

**Elmbridge Borough Council**

**Appendix III  
Market Values & Assumptions Research  
Local Plan Viability Assessment**

**June 2021**

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### Note:

CoStar property resource extracts for research base follow the above.

## 1.0 Introduction

- 1.1 Referred to within DSP'S main report, this document – Appendix III – provides an overview of the research undertaken into residential and commercial property values, together with the wider economic conditions at the time of writing. Collectively, this research aims to help inform the assumptions setting for the residential and commercial appraisal testing, providing important background evidence by building a picture of values and the variation of those within Elmbridge Borough Council.
- 1.2 This report will also provide the Council with an indication of the type and sources of data that it could monitor, revisit and update, to further inform its ongoing work where necessary in the future. Doing so would provide valuable context for monitoring the delivery subsequent to settling policy positions and aspirations.
- 1.3 It should be acknowledged that this is high level work and a great deal of variance may be seen in practice from one development to another (with site-specific characteristics). This data gathering process adopted by DSP involves the review of a range of information sources, so as to inform an overview that is relevant to and appropriate for the project context. The aim here is to consider changes and trends and therefore enable us to assess with the Council an updated context picture so far as is suitable and practically possible.
- 1.4 This Appendix is informed by a range of industry reporting and quotes/extracts (shown in *italic text* to distinguish that externally sourced information from DSP's commentary and context / analysis), with sources acknowledged.

## 2.0 Economic / Housing Market Context

- 2.1.1. There are a number of sources available in reviewing the current economic and housing market context generally. We have made particular reference to the Land Registry, Royal Institution of Chartered Surveyors (RICS) market reporting, Office for National Statistics (ONS) and Savills market reporting and forecasts.
- 2.1.2. These industry reporting resources have all described a similar picture of the current economic context alongside the general housing market patterns of the housing market, viewed at this time both more widely and in respect of the available information for Elmbridge Borough Council.
- 2.1.3. The UK residential market was influenced throughout 2020 by the unprecedented Coronavirus Pandemic. In March 2020, the UK Government imposed lockdown restrictions nation-wide – involving the closure of sites, travel-restrictions and social distancing procedures. This caused wide disruption and uncertainty within the market at that stage, with the effects of Brexit also with us. However, the fears of deep impacts on the housing market and concerns over the stability of prices supported by it were not materialised, and in fact at look back at the past year shows a very positive period in terms of house price growth.
- 2.1.4. Dixon Searle Partnership (DSP) have studied and analysed the latest economic / housing market commentary alongside our own wider experience across the country. The most recent RICS (Royal Institution of Chartered Surveyors) report of April 2021 examines the condition of the market and the opinion of respondents as the UK emerges from the third national lockdown. The latest update is notably positive in its description of the market describing both high levels of interest and growth in house price. Significant attention is paid to the continuing issue of demand vs. supply RICS report on a very active market influenced by this lack of stock, with the flow of new instructions seemingly losing impetus. RICS report that as such there is insufficient stock to meet the current high levels of demand, resulting in sustained upward pressure on house price growth. Within this survey +75% respondents reported on increased house prices during April – this figure has successively more elevated in each of the last three reports. Respondents foresee that these upwards pressures will continue into the twelve-month time projections.
- 2.1.5. This is noted in the feedback provided by respondents from the South East who record that many listed properties are seeing multiple interest parties. These respondents also note that a prevailing feature of the local market currently is the changing housing requirements and interests, with families coming out from urban to sub-urban areas.

- 2.1.6. The latest Office for National Statistics (ONS) UK House Price Index - March 2021 focuses on sale prices and trends in data rather than forecasting the future of the housing market. Corroborating the sentiment expressed by the RICS respondents above, the ONS report that house prices began to accelerate in the latter half of 2020, with the latest information recording an increase of 10.2% (7.9% in the South East) to house prices in the UK over the year to March 2021 – this represents the highest annual growth the UK has seen since August 2007.
- 2.1.7. As to why house prices have increased so sharply, the ONS ventures that a range of factors may carry influence, such as a change in housing preferences since the pandemic as also alluded to by the RICS respondents. Providing further detail on this sentiment, the ONS record that detached property prices have increased by 11.7% in the year to March 2021, while flats and maisonettes have increased by a lower figure of 5% for the same period.
- 2.1.8. The ONS further suggests that the Stamp Duty holiday, first announced in July 2020 may have allowed sellers to request higher prices while buyers' overall fees are lower. The Stamp Duty Holiday has been expended in England to 30th June 2021, after which the threshold will decrease from the current £500,000 to £250,000 until 30th September 2021.
- 2.1.9. Savills UK Housing Market Update –May 2021 broadly echoes the sentiment of value growth and strong market activity found in the reports discussed above. Savills report that house prices grew by 2.1% in April, representing the strongest month-on-month increase since February 2004, furthermore they anticipate this trend to continue, expecting house price growth to reach double digits during the summer. Transactions levels reached record levels in February 2021, exceeding 120,000 completed transactions for the first time since HMRC records began in 2005 - in this latest issue Savills report that this number rose to 180,000 during March. This high level of activity is expected to continue throughout the Stamp Duty holiday extension.
- 2.1.10. The above reports indicate continued resilience and high levels of activity in the market. Common themes drawn out within all three reports are the positive impact of the stamp duty holiday in supporting the market and the continued outstripping of demand over supply. The outlook of the market in both near-term and long-term is generally positive, with the rate of price growth and completed transactions expected to continue.

## 3.0 Residential Market Review

- 3.1.1. Consistent with our assessment principles, DSP researches data from a range of readily available sources, as also directed by the Planning Practice Guidance (PPG). As noted above, these are sources that could also be used by the Council for any future similar work, updating or monitoring. In the following sections we will provide an outline of the data reviewed.
- 3.1.2. The residential market review and data collection/analysis phase was based on both ward area and settlements within the borough. This process comprised the desktop-based research and analysis of both sold and asking prices for new build and resale property across the borough.
- 3.1.3. In addition to the Land Registry analysis we also reviewed currently available new build and re-sale properties for sale utilising property search engines such as Rightmove which will be described in further detail below. We consider this combined approach provides a proportionate but appropriately robust evidence basis – again aligning with the PPG.
- 3.2. **Review of Land Registry New Build Sold Prices Data (February 2017 to April 2020)**
- 3.2.1. The following Tables 1a to 1b below provide Elmbridge Borough based summary of Land Registry published sold prices data – focusing solely on new build housing. The floor areas have been sourced separately – from the Domestic Energy Performance Certificate (EPC) Register operated by Landmark on behalf of the Government and available to view via [www.epcregister.com](http://www.epcregister.com) under the DCLG’s remit. Property values have been updated in line with the UK House Price Index (HPI) at the point of data collection i.e. April 2020. Due to its size the full data set has not been included but can be requested if required. The data has been sorted by Settlement areas.

Table 1a – Land Registry Sold Prices Review Analysis – New Build Property – Average Price by Settlement Area (sorted highest to lowest by price £/m<sup>2</sup>)

Settlement	Average Updated Sale Price	Average Updated £/M2	Sample Size
Cobham	£1,322,292	£6,879	56
Esher	£587,988	£6,758	2
Thames Ditton	£340,864	£6,739	12
East Molesey	£821,400	£6,692	59
Weybridge	£572,974	£5,925	24
Walton-On-Thames	£309,679	£5,912	53
Hersham	£417,172	£5,394	24

Table 1b – Land Registry Sold Prices Review Analysis –New Build Property – Quartile Analysis by Settlement Area (sorted highest to lowest Median Quartile (MQ))

Settlement	Min. Quartile	1st Quartile	Median Quartile	3rd Quartile	Max.	Sample Size
Cobham	£5,106	£6,013	£6,823	£7,747	£9,919	56
Esher	£6,640	£6,699	£6,758	£6,818	£6,877	2
Thames Ditton	£6,177	£6,525	£6,755	£6,962	£7,224	12
East Molesey	£5,109	£6,154	£6,640	£7,263	£8,846	59
Weybridge	£5,018	£5,636	£5,915	£6,280	£8,428	24
Walton-On-Thames	£4,955	£5,531	£5,843	£6,523	£9,795	53
Hersham	£4,789	£5,096	£5,230	£5,510	£7,102	24

3.2.2. It is important to note that in the Settlements listed above, there was a varying amount of information available for analysis, with Esher indicating a very small sample size. This therefore should not be relied upon as the only data source – an overall view should be taken based on the range of available data.

3.2.3. A key point of this analysis is to consider all available information in an appropriate way for the study purpose and strategic level, which in this case requires a high-level overview of general values ‘patterns’ rather than aiming necessarily to reflect finer grained variations and potential site-specifics. The data compiled indicates the typical range of new build property values to be from around £5,500/m<sup>2</sup> to £6,250 m<sup>2</sup> (i.e £510/sf to £580/sf).

### 3.3. Review of Land Registry Resale Sold Prices Data (October 2019 –April 2020)

- 3.3.1. A similar process has been undertaken as above for re-sale property with the following Tables 2a – 2b providing an Elmbridge Borough summary of Land Registry published sold prices data – focusing solely on resale housing. As above, the floor areas have been sourced separately – from the Domestic Energy Performance Certificate (EPC) Register operated by Landmark on behalf of the Government and available to view via [www.epcregister.com](http://www.epcregister.com) under the DCLG’s remit. Property values have been updated in line with the UK HPI (area-specific figures) at the point of data collection i.e. April 2020. Due to its size the full data set it has not been included here, however it can be requested by the Council. The data has once again been categorised by Settlement areas.

*Table 2a – Land Registry Sold Prices Review Analysis – Resale Property – Average Price by Settlement Area (sorted highest to lowest by price £/m<sup>2</sup>)*

<b>Settlement</b>	<b>Average Sale Price Updated by UK HPI</b>	<b>Average Updated £/M2</b>	<b>Sample Size</b>
<b>East Molesey</b>	£940,719	£6,995	41
<b>Long Ditton</b>	£871,361	£6,593	12
<b>Thames Ditton</b>	£792,536	£6,526	52
<b>Downside</b>	£608,638	£6,521	3
<b>Esher</b>	£1,034,253	£6,256	54
<b>Claygate</b>	£859,975.15	£6,117.71	21
<b>Cobham</b>	£1,188,781	£6,051	49
<b>Weybridge</b>	£829,356	£5,892	102
<b>Hersham</b>	£823,019	£5,741	66
<b>Stoke D'Abernon</b>	£934,575	£5,699	7
<b>Walton-On-Thames</b>	£594,651	£5,462	103
<b>West Molesey</b>	£472,991	£5,405	58
<b>Oxshott</b>	£1,658,902	£5,333	11
<b>Hinchley Wood</b>	£1,079,790	£5,248	4

*Table 2b – Land Registry Sold Prices Review Analysis – Resale Property – Quartile Analysis by Settlement Area (sorted highest to lowest Median Quartile (MQ))*

Settlement	Min.	1st Quartile	Median Quartile	3rd Quartile	Max.	Sample Size
East Molesey	£5,063	£6,122	£6,912	£7,539	£9,539	41
Esher	£4,079	£5,597	£6,647	£7,360	£9,155	54
Thames Ditton	£4,646	£5,729	£6,642	£7,357	£10,792	52
Long Ditton	£5,581	£6,311	£6,610	£6,916	£9,118	12
Downside	£6,170	£6,266	£6,362	£6,711	£7,060	3
Claygate	£4,340	£5,161	£6,234	£6,850	£8,016	21
Weybridge	£4,165	£5,247	£5,996	£6,537	£10,460	102
Cobham	£4,581	£5,399	£5,987	£6,698	£11,092	49
Hersham	£4,065	£4,780	£5,725	£6,217	£8,559	66
Stoke D'abernon	£5,000	£5,264	£5,672	£6,327	£7,125	7
Oxshott	£3,813	£5,025	£5,476	£6,292	£8,914	11
Walton-On-Thames	£4,150	£4,883	£5,343	£5,990	£9,522	103
Hinchley Wood	£4,938	£5,076	£5,303	£5,491	£5,512	4
West Molesey	£4,128	£4,932	£5,231	£5,940	£8,225	58

3.3.2. Once again, it is important to note that a number of Settlements listed above indicated very small sample sizes and should therefore not be relied upon as the only data source – an overall view should be taken based on the range of available data.

### 3.4 Available New Builds – Advertised for Sale (April 2020)

3.4.1. Table 3a below provides a summary of the available new build properties that were on the market for sale in April 2020 across Elmbridge Borough as found through web-searching, including [www.rightmove.co.uk](http://www.rightmove.co.uk); various house builders' & estate agents' websites and associated follow up enquiries if relevant. The 5% deduction is intended to recognise that there will usually be an adjustment between marketing and sales price. Many of the results currently advertised were not yet able to provide accurate floor plan/unit sizes. As such, in these instances, we have provided general assumed sizes for these entries based on what we have found represents typical new build sizes for those unit types in Elmbridge Borough. The results where this assumption has been made are indicated in red text. The following table therefore presents another high-level sense check of our assumed values.

3.4.2. The amount of data collected for this exercise is limited. The low number of instructions is potentially due to the fact that the data was collected in April 2020, during the first Covid-19 lockdown first implemented during March 2020.

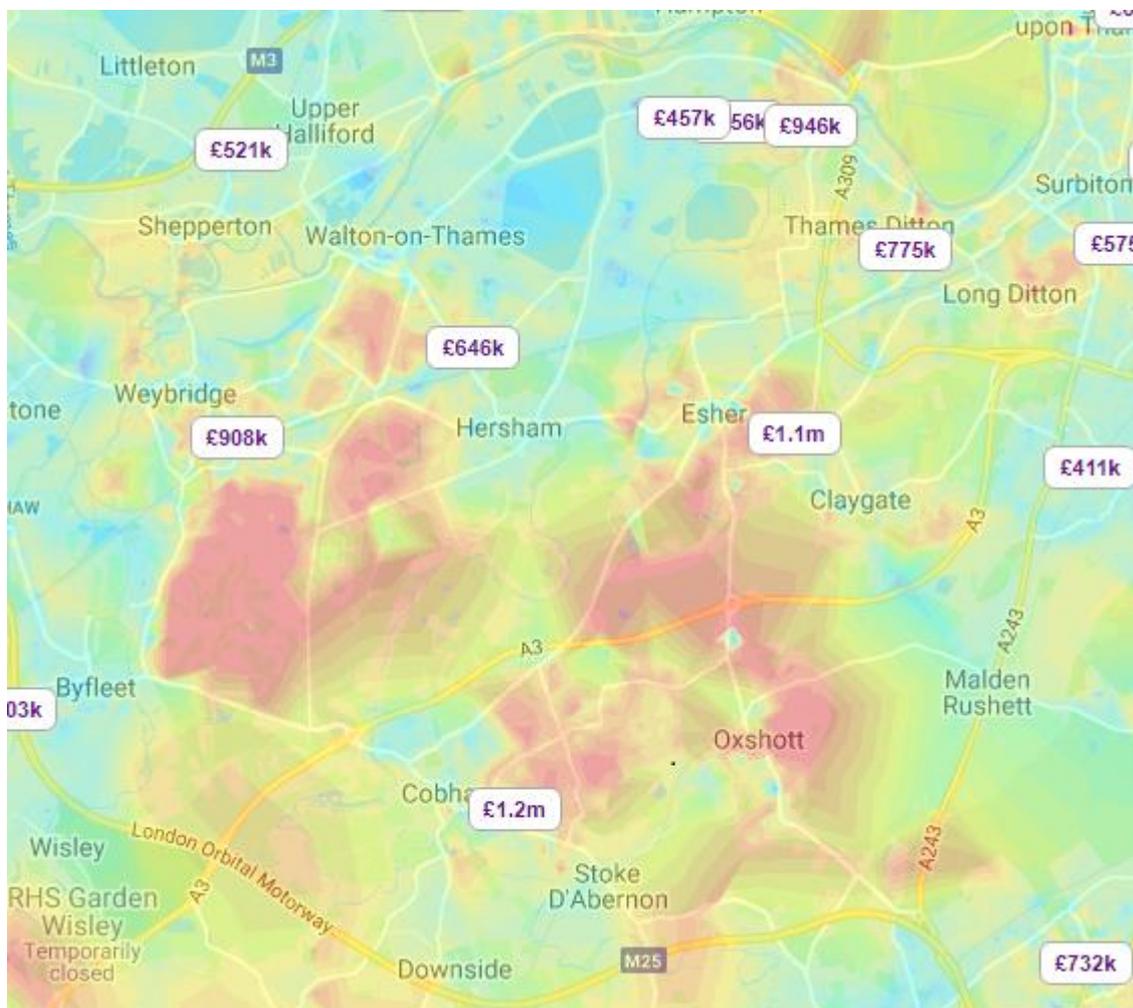
Table 3a – New Builds Advertised for Sale April 2020 – Sorted highest to lowest average £/m<sup>2</sup>

Property Type	Settlement	Address	Bed No.	Asking Price	M2	£/M2	Asking Price 5% LESS	£/M2 5% LESS
Apartment	Esher	Claremont Lane	2 bed	£750,000	84	£8,929	£712,500	£8,482
Apartment	Esher	Claremont Lane	2 bed	£725,000	82	£8,841	£688,750	£8,399
Apartment	Esher	Claremont Lane	2 bed	£699,950	80	£8,749	£664,953	£8,312
Detached	Weybridge	Holstein Avenue	4 bed	£1,250,000	149	£8,389	£1,187,500	£7,970
Apartment	Weybridge	Brooklands Road	2 bed	£630,000	80	£7,895	£598,500	£7,500
Apartment	Weybridge	Brooklands Road	2 bed	£630,000	80	£7,895	£598,500	£7,500
Apartment	Esher	Littleworth Road	1 bed	£377,500	50	£7,550	£358,625	£7,173
Semi-detached	Oxshott		3 bed	£755,000	105	£7,225	£717,250	£6,864
Apartment	Esher	Littleworth Road	2 bed	£407,500	57	£7,162	£387,125	£6,804
Apartment	Esher	Littleworth Road	1 bed	£335,000	47	£7,143	£318,250	£6,786
Apartment	Esher	Littleworth Road	2 bed	£450,000	64	£7,042	£427,500	£6,690
Semi-detached	Oxshott		3 bed	£735,000	105	£7,033	£698,250	£6,682
Apartment	Esher	Littleworth Road	2 bed	£397,500	57	£6,986	£377,625	£6,637
Apartment	Esher	Littleworth Road	2 bed	£395,000	58	£6,870	£375,250	£6,526
Apartment	East Molesey	Hurst Lane	2 bed	£475,000	71	£6,719	£451,250	£6,383
Detached	Walton-On-Thames	Rivernook Farm	3 bed	£619,995	93	£6,667	£588,995	£6,333
Detached	Walton-On-Thames	Terrace Road	3 bed	£614,995	93	£6,613	£584,245	£6,282
Terrace	Walton-On-Thames	Hersham, Hersham RD	2 bed	£495,000	75	£6,600	£470,250	£6,270
Apartment	Esher	Littleworth Road	1 bed	£342,500	52	£6,599	£325,375	£6,269
Apartment	Weybridge		1 bed	£310,000	49	£6,327	£294,500	£6,010
Detached	Weybridge	Devonshire Road	4 bed	£1,295,000	208	£6,232	£1,230,250	£5,920
Terrace	Walton-On-Thames	Hersham, Burwood Road	3 bed	£699,960	112	£6,227	£664,962	£5,916
Terrace	Walton-On-Thames	Hersham, Burwood Road	3 bed	£689,950	111	£6,216	£655,453	£5,905
Semi-detached	West Molesey	Weston Avenue	4 bed	£775,000	125	£6,200	£736,250	£5,890
Apartment	Esher	Ditton Grove	2 bed	£399,950	65	£6,172	£379,953	£5,863
Apartment	Esher	Ditton Grove	2 bed	£374,950	62	£6,077	£356,203	£5,773
Terrace	Walton-On-Thames	Cottimore Lane	3 bed	£550,000	93	£5,914	£522,500	£5,618
Semi-detached	Walton-On-Thames	Hersham, Hersham RD	4 bed	£705,000	123	£5,732	£669,750	£5,445
Detached	Walton-On-Thames	Rivernook Farm	4 bed	£699,995	124	£5,645	£664,995	£5,363
Apartment	Walton-On-Thames	Church Street	1 bed	£280,000	50	£5,600	£266,000	£5,320
Terrace	Walton-On-Thames	Hersham, Burwood Road	4 bed	£719,950.00	129	£5,598	£683,953	£5,318
Semi-detached	Walton-On-Thames	Hersham, Felcott Road	4 bed	£689,000	124	£5,556	£654,550	£5,279
Apartment	Weybridge	Victoria Way	2 bed	£425,000	77	£5,548	£403,750	£5,271
Terrace	Walton-On-Thames	Second Avenue	3 bed	£575,000	105	£5,476	£546,250	£5,202
				<b>£596,285</b>	<b>89</b>	<b>£6,680</b>	<b>£566,471</b>	<b>£6,346</b>

### 3.5 Zoopla ‘Heat’ Values Map

3.5.1. The source of the information – maps and information in the following pages is: [www.zoopla.co.uk](http://www.zoopla.co.uk) – as at April 2020. The Zoopla sourced indicative, high-level ‘heat map’ below provides a further indication as the variable strength of residential values in Elmbridge Borough. This presents a relative picture. The ‘cooler’ colours (blues / greens) indicate the general extent of lower values, relative to the ‘warmer’ colours (yellows / reds) indicating house prices generally moving to or at higher levels.

Table 4 – Zoopla ‘Heat’ Values Area Map (April 2020)



**3.6. DSP Residential ‘Value Levels’ (VLs)**

3.6.1. Overall, for the purposes of this Local Plan and CIL viability study, we decided to focus our appraisals around the following values range – represented by what we refer to as Value Levels (VLs) 1-9+ indicative by location, all in accordance with the extensive research values analysis outlined above. See Table 4 below (note: table also included for ease of reference in Appendix I). Above all, this shows the scale of values as well as the variation of those values seen in different parts of the Borough. At the time of compiling Appendix I in April 2020 , we considered typical new build property values in the Elmbridge Borough to fall within the overall VL’s range of £5,500/m2 to £6,250/m2 (i.e £510/sf to £580/sf).

Table 5 – DSP Value Levels

Open Market Value	EBC lower-end values		EBC typical new-build values range				EBC upper-end new build values / high value property		
	VL1	VL2	VL3	VL4	VL5	VL6	VL7	VL8	VL9+
1-bed flat	£237,500	£262,500	£275,000	£287,500	£300,000	£312,500	£325,000	£350,000	£375,000
2-bed flat	£318,250	£351,750	£368,500	£385,250	£402,000	£418,750	£435,500	£469,000	£502,500
2-bed house	£441,750	£488,250	£511,500	£534,750	£558,000	£581,250	£604,500	£651,000	£697,500
3-bed house	£513,000	£567,000	£594,000	£621,000	£648,000	£675,000	£702,000	£756,000	£810,000
3-bed larger 'Mews Style' house	£513,000	£567,000	£594,000	£621,000	£648,000	£675,000	£702,000	£756,000	£810,000
4-bed house	£589,000	£651,000	£682,000	£713,000	£744,000	£775,000	£806,000	£868,000	£930,000
<b>Value (£ / m<sup>2</sup>)</b>	<b>£4,750</b>	<b>£5,250</b>	<b>£5,500</b>	<b>£5,750</b>	<b>£6,000</b>	<b>£6,250</b>	<b>£6,500</b>	<b>£7,000</b>	<b>£7,500</b>

- 3.6.2. As in all areas, values are always mixed to some extent – within particular settlements and even within sites. The table below assumes the following dwelling gross internal floor areas (these are purely for the purpose of the above market dwelling price illustrations) for the ‘standard’ scenario set.

*Table 6 – Assumed Unit Sizes.*

Unit Sizes (sq m)	Affordable	Private
1-bed flat	50	50
2-bed flat	67	67
2-bed house	75	75
3-bed house	85	93
3-bed larger 'Mews Style' house	n/a	108
4-bed house	115	124

*\*based on range set out in the Nationally Described Space Standard (NDSS).*

### 3.7 Retirement, Sheltered and Extra Care Housing research

- 3.7.1. DSP conducted research on the value of new build retirement units in the Borough. At the time of the original research there was limited new-build retirement housing (including sheltered and Extra Care Schemes) available for sale within the Borough, however, the information available was considered as part of a wider information collection stage when building assumptions.

Table 7 - Retirement Properties Advertised for Sale April 2020

Settlement	Address	Description	Asking Price	Size M2	Price £/M2	Price 5% less	Price £/M2 5% less
Cobham	White Lion Place	2 bed flat	£860,000	84.7	£10,153	£817,000	£9,646
Cobham	White Lion Place	2 bed flat	£750,000	80.3	£9,340	£712,500	£8,873
Cobham	White Lion Place	3 bed flat	£735,000	92.1	£7,980	£698,250	£7,581
Cobham	High Street	2 bed flat	£641,000	68.4	£9,371	£608,950	£8,903
Walton on Thames	Churchfield Road	2 bed flat	£608,000	70	£8,686	£577,600	£8,251
Cobham	High Street	2 bed flat	£595,000	74.7	£7,965	£565,250	£7,567
Walton on Thames	Churchfield Road	2 bed flat	£567,000	70	£8,100	£538,650	£7,695
Walton on Thames	Churchfield Road	2 bed flat	£537,000	68	£7,897	£510,150	£7,502
Walton on Thames	Churchfield Road	2 bed flat	£529,000	79.1	£6,688	£502,550	£6,353
Walton on Thames	Churchfield Road	2 bed flat	£527,000	77.2	£6,826	£500,650	£6,485
Cobham	High Street	1 bed flat	£501,000	55	£9,109	£475,950	£8,654
Cobham	High Street	1 bed flat	£475,000	54.7	£8,684	£451,250	£8,250
Walton on Thames	Churchfield Road	1 bed flat	£427,000	60	£7,117	£405,650	£6,761
Walton on Thames	Churchfield Road	1 bed flat	£425,000	58.7	£7,240	£403,750	£6,878
Walton on Thames	Churchfield Road	1 bed flat	£370,000	56	£6,607	£351,500	£6,277
Walton on Thames	Churchfield Road	1 bed flat	£360,000	65	£5,538	£342,000	£5,262
Walton on Thames	Churchfield Road	1 bed flat	£353,000	60	£5,883	£335,350	£5,589
Walton on Thames	Churchfield Road	1 bed flat	£342,000	62.3	£5,490	£324,900	£5,215
<b>Average</b>			<b>£533,444</b>	<b>68.7</b>	<b>£7,767</b>	<b>£506,772</b>	<b>£7,379</b>

- 3.7.2. DSP's significant experience of carrying out site-specific viability reviews on numerous schemes led us to test retirement/sheltered housing at the same overall upper range of values as used for traditional housing market appraisals (VL7 – VL9+).
- 3.7.3. From wider experience, we would generally expect retirement/sheltered housing values to be representative of the upper end of this overall range; even this could be considered conservative in our view.
- 3.8 According to the Retirement Housing Group (RHG) in their paper amended February 2016 which discusses assumptions for strategic policy viability it is possible to value sheltered housing by assuming that a 1-bed new build sheltered flat is worth 75% the value of a second-hand 3-bed semi-detached property locally, with a 2-bed new build sheltered flat being worth 100% of the value. In addition, extra care housing is typically considered to be 25% higher than sheltered housing.
- 3.9 DSP have conducted research into recent sales transactions for second-hand 3-bedroom semi-detached properties within Elmbridge Borough follow this methodology. The results provide a sense check on our other retirement research. Ultimately it corroborates the impression that new build retirement units represent higher value levels in the borough.

*Table 8 – RHG Analysis – Checking of Retirement figures.*

Analysis	£/M2	
Average 3-bed semi-detached property in Elmbridge Borough	£633,381	
1-bed new build sheltered flat (worth 75% of the value)	£475,035	£8,637
2-bed new build sheltered flat (worth 100% of the value)	£633,381	£8,445
1-bed extra care (typically 25% higher than sheltered housing)	£593,794	£10,150
2-bed new build extra care (typically 25% higher than sheltered housing)	£791,726	£10,417

## 4.0 Commercial Market Information, Rents and Yields

- 4.1.1 The first UK lockdown imposed in March 2020 caused the commercial economy to almost come to a halt, with most retail and leisure closed for several months, and offices adopting remote working. Since then – the ongoing pandemic and further lockdowns in November 2020 and January 2021 have posed difficult challenges for office and retail units.
- 4.1.2 The RICS Commercial Property Market Survey Q1 2021, headlines that *'more respondents (are) now sensing a recovery is underway although conditions remain tough for offices and retail'*. While feedback remains negative in regards to retail and office space, RICS note that it is *'not quite as downbeat as in previous quarters'*. 32% of respondents now consider the overall market conditions to be consistent with the early stages of an upturn – while this is outweighed by the 38% who believe that the market is turning down, the those who believe the latter are down from the 63% in the previous quarter. RICS note that industrial/ logistics appear to be driving the majority of this improvement, as *'occupier and investor demand accelerate...across the industrial sector'* resulting in a tightening supply of industrial space. In comparison, activity across retail and office sectors remains subdued, with many participants expecting a decline in retail/office rents over the next 21 months.
- 4.1.3 On the local level however, feedback from respondents within the South East note their *'cautious optimism'* for the future, with several reporting an *'active market across most sectors'* including small retail demand from independents looking to open up. Another South East respondent notes that while demand is down, it is not as bad as originally feared. One factor drawn out in the RICS article is that many respondents anticipate that business will scale back on their office over the next two years due to the rise in remote working.
- 4.1.4 DSP have also reviewed Savills – UK Market in Minutes – UK Commercial – May 2021. Savills corroborate the sentiment expressed above by RICS and provide further detail on the level of interest in industrial property, recording that investment volumes for the industrial sector were up 110% year on year to the end of April 2021. This trend was also explored in their April 2021 update, where they noted that investment volumes for the sector reached £5.6 billion during 2020 Q4 – the highest quarterly total recorded since 2000. Savills continued in their previous update that the industrial sector during 2020 experienced the *'highest ever take up recorded for units over 100,000 sq.ft'*.

- 4.1.5 In their latest May 2021 update Savills headline that ‘*recovery to normal levels continues*’. Investment volumes on industrial and warehousing are up, unit shops are also noted to be buoyed up by the sale of long lease assets such as foodstores. All other sectors however remain down year on year with office and leisure particularly subdued – though promisingly Savills conclude that not only are there are signs of recovery within these sectors too, but monthly investment volumes for the commercial market are also in steady recovery within 10% of normal levels.
- 4.1.6 To summarise the articles above, while activity remains low when compared with previous years, when considering the impact of the covid-19 pandemic there is a general perception that the market is showing firm signs of an upward trend – this is largely driven by the success and interest within the industrial/warehouse sector with record breaking levels of investment and take up. The office and leisure market remains subdued having been most affected by the coronavirus restrictions of the last year, but even these sectors are showing indications of recovery according to the latest market reports.
- 4.1.8. Table 7 below sets out indications provided by the Knight Frank Investment Yield Guide (January 2021)<sup>1</sup>

*(See next page.)*

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<sup>1</sup> Knight Frank “Investment Yield Guide” (January 2021)

Table 9 – Knight Frank Investment Yield Guide April 2021

Sector	April -21	Market Sentiment
<b>High Street Retail</b>		
Bond Street	2.75% +	Stable
Oxford Street	3.50%+	Negative
Prime Shops	6.50%	Negative
Regional Cities	6.50% +	Negative
Good Secondary	8.25% -8.50%	Negative
Secondary / Tertiary	10.00% ++	Negative
<b>Shopping Centres</b>		
Regional Scheme	8.00% +	Negative
Sub-Regional Scheme	9.00% +	Negative
Local Scheme (successful)	10.00%+	Negative
Local Scheme (challenged)	15.00%+	Negative
Neighbourhood Scheme (assumes <25% of income from supermarket)	9.50% - 9.75% +	Negative
<b>Out of Town Retail</b>		
Open A1/Fashion Parks	7.00%	Positive
Secondary Open A1 Parks	8.25%-8.50%	Positive
Bulky Goods Parks	7.00%	Stable
Secondary Bulky Goods Parks	8.25%-8.50%	Positive
Solus Open A1	6.00%	Positive
Solus Bulky (c.50,000 sq. ft. let to strong covenant for 15yrs)	6.25%	Positive
<b>Leisure</b>		
Leisure Parks	7.00% +	Negative
Good Secondary Leisure Parks	8.00% +	Negative
Secondary Leisure Parks	10.00% +	Negative
<b>Specialist Sectors</b>		
Car Showrooms (20yrs with fixed uplifts & dealer covenant)	5.50%	Negative
Budget Hotels London (Fixed/RPI uplifts 20 yr+ term, Strong Covenant)	3.50%	Stable
Budget Hotels Regional (Fixed/RPI uplifts 20 yr+ term, Strong Covenant)	4.00%	Stable
Student Accommodation (Prime London - Direct Let)	4.00% -	Stable
Student Accommodation (Prime Regional - Direct Let)	5.25%	Stable
Student Accommodation (Prime London - 25yr lease Annual RPI)	3.50%	Stable
Student Accommodation (Prime Regional - 25yr lease Annual RPI)	3.75%	Stable
Healthcare (Elderly Care 30 yrs indexed linked reviews)	3.50%	Stable
<b>Food stores</b>		
Annual RPI increases (IY) (25-year income)	3.50%-3.75%	Positive
Open market reviews	4.50% -	Positive
<b>Warehouse &amp; Industrial Space</b>		

Sector	April -21	Market Sentiment
Prime Distribution/Warehousing (20yr income (with fixed uplifts IY))	3.50%	Positive
Prime Distribution/Warehousing (15yr income)	4.00%	Positive
Secondary Distribution (10-year income)	4.50%	Positive
SE Estate (exc London & Heathrow)	4.00%	Positive
Good Modern RoUK Estate	4.50%	Positive
Secondary Estates	5.75%	Positive
<b>Offices</b>		
City Prime	4.00% - 4.25%	Stable
West End Prime (Mayfair & St James's)	3.50% - 3.75%	Stable
West End Non-core (Soho & Fitzrovia)	4.00% - 4.25%	Stable
Major Regional Cities	5.00%	Stable
SE Towns	5.25% +	Stable
Business Parks (SE)	5.25% +	Stable
<b>Bonds &amp; Rates</b>		
Libor 3 months (12/04/2021)	0.09%	
Base Rate (12/04/2021)	0.10%	
5-year swap rates (12/04/2021)	0.68%	
10-year gilts redemption yield (12/04/2021)	0.79%	

## 5.0 Commercial Property Values Research

5.1.1 The information as outlined in the following section is based on researching data as far as available reflecting commercial properties within Elmbridge Borough. Our assessment particularly focuses on the main commercial uses – industrial, retail and office rents.

5.1.2 Our commercial rent assumptions are set based on a range of data sources detailed throughout this report.

### 5.2 Commercial Values Data – CoStar

5.2.1 DSP has a subscription to the commercial property data resource ‘CoStar’ and here we include relevant extracts, again as far as available, for Elmbridge Borough. Summary reporting analysis for the lease comparables is provided; combined with the full data extracts to be found at the end of this Appendix. CoStar is a market leading commercial property intelligence resource used and informed by a wide range of Agents and other property firms, to provide commercial real estate information and analytics. CoStar conducts extensive, ongoing research to provide and maintain a comprehensive database of commercial and real estate information where subscribers can analyse, interpret and gain insight into commercial property values and availability, as well as general commercial market conditions.

5.2.2 The CoStar sourced research is based on available lease comparables within Elmbridge Borough covering industrial / retail / office over the last 3 years. Figures 1a-2c below provides the analysis summary, with the full data set provided at the rear of this Appendix.

Figure 1a – CoStar Lease Comparables – Retail (Previous 3 years)

Deals	Asking Rent Per SF	Achieved Rent Per SF	Avg. Months On Market
<b>50</b>	<b>£35.29</b>	<b>£28.60</b>	<b>11</b>

#### SUMMARY STATISTICS

Rent	Deals	Low	Average	Median	High
Asking Rent Per SF	40	£16.20	£35.29	£34.20	£94.70
Achieved Rent Per SF	18	£18.09	£28.60	£28.87	£75.76
Net Effective Rent Per SF	15	£17.25	£27.62	£28.80	£75.76
Asking Rent Discount	12	0.0%	4.4%	0.0%	20.9%
TI Allowance	-	-	-	-	-
Rent Free Months	9	0	4	3	12

Figure 1b – CoStar Lease Comparables – Office (Previous 3 years)

<b>Deals</b>	<b>Asking Rent Per SF</b>	<b>Achieved Rent Per SF</b>	<b>Avg. Months On Market</b>		
<b>88</b>	<b>£29.23</b>	<b>£26.12</b>	<b>15</b>		
<b>SUMMARY STATISTICS</b>					
Rent	Deals	Low	Average	Median	High
Asking Rent Per SF	68	£14.32	£29.23	£29.11	£43.90
Achieved Rent Per SF	19	£14.63	£26.12	£27.09	£43.90
Net Effective Rent Per SF	18	£14.63	£24.41	£26.82	£43.90
Asking Rent Discount	12	0.0%	2.5%	0.8%	20.6%
TI Allowance	-	-	-	-	-
Rent Free Months	6	2	12	10	24

Figure 1c – CoStar Lease Comparables – Industrial (Previous 4 years)

<b>Deals</b>	<b>Asking Rent Per SF</b>	<b>Achieved Rent Per SF</b>	<b>Avg. Months On Market</b>		
<b>19</b>	<b>£11.02</b>	<b>£10.27</b>	<b>20</b>		
<b>SUMMARY STATISTICS</b>					
Rent	Deals	Low	Average	Median	High
Asking Rent Per SF	14	£6.82	£11.02	£10.86	£14.50
Achieved Rent Per SF	6	£8.22	£10.27	£9.87	£14.49
Net Effective Rent Per SF	5	£8.22	£10.26	£9.32	£14.49
Asking Rent Discount	4	-0.1%	3.0%	1.4%	7.7%
TI Allowance	-	-	-	-	-
Rent Free Months	-	-	-	-	-

5.2.3 The full CoStar dataset, as summarised in the above tables, has been further analysed (see Table 10 below) to provide a more detailed view of the range of commercial rents in the Elmbridge Borough submarket, as part of the robust assumption seeing process.

Table 10 – CoStar Summary Analysis – Elmbridge Borough Commercial Leases

CoStar £/sq.ft					
Type	Min	Q1	Median	Q3	Max
Retail	£16	£25	£33	£44	£76
Office	£14	£24	£29	£34	£44
Industrial	£7	£9	£11	£12	£15
CoStar £/m2					
Type	Min	Q1	Median	Q3	Max
Retail	£174	£274	£357	£469	£815
Office	£154	£258	£307	£361	£473
Industrial	£73	£96	£115	£130	£156

### 5.3 Further commercial property values data sources – VOA Rating List

5.3.1 Table 11 below sets out the VOA Data Summary (as the data was too large to include in our appendix) for commercial type use in Elmbridge Borough as a further sense check of assumptions used.

Table 11 – VOA Data Summary

VOA RATES - £/M2					
Type	Min.	Q1	Median	Q3	Max
Offices	£58	£157	£186	£219	£576
Industrial	£17	£54	£69	£87	£128
Retail Warehousing	£125	£194	£293	£359	£367
Supermarkets	£150	£210	£227	£245	£255
Retail	£31	£135	£197	£272	£1,095
Convenience Stores	£78	£87	£99	£121	£164
VOA RATES - £/sq.ft					
Type	Min.	Q1	Median	Q3	Max
Offices	£5	£15	£17	£20	£54
Industrial	£2	£5	£6	£8	£12
Retail Warehousing	£12	£18	£27	£33	£34
Supermarkets	£14	£20	£21	£23	£24
Retail	£3	£13	£18	£25	£102
Convenience Stores	£7	£8	£9	£11	£15

## 6.0 Stakeholder Consultation

- 6.1.1 As part of the information gathering process, DSP invited a number of local stakeholders to contribute by providing local residential / commercial market indications / experiences and values information over two phases of consultation. This was in order to both invite engagement and to help inform our study assumptions, alongside our own research, with further experience and judgements. Phase 1 of this consultation was conducted by way of a survey /pro-forma (containing some suggested assumptions) supplied by email by DSP via the Council for comment. The covering email contained a short introduction about the project, and also explained the type of information we required as well as assuring participants that any information they may provide would be kept in confidence respecting commercial sensitivities throughout the whole process.
- 6.1.2 Other stakeholders contacted as part of phase 1 of the information gathering process included locally active Affordable Housing Providers and local estate agents as well as key contacts within Elmbridge Borough Council.
- 6.1.3 Following further internal discussions with the Council the process of finalising the study took place between November 2021 to March 2022 and included a secondary phase of stakeholder consultation as a refresh with the development industry (only). This was with a view to inviting stakeholders to provide further observations on their most recent experiences of the latest market context generally (particularly given the continuing economic influences of the Covid-19 pandemic and Brexit) alongside continuing to raise awareness of the assessment in advance of the Regulation 19 representation stage. The further survey exercise was circulated on 20th January by EBC, with any responses requested by 7th February 2022.
- 6.1.4 Overall, throughout both phases of stakeholder consultation DSP received a small number of responses from development industry contacts and affordable housing providers, some of which offered broad ranges for costs and values, or general opinion, as well as some offering more detailed responses.
- 6.1.5 Any information / comments that were provided as a result of this consultation helped to inform and check / support our assumptions – these assumptions were developed through research within the Borough, discussions with local estate agents, and also DSP’s extensive experience conducting independent viability reviews at planning application stage generally.



However due to concerns around commercial sensitivity, we have not included any specific references or comments in this Appendix.

## 7. Land Values Context

- 7.1.1. As with the residential and commercial values, DSP also considered information as far as available regarding land values. We focused on two main reports, the first being the Savills Market in Minutes: UK Residential Development Land – Q1 which describes a surprisingly active market experiencing both a high level of demand and a shortage of stock. Savills report that this demand is being driven by a *‘strong housing market and prospects of economic recovery’* enabling further confidence in developers. However, the general lack of supply, insufficient to meet this demand has worked to edge land values up slightly by 0.9% for Greenfield and 0.7% for urban land during the first quarter, bringing annual growth to 0.00% and 0.8% respectively.
- 7.1.2. Of significant note in the article is the fact that *‘new home completions are above pre-covid levels with levels in February and Mid-March 12% higher than in 2020.’* The surprisingly resilient market enabled the completion of more homes than expected during 2020 – continuing to 2021 major house builders report up to 50% (and some 70%) forward sold for 2021 completions. However, general economic uncertainty encouraged developers to scale-back on their land buying meaning that replenishing land supply now is of immediate importance to maintain the delivery of new homes.
- 7.1.3. In addition to this, the report discusses the increasing demand for build-to-rent, with demand for such schemes appearing even in areas without an established build-to-rent market. Savills note that in Q1 2021 25 build-to-rent schemes gained full planning permission with a total capacity of 7,000 homes, representing the highest number achieved in a single quarter.
- 7.1.4. Frank Knight Residential Development Land Q1 – 2021 corroborates the sentiment expressed above, headlining that *‘house builders compete for land as UK economy emerges better from the coronavirus crisis than expected’*. However, Frank Knight report slightly difference figures to that of Savills above, noting that on year greenfield and urban brownfield values dipped by 4.8% and 2.2% respectively. The difference in the statistics used can perhaps be attributed to differing data or sources employed, however it demonstrates the importance of reviewing several market reports in order to grasp the fuller picture of the market.

7.1.5. Frank Knight report positively on the condition of the market with descriptions of ‘confidence and momentum’, despite concerns about limited land supply – which they note, may be causing housebuilders in the South East to reduce their profit margins in order to compete for land. The report summarises that “despite the immediate challenges, the latest economic snapshot indicates the UK could stage a faster recovery this year than previously expected, rising housing demand, a stronger jobs market and a perception of lower risk has encouraged more activity in the land market.” Adding that this is further bolstered by the extension to the Stamp Duty Holiday.

7.1.6. To summarise, both reports above dedicate significant attention to the increase in demand, and the struggle against a general shortage of land. This is acknowledged to be having an upward pressure on land prices as housebuilders compete for land to replenish their stock after a year of limited land-buying and a high rate of completions.

## **7.2. Benchmark Land Values**

7.2.1 Land value in any given situation should reflect specific viability influencing factors, such as:

- The existing use scenario
- Planning approval and status / risk (as an indication and depending on circumstances, planning risk factors may equate to a reduction from a “with planning” land value by as much as 75%)
- Development potential – scale, type, etc. (usually subject to planning)
- Development constraints – including site conditions and necessary works, costs and obligations (including known abnormal factors)
- Development plan policies

7.2.2 It follows that the planning policies and obligations will have a bearing on land value; as has been recognised by examiners and Planning Inspectors.

7.2.3 In order to consider the likely viability of local plan policies in relation to any development scheme relevant to the Local Plan, the outturn results of the development appraisals (the RLVs viewed in £/ha terms) need to be somehow measured against a comparative level of land value. This is a key part of the context for reviewing the strength of the results as those changes across the range of assumptions on sales values (GDVs) and crucially including the effect of local plan policies (including affordable housing) and other sensitivity tests.

- 7.2.4 This comparison process is, as with much of strategic level viability assessment, not an exact science. It involves judgements and well-established acknowledgements that, as with other appraisal aspects, land values will in practice vary from scheme to scheme as well as being dependent to some extent on timing in relation to market conditions and other wider influences such as Government policy. The levels of land values selected for this comparison context are often known as ‘benchmark’ land values, ‘viability tests’ (as referred to in our results tables – Appendices IIa and IIb) or similar. They are not fixed in terms of creating definite cut-offs or steps in viability, but in our experience, they serve well in terms of adding a layer of filtering to the results, to help enable the review of those; they help to highlight the tone of the RLV results and therefore the changing strength of relationship between the values (GDVs) and development costs as the appraisal inputs (assumptions) change.
- 7.2.5 As suitable (appropriate and robust) context for a high-level review of this nature, DSP’s practice is to compare the wide range of appraisal RLV results with a variety of potential land value comparisons in this way. This allows us to consider a wide range of potential scenarios and outcomes and the viability trends across those.
- 7.2.6 The land value comparison levels are not fixed or even guides for use on scheme specifics; they are purely for this assessment purpose. In our experience, sites will come forward at alternative figures – including in some cases beneath the levels assumed for this purpose. We have considered land values in a way that supports an appropriately “buffered” type view.

#### **National Planning Policy Framework – September 2019**

- 7.2.7 The revised NPPF was published in July 2018 and revised in February 2019. This sits alongside the Planning Practice Guidance (PPG) (in relation to viability both at plan making and decision taking stages of the planning process). The latest PPG on viability (September 2019) makes it clear that benchmark land values (BLVs) should be based on the Existing Use Value (EUV) plus approach and states: *‘A benchmark land value should be established on the basis of the existing use value (EUV) of the land, plus a premium for the landowner [which] should reflect the minimum return at which it is considered a reasonable landowner would be willing to sell their land. The premium should provide a reasonable incentive, in comparison with other options available, for the landowner to sell land for development while allowing a sufficient*

*contribution to comply with policy requirements. This approach is often called ‘existing use value plus (EUV+).’*

7.2.8 Further relevant extracts from the PPG (September 2019) are set out below.

- *‘Benchmark land values should:*
- *Be based upon existing use value*
- *Allow for a premium to landowners (including equity resulting from those building their own homes)*
- *Reflect the implications of abnormal costs; site-specific infrastructure costs; and professional site fees’*

7.2.9 *‘Viability assessments should be undertaken using benchmark land values derived in accordance with this guidance. Existing use value should be informed by market evidence of current uses, costs and values. Market evidence can also be used as a cross-check of benchmark land value but should not be used in place of benchmark land value. There may be a divergence between benchmark land values and market evidence; and plan makers should be aware that this could be due to different assumptions and methodologies used by individual developers, site promoters and landowners.’*

7.2.10 *‘This evidence should be based on developments which are fully compliant with emerging or up to date plan policies, including affordable housing requirements at the relevant levels set out in the plan. Where this evidence is not available plan makers and applicants should identify and evidence any adjustments to reflect the cost of policy compliance. This is so that historic benchmark land values of non-policy compliant developments are not used to inflate values over time.’*

7.2.11 *‘In plan making, the landowner premium should be tested and balanced against emerging policies. In decision making, the cost implications of all relevant policy requirements, including planning obligations and, where relevant, any Community Infrastructure Levy (CIL) charge should be taken into account.’*

**The Planning Practice Guidance (September 2019) on factors to be considered to established benchmark land values continues:**

7.2.12 *‘Existing use value (EUV) is the first component of calculating benchmark land value. EUV is the value of the land in its existing use. Existing use value is not the price paid and should disregard hope value. Existing use values will vary depending on the type of site and development types. EUV can be established in collaboration between plan makers, developers and landowners by assessing the value of the specific site or type of site using published sources of information by assessing the value of the specific site or type of site using published sources of information such as agricultural or industrial land values, or if appropriate capitalised rental levels at an appropriate yield (excluding any hope value for development).’*

7.2.13 *‘Sources of data can include (but are not limited to): land registry records of transactions; real estate licensed software packages; real estate market reports; real estate research; estate agents’ websites; property auction results; valuation office agency data; public sector estate / property teams’ locally held evidence.’*

**The Planning Practice Guidance (September 2019) on how the premium for viability assessment to the landowner should be defined:**

7.2.14 *‘The premium (or the ‘plus’ in EUV+) is the second component of benchmark land value. It is the amount above existing use value (EUV) that goes to the landowner. The premium should provide a reasonable incentive for a land owner to bring forward land for development while allowing a sufficient contribution to fully comply with policy requirements.’*

7.2.15 *‘Plan makers should establish a reasonable premium to the landowner for the purpose of assessing the viability of their plan. This will be iterative process informed by professional judgement and must be based upon the best available evidence informed by cross sector collaboration. Market evidence can include benchmark land values from other viability assessments. Land transactions can be used but only as a cross check to other evidence. Any data used should reasonably identify any adjustments necessary to reflect the cost of policy compliance (including for affordable housing), or differences in the quality of land, site scale, market performance or different building use types and reasonable expectations of local landowners. Policy compliance means that the development complies fully with up to date plan policies including any policy requirements for contributions towards affordable housing requirements at the relevant levels set out in the plan. A decision maker can give appropriate weight to emerging policies. Local authorities can request data on the price paid for land (or the price expected to be paid through an option or promotion agreement).’*

- 7.2.16 *‘Plan makers should establish a reasonable premium to the landowner for the purpose of assessing the viability of their plan. This will be iterative process informed by professional judgement and must be based upon the best available evidence informed by cross sector collaboration. Market evidence can include benchmark land values from other viability assessments. Land transactions can be used by only as a cross check to other evidence. Any data used should reasonably identify any adjustments necessary to reflect the cost of policy compliance (including for affordable housing), or differences in the quality of land, site scale, market performance or different building use types and reasonable expectations of local landowners. Policy compliance means that the development complies fully with up to date plan policies including any policy requirements for contributions towards affordable housing requirements at the relevant levels set out in the plan. A decision maker can give appropriate weight to emerging policies. Local authorities can request data on the price paid for land (or the price expected to be paid through an option or promotion agreement).’*
- 7.2.17 In order to inform the BLVs for use here, we have reviewed existing evidence, previous viability studies, site specific viability assessments and in particular have had regard to published Government sources of land values for policy application<sup>2</sup>. The Government data provides industrial, office, residential and agricultural land value estimates for the local sub-region but not all areas are covered. This includes data for Elmbridge Borough in relation to residential land estimates. Not all areas are covered and as is the case in most LA areas, Elmbridge may well have varying characteristics. Therefore, where data is insufficient, we have made use of our own experience and judgement in order to utilise a ‘best fit’ from the available data. The benchmarks indicated within the appendices are therefore informed by this data and other sources as described above.
- 7.2.18 The residential land value estimates in particular require adjustment for the purposes of strategic viability testing due to the fact that a different assumptions basis is used in our study compared to the truncated valuation model used for the residential land value estimate. This (and other) viability assessments, assume all development costs are accounted for as inputs to the RLV appraisal, rather than those being reflected within a much higher, “serviced” i.e. “ready to develop” level of land value. The MHCLG truncated valuation model provides a much higher level of land value as it assumes all land and planning related costs are discharged, assumes that there is a nil affordable housing requirement (whereas in

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<sup>2</sup> MHCLG: Land value estimates for policy appraisal 2017 (May 2018)

practice the affordable housing requirement can impact land value by around 50% on a 0.5 ha site with 35% AH) with no CIL or other planning obligations allowance. That level of land value would also assume that full planning consent is in place, whereas the risk associated with obtaining planning consent can equate to as much as a 75% deduction when adjusting a consented site value to an unconsented land value starting point. Lower quartile build costs and a 17% developer's profit (compared to the assumed median build costs and 17.5% developer's profit used in this study) are additional assumptions that lead to a view of land value well above that used for comparison (benchmark purposes) in viability assessments such as this. So, the assessment approach (as relates to all land values) assumes all deductions from the GDV are covered by the development costs assumptions applied within the appraisals. In our view this would lead to a significantly reduced residential land value benchmark when taking into account all of those factors.

- 7.2.19 The figure that we consider representing the minimum land value likely to incentivise release for development under any circumstances in the local context is around £250,000/ha, based on gross site area. In our experience of dealing with site specific viability, greenfield land values tend to be assumed at minimum option agreements levels. These are typically around £100,000 and not exceeding £200,000 per gross acre (i.e. approx. £250,000 to a maximum of £500,000 per gross hectare). Land values at those levels are likely to be relevant to development on greenfield land (e.g. agricultural land or in cases of enhancement to amenity land value).
- 7.2.20 At this level, it could be relevant for consideration as the lowest base point for enhancement to greenfield land values (with agricultural land reported by the VOA and a range of other sources to be valued at circa £20,000 - £25,000/ha in existing use). The HCA issued a transparent assumptions document which referred to guide parameters of an uplift of 10 to 20 times agricultural land value. This sort of level of land value could also be relevant to a range of less attractive locations or land for improvement. This is not to say that land value expectations in such scenarios would not go beyond these levels either – they could well do in a range of circumstances.
- 7.2.21 The EUV+ BLVs used within the study therefore range between £250,000/ha for greenfield land (including a significant uplift from existing agricultural values) to approximately £7,500,000/ha for upper PDL/Residential land values.

- 7.2.22 Matters such as realistic site selection for the particular proposals, allied to realistic land owner expectations on site value, will continue to be vitally important. Even moving away from a 'market value' led approach, site value needs to be proportionate to realistic development scope and site contracts, ensuring that headroom for supporting necessary planning obligations is not overly squeezed beneath the levels that should be achieved.
- 7.2.23 The RICS Guidance<sup>3</sup> (pre-dating the new NPPF and PPG) refers to site value in the following '*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... The residual land value (ignoring any planning obligations and assuming planning permission is in place) and current use value represent the parameters within which to assess the level of any planning obligations.*'
- 7.2.24 The Local Housing Delivery Group report<sup>4</sup> chaired by Sir John Harman (again pre-dating the new NPPF and PPG), notes that: '*Consideration of an appropriate Threshold Land Value 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. Reference to market values can still provide a useful 'sense check' on the threshold values that are being used in the model (making use of cost-effective sources of local information), but it is not recommended that these are used as the basis for the input into a model... We recommend that the Threshold Land Value is based on a premium over current use values and credible alternative use values.*'
- 7.2.25 The revisions to the Viability PPG and the new NPPF (in July 2018), as described above, now very clearly advise that land value should be based on the value of the existing use plus an appropriate level or premium or uplift to incentivise release of the land for development from its existing use.
- 7.2.26 Any overbid level of land value (i.e. incentive or uplifted level of land value) would be dependent on a ready market for the existing or other use that could be continued or considered as an alternative to pursuing the redevelopment option being assumed. The influences of existing / alternative use on site value need to be carefully considered. At a

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<sup>3</sup> Financial Viability in planning – RICS Guidance note (August 2012)

<sup>4</sup> Local Housing Delivery Group – Viability Testing Local Plans (June 2012)

time of a low demand through depressed commercial property market circumstances, for example, we would not expect to see inappropriate levels of benchmarks or land price expectations being set for opportunities created from those sites. Just as other scheme specifics and appropriate appraisal inputs vary, so will landowner expectation.

7.2.27 In summary, reference to the land value benchmarks range as outlined within the report and shown within the Appendix III results summary tables footnotes (range overall £250,000 to £7,500,000/ha) have been formulated with reference to the principles outlined above and are considered appropriate.

***Appendix III Ends***  
**Co-Star extracts to follow**