Canterbury City Council

Non-Residential (Commercial) Findings

DRAFT REPORT

October 2012

Adams Integra
St John's House
St John's Street
Chichester
West Sussex
PO19 1UU

T: 01243 771304
F: 01243 779993
E: enquiries@adamsintegra.co.uk
W: www.adamsintegra.co.uk

Contents

1. Introduction

1.1 Adams Integra has been asked by Canterbury City Council to prepare a viability report to support their proposed implementation of a Community Infrastructure Levy (CIL). There are two elements to this report. Firstly, we have reported under separate cover on the viability for a CIL charge on residential development. This second report covers other non-residential types of development.

By way of background the Government advises that charging authorities will need to strike a balance between the desirability of funding infrastructure from the levy and the potential effects of the imposition of the levy upon the economic viability of development across the area (CLG, November 2010). As a consequence, Canterbury City Council must prepare evidence about the effect of the levy on the economic viability of new property development in the district in order to demonstrate to an independent examiner that the proposed levy rates strike an appropriate balance.

For the non-residential land use element of this report we have looked at the whole of the district. We have been tasked to look at a range of uses categorised below with their planning use classes, as set out in the Town and Country Planning Act (Use Classes Order) 2010, stated. It should be noted that there is no requirement under the Guidelines to use the Use Classes Order in charge setting, but it does provide a useful method of categorisation. These cover:

- Residential Institutions (C2)
- Hotels (C1)
- Industrial (B1(b)/B1(c)/B2/B8)
- Offices (B1(a))
- Large Retail (A1 of 500 sqm and over including supermarkets and retail warehouses)
- Small Retail (A1 under 500 sqm and A2/A3/A4/A5)
- Leisure (D2)
- Institutional And Community (D1)
- Agricultural

1.2 In order to test the viability of each use we have adopted the same standard residual valuation approach whereby assessing the value left to pay for a notional site after one has sold the development in the open market (i.e. the Gross Development Value – GDV) and having allowed for the costs of the construction of the proposed development with all associated fees and costs (i.e. Gross Development Costs – GDC) within which is an element for the developers profit.

1.3 Within this list there are a number of different smaller markets which use a different basis of valuation. The appropriate basis of valuation has been adopted for this study. For example, the hotels and student housing markets use a rental rate per standard room. The retail property market uses rents based on the zoning of the retail floor area or an overall rate per square foot/metre for larger format stores.

1.4 It should be noted that due to the large number of variables and different financial inputs required when using the residual valuation method, the results can only be used as a guide. Furthermore there may be site-specific attributes that would affect the outcome that need to be taken into consideration when making assessments on a site-specific basis. Therefore, it is essential that proposed CIL levels should allow sufficient margins for these variations.

2. State of the Market

2.1 It is important to set the tone of this study in the context of the current market for commercial development. As stated there is a broad range of use classes being covered and it is not appropriate to analyse each sector in detail. It is sufficient to state that due to the current national and global economic situation, commercial development has generally been extremely subdued since the failure of Lehman Brothers in September 2008.

2.2 The majority of commercial development is funded from sources external to the developer. Due to the ongoing banking crisis the usual sources of development funding have effectively ceased to be available or are only being offered on onerous terms as commercial development is considered more risky than residential. This has largely been due to the bank's exposure to significant debts and their unwillingness to take on any further risks. Hence speculative commercial development is generally very scarce due to this lack of funding. This situation is likely to continue for several more years and until the usual sources have 'repaired' their balance sheets.

2.3 Despite these comments the development market will respond to occupier demand. Those sectors that are active will usually be due to occupiers seeking economies of scale such as some retailers and hotel operators expanding their chains; logistical efficiencies being required such as new distribution warehouses or needs for research and development accommodation, particularly in the field of technology. Otherwise it may be due to cost savings where property overheads are too substantial and more efficient or smaller accommodation is considered more economically viable.

2.4 By its very nature the development market will always be creative and will find alternative sources of finance such as overseas funds. In due course the Government's initiatives will also work through the system and help to address this issue. However, it is still unclear as to how long it will take to see a recovery in development activity.

3. Methodology

3.1 Our methodology follows standard development appraisal conventions, using assumptions that reflect local market and planning policy circumstances. It has also adopted a similar approach to the neighbouring authority of Thanet District Council to ensure consistency of approach. We have used appropriate and available evidence.

3.2 The study is therefore specific to the Canterbury City Council area and reflects the policy requirements set out in the various strategy documents including the Canterbury District Local Development Framework - Core Strategy Options report (January 2010) and takes into consideration the findings of the various evidence reports including the Canterbury Development Requirement Study (January 2012) by Nathaniel Lichfield & Partners.

3.3 Generally the adopted policy is to help promote economic development to ensure that Canterbury City Council reinforces its role in the East Kent Economy and the South East generally. Core Policies CP2 and CP4 are aimed at promoting economic development through the availability of a suitable environment for development.

3.4 Generally the adopted policy is to help promote economic development to ensure that Canterbury City Council reinforces its role in the East Kent Economy and the South East generally. Core Policies CP2 & CP4 are aimed at promoting economic development through the availability of a suitable environment for development.

We have reviewed values in these areas:

- Canterbury city centre
- Canterbury city outer areas
- Herne Bay
- Whitstable
- Rural areas

We have also considered the CIL Charging Schedules being proposed by all of the neighbouring local authorities. At the date of this report of the following authorities:

- Thanet
- Dover
- Shepway
- Ashford
- Swale

3.5 None have issued draft Charging Schedules for examination. From our work for Thanet District Council we are aware of the recommendations that have been made but at the time of this report these findings are still under consideration and no proposals have yet been made available for public consultation.

3.6 It is important to take into consideration the impact of neighbouring CIL charges on the prospects for future development. Disparity across district borders is likely to have an effect on the viability and hence the likelihood of commercial development from one district to another. For instance where one authority is levying a charge for a type of development and a neighbouring council is not, it is probable that a developer or occupier is going to favour the site where no CIL charge is being made. Therefore, we recommend that the Charging Schedules of neighbouring councils are closely monitored going forward.

4. Calculation and Charging of CIL

4.1 It should be noted that CIL charges are calculated on the net new gross internal floor space created by the new development. Therefore, where an existing building is to be demolished, the floor area of the old building is deducted from the floor area of the new building. The resultant figure is then multiplied by the appropriate levy rate per square metre subject to a minimum threshold of 100 square metres.

4.2 It should also be borne in mind that floor space subject to demolition or resulting from change of use will only be disregarded where it has been in continuous lawful use for at least six months in the 12 months prior to the development being permitted.

5. Threshold Values

5.1 When testing the impact of values on viability it is necessary to establish a threshold value against which one can assess whether the new form of development will prove financially viable given the rate of CIL proposed. The RICS has issued a guidance note 'Financial Viability in Planning' (draft exposure May 2012) which recommends the use of Site Value as the threshold as opposed to Existing Use Value or Alternative Use Value. It is defined as:

Site Value (for area-wide financial viability assessments)
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.

5.2 Site Value may need to be further adjusted to reflect the emerging policy/CIL charging level. The level of the adjustment assumes that site delivery would not be prejudiced. Where an adjustment is made, the practitioner should set out their professional opinion underlying the assumptions adopted. These include, as a minimum, comments on the state of the market and delivery targets as at the date of assessment.

5.3 We have arrived at a range of threshold land values from a broad judgement of comparable evidence from local market data, published reports and discussions with local agents. We have adopted the same method of allowing a 20% landowner premium on the site value used to provide a higher value considered necessary to encourage that landowner to bring the site forward for development.

5.4 In each of our residual appraisals we have made the assumption that the landowner has judged that the current notional building does not optimise the best use for the site and a higher value can be obtained such as by increasing the density by replacement with a larger building. This may be because of the lack of demand for the existing building due to such issues as age, quality, layout or amenities.

5.5 Redevelopment proposals that produce residual land values below the threshold site value are unlikely to be delivered.

6. Current Values and Costs

6.1 For the purposes of this study we are guided to use current values and costs. CIL charging provisions allow for the calculations to be index linked to the BCIS building costs index which is designed to account for inflation. We were instructed to test on inflated and deflated costs and values and the sensitivity to different CIL charge rates. It is recommended that the schedule is reviewed after an appropriate amount of time has elapsed to be able to identify changes in values.

7. Yields

7.1 To understand the basis of the residual appraisal technique one must have some understanding of the use of yields in reaching a capital value. The yield, or more fully the 'All Risks Yield', is used to multiply the net rental income to produce a capital value. The figure used for the yield is drawn from combining the valuer's experience in considering such factors as the state of the market, likely prospects for rental growth, the covenant strength of the tenant, the use category, the quality of the building and location, lease terms and any other factors relevant to an investor wanting to buy the completed development.

7.2 The lower the yield the more times the rent is multiplied and the higher the value. In recent times since 2008 yields for commercial properties have increased therefore producing lower capital values. This is as a result of the limited amount of funds in the market place, weakening occupier demand and hence lower rents, shorter leases and a general lack of confidence in capital growth. The investment market is historically cyclical and yields are expected to reduce in time in regions such as Canterbury, although it is not clear whether this will be in the medium or longer-term.

7.3 We have tested sensitivity to low and high yield levels compared to published data for the region.

8. Different Rates for Different Areas

8.1 We have considered differential charging rates and taken into account the recommendations of Examiners of other preliminary draft schedules such as in Poole and Bristol. Generally it is recommended that Charging Schedules should offer clarity and simplicity.

8.2 Also other feedback from authorities, notably Shropshire Council, has found that differential rates for individual settlements created “a perception of unfairness, political fallout from treating areas differently and difficulty in justifying on economic grounds”. For comparison purposes we also point out the London Borough of Redbridge which was nominated as a CIL Frontrunner in 2010. They have decided to use a single CIL charging rate of £70 per square metre across all areas and all use types.

8.3 Due to the very limited differences in values across the district, it is our opinion that those uses showing sufficient viability to support CIL charges should contribute to infrastructure costs at the same levels regardless of their location in the district. However, we do make one exception with out of town centre retail development which is explained later in this report.

9. Exceptional circumstances relief from CIL

9.1 Given the importance of ensuring that the levy does not prevent otherwise desirable development, the regulations provide that charging authorities have the option to offer a process for giving relief from the levy in exceptional circumstances where a specific scheme cannot afford to pay the levy.

9.2 A charging authority wishing to offer exceptional circumstances relief in its area must first give notice publicly of its intention to do so. A charging authority can then consider claims for relief on chargeable developments from landowners on a case by case basis, provided the following conditions are met. Firstly, a s.106 agreement must exist on the planning permission permitting the chargeable development. Secondly, the charging authority must consider that the cost of complying with the s.106 agreement is greater than the levy’s charge on the development and that paying the full charge would have an unacceptable impact on the development’s economic viability. Finally, relief must not constitute a notifiable state aid.

10. Development Types

We comment on the assumptions and findings of the various uses classes:

10.1 Residential Institutions/Institutional and Community and Leisure Uses

10.1.1 Uses falling with Class C2, D1 and D2 are diverse including residential care homes, hospitals, medical centres, crèches, libraries, places of worship, cinemas, gyms amongst others. The majority of these do not generate revenue nor are traded as investments in the same way as those in the other categories. Often those that do generate revenue streams have operating costs that exceed their income, such as swimming pools and libraries. Therefore, they often only exist through public funding.

10.1.2 The residential care homes market is split almost equally between those that are used and hence paid for by the public sector, and those that provide for private patients and generate income. As both types fall under the same use class it would not be appropriate or straight forward to differentiate between the two types for the purposes of CIL charging.

10.1.3 We have investigated values for leisure type uses such as cinemas and gyms and our findings show an extreme sensitivity to rent and yield adjustments. For this reason and due to the limited size of the catchment in the Canterbury district we do not consider that it is viable to recommend charging CIL on D2 uses.

10.1.4 For these reasons we do not consider it is appropriate to make a CIL charge for these types of community uses. This is in line with other Front Runner authorities who have already issued draft Charging Schedules.

10.2 Hotels

10.2.1 The budget hotel chains are currently the only sector in the hotel industry weathering the economic downturn by using formulaic development models and benefiting from economies of scale which can afford cheaper room rates. However, they are very selective on location. Furthermore, the costs they can afford to pay for sites are sensitive to catchment size and hence occupancy rates.

10.2.2 The sector has been equally affected by the difficulties of debt funding. This has recently been evidenced by the re-structuring of the Travelodge chain which has sought a Company Voluntary Arrangement (CVA) in order to restructure loans which also involved writing off some £235m of bank debt and transferring 49 of their 500 hotels to other operators.

10.2.3 Overall the sector appears strong but high operating costs and weak revenue per room rates underlies a delicate situation. The majority of chain hotels are leased. So these factors impact on the investment yields due to weaker covenant strengths which leads to lower gross development values and hence any surplus to fund a CIL charge.

10.2.4 Our findings show that in some circumstances hotel development could support CIL charges as high as £150 per square metre. However, we recommend a rate of **£70 per square metre** which is in line with other authorities and allows for a buffer for these sensitivities and any site-specific issues.

10.3 Industrial and Offices

10.3.1 The office and industrial/warehouse markets are currently offering the least ability to afford CIL charges. This is due to lower rents resulting from weak occupier demand and higher yields resulting from shorter leases and weaker covenants.

10.3.2 It is noted that the core strategy aims to encourage the 'knowledge based' economy associated with Class B1(a) offices and B1(b) high tech accommodation. However, sensitivity analysis demonstrates the significant effect of minor changes in rental rates of £1.00-£2.00 per sq ft and yield shifts of 0.5%-1.0% have on the residual land value. We have not found sufficient surplus in any of the tested realistic scenarios that could support a CIL charge. However, we would recommend that this situation is monitored and reviewed if the market is seen to improve.

10.4 Retail

10.4.1 Classes A1 to A5 cover property used, for example, as small newsagents, estate agents, takeaway food establishments, pubs, DIY stores and large-scale food stores.

10.4.2 After allowing a reasonable buffer for site-specific considerations, we have looked at CIL rates up to £140 to £180 per m^2 as being sustainable on some retail development. However, minor changes of £1.00-£2.00 per ft^2 in rent levels and yield changes of 0.5%-1.0% can significantly reduce the viability.

10.4.3 In terms of the size of retail development and the potential for differentiation, we have looked at the case of Sainsburys challenging the Borough of Poole on their proposed differential rates for retail and 'super stores' above 3,000 m^2. Poole accepted that because there was no clear guidance in the CIL Regulations to allow differential charging rates for the same use, Sainsburys detailed evidence was accepted due to this lack of clarity. Therefore, Poole decided to change their schedule to allow all A1 Retail development under 500 m^2 to be charged £nil and all A1 Retail development over 500 m^2 to be charged £211 m^2.

10.4.4 The Examiner found this approach unsound and as a result the higher rate has been changed to nil. The Examiner stated in her final report that:

"There is nothing in the CIL regulations to prevent differential rates for retail development of different scales. However, paragraph 25 of the CLG guidance (CIL Guidance: Charge setting and charging schedule procedures) states that where a charging authority is proposing to set differential rates, it may want to undertake more fine-grained sampling to identify a few data points in estimating the zonal boundaries or "different categories of intended use."

10.4.5 We have also taken into consideration the Examiners Report on Wycombe District Council's Draft Charging Schedule. He states that there is nothing in the CIL Regulations to prevent differential rates for retail developments of different sizes and differing retail characteristics or zones providing they are justified by the viability evidence.

10.4.6 We believe that there is sufficient 'fine grained' evidence that demonstrates that certain retail categories within the A1 Use Class are sufficiently viable to support a CIL charge and others are not.

10.4.7 We have taken into account the fragile nature of the comparison goods retail market. The main comparison retailing areas by their very nature are within the city or town centres. Due to the historic nature of the area, one would expect to encounter unforeseen development costs so we have factored into our appraisals a larger than average contingency sum (10%) to allow for this. Nevertheless our findings show that a £10 reduction in the Zone A rent and a 0.5% increase in the investment yield can reduce the surplus significantly and to a point where the buffer is too small to accommodate any site-specific abnormal costs.

10.4.8 Where we are finding that comparison shopping is not yet strong enough at this stage, we are finding that convenience stores and food retailing as well as larger retail warehouses are proving viable due to increased consumer demand, changes in buying habits and increased competition amongst retailers. Consequently the demand for these types of investment property by pension funds particularly, has resulted in lower yields and consequently higher capital values.

10.4.9 Taking into account the findings of the DTZ Retail and leisure Study (September 2011) generally and historically the Canterbury City centre retail market has been healthy and thriving. The rental levels are the highest in Kent and consequently the number of empty retail units is below the national average. Retail investment yields are consequently low. However, there are few if any suitable development sites in the centre of Canterbury for retail-led development. There is capacity for satellite bulky goods and large format retailing development on the outskirts which fall into the retail warehouse category.

10.4.10 Retail property provides a community service and can impose on infrastructure provision such as highways, transport and parking requirements. We have also considered that the main centres in the district are generally fully developed and new floor space will be limited. Also that s.106 and s.278 contributions are still available for site-specific needs. We find that retail warehousing, convenience and food store development are the main growth areas able to contribute a CIL charge.

10.4.11 We have concluded that retail development in the district is unlikely to be able to sustain a CIL charge other than convenience retailing, supermarkets and retail warehousing. Therefore, we recommend a differential charging rate of **£120 m^2** across the district for these types of development and a nil charge for all other types of retail development. We do not consider that this level should unduly affect small-scale development coming forward and is considered affordable for larger scale schemes.

10.4.12 The definition of a convenience store can be taken from the Institute of Grocery Distribution as follows:

1. **Size**: The store must be under 278 m^2 [3,000 ft^2]
2. **Opening Hours**: Not subject to restricted opening hours under the Sunday Trading Act
3. **Product Categories:** Stock at least seven of the following core categories;

- Alcohol
- Bakery
- Canned & packaged grocery
- Chilled food
- Confectionery
- Frozen food
- Fruit/Vegetables
- Health & beauty
- Hot food-to-go
- Household
- National lottery
- Milk
- Newspapers/Magazines
- Non-food
- Sandwiches
- Savoury snacks
- Soft drinks
- Tobacco

A simple definition of a supermarket for this purpose is a food based retail unit greater than 278 m^2. A retail warehouse can be defined as a large store, typically on one level, that specialises in the sale of bulky goods such as carpets, furniture, electrical goods or DIY items.

10.5 Agricultural

10.5.1 We have been asked to examine Agricultural categories. Agricultural development is likely to consist of animal sheds, storage barns, milking parlours, implement sheds, pack houses, refrigerated stores and the like. These types of property are not generally 'traded' in the open market as they are designed and constructed for the specific farming needs.

10.5.2 Furthermore, the industry benefits from Permitted Development Rights under the Town and Country Planning (General Permitted Development) Order 1995. This relieves most forms of agricultural and forestry development from the usual planning process and uses the system of 'Prior Notice of development'.

10.5.3 Agriculture is generally reliant on Single Farm Payment subsidies from the European Union. Therefore, it is considered that the industry does not create sufficient margins to be capable of making meaningful contributions to infrastructure.

10.5.4 For these reasons we do not recommend charging for agricultural development. However, where there is proposed diversification and change of use of redundant agricultural buildings into employment type uses, these will be captured by the appropriate new use category under the adopted CIL charging schedule.

11. Conclusion

11.1 We set out the summary of our conclusions in the following table:

Category	Planning Use Class	Proposed CIL Rate per m²
Residential Institutions	C2	Nil
Hotels	C1	£70
Industrial	B1(b)& B1(c) & B2 & B8	Nil
Offices	B1(a)	Nil
Retail	A2, A3, A4, A5	Nil
Retail	A1 other than Convenience Stores, Supermarkets and Retail Warehouses	Nil
Retail	A1 Convenience stores, supermarkets and retail warehousing	£120
Any other development	D1, D2, Sui Generis, Agricultural	Nil

Report ends

Appendix 1 - Hotel Appraisal

Commercial Development Appraisal

Use Class:	**Hotel**

DEVELOPMENT VALUE				
Capital Value				
		Area sqft	**£**	
		22,000		
No of Rooms	100			
Capital value per room			£100,000	
Total Capital Value				£10,000,000.00
Gross Development Value				**£10,000,000**
Less Purchaser's Costs		**5.75%**	**£575,000**	**£9,425,000**

DEVELOPMENT COSTS					
Development Costs					CIL Amount
	Area	**£ per sq ft**	**Total**		
Demolition Costs	11,000	£5	£55,000	£2,717,000	£0
Building Costs		£121	£2,662,000		£20
Area	22,000				£30
Contingency		5%	£133,100		£40
External Works		1.50%	£39,930		£50
Fit out costs (per room)	£7,500		£750,000		£60
Professional Fees		10%	£271,700		£70
Community Infrastructure Levy		70	£1,540,000		£80
Total			**£5,451,730**		£90
Disposal Costs				£5,626,730	£100
		%	**Total**		£130
Letting Agent's Fee (% of Rent)		0%	-		£160
Agent's Fees (on capital value)		1%	£100,000		£190
Legal Fees (% of capital value)		0.75%	£75,000		£220
Total			**£175,000**		£250
Interest on Finance					£280
	Months	**%**	**Total**		
Total Development duration	24				
Loan arrangement fee		1%	£54,517		
Interest on Construction Costs	12	7.0%	£393,871		
Total			**£448,388**		
Profit					
		%	**Total**		
loper's Profit on Total Development Cost		20%	£1,215,024		
Total Development Costs			**£7,290,142**		

LAND VALUE				
	Months	**%**	**Total**	
				£2,012,104
Land Surplus			£2,134,858	
Stamp Duty		4%	£85,394	
Agent's Fees		1.25%	£26,686	
Legal Fees		0.50%	£10,674	
Total			**£122,754**	
Interest on land finance	24	7.00%	£140,847	
Total			**£386,356**	
RESIDUAL LAND VALUE			**£1,748,502**	

Existing Site Value				
	%			
Assumes existing space is % of new	50%	11,000		
Rent per sq ft		£12		
Rental income per annum		£132,000		
Rent free/voids (years)		3	0.7938	£104,782
Total revenue, capitalised			8%	£1,309,770
(incl all costs)				
Refurbishment costs (per sq ft)		£35	£385,000	
Fees		7%	£26,950	
Total			**£411,950**	
Purchaser's Costs		5.75%	£75,312	
			£487,262	
Existing Site Value				£822,508

SV incl Landowner Premium	20%	£164,502	£987,010
Surplus available to fund CIL			**£761,492**

Appendix 2 - Industrial Appraisal

Commercial Development Appraisal

Use Class:	Industrial

DEVELOPMENT VALUE			
Rental Income	**GIA sqft**	**£ per sq ft**	**£ per annum**
Estimated Rental Value	50,000	£6.50	£325,000
Total Rental Income			£325,000
Rent free/voids (years)	2	0.8417	£273,553
Total revenue, capitialised		8%	£3,419,406
(incl all costs)			
Gross Development Value			**£3,419,406**
Less Purchaser's Costs	**5.75%**	**£196,616**	**£3,222,790**

DEVELOPMENT COSTS					
Development Costs					
	Area	**£ per sq ft**	**Total**		
Demolition Costs	25,000	£5	£125,000	£2,991,500	CIL
Building Costs		£52	£2,730,000		
Gross External Floor Area	52,500				£0
Contingency		5%	£136,500		£20
External Works		1.50%	£40,950		£30
Professional Fees (%)		7%	£209,405		£40
Community Infrastructure Levy		£0	£0		£50
					£60
Total			**£3,241,855**	£3,334,195	£70
Disposal Costs					£80
		%	**Total**		£90
Letting Agent's Fee (% of Rent)		10%	£32,500		£100
Agent's Fees (on capital value)		1%	£34,194		£130
Legal Fees (% of capital value)		0.75%	£25,646		£160
					£190
Total			**£92,340**		£220
Interest on Finance					£250
	Months	**%**	**Total**		£280
Total Development duration	12				
Loan arrangement fee		1%	£32,419		
Interest on Construction Costs	6	7.0%	£233,394		
Total			**£265,812**		
Profit					
		%	**Total**		
loper's Profit on Total Development Cost		20%	£720,001		
Total Development Costs			**£4,320,008**		

LAND VALUE				
	Months	**%**	**Total**	
Land Surplus			-1,097,218	
Stamp Duty		4%	-43,889	
Agent's Fees		1.25%	-13,715	
Legal Fees		0.50%	-5,486	
Total			-63,090	-£1,034,128
Interest on land finance	12	7.00%	-72,389	
Total			**-135,479**	
RESIDUAL LAND VALUE			**-961,739**	

Existing Site Value				
	%			
Assumes existing space is % of new	50%	25,000		
Rent per sq ft		£3		
Rental income per annum		£75,000		
Rent free/voids (years)		3	0.7938	£59,535
Total revenue, capitalised			10%	£595,350
(incl all costs)				
Refurbishment costs (per sq ft)		£5	£125,000	
Fees		7%	£8,750	
Total			**£133,750**	
Purchaser's Costs		5.75%	£34,233	
Total Costs			**£167,983**	
Existing Site Value				**£427,367**

SV plus Landowner Premium	20%	£85,473	£512,841
Surplus available to fund CIL			**-£1,474,580**

Appendix 3 - Offices Appraisal

Commercial Development Appraisal

		Use Class:	**Offices**	

DEVELOPMENT VALUE			
Rental Income	**Area sqft**	**£ per sq ft**	**£ per annum**
Net Internal Floor Area	20,000	16.00	£320,000
Total Rental Income			£320,000
Rent free/voids (years)	2	0.8653	£276,896
Total revenue, capitialised (incl all costs)		8.0%	£3,461,200
Gross Development Value			**£3,461,200**
Less Purchaser's Costs	**5.75%**	**£199,019**	**£3,262,181**

DEVELOPMENT COSTS			
Development Costs			
	Area	**£ per sq ft**	**Total**
Demolition Costs	10,000	£5	£50,000
Building Costs		£123.00	£2,460,000
Gross Internal Floor Area	20,000		
		%	
External Works		1.50%	£36,900
Professional Fees		10%	£246,000
Contingency		5%	£123,000
Community Infrastructure Levy		0	£0
Total			**£2,915,900**
Disposal Costs			
		%	**Total**
Letting Agent's Fee (% of Rent)		10%	£32,000
Agent's Fees (on capital value)		1%	£34,612
Legal Fees (% of capital value)		0.75%	£25,959
Total			**£92,571**
Interest on Finance			
	Months	**%**	**Total**
Total Development duration	18		
Loan arrangement fee		1%	£29,159.00
Interest on Construction Costs	18	7.0%	£102,057
Total			**£131,216**
Profit			
		%	**Total**
loper's Profit on Total Development Cost		20%	£627,937
Total Development Costs			**£3,767,624**

CIL
£0
£20
£30
£40
£50
£60
£70
£80
£90
£100
£130
£160
£190
£220
£250
£280

LAND VALUE				
	Months	**%**	**Total**	
Land Surplus/Deficit			-£505,443	-£476,380
Stamp Duty		4%	-£20,218	
Agent's Fees		1.25%	-£6,318	
Legal Fees		0.50%	-£2,527	
Sub-total			-£29,063	
Interest on land finance	24	7.00%	-£33,347	
Total			**-£62,410**	
RESIDUAL LAND VALUE			**-£443,033**	

Existing Site Value				
	%			
Assumes existing space is % of new	50%	10,000		
Rent per sq ft		£10.00		
Rental income per annum		£100,000		
Rent free/voids (years)		3	0.7938	£79,380
Total revenue, capitalised (incl all costs)			9%	£882,000
Refurbishment costs (per sq ft)		£25	£250,000	
Fees		7%	£17,500	
Total			**£267,500**	
Purchaser's Costs		5.75%	£50,715	
Total Costs			**£318,215**	
Existing Site Value				**£563,785**

SV incl Landowner Premium	20%	£112,757	£676,542
Surplus available to fund CIL			**-£1,119,575**

Appendix 4 - Convenience Store Appraisal

Commercial Development Appraisal

Use Class:	Convenience Store

DEVELOPMENT VALUE				
Rental Income	**GIA sqft**	**£ per sq ft**	**£ per annum**	
Rent - area 1	3,000	15	£45,000	
Total Rental Income	3,000		£45,000	
Rent free/voids (years)			£0	
Total revenue, capitialised (incl all costs)		6.5%	£692,308	
Gross Development Value			**£692,308**	
Less Purchaser's Costs	**5.75%**	**£39,808**	**£652,500**	

DEVELOPMENT COSTS				
Development Costs				
	Area	**£ per sq ft**	**Total**	
Demolition Costs	1,500	£5	£7,500	£223,500
Building Costs		£72	£216,000	
Area	3,000			
Contingency		5%	£10,800	
External Works		1.50%	£3,240	
Professional Fees		10%	£22,350	
Community Infrastructure Levy		120	£180,000	
Total			**£439,890**	
Disposal Costs				
		%	**Total**	
Letting Agent's Fee (% of Rent)		10%	£4,500	
Agent's Fees (on capital value)		1%	£6,923	
Legal Fees (% of capital value)		0.75%	£5,192	
Total			**£16,615**	
Interest on Finance				£456,505
	Months	**%**	**Total**	
Total Development duration	18			
Loan arrangement fee		1%	£4,398.90	
Interest on Construction Costs	18	7.0%	£31,955	
Total			**£36,354**	
Profit				
		%	**Total**	
loper's Profit on Total Development Cost		20%	£98,572	
Total Development Costs			**£591,432**	

CIL
£0
£20
£30
£40
£50
£60
£70
£80
£90
£100
£120
£130
£140
£150
£170
£200
£220
£250

LAND VALUE				
	Months	**%**	**Total**	
Land Surplus			£100,876	£95,076
Stamp Duty		4%	£4,035	
Agent's Fees		1.25%	£1,261	
Legal Fees		0.50%	£504	
Total			£5,800	
Interest on land finance	24	7.00%	£6,655	
Total			**£12,456**	
RESIDUAL LAND VALUE			**£88,420**	

Existing Site Value				
	%			
Assumes existing space is % of new	50%	1,500		
Rent per sq ft		£8		
Rental income per annum		£11,250		
Rent free/voids (years)		3	0.7938	£8,930
Total revenue, capitalised (incl all costs)			8%	£111,628
Refurbishment costs (per sq ft)		£20	£30,000	
Fees		7%	£2,100	
Total			**£32,100**	
Purchaser's Costs		5.75%	£16,847	
Total Costs			**£48,947**	
Existing Site Value				**£62,681**

SV incl Landowner Premium	20%	£12,536	£75,217
Surplus available to fund CIL			**£13,204**

Appendix 5 - Retail Warehouse Appraisal

Commercial Development Appraisal

Use Class:	Retail Warehouse

DEVELOPMENT VALUE			
Rental Income	**GIA sqft**	**£ per sq ft**	**£ per annum**
Rent - area 1	20,000	20	£400,000
Total Rental Income	20,000		£400,000
Rent free/voids (years)	2	0.8653	£346,120
Total revenue, capitialised (incl all costs)		6.0%	£5,768,667
Gross Development Value			**£5,768,667**
Less Purchaser's Costs	**5.75%**	**£331,698**	**£5,436,968**

DEVELOPMENT COSTS					
					CIL
Development Costs					
	Area	**£ per sq ft**	**Total**		£0
Demolition Costs	15,000	£5	£75,000	£1,135,000	£20
Building Costs		£53	£1,060,000		£30
Area	20,000				£40
Contingency		5%	£53,000		£50
External Works		1.50%	£15,900		£60
Professional Fees		10%	£113,500		£70
					£80
Community Infrastructure Levy		120	£1,200,000		£90
					£100
Total			**£2,517,400**		£120
Disposal Costs					£130
		%	**Total**		£140
Letting Agent's Fee (% of Rent)		10%	£40,000		£150
Agent's Fees (on capital value)		1%	£57,687		£170
Legal Fees (% of capital value)		0.75%	£43,265		£200
					£220
Total			**£140,952**		£250
Interest on Finance				£2,658,352	
	Months	**%**	**Total**		
Total Development duration	18				
Loan arrangement fee		1%	£25,174.00		
Interest on Construction Costs	18	7.0%	£186,085		
Total			**£211,259**		
Profit					
		%	**Total**		
loper's Profit on Total Development Cost		20%	£573,922		
Total Development Costs			**£3,443,532**		

LAND VALUE				
	Months	**%**	**Total**	
Land Surplus			£2,325,134	£2,191,439
Stamp Duty		4%	£93,005	
Agent's Fees		1.25%	£29,064	
Legal Fees		0.50%	£11,626	
Total			£133,695	
Interest on land finance	24	7.00%	£153,401	
Total			**£287,096**	
RESIDUAL LAND VALUE			**£2,038,038**	

Existing Site Value				
	%			
Assumes existing space is % of new	50%	10,000		
Rent per sq ft		£10		
Rental income per annum		£100,000		
Rent free/voids (years)		3	0.7938	£79,380
Total revenue, capitalised (incl all costs)			7%	£1,134,000
Refurbishment costs (per sq ft)		£20	£200,000	
Fees		7%	£14,000	
Total			**£214,000**	
Purchaser's Costs		5.75%	£146,299	
Total Costs			**£360,299**	
Existing Site Value				**£773,701**

SV incl Landowner Premium	20%	£154,740	£928,441
Surplus available to fund CIL			**£1,109,598**

Appendix 6 - Supermarket Appraisal

Commercial Development Appraisal

Use Class:	**Supermarket**

DEVELOPMENT VALUE			
Rental Income	**GIA sqft**	**£ per sq ft**	**£ per annum**
Rent - area 1	30,000	15	£450,000
Total Rental Income	30,000		£450,000
Rent free/voids (years)	0	0	£0
Total revenue, capitialised (incl all costs)		4.5%	£10,000,000
Gross Development Value			**£10,000,000**
Less Purchaser's Costs	**5.75%**	**£575,000**	**£9,425,000**

DEVELOPMENT COSTS					
					CIL
Development Costs					
	Area	**£ per sq ft**	**Total**		£0
Demolition Costs	15,000	£5	£75,000	£3,165,000	£20
Building Costs		£103	£3,090,000		£30
Area	30,000				£40
Contingency		5%	£154,500		£50
External Works		1.50%	£46,350		£60
Professional Fees		10%	£316,500		£70
					£80
Community Infrastructure Levy		120	£1,800,000		£90
					£100
Total			**£5,482,350**		£120
Disposal Costs					£130
		%	**Total**		£140
Letting Agent's Fee (% of Rent)		10%	£45,000		£150
Agent's Fees (on capital value)		1%	£100,000		£170
Legal Fees (% of capital value)		0.75%	£75,000		£200
					£220
Total			**£220,000**		£250
Interest on Finance				£5,702,350	
	Months	**%**	**Total**		
Total Development duration	18				
Loan arrangement fee		1%	£54,823.50		
Interest on Construction Costs	18	7.0%	£399,165		
Total			**£453,988**		
Profit					
		%	**Total**		
eloper's Profit on Total Development Cost		20%	£1,231,268		
Total Development Costs			**£7,387,606**		

LAND VALUE				
	Months	**%**	**Total**	
Land Surplus			£2,612,394	£2,462,182
Stamp Duty		4%	£104,496	
Agent's Fees		1.25%	£32,655	
Legal Fees		0.50%	£13,062	
Total			£150,213	
Interest on land finance	24	7.00%	£172,353	
Total			**£322,565**	
RESIDUAL LAND VALUE			**£2,289,829**	

Existing Site Value				
	%			
Assumes existing space is % of new	50%	15,000		
Rent per sq ft		£10		
Rental income per annum		£150,000		
Rent free/voids (years)		3	0.7938	£119,070
Total revenue, capitalised (incl all costs)			7%	£1,701,000
Refurbishment costs (per sq ft)		£20	£300,000	
Fees		7%	£21,000	
Total			**£321,000**	
Purchaser's Costs		5.75%	£226,009	
Total Costs			**£547,009**	
Existing Site Value				**£1,153,991**

SV incl Landowner Premium	20%	£230,798	£1,384,790
Surplus available to fund CIL			**£905,039**

Appendix 7 - Comparison Retail Appraisal

Commercial Development Appraisal

Use Class:	**Comparison Retail**

DEVELOPMENT VALUE				
Rental Income	**GIA sqft**	**£ per sq ft**	**£ per annum**	
Rent - area 1	2,000	60	£120,000	
[£80 ITZA]				
Total Rental Income	2,000		£120,000	
Rent free/voids (years)	2	0.8653	£103,836	
Total revenue, capitialised		6.5%	£1,846,154	
(incl all costs)				
Gross Development Value			**£1,846,154**	
Less Purchaser's Costs	**5.75%**	**£106,154**	**£1,740,000**	

DEVELOPMENT COSTS					CIL
Development Costs					
	Area	**£ per sq ft**	**Total**		£0
Demolition Costs	1,500	£10	£15,000	£165,000	£20
Building Costs		£75	£150,000		£30
Area	2,000				£40
Contingency		10%	£15,000		£50
External Works		1.50%	£2,250		£60
Professional Fees		10%	£16,500		£70
					£80
Community Infrastructure Levy		120	£120,000		£90
					£100
Total			**£318,750**		£120
Disposal Costs					£130
		%	**Total**		£140
Letting Agent's Fee (% of Rent)		10%	£12,000		£150
Agent's Fees (on capital value)		1%	£18,462		£170
Legal Fees (% of capital value)		0.75%	£13,846		£200
					£220
Total			**£44,308**		£250
Interest on Finance				£363,058	
	Months	**%**	**Total**		
Total Development duration	18				
Loan arrangement fee		1%	£3,187.50		
Interest on Construction Costs	18	7.0%	£25,414		
Total			**£28,602**		
Profit					
		%	**Total**		
eloper's Profit on Total Development Cost		20%	£78,332		
Total Development Costs			**£469,991**		

LAND VALUE				
	Months	**%**	**Total**	
Land Surplus			£1,376,163	£1,297,033
Stamp Duty		4%	£55,047	
Agent's Fees		1.25%	£17,202	
Legal Fees		0.50%	£6,881	
Total			£79,129	
Interest on land finance	24	7.00%	£90,792	
Total			**£169,922**	
RESIDUAL LAND VALUE			**£1,206,241**	

Existing Site Value				
	%			
Assumes existing space is % of new	75%	1,500		
Rent per sq ft		£50		
Rental income per annum		£75,000		
Rent free/voids (years)		2	0.8653	£64,898
Total revenue, capitalised			7.50%	£865,300
(incl all costs)				
Refurbishment costs (per sq ft)		£30	£45,000	
Fees		7%	£3,150	
Total			**£48,150**	
Purchaser's Costs		5.75%	£47,473	
Total Costs			**£95,623**	
Existing Site Value				**£769,677**

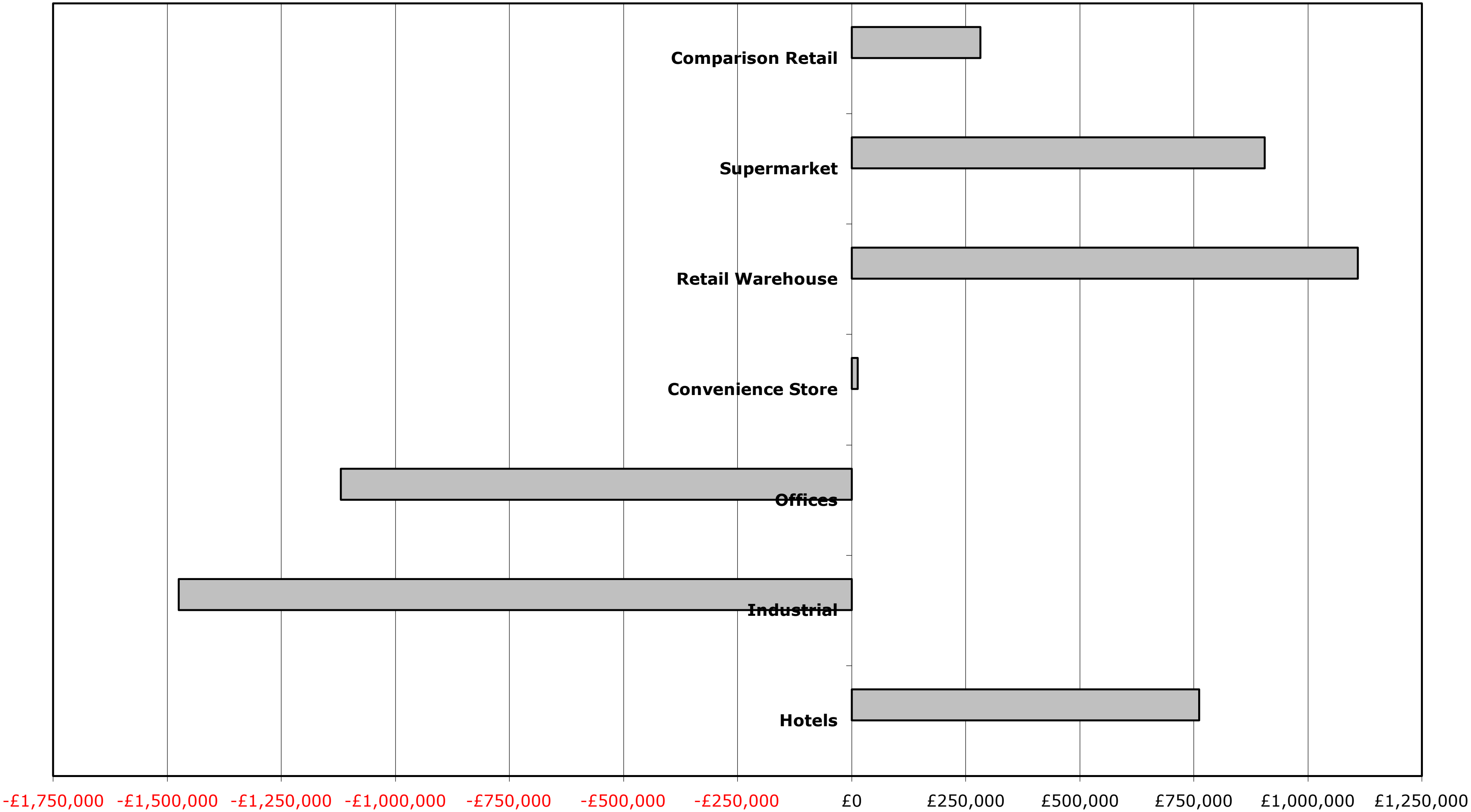
SV incl Landowner Premium	20%	£153,935	£923,613
Surplus available to fund CIL			**£282,629**

Appendix 8 - Table of Appraisal Results and Graph Showing Surplus Available to Fund CIL

Use Classes	CIL Rate	Surplus available to fund CIL
Hotels	£70	£761,492
Industrial	£0	-£1,474,580
Offices	£0	-£1,119,575
Convenience Store	£120	£13,204
Retail Warehouse	£120	£1,109,598
Supermarket	£120	£905,039
Comparison Retail	£120	£282,629

Appendix 8 - Table of Appraisal Results and Graph Showing Surplus Available to Fund CIL

Surplus Available to Fund CIL



ADAMS INTEGRA

Adams Integra
St John's House
St John's Street
Chichester
West Sussex
PO19 1UU

T: 01243 771304
F: 01243 779993
E: enquiries@adamsintegra.co.uk
W: www.adamsintegra.co.uk