Community Infrastructure Levy (CIL)

Viability Assessment Report

June 2012

Reigate & Banstead
BOROUGH COUNCIL
Banstead | Horley | Redhill | Reigate

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III. The methodology compares these residual land values (RLVs) to a benchmark of what landowners would expect to achieve for their site to determine whether a particular scheme would be viable at a particular level of CIL charge.

Key Findings and Recommendations

IV. The outcomes of the appraisals are reflective of current market conditions. Whilst analysis of the local market and wider housing market forecasts indicates that dynamic shifts are unlikely in the short term, the Council should continue to review and monitor the situation to ensure that CIL is reviewed and adjusted at an appropriate point.

V. Whilst there is relatively significant variation between the highest and lowest residential values achieved across the borough, several factors mean that it is difficult to accurately and equitably identify geographic boundaries to these value areas. A borough-wide rate for residential development is recommended.

VI. Given the development context for the borough, it is likely that the majority of non-residential development will be concentrated in specific areas. Market analysis suggests that there is little identifiable variation in commercial values across these areas and thus, it is recommended that non-residential charges are not varied geographically.

VII. Based on the viability outcomes of the main use categories, it is recommended that the 'standard' base CIL charge which applies to developments not specifically listed in the charging schedule is **£0 (zero) per square metre.**

VIII. All of the residential schemes tested in mid to high value areas are able to support a CIL charge of **£100-£150 per square metre** and maintain strong confidence of viability. For most low value schemes, a charge at this level would require some degree of negotiation in the level/tenure mix of affordable housing provision or contributions to ensure sufficient confidence of viability; however, this would not significantly impinge on the Council's overall ability to secure affordable housing.

IX. In the main, the viability of non-residential uses is not as strong and for several development types, a relatively dynamic improvement in the market would be required for schemes to support any meaningful level of CIL. At this point in time:

- There is limited or no confidence of viability in the industrial/warehouse schemes tested or in the standalone office schemes tested and thus **no scope to support CIL**. Whilst office uses may be viable as part of a mixed-use scheme supported by higher value uses such as residential; any scope to pay CIL would be generated by these more valuable uses. It is recommended that the 'standard charge' applies to such developments.
- There is limited confidence of viability in standalone leisure schemes or care homes and limited/marginal confidence in standalone hotel schemes, resulting in **de minimis or nil scope to support a CIL charge**. It is therefore recommended that the 'standard charge' applies to such uses.
- Retail uses demonstrate a varied scope to support a CIL charge. Generally, most non-food retail and small scale convenience scenarios were able to support a CIL charge of **£50 per square metre** with a comfortable level of confidence in viability. However, large scale (over 3,000sqm) predominantly non-food supermarkets/superstores are concluded as being able to support CIL charges above this level and exceeding **£200 per square metre** with a strong degree of confidence in viability.

1. Introduction

Scope of Work

1.1 The purpose of this study is to assess the viability of development across Reigate & Banstead and to produce recommendations to inform the Council's Community Infrastructure Levy (CIL) charging schedule for Reigate & Banstead.

1.2 In light of the current CIL regulations and guidance relating to the preparation of charging schedules, the specific scope of the study is to:

- Analyse the residential and commercial property market across Reigate & Banstead and advise as to potential differential with regards to geography and use type
- Investigate the potential capacity for charging CIL on a range of typical residential and non-residential developments within the borough
- Test and advise as to the likely impact of various charging levels on both economic viability and where relevant other policy requirements; in particular affordable housing

Background to the Community Infrastructure Levy

The Levy

1.3 The Community Infrastructure Levy (CIL) is a new planning charge which allows local authorities in England and Wales to raise funds from developers undertaking new building projects in their area. The charge came into force on 6 April 2010 through the Community Infrastructure Levy Regulations (amended in 2011).

1.4 The levy recognises that development has either some impact on the need and demand for infrastructure, services and facilities or benefits from it and, as such, should pay a share of the costs. The Levy is also based on the premise that those who benefit financially from the grant of planning permission should share some of that gain with the community in order to fund the infrastructure needed to make development acceptable and sustainable.

1.5 This study is prepared in response the requirements of Section 206 of the Planning Act 2008 which requires authorities wishing to adopt CIL (known as charging authorities) to, amongst other responsibilities, prepare and publish a document known as the "charging schedule". The charging schedule sets out the rates of CIL, expressed as pounds per square metre, which will apply in the authority's area. These rates will then be levied on the gross internal floorspace of the net additional liable development.

Establishing and setting a charge

1.6 Several pieces of legislation and guidance set out the requirements which a CIL charging schedule are required to meet. These include:

- The Planning Act 2008 (as amended by the Localism Act 2011)
- The Community Infrastructure Levy Regulations 2010 (as amended)
- Community Infrastructure Levy guidance: Charge setting and charging schedule procedures (issued by DCLG in March 2010 under s221 of the Planning Act 2008)

1.7 In preparing a charging schedule, each authority must determine the rate(s) of CIL which will apply across their area. To support these rates, each charging authority must provide evidence on economic viability showing the potential impacts of proposed CIL charges on the viability of development across their area.

1.8 In setting CIL rates, regulation 14 states that authorities "*must aim to strike what appears to the charging authority to be an appropriate balance*" between funding infrastructure and the impact of imposing a charge on the economic viability of development in their area. This concept of what represents an "appropriate balance" is not cast in stone, but for individual charging authorities to decide based on their local circumstances. The extract below from the charge setting guidance provides a valuable interpretation of how an authority might arrive at this appropriate balance:

"In view of the wide variation in local charging circumstances, it is for charging authorities to decide on the appropriate balance for their area and 'how much' potential development they are willing to put at risk through the imposition of CIL. The amount will vary. For example, some charging authorities may place a high premium on funding infrastructure if they see this as important to future economic growth in their area, or if they consider that they have flexibility to identify alternative development sites, or that some sites can be redesigned to make them viable. These charging authorities may be comfortable in putting a higher percentage of potential development at risk, as they anticipate an overall benefit.

In their background evidence on economic viability to the CIL examination, charging authorities should explain briefly why they consider that their proposed CIL rate (or rates) will not put the overall development across their area at serious risk."

1.9 The charge setting guidance sets out a series of points which charging authorities should consider when producing the evidence base on economic viability. These factors include:

- ***Use an area-based approach*** – evidence should take a broad and strategic view of the viability of development across the area and should not focus on the potential implications for individual and specific development sites
- ***Use appropriate available evidence*** – recognising that available data is unlikely to be comprehensive or exhaustive, charging authorities should ensure rates are informed by appropriate and consistent evidence. Where charging

authorities wish to set differential rates, they may wish to undertake more fine-grained sampling to identify zones or categories of a particular use.

- ***Inform not dictate*** – proposed CIL rates should appear reasonable given the available evidence but charging authorities are not required to exactly mirror the evidence.
- ***Consider the cumulative 'obligations package'*** - evidence should take account other development costs and planning/regulatory requirements such as affordable housing to ensure that the charge reflects the cumulative impact of the obligations package.
- ***Avoid the ceiling*** – proposed charging rates should avoid the ceiling of what is viable to ensure that they would be robust over time. Charging authorities should consider trends in terms of property prices and land values to consider whether the market.
- ***Setting differential rates*** – regulation 13 allows authorities to articulate differential rates by reference, for example, to geography or intended use, in order to reflect local circumstances. However, variation must be justified by a comparative assessment of economic viability and charging authorities should avoid introducing undue complexity.

Related Work

1.10 In addition to the economic viability study, charging authorities are required to identify the total cost of additional infrastructure required to support development across their area.

1.11 For this, the Council has relied on its Infrastructure Delivery Plan, a detailed assessment of current and future infrastructure needs and requirements produced to support the Core Strategy. The IDP identifies the expected costs of delivering the necessary infrastructure within the borough and also any funding sources available or likely to be available to meet these costs. The purpose of finding projects to demonstrate a CIL funding target does not necessarily assure future spending of CIL but instead illustrate that there is a justifiable reason for charging CIL.

1.12 This process has identified that the total cost of infrastructure which the Council wishes to fund from CIL is £218 million. Available and anticipated funding totalling £143 million has been identified, leaving an aggregate funding gap of £76 million.

2. Development Context

2.1 The spatial distribution and scale of future development within Reigate & Banstead will drive the demand for infrastructure identified in the IDP and potentially over and above that. It will also have important implications for charge setting and viability assessment in so much as it will:

- Identify the development and use types which will constitute the bulk of growth and those which are important to the overall delivery strategy. These uses will then be used to establish the 'standard' or 'base' charge which all development generally across is capable of supporting (i.e. lowest common denominator).
- Provide a valuable discussion of development types and spatial locations which will inform the Council when striking the *appropriate balance* sought by the regulations and guidance.

Housing Delivery

2.2 Like many districts, housing represents the most significant proportion of future development and growth in Reigate & Banstead. Core Strategy Policy CS11 plans for the delivery of at least 6,900 additional homes between 2012 and 2027, equating to 460 per year.

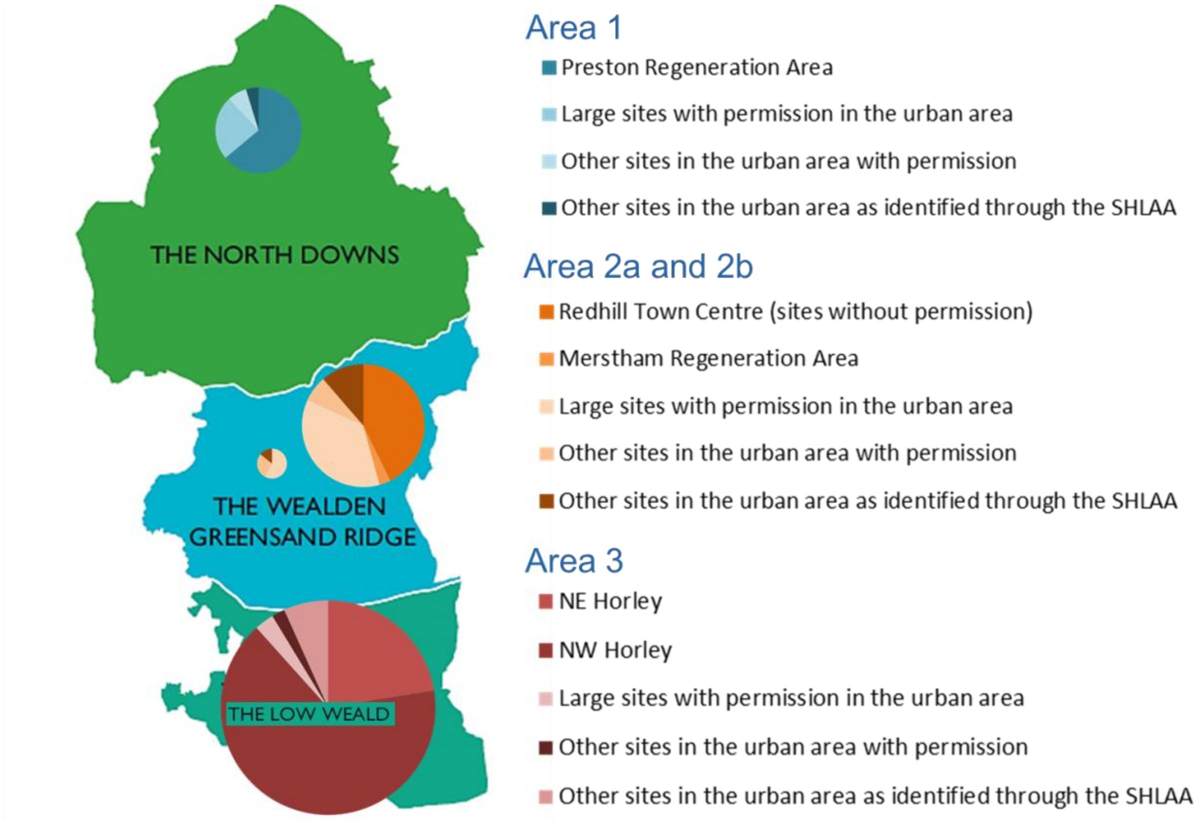
2.3 The Core Strategy proposes that these dwellings will be delivered as follows:

- 2012-2022: within the existing urban area, in particular the priority regeneration areas and the Horley North East and North West Sectors
- 2022-2027: within the existing urban area and – as necessary – through one or more sustainable urban extensions.

2.4 The latest monitoring data (end March 2012) indicates that 1,461 of these dwellings are already under construction or have the benefit of planning permission. Furthermore, the Horley North West Sector allocation is anticipated to have secured outline planning consent and signed a s106 agreement prior to the adoption of CIL, accounting for a further 1,510 additional units. This leaves around 4,000 additional dwellings across the plan period which will be potentially liable for CIL. It should be noted that given CIL will not be introduced immediately, this figure should be seen as a broad estimation based on a number of simplifying assumptions.

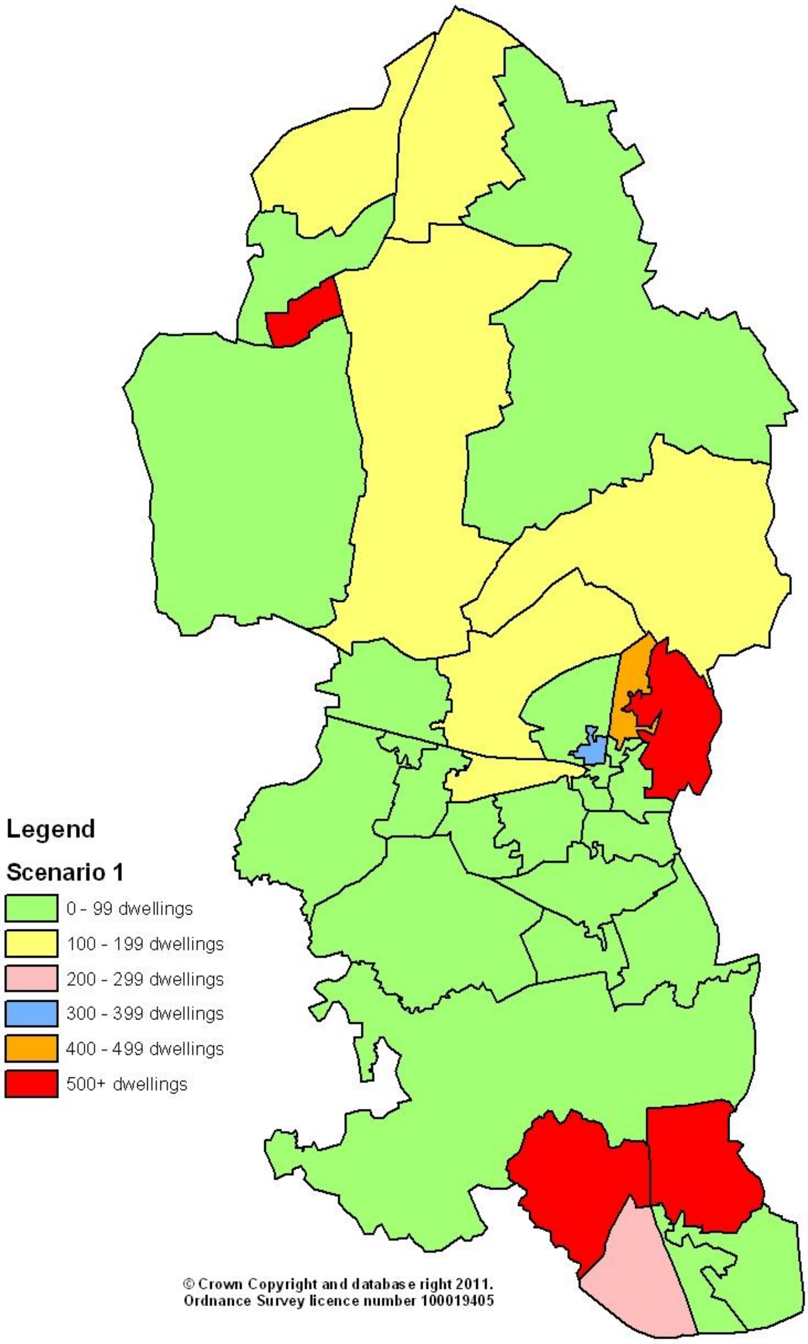
2.5 Using information extracted from the 2011 Strategic Housing Land Availability Assessment, Figure 1 overleaf demonstrates the distribution of housing delivery across the borough for the first 10 years of the plan period.

Figure 1: Illustration of housing delivery



2.6 Further work has also been carried out to map in more detail the location of future housing development arising from unimplemented permissions, sites under construction, sites identified through the SHLAA and regeneration projects. The 'heat map' below illustrates the level of housing growth each ward will experience based upon these sources. As discussed previously, the map demonstrates the 'hot spots' of development in Redhill town centre, the Preston regeneration area and within both the town centre and allocated new neighbourhoods to the north of Horley.

Figure 2: Ward level 'heat map' of housing development over first 10 years of plan period



2.7 The Core Strategy also identifies where new housing will be provided beyond the initial 10 year period. Through the SHLAA, the following sources have been considered in line with the borough's sequential approach set out in Policy CS4. These 'broad locations' have the capacity to provide in excess of 2,000 homes.

- Additional development opportunities within the urban area; and
- Sustainable urban extensions (further work will be carried out to identify a specific location and sites)

Non-Residential Development

Employment (B-class) development

2.8 The Council's latest economic and employment land evidence base indicates that up to 37,000 sqm of additional employment floorspace may be needed in the borough over the next 15 years.

Table 1: Employment floorspace requirements to 2027

Use Class	Floorspace Requirement (sqm NIA)
B1(a)	10,383
B1(b), B1(c), B2	-6,767
B8	33,658
	37,274

2.9 Table 1 above demonstrates that the majority of this B-class growth and future demand will be in warehouse/distribution type units. Whilst this will be partly offset by a slight decline in light industrial/general industrial floorspace, there remains a significant requirement for floorspace growth in this sector. The evidence also demonstrates some growth in office floorspace over the plan period.

2.10 In terms of spatial distribution, the Core Strategy indicates that the majority of additional employment floorspace will be accommodated by making better use the sites and buildings in the borough's existing employment areas, including within town centres. Industrial and distribution floorspace growth is likely to come through the redevelopment of existing underused or cleared sites within existing industrial estates. For office accommodation, growth is likely to be directed predominantly towards Redhill town centre, with the emerging Area Action Plan making provision for up to 7,000 sqm of office floorspace.

Retail development

2.11 The Core Strategy, on the basis of the supporting Retail and Leisure Needs Update Study, indicates the quantum of retail floorspace growth planned for different locations across the borough. In total, the study identified the need for an additional 11,700sqm of convenience floorspace and at least 25,800sqm of additional comparison floorspace over the period to 2027 to cater for the needs of the existing and future population.

2.12 Core Strategy Policy CS5 sets out that majority of new retail space (both convenience and comparison retail) will be directed towards Redhill town centre, to strengthen its role and market share as a primary shopping centre and to support its regeneration. Further, the emerging Area Action Plan makes provision for at least 15,500sqm of additional comparison floorspace within Redhill town centre along with 7,000 sqm of additional convenience floorspace, some of which has already been granted planning permission.

2.13 Only limited growth is planned for other town and local centre; including Reigate, Banstead and Horley. Future growth will be reflecting of their scale and function to ensure that these centres continue to cater for the needs of people living nearby.

Other use types

2.14 The three use categories discussed above will constitute the bulk of future growth and development in the borough during the period to 2027. However, in addition to these, the Council has identified a number of other uses which are potentially important even though they may not deliver a significant amount of floorspace. The following use types will therefore be specifically appraised to determine whether there is any scope to support a CIL charge:

- ***Hotels*** – the Council's Hotel & Guest Accommodation study identifies that 194 additional rooms may be required across the borough by 2026. These are most likely to be located in Redhill and Horley given their strategic locations and to support regeneration.
- ***Leisure (including Gym/Cinema)*** – in support of regeneration in Redhill, additional leisure facilities are planned and could come forward in the town centre.
- ***Residential Care Homes*** – Core Strategy Policy CS12 recognises the need to provide a range of housing types, including specialist provision to support the elderly or those with care needs. With significant projected growth in the older population, like much of the South East, this represents another type of development which could increasingly come forward in the future.

Uses not separately appraised

2.15 Some uses do not merit specific viability appraisal because they are unlikely to provide much, if any, additional development over the plan period or because they are intrinsically related and thus covered by the assessment of one of the broader categories above:

- ***Vehicle sales*** – vehicle sale and display garages are likely to occupy the same sorts of premises and locations as industrial uses. Therefore, viability will be covered by the assessment of the viability of industrial/warehouse type developments.
- ***Pubs/Nightclubs*** **–** such uses are likely to be located within town centres, competing for the same types of premises and units as retail uses and thus experiencing broadly similar rental or valuation variables. Therefore they are covered by the appraisal of this broader category.
- ***Launderettes*** – such uses are likely to be in the same type of premises as town centre retail, albeit more commonly secondary locations, or small scale local centre retail premises. Rental and valuation variables are therefore likely to be broadly consistent with those appraised under these broader categories and thus separate assessment is not necessary.
- ***Cafes/Restaurants/Takeaways*** **–** such uses are likely to be located within town/local centres, competing for the same types of premises and units as retail uses and thus experiencing broadly similar rental or valuation variables. Therefore they are covered by the appraisal of the broader retail category.

3. Appraisal Methodology

3.1 Viability appraisal is central to identifying and demonstrating charging rates which can be supported by the majority of development across the borough. The study uses industry standard appraisal techniques to assess a series of hypothetical but typical schemes within Reigate & Banstead. These appraisals were run using the residual method of valuation which is set out in RICS Valuation Information Paper (VIP) 12. The process is summarised below:

Gross Development Value (GDV)

LESS

Total Costs of Realising Development

LESS

Developer Profit

EQUALS

Residual Land Value (RLV)

Gross Development Value *– the total value of the completed development*

Total Costs of Realising Development *– all costs incurred by the developer including: base construction costs, external works and infrastructure (roads, utilities, landscaping), contingency, professional fees, planning obligations (including CIL) and finance on the aforementioned.*

Developers Profit *– a percentage return taken by the developer for risk*

3.2 The residual appraisal formula is relatively simplistic. However, each of these individual elements is subject to a number of variables which vary not only geographically but also temporally, not least in market circumstances such as those we are currently experiencing. As such, residual appraisals are inevitably broad estimations and subject to a degree of sensitivity. However, the study and appraisals conducted are supported by a detailed assessment of local market conditions from a variety of sources and this uncertainty has been minimised as far as practicable. The appraisal outcomes can thus be considered to represent a robust and reliable basis for informing the Council's charging schedule.

Approach to Economic Viability

3.3 In order to advise on the viability outcomes or the potential capacity a particular development type has to pay CIL, it is necessary to identify a benchmark land value against which to compare the RLV. The most common approach is to compare RLV outcomes against a reasonable existing/alternative use value (EUV/AUV), recognising that in some cases, a level of uplift or premium may be required to incentivise release.

3.4 Existing use values can vary significantly. Schemes can potentially come forward on a variety of different sites in different locations within the borough, all of which will have individual assumptions regarding existing use. For example, agricultural land in the South East might fetch £18,000 per hectare whilst the value of 'residential intensification' sites will be intrinsically linked to value of existing houses on the site.

3.5 As well as the value associated with the existing use of the site, in some cases an element of reasonable premium or uplift is required to motivate the landowner to release the land. This concept of what is 'reasonable' is highly subjective and will be dependent upon individual circumstances and landowner motivations. For example, if the owner of a large residential house in a large plot decided to move and placed the property on the open market, there is no reason to assume that a developer would need to pay any premium over and above market value. Conversely, if a developer identified the site and approached the landowner to purchase the site, then it is likely that the landowner would expect a more significant uplift. Any level of uplift would also be dependent upon the demand in the market for the site in its existing use and thus in circumstances of low demand or a particularly depressed market, lower premiums could be expected.

3.6 There is some emerging consensus in the industry with regards to uplift. The HCA Transparent Viability Assumptions paper notes that appeal decisions and examinations have come to varied conclusions ranging from 10% to 30% in urban areas to a factor increase of 10-20 times for greenfield agricultural land.

3.7 Recognising this significant potential for variation and the intended broad and strategic nature of the study, the approach adopted is to identify a range of benchmark values relating to different broad site types. The outcome is a spectrum of viability whereby confidence in the viability of a scheme increases as each threshold is passed. This also provides a far more intuitive and dynamic guide to viability than a simple pass/fail approach and allows the Council to make a more informed decision about where CIL may start to have an unacceptable impact on development economics.

Notional Schemes

3.8 Guidance from DCLG suggests that evidence on economic viability should use an area-based approach which takes a broad, strategic view without focussing on the implications of CIL for specific development sites. As such, the study appraises a series of hypothetical schemes which reflect the type of sites and developments which come forward in the borough. These notional schemes were derived by reference to historic development trends within the borough and, for residential, opportunities identified within the SHLAA.

Residential Schemes

3.9 For residential schemes, the following were tested:

Table 2: Notional residential schemes

Development Type	Development Mix	Affordable Housing	Site Area (ha)	Density
1 unit scheme	1 x 4 bed house	10% eq. contribution	0.025	40dph
9 unit scheme	3 x 2 bed house 3 x 3 bed house 3 x 4 bed house	10% eq. contribution	0.25	35dph
10 unit flat scheme	10 x 2 bed flat	20% eq. contribution	0.15	65dph
10 unit scheme	5 x 3 bed house 5 x 4 bed house	20% eq. contribution	0.3	33dph
14 unit scheme	10 x 3 bed house 4 x 4 bed house	20% eq. contribution	0.4	35dph
15 unit scheme	2 x 2 bed house 8 x 3 bed house 5 x 4 bed house	30% on site	0.4	38dph
25 unit flat scheme	5 x 1 bed flat 20 x 2 bed flat	30% on site	0.35	71dph
30 unit mixed scheme	4 x 2 bed flat 8 x 2 bed house 12 x 3 bed house 6 x 4 bed house	30% on site	0.8	37dph
50 flat scheme	15 x 1 bed 35 x 2 bed	30% on site	0.65	77dph

3.10 The development mixes chosen for testing are based on historical monitoring information and represent the types and composition which typically come forward in Reigate & Banstead. Furthermore, schemes either side of the various thresholds for affordable housing provision in the Core Strategy (see paragraphs 4.18-4.20) have been tested to ensure any differential impacts are captured.

3.11 In terms of dwelling size, the Council's recent SHLAA viability study conducted by Baker Associates applied the floorspace assumptions set out in table 3 overleaf.

Table 3: Dwelling floorspace assumptions (SHLAA 2011)

Dwelling Type	Floorspace Range (sqm)*
1 bed/2 person	41.8 - 46.5
2 bed/3 person	60.4 - 65.0
2 bed/4 person	65.0 - 69.7
3 bed/5 person	74.3 - 79.0
3 bed/6 person	79.0 - 83.6
4 bed/6 person	102.2 – 116.1
4 bed/8 person	120.8 – 176.5
5 bed/8 person	185.8

*Note: Figures have been converted from square feet as in the source report

3.12 For the purposes of this more strategic study, these assumptions have been simplified and refined with reference to recent developments which have occurred within the borough in order to ensure they most closely match development activity in the local market. Table 4 below outlines the assumptions which have been applied to this study.

Table 4: Dwelling floorspace assumptions for this study

Dwelling Type	Floorspace Range (sqm)
1 bed flat	50
2 bed flat	65
2 bed house	75
3 bed house	90
4 bed house	120
5 bed house	150

Non – Residential Schemes

3.13 Commercial schemes were again developed with reference to the borough's commitments databases (both recently completed and potential schemes) and evidence of identified opportunities contained within the Economic Evidence Base paper. The modelled schemes cover a range of planning use classes in order to fully test the impact of CIL liabilities on commercial development and to provide sufficiently fine-grained sampling to support setting differential rates should the Council decide to adopt such an approach.

Table 5: Notional non-residential schemes

Use (Use Class)	Scheme Type	GIA (sqm)	Site Coverage	Site Area (ha)
B1(b)/B1(c)/B2/B8 Industrial & Distribution	Single unit: small	500	45%	0.1
	Single unit: large	2,000	50%	0.4
	Multiple units: mixed	4,000	50%	0.8
Retail	Non-food: edge of centre warehouse	2,000	40%	0.5
	Non-food: town centre	250	70%	0.04
	Non-food: town centre	1,000	80%	0.15
	Non-food: local centre	250	70%	0.035
	Food: small format	250	70%	0.035
	Food: town centre superstore	3,000	45%	0.6
	Food: out of centre superstore	3,000	20%	1.5
B1(a) Offices	Town centre - small	525	210%	0.025
	Town centre – large Grade A	4,200	170%	0.25
	Out of town campus	7,875	60%	1.3
Care Home	60 unit	1,680	45%	0.4
Hotel	100 bed – in town	3,000	120%	0.25
	70 bed – out of town	2,100	60%	0.4
Leisure	Health & Fitness	1,800	60%	0.3
	Cinema	2,500	60%	0.4

3.14 CIL regulations indicate that CIL is payable on the net increase in floorspace on a particular site. In the case of both residential and commercial scenarios, all appraisals assume a cleared site for simplicity and consistency and make no allowance for existing floorspace. As such, they represent a 'worst case scenario' as most sites in the borough that come forward for development contain at least a small amount of existing floorspace which will reduce the amount of CIL payable.

4. Appraisal Inputs

Completed Development Values

4.1 On the basis of the market evidence summarised in Appendix 1 and previous viability studies carried out for the borough, the following inputs have been used for completed development values in this study:

Residential

4.2 For residential developments, three different value levels have been assessed based upon the variations in the local market. Table 6 below shows the value levels per square metre and the per unit values this corresponds to.

Table 6: Residential value points

	Value Level 1	Value Level 2	Value Level 3
	£2,800/sqm	£3,600/sqm	£4,400/sqm
1 bed flat	£140,000	£180,000	£220,000
2 bed flat	£182,000	£234,000	£286,000
2 bed house	£210,000	£270,000	£330,000
3 bed house	£252,000	£324,000	£396,000
4 bed house	£336,000	£432,000	£528,000
5 bed house	£420,000	£540,000	£660,000

Non-Residential

4.3 The development context identifies that the majority of retail and office growth in the future will be directed towards Redhill Town Centre. As such, value levels equivalent to those which would be achieved in this area have been used within the viability assessments. The rental and yield assumptions set out in Table 7 have thus been applied in the appraisals.

Table 7: Non-residential valuation assumptions

	Rental Value	Yield
Offices	£220/sqm	7.50%
Industrial	£85/sqm	7.50%
Retail – non-food warehouse	£180/sqm	7.00%
Retail – non-food local	£170/sqm	8.00%
Retail – non-food town centre	£270/sqm	7.00%
Retail – food superstore	£230/sqm	5.00%
Retail – food small format	£170/sqm	6.00%
Care home	£5,500-£6,000/room	6.50%
Hotel	£3,500-£4,500/room	6.00-6.50%
Health & Fitness (Gym)	£150/sqm	7.50%
Cinema	£150/sqm	7.50%

Development Costs

4.4 Whilst development costs can be reliably assessed in normal circumstances, there will inevitably be some variation across individual development sites. For example, brownfield sites may encounter higher levels of 'abnormal' costs associated with decontamination, remediation or demolition. However, in order to provide a strategic rather than site specific overview of general viability across the borough, it is necessary to apply generic assumptions rather than attempting to introduce complex refinements.

Base Build Costs

4.5 Each appraisal is based upon information sourced from the Building Cost Information Service (BCIS) based to Q2 2011 (Tender Price Index: 224) and fixed to a Reigate & Banstead location (Location Index: 111). BCIS provides base construction costs for specific development types within the broad uses and the study adopts the figure deemed to be most appropriate. The BCIS information is also supplemented with information from Davis Langdon Cost Updates and specific information from operators (i.e. hotels). Table 8 below shows the basic construction costs assumed in the appraisals:

Table 8: Build cost assumptions (BCIS)

Use Class	Development Type	Build Cost (£/sqm)
Residential	Single/one-off house	£1,400
	Flats	£1,100
	Mixed house	£950
	Care home	£1,400
Industrial & Distribution	General industrial/warehouse	£700
Retail	Retail warehouse	£850
	General shop	£950
	Town centre comparison	£1,400*
	Supermarket	£1,200
B1(a) Offices	General offices	£1,370
Hotel	Town centre	£1,200
	Out of town	£1,000
Leisure	Health & Fitness Gym (Dry)	£1,200
	Cinema shell	£1,100

*Includes additional allowance £450/sqm for basic fit-out works

4.6 In addition to prices based at Q2 2011, forecast figures were also commissioned in order to understand potential price movements during the time until CIL adoption. These were taken from the furthest available BCIS forecast date (Q2 2013) and again adjusted to a Surrey location. These forecasts indicate a c.6% increase in prices which, although not factored into appraisals, provide some context for the Council in setting a flexible and future-proofed CIL charge.

Other Normal Build Costs

4.7 The above costs obtained from BCIS do not include allowance for external works or contingencies. Once again, such costs will inevitably vary on a site by site basis but it is possible to generalise to some extent the relationship with overall build costs. For smaller or high density sites, externals will typically be lower as there is less area requiring external works and infrastructure (service and utilities) can be installed and used much more efficiently. Conversely, for larger, lower density schemes (particularly such as greenfield urban extensions) there is a significantly greater cost involved with bringing infrastructure to the site and a greater area in need of external works. The additional percentage for external costs applied in the appraisals is based on data from EC Harris.

4.8 Scheme complexity is the major driver for the level of contingencies applied to each of the notional schemes. For comparatively straightforward schemes, a 5% contingency is applied. For more complex schemes (very large schemes or town centre locations) a higher contingency of 7.5% is used to reflect the greater level of risk involved.

4.9 Achieving appropriate Code for Sustainable Homes/BREEAM levels introduces an additional cost implication for developments. Whilst the Code for Sustainable Homes (CSH) remains voluntary, the number of homes built to accord with the Code is expected to increase over the coming years. Additionally, changes to Building Regulations Part L in 2010 align the mandatory energy efficiency standards with the requirements of Code Level 3. Estimates of the cost implications of building to various CSH levels have been produced in numerous studies. The additional cost estimates naturally vary depending on the site, location and property size but the Department for Communities and Local Government's Code for Sustainable Homes: A Cost Review (August 2011) report indicates the following generalisations.

Table 9: Cost implications of Code for Sustainable Homes (Part L 2010 Baseline)

Code Level	Extra over base build cost	% Extra over
Small Brownfield (20 dwellings)		
Level 1	£320	0.4%
Level 2	£560	0.7%
Level 3	£1,000	1.2%
Level 4	£5,140	5.0%
Level 5	£21,360	23.2%
Level 6	£38,170	40.3%
Edge of Town (100 dwellings)		
Level 1	£298	0.4%
Level 2	£538	0.7%
Level 3	£1,457	1.9%
Level 4	£4,787	6.2%
Level 5	£18,921	24.3%
Level 6	£33,892	43.5%

Source: DCLG (2011)

4.10 On the basis of this research, a 5% cost inflation has been included within the appraisals to account for achieving Code Level 4 on residential schemes and 'very good' BREEAM level for commercial developments.

Other Development Costs

Professional/Consultant Fees

4.11 Professional fees have been assumed to amount to 10% of build costs (including externals and contingency) across all scheme types, a relatively standard assumption across the industry.

Finance Costs

4.12 The appraisals assume the 'worst case scenario' that all schemes are wholly debt funded. Development costs tend to accumulate in an S-curve throughout the build period and the industry standard approach is to effectively apply interest for half of the build period. Finance on initial land purchase is applied wholly for the entire holding period until scheme exit. An interest rate of 7.0% is used in both instances.

Site Acquisition Fees

4.13 Stamp Duty Land Tax (SDLT) is applied as per the standard rates set by HMRC. Legal fees are assumed to be 0.75% of GDV and agents fees are assumed to be a further 1.0% of GDV.

Marketing and Sales/Lettings Costs

4.14 An allowance of 2.5% of GDV is made for sales, marketing and legal fees on residential units with an allowance of 10% of year 1 rent for commercial schemes to account for marketing and lettings fees.

Profit

4.15 Residential appraisals include a profit allowance of 20% of net development value which is the typical profit measure applied by residential developers. For commercial schemes, profit is included at 20% of total development costs (including land). These are considered to be relatively standard industry assumptions for a strategic study such as this.

Build Period

4.16 The appraisals assume that all sites and schemes are capable of progressing through the development process immediately. For all appraisals, an additional 'lead-in' period is included to make appropriate allowance for the time taken to achieve planning consents and prepare the site for development. The period allowed is commensurate with the likely complexity and size of the scheme. In addition to this, an 'exit period' is also allowed post construction to allow for the letting or sale the final product. Whilst it would commonly be the aim of the developer to secure pre-lets on large commercial schemes or sell residential units 'off-plan', the current economic climate means that take-up is slower, as evidenced by the decline in residential transaction volumes discussed in the previous section. Furthermore, the commercial schemes tested also include an allowance for a reasonable and typical rent free period, with reference to information contained within the BPF/IPD Annual Lease Review 2012. During this post construction 'void' period interest will continue to accrue on both land acquisition and construction costs. The basic construction periods assumed are as follows:

Table 10: Assumed build periods

Development Type	Build period (months)
Residential	
1 unit scheme	6
9 unit scheme	9
10 unit flat scheme	
10 unit house scheme	
14 unit scheme	12
15 unit scheme	
25 flat scheme	
30 unit mixed scheme	15
50 flat scheme	
Non-residential	
Single small industrial	6
Single large industrial	
Multiple industrial units	9
Retail warehouse	12
Small retail	9
Large retail	15
Small office	9
Large office	12-15
Care home	15
Hotel	12
Health & Fitness	12
Cinema	15

Site Specific s106 Contributions

4.17 Whilst the Community Infrastructure Levy will significantly scale back the scope of the current s106 planning obligations system, it will remain in place in order to secure the delivery of on-site and site specific infrastructure needs. On this basis, a notional £500 per unit has been applied to all residential schemes whilst an allowance of £10/sqm GIA is made for non-residential schemes.

Affordable Housing

4.18 Emerging policy within the Core Strategy will be applied in the appraisals as this represents the situation which will be in place at the time of CIL adoption. Emerging policy CS14 requires the following contributions with negotiation on level possible in circumstances where development would be made unviable:

- Developments comprising of 15 net dwellings or more provide up to 30% of housing as affordable
- Developments of 10 to 14 net dwellings provide a contribution equivalent to 20% of dwellings being provided as affordable
- Developments of 1 to 9 net dwellings provide a contribution equivalent to 10% of dwellings being provided as affordable

4.19 The policy seeks a target mix of 40:60 between rented and intermediate.

4.20 For the purposes of this study, affordable housing revenues are calculated on the basis of a discount against open market values (OMV). For rented units, OMV has been discounted by 45% and for intermediate (i.e. shared ownership) units; a 30% discount has been applied. Equivalent financial contributions have been calculated on the basis stipulated in the 2012 Affordable Housing Viability Study by DSP.

Benchmark and Existing Land Value

4.21 As previously discussed, in order to understand how likely different outcomes are to support a viable scheme, it is necessary to compare the RLVs to expected benchmark land values.

4.22 Given the limited activity in the land market and increasing confidentiality surrounding land purchase prices, there are limited instances of transactional evidence on which to base meaningful assumptions. Therefore, it is necessary to triangulate other sources, guides and approaches to estimate appropriate land value benchmarks.

4.23 The borough's SHLAA and the development context set out above indicate a range of sources of future housing land. Sources include existing residential land, underused town centre sites, low grade employment sites and greenfield land towards the latter end of the plan period. Based on this context, it appears that there are two main value typologies that could be reasonably tested in order to reflect local circumstances:

- High Value PDL: such as sites in existing residential use or town centre sites
- Low Value PDL: such as lower grade employment sites, car parking and storage land

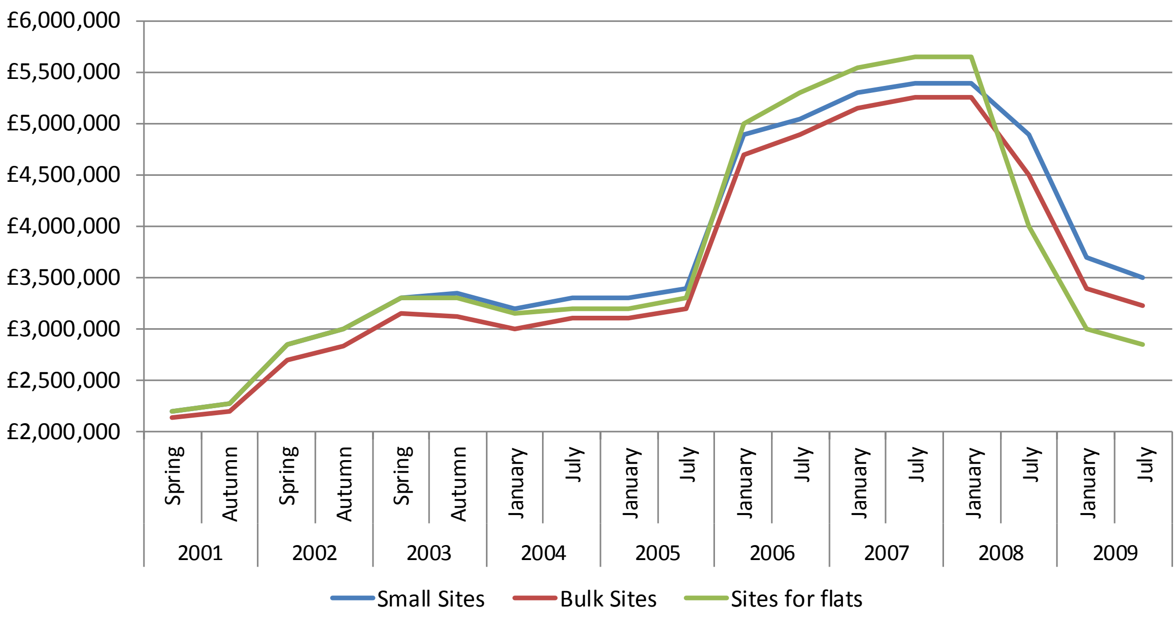
4.24 For residential uses, scenarios will be compared to the High Value PDL benchmark range. In reality, transaction values are likely to reflect potential for housing and whilst in some cases, developers may be able to purchase low value PDL sites speculatively and promote them for housing through the planning process, the most conservative approach is to compare to a benchmark which reflects a site with residential planning permission. Such an approach merely provides greater comfort and confidence that the CIL charge outcomes are indeed viable.

4.25 For non-residential uses, the development strategy gives some indication of land sources and existing value types. The Proposed Submission version of the Core Strategy directs the majority of office, retail and leisure growth to town centres with a particular focus on Redhill (Policy CS5). Furthermore, the emerging Redhill Town Centre Area Action Plan identifies a number of opportunity sites in and around the town centre, ranging from prime central sites currently home to existing high value uses (retail/offices), to edge of centre sites such as industrial areas or car parks. Similarly, industrial and warehouse development will be directed towards the intensification and reuse of existing employment areas (Policy CS3).

High Value PDL Benchmark

4.26 Until 2010, the VOA produced estimated values for serviced land with outline residential permission at a more detailed geographic scale, including specifically for Reigate. Figure 3 below tracks the movement in residential land values in Reigate from 2001. Commentary from subsequent (2011) VOA Property Market Reports suggest residential land values have changed little across the South East over the past two years, suggesting that values recorded in 2009 still represent a useful illustration of values with planning permission in Reigate.

Figure 3: Residential land prices with planning permission (Reigate) 2001-2009



Small Sites (per ha)	Bulk Land (per ha)	Site for flats/maisonettes (per ha)
£3,500,000	£3,230,000	£2,850,000

4.27 These values effectively represent a maximum benchmark for residential sites in the Reigate area. If a development in this location was to provide an RLV outcome equal to or exceeding these levels then there is absolute certainty that the site would come forward for development.

4.28 It is reasonable to assume that the value of land with residential planning permission is correlated to the value of the final product. Therefore, it is possible to extrapolate values for land with residential planning permission in other areas of the borough. Table 11 below uses the market analysis in Appendix 2 to extrapolate land values for 3 value areas across the borough.

Table 11: Extrapolated land value benchmarks by value point

Value Area	Small Sites (£/ha)	Bulk Land (£/ha)	Site for flats/maisonettes (£/ha)
Reigate (£3,800/sqm)	£3,500,000	£3,230,000	£2,850,000
£2,800	£2,580,000	£2,380,000	£2,100,000
£3,600	£3,320,000	£3,060,000	£2,700,000
£4,400	£4,050,000	£3,740,000	£3,300,000

4.29 As previously mentioned, the value of a site in existing residential use will be derived from the value of the property on the open market. Therefore, an alternative approach is to test what a property in each area might be worth and then translate this into a £/ha land value. The scenario used is a 200 square metre house on a 0.3ha plot. The property is valued according to each value area and, given the large plot, the curtilage land is given an amenity value of £100,000/ha. Table 12 below shows the results of this process and compares this to the values with planning permission identified above, demonstrating that the VOA land values represent an uplift of 8% up to 35% depending on location.

Table 12: Uplift represented by assumed benchmark land values

Value Area	Land & Property Value	Translated per ha value	Uplift
Reigate (£3,800/sqm)	£790,000	£2,630,000	8% - 33%
£2,800	£590,000	£1,970,000	7% - 31%
£3,600	£750,000	£2,500,000	8% - 33%
£4,400	£900,000	£3,000,000	11% - 35%

4.30 There have been two recent transactions for town centre sites within the borough.

Table 13: High value PDL transactional evidence

Site	Area	Existing Use/ Planning Context	Deal Date	Purchase Price
6-18 Station Road, Horley	0.08ha	Parade of small retail units benefitting from planning permission for mixed use redevelopment comprising 2 retail units with 11 flats	15/05/2011	£300,000 (≈£3.75m/ha)
Liquid & Envy Nightclub, Redhill	0.3ha	Former nightclub on town centre site adjacent to rail station – no planning	13/07/2011	£1,355,000 (≈£4.5m/ha)

4.31 On the basis of this evidence and analysis above, the High Value PDL benchmark range will be set at **£2,000,000/ha to £4,500,000/ha.** In the context of Reigate &

Banstead, it is deemed that this range would comfortably cover a range of land including sites in existing residential use, prime and secondary town centre sites.

Low Value PDL

4.32 Similar to residential sites, there is very limited transactional evidence for commercial/employment sites; particularly owing to the depressed commercial market. As such, we must rely on alternative guides and approaches to judge an appropriate benchmark.

4.33 Intelligence from the Colliers International Logistics & Industrial Rents Map indicates that the value of prime industrial land in the Redhill area is £500,000 per acre (£1.23m per hectare); lower than all of the nearby locations quoted in the map (Crawley £600,000/acre; Leatherhead £650,000/acre; Guildford £700,000/acre; Weybridge £900,000/acre). Lower grade secondary and tertiary industrial land could be expected to fetch less than these levels.

4.34 On this basis, the low value PDL range will be set at **£1,000,000/ha to £2,000,000/ha,** reflecting the likely existing use value and a reasonable level of premium. In the context of Reigate & Banstead, it is deemed that this range is acceptable to cover town centre fringe sites and existing industrial/storage land.

5. Appraisal Outputs

Introduction

5.1 The section below summarises the main conclusions with regards to the charging levels which could be supported by various types of development. The full appraisal results are set out in Appendix 2.

5.2 In all cases, scenarios were tested against a CIL charge ranging from £0/sqm to £300/sqm with the appraisals generating a RLV per hectare for the scheme. These RLVs were then compared to the relevant benchmark ranges identified above. The outcome of these comparisons is demonstrated through the colour-coding applied to the tables. However, it should be noted that this coding is intended to be indicative of confidence in the viability of a scheme and, perhaps with the exception of the red coding, should not be seen as absolute cut-off points for viability. This spectrum should be used to inform a rational and risk-adjusted charge level rather than indicating a specific fixed charge point.

5.3 The appraisals are intended to be of a strategic nature and present broad health-check of viability across the borough at various levels of CIL charge. As would be expected, the appraisals present highly variable results with relatively minor changes in assumptions having significant effect on the viability outcome in some cases. As such, whilst the outcomes provide an indication of the capacity of each type of development to pay CIL, these outcomes should be used as a guide, set alongside the consideration of other factors including:

- The overall infrastructure funding gap and the importance/desirability of securing infrastructure in delivering the development strategy
- The frequency with which particular types of development come forward and the location (in terms of value levels) of key elements of growth within the borough
- The importance of different development types within the overall development strategy
- The balance of CIL charging with wider planning, regeneration and corporate objectives
- The need to avoid setting the charge up to the maximum in order to ensure flexibility which recognises:
    - in practice, variable are far more fluid than the 'global' figures used in a study such as this
    - the outlook for the residential and commercial markets, and the wider economy, in the short to medium term

5.4 It is worthwhile noting that, for both residential and non-residential schemes, the scenarios appraised do not make any allowance for existing floorspace. In reality, monitoring evidence suggests that the majority of residential developments involve the demolition of some degree of existing floorspace and moving forward, the SHLAA indicates that this is likely to continue to be the case. As CIL is charged on net floorspace, CIL is not likely to be applied to the full development area on most schemes, thus reducing total CIL liability. This netting effect adds a further cushion and confidence that schemes could afford the recommended CIL levels and remain economically viable.

Value Dynamics and the Charging Approach

5.5 The study has relied upon market evidence to support the identification of various relevant value levels to test within the appraisal work.

5.6 With regards to residential development, the evidence demonstrates that there is relatively significant variation between the most and least expensive areas in the borough. At the lower end of the market, values of around £2,800 to £3,000/sqm are seen to be common whilst the higher end of the market can achieve values exceeding £6,000/sqm in exceptional cases. On the whole, residential values fall within a core value range of £2,800/sqm to £4,400/sqm.

5.7 Whilst there is relatively significant overall variation, it is more difficult to identify clear geographic definition of these value levels, with graduated movements in values more common than striking shifts (with the exception of estates such as Preston and Merstham). Furthermore, evidence indicates that in some cases single roads/estates have demonstrably different value levels than the surrounding neighbourhood and also that new developments can achieve values which exceed what would commonly be expected of the area. Taken together, these factors mean that attempting to introduce localised variation based could lead to a complex charging framework which could have implications for clarity and implementation and also generate unforeseen inequities due to these micro changes.

5.8 In terms of commercial development, market evidence does indicate some variation in the rental and capital values of certain non-residential development across the borough. Redhill, as the primary centre and a sub-regional hub attracts generally higher rental values for comparison retail space than other town/district centres within the borough based on relatively limited transactional data. However, the convenience retail market operates differently, and values are less locally specific with operators typically paying comparable rents across the country with investment yields also tied to operator covenant rather than location.

5.9 For office and industrial space, market evidence does not indicate significant variation across the borough. Industrial and distribution rents are almost universal given the borough is generally regarded as a secondary location and will be far more dependent on stock quality than precise geography. Similarly for offices, Redhill and Reigate are viewed as a single ‘hub’ by the market rather than separate locations; meaning rental values are consistent across this area. Given both the market evidence and the development strategy set out in the Proposed Submission Core Strategy, there is limited rationale for taking this variation forward in terms of appraisal and CIL charging.

5.10 Based on the market evidence and development context for both residential and commercial uses, the recommendation is that the Council should consider setting borough-wide charge levels varied only by use types and not geography. Generally, there is insufficient fine grained evidence to accurately and equitably draw locational distinctions and in some cases, the increased complexity would be unlikely to yield significant benefit.

Findings – The 'Standard' Charge

5.11 Section 2 above sets out the development context for Reigate & Banstead and, in particular, identifies those development types which are pivotal to the delivery of the Core Strategy. Appraisals have been conducted for a variety of schemes within these broad development categories to establish a charging rate which would not render these important elements as unviable.

5.12 However, aside from these uses specifically tested, there is plethora of other less common (and typically Sui Generis) development types which could potentially come forward within the borough. These uses are not central to the delivery of the development strategy, are very unlikely to come forward on any meaningful scale and, in most cases, may take existing premises and thus not be liable for CIL. Any attempt to specifically define a charge level for such uses individually would therefore be disproportionate and would be unlikely to be robust given that their unique circumstances often requires specialist valuation.

5.13 Therefore, it is necessary to use the appraisals which have been conducted to determine a level of charge which all development types are likely to be able to support and remain viable. Turning specifically to the non-residential tests which have been conducted, the outcomes suggest that several of the key categories have negative viability even without imposition of a CIL charge whilst several others are so close to the margins of viability that it would be impossible to set a charge which is not at the 'ceiling'.

5.14 As many of these less common, tangential development types are likely to occupy premises in circumstances which are similar to those of the major non-residential land use categories (industrial/distribution; retail and office); they too are unlikely to be able to support a CIL charge. On this basis, the recommendation is that the borough-wide 'standard charge' rate is set at **£0 (zero) per square metre.**

Findings – Residential Scenarios

5.15 As would be expected, the appraisal testing demonstrates that viability varies significantly across the various value areas of the borough. First and foremost, it is important to draw attention to the fact that the CIL charging level has a relatively limited impact upon overall viability when considered as part of the overall development 'package' and in most cases a £10 rise in the CIL charge level will only have a 1 or 2% impact on the RLV.

5.16 Looking at the scenarios tested, there are a number of observations with regards to potential charging levels:

1. Schemes at the low value point level (£2,800/sqm) are seen to have lower confidence of viability. Three of the indicative schemes are found to be unviable regardless of the CIL level imposed, albeit the residual land values in two of these are approaching the lower benchmark. Depending upon the scheme, a CIL value ranging from **£50-£100/sqm** can be supported with an acceptable degree of confidence without the need to significantly reduce or remove any of the other policy/regulatory requirements on the schemes.
2. Mid value assumptions are found to have a higher confidence of viabilitty. At a CIL charge of **£125-£250/sqm,** a comfortable degree of confidence in viability is maintained in all of the schemes tested, with appraisals producing RLVs within the middle of the benchmark range as is likely to be necessary in such areas.
3. High value scenarios demonstrate significant viability. For both High and Low Value PDL scenarios, confidence in viability remains strong, almost regardless of the CIL level tested with RLVs in excess of the maximum benchmark level. However, it should be recognised that particularly for the High Value PDL, RLVs at the top end of the range are likely to be necessary to support viable schemes and that in some cases, build costs may be above average in order to achieve the specification which such a market demands. Considering this and avoiding the ceiling, a charge level of **£200-£250/sqm** could reasonably be supported by such schemes.

5.17 On the basis of the appraisals and parameters set out above, **it is recommended that a borough-wide charge level of £100-£150/sqm would be capable of being sustained by the majority of development whilst maintaining a comfortable degree of confidence with regards to viability**. Whilst a charge of this scale would mean some schemes in the lowest value areas of the borough have a lower degree of confidence in viability and potentially a more limited prospect of coming forward for development, negotiation on other elements of the 'obligations package' (particularly affordable housing) could improve this situation.

5.18 As previously discussed, Core Strategy Policy CS13 (Affordable Housing) clearly establishes that the Council will negotiate the level of affordable housing provision required where schemes would be rendered unviable. Given CIL will be a mandatory and non-negotiable charge, further testing has been carried out to determine the impact that a borough-wide charge in the region of £75-£175/sqm would have on the Council's ability to secure affordable housing on those less viable schemes. The detailed outcomes are set out in Appendix 2.

5.19 This additional testing demonstrates that a reduction in affordable housing provision/contributions would allow all but one of the notional scheme/value area combinations to support a CIL charge of £75-175/sqm. In summary, the findings of the additional testing are:

- Only schemes in the low value areas would require a reduction in affordable housing provision
- Where negotiation is required, affordable housing provision (or equivalent financial contribution) would need to be reduced to 5% or 10% in order to

introduce a sufficient level of confidence in viability – for low value areas, land values towards the lower end of the range (i.e. £2,000,000-£3,000,000) would give sufficient confidence of a viable scheme..

- Adjusting affordable housing tenure mix to weigh in favour of intermediate also serves to improve confidence in viability.

5.20 It is also interesting to note that, at the margins of the affordable housing thresholds, the mechanism of affordable housing provision has an impact upon viability. The Council's approach to affordable housing is for sites of 10-14 dwellings to provide a financial contribution equivalent to 20%. However, the viability appraisals indicate that in some circumstances, particularly lower value areas, scheme may benefit from making provision on-site rather than contributions in lieu. This is because whilst the inclusion of affordable housing reduces the overall GDV of the scheme, this is largely counteracted by the fact that such units generally attract a lower profit requirement and furthermore, on-site provision will actually 'work' for the developer as it is exempt from CIL liabilities. This 'quirk' should be considered by the Council when applying any affordable housing policy in future.

Findings – Non-Residential Scenarios

5.21 In line with much of the market evidence and experience within the industry, there is a significant variation in the viability outcomes for the different types of non-residential development tested.

5.22 In the main, the supressed market conditions mean that there is little confidence in the viability of most non-residential schemes regardless of the CIL level imposed with RLVs frequently seen to be negative or below the minimum benchmark level.

B Use Classes - Office

5.23 Based on current market conditions, there is limited confidence or prospect of viability for pure office schemes. All three scenarios produce RLVs which are negative or significantly below the lower threshold of the High Value PDL range. A relatively dynamic upsurge in the market would be needed to support viable schemes. For example, a 10-20% uplift in rents and an associated hardening of yields (c.50bps) would be needed before those schemes tested begin to support meaningful levels of CIL charge. On the basis of this evidence, **it is recommended that the 'standard rate' applies to office developments across the borough**. There may be scope for offices to be developed as part of mixed use schemes alongside higher value uses (mainly residential); however, any ability to support a CIL charge in these circumstances will be as a result of the high value element, not the offices.

B Use Classes - Industrial and Warehouse

5.24 Similar to offices, there is more limited prospect of viability for industrial/warehouse schemes. In the current market, all three scenarios produce RLVs which are negative or significantly below the lower threshold of the Low Value PDL range. A similarly significant improvement in the market would be needed to support viable schemes and capacity to carry a meaningful CIL charge. **It is recommended that the 'standard rate' applies to industrial and warehouse developments across the borough**.

Leisure

5.25 Leisure schemes also demonstrate little prospect of viability as standalone developments, largely supported anecdotal evidence that, in many cases, leisure use such as gyms and cinemas form part of a mixed use development for their complementary value rather than individual developments. Hotels demonstrate slightly improved prospects for viability; however, the scenarios tested indicate that only a de minimis CIL charge in the region of £5-£10/sqm could be supported if schemes are to retain any confidence of viability. Like offices, such uses may be viable as part of mixed use schemes incorporating higher value uses such as residential or potentially retail. **On the basis of the evidence, there is no justification for departing from the 'standard rate' for leisure or hotel developments.**

Retail

5.26 Of all of the non-residential development types, retail schemes demonstrate the most confidence in viability and thus scope for CIL payment. However, there is some notable variation in the prospects for different types of retail development.

5.27 Town centre comparison (non food and other retail) retail schemes demonstrate some scope to support a CIL charge. The schemes are compared to the High Value PDL benchmark and, given their town centre location, are likely to need to produce RLVs approaching the top end of the High Value PDL range. The appraisal outcomes demonstrate that at a CIL charge exceeding £100/sqm, RLVs drop below the upper threshold and as such confidence in viability is reduced. **A charge level of around £50/sqm would retain a reasonable flexibility margin and confidence in viability**. However, small non-food retail units outside of town centres are shown to have limited prospect of viability even without the imposition of a CIL charge.

5.28 The appraisals demonstrate a greater degree of confidence in the viability of edge of town/out of town large format non-food retail developments. The main difference compared to town centre counterparts is that, whilst rental values are lower, the land values in the fringe/out of centre locations where such developments would be expected are significantly lower than would be required in main town centre pitches. Given their fringe/out of town location, these scenarios have been coded against both the High Value and Low Value PDL scenarios, as in reality, it is likely that such locations will be on the cusp of the two benchmark ranges. The outcomes suggest that the charge ceiling for such uses would be around £200/sqm and that **reasonable confidence in viability could be maintained at a charge in the region of £100-£150/sqm.**

5.29 Large scale convenience (food) retail developments are shown to be able to support a significant CIL charge and maintain a high degree of confidence in viability. There is significant justification for departing from the 'standard rate' and even when compared to the High Value PDL benchmark, **there would be a high degree of confidence in viability and a strong scope for schemes to come forward at a charge level in the region £200-£300/sqm.**

5.30 The outcomes for small convenience (food) retail schemes under the Sunday trading thresholds (c.280sqm) indicate that, compared to the High Value range, viability confidence could only be maintained at a CIL level up to a ceiling of £100/sqm. **A charge level of around £50/sqm would retain a reasonable flexibility margin and confidence in viability.**

Care Homes (C2 Use Class Only)

5.31 The outcomes for care home developments are similar to those found for Hotel schemes. Even without a CIL charge applied, such schemes are found to be on the margins of viability; largely owing to the significant amount of communal space which adds to build costs but does not directly attract any value. Such schemes will most likely occur within established residential areas and thus the High Value PDL range is most applicable and in this scenario, RLVs are found to be some way below the minimum benchmark. Even compared to the Low Value PDL range, confidence in viability is relatively limited. **It is recommended that the 'standard rate' applies to care home developments across the borough.**

Appendix 1

Local Market Dynamics

Introduction

This section provides an analysis of the local markets for residential and commercial land and property and, where available, any other types of property considered within the assessments.

Residential

Sales Values

Like much of Surrey, Reigate & Banstead has a strong residential market characterised by high levels of demand driving above average sales values. Data from Land Registry indicates that the mean house price in Reigate & Banstead at the end of 2011 stood at £360,465, below the Surrey average of £409,681 but significantly above regional and national figures. Table A1 below shows the mean prices of various house types across Reigate & Banstead.

Table A1: Average house price by dwelling type (Q3 2011)

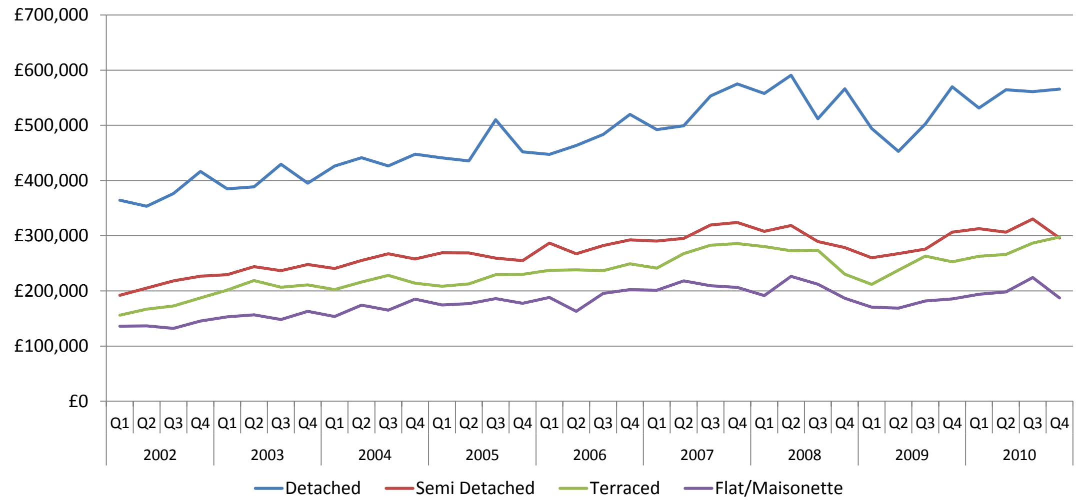
Dwelling Type	Mean Price
Detached	£593,645
Semi-detached	£302,736
Terraced	£248,515
Flat/Maisonette	£172,092

Source: Estates Gazette Report Q3 2011

According to the latest Land Registry Market Trend Report (Feb 2012), house prices have remained static across Surrey over the past 12 months.

In order to provide some wider context to the local market, it is beneficial to consider market trends over a longer period in order to understand value movements experienced pre, during and post the recessionary period. Figure A1 below demonstrates that the local market has picked up well since the trough in early 2009 with values across all dwelling types showing signs of recovery towards historic peak levels. Over this long term trend generally, the borough's residential market has exhibited relatively steady and consistent growth with limited susceptibility to "dynamic" shifts. Furthermore, Knight Frank's *UK Housing Market Forecast* suggests that residential price growth across the South East, and wider UK is likely to follow a 'slow correction' path. For 2012, the South East is forecast to experience around a 4% price fall in the mainstream market (0.7% in the prime market); whilst for the following three years, limited annual rises are projected. Taken together, this intelligence suggests the housing market in Reigate & Banstead is unlikely to experience any sharp changes in the short term which would seriously undermine the charging levels determined by the appraisals.

Figure A1: Mean house price by dwelling type (2002-2010)



House prices and affordability also vary across different areas of the borough. Table A2 below summarises postcode level information obtained from Mouseprice. These average price figures provide a useful benchmark against which to compare any figures included within the appraisals for individual sites.

Table A2: Average house price by postcode area (2012)

	Average Price				
Postcode Area	**1 bed**	**2 bed**	**3 bed**	**4 bed**	**5 bed+**
SM7 (Banstead/Nork)	£194,900	£266,700	£366,200	£547,800	£660,200
CR5 (Chipstead)	£187,300	£215,200	£304,900	£459,000	£632,700
KT20 (Tadworth/Kingswood)	£166,800	£306,000	£374,100	£652,800	£1,171,400
RH1 (Redhill/M'ham/Salfords)	£156,600	£221,400	£283,900	£441,200	£589,800
RH2 (Reigate)	£180,700	£254,500	£356,700	£633,100	£861,500
RH6 (Horley)	£150,400	£214,000	£277,000	£402,200	£576,600

Source: Mouseprice (April 2012)

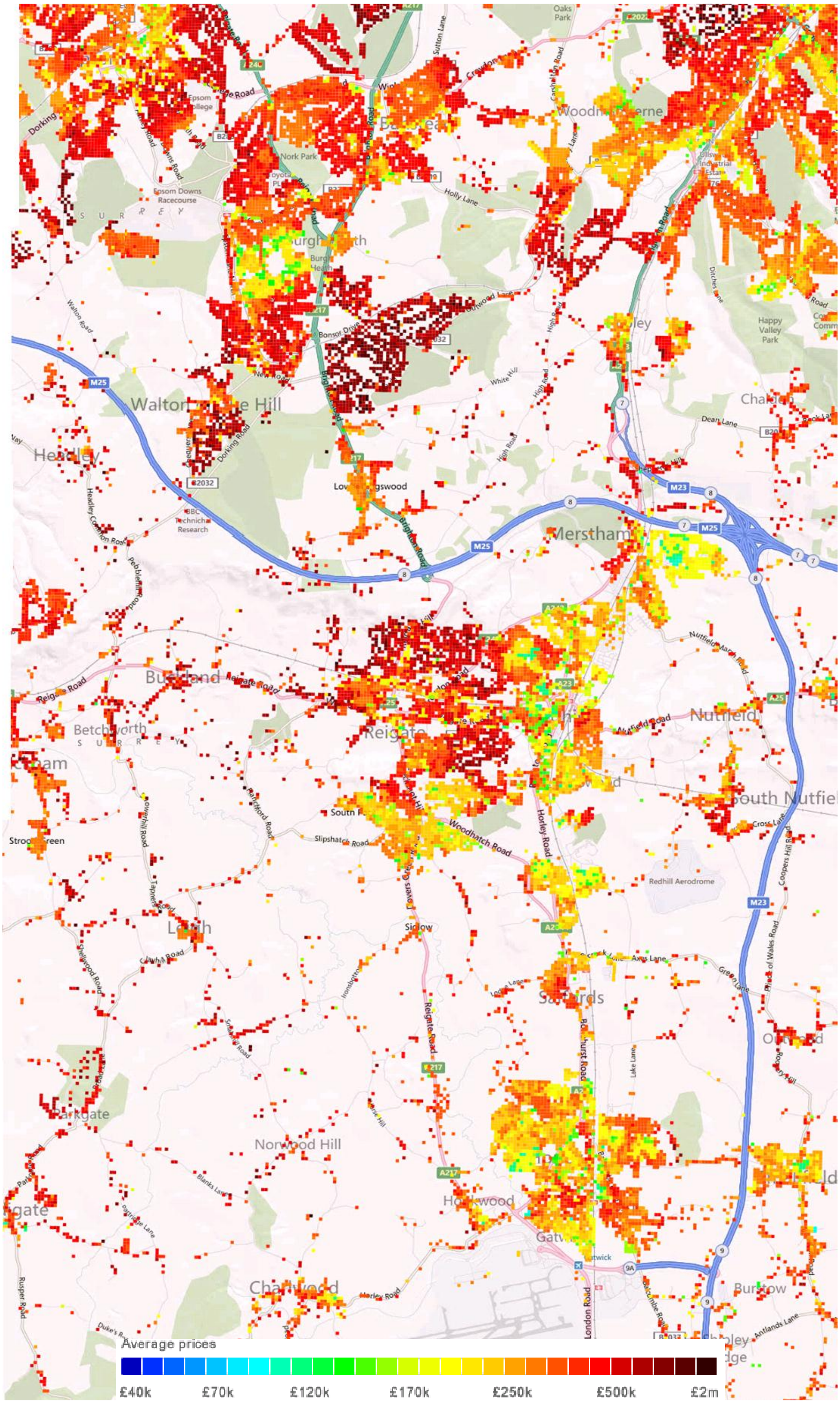
Table A3: Affordability by postcode area (2012)

Postcode Area	Average Price	Affordability Ratio
SM7	£375,600	12.28
CR5	£335,400	11.86
KT20	£489,200	16.29
RH1	£268,700	9.41
RH2	£379,500	11.56
RH6	£268,800	11.02

Source: Mouseprice (April 2012)

Mouseprice also provides a heat mapping function which visually demonstrates the comparative variation in sales values across the borough. Figure A2 overleaf illustrates the significant geographic variation in average house prices across the borough. However, it is worth noting that whilst this map does provide some indication of value differentiation across the borough, it considers absolute sales values as opposed to values per square metre and as such could be skewed by property type (e.g. smaller properties such as flats).

Figure A2: Mouseprice Average property values heatmap



Source: Mouseprice (2012)

In addition to average and sales based house price information, Table A4 analyses recent and current developments on the market across the borough, collected from local estate agents between Summer 2011 and Spring 2012. This intelligence is particularly useful as it provides an indication of the value of new build properties as well as the pricing attitudes of developers operating in the local market.

Table A4: Sample recent and current developments

Scheme	Location	Types and Sizes	Price
Reigate			
Bailly Gardens, Wray Common Road	Reigate	2 bed flats (c.95sqm)	£400-435k **c.4250-4500/sqm**
Bailly Gardens, Wray Common Road	Reigate	4-5 bed houses (c.165 sqm)	£590-615k **c.3575-3750/sqm**
Valley Court, Wray Common Road	Reigate	Apartments (c.110sqm)	£425k c.**3850/sqm**
Cedar Rise, Reigate Hill	Reigate	1 bed flat (c.45sqm) 2 bed flats (c.80sqm)	£205-295k **c.3750-4500/sqm**
Old Dairy Mews, Warren Road	Reigate	1 bed flat (c.45sqm) 2 bed flat (c.60sqm)	£205k **c.4550/sqm** £270k **c.4500/sqm**
Lime Close, South Park	Reigate	4 bed house (c.120sqm)	£485k **c.4050/sqm**
Holmesdale Road	Reigate	1 bed flat (c.35sqm) 2 bed flat (c.50sqm)	£195k **c.5500/sqm** £250k **c.5000/sqm**
Holmesdale Road	Reigate	3 bed house (c.145sqm)	£500k **c.3500/sqm**
Banstead/Nork/Chipstead			
Russet Gardens, Nork Way	Banstead	2 bed flats (c.73sqm) 4 bed houses (c.130sqm)	£250k **c.3400/sqm** £500k **c.3800/sqm**
The Bridleway, Ruden Way	Banstead	2 bed flats (c.70sqm) 3 bed house (c.83sqm) 5 bed house (c.170sqm)	£250k **c.3500/sqm** £315k **c.3750/sqm** £625k **c.3700/sqm**
Sanderson Gardens, Nork Way	Banstead	2 bed flats (c.55sqm) 3 bed house (c.80sqm) 4 bed house (c.130sqm)	£250k **c.4500/sqm** £365k **c.4500/sqm** £650k **c.5000/sqm**
Park Wood Place	Banstead	2 bed flat (c.60sqm) 4 bed house (c.130sqm)	£225k **c.3750/sqm** £475k **c.3650/sqm**
Monarch Place, Nork Way	Banstead	3 bed house (c.90sqm) 4 bed house (c.140sqm)	£400k **c.4400/sqm** £570k **c.4100/sqm**
The Gallops, Epsom Lane North	Banstead	3 bed house (c.140sqm) 4 bed house (c.200sqm) 5 bed house (c.210sqm)	£470k **c.3400/sqm** £695k **c.3475/sqm** £730k **c.3475/sqm**
The View, Outwood Lane	Chipstead	4 bed house (c.140sqm) 4 bed house (c. 155sqm)	£700k **c.5000/sqm** £780k **c.5000/sqm**
Preston			
No new developments to report			
Merstham			
Button Cottages	Merstham	2 bed house (c.70sqm) 3 bed house (c.80sqm)	£285k **c.4000/sqm** £315k **c.4000/sqm**
Home Farm, Merstham	Merstham	2 bed houses (c.70sqm) 3 bed houses (c.120sqm) 4 bed houses (c.140sqm)	£300k **c.4200/sqm** £500k **c.4100/sqm** £525k **c.3800/sqm**

Tadworth/Walton/Kingswood			
Miller Smith Close	Tadworth	5 bed house (c.160sqm)	£1.1m **c.6800/sqm**
Greenacres, Beech Drive	Kingswood	5 bed house (c.740sqm)	£3.75m **c.5000/sqm**
Oakgrove, Beech Drive	Kingswood	6 bed house (c.670sqm)	£3m **c.4500/sqm**
Manor Place, St Monicas Road	Kingswood	4 bed house (c.155sqm) 5 bed house (c.xxxsqm)	£675k **c.4350/sqm**
Warren Drive	Kingswood	6 bed house (680sqm)	£3.2m **c.4700/sqm**
Sandy Lane	Kingswood	6 bed house (c.730sqm)	£3.75m **c.5100/sqm**
The Chase	Kingswood	6 bed house (c.730sqm)	£3.25m **c.4500/sqm**
Tadworth/Walton/Kingswood (cont)			
Woodland Way	Kingswood	6 bed house (c.460sqm)	£2.3m **c.5000/sqm**
Furze Hill	Kingswood	2 bed flat (c.65sqm)	£350k **c.5300/sqm**
Chequers Lane	Walton on the Hill	6 bed house (c.460sqm)	£1.8m **c.4000/sqm**
The Thoroughfare	Walton on the Hill	3 bed house (c.75sqm)	£400k **c.5300/sqm**
Redhill			
Nobel House, Queensway	Redhill	1 bed flat (c.43sqm) 2 bed flat (c.60sqm)	£150k **c.3400/sqm** £185k **c.3100/sqm**
Heron Heights, Watercolour	Redhill	1 bed flat (c.42sqm)	£158k **c.3750/sqm**
Canalside, Watercolour	Redhill	2 bed flat (c.60sqm) 4 bed house (c.150sqm)	£200k **c.3300/sqm** £450k **c.3000/sqm**
Holmesdale Avenue	Redhill	1 bed flat (c.45sqm)	£165k **c.3600/sqm**
Temple Wood Drive	Redhill	3 bed house (c.100sqm)	£435k **c.4350/sqm**
Fairhaven Road		3 bed house (c.90sqm)	£325k **c.3600/sqm**
The Assembly, Frenches Road	Redhill	1 bed flat (c.40sqm) 2 bed flat (c.60sqm)	£170k **c.4250/sqm** £235k **c.3900/sqm**
Earlswood/Salfords			
Napier Close	Salfords	4 bed house (c.150sqm)	£425k **c.2900/sqm**
Princes Road	Earlswood	3 bed house (c.80sqm)	£270k **c.3400/sqm**
Horley			
Grayswood Place	Horley	3 bed house (c.110sqm) 5 bed house (c.170sqm)	£305k **c.2700/sqm** £500k **c.2900/sqm**
Brookfield Drive	Horley	5 bed house (c.140sqm)	£525k **c.3750/sqm**
Acres Phase 3	Horley	3 bed house (c.70sqm) 3 bed house (c.80sqm) 4 bed house (c.120sqm) 4 bed house (c.120sqm)	£290k **c.4100/sqm** £345k **c.4300/sqm** £365k **c.3000/sqm** £500k **c.4200/sqm**
The Acres, Langshott	Horley	3 bed houses (c.75sqm) 4 bed houses (c.100sqm) 5 bed houses (c.145sqm)	£275k **c.3700/sqm** £350k **c.3500/sqm** £525k **c.3750/sqm**
Woodhatch			
Castle Drive		3 bed houses (c.90sqm)	£250k **c.2800/sqm**

Source: Agents/Developers websites - Data collected from Summer 2011 to Spring 2012

Other Local Studies

The Adams Integra Affordable Housing Viability Update 2009 applies a series of discrete value points to reflect the sales values of new developments in the borough. A review of the market indicates that the minimum in the borough was £2,369/sqm to an exceptional maximum of £5,907/sqm and an average pricing point of £3,500/sqm. The study also applied a low figure of £2,000/sqm for sensitivity purposes.

Table A5: Modelled value points – Adams Integra Affordable Housing Study 2009

Unit Type	Value Point 1	£/sqm	Value Point 2	£/sqm	Value Point 3	£/sqm	Value Point 4	£/sqm
1 bed flat	£102,000	£2,000	£145,000	£2,843	£185,000	£3,627	£230,000	£4,510
2 bed flat	£132,000	£2,000	£185,000	£2,803	£240,000	£3,636	£300,000	£4,545
2 bed house	£152,000	£2,000	£210,000	£2,763	£275,000	£3,618	£340,000	£4,474
3 bed house	£172,000	£2,000	£240,000	£2,791	£315,000	£3,663	£390,000	£4,535
4 bed house	£202,000	£2,000	£285,000	£2,822	£370,000	£3,663	£455,000	£4,505

Baker Associates SHLAA viability study carried out in June 2011 provides a further analysis of the range of residential price levels in different locations across the borough. The figures provided by Baker Associates demonstrate a range from as low as £270/sqft in locations such as Merstham, Preston and Salfords to as much as £400/sqft in parts of Reigate. The report also recognises that, exceptionally, sales values can reach £600/sqft in Reigate and Kingswood; however, build costs would be commensurately higher due to specification.

Table A6: Assumed values – Baker Associates SHLAA Viability Study 2011

Area	Sales price range £/sqm
Banstead	£3550 - £3770
Preston	£2900 - £3010
Kingswood	£3450
Merstham	£2900 - £3010
Reigate Town Centre	£3550 - £3770
Reigate Fringe Centre	£3230
Reigate Up Market	£3880 - £4300
Redhill	£3230 - £3450
Salfords/Whitebushes	£2900 - £3120
Horley	£3010 - £3230

*Note: Figures have been converted from £/square feet as in the source report

Transaction volumes & market activity

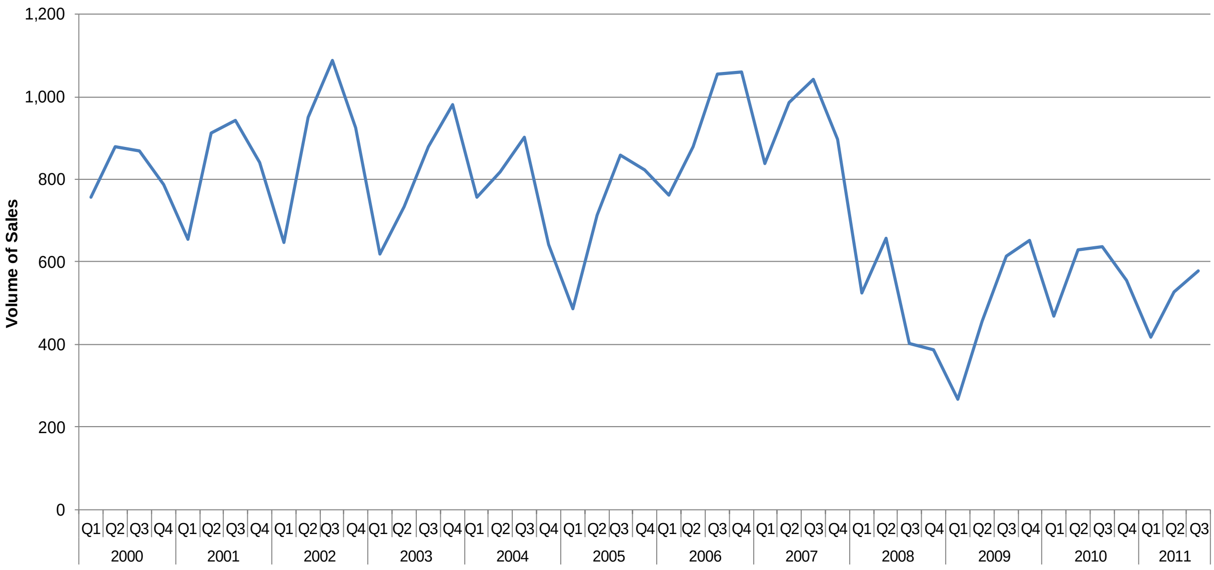
It is important to understand local market activity and liquidity as this not only gives an indication of the likely levels of demand for properties within the area but can also be an important factor in determining pricing attitudes on new developments, particularly larger scale housing schemes. Prior to the recession, research indicated that housebuilders generally set optimal annual sales rates of around 50-80 units from each of their individual schemes. On a large site with two or three developers operating, this could generate overall annual sales of around 200 units provided product differentiation was appropriate. Post recession, these figures are likely to be more muted.

Furthermore, industry research indicates that developers of large scale schemes are less likely to respond to market movements by altering build out rate but more likely by adjusting the price/incentives attached to properties. The reasons for this are two-fold. Firstly, target sales rates underpin the initial land acquisition bid and thus developers act to meet these figures to minimise sensitivity to additional costs such as debt. Furthermore, production efficiencies tend to dictate that the speed of construction is really only variable by 10% either way for houses and hardly at all for apartments due to the physical practicalities of such schemes.[1]

Across the country, transaction volumes and market activity generally has been suppressed by the economic downturn and more limited availability of credit. Nationally, current transaction levels stand at half the peak levels experienced prior to the recession.

Transaction volumes in Reigate & Banstead were similarly affected by the economic downturn. Figure A3 overleaf demonstrates the sharp decline in sales levels during mid 2007 and late 2008. Whilst sales Table A7 compares current to peak sales rates for Reigate & Banstead to those of neighbouring districts.

Figure A3: Quarterly sales volumes



Source: Land Registry/DCLG Property Sales (Live Table 584)

[1] Factors affecting build out rates (DCLG/University of Glasgow)

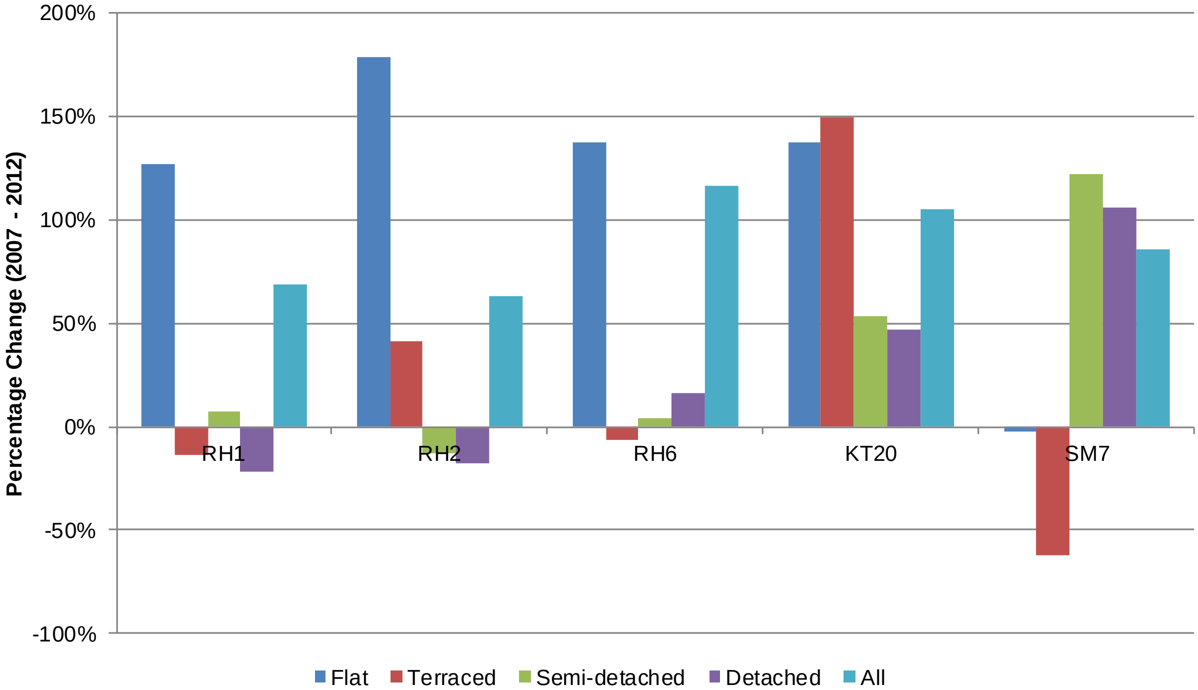
Table A7: Comparison of sales volumes to peak

Local Authority	Current as % of peak
Surrey	59.9%
Epsom and Ewell	59.1%
Mole Valley	64.5%
Reigate and Banstead	54.8%
Tandridge	54.9%
Sutton	55.9%
Crawley	51.0%
Croydon	45.0%

Source: Land Registry/DCLG Property Sales (Live Table 584)

Time on market also provides a further useful barometer for local demand and market activity. Home.co.uk provides an analysis of time on market for various property types and these are summarised in Figure A4. This demonstrates that demand for certain area/property type combinations has weathered the economic climate better than others. In particular, flats seemed to have fared worst across most of the borough with the exception of SM7 (Banstead/Nork). Liquidity of semi-detached and detached properties appears to have held up relatively well across most of the borough, again with the exception of the SM7 area.

Figure A4: Comparison of time on market (2007 to 2012)



Source: Home.co.uk (April 2012)

Non-Residential

Office (B1a)/Industrial and Distribution (B1b/c/B2/B8)

Evidence on commercial values is somewhat less comprehensive than that for residential developments within the borough. This is largely due to the fact that, with the exception of perhaps the Redhill/Reigate hub, the borough is not seen as a significant location for commercial activity and thus does not feature within regular agents/consultants reports. The currently depressed market also results in a relative lack of recent comparable transactional evidence.

CBRE produce a quarterly updated online resource which provides headline information for Office and Industrial markets within a series of towns, including Redhill. The latest information (Q1 2012) indicates a prime office rent of £22.00/sqft (c.£237/sqm) (down 2.2% over the past year) and a prime investment yields of 7.35% (no change compared to the previous year). Data for the industrial market indicates a prime rent of £8.10/sqft (£87/sqm) (up 1.25% over the past year) with prime industrial investment yields of 7.15%.

Colliers International provides a similar service focussed on commercial rents. For office accommodation, Redhill/Reigate are viewed as a single market with a Grade A office rent of £22.00/sqft (£237/sqm) and a Grade B office rent of £15.00/sqft (£161/sqm). For industrial/logistics property, data for Redhill shows a prime rent of £7.50/sqft (£80/sqm) and a secondary rent of £6.00/sqft (£65/sqm).

Analysis of properties currently on the market provides an indication of rental values for office and industrial property within the borough. This information, set out in Table A2 presents a snapshot of all properties of varying types and grade marketed by local agents as at March 2012.

Table A8: Average commercial rental values

	Offices	Industrial/Distribution
Banstead	-	-
Reigate TC	£159.10	-
Rest of Reigate	£136.00	-
Redhill TC	£195.40	-
Rest of Redhill	£109.80	£80.10
Horley/Salfords	£124.70	£72.50

*Note: All quoted in £/sqm

Source: Local commercial agents and online databases (Estates Gazette Propertylink/Novaloca)

Specifically looking at new or recently developed office accommodation with modern specification – that which CIL will predominantly capture – Table A9 overleaf sets out selection of relevant comparables on the market in Reigate & Banstead.

Table A9: Comparable high specification modern office accommodation

Property	Available Space (sqm)	Headline Rent
Kingsgate, High Street, Redhill	4,104	£275/sqm
Observatory, Castlefield Road, Reigate	1,740	£275/sqm
Omnibus, Lesbourne Road, Reigate	6,100	£270/sqm
RedCentral, High Street, Redhill	780	£250/sqm
Cheshire Court, Clarendon Road, Redhill	765	£250/sqm
Crown House, Gloucester Road, Redhill	453	£230/sqm

*Note: All quoted in £/sqm
Source: Local commercial agents and online databases (Estates Gazette Propertylink/Novaloca)

In addition to this, Estates Gazette provides an online database of commercial lettings and sales. Whilst analysis of deals in the borough since 2008 provides comparable evidence; for the most part transactions are clustered on the Redhill/Reigate hub with little evidence for other areas of the borough. Modern, newly built mixed industrial/warehouse schemes such as those at Redhill 23 (Holmethorpe) and IO Centre (Salfords) have achieved around £100-£110 per sqm.

Table A10: Comparables – Office and industrial/distribution rental values 2008-2011 (Estates Gazette)

Area	B1(a)			B1(b)/B1(c)/B2/B8		
	Avg	Min	Max	Avg	Min	Max
Banstead	-	-	-	-	-	-
Reigate	£212.20	£70.32	£285.25	£77.75*	£69.96	£85.83
Redhill	£187.35	£107.64	£236.81	£95.92	£75.35	£118.25
Horley/Salfords	£145.21	£107.64	£172.22	£91.41	£78.79	£96.88

*Limited data – small sample of deals
Source: Estates Gazette Deals Database – all quoted in £/sqm

Investment yield information obtained from investment sales is particularly limited given the market uncertainty. Since 2007, only 6 recorded office investment deals have been completed across the Redhill/Reigate area and only one industrial investment. Tables A11 and A12 provide details of the transactions.

Table A11: Comparables - Office investment transactions 2008-2011 (Estates Gazette)

Property Address	Deal Date	Size (sqm)	Price	Yield	Comments
Unit 4 Liberty Court, 101-103 Bell Street, Reigate	15/08/2010	688	£1,300,000	12.39	Secondary town centre location – purchased by private investor
Westgate, 120-130 Station Road, Redhill	13/04/2007	8,397	£23,600,000	5.31	Prime town centre location - Unexpired lease term 11 years
Red Central, 60 High Street, Redhill	07/06/2010	5,688	£20,900,000	6.99	Recent prime town centre development – purchased by Threadneedle Property
Castlefield House, 3-5 Castlefield Road, Reigate	15/01/2010	2,881	£10,650,000	6.85	Prime town centre let to Watson Wyatt – purchased by Legal & General
Grosvenor House, 65-71 London Road, Redhill	15/11/2010	4,712	£12,500,000	9.30	Prime town centre - Unexpired lease term 6 years, purchased by Orbit
45 London Road, Reigate	22/08/2008	1,791	£6,600,000	6.91	Prime town centre – purchased by AXA REIM
Aquila House, 35 London Road, Redhill	15/05/2007	2,577	£11,295,000	5.31	Prime town centre – purchased by Legal & General

Yields achieved range from as low as 5.31% for Grade A prime investment opportunities; however, these transactions occurred in 2007 and most likely prior to the economic downturn. More recently, yields for prime opportunities in Redhill and Reigate have achieved yields in the region of 7.00%.

Table A12: Comparables - Industrial investment transactions 2008-2012 (Estates Gazette)

Property Address	Deal Date	Size (sqm)	Price	Yield	Comments
Units 16-18, IO Centre, Salbrook Road, Salfords	06/03/2012	1,067	£1,140,000	7.53	Prime industrial on new build estate – three units recently let to Surrey County Council on 2, 10 year leases with 5 year break subject to penalties

Retail (A1-A5)

With the exception of Redhill, the borough's main town centres are not large enough to be captured within the regular reports produced by agents/consultants. The Colliers International In-town rents database records estimated open market Zone A rental values for a hypothetical optimum unit in the prime pitch for 600 shopping locations, including Redhill, which in 2010 was estimated to have a Zone A rent of £80/sqft (£861/sqm). However, this generally applies to only the first six metres back from the retail frontage, after which the rental value halves every six metres (halving back method).

Once again, analysis of deals provides comparable evidence of rents and yields in the borough (Table A13 below). In terms of investment yields, there have been very few investment deals for retail property across the borough since 2008 and as such yield information is very limited. The two deals which are evidenced are shown in Table A14 overleaf.

Table A13: Comparables - Retail rental values 2008-2011 (Estates Gazette)

Area	General Retail		
	Avg	Min	Max
Banstead	£317.20	£183.33	£572.34
Reigate	£362.64	£159.74	£587.71
Redhill	£400.25*	£275.29	£601.82
Horley	-	£107.64	£175.00

*Limited data – small sample of deals
Source: Estates Gazette Deals Database

Table A14: Comparables - Retail investment transactions 2008-2011 (Estates Gazette)

Property Address	Deal Date	Size (sqm)	Price	Yield	Comments
Ground floor, 64 High Street, Reigate	10/12/2010	85	£345,000	7.00	Primary town centre location let to Fenn Wright Manson with 9 years unexpired – purchased by Wulff Asset Management
Water Colour Development, Trowers Way, Redhill	23/06/2008	360	£955,000	5.61	New build local convenience retail let to Tesco (Metro) for 15 years – purchased by McGimpsey Enterprises Ltd

The figures quoted in Table A15 below present a snapshot of the average asking rents on retail properties in the borough on the market in March 2012. However, it is worth noting that for some areas (Banstead and Reigate); this information is based on a relatively small sample size and thus should only be regarded in conjunction with other sources.

Table A15: Average retail rental values

	£/sqm
Banstead	-
Reigate	£230.10
Redhill	£343.90
Horley	£226.10

*Note: Figures have been converted from £/square feet in the source report
Source: Local commercial agents and online databases (Estates Gazette Propertylink/Novaloca)

Other Uses

Residential Care Homes

This sector is particularly difficult to assign a value largely due to the variety of property types within the sector and the complete lack of local transactional evidence for such properties. Commentary from Knight Frank indicates that investment demand in the sector is likely to remain robust with the sector weathering the recent downturn comparatively well. The Knight Frank *Healthcare Investment Outlook 2011* indicates that yields for high quality care homes in affluent areas are around 6.00% with London and the South East having the highest average rental levels at c.£8,000 per bed per annum.

Evidence from Savills Care Home Market Snapshot (Summer 2010) indicates a particular shortage of within the 30-70 bed size range in London and the South East. The Savills snapshot indicates values for three market tiers:

- Low tier (converted <30 beds): £30-40k per bedroom
- Mid-tier (largely purpose built single occupancy 30-70 bed): £55-80k per bedroom
- High tier (largely purpose built, single occupancy with en suite 30-70 bed): £80-100k per bedroom

There is no evidence to suggest that there would be any significant value differential across the borough. Analysis of the current opportunities on the market returns only one comparable in the surrounding area. This opportunity is a site with planning permission for a 49-bed nursing home and is marketed at £1.2 million.

Hotels

There is no transactional evidence for such properties specifically in Reigate & Banstead. Information from typical upper-budget hotel operators such as Whitbread indicates yields as low as 5.5% could be achieved in accessible town centre locations. Discussions with industry practitioners suggest that such locations could achieve a rental value of £5,000 per room. Additional transactional evidence is listed below:

- Premier Inn, Park Street, Camberley – 95 bed – pre-let on 25 year lease with 20 year tenant break @ £418,000 p.a. (£4,400 per room)
- The Precinct, Egham – 56 bed – 10 year lease from 2010 @ £330,000 p.a. (c.£5,900 per room)
- Barking Central Phase 2 – 66 bed – 25 year lease from 2009 @ £264,000 p.a. (c. £4,000 per room)

Whilst recent falls in land values have allowed hotel operators to compete with other uses for sites (i.e. residential), in most cases the economics render standalone hotel developments unviable, hence hotels are now commonly being delivered as part of mixed use developments.

Leisure (Gym/Cinema)

Local transactional evidence for such properties is again unavailable. However, a couple of recent deals indicate potential rental level for gyms around the South East and London:

- Queen Elizabeth Park, Guildford – 2,400sqm gym - £360,000 (c. £130sqm) – 6.20% yield
- The Atrium, Camberley – 1,200sqm gym – 25 year lease - £131,100 (c.£110psm)

Appendix 2

Appraisal Summary Tables

Residential Viability Appraisal Outcomes

Scheme Type	Sales Value Level	CIL Charge Level (£/sqm)															
		£0	£5	£10	£25	£30	£40	£50	£75	£100	£125	£150	£175	£200	£250	£300	£400
1 House	Low	£1,311,147	£1,281,856	£1,252,565	£1,164,691	£1,135,400	£1,076,817	£1,018,235	£871,778	£725,322	£578,865	£432,409	£285,952	£139,496	-£153,417	-£446,330	-£1,032,155
	Mid	£5,007,457	£4,978,166	£4,948,875	£4,861,001	£4,831,710	£4,773,127	£4,714,545	£4,568,088	£4,421,632	£4,275,175	£4,128,719	£3,982,262	£3,835,806	£3,542,893	£3,249,980	£2,664,155
	High	£8,703,767	£8,674,476	£8,645,185	£8,557,311	£8,528,020	£8,469,437	£8,410,855	£8,264,398	£8,117,942	£7,971,485	£7,825,029	£7,678,572	£7,532,116	£7,239,203	£6,946,290	£6,360,465
9 Houses	Low	£3,105,558	£3,084,332	£3,063,106	£2,999,428	£2,978,202	£2,935,750	£2,893,297	£2,787,167	£2,681,037	£2,574,907	£2,468,776	£2,362,646	£2,256,516	£2,044,255	£1,831,995	£1,407,474
	Mid	£5,666,334	£5,645,108	£5,623,882	£5,560,204	£5,538,978	£5,496,526	£5,454,073	£5,347,943	£5,241,813	£5,135,683	£5,029,552	£4,923,422	£4,817,292	£4,605,031	£4,392,771	£3,968,250
	High	£8,183,283	£8,162,057	£8,140,831	£8,077,153	£8,055,927	£8,013,475	£7,971,023	£7,864,893	£7,758,762	£7,652,632	£7,546,502	£7,440,372	£7,334,241	£7,121,981	£6,909,720	£6,485,199
10 Flats	Low	£3,018,228	£2,991,485	£2,964,741	£2,884,511	£2,857,768	£2,804,281	£2,750,794	£2,617,077	£2,483,360	£2,349,643	£2,215,926	£2,082,209	£1,948,492	£1,681,058	£1,413,624	£878,756
	Mid	£6,325,733	£6,298,990	£6,272,246	£6,192,016	£6,165,273	£6,111,786	£6,058,299	£5,924,582	£5,790,865	£5,657,148	£5,523,431	£5,389,714	£5,255,997	£4,988,563	£4,721,129	£4,186,261
	High	£9,597,928	£9,571,185	£9,544,441	£9,464,211	£9,437,468	£9,383,981	£9,330,494	£9,196,777	£9,063,060	£8,929,343	£8,795,626	£8,661,909	£8,528,192	£8,260,758	£7,993,324	£7,458,456
10 Houses	Low	£2,766,002	£2,744,900	£2,723,799	£2,660,493	£2,639,391	£2,597,187	£2,554,983	£2,449,474	£2,343,964	£2,238,454	£2,132,945	£2,027,435	£1,921,925	£1,710,906	£1,499,887	£1,077,848
	Mid	£5,275,360	£5,254,258	£5,233,156	£5,169,850	£5,148,748	£5,106,544	£5,064,340	£4,958,831	£4,853,321	£4,747,812	£4,642,302	£4,536,792	£4,431,283	£4,220,264	£4,009,244	£3,587,206
	High	£7,812,528	£7,791,426	£7,770,324	£7,707,018	£7,685,916	£7,643,713	£7,601,509	£7,495,999	£7,390,489	£7,284,980	£7,179,470	£7,073,961	£6,968,451	£6,757,432	£6,546,412	£6,124,374
14 Houses	Low	£2,697,690	£2,676,157	£2,654,624	£2,590,024	£2,568,491	£2,525,424	£2,482,357	£2,374,691	£2,267,024	£2,159,358	£2,051,691	£1,944,024	£1,836,358	£1,621,025	£1,405,692	£975,025
	Mid	£5,259,276	£5,237,743	£5,216,210	£5,151,610	£5,130,077	£5,087,010	£5,043,943	£4,936,277	£4,828,610	£4,720,944	£4,613,277	£4,505,610	£4,397,944	£4,182,611	£3,967,278	£3,536,611
	High	£7,820,862	£7,799,329	£7,777,796	£7,713,196	£7,691,663	£7,648,596	£7,605,529	£7,497,863	£7,390,196	£7,282,530	£7,174,863	£7,067,196	£6,959,530	£6,744,197	£6,528,864	£6,098,197
15 Houses	Low	£2,480,942	£2,458,004	£2,435,066	£2,366,253	£2,343,316	£2,297,440	£2,251,565	£2,136,877	£2,022,188	£1,907,500	£1,792,812	£1,678,123	£1,563,435	£1,334,059	£1,104,682	£645,929
	Mid	£4,894,334	£4,871,396	£4,848,458	£4,779,645	£4,756,708	£4,710,832	£4,664,957	£4,550,269	£4,435,580	£4,320,892	£4,206,204	£4,091,515	£3,976,827	£3,747,451	£3,518,074	£3,059,321
	High	£7,307,726	£7,284,788	£7,261,850	£7,193,037	£7,170,100	£7,124,224	£7,078,349	£6,963,661	£6,848,972	£6,734,284	£6,619,596	£6,504,907	£6,390,219	£6,160,843	£5,931,466	£5,472,713
25 Flats	Low	£2,293,178	£2,265,381	£2,237,584	£2,154,191	£2,126,394	£2,070,799	£2,015,204	£1,876,218	£1,737,231	£1,598,244	£1,459,257	£1,320,270	£1,181,283	£903,309	£625,335	£69,387
	Mid	£4,837,712	£4,809,915	£4,782,118	£4,698,725	£4,670,928	£4,615,333	£4,559,738	£4,420,751	£4,281,764	£4,142,777	£4,003,790	£3,864,803	£3,725,817	£3,447,843	£3,169,869	£2,613,921
	High	£8,147,668	£8,119,870	£8,092,073	£8,008,681	£7,980,883	£7,925,289	£7,869,694	£7,730,707	£7,591,720	£7,452,733	£7,313,746	£7,174,759	£7,035,772	£6,757,798	£6,479,824	£5,923,876
30 Mixed	Low	£1,916,810	£1,895,643	£1,874,476	£1,810,976	£1,789,810	£1,747,476	£1,705,143	£1,599,309	£1,493,475	£1,387,642	£1,281,808	£1,175,974	£1,070,141	£858,474	£646,806	£223,472
	Mid	£4,037,602	£4,016,435	£3,995,269	£3,931,769	£3,910,602	£3,868,268	£3,825,935	£3,720,101	£3,614,268	£3,508,434	£3,402,600	£3,296,767	£3,190,933	£2,979,266	£2,767,599	£2,344,264
	High	£6,158,394	£6,137,228	£6,116,061	£6,052,561	£6,031,394	£5,989,061	£5,946,727	£5,840,894	£5,735,060	£5,629,226	£5,523,393	£5,417,559	£5,311,725	£5,100,058	£4,888,391	£4,465,056
50 Flats	Low	£1,788,908	£1,759,282	£1,729,656	£1,640,778	£1,611,152	£1,551,900	£1,492,648	£1,344,517	£1,196,387	£1,048,256	£900,126	£751,996	£603,865	£307,605	£11,344	-£581,178
	Mid	£4,863,180	£4,833,554	£4,803,928	£4,715,050	£4,685,423	£4,626,171	£4,566,919	£4,418,789	£4,270,658	£4,122,528	£3,974,398	£3,826,267	£3,678,137	£3,381,876	£3,085,616	£2,493,094
	High	£7,937,452	£7,907,825	£7,878,199	£7,789,321	£7,759,695	£7,700,443	£7,641,191	£7,493,060	£7,344,930	£7,196,800	£7,048,669	£6,900,539	£6,752,409	£6,456,148	£6,159,887	£5,567,366

	RLV above upper assumed benchmark range (£4,500,000)
	RLV between £3,250,000 and £4,500,000
	RLV between £2,000,000 and £3,250,000
	RLV below lower assumed benchmark range (£2,000,000)

Interaction Between Residential Charging and Affordable Housing Requirements

Scheme Type/ Value Area	CIL Charge	Affordable Housing (% Provision/Equivalent Contribution)						
		0%	5%	10%	15%	20%	25%	30%
1 House/Low	£75	£1,334,580	£1,100,250	£871,778	N/A	N/A	N/A	N/A
	£100	£1,188,124	£953,794	£725,322	N/A	N/A	N/A	N/A
	£125	£1,041,668	£807,337	£578,865	N/A	N/A	N/A	N/A
	£150	£895,211	£660,881	£432,409	N/A	N/A	N/A	N/A
	£175	£748,755	£514,424	£285,952	N/A	N/A	N/A	N/A
10 Flats/Low	£75	£3,446,122	£3,232,175	£3,023,577	£2,804,281	£2,617,077	N/A	N/A
	£100	£3,312,405	£3,098,458	£2,889,860	£2,670,564	£2,483,360	N/A	N/A
	£125	£3,178,688	£2,964,741	£2,756,143	£2,536,847	£2,349,643	N/A	N/A
	£150	£3,044,971	£2,831,024	£2,622,426	£2,403,130	£2,215,926	N/A	N/A
	£175	£2,911,254	£2,697,307	£2,488,709	£2,269,413	£2,082,209	N/A	N/A
10 Houses/Low	£75	£3,103,633	£2,934,818	£2,770,223	£2,597,187	£2,449,474	N/A	N/A
	£100	£2,998,124	£2,829,308	£2,664,713	£2,491,677	£2,343,964	N/A	N/A
	£125	£2,892,614	£2,723,799	£2,559,204	£2,386,168	£2,238,454	N/A	N/A
	£150	£2,787,104	£2,618,289	£2,453,694	£2,280,658	£2,132,945	N/A	N/A
	£175	£2,681,595	£2,512,779	£2,348,184	£2,175,149	£2,027,435	N/A	N/A
14 Houses/Low	£75	£3,042,223	£2,869,957	£2,701,997	£2,525,424	£2,374,691	N/A	N/A
	£100	£2,934,557	£2,762,290	£2,594,331	£2,417,757	£2,267,024	N/A	N/A
	£125	£2,826,890	£2,654,624	£2,486,664	£2,310,091	£2,159,358	N/A	N/A
	£150	£2,719,224	£2,546,957	£2,378,997	£2,202,424	£2,051,691	N/A	N/A
	£175	£2,611,557	£2,439,291	£2,271,331	£2,094,758	£1,944,024	N/A	N/A
15 Houses/Low	£75	£3,269,806	£3,080,984	£2,892,163	£2,703,341	£2,514,520	£2,325,698	£2,136,877
	£100	£3,155,117	£2,966,296	£2,777,474	£2,588,653	£2,399,831	£2,211,010	£2,022,188
	£125	£3,040,429	£2,851,608	£2,662,786	£2,473,965	£2,285,143	£2,096,322	£1,907,500
	£150	£2,925,741	£2,736,919	£2,548,098	£2,359,276	£2,170,455	£1,981,633	£1,792,812
	£175	£2,811,052	£2,622,231	£2,433,409	£2,244,588	£2,055,766	£1,866,945	£1,678,123
25 Flats/Low	£75	£3,241,458	£3,013,918	£2,786,378	£2,558,838	£2,331,298	£2,103,758	£1,876,218
	£100	£3,102,471	£2,874,931	£2,647,391	£2,419,851	£2,192,311	£1,964,771	£1,737,231
	£125	£2,963,484	£2,735,944	£2,508,404	£2,280,864	£2,053,324	£1,825,784	£1,598,244
	£150	£2,824,497	£2,596,957	£2,369,417	£2,141,877	£1,914,337	£1,686,797	£1,459,257
	£175	£2,685,510	£2,457,970	£2,230,430	£2,002,890	£1,775,350	£1,547,810	£1,320,270
30 Mixed/Low	£75	£2,624,340	£2,453,502	£2,282,663	£2,111,825	£1,940,986	£1,770,148	£1,599,309
	£100	£2,518,506	£2,347,668	£2,176,829	£2,005,991	£1,835,152	£1,664,314	£1,493,475
	£125	£2,412,673	£2,241,834	£2,070,996	£1,900,157	£1,729,319	£1,558,480	£1,387,642
	£150	£2,306,839	£2,136,001	£1,965,162	£1,794,324	£1,623,485	£1,452,647	£1,281,808
	£175	£2,201,005	£2,030,167	£1,859,328	£1,688,490	£1,517,651	£1,346,813	£1,175,974
50 Flats/Low	£75	£2,779,205	£2,540,090	£2,300,976	£2,061,861	£1,822,746	£1,583,632	£1,344,517
	£100	£2,631,075	£2,391,960	£2,152,845	£1,913,731	£1,674,616	£1,435,501	£1,196,387
	£125	£2,482,944	£2,243,830	£2,004,715	£1,765,600	£1,526,486	£1,287,371	£1,048,256
	£150	£2,334,814	£2,095,699	£1,856,585	£1,617,470	£1,378,355	£1,139,241	£900,126
	£175	£2,186,683	£1,947,569	£1,708,454	£1,469,340	£1,230,225	£991,110	£751,996

	RLV above upper assumed benchmark range (£4,500,000)
	RLV between £3,250,000 and £4,500,000
	RLV between £2,000,000 and £3,250,000
	RLV below lower assumed benchmark range (£2,000,000)

Non-Residential Viability Appraisal Outcomes

Scheme Type	Land Value Benchmark	CIL Charge Level (£/sqm)																
		£0	£5	£10	£25	£30	£40	£50	£75	£100	£125	£150	£175	£200	£250	£300	£350	£400
Industrial - Small (500sqm)	Low Value PDL	-£1,007,004	-£1,038,211	-£1,069,419	-£1,163,042	-£1,194,250	-£1,256,665	-£1,319,081	-£1,475,119	-£1,631,158	-£1,787,196	-£1,943,235	-£2,099,273	-£2,255,312	-£2,567,389	-£2,879,466	-£3,191,543	-£3,503,620
Industrial (2,000sqm)	Low Value PDL	-£397,672	-£436,682	-£475,691	-£592,720	-£631,730	-£709,749	-£787,768	-£982,817	-£1,177,865	-£1,372,913	-£1,567,961	-£1,763,009	-£1,958,057	-£2,348,154	-£2,738,250	-£3,128,346	-£3,518,442
Industrial - 4 Unit Park (4,000sqm)	Low Value PDL	-£620,013	-£650,960	-£681,906	-£774,744	-£805,690	-£867,582	-£929,474	-£1,084,205	-£1,238,936	-£1,393,666	-£1,548,397	-£1,703,127	-£1,857,858	-£2,167,319	-£2,476,780	-£2,786,241	-£3,095,702
Retail - Warehouse Park (2,000sqm)	High Value PDL	£3,033,139	£3,007,241	£2,981,342	£2,903,648	£2,877,750	£2,825,954	£2,774,158	£2,644,667	£2,515,177	£2,385,686	£2,256,196	£2,126,705	£1,997,214	£1,738,233	£1,479,252	£1,220,271	£961,290
	Low Value PDL	£3,033,139	£3,007,241	£2,981,342	£2,903,648	£2,877,750	£2,825,954	£2,774,158	£2,644,667	£2,515,177	£2,385,686	£2,256,196	£2,126,705	£1,997,214	£1,738,233	£1,479,252	£1,220,271	£961,290
Retail - Local Non-Food (250sqm)	High Value PDL	-£261,420	-£307,277	-£353,134	-£490,706	-£536,563	-£628,277	-£719,991	-£949,277	-£1,178,563	-£1,407,849	-£1,637,134	-£1,866,420	-£2,095,706	-£2,554,277	-£3,012,849	-£3,471,420	-£3,929,991
Retail - Town Centre Non-Food (250sqm)	High Value PDL	£5,067,095	£5,021,237	£4,975,380	£4,837,809	£4,791,952	£4,700,237	£4,608,523	£4,379,237	£4,149,952	£3,920,666	£3,691,380	£3,462,095	£3,232,809	£2,774,237	£2,315,666	£1,857,095	£1,398,523
Retail - Town Centre Non-Food (1,000sqm)	High Value PDL	£5,196,978	£5,144,742	£5,092,506	£4,935,798	£4,883,562	£4,779,089	£4,674,617	£4,413,436	£4,152,256	£3,891,075	£3,629,894	£3,368,714	£3,107,533	£2,585,172	£2,062,811	£1,540,449	£1,018,088
Retail - Convenience (Food) (250sqm)	High Value PDL	£3,038,157	£2,993,448	£2,948,740	£2,814,615	£2,769,907	£2,680,490	£2,591,074	£2,367,532	£2,143,991	£1,920,449	£1,696,908	£1,473,366	£1,249,825	£802,742	£355,659	-£91,424	-£538,507
Retail - Convenience (Food) Superstore (3,000sqm)	High Value PDL	£4,837,730	£4,810,448	£4,783,165	£4,701,317	£4,674,035	£4,619,470	£4,564,905	£4,428,492	£4,292,079	£4,155,666	£4,019,253	£3,882,840	£3,746,427	£3,473,602	£3,200,776	£2,927,950	£2,655,125
	Low Value PDL	£2,871,010	£2,858,278	£2,845,546	£2,807,351	£2,794,619	£2,769,155	£2,743,692	£2,680,032	£2,616,373	£2,552,714	£2,489,054	£2,425,395	£2,361,736	£2,234,417	£2,107,098	£1,979,780	£1,852,461
Offices (500sqm)	High Value PDL	£5,655	-£129,546	-£264,747	-£670,348	-£805,549	-£1,075,950	-£1,346,351	-£2,022,355	-£2,698,358	-£3,374,361	-£4,050,364	-£4,726,367	-£5,402,370	-£6,754,376	-£8,106,382	-£9,458,388	-£10,810,394
Offices - Grade A (4,000sqm)	High Value PDL	-£749,186	-£858,265	-£967,344	-£1,294,581	-£1,403,660	-£1,621,818	-£1,839,977	-£2,385,372	-£2,930,768	-£3,476,163	-£4,021,559	-£4,566,955	-£5,112,350	-£6,203,141	-£7,293,932	-£8,384,724	-£9,475,515
Offices - Campus (7,500sqm)	Low Value PDL	-£963,005	-£1,002,225	-£1,041,446	-£1,159,108	-£1,198,329	-£1,276,770	-£1,355,211	-£1,551,315	-£1,747,418	-£1,943,522	-£2,139,625	-£2,335,729	-£2,531,832	-£2,924,039	-£3,316,246	-£3,708,453	-£4,100,660
Other - Hotel (100 bed)	High Value PDL	£2,837,369	£2,761,621	£2,685,873	£2,458,630	£2,382,882	£2,231,386	£2,079,891	£1,701,151	£1,322,412	£943,673	£564,934	£186,194	-£192,545	-£950,023	-£1,707,502	-£2,464,981	-£3,222,459
	Low Value PDL	-£2,349,833	-£2,376,437	-£2,403,042	-£2,482,856	-£2,509,460	-£2,562,670	-£2,615,879	-£2,748,902	-£2,881,925	-£3,014,948	-£3,147,971	-£3,280,994	-£3,414,017	-£3,680,063	-£3,946,109	-£4,212,155	-£4,478,202
Other - Care Home (60 bed)	High Value PDL	£1,355,287	£1,328,775	£1,302,263	£1,222,728	£1,196,216	£1,143,193	£1,090,170	£957,611	£825,052	£692,493	£559,935	£427,376	£294,817	£29,700	-£235,418	-£500,535	-£765,653
	Low Value PDL	£666,427	£639,690	£612,953	£532,742	£506,005	£452,532	£399,058	£265,373	£131,689	-£1,996	-£135,681	-£269,365	-£403,050	-£670,419	-£937,788	-£1,205,157	-£1,472,527
Other - Health & Fitness (1,800sqm)	Low Value PDL	-£3,094,073	-£3,132,920	-£3,171,767	-£3,288,309	-£3,327,156	-£3,404,850	-£3,482,545	-£3,676,780	-£3,871,016	-£4,065,252	-£4,259,488	-£4,453,724	-£4,647,959	-£5,036,431	-£5,424,902	-£5,813,374	-£6,201,846
Other - Cinema (2,500sqm)	Low Value PDL	-£1,249,499	-£1,289,965	-£1,330,430	-£1,451,828	-£1,492,294	-£1,573,225	-£1,654,157	-£1,856,486	-£2,058,815	-£2,261,144	-£2,463,472	-£2,665,801	-£2,868,130	-£3,272,788	-£3,677,446	-£4,082,104	-£4,486,762

High Value PDL Benchmark Range

	RLV above upper assumed benchmark range (£4,500,000)
	RLV between £3,250,000 and £4,500,000
	RLV between £2,000,000 and £3,250,000
	RLV below lower assumed benchmark range (£2,000,000)

Low Value PDL Benchmark Range

	RLV above upper assumed benchmark range (£2,000,000)
	RLV between £1,500,000 and £2,000,000
	RLV between £1,000,000 and £1,500,000
	RLV below lower assumed benchmark range (£1,000,000)

Appendix 3

Sample Viability Appraisals

APPRAISAL SUMMARY — REIGATE & BANSTEAD BC

Appraisal Summary for:

Residential scheme of a 10 unit development 6 x 3 bed and 4 x 4 bed units with associated infrastructure (Value Point 1 £2,800)

Development Value:				
		Rate		
Market Housing	1,020 sqm	£2,800	£2,856,000	
Affordable Housing - Rent	0 sqm	£1,540	£0	
Affordable Housing - Intermediate	0 sqm	£1,960	£0	
GDV			£2,856,000	
Sales Costs		3%	£71,400	
NDV				**£2,784,600**
Development Costs:				
Build Costs		**Rate**		
Main Build	1,020 sqm	£998	£1,017,450	
External Works		12.5%	£127,181	
Contingency		5.0%	£57,232	
Professional Fees		10%	£120,186	
Total Build Costs			£1,322,049	
Additional Development Costs				
On site s106	10	£500	£5,000	
CIL Liability	1,020 sqm	£150	£153,000	
Affordable Housing Contribution			£158,100	
Abnormals		Item	£0	
Demolition	0 sqm	£0	£0	
Total Additional Costs			£316,100	
Total Overall Costs			£1,638,149	
Finance on Development		7.50%	£56,366	
Total Development Costs & Finance			£1,694,515	
Profit				
Profit on Market Housing		20%	£338,903	
Profit on Affordable Housing Component		0%	£0	
Total Profit			£338,903	
Total Development Outlay				**£2,033,418**
ILV				**£751,182**
Acquisition Costs		5.75%	£44,333	
Finance on Land & Acquisition		7.50%	£66,967	
Total Acquisition Costs			£111,299	
RLV				**£639,883**
RLV/ha				**£2,132,945**

Variable CIL Testing

£0	**£5**	**£10**	**£25**	**£30**	**£40**	**£50**	**£75**	**£100**	**£125**	**£150**
£2,766,002	£2,744,900	£2,723,799	£2,660,493	£2,639,391	£2,597,187	£2,554,983	£2,449,474	£2,343,964	£2,238,454	£2,132,945

APPRAISAL SUMMARY	REIGATE & BANSTEAD BC

Appraisal Summary for:

Residential scheme comprising 6 x 2 bed flats, 8 x 2 bed houses, 10 x 3 bed houses and 6 x 4 bed houses with associated works
(Value Point 2 £3,600)

Development Value:				
		Rate		
Market Housing	1,862 sqm	£3,600	£6,703,200	
Affordable Housing - Rent	319 sqm	£1,980	£632,016	
Affordable Housing - Intermediate	479 sqm	£2,520	£1,206,576	
GDV			£8,541,792	
Sales Costs		2.5%	£167,580	
NDV				**£8,374,212**
Development Costs:				
Build Costs		**Rate**		
Main Build	2,660 sqm	£998	£2,653,350	
External Works		12.5%	£331,669	
Contingency		5.0%	£149,251	
Professional Fees		10%	£313,427	
Total Build Costs			£3,447,697	
Additional Development Costs				
On site s106	10	£500	£15,000	
CIL Liability	1,020 sqm	£150	£399,000	
Affordable Housing Contribution			£0	
Abnormals		Item	£0	
Demolition	0 sqm	£0	£0	
Total Additional Costs			£414,000	
Total Overall Costs			£3,861,697	
Finance on Development		7.50%	£235,520	
Total Development Costs & Finance			£4,097,217	
Profit				
Profit on Market Housing		20%	£819,443	
Profit on Affordable Housing Component		5%	£91,930	
Total Profit			£911,373	
Total Development Outlay				**£5,008,590**
ILV				**£3,365,622**
Acquisition Costs		5.75%	£178,740	
Finance on Land & Acquisition		7.50%	£464,802	
Total Acquisition Costs			£643,542	
RLV				**£2,722,080**
RLV/ha				**£3,402,600**

Variable CIL Testing

£50	**£75**	**£100**	**£125**	**£150**	**£175**	**£200**	**£250**	**£300**	**£400**
£3,825,935	£3,720,101	£3,614,268	£3,508,434	£3,402,600	£3,296,767	£3,190,933	£2,979,266	£2,767,599	£2,344,264

APPRAISAL SUMMARY — REIGATE & BANSTEAD BC

Appraisal Summary for:

Residential scheme of a single block of 10 flats comprising 2 x 1 bed and 8 x 2 bed units with associated works (Value Point 3 £4,400)

Development Value:				
		Rate		
Market Housing	650 sqm	£4,400	£2,860,000	
Affordable Housing - Rent	0 sqm	£2,420	£0	
Affordable Housing - Intermediate	0 sqm	£3,080	£0	
GDV			£2,860,000	
Sales Costs		2.5%	£71,500	
NDV				**£2,788,500**
Development Costs:				
Build Costs		**Rate**		
Main Build	683 sqm	£1,103	£752,456	
External Works		12.5%	£56,434	
Contingency		5.0%	£40,445	
Professional Fees		10%	£84,933	
Total Build Costs			£934,268	
Additional Development Costs				
On site s106	10	£500	£5,000	
CIL Liability	1,020 sqm	£150	£97,500	
Affordable Housing Contribution			£100,750	
Abnormals		Item	£0	
Demolition	0 sqm	£0	£0	
Total Additional Costs			£203,250	
Total Overall Costs			£1,137,518	
Finance on Development		7.50%	£32,524	
Total Development Costs & Finance			£1,170,043	
Profit				
Profit on Market Housing		20%	£234,009	
Profit on Affordable Housing Component		0%	£0	
Total Profit			£234,009	
Total Development Outlay				**£1,404,051**
ILV				**£1,384,449**
Acquisition Costs		5.75%	£28,463	
Finance on Land & Acquisition		7.50%	£36,642	
Total Acquisition Costs			£65,105	
RLV				**£1,319,344**
RLV/ha				**£8,795,626**

Variable CIL Testing

£50	**£75**	**£100**	**£125**	**£150**	**£175**	**£200**	**£250**	**£300**	**£400**
£9,330,494	£9,196,777	£9,063,060	£8,929,343	£8,795,626	£8,661,909	£8,528,192	£8,260,758	£7,993,324	£7,458,456

APPRAISAL SUMMARY — REIGATE & BANSTEAD BC

Appraisal Summary for:

Single small industrial unit (500sqm) in dedicated industrial area

Development Value:				
		Rate		
Rental Revenue	500 sqm	£85	£42,500	
Investment Yield	Perp	7.50%	13.3333	
Void & Tenant Incentive	8mnts	7.50%	0.9529	
GDV			£539,994	
Sales Costs		5.7625%	£29,422	
NDV				**£510,572**
Development Costs:				
Build Costs		**Rate**		
Main Build	500 sqm	£683	£341,250	
External Works		14.0%	£47,775	
Contingency		5.0%	£19,451	
Professional Fees		10%	£38,903	
Total Build Costs			£447,379	
Additional Development Costs				
On site s106	500 sqm	£10	£5,000	
CIL Liability	500 sqm	£50	£25,000	
Affordable Housing Contribution			£0	
Letting/Marketing Fees		10.0%	£4,250	
Demolition	0 sqm	£0	£0	
Total Additional Costs			£34,250	
Total Overall Costs			£481,629	
Finance on Development		7.50%	£19,389	
Total Development Costs & Finance			£501,018	
Profit				
Profit on Costs & Assumed Land		20%	£127,080	
Total Profit			£127,080	
Total Development Outlay				**£628,098**
ILV				**-£117,526**
Acquisition Costs		5.75%	£2,100	
Finance on Land & Acquisition		7.50%	£12,282	
Total Acquisition Costs			£14,382	
RLV				**-£131,908**
RLV/ha				**-£1,319,081**

Variable CIL Testing

£0	£5	£10	£25	£30	£40	£50	£75	£100	£125	£150
-£1,007,004	-£1,038,211	-£1,069,419	-£1,163,042	-£1,194,250	-£1,256,665	-£1,319,081	-£1,475,119	-£1,631,158	-£1,787,196	-£1,943,235

APPRAISAL SUMMARY — REIGATE & BANSTEAD BC

Appraisal Summary for:

Town centre/edge of centre office scheme (4,000sqm) with associated works

Development Value:				
		Rate		
Rental Revenue	4,000 sqm	£220	£880,000	
Investment Yield	Perp	7.50%	13.3333	
Void & Tenant Incentive	16mnts	7.50%	0.9080	
GDV			£10,654,755	
Sales Costs		5.7625%	£580,527	
NDV				**£10,074,227**
Development Costs:				
Build Costs		**Rate**		
Main Build	4,200 sqm	£1,470	£6,174,000	
External Works		6.0%	£370,440	
Contingency		5.0%	£327,222	
Professional Fees		10%	£654,444	
Total Build Costs			£7,526,106	
Additional Development Costs				
On site s106	4,200 sqm	£10	£42,000	
CIL Liability	4,200 sqm	£50	£210,000	
Affordable Housing Contribution			£0	
Letting/Marketing Fees		10.0%	£88,000	
Demolition	0 sqm	£0	£0	
Total Additional Costs			£340,000	
Total Overall Costs			£7,866,106	
Finance on Development		7.00%	£646,075	
Total Development Costs & Finance			£8,512,181	
Profit				
Profit on Costs & Assumed Land		20%	£1,859,870	
Total Profit			£1,859,870	
Total Development Outlay				**£10,372,052**
ILV				**-£297,824**
Acquisition Costs		5.75%	£35,938	
Finance on Land & Acquisition		7.00%	£126,232	
Total Acquisition Costs			£162,170	
RLV				**-£459,994**
RLV/ha				**-£1,839,977**

Variable CIL Testing

£0	£5	£10	£25	£30	£40	£50	£75	£100	£125	£150
-£749,186	-£858,265	-£967,344	-£1,294,581	-£1,403,660	-£1,621,818	-£1,839,977	-£2,385,372	-£2,930,768	-£3,476,163	-£4,021,559

APPRAISAL SUMMARY — REIGATE & BANSTEAD BC

Appraisal Summary for:

Food retail (convenience) supermarket unit (3,000sqm) in town with associated works (including decked car parking)

Development Value:				
		Rate		
Rental Revenue	3,000 sqm	£230	£690,000	
Investment Yield	Perp	5.00%	20.0000	
Void & Tenant Incentive	6mnts	5.00%	0.9759	
GDV			£13,467,421	
Sales Costs		5.7625%	£733,776	
NDV				**£12,733,645**
Development Costs:				
Build Costs		**Rate**		
Main Build	3,000 sqm	£1,260	£3,780,000	
External Works		10.0%	£378,000	
Contingency		7.5%	£311,850	
Abnormal - Decked Parking	200	£7,500	£1,500,000	
Professional Fees		10%	£565,800	
Total Build Costs			£6,535,650	
Additional Development Costs				
On site s106	3,000 sqm	£10	£30,000	
CIL Liability	3,000 sqm	£120	£360,000	
Affordable Housing Contribution			£0	
Letting/Marketing Fees		10.0%	£69,000	
Demolition	0 sqm	£0	£0	
Total Additional Costs			£459,000	
Total Overall Costs			£6,994,650	
Finance on Development		7.00%	£426,595	
Total Development Costs & Finance			£7,421,245	
Profit				
Profit on Costs & Assumed Land		20%	£2,006,321	
Total Profit			£2,006,321	
Total Development Outlay				**£9,427,567**
ILV				**£3,306,078**
Acquisition Costs		5.75%	£141,750	
Finance on Land & Acquisition		7.00%	£368,612	
Total Acquisition Costs			£510,362	
RLV				**£2,795,716**
RLV/ha				**£4,659,527**

Variable CIL Testing

£50	**£75**	**£100**	**£125**	**£150**	**£175**	**£200**	**£250**	**£300**	**£350**	**£400**
£5,105,142	£4,945,994	£4,786,846	£4,627,697	£4,468,549	£4,309,401	£4,150,252	£3,831,956	£3,513,659	£3,195,363	£2,877,066