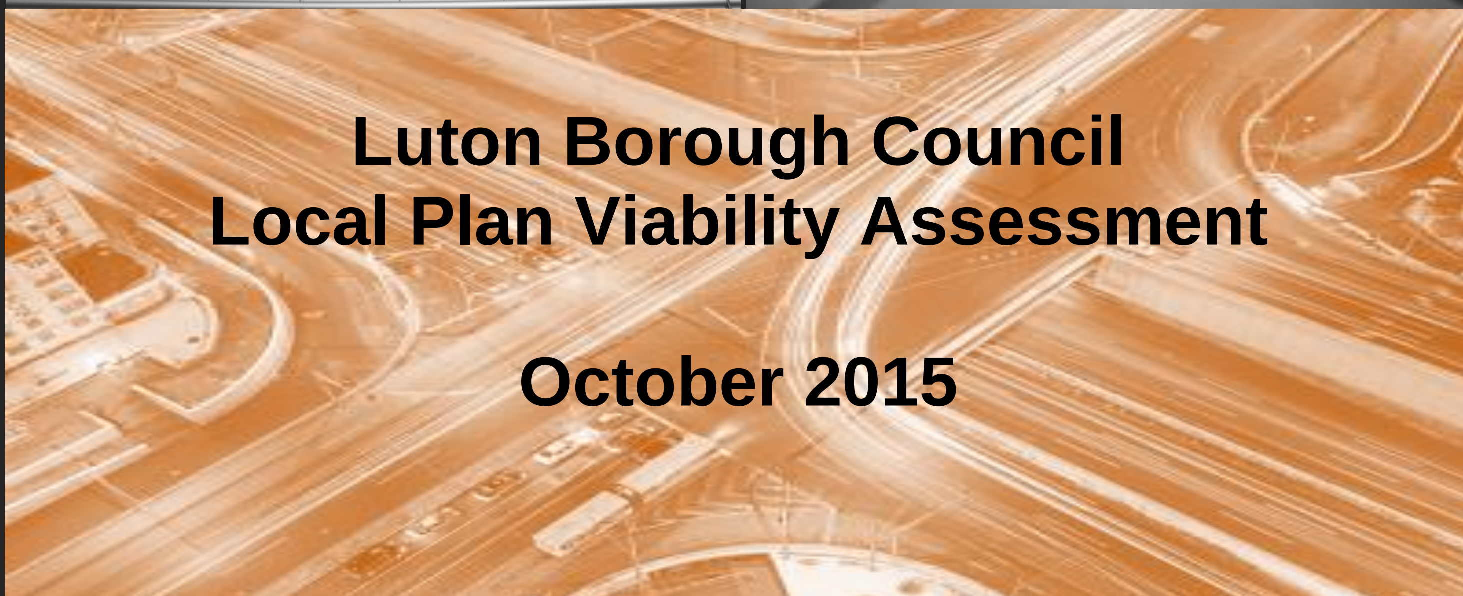


Luton Borough Council
Local Plan Viability Assessment

October 2015

NCS

Nationwide CIL Service

Contents

Executive Summary

1.1 The report will provide an appraisal of the viability of the Luton Borough Local Plan in terms of the impact of its policies on the economic viability of development proposed to be delivered by the Plan. The study will consider policies that might affect the cost and value of development (Affordable Housing, Design and Construction Standards) as well as site specific cost constraints identified in the allocations process (eg contamination, access issues, flood defence etc). The study also considers delivery over a 15 year plan period.

It should be stressed that this is an independent study to provide a high level assessment of viability. The cost and value assumptions made in the study are based on the available valuation evidence and reasonable cost estimates. The study is intended to provide a guide to plan wide viability and not to indicate the policy position of the Local Authority on any individual site. This report shall not be taken to represent the position of the Local Authority on any individual site and all viability issues on individual sites will still need to be assessed at planning application stage and supported by relevant evidence.

Study Area

1.2 The study area covers the whole of the administrative area of Luton Borough Council. The assessment first considers the existence of economic sub-market areas for residential and commercial development within the study area which may also form the basis for the Authority's CIL Charging Zones in the event that Luton pursues the adoption of CIL.

Methodology

1.3 The study seeks to assess the viability of individual residential development and commercial sites taking account of all relevant factors. The study considers delivery of residential sites within three time periods – 0-5 years, 6-10 years and 11-15 years. The cost and value assumptions are adjusted accordingly to reflect market forecasts for residential costs and values over these periods. Commercial site delivery is based on current market assumptions.

1.4 The study involves an assessment of market values for residential and commercial development in Luton based on valuation advice from Heb Surveyors. The study uses the base construction costs and rates based on advice from Gleeds cost consultants.

1.5 The study tests specific sites being proposed for allocation in the Plan to determine viability over the Plan Period.

1.6 The viability appraisal considers two principal land value benchmarks from which development is likely to emerge – Greenfield and Brownfield.

1.7 The residential valuation assessment study factors in the Authority's affordable housing targets.

1.8 The study assumptions are based on up to date available market evidence. Specific advice has been obtained from Gleeds costs consultants on reasonable allowance for abnormal site constraints.

1.9 The viability study firstly concluded that the variations in the values of residential development were not significant enough to warrant differential assumptions being applied to different geographical locations in the study area and that a single value zone approach was appropriate to the viability testing (and to any CIL system that might subsequently emerge). The valuation study concluded that any variations in the value of commercial locations in Luton are not significant enough to warrant a differential sub-market approach to commercial viability appraisal. Unsurprisingly, enhanced commercial values and viability were encountered around Luton Airport but not to the extent that a differential commercial zone approach was considered to be warranted

Site Allocations and Strategic Site Viability Assessments

1.10 The viability testing of proposed residential and strategic sites in Luton has been undertaken, accounting for the following policy impacts and key assumptions :-

- Greenfield or Brownfield Development
- Delivery Timescale (with cost and value assumptions adjusted accordingly)
- Affordable Housing Delivery of 20%
- Key Planning Policy Cost Impacts (Renewable Energy, National Housing Standards etc)
- Residual Planning Obligation Allowances
- Site Specific Abnormal Costs and Mitigation Factors

1.11 All of the sites in 0-5 year delivery period (the 5 year land supply) are considered viable and deliverable. The only exception is high rise apartments where enhanced build costs do indicate marginal negative viability. However, if Affordable Housing delivery were to be relaxed in some instances in accordance with the provisions of Policy LP16 then high rise apartments would be viable and deliverable in the 0-5 year period. Viability improves in the medium term (6-10 year period) with all sites demonstrating viability. In the longer term (11-15 year period) all sites demonstrate viability having taken account of affordable housing delivery and the policy cost impacts of the Development Plan.

1.12 It should also be recognised that the assessment necessarily relies on fixed assumptions and generic application of allowances for standard and abnormal construction costs. There will be significant variations dependent on specification, construction methods and associated build cost and indeed sales rates which will make some types of development more or less viable and individual assessments may still be necessary at planning application stage where variations to policy requirements are sought.

1.13 Based on the study assumptions, the mixed use schemes at Power Court, Napier Park, Butterfield Green, the Creative Quarter and Century Park all demonstrate overall positive viability.

1.14 The industrial values adopted in the study assume that most industrial development is likely to be occupier driven and pre-let/sold. A recent report by Lambert Smith Hampton (August 2015) has identified very strong demand for industrial premises due in part to lack of supply in M1 corridor locations to the south. The report identifies a declining supply to meet this demand in Luton and a need to develop smaller units. It recommends that new employment sites focus on the provision of 5-20,000sqft units to meet local employer demand.

1.15 The development of the football stadium at Land south of Stockwood Park where the very significant development costs outweigh the ultimate value demonstrate negative viability under the terms of the assessment. However the development of a football stadium is influenced by wider factors than just development economics and the result of the viability appraisal alone should not be considered as the only determining factor in delivery of the project.

1.16 In conclusion, the assessment of all proposed residential and strategic employment sites in Luton has been undertaken with due regard to the requirements of the NPPF, Planning Practice Guidance and the best practice advice contained in 'Viability Testing Local Plans'. It is considered that all greenfield sites are viable across the entire plan period. The delivery of some brownfield sites may require landowners to be realistic about value reductions to take account of abnormal development costs and the Council may need to reduce affordable housing aspirations on a small number of sites to encourage development in the short term. The mixed use strategic sites are all demonstrated to be viable and deliverable though some alternative funding may be required to open up the employment sites with significant abnormal costs and to ensure the delivery of the proposed football stadium. As such the overall delivery strategy of the Plan is considered sound.

2 Introduction

2.1 The purpose of the study is to assess the overall viability of the Local Plan by assessing the specific viability of sites being considered for allocation in the Plan.

2.2 In order to provide a robust assessment, the study first uses generic development typologies to consider the cost and value impacts of Local Plan policies. The study then goes on to assess the viability of the individual development sites proposed for allocation. The individual viability assessments take account of adopted planning policies, affordable housing requirements and site specific constraints to determine whether the proposed sites are viable and deliverable in the plan period.

The NPPF and Relevant Guidance

2.3 The National Planning Policy Framework 2012 introduces a new focus on viability assessment in considering appropriate Development Plan policy. Paras 173-177 provide guidance on 'Ensuring Viability and Deliverability' in plan making. They state :-

"173. Pursuing sustainable development requires careful attention to viability and costs in plan-making and decision-taking. Plans should be deliverable. Therefore, the sites and the scale of development identified in the plan should not be subject to such a scale of obligations and policy burdens that their ability to be developed viably is threatened. To ensure viability, the costs of any requirements likely to be applied to development, such as requirements for affordable housing, standards, infrastructure contributions or other requirements should, when taking account of the normal cost of development and mitigation, provide competitive returns to a willing land owner and willing developer to enable the development to be deliverable.

174. Local planning authorities should set out their policy on local standards in the Local Plan, including requirements for affordable housing. They should assess the likely cumulative impacts on development in their area of all existing and proposed local standards, supplementary planning documents and policies that support the development plan, when added to nationally required standards. In order to be appropriate, the cumulative impact of these standards and policies should not put implementation of the plan at serious risk, and should facilitate development throughout the economic cycle. Evidence supporting the assessment should be proportionate, using only appropriate available evidence…………….

177. It is equally important to ensure that there is a reasonable prospect that planned infrastructure is deliverable in a timely fashion. To facilitate this, it is important that local planning authorities understand -wide development costs at the time Local Plans are drawn up. For this reason, infrastructure and development policies should be planned at the same time, in the Local Plan. Any affordable housing or local standards requirements that may be applied to development should be assessed at the plan-making stage, where possible, and kept under review."

2.4 In response to the NPPF, the Local Housing Delivery Group, a cross industry group of residential property stakeholders including the House Builders Federation, Homes and Communities Agency and Local Government Association, has published more specific guidance entitled 'Viability Testing Local Plans' in June 2012.

2.5 The guidance states as an underlying principle, that :-

"An individual development can be said to be viable if, after taking account of all costs, including central and local government policy and regulatory costs and the cost and availability of development finance, the scheme provides a competitive return to the developer to ensure that development takes place and generates a land value sufficient to persuade the land owner to sell the land for the development proposed. If these conditions are not met, a scheme will not be delivered."

2.6 The guidance recommends the following stages be completed in testing Local Plan viability:-

1) Review Evidence Base and align existing assessment evidence
2) Establish Appraisal Methodology and Assumptions (including threshold land values, site and development typologies, costs of policy requirements and allowance for changes over time)
3) Evidence Collation and Viability Modelling (including development costs and revenues, land values, developers profit allowance
4) Viability Testing and Appraisal
5) Review of Outputs

2.7 The guidance is not prescriptive about the use of particular financial assessment models but advises that a residual appraisal approach which tests the ability of development to yield a margin beyond all the test factors to determine viability or otherwise is widely used and accepted. The guidance sets out the key elements of viability appraisal and the factors that need to be considered to ensure robust assessment.

2.8 The current study adheres to the principles of the NPPF and 'Viability Testing Local Plans and sets out its methodology and assumptions in the following sections.

3 Methodology

The Process

3.1 There are a number of key stages to Viability Assessment which may be set out as follows.

1) Evidence Base – Land & Property Valuation Study

3.2 Establish an area wide evidence base of land and property values for development in each sub-market area. The evidence base relies on the area wide valuation study undertaken by Heb Surveyors in 2015.

2) Evidence Base – Construction Cost Study

3.3 Establish an area wide evidence base of construction costs for each category of development relevant to the local area. The study will also indicate construction rates for professional fees, warranties, statutory fees and construction contingencies. The evidence base relies on the Construction Cost Study by Gleeds undertaken in 2015. In addition specific advice on reasonable allowances for abnormal site constraints was obtained from Gleeds and is outlined in the report.

3) Identification of Sub Market Areas

3.4 The Heb Valuation Evidence considered the existence of potential sub-markets within the study area which might warrant the application of varied assumptions to the individual site viability assessments.

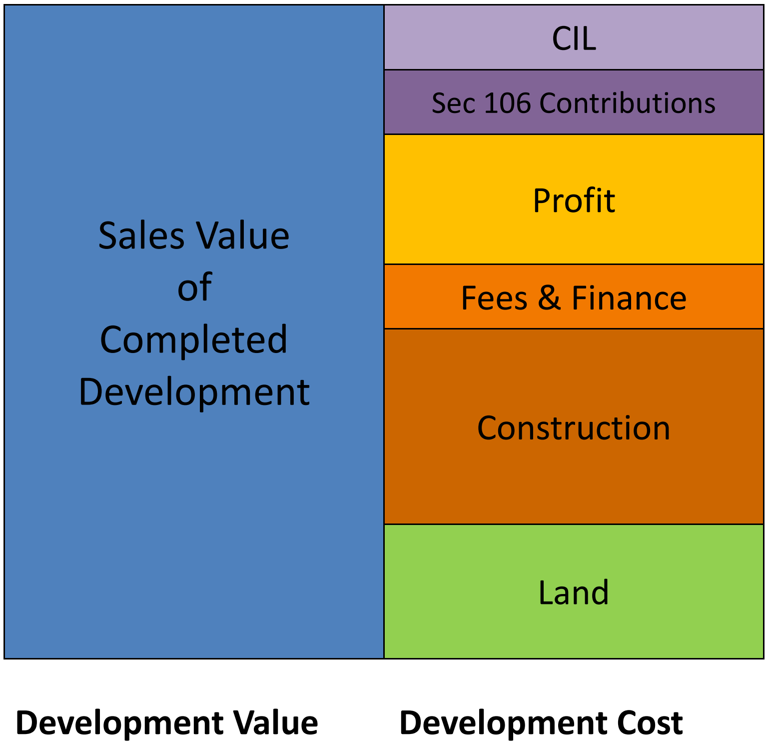
4) Delivery Timescale

3.5 The study factors in projections for changes to property costs and values for the 0-5, 6-10 and 11-15 year delivery periods within the overall delivery timescale of the Development Plan.

5) Viability Appraisal

3.6 Appraisal of every allocated site taking account of site area, unit numbers, brownfield or greenfield status, site specific abnormal constraints, policy requirements and affordable housing targets. The appraisal uses a Residual Appraisal Model to determine whether any margin exists beyond a reasonable developer's return.

The Development Equation



3.7 The appraisal model is illustrated by the above diagram and summarises the 'Development Equation'. On one side of the equation is the development value ie the sales value which will be determined by the market at any particular time. The variable element of the value in residential development appraisal will be determined by the proportion and mix of affordable housing applied to the scheme. Appropriate discounts for the relevant type of affordable housing will need to be factored into this part of the appraisal.

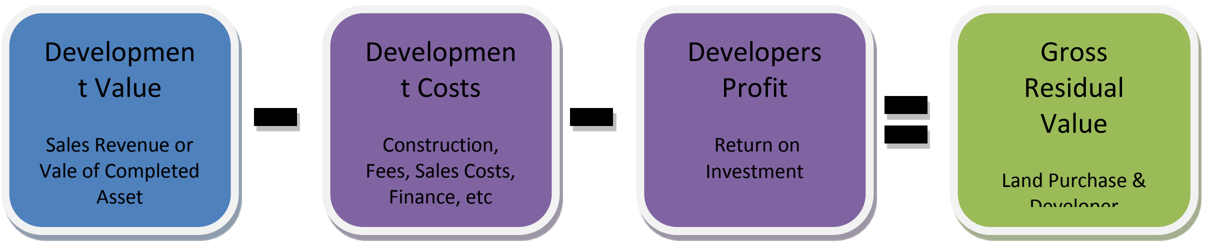
3.8 On the other side of the equation, the development cost includes the 'fixed elements' ie construction, fees, finance and developers profit. Developers profit is usually fixed as a minimum % return on gross development value generally set by the lending institution at the time. The flexible elements are the cost of land and the amount of developer contribution (CIL and Planning Obligations) sought by the Local Authority.

3.9 We assess economic viability using an industry standard Residual Model approach. The model firstly calculates development value and then subtracts the Land Value and the Fixed Development Costs to determine the margin available for Policy Based Contributions (S106, CIL etc). Importantly the methodology attempts to establish a realistic land value – one that reflects the reasonable contributions expectations of Authorities but which also provides sufficient return to persuade landowners to release sites (see Land Value Assumptions).

Land Value Assumptions

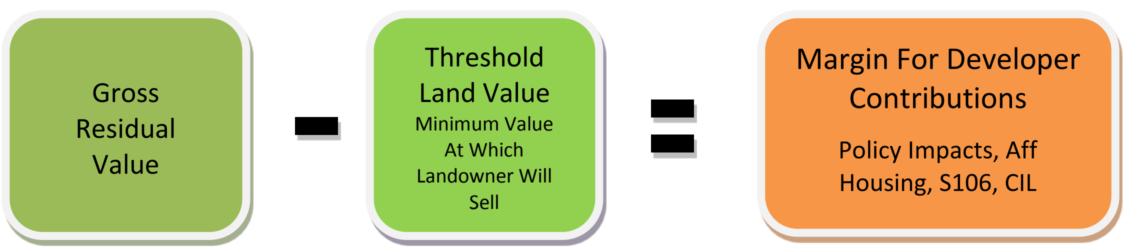
3.10 It is generally accepted that planning policy based developer contributions, will be extracted from the residual land value (ie the margin between development value and development cost including a reasonable allowance for developers profit). For the purpose of Local Plan Viability Assessment a benchmark or Threshold Land Value must be established to ascertain the remaining margin for developer contributions.

Stage 1 – Residual Valuation

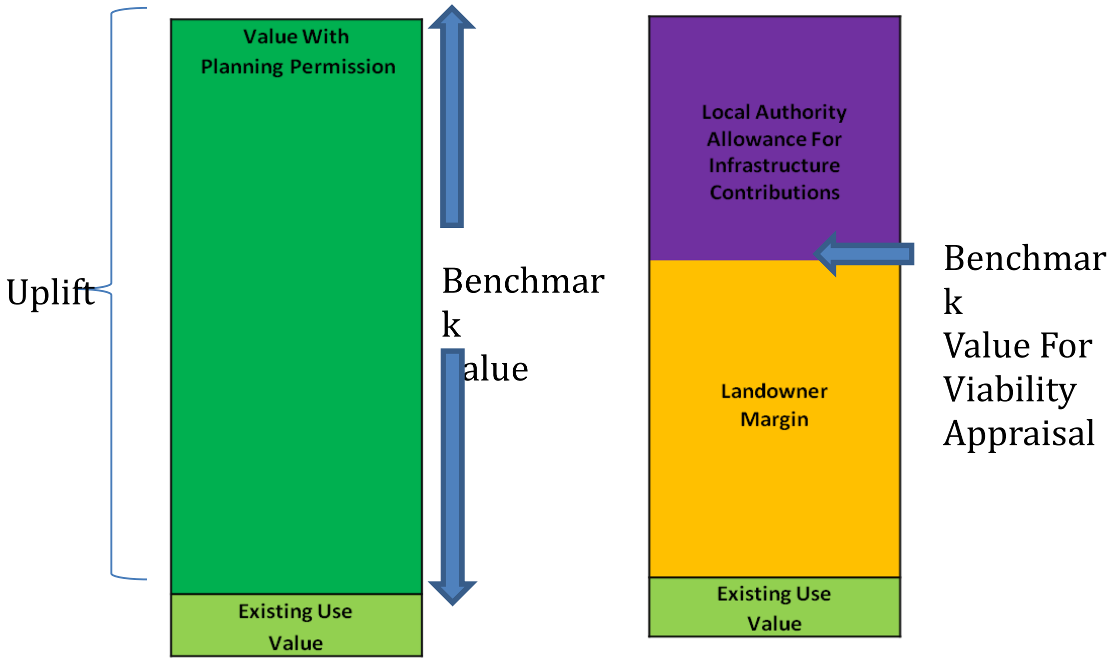


3.11 The approach to assessing the land element of the gross residual value is therefore the key to the robustness of any viability appraisal. There is no single method of establishing threshold land values for the purpose of viability assessment but the NPPF and emerging best practice guidance does provide a clear steer on the appropriate approach as discussed in the previous section.

Stage 2 – Establishing Threshold Land Value



Land Value Benchmarking (Threshold Land Values)



3.11 The above diagram illustrates the principles involved in establishing a robust benchmark for land value. Land will have an existing use value (EUV) based on its market value. This is generally established by comparable evidence of the type of land being assessed (eg agricultural value for greenfield sites or perhaps industrial value for brownfield sites may be regarded as reasonable existing use value starting points and may be easily established from comparable market evidence)

3.12 The Alternative Use Value is established by assessing the gross residual value between development value and development cost after a reasonable allowance for development profit, assuming planning permission has been granted. The gross residual value does not make allowance for the impact of development plan policies on development cost and therefore represents the maximum potential value of land that landowners may aspire to.

3.13 In order to establish a benchmark land value for the purpose of viability appraisal, it must be recognised that Local Authorities will have a reasonable expectation that, in granting planning permission, the resultant development will yield contributions towards infrastructure and affordable housing. The cost of these contributions will increase the development cost and therefore reduce the residual value available to pay for the land.

3.14 The appropriate benchmark value will therefore lie somewhere between existing use value and gross residual value based on alternative planning permission. This will of course vary significantly dependent on the category of development being assessed

3.15 The key part of this process is establishing the point on this scale that balances a reasonable return to the landowner beyond existing use value and a reasonable margin to allow for infrastructure and affordable housing contributions to the Local Authority.

Benchmarking and Threshold Land Value Guidance

3.16 Benchmarking is an approach which the Homes and Communities Agency refer to in 'Investment and Planning Obligations: Responding to the Downturn'. This guide states: "*a viable development will support a residual land value at a level sufficiently above the site's existing use value (EUV) or alternative use value (AUV) to support a land acquisition price acceptable to the landowner*".

3.17 The NPPF has introduced a more stringent focus on viability in planning considerations. In particular para 173 states:-

"To ensure viability, the costs of any requirements likely to be applied to development, such as requirements for affordable housing, standards, infrastructure contributions or other requirements should, when taking account of the normal cost of development and mitigation, provide competitive returns to a willing land owner and willing developer to enable the development to be deliverable"

3.18 The NPPF recognises that, in assessing viability, unless a realistic return is allowed to a landowner to incentivise release of land, development sites are not going to be released and growth will be stifled. The Local Housing Delivery Group guidance 'Viability Testing Local Plans' states :-

"Another key feature of a model and its assumptions that requires early discussion will be the Threshold Land Value that is used to determine the viability of a type of site. This Threshold Land Value should represent the value at which a typical willing landowner is likely to release land for development, before payment of taxes (such as capital gains tax)".

Different approaches to Threshold Land Value are currently used within models, including consideration of:

- *Current use value with or without a premium.*
- *Apportioned percentages of uplift from current use value to residual value.*
- *Proportion of the development value.*
- *Comparison with other similar sites (market value).*

We recommend that the Threshold Land Value is based on a premium over current use values and credible alternative use values. The precise figure that should be used as an appropriate premium above current use value should be determined locally. But it is important that there is evidence that it represents a sufficient premium to persuade landowners to sell".

NCS Approach to Land Value Benchmarking (Threshold Land Values)

3.19 NCS has given careful consideration to how the Threshold Land Value (ie the premium over existing use value) should be established.

3.20 We have concluded that adopting a fixed % over existing value is inappropriate because the premium is tied solely to existing value – which will often be very low - rather than balancing the reasonable return aspirations of the landowner to pursue a return based on alternative use as required by the NPPF. Landowners are generally aware of what their land is worth with the benefit of planning permission. Therefore a fixed % uplift over existing use value will not generally be reflective of market conditions and may not be a realistic method of establishing threshold land value.

3.21 We believe that the uplift in value resulting from planning permission should effectively be shared between the landowner (as a reasonable return to incentivise the release of land) and the Local Authority (as a margin to enable infrastructure and affordable housing contributions). The % share of the uplift will vary dependent on the particular approach of each Authority but based on our experience the landowner will expect a minimum of 50% of the uplift in order for sites to be released. Generally, if a landowner believes the Local Authority is gaining greater benefit than he is, he is unlikely to release the site and will wait for a change in planning policy. We therefore consider that a 50:50 split is a reasonable benchmark and will generate base land values that are fair to both landowners and the Local Authority.

The Shinfield Appeal Decision (APP/X0360/A/12/2179141) in January 2013 has provided clear support for this approach to establishing a 'reasonable return the landowner' under the requirements of the NPPF. The case revolved around the level of affordable housing and developer contributions that could be reasonably required and in turn the decision hinged on the land value allowed to the applicant as a 'reasonable return' to incentivise release of the site. The Inspector held that the appropriate approach to establishing the benchmark or threshold land value would be to split the uplift in value resulting from planning permission for the Alternative Use - 50:50 between landowner and the community.

The Threshold Land Value is established as follows :-

Existing Use Value + % Share Of Uplift from Planning Permission = Threshold Land Value

3.22 The resultant threshold values are then checked against market comparable evidence of land transactions in the Authority's area by our valuation team to ensure they are realistic. We believe this is a robust approach which is demonstrably fair to landowners and more importantly an approach which has been accepted at CIL and Local Plan Examinations we have undertaken.

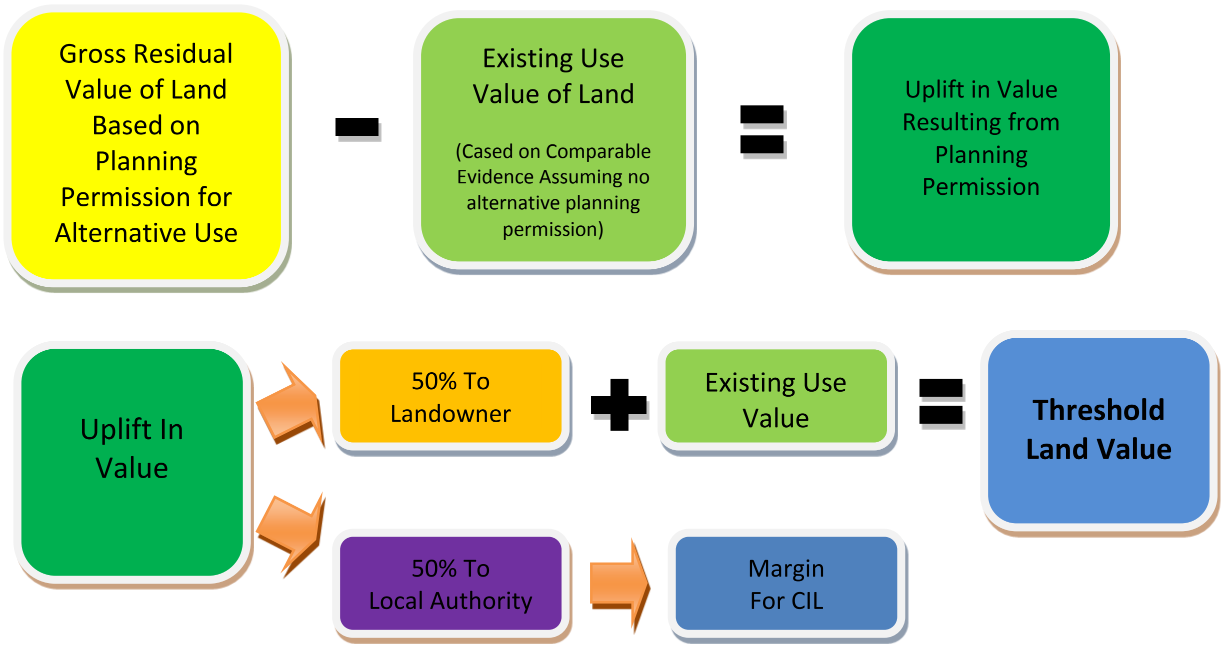
Worked Example Illustrating % over Existing Use vs % Share of Uplift

3.23 A landowner owns a 1 Hectare field at the edge of a settlement. The land is proposed to be allocated for residential development. Agricultural value is £20,000 per Ha. Residential land is being sold in this area for £1,000,000 per Ha. For the purposes of plan viability assessment what should this Greenfield site be valued at?

Using Fixed % over EUV the land would be valued at £24,000 (£20,000 + 20%)

Using % Share of Uplift in Value the land would be valued at £510,000 (£20,000 + 50% of the uplift between £20,000 and £1,000,000) – realising a market return for the landowner but reserving a substantial proportion of the uplift for infrastructure contribution.

Benchmarking Based on % Share of Uplift in Land Value



Brownfield and Greenfield Land Value Benchmarks

3.24 In order to represent the likely range of benchmark scenarios that might emerge in the plan period for the appraisal it will be necessary to test alternative threshold land value scenarios. A greenfield scenario will represent the best case for developer contributions as it represents the highest uplift in value resulting from planning permission. The greenfield existing use is based on agricultural value

3.25 The median brownfield position recognises that existing commercial sites will have an established value. The existing use value is normally based on a low value brownfield use such as industrial. In Luton, where prime industrial land is very valuable due to roximity to London, the Airport and the M1, we adopt 'secondary' or 'underperforming' commercial land value to represent the sort of brownfield sites from which residential development is likely to emerge. The viability testing firstly assesses the gross residual value (the maximum potential value of land based on total development value less development cost with no allowance for affordable housing, CIL, sec 106 contributions or planning policy cost impacts). This is then used to apportion the share of the potential uplift in value to the greenfield and brownfield benchmarks. This is considered to represent a reasonable scope of land value scenarios in that change from a high value use (eg retail) to a low value use (eg industrial) is unlikely.

3.26 The following benchmark scenarios are considered by the study

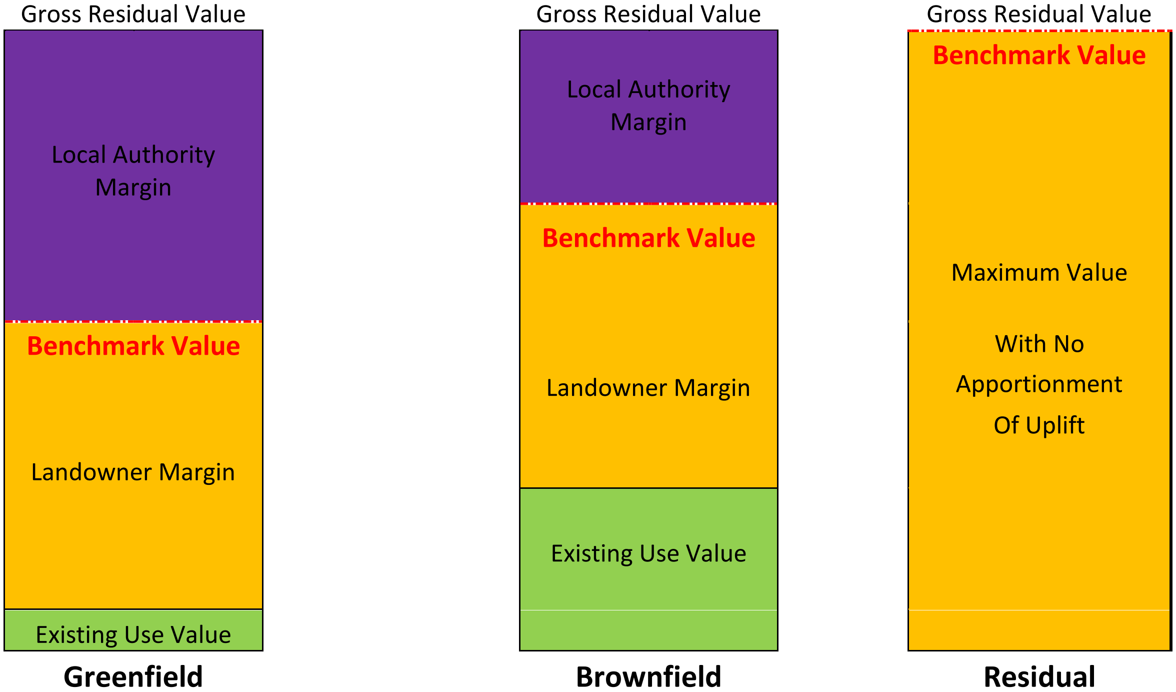
Residential

Benchmark 1	Greenfield	Agricultural Equivalent EUV –> Residential Value
Benchmark 2	Brownfield	Underperforming Commercial Equivalent EUV –> Residential Value

Commercial

Benchmark 1	Greenfield	Agricultural Equivalent EUV -> Proposed Commercial Use
Benchmark 2	Brownfield	Underperforming Commercial Equivalent EUV –> Proposed Commercial Use

3.27 The viability study normally assumes that affordable housing land has no value because development costs generally exceed affordable housing sales value. In very high value areas adjustments are made to this assumption to reflect affordable housing land value as appropriate.



3.28 The above diagram illustrates the concept of Benchmark Land Value. The level of existing use value for the three benchmarks is illustrated by the green shading. The uplift in value from existing use value to proposed use value is illustrated by the blue and gold shading. The gold shading represents the proportion of the uplift allowed to the landowner for profit. The blue shading represents the allowance of the uplift for developer contributions to the Local Authority. The Residual Value assumes maximum value with planning permission with no allowance for planning policy cost impacts. This benchmark is used solely to generate the brownfield and greenfield threshold values.

3.29 Whilst brownfield land evaluation with a higher benchmark land value will necessarily indicate that less margin exists for policy cost impacts.

3.30 The 'Market Comparable' land values will normally represent the highest land value assumptions of the three assessed benchmarks as they cannot make allowance for the introduction of the new policy that is being assessed and which will have subsequent impact on value, once adopted.

Residual Valuation & Development Appraisal

3.31 NCS do not rely solely on residual value appraisal to assess viability. Alternative methodologies rely on subtracting development costs and profit from development value and inputting assumed developer contributions and policy impact costs to give a residual value for land. This residual value is then compared to a benchmark value. If it is equal to or higher to the benchmark the development is deemed to be viable.

3.32 The problem with the residual value approach is that it doesn't factor in the finance cost of land – which will be the element of development cost that is incurred up front and carry finance costs through the entire development process. The omission of this finance cost could potentially give a false picture of development viability.

3.33 NCS therefore adopt a development appraisal approach rather than a residual land value approach. NCS has developed a bespoke model specifically to assess the economic viability of development. This model factors in land value (threshold land value as discussed in the previous section) as a key element of development cost. In this way the finance charges for of all elements of development cost are properly assessed including land.

The Viability Model

3.34 The NCS model is based on standard development appraisal methodology, comparing development value to development cost. The model factors in a reasonable return for the landowner with the established threshold value, a reasonable profit return to the developer and the assessed cost impacts of proposed planning policies to determine if there is a positive or negative residual output. Provided the margin is positive (ie Zero or above) then the development being assessed is deemed viable. The principles of the model are illustrated below.

Development Value (Based on Floor Area) Eg 10 x 100sqm 3 Bed Houses x £2,200per sqm	£2,200,000
Development Costs	
Land Value	£400,000
Construction Costs	£870,000
Abnormal Construction Costs (Optional)	£100,000
Professional Fees (% Costs)	£90,000
Legal Fees (% Value)	£30,000
Statutory Fees (% Costs)	£30,000
Sales & Marketing Fees (% Value)	£40,000
Contingencies (% Costs)	£50,000
Section 106 Contributions/Policy Impact Cost Assumptions	£90,000
Finance Costs (% Costs)	£100,000
Developers Profit (% Return on GDV)	£350,000
Total Costs	£2,175,000
Output	
Viability Margin	£50,000
Potential CIL Rate (CIL Appraisal only)	£25 sqm

Property Sales Values

3.28 The sale value of the development category will be determined by the market at any particular time and will be influenced by a variety of locational, supply and demand factors as well as the availability of finance. The study uses appropriate available evidence to give an accurate representation of the market circumstances on which Development Plan policy will be based. Sales value evidence is based on the Valuation survey undertaken by Heb Surveyors in 2015.

Table I Residential Sales Values

Sales Values						
Sub Market Area	Sales Value £sqm					
	1 bed/studio Apartment	2 Bed Apartment	2 Bed Terrace	3 Bed Semi/Detached	4 Bed Detached	Bungalow
Boroughwide	2475	2475	2600	2600	2475	3000

Sub Market Areas

4.1 The Heb valuation study concluded that variations in land and property values were not significant enough to justify delineation of sub-markets and application of differential value assumptions.

Affordable Housing

4.2 The residential viability tests factor in affordable housing in accordance with the Council's relevant policy on proportion and mix. The following extract from a generic sample residential viability appraisal model illustrates how affordable housing is factored into the residential valuation assessment. The relevant variables (eg unit numbers, types, sizes, affordable proportion, tenure mix etc) are inputted into the appropriate cells. The model will then calculate the overall value of the development taking account of the relevant affordable unit discounts.

Table II Extract from Residential Viability Model

DEVELOPMENT SCENARIO		Mixed Residential Development					Apartments	10
BASE LAND VALUE SCENARIO		Greenfield to Residential					2 bed houses	20
DEVELOPMENT LOCATION		Urban Zone 1					3 Bed houses	40
DEVELOPMENT DETAILS		100	Total Units				4 bed houses	20
Affordable Proportion	30%	30	Affordable Units				5 bed house	10
Affordable Mix	30%	Intermediate	40%	Social Rent	30%		Affordable Rent	
Development Floorspace		6489	Sqm Market Housing		2,163		Sqm Affordable Housing	
Development Value								
Market Houses								
7 Apartments	65	sqm	2000	£ per sqm				£910,000
14 2 bed houses	70	sqm	2200	£ per sqm				£2,156,000
28 3 Bed houses	88	sqm	2200	£ per sqm				£5,420,800
14 4 bed houses	115	sqm	2200	£ per sqm				£3,542,000
7 5 bed house	140	sqm	2200	£ per sqm				£2,156,000
Intermediate Houses	60%	Market Value						
3 Apartments	65	sqm	1200	£ per sqm				£210,600
5 2 Bed house	70	sqm	1320	£ per sqm				£415,800
2 3 Bed House	88	sqm	1320	£ per sqm				£209,088
Social Rent Houses	40%	Market Value						
4 Apartments	65	sqm	800	£ per sqm				£187,200
6 2 Bed house	70	sqm	880	£ per sqm				£369,600
2 3 Bed House	88	sqm	880	£ per sqm				£185,856
Affordable Rent Houses	50%	Market Value						
3 Apartments	65	sqm	1000	£ per sqm				£175,500
5 2 Bed house	70	sqm	1100	£ per sqm				£346,500
2 3 Bed House	88	sqm	1100	£ per sqm				£174,240
100 Total Units								
Development Value								**£16,459,184**

4.3 It is important to note that the model applies % proportions and further % tenure splits to the housing scenarios which will generate fractional unit numbers. The model automatically rounds to the nearest whole number and therefore some results appear to attribute value proportions to houses which do not register in the appraisal. The fractional distribution of affordable housing discounts is considered to represent the most accurate illustration of the impact of affordable housing policy on viability

4.4 Affordable Housing delivery at the Council's target of 20% was tested. The following Affordable Housing assumptions were employed in the viability testing relating to the tenure mix between Intermediate, Social Rent and Affordable Rent housing types. Finally the transfer values in terms of % of open market value are set out for each tenure type.

Table III Affordable Housing Assumptions

Affordable Housing				
	Proportion %		Tenure Mix %	
		Intermediate	Social Rent	Affordable Rent
Boroughwide	20%	28%	0%	72%
Transfer Values		60%	40%	50%

Residential Development Scenarios For Site Specific Testing

4.5 For the purpose of the individual site assessments, Luton has been divided into a series of Character Typology. A particular mix of housing types has been used in the viability testing to reflect the type of residential development likely to emerge over the plan period. The Character Typologies which establish house types and mix are summarised on the table on the following page.

4.6 It should be noted that the density assumptions are only used to generate plot values from the residual land values per Ha that are calculated by the Viability Assessment model. They are not used to calculate unit numbers in the individual site assessments. The proposed unit numbers on each site have been provided by Luton BC and are set out in the tables at section 5.
The model calculates an allowance for site value based on the number of units on the site (based on the unit plot values) rather than on the site area alone. This recognises that a site that achieves a planning consent for, as an example, 200 apartments is potentially of greater value than if only 100 apartments are achieved. The unit plot value is based on the land value divided by a density assumption for that unit type (eg 150 units per Ha for 1 bed apartments and 30 units per Ha for Bungalows).

4.7 House Types reflect the type of housing considered likely to emerge in Luton over the Plan period and the house type sizes are all equal to or in excess of minmum National Housing Standards

Table IV Residential Mix, Size and Density Assumptions

Character Typology	House Type	Size (sqm)	Density (per Ha)	Housing Mix
Victorian Terraced Area	1 Bed Apt	50	150	10%
	2 Bed Apt	65	120	10%
	2 Bed Terrace	75	55	45%
	3 Bed Detached	93	35	35%
			Overall Density 64	
Post War	1 Bed Apt	50	150	5%
	2 Bed Apt	65	120	10%
	2 Bed Terrace	75	55	45%
	3 Bed Detached	93	35	35%
	Bungalow	100	30	5%
			Av Density 59	
Contemporary Devt	2 Bed Terrace	75	55	30%
	3 Bed Semi	93	45	30%
	3 Bed Detached	93	35	35%
	Bungalow	100	30	5%
			Av Density 44	
Pre War/Inter War	2 Bed Apt	65	120	10%
	2 Bed Terrace	75	55	25%
	3 Bed Semi	93	45	35%
	4 Bed Detached	110	25	25%
	Bungalow	100	30	5%
			Av Density 50	
Town Centre	I Bed Apt	50	150	40%
Mixed Use Fabric	2 Bed Apt	65	120	40%
	3 Bed Semi	93	45	20%
			Av Density 117	
Industrial	2 Bed Terrace	70	55	60%
	3 Bed Terrace	75	45	40%
			Av Density 51	
Low Rise Apartments	1 Bed Apt	50	150	60%
	2 Bed Apt	65	120	40%
			Av Density 138	
High Rise Apartments	1 Bed Apt	50	300	60%
	2 Bed Apt	65	200	40%
			Av Density 260	

Commercial Development Assumptions

4.8 The density assumptions for commercial development will be specific to the development category. For instance the floorplate for industrial development is generally around 50% of the site area to take account of external servicing, storage and parking, Offices will vary significantly dependent on location, town centre offices may take up 100% of the site area whereas out of town locations where car parking is a primary consideration, the floorplate may be only 25% of the site area. Food retailing generally has high car parking requirements and large site areas compared to floorplates.

4.9 The viability model also makes allowance for net:gross floorspace. In many forms of commercial development such as industrial and retail, generally the entire internal floorspace is deemed lettable and therefore values per sqm and construction costs per sqm apply to the same area. However in some commercial categories (eg offices) some spaces are not considered lettable (corridors, stairwells, lifts etc) and therefore the values and costs must be applied differentially. The net:gross floorspace ratio enables this adjustment to be taken into account.

4.10 The table below illustrates typical commercial category and development sample testing as well as generic density assumptions and net:gross floorspace ratio for each category. The density assumptions for the commercial elements of the Strategic Site tests are set out in more detail at section 5.7.

Table V Commercial Size and Density Assumptions

Commercial Development Sample Typology Unit Size & Land Plot Ratio			
		Plot Ratio %	Gross:Net
Industrial	B1b B1c B2 B8	150%	1.0
Office	B1a	150%	1.2
Food Retail	A1	300%	1.0
General Retail	A 1 A2 A3	150%	1.0
Hotels	C3	200%	1.2
Leisure	D2	300%	1.0

Construction Costs and Standards

4.11 The base construction cost rates will reflect allowances for external works, drainage, servicing preliminaries and contractor’s overhead and profit. The viability assessment will include a 5% allowance for construction contingencies.

4.12 It is acknowledged that the Code for Sustainable Homes are being replaced by changes to the Building Regulations based on the National Housing Standards. The latest government guidance is that forthcoming Building Regulation changes will not impose standards beyond an equivalent of CoSH 4 and the cost rates adopted in the study reflect this.

4.13 The Government's recent change in position on the introduction of Zero Carbon in 2016 is reflected with no specific additional allowances being madw within the cost rates.

4.14 The Commercial Viability assessments are based on BREEAM 'Excellent' construction rates.

The following residential and commercial construction rates are adopted in the study based on the advice contained in the Gleeds Construction Cost report undertaken in March 2015.

Table VI Residential Cost Assumptions

Construction Cost Sqm		
Low Rise Apartment	1113	sqm
High Rise Apartment	1582	sqm
2 bed houses	1044	sqm
3 Bed houses	1044	sqm
4 bed houses	1044	sqm
5 bed house	1044	sqm

Table VII Commercial Cost Assumptios

Commercial Construction Cost per Sqm			
Industrial	B1b B1c B2 B8	722	sqm
Office	B1a	1486	sqm
Food Retail	A1-A5	1260	sqm
General Retail	A3	946	sqm
Hotels	C3	1606	sqm
Leisure	D2	1392	sqm

4.15 £40 per sqm is added to all residential cost rates in the appraisals to incorporate the impact of Policy LP37 as set out at section 4.21.

Abnormal Construction Costs

4.16 Abnormal Site Constraint Costs associated with the development of individual sites have been identified for the individual testing of allocated sites. Advice on cost allowances for these constraints was obtained from Gleeds and is summarised in the table below.

4.17 It will not, of course, be possible to provide accurate assessment of site specific abnormal construction costs. Viability assessment of this nature is necessarily a generic test. Nevertheless it is considered that the assumptions are sufficiently robust to provide an overview of the viability of the allocated sites in the Plan, accepting that more detailed assessment may be required for individual sites at planning application stage.

4.18 No allowances have been made for demolition costs in the viability assessments as the specific costs are not known at this stage. As a general rule significant demolition costs would be reflected in adjustments to land value so to allow demolition costs as ageneric brownfield abnormal may be considered double counting.

Table VIII Abnormal Cost Assumptions

Abnormal Site Development Costs	Budget Cost £/Hectare
Archaeology	**£10,000**
Typically, Archaeology is addressed by a recording/monitoring brief by a specialist, to satisfy planning conditions Intrusive archaeological investigations are exceptional and not allowed for in the Budget cost	
Flood Defence Works	**£25,000**
Generally involves raising floor levels above flood level, on relevant sites Budget £2,000 per unit x 35 units/Hect, apply to 1 in 3 sites	
Site Specific Access Works	**£20,000**
New road junction and S278 works, allowance for cycle path linking Major off-site highway works not allowed for.	
Land Contamination	**£25,000**
Heavily Contaminated land is not considered, as remediation costs will be reflected in the land sales values Allow for remediation/removal from site of isolated areas of spoil with elevated levels of contamination	
Ground Stability	**£20,000**
Former Mining area. Allow raft foundations to dwellings, on 75% of sites Budget £2000 per unit x 35 units x 25% of sites	
Utilities	**£80,000**
Allowance for Infrastructure Upgrade	
Site Specific Biodiversity Mitigation/Ecology	**£20,000**
Allow for LVIA and Ecology surveys and mitigation and enhancement allowance.	

Planning Policy Cost Impacts

4.19 The study has considered the impacts of policies proposed in the Plan on the economic viability of development. The following policies were considered to have a negligible or indirect impact on the economic viability of development or relate to cost impacts that are already accounted for in the base construction rates and were not therefore cost impacts were not specifically considered in the viability testing.

LP25 High Quality Design
LP27 Open Space and Natural Greeenspace
LP29 Landscape and Geological Protection
LP31 Sustainable Transport Strategy
LP32 Parking
LP33 Freight
LP35 Communications Infrastructure

4.20 It is considered that Policy LP37 Climate change, carbon reduction and sustainable energy will have a direct impact on development costs and this has been factored into the study as follows

The policy states :-

- new developments to be designed and constructed according to the following "Energy Hierarchy":
    i. reduce energy demand through passive design and efficiency measures;
    ii. generate energy from low and zero carbon sources on site;
    iii. meet and potentially exceed the carbon reduction requirements set in the Building Regulations Part L;
    iv. supply energy efficiency through decentralised energy generation.
- new residential development will be required to meet the full Code for Sustainable Homes standards or future successive standards arising from updates to Part L of the Building Regulations.
- considering density, mix of use, layout and phasing, design of new development of all sizes should make use of available heat, biomass and waste heat to maximise decentralised energy solutions which contribute towards the establishment of a strategic decentralised energy network(s) in suitable locations:
    - developments of all sizes should seek to and connect up to any available decentralised energy network; and
    - if not available, developments should consider installing a network to serve the site compatible with any future area wide network, prioritising Combined Heat and Power as an energy source; and
    - applicants should demonstrate that the development's energy strategy is compatible with connection to a future network.
- where on-site renewable or decentralised energy solutions are not achievable, provision should be made for 'off-site carbon reduction measures i.e. 'allowable solutions' such as investments in local carbon reducing retrofitting schemes or any ring fenced Borough 'community energy fund' delivering local strategic carbon reduction schemes regulated by any future supplementary planning document.

Gleeds have estimated the additional average construction costs that would be incurred in compliance with this policy as follows :-

i) Professional Fees in Connection with Production of energy statements £5sqm
ii) Decentralised Energy Connection £35sqm

It was therefore recommended that an overall additional sum of £40sqm is allowed to cover the impact of Policy LP37. This has been added to the base construction rates.

Community Infrastructure Levy

4.21 Luton BC is not currently seeking to adopt CIL given the need to focus on the need to meet the affordable housing needs of the Borough. Therefore no allowance for CIL has been made in the appraisals.

4.22 Similarly no allowance has been made in the appraisal for commercial CIL charges.

Planning Obligation Contributions

4.23 Whilst Luton is considering the adoption of CIL, is anticipated that planning obligations will continue to be used to fund infrastructure, particularly in connection with residential development. Historically Luton has collected S106 contributions of £2200 per dwelling and this figure has therefore been adopted in the viability appraisal. Further consideration to planning obligation contributions may be considered at Application stage subject to individual site viability considerations.

4.24 An allowance of £20sqm has been for commercial planning obligation contributions based on advice from Luton. On the assumption that average commercial development will be at 50% plot ratio (ie 5000sqm per Ha) an allowance £10,000 per Ha has been made in the strategic site appraisals.

Developers Profit

4.25 Developers profit is generally fixed as a % return on gross development value or return on the cost of development to reflect the developer's risk. In current market conditions, and based on the minimum lending conditions of the financial institutions. A 20% return on GDV is used in the residential viability appraisals to reflect speculative risk.

4.26 A reduced level of return is used in the commercial appraisals to reflect the likelihood that, where there is developer involvement, commercial development will be pre-let or pre-sold with a reduced level of risk. It cannot be assumed that all development will be undertaken by developers and therefore the adoption of a full speculative developers profit allowance would be innappropriate. In reality it is likely that many commercial developments will be undertaken direct by occupiers and therefore the Site Specific Appraisals in Section 5 assume a reduced profit allowance of 10% for commercial development to reflect the fact that some development will only require occupier's management and opportunity costs rather than a full developer's profit allowance.

Delivery Timescale

4.27 The delivery of housing and sites has been considered over a plan period of 15 years and broken down into 5 year delivery periods from 0-5 years, 6-10 years and 11-15 years. Larger sites have assumed phased delivery across all three periods.

4.28 Based on forecasts from industry research the following broad assumption adjustments have been applied to the values and costs in the study in the three appraisal periods. There will obviously be significant fluctuations over a 15 year plan period with higher residential value growth likely in the early part of the cycle but the figures are considered to represent reasonable estimates for the purpose of the Viability Appraisal.

4.29 In accordance with guidance contained in the NPPF no adjustments are made in the 0-5 year opening period of the Plan.

Table IX Time Adjustment Assumptions

Assumption Adjustments			
Residential Values Av Annual Increase	2015-2031	3%	
Construction Costs Av Annual increase	2015-2031	2%	
Delivery Period	0-5 Years	6-10 Years	11-15 Years
Value Adjustment	0%	27%	46%
Costs Adjustment	0%	17%	29%

4.30 The adjustment applied to the 0-5 year period assumes a median position with compounded adjustments applied over 3 years. A period of 8 years of compounded adjustments is applied to the 6-10 year period and 13 years for the 11-15 year period. Adjustments are similarly applied to Abnormal Site Constraint Costs.

Strategic Site Appraisals

4.31 The following strategic sites were assessed as part of the study. Assumptions were made on net developable areas to inform land values and abnormal cost allowances, based on the proposed development floorspace.

1 Power Court	7.23 Ha Net	15500 B1 3700sqm General Retail 600 Residential Units
	Abnormals	Archaeology Flood Relief Site Access River Lea Enhancement (from Residential S106)
2. Napier Park	12 Ha Net	16500sqm B1/B2/B8 30150 sqm Office 4645sqm Food Retail 4080sqm General Retail 15200sqm Hotel 2500sqm Leisure 625 Residential Units
	Abnormals	Site Access £1.7 Million
3.Butterfield Green	20 Ha Net	55,000sqm B1
4.Land South of Stockwood Park	14Ha Net	45,000sqm B1/B2/B8 Park and Ride Car Park (not assessed) 1500sqm General Retail Football Stadium
	Abnormals	Junc 10a Improvement £2Million (assume alt funding) Sub station Improvement £400,000

5.Creative Quarter	4Ha Net	13800 B1 1990sqm General Retail 3000sqm Hotel 375 Residential Units
	Abnormals	Archaeology Site Access
6. Century Park	30 Ha Net	111480sqm B1/B2/B8 10446sqm Food and General Retail 18573sqm Hotel 1161sqm Leisure
	Abnormals	New sub station £5 Million New Link Road from Airport £7.9 Million (NB Partial link from Presidents Way to Century Park - does not include any other airport highway infrastructure)

5 Site Viability Appraisal Results

5.1 The site specific testing indicates whether individual development sites are considered viable on a 'traffic light' red, green, amber approach.

Green – Site considered viable having made allowance for all reasonable development impacts, a standard developers profit and return to the landowner.

Amber – Site considered capable of viable development making allowance for all reasonable development impacts, a standard developers profit but acknowledging that landowners may need to accept land value reductions for abnormal site development costs if development is to proceed.

Red – Site not currently considered viable based on implementation of Council policies and standard returns to landowners. It should be recognised that sites in this category may be viable if the Council is minded to relax affordable housing or infrastructure contributions and landowner/developers accept that abnormal development costs reduce profit return.

5.2 The viability assessment results for all the residential sites are set out below broken down into 0-5 year, 6-11 year and 11-15 year delivery periods and also into the 'character typologies' set out at section 4.7.

5.3 The strategic site mixed use appraisal results are also set out according to assumed 0-5 year, 6-10 and 11-15 year delivery periods.

5 Site Viability Appraisal Results

0-5 Year Delivery (2015-2020)

Ref	Site	Size	Units	Type	Viability
Contemporary Development Character					
320	111 North Street	0.16	14	Brownfield	
459	Land at Clinton Avenue	1.22	36	Greenfield	
Industrial Character					
191	Kimpton Road (Napier Park)	0.79	32	Brownfield	
349	97 High Street	0.31	12	Brownfield	
309	Open space at Ickley Close	2.90	56	Greenfield	
448	Land Adj 18-20 Yeovil Road	0.13	5	Greenfield	
149	Marsh Farm Central Area	6.61	11	Brownfield	
475	Garage site Aldenham Close	0.13	5	Brownfield	
232	Land rear of 92 Oakley Road	0.09	5	Greenfield	
177	Land at Birchen Grove	1.70	36	Greenfield	
164	Bradley Road Recreation Ground	1.21	42	Greenfield	
330	Land at Roebuck Close	2.40	110	Greenfield	
182	69 Felstead Way	0.30	23	Brownfield	
160	Moreton Park, Moreton Rd South	0.83	18	Brownfield	
344	Milan Day Centre	0.20	10	Brownfield	
174	Land at Caleb Close	1.30	47	Brownfield	
342	The Laurels, Ely Way	0.50	14	Brownfield	
366	The Favourite, Sundan Park Road	0.35	14	Brownfield	
476	Bowling Green, Abigail Road	0.20	12	Greenfield	
150	Power Court	0.90	75	Brownfield	
303	Car Park Adj 69 Adelaide Street	0.13	11	Brownfield	
435	52 - 54 Bute Street	0.02	6	Brownfield	
424	Garage block, Thricknells Close	0.12	8	Brownfield	
455	86 Princess Street	0.05	5	Brownfield	
449	Albany House, Concorde Street	0.05	10	Brownfield	
432	10 - 12 Chapel Street	0.03	6	Brownfield	
340	Land at Union Street/ Oxford Road	0.03	10	Brownfield	
185	6-8 Dudley Street & 33 Albion Road	0.06	7	Brownfield	
454	39 Upper George Street	0.04	13	Brownfield	
458	12-14 Park Street	0.12	14	Brownfield	
451	Beech House, 6 Cardiff Road	0.03	14	Brownfield	
440	153 New Town Street	0.05	5	Brownfield	
428	The Stags Head, 80 Russell Street	0.03	7	Brownfield	
447	Dukes Court Bus Centre, Wellington Street	0.05	10	Brownfield	
324	Land at Burfield Court	0.44	12	Brownfield	
429	Land rear of 27 Salisbury Road	0.05	7	Brownfield	
205	15-19 Downs Road	0.16	7	Brownfield	
480	52 Duke Street	0.03	12	Brownfield	

0-5 Year Delivery (2015-2020)

Ref	Site	Size	Units	Type	Viability
Low Rise Apartments Character					
431	25 - 31 Chester Avenue	0.09	8	Brownfield	
423	Downton Court, Brook Street	0.13	8	Brownfield	
425	14 South Road	0.05	8	Brownfield	
201	21-25 Chapel Street	0.08	39	Brownfield	
481	Land to the north-west of 52 Duke Street	0.05	10	Brownfield	
319	7-11 King Street	0.05	14	Brownfield	
193	Marlborough Works, Archway Road	0.08	11	Brownfield	
406	Unity House, 111 Stuart Street	0.17	40	Brownfield	
452	Wesley House, 19 Chapel Street	0.19	80	Brownfield	
304	89 - 93 Park Street	0.08	13	Brownfield	
235	7A Old Bedford Road	0.03	13	Brownfield	
415	22 to 36 Hastings Street	0.05	18	Brownfield	
212	1 Grove Road	0.12	21	Brownfield	
456	Connaught House, 15-17 Upper George Street	0.04	15	Brownfield	
419	40-44 Rothesay Road	0.08	16	Brownfield	
457	Grosvenor House, 45-47 Alma Street	0.03	12	Brownfield	
450	Nightingale House, 94 Inkerman Street	0.06	15	Brownfield	
233	6-14 Old Bedford Road	0.09	39	Brownfield	
343	Westlea Old Peoples Home, 121 High Street	0.83	57	Brownfield	
246	15-19 John Street	0.05	22	Brownfield	
479	Former recreation centre, Old Bedford Road	0.72	80	Brownfield	
147	High Town Block M, Burr Street	0.43	97	Brownfield	
221	Midland House, 41 King Street	0.09	44	Brownfield	
250	20-20A North Street & 61-67 Dudley Street	0.17	52	Brownfield	
337	Land to the west of Newlands Road	2.50	234	Greenfield	
207	41 Dudley Street	0.13	25	Brownfield	
365	146 to 158 Park Street	0.24	29	Brownfield	
335	Castle Street/ Oxford Road and Park Viaduct	0.15	24	Brownfield	
439	Mill Gardens, 16 - 26 Mill Street	0.07	5	Brownfield	
418	26-30 Cardiff Road	0.06	45	Brownfield	
207	41 Dudley Street	0.13	25	Brownfield	
235	7A Old Bedford Road	0.03	13	Brownfield	
250	15-19 John Street	0.05	22	Brownfield	
250	20-20A North Street & 61-67 Dudley Street	0.17	52	Brownfield	
319	7-11 King Street	0.05	14	Brownfield	
337	Land to the west of Newlands Road	2.50	234	Brownfield	
406	Unity House, 111 Stuart Street	0.17	40	Brownfield	
233	6-14 Old Bedford Road	0.09	39	Brownfield	
479	Former recreation centre, Old Bedford Road	0.72	80	Brownfield	
201	21-25 Chapel Street	0.08	39	Brownfield	
335	Castle Street/ Oxford Road and Park Viaduct	0.19	80	Brownfield	
191	Napier Park, Kimpton Road	2.00	400	Brownfield	
150	Power Court	0.90	75	Brownfield	

6-10 Year Delivery (2021-2025)

Ref	Site	Size	Units	Type	Viability
359	Bramington Centre, Weltmore Road	1.40	70	Brownfield	
470	Wigmore Hall	0.18	9	Brownfield	
Industrial Character					
138	High Town Block D, Albion Road	0.16	6	Brownfield	
139	High Town Block H, Duke Street	2.53	64	Brownfield	
155	Guardian Industrial Estate	1.58	64	Brownfield	
191	Napier Park, Kimpton Road	6.00	200	Brownfield	
361	2-32 Beechwood Road	0.61	15	Brownfield	
364	10-12 Caleb Close	0.33	24	Brownfield	
412	38a Wingate Road	0.61	15	Brownfield	
144	High Town Block J	0.51	19	Brownfield	
460	Britannia Estate	1.50	100	Brownfield	
402	Land at the Orchard Centre, Strangers Way	0.81	67	Brownfield	
478	The Roman Way, Tomlinson Avenue	0.24	9	Brownfield	
161	Oxen Industrial Estate, Oxen Road	0.60	48	Brownfield	
174	Land at Caleb Close	1.30	47	Brownfield	
194	4-8 Arundel Rd	0.31	11	Brownfield	
182	69 Felstead Way	0.48	36	Brownfield	
321	Petrol Station, 116-124 Wingate Rd	0.32	13	Brownfield	
471	Saints Community Centre	0.18	9	Brownfield	
472	Old School House, Trinity Road	0.13	7	Brownfield	
150	Power Court	4.50	375	Brownfield	
198	Rear of 66-76 Castle Street	0.21	11	Brownfield	
141	High Town Block F	0.38	29	Brownfield	
146	High Town Block L	0.29	11	Brownfield	
353	Car Park Adj 95 Maple Road East	0.65	49	Brownfield	
433	Land Adj 18 Cowper St & 17 Tavistock	0.05	7	Brownfield	
477	The Parrott, Whipperley Ring	0.28	10	Brownfield	
422	Land and buildings 98-100 Wenlock Street	0.15	8	Brownfield	
241	43 Ridgway Road	0.22	18	Brownfield	
426	4 Dunstable Place & 9 Upper George Street	0.03	8	Brownfield	
176	Car Park off Telford Way	0.52	39	Brownfield	
245	7 Windmill Road	0.08	8	Brownfield	
214	35 Guildford Street	0.04	14	Brownfield	
203	45-47 Collingdon Street	0.04	14	Brownfield	
387	124 Crawley Green Road	0.30	15	Greenfield	
333	Sherd Lodge, Sherd Close	0.29	27	Brownfield	
238	42-44 Park Street	0.02	17	Brownfield	

6-10 Year Delivery (2020-2025)

Ref	Site	Size	Units	Type	Viability
Low Rise Apartments Character					
224	46 London Road	0.11	14	Brownfield	
140	High Town Block E, Old Bedford Road	1.71	40	Brownfield	
351	27A Upper George Street	0.11	26	Brownfield	
197	14 Cardiff Road	0.14	64	Brownfield	
195	Car park on Brunswick Street	0.32	40	Brownfield	
401	Whitbread House, Flowers Way	0.40	96	Brownfield	
199	27-37 Chapel Street	0.14	48	Brownfield	
222	Crescent House, 1-5 Latimer Road	0.17	80	Brownfield	
352	40-58 Collingdon Street	0.22	88	Brownfield	
148	Station Quarter	1.48	375	Brownfield	
208	13-31 Dunstable Road	0.25	124	Brownfield	
210	Land opposite Whitbread House, Flowers Way	0.44	202	Brownfield	
436	2 Thornhill Road	0.11	6	Brownfield	
335	Castle Street/ Oxford Road and Park Viaduct	0.10	20	Brownfield	
348	27 Crawley Road	0.04	12	Brownfield	
335	Land & buildings at Castle Street/ Oxford Road and Park Viaduct	0.10	20	Brownfield	
191	Napier Park, Kimpton Road	1.00	200	Brownfield	
150	Power Court	1.80	150	Brownfield	
140	High Town Block E, Old Bedford Road	1.71	40	Brownfield	
214	35 Guildford Street	0.04	14	Brownfield	
238	42-44 Park Street	0.02	17	Brownfield	
352	40-58 Collingdon Street	0.22	88	Brownfield	
148	Station Quarter	1.48	375	Brownfield	
351	27A Upper George Street	0.11	26	Brownfield	
208	13-31 Dunstable Road	0.25	124	Brownfield	
210	Land opposite Whitbread House, Flowers Way	0.44	202	Brownfield	
222	Crescent House, 1-5 Latimer Road	0.17	80	Brownfield	
401	Whitbread House, Flowers Way	0.40	96	Brownfield	

11-15 Year Delivery

Ref	Site	Size	Units	Type	Viability
Industrial Character					
139	High Town Block D, Albion Road	0.33	14	Brownfield	
143	High Town Block H, Duke Street	1.20	32	Brownfield	
145	High Town Block K, Concorde Street	2.44	72	Brownfield	
180	Dalroad Industrial Estate	0.79	32	Brownfield	
460	Britannia Estate	3.90	194	Brownfield	
339	Land at Stockingstone Road	2.25	56	Brownfield	
150	Power Court	1.81	150	Brownfield	
220	Luton Town Football Club	1.50	75	Brownfield	
363	Royal Mail, Sarum Road	0.15	12	Brownfield	
190	Extension to Mall	2.40	43	Brownfield	
218	39-51 John Street	0.03	60	Brownfield	
175	Car Parks on Dunstable Place	0.29	41	Brownfield	
183	The Windsor Castle, 12 Albert Road	0.08	41	Brownfield	
188	142-144 Midland Road	0.08	46	Brownfield	
202	37-47 Cheapside	0.11	59	Brownfield	

Strategic Sites (Residential & Commercial Use)

Luton Strategic Site Viability Appraisals

Site	Extg Use	Delivery	Commercial Floorspace	Housing Units	Viability
Power Court	Brownfield	0-15 Year	19,200	600	
Napier Park	Brownfield	0-5 Year	73,075	625	
Butterfield Green	Greenfield	6-10 Year	55,000		
Land South of Stockwod Park	Greenfield	6-10 Year	46,500		
Creative Quarter	Brownfield	6-10 Year	18,790	375	
Century Park	Greenfield	11-15 Year	141,660		

Site Allocations Study Conclusions - Residential

6.1 The viability testing of proposed residential sites in Luton has been undertaken, accounting for the following policy impacts and key assumptions :-

- Greenfield or Brownfield Development
- Delivery Timescale (with cost and value assumptions adjusted accordingly)
- Affordable Housing Delivery of 20%
- Key Planning Policy Cost Impacts (Renewable Energy, National Housing Standards etc)
- Planning Obligation Allowances
- Site Specific Abnormal Costs and Mitigation Factors

6.2 The study illustrated that all sites over the Plan period aere viable and deliverable taking account of the impacts of Plan policy and delivery of Affordable Housing.

6.3 The exception to this falls within the 0-5 year High Rise Apartment development category where all sites demonstrated negative viability. Policy LP16 Affordable Housing acknowledges that that delivery may be relaxed where viability issues exist, stating

"Development proposals will need to ensure that the size, type and tenure of affordable dwellings provided reflects the identified housing need requirements of the area in the Strategic Housing Market Assessment (SHMA), including for future household types. If this level of affordable housing would render the proposal economically unviable developers will be expected to produce a financial assessment that clearly demonstrates the maximum number of affordable dwellings that can be achieved on-site, off-site or as a commuted sum."

6.4 Viability improves in the medium term (6-10 year period) and long term (11-15 year period) with all sites demonstrating positive viability.

6.5 It should also be recognised that the assessment necessarily relies on fixed assumptions and generic application of allowances for standard and abnormal construction costs. There will be significant variations dependent on specification, construction methods and associated build cost and indeed sales rates which will make some types of development more or less viable and individual assessments may still be necessary at planning application stage where variations to policy requirements are sought.

6.6 In conclusion, the assessment of all proposed residential sites in Luton has been undertaken with due regard to the requirements of the NPPF and the best practice advice contained in 'Viability Testing Local Plans'. It is considered that all greenfield sites are viable across the entire plan period. The delivery of some brownfield sites may require landowners to be realistic about value reductions to take account of abnormal development costs and the Council may need to reduce affordable housing aspirations on a small number of high rise apartment sites to encourage development in the short term. As such the overall residential delivery strategy of the Plan is considered sound.

Strategic Sites Study Conclusions

6.7 The viability testing of the proposed strategic sites in Luton including residential and employment uses has been undertaken, accounting for the following policy impacts and key assumptions :-

- Greenfield or Brownfield Development
- Delivery Timescale (with cost and value assumptions adjusted accordingly)
- Affordable Housing Delivery of 20%
- Key Planning Policy Cost Impacts (Renewable Energy, Natuional Housing Standards etc)
- Planning Obligation Allowances
- Site Specific Abnormal Costs and Mitigation Factors

6.8 Based on the study assumptions, the mixed use schemes at Power Court, Napier Park, Butterfield Green, the Creative Quarter and Century Park all demonstrate overall positive viability.

6.9 The industrial values adopted in the study assume that most industrial development is likely to be occupier driven and pre-let/sold. A recent report by Lambert Smith Hampton (August 2015) has identified very strong demand for industrial premises due in part to lack of supply in M1 corridor locations to the south. The report identifies a declining supply to meet this demand in Luton and a need to develop smaller units. It recommends that new employment sites focus on the provision of 5-20,000sqft units to meet local employer demand.

6.10 As anticipated, the football stadium development proposed at Land south of Stockwood Park where costs significantly outweigh end value and render the overall development unviable in simple economic terms. However the development of a football stadium is influenced by wider factors than just development economics and the result of the viability appraisal alone should not be considered as the only determining factor in delivery of the project.

Valuation Report

WHOLE PLAN VIABILITY ASSESSMENT

LAND & PROPERTY VALUE APPRAISAL STUDY

AS PART OF EVIDENCE BASE

FOR AND ON BEHALF OF
LUTON BOROUGH COUNCIL

REPORT PREPARED BY
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31 August 2015

CONTENTS

<u>Appendices</u>

TERMS OF REFERENCE

As part of our instruction to provide valuation advice and assistance to Luton Borough Council in respect of Whole Plan viability assessments, we are instructed to prepare a report identifying typical land and property values for geographical locations within the Borough.

These typical land and sale prices are to reflect ‘new build’ accommodation and test categories have been broken down into land use types reflecting the broad divisions of the use classes order reflecting common development land use types specifically:-

1) Residential (C3 houses and bungalows)
2) Residential (C3 apartments)
3) Food retail (supermarkets)
4) General retail (A1, A2, A3, A4, A5)
5) Offices (B1a Cat A fit out)
6) Industrial (B1(B/C), B2, B8)
7) Leisure (D2, including casinos and stadia)
8) Agricultural Land

It should be noted that although food supermarket retail falls under an A1 use, we have specifically assessed it as a separate category since it generally commands a much higher value than other retail categories.

The purpose of this value appraisal study is to provide part of the Authority’s Evidence Base in support of Whole Plan property viability assessments.

We have assessed evidence from across the administrative area to consider whether separate value zones (sub-markets) may be appropriate, or whether a single value rate can be applied.

THE EVIDENCE BASE

HEB are Royal Institution of Chartered Surveyors (RICS) Registered Valuers.

Our evidence takes an area based view, by a broad sample of value to establish a fair ‘tone’ for the Borough.

The purpose of this report is to provide a bespoke valuation Evidence Base, specifically for the Luton Borough Council Whole Plan assessments.

Whilst it is possible to assemble an evidence base from many different (and in some instances existing) information sources, we believe there is an inherent danger in this approach. The underlying assumptions for valuation or costs assessment in each data source may be different and a ‘mix and match’ approach may be flawed when comparable evidence is scrutinised.

We consider our approach herein to be far reaching and sufficiently robust to be defensible at Examination (as evidenced by previous Inspector approval elsewhere).

Valuation methodology has consisted primarily of collecting recent comparable transactions within all of the identified development categories prior to full analysis (more fully outlined under ‘Procedure and Methodology’).

Where evidence may be scarce or unavailable, reasoned valuation assumptions have been taken.

The key to our approach is to assess at what value land and property may reasonably come forward rather than simply following a quasi-scientific residual method which may not fully reflect the real world realities of a functioning property market. Where appropriate, residual valuations have been undertaken to incorporate and verify figures.

It should be noted that there will inevitably be scope for exceptions and anomalies to be identified within the study area. The values identified herein provide a fair and reasonable ‘tone’ across the Borough.

This approach and methodology is deemed wholly acceptable - it is generally accepted that valuation at an area wide level cannot be taken down to a ‘micro economic’, “street by street” geographical level.

LUTON BOROUGH

Luton Borough comprises the Luton urban area – a medium sized town in the county of Bedfordshire.

The Borough covers some 17 sq miles, and has an estimated population of some 203,000 people (2011 Census).

Luton is located approximately 32 miles north of London and 14 miles south from Milton Keynes.

The town benefits from some excellent road connections, being immediately adjacent to the M1 Motorway with easy access to the A1 and M25. The town benefits from Luton International Airport.

The Borough is predominantly urban in nature, with future land supply severely restricted by the surrounding greenbelt.

The town is on the main line running from London St Pancras.

Surrounding conurbations include Dunstable, Hitchin, St Albans and Milton Keynes.

LOCAL PROPERTY MARKET OVERVIEW

Luton is conveniently situated between the (immediately adjacent) M1 Motorway and the A1 (M), a short distance from the M25.

Main line rail connection and an International Airport further bolster connectivity.

The Borough landscape is predominantly urban/brownfield with limited greenfield opportunities within a relatively small and densely developed area.

The surrounding green belt further limits expansion and new development possibilities.

The Borough incorporates several established commercial locations, with a number of large scale redevelopment/urban regeneration projects at the planning stage.

Although a relatively small geographical area, noticeable commercial property value ‘hot spots’ do exist. Influencing factors include proximity to the airport and Motorway junctions.

The commercial property market within the Borough has been subdued for a number of years, in common with many locations post the 2007/08 ‘Credit Crunch’. Despite recent improvement, speculative development is limited, and likely to remain so in the short to medium term.

A typical theme arising from Stakeholder engagement was that Luton must often compete against other conurbations nearby. Potential occupiers considering this stretch of the M1 motorway are able to consider a number of competing towns. These are often perceived as more desirable locations albeit with similar property values to Luton. In this respect attracting and retaining investment and jobs can be seen as potentially problematic.

There is a noticeably homogeneous housing market, with relatively similar residential values across the Borough and limited variance in terms of high and low value locations.

Statistics indicate continued improvement in the residential property market, with Zoopla stating a 14% rise in house prices in the last 2 years. Rightmove quote 7% increase in the last 12 months.

PROCEDURE & METHODOLOGY

It is recommended that that standard valuation models should be used to inform viability evidence, and this approach has been adhered to for the purpose of this report.

Inevitably our methodology has varied to some extent with each property sector addressed, primarily due to the differing valuation techniques appropriate and required for that property type. More specific clarification is given within the chapter outlining methodology for each specific market category.

Rather than simply relying on existing studies and published data tables, and to ensure a robust evidence base at Examination, our methodology favours an approach which is pragmatic and balances the reasonable expectations of landowners return with the contributions expected by the Local Authority for the infrastructure needs generated by new development, as advocated by the National Planning Policy Framework. Our approach pays due regard to "market comparison" evidence available in each of the charging categories to provide a "sense checked" output, bespoke to the authority.

Our methodology is more thoroughly outlined later in this report under the residential valuation commentary. We believe this approach better reflects the realities of the property market and is therefore compliant with the best practice guidance in "Viability Testing Local Plans" (LHDG 2012) and "Financial Viability in Planning" (RICS 2012)

Wherever possible we have incorporated an assessment of the transactional market comparison information that is available, adapting it through justifiable assumptions where necessary. This market sampling can then be used to confirm validity of our residual valuations.

Where appropriate, reasoned assumptions have been taken.

With regards to our built property sales valuations, our methodology varies slightly between commercial property and residential property.

With commercial property we have scrutinised and adopted evidence from actual sales transaction evidence where possible, this is backed up where appropriate by market rent capitalisation whereby rental evidence (and estimated market rental levels) are capitalised through multiplication reflecting appropriate investment yield profiles to produce a capital value.

Our residential sales values are based upon actual market comparable evidence, due to the fact that housing tends to offer a much more 'uniform' product, with more easily identifiable sales value market evidence being available. This is backed up with stakeholder opinion where appropriate.

Members of our professional team have made a number of visits to appropriate locations within the study area to back up our extensive desktop research.

For the purposes of this report we have identified, assembled and fully analysed substantial amounts of individual comparable market evidence. Clearly it would be impractical to tabulate and include *all* of the information obtained within this report, however we will be happy to provide more detailed evidence on any aspect of our comparable database upon request. Additional comparable evidence can also be made available at Examination for discussion.

As well as our desktop and field research, we have carried out interviews with property agents and developers active within the study area, both in terms of collecting further market evidence but also to establish general 'market sentiment' for each use category.

All of the above information has been analysed, considered then distilled into the tabulated figures appended to this report which confirm our opinion as to appropriate indicative values in each category.

It should be borne in mind that as with any study where artificial boundaries are imposed, certain anomalies may arise.

There is inevitably a limit to the scale with which this study can be reduced to, and accordingly it is entirely feasible that certain ‘hot’ or ‘cold’ spots may exist above or below the overall tone identified for the study area as a whole. Similarly, within the study area an individual site, building or piece of market evidence could fall outside the established ‘tone’.

A typical example would be in a particularly rural area where there is generally not strong office demand however an individual, bespoke high quality office barn conversion could easily out-perform the ‘average and typical’ figures quoted herein.

In addition to the above market research, we have sought further comparable market evidence from a variety of data points including:-

- Luton Borough Council Valuation Data Report. Valuation Office Agency (Northampton Valuation Office) – 1st November 2012
- Luton Borough Council Employment Land Review (Nathaniel Lichfield and Partners – October 2012 (draft)
- Luton Borough Council Property and Investment Department
- Co-Star System – a nationwide subscription database covering commercial property issues
- EGI – a further subscription database covering commercial property uses
- Rightmove / Zoopla – Professional subscription.
- heb’s own residential and commercial database of transactions
- Land Registry – a internet based database to establish residential sale values by area
- RICS Commercial Market Survey (quarterly)
- V.O.A Property Market Report
- RICS Rural Land Survey 2015 (quarterly)
- Contact and discussions with regional house builders, Estate Agents and Commercial Developers
- Contact by verbal interview of commercial property agents active within the Borough

We have further sought local market information and ‘market sentiment’ from local **Stakeholders** including (but not exclusively) Lambert Smith Hampton, SR Wood & Sons, Kirkby & Diamond, Alexander & Co (all Luton offices), Savills (London), Agur Developments, GVA Grimley (London office on behalf of British Land), Canmoor Estates (landlord / developer stakeholder), Dransfield Properties (recent Morrisons Supermarket Development locally) Saxondale Properties, Chesterford Properties (both hotel development specialists), Best Western Hotels, Connels, Barratt Homes, Persimmon Homes, Taylor Wimpey

All of the above parties have been contacted with a view to discussing an appropriate value tone for Luton Borough. In the majority of instances full cooperation was forthcoming although a small number of potential Stakeholders declined or were unable to fully engage in consultations (typically due to a lack of recent market activity).

We believe this methodology has produced the best, most accurate and most recent evidence available to support the viability tests.

When considering this report it should be borne in mind that an element of ‘valuation uncertainty’ has arisen in recent years primarily due to the turbulent and recessionary market conditions. The recent economic downturn has produced a dramatic fall in the quantity of property transactions taking place which in turn results in far fewer pieces of transactional market evidence that would ordinarily be available in more buoyant market conditions.

On occasion we have been obliged to make reasoned subjective judgements as to our opinion of the likely values. Similarly parts of our research comprises market opinion and value judgements gathered from the Stakeholders and property agents active within the borough to form a likely value achievable if theoretical transactions had or were occurring.

The figures reported herein may appear to be somewhat “irregular”. This is primarily due to the fact that in practice the property market still operates largely through imperial measurements which we have been obliged to convert to metric for the purposes of this report. By way of example ‘£60 per sq ft’ becomes ‘£645.83 per sq m’.

EVIDENCE DATES

As with any property valuation the date of comparable evidence is critical in terms of achieving a realistic outcome to the study. For this reason we have strived to obtain the most up to date information available.

The majority of our comparable evidence was obtained from January 2014 to August 2015.

Where it has been necessary to analyse older evidence, appropriate judgements have been made by a fully qualified valuation team to adapt the evidence to an appropriate ‘present day figure’.

We are happy to discuss any individual piece of market evidence upon request, to provide full details including data information where appropriate.

BASIS OF VALUATION

Unless stated otherwise (for example land value “benchmarking”), we have prepared our valuation figures on the basis of Market Value which is defined in the valuation standards published by the Royal Institution of Chartered Surveyors as:-

The amount for which a property should exchange at the date of valuation between a willing buyer and willing seller in an arms length transaction after proper marketing wherein the parties had both acted knowledgably, prudently and without compulsion’.

POTENTIAL VALUE ZONES / SUBMARKETS

Our default, starting position is a single value zone, unless distinct and defendable sub-markets (zones) of different value can be identified and justified with appropriate valuation evidence.

Following our extensive market research we can confirm that it is our recommendation that a single zone approach should be adopted.

Luton is a small geographical area with only minor variation in values across the Borough.

Whilst a case can be made for higher values emerging in certain key locations (for example where influenced by the airport or the motorway for commercial property) the relatively small size of the Borough as a whole would prove difficult to establish a fair, accurate and fully justifiable boundary between one zone and another

There is a noticeably homogeneous housing market, with relatively similar residential values across the Borough and limited variance in terms of high and low value locations.

In this respect we are happy to confirm that having considered available evidence a single value zone approach is prudent in this instance.

SECTOR SPECIFIC VALUATION COMMENTARY

1) Residential C3 (houses and apartments)

Base Land Values

When assessing an appropriate tone for residential development land values, our starting point was to carry out a residual land appraisal whereby a typical development scenario was appraised. In simplified terms this was achieved by assessing the ‘end’ property value (total projected value of sales), then deducting from this figure the cost of construction, including professional fees, finance and other standard costs of development.

The resultant figure is the maximum price which may be available for land acquisition, which in turn determines likely aspirational market values.

As a starting point for viability testing, this residual appraisal was carried out *without* deduction for Affordable Housing, Section 106 contributions or any other Local Authority policy based contributions, to give an indication of the theoretical ‘maximum’ possible land value which might be appropriate in the study area, based on a given development scenario.

The residual approach is more thoroughly outlined (with results) within the ‘Development Equation’ section of the Viability Testing report.

Once the residual land value figure has been calculated it is assessed against other sources of land value information. Qualified property valuers’ reasoned assumptions and judgement is applied to the market information that is available to produce a “sense check” land value which is both fair and realistic in current market conditions and not simply academic exercise to produce a theoretical land value which may not bear scrutiny when compared against current market activity.

This pragmatic approach balances the reasonable expectation of land owners’ return with the contributions expected by a Local Authority for infrastructure needs generated by new development, as advocated by the National Planning Policy Framework.

We believe this approach better reflects the realities of the property market and is therefore compliant with the best practice guidance in ‘Viability Testing Local Plans’ (LHDG 2012) and “Financial Viability in Planning” (RICS 2012).

In this respect we have provided two land values – the residual in the Viability Testing report and a separate figure which states our opinion as RICS Registered Valuers of a realistic land value from the market comparison approach (adopting comparable evidence where available*).*

This methodology is replicated for all property use types, with a "minimum" land value (based on market value figure) adopted for uses where the residual suggests a negative value or one below market value. It is a fact of real market activity that sites are purchased when a residual may suggest a low or negative value. Buyers often "over-pay" for a variety of reasons – the market does not function perfectly with the benefit of perfect information, developers may be optimistic in a rising market, or special purchaser / ransom situations. A specific development type may show a negative value, but the fact of competition from other possible uses will ensure a minimum level is achieved.

Furthermore, a self-builder will not need to demonstrate a developer's profit. Accordingly market evidence can on occasion suggest a figure above residual levels, which is sensible and pragmatic to adopt.

A summary of both figures is appended at **Appendix 2.**

The value data contained within this report has been adopted in the NCS Viability Study for the location, and thereafter subjected to "Benchmarking" to establish a minimum allowance for land that represents a "reasonable return for the landowner", as required by the NPPF.

In greenfield development scenarios, this is quite straightforward in that the benchmark is established by considering the existing 'greenfield' use value – generally taken to be agricultural land value.

The benchmark for brownfield land is more complex. It assumes that land has some form of established use and therefore value (which will be much higher than an undeveloped green field plot). The range of established brownfield land values is obviously quite wide dependent on location and use. However for the purpose of viability appraisal it must be assumed that the land has a low value or redundant use that makes it available for alternative use.

Industrial land value is therefore generally used as a relatively low value use that might be brought forward for more lucrative alternative development (often residential use).

Industrial base values will not always be appropriate to represent the sort of land that is likely to come forward for alternative use. For instance in high value commercial locations (motorway corridors, airports etc) the industrial value will be much higher than other types of base brownfield land likely to be released for alternative use (e.g. residential). Luton is a case in point, where proximity to the M1, London and an international airport will inflate industrial land values.

It will be a matter for the valuer to use reasoned assumptions for an appropriate “brown field” figure. For Luton, we have adopted a “brown field / re-cycled land” figure of £865,000 per HA.

Where a residual appraisal demonstrates negative or marginal land values (usually due to low market sale values), it is accepted that all land must have a basic value and a reasonable base value will be allocated by the valuer. This may often be the market value of the land based on comparable evidence.

Market Value figures are provided as a useful “sense check”. Ultimately, it is difficult to fully analyse market data from land sales as each site will be unique in terms of topography, ground conditions, servicing, abnormals and other factors which may affect the final price paid.

New Build Residential Values Per sq m

The viability tests are applied to future *new build* housing within the location.

It therefore follows that the methodology used to determine the appropriate test rates is applied to real evidence collated from the existing new / nearly new homes market wherever possible. An extensive survey of this market was conducted within the study area and immediate surround.

Wherever possible we have adopted ‘new build’ evidence since this generally attracts a premium over and above existing stock, and more particularly over Land Registry average figures where the results may be skewed by an unknown sample size and where no reference is available to the size, number of bedrooms and quality of the constituent properties.

New home developments are predominantly built by larger volume developers and tend to offer a relatively uniform size style and specification across any geographical area. It also follows that the majority of proposed developments that will attract planning obligations will constitute similar construction and styles.

Having established like for like comparable evidence, this was further analysed and tabulated to specify new home types, i.e. apartments and 2, 3,4 bed homes and bungalows.

Market research was therefore focused on the above criteria by identifying new or 'nearly new' home developments where possible in the Borough or surrounding comparable locations, that were under construction or recently completed. Data for individual house types on these developments was analysed and sale prices achieved obtained from developer / house builders, Land Registry Data, or other sources.

Where necessary, additional supporting information was gathered on each development using asking prices with an assumed reduction made according to negotiated discounts as provided by the developer, local agents and professional judgement / assessment of the results. Where new home data was found lacking, nearly new or 'modern' transactions and asking prices were analysed and adapted.

We have contacted or attempted to contact the volume home builders currently or recently active within the location. In most instances we were grateful to receive full assistance and cooperation although in a few instances the developer was unavailable for comment, unwilling or unable to provide assistance. Generally this has been due to limited recent development activity in the borough. The lack of land opportunities within Luton itself has restricted development within the borough boundary. Volume building has tended to occur in surrounding locations, often in locations able to demonstrate higher values than Luton, and not directly comparable.

General sentiment from general house builders contacted was that despite some isolated "hot spots", a fairly uniform market exists and a single value zone approach is prudent.

Market data obtained from stakeholders is included in the report appendix.

By way of a further ‘sense check’ the Zoopla price index for Luton suggests a current average price of **£2675 sq m** for houses and **£2,379 sq m** for apartments. This figure is based on quoting prices, existing stock. After allowing adjustment for achieved sales / new build, our figures are shown to be appropriate.

2) Food Retail (Supermarket)

Food retail within Luton is not dominated by any particular suburb.

The major supermarket retailers are all represented within the town or surrounding locations, with a new Morrison’s superstore having recently been developed at Houghton Regis, close to Luton Borough.

The major operators all operate from large format stores, with the discount / metro food market retailers including Metro formats, Alldays, Lidl and Iceland are represented within the area, typically occupying store sizes of between 930 sq m to 1,500 sq m.

In terms of valuations, our food retail valuations are based on the comparable / comparison and investment methods.

It is anticipated that at least one further major superstore development will be undertaken in the short to medium term, most likely at one of two landmark redevelopments being proposed within central Luton.

From our market knowledge we are aware that there has been a ‘cooling’ off in demand for new sites from the supermarket occupiers which in turn has begun to depress values from recent peak levels. From a typical ‘peak’ value of c.£3.7M per hectare, land values are increasingly falling back towards c.£2.5M per hectare.

For supermarket / food retail outlets, we have appraised a typical food store format of 3,000 sq m – (32,000 sq ft) with a site area of 1 hectare – (2.5 acres).

The sales figures that we have quoted within our report are based on a rental level per sq m multiplied by the appropriate capitalisation level to provide a gross sales figure per m².

For Luton Borough we have utilised a figure of £194 sq m / £18.00 per sq ft with a capitalisation yield of 6%. this yield is appropriate bearing in mind food stores will most likely be occupied by one of the major supermarket brands such as Tesco, Sainsburys, Asda or Morrisons, by way of an institutional lease.

Supermarket land sale information is often difficult to obtain. Typically confidentiality clauses may relate to transactions. Furthermore supermarket sites are often pieced together by way of a lengthy site assembly process. Often smaller, key parts of potential sites are purchased at a premium, not reflective of a more realistic 'per hectare' figure for the site as a whole. Similarly, rental and sales deal information is often subject to confidentiality clauses.

In this respect our comparable information has been drawn from a relatively wide geographical area, not always specific to Luton Borough.

This is fully justifiable in valuation terms. Typically foodstore values are driven by the availability of planning consent (triggering competitive bidding) rather than exact location specifics. This tends to level values to a similar tone, region wide. Accordingly we have considered some evidence from outside the Borough.
The most relevant aspects of our evidence are tabulated at Appendix **3**. Typically superstore rental evidence ranges from between £160 to £270 per sq m and in this respect our rental / sales value can be seen as a conservative assessment.

We have included a separate appraisal of supermarket / food superstore values for information purposes

3) General Retail (A1, A2, A3, A4, A5)

Established retail is dominated by Luton town centre, with other developments distributed across the Borough, primarily constituting roadside retail and convenience shopping.

Our retail valuations are primarily based on the capital / comparison and investment methods.

For the purpose of this report, we have categorised other retail as all other retail except supermarket food stores. Other retail therefore encompasses high street retail, edge of town and out of town retail as well as restaurants and drive through and so forth.

In terms of producing a sales value per m², we have again utilised a rental level per sq m and capitalised this using appropriate yield to arrive at a sales value per m². However, town centre retail units are valued on a Zoned Area basis as opposed to arterial road, edge of town or out of town retail, which use an overall rental per sq m.

Our methodology has therefore included an assessment of Zone A rentals for the principal suburbs within the urban area and from these Zone A rentals we have calculated an average rental figure per sq m for the suburbs that takes in to account our assessment of the ratio of prime, secondary and tertiary retail stock within each centre. The resultant figure is one consistent with retail rents for edge of centre and arterial road retail and can therefore be applied across all geographical retail locations.

We have then considered rentals for arterial roadside retail units within the urban areas, which again using comparable evidence produces a rental in the region of £140 per sq m (£13 per sq ft), capitalised at a yield of 7.5%.

All of the above methodology has been considered then applied to the 'test' assumed property, i.e. a 300 sq m roadside unit. We believe that this is the most likely form of new retail development to emerge. Established "high street" retail is seldom developed from new (more typically a refurbishment of long established existing stock). With regard to land values, we have utilised both the development appraisals (residual method) and comparable evidence method.

On a similar basis to supermarket evidence, retail transactional levels tend to be similar over a wide geographical area, since valuers generally driven by availability of retail planning. Similarly the established national multiple occupiers all typically have a set rental rate payable across any given region. Accordingly some appropriate available evidence has been drawn from outside the immediate Luton area.

We believe the figures adopted can be considered as being ‘safe’ and conservative. Within the general retail category other occupier types for example bulky goods warehouse style retail can command significantly higher figures than those specified often to a similar level to supermarket retail. To assess a fair ‘tone’ for the category and the area as a whole we have been more conservative in our assessments. ***Co-Star*** commercial property database suggests average rents achieved for the last 12 months are in the region of **£235 sq m**. The sample survey contains a high proportion of high value shopping centre deals, and accordingly we have been more conservative in our assessments.

4) Offices (B1a, Cat “A” fit out)

Our valuers’ assessment of the Borough, together with our extensive research, discussions with stakeholders / local commercial agents and consideration of other published documents (Luton Borough Council District Valuers Valuation Data Report 1 November 2012, Northampton Office) and Luton Borough Council (draft) Employment Land Review has established appropriate values for office use across the Borough. It should again be borne in mind that although ‘premium’ locations are easily identifiable (motorway proximity or airport for example), our figures are based on an appropriate ‘tone’ for the Borough as a whole.

Land values across the area typically range from approximately £650,000 to £1.2M per hectare, with ‘as built’ (modern) prices ranging from £1,600 to £2,400 per sq m, depending on size, fit-out and location specifics.

Our offices valuations are primarily based upon the comparable – capital comparison methodology. Where appropriate, rental evidence has been capitalised through the adoption of investment yields.

As mentioned previously, valuation uncertainty is inevitably a factor, primarily due to recent recessionary market conditions resulting in a marked lack of recent comparable evidence.

Accordingly we have been obliged to adjust comparable evidence using justifiable best assumptions to fit some locations, as is permitted under RICS Valuation Guidance and CIL Regulation Guidance. Typically, factors taken into account will include considerations such as distance from main road networks and urban centres.

Our research has confirmed that typically there is little difference between land values for office, industrial and many other commercial uses. Generally such land is simply categorised as ‘employment land’ and sold as being suitable for a variety of end users, thereafter purchasers appraising and undertaking such schemes as they deem appropriate.

Demand is limited across the Borough post ‘Credit Crunch’ with enquiry levels significantly reduced. A number of local stakeholders have commented that office demand is limited, particularly within the town centre with such demand does exist focused towards the business parks.

It should also be noted that across the subject area (and indeed the region as a whole) speculative development has virtually ceased.

This is primarily due to recessionary conditions, but also influenced by the recent removal of empty property rates liability limitation. Typically developers controlling much of the available land only prepared to enter into specific pre-let or design and build packages with parties if a market price/rent can be agreed which is artificially above what could be considered as true market value level.

With regards to the valuation figures quoted we have made the following assumptions:-

1. That land values are given for cleared sites, free from contamination and generally ready for development without undue remedial works and with services connected or easily available.

2. Office values quoted are for a newly constructed, grade “A” office development, capable of sub division if required into units of 2,500 sq ft – 5,000 sq ft (this size range will exclude abnormally high premium prices for small units, whilst not unduly discounting for quantum).

It should be remembered that the figures quoted should be considered as a mean for the zone and inevitably anomalies could arise.

5) Industrial (B1b/c, B2, B8)

The majority of our comments for the office category (above) will apply equally for the industrial use classes. We have not repeated them in the commentary here but would recommend that this section is read in conjunction with Section 5 (above).

Our methodology is based mainly on the investment method, through assessment of transactional evidence. It should again be noted however that something of a short fall of available evidence exists for ‘new build’ across the Borough.

Rental evidence has been capitalised through adopting investment yields. Generally speaking industrial rents vary between £55 and £86 per sq m, depending on age, spec and location (with a premium for airport locations).

The most likely scenario is a pre-let / design and build development, which would achieve a rent towards the higher end of the range. We have assumed a rent of £80 per SqM (c. £7.50 psf) and an investment yield of 7%. A strong tenant on a long lease could improve numbers further, so this can be considered a conservative assessment.

The industrial / warehouse market has fared somewhat better than offices in the Borough, due in part to the proximity to the main road network and the international airport.

Notwithstanding this, stakeholders have confirmed that this market sector is particularly vulnerable to competition from other conurbations along this section of the M1 corridor.

Our suggested values are for an appropriate ‘tone’ across the Borough as a whole and in this respect can be considered as conservative bearing in mind ‘hot spots’ will exist particularly at the airport and motorway locations.

When preparing our figures we have assumed:-

1. The land is cleared and ready for development without unduly onerous remediation being required, with sites generally serviceable and appropriate planning in place.

2. Our appraisal assumes a new build industrial/warehouse development of c. 10,000 sq ft (to avoid premium or discount for quantum) with say 5% office content.

To an extent the minimum new build value is self determining – i.e. when the cost of construction is taken into account developers are simply unwilling to enter into design and build agreements unless a minimum price is agreed with the purchaser that reflects the cost of the construction plus developers profit. In this respect it is noticeable that only limited difference in headline sales figures across the Borough as a whole.

Typically, land values across the Borough range from £650,000 - £1.2M per hectare where traded, with new ‘as built’ prices ranging from £750 - £900 per m^2.

6) Leisure (D2, including Casinos and Stadia)

The D2 leisure market incorporates principally uses such as cinema, bingo hall, casino, gymnasium and swimming baths.

The leisure market, perhaps more than any other property sector, is more likely to involve new build properties rather than conversions of existing buildings into a leisure use.

Again we have used the comparable method of valuation where appropriate and available in relation to the leisure sector although comparable information in relation to swimming baths and leisure centres is somewhat restricted.

We consider it extremely likely that any leisure activity (principally gymnasium, casino and cinema) will be restricted to more densely more populated locations within the urban area.

Our leisure use appraisal assumes a standard, modern, portal frame leisure 'box' unit typical of Bowling Alley use or similar.

Typically rental levels for leisure operators are in the region of £107 per sq m (£10 per sq ft) and we have utilised the capitalization yield of 8.0%.

We have also been instructed to provide comment on the likely capital value of a new stadium, at an assumed seating capacity of 15,000.

A number of unknown "variables" could potentially affect value. New stadia are seldom constructed in isolation. More typically a mixed development is provided, to include an element of retail, leisure, hotels, business units and so on.

Providing an appropriate value for a "theoretical" stadium that doesn't exist in reality is therefore open to some interpretation.

Relevant sales evidence is almost totally absent. The majority of stadia rarely transact on the open market. When sales do occur it is generally on the basis of an obsolete facility selling for an alternative use site value (typically residential).

To provide a fair assessment of likely value, we have obtained the rateable values (which are based on estimated rental value) for 12 English stadiums which were constructed in the last 10 years with a capacity of 10-25,000.

This has allowed us to assess a reasonable approximation (adjusted by size) for the likely rental value of a similar new facility in Luton.

The rental value has then been capitalised at an investment yield of 8%. The facility is likely to have a limited market appeal to alternate users, but as a community asset the prospects for long term rental income would be good. Accordingly we feel this yield is appropriate, and produces a suggested capital value of **£3,000,000.**

It is worth noting that stadia are rarely constructed as a straight forward property deal, designed to show a standard development profit. Instead they are generally considered as a business asset, the purpose of which it to allow the occupier to generate ongoing revenue through their sport / leisure operation.

7) Agriculture

Agricultural land continues to perform well despite recessionary market conditions. Prices for farmland generally remain buoyant driven by increasing demand and restricted supply. Our research for the region suggests an average value for all types of farmland of approximately £20,000 per hectare.

Our report has allocated an average figure across the whole of the region, which should be considered as being for guidance and information purposes only.

We do not believe it appropriate within the scope of this report to provide more detailed, area specific banding.

The valuation of agricultural land is extremely site specific, down to a ‘field by field’ basis. The quality of soil for each individual plot of land is paramount, with other factors being taken into account for example the existence of sporting rights. Accordingly to give a truly accurate reflection on values across the area with this estate analysis down to a micro level which we do not believe is desirable or appropriate for the purposes of this report.

We would be happy to give further comment if required.

Conclusions

Subsequent to the matters discussed above, the conclusions of our report can be summarised as follows:-

1) Although certain locations within the Borough (for example airport and motorway commercial locations) are likely to outperform other locations, the small and compact nature of the Borough's geographical area makes it difficult to accurately define and justify separate sub-markets.

2) Our conclusions as to appropriate mean values across development categories within the Borough are tabulated and summarised within the value tables appended at Appendix 2.

Limitation of Liability

For limitation of liability this report is provided for the stated purpose and is for the sole use of the named client Luton Borough Council. The report may not be disclosed to any other party (unless where previously authorised) and no responsibility is accepted for third party issues relying on the report at their own risk.

Neither the whole or any part of this report nor any reference to it may be included in any published document, circular or statement nor published in any way without prior written approval of the form and context of which it may appear. We shall be pleased to discuss any aspect of this report

Yours faithfully

heb Chartered Surveyors

LUTON BOROUGH MAP Appendix 1

ZONE VALUE TABLE Appendix 2

LUTON BOROUGH COUNCIL INDICATIVE COMMERCIAL VALUES

	FOOD RETAIL	GENERAL RETAIL (A1, A2, A3, A4, A5)	INDUSTRIAL (B1b, B1c, B2, B8)	OFFICES (B1a)	AGRICULTURAL
MARKET LAND VALUE (per HA)					
Commercial Zone	3,600,000	1,500,000	950,000	950,000	20,000
SALES VALUES (£ per M2)					
Commercial Zone	3,000	1,850	1,142	2,000	-

LUTON BOROUGH COUNCIL INDICATIVE RESIDENTIAL VALUES

			Sales Value £sqm		
Market Sales Values	**Apartment**	**2 Bed**	**3 Bed**	**4 Bed**	**Bungalow**
	2400	**2550**	**2550**	**2400**	**3000**

Note:
All residual land values are contained within the NCS viability report

Appendix 3 – Additional Valuation Evidence data

RESIDENTIAL

Property	Size SqM	Price	Beds	Date	£/SqM	Notes
Land Registry Data						
30 Birchen Grove	35	£98,000	1	08 11 2014	£2,800	Apartment
Flat 17, Marlborough Ct Luton	48	£131,000	2	6 08 2014	£2,729	Apartment
Flat 64, The Academy, Holly St Luton	54	£116,000	2	29 04 2014	£2,148	Apartment
Flat A Langham House east, Mill St Luton	58	£119,000	1	05 02 2015	£2,052	Apartment
Flat21 Langham House east, Mill St Luton	48	£110,000	2	25 06 2014	£2,295	Apartment
93 Dunraven Avenue, Luton	59	£115,000	2	12 12 2014	£1,959	Apartment
13 Birchen Grove Luton	50	£124,950	2	10 10 2014	£2,500	Apartment
15 Highview Ct Dudley St Luton	74	£160,000	2	Reserved	£2,054	Apartment
26 Highview Ct, Dudley St Luton	55	£130,000	1	Reserved	£2,245	Apartment
7 Mandrell Cl, Dunstable	37	£124,000	1	6 05 2015	£3,351	Apartment
34 Kiln Way Dunstable	63	£138,000	2	08 05 2015	£2,201	Apartment
25 Long Hedge, Dunstable	48	£125,000	2	15 05 2015	£2,604	Apartment
10 Viscount Court, Knights Field Luton	49	£140,000	2	26 05 2015	£2,857	Apartment
24 Hamer Ct, Links Way Luton	49	£105,000	1	29 05 2015	£2,143	Apartment
26 Kiln Way Dunstable	59	£140,000	2	15 05 2015	£2,373	Apartment
94 Coverdale, Luton	37	£99,000	1	01 06 2015	£2,676	Apartment
Flat 1 Relanda Ct, Sunridge Av Luton	54	£126,000	2	02 06 2015	£2,333	Apartment
Flat 1 Dauphin Ct, Earls Meade Luton	48	£145,000	2	05 06 2015	£3,021	Apartment
103 Coverdale, Luton	24	£85,000	Studio	12 06 2015	£3,542	Studio flat
158 Turners Rd North, Luton	56	£136,000	2	08 06 2015	£2,446	Apartment
101 The Parklands LU5 4GW	59	£150,000	2	05 05 2015	£2,534	Apartment *Average all apartments = £2517 SqM*
16 Farley Meadows, Luton	82	£209,950	3	31 10 2014	£2,560	Semi Det House
7 Clarence Gardens, Luton	80	£174,950	3	31 10 2014	£2,187	Terrace House
17 Farley Meadows	82	£209,950	3	31 10 2014	£2,560	Semi Det House
29 Folly Lane, Luton	244	£515,000	4	06 08 2014	£2,111	Det House
14 Gleneagles	67	£169,995	3	08 09 2014	£2,537	Semi Det House
37 Claydown Way, Luton	137	£315,000	4	11 09 2014	£2,300	Det House
21 Mossman Drive, Luton	110	£349,950	4	10 11 2014	£3,045	Det House. Adjusted for detached garage.
4a Orchard Close, Luton	131	£397,000	4	29 11 2014	£3,030	Det House
29 Gleneagles Drive, Luton	54	£148,000	2	19 08 2011	£2,741	Terrace House
16 Felbrigg Close, Luton	54	£164,995	2	26 06 2015	£3,055	Terrace House
95 Alder Crescent, Luton	92	£225,000	3	25 06 2015	£2,445	Semi Det House

3 Fernheath, Luton	80	£230,000	3	24 06 2015	£2,875	Det House
26 The Green, Luton	85	£279,000	3	24 06 2015	£3,282	Terrace House
105 Butely Road, Luton	101	£210,000	3	19 06 2015	£2,090	Semi Det House
41 Hawkfields, Luton	52	£185,000	2	19 06 2015	£3,557	Terrace House
38 Rodeheath, Luton	52	£162,000	2	18 06 2015	£3,115	Terrace House
9 Glenfield Road, Luton	91	£272,000	4	17 06 2015	£2,995	Det House
41 Copthorne, Luton	145	£350,000	4	12 06 2015	£2,422	Det House
73a Elm Avenue, Luton	89	£285,000	3	12 06 2015	£3,202	Det House
9 Venetia Road, Luton	61	£210,000	2	12 06 2015	£3,420	Det Bungalow
57 Saywell Road, Luton	100	£190,000	3	24 06 2015	£1,900	Semi Det Bungalow
47 Oakley Road, Luton	121	£349,995	3	10 06 2015	£2,893	Det Bungalow
6 Petersfield Gardens, Luton	48	£135,000	1	05 06 2015	£2,795	Semi Det Bungalow
26 Speedwell Close, Luton	48	£200,000	2	05 06 2015	£3,958	Semi Det Bungalow. Garage deducted
31 Ripley Road, Luton	74	£185,000	3	29 05 2015	£2,500	Semi Det Bungalow
Casarella, Pipers Lane, Luton	114	£450,000	3	26 05 2015	£3,947	Det Bungalow
190 Westmorland Avenue, Luton	71	£230,000	2	22 05 2015	£3,262	Semi Det Bungalow
24 Macauley Road, Luton	49	£165,000	2	15 05 2015	£3,367	Semi Det Bungalow
Data From Zoopla Professional Market Report	-				**Report covers Zoopla registered deals, LU1 - LU4, Jan - May 2015**	
Wellington St Luton	44	£119,000	1		£2,702	Apartment
Wellington St Luton	44	£119,000	1		£2,702	Apartment
Wellington St Luton	43	£119,000	1		£2,767	Apartment
Wellington St Luton	25	£75,000	Studio		£2,990	Studio Flat
Wellington St Luton	35	£115,000	1		£3,275	Apartment
Park Street, Luton	52	£135,000	2		£2,595	Apartment *Average all apartments = £2839 SqM*
Marlborough Road, Luton	95	£260,000	3		£2,741	Semi Det House
Raynham Way, Luton	85	£249,995	3		£2,941	Det House
Dale Road, Luton	98	£200,000	6		£2,110	Terrace House
Other New Build Schemes						
The Croftly, Vauxhall Way Dunstable	92	£280,000	3	20 08 2015	£2,800	**Bloor Homes**. Quoting terms less 5%
Plot 12, The Ascot, Farley Meadows Luton	68	£210,000	2	20 08 2015	£2,933	**Catalyst Homes**. Quoting less 5%
Plot 13, The Ascot, Farley Meadows Luton	68	£210,000	2	20 08 2015	£2,933	**Catalyst Homes**. Quoting less 5%
Plot 42 The Busby Tophill Green Luton	79	£225,000	3	20 08 2015	£2,841	**Catalyst Homes**. Quoting less 5%
Plot 17 The Busby Tophill Green Luton	79	£220,000	3	20 08 2015	£2,638	**Catalyst Homes**. Quoting less 5%
Plot 9 The Busby Tophill Green Luton	79	£220,000	3	20 08 2015	£2,638	**Catalyst Homes**. Quoting less 5%

Plot 55 The Ascot Tophill Green Luton	69	£190,000	2	20 08 2015	£2,623	**Catalyst Homes**. Quoting less 5%
Plot 56 The Ascot Tophill Green Luton	69	£194,950	2	20 08 2015	£2,691	**Catalyst Homes**. Quoting less 5%
Plot 14 The Ascot Tophill Green Luton	69	£194,950	2	20 08 2015	£2,691	**Catalyst Homes**. Quoting less 5%
Plot 13 The Ascot Tophill Green Luton	69	£190,000	2	20 08 2015	£2,623	**Catalyst Homes**. Quoting less 5%
Plot 12 The Ascot Tophill Green Luton	69	£190,000	2	20 08 2015	£2,623	**Catalyst Homes**. Quoting less 5%
Plot 6 The Ascot Tophill Green Luton	69	£190,000	2	20 08 2015	£2,623	**Catalyst Homes**. Quoting less 5%
Plot 46 The Gatsby Tophill Green Luton	78	£197,950	2	20 08 2015	£2,411	**Catalyst Homes**. Quoting less 5%
Plot 44 The Trilby Tophill Green Luton	77	£197,950	2	20 08 2015	£2,411	**Catalyst Homes**. Quoting less 5% Apartment
Plot 257, The Foxglove, Berryfields, Bedford	82	£219,950	3	22 04 2015	£2,547	**Persimmon Homes.** Quoting less 5%
Plot 227, The Hawthorne, Berryfields, Bedford	82	£244,950	3	22 04 2015	£2,837	**Persimmon Homes.** Quoting less 5%
Plot 228, The Hawthorne, Berryfields, Bedford	82	£244,950	3	22 04 2015	£2,837	**Persimmon Homes.** Quoting less 5%
Plot 222, The Thetford, Berryfields, Bedford	165		5	22 04 2015	£2,424	**Persimmon Homes.** Quoting less 5%
Plot 38, The Lydford, Milliners Park, Luton	102	£320,000	4	16 20 2015	£2,900	**Taylor Wimpey.** Quoting less 5%
Plot 58, The Birchen, Milliners Park, Luton	114	£300,000	3	16 03 2015	£2,500	**Taylor Wimpey.** Quoting less 5%
Plot 51, The Birchen, Milliners Park, Luton	114	£305,000	3	16 03 2015	£2,512	**Taylor Wimpey.** Quoting less 5%
Plot 63, The Derwent, Milliners Park, Luton	107	£295,000	3	16 03 2015	£2,623	**Taylor Wimpey.** Quoting less 5%
237 Helmsley The Ridgeway, Dunstable	101	£305,000	4	17 04 2015	£2,755	**Barratt Homes.** Quoting less 5% (Garage deducted)
140 Staveley The Ridgeway, Dunstable	115	£345,000	3	27 08 2015	£2,726	**Barratt Homes.** Quoting less 5% (Garage deducted)
138 Hexham The Ridgeway, Dunstable	131	£360,000	4	27 08 2015	£2,502	**Barratt Homes.** Quoting less 5% (Garage deducted)
						Land Director at Barratt Homes confirms that they are currently appraising a site in Luton at £2583 Sqm - £2691 Sqm. The max for Luton (Stopsley) could reach c.£3000 SqM for prime streets, hi spec

Source – Stakeholder consultation / HEB Research

Sizes obtained from developers, developers websites, energy performance certificate data, or scaled from floor plans.

Where used, quoting prices have been adjusted by a 5% deduction to reflect probable sales price following negotiations and incentives.

Our discussions with house builder stakeholders have confirmed that a 5% discount is an appropriate figure although currently falling as the market improves.

Garages deducted.

By way of a further ‘sense check’ the Zoopla price index for Luton suggests a current average price of **£2675 sq m** for houses and **£2,379 sq m** for apartments. This figure is based on quoting prices, existing stock. After allowing adjustment for achieved sales, our figures are shown to be appropriate.

Retail Evidence Schedule

For the reasons stated in the sector specific commentary, we have considered Supermarket evidence locally, regionally and nationally. This demonstrates a typical rental value for supermarket use of £153 - £288 per sq m. When capitalised at a yield of 6%, this demonstrates that our adopted figure is justifiable, and a can be considered conservative.

Address	Tenant	Size sq ft	Rent per sq ft	Rent per sq m	COMMENT
Supermarkets	**Rental Evidence**				
Aldershot	Morrisons	78,000	£22.40	£241.00	May 2013. Sale reported at c.£5670 sq m – 4.25%
Alfreton	Tesco	87,347	£22.00	£237.00	Sale & lease back Jan 2013 at £438 psf (£4720 sq m. 5%
Alfreton Road, 170, Sutton in Ashfield	Tesco Local	4,912	£12.41	£133.58	Rent review August 2010
Ashford	Sainsburys	151,350	£23.00	£247.00	Aug 2013. Sale reported at 4.1%. Devalues to c.£6024 sq m before costs.
Basingstoke Rd, Reading	Aldi	16,350	£17.43	£188.00	Oct 2014 pre-let. Investment funding available at 6% = £242 (includes pub and gym elements)
Bassaleg Rd Newport	Spar	4,000	£14.50	£156.00	Roadside site. Investment offered at 6.5% - £2231 sq m
Bassaleg Rd Newport	ST Davids Hospice	1,000	£13.50	£145.00	Roadside site. Investment offered at 6.5% - £2231 sq m
Bevedere, London	Asda	68,000	£23.56	£254.00	FH sold @4.75 % yield - £5136 per sq m March 2014
Bolnore Village, Haywards Heath	Coop	3,649	£15.81	£170.20	Sept 2011 review. Neighbourhood centre.
Brentwood	Sainsburys	104,598	£31.93	£344.00	Nov 2013. Sale reported at 4.08 %. Devalues to c. £8,431 sq m before costs
Bridge Street, Clay Cross	Pets at Home	5,075	£14.50	£156.08	New letting Nov 2011
Brighton Road, 279, CR2 6EQ	Morrisons Local	4,000	£20.00	£215.30	Investment available at 6% - £3477 sq m
Broadbridge Heath Retail Park	Carpetright	9,914	£27.50	£296.00	Managing agent confirms rents at park vary from £25 - £30 per Sq ft. Mid-point
Bulwell, Notts	Iceland	4,957	£13.00	£140.00	Sold at £1767 7.5%
Canute Place, Knutsford	Sainsburys Local	3,233	£18.85	£202.00	Confidential letting 2010 – quoting terms listed.
Carlton Road, Nottingham	Asda	TBC	£18.50	£200.00	Deal agreed for proposed Asda superstore
Chapel Rd, Worthing	Tesco Local	4,500	£12.36	£133.00	2009
Cheadle Hulme	Waitrose	41,443	£23.00	£248.00	Sale 2009 at £4055 sq m, 4.6 %
Chesterfield Lockford Lane	Tesco	140,733	£23.00	£248.00	Investment sold at £5618 sq m 5%

Chesterfield Road South, Mansfield	Tesco	91,500	£20.00	£236.81	New letting March 2010. Sale and LB - £5069 sq m
Church Lane, Bedford	Aldi	16,454	£14.28	£153.71	Letting May 2010
Civic Way, Swadlincote	Sainsburys	66,379	£21.24	£228.63	Open market letting Nov 2010. Investment also sold at 4.45%
Clevedon, Bristol	Morrisons	30,479	£14.55	£157.00	Sept 11 Rent Review
Clytha Pk Rd Newport	Tesco Express	4,500	£12.50	£135.00	Investment now offered at £6.5% - £1950 sq m
Coggeshall Road, Essex, CM7	Tesco Express	3,860	£14.64	£158.00	Investment available at 6% - £2,482 per sq m.
Coldhams Lane, Cambridge	Sainsburys	81,983	£24.00	£258.34	Rent review Dec 2009
Congleton	Tesco	49,300	£22.00	£237.00	Sold 2012 at 4.9% - £4585 sq m
Cooden Sea Rd, Bexhill On Sea	Tesco Express	4,500	£13.50	£145.00	Jan 2010. Investment sold at 5.5% - £2511 sq m
Corringham Road, Gainsborough	Spar	4,000	£14.00	£150.70	New letting Aug 2011
Cotgrave Notts	Sainsburys Local	5,026	£18.00	£194.00	Sold 2010 £3319 sq m – 5.53%
Cowbridge Cattle Market	Waitrose	22,000	£18.50	£199.00	New build 2012
Crawley Avenue, Crawley	Sainsburys	93,000	£25.00	£269.00	2012 RR
Crickets Parade, 12, Worthing	Co-Op	7,182	£13.00	£140.00	2010 Review
Crookes, Sheffield	Sainsbury's Local	3,051	£20.00	£215.00	Quoting £3480 sq m , 6%
Crowborough	Tesco	27,411	£14.45	£155.00	Sold 2010 @ 4.29% (£3,422 per sq m)
Dennison Road Bodmin	Sainsburys	34,980			Investment available (Feb 2014) at 5.25% - £2652 sq m
Desborough, Northants	Tesco	24,000	£18.00	£194.00	c. Letting Jan 2011
Discovery Retail Park Newport	Aldi	12,471	£12.38	£138.00	Roadside retail. Rent passing. FH available at 7.2% - c.£1914 sq m gross
Diss	Tesco	50,334	£22.00	£236.81	Sale & lease back Jan 2013 at £432.91 (£4660 sq m).5%
Dover	Morrisons	50,700	£18.00	£193.80	Sold March 2010 @ 5% (£3,664 per sq m)
Downs Court, Eastbourne	Tesco	4,482	£11.46	£23.30	2011
Ebbw Vale	Tesco	58,865	£21.66	£233.00	Sale & lease back Jan 2013 at £418.75 psf (£4508 sq m) 5.2%
Ecclesall Rd Sheffield	Coop	26,030	£18.00	£194.00	ERV at review. Investment offered Oct 2014 @6% - £2,688 sq m
Embassy Court, Welling	Tesco	84,023	£18.40	£198.06	Letting June 2010. Investment sold at 5% in June 2011
Farrar Road, Bangor	Asda	46,141	£17.70	£190.52	New letting Dec 2011. Investments sold at 5% in Dec 2011

Ferndown, Dorset	M&S	15,700	£20.00	£216.00	Forward funding deal offered Oct 2014 @ 5% - £4237 sq m
Fishergate, Preston	Sainsburys Local	4,381	£20.00	£215.00	New letting, Aug 2014. Investment offered at 6% - £3477 sq m based on occupied area.
Former NBSM Premises, Broad Street, Barry	One Stop Stores Ltd	2,400	£12.00	£129.00	15 year lease, 5th and 10th year break options.
Garth Rd Bangor	M&S Food Store	18,272	£19.51	£210.00	Investment available at 5.8% - £3,380 sq m
Gatehouse Lane Burgess Hill	Tesco Local		£15.85	£170.00	Rent passing. Jan 2011 review.
Gloucester	Morrisons	71,300	£20.00	£215.00	Funding deal Jan 2013 at 4.65% - devalues to c. £4624 sq m
Goring Rd Worthing	Tesco Local	5,127	£15.65	£168.00	2010 review
Halifax, Sowerby Bridge	Tesco	40,197	£25.00	£270.00	Investment sold July 2014. Quoting terms based on 5% yield - £5208 sq m
Halstead, Essex	Sainsburys	18,260	£16.00	£173.00	Apr-10
Hanging Hill Lane Brentwood	Tesco Express	4,691	£12.86	£136.00	May 2012 letting
Haselet Avenue, East Crawley	Tesco Metro	5,500	£10.00		Investment sold at 5.9% - £1,810 per sq m assume c.£10
Hattersley, Manchester	Tesco	93,000	£14.50	£156.00	Sale agreed at £2697 Sq M (5.3%)
Havelock Rd Hastings	Tesco	3,134	£19.14	£206.00	Jan-10
Haywards Heath	Sainsburys	4,330	£18.00	£194.00	2010
High St, Barnet	Sainsburys Local	5,841	£18.00	£194.00	Investment offered Sept 2014 @ £3,594 psf – 6.5%
High St, Weedon Bec	Tesco Express	4,187	£12.42	£133.67	2012 letting. Investment available 2014 at £6.5% = £1950 sq m
High Street, 32-34, Brentwood, Essex	Iceland Foods	12,094			2011 investment sold at 5.3% - £2,340 per sq m.
Houghton Regis	Asda	51,000			Confidential transaction 2012. Developer unable to disclose, but confirmed £15-£20 psf "fair tone" across UK and £1m-£1.5m max per acre land
Huddersfield Rd Oldham	Tesco Extra	158,175	£17.00	£183.00	Jan 2014. Investment available at 5.28% - £3266 sq m. Includes 9,000 sq ft of ancillary retail.
Keyworth Nottingham	Sainsbury's Local	4,428	£10.00	£108.00	Sold 2010 £1850 sq m 5.5%
Kipling Dr, Derby	Tesco	55,902	£470.00	£5,059.00	Sale and Leaseback Dec 2012. FH
Lakeside Retail Park, No 1, Scunthorpe	Pets At Home	10,000	£19.12	£206.00	Rent passing until 2016. Investment available at £2940 per sq m, 6.5% (Oct 2014)
Lakeside Retail Park, No 2, Scunthorpe	Halfords	10,400	£18.80	£202.00	Rent passing until 2016. Investment available at £2940 per sq m, 6.5% (Oct 2014)
Lakeside Retail Park, No 3, Scunthorpe	Harveys	9,980	£19.04	£205.00	Rent passing until 2016. Investment available at £2940 per sq m, 6.5% (Oct 2014)

Lakeside Retail Park, No 4, Scunthorpe	Currys / PC World	15,015	£18.85	£203.00	Rent passing until 2016. Investment available at £2940 per sq m, 6.5% (Oct 2014)
Leicester, Beaumont Leys	Tesco	125,500	£23.25	£250.00	Feb 2008 RR. Incl PFS
Leigh, Manchester	Morrisons	64,000	£17.50	£188.00	Forward funding deal at £3532 sq m , 5%
Leigh, Manchester	Tesco	119,000			Funding deal at £4523 Sq M (includes Cineworld on site)
Linden Drive, Lutterworth	Co-op Food	3,381	£14.50	£156.00	Nov 2014 letting (devalued at £14.50 per sq ft at ground & £7.25 per sq ft stores). Investment available at 6.5% - £2,500 sq m sales
Littlemoor, Chesterfield	Co-op Food	4,500	£12.50	£135.00	Pre-funding deal. Investment offered 2015 at 6.5% - £1877 sq m sales
Lysander Road, Stoke on Trent	Tesco	70,486	£24.24	£260.92	New letting
Macclesfield	Sainsburys	74,583	£20.00	£215.00	Sale and Leaseback 2010. £4510 sq m , 4.9% .Sold on in 2011 at £5272 sq m, 4.5%
Maldon	Tesco	103,761	£25.82	£277.89	Sale & lease back Jan 2013 at £515.60 (£5550 sq m). 5%
Mallory Rd, Peterborough	Halfords	19,078	£16.50	£178.00	2014 rent passing. Investment available at 6.75 % - £2483 sq m
Manchester , Fallowfields	Sainsburys	55,565	£24.33	£262.00	Sold 2010 £6683 sq m , 4.15%
Manchester Trafford Centre	Asda	102,000	£25.00	£269.00	RR 2007
Mansfield , Woodhouse Road	One Stop	2,500	£12.00	£129.00	Available at £1700 – 7.25%
March, Cambs	Sainsburys	32,632	£18.00	£194.00	ERV stated at £22 psf (£236.8 sq m). Quoting 4.5% net yield = £4067 sq m capital value
Marlborough, Wilts	Morrisons	6,919	£20.00	£215.00	2010 Rent review. Investment available at 7% Dec 2014 (includes flats over)
Mawney Road, Romford, Essex	Tesco Express	2,582	£17.43	£188.00	New letting March 2013.
Meadow Rise, Billericay, Essex	Tesco Express	4,353	£12.63	£136.00	New letting August 2011.
Mickleover, Derby	Sainsburys Local	2,874	£11.00	£188.40	S&L at 5.62 % 2010
Milton Keynes, Kingston	Tesco	136,000	£26.00	£280.00	2008 RR
Moor Lane Clitheroe	Sainsburys	29,470	£19.00	£205.00	Dec 2013 review
Moseleys Yard, Nantwich	Cooperative (Local)	2,890 sq ft	£19.00	£205.00	Sold 2010 @ 5.5% - £3,526 per sq m.
Moulsham Street, Chelmsford, Essex	Tesco Express	4,300	£11.51	£124.00	New letting.
New Bridge St Parade, Clay Cross, Chesterfield	Fulton Frozen foods	2,858	£17.50	£188.00	New build, New letting Jan 2012

New Bridge Street, Clay Cross	Jack Fulton	2,858	£17.49	£188.26	New letting January 2012
Newbury	Sainsburys	133,953	£23.50	£253.00	Sold 2010 @ 4.5% (£4,982 per sq m)
Newcastle Avenue, Worksop	Sainsburys Local	4,000	£13.50	£145.31	New letting April 2009
Newport Rd Risca NP11	Tesco	80,000			2010 funding deal at £5,866 sq m. FH
Newton Le Willows	Tesco	33,967			Confidential transaction believed to be in region of £4357 sq m, 4.5%. Unconfirmed.
Ocean Road, South Shields	Morrisons	60,000	£15.00	£161.46	Open market letting August 2010
Oldham	Tesco	157,000	£13.30	£143.00	Available at £3154 sq m, 4.9%
Park Crescent, No 39-41, Barry	Sainsburys	3,756	£10.65	£115.00	Convenience store letting carried out October 1012
Parker Rd, Ore Valley, Hastings	One Stop	2,518	£11.00	£118.00	Investment available at 8.7% (mixed use scheme to include offices)
Peasley Cross Lane, St Helens	Tesco	140,000	£22.00	£236.81	Investments sold June 2011 5%
Penbroke Park, Crawley	Tesco Local	5,500	£13.11	£141.00	July 2007 freehold investment sold at yield equating to 5.9% - £1,810 per sq m
Plaza Parade Worthing	Co-Op	2,802	£14.81	£160.00	Passing rent
Pollgate, BNF26 6RE	Somerfield	4,173			Freehold investment sold £8,000 per sq m
Poynton	Waitrose	25,200	£20.00	£237.00	Rent Review 2010
Prescott, Merseyside	Tesco	119,435	£21.35	£229.81	Rent review June 2010
Princess Street, Knutsford	Waitrose (local format)	12,809	£10.92	£118.00	Investment sold @ 5% July 2011 - £2,269 per sq m.
Pulborough, Sussex	Sainsburys	29,073	£18.15	£195.00	Sold 2010 @ 4.25% (£4,347 per sq m)
Ratcliffe on Trent, Notts	Tesco Local	7,580	£20.00	£216.00	Size per sq ft est. Rent adjusted via assumed ancillary areas. Investment offered Oct 2014 at 6.5% - £1,958 sq m overall or £3,321 adjusted
Richardson Way, Coventry	Tesco	103,575	£14.27	£153.60	Investment sold at 4.57% in Sept 2011
Ropemaker Park, BN27 3GU	KFC	1,569	£19.00	£206.00	2013 review. Investment available at £2700 sq m (6.5%)
Ropemaker Park, BN27 3GU	Tesco Express	3,015	£16.00	£175.00	March 2013. Investment available at £2700 sq m (6.5%)
Rustington, Worthing	Tesco Local	4,478	£13.40	£144.00	2010
Rye Road, Hawkhurst	Budgens	13,459	£16.35	£176.00	Jun-08

Sale	M&S	17,640	£19.25	£207.20	Rent review 2011
Saxmundham, Suffolk	Tesco	25,700	£18.00	£194.00	Letting May 2012
Seamer Rd Retail Park A, Scarborough	Currys / PC World	16,368	£14.00	£151.00	Rent passing from 2013 review. Investment available (Dec 2014) at 7% - £2066 sq m
Seamer Rd Retail Park B, Scarborough	Carpetright	12,602	£14.64	£157.50	Rent passing from 2013 review. Investment available (Dec 2014) at 7% - £2066 sq m
Seamer Rd Retail Park, Scarborough	B&M Bargains	10,000	£15.00	£161.50	New letting 2013
Seaside Road, 346, Eastbourne	Co-op	3,876	£16.77	£80.50	Pre-let October 2011
Serpentine Green, Peterborough	Tesco	136,396	£26.00	£279.86	Rent review Dec 2008
Sheldon, Birmingham	Morrisons	105,000	£25.82	£277.93	Letting March 2010
Shrewsbury	Tesco				Sale and Leaseback believed to equate to 5% yield
Spilby, Lincs	Sainsburys	14,039			Investment available at £2900 per sq m (5%)
Spring St , Bury	Asda	51,763	£17.00	£182.00	Investment available at 6% - £2724 sq m Sept 2013
St Helens	Tesco	140,000	£20.00	£215.00	2010 Funding deal at 5.15 % (approx. £3971 sq m when devalued)
St Martins Place, Dorchester	Sainsburys Local	4,120	£16.50	£178.00	Investment available at 6.5% (with adjoining retail) - £3,205 sq m. Oct 2014
Stanway, Colchester	Sainsburys	147,000	£26.79	£288.37	Letting Dec 2010
Stephensons Drive, Leicester	One Stop	2,750	£12.00	£129.00	Roadside convenience store. Feb 2011
Sutton Park Rd Seaford	Tesco Express	4,676	£15.00	£161.00	2010. Investment available at 6% - £2661 sq m
Temple Mill Lane, Dronfield	Co-Op (local)	1,000	£12.00	£129.00	Dec 2011 letting
Tesco, Newport Rd NP11 6YD	Tesco	80,000			2010 purchase for £43.6m as a forward funding deal £5,866 sq m
Tewkesbury Road, Cheltenham	Sainsburys	97,434	£23.25	£250.26	Rent review Dec 2008
Thorne Road Retail Park, Doncaster	Iceland	8,000	£12.50	£134.55	New letting Nov 2011
Thorpe Road, Melton Mowbray	Tesco	49,000	£19.29	£207.64	Investments sold at 5.75% May 2009
Trentham Lakes, Stoke	Aldi	15,000	£210.00	£2,260.00	Freehold deal. Discount food retailer. Jan 2009

Warley Hill Brentwood	Tesco Express	5,067	£13.10	£141.00	Investment sold at £5.75% - £2314 sq m Sept 2013
Washdyke Lane, Immingham	Coop	19,381	£13.50	£145.00	Rent Review Dec 2011
Washway Rd, Sale	M&S	17,640	£19.00	£205.00	Feb 2011 review
Washway Road, Sale, Manchester	Tesco	2,426	£17.25	£186.00	Rent devalued after £5 psf allowance to stores. Nov 2014 letting. Investment available at 6.2% - £3682 sq m sales (£2192 overall)
Waterhouse Lane, Chelmsford, Essex	Tesco Express	4,500	£13.00	£138.00	Investment sold at 6% - £2165 per sq m
West Bromwich	Tesco	380,000	£20.50	£220.67	Sale & lease back Jan 2013. Mixed retail scheme overall rent. 5.9%
West Road, Congleton	Tesco Express	4,336	£12.67	£137.00	Roadside retail. Investment sold at 6.5% - £1,995 per sq m 2013.
Westgate Otley	Waitrose	31,520	£19.00	£205.00	Sept 2012 review
Whalley Range	Tesco Express	4,197	£16.20	£174.00	Investment sold @ 5.85% - £2,821 per sq m. 2010.
Wivelsfield Road, Haywards Heath	Sainsburys Local	4,330	£18.00	£193.75	Investment sold at 5.3% - £3,458 sq m
Woodhouse Road, Mansfield	One Stop	2,500	£12.50	£134.55	New letting January 2011
High St Weedon Bec	Tesco Exp	4,187	£12.42	£134.00	Aug 2012 letting. Investment available at 6.5% - £1941 sq m
South Sheilds Town Centre	Morrisons	73,000	£12.72	£137.00	Letting 2010. Investment available at 5.25 % - £2005 sq m
High St Maldon	Morrisons	4,039	£18.60	£200.00	Sept 2014 letting. Investment available at 5.75 % - £3278 sq m
Keymer Road, Hassocks	Sainsbury's	4,433	£18.67	£201.00	Nov 2014 letting. Sale agreed for FH at 5.75 % - £3,246
Abbey Walk, Selby	Sainsburys	30,355	£16.30	£175.50	Aug 2013 Rent review. Investment available at 6.25%, to include additional units. Devalues to £2807 on food store
Warley Road Blackpool	Morrsions	4,008	£13.00	£140.00	Investment available at 6% - £2094 SQM. Rent set May 2014
Wigton Road Carlisle	CoOp	16,684	£15.32	£165.00	Rent set 2015. Investment sold at £2,606 sq m, 6%
Stonecot Hill, Sutton	Asda	10,700	£32.71	£352.00	2015 Forward funding deal. Pre-pack sale available at 4.25% - £7847 sq m
Queens Park, London	M&S	5,580	£30.82	£331.75	June 2014 letting
Aldegate London	Tesco	3,356	£33.56	£361.25	April 2013 letting
Clifton Rd Isleworth	Tesco	3,585	£16.74	£180.00	March 2015 letting. Investment available at 5.5 % = £3,096 SQM
Keymer Road, Hassocks BN6 8AN	Sainsburys	4,433	£18.67	£201.00	01/11/2014
NG2 Nottingham	Homebase	80,045	£15.00	£161.35	Investment available at 7% - £2178 sq m

High St Poole	Sainsburys Local	4,305	£17.44	£188.00	Investment available at £2837 sq m - 6.25%
Scotland Rd, Carlisle	Sainsburys local	4,745	£24.40	£262.00	2015 rent review. Investment offered March 2015 @ 6.3% - £4,058 SQM (incl Coral unit)
Barking Rd Plaistowe	Tesco Express	3,392	£22.11	£238.00	Investment available April 2015 @ £3967 sq m = 5.6%
Caerleon Rd Newport	Tesco Express	4,431	£10.00	£108.00	Investment available at £1640 sq m - 6%
The Sqaure, Lymington	Tesco Express	3,229	£14.58	£157.00	Investment available at £2,316 Sq M (incl ancil) 6.5% April 2015
Wigmore Lane, Luton	Asda	81,203	£25.32	£273.00	Investment sold at £5326 per sq m 4.3% July 2014.
Portland Rd, Hove E.Sussex	Sainsburys Local	4,578	£22.65	£243.81	Jan 2105 Rent. Investment available May 2015 @ £3,692 (6%)
Long Row, Nottingham	Tesco Express	5,908	£17.82	£191.90	Rent review 2013
High St, Poole	Sainsburys Local	4,305	£17.45	£188.00	Investment available at £2,838 sq m (June 2015) 6.25%
Nicholson Street , Edinburgh	Tesco Metro	16,716	£19.00	£204.52	Feb 2105 rent review. Investment available at £3509 sq m - 5.5%
Tonbridge Rd Maidstone	Sainsburys	3,907	£20	£215.29	Rent set July 2015. Investment available at 5.5% - £3,840 sq m
Spring Rd Southampton	Morrisons	4,197	£16.50	£177.61	Rent set July 2015. Investment available at 5.5% - £3,000 sq m
Booker Av, Liverpool	Coop	4,025	£16	£172.23	Rent set July 2015. Investment available at 6% - £2700 sq m
Mill St Bideford	Coop	8,883	£16.50	£177.61	Investment available at £2880 sq m (5.75%). Gross price / rent includes basement and 1st fl
Station Hill, Chippenham	Sainsburys	5,242	£11.44	£123.14	Investment available at £2025 psm - 5.75 %
Witham, Essex	Aldi	16,361	£15.50	£166.85	Aug 2015. Investment available at £2743 sq m - 5.75%
Kingswood, Bristol	Coop	4,000	£16.50	£177.61	Let 2013. Investment available at 6.4% - £2,641 sq m
Loose Road, Maidstone	Sainsburys	4,500	£18.90	£203.44	New letting June 2015. Investment offered at 5.4% - £3588 sq m
Washway Rd, Sale	Coop	4,076	£18.86	£203.01	(ATL) Sept 2015. Rent devalued to allow for 1st floor at £5psf. Investment offered at 6.3% - £3200 SQM

Supermarket Land Evidence					
ADDRESS	**LAND EVIDENCE**	**SIZE ACRES**	**PRICE PER ACRE**	**PRICE PER HECTARE**	**COMMENT**
Carlton Road, Nottingham	**Asda**	**1**	**£1,500,000**	**£3,710,000**	**Blueprint Regeneration for Asda September 2011**
Knutsford	**Aldi**	**3.5**		**£3,500,000**	**c.3.5 Acres / c. £3-£3.5 Hectare** **Exact date TBC – agent confirms deal done in more buoyant market conditions**
Hampden Park, Eastbourne	**Morrisons**	**5.5**	**£1,250,000**	**£3,100,000**	**2011**
Carter Gate, Newark	**Asda**	**6**	**£1,000,000**	**£2,480,000**	**£6 Million** **£1m pa. 2009**
Wilford Lane West Bridgford	**Sainsburys**	**6.97**	**£1,900,000**		**March 2013. £2.12m incl S106. “Prime” site.**
Barry Waterfront	**Asda**	**7.78**	**£2,300,000**		**£2.3m PA headline** **Consent for 90,000 sq ft store. 2012**
Carlton Road. Worksop	**Tesco**	**8**	**£1,875,000**	**£4,550,000**	**£15 Million. Land was sold in June 2009**
Chesterfield Road South, Mansfield	**Tesco**	**9**	**£1,550,000**	**£3,760,000**	**£14 Million. Tesco stated that £500,000 was spent on remediation.**
Albany St Newport	Sainsburys	14		£2,450,000	Complex deal subject to de-valuing to per acre / hectare. Richard Ryan of Fletcher Morgan acted for Sainsbury’s confirmed approx figures as follows: 14 acre site £7.2m acquisition, £2.5m on remediation, £4.2m on road equates to gross price per acre of £992,000 (£2.45m / ha).

We are aware from our on-going discussions with agents & supermarket operators they are typically prepared to pay the sum in the region of £1.5M per acre for supermarket land although over recent months there has been a noticeable decrease in appetite for new development & this figure is often diminishing, in some cases more in line with the figure of approximately £1M per acre.

heb Research	Tenant	SIZE SQ FT	Rent per sq ft (per Sq M)	Comment
General Retail				
184 Bishopscote Road, Luton	Tesco Express	4,316		Sold 9 Feb 2015 - £2,195 per sq m
3 Church St, Luton	Pizza Express	4,669		Sold May 2014 - £3,132 per sq m
32 Cosgrove Way, Luton	Kwik Fit	7,524		Sold Dec 2014 - £1,931
6 St Johns Retail Pk Bedford	Comet	10,000	£18.25 (£197)	Rent review 2012
1B Luton Retail Park	A1 unit to let	6,407	£30.50 (£328)	Quoting rent
Church Lane Bedford	Aldi	16,454	£14.28 (£153.71)	Letting May 2010
Sundon Park Rd	Retail site	site	£1.8m per Ha	Development site. Considered “excessive”
9 Wellington St Luton	TBC	785	£25 (£270)	Feb 2012 letting
18 Sundon Park Parade	TBC	1,725	£11 (£118)	Nov 2011 letting
Wigmore Park Luton	Available	17,827	£10 (£108)	Quoting rent. Gym / Leisure
Hatters Way retail Park	Exclusive Leather	10,000	£21.75 (£234)	New letting April 2011
Enterprise Way Luton	Homebase	40,750	£14 (£150)	Rent passing. FH investment sale at £2113 sqm (6.7 %) Feb 2010
Power Ct, Luton	Dev site	c.20 acres	£1.39 ha	Retail / mixed use site.2011
Dunstable Rd Luton	Roadside unit to let	4,011	£13 (£140)	Quoting
Parkway service Station	Dev Site	0.53 acre		Roadside site sold April 2011 £1.68m Ha (quantum)
9 Wellington St Luton	Luton Int Supermarket	731	£13.60 (£146)	Jan 2012 Letting
Castle St Luton	Matalan	48,000	£14 (£153)	Passing rent. Investment sold Dec 2012 £1646 sqm – 7.25 %
52 Park St Luton	Undisclosed	1,783	£12.34 (£132)	Jan 2013 letting
30a King St Luton	Undisclosed	667	£13.49 (£145)	Oct 2012 letting
The above comparable evidence demonstrates an achievable zone for roadside retail / neighbourhood centre retail both locally & region - wide of between £110 to £270 per m as an established pattern of achievable rents. Capitalised at 7.5% this demonstrates that our adopted figures are comfortably achievable & fully justified.				

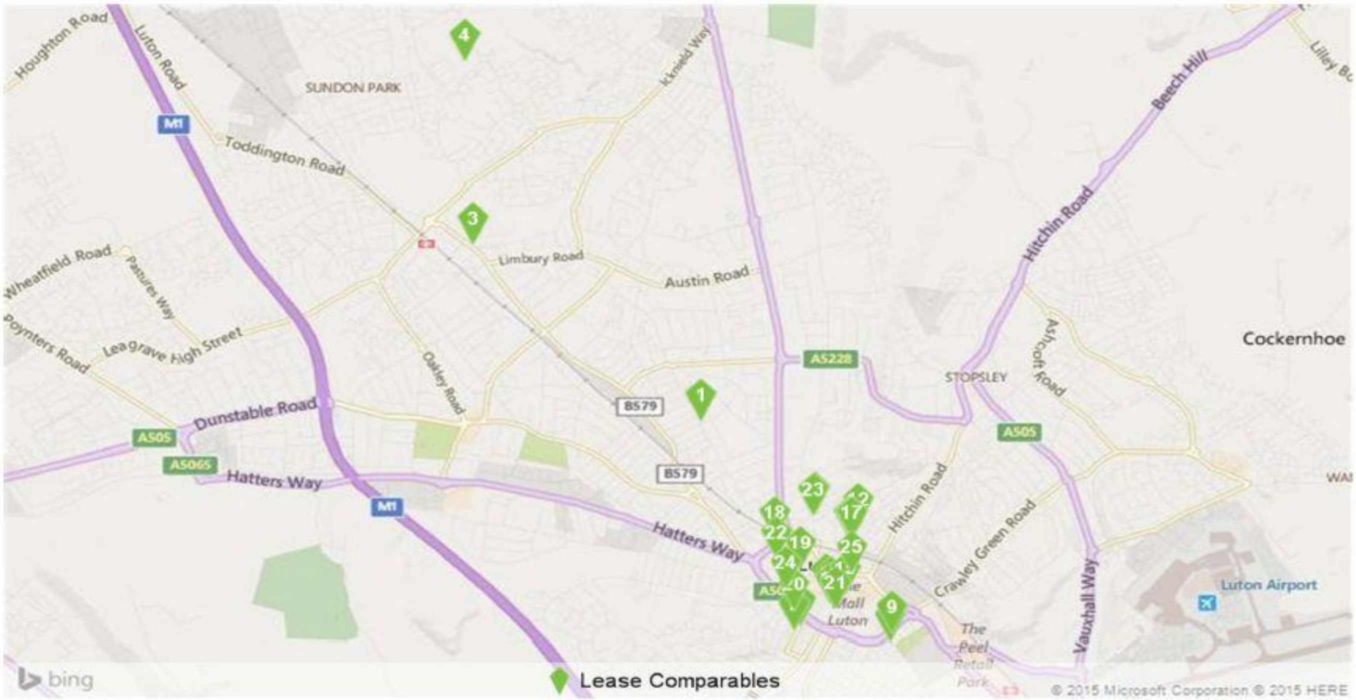
CoStar Lease Analysis Report

Lease Comp Summary

Lease Comps Report

Deals	Asking Rent Per SF	Achieved Rent Per SF	Avg. Months On Market
32	£24.88	£21.88	14

LEASE COMPARABLES



SUMMARY STATISTICS

Rent	Deals	Low	Average	Median	High
Asking Rent Per SF	26	£5.05	£24.88	£21.59	£89.65
Achieved Rent Per SF	12	£9.77	£21.88	£18.22	£40.31
Net Effective Rent Per SF	-	-	-	-	-
Asking Rent Discount	8	0.0%	9.0%	6.7%	50.0%
Rent Free Months	6	0	2	0	6

Lease Attributes	Deals	Low	Average	Median	High
Months on Market	27	1	14	10	44
Deal Size	32	311	1,842	871	13,844
Lease Deal in Years	15	1.0	5.9	6.0	10.0
Floor Number	32	BSMT	LBBY	GRND	1

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Lease Comparables

Lease Comps Report

			Lease				Rents	
	Property Name - Address	Rating	SF Leased	Floor	Sign Date	Type	Rent	Rent Type
1	196 Biscot Rd	★★★☆☆	623	GRND	21/08/2015	New	£25.68/iri	Asking
2	108 Park St	★★☆☆☆	675	GRND,1	21/08/2015	New	£28.89	Asking
3	5 Marsh Rd	★★★☆☆	516	GRND	31/07/2015	New	£27.13/iri	Asking
4	Marsh Farm Community Ce... The Moakes	★★★☆☆	1,375	GRND	31/07/2015	New	£15.00/iri	Asking
5	Regents Place 11 Hastings St	★★☆☆☆	410	GRND	21/07/2015	New	£21.95/fri	Asking
6	56 Old Bedford Rd	★★☆☆☆	1,112	GRND	20/07/2015	New	£12.50/fri	Asking
7	50 Hastings St	★★★☆☆	664	BSMT,G...	02/07/2015	New	£14.31/fri	Asking
8	48 George St	★★★★☆	1,277	BSMT,G...	24/06/2015	New	£38.76/fri	Asking
9	87 Park St	★★☆☆☆	10,293	GRND,1	10/06/2015	New	£5.05/fri	Asking
10	Luton Mall George St	★★☆☆☆	486	GRND	15/05/2015	New	£32.92	Asking
11	39 George St	★★★★☆	1,135	BSMT,G...	21/04/2015	New	£30.84/fri	Asking
12	17 High Town Rd	★★★☆☆	489	GRND	20/03/2015	New	£17.18	Achieved
13	3 High Town Rd	★★☆☆☆	717	BSMT,G...	04/02/2015	New	£12.55	Asking
14	5 High Town Rd	★★☆☆☆	1,949	GRND	04/02/2015	New	£8.98/fri	Asking
15	The Mall Shopping Centre 26-32 Silver St	★★★★☆	2,563	GRND	01/02/2015	New	-	-
16	12 High Town Rd	★★☆☆☆	320	BSMT,G...	09/01/2015	New	£18.75	Achieved
15	The Mall Shopping Centre 26-32 Silver St	★★★★☆	3,349	BSMT,G...	05/01/2015	New	£40.31/fri	Achieved
17	14 High Town Rd	★★☆☆☆	311	BSMT,G...	01/01/2015	New	£19.29	Achieved
15	The Mall Shopping Centre Waller Street Mall	★★★★☆	13,844	1st	01/01/2015	New	-	-
15	The Mall Shopping Centre George St	★★★★☆	2,507	GRND	23/12/2014	New	£17.95/fri	Achieved
18	19 Crawley Rd	★★☆☆☆	763	GRND	11/12/2014	New	£13.11	Asking

Lease Comparables

Lease Comps Report

			Lease				Rents	
	Property Name - Address	Rating	SF Leased	Floor	Sign Date	Type	Rent	Rent Type
15	The Mall Shopping Centre 32 George St	★★★★☆	1,151	BSMT,G...	08/12/2014	New	£17.38/fri	Achieved
19	Cresta House Alma St	★★★☆☆	3,682	GRND,1	07/11/2014	New	£11.38	Achieved
20	68 Wellington St	★★★☆☆	617	GRND	02/11/2014	New	£13.15	Achieved
21	25 George St	★★☆☆☆	1,306	GRND,1	21/10/2014	New	£24.89/fri	Achieved
15	The Mall Shopping Centre 26-32 Silver St	★★★★☆	2,231	GRND	01/10/2014	New	£89.65/fri	Asking
22	29 Collingdon St	★★☆☆☆	563	GRND	01/09/2014	New	£9.77/fri	Achieved
23	54 Old Bedford Rd	★★☆☆☆	487	GRND	01/09/2014	New	£18.48/fri	Achieved
15	The Mall Shopping Centre Silver St	★★★★☆	790	GRND	01/09/2014	New	£88.61/fri	Asking
15	The Mall Shopping Centre 26-32 Silver St	★★★★☆	801	GRND	01/09/2014	New	£68.66/fri	Asking
24	31 Upper George St	★★★☆☆	942	GRND	11/08/2014	New	£21.23/fri	Asking
25	28A Guildford St	★★★☆☆	1,005	GRND	01/08/2014	New	£27.86/fri	Achieved

Construction Cost Study

International
Management &
Construction Consultants

gleeds

NCS

CIL VIABILITY APPRAISAL

CONSTRUCTION COST STUDY

For

LUTON BOROUGH COUNCIL

LUTON BOROUGH COUNCIL

CILViability Appraisal

Order of Cost Study

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Revision: (Document issues are given in Appendix A)	
Date:	*18/03/15*
Prepared by:	*Andrew Stewart*
Checked by:	

Contents

Executive Summary

1. The Project

This Cost Study provides an estimate of construction costs over a range of development categories, to support a CIL Viability Appraisal

2. Allowances

The Estimate includes on-cost allowances for the following:

- Consultants
- B. Regulations and Planning fees
- NHBC Insurance where applicable

3. Basis of Estimate

The basis of the Estimate is in Section 2 of this report.

4. Detailed Construction Cost Study

The detailed Cost Study is given in Section 3 of this report.

5. Risk Allowance

A Risk Allowance of 5% of construction cost is recommended

Project Description

NCS have been appointed by Luton Borough Council for the production of the Council's Community Infrastructure Levy Charging Schedule, through to adoption.

Gleeds are acting as part of the NCS team, to provide indicative construction costs, over the range of development categories, to inform the Appraisal.

The range of development categories are as agreed with NCS

Basis of Cost Study

Base Date

Rates for Construction Costs in the Estimate have been priced at a Base Date of 1st quarter, 2015. Allowances must be made for inflation beyond this date dependant on the mid-point date of construction.

Procurement

The costs included in this Estimate assume that procurement is to be achieved on a single stage competitive tender basis, from a selected list of Contractors.

Scope of Development Types

The scope of development types within the various categories varies between categories.

This is reflected within the range of construction values stated for a particular category.

For the purposes of undertaking the Viability Appraisal, median rates for construction have been given for each development category; the range of values have also been stated.

Basis of Costs

The following benchmarking data was used in the preparation of the estimate:

1. Analysis of construction costs over a range of projects within the Gleeds Research and Development Data Base.

2. Where insufficient data is available within any particular category cross-reference is also made to BCIS construction cost information.

3. Reference is also made to the Communities and Local Government Cost Analysis for Code for Sustainable Homes, in respect of dwelling costs

All construction costs have been adjusted for Location Factor (Luton Borough Council 109) and All-in TPI for 1st Quarter 2015 (BCIS index – 219), (as 19 March 2015 indices update)

Assumptions/Clarifications

The following assumptions/clarifications have been made during the preparation of this Estimate:

- The costs included in this Estimate assume that competitive tenders will be obtained on a single stage competitive basis.

- There are no allowances in the Estimates for Works beyond the site boundary.

- All categories of development are assumed to be new build.

- It is assumed development takes place on green or brown field prepared sites, i.e. no allowance for demolition etc.

- All categories of development include an allowance for External Works inc drainage, internal access roads, utilities connections (but excluding new sub-stations), ancillary open space etc

- Site abnormal and facilitating works have been excluded.

Exclusions

The Order of Cost Study excludes any allowances for the following:

- Value Added Tax
- Finance Charges
- Unknown abnormal ground conditions including:
  - Ground stabilisation/retention
  - Dewatering
  - Obstructions
  - Contamination
  - Bombs, explosives and the like
  - Methane production
- Removal of asbestos
- Surveys and subsequent works required as a result including:
  - Asbestos; traffic impact assessment; existing buildings
  - Topographical; drainage/CCTV; archaeological
  - Subtronic
- Furniture, fittings and equipment
- Aftercare and maintenance
- Listed Building Consents
- Service diversions/upgrades generally
- Highways works outside the boundary of the site

Detailed Construction Cost Study

Development Type	Construction Cost £/m² Min	Max	Median
Standard Residential, code 3 (Mass Housebuilder, mid-range, 2-5 bed house)	871	1,143	992
Residential, 2-5 bed, code 4	919	1,192	1,044
Low Rise Apartments	969	1,302	1,113
Low Rise Apartments Code 4	1,015	1,371	1,168
Multi Storey Apartments	1,247	1,673	1,497
Multi Storey Apartments Code 4	1,320	1,784	1,582
Student Accommodation, ensuite	1,189	1,760	1,503
Care Homes	971	1,496	1,302
General Retail, shell finish	866	1,185	946
Food Retail supermarket, shell finish	922	1,673	1,260
Hotels, 2000m^2 mid-range, 3* inc F&Ftgs	1,413	1,905	1,606
Offices, Cat A fit-out	1,055	1,677	1,486*
Industrial, general shell finish	503	1,041	722
Institutional / Community D7 (museums, library, public halls, conference)	1,546	2,743	2,065
Leisure D5 (cinema, bowling alleys, shell)	1,187	1,711	1,392**
Agricultural shells	234	865	523
SUI Generis			
Vehicle Repairs	922	1,191	1,059
Vehicle Showrooms	1,147	1,333	1,281
Builders Yard	733	1,250	951

Note:

- * Offices, Cat A are based on speculative office development, of cost efficient design
- ** Leisure D5 development is based on shell buildings (bowling alleys, cinemas and the like) and exclude tenant fit-out

On-costs

Professional fees		
- Consultants (excluding legals)	7.25%	
- Surveys etc	0.75%	8%
Planning / Building Regs		
Statutory Fees		0.6%
NHBC / Premier warranty (applies only to Residential		
and Other Residential)		0.5%
Contingency / Risk Allowance		5%

CIL Viability Appraisal

Abnormal Site Development Costs, Luton Borough Council.

	Budget Cost £/Hectare
Abnormal Costs, by their very nature, vary greatly between different sites.	
Budget figures are given, for typical categories relevant to Luton Borough Council.	
The Budgets are expressed as costs per hectare of development site.	
Archaeology	10,000
Typically, Archaeology is addressed by a recording / monitoring brief by a specialist, to satisfy planning conditions.	
Intrusive archaeological investigations are exceptional and not allowed for in the budget cost.	
Site Specific Access Works	20,000
New road junction and S278 works; allowance for cycle path linking locally with existing	
Major off-site highway works not allowed for.	
Site Specific Biodiversity Mitigation / Ecology	
Allow for LVIA and Ecology surveys and mitigation and enhancement allowance.	20,000
Flood Defence Works	
Allowance for raising floor levels above flood level, on relevant sites	25,000
Budget £2,000 per unit x 35 units, apply to 1 in 3 sites.	
Utilities, Gas, Electric	
Allowance for infrastructure upgrade	80,000
Land Contamination	
Heavily contaminated land is not considered, as remediation costs will be reflected In the land sales values	25,000
Allow for remediation/removal from site of isolated areas of spoil with elevated levels Of contamination	
Ground Stability	
Allow for raft foundations to dwellings on 25% of sites	
Budget £2,000 x 35 units x 25%	20,000