

Dixon Searle PartnershipAsh House, Tanshire Park,

Shackleford Road, Elstead, Surrey, GU8 6LB www.dixonsearle.co.uk





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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 Spelthorne Borough.
- 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 Spelthorne Borough Council (SBC).
- 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 lingering. However, the fears of deep impacts on the housing market and concerns over the stability of prices supported by it did not materialise, and in fact at look back at the past few years shows a very positive period in terms of house price growth. This period of rapid growth is now seeming to slow as the market settles and issues such as the 'cost of living crisis' affect consumer spending and alter demand. A combination of economic and political factors including the war in Ukraine impacting the global energy supply chain are indirectly (through reducing disposable income) decreasing spending. This naturally filters through to the housing market and could be a factor influencing the slower growth being reported. There remains, however, a fundamental imbalance between supply and demand which is particularly acute in the South East and in boroughs such as Spelthorne; contributing to the overall strength of the housing market throughout difficult/uncertain economic times.
- 2.1.4. Dixon Searle Partnership (DSP) has 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 May 2022 examines the condition of the market as "demand dips slightly although pricing trends remain firm at this stage". It comments on the present macroeconomic challenges and the how these are likely to decelerate the pace of growth as momentum eases within the UK housing market. It also reports that, whilst the new buyer enquiries indicator turns slightly negative, house prices do continue to rise across the country for now. Twelve-month price expectations have reported to ease for a third consecutive month, hinting to a relative drop in confidence within the professional sector that house prices will continue to rise to the extent of the recent boom.



- 2.1.5. The latest Office for National Statistics (ONS) UK House Price Index (HPI) for April 2022 focuses on sale prices and trends in data rather than forecasting the future of the housing market. The ONS examines the condition of the market over the last couple of years. The HPI is marked from a starting point of 100 in 2015 and is now sitting at 147.5 as of the most recent data from April 2022. The most recent HPI rebased to Spelthorne is 135.78, which has increased 9.88% during the year to April 2022 (from 123.57). Corroborating the sentiment expressed by RICS above, the ONS report that average house prices across the Southeast increased by 11.9% over the year to April 2022. As to why house prices have increased so sharply, the ONS venture that a range of factors may carry influence, such as a change in housing preferences since the pandemic. 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 were lower between July 2020 and June 2021.
- 2.1.6. The Savills UK Housing Market Update June 2022 broadly echoes the sentiment of value growth and strong market activity found in the reports discussed above. Savills report that house prices grew by 0.9% in May, and state that month on month growth has been softening since the start of the year. They also report that there has been a noticeable shift in buyer interest back towards London flats, with demand 16% up in May compared to the same period in 2021. The Market Update also reports that rents grew 11.4% in the 12 months to April a record for annual rental growth since 2011, although month on month growth has slowed. The East Midlands is seeing the greatest rate of disinflation in rents, whilst supply constraints in London and the South West mean that prevalence of disinflation is more diluted. Savills also report a strong market for land, stating that 'Despite mounting pressures, land values are still increasing due to sustained competition for sites. UK greenfield and urban values rose 2.2% and 1.9% respectively in Q2 2022'.
- 2.1.7. The above reports indicate that, whilst the UK housing market is somewhat stagnating after a sustained period of rapid growth, prices are still rising at steadier rates. There are common themes within all three reports that the outlook of the market in the near-term is generally positive, with some uncertainty in the long run due to the rising costs of living. One determining factor will be how UK fiscal & monetary policy are used to deal with the costs of living and how that will filter through to the property market.



3.0 Residential Market Review

- 3.1.1. Consistent with our assessment principles, DSP research 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 conducted using data from the Land Registry grouped into settlements within the borough. Value level ranges were estimated for each settlement based on a variety of data presentation & analysis techniques including but not limited to heatmapping and quartile analysis. 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, DSP also reviewed currently available new build and re-sale properties for sale using property search engines such as Rightmove and Zoopla to cross-check findings and ensure consistency. 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 (January 2020 to April 2022)

3.2.1. The following tables below provide Spelthorne 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 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 2022. Due to its size, the full data set has not been included - but can be requested if required.



Table 1 – Land Registry Sold Prices Review Analysis – New Build Property – Average Price and quartile analysis by Dwelling Type and Ward

Average prices & values /m² by dwelling type										
Dwelling type	Average of Uplifted Sale Price	Average Value /m²	Minimum	Q1	Median	Q3	Maximum	Sample size		
Flat	£379,617	£5,835	£1,381	£5,561	£5,989	£6,803	£9,191	176		
Semi-detached	£679,895	£6,257	£5,940	£6,000	£6,060	£6,595	£7,130	3		
Terraced	£667,012	£5,877	£5,481	£5,837	£6,015	£6,078	£6,093	4		
Grand Total	£390,821	£5,847	£1,381	£5,565	£5,992	£6,799	£9,191	183		

Average prices & values /m² by ward									
Ward	Average of Uplifted Sale Price	Average Value /m²	Minimum	Q1	Median	Q3	Maximum	Sample size	
Ashford Town	£222,008	£3,16	£1,381	£1,958	£2,361	£4,777	£6,864	25	
Shepperton Town	£530,925	£6,488	£5,420	£5,838	£6,067	£7,263	£9,191	18	
Staines	£400,608	£6,27	£5,173	£5,680	£6,117	£6,833	£8,011	139	
Sunbury East	£728,920	£5,48	£5,481	£5,481	£5,481	£5,481	£5,481	1	
Grand Total	£390,821	£5,84	£1,381	£5,565	£5,992	£6,799	£9,191	183	

- 3.2.2. It is important to note that Sunbury East within the table above only features one data sample and is not considered to be as reliable. Table 1a also features only four settlement areas meaning that heavier reliance must be placed on the resale data which features a much broader sample. The Land Registry search returned no sample of new build detached data, however this is not entirely surprising given the nature of the Spelthorne Borough limited space and Green Belt constraints mean that building detached homes is not as desirable for developers as they are a less efficient use of land than the other dwelling types.
- 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. Borough wide the data compiled indicates the typical range of new build property values to be from around £5,500/m2 to £6,800/m2, although it is important to note that testing should explore levels outside of this range.

3.3. Review of Land Registry Resale Sold Prices Data (June 2021 – April 2022)

3.3.1. A similar process has been undertaken as above for re-sale property with the following Tables providing a 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 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 2022. Due to its size the full data set it has not been included here, however it can be requested by the Council.



Table 2 – Land Registry Sold Prices Review Analysis – Resale Property – Quartile Analysis by Dwelling Type and Ward

Average prices & values /m² by dwelling type									
Dwelling type	Average of Uplifted Sale Price	Average Value /m²		Minimum	Q1	Median	Q3	Maximum	Sample size
Detached	£715,21		£5,460	£2,545	£4,769	£5,469	£6,451	£12,862	144
Flat	£272,29		£4,599	£1,948	£4,110	£4,656	£5,340	£7,734	200
Semi-detached	£515,53		£5,199	£3,071	£4,728	£5,300	£5,917	£9,230	241
Terraced	£437,34		£5,067	£2,162	£4,629	£5,187	£5,690	£10,283	193
Grand Total	£470,56	7	£5,138	£1,948	£4,522	£5,169	£5,817	£12,862	778

Average prices & values /m² by ward											
Ward	Average of Uplifted Sale Price	Average Value /m²		Minimum	Q1	Median	Q3	Maximum	Sample size		
Ashford Common	£447,306		£5,198	£3,296	£4,702	£5,135	£5,960	£10,283	70		
Ashford East	£477,843		£5,017	£3,466	£4,604	£5,105	£5,663	£7,474	73		
Ashford North and Stanwell South	£375,572		£4,878	£3,447	£4,333	£4,699	£5,409	£7,333	48		
Ashford Town	£437,382		£4,955	£2,162	£4,554	£5,038	£5,561	£8,348	54		
Halliford and Sunbury West	£521,665		£5,145	£2,355	£4,463	£5,141	£6,392	£9,141	55		
Laleham and Shepperton Green	£415,434		£4,717	£1,973	£4,329	£4,739	£5,351	£7,329	68		
Riverside and Laleham	£514,121		£5,283	£3,475	£4,633	£5,238	£6,005	£12,862	63		
Shepperton Town	£592,163		£5,725	£2,830	£4,911	£5,659	£6,500	£11,983	69		
Staines	£433,230		£5,120	£2,659	£4,816	£5,188	£5,668	£7,463	61		
Staines South	£409,428		£5,131	£2,901	£4,703	£5,238	£5,870	£7,787	38		
Stanwell North	£363,645		£4,335	£2,567	£3,857	£4,516	£5,027	£6,576	57		
Sunbury Common	£387,948		£4,925	£1,948	£4,117	£5,194	£5,670	£8,037	48		
Sunbury East	£631,573		£5,679	£2,222	£5,289	£5,723	£6,163	£11,559	74		
Grand Total	£470,567		£5,138	£1,948	£4,522	£5,169	£5,817	£12,862	778		

3.3.2. As can be seen above in Table 2a, prices range from around £2,000/m² to in excess of £12,000/m², with values for resale properties generally centred on the £4,500 to £6,000/m² range. The new build values discussed above are roughly 20% above this level, which is a typical relationship due to the premium attached to new build housing; where all other factors are equal, new build housing typically achieves values of 10% to 20% above resale values.

3.4 Available New Builds – Advertised for Sale (July 2022)

3.4.1. Table 3a below provides a summary of the available new build properties that were on the market for sale in July 2022 across the borough, as found through web-searching, including 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 the 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.

Table 3 – New Builds Advertised for Sale July 2022





Newbuilds for sale in Spelthorne on Rightmov	e	Jul-22						
Address	Locality	Property Type	Bedrooms	Asking Price	M2	£/M2	Asking Price 5% LESS	£/M2 5% LESS
London Road	Staines	Flat	3	£680,000	100	£6,800	£646,000	£6,460
London Road	Staines	Flat	2	£565,000	72	£7,881	£536,750	£7,487
London Road	Staines	Flat	2	£500,000	65	£7,692	£475,000	£7,308
Knapp Road	Ashford	Flat	2	£425,000	65	£6,538	£403,750	£6,212
Knapp Road	Ashford	Flat	2	£399,950	65	£6,153	£379,953	£5,845
Upper Halliford	Shepperton	Flat	2	£365,000	62	£5,887	£346,750	£5,593
London Road	Staines	Flat	1	£360,000	41	£8,770	£342,000	£8,331
London Road	Staines	Flat	1	£357,500	41	£8,709	£339,625	£8,273
Knapp Road	Ashford	Flat	1	£345,950	50	£6,919	£328,653	£6,573
Knapp Road	Ashford	Flat	1	£345,950	50	£6,919	£328,653	£6,573
Knapp Road	Ashford	Flat	1	£345,750	50	£6,915	£328,463	£6,569
Knapp Road	Ashford	Flat	1	£345,750	50	£6,915	£328,463	£6,569
Knapp Road	Ashford	Flat	1	£335,750	50	£6,715	£318,963	£6,379
Knapp Road	Ashford	Flat	1	£335,750	50	£6,715	£318,963	£6,379
Thames Street	Staines	Flat	1	£270,000	52	£5,243	£256,500	£4,981
Clare Road	Stanwell	Flat	1	£230,000	51	£4,510	£218,500	£4,284
Pike crescent (NB property is shared ownership; table includes stated full market value)	Ashford	Flat	2	£245,000	71	£3,451	£232,750	£3,278
Pike crescent (NB property is shared ownership; table includes stated full market value)	Ashford	Flat	2	£350,000	66	£5,303	£332,500	£5,038
Pike crescent (NB property is shared ownership; table includes stated full market value)	Ashford	Flat	1	£285,000	50	£5,700	£270,750	£5,415
Pike crescent (NB property is shared ownership; table includes stated full market value)	Ashford	Flat	1	£280,000	50	£5,600	£266,000	£5,320
High Street	Staines	Flat	1	£322,000	51	£6,314	£305,900	£5,998
High Street	Staines	Flat	1	£313,000	51	£6,137	£297,350	£5,830
High Street	Staines	Flat	studio	£294,500	41	£7,183	£279,775	£6,824
Pike crescent (NB property is shared ownership; table includes stated full market value)	Ashford	Flat	studio	£277,500	42	£6,607	£263,625	£6,277
Pike crescent (NB property is shared ownership; table includes stated full market value)	Ashford	Flat	1	£350,000	71	£4,930	£332,500	£4,683
Pike crescent (NB property is shared ownership; table includes stated full market value)	Ashford	Flat	1	£280,000	49	£5,714	£266,000	£5,429
High Street	Staines	Flat	2	£430,500	73	£5,897	£408,975	£5,602
Lower Hampton Rd	Sunbury	House - Detached	4	£1,450,000	171	£8,489	£1,377,500	£8,065
Parkwood Grove	Sunbury	House - EOT	3	£650,000	116	£5,603	£617,500	£5,323
Burgoyne Road	Sunbury	House - SEMI	3	£519,950	115	£4,525	£493,953	£4,299
				£408,493	64	£6,350	£388,069	£6,032



3.5. DSP Residential 'Value Levels' (VLs)

3.5.1. Overall, for the purposes of this Local Plan and CIL viability study, we decided to focus our appraisals on 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 5 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 November 2020, we considered typical new build property values in Spelthorne to fall within the overall VL's range of £5,250/m2 to £6,000 m2 (i.e. approximately £488/sf to £557/sf).

Table 4 – DSP Value Levels

Value Levels									
Market Value (MV) -	VL1	VL2	VL3	VL4	VL5	VL6	VL7	VL8	VL9
Private Units (only)	< SBC lower-end values			SBC typical New Build Range					/ build values / high operty >
1-bed flat	£225,000	£250,000	£262,500	£275,000	£287,500	£300,000	£312,500	£325,000	£350,000
2-bed flat	£301,500	£335,000	£351,750	£368,500	£385,250	£402,000	£418,750	£435,500	£469,000
2-bed house	£355,500	£395,000	£414,750	£434,500	£454,250	£474,000	£493,750	£513,500	£553,000
3-bed house	£418,500	£465,000	£488,250	£511,500	£534,750	£558,000	£581,250	£604,500	£651,000
4-bed house	£585,000	£650,000	£682,500	£715,000	£747,500	£780,000	£812,500	£845,000	£910,000
Value Levels £/sq. m.	£4,500	£5,000	£5,250	£5,500	£5,750	£6,000	£6,250	£6,500	£7,000

3.5.2. As in all areas, values are always mixed to some extent – within particular wards and even within sites. The table above assumes the gross internal floor areas for dwellings as shown below in Table 5 (these are purely for the purpose of the above market dwelling price illustrations) for the 'standard' scenario set.

Table 5 – Assumed Unit Sizes.

Unit Sizes (sq.m)*					
1-bed flat	50				
2-bed flat	61				
2-bed house	79				
3-bed house	93				
4-bed house	106				

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



3.6 Retirement, Sheltered and Extra Care Housing research

- 3.6.1. 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.
- 3.6.2. 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 (VL8+).
- 3.6.3. 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.
- 3.7 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.
- 3.8 DSP have conducted research into recent sales transactions for second-hand 3-bedroom semi-detached properties within Spelthorne to 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 6 – RHG Analysis – Checking of Retirement figures.

	RHG A	nalysis 2022		
Average value of a resale 3-bed Semi-detached property in Spelthorne	£520,908			
Туре	Indicative New Build Value	Indicative New Build Vale £/M2		
1-bed new build sheltered flat (worth 75% of the value)	£390,681	£7,103		
2-bed new build sheltered flat (worth 100% of the value)	£520,908	£6,945		
1-bed extra care (typically 25% higher than sheltered housing)	£488,351	£8,879		
2-bed new build extra care (typically 25% higher than sheltered housing)	£651,135	£8,682		



4.0 Commercial Market Information, Rents and Yields

- 4.1.1 DSP have also analysed relevant articles relating to the commercial market, rents and yields, including the Royal Institution of Chartered Surveyors, Savills and Knight Frank Yields.
- 4.1.2 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. Following that, the further lockdowns in November 2020 and January 2021 posed difficult challenges for office and retail units. However, in 2022 there has now been recovery from this position, with investor demand seeing significant improvement, and the retail sector rebounding and no longer showing negative returns.
- 4.1.3 The RICS Commercial Property Market Survey Q1 2022 headlines that '[the] outlook for rents strengthens within the office sector as the recovery in occupier demand gains impetus' although warning of 'the impact of macro headwinds' with surveyors noting the impact (actual or expected) of the war in Ukraine and the rising cost of living. RICS note that industrial/ logistics demand remains strong, and also that 'the secondary office market in the South East now displays slightly positive annual rental projections, making it the only region in which an upturn in the secondary office sector is expected'.
- 4.1.4 DSP have also reviewed Savills UK Market in Minutes UK Commercial May 2022. Savills corroborate the sentiment expressed above by RICS, providing further detail on the level of interest in industrial property, and also noting the demand for good quality 'green' office space, despite the increase in 'agile working' resulting from the pandemic. Savills note that an under-supply in the prime office sector will continue to deliver robust rental growth, however state that 'the rental growth outlook for the rest of the market is less comforting' and that 'yield softening is ahead for Grade B offices in particular'.
- 4.1.5 To summarise the articles above, with the pandemic largely behind us, the market has shown signs of an upward trend largely driven by the success and interest within the industrial/warehouse sector with record breaking levels of investment and take up. The office and retail market has now rebounded, having been most affected by the coronavirus restrictions of the last year. However, the general view of the immediate future is one of caution concerning rents and yields. This is corroborated by the yields information provided by Knight Frank and summarised below.





4.1.8. Table 7 below sets out indications on prime yields provided by the Knight Frank Investment Yield Guide (July 2022)¹

Table 7 – Knight Frank Investment Yield Guide July 2022

Sector	July 2022	Market Sentiment
High Street Retail		
Bond Street	2.75% +	Weaker
Oxford Street	3.50%+	Weaker
Prime Shops	6.25%	Weaker
Regional Cities	6.50% +	Weaker
Good Secondary	8.25% -8.50%	Weaker
Shopping Centres		
Regional Scheme	7.50%	Stable
Sub-Regional Scheme	8.50%	Stable
Local Scheme (successful)	9.00%	Stable
Neighbourhood Scheme (assumes <25% of income from supermarket)	9.00% - 9.25%	Stable
Out of Town Retail		
Open A1/Fashion Parks	4.75%	Stable
Secondary Open A1 Parks	6.00%	Stable
Bulky Goods Parks	4.75%	Stable
Secondary Bulky Goods Parks	6.00%	Stable
Solus Open A1	4.75%	Stable
Solus Bulky (c.50,000 sq. ft. let to strong covenant for 15yrs)	4.75%	Stable
Leisure		
Leisure Parks	7.00% +	Stable
Secondary Leisure Parks	8.00% +	Stable
Specialist Sectors		
Car Showrooms (20yrs with fixed uplifts & dealer covenant)	5.00%+	Weaker
Budget Hotels London (Fixed/RPI uplifts 20 yr+ term, Strong Covenant)	3.25%	Weaker
Budget Hotels Regional (Fixed/RPI uplifts 20 yr+ term, Strong Covenant)	3.75%	Weaker
Student Accommodation (Prime London - Direct Let)	3.50% -	Stable
Student Accommodation (Prime Regional - Direct Let)	4.75% to 5.00%	Stable
Student Accommodation (Prime London - 25yr lease Annual RPI)	3.00%	Weaker
Student Accommodation (Prime Regional - 25yr lease Annual RPI)	3.25%	Weaker
Healthcare (Elderly Care 30 yrs indexed linked reviews)	3.25%	Weaker
Food stores		
Annual RPI increases (IY) (25-year income)	3.50%	Weaker
Open market reviews	4.00%	Weaker

¹ Knight Frank "Investment Yield Guide" (July 2022)



Sector	July 2022	Market Sentiment
Warehouse & Industrial Space		
Prime Distribution/Warehousing (20yr income (with fixed uplifts IY)))	3.25%	Weaker
Prime Distribution/Warehousing (15yr income)	3.75%	Weaker
Secondary Distribution (10-year income)	4.25%	Weaker
SE Estate (exc London & Heathrow)	3.50% to 3.75%	Weaker
Good Modern RoUK Estate	3.75% to 4.00%	Weaker
Secondary Estates	4.75% to 5.50%	Weaker
Offices		
City Prime	3.75% - 4.00%	Weaker
West End Prime (Mayfair & St James's)	3.25%	Stable
West End Non-core (Soho & Fitzrovia)	3.75% - 4.00%	Weaker
Major Regional Cities	5.00%+	Weaker
SE Towns	5.00% +	Weaker
Business Parks (SE)	5.25% +	Weaker
Bonds & Rates		
Libor 3 months (12/04/2021)	1.191%	
Base Rate (12/04/2021)	1.25%	
5-year swap rates (12/04/2021)	2.734%	
10-year gilts redemption yield (12/04/2021)	2.15%	



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 Spelthorne 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 Spelthorne. 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 Spelthorne covering industrial / retail / Office over the last 5 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 – Industrial (Previous 5 years)

Deals	Asking Rent Per SF	Achieved Rent Per SF	Avg. Months On Market
54	£10.87	£9.95	11

SUMMARY STATISTICS

Rent	Deals	Low	Average	Median	High
Asking Rent Per SF	36	£5.90	£10.87	£11.23	£16.80
Achieved Rent Per SF	29	00.8g	£9.95	£10.69	£14.77
Net Effective Rent Per SF	28	£5.90	£9.63	£10.33	£14.77
Asking Rent Discount	18	-23.3%	0.9%	0.0%	19.1%
TI Allowance			-		-
Rent Free Months	12	0	6	6	12





Figure 1b – CoStar Lease Comparables – Retail (Previous 5 years)

Deals	Asking Rent Per SF	Achieved Rent Per SF	Avg. Months On Market	
71	£28.18	£10.80	15	

SUMMARY STATISTICS

Rent	Deals	Low	Average	Median	High
Asking Rent Per SF	42	£8.44	£28.18	£27.29	£191.39
Achieved Rent Per SF	39	£2.55	£10.80	£24.83	£125.00
Net Effective Rent Per SF	28	£1.98	£9.46	£22.34	£116.90
Asking Rent Discount	18	-44.7%	4.8%	2.0%	29.4%
TI Allowance	-	-	-	-	-
Rent Free Months	17	1	6	6	15

Figure 1c – CoStar Lease Comparables – Office (Previous 5 years)

Deals	Asking Rent Per SF	g Rent Per SF Achieved Rent Per SF			Avg. Months On Market		
95	£27.51	£27.03		4			
Rent	Deals	Low	Average	Wedlan	High		

Rent	Deals	Low	Average	Median	High
Asking Rent Per SF	62	£6.06	£27.51	£22.50	£36.00
Achieved Rent Per SF	67	£10.00	£27.03	£24.50	£45.00
Net Effective Rent Per SF	46	£15.00	£25.89	£23.13	£45.00
Asking Rent Discount	43	-100.0%	3.8%	1.8%	26.1%
TI Allowance	-		-	-	-
Rent Free Months	28	0	8	6	24

5.2.3 The full CoStar dataset, as summarised in the above tables, has been further analysed (see Table 8 below) to provide a more detailed view of the range of commercial rents in the Spelthorne submarket, as part of the robust assumption seeing process.



Table 8 – CoStar Summary Analysis –Spelthorne Borough Commercial Leases

Spelthorne Rents £/sq.ft							
	Min	Q1	Q3	Max			
Industrial	£5.90	£9.76	£10.75	£12.50	£16.80		
Retail	£2.50	£19.91	£25.54	£36.07	£191.39		
Office	£10.00	£18.07	£22.50	£26.89	£45.00		
Spelthorne Rents £/m2							
	Sp	eitnorne R	tents ±/m2	4			
	Sp Min	Q1	Median	Q3	Max		
Industrial	•		ı		Max £180.84		
Industrial Retail	Min	Q1	Median	Q3			

5.3 Further commercial property values data sources – VOA Rating List

5.3.1 Table 9 below sets out the VOA Data Summary (as the data was too large to include in our appendix) for commercial type use in Spelthorne as a further sense check of assumptions used.

Table 9 – VOA Data Summary

VOA - Rates £/m2							
Туре	Min	Q1	Median	Q3	Max		
Super Stores	£224	£239	£253	£257	£260		
Retail Warehousing	£119	£300	£323	£331	£366		
Convenience Stores	£52	£77	£88	£177	£300		
Retail	£52	£120	£179	£242	£433		
Office	£52	£128	£152	£173	£305		
Industrial	£15	£53	£74	£82	£132		



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. This was in order to both invite engagement and to help inform our study assumptions, alongside our own research, with further experience and judgements. It 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 The list of consulted development industry stakeholder organisations is included below. Contact information has not been included for confidentiality reasons:
 - Barton Willmore
 - Carter Jonas
 - David Lock Associates
 - DBK Estate Agents Hounslow
 - Dean Lewis Estates
 - Deloitte LLP
 - Deloitte Real Estates
 - Dentons UKMEA LLP
 - Derek Horner & Associates Ltd
 - Design Planning Architects
 - Devine Homes PLC
 - > DHA Group
 - Dialogue
 - > DP9
 - DPDS Consulting Group
 - DPP Planning
 - > Draw it
 - DRK Planning
 - DWD Property + Planning
 - ECE Planning
 - Elmbridge Borough Council



- Englishaus Chartered Architects Ltd
- Epsom and Ewell Borough Council
- Ewemove Staines
- > Fairhurst
- Fairview Homes Limited
- First Property Online.Com Ltd
- > Focusmont Ltd
- Fusion Online Ltd
- ➢ GL Hearn
- ➢ GLA
- Gladman Developments
- GR Planning Consultancy Ltd
- Grainne O'Keeffe Architects Ltd
- Gregory Brown
- Gresford Developments
- GRS Building Consultants Ltd
- Guildford Borough Council
- ➤ Haart Estate Agents
- Hallam Land Management Ltd
- > Harris Lamb
- ➤ Hart District Council
- Heathrow Airport
- Heaton Planning
- Herald Land Real Estate Brokers LLC
- Home Builders Federation
- Howard Hutton & Associates
- ➤ Ibbett Associates
- Iceni Projects Ltd
- Indigo Planning
- ➢ Inland Homes PLC
- Jewson Property Holdings Ltd
- Jigsaw Planning and Development Ltd
- > Jim Guest Design
- Jones Lang LaSalle
- Kevin J Turner
- ➤ KG Creative Consultancy



- Kings Lettings Staines
- Kirkwells
- Lansdown Land and Development
- Leith Planning Ltd
- Les West Planning
- LEVVEL Consulting Ltd
- Lewis Designs Architects
- Lichfields
- ➤ LMDS
- Lockwood Lettings & Management Ashford
- ➤ London Borough of Hillingdon
- London Borough of Hounslow
- London Diocesan Fund
- ➤ London Irish Rugby Football Club
- London Strategic Land
- Maddox Planning
- Malcolm Jenkins Associates
- Malcolm Scott Consultants
- Mark Doodes Planning
- Marrons Planning
- Martin & Co Staines-Upon-Thames
- Matthew Calvert Architects
- Matthews & Son LLP
- McCarthy and Stone
- Metropolitan Thames Valley Housing
- Michael Williams Planning
- Mole Valley District Council
- Montagu Evans
- ➤ MSA
- ➤ MTA
- Multi Creation
- Nathaniel Lichfield & Partners
- National Grid
- Neame Sutton
- ➤ Network Rail/Town Planning Team
- New Avenues Sunbury on Thames



- Newboulds & Co Shepperton
- Newsteer
- Nexus Planning
- Nicholas Taylor and Associates
- North Associates
- NTR Planning
- Oasis Estate Agents Staines
- Obsidian Strategic
- OSP Architecture
- Paul Butt Planning Ltd
- Paul Dickinson & Associates
- Peacock & Smith Ltd
- Performance Foremost Ltd
- Persimmon Homes Thames Valley
- Peter Pendleton & Associates Ltd
- PH Design
- Pinewood Studios Group
- Planning and Design Services Ltd
- > PLANNING DESIGN PARTNERSHIP LTD
- Planning Insight
- Planning Issues
- Planning Potential
- Planware
- Porta Planning
- Quod
- Rapleys LLP
- Ravensgate Developments Ltd
- Raven Housing Trust
- Rectory Homes
- Reigate and Banstead Borough Council
- Reside Developments
- rg+p Ltd
- Richmond and Wandsworth Borough Councils
- Robert Davies John West Associates
- Robert Hunt Feltham
- Romans Staines



- Royal Borough of Kingston-upon-Thames
- Royal Borough of Windsor & Maidenhead
- Royal Borough of Windsor & Maidenhead
- > RPS Group
- Runnymede Borough Council
- Rushmoor Borough Council
- Ruston Planning Ltd
- Savills
- Schofield Lothian Limited
- Scott McCabe Associates Ltd.
- Sepia Design Ltd
- Shanly Homes
- > Sherwoods Stanwell
- Sigma Planning Services
- > SJ Smith Ashford
- > SJ Smith Staines
- Slough Borough Council
- Solve Planning Limited
- South Bucks District Council
- Springwheel Associates
- SSA Planning Ltd
- Stewart Ross Associates
- Stratus Environmental Ltd.
- Street Design Partnership
- Strutt and Parker
- Surrey Chamber of Commerce
- Surrey County Council
- Surrey Heath Borough Council
- Swans Estate Agents Ashford
- Sweetings Property Management
- Tandridge District Council
- Tarmac Trading Ltd
- > Taylor Wimpey
- > Telereal Trillium
- > Tennay Properties
- Tesni Properties Limited



- Tetlow King Planning
- The Frost Partnership Ashford
- The Frost Partnership Staines upon Thames
- Threefold Architects
- Townends Staines
- Townends Sunbury
- > Troy Planning & Design
- Turley
- Upstairs Downstairs Staines upon Thames
- Vail Williams
- Van Der Beeck Associates
- Vishal Associates
- W S Planning
- Walsingham Planning
- Waterside Nursery Ltd
- Wates Developments
- Waverley Borough Council
- West London Inward and West London Chamber of Commerce
- Woking Borough Council
- Wokingham Borough Council
- Wood PLC
- Woolf Bond Planning
- ➤ WSP | Indigo
- > WYG
- Your Move Egham
- 6.1.3 Other stakeholders contacted as part of the information gathering process included locally active Affordable Housing Providers and local estate agents as well as key contacts at SBC.
- 6.1.4 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 Q4 2021 which describes a surprisingly active market experiencing both a high level of demand and a shortage of stock. Savills report strong demand for development land driving high growth in land values and stated that 'house price growth has also influenced land value growth in Q4 despite being partially offset by build cost inflation'. The growth in land values is stated to be the highest since 2014, with activity levels remaining robust across all regions. Savills note that 'there remains significant competition for sites as the number of bids per site is maintained at high levels'. Annual growth is now at 8.8% for UK greenfield land, and 6.8% for urban land
- 7.1.2. Of note in the article is that 'appetite for sites for single family Build to Rent continues to grow' and that 'the end of Help to Buy doesn't appear to be having a material impact on the land market with most of the major housebuilders planning for growth in completions post 2023, partly through an increase in outlets'.
- 7.1.3. The report discusses the outlook for land, with competition/demand for land likely to remain strong because of the imbalance between demand and supply. However, the pressure of rising costs and forthcoming more stringent environmental requirements (thus further cost) is also noted.
- 7.1.4. The Knight Frank report 'Residential Development Land Q1 2022' corroborates the sentiment expressed above, headlining that 'demand remains strongest for housing-led greenfield sites outside London in areas where house price inflation continues to offset build costs'.
- 7.1.5. Knight Frank report positively on the condition of the market and note an increase in brownfield land prices 'which rose 0.4% in Q1 and were up 3.3% compared to a year ago'. Greenfield land prices rose 22.8%. The report sounds a note of caution around new building regulations adding costs due to energy measures, and the new rulings on nutrient neutrality (Spelthorne being unaffected by the latter point). Knight Frank note the rising mortgage rates and increasing cost of living, which they expect to slow house price growth later this year. It is also noted that demand for industrial land is so high that residential developers are on



occasion being outbid by those seeking logistics/industrial land, even for sites with residential permission.

- 7.1.6. Finally, Knight Frank note that Build to Rent continues to grow in popularity 'amid a strong demand for rented housing and a scarcity of new supply'.
- 7.1.7. To summarise, both reports dedicate significant attention to the high demand for, and low supply of, land which continues to have an upward pressure on land prices.

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-IIe) 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 application². The Government data provides industrial, office, residential and agricultural land value estimates for the local subregion but not all areas are covered. This includes data for Spelthorne Borough in relation to residential land estimates. Not all areas are covered and as is the case in most LA areas, Spelthorne 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.
- The residential land value estimates in particular require adjustment for the purposes of 7.2.18 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 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

² MHCLG: Land value estimates for policy appraisal 2017 (May 2018)



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 £5,000,000/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 latest RICS Guidance³ (updated to reflect the new NPPF and PPG) refers to benchmark land value as follows 'The value to be established on the basis of the existing use value (EUV) plus a premium for the landowner (PPG, paragraph 013) or the alternative use value (AUV) in which the premium is already included. PPG paragraph 014 is clear that there 'may be a

³ Assessing viability in planning under the National Planning Policy Framework 2019 for England



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.'

- 7.2.24 The Local Housing Delivery Group report⁴ 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 costeffective 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 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 £5,000,000/ha) have been formulated with reference to the principles outlined above and are considered appropriate.

Appendix III Ends

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⁴ Local Housing Delivery Group – Viability Testing Local Plans (June 2012)