

Luton Town Centre Masterplan – Strategic Viability Assessment

June 2021

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For and on behalf of Avison Young (UK) Limited

1. Introduction

- 1.1 Avison Young, architects Allies and Morrison, transport consultants Urban Flow and sustainability consultants Greengage have been commissioned by Luton Borough Council to prepare a Masterplan and Delivery Plan for Luton town centre.
- 1.2 This report builds on the work undertaken by Allies and Morrison looking at identifying potential development sites and potential development quantum that could be achievable on each site.
- 1.3 The development schedule produced by Allies and Morrison has been used to undertake viability analysis to understand the potential residual land value of each site. This report presents the outcomes of the viability modelling across these various sites. The high-level assessments have been undertaken for internal use only by the masterplan and client team to understand the broad delivery considerations, identify areas of challenge and opportunity within the masterplan and consider mechanisms for improving deliverability over time.
- 1.4 The assessments are based on desktop review and information. No site inspections were undertaken as part of this valuation and we do not have information in terms of key constraints for each site such as ground conditions and topography. Therefore, the assessments should not be considered Red Book valuations and more detailed site assessment is likely to be required to understand the individual challenges and deliverability of each site before a more detailed viability appraisal can be undertaken.
- 1.5 Avison Young accept no liability for any use of the information contained in this Report for purposes other than those expressly set out above.
- 1.6 This report is structured into the following sections:

Section 2 – Approach and Assumptions: This section sets out the approach to viability modelling and the assumptions used to assess the viability of each site.

Section 3 - 11 – Area by Area Viability Outcomes: The development sites have been broken down into areas of the town centre. The

Section 12 – Emerging Conclusions: This section draws together a summary of the key findings established throughout the report and what this means for the future proposition of Luton town centre.

2. Development Appraisal Assumptions

2.1.1 The following tables summarises the key assumptions applied within the viability testing for the Luton Town Centre Masterplan. It is separated into two tables which set out firstly the value assumptions and then secondly the cost assumptions.

Value Assumptions

2.2 Table 1 displays the commercial value assumptions provided by Avison Young. The figures are derived from transactional evidence and experience of values achievable in the market.

Table 1: Value Assumptions

Assumption	Details	Source
Residential Sales Value	£475 psf	Based on new build sales values particularly around Luton Airport – these sit at the upper end of market values achieved (but not the top of the market) to reflect the wider placemaking benefits that the masterplan will deliver.
Affordable Housing Sales Value	£178 psf	Market evidence
Affordable Housing	Council owned sites – 30% of housing numbers Other sites – 20% of housing numbers	Agreed with Council a higher rate for Council owned development and other developments in line with Council policy
Office/Commercial	Market Rent - £15 psf Sales Yield – 8% of annual rent	Market evidence
Retail/F&B	Market Rent - £20 psf Sales Yield – 7% of annual rent	Market evidence
Community Space	Market Rent - £15 psf Sales Yield – 8% of annual rent	Market evidence

2.3 The above inputs have been used to calculate the Gross Development Value for each development site, after which costs are deducted to arrive at the Residual Land Value.

Cost Assumptions

2.4 The cost assumptions used across the appraisals were as follows:

Table 2: Cost Assumptions

Assumption	Details	Source
Gross:Net Building Size	80% Gross:Net	Based on high level understanding of the proposed developments
Base Construction cost	Residential - £192 psf – Floors G – 6 1% increase per floor on floors 7+ Office/Commercial - £90 psf Retail/F&B - £120 psf Community Space - £90 psf	Agreed with Council
Contingency	5% on cost	Based on figures from various residential and commercial construction projects AY (cost consultants and building surveyors) have been involved in
Professional Fees	10% on cost	Based on figures from various residential and commercial construction projects AY (cost consultants and building surveyors) have been involved in
Marketing	1% of GDV	Based on figures from various residential and commercial construction projects AY (cost consultants and building surveyors) have been involved in
Commercial letting – Agent fees	10% of annual rent	Based on figures from various residential and commercial construction projects AY (cost consultants and building surveyors) have been involved in
Commercial letting – Legal fees	5% of annual rent	Based on figures from various residential and commercial construction projects AY (cost consultants and building surveyors) have been involved in
Residential and Commercial Sales – Agent fees	1% of GDV	Based on figures from various residential and commercial construction projects AY (cost consultants and building surveyors) have been involved in

Assumption	Details	Source
Residential and Commercial Sales - Legal fees	0.5% of GDV	Based on figures from various residential and commercial construction projects AY (cost consultants and building surveyors) have been involved in
Car Parking Costs	Undercroft car parking - £111 per sq. ft. Surface car parking - £74 per sq. ft.	Based on figures from various residential and commercial construction projects AY (cost consultants and building surveyors) have been involved in
Site remediation costs	£205,000 per hectare	Based on Homes England metric for land based on proposed development and historic use
Demolition	£50 per sq m	Based on figures from various residential and commercial construction projects AY (cost consultants and building surveyors) have been involved in
Finance rate	6.5%	Based on figures from various residential and commercial construction projects AY (cost consultants and building surveyors) have been involved in
Profit	19% of GDV	Agreed with Council
Town Planning	£5,000 per residential unit	Estimate for S.106 costs
Land acquisition costs	Stamp Duty Land Tax - whilst there is currently a stamp duty exemption, we have modelled based on 'normal' market conditions and on basis that this holiday will not exist in perpetuity. 1% agent fee 0.5% legal fee	In line with current rates

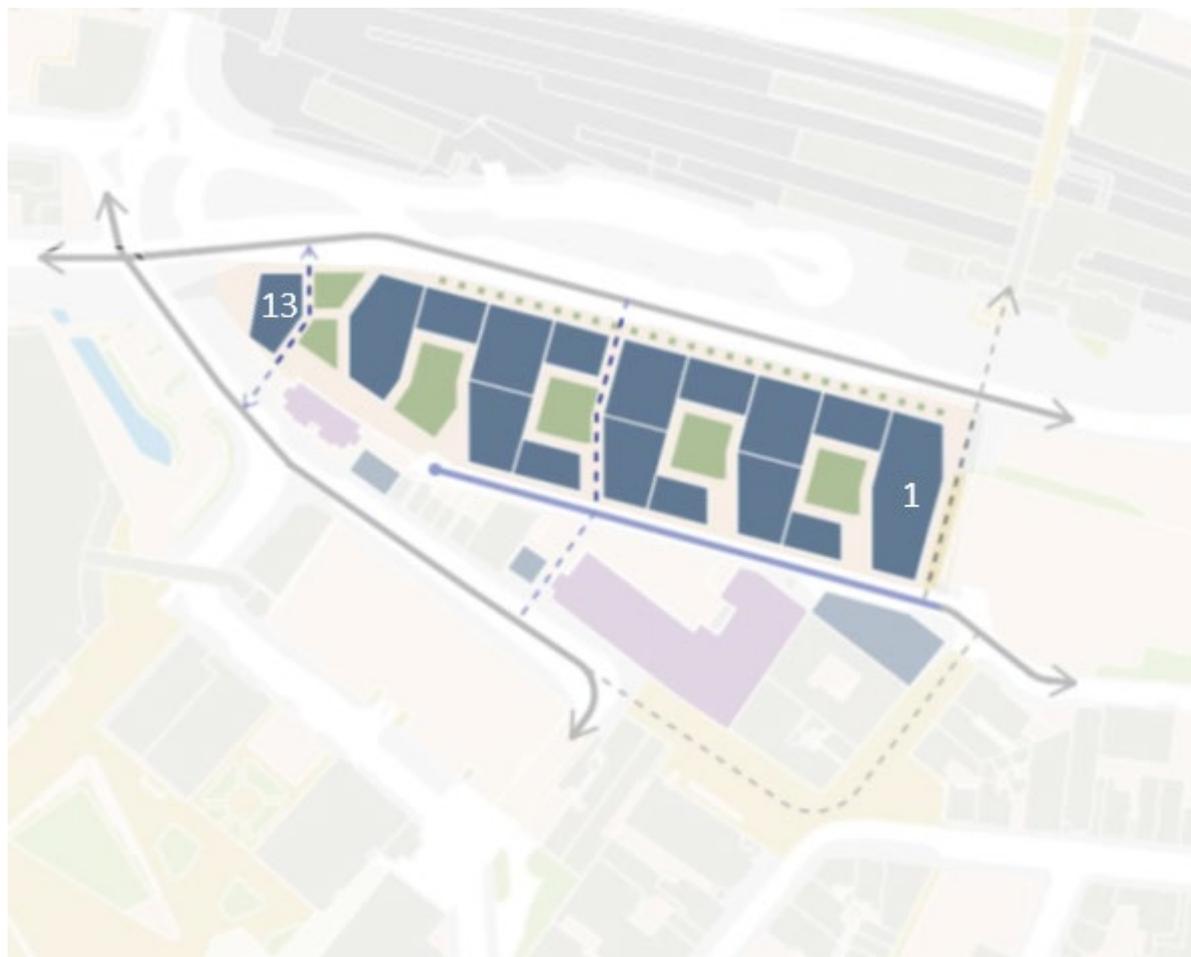
3. Lea Halls

Summary of Option

3.1 The Lea Halls site is currently used as student halls of residence and lies to the south of Station Road.

3.2 The proposed development plan is set out below:

Figure 1: Lea Halls Block Plan



Development Outputs

3.3 The development outputs for Lea Halls are displayed below:

Table 2: Lea Halls Output Schedule

PROPOSED	Subtotal
Residential (dwellings)	390
Residential Upper (GEA) sq m	32,384
Residential Ground (GEA) sq m	1,544
Employment (GEA) sq m	1,786
Retail / F&B (GEA) sq m	682
Community sq m	239

Viability Outcome

3.4 The assumptions set out in Section 2 have been applied to the above development schedule and incorporated into the viability appraisal to arrive at a Residual Land Value:

Residual Land Value	£11,105,353
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3.5 The viability appraisal is included in Appendix 1.

Sensitivity Analysis

3.6 Sensitivity analyses were undertaken to determine how changes to some of the key variable assumptions applied in the appraisals would affect the overall net residual value.

3.7 For the purpose of the first sensitivity analysis, the residential sales rate was increased and decreased by up to £10 per square foot and the construction rate for both residential and commercial was also increased and decreased by up to £10 per square foot.

3.8 This sensitivity analysis shows how changes to these two largest variables materially impacts on the overall value to understand the potential impacts of market forces on the overall outcome.

3.9 The table below sets out the changes in net residual value if the variables are changed. As a result, the net residual values could range from £5,170,562 to £17,040,145.

Table 4: Sensitivity Analysis – Lea Halls

		Construction: Rate /ft ²			
Sales: Rate /ft ²	-10.00 /ft ²	-5.00 /ft ²	0.00 /ft ²	5.00 /ft ²	10.00 /ft ²
-10.00 /ft ²	£13,141,915	£11,149,077	£9,156,238	£7,163,400	£5,170,562
-5.00 /ft ²	£14,116,472	£12,123,634	£10,130,796	£8,137,958	£6,145,119
0.00 /ft ²	£15,091,030	£13,098,192	£11,105,353	£9,112,515	£7,119,677
5.00 /ft ²	£16,065,587	£14,072,749	£12,079,911	£10,087,073	£8,094,234
10.00 /ft ²	£17,040,145	£15,047,307	£13,054,468	£11,061,630	£9,068,792

4. Plaiters Lea

Summary of Option

- 4.1 Plaiters Lea looks at the development of a number of infill development sites in between Luton Station to the north and The Mall to the south.
- 4.2 The proposed development plan is set out below:

Figure 2: Plaiters Lea Block Plan



Development Outputs

- 4.3 The development outputs for Plaiters Lea are displayed below:

Table 5: Plaiters Lea Outputs Schedule

PROPOSED	Subtotal
Residential (dwellings)	89
Residential Upper (GEA) sq m	7,700
Residential Ground (GEA) sq m	58
Employment (GEA) sq m	6,072
Retail / F&B (GEA) sq m	1,033
Community sq m	189

Viability Outcome

4.4 The assumptions set out in Section 2 have been applied to the above development schedule and incorporated into the viability appraisal to arrive at a Residual Land Value:

Residual Land Value	£2,171,832
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4.5 The viability appraisal is included in Appendix 2.

Sensitivity Analysis

4.6 Sensitivity analyses were undertaken to determine how changes to some of the key variable assumptions applied in the appraisals would affect the overall net residual value.

4.7 For the purpose of the first sensitivity analysis, the residential sales rate was increased and decreased by up to £10 per square foot and the construction rate for both residential and commercial was also increased and decreased by up to £10 per square foot.

4.8 This sensitivity analysis shows how changes to these two largest variables materially impacts on the overall value to understand the potential impacts of market forces on the overall outcome.

4.9 The table below sets out the changes in net residual value if the variables are changed. As a result, the net residual values could range from £95,452 to £4,28,213.

Table 6: Sensitivity Analysis – Plaiters Lea

Construction: Rate /ft ²					
Sales: Rate /ft ²	-10.00 /ft ²	-5.00 /ft ²	0.00 /ft ²	5.00 /ft ²	10.00 /ft ²
-10.00 /ft ²	£3,357,639	£2,542,093	£1,726,546	£910,999	£95,452
-5.00 /ft ²	£3,580,283	£2,764,736	£1,949,189	£1,133,642	£318,095
0.00 /ft ²	£3,802,926	£2,987,379	£2,171,832	£1,356,285	£540,738
5.00 /ft ²	£4,025,569	£3,210,022	£2,394,476	£1,578,929	£763,382
10.00 /ft ²	£4,248,213	£3,432,666	£2,617,119	£1,801,572	£986,025

5. The Mall

Summary of Option

- 5.1 The Mall looks at the demolition of the western and eastern elements of the Mall as well as the development of other sites around the Mall including the Library site.
- 5.2 The proposed development plans are set out below, with a full plan and then more focused west and east plot plans to allow for individual plot labelling to be seen:

Figure 3: The Mall Block Plan



Figure 4: The Mall West Block Plan



Figure 5: The Mal East Block Plan



Development Outputs

5.3 The development outputs for The Mall are displayed below:

Table 7: The Mall Output Schedule

PROPOSED	Subtotal
Residential (dwellings)	739
Residential Upper (GEA) sq m	65,205
Residential Ground (GEA) sq m	3,407
Employment (GEA) sq m	15,396
Retail / F&B (GEA) sq m	17,243
Community sq m	6,482

Viability Outcome

5.4 The assumptions set out in Section 2 have been applied to the above development schedule and incorporated into the viability appraisal to arrive at a Residual Land Value:

Residual Land Value	£27,860,792
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5.5 The viability appraisal is included in Appendix 3.

Sensitivity Analysis

5.6 Sensitivity analyses were undertaken to determine how changes to some of the key variable assumptions applied in the appraisals would affect the overall net residual value.

5.7 For the purpose of the first sensitivity analysis, the residential sales rate was increased and decreased by up to £10 per square foot and the construction rate for both residential and commercial was also increased and decreased by up to £10 per square foot.

5.8 This sensitivity analysis shows how changes to these two largest variables materially impacts on the overall value to understand the potential impacts of market forces on the overall outcome.

5.9 The table below sets out the changes in net residual value if the variables are changed. As a result, the net residual values could range from £12,176,877 to £43,544,708.

Table 8: Sensitivity Analysis – The Mall

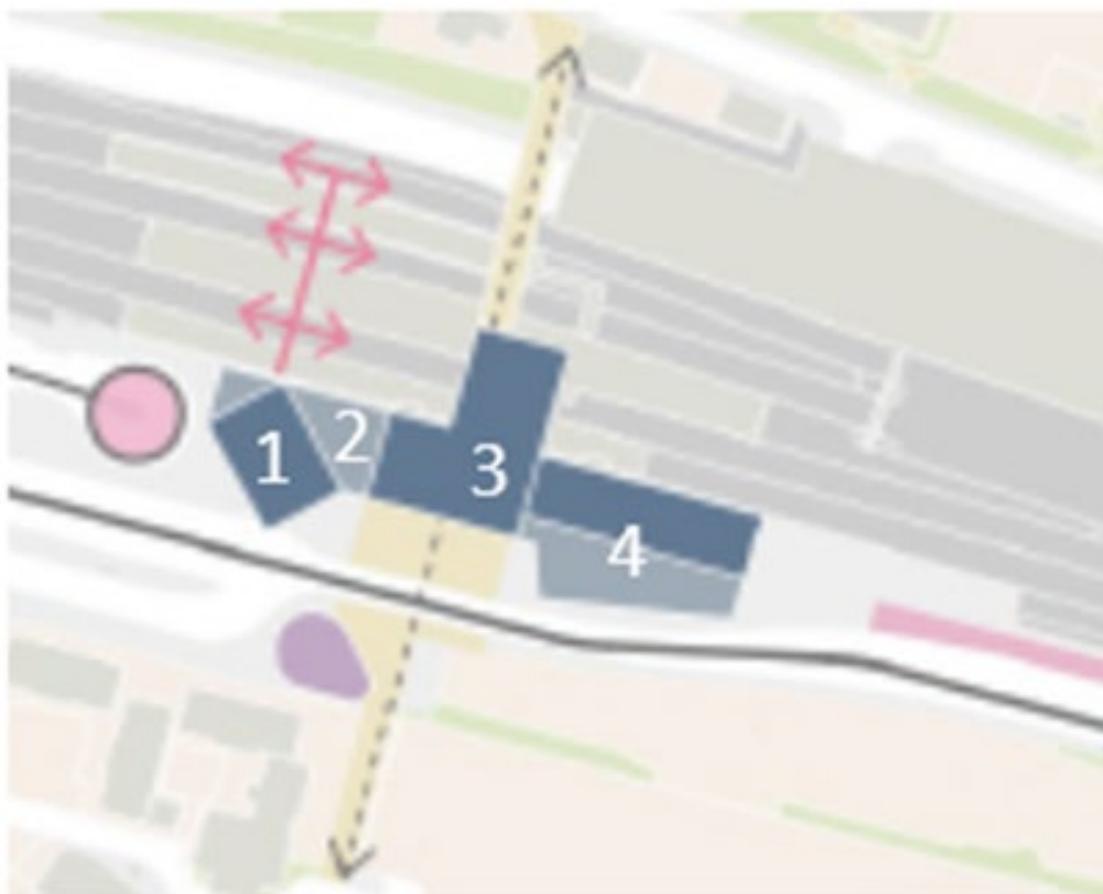
		Construction: Rate /ft ²			
Sales: Rate /ft ²	-10.00 /ft ²	-5.00 /ft ²	0.00 /ft ²	5.00 /ft ²	10.00 /ft ²
-10.00 /ft ²	£35,540,856	£29,699,861	£23,858,866	£18,017,872	£12,176,877
-5.00 /ft ²	£37,541,819	£31,700,824	£25,859,829	£20,018,834	£14,177,840
0.00 /ft ²	£39,542,782	£33,701,787	£27,860,792	£22,019,797	£16,178,803
5.00 /ft ²	£41,543,745	£35,702,750	£29,861,755	£24,020,760	£18,179,766
10.00 /ft ²	£43,544,708	£37,703,713	£31,862,718	£26,021,723	£20,180,728

6. Luton Station

Summary of Option

- 6.1 Luton Station looks at the delivery of a development to provide a new gateway to the town.
- 6.2 The proposed development plan is set out below:

Figure 6: Luton Station Block Plan



Development Outputs

- 6.3 The development outputs for Luton Station are displayed below:

Table 9: Luton Station Outputs Schedule

PROPOSED	Subtotal
Residential (dwellings)	97
Residential Upper (GEA) sq m	8,252
Residential Ground (GEA) sq m	185
Employment (GEA) sq m	1,297
Retail / F&B (GEA) sq m	441
Community sq m	-

Viability Outcome

6.4 The assumptions set out in Section 2 have been applied to the above development schedule and incorporated into the viability appraisal to arrive at a Residual Land Value:

Residual Land Value

£2,514,788

6.5 The viability appraisal is included in Appendix 4.

Sensitivity Analysis

6.6 Sensitivity analyses were undertaken to determine how changes to some of the key variable assumptions applied in the appraisals would affect the overall net residual value.

6.7 For the purpose of the first sensitivity analysis, the residential sales rate was increased and decreased by up to £10 per square foot and the construction rate for both residential and commercial was also increased and decreased by up to £10 per square foot.

6.8 This sensitivity analysis shows how changes to these two largest variables materially impacts on the overall value to understand the potential impacts of market forces on the overall outcome.

6.9 The table below sets out the changes in net residual value if the variables are changed. As a result, the net residual values could range from £923,561 to £4,106,016.

Table 10: Sensitivity Analysis – Luton Station

Construction: Rate /ft ²					
Sales: Rate /ft ²	-10.00 /ft ²	-5.00 /ft ²	0.00 /ft ²	5.00 /ft ²	10.00 /ft ²
-10.00 /ft ²	£3,136,531	£2,583,288	£2,030,046	£1,476,803	£923,561
-5.00 /ft ²	£3,378,902	£2,825,660	£2,272,417	£1,719,174	£1,165,932
0.00 /ft ²	£3,621,273	£3,068,031	£2,514,788	£1,961,546	£1,408,303
5.00 /ft ²	£3,863,644	£3,310,402	£2,757,159	£2,203,917	£1,650,674
10.00 /ft ²	£4,106,016	£3,552,773	£2,999,530	£2,446,288	£1,893,045

7. George Street South

Summary of Option

7.1 George Street South looks at the development of a number of infill development sites in the southern part of the town centre to the south of The Mall and the north of the Ring Road.

7.2 The proposed development plan is set out below:

Figure 7: George Street South Block Plan – Blocks A-C



Figure 8: George Street South Block Plan – Blocks D-F

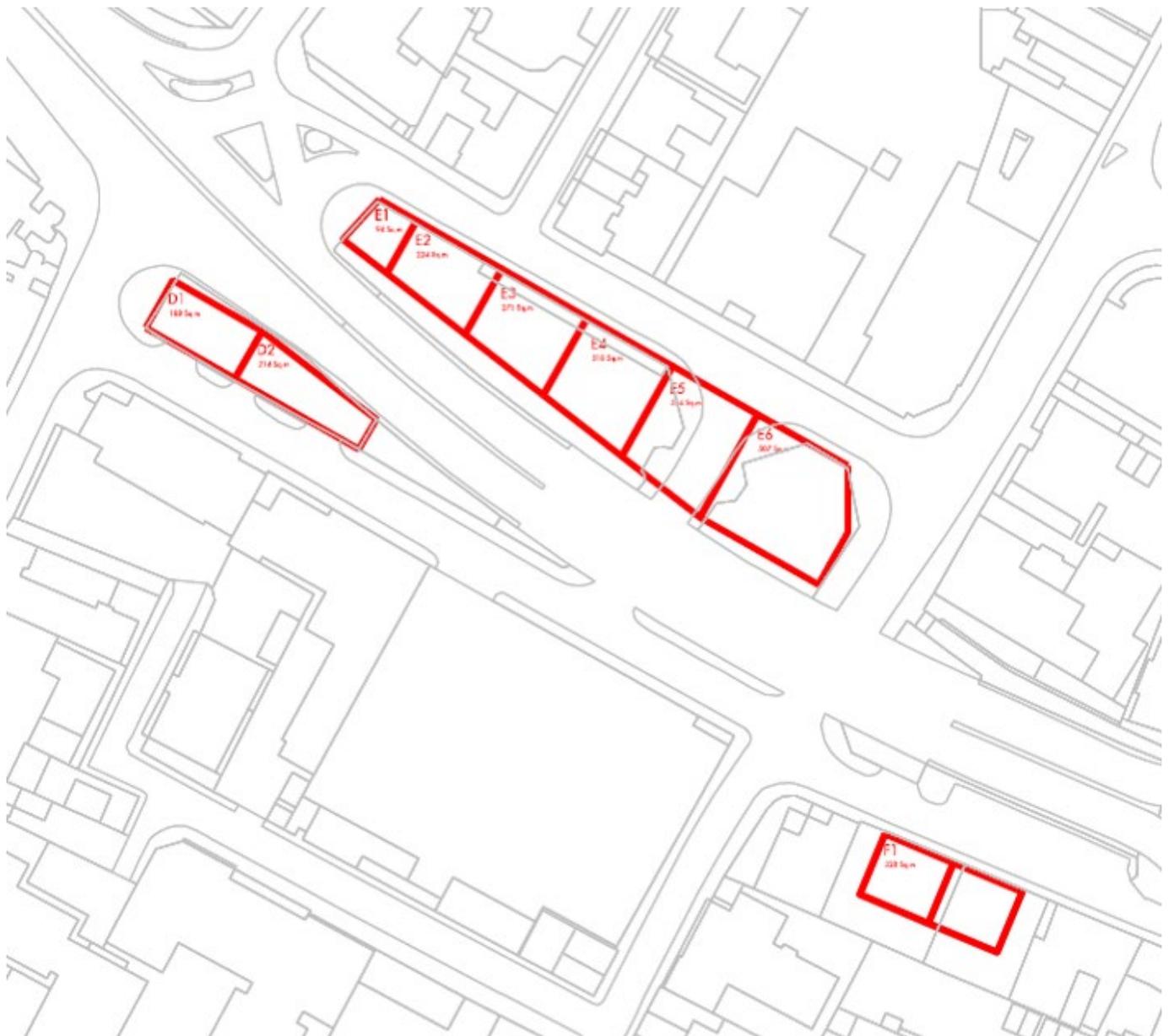


Figure 9: George Street South Block Plan – Blocks G-H



Figure 10: George Street South Block Plan – Blocks I-M



Development Outputs

7.3 The development outputs for George Street South are displayed below:

Table 11: George Street South Outputs Schedule

PROPOSED	Subtotal
Residential (dwellings)	838
Residential Upper (GEA) sq m	69,020
Residential Ground (GEA) sq m	3,836
Employment (GEA) sq m	9,045
Retail / F&B (GEA) sq m	376
Community sq m	3,183

Viability Outcome

7.4 The assumptions set out in Section 2 have been applied to the above development schedule and incorporated into the viability appraisal to arrive at a Residual Land Value:

7.5 The viability appraisal is included in Appendix 5.

Sensitivity Analysis

7.6 Sensitivity analyses were undertaken to determine how changes to some of the key variable assumptions applied in the appraisals would affect the overall net residual value.

7.7 For the purpose of the first sensitivity analysis, the residential sales rate was increased and decreased by up to £10 per square foot and the construction rate for both residential and commercial was also increased and decreased by up to £10 per square foot.

7.8 This sensitivity analysis shows how changes to these two largest variables materially impacts on the overall value to understand the potential impacts of market forces on the overall outcome.

7.9 The table below sets out the changes in net residual value if the variables are changed. As a result, the net residual values could range from £5,752,185 to £32,815,525.

Table 12: Sensitivity Analysis – George Street South

		Construction: Rate /ft ²			
Sales: Rate /ft ²	-10.00 /ft ²	-5.00 /ft ²	0.00 /ft ²	5.00 /ft ²	10.00 /ft ²
-10.00 /ft ²	£24,316,564	£19,689,001	£15,061,437	£10,428,626	£5,752,185
-5.00 /ft ²	£26,441,304	£21,813,741	£17,186,178	£12,553,366	£7,896,983
0.00 /ft ²	£28,566,044	£23,938,481	£19,310,918	£14,678,106	£10,036,891
5.00 /ft ²	£30,690,784	£26,063,221	£21,435,658	£16,802,847	£12,165,367
10.00 /ft ²	£32,815,525	£28,187,961	£23,560,398	£18,927,587	£14,290,107

8. Galaxy

Summary of Option

8.1 Galaxy is the delivery of a development on the site of the Galaxy entertainment venue, which currently houses cinema, bowling alley, gym and food and beverage operators.

Development Outputs

8.2 The development outputs for The Galaxy are displayed below:

Table 13: The Galaxy Outputs Schedule

PROPOSED	Subtotal
Residential (dwellings)	267
Residential Upper (GEA) sq m	22,980
Residential Ground (GEA) sq m	275
Employment (GEA) sq m	2,582
Retail / F&B (GEA) sq m	2,369
Community sq m	-

Viability Outcome

8.3 The assumptions set out in Section 2 have been applied to the above development schedule and incorporated into the viability appraisal to arrive at a Residual Land Value:

Residual Land Value	£4,584,405
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8.4 The viability appraisal is included in Appendix 6.

Sensitivity Analysis

8.5 Sensitivity analyses were undertaken to determine how changes to some of the key variable assumptions applied in the appraisals would affect the overall net residual value.

8.6 For the purpose of the first sensitivity analysis, the residential sales rate was increased and decreased by up to £10 per square foot and the construction rate for both residential and commercial was also increased and decreased by up to £10 per square foot.

8.7 This sensitivity analysis shows how changes to these two largest variables materially impacts on the overall value to understand the potential impacts of market forces on the overall outcome.

8.8 The table below sets out the changes in net residual value if the variables are changed. As a result, the net residual values could range from £166,107 to £8,989,081.

Table 14: Sensitivity Analysis – The Galaxy

Construction: Rate /ft ²					
Sales: Rate /ft ²	-10.00 /ft ²	-5.00 /ft ²	0.00 /ft ²	5.00 /ft ²	10.00 /ft ²
-10.00 /ft ²	£6,307,090	£4,775,250	£3,243,410	£1,711,570	£166,107
-5.00 /ft ²	£6,977,588	£5,445,748	£3,913,908	£2,382,068	£850,228
0.00 /ft ²	£7,648,085	£6,116,245	£4,584,405	£3,052,565	£1,520,725
5.00 /ft ²	£8,318,583	£6,786,743	£5,254,903	£3,723,063	£2,191,223
10.00 /ft ²	£8,989,081	£7,457,241	£5,925,401	£4,393,561	£2,861,720

9. Power Court

Summary of Option

9.1 Power Court looks at the development of a new football stadium and surrounding residential development on a vacant site to the north-east of the town centre. The viability appraisal and this report only looks at the residential element of the scheme.

9.2 The proposed development plan is set out below:

Figure 11: Power Court Block Plan



Development Outputs

9.3 The development outputs for Power Court are displayed below:

Table 15: Power Court Outputs Schedule

PROPOSED	Subtotal
Residential (dwellings)	1,149
Residential Upper (GEA) sq m	99,317
Residential Ground (GEA) sq m	571
Employment (GEA) sq m	6,858
Retail / F&B (GEA) sq m	4,575
Community sq m	2,499

Viability Outcome

9.4 The assumptions set out in Section 2 have been applied to the above development schedule and incorporated into the viability appraisal to arrive at a Residual Land Value:

Residual Land Value

£22,332,708

9.5 The viability appraisal is included in Appendix 7.

Sensitivity Analysis

9.6 Sensitivity analyses were undertaken to determine how changes to some of the key variable assumptions applied in the appraisals would affect the overall net residual value.

9.7 For the purpose of the first sensitivity analysis, the residential sales rate was increased and decreased by up to £10 per square foot and the construction rate for both residential and commercial was also increased and decreased by up to £10 per square foot.

9.8 This sensitivity analysis shows how changes to these two largest variables materially impacts on the overall value to understand the potential impacts of market forces on the overall outcome.

9.9 The table below sets out the changes in net residual value if the variables are changed. As a result, the net residual values could range from £4,107,533 to £40,533,650.

Table 16: Sensitivity Analysis – Power Court

Construction: Rate /ft ²					
Sales: Rate /ft ²	-10.00 /ft ²	-5.00 /ft ²	0.00 /ft ²	5.00 /ft ²	10.00 /ft ²
-10.00 /ft ²	£28,904,907	£22,711,622	£16,518,337	£10,325,052	£4,107,533
-5.00 /ft ²	£31,812,093	£25,618,808	£19,425,523	£13,232,238	£7,038,953
0.00 /ft ²	£34,719,279	£28,525,993	£22,332,708	£16,139,423	£9,946,138
5.00 /ft ²	£37,626,464	£31,433,179	£25,239,894	£19,046,609	£12,853,324
10.00 /ft ²	£40,533,650	£34,340,365	£28,147,080	£21,953,795	£15,760,510

10. Upper George Street

Summary of Option

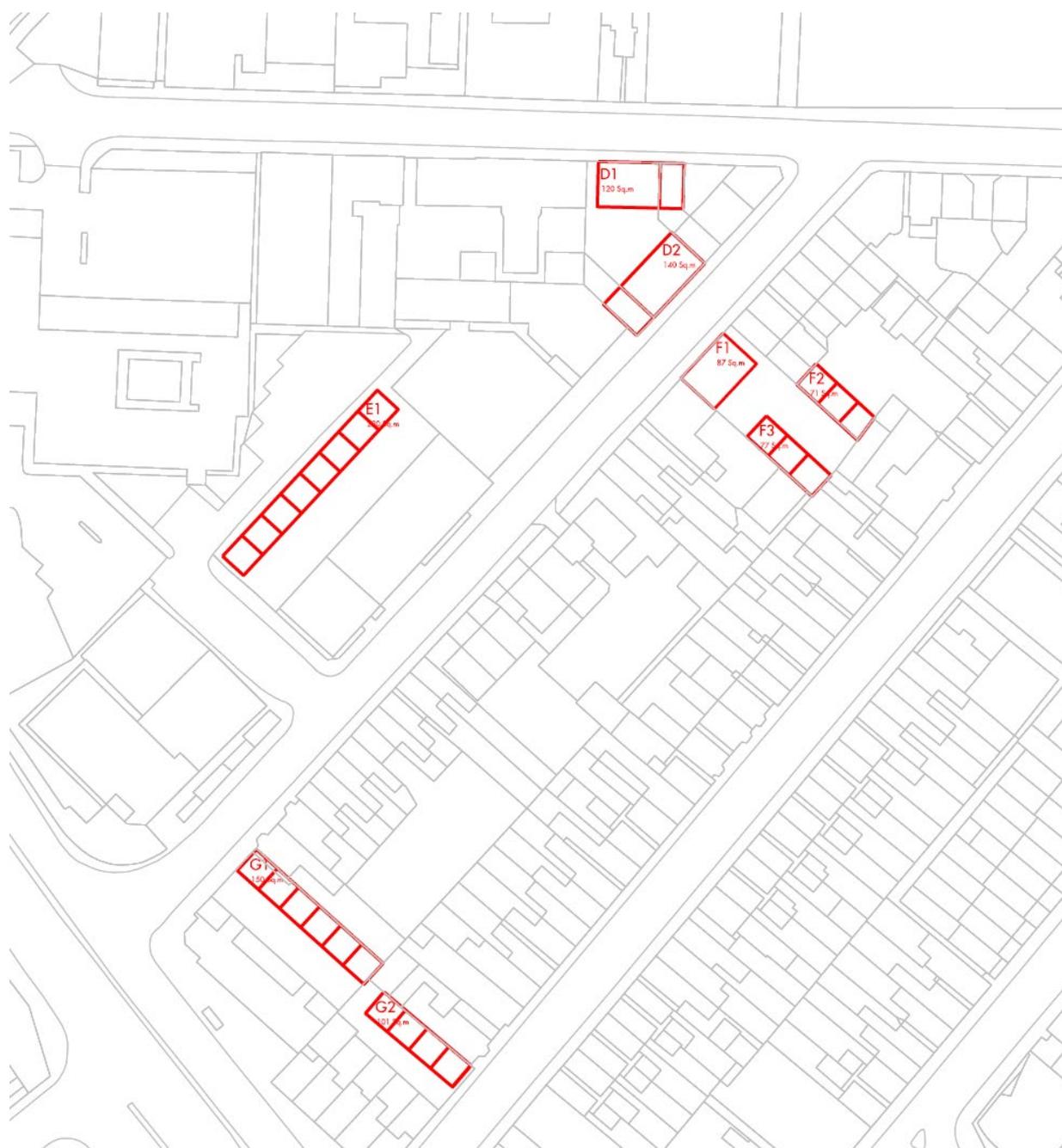
10.1 Upper George Street looks at the development of a number of infill development sites in the western part of the town centre close to the County Court and The Galaxy.

10.2 The proposed development plan is set out below:

Figure 12: Upper George Street Block Plan – Blocks A-C



Figure 13: Upper George Street Block Plan – Blocks D-G



Development Outputs

10.3 The development outputs for Upper George Street are displayed below:

Table 17: Upper George Street Outputs Schedule

PROPOSED	Subtotal
Residential (dwellings)	69
Residential Upper (GEA) sq m	5,352
Residential Ground (GEA) sq m	688
Employment (GEA) sq m	476
Retail / F&B (GEA) sq m	260
Community sq m	-

Viability Outcome

10.4 The assumptions set out in Section 2 have been applied to the above development schedule and incorporated into the viability appraisal to arrive at a Residual Land Value:

Residual Land Value	£1,607,872
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10.5 The viability appraisal is included in Appendix 8.

Sensitivity Analysis

10.6 Sensitivity analyses were undertaken to determine how changes to some of the key variable assumptions applied in the appraisals would affect the overall net residual value.

10.7 For the purpose of the first sensitivity analysis, the residential sales rate was increased and decreased by up to £10 per square foot and the construction rate for both residential and commercial was also increased and decreased by up to £10 per square foot.

10.8 This sensitivity analysis shows how changes to these two largest variables materially impacts on the overall value to understand the potential impacts of market forces on the overall outcome.

10.9 The table below sets out the changes in net residual value if the variables are changed. As a result, the net residual values could range from £524,370 to £2,688,714.

Table 18: Sensitivity Analysis – Upper George Street

		Construction: Rate /ft ²			
Sales: Rate /ft ²	-10.00 /ft ²	-5.00 /ft ²	0.00 /ft ²	5.00 /ft ²	10.00 /ft ²
-10.00 /ft ²	£1,991,912	£1,625,397	£1,258,881	£892,366	£524,370
-5.00 /ft ²	£2,166,113	£1,799,597	£1,433,082	£1,066,566	£699,874
0.00 /ft ²	£2,340,313	£1,973,798	£1,607,282	£1,240,767	£874,251
5.00 /ft ²	£2,514,513	£2,147,998	£1,781,483	£1,414,967	£1,048,452
10.00 /ft ²	£2,688,714	£2,322,198	£1,955,683	£1,589,167	£1,222,652

11. Bute Street

Summary of Option

- 11.1 Bute Street looks at the development of a large car park site in the northern part of the town centre between the station to the north and The Mall to the south.
- 11.2 The proposed development plan is set out below:

Figure 14: Bute Street Block Plan



Development Outputs

- 11.3 The development outputs for Upper George Street are displayed below:

Table 19: Upper George Street Outputs Schedule

PROPOSED	Subtotal
Residential (dwellings)	416
Residential Upper (GEA) sq m	35,587
Residential Ground (GEA) sq m	604
Employment (GEA) sq m	5,869
Retail / F&B (GEA) sq m	1,276
Community sq m	-

Viability Outcome

- 11.4 The assumptions set out in Section 2 have been applied to the above development schedule and incorporated into the viability appraisal to arrive at a Residual Land Value:

Residual Land Value

£2,965,860

11.5 The viability appraisal is included in Appendix 9.

Sensitivity Analysis

11.6 Sensitivity analyses were undertaken to determine how changes to some of the key variable assumptions applied in the appraisals would affect the overall net residual value.

11.7 For the purpose of the first sensitivity analysis, the residential sales rate was increased and decreased by up to £10 per square foot and the construction rate for both residential and commercial was also increased and decreased by up to £10 per square foot.

11.8 This sensitivity analysis shows how changes to these two largest variables materially impacts on the overall value to understand the potential impacts of market forces on the overall outcome.

11.9 The table below sets out the changes in net residual value if the variables are changed. As a result, the net residual values could range from a negative land value of -£4,136,841 to a positive land value of £9,757,023.

Table 20: Sensitivity Analysis – Bute Street

		Construction: Rate /ft ²			
Sales: Rate /ft ²	-10.00 /ft ²	-5.00 /ft ²	0.00 /ft ²	5.00 /ft ²	10.00 /ft ²
-10.00 /ft ²	£5,591,245	£3,237,018	£882,791	-£1,574,657	-£4,136,841
-5.00 /ft ²	£6,632,690	£4,278,463	£1,924,236	-£472,444	-£2,997,009
0.00 /ft ²	£7,674,134	£5,319,907	£2,965,680	£611,453	-£1,865,063
5.00 /ft ²	£8,715,579	£6,361,352	£4,007,125	£1,652,898	-£749,020
10.00 /ft ²	£9,757,023	£7,402,796	£5,048,569	£2,694,342	£340,115

12. Conclusion and Considerations

- 12.1 The above analysis shows a positive viability for each site. However, this must be considered against the context of the lack of individual site information available at this time. Given the lack of information there is a high likelihood that costs may increase and therefore reduce the overall viability.
- 12.2 This viability analysis also assumes control of the site and does not factor in the potential acquisition cost of the site from a third party, nor does it consider the existing use value of the site (for those with an active use). Both are important concepts for the deliverability of sites as the residual land value would need to be greater than either the acquisition cost or the existing use value if it is to incentivise the landowner to participate in development, or provide sufficient return for a developer to purchase the site.
- 12.3 Estimating the current value of land is challenging in such high level viability assessments, however there are benchmarks established for the purposes of viability testing as well as some market evidence that can be used for comparison purposes.
- MHCLG publish land value estimates for the purposes of policy testing, for Luton these are as follows per hectare:
 - Residential land - £3,060,000
 - Industrial land - £1,365,000
 - Office land (town centre) - £1,250,000
 - As part of the current Local Plan evidence base the National CIL Service (2015) provided the following estimates per hectare:
 - Brownfield land - £865,000
 - Supermarket - £2,500,000
 - Office - £650,000 to £1,200,000
 - Industrial- £650,000 to £1,200,000
 - The Luton Housing Market Assessment Growth Options Study from 2017 has brownfield land in Luton (across the borough) at £685,000 per hectare.
- 12.4 As shown the range of values is considerable, especially when compared with actual transactions that have seen land trade at in excess of £4mn per hectare for residential/mixed use development. Taking these into account, along with site specific abnormal costs could therefore change the overall viability position.
- 12.5 The analysis shows that the increased affordable housing on the council owned Bute Street site has an impact on the overall viability. This is shown by this being the only site with a negative viability in the sensitivity analysis. This is to be expected due to the lower values attributable to affordable housing.

- 12.6 The sensitivity analysis also shows the significant potential impact of market forces with significant range in values. Given the current market uncertainty around the impacts of the Covid-19 pandemic then it is recommended that the analysis is reviewed once more clarity on the impact on inputs can be assessed.
- 12.7 Another potential consideration on the viability is the fact that town centre development is a relatively untested concept in Luton, and much of the value analysis is based on new build development close to the airport. Therefore there is a potential risk to the achievability of the values assumed.
- 12.8 Because of the uncertainty it is recommended that as more information is available for each site and certainty is achieved then the analysis should be updated to ensure the latest information is factored into the deliverability.

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