | 2016 values and indexed CIL (£210.77) | 2016 values and indexed CIL (£52.69) | 2016 values and 2017 indexed CIL (£217.69) | 2016 values and 2017 indexed CIL (£54.52) |
|---|---|---|---|---|---|
| 0% | 70% | £849,139 | £3,981,451 | £680,837 | £3,916,037 |
| 10% | 70% | -£7,203,994 | -£4,384,911 | -£7,355,768 | -£4,444,089 |
| 15% | 70% | -£11,230,560 | -£8,568,093 | -£11,374,072 | -£8,624,151 |
| 20% | 70% | -£15,257,126 | -£12,751,275 | -£15,392,374 | -£12,804,214 |
| 25% | 70% | -£19,283,691 | -£16,934,457 | -£19,410,678 | -£16,984,277 |
| 30% | 70% | -£23,310,258 | -£21,117,638 | -£23,428,980 | -£21,164,340 |
| 35% | 70% | -£27,336,824 | -£25,300,820 | -£27,447,283 | -£25,344,404 |
| 40% | 70% | -£31,379,366 | -£29,484,002 | -£31,483,235 | -£29,524,466 |
| 45% | 70% | -£35,471,787 | -£33,720,839 | -£35,567,257 | -£33,758,796 |
| 50% | 70% | -£39,564,209 | -£37,972,437 | -£39,651,280 | -£38,007,225 |
| 100% | 70% | -£80,488,420 | -£80,488,420 | -£80,491,509 | -£80,491,509 |

**Notional scheme 7 (450 flats and 5,000 sq m office and 1,000 sq retail)**

| % of AH | % of AH as rented | 2016 values and indexed CIL (£210.77) | 2016 values and indexed CIL (£52.69) | 2016 values and 2017 indexed CIL (£217.69) | 2016 values and 2017 indexed CIL (£54.52) |
|---|---|---|---|---|---|
| 0% | 70% | -£15,792,099 | -£11,109,470 | -£16,048,307 | -£11,211,870 |
| 10% | 70% | -£27,243,373 | -£23,029,007 | -£27,474,876 | -£23,122,083 |
| 15% | 70% | -£32,969,010 | -£28,988,776 | -£33,188,161 | -£29,077,189 |
| 20% | 70% | -£38,756,809 | -£34,949,438 | -£38,966,989 | -£35,034,558 |
| 25% | 70% | -£44,576,089 | -£41,006,679 | -£44,773,714 | -£41,087,061 |
| 30% | 70% | -£50,395,371 | -£47,063,921 | -£50,580,441 | -£47,139,564 |
| 35% | 70% | -£56,214,652 | -£53,121,162 | -£56,387,167 | -£53,192,067 |
| 40% | 70% | -£62,033,932 | -£59,178,404 | -£62,193,893 | -£59,244,570 |
| 45% | 70% | -£67,853,214 | -£65,235,646 | -£68,000,620 | -£65,297,073 |
| 50% | 70% | -£73,672,494 | -£71,292,887 | -£73,807,345 | -£71,349,577 |
| 100% | 70% | -£131,865,303 | -£131,865,303 | -£131,874,606 | -£131,874,606 |

***Benchmark land value 2***

**Notional Scheme 6 (300 flats and 3,000 sq m office use)**

| % of AH | % of AH as rented | 2016 values and indexed CIL (£210.77) | 2016 values and indexed CIL (£52.69) | 2016 values and 2017 indexed CIL (£217.69) | 2016 values and 2017 indexed CIL (£54.52) |
|---|---|---|---|---|---|
| 0% | 70% | £12,206,477 | £15,338,790 | £12,038,176 | £15,273,376 |
| 10% | 70% | £4,153,345 | £6,972,428 | £4,001,571 | £6,913,250 |
| 15% | 70% | £126,779 | £2,789,246 | -£16,733 | £2,733,188 |
| 20% | 70% | -£3,899,787 | -£1,393,936 | -£4,035,035 | -£1,446,875 |
| 25% | 70% | -£7,926,353 | -£5,577,118 | -£8,053,339 | -£5,626,939 |
| 30% | 70% | -£11,952,919 | -£9,760,299 | -£12,071,641 | -£9,807,002 |
| 35% | 70% | -£15,979,485 | -£13,943,481 | -£16,089,944 | -£13,987,065 |
| 40% | 70% | -£20,022,028 | -£18,126,663 | -£20,125,896 | -£18,167,127 |
| 45% | 70% | -£24,114,449 | -£22,363,500 | -£24,209,919 | -£22,401,457 |
| 50% | 70% | -£28,206,870 | -£26,615,098 | -£28,293,941 | -£26,649,886 |
| 100% | 70% | -£69,131,081 | -£69,131,081 | -£69,134,170 | -£69,134,170 |

**Notional scheme 7 (450 flats and 5,000 sq m office and 1,000 sq retail)**

| % of AH | % of AH as rented | 2016 values and indexed CIL (£210.77) | 2016 values and indexed CIL (£52.69) | 2016 values and 2017 indexed CIL (£217.69) | 2016 values and 2017 indexed CIL (£54.52) |
|---|---|---|---|---|---|
| 0% | 70% | -£2,750,048 | £1,932,580 | -£3,006,257 | £1,830,181 |
| 10% | 70% | -£14,201,323 | -£9,986,956 | -£14,432,825 | -£10,080,032 |
| 15% | 70% | -£19,926,960 | -£15,946,726 | -£20,146,110 | -£16,035,138 |
| 20% | 70% | -£25,714,758 | -£21,907,387 | -£25,924,938 | -£21,992,507 |
| 25% | 70% | -£31,534,039 | -£27,964,629 | -£31,731,664 | -£28,045,011 |
| 30% | 70% | -£37,353,320 | -£34,021,871 | -£37,538,390 | -£34,097,513 |
| 35% | 70% | -£43,172,601 | -£40,079,111 | -£43,345,116 | -£40,150,016 |
| 40% | 70% | -£48,991,882 | -£46,136,353 | -£49,151,842 | -£46,202,519 |
| 45% | 70% | -£54,811,163 | -£52,193,595 | -£54,958,569 | -£52,255,022 |
| 50% | 70% | -£60,630,444 | -£58,250,837 | -£60,765,295 | -£58,307,526 |
| 100% | 70% | -£118,823,252 | -£118,823,252 | -£118,832,556 | -£118,832,556 |

## *Benchmark land value 3*

### Notional Scheme 6 (300 flats and 3,000 sq m office use)

| % of AH | % of AH as rented | 2016 values and indexed CIL (£210.77) | 2016 values and indexed CIL (£52.69) | 2016 values and 2017 indexed CIL (£217.69) | 2016 values and 2017 indexed CIL (£54.52) |
|---|---|---|---|---|---|
| 0% | 70% | £16,414,516 | £19,546,829 | £16,246,215 | £19,481,415 |
| 10% | 70% | £8,361,384 | £11,180,466 | £8,209,609 | £11,121,289 |
| 15% | 70% | £4,334,818 | £6,997,285 | £4,191,306 | £6,941,227 |
| 20% | 70% | £308,252 | £2,814,103 | £173,004 | £2,761,164 |
| 25% | 70% | -£3,718,314 | -£1,369,079 | -£3,845,300 | -£1,418,900 |
| 30% | 70% | -£7,744,880 | -£5,552,260 | -£7,863,602 | -£5,598,963 |
| 35% | 70% | -£11,771,446 | -£9,735,442 | -£11,881,905 | -£9,779,026 |
| 40% | 70% | -£15,813,989 | -£13,918,624 | -£15,917,857 | -£13,959,088 |
| 45% | 70% | -£19,906,410 | -£18,155,461 | -£20,001,880 | -£18,193,418 |
| 50% | 70% | -£23,998,831 | -£22,407,059 | -£24,085,902 | -£22,441,847 |
| 100% | 70% | -£64,923,042 | -£64,923,042 | -£64,926,131 | -£64,926,131 |

### Notional scheme 7 (450 flats and 5,000 sq m office and 1,000 sq retail)

| % of AH | % of AH as rented | 2016 values and indexed CIL (£210.77) | 2016 values and indexed CIL (£52.69) | 2016 values and 2017 indexed CIL (£217.69) | 2016 values and 2017 indexed CIL (£54.52) |
|---|---|---|---|---|---|
| 0% | 70% | £2,082,198 | £6,764,827 | £1,825,990 | £6,662,427 |
| 10% | 70% | -£9,369,076 | -£5,154,710 | -£9,600,579 | -£5,247,786 |
| 15% | 70% | -£15,094,714 | -£11,114,480 | -£15,313,864 | -£11,202,892 |
| 20% | 70% | -£20,882,512 | -£17,075,141 | -£21,092,692 | -£17,160,261 |
| 25% | 70% | -£26,701,793 | -£23,132,383 | -£26,899,418 | -£23,212,764 |
| 30% | 70% | -£32,521,074 | -£29,189,624 | -£32,706,144 | -£29,265,267 |
| 35% | 70% | -£38,340,355 | -£35,246,865 | -£38,512,870 | -£35,317,770 |
| 40% | 70% | -£44,159,635 | -£41,304,107 | -£44,319,596 | -£41,370,273 |
| 45% | 70% | -£49,978,917 | -£47,361,349 | -£50,126,323 | -£47,422,776 |
| 50% | 70% | -£55,798,197 | -£53,418,591 | -£55,933,048 | -£53,475,280 |
| 100% | 70% | -£113,991,006 | -£113,991,006 | -£114,000,309 | -£114,000,309 |

## *Benchmark land value 4*

### Notional Scheme 6 (300 flats and 3,000 sq m office use)

| % of AH | % of AH as rented | 2016 values and indexed CIL (£210.77) | 2016 values and indexed CIL (£52.69) | 2016 values and 2017 indexed CIL (£217.69) | 2016 values and 2017 indexed CIL (£54.52) |
|---|---|---|---|---|---|
| 0% | 70% | £26,222,513 | £29,354,825 | £26,054,212 | £29,289,411 |
| 10% | 70% | £18,169,380 | £20,988,463 | £18,017,606 | £20,929,285 |
| 15% | 70% | £14,142,814 | £16,805,281 | £13,999,302 | £16,749,223 |
| 20% | 70% | £10,116,248 | £12,622,099 | £9,981,000 | £12,569,160 |
| 25% | 70% | £6,089,683 | £8,438,917 | £5,962,697 | £8,389,097 |
| 30% | 70% | £2,063,117 | £4,255,736 | £1,944,394 | £4,209,034 |
| 35% | 70% | -£1,963,450 | £72,554 | -£2,073,909 | £28,970 |
| 40% | 70% | -£6,005,992 | -£4,110,628 | -£6,109,861 | -£4,151,092 |
| 45% | 70% | -£10,098,413 | -£8,347,465 | -£10,193,883 | -£8,385,422 |
| 50% | 70% | -£14,190,834 | -£12,599,063 | -£14,277,906 | -£12,633,851 |
| 100% | 70% | -£55,115,045 | -£55,115,045 | -£55,118,135 | -£55,118,135 |

Notional scheme 7 (450 flats and 5,000 sq m office and 1,000 sq retail)

| % of AH | % of AH as rented | 2016 values and indexed CIL (£210.77) | 2016 values and indexed CIL (£52.69) | 2016 values and 2017 indexed CIL (£217.69) | 2016 values and 2017 indexed CIL (£54.52) |
|---|---|---|---|---|---|
| 0% | 70% | £13,345,082 | £18,027,710 | £13,088,873 | £17,925,311 |
| 10% | 70% | £1,893,807 | £6,108,173 | £1,662,304 | £6,015,098 |
| 15% | 70% | -£3,831,830 | £148,404 | -£4,050,981 | £59,991 |
| 20% | 70% | -£9,619,629 | -£5,812,257 | -£9,829,808 | -£5,897,377 |
| 25% | 70% | -£15,438,909 | -£11,869,499 | -£15,636,534 | -£11,949,881 |
| 30% | 70% | -£21,258,191 | -£17,926,741 | -£21,443,261 | -£18,002,383 |
| 35% | 70% | -£27,077,471 | -£23,983,982 | -£27,249,987 | -£24,054,887 |
| 40% | 70% | -£32,896,752 | -£30,041,223 | -£33,056,712 | -£30,107,389 |
| 45% | 70% | -£38,716,033 | -£36,098,465 | -£38,863,439 | -£36,159,893 |
| 50% | 70% | -£44,535,314 | -£42,155,707 | -£44,670,165 | -£42,212,396 |
| 100% | 70% | -£102,728,123 | -£102,728,123 | -£102,737,426 | -£102,737,426 |

***Sales value of £725 per sq ft***

***<u>Benchmark land value 1</u>***

Notional Scheme 6 (300 flats and 3,000 sq m office use)

| % of AH | % of AH as rented | 2016 values and indexed CIL (£210.77) | 2016 values and indexed CIL (£52.69) | 2016 values and 2017 indexed CIL (£217.69) | 2016 values and 2017 indexed CIL (£54.52) |
|---|---|---|---|---|---|
| 0% | 70% | -£12,174,071 | -£9,041,757 | -£12,342,371 | -£9,107,171 |
| 10% | 70% | -£19,002,137 | -£16,183,055 | -£19,153,912 | -£16,242,232 |
| 15% | 70% | -£22,416,170 | -£19,753,703 | -£22,559,682 | -£19,809,762 |
| 20% | 70% | -£25,830,203 | -£23,324,352 | -£25,965,452 | -£23,377,292 |
| 25% | 70% | -£29,244,237 | -£26,895,002 | -£29,371,222 | -£26,944,822 |
| 30% | 70% | -£32,695,425 | -£30,466,944 | -£32,816,089 | -£30,514,411 |
| 35% | 70% | -£36,165,295 | -£34,095,992 | -£36,277,561 | -£34,140,288 |
| 40% | 70% | -£39,635,164 | -£37,725,039 | -£39,739,033 | -£37,766,166 |
| 45% | 70% | -£43,105,035 | -£41,354,086 | -£43,200,504 | -£41,392,043 |
| 50% | 70% | -£46,574,905 | -£44,983,134 | -£46,661,977 | -£45,017,921 |
| 100% | 70% | -£81,273,607 | -£81,273,607 | -£81,276,696 | -£81,276,696 |

Notional scheme 7 (450 flats and 5,000 sq m office and 1,000 sq retail)

| % of AH | % of AH as rented | 2016 values and indexed CIL (£210.77) | 2016 values and indexed CIL (£52.69) | 2016 values and 2017 indexed CIL (£217.69) | 2016 values and 2017 indexed CIL (£54.52) |
|---|---|---|---|---|---|
| 0% | 70% | -£34,488,676 | -£29,806,046 | -£34,744,884 | -£29,908,447 |
| 10% | 70% | -£44,335,921 | -£40,052,628 | -£44,571,210 | -£40,147,225 |
| 15% | 70% | -£49,262,857 | -£45,217,525 | -£49,485,592 | -£45,307,384 |
| 20% | 70% | -£54,189,794 | -£50,382,423 | -£54,399,974 | -£50,467,543 |
| 25% | 70% | -£59,116,731 | -£55,547,320 | -£59,314,356 | -£55,627,702 |
| 30% | 70% | -£64,043,668 | -£60,712,218 | -£64,228,738 | -£60,787,860 |
| 35% | 70% | -£68,970,604 | -£65,877,115 | -£69,143,120 | -£65,948,019 |
| 40% | 70% | -£73,897,541 | -£71,042,013 | -£74,057,502 | -£71,108,179 |
| 45% | 70% | -£78,824,477 | -£76,206,910 | -£78,971,884 | -£76,268,337 |
| 50% | 70% | -£83,751,414 | -£81,371,808 | -£83,886,266 | -£81,428,496 |
| 100% | 70% | -£133,020,781 | -£133,020,781 | -£133,030,084 | -£133,030,084 |

***Benchmark land value 2***

**Notional Scheme 6 (300 flats and 3,000 sq m office use)**

| % of AH | % of AH as rented | 2016 values and indexed CIL (£210.77) | 2016 values and indexed CIL (£52.69) | 2016 values and 2017 indexed CIL (£217.69) | 2016 values and 2017 indexed CIL (£54.52) |
|---|---|---|---|---|---|
| 0% | 70% | -£816,732 | £2,315,582 | -£985,032 | £2,250,167 |
| 10% | 70% | -£7,644,798 | -£4,825,716 | -£7,796,573 | -£4,884,893 |
| 15% | 70% | -£11,058,831 | -£8,396,365 | -£11,202,343 | -£8,452,423 |
| 20% | 70% | -£14,472,864 | -£11,967,013 | -£14,608,113 | -£12,019,953 |
| 25% | 70% | -£17,886,898 | -£15,537,663 | -£18,013,883 | -£15,587,483 |
| 30% | 70% | -£21,338,086 | -£19,109,605 | -£21,458,750 | -£19,157,072 |
| 35% | 70% | -£24,807,956 | -£22,738,653 | -£24,920,222 | -£22,782,949 |
| 40% | 70% | -£28,277,826 | -£26,367,700 | -£28,381,694 | -£26,408,827 |
| 45% | 70% | -£31,747,697 | -£29,996,747 | -£31,843,165 | -£30,034,704 |
| 50% | 70% | -£35,217,566 | -£33,625,795 | -£35,304,638 | -£33,660,582 |
| 100% | 70% | -£69,916,268 | -£69,916,268 | -£69,919,357 | -£69,919,357 |

**Notional scheme 7 (450 flats and 5,000 sq m office and 1,000 sq retail)**

| % of AH | % of AH as rented | 2016 values and indexed CIL (£210.77) | 2016 values and indexed CIL (£52.69) | 2016 values and 2017 indexed CIL (£217.69) | 2016 values and 2017 indexed CIL (£54.52) |
|---|---|---|---|---|---|
| 0% | 70% | -£21,446,625 | -£16,763,996 | -£21,702,834 | -£16,866,396 |
| 10% | 70% | -£31,293,870 | -£27,010,578 | -£31,529,159 | -£27,105,174 |
| 15% | 70% | -£36,220,807 | -£32,175,474 | -£36,443,541 | -£32,265,334 |
| 20% | 70% | -£41,147,744 | -£37,340,372 | -£41,357,923 | -£37,425,492 |
| 25% | 70% | -£46,074,680 | -£42,505,269 | -£46,272,305 | -£42,585,651 |
| 30% | 70% | -£51,001,617 | -£47,670,167 | -£51,186,687 | -£47,745,810 |
| 35% | 70% | -£55,928,554 | -£52,835,064 | -£56,101,069 | -£52,905,968 |
| 40% | 70% | -£60,855,491 | -£57,999,962 | -£61,015,451 | -£58,066,128 |
| 45% | 70% | -£65,782,426 | -£63,164,859 | -£65,929,833 | -£63,226,287 |
| 50% | 70% | -£70,709,363 | -£68,329,757 | -£70,844,215 | -£68,386,445 |
| 100% | 70% | -£119,978,730 | -£119,978,730 | -£119,988,034 | -£119,988,034 |

***Benchmark land value 3***

**Notional Scheme 6 (300 flats and 3,000 sq m office use)**

| % of AH | % of AH as rented | 2016 values and indexed CIL (£210.77) | 2016 values and indexed CIL (£52.69) | 2016 values and 2017 indexed CIL (£217.69) | 2016 values and 2017 indexed CIL (£54.52) |
|---|---|---|---|---|---|
| 0% | 70% | £3,391,307 | £6,523,620 | £3,223,007 | £6,458,206 |
| 10% | 70% | -£3,436,759 | -£617,677 | -£3,588,534 | -£676,854 |
| 15% | 70% | -£6,850,792 | -£4,188,326 | -£6,994,304 | -£4,244,384 |
| 20% | 70% | -£10,264,825 | -£7,758,974 | -£10,400,074 | -£7,811,914 |
| 25% | 70% | -£13,678,859 | -£11,329,624 | -£13,805,844 | -£11,379,444 |
| 30% | 70% | -£17,130,047 | -£14,901,567 | -£17,250,711 | -£14,949,033 |
| 35% | 70% | -£20,599,917 | -£18,530,614 | -£20,712,183 | -£18,574,910 |
| 40% | 70% | -£24,069,787 | -£22,159,661 | -£24,173,655 | -£22,200,788 |
| 45% | 70% | -£27,539,658 | -£25,788,708 | -£27,635,126 | -£25,826,665 |
| 50% | 70% | -£31,009,528 | -£29,417,756 | -£31,096,599 | -£29,452,543 |
| 100% | 70% | -£65,708,229 | -£65,708,229 | -£65,711,318 | -£65,711,318 |

**Notional scheme 7 (450 flats and 5,000 sq m office and 1,000 sq retail)**

| % of AH | % of AH as rented | 2016 values and indexed CIL (£210.77) | 2016 values and indexed CIL (£52.69) | 2016 values and 2017 indexed CIL (£217.69) | 2016 values and 2017 indexed CIL (£54.52) |
|---|---|---|---|---|---|
| 0% | 70% | -£16,614,379 | -£11,931,749 | -£16,870,588 | -£12,034,150 |
| 10% | 70% | -£26,461,624 | -£22,178,331 | -£26,696,913 | -£22,272,928 |
| 15% | 70% | -£31,388,561 | -£27,343,228 | -£31,611,295 | -£27,433,088 |
| 20% | 70% | -£36,315,497 | -£32,508,126 | -£36,525,677 | -£32,593,246 |
| 25% | 70% | -£41,242,434 | -£37,673,023 | -£41,440,059 | -£37,753,405 |
| 30% | 70% | -£46,169,371 | -£42,837,921 | -£46,354,441 | -£42,913,564 |
| 35% | 70% | -£51,096,308 | -£48,002,818 | -£51,268,823 | -£48,073,722 |
| 40% | 70% | -£56,023,244 | -£53,167,716 | -£56,183,205 | -£53,233,882 |
| 45% | 70% | -£60,950,180 | -£58,332,613 | -£61,097,587 | -£58,394,040 |
| 50% | 70% | -£65,877,117 | -£63,497,511 | -£66,011,969 | -£63,554,199 |
| 100% | 70% | -£115,146,484 | -£115,146,484 | -£115,155,787 | -£115,155,787 |

***Benchmark land value 4***

**Notional Scheme 6 (300 flats and 3,000 sq m office use)**

| % of AH | % of AH as rented | 2016 values and indexed CIL (£210.77) | 2016 values and indexed CIL (£52.69) | 2016 values and 2017 indexed CIL (£217.69) | 2016 values and 2017 indexed CIL (£54.52) |
|---|---|---|---|---|---|
| 0% | 70% | £13,199,303 | £16,331,617 | £13,031,003 | £16,266,203 |
| 10% | 70% | £6,371,237 | £9,190,319 | £6,219,462 | £9,131,142 |
| 15% | 70% | £2,957,204 | £5,619,671 | £2,813,692 | £5,563,612 |
| 20% | 70% | -£456,829 | £2,049,022 | -£592,078 | £1,996,082 |
| 25% | 70% | -£3,870,863 | -£1,521,628 | -£3,997,848 | -£1,571,448 |
| 30% | 70% | -£7,322,051 | -£5,093,570 | -£7,442,715 | -£5,141,037 |
| 35% | 70% | -£10,791,920 | -£8,722,618 | -£10,904,187 | -£8,766,914 |
| 40% | 70% | -£14,261,790 | -£12,351,665 | -£14,365,659 | -£12,392,792 |
| 45% | 70% | -£17,731,661 | -£15,980,712 | -£17,827,130 | -£16,018,669 |
| 50% | 70% | -£21,201,531 | -£19,609,759 | -£21,288,603 | -£19,644,546 |
| 100% | 70% | -£55,900,233 | -£55,900,233 | -£55,903,322 | -£55,903,322 |

**Notional scheme 7 (450 flats and 5,000 sq m office and 1,000 sq retail)**

| % of AH | % of AH as rented | 2016 values and indexed CIL (£210.77) | 2016 values and indexed CIL (£52.69) | 2016 values and 2017 indexed CIL (£217.69) | 2016 values and 2017 indexed CIL (£54.52) |
|---|---|---|---|---|---|
| 0% | 70% | -£5,351,496 | -£668,866 | -£5,607,704 | -£771,266 |
| 10% | 70% | -£15,198,740 | -£10,915,448 | -£15,434,030 | -£11,010,044 |
| 15% | 70% | -£20,125,677 | -£16,080,345 | -£20,348,412 | -£16,170,204 |
| 20% | 70% | -£25,052,614 | -£21,245,243 | -£25,262,794 | -£21,330,363 |
| 25% | 70% | -£29,979,551 | -£26,410,140 | -£30,177,176 | -£26,490,521 |
| 30% | 70% | -£34,906,487 | -£31,575,038 | -£35,091,558 | -£31,650,680 |
| 35% | 70% | -£39,833,424 | -£36,739,935 | -£40,005,940 | -£36,810,839 |
| 40% | 70% | -£44,760,361 | -£41,904,833 | -£44,920,321 | -£41,970,998 |
| 45% | 70% | -£49,687,297 | -£47,069,729 | -£49,834,703 | -£47,131,157 |
| 50% | 70% | -£54,614,233 | -£52,234,627 | -£54,749,085 | -£52,291,316 |
| 100% | 70% | -£103,883,601 | -£103,883,601 | -£103,892,904 | -£103,892,904 |

*Sales value of £650 per sq ft*

***Benchmark land value 1***

**Notional Scheme 6 (300 flats and 3,000 sq m office use)**

| % of AH | % of AH as rented | 2016 values and indexed CIL (£210.77) | 2016 values and indexed CIL (£52.69) | 2016 values and 2017 indexed CIL (£217.69) | 2016 values and 2017 indexed CIL (£54.52) |
|---|---|---|---|---|---|
| 0% | 70% | -£21,941,478 | -£18,809,164 | -£22,109,778 | -£18,874,578 |
| 10% | 70% | -£27,874,844 | -£25,055,762 | -£28,026,619 | -£25,114,938 |
| 15% | 70% | -£30,848,968 | -£28,179,060 | -£30,994,827 | -£28,235,118 |
| 20% | 70% | -£33,864,172 | -£31,317,337 | -£34,001,632 | -£31,371,143 |
| 25% | 70% | -£36,879,375 | -£34,491,718 | -£37,008,438 | -£34,542,354 |
| 30% | 70% | -£39,894,579 | -£37,666,099 | -£40,015,243 | -£37,713,564 |
| 35% | 70% | -£42,909,783 | -£40,840,479 | -£43,022,048 | -£40,884,775 |
| 40% | 70% | -£45,924,986 | -£44,014,860 | -£46,028,854 | -£44,055,986 |
| 45% | 70% | -£48,940,190 | -£47,189,240 | -£49,035,658 | -£47,227,197 |
| 50% | 70% | -£51,955,392 | -£50,363,621 | -£52,042,464 | -£50,398,408 |
| 100% | 70% | -£82,107,427 | -£82,107,427 | -£82,110,517 | -£82,110,517 |

**Notional scheme 7 (450 flats and 5,000 sq m office and 1,000 sq retail)**

| % of AH | % of AH as rented | 2016 values and indexed CIL (£210.77) | 2016 values and indexed CIL (£52.69) | 2016 values and 2017 indexed CIL (£217.69) | 2016 values and 2017 indexed CIL (£54.52) |
|---|---|---|---|---|---|
| 0% | 70% | -£48,733,818 | -£43,974,604 | -£48,994,217 | -£44,078,679 |
| 10% | 70% | -£57,285,220 | -£53,001,927 | -£57,520,509 | -£53,096,525 |
| 15% | 70% | -£61,560,920 | -£57,515,588 | -£61,783,654 | -£57,605,447 |
| 20% | 70% | -£65,836,620 | -£62,029,250 | -£66,046,800 | -£62,114,370 |
| 25% | 70% | -£70,112,321 | -£66,542,910 | -£70,309,946 | -£66,623,292 |
| 30% | 70% | -£74,388,021 | -£71,056,572 | -£74,573,091 | -£71,132,215 |
| 35% | 70% | -£78,663,721 | -£75,570,233 | -£78,836,237 | -£75,641,137 |
| 40% | 70% | -£82,939,423 | -£80,083,894 | -£83,099,383 | -£80,150,060 |
| 45% | 70% | -£87,215,123 | -£84,597,556 | -£87,362,529 | -£84,658,982 |
| 50% | 70% | -£91,490,823 | -£89,111,216 | -£91,625,674 | -£89,167,905 |
| 100% | 70% | -£134,247,828 | -£134,247,828 | -£134,257,132 | -£134,257,132 |

***Benchmark land value 2***

**Notional Scheme 6 (300 flats and 3,000 sq m office use)**

| % of AH | % of AH as rented | 2016 values and indexed CIL (£210.77) | 2016 values and indexed CIL (£52.69) | 2016 values and 2017 indexed CIL (£217.69) | 2016 values and 2017 indexed CIL (£54.52) |
|---|---|---|---|---|---|
| 0% | 70% | -£10,584,139 | -£7,451,826 | -£10,752,439 | -£7,517,240 |
| 10% | 70% | -£16,517,505 | -£13,698,423 | -£16,669,280 | -£13,757,599 |
| 15% | 70% | -£19,491,629 | -£16,821,721 | -£19,637,489 | -£16,877,779 |
| 20% | 70% | -£22,506,833 | -£19,959,998 | -£22,644,293 | -£20,013,804 |
| 25% | 70% | -£25,522,036 | -£23,134,379 | -£25,651,099 | -£23,185,015 |
| 30% | 70% | -£28,537,240 | -£26,308,760 | -£28,657,905 | -£26,356,225 |
| 35% | 70% | -£31,552,444 | -£29,483,140 | -£31,664,709 | -£29,527,436 |
| 40% | 70% | -£34,567,647 | -£32,657,521 | -£34,671,515 | -£32,698,647 |
| 45% | 70% | -£37,582,851 | -£35,831,901 | -£37,678,320 | -£35,869,858 |
| 50% | 70% | -£40,598,054 | -£39,006,282 | -£40,685,125 | -£39,041,069 |
| 100% | 70% | -£70,750,088 | -£70,750,088 | -£70,753,178 | -£70,753,178 |

Notional scheme 7 (450 flats and 5,000 sq m office and 1,000 sq retail)

| % of AH | % of AH as rented | 2016 values and indexed CIL (£210.77) | 2016 values and indexed CIL (£52.69) | 2016 values and 2017 indexed CIL (£217.69) | 2016 values and 2017 indexed CIL (£54.52) |
|---|---|---|---|---|---|
| 0% | 70% | -£35,691,768 | -£30,932,554 | -£35,952,166 | -£31,036,628 |
| 10% | 70% | -£44,243,169 | -£39,959,876 | -£44,478,458 | -£40,054,474 |
| 15% | 70% | -£48,518,869 | -£44,473,538 | -£48,741,604 | -£44,563,396 |
| 20% | 70% | -£52,794,569 | -£48,987,199 | -£53,004,749 | -£49,072,319 |
| 25% | 70% | -£57,070,270 | -£53,500,860 | -£57,267,895 | -£53,581,241 |
| 30% | 70% | -£61,345,971 | -£58,014,521 | -£61,531,041 | -£58,090,164 |
| 35% | 70% | -£65,621,671 | -£62,528,182 | -£65,794,186 | -£62,599,086 |
| 40% | 70% | -£69,897,372 | -£67,041,844 | -£70,057,333 | -£67,108,009 |
| 45% | 70% | -£74,173,072 | -£71,555,505 | -£74,320,478 | -£71,616,932 |
| 50% | 70% | -£78,448,772 | -£76,069,165 | -£78,583,623 | -£76,125,855 |
| 100% | 70% | -£121,205,777 | -£121,205,777 | -£121,215,081 | -£121,215,081 |

***Benchmark land value 3***

Notional Scheme 6 (300 flats and 3,000 sq m office use)

| % of AH | % of AH as rented | 2016 values and indexed CIL (£210.77) | 2016 values and indexed CIL (£52.69) | 2016 values and 2017 indexed CIL (£217.69) | 2016 values and 2017 indexed CIL (£54.52) |
|---|---|---|---|---|---|
| 0% | 70% | -£6,376,100 | -£3,243,787 | -£6,544,400 | -£3,309,201 |
| 10% | 70% | -£12,309,466 | -£9,490,384 | -£12,461,241 | -£9,549,560 |
| 15% | 70% | -£15,283,590 | -£12,613,682 | -£15,429,450 | -£12,669,740 |
| 20% | 70% | -£18,298,794 | -£15,751,959 | -£18,436,254 | -£15,805,765 |
| 25% | 70% | -£21,313,997 | -£18,926,340 | -£21,443,060 | -£18,976,976 |
| 30% | 70% | -£24,329,201 | -£22,100,721 | -£24,449,866 | -£22,148,186 |
| 35% | 70% | -£27,344,405 | -£25,275,101 | -£27,456,670 | -£25,319,397 |
| 40% | 70% | -£30,359,608 | -£28,449,482 | -£30,463,476 | -£28,490,608 |
| 45% | 70% | -£33,374,812 | -£31,623,862 | -£33,470,281 | -£31,661,819 |
| 50% | 70% | -£36,390,015 | -£34,798,243 | -£36,477,086 | -£34,833,030 |
| 100% | 70% | -£66,542,049 | -£66,542,049 | -£66,545,139 | -£66,545,139 |

Notional scheme 7 (450 flats and 5,000 sq m office and 1,000 sq retail)

| % of AH | % of AH as rented | 2016 values and indexed CIL (£210.77) | 2016 values and indexed CIL (£52.69) | 2016 values and 2017 indexed CIL (£217.69) | 2016 values and 2017 indexed CIL (£54.52) |
|---|---|---|---|---|---|
| 0% | 70% | -£30,859,521 | -£26,100,307 | -£31,119,920 | -£26,204,382 |
| 10% | 70% | -£39,410,923 | -£35,127,630 | -£39,646,212 | -£35,222,228 |
| 15% | 70% | -£43,686,623 | -£39,641,292 | -£43,909,357 | -£39,731,150 |
| 20% | 70% | -£47,962,323 | -£44,154,953 | -£48,172,503 | -£44,240,073 |
| 25% | 70% | -£52,238,024 | -£48,668,613 | -£52,435,649 | -£48,748,995 |
| 30% | 70% | -£56,513,724 | -£53,182,275 | -£56,698,795 | -£53,257,918 |
| 35% | 70% | -£60,789,425 | -£57,695,936 | -£60,961,940 | -£57,766,840 |
| 40% | 70% | -£65,065,126 | -£62,209,597 | -£65,225,086 | -£62,275,763 |
| 45% | 70% | -£69,340,826 | -£66,723,259 | -£69,488,232 | -£66,784,685 |
| 50% | 70% | -£73,616,526 | -£71,236,919 | -£73,751,377 | -£71,293,608 |
| 100% | 70% | -£116,373,531 | -£116,373,531 | -£116,382,835 | -£116,382,835 |

***Benchmark land value 4***

**Notional Scheme 6 (300 flats and 3,000 sq m office use)**

| % of AH | % of AH as rented | 2016 values and indexed CIL (£210.77) | 2016 values and indexed CIL (£52.69) | 2016 values and 2017 indexed CIL (£217.69) | 2016 values and 2017 indexed CIL (£54.52) |
|---|---|---|---|---|---|
| 0% | 70% | £3,431,896 | £6,564,210 | £3,263,596 | £6,498,796 |
| 10% | 70% | -£2,501,470 | £317,612 | -£2,653,245 | £258,436 |
| 15% | 70% | -£5,475,594 | -£2,805,686 | -£5,621,453 | -£2,861,744 |
| 20% | 70% | -£8,490,798 | -£5,943,963 | -£8,628,258 | -£5,997,769 |
| 25% | 70% | -£11,506,001 | -£9,118,344 | -£11,635,064 | -£9,168,980 |
| 30% | 70% | -£14,521,205 | -£12,292,724 | -£14,641,869 | -£12,340,190 |
| 35% | 70% | -£17,536,409 | -£15,467,105 | -£17,648,674 | -£15,511,401 |
| 40% | 70% | -£20,551,612 | -£18,641,486 | -£20,655,480 | -£18,682,612 |
| 45% | 70% | -£23,566,815 | -£21,815,866 | -£23,662,284 | -£21,853,823 |
| 50% | 70% | -£26,582,018 | -£24,990,247 | -£26,669,090 | -£25,025,034 |
| 100% | 70% | -£56,734,053 | -£56,734,053 | -£56,737,143 | -£56,737,143 |

**Notional scheme 7 (450 flats and 5,000 sq m office and 1,000 sq retail)**

| % of AH | % of AH as rented | 2016 values and indexed CIL (£210.77) | 2016 values and indexed CIL (£52.69) | 2016 values and 2017 indexed CIL (£217.69) | 2016 values and 2017 indexed CIL (£54.52) |
|---|---|---|---|---|---|
| 0% | 70% | -£19,596,638 | -£14,837,424 | -£19,857,037 | -£14,941,498 |
| 10% | 70% | -£28,148,039 | -£23,864,747 | -£28,383,329 | -£23,959,344 |
| 15% | 70% | -£32,423,740 | -£28,378,408 | -£32,646,474 | -£28,468,266 |
| 20% | 70% | -£36,699,440 | -£32,892,070 | -£36,909,619 | -£32,977,190 |
| 25% | 70% | -£40,975,141 | -£37,405,730 | -£41,172,766 | -£37,486,112 |
| 30% | 70% | -£45,250,841 | -£41,919,391 | -£45,435,911 | -£41,995,035 |
| 35% | 70% | -£49,526,541 | -£46,433,053 | -£49,699,057 | -£46,503,957 |
| 40% | 70% | -£53,802,242 | -£50,946,714 | -£53,962,203 | -£51,012,880 |
| 45% | 70% | -£58,077,943 | -£55,460,375 | -£58,225,348 | -£55,521,802 |
| 50% | 70% | -£62,353,643 | -£59,974,036 | -£62,488,494 | -£60,030,725 |
| 100% | 70% | -£105,110,647 | -£105,110,647 | -£105,119,952 | -£105,119,952 |

**Sensitivity**

6.8 Whilst this predicted growth cannot be guaranteed, we have run sensitivity analyses assuming growth in sales values of 21%, which includes growth of 16% (as per information set out earlier at paragraph 2.18) and allows for a conservative assumption of a further 5% on top of this to account for the improvement in values as a result of the regeneration of the OKR OA including the accessibility improvement as a result of the extension to the Bakerloo Line. This is in line with the findings of Knight Frank's report "Analysing Property Market Performance from Reading to Shenfield 2015" which identifies that "*to date, average residential price growth in and around Crossrail stations has outperformed that seen in the surrounding local authority areas by 5%. Some areas have seen stronger growth than others (see maps), with overall price performance generally stronger in central London"*. Knight Frank identifies the highest performing locations around Crossrail stations between Q2 2008 to Q3 2014 to be as follows:

- Bond Street: 38.38%;
- Acton Main Line 33.10%;
- Farringdon 24.41%;
- Paddington: 23.72%;
- Maryland: 20.74%;
- Forest Gate: 18.73%;
- Tottenham Court Road 17.66%;
- Liverpool Street 17.56%;
- Burnham 12.56%; and
- Shenfield: 11.08%.

6.9 We have also allowed for cost inflation of 26.74%. These analyses (see **Appendix 8**) provide the Council with an indication of the impact of potential changes in values and costs on viability. We note that this results in a reduction in viability due to the increase in costs being higher than that of sales values. We would highlight however that this is a conservative assessment of the growth and transformational step change in the market values for the area. The upper end of forecasts for the residential market in London would be 19-25% between 2016 and 2020 and allowing for both a regeneration uplift of 5% and a further 5% related to the significantly improved accessibility due to a Bakerloo line extension this could see growth of 30-35% realised.

**Specific sites**

6.10 The appraisals for the specific sites testing (see **appendices 9 to 11** for full details) indicate that the viability of these schemes is challenging. The results of this testing suggests that it is not the Council's planning policies that are impacting on the identified schemes' viability but rather the high existing use values of the sites identified. We set out below a summary of the results in Table 6.1010.1. A full schedule of the schemes and the results is set out at **Appendix 9** and the appraisals are provided in **Appendix 9 and 10**.

**Table 6.10.1 Results and analysis of residual land values of specific sites testing**

| Site name | Benchmark land value | Adopted CIL 2016, 35% AH | Adopted CIL 2016, 35% AH & Grant | Adopted CIL 2016 & 0% AH | Proposed CIL 2017 and 35% AH | Proposed CIL 2017, 35% AH & Grant | Proposed CIL 2017 and 0% AH | Adopted 2016 CIL as a % of scheme value (35% AH no grant) | Proposed CIL 2017 as a % of scheme value (35% AH no grant) | Increase in cost due to CIL change |
|---|---|---|---|---|---|---|---|---|---|---|
| **Large Site 1** | £13,083,642 | -£23,821,558 | -£17,331,584 | £15,130,890 | -£24,040,186 | -£17,550,212 | £14,850,583 | 3.28% | 3.39% | 0.11% |
| **Large Site 2** | £52,495,289 | -£72,050,449 | -£59,561,124 | -£7,387,694 | -£81,122,488 | -£67,444,595 | -£18,476,482 | 1.23% | 4.20% | 2.97% |
| **Large Site 3** | £52,700,544 | -£31,203,881 | -£18,334,330 | £29,360,893 | -£39,132,557 | -£26,546,179 | £19,165,271 | 1.07% | 4.04% | 2.97% |
| **Large Site 4** | £21,951,163 | -£35,470,360 | -£25,271,607 | £19,346,984 | -£42,013,182 | -£31,814,492 | £10,829,060 | 1.45% | 5.69% | 4.24% |
| **Large Site 5** | £21,197,853 | -£44,245,448 | -£34,445,462 | £618,476 | -£49,919,498 | -£40,119,469 | -£7,004,795 | 1.29% | 5.14% | 3.85% |
| **Small Site 1** | £14,992,364 | -£6,556,994 | -£2,552,601 | £12,455,671 | -£8,368,987 | -£4,354,581 | £10,126,033 | 0.70% | 3.45% | 2.75% |
| **Small Site 2** | £13,802,523 | -£15,266,014 | -£9,645,647 | £8,405,474 | -£18,439,801 | -£12,819,442 | £4,323,632 | 1.20% | 4.94% | 3.74% |
| **Small Site 3** | £2,101,287 | -£12,453,967 | -£8,054,833 | £5,162,565 | -£14,993,449 | -£10,594,312 | £1,885,697 | 1.51% | 6.23% | 4.72% |
| **Small Site 4** | £1,070,480 | -£1,839,172 | -£1,362,096 | £384,431 | -£2,104,988 | -£1,628,105 | £44,003 | 1.77% | 4.93% | 3.16% |
| **Small Site 5** | £988,135 | £2,174,560 | N/A | N/A | £2,140,984 | N/A | N/A | 1.25% | 1.34% | 0.10% |
| **Average** | | -£23,821,558 | -£17,331,584 | £15,130,890 | -£24,040,186 | -£17,550,212 | £14,850,583 | 1.47% | 4.33% | 2.86% |

6.11 We have undertaken further analysis of the impact of the adopted CIL as compared to the proposed CIL rate for the OKROA as of 2017 on these identified specific site schemes as shown in the last two columns in Table 6.1010.1. This identifies that the increase in CIL rates to a flat rate across the OKROA at CIL Zone 2 level would amount to no more than circa 6.24% of scheme value and an average of 4.33%. The increased cost to the schemes as a result of the change to the CIL charge would be between 0.1% and 4.72% and an average of 2.86%.

# 7 Conclusions and recommendations

7.1 The NPPF states that the cumulative impact of local planning authority standards and policies *"should not put implementation of the plan at serious risk, and should facilitate development throughout the economic cycle"*. This report and its supporting appendices test this proposition within the OKR OA.

7.2 We have tested the impact of the Council's affordable housing policies and other requirements (sustainability, CIL, Section 106 contributions etc). The results generated by these appraisals indicate that although viability can prove challenging in the OKR OA, dependent on benchmark land values in particular, developments could viably provide a large majority of the policy requirements.

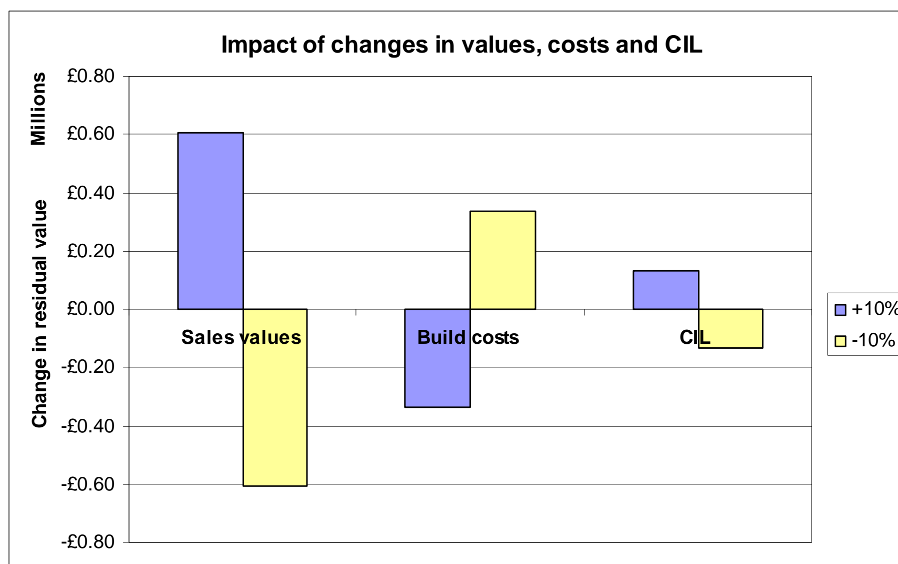
7.3 In order to ensure the delivery of the required growth identified for the OKR OA, particularly on sites with high existing use values and in lower value parts of the OA, the Council needs to apply their policies flexibly. In this regard we consider that the Council's flexible approach to the application of their emerging NSP and OKR OA AAP policies identified as having cost implications (i.e. subject to viability) will ensure both development viability and the delivery of the maximum quantum of affordable housing.

7.4 In considering the outputs of the appraisals, it is important to recognise that some developments will be unviable regardless of the Council's requirements i.e. due to market factors. In these cases, the value of the existing building will be higher than a redevelopment opportunity over the medium term. However, this situation should not be taken as an indication of the viability (or otherwise) of the Council's policies and requirements. In these situations, there will be little pressure from owners to redevelop and they might re-consider the situation following changes in market conditions i.e. an improvement in sales values by comparison to build costs and the development value by comparison to the existing use and competing uses for the site. It is also likely that the wider regeneration of the area and arrival of the Bakerloo line extension will drive values beyond the forecasted growth of London residential values, which will assist with viability.

7.5 It is also worth noting that although the results of this viability exercise identify commercial development as impacting on viability, it does not mean that sites will not be developed within the OKR OA for these uses. Viability is only one of many factors which affect whether a site is developed. For example, an existing occupier looking to re-locate may wish to develop their own premises by reference to their own cost benefit analysis, which will bear little relationship to the residual land value calculations that a speculative landlord developer may undertake.

7.6 We have also referred to the results of development appraisals as being highly dependent upon the inputs, which will vary significantly between individual developments. In the main, the imposition of CIL is not the critical factor in determining whether a scheme is viable or not (with the relationship between scheme value, costs and land value benchmarks being far more important). This point is illustrated in Chart 7.6.1 below, which compares the impact on the residual value of a scheme of a 10% increase and decrease in sales values and a 10% increase and decrease in build costs to a £100 per sq metre change in CIL.

**Chart 7.6.1: Impact of changing levels of CIL in context of other factors**




7.7 The testing has demonstrated that the Council's proposed approach to adopting a flat rate of CIL for residential development at the higher Zone 2 charge in the OA (£217.69 per sq m) will have a minimal impact on development economics and viability. This has been identified as an increase in scheme costs by no more than 4.72% and an average of 2.86%, resulting in CIL being no more than 6.27% of scheme value and an average of 4.33% of scheme value. This change will however have a significant impact on the ability to fund infrastructure. This is particularly important as the delivery of the Bakerloo line extension is key to unlocking the opportunity to deliver the quantum of growth envisaged in the OA. Therefore the cost to benefit ratio of this change is significantly in favour of the increase in the CIL charge. It is also considered that this change would simplify the charging schedule with respect to development coming forward within the OA.

7.8 This study demonstrates that the proposed increase to the residential CIL charge and the Council's flexible approach to applying its policy requirements, will ensure an appropriate balance between delivering affordable housing, sustainability objectives, necessary infrastructure and the need for landowners and developers to achieve competitive returns, as required by the NPPF. Maintaining this approach will ensure the "scale of obligations and policy burdens" (Para 174 of the NPPF) are appropriate in all instances to ensure that sites are, as far as possible, able to be developed viably and thus facilitate the growth envisaged by the Council's plans throughout the economic cycle without jeopardising the delivery of the aspirations of the emerging New Southwark Plan and Old Kent Road Area Action Plan.

## Valuation uncertainty following the EU Referendum

7.9 Following the Referendum held on 23 June 2016 concerning the UK's membership of the EU, a decision was taken to exit. We are now in a period of uncertainty in relation to many factors that impact the property investment and letting markets.

7.10 All analysis and commentators who have published opinions on the impact on and future of the market agree that it is at present challenging to evaluate. Savills head of UK residential research, Lucian Cook, identified in a press release shortly after the result that, *"there have been conflicting signals in the market in the period post referendum, which suggests the impact of a vote to*

*leave the EU will only become clear over coming months as the market finds its level".*

7.11 The immediate aftermath of the result of the vote was "panic" with the Pound Sterling falling to a 31 year low and stocks overselling due to the earnings of the FTSE being largely in US Dollars. As the Pound dropped significantly this has supported the stock market, which has since recouped all of the losses seen and is near the all-time highs.

7.12 For the property industry the position seen so far is mixed. Initially given the lack of clarity about the risks resulted in parties pausing transactions. However, as the weeks have passed, especially after the news of a new government having been formed under the leadership of Theresa May as Prime Minister, purchasers have been seen to return to the market. For example BNP Paribas Real Estate has received 26 bids on a £18 million potential residential site on behalf of LB Lambeth and bids on a site in Hitchin, Hertfordshire have exceeded expectations.

7.13 This conforms with Savills' briefing paper published on 21 July 2016 (The Impact on Residential Development: Brexit Briefing), in which they identify that, *"uncertainty has subdued sentiment in the land market although good offers are still being made for the best sites. A survey of Savills land agents across the country shows that sentiment shifted from positive to neutral following the vote. Agents report that uncertainty is prompting house builders and promoters to slow their land buying activities."* Notwithstanding this, *"Many house builders have a strong pipeline of land at present and can afford to wait for a few months to establish where the market is heading. We have seen some early signs of a more risk adverse approach to purchases with land buyers increasing their buying profit margins and hurdle rates."*

7.14 Lucian Cook of Savills identified in a press release shortly after the Referendum result was announced that, *"falls in sterling have prompted some international buyers to re-enter the market, while there has also been a fair share of speculative bids from those hoping to secure a bargain. Against this context, sellers have generally taken a pragmatic approach around pricing without having to slash their expectations".* He also stated that, *"prime regional markets are at a different stage in their cycle, having been slower to recover peak 2007 values, and therefore appear to have been less affected by pre referendum uncertainty".*

7.15 Commercial markets are showing a more challenging position however. Open ended property funds in particular have been seen to suffer the most as many large UK investment houses took the decision to stop investors' redemptions from these funds to prevent the need for a wholescale sale of property assets held to balance the money available in the funds. The first to suspend its open-ended UK property fund was Standard Life Investments, which had to write down the value of its fund by 5% after the vote result was announced. This was followed by M&G suspending its M&G Property Portfolio, which had assets of £4.4 billion. M&G said the suspension would allow it to raise cash levels in a "controlled manner". Aviva Investors suspended its £1.8 billion fund on the same day as M&G, with Aviva calling the circumstances "extraordinary". This was followed by Henderson Global Investors, which shut its £3.9 billion open-ended UK Property fund.

7.16 IPF and Capital Economics' survey findings published on 22 July 2016 identify that there is strong expectation that rental value and capital value growth will be significantly weaker across all sectors into 2018 with City offices the most exposed, but the longer-term impact is uncertain. The study's findings identify UK commercial property to be in a more robust position than many commentators suggest, however they have warned the market is in danger of

"talking itself into a correction".

7.17 The Bank of England Governor Mark Carney identified on Thursday 30 June that the economy would probably need more stimulus over the summer given that the outlook had deteriorated. He also said commercial real estate transactions had halved since last year's peak and that activity in residential real estate had slowed sharply. Capital Economics reported that given Mark Carney's comments that the Monetary Policy Committee was likely to vote to loosen policy over the summer they "expect interest rates to be cut by 25 basis points in July, but wouldn't rule out a further cut to zero, and a re-starting of the Banks' quantitative easing programme". The base rate remained unchanged in July however, Savills have reported in their Brexit briefing paper that *"ensuring liquidity in the lending markets is a key objective for the Bank of England at the moment. It has already taken steps to facilitate lending by easing capital requirements for banks, potentially freeing up £150 billion. There are currently suggestions that the Bank is considering further stimulus measures alongside a rate cut this summer."*

7.18 Capital Economics also published their UK housing market update shortly after the Referendum which stated that they considered *"transactions not house prices are likely to take the strain"*. Furthermore the EU referendum has weakened the short term economic and housing market outlook and will prolong the uncertainty which has been present for the past few months. Capital Economics however state that *"the economy is poised for a short term slowdown not a recession".* Nonetheless, this economic slow-down will affect housing demand. Capital Economics report *"job creation and income growth will probably be slower than we might otherwise have seen".*

7.19 Notwithstanding this we note that price negotiations on properties are becoming more common. BNP Paribas Real Estate understands that Capco are indicating a reduction in pricing at Earls Court of circa 10%-15%. Savills identify in their Brexit briefing paper that, *"In London, sales of new homes have held up better than expected. Momentum has been maintained with renegotiations of between 5% and 10% off the agreed price."* However they identify that, *"the fall in sterling has prompted more interest from overseas buyers"* and further that, *"These adjustments must be seen against the backdrop of a London development market moving into the next phase of the cycle. The number of both new build sales and house building starts have been declining for the past 18 months, whilst the number of completions has gradually increased and has now overtaken sales and starts for the first time since 2012"*.

7.20 To conclude, although it is only a matter of weeks since the "Brexit" result, Capital Economics state that *"the market response to the vote has so far been dramatic, but not catastrophic",* Prime Central London prices "have stagnated, not collapsed". The future of the housing market is currently difficult to predict, and Capital Economics further state that *"the economy could prove more fragile than we expect, and overseas buyers may decide to dump central London market property".* Despite this however they consider both of these outcomes appear *"unduly pessimistic to form a sensible central scenario".* Further, Capital Economics said its *"central view is that the outlook for commercial property is healthier than the recent gloomy headlines would suggest"* but warned *"there is a latent risk that negative sentiment itself could become self-fulfilling".* Advisors in the market agree that the stability provided by the new Prime Minister in office, earlier than expected, has assisted in subduing some of the uncertainty. However, sentiment is likely to fluctuate as negotiations to leave the EU and particularly the trade opportunities proceed. In the context of this uncertainty, financial institutions are likely to tighten their requirement for profit returns on developments. As a consequence, target profit levels are expected to increase back up to 20% in the short term. The residential market is also predicting lower transaction volumes and weaker house price growth in the near-term.