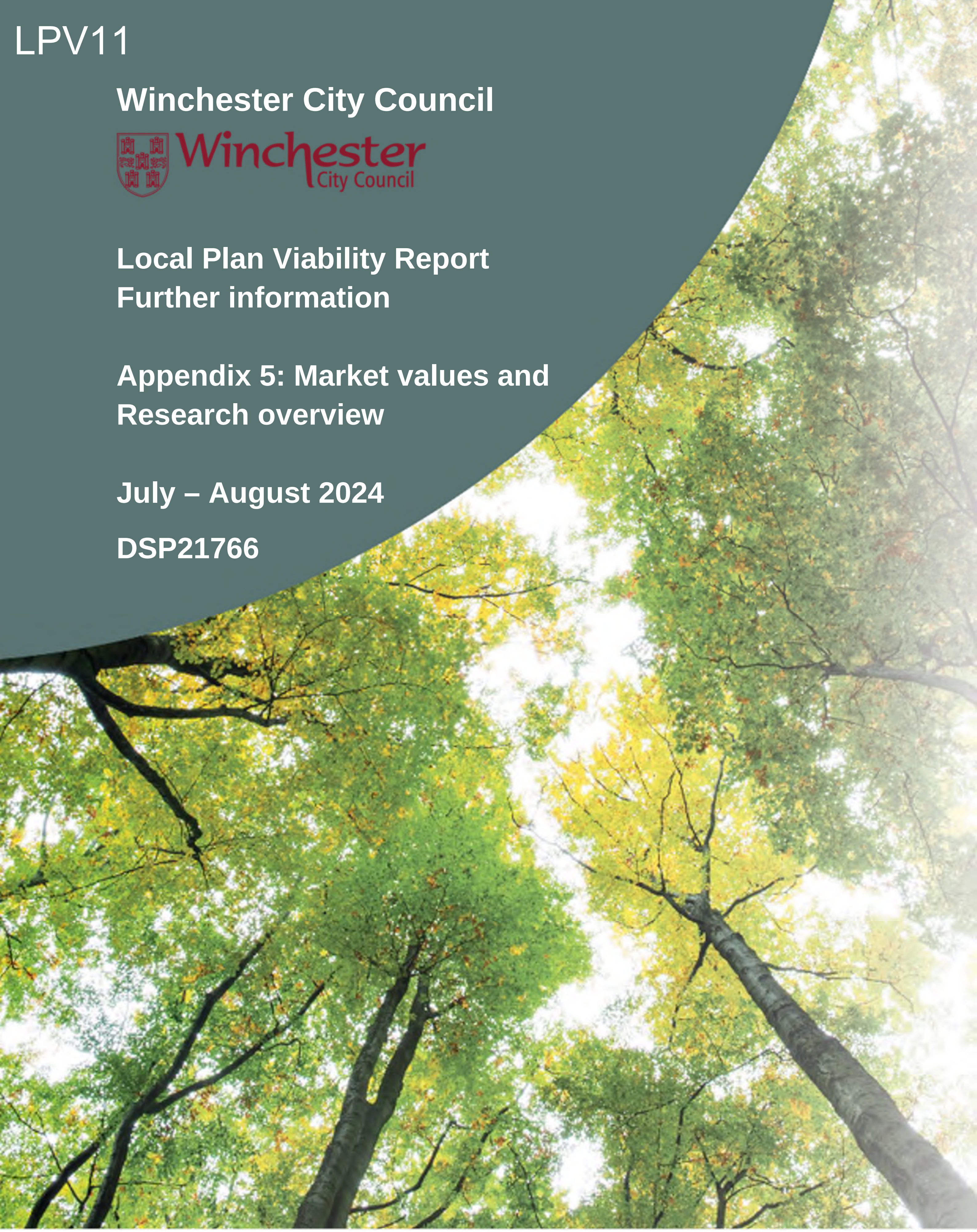
LPV11



Winchester City Council

Local Plan Viability Report
Further information

Appendix 5: Market values and Research overview

July – August 2024

DSP21766

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Contents

Note:

CoStar property resource extracts for research base follow the above.

1.0 Introduction

1.1.1 Referred to within DSP's Viability Assessment main report, this document – Appendix 5 - provides an overview of the research undertaken into residential and commercial property values, land values alongside general market commentary on both the residential and commercial property sectors and wider economic conditions. Collectively, this research informs the assumptions for the modelling within this viability assessment; providing important background evidence by building a picture of values and the variation of those within Winchester district set within the wider economic context.

1.1.2 This report will also provide the Council with an indication of the type and sources of data that it could monitor, revisit and update, to further inform its ongoing work where necessary in the future.

1.1.3 It should be acknowledged that this is high-level work, and a great deal of variance may be seen in practice from one development to another (with site-specific characteristics). This data gathering process involves the review of a range of information sources relevant to and appropriate for the project context.

1.1.4 This Appendix is informed by a range of industry reporting and quotes/extracts (shown in *italic text* to distinguish that externally sourced information from DSP's commentary and context / analysis), with sources acknowledged.

2.0 Economic / Housing Market Context

2.1.1. There are a number of sources that have been reviewed in order to understand the current economic and housing market context. We have made particular reference to the Land Registry, Royal Institution of Chartered Surveyors (RICS) market reporting, Office for National Statistics (ONS) and Savills market reporting and forecasts.

2.1.2. These industry reporting resources have all described a similar picture of the current economic background alongside general current housing market patterns.

2.1.3. The war in Ukraine and general global economic conditions caused some disruption and uncertainty in the market, ongoing since 2022 with values growth stalling or in some cases falling slightly over this period. However, the most recent (national) reporting suggests that the housing market generally is showing signs of improving following a brief period which saw month-on-month falls in house prices. Having taken a negative stance in 2023, Knight frank revised their assessment of the housing market in early 2024, stating "*We now expect UK mainstream prices to rise by 3% in 2024. With low-level single digit growth in subsequent years, we expect cumulative growth of 20.5% in the five years to 2028*". The ONS notes that the average UK house price increased by 2.7% in the 12 months to June 2024 (latest available data at the point of reporting for this study).

2.1.4. Since 2022 there has also been a period of rapid increases in construction cost inflation which began to slow mid-2023 with most recent reporting indicating this is expected to stabilise from 2025.[1]

2.1.5. This economic backdrop features heavily amongst the wider range of influences on development viability matters in the last 24 months and continues to influence the current property market. Revisions to the NPPF following the change of Government in July 2024 may add to current uncertainty in terms of strategic planning.

2.1.6. The increasing emphasis on climate change response is also a key theme and one which the Council is looking to fully support.

2.1.7. As noted above, the most recent analysis from Knight Frank (August 2024) aligns with the latest positive Savills reporting (see below). Following the BoE's decision to cut interest rates, lower mortgage rates are now available and likely to boost the market and "*continue a modest upward trend throughout the remainder of this year*".

[1] BCIS construction industry forecast – Q2 2024 – Q2 2029

2.1.8. This aligns with our experience of the current market - with build costs having stabilised over the past year or so (after an extended period of rapid inflation) and inflation coming under control, activity and growth in the housing market is likely to continue over the latter half of the year.

2.1.9. The most recent market reporting by Savills (in May 2024) now indicates a positive outlook throughout 2024 with the residential property market performing more strongly than anticipated. Although Savills acknowledge the market is sensitive to short-term fluctuations in the cost of debt, improving economic performance combined with potential cuts to interest rates will create capacity for growth.

2.1.10. The latest RICS residential market survey (July 2024) also takes a cautiously positive view, noting a '*buyer demand steady over the month while the near-term outlook appears to be brightening'*. Surveyors contributing to the survey confirm enquiries and sales remain steady with market activity likely to gain momentum in the coming months.

2.1.11. The latest Office for National Statistics (ONS) UK House Price Index (HPI) for June 2024 focuses on sale prices and trends in data rather than forecasting the future of the housing market. The ONS examines the condition of the market over the last couple of years, and notes the following:

- Average house prices in the South East region increased by 2%, to £382,522, in the 12 months to June 2024 (provisional estimate); this annual growth is unchanged from the revised estimate for the 12 months to June 2024.

- Average house prices in the Winchester district increased by 1.4%, to £506,617 in the 12 months to June 2024 (provisional estimate); this annual growth is unchanged from the revised estimate for the 12 months to June 2024.

- Average house prices increased in England to £305,000 (2.4%), in Wales to £216,000 (1.8%), and in Scotland to £192,000 (4.3%), in the 12 months to June 2024.

2.1.12. At the current time, we are informed by housebuilders that they are increasingly pursuing non-standard forms of development or approaches to sales, for example agreeing bulk disposals of units to Registered Providers, Build to Rent schemes rather than outright sale, and retirement/age restricted housing. It should also be noted however that many Registered Providers also have a reduced appetite for expansion and acquisitions, due to a tougher lending environment and uncertainty regarding, for example, sales of shared ownership, as well as a decision amongst some providers to focus energy and funds on ensuring that existing stock is suitably maintained or refurbished.

2.1.13. The consensus within the industry is that modest house price growth will be seen in the short term, but that in the medium to long term the market is supported by the 'fundamentals' – i.e. the continuing imbalance between supply and demand, as the population continues to increase with housebuilding falling well behind the rates needed to meet current and future demand. There are however concerns about the capacity of the development industry to cope with increased demand when the economy and housing market improve, as well as the availability of sufficient developable land should all those housebuilders who have 'retrenched' wish to increase their development programmes simultaneously.

3.0 Residential Market Review

3.1.1. Consistent with our assessment principles, DSP research data from a range of readily available sources, as also directed by the Planning Practice Guidance (PPG). As noted above, these are sources that could also be used by the Council for any future similar work, updating or monitoring. In the following sections we will provide an outline of our research.

3.1.2. The residential market review and data collection/analysis phase was conducted using data from the Land Registry grouped into Wards within the district between 2021 and 2024. Value level ranges were estimated for each area based on a variety of data presentation and analysis techniques including quartile analysis. This process comprised the desktop-based research and analysis of both sold and asking prices for new build and resale properties across the district.

Review of Land Registry New Build Sold Prices Data – (May 2021 to February 2024)

3.1.3. The following tables below provide a summary of Land Registry published sold prices data for the Winchester City Council area – focusing solely on new build housing. The floor areas have been sourced separately – from the Domestic Energy Performance Certificate (EPC) Register operated by Landmark on behalf of the Government and available to view via www.epcregister.com under the DCLG's remit. Property values have been updated in line with the UK House Price Index (HPI) at the point of data collection i.e., February 2024. Due to its size, the full data set has not been included - but can be requested if required.

Table 1a – Land Registry Sold Prices Review Analysis – New Build Property – Average Price and quartile analysis by Wards in Winchester District (between May 2021 – Feb 2024)

New Build Value - Summary Quartile Analysis - Winchester City Council (5.2021 - 2.2024)							
Ward	**Minimum £/m²**	**Q1 £/m²**	**Average Value £/m²**	**Median £/m²**	**Q3 £/m²**	**Maximum £/m²**	**Data Sample No.**
Alresford & Itchen Valley	£5,060	£5,151	£5,578	£5,242	£5,836	£6,430	3
Badger Farm & Oliver's Battery	£5,382	£5,382	£5,382	£5,382	£5,382	£5,382	1
Bishop's Waltham	£4,032	£4,548	£4,779	£4,680	£4,880	£5,948	97
Colden Common & Twyford	£4,573	£4,595	£4,617	£4,617	£4,639	£4,662	2
Denmead	£3,664	£4,039	£4,198	£4,237	£4,381	£5,292	43
Southwick & Wickham	£3,563	£4,546	£4,714	£4,666	£4,972	£5,554	51
St. Barnabas	£5,597	£6,279	£6,512	£6,962	£6,969	£6,976	3
St. Luke	£4,659	£4,659	£4,659	£4,659	£4,659	£4,659	1
St. Paul	£5,024	£6,539	£6,902	£7,008	£7,458	£8,530	14
The Worthys	£5,305	£5,316	£5,662	£5,764	£5,802	£6,124	5
Whiteley & Shedfield	£3,312	£4,280	£4,442	£4,472	£4,765	£5,387	105

** Data Sample of 325*

Table 1b – Land Registry Sold Prices Review Analysis – New Build Property – Average Price and quartile analysis by Dwellings in Winchester District (between May 2021 – Feb 2024)

New Build Value - Summary Quartile Analysis - Winchester City Council (5.2021 - 2.2024)							
Dwelling	**Minimum £/m²**	**Q1 £/m²**	**Average Value £/m²**	**Median £/m²**	**Q3 £/m²**	**Maximum £/m²**	**Data Sample No.**
Flat	£3,415	£3,493	£5,372	£5,242	£6,861	£8,530	29
Terraced	£3,312	£4,124	£4,533	£4,465	£4,643	£7,249	37
Semi-detached	£3,665	£4,401	£4,591	£4,593	£4,820	£6,124	93
Detached	£3,563	£4,389	£4,704	£4,652	£4,867	£6,976	166

** Data Sample of 325*

Table 1c – Land Registry Sold Prices Review Analysis – New Build Property – Average Price and quartile analysis in Winchester District (between May 2021 – Feb 2024)

New Build Value - Summary Quartile Analysis - Winchester City Council (5.2021 - 2.2024)							
District	Minimum £/m²	Q1 £/m²	Average Value £/m²	Median £/m²	Q3 £/m²	Maximum £/m²	Data Sample No.
Winchester City Council	£3,312	£4,381	£4,712	£4,605	£4,880	£8,530	325

3.1.4. A key point of this analysis is to consider all available information in an appropriate way for the study purpose and strategic level, which in this case requires a high-level overview of general values 'patterns' rather than aiming necessarily to reflect finer grained variations and potential site-specific influences.

3.1.5. The above new build data indicates that the key range across the district is from £4,500 to £7,000 per sq. meter However, this research analysis also indicated apartment sales values achieving the upper level of that range and in some cases up to approximately £7,000 per sq. meter, depending on the type and location of the subject scheme. As with any values analysis there are exceptions whereby higher and lower values can be seen also between nearby sites and even within a site – an overview is needed as part of this high-level assessment.

Review of Land Registry Resale Sold Prices Data – (between August 2023 – Jan 2024)

3.1.6. A similar process has been undertaken as above for re-sale property with the following Tables providing a district summary of Land Registry published sold prices data – focusing solely on resale housing. As above, the floor areas have been sourced separately – from the Domestic Energy Performance Certificate (EPC) Register operated by Landmark on behalf of the Government and available to view via www.epcregister.com under the DCLG's remit. Property values have been updated in line with the UK HPI (area-specific figures) at the point of data collection i.e., February 2024. Due to its size the full data set it has not been included here, however it can be requested by the Council.

3.1.7. Given the context of the study, being a high-level overview of viability at a strategic level, we have considered general values 'patterns' rather than aiming necessarily to reflect finer grained variations and potential site specifics, with the exception of key strategic sites.

Table 2a – Land Registry Sold Prices Review Analysis – Resale Properties – Average Price and quartile analysis by Wards in Winchester District (between Aug 2023 – Jan 2024)

Resale Value - Summary Quartile Analysis - Winchester City Council (8.2023 - 1.2024)							
Ward	**Minimum £/m²**	**Q1 £/m²**	**Average Value £/m²**	**Median £/m²**	**Q3 £/m²**	**Maximum £/m²**	**Data Sample No.**
Alresford & Itchen Valley	£2,817	£4,308	£5,196	£4,978	£5,823	£8,146	40
Badger Farm & Oliver's Battery	£3,446	£4,714	£5,503	£5,608	£6,251	£8,424	36
Bishop's Waltham	£2,541	£3,912	£4,650	£4,806	£5,350	£6,521	37
Central Meon Valley	£3,387	£4,396	£4,804	£4,892	£5,278	£5,863	17
Colden Common & Twyford	£2,650	£4,201	£4,437	£4,493	£4,871	£5,178	14
Denmead	£2,148	£3,578	£4,364	£4,571	£5,059	£6,609	54
Southwick & Wickham	£2,525	£3,341	£4,174	£3,864	£5,280	£5,996	21
St. Barnabas	£3,267	£4,833	£5,699	£5,750	£6,262	£8,917	31
St. Bartholomew	£2,414	£4,939	£5,714	£6,038	£6,852	£7,812	41
St. Luke	£2,712	£3,479	£4,527	£4,059	£5,516	£7,202	15
St. Michael	£3,240	£4,524	£5,797	£5,691	£6,699	£9,826	39
St. Paul	£3,068	£5,374	£6,113	£5,800	£6,688	£9,327	41
The Worthys	£3,161	£4,456	£4,992	£4,965	£5,328	£8,587	23
Whiteley & Shedfield	£3,097	£4,215	£4,630	£4,576	£5,166	£6,467	39
Wonston & Micheldever	£3,720	£4,521	£5,330	£5,073	£6,241	£7,215	20

** Data Sample of 468*

Table 2b – Land Registry Sold Prices Review Analysis – Resale Properties - Average Price and quartile analysis dwellings in Winchester District (between Aug 2023 – Jan 2024)

Resale Value - Summary Quartile Analysis - Winchester City Council (8.2023 - 1.2024)							
Dwelling	**Minimum £/m²**	**Q1 £/m²**	**Average Value £/m²**	**Median £/m²**	**Q3 £/m²**	**Maximum £/m²**	**Data Sample No.**
Flat	£2,148	£3,439	£4,162	£3,946	£4,681	£7,792	92
Terraced	£2,541	£4,376	£5,358	£5,200	£6,074	£9,826	122
Semi-detached	£2,817	£4,534	£5,176	£5,053	£5,755	£9,111	110
Detached	£3,097	£4,675	£5,532	£5,506	£6,256	£8,917	144

** Data Sample of 468*

Table 2c – Land Registry Sold Prices Review Analysis – Resale Properties - Average Price and quartile analysis in Winchester District (between Aug 2023 – Jan 2024)

Resale Value - Summary Quartile Analysis - Winchester City Council (8.2023 - 1.2024)							
District	Minimum £/m²	Q1 £/m²	Average Value £/m²	Median £/m²	Q3 £/m²	Maxim um £/m²	Data Sample No.
Winchester City Council	£2,148	£4,168	£5,134	£5,018	£5,980	£9,826	468

DSP Residential 'Value Levels' (VLs)

3.1.8. Overall, for the purposes of this assessment, the data indicates that the following values from an appropriate range for modelling – represented by what we refer to as Value Levels (VLs) 1-11+ indicative by location, all in accordance with the extensive research values analysis outlined above. See Table 3a below (note: table also included for ease of reference in Appendix 1).

3.1.9. At the time of compiling Appendix 1 'assumptions summary' in Summer 2024, we consider the typical overall range of property values in the district is £4,000 per sq. meter to £7,000 per sq. meter but at the current time we consider the key new build values range is £4,500/m2 to £5,250/m2. Therefore, we have formed the view the above VL3-6 is a reasonable broad representation of a suitable indicator for results review/interpretation.

3.1.10. More specifically within the city of Winchester (rather than the district as a whole), in our view typical new build values could probably be considered within the range of VLs £5,250 per sq. meter to £6,500 per sq. meter (i.e. approximately £565 per sq. ft to £700 per sq. ft). As noted above, we also consider flatted development to come forward at the upper end of the above overall VLs range.

Table 3a – DSP Value Levels – Residential Sales Value Level (VL) Assumptions – Indicative relevance by area within District & Winchester City[2]

Market Values (MV)	VL1	VL2	VL3	VL4	VL5	VL6	VL7	VL8	VL9	VL10	VL11
			Typical New Build Value - District								
						Typical New Build Value - Winchester City					
1-bed flat	£200,000	£212,500	£225,000	£237,500	£250,000	£262,500	£275,000	£287,500	£300,000	£325,000	£350,000
2-bed flat	£244,000	£259,250	£274,500	£289,750	£305,000	£320,250	£335,500	£350,750	£366,000	£396,500	£427,000
2-bed house	£316,000	£335,750	£355,500	£375,250	£395,000	£414,750	£434,500	£454,250	£474,000	£513,500	£553,000
3-bed house	£372,000	£395,250	£418,500	£441,750	£465,000	£488,250	£511,500	£534,750	£558,000	£604,500	£651,000
4-bed house	£520,000	£552,500	£585,000	£617,500	£650,000	£682,500	£715,000	£747,500	£780,000	£845,000	£910,000
MV (£ / sq. m.)	£4,000	£4,250	£4,500	£4,750	£5,000	£5,250	£5,500	£5,750	£6,000	£6,500	£7,000

3.1.11. As in all areas, values are always variable to some extent – within particular wards or settlements and even within sites. The table above assumes the gross internal floor areas for dwellings as shown below in Table 3b (these are purely for the purpose of the above market dwelling price illustrations) for the residential typology set. Table 3b sets out the assumed dwelling mix principles applied as part of the testing.

Table 3b – Assumed Unit Sizes & Dwelling Mix

<table>
<tr><th rowspan="2">Property Type</th><th colspan="2">Assumed Unit Sizes*</th><th colspan="3">Dwelling Mix (%)**</th></tr>
<tr><th>Market Units</th><th>Affordable Units</th><th>Market Units</th><th>Affordable Units - Affordable Rent</th><th>Affordable Units - Affordable Home Ownership</th></tr>
<tr><td>1-bed flat</td><td>50</td><td>50</td><td rowspan="3">30.0%</td><td>20.0%</td><td>20.0%</td></tr>
<tr><td>2-bed flat</td><td>61</td><td>61</td><td rowspan="2">40.0%</td><td rowspan="2">45.0%</td></tr>
<tr><td>2-bed house</td><td>79</td><td>79</td></tr>
<tr><td>3-bed house</td><td>93</td><td>93</td><td>45.0%</td><td>30.0%</td><td rowspan="2">35.0%</td></tr>
<tr><td>4-bed house***</td><td>130</td><td>106</td><td>25.0%</td><td>10.0%</td></tr>
</table>

**Based on Nationally Described Space Standard October 2015*

***based on Winchester Strategic Housing Market Assessment Update (April 2024)*

****1-house typology tested at 200sq.m.*

[2] Appendix 1 assumptions summary aligns other settlements/ward areas within the district with relevant VLs

4.0 Retirement / Sheltered and Extra Care Housing research

4.1.1. Alongside general needs housing, DSP also researched the value of new build retirement/extra care development in the district. However, we noted no new build schemes were on the market at the time of writing, so we have considered the Retirement Housing Group method of estimating values for retirement/extra care properties as discussed below.

4.1.2. According to the Retirement Housing Group (RHG) in their paper amended February 2016 which discusses assumptions for strategic policy viability it is possible to value sheltered housing by assuming that a 1-bed new build sheltered flat is worth 75% the value of a second-hand 3-bed semi-detached property locally, with a 2 bed new build sheltered flat being worth 100% of the value. In addition, extra care housing is typically considered to be 25% higher than sheltered housing.

4.1.3. DSP have conducted research into recent sales transactions for second-hand 3-bedroom semi-detached properties within Winchester District to follow this methodology. The results provide a sense check on our other retirement research. Ultimately it corroborates the impression that new build retirement units represent higher value levels in the district – see Table 4a below.

Table 4a – RHG Analysis – July 2024

RHG Analysis - July 2024		
Average value of a resale 3-bed Semi-detached property in Winchester District	**£436,995**	
Type	**Indicative New Build Value**	**Indicative New Build Vale £/m²**
1-bed new build sheltered flat (worth 75% of the value)	£327,746	£5,959
2-bed new build sheltered flat (worth 100% of the value)	£436,995	£5,827
1-bed extra care (typically 25% higher than sheltered housing)	£409,683	£7,449
2-bed new build extra care (typically 25% higher than sheltered housing)	£546,244	£7,283

* Source: Rightmove, in July 2024 (Sample Size: 124)

4.1.4. DSP's significant experience of carrying out site-specific viability reviews on numerous schemes together with the above research analysis led us to test retirement/sheltered/extra care housing at the following levels – see Table 4b below.

Table 4b – Assumed Value Levels & Dwelling Mix – Sheltered and Extra Care Housing

Market Value (MV) - Private units	VL8	VL9	VL10	VL11	VL12
	Typical New Build "Sheltered" Values Range			Upper VL Sensitivity Tests	
1-bed flat (Sheltered)	£316,250	£330,000	£357,500	£385,000	£412,500
2-bed flat (Sheltered)	£431,250	£450,000	£487,500	£525,000	£562,500
MV (£/sq. m.)	£5,750	£6,000	£6,500	£7,000	£7,500

Market Value (MV) - Private units	VL8	VL9	VL10	VL11	VL12
	Lower VL Sensitivity Tests		Typical New Build "Extra Care" Values Range		
1-bed flat (Extra Care)	£351,000	£380,250	£409,500	£438,750	£468,000
2-bed flat (Extra Care)	£456,000	£494,000	£532,000	£570,000	£608,000
MV (£/sq. m.)	£6,000	£6,500	£7,000	£7,500	£8,000

4.1.5. From wider experience, we would generally expect retirement/sheltered housing values to be representative of the upper end of this overall range; even this could be considered conservative in our view.

5.0 Commercial Market Information, Rents and Yields

5.1.1 DSP have also considered relevant articles relating to the commercial market, rents and yields, including the Royal Institution of Chartered Surveyors, Savills and Knight Frank. Although the full detail has been included here for completeness, some of the discussion is beyond the scope of the appraisal testing necessary for this assessment.

5.1.2 The RICS Economy and Property Market Update August 2024 comments that forecasts point to a 'subdued' near term outlook for the UK economy, with commercial real estate investment volumes having fallen, continuing a *'persistently weak trend'*. Following previous negative reports on retail demand, surveyors remain generally downbeat, however a rising number feel that we are entering the early stages of an upturn.

5.1.3 Industrial values have not significantly changed of late, however the RICS report predicts modest annual percentage increases in capital values and rents.

5.1.4 DSP have also reviewed Savills' bulletin: UK Market in Minutes – UK Commercial – August 2024. Savills note '*another month of static yields'* with the market remaining in a period of stasis. However, Savills expect regional offices to be a driver of increased investment yields, with UK office occupancy rates continuing to climb as workers return to the office following the pandemic. It is also noted that *'industrials, retail warehouses and shopping centers have all seen negative total returns move back into positive territory'* with expectations that the office sector will follow.

Savills prime equivalent yields

	July 2023	June 2024	July 2024
West End offices	4.00%	4.00%	4.00%
City offices	5.00%	5.25%	5.25%
South East offices	6.75% ↑	7.75% ↑	7.75% ↑
Provincial offices	6.00% ↑	7.00%	7.00% ↓
High street retail	6.50% ↑	6.75% ↓	6.75% ↓
Shopping centres	8.00% ↑	8.25% ↓	8.25% ↓
Retail warehouse (Open A1)	5.50% ↑	5.50%	5.50%
Retail warehouse (Restricted)	6.00% ↑	6.00%	6.00%
Foodstores (OMR)	5.00%	5.50% ↓	5.50% ↓
Industrial/Distribution (OMR)	5.00% ↑	5.00%	5.00%
Industrial multi-lets	4.75% ↑	5.00%	5.00%
Leisure parks	7.25% ↑	8.00%	8.00%
London leased (core) hotels	4.25%	4.50% ↓	4.50% ↓
Regional pubs (RPI)	5.75%	6.50%	6.50%

Source: Savills Research

5.1.5 To summarise the articles above, the commercial market is thought to be picking up from its lowest point (post-pandemic) with modest improvements seen in most sectors. Whilst at the time of review office yields were not beginning to fall (with falling yields indicating greater investment security) as seen in some other sectors, the pick-up trends around the office accommodation market are reported as expected to follow the other more positive signs. This picture is as per Savills' table above, and also reflected in the Knight Frank sourced information included below – Table 5.

5.1.6 By way of brief explanation on yield percentages (%s) and trends, upward moving investment yields i.e. higher or increasing %s (with trends denoted by upward arrows by Savills or 'negative' market sentiment noted by Knight Frank meaning yield %s increasing) indicate reducing security of investment income (e.g. rental flow) i.e. higher risk. This is reflected in a greater % return when viewed in this way. In valuation terms, this means rents are capitalised at a lower rate (using a lower multiplier). Conversely, stable or positive market sentiment reflects steady or falling yield %s, pointing towards more secure investment prospects – lower risk and stronger capitalisation of (higher multiplier applied to) the rent/other income.

5.1.7 Table 5 below sets out indications on prime yields provided by the Knight Frank Investment Yield Guide (Jun 2024)[3]

Table 5 – Knight Frank Investment Yield Guide Jun 2024

SECTOR	Jun-24	MARKET SENTIMENT
High Street Retail		
Bond Street	2.75% - 3.00%	**STABLE**
Oxford Street	4.50%	**STABLE**
Prime Towns (Oxford, Cambridge, Winchester)	7.00%	**STABLE**
Regional Cities (Manchester, Birmingham)	7.25%	**STABLE**
Good Secondary (Truro, Leamington Spa, Colchester etc)	10.00%	**STABLE**
Shopping Centres (sustainable income)		
Regional Scheme	8.25%	**STABLE**
Sub-Regional Scheme	9.50%	**STABLE**
Local Scheme (successful)	10.50%	**STABLE**
Neighbourhood Scheme (assumes <25% of income from supermarket)	10.00%	**STABLE**
Out of Town Retail		
Open A1 Parks	5.75%	**POSITIVE**
Good Secondary Open A1 Parks	7.50%	**POSITIVE**
Bulky Goods Parks	5.75%	**POSITIVE**
Good Secondary Bulky Goods Parks	7.50%	**POSITIVE**
Solus Open A1 (15 year income)	6.00%	**STABLE**
Solus Bulky (15 year income)	6.00%	**STABLE**
Leisure		
Prime Leisure Parks	8.00%	**STABLE**
Good Secondary Leisure Parks	9.00%	**STABLE**
Major Foodstores		
Annual RPI Increases [NYI] (20 year income)	5.00%	**STABLE**
Open Market Reviews (20 year lease, 5 yearly reviews)	6.00%	**STABLE**
Discounters (20 year, 5 yearly indexation)	4.75%	**STABLE**
Specialist Sectors		

[3] Knight Frank "Investment Yield Guide" (Jun 2024)

Car Showrooms (20 years with indexed uplifts & dealer covenant)	6.00%	**STABLE**
Budget Hotels London (20 years, 5 yearly indexed reviews)	4.75%	**POSITIVE**
Budget Hotels Regional (20 years, 5 yearly indexed reviews)	5.50%	**STABLE**
Student Accommodation Prime London (25 years, Annual indexation)	4.25% +	**STABLE**
Student Accommodation Prime Regional (25 years, Annual indexation)	4.50% +	**STABLE**
Healthcare (Not for Profit, 30 years, Annual indexed reviews)	4.75%	**STABLE**
Healthcare (SPV credit, 25 years, Annual indexed reviews)	5.75%	**STABLE**
Data Centres (Leased, 15 years, Annual Indexation)	5.00%	**STABLE**
Life Sciences (15 years)	4.75%	**STABLE**
Income Strip (50 years, Annual RPI/CPIH+1% RRs, Annuity Grade)	3.75%	**STABLE**
Ground Rents (150 years, Annual RPI/CPIH+1% RRs)	3.25%	**STABLE**
Warehouse & Industrial Space		
Prime Distribution/Warehousing (20 years [NIY], higher OMV/ index)	5.00%	**STABLE**
Prime Distribution/Warehousing (15 years, OMRRs)	5.50%	**STABLE**
Secondary Distribution (10 years, OMRRs)	6.00%	**STABLE**
Greater London Estates	5.00%	**STABLE**
South East Estate	5.25%	**STABLE**
Good Modern Rest of UK Estate	5.50%	**STABLE**
Good Secondary Estates	6.75% - 7.25%	**STABLE**
Office (Grade A)		
City Prime (10 years)	5.25% - 5.50%	**STABLE**
West End: Prime Core (Mayfair & St James's)	4.00%	**STABLE**
West End: Non-core (Soho & Fitzrovia)	4.75%	**STABLE**
Major Regional Cities (10 years)	6.50%	**STABLE**
Major Regional Cities (5 years)	7.50%	**STABLE**
Secondary, Regional Cities	11.00% +	**NEGATIVE**
South East Towns (10 years)	7.25%	**STABLE**
South East Towns (5 years)	8.25%	**STABLE**
Secondary, South East Towns	11.50% +	**NEGATIVE**
South East Business Parks (10 years)	8.00% +	**NEGATIVE**
South East Business Parks (5 years)	10.50% +	**NEGATIVE**

Commercial Property Values Research

5.1.8 The information as outlined in the following section is based on research data as far as available reflecting the commercial property sector within Winchester district. Our assessment particularly focuses on the main commercial uses that may be affected by policy and / or viability – industrial, retail and office rents.

5.1.9 Our commercial rent assumptions are informed by a range of data sources detailed throughout this report.

Commercial Values Data – CoStar

5.1.10 DSP has a subscription to the commercial property data resource 'CoStar' and here we include relevant extracts, as available. For Winchester district, summary reporting analysis for the lease comparables is provided; combined with the full data extracts to be found at the end of this Appendix. CoStar is a market leading commercial property intelligence resource used and informed by a wide range of Agents and other property firms, to provide commercial real estate information and analytics. CoStar conducts extensive, ongoing research to provide and maintain a comprehensive database of commercial and real estate information where subscribers can analyse, interpret and gain insight into commercial property values and availability, as well as general commercial market conditions.

5.1.11 The CoStar sourced research is based on available lease comparables within Winchester district covering industrial / retail / office over the last (36 months). Figures 1a-1c below provides the analysis summary, with the full data set provided at the rear of this Appendix.

5.1.12 The full CoStar dataset, as summarised in the above tables, has been further analysed over a 3-year period from 2021-2024. [see Table 6a below] to provide a more detailed view of the range of commercial rents in the Winchester submarket.

Table 6a – CoStar Summary Analysis Winchester - Commercial Leases 2021 - 2024

Winchester City Council					
Type of Commercial Leases - April 2021-April 2024 - [£ per sq. ft]	Minimum Average Rental Indications [£ per sq. ft]	1st Quartile Rental Indications [£ per sq. ft]	Median Rental Indications [£ per sq. ft]	3rd Quartile Rental Indications [£ per sq. ft]	Maximum Average Rental Indications [£ per sq. ft]
Retail	£0.17	£17.82	£28.40	£52.60	£92.59
Offices	£9.93	£15.00	£16.50	£21.19	£38.24
Industrial	£4.54	£8.81	£10.35	£11.56	£17.07

Winchester City Council					
Type of Commercial Leases - April 2021- April 2024 - [£ per sq. meter]	Minimum Average Rental Indications [£ per sq. meter]	1st Quartile Rental Indications [£ per sq. meter]	Median Rental Indications [£ per sq. meter]	3rd Quartile Rental Indications [£ per sq. meter]	Maximum Average Rental Indications [£ per sq. meter]
Retail	£1.81	£191.83	£305.69	£566.23	£996.67
Offices	£106.89	£161.46	£177.61	£228.04	£411.62
Industrial	£48.87	£94.86	£111.41	£124.43	£183.74

Figure 6a – CoStar Lease Comparables – Retail – (Previous 36 months)

Lease Comps Summary

Lease Comps Report

Deals	Asking Rent Per SF	Achieved Rent Per SF	Avg. Months On Market
49	£39.72	£21.24	18

LEASE COMPARABLES

SUMMARY STATISTICS

Rent	Deals	Low	Average	Median	High
Asking Rent Per SF	23	£11.94	£39.72	£41.27	£96.76
Achieved Rent Per SF	27	£0.07	£21.24	£21.87	£92.59
Effective Rent Per SF	8	£15.17	£19.12	£19.12	£65.44
Asking Rent Discount	10	0.0%	27.6%	5.8%	99.8%
TI Allowance	-	-	-	-	-
Rent Free Months	12	0	5	3	12

Lease Attributes	Deals	Low	Average	Median	High
Months on Market	30	1	18	11	130
Deal Size	49	196	2,356	1,851	11,531
Deal in Months	34	12.0	113.0	120.0	240.0
Floor Number	49	LL	GRND	GRND	2

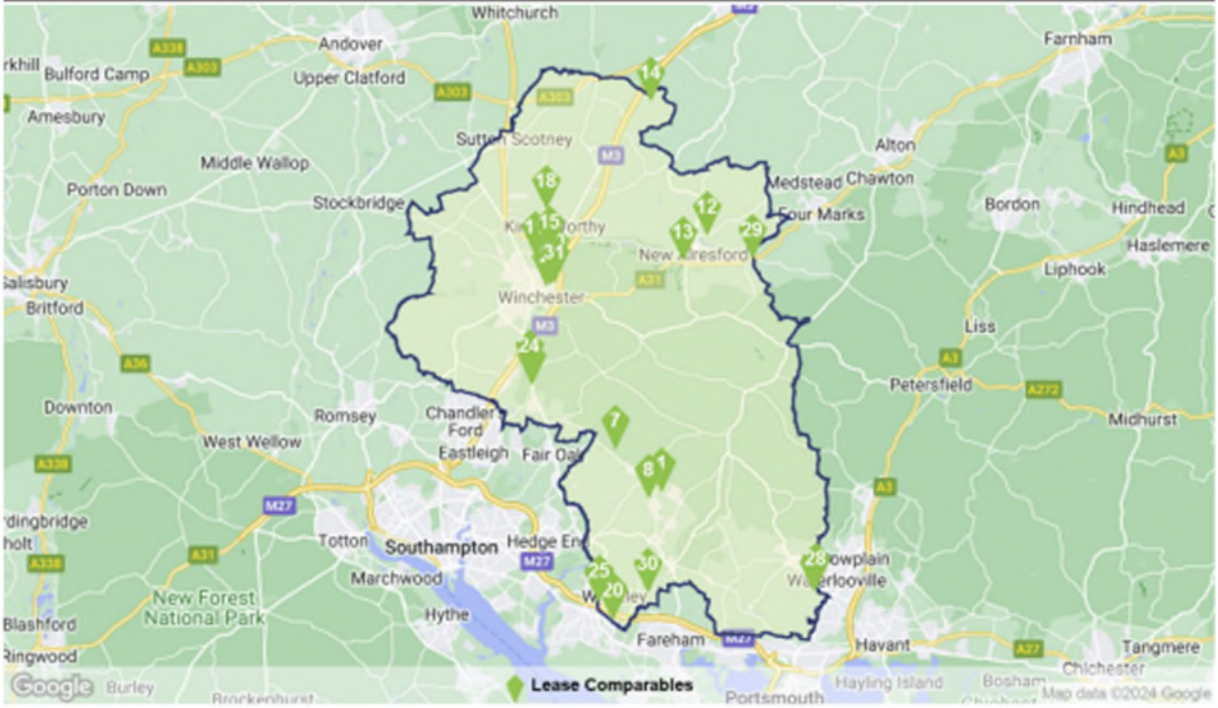
Figure 6b – CoStar Lease Comparables – Office – (Previous 36 months)

Lease Comps Summary

Lease Comps Report

Deals	Asking Rent Per SF	Achieved Rent Per SF	Avg. Months On Market
42	£9.82	£9.78	23

LEASE COMPARABLES



SUMMARY STATISTICS

Rent	Deals	Low	Average	Median	High
Asking Rent Per SF	18	£6.00	£9.82	£10.22	£13.00
Achieved Rent Per SF	24	£4.54	£9.78	£10.43	£17.07
Effective Rent Per SF	5	£8.51	£10.21	£9.99	£17.07
Asking Rent Discount	7	-45.2%	-0.7%	0.0%	16.7%
TI Allowance	-	-	-	-	-
Rent Free Months	12	0	6	4	21

Lease Attributes	Deals	Low	Average	Median	High
Months on Market	31	1	23	16	112
Deal Size	42	827	11,196	5,160	44,004
Deal in Months	26	12.0	102.0	120.0	240.0
Floor Number	42	GRND	GRND	GRND	MEZZ

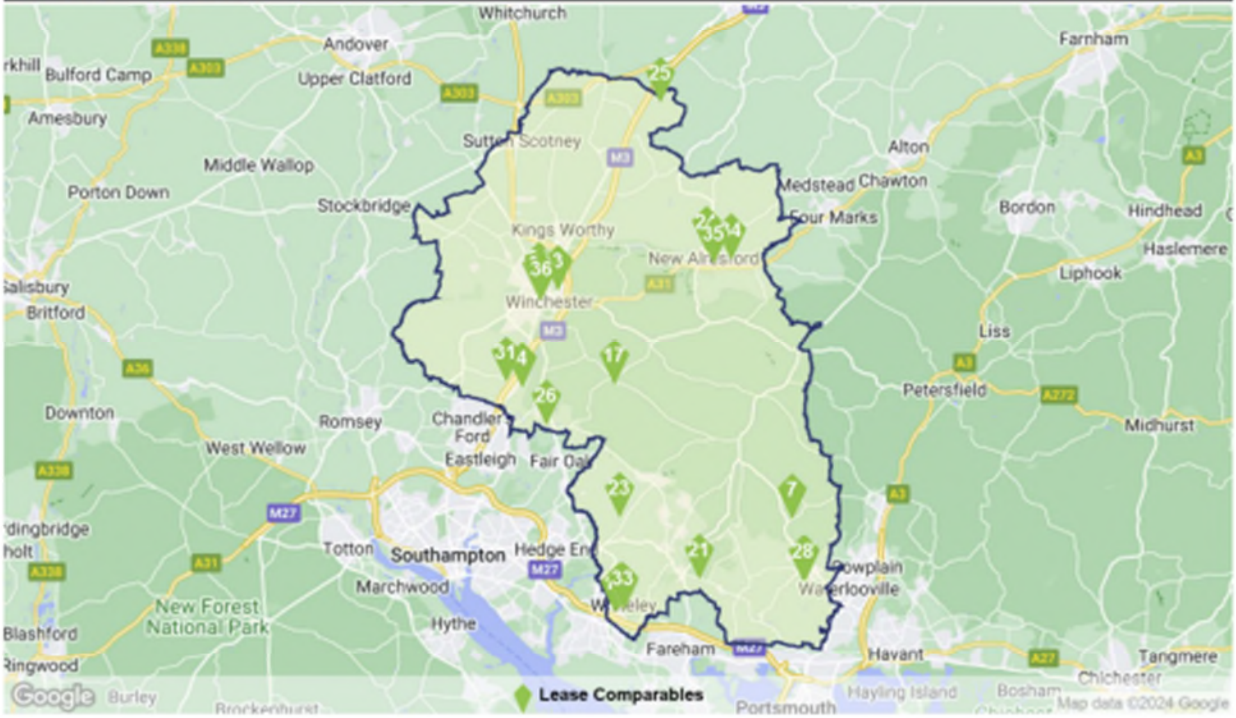
Figure 6c – CoStar Lease Comparables – Industrial – (Previous 36 months)

Lease Comps Summary

Lease Comps Report

Deals	Asking Rent Per SF	Achieved Rent Per SF	Avg. Months On Market
81	£18.05	£17.85	18

TOP 50 LEASE COMPARABLES



SUMMARY STATISTICS

Rent	Deals	Low	Average	Median	High
Asking Rent Per SF	48	£10.98	£18.05	£18.25	£34.61
Achieved Rent Per SF	56	£6.43	£17.85	£17.20	£38.24
Effective Rent Per SF	4	£9.93	£20.47	£17.96	£27.00
Asking Rent Discount	32	-35.0%	6.8%	0.0%	58.0%
TI Allowance	1	£0.00	£0.00	£0.00	£0.00
Rent Free Months	10	0	5	4	22

Lease Attributes	Deals	Low	Average	Median	High
Months on Market	59	1	18	12	82
Deal Size	81	127	4,266	1,272	105,504
Deal in Months	56	12.0	62.0	60.0	120.0
Floor Number	81	LL	RDJ	RDJ	5

6.0 Stakeholder Consultation

6.1.1 As part of the information gathering process between 2021 - 2024, DSP invited a number of local stakeholders to contribute by providing local residential / commercial market indications / experiences and values information. This was in order to both invite engagement and to help inform our study assumptions, alongside our own research, experience and judgements. It was conducted by way of a survey / pro-forma (containing some suggested assumptions) supplied by email by DSP via the Council for comment. The covering email contained a short introduction about the project, and also explained the type of information we required as well as assuring participants that any information they may provide would be kept in confidence respecting commercial sensitivities throughout the whole process.

6.1.2 The first phase took place in 2021 and included consultation with housebuilders, developers, planning and property agents and other parties as well as a directed approach seeking particular information from affordable housing providers. A further phase of consultation with the development industry took place in 2023 to refresh previous contact.

6.1.3 The list of development industry stakeholders consulted as part of this assessment in connection with both consultation phases is included below. Contact information has not been included for confidentiality reasons:

- Avison Young
- Barton Willmore LLP
- CALA Homes (Chiltern) Limited
- Carter Jonas Cass Holdings Ltd
- Cass Holdings Ltd
- Planning Issues Ltd
- Crest Nicholson
- Crest Nicholson South
- Darcliffe Homes
- Environment Agency
- Feltham Properties Ltd
- Gladman Developments Ltd
- GVA
- J & M Properties (Berkshire) Ltd
- James Build Ltd
- Joy Schlaudraff
- JSA Architects Ltd
- Miller Homes Ltd
- Millgate Developments Ltd
- Oakridge Developments
- Orchard Investments
- Origin3
- Pegasus Group on behalf of Walker Logistics Ltd
- Persimmon Homes
- Persimmon Homes North London
- Praxis Real Estate Management Ltd
- Pro Vision
- Rackham Planning Ltd
- Rectory Homes
- Ressance Limited
- Robert Tutton Town Planning Consultants Ltd
- Rolfe Judd Planning
- Savills
- Sport England
- Strutt and Parker
- Sustrans (National Cycle Network)
- Sutton Griffin Architects
- Taylor Wimpey UK
- Thames Valley LEP
- Thames Water
- Turley
- UK Land Ltd
- Westbuild Homes
- White Young Green

6.1.4 Other stakeholders contacted as part of the information gathering process included locally active Affordable Housing Providers and local estate agents.

6.1.5 DSP received a limited number of responses from development industry and affordable housing providers, some of which offered broad ranges for costs and values, or general opinions/commentary on the market, as well as some offering more detailed responses.

6.1.6 Any information / comments that were provided as a result of this consultation helped to inform and check / support our assumptions – these assumptions were developed through research within the district, discussions with local estate agents, and also DSP's extensive experience conducting independent viability reviews at planning application stage generally. However, due to concerns around commercial sensitivity, we have not included any specific references or comments in this Appendix.

Site Promoter Consultation

6.1.7 Consultation with key Site Promoters was carried out in 2022-2023 and most recently followed up in Spring / Summer 2024 in relation to key specific sites to be viability tested (see report and Appendix 1 for further detail). This was conducted principally by way of survey / pro-forma, but follow-up meetings were offered. All communications with site promoters confirmed and assured participants that any information provided would be kept in confidence respecting commercial sensitivities throughout the whole consultation process.

6.1.8 DSP has contacted each site promoter to contribute by providing specific information in relation to each site relating to site context, infrastructure requirements, site abnormals, existing uses etc. The purpose of this consultation was to help inform our study assumptions, alongside our own research.

6.1.9 Overall, DSP received positive responses from the contacted. Any information / comments provided as a result of this consultation helped to inform and check / support our assumptions.

7.0 Benchmark Land Values - Context

7.1.1. As with the residential and commercial values, DSP also considered information as far as available regarding land values. Reporting includes the Savills Market in Minutes: UK Residential Development Land – Q2 2024 and the Knight Frank 'Residential Development Land Index Q1 – 2024'. The Savills report indicates that 'downward pressures' which materialized in 2023 persist. Whilst Savills report *'an improvement in activity'* they note that appetite for land remains highly varied and sales of sites are taking longer to progress.

7.1.2. Overall, Savills report that *'UK greenfield and urban land values remained relatively flat in Q1 2024, taking annual change to -4.8% and -6.5% respectively in the 12 months to Q1 2024.* Savills note that there is *'greater positivity in the wider housing market and economy, supporting an uptick in demand alongside limited supply in the land market.'* In summary, land values remain fairly static, having fallen slightly in 2023. Although there is renewed interest in land driven by a '*chronic scarcity of land'* which is sustaining the current land values, there are no signs of land values increasing at present. As has been the case for the past year or more, larger, optimum sites in prime locations remain popular however Savills note that the *'appetite for flat-led schemes in urban locations remains suppressed'*, noting also the viability challenges posed for schemes over six storeys due to the recently published guidance on additional staircases for buildings over 18 metres tall.

7.1.3. The Knight Frank report 'Residential Development Land Index Q1 – 2024' highlights the sentiment that a Labour government would *'enhance the land and development market the most'* but also notes that a lack of power capacity in the National Grid has delayed some housing schemes.

7.1.4. Knight Frank state that housebuilder sales rates for early 2024 have improved, and that sentiment is generally more positive – however based on their data land prices remain fairly static and the general expectation is that this will remain the case in the short to medium term. Interestingly, in contrast to Savills' view from earlier in the year, Knight Frank conclude that '*land is becoming more plentiful*' and *'while availability is still limited* [their survey] *points to a loosening'.* A quarter of those surveyed said that land supply is now adequate. This might therefore indicate further downward pressure on land prices.

7.1.5. Based on Knight Frank's data, the appetite for Build to Rent opportunities appears to have decreased. This aligns with indications we have received from the industry with many noting that whilst schemes which are in planning or consented are being pursued there is limited appetite for new opportunities in this sector, and in particular for BTR schemes which are not in prime location.

7.1.6. To summarise, whilst there is some difference of opinion on the prospects for land values, both reports suggests that land values will remain at the present level having fallen over the past year or so. Although the above is intended to provide general commentary on the wider residential land values market for context purposes, the PPG requires viability testing to be carried out on the basis of Existing Use Value plus a premium – see further explanation below.

Benchmark Land Values

7.1.7. Land value in any given situation should reflect specific viability influencing factors, such as:

- The existing use scenario
- Planning approval and status
- Development potential – scale, type, etc. (usually subject to planning)
- Development constraints – including site conditions and necessary works, costs and obligations (including known abnormal factors)
- Development plan policies

7.1.8 It follows that the planning policies and obligations will have a bearing on land value; as has been recognised by examiners and Planning Inspectors.

7.1.9 In order to consider the likely viability of local plan policies in relation to any development scheme relevant to the Local Plan, the outturn results of the development appraisals (the RLVs viewed in £/ha terms) need to be somehow measured against a comparative level of land value. This is a key part of the context for reviewing the strength of the results as those changes across the range of assumptions on sales values (GDVs) and crucially including the effect of local plan policies (including affordable housing) and other sensitivity tests.

7.1.10 This comparison process is, as with much of strategic level viability assessment, not an exact science. It involves judgements and well-established acknowledgements that, as with other appraisal aspects, land values will in practice vary from scheme to scheme as well as being dependent to some extent on timing in relation to market conditions and other wider influences such as Government policy. The levels of land values selected for this comparison context are often known as 'benchmark' land values, 'viability tests' (as referred to in our results tables – Appendices II-Iv) or similar. They are not fixed in terms of creating definite cut-offs or steps in viability, but in our experience, they serve well in terms of adding a layer of filtering to the results, to help enable the review of those; they help to highlight the tone of the RLV results and therefore the changing strength of relationship between the values (GDVs) and development costs as the appraisal inputs (assumptions) change.

7.1.11 As suitable (appropriate and robust) context for a high-level review of this nature, DSP's practice is to compare the wide range of appraisal RLV results with a variety of potential land value comparisons in this way. This allows us to consider a wide range of potential scenarios and outcomes and the viability trends across those.

7.1.12 The land value comparison levels are not fixed or even guides for use on scheme specifics; they are purely for this assessment purpose. In our experience, sites will come forward at alternative figures – including in some cases beneath the levels assumed for this purpose. We have considered land values in a way that supports an appropriately "buffered" type view.

7.1.13 The PPG on 'Viability' (most recently updated February 2024) makes it clear that benchmark land values (BLVs) should be based on the Existing Use Value (EUV) plus approach and states: '*A benchmark land value should be established on the basis of the existing use value (EUV) of the land, plus a premium for the landowner [which] should reflect the minimum return at which it is considered a reasonable landowner would be willing to sell their land. The premium should provide a reasonable incentive, in comparison with other options available, for the landowner to sell land for development while allowing a sufficient contribution to comply with policy requirements. This approach is often called 'existing use value plus (EUV+).*

7.1.14 Further relevant extracts from the PPG (September 2019) are set out below.

'*Benchmark land values should:*

- *Be based upon existing use value*
- *Allow for a premium to landowners (including equity resulting from those building their own homes)*
- *Reflect the implications of abnormal costs; site-specific infrastructure costs; and professional site fees'*

7.1.15 '*Viability* assessments *should be undertaken using benchmark land values derived in accordance with this guidance. Existing use value should be informed by market evidence of current uses, costs and values. Market evidence can also be used as a cross-check of benchmark land value but should not be used in place of benchmark land value. There may be a divergence between benchmark land values and market evidence; and plan makers should be aware that this could be due to different assumptions and methodologies used by individual developers, site promoters and landowners.'*

7.1.16 *'This evidence should be based on developments which are fully compliant with emerging or up to date plan policies, including affordable housing requirements at the relevant levels set out in the plan. Where this evidence is not available plan makers and applicants should identify and evidence any adjustments to reflect the cost of policy compliance. This is so that historic benchmark land values of non-policy compliant developments are not used to inflate values over time.'*

7.1.17 *'In plan making, the landowner premium should be tested and balanced against emerging policies. In decision* making*, the cost implications of all relevant policy requirements, including planning obligations and, where relevant, any Community Infrastructure Levy (CIL) charge should be taken into account.*

7.1.18 On factors to be considered in establishing benchmark land values The PPG continues:

7.1.19 '*Existing use value (EUV) is the first component of calculating benchmark land value. EUV is the value of the land in its existing use. Existing use value is not the price paid and should disregard* hope *value. Existing use values will vary depending on the type of site and development types. EUV can be established in collaboration between plan makers, developers and landowners by assessing the value of the specific site or type of site using published sources of information by assessing the value of the specific site or type of site using published sources of information such as agricultural or industrial land values, or if appropriate capitalised rental levels at an appropriate yield (excluding any hope value for development).'*

7.1.20 *'Sources of data can include (but are not limited to): land registry records of transactions; real estate licensed software packages; real estate market reports;*

real estate research; estate agents' websites; property auction results; valuation office agency data; public sector estate / property teams' locally held evidence.'

7.1.21 The PPG states the following on how the premium for viability assessment to the landowner should be defined:

7.1.22 *'The premium (or the 'plus' in EUV+) is the second component of benchmark land value. It is the* amount *above existing use value (EUV) that goes to the landowner. The premium should provide a reasonable incentive for a land owner to bring forward land for development while allowing a sufficient contribution to fully comply with policy requirements.'*

7.1.23 *'Plan makers should establish a reasonable premium to the landowner for the purpose of assessing the viability of their plan. This will be iterative process informed by professional judgement and must be based upon the best available evidence informed by cross sector collaboration. Market evidence can include benchmark land values from other viability assessments. Land transactions can be used but only as a cross check to other evidence. Any data used should reasonably identify any adjustments necessary to reflect the cost of policy compliance (including for affordable housing), or differences in the quality of land, site scale, market performance or different building use types and reasonable expectations of local landowners. Policy compliance means that the development complies fully with up to date plan policies including any policy requirements for contributions towards affordable housing requirements at the relevant levels set out in the plan. A decision maker can give appropriate weight to emerging policies. Local authorities can request data on the price paid for land (or the price expected to be paid through an option or promotion agreement).'*

7.1.24 In order to inform the BLVs for use here, we have reviewed existing evidence, previous viability studies, site specific viability assessments and in particular have had regard to published Government sources of land values for policy application[4]. The Government data provides industrial, office, residential and agricultural land value estimates for the local sub-region but not all areas are covered. This includes data for Winchester district in relation to residential land estimates. Not all areas are covered and as is the case in most LA areas, Winchester may well have varying characteristics. Therefore, where data is insufficient, we have made use of our own

[4] MHCLG: Land value estimates for policy appraisal 2017 (May 2018)

experience and judgement in order to utilise a 'best fit' from the available data. The benchmarks indicated within the appendices are therefore informed by this data and other sources as described above.

7.1.25 The residential land value estimates in particular require adjustment for the purposes of strategic viability testing due to the fact that a different assumptions basis is used in our study compared to the truncated valuation model used for the residential land value estimate. This (and other) viability assessments, assume all development costs are accounted for as inputs to the RLV appraisal, rather than those being reflected within a much higher, "serviced" i.e. "ready to develop" level of land value. The MHCLG truncated valuation model provides a much higher level of land value as it assumes all land and planning related costs are discharged, assumes that there is a nil affordable housing requirement (whereas in practice the affordable housing requirement can impact land value by around 50% on a 0.5 ha site with 35% AH) with no CIL or other planning obligations allowance. That level of land value would also assume that full planning consent is in place, whereas the risk associated with obtaining planning consent can equate to as much as a 75% deduction when adjusting a consented site value to an unconsented land value starting point. Lower quartile build costs and a 17% developer's profit (compared to the assumed median build costs and 17.5% developer's profit used in this study) are additional assumptions that lead to a view of land value well above that used for comparison (benchmark purposes) in viability assessments such as this. So, the assessment approach (as relates to all land values) assumes all deductions from the GDV are covered by the development costs assumptions applied within the appraisals. In our view this would lead to a significantly reduced residential land value benchmark when taking into account all of those factors.

7.1.26 The figure that we consider representing the minimum land value likely to incentivise release for development under any circumstances in the local context is around £250,000/ha. Typically, we expect to apply this across the whole site area as part of a prudent assumptions approach, but with experience increasingly showing that the non-developable areas of larger schemes tending to grow, this needs to be considered in coming to overall BLVs that do not overstate the land value influence on viability, given the increasing requirements that the developer will often need to meet. In our experience of dealing with site specific viability, greenfield land values tend to be assumed at minimum option agreements levels. These are typically around £100,000 and not exceeding £200,000 per gross acre (i.e. approx. £250,000 to a maximum of £500,000 per gross hectare and representing a 10 to 20 times uplift from existing use value). Land values at those levels are likely to be relevant to development on greenfield land (e.g. agricultural land or in cases of enhancement to amenity land value). Lower values should not be ruled out.

7.1.27 We consider £250,000 per gross hectare to be towards the lowest base point for enhancement to greenfield land values (with agricultural land reported by the VOA and a range of other sources to be valued at circa £20,000 - £25,000/ha in existing use). The upper-end of the above-noted range at £500,000 per gross hectare is in our view more appropriate for small, paddock type sites than large amounts of farmland/grassland.

7.1.28 Another point of triangulation on greenfield BLVs is to consider the developable area of the site in question, and apply a full BLV level assumption to that, then adding a much lower £ rate per hectare to the SANG/open space/non-developed areas. This is dependent on the level of open space within the development however typically leads to similar assumptions to those noted above.

7.1.29 When considering BLV it can also be helpful to review the uplift in £ terms as well as reviewing multiple of or percentage uplift from existing use value.

7.1.30 The EUV+ BLVs used within the study therefore range between £250,000/ha for greenfield land (including a significant uplift from existing agricultural values) to £4,000,000+/ha for upper PDL/Residential land values (with the PDL range tested starting at £500,000/ha). This is not to say that land value expectations in such scenarios would not go beyond these levels either – they could well do in a range of circumstances. There is evidence of higher values for commercial sites in the district (and our results indicate that acquisition of these sites could be supported in some scenarios) however these are likely to be viable in their existing use, i.e. high value, successful commercial sites and therefore less likely to be proposed for a change of use to residential.

7.1.31 Matters such as realistic site selection for the particular proposals, allied to realistic land owner expectations on site value, will continue to be vitally important. Even moving away from a ‘market value’ led approach, site value needs to be proportionate to realistic development scope and site contracts, ensuring that headroom for supporting necessary planning obligations is not overly squeezed beneath the levels that should be achieved.

7.1.32 The latest RICS Guidance[5] (updated to reflect the latest NPPF and PPG) refers to benchmark land value as follows *'The value to be established on the basis of the existing use value (EUV) plus a premium for the landowner (PPG, paragraph 013) or the alternative use value (AUV) in which the premium is already included. PPG paragraph 014 is clear that there 'may be a divergence between benchmark land values and market evidence; and plan makers should be aware that this could be due to different assumptions and methodologies used by individual developers, site promoters and landowners.'*

7.1.33 The Local Housing Delivery Group report[6] chaired by Sir John Harman (again pre-dating the new NPPF and PPG), notes that: '*Consideration of an appropriate Threshold Land Value needs to take account of the fact that future plan policy requirements will have an impact on land values and landowner expectations. Therefore, using a market value approach as the starting point carries the risk of building-in assumptions of current policy costs rather than helping to inform the potential for future policy. Reference to market values can still provide a useful 'sense check' on the threshold values that are being used in the model (making use of cost-effective sources of local information), but it is not recommended that these are used as the basis for the input into a model… We recommend that the Threshold Land Value is based on a premium over current use values and credible alternative use values.'*

7.1.34 Any overbid level of land value (i.e. incentive or uplifted level of land value) would be dependent on a ready market for the existing or other use that could be continued or considered as an alternative to pursuing the redevelopment option being assumed. The influences of existing / alternative use on site value need to be carefully considered. At a time of a low demand through depressed commercial property market circumstances, for example, we would not expect to see inappropriate levels of benchmarks or land price expectations being set for opportunities created from those sites. Just as other scheme specifics and appropriate appraisal inputs vary, so will landowner expectation.

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[5] Assessing viability in planning under the National Planning Policy Framework 2019 for England

[6] Local Housing Delivery Group – Viability Testing Local Plans (June 2012)

7.1.35 In summary, reference to the land value benchmarks range as outlined within the report and shown within the Appendix 2, 3 and 4 results summary tables footnotes (range overall £250,000 to £4,000,000/ha) have been formulated with reference to the principles outlined above and are considered appropriate.

National Planning Policy Framework

7.1.36 The current NPPF was published in July 2018, further revised in February 2019 and subsequently updated in 2021 and twice in 2023. This sits alongside the Planning Practice Guidance (PPG) (in relation to viability both at plan making and decision taking stages of the planning process).

7.1.37 On the 30th July 2024, a consultation on a revised NPPF was released which sets out a number of proposed changes to the current system. However, if adopted, it is likely that the Council will fall within the Government's transitional arrangements and the Plan will be submitted and considered under the current NPPF.

Appendix 5 Ends

- followed by Co-Star extracts.