ADAMS INTEGRA

North Warwickshire Borough Council

Community Infrastructure Levy
Non-Residential
Review and Update Viability Report

Report for the consideration of North Warwickshire Borough Council

FINAL REPORT

September 2018

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CONTENTS

Executive Summary

1. This North Warwickshire Borough Council Community Infrastructure Levy (CIL) Viability Study provides appropriate and robust evidence to inform the setting of charging rates for CIL for non-residential development in the Borough. This takes into account known development costs, including those arising from the Council's planning policies and its community development objectives.

2. In the context of this study 'viable' refers to a level of CIL which is not so high as to discourage development from occurring, i.e. set at a level so that development remains viable.

3. The testing of different forms of residential development is covered in a separate study by Adams Integra.

4. The viability of non-residential development has been undertaken by testing the development costs and values of a range of non-residential projects using appropriate and available local evidence.

5. This study provides an update to the previous Community Infrastructure Levy Non-Residential Review and Update Viability Report prepared in December 2014. However, it is intended to be a 'stand-alone' report that does not require cross-referencing.

6. The 2014 Report supported the Preliminary Draft Charging Schedule Consultation that was undertaken in 2015.

7. Most forms of non-residential development continue to prove unviable both locally and nationally. However, there are one or two exceptions where demand has increased rents and investment yields have reduced resulting in higher values.

8. This update is undertaken at a time when the Brexit negotiations are reaching a conclusion. The impact on the UK's economy following the withdrawal from the EU is unclear. There is the potential for changes in development costs, including materials and labour, as well as increases in interest rates which may impact on financing charges.

9. The findings of the study are:

    1. There is very limited or no viability for most forms of non-residential development to afford a CIL charge. After further fine-grained research, the only forms of development that are able to withstand a CIL charge are retail development in central Atherstone and Retail Warehousing.

    2. The recommended non-residential CIL rates are not unduly different from the proposed CIL rates in neighbouring boroughs.

3. CIL is recommended to be charged at the following rates (per square metre of net additional floor space):

    - £200 for Retail Warehousing.
    - Zero for all other non-residential uses.

A. CONTEXTS

A1. Aims of the Study

A1.1 Adams Integra has been asked by North Warwickshire Borough Council to prepare an update to their 2014 viability report to support their proposed Draft Community Infrastructure Levy [CIL]. There are two elements to this study. Firstly, we have reported separately on the viability for a CIL charge on residential development[1]. This second report covers other non-residential types of development.

A1.2 The aim of this study is to provide advice to members and officers of North Warwickshire Borough Council to inform their decisions in respect of:

a. A viable CIL rate or rates for each form of specified land use.

b. An assessment of the maximum level at which CIL could be set without putting at serious risk overall development within the Borough, or the development strategy of the North Warwickshire Local Plan.

c. Whether there is justification in terms of development viability for different CIL charges in different parts of the Borough.

A1.2 The Council has already undertaken a consultation of their Preliminary Draft Charging Schedule [PDCS] which was as follows.

Use Class	Recommended CIL rate (£ per square metre)
All Residential C3/C4 development types unless stated otherwise in this table or exempted by CIL Regulations	£40 (standard rate)
Office – B1a	£0 (zero charge)
Industrial – B1b/B1c and B2	£0 (zero charge)
Warehousing, Storage and Distribution - B8 under 9,290 m^2	£0 (zero charge)
Warehousing, Storage and Distribution - B8 at 9,290 m^2 and above	£20
Retail - A Class Uses All categories A1 to A5	£60
Hotel – C1	£60
All other forms of Development – including C2, C2a and Uses within D1 and D2, Agricultural and Sui Generis uses (or any of the above uses where the cumulative combined CIL amount of any development proposal amounts to less than £50. See note 1.9 below)	£0 (zero charge)

Fig. 1 NWBC Preliminary Draft Charging Schedule 2014

[1] Adams Integra- 'Review and Update of the Council's Affordable Housing Viability Assessment, Site Allocations Plan Viability assessment and CIL Study—March 2014

A1.4 This assessment has been carried out against the same range of notional non-residential sites that were covered in the 2014 study.

A1.5 We have looked at a range of uses categorised under their planning use classes, as set out in the Town and Country Planning Act (Use Classes Order) 1987 [as amended]. This covers:

- Offices - Class B1a
- Industry/warehousing - Classes B1b, B1c, B2 and B8
- Retail - Class A1
- Hotels - Class C1
- Residential Care/Nursing homes - Class C2
- Leisure Facilities - Class D2
- Community Facilities - Class D1

A1.6 Parts B & C of the report deal with the methodology assessment and findings. Part D contains the recommendations, and Part E contains the appendices, being the appraisal worksheets for the different categories of non-residential development.

A2. Policy and Statutory Contexts for the Study

We highlight below the main policy documents that have a bearing upon the outcomes of this study.

A2.1 The National Planning Policy Framework

An updated version of the National Planning Policy Framework was introduced in July 2018 [NPPF]. There are no significant changes to the NPPF that impact on this study.

A2.2 CIL Viability Guidance

In addition to the Council's policies, we have also taken into consideration the guidance that has been produced in connection with viability testing.

A2.2.1 In producing this report, we have had regard to the guidance that has been produced by the **Department of Communities and Local Government** and the **Royal Institution of Chartered Surveyors** in addition to the **National Planning Policy Framework**.

A2.2.2 Regulations concerning the implementation of a CIL are contained in the Regulations that came into force in 2010 with subsequent amendments in 2011, 2012, 2013 and most recently in 2015 after the close of the PDCS consultation. The report also has regard to this most recent set of amendments being CIL (Amendment) Regulations 2015.

A2.2.3 Paragraph 2:2 states that the Council should set a CIL rate at a level which does not threaten viable development of the sites, and the scale of development, identified in the Local Plan. The Council will need to draw on the infrastructure planning evidence that underpins the development strategy for the area. The Council should then use that evidence to strike a balance between the desirability of funding infrastructure from the levy and the potential impact on the economic viability of development across its area.

A2.2.4 Also charging authorities should be able to show and explain how their proposed CIL rate (or rates) will contribute towards the implementation of their relevant plan and support development across their area.

A2.2.5 In 2:2:4, the Government recognises that the available data to support the evidence base is unlikely to be fully comprehensive or exhaustive. A charging schedule should, however, be supported by 'appropriate available evidence' drawn from existing data wherever it is available.

A2.2.6 Also the outcome of the sampling exercise should provide a robust evidence base about the potential effects of the rates proposed, balanced against the need to avoid excessive detail.

A2.2.7 Section 2:6 deals specifically with the interaction between CIL and other developer contributions. There is the requirement that the Council should work proactively with developers to ensure that they are clear about the Council's infrastructure needs and what developers will be expected to pay for, through which route. There should be no actual or perceived 'double dipping' with developers paying twice for the same item of infrastructure. Regulation 123 of the CIL Regulations provides for the Council to set out a list of those projects or types of infrastructure that it intends to fund, or may fund, through the levy. Section 106 requirements should be scaled back to those matters that are directly related to a specific site and are not set out in the Regulation 123 list.

A2.2.8 Account needs to be taken of current market conditions, while also allowing for potential abnormal costs that might arise in connection with specific sites. With regards to the market, if it can be reasonably anticipated that values will rise, then it might be appropriate for the Council to consider a charge closer to the margin of viability. On the other hand, if a rate is being set at the top of the market, then we would expect a larger "buffer" to be built in, to minimise any potential for a lack of viability, should the market fall.

A2.2.9 The Royal Institution of Chartered Surveyors has produced a guidance document 'Financial Viability in Planning' [1st Edition] that provides a framework of principles and methodology. The guidance defines financial viability for planning purposes as follows:

> *"An objective financial viability test of a development project to meet its costs, including the cost of planning obligations, while ensuring an appropriate site value for the landowner and a market risk adjusted return to the developer in delivering that project."*

A2.2.10 Further guidance comes from the Local Housing Delivery Group, whose report "Viability Testing Local Plans" was published in June 2012. Whilst not covering non-residential forms of development, we have noted the key principles that are set out in that report and which are relevant to a study such as this, namely:

- We should consider the cumulative impact of plan policies.
- Viability studies, such as this, cannot guarantee that every development in the plan period will be viable. However, plan policies should produce viability for the sites, on which the plan is relying.
- A demonstration of viability across time and local geography will be of value to local decision making.
- The report is not suggesting that the outcome of a viability assessment should dictate individual policy decisions. The role of the assessment is to inform decisions made by elected members.
- Viability testing does not require a detailed viability appraisal of every site anticipated to come forward over the plan period. Instead, a range of appropriate site typologies should be created and tested, reflecting the mix of sites, upon which the plan relies.

We believe that our methodology complies with all this guidance.

A2.3 Council Policy and Planning

The study is specific to the Borough of North Warwickshire Borough Council.

A2.3.1 It is a largely rural Borough with three market towns of which Atherstone is identified as the strategic sub-regional centre and as having the largest conurbation. The other two market towns are Polesworth and Coleshill. There are five local service centres, and several villages and hamlets. The M42 and M6 motorways cross the area and consequently, distribution warehousing and industry has been established around and close to the motorway junctions. It has also been recognised that the route of the High-Speed Rail [HS2] Phase 1 crosses the Borough with a proposed station south of Coleshill and a railhead near Lea Marston. Phase 2 of HS2 follows the M42 through the Borough. The likely timing of the completed scheme remains uncertain. Therefore, this report is not able to give specific weight to or anticipate the likely impact of the scheme. Furthermore, when the scheme completes it is likely that CIL charges will need to be reviewed and the impact on values can be made at that time.

A2.3.2 The Council's new Local Plan for the period to 2033 is currently being Examined for soundness. It will provide the strategic policy framework for a CIL charging schedule by identifying the nature and scale of likely development in the Borough. The CIL charging schedule will be produced alongside the new local plan, informed by this study.

A2.3.3 The Draft Submission Plan includes various Housing and Employment allocations that resulted from the Regulation 18 consultation.

Approximately 55 hectares of Regional Logistics Sites have already been granted planning permission by North Warwickshire Borough Council since 2009. Following further work at a regional level further major sites for distribution may be identified during the plan period.

Other supporting evidence is contained within the MDS Transmodal **West Midlands Regional Logistics Study Update 2009** and the URS **Black Country and Southern Staffordshire Regional Logistics Site Study 2013.**

A2.3.4 In respect of retail development the Council, within their Core Strategy, has relied upon the evidence of the panel to the West Midlands Regional Spatial Strategy, Phase Two Revision (Sept 2009) which confirmed that the Borough does not contain any strategic centres for retail growth. North Warwickshire has stated that it supports this finding and approach, recognising the need to support the existing retail core centres, avoid significant out of town centre retail proposals in accordance with the NPPF and seek to accommodate main town centre uses within the existing identified town centres.

A2.3.5 The Council has also prepared a Draft Regulation 123 List 2015/16 which is required to justify the need to seek developer contributions in the form of CIL. This sets out the infrastructure improvements the Council has identified to support the needed development during the lifetime of the Local Plan. In doing this, it provides the evidence for the infrastructure requirements and the funding sources that have been identified to finance these projects. It is intended that the receipts from the CIL will assist towards funding the anticipated shortfall.

A3. CIL in Neighbouring Boroughs

A3.1 In accordance with DCLG guidance, we have also taken into consideration the CIL charging schedules being proposed by all the neighbouring local authorities.

A3.2 It is important to take into consideration the impact of neighbouring CIL charges on the prospects for future development. Disparity across local authority boundaries is likely to influence the viability, and hence the likelihood of development, from one local authority to another. For instance, where one authority is levying a charge for a type of development and a neighbouring Council is not making a charge, a developer or occupier may favour the site in the authority's area where no CIL charge is being made, as the development costs would be lower.

A3.3 The CIL levels being recommended are broadly in line with those of the adjoining local authorities where a CIL scheme is underway. The neighbouring local authorities are:

- Solihull Metropolitan Borough Council
- Birmingham City Council
- Lichfield District Council
- Tamworth Borough Council
- North West Leicestershire District Council
- Hinckley and Bosworth Borough Council
- Nuneaton & Bedworth Borough Council
- Coventry City Council

A3.4 Solihull Metropolitan Borough Council adopted CIL in 2016. The charging rates have been set at different levels across the Solihull Metropolitan area with the north of the Borough adjacent to the North Warwickshire Borough Council boundary being designated a regeneration area with zero CIL charges for all categories. They are making very specific charges for various Use Class A types in different areas of the Borough ranging from £27.86 to £334.32 per m^2. Hotels (C1) and Residential Institutions (C2) are both charged at £27.86 per m^2 and Car Dealerships (Sui Generis) at £83.58 per m^2.

A3.5 Birmingham City Council adopted CIL in January 2016. Birmingham is a largely urban area with a higher population and consequently higher values. The City Council is charging £260 per m^2 for large format Convenience Retail uses greater than 2,700 m^2 and a zero charge for all other retail uses. The only other non-residential charges are for Hotels (£27 per m^2) and student housing (£69 per m^2).

A3.6 Lichfield adopted CIL in April 2016. They are charging three different rates for different retail types – Supermarkets at £160, Retail Warehouses at £70 and Neighbourhood Convenience Retail at £20 per m^2, with all other types of developments attracting a zero charge.

A3.7 Tamworth adopted CIL in August 2018. They are only making one non-residential CIL charge which is for all 'Out of Centre' Retail at £200 per m^2.

A3.8 North West Leicestershire have not started the consultation process.

[2] CIL Indexation Note 2018 increased by 11.4% from 2016

A3.9 Hinckley and Bosworth have not started the consultation process.

A3.10 Nuneaton & Bedworth's PDCS consultation was completed in December 2015. This included only one non-residential charge for 'Retail (large) and Warehouse Development' at £100 per m^2. This is proposed for large format retail development and retail warehouse development over 400 m^2.

A3.11 Coventry City Council's website states that their draft PDCS consultation is anticipated in October 2018.

A3.12 Solihull and Birmingham local planning authorities have much larger urban areas and populations compared to the predominantly rural Borough of North Warwickshire. Therefore, the range of viable non-residential uses will differ due to the variation in some values.

B. NON-RESIDENTIAL DEVELOPMENT ASSESSMENT

B1. Introduction

B1.1 Adams Integra was tasked to consider the viability of a broad range of non-residential uses. It was chosen to categorise these under the Town and Country Planning Act (Use Classes Order) 1987 as amended. Under the DCLG CIL Guidance there is no obligation for the Council to be constrained by the Use Classes Order for categorising appropriate CIL charging rates. Rather it is whether a particular use is deemed financially viable as to whether a CIL charge is appropriate.

B1.2 Nevertheless the Use Classes Order provides a useful reference point. As many of the Use Classes listed have sub-categories, we have looked at all of those types of development we consider most likely to be constructed in the area during the plan period.

B1.3 These have been broken down into the following:

- Offices (B1a)
- Industrial/warehousing (B1 (b), B1 (c), B2 and B8)
- Retail (including A1, A2, A3, A4 and A5)
- Hotels (C1)
- Residential Care Homes/Nursing Homes (C2)
- Leisure Facilities (D2)
- Community Facilities (D1)

B1.4 Each of these is considered in more detail in the following sections. What should become clear is that the non-residential development industry works on a different basis from the residential markets. The value paid for a residential property is predicated on a quite different set of economic factors.

Particularly the demand for a residential property is much more homogenous. Whereas a non-residential occupier may be one of several different types of businesses able to pay quite different values because of the sector they are in. For instance, an office-based business considers their property needs in a very different and transient way to a supermarket operator.

B1.5 Furthermore most of the non-residential sector needs to factor in growth or negative growth. Hence more 'liquid' leasehold property assets are preferred rather than freehold property assets which are traditionally slower to sell and consume large amounts of otherwise working capital.

B1.6 As a result of these factors, in most non-residential sectors the freeholds of the leased properties are transacted as investments by the likes of pension funds, private investors and property companies. The values that these investors will pay are determined by a range of factors which are explored further on in this section.

B2. Methodology

B2.1 Our methodology follows standard development appraisal conventions which are like those used in the report for residential development. We use assumptions that reflect up to date local market and planning policy circumstances. Where appropriate we also consider the approach of other local authorities to ensure consistency.

B2.2 As the Guidance Notes recommend, we have drawn from appropriate available evidence. This has included research of local values through published data such as from the VOA Property Market Report, the Non-domestic Rating List, EGi/Radius, Property Week, EG Property Link, Costar, Novaloca and other available sources. This has ensured that the data used is as up-to-date as possible.

B2.3 Construction costs for the appraisals are taken from the RICS Building Cost Information Service (BCIS) indices with the appropriate regional adjustment. This is an industry standard source based on accumulated actual data.

B2.4 The other inputs such as interest rates, fee percentages and other costs are current rates taken from standard industry practice appropriate to the type of development.

B2.5 As a result the methodology used has been demonstrated to be robust and compliant with the appropriate guidance.

B2.6 Other than for supermarkets and retail warehouses (discussed later), the appraisals do not make an allowance for s.106 contributions so that, in cases where the appraisals produce a surplus available to fund CIL, this recommended CIL rate could be collected under s.106, under CIL or under a combination of the two.

B2.7 In order to test the viability of each use we have adopted the same approved residual valuation approach whereby assessing the value left to pay for a notional site after one has sold the development in the open market (i.e. the Gross Development Value – GDV) and having allowed for the costs of the construction of the proposed development with all associated fees and finance costs (i.e. Gross Development Costs – GDC) with an element for the developer's profit.

B2.8 Where different sectors use traditionally different methods of assessment, we have taken these into account and adopted the market convention. For example, offices are generally valued on a net internal floor area basis, whereas light industrial and warehouse property is valued on a gross internal basis. Hotels are generally valued on a per room basis and so on.

B2.9 We have included the summary table of the inputs used at Appendix 9.

B2.10 It should be noted that due to the large number of variables and different financial inputs required using this technique, the results can only be used as a guide. Furthermore, there may be site-specific attributes that would affect the outcome that need to be taken into consideration when making assessments on a site-specific basis. Therefore, in accordance with Government guidance, it is essential that proposed CIL charges are set at levels that allow enough margins, or buffers, for these variations, and which:

> *'must aim to strike what appears to the charging authority to be an appropriate balance between the desirability of funding infrastructure from CIL and the potential effects (taken as a whole) of the imposition of CIL on the economic viability of development across its area.'*

B3. Threshold Values

B3.1 When testing the impact of values on viability it is necessary to establish a threshold value against which one can assess whether the new form of development will prove financially viable given the rate of CIL proposed.

B3.2 Viability practice has not developed further and has established the accepted norm of using the Existing Use Value [EUV] to set an appropriate benchmark land value. This will vary depending on the extant use of the site. For example, the EUV of a town centre brownfield site will usually differ from the value of a site on an industrial estate.

B3.3 The EUV may also be further adjusted by adding the premium a landowner may need to act as an incentive to bring the site forward for development. Here a rate of between 10% and 30% is considered appropriate above the EUV to motivate an otherwise uninterested landowner to sell their site for development.

B3.4 We comment on the state of the market at B4 below. There is still very limited evidence of non-residential land transactions in the North Warwickshire Borough Council area to reach an adequate judgement for the different use categories. Therefore, in the absence of appropriate available evidence, we have arrived at a range of threshold site values for the different uses from a broad judgement of comparable evidence from local and national market data, published reports and discussions with local agents.

B3.5 We have also considered the approach taken by Tamworth Borough Council which has been through the Regulation 19 Consultation process and Examination. The Examiner's Final Report was issued in February 2018 and the CIL schedule adopted on 1st August 2018.

B3.6 At the time of our previous study, there was even less available comparable evidence as the market was still recovering from the 2008 financial crisis. With more market activity since then we have deduced an appropriate set of land values per Hectare for the different types of non-residential uses as follows:

1: Offices	£500,000
2: Industrial/warehouse	£500,000
3: Supermarket	£2,500,000
4: Retail Warehouse	£2,000,000
5: Town Centre Retail	£2,500,000
6: Convenience Store	£2,000,000
7: Hotel	£500,000
8: Residential Care Homes	£500,000
9: D2/Gyms	£500,000

B3.7 Redevelopment proposals that produce residual land values below the threshold site value are unviable and therefore are unlikely to be delivered.

B4. North Warwickshire Local Profile

B4.1 It is worth setting out a summary of the local area to put the following sections in context.

B4.2 Situated in the most northern part of Warwickshire, North Warwickshire Borough covers an area of 28,418 hectares (110 square miles). At its focus lie the market towns of Atherstone, Polesworth and Coleshill. The remainder of the Borough is rural with several small villages. Because of its environment, location (immediately northeast of the West Midlands conurbation), and excellent transport links, the Borough has long been a focus of considerable development pressure. Approximately 60% of the Borough's rural area lies within the Green Belt[3] and this has focused much of that pressure into the three towns. All saw considerable growth throughout the 20th century and North Warwickshire Borough now has a population of 61,000 (based on the 2001 census), a growth of 9.4% since 1981.

B4.3 Within North Warwickshire there is a Settlement Hierarchy which has been formulated to steer most development to the Main Towns where housing, employment, shopping, recreation, entertainment, public services and other facilities can be provided close together, in locations that are most easily accessible to the whole of the Borough's population. It also seeks to avoid stimulating pressure on the Green Belt around Coleshill, and to make suitable provision for development necessary to sustain rural communities, by focussing rural housing development and supporting facilities on a network of Local Service Centres with only limited development provision in other, smaller settlements identified with a development boundary on the Proposals Map. Elsewhere, other than where specifically provided for in the Plan, development will be limited to that requisite for agriculture, forestry or other uses that can be shown to require a rural location.

B5. State of the Market

B5.1 It is important to set the tone of this study in the context of the current market for commercial development. As stated there is a broad range of use classes being covered and it is not appropriate to analyse each sector in detail. It is enough to state that since our last study in 2014 the UK has voted to leave the European Union. This study is at a time when the terms for leaving the EU are uncertain. This has led to some lack of business confidence and consequently non-residential development has been limited.

B5.2 The majority of commercial development is funded from sources external to the developer. Due to the ongoing uncertainties coupled with lessons learnt from the last cycle, funding for commercial development has been cautious particularly for speculative development. Generally, loan to value ratios are much higher than for residential development and are in the region of 60%-70% of loan to value of the development. This has meant there are fewer developers able to satisfy usual lending criteria.

B5.3 Despite these comments, the development market will respond to occupier demand. Those sectors that are active will usually be due to occupiers seeking economies of scale such as hotel operators expanding their chains. Otherwise it may be due to cost savings where property overheads are too substantial and more efficient or smaller accommodation is considered more economically

[3] See Core Strategy- paragraph 6.6

viable. The increases in the popularity of internet shopping has also had a significant impact on the demand for logistical warehouses needed to fulfil orders. Whereas 'high street' retailing has seen a significant reduction in sales.

B5.4 For the purposes of this study we are guided to use current values and costs. CIL charging provisions allow for the calculations to be index-linked to the BCIS building costs index which will account for inflation. We are instructed to test on inflated and deflated costs and values and the sensitivity to different CIL charge rates. It is recommended that the charging schedule is reviewed after allowing enough time for developers to budget accordingly and after an appropriate amount of time has elapsed to be able to identify changes in values.

B6. Rents

B6.1 Unlike the residential market it is more complex to analyse commercial property transactions to reach an opinion for the purposes of comparable evidence. A leasehold transaction is usually analysed into a rate per square foot or per square metre after taking into consideration such issues as lease term, rent review cycles, repairing obligations, security of tenure, stepped rental deals and rent-free periods or other incentives. Similarly, freehold transactions are analysed into rates of capital value per square foot/per square metre or per acre/hectare in the case of land where location, access, planning restrictions and other matters are taken into consideration.

B6.2 Accessing all this information is often a challenge for valuers because it is more likely to be commercially sensitive. For instance, a supermarket operator may not want competitors to know what rent they have agreed to pay on a property or a developer may not want the tenant to know what price they paid for a site. Certain information is available through the Land Registry but there is the ability to withhold certain information or to use Confidentiality Agreements or other mechanisms to protect certain details.

B6.3 Consequently, in forming their opinion, valuers must rely on a mix of verbal, anecdotal and published data as well as market reports, details of available property and the like. Providing all this information for the broad range of different uses is neither practical nor appropriate for this report. However, we have provided a selection of local evidence in the Appendix 8 to illustrate the type of data that has been used.

B6.4 It is possible that non-residential uses with similar rental levels will show different degrees of viability because of different capital values. This will generally be due to the appropriate capitalisation yield that has been used for the valuations. The next section explains this concept further.

B7. Yields

B7.1 To understand the basis of the residual appraisal technique for non-residential development, one must have some understanding of the use of yields in reaching a capital value. The yield or more fully the 'All Risks Yield' is used by investors to calculate the 'return' they will receive in the form of rent when a price is paid for the right to receive that income. Thus, the yield is used to multiply the rental income to produce a capital value. The figure used for the yield is drawn from a combination of the valuer's experience in considering factors such as the state of the market, likely prospects for rental growth, the covenant or financial strength of the tenant, the type of use, the quality of the building and location, the terms of the lease and any other factors relevant to a purchaser wanting to buy the completed development. These factors all contribute to the overall security of the income from the investment which is usually seen as being of the greatest value to investors.

B7.2 The yield is stated as a percentage and the outcome is inversely proportional to its size, i.e. the lower the yield figure the more times the rent is multiplied and hence the higher the value.

B7.3 Since the low point of 2008, the yields for commercial properties have gradually improved therefore producing higher capital values. This is because of the strengthening occupier demand and hence higher rents, longer leases and a general improvement in confidence in capital growth.

B7.4 The yields used for this study are set out below. The investment market for each category will change from time to time and hence it is advisable to review the CIL charging schedule at suitable intervals to ensure appropriate rates are used, as small changes in the yield can have more significant impact on the outcome of an appraisal, especially where large rental values are being used.

B7.5 The yields used which have been appropriate to the market at the time of this report and suitable for the location, are as follows:

Offices	7.5%
Industrial/Warehouse	7.5%
Large Distribution Warehousing	5.5%
Comparison Retail	5.75%
Convenience Store	6.75%
Retail Warehouse	5.75%
Supermarket	5.5%

B7.6 The viability impact of different yield levels can be seen from examples based on supermarket and convenience retailing uses. The supermarket might benefit from a tenant of greater covenant strength and a reduced yield of, say, 5.5% resulting in a higher capital value per square metre. The convenience store might have a tenant of weaker covenant strength, resulting in a higher required return of, say, 6.75% and consequently a lower capital value per square metre. The example below shows a differential of over £500 per square metre, or 22%, results when there is a difference of only 1.25% in the yield used:

Supermarket:	Rent per sqm	£150
	Return/yield	5.5%
	=	150/0.055
	Capital value	£2,727 per sqm
Convenience store:	Rent per sqm	£150
	Return/yield	6.75%
	=	150/0.0675
	Capital value	£2,222 per sqm

This yield difference can, therefore, give rise to viability differences, even when rents are similar.

B8. Development Inputs

B8.1 The residual appraisal method requires several inputs to be deducted from the Gross Development Value. By the nature of using notional sites, site-specific abnormal costs cannot be taken into consideration.

B8.2 The input costs include all the costs of construction. These include professional fees (i.e. architects, mechanical and electrical engineers, quantity surveyors etc), demolition costs (including site preparation or enabling works), site acquisition costs (agents fees, legal fees and Stamp Duty). Also, interest charges for money borrowed while holding the land and on the construction costs and fees. A contingency amount is also included to accommodate any uncertainties. The levels of these inputs have been taken either from industry norms or from interviews with local surveyors or other appropriate sources. For instance, professional fees are set at a percentage of the construction costs and will allow for such items as planning and architects fees.

B8.3 Developers' profits have been calculated using the industry norm as a percentage of total development costs. This reflects the current market conditions where developers place more emphasis on achieving a profit on the capital actually employed rather than reliance on a notional value that may be achieved at some uncertain time in the future from the sale of the completed development. This approach differs to the residential industry where there is currently more certainty and hence the developer's profit is calculated as a percentage of the Gross Development Value.

B8.4 S.106, s.278 and other site-specific costs are not included, as these are notional sites with generic assumptions. With CIL charges intended to replace s.106 contributions in respect of funding for general infrastructure provision, it is the general provision contribution element that is being tested. Where there are site-specific issues justifying contributions to off-site mitigation, the s.106 and s.278 system of contributions is still available to the Council, subject to the items not being already accounted for on the Regulation 123 list, which would otherwise be considered as 'double dipping'.

B8.5 We have carried out consultations with representatives of supermarket operators. It has been noted that this category of development has been incurring additional planning costs through the need for extra consultation and mitigation due to the larger impact on the surrounding community. This is demonstrated by recent s.106 agreements where developers of food stores have agreed to make substantial contributions to the likes of bus service infrastructure, pedestrian and cycle links, town centre improvements and art and public realm improvements. On future schemes some of these items would be picked up by CIL contributions towards items from the Regulation 123 List. Other site-specific items may continue to be collected through s.106 and s.278 contributions.

Nonetheless it is clear that this category is sufficiently viable to make additional contributions but that an allowance needs to be added to reflect the additional cost incurred by planning requirements. Therefore, based on this evidence we have added an additional 10% to the development costs for this category only to allow for additional planning costs that other uses are not usually subject to.

B8.6 Within all these development costs, we have tested a range of CIL charges to test the sensitivity of any surplus to a range of charges from £0 per m^2 up to £280 per m^2. However, this testing shows that development viability is far more sensitive to changes in rent and yield rates than CIL rates. This is best demonstrated by looking at the supermarket appraisal (Part E, Appendix 6) where a £10/m^2 change in the CIL charge creates only a 7.5% change in the surplus, whereas a £10/m^2 reduction in the rental rate can create a 92% reduction in the surplus. Similarly, a relatively modest 0.25% increase in the yield can create a 32% reduction in the surplus.

B8.7 It should be noted that, where there is a zero or negative land surplus, any further land costs, such as acquisition fees or stamp duty, are no longer relevant. It will be seen from the commercial appraisals in the appendices that in these circumstances, these hypothetical costs do not affect the outcome and are disregarded.

B9. Understanding the Viability Appraisal Outcomes

B9.1 We provide in the appendices a selection of the appraisals for various non-residential uses using the industry recognised ARGUS Developer software. As stated earlier there are many inputs and there is the need to test the sensitivity of several of the variables that are expected to fluctuate.

In particular we have considered those that may have the most impact such as rent against yield shifts; rent changes against construction cost changes; yield shifts against construction costs and so on. Consequently, it would not be appropriate to provide an appraisal for every combination here. Rather we have provided a 'snapshot' at the zero CIL rate with a table against each appraisal showing sensitivity of the surplus to changes in the rent and yield shifts being the most influential variables.

B9.2 Each appraisal shows the inputs used and starts with calculating the Gross Development Value based on an assumed size of building. From this the purchaser's costs of acquiring the completed development are taken off on the standard assumption that the development will be sold, and the purchaser will incur stamp duty land tax, legal and agents/valuers fees.

B9.3 The next section demonstrates the Gross Development Costs incurred in the construction of the building. As stated these are generic with construction costs drawn from the BCIS Index so do not allow for site-specific items. Within these costs is the tested CIL amount which is where the developer would allow for the charge. The costs also include the standard developer's profit of 20% of the development costs which is the reward for the risk of the development.

B9.4 The residual amount left after the costs (Gross Development Costs) are deducted from the end scheme value (Gross Development Value). This is the surplus or residual amount left to acquire the property or site. This needs to be converted into a rate per hectare which is the amount that is then tested against the threshold value to establish the viability.

B9.5 We compare this residual land value of the proposed scheme to the Threshold Value and the result is referred to as the 'Surplus to Fund a CIL'. Where the developments value is lower than the development costs a negative residual land value is recorded and there is no surplus to be able to afford a CIL charge.

B9.6 The sensitivity of the surplus is tested against different levels of inputs such as rent and yield. It is also tested against different CIL charges from £0/m^2 up to £280/m^2. As the Guidance states, the amount of the surplus should not be so small as to make the scheme unviable or appear so risky as to deter a developer from bringing the project forward. The amount of this surplus is after a developer's profit has been allowed for and is the safety margin or 'buffer'.

The amount of this buffer will vary subjectively from the type and size of development and hence the level of perceived risk. Consequently, because these appraisals are based on notional sites, the outcomes are hypothetical and can only be provided as a guide for setting CIL charges. The results cannot be definitive, rather they must be interpreted and used subjectively in the context of the rest of the available evidence.

B9.7 A proposed scheme is deemed viable if the surplus left is enough to provide an adequate buffer for site-specific abnormal costs and/or fluctuations in values. This buffer will be relative to the size of the overall costs. A negative result indicates that the scheme is not viable in which case the land or site is unlikely to be brought forward for development.

B9.8 Whilst a surplus may appear large enough to support a CIL charge this figure must be read in the context of the relative use class and the factors affecting the various inputs along with the desired outcome for encouraging new development in that use category. As previously stated, minor shifts in rental values and/or yields can significantly affect the outcome.

B9.9 In looking at the viability appraisals of the use types which were modelled for this report, in some cases there appears to be surpluses available to sustain a CIL charge.

B9.10 However, it is important to remember that these are notional development scenarios only and therefore they do need to have an adequate 'safety margin' or 'buffer'. This is so that in setting any CIL charge, it will not be set at a level which could undermine the viability of actual development of that use type.

B9.11 Therefore it needs to be appreciated that relatively small changes in the level of rent or yield can eliminate a surplus that could otherwise have sustained a CIL charge.

B9.12 The rent and yield rates vary between development types. So buffers need to be factored in to allow for these relatively small changes.

B9.13 There is no set guidance on the amount of buffer to be allowed for each category. Rather it is dependent on a range of factors that the valuer considers relevant which includes the level of volatility in that sector and the consequential effect on the level of rents that are affordable by tenants, as well as the investment markets' perception of the category as a suitable investment vehicle.

C. NON-RESIDENTIAL DEVELOPMENT TYPE FINDINGS

We now comment on the assumptions and findings for the various non-residential uses. The Regulations allow charging authorities to articulate differential rates by reference to different intended uses of development provided that the different rates can be justified by a comparative assessment of the economic viability of those categories of development. As previously stated, the definition of 'use' for this purpose is not tied to the classes of development set out in the Town and Country Planning Act (Use Classes) Order 1987, although that Order does provide the most useful reference point.

C1. Offices-B1 (a)

C1.1 The office market is currently offering the least ability to afford CIL charges. This is due to lower rents resulting from weak occupier demand and higher yields resulting from shorter leases and weaker covenants. Second-hand office accommodation is being offered at £108 per m^2 [£10.00 per ft^2]. Our appraisals are carried out using a level of £194 per m^2 [£18.00 per ft^2] which is considered the minimum level a developer would expect to achieve to construct new stock. The evidence shows that the expected investment yield for a new development is 7.5%.

C1.2 It is acknowledged that the area is still to be recognised as a popular location for offices. The fragile economic viability of commercial development is sensitive to increased costs and we have concluded, like many other authorities nationally, that despite a perception that values will strengthen, there is no surplus in the residual appraisals to support any CIL charge in the B1 Use Class (business including offices [B1a], research and development [B1b]). Therefore, a CIL rate of zero is still recommended for office development.

C1.3 The appraisal calculations for office uses appear at Part E, Appendix 1. The sensitivity of the surplus to fund a CIL charge are set out in the table below showing the effect of changes in rent and variations in yields on the residual land value per hectare. All outcomes show a negative land value:

1,350 m^2 Offices on 0.5 Ha site
Surplus to fund CIL - sensitivity

Rent/sqm	£174.00	£194.00	£214.00
Yield			
7.00%	-£1,054,080	-£798,800	-£543,521
7.25%	-£1,134,359	-£888,307	-£642,256
7.50%	-£1,209,278	**-£971,838**	-£734,398
7.75%	-£1,279,356	-£1,049,971	-£820,585
8.00%	-£1,345,046	-£1,123,211	-£901,376

C2. Industry and Warehousing - B1(c), B2 & B8

C2.1 It is recognised that the area offers very strong logistical links to the national infrastructure through motorway junctions and railheads particularly at Hams Hall and Birch Coppice. Planning permissions already exist for additional warehousing and distribution (Class B8) development at these sites. We have tested the values in these areas and likely new development coming from the new HS2 'junctions'.

C2.2 What has been established is that there is a limited supply of land allocated for Class B type development generally in the West Midlands area. There is good occupier demand and consequently there is evidence of strong land values being paid by developers.

C2.3 There is also evidence that since 2013 there is a growing two tier market where new well located large distribution warehouses are in short supply. Third party operators and on-line retailers are willing to commit to pre-letting agreements to secure bespoke 'sheds', paying higher rents and agreeing to longer leases. Therefore there is now competition for the best locations.

C2.4 This is evidenced particularly at Birch Coppice where rents up to £72.55 per m^2 [£6.74 per ft^2] have been achieved notably with the last years' lettings to Beko. Other lettings to European Car Parts and investment sales at 5.25% reinforce this trend. As does the recent sale of the investment created by the letting of a 65,031 square metre, 16 metre high warehouse to Ocado Limited which serves both Ocado's and Wm Morrison Supermarkets Plc's online retail businesses. The price paid was £92.33 million, reflecting a net initial yield of 5.25%.

C2.5 Research by Savills shows that the average distribution centre size is increasing from 20,160 m^2 up to 21,460 m^2 [217,000 ft^2 to 231,000 ft^2]. Whilst we acknowledge that there is no evidence to determine where a suitable threshold differentiates a large warehouse from a 'normal' sized one, we consider that 9,290 m^2 [100,000 ft^2] is a useful threshold point below which developers become less interested in bespoke development. This is largely due to greater profits being achievable with larger construction projects due to economies of scale. We have recognised that with modern high bay racking systems, building volume can be more important to operators than floor space. Also, that some distribution centres involve 'cross docking' (transferring parcels from one vehicle to another) that requires specialist construction, smaller buildings and lower site cover.

C2.6 As a result of this improving demand, land values are expected to achieve £1.36m-£1.48m per hectare [£550,000-£600,000 per acre], although often this type of development takes place on green field agricultural land. For viability purposes we have tested this against the benchmark value for brown field traditional B1/B2/B8 values of £500,000 per hectare [£202,500 per acre]. If the developer has acquired land at agricultural values of between £12,350 and £25,000 per hectare the scheme would be even more viable.

C2.7 Investor demand has increased for this type of 'product' as it is usually well located and well-let purpose-built distribution warehousing. This reflects the perception that the progress of internet shopping and just-in-time delivery will continue to grow with the associated retailers needs for more distribution warehousing.

C2.8 HS2 is also expected to increase the popularity of the North Warwickshire area as a central 'hub' for rail and intermodal distribution due to 360-degree coverage of the UK.

C2.9 Taking all these factors into consideration, our findings are that large scale warehousing could support a modest CIL charge of up to £40 per m^2. We recommended a £20 per m^2 charge for B8 development over 9,290 m^2 for the 2014 PDCS consultation. This was challenged by agents on behalf of their developer clients claiming there was no justification for a size differential.

C2.10 This challenge has been accepted and it is now considered that the impact on any infrastructure by large logistics warehouse development can be mitigated using s.278 and s.106 contributions on a case by case basis. This has been achieved at the likes of Birch Coppice and Hall End Business Park where payment has been made for such mitigation measures as public transport, skills training, landscaping or recreation provision.

C2.11 It is recognised that in the past the area generally had a relatively strong economy based on manufacturing and general industry (Class B1c and B2). Much of this industrial base has been lost and is still in the process of being replaced. The economic viability of commercial development is sensitive to demand by businesses. Increased demand is being seen particularly for B8 uses due to the good access to the motorway junctions and this is anticipated to increase. However, based on current available evidence we have concluded that despite anticipated strengthening of values, there is still no surplus in the residual appraisals to support any CIL charge in the Class B1c and B2 categories. It is also notable that smaller scale B8 type uses are attracting similar values to B1c uses, where the operators are smaller and have weaker covenants than the 'big' distribution warehouse operators, as well as margins also being smaller.

C2.12 Our appraisals have used latest rental values based on £75 m^2 [£7.00 per ft^2] for new development. Second-hand buildings are being let at headline levels of £54-£65 m^2 [£5.00-£6.00 per ft^2] which shows how small the differential is currently between new and second-hand rents for these categories. Moreover, these figures also demonstrate the differential between these categories and the large purpose built distribution warehouses. The values for B1c, B2 and smaller B8 uses need to increase before new speculative development becomes more attractive to developers. Therefore, a CIL rate of zero is recommended at this stage. This is in line with the findings of most other local authorities.

C2.13 The appraisal calculations for industrial uses appear at Part E Appendix 2a & 2b. The table shows the sensitivity to rent and yields below:

B1c, B2 and B8 -1,000 m^2 on 0.5Ha site
Surplus to fund CIL - sensitivity

Rent/sq m	£70.00	£80.00	£90.00
Yield			
7.25%	-£721,665	-£626,908	-£532,150
7.50%	-£744,392	-£652,881	-£561,371
7.75%	-£765,651	-£677,177	-£588,704
8.00%	-£785,581	-£699,954	-£614,328

Large B8 Distribution-5,000 m^2 on 1.25 Ha site
Surplus to fund CIL - sensitivity

Rent/sq m	£65.00	£75.00	£85.00
Yield			
4.25%	£575,378	£1,308,450	£2,041,522
4.50%	£305,171	£997,958	£1,689,630
4.75%	£57,423	£720,158	£1,374,791
5.00%	£172,476	£470,147	£1,091,445

C2.14 Large B8 Distribution does not start at any specific size. However, the 5,000 m^2 example tested shows a positive residual land value of £798,366[4] per Hectare. Compared to the Threshold value of £500,000 per Hectare this shows a £298,366 per Hectare surplus that would be available to fund s.106 contributions towards infrastructure improvements.

C3. Retail

C3.1 We have examined a range of retail uses. Classes A1 to A5 cover property used for retail uses such as small newsagents, estate agents, takeaway food establishments, pubs, retail warehouses and large-scale food stores.

C3.2 **Retail Definitions**

For the purposes of this study, comparison retail under Class A1 has been defined as 'sales floor space used for the sale of clothing, shoes, furniture, household appliances, tools, medical goods, games and toys, books, stationery, jewellery and other personal effects'. Comparison retailing is found in prime positions commonly referred to as the High Street where the footfall

[4] Appendix 2b

is highest, and sales revenue is able to support higher rents. Comparison retailing is also found in secondary locations where footfall is lower and consequently sales revenue is usually lower. This usually results in rents being less than High Street locations and the tenants often being smaller businesses with lesser covenants than High Street retailers, therefore producing less attractive investment property.

C3.2.1 For the purposes of this study the definition of a Convenience Store [Class A1] can be taken from the one used by the Institute of Grocery Distribution as follows:

1. Size: The store must be under 278 m^2 [3,000 ft^2] sales area.
2. Opening Hours: Not subject to restricted opening hours under the Sunday Trading Act.
3. Product Categories: Stock at least seven of the following core categories:

- Alcohol
- Bakery
- Canned & packaged grocery
- Chilled food
- Confectionery
- Frozen food
- Fruit/Vegetables
- Health & beauty
- Hot food-to-go
- Household
- National lottery
- Milk
- Newspapers/Magazines
- Non-food
- Sandwiches
- Savoury snacks
- Soft drinks
- Tobacco

The convenience sector is divided into five segments according to the type of ownership:

1. **Co-operatives** (e.g. The Co-operative Group, The Southern Co-operative)

2. **Convenience forecourts**

3. **Convenience multiples** (convenience specialists and some supermarket based chains, e.g. Tesco Express, Sainsbury's Local, Co Op, One Stop and McColl's)

4. **Symbol groups** (e.g. SPAR, Londis, Premier)

5. **Non-affiliated independents**

C3.2.2 For the purposes of this study a Supermarket [Class A1] is defined as 'a food-based, self-service retail unit greater than 280 square metres and governed by the Sunday Trading Act 1994', where a 'large shop' is defined as having a 'relevant floor area exceeding 280 sqm' which may be affected by restricted opening hours on Sundays.

C3.2.3 Retail warehouses [Class A1] are defined as non-food stores displaying and selling comparison goods, such as bulky household goods (including carpets, furniture, and electrical and DIY items), clothing, and recreational goods within large format shed-like buildings, often (but not necessarily) on one level with associated adjacent car parking to cater mainly for car-borne customers.

C3.2.4 It should be noted that CIL charges are calculated on the net new gross internal floor space created by the new development. Therefore, where an existing building is to be demolished, the floor area of the old building is deducted from the floor area of the new building. The resultant figure is then multiplied by the appropriate levy rate per square metre.

C3.2.5 We have looked at CIL rates up to £215 per m^2 as being sustainable on retail warehouse and supermarket developments. However, minor changes of £10.00-£20.00 per m^2 in rent levels and yield changes of 0.5%-1.0% can significantly affect the viability.

C3.2.6 To further illustrate this point, a reduction in the rent of £10 per m^2 on a 1,000 m^2 building which is valued using a yield 0.5% higher can produce a 16.5% (in this example £253,750) reduction in the capital value as follows:

£100/m^2 per annum x 1,000 m^2	£100,000 per annum rent
Years' Purchase in perpetuity @ 6.5%	15.384
Capital Value	<u>£1,538,400</u>

Compare this to:

£90/m^2 per annum x 1,000m^2	£90,000 per annum rent
Years' Purchase in perpetuity @ 7.0%	14.285
Capital Value	<u>£1,285,650</u>

C3.2.7 In terms of the size of retail development and the potential for differentiation, we have looked at the case where Sainsbury's challenged the Borough of Poole on their proposed differential rates for retail and 'super stores' above 3,000/m^2. Poole accepted that because there was no clear guidance in the CIL Regulations to allow differential charging rates for the same use. Sainsbury's detailed evidence was accepted due to this lack of clarity. Therefore, Poole decided to change their schedule to allow all A1 Retail development under 500m^2 to be charged £nil and all A1 Retail development over 500/m^2 to be charged £211/m^2.

C3.2.8 The Examiner found this approach unsound and as a result the higher rate has been changed to nil. The Examiner stated in their final report that:

> *"There is nothing in the CIL regulations to prevent differential rates for retail development of different scales. However paragraph 25 of the CLG guidance (CIL Guidance: Charge setting and charging schedule procedures) states that where a charging authority is proposing to set differential rates, it may want to undertake more fine-grained sampling to identify a few data points in estimating the zone boundaries or "different categories of intended use."*

This 2010 guidance has been updated by the 2014 CIL Guidance as follows:

> *"Charging authorities may also set differential rates by reference to different intended uses of development. The definition of "use" for this purpose is not tied to the classes of development in the Town and Country Planning Act (Use Classes) Order 1987, although that Order does provide a useful reference point."*

C3.2.9 We have taken into consideration the subsequent Examiner's Report on Wycombe District Council's Draft Charging Schedule. He states that there is nothing in the CIL Regulations to prevent differential rates for retail developments of different sizes and differing retail characteristics or zones providing they are justified by the viability evidence.

C3.2.10 We have also looked at the Examiner's Report on Southampton City Council's proposed charging schedule where he states:

> *"Although limited in scope and extent, the Council's evidence clearly demonstrates that the proposed CIL rate of £43 per square metre (psm) for new build retail floorspace would be currently viable across the city at both the supermarket and neighbourhood convenience store scale. Moreover, in a relatively small and compact city, there are insufficient economic viability, geographical or any other important differences between the various parts of Southampton that might, individually or collectively, help to justify a need for separate retail charging zones."*

C3.2.11 We have also considered the Examiner's comments on the New Forest District Council's proposed charging schedule and the Council's response that defended a size differential based on 1,000/m^2. These comments can be found at: www.newforest.gov.uk/ Preliminary Conclusions on CIL retail charge.

C3.2.12 Furthermore the draft CIL Regulations Amendments 2014 allows provided the evidence justifies it, different CIL rates to be set for different floor areas of the same type of development.

C3.2.13 Having looked at the sensitivity of the different retail uses to different rental values and yields, we believe that, in North Warwickshire there is sufficient 'fine grained' evidence that demonstrates that all retail categories within the A1 Use Class are sufficiently viable to support a CIL charge in the Borough.

C3.2.14 There is no predetermined size for new retail development. For instance, comparison retailing takes place in small boutiques up to large department stores. Similarly, convenience retailers can trade as a sole trader from a kiosk or small newsagents up to larger One Stop or Co-Op style stores. Similarly, supermarket traders can occupy different size stores from the smaller deep discount stores of Aldi or Lidl up to much bigger superstores such as the Tesco Extra format. Often the size of the site shape and location will determine the design and size of the building.

C3.2.15 However, the valuation inputs remain largely the same within the various categories when compared on a per square metre basis and the nature of the residual appraisal permits testing of different sizes of development.

C3.2.16 The difference between the larger convenience formats is beginning to overlap with smaller supermarkets as the large four supermarket operators (Tesco, Asda, Morrison's and Sainsburys) are now opening much smaller local stores to service the demand for convenience shopping.

C3.2.17 However, there is still a yield differential between convenience stores and supermarkets. This can largely be put down to the length of lease the retailers are taking for convenience stores which is usually 10 years with a tenant's option to break at year 5. Whereas supermarkets will usually require a 15-20 plus year lease because of the longer term required to recoup the higher development costs.

C3.2.18 Also the latest convenience store leases will usually have a rent review that has restrictions on increases known as a 'cap and collar' which limits the growth in the rent - hence protecting the tenant from the potential for large increases in the rent. However, this also removes the attractiveness for investors to benefit from above inflation rent increases.

C3.2.19 It becomes more difficult to compare supermarket sales revenue generated per square metre with convenience retailing per square metre just based on the impact of Sunday Trading Act restrictions. Convenience stores will open for much longer week day and week end trading hours all the year round. However, they have a more limited range and amount of stock, compared to the much bigger offer of a supermarket.

C3.2.20 Whilst the impact of sales revenue will lead to a higher affordable rent for the purposes of testing viability the most significant variable is the yield for the reasons stated.

C3.2.21 The given definitions between these two categories are considered clear and robust. The appraisal evidence has tested for the different sizes and yields and demonstrates differing viability.

C3.2.22 We have also considered that North Warwickshire Borough Council have not identified or anticipate the need to encourage retail development. We consider that any CIL charging may prove a barrier on otherwise marginally viable retail sites particularly around the town centres.

C3.2.23 In the tables below we set out the surplus left to fund a CIL contribution for the various categories after changes in two sets of variables. The greyed-out box is assessed as the appropriate result for the local market conditions:

Comparison Retail - Town Centre 300 m^2 on 0.03 Ha site
Surplus to fund CIL - sensitivity

Rent/ sqm	£607	£807	£1,007
Yield			
5.50%	£1,864,457	£2,625,869	£3,387,280
5.75%	£1,760,450	£2,487,592	£3,214,733
6.00%	£1,665,120	£2,360,851	£3,056,581
6.25%	£1,577,424	£2,244,260	£2,911,096

The Threshold Land Value per Hectare set for Town Centre Retail is £2,500,000. The £2,487,592 translates into approximately £83m per Hectare considerably more than the Threshold. Small prime and secondary town centre sites are rarely redeveloped with new floor space and do not get transacted on a per Hectare basis. Nevertheless, there is shown to be a surplus to be able to afford a CIL charge, as found by some neighbouring authorities.

Retail Warehouse – 1,000 m^2 on 0.4 Ha site
Surplus to fund CIL - sensitivity

Rent/sq m	£190	£215	£240
Yield			
5.50%	£1,493,752	£1,807,460	£2,121,166
5.75%	£1,386,479	£1,686,073	£1,985,665
6.00%	£1,288,156	£1,574,812	£1,861,467
6.25%	£1,197,707	£1,472,461	£1,747,215

The Threshold Land Value for Retail Warehousing was set at £2.0m per Hectare. The example shown shows a residual land value of £4.2m before any CIL charge.

There is enough buffer to support a £200 per m^2 CIL charge in line with neighbouring authorities.

Supermarket – 2,500 m^2 on 0.63 Ha site
Surplus to fund CIL - sensitivity

Rent/sq m	£168	£188	£208
Yield			
5.25%	£1,161,917	£1,811,517	£2,461,118
5.50%	£908,847	£1,528,321	£2,147,795
5.75%	£677,794	£1,269,761	£1,861,726
6.00%	£466,003	£1,032,757	£1,599,509

The Threshold Land Value for Supermarkets was set at £2.5m per hectare. The residual land value for this example of a 2,500 m^2 supermarket works out at £2.42m per Hectare without any CIL charge. Therefore, it falls below the Threshold and is unable to afford any CIL without affecting the viability. This is largely due to the higher construction costs compared to say a Retail Warehouse and a lower rental rate per m^2.

C3.2.24 We have tested the sensitivity to changes in rental rates and yields. However, our conclusion is that there is not enough buffer to allow for possible increases in costs to be able to afford a CIL charge. Nevertheless, where there are site specific impacts on infrastructure, there is still the ability for NWBC to consider s278 highways and s106 developer contributions for mitigating the impact on the local infrastructure.

Convenience Store- 300 m^2 store on 0.03 Ha site
Surplus to fund CIL - sensitivity

Rent/sq m	£135	£161	£180
Yield			
6.25%	£27,124	£27,124	£203,098
6.50%	-£8,146	£93,194	£177,533
6.75%	-£9,567	£72,392	£153,793
7.00%	-£26,128	£53,076	£131,750

The Threshold Land Value for Convenience Stores was set at £2.5m per Hectare. The £72,392 residual land value shown for this example translates into a value of £2.4m per Hectare. As it falls below the Threshold and having tested the sensitivity to shifts in rents and yields, we do not consider there is a surplus to be able to warrant a CIL charge for Convenience Stores.

C3.2.24 We have considered the fragile nature of the retail market. We see that only a few forms of retailing are showing enough surplus to be able to sustain a CIL charge. We have tested the various uses against a range of CIL rates.

C3.2.25 We have looked at the charges that have been adopted by neighbouring authorities and see Tamworth charging £200 per m^2 for all out of centre retail and nil for all other retail categories. Lichfield are charging £160 per m^2 for Supermarkets, £70 for retail warehouses and £20 for neighbourhood convenience retail. Solihull are charging £300 for supermarkets indexed, £150 for convenience stores and £50 for other retail formats in rural areas. Birmingham has only one rate which is for all convenience retailing above 2,700 m^2 at £260. Nuneaton and Bedworth are proposing a single rate of £100 for Retail (large) and warehouse development in their PDCS.

C3.2.26 We consider that our research is sufficiently fine grained to support our recommendations. Namely that a rate of £200 per m^2 is affordable for Retail Warehousing developments only.

C3.2.27 Town Centre Retailing is limited to the main retail centre of the Borough where the best rents and yields are likely to be achieved due to higher footfall. This being limited to the centre of Atherstone only. We consider that in order to avoid any threat to the delivery of town centre retail development, no charge should be made for comparison town centre retail development.

C3.2.28 Retail warehouses [Class A1] are defined as non-food stores displaying and selling comparison goods, such as bulky household goods (including carpets, furniture, and electrical and DIY items), clothing, and recreational goods, within large format shed-like buildings, often (but not necessarily) on one level, with associated adjacent car parking to cater mainly for car-borne customers. This category has lower construction costs and is attractive as an investment asset so achieves higher values, leaving a reasonable margin to afford a CIL charge.

All other retail categories would attract a zero CIL charge for new development.

C3.2.29 **Recommended retail CIL rates:**

- A CIL rate of £200/m² for Retail Warehouses only.
- A CIL rate of £0/m² for all other retail development.

The appraisal calculations for retail uses appear at Part E, Appendices 3a, 3b, 3c & 3d.

C4. Hotels

C4.1 We have looked at hotels as a separate category falling within Use Class C1. We have not been made aware of any planned hotel developments in the Borough. There are many golf courses in the area as well as motorway junctions. Therefore, it is a sector that could be interested in new development in the area. The budget hotel chains are currently the main hotel type undertaking new development in the regions. They rely on formulaic development models and exploit economies of scale which can support cheaper room charging rates than traditional hotels. However, operators are very selective on location and the land costs and rental rates they can afford are sensitive.

C4.2 Our latest findings show that hotel development in the Borough could not support CIL charges. This is a change from the PDCS consultation 4 years previously when we recommended £60. This is largely due to an increase in construction costs. The previously used basic construction rate of £1,302 per m^2 has now increased to £1,853 per m^2. This increase of approximately 42% now results in a negative land value.

The following table shows the sensitivity to changes in the rental value against changes in the investment yield. These show the following outcomes when tested for sensitivity to small changes.

100 Bed Budget Hotel on 0.35 Ha site
Surplus to fund CIL -sensitivity

Rental Value per m^2	£136	£161	£186
Yield			
5.25%	-£944,374	£83,234	£1,072,044
5.50%	-£1,197,827	-£209,584	£741,992
5.75%	-£1,430,259	-£481,104	£440,632
6.00%	-£1,643,625	-£730,878	£164,385

Whilst a £20 per m^2 increase in rental rates or a 0.25% fall in investment yields would produce positive land values, we consider these changes to be unlikely soon.

Therefore, we recommend that a zero CIL rate is now applied to hotel development. This is in line with neighbouring authorities other than Birmingham and Solihull. Birmingham are making a £27 per m^2 charge for city centre hotels only. Solihull are making a £27 per m^2 charge for all hotels in their Borough. We consider these charging rates are due to higher rental rates and lower investment yields that are achievable in denser conurbations.

The appraisal calculations for hotel uses appear in Part E, Appendix 4.

C5. Care Homes

C5.1 We have investigated the viability of care homes in terms of supporting CIL. These fall within the Class C2 category, which covers all residential institutions such as care homes, hospitals, boarding schools and residential training centres. Class C2A covers Secure Residential Institutions such as prisons and custody centres as well as military barracks.

C5.2 We have looked at the consultation undertaken by other local authorities in respect of care homes and the responses they received from both the NHS and the private sector. Of the neighbouring authorities only Solihull has found enough evidence to justify a £25 charge for C2 use.

C5.3 The residential care homes market is split between those that are used, and hence paid for by the public sector, and those that provide for private patients. As both types fall under the same use class it would not be straightforward to differentiate between them in terms of assessing CIL viability. This is notwithstanding the fact that if CIL were to be imposed on one category only, and the ownership and thus funding arrangements of a care home subsequently changed to the one on which CIL is payable, the Council has 'clawback' powers under clause 65 of the CIL Regulations 2010 to extract the CIL that otherwise would have been payable at the time of granting of permission.

C5.4 The financial viability is sensitive to the revenue generated and running costs including staff salaries. We have used local values for our analysis of the development costs. However, these show that there is no surplus to be able to support a CIL charge for this category.

C5.5 The results show a negative residual land value in the example. Rental rates and investment yields would have to improve significantly to produce positive land values which we do not consider likely in the near future. For these reasons we consider that a zero CIL charge rate is appropriate for care homes in the NWBC Borough.

60 Bed Residential Care Home on 0.5 Ha site
Surplus to fund CIL - sensitivity

Rental Value per m^2	**£155**	**£180**	**£205**
Yield			
5.75%	-£1,335,966	-£358,576	£563,589
6.00%	-£1,590,396	-£650,256	£261,274
6.25%	-£1,825,308	-£919,922	-£26,777
6.50%	-£2,042,712	-£1,169,289	-£306,519

The appraisal calculations for Care Home uses appear in Part E, Appendix 5.

C6. Leisure Uses

C6.1 D2 uses (assembly and leisure) are similarly diverse. Of the privately-operated gyms, cinemas, bowling alleys and other leisure uses, revenues have been significantly affected by both reduced consumer spending and a change in culture and competition brought about by the Internet. As a result, new D2 development is now usually to be found in larger mixed-use developments where there is a retail and food offer as well.

C6.2 The new development inputs are like those for retail warehousing where modern construction comprises of steel portal framed buildings with a mix of cladding and ample car parking. A tenant will then 'fit out' whether as a cinema, gym, ten pin bowling, etc. Often developers of these types of uses look to congregate several similar or complimentary operators together.

C6.3 The result of reduced operator demand for these types of uses is a reduction in the level of rents being paid. Also, the investment yields percentage rates have increased as operators have been going into Administration raising the concerns of investors over the security of the sector as a revenue stream. We have not become aware of any proposed leisure schemes in North Warwickshire coming forward in the short to medium term. Because of all these factors combined we do not believe they are viable in the current economic climate.

C6.4 It is recognised that leisure activities are changing, consumer spending on leisure activities is likely to increase and new forms of D2 development may prove to be profitable in the future. Therefore, at this time, these uses can be reviewed when the Charging Schedule is reviewed.

1,500 m^2 Health & Fitness Gym on 0.2 Ha site
Surplus to fund CIL - sensitivity

Rent/sqm	£115	£135	£165
Yield			
7.25%	-£152,678	£149,320	£438,779
7.50%	-£211,835	£81,600	£363,849
7.75%	-£267,177	£17,911	£293,324
8.00%	-£319,059	-£42,635	£227,207

C6.4 At the identified rental rate of £135 per m^2 and a 7.5% yield there is a positive residual land value which equates to approximately £408,000 per hectare. The Threshold Land Value for D2/Gyms is £500,000 per hectare. Therefore, the example falls below the benchmark considered to be viable.

C6.5 There would need to be significant improvements in rental rates and yields to create enough buffer to allow for possible changes in costs and values.

C6.6 Therefore, at this point we consider that a zero CIL charge rate is appropriate for leisure uses. This is also in line with neighbouring authorities.

C6.7 The appraisal calculations for leisure uses appear in Part E, Appendix 10.

C7. Community Uses

C7.1 Community Uses fall within Class D1 (non-residential institutions) and covers a diverse range of uses including clinics, crèches, libraries, places of worship amongst others. The majority of these do not generate revenue nor are traded as investments in the same way as those in the above categories. Often those that do generate revenue streams have operating costs that usually exceed their income, such as swimming pools and libraries. Therefore, they often only exist through public subsidies.

C7.2 Hence CIL charges are expected to help to fund the delivery of development providing community uses, rather than community uses contributing a CIL charge, only for it to be used to fund itself. Therefore, we consider that a zero-charge rate is appropriate.

C8. Non-Residential Conclusions

C8.1 This study has been prepared when the commercial property markets have been showing higher levels of both development and occupier activity nationally. Consequently, the values used have been seeing moderate growth since the 2014 study. However, construction costs have also increased quite significantly in most areas due to increases in labour and material costs.

C8.2 We need to allow reasonable buffers to allow for a variety of possible influences on values. For instance, there is the possibility of significant interest rate rises and weaker occupier demand.

C8.3 The retail warehousing sector is experiencing changes in shopping habits which are being fuelled by both the increase in shopping as a car borne leisure activity and the increasing use of the internet, through 'click and collect' and catalogue type purchasing (e.g. Argos, Amazon). This sector is expected to continue along its growth trajectory which is why the values are revealing the sector's capacity to support a CIL charge where traditional comparison retailing cannot.

C8.4 Other than the large B8 uses, the outcome of the 'B' categories is poor. One would anticipate that there will be positive occupier demand for B1 and B8 type development coming from the HS2 project. Therefore, we expect that office and industrial/warehouse property values in the Borough will continue to improve over time. However, in the short to medium term this type of development should be encouraged in the Borough and a zero charge is appropriate at this stage in line with neighbouring authorities.

D. RECOMMENDATIONS

D1. The CIL viability study has concluded that in the present economic climate there is very limited viability for developer contributions. At present the only form of non-residential development that can withstand a CIL charge is Retail Warehousing.

D2. In the light of this renewed fine grained evidence, we RECOMMEND:

1. A £200 per square metre charge for Retail Warehousing.

2. A zero charge for all other forms of non-residential development.

Recommended CIL Rates

Use Class	Recommended CIL Rate – £ per m^2
A1 Retail Warehousing	**£200**
All other non-residential development	**£0**

E. APPENDICES

E1. Appendices

Appendix 1	Office Appraisal
Appendix 2a	Industrial Appraisal
Appendix 2b	Large B8 Distribution Appraisal
Appendix 3a	Comparison Retail Town Centre Appraisal
Appendix 3b	Retail Warehouse Appraisal
Appendix 3c	Supermarket Appraisal
Appendix 3d	Convenience Store Appraisal
Appendix 4	Hotel Appraisal
Appendix 5	Care Home Appraisal
Appendix 6	Leisure/Gym Appraisal
Appendix 7	Comparable Evidence
Appendix 8	BCIS Average Construction Costs
Appendix 9	Values and Inputs table

Appendix 1

Appendix 1- Offices

Summary Appraisal for Phase 1

Currency in £

REVENUE

Rental Area Summary	**Units**	**m²**	**Rate m²**	**Initial MRV/Unit**	**Net Rent at Sale**
New Offices (B1a/b)	1	1,350.00	194.00	261,900	261,900

Investment Valuation					
New Offices (B1a/b)					
Market Rent	261,900	YP @	7.5000%	13.3333	
(6mths Rent Free)		PV 6mths @	7.5000%	0.9645	3,367,984

NET REALISATION				**3,367,984**
OUTLAY				
ACQUISITION COSTS				
Residualised Price (Negative land)			(971,838)	
				(971,838)
Stamp Duty			120,000	
				120,000
CONSTRUCTION COSTS				
Construction	**m²**	**Rate m²**	**Cost**	
New Offices (B1a/b)	1,500.00 m²	1,964.00 pm²	2,946,000	**2,946,000**
Contingency		3.00%	88,380	
				88,380
PROFESSIONAL FEES				
Architect		3.00%	88,380	
Quantity Surveyor		1.00%	29,460	
Structural Engineer		1.00%	29,460	
Mech./Elec.Engineer		1.00%	29,460	
Project Manager		1.00%	29,460	
C.D. Manager		0.50%	14,730	
Other Professionals		2.50%	73,650	
				294,600
MARKETING & LETTING				
Marketing			10,000	
Letting Agent Fee		15.00%	39,285	
Letting Legal Fee		2.00%	5,238	
				54,523
DISPOSAL FEES				
Sales Agent Fee		1.00%	33,680	
Sales Legal Fee		0.25%	8,420	
				42,100
FINANCE				
Debit Rate 7.000%, Credit Rate 7.000% (Nominal)				
Land			(88,029)	

Appendix 1- Offices

Construction		142,126	
Letting Void		182,549	
Other		(3,758)	
Total Finance Cost			232,889
TOTAL COSTS			**2,806,653**
PROFIT			
			561,331
Performance Measures			
Profit on Cost%	20.00%		
Profit on GDV%	16.67%		
Profit on NDV%	16.67%		
Development Yield% (on Rent)	9.33%		
Equivalent Yield% (Nominal)	7.50%		
Equivalent Yield% (True)	7.87%		
IRR	22.32%		
Rent Cover	2 yrs 2 mths		
Profit Erosion (finance rate 7.000%)	2 yrs 8 mths		

Appendix 1- Offices

Table of Land Cost and Profit Amount

	Rent: Rate pm²				
Rent: Yield	-40.00 pm²	-20.00 pm²	0.00 pm²	+20.00 pm²	+40.00 pm²
	154.00 pm²	174.00 pm²	194.00 pm²	214.00 pm²	234.00 pm²
-0.5000%	£1,309,359	£1,054,080	£798,800	£543,521	£288,242
7.0000%	£478,535	£540,682	£602,829	£664,977	£727,124
-0.2500%	£1,380,412	£1,134,359	£888,307	£642,256	£396,204
7.2500%	£461,495	£521,429	£581,362	£641,298	£701,232
0.0000%	£1,446,719	£1,209,278	£971,838	£734,398	£496,958
7.5000%	£445,592	£503,461	£561,331	£619,200	£677,069
+0.2500%	£1,508,741	£1,279,356	£1,049,971	£820,585	£591,201
7.7500%	£430,718	£486,655	£542,593	£598,529	£654,469
+0.5000%	£1,566,881	£1,345,046	£1,123,211	£901,376	£679,541
8.0000%	£416,775	£470,902	£525,028	£579,155	£633,281

Sensitivity Analysis : Assumptions for Calculation

Rent: Rate pm²
Original Values are varied in Fixed Steps of £20.00

Heading	Phase	Rate	No. of Steps
New Offices (B1a/b)	1	£194.00	2 Up & Down

Rent: Yield
Original Values are varied in Fixed Steps of 0.25%

Heading	Phase	Cap. Rate	No. of Steps
New Offices (B1a/b)	1	7.5000%	2 Up & Down

Appendix 2

APPRAISAL SUMMARY	ADAMS INTEGRA

Appendix 2a- Industrial

Summary Appraisal for Phase 1

Currency in £

REVENUE

Rental Area Summary	**Units**	**m²**	**Rate m²**	**Initial MRV/Unit**	**Net Rent at Sale**	**Initial MRV**
B1c/B2/B8 Industrial Unit	1	1,000.00	80.00	80,000	80,000	80,000

Investment Valuation					
B1c/B2/B8 Industrial Unit					
Market Rent	80,000	YP @	7.5000%	13.3333	
(3mths Rent Free)		PV 3mths @	7.5000%	0.9821	1,047,554
NET REALISATION				**1,047,554**	

OUTLAY

ACQUISITION COSTS				
Residualised Price (Negative land)			(652,881)	
				(652,881)
CONSTRUCTION COSTS				
Construction	**m²**	**Rate m²**	**Cost**	
B1c/B2/B8 Industrial Unit	1,000.00 m²	1,240.00 pm²	1,240,000	**1,240,000**
Contingency		3.00%	37,200	
Demolition/Enabling costs			50,000	
				87,200
PROFESSIONAL FEES				
Architect		2.50%	31,000	
Quantity Surveyor		1.00%	12,400	
Structural Engineer		1.00%	12,400	
Mech./Elec.Engineer		1.00%	12,400	
Project Manager		1.50%	18,600	
C.D. Manager		0.50%	6,200	
Other Professionals		2.00%	24,800	
				117,800
MARKETING & LETTING				
Marketing			2,000	
Letting Agent Fee		10.00%	8,000	
Letting Legal Fee		2.00%	1,600	
				11,600
DISPOSAL FEES				
Sales Agent Fee		1.00%	10,476	
Sales Legal Fee		0.30%	3,143	
				13,618
FINANCE				
Debit Rate 7.000%, Credit Rate 7.000% (Nominal)				
Land			(55,080)	
Construction			54,818	

Appendix 2a- Industrial

Letting Void		57,034	
Other		(1,147)	
Total Finance Cost			55,625
TOTAL COSTS			**872,962**
PROFIT			
			174,593
Performance Measures			
Profit on Cost%	20.00%		
Profit on GDV%	16.67%		
Profit on NDV%	16.67%		
Development Yield% (on Rent)	9.16%		
Equivalent Yield% (Nominal)	7.50%		
Equivalent Yield% (True)	7.87%		
IRR	28.30%		
Rent Cover	2 yrs 2 mths		
Profit Erosion (finance rate 7.000%)	2 yrs 8 mths		

Appendix 2a- Industrial

Table of Profit Amount and Land Cost

	Rent: Rate pm²				
Rent: Yield	-20.00 pm²	-10.00 pm²	0.00 pm²	+10.00 pm²	+20.00 pm²
	60.00 pm²	70.00 pm²	80.00 pm²	90.00 pm²	100.00 pm²
-0.5000%	£140,461	£163,871	£187,281	£210,692	£234,102
7.0000%	£795,550	£697,314	£599,078	£500,842	£402,606
-0.2500%	£135,538	£158,128	£180,718	£203,308	£225,898
7.2500%	£816,422	£721,665	£626,908	£532,150	£437,393
0.0000%	£130,944	£152,768	£174,593	£196,417	£218,241
7.5000%	£835,902	£744,392	£652,881	£561,371	£469,860
+0.2500%	£126,647	£147,755	£168,862	£189,970	£211,078
7.7500%	£854,124	£765,651	£677,177	£588,704	£500,230
+0.5000%	£122,618	£143,054	£163,491	£183,927	£204,363
8.0000%	£871,207	£785,581	£699,954	£614,328	£528,701

Sensitivity Analysis : Assumptions for Calculation

Rent: Rate pm²
Original Values are varied in Fixed Steps of £10.00

Heading	Phase	Rate	No. of Steps
B1c/B2/B8 Industrial Unit	1	£80.00	2 Up & Down

Rent: Yield
Original Values are varied in Fixed Steps of 0.25%

Heading	Phase	Cap. Rate	No. of Steps
B1c/B2/B8 Industrial Unit	1	7.5000%	2 Up & Down

Appendix 2b- Large B8 Distribution

Summary Appraisal for Phase 1

Currency in £

REVENUE

Rental Area Summary	**Units**	**m²**	**Rate m²**	**Initial MRV/Unit**
Large B8 Distribution	1	5,000.00	75.00	375,000

Investment Valuation				
Large B8 Distribution				
Market Rent	375,000	YP @	4.5000%	22.2222
(3mths Rent Free)		PV 3mths @	4.5000%	0.9891
NET REALISATION				**8,242,134**

OUTLAY

ACQUISITION COSTS				
Residualised Price (1.25 Ha 798,366.38 pHect)			997,958	
				997,958
Stamp Duty			38,398	
Agent Fee		1.00%	9,980	
Legal Fee		0.50%	4,990	
				53,367
CONSTRUCTION COSTS				
Construction	**m²**	**Rate m²**	**Cost**	
Large B8 Distribution	5,000.00 m²	838.00 pm²	4,190,000	**4,190,000**
Contingency		3.00%	125,700	
Demolition/Enabling costs			50,000	
				175,700
PROFESSIONAL FEES				
Architect		3.00%	125,700	
Quantity Surveyor		1.00%	41,900	
Structural Engineer		1.00%	41,900	
Mech./Elec.Engineer		1.00%	41,900	
Project Manager		1.50%	62,850	
C.D. Manager		0.50%	20,950	
Other Professionals		2.00%	83,800	
				419,000
MARKETING & LETTING				
Marketing			5,000	
Letting Agent Fee		10.00%	37,500	
Letting Legal Fee		2.00%	7,500	
				50,000
DISPOSAL FEES				
Sales Agent Fee		1.00%	82,421	
Sales Legal Fee		0.30%	24,726	
				107,148

Appendix 2b- Large B8 Distribution

FINANCE

Debit Rate 7.000%, Credit Rate 7.000% (Nominal)		
Land	142,714	
Construction	290,992	
Letting Void	450,865	
Other	(9,299)	
Total Finance Cost		875,272
TOTAL COSTS		**6,868,445**
PROFIT		
		1,373,689

Performance Measures

Profit on Cost%	20.00%
Profit on GDV%	16.67%
Profit on NDV%	16.67%
Development Yield% (on Rent)	5.46%
Equivalent Yield% (Nominal)	4.50%
Equivalent Yield% (True)	4.63%
IRR	16.56%
Rent Cover	3 yrs 8 mths
Profit Erosion (finance rate 7.000%)	2 yrs 8 mths

Appendix 2b- Large B8 Distribution

Table of Profit Amount and Land Cost

	Rent: Rate pm²				
Rent: Yield	-20.00 pm²	-10.00 pm²	0.00 pm²	+10.00 pm²	+20.00 pm²
	55.00 pm²	65.00 pm²	75.00 pm²	85.00 pm²	95.00 pm²
-0.5000%	£1,134,655	£1,340,955	£1,547,255	£1,753,555	£1,959,857
4.0000%	(£91,989)	(£878,115)	(£1,657,763)	(£2,437,411)	(£3,217,057)
-0.2500%	£1,067,268	£1,261,317	£1,455,366	£1,649,414	£1,843,464
4.2500%	£179,444	(£575,378)	(£1,308,450)	(£2,041,522)	(£2,774,593)
0.0000%	£1,007,372	£1,190,531	£1,373,689	£1,556,849	£1,740,006
4.5000%	£421,939	(£305,171)	(£997,958)	(£1,689,630)	(£2,381,304)
+0.2500%	£953,783	£1,127,197	£1,300,613	£1,474,028	£1,647,443
4.7500%	£638,900	(£57,423)	(£720,158)	(£1,374,791)	(£2,029,425)
+0.5000%	£905,553	£1,070,200	£1,234,846	£1,399,492	£1,564,139
5.0000%	£834,159	£172,476	(£470,147)	(£1,091,445)	(£1,712,743)

Sensitivity Analysis : Assumptions for Calculation

Rent: Rate pm²
Original Values are varied in Fixed Steps of £10.00

Heading	Phase	Rate	No. of Steps
Large B8 Distribution	1	£75.00	2 Up & Down

Rent: Yield
Original Values are varied in Fixed Steps of 0.25%

Heading	Phase	Cap. Rate	No. of Steps
Large B8 Distribution	1	4.5000%	2 Up & Down

Appendix 3

Appendix 3a- Comparison Retail Town Centre

Summary Appraisal for Phase 1

Currency in £

REVENUE

Rental Area Summary	**Units**	**m²**	**Rate m²**	**Initial MRV/Unit**
Comparison Retail - Town Centre	1	300.00	807.00	242,100

Investment Valuation

Comparison Retail - Town Centre				
Market Rent	242,100	YP @	5.7500%	17.3913
(6mths Rent Free)		PV 6mths @	5.7500%	0.9724

NET REALISATION **4,094,367**

OUTLAY

ACQUISITION COSTS				
Residualised Price (0.03 Ha 82,919,741.55 pHect)			2,487,592	
				2,487,592
Stamp Duty			112,880	
Agent Fee		1.00%	24,876	
Legal Fee		0.50%	12,438	
				150,193
CONSTRUCTION COSTS				
Construction	**m²**	**Rate m²**	**Cost**	
Comparison Retail - Town Centre	300.00 m²	1,250.00 pm²	375,000	**375,000**
Contingency		3.00%	11,250	
Demolition/Enabling Costs			20,000	
				31,250
CIL Charge				
CIL Charge	300.00 m²	200.00 pm²	60,000	
				60,000
PROFESSIONAL FEES				
Architect		3.00%	11,250	
Quantity Surveyor		1.00%	3,750	
Structural Engineer		1.00%	3,750	
Mech./Elec.Engineer		1.00%	3,750	
Project Manager		1.00%	3,750	
C.D. Manager		0.50%	1,875	
Other Professionals		2.50%	9,375	
				37,500
MARKETING & LETTING				
Marketing			2,000	
Letting Agent Fee		10.00%	24,210	
Letting Legal Fee		3.00%	7,263	
				33,473

DISPOSAL FEES

Appendix 3a- Comparison Retail Town Centre

Sales Agent Fee	1.00%	40,944	
Sales Legal Fee	0.25%	10,236	
			51,180
FINANCE			
Debit Rate 7.000%, Credit Rate 7.000% (Nominal)			
Land		157,223	
Construction		10,225	
Letting Void		38,507	
Other		(20,171)	
Total Finance Cost			185,784
TOTAL COSTS			**3,411,972**
PROFIT			
			682,395
Performance Measures			
Profit on Cost%	20.00%		
Profit on GDV%	16.67%		
Profit on NDV%	16.67%		
Development Yield% (on Rent)	7.10%		
Equivalent Yield% (Nominal)	5.75%		
Equivalent Yield% (True)	5.96%		
IRR	27.60%		
Rent Cover	2 yrs 10 mths		
Profit Erosion (finance rate 7.000%)	2 yrs 8 mths		

Appendix 3a- Comparison Retail Town Centre

Table of Profit Amount and Land Cost

	Rent: Rate pm²				
Rent: Yield	-400.00 pm²	-200.00 pm²	0.00 pm²	+200.00 pm²	+400.00 pm²
	407.00 pm²	607.00 pm²	807.00 pm²	1,007.00 pm²	1,207.00 pm²
-0.5000%	£377,828	£563,493	£749,158	£934,823	£1,120,488
5.2500%	(£1,179,434)	(£1,978,381)	(£2,777,328)	(£3,576,275)	(£4,375,222)
-0.2500%	£360,227	£537,243	£714,258	£891,273	£1,068,289
5.5000%	(£1,103,047)	(£1,864,457)	(£2,625,869)	(£3,387,280)	(£4,148,690)
0.0000%	£344,157	£513,276	£682,395	£851,515	£1,020,633
5.7500%	(£1,033,309)	(£1,760,450)	(£2,487,592)	(£3,214,733)	(£3,941,875)
+0.2500%	£329,428	£491,309	£653,190	£815,072	£976,952
6.0000%	(£969,389)	(£1,665,120)	(£2,360,851)	(£3,056,581)	(£3,752,313)
+0.5000%	£315,879	£471,102	£626,324	£781,548	£936,770
6.2500%	(£910,588)	(£1,577,424)	(£2,244,260)	(£2,911,096)	(£3,577,932)

Sensitivity Analysis : Assumptions for Calculation

Rent: Rate pm²
Original Values are varied in Fixed Steps of £200.00

Heading	Phase	Rate	No. of Steps
Comparison Retail - Town Centre	1	£807.00	2 Up & Down

Rent: Yield
Original Values are varied in Fixed Steps of 0.25%

Heading	Phase	Cap. Rate	No. of Steps
Comparison Retail - Town Centre	1	5.7500%	2 Up & Down

Appendix 3b- Retail Warehouse

Summary Appraisal for Phase 1

Currency in £

REVENUE

Rental Area Summary	**Units**	**m²**	**Rate m²**	**Initial MRV/Unit**
Retail Warehouse	1	1,000.00	215.00	215,000

Investment Valuation				
Retail Warehouse				
Market Rent	215,000	YP @	5.7500%	17.3913
(6mths Rent Free)		PV 6mths @	5.7500%	0.9724
NET REALISATION				**3,636,055**
OUTLAY				
ACQUISITION COSTS				
Residualised Price (0.40 Ha 3,757,506.24 pHect)			1,503,002	
				1,503,002
Stamp Duty			63,650	
Agent Fee		1.00%	15,030	
Legal Fee		0.50%	7,515	
				86,195
Other Acquisition				
Other Acquisition		0.25%	3,758	
				3,758
CONSTRUCTION COSTS				
Construction	**m²**	**Rate m²**	**Cost**	
Retail Warehouse	1,000.00 m²	838.00 pm²	838,000	**838,000**
Contingency		3.00%	25,140	
Demolition/Enabling Costs			50,000	
CIL Charge	1,000.00 m²	200.00 pm²	200,000	
				275,140
PROFESSIONAL FEES				
Architect		3.00%	25,140	
Quantity Surveyor		1.00%	8,380	
Structural Engineer		1.00%	8,380	
Mech./Elec.Engineer		1.00%	8,380	
Project Manager		1.00%	8,380	
C.D. Manager		0.50%	4,190	
Other Professionals		2.50%	20,950	
				83,800
MARKETING & LETTING				
Marketing			5,000	
Letting Agent Fee		10.00%	21,500	
Letting Legal Fee		2.50%	5,375	

Appendix 3b- Retail Warehouse

			31,875
DISPOSAL FEES			
Sales Agent Fee	1.00%	36,361	
Sales Legal Fee	0.25%	9,090	
			45,451
FINANCE			
Debit Rate 7.000%, Credit Rate 7.000% (Nominal)			
Land		104,680	
Construction		31,603	
Letting Void		34,168	
Other		(7,626)	
Total Finance Cost			162,824
TOTAL COSTS			**3,030,045**
PROFIT			
			606,010
Performance Measures			
Profit on Cost%	20.00%		
Profit on GDV%	16.67%		
Profit on NDV%	16.67%		
Development Yield% (on Rent)	7.10%		
Equivalent Yield% (Nominal)	5.75%		
Equivalent Yield% (True)	5.96%		
IRR	29.39%		
Rent Cover	2 yrs 10 mths		
Profit Erosion (finance rate 7.000%)	2 yrs 8 mths		

Appendix 3b- Retail Warehouse

Table of Profit Amount and Land Cost

	Rent: Rate pm²				
Rent: Yield	-50.00 pm²	-25.00 pm²	0.00 pm²	+25.00 pm²	+50.00 pm²
	165.00 pm²	190.00 pm²	215.00 pm²	240.00 pm²	265.00 pm²
-0.5000% 5.2500%	£510,578 (£1,099,014)	£587,939 (£1,428,182)	£665,299 (£1,757,350)	£742,660 (£2,086,517)	£820,020 (£2,415,685)
-0.2500% 5.5000%	£486,792 (£996,976)	£560,549 (£1,310,683)	£634,306 (£1,624,389)	£708,062 (£1,938,097)	£781,819 (£2,251,804)
0.0000% 5.7500%	£465,078 (£903,817)	£535,543 (£1,203,410)	£606,010 (£1,503,002)	£676,475 (£1,802,596)	£746,942 (£2,102,188)
+0.2500% 6.0000%	£445,173 (£818,431)	£512,623 (£1,105,087)	£580,074 (£1,391,742)	£647,524 (£1,678,397)	£714,975 (£1,965,052)
+0.5000% 6.2500%	£426,863 (£739,884)	£491,539 (£1,014,638)	£556,215 (£1,289,392)	£620,892 (£1,564,145)	£685,568 (£1,838,900)

Sensitivity Analysis : Assumptions for Calculation

Rent: Rate pm²
Original Values are varied in Fixed Steps of £25.00

Heading	Phase	Rate	No. of Steps
Retail Warehouse	1	£215.00	2 Up & Down

Rent: Yield
Original Values are varied in Fixed Steps of 0.25%

Heading	Phase	Cap. Rate	No. of Steps
Retail Warehouse	1	5.7500%	2 Up & Down

Appendix 3c- Supermarket
Supermarkets

Summary Appraisal for Phase 1

Currency in £

REVENUE

Rental Area Summary	**Units**	**m²**	**Rate m²**	**Initial MRV/Unit**
Supermarket	1	2,500.00	188.00	470,000

Investment Valuation				
Supermarket				
Market Rent	470,000	YP @	5.5000%	18.1818
(3mths Rent Free)		PV 3mths @	5.5000%	0.9867
NET REALISATION				**8,431,834**
OUTLAY				
ACQUISITION COSTS				
Residualised Price (0.63 Ha 2,425,906.65 pHect)			1,528,321	
				1,528,321
Stamp Duty			64,916	
Agent Fee		1.00%	15,283	
Legal Fee		0.50%	7,642	
Town Planning			50,000	
				137,841
CONSTRUCTION COSTS				
Construction	**m²**	**Rate m²**	**Cost**	
Supermarket	2,500.00 m²	1,708.00 pm²	4,270,000	**4,270,000**
Contingency		3.00%	128,100	
				128,100
PROFESSIONAL FEES				
Architect		3.00%	128,100	
Quantity Surveyor		1.00%	42,700	
Structural Engineer		1.00%	42,700	
Mech./Elec.Engineer		1.00%	42,700	
Project Manager		1.00%	42,700	
C.D. Manager		0.50%	21,350	
Other Professionals		2.50%	106,750	
				427,000
MARKETING & LETTING				
Marketing			2,000	
Letting Agent Fee		10.00%	47,000	
Letting Legal Fee		2.00%	9,400	
				58,400
DISPOSAL FEES				
Sales Agent Fee		1.00%	84,318	
Sales Legal Fee		0.25%	21,080	

Appendix 3c- Supermarket
Supermarkets

			105,398
FINANCE			
Debit Rate 7.000%, Credit Rate 7.000% (Nominal)			
Land		177,417	
Construction		211,662	
Other		(17,611)	
Total Finance Cost			371,468
TOTAL COSTS			**7,026,528**
PROFIT			
			1,405,306
Performance Measures			
Profit on Cost%	20.00%		
Profit on GDV%	16.67%		
Profit on NDV%	16.67%		
Development Yield% (on Rent)	6.69%		
Equivalent Yield% (Nominal)	5.50%		
Equivalent Yield% (True)	5.69%		
IRR	29.35%		
Rent Cover	2 yrs 12 mths		
Profit Erosion (finance rate 7.000%)	2 yrs 8 mths		

Appendix 3c- Supermarket
Supermarkets

Table of Profit Amount and Land Cost

	Rent: Rate pm²				
Rent: Yield	-40.00 pm²	-20.00 pm²	0.00 pm²	+20.00 pm²	+40.00 pm²
	148.00 pm²	168.00 pm²	188.00 pm²	208.00 pm²	228.00 pm²
-0.5000%	£1,218,382	£1,383,028	£1,547,673	£1,712,320	£1,876,968
5.0000%	(£757,561)	(£1,440,303)	(£2,123,045)	(£2,805,786)	(£3,488,526)
-0.2500%	£1,159,673	£1,316,386	£1,473,100	£1,629,811	£1,786,525
5.2500%	(£512,317)	(£1,161,917)	(£1,811,517)	(£2,461,118)	(£3,110,718)
0.0000%	£1,106,305	£1,255,807	£1,405,306	£1,554,806	£1,704,308
5.5000%	(£288,061)	(£908,847)	(£1,528,321)	(£2,147,795)	(£2,767,267)
+0.2500%	£1,057,579	£1,200,495	£1,343,410	£1,486,328	£1,629,243
5.7500%	(£78,725)	(£677,794)	(£1,269,761)	(£1,861,726)	(£2,453,694)
+0.5000%	£1,012,914	£1,149,795	£1,286,675	£1,423,556	£1,560,436
6.0000%	£118,799	(£466,003)	(£1,032,757)	(£1,599,509)	(£2,166,263)

Sensitivity Analysis : Assumptions for Calculation

Rent: Rate pm²
Original Values are varied in Fixed Steps of £20.00

Heading	Phase	Rate	No. of Steps
Supermarket	1	£188.00	2 Up & Down

Rent: Yield
Original Values are varied in Fixed Steps of 0.25%

Heading	Phase	Cap. Rate	No. of Steps
Supermarket	1	5.5000%	2 Up & Down

APPRAISAL SUMMARY — ADAMS INTEGRA

Appendix 3d Convenience Store

Summary Appraisal for Phase 1

Currency in £

REVENUE

Rental Area Summary	**Units**	**m²**	**Rate m²**	**Initial MRV/Unit**	**Net Rent at Sale**
Convenience Store	1	300.00	161.00	48,300	48,300

Investment Valuation					
Convenience Store					
Market Rent	48,300	YP @	6.7500%	14.8148	
(3mths Rent Free)		PV 3mths @	6.7500%	0.9838	703,966
NET REALISATION				**703,966**	
OUTLAY					
ACQUISITION COSTS					
Residualised Price (0.03 Ha 2,413,055.58 pHect)			72,392		
				72,392	
Agent Fee		1.00%	724		
Legal Fee		0.50%	362		
				1,086	
CONSTRUCTION COSTS					
Construction	**m²**	**Rate m²**	**Cost**		
Convenience Store	300.00 m²	1,250.00 pm²	375,000	**375,000**	
Contingency		3.00%	11,250		
Demolition/Enabling Costs			50,000		
				61,250	
PROFESSIONAL FEES					
Architect		3.00%	11,250		
Quantity Surveyor		1.00%	3,750		
Structural Engineer		1.00%	3,750		
Mech./Elec.Engineer		1.00%	3,750		
Project Manager		1.00%	3,750		
C.D. Manager		0.50%	1,875		
Other Professionals		2.50%	9,375		
				37,500	
MARKETING & LETTING					
Marketing			5,000		
Letting Agent Fee		10.00%	4,830		
Letting Legal Fee		2.50%	1,208		
				11,038	
DISPOSAL FEES					
Sales Agent Fee		1.00%	7,040		
Sales Legal Fee		0.25%	1,760		
				8,800	
FINANCE					

Appendix 3d Convenience Store

Debit Rate 7.000%, Credit Rate 7.000% (Nominal)			
Land		4,380	
Construction		10,105	
Letting Void		6,565	
Other		(1,477)	
Total Finance Cost			19,573
TOTAL COSTS			**586,638**
PROFIT			
			117,328
Performance Measures			
Profit on Cost%	20.00%		
Profit on GDV%	16.67%		
Profit on NDV%	16.67%		
Development Yield% (on Rent)	8.23%		
Equivalent Yield% (Nominal)	6.75%		
Equivalent Yield% (True)	7.04%		
IRR	42.22%		
Rent Cover	2 yrs 5 mths		
Profit Erosion (finance rate 7.000%)	2 yrs 8 mths		

Appendix 3d Convenience Store

Table of Profit Amount and Land Cost

	Rent: Rate pm²				
Rent: Yield	-50.00 pm²	-25.00 pm²	0.00 pm²	+25.00 pm²	+50.00 pm²
	111.00 pm²	136.00 pm²	161.00 pm²	186.00 pm²	211.00 pm²
-0.5000%	£87,464	£107,164	£126,863	£146,562	£166,261
6.2500%	£62,333	(£27,124)	(£115,661)	(£203,098)	(£288,479)
-0.2500%	£84,051	£102,981	£121,912	£140,842	£159,772
6.5000%	£78,055	(£8,146)	(£93,194)	(£177,533)	(£260,084)
0.0000%	£80,890	£99,109	£117,328	£135,546	£153,765
6.7500%	£92,612	£9,567	(£72,392)	(£153,793)	(£233,793)
+0.2500%	£77,956	£95,514	£113,071	£130,629	£148,186
7.0000%	£106,128	£26,128	(£53,076)	(£131,750)	(£209,381)
+0.5000%	£75,224	£92,166	£109,109	£126,051	£142,993
7.2500%	£118,712	£41,546	(£35,094)	(£111,120)	(£186,329)

Sensitivity Analysis : Assumptions for Calculation

Rent: Rate pm²
Original Values are varied in Fixed Steps of £25.00

Heading	Phase	Rate	No. of Steps
Convenience Store	1	£161.00	2 Up & Down

Rent: Yield
Original Values are varied in Fixed Steps of 0.25%

Heading	Phase	Cap. Rate	No. of Steps
Convenience Store	1	6.7500%	2 Up & Down

Appendix 4

Appendix 4- Hotel

Summary Appraisal for Phase 1

Currency in £

REVENUE

Rental Area Summary	**Units**	**m²**	**Rate m²**	**Initial MRV/Unit**	**Net Rent at Sale**
100 Bed Budget Hotel	1	2,800.00	160.71	449,988	449,988

Investment Valuation					
100 Bed Budget Hotel					
Market Rent	449,988	YP @	5.5000%	18.8026	
(3mths Rent Free)		PV 3mths @	5.5000%	0.9867	8,348,463

NET REALISATION				**8,348,463**

OUTLAY

ACQUISITION COSTS				
Residualised Price (Negative land)			(209,584)	
				(209,584)

CONSTRUCTION COSTS				
Construction	**m²**	**Rate m²**	**Cost**	
100 Bed Budget Hotel	2,800.00 m²	2,130.00 pm²	5,964,000	**5,964,000**
Contingency		3.00%	178,920	
				178,920

PROFESSIONAL FEES			
Architect	4.00%	238,560	
Quantity Surveyor	1.50%	89,460	
Structural Engineer	1.00%	59,640	
Mech./Elec.Engineer	1.00%	59,640	
Project Manager	1.50%	89,460	
C.D. Manager	0.50%	29,820	
Other Professionals	0.50%	29,820	
			596,400
MARKETING & LETTING			
Letting Agent Fee	10.00%	44,999	
Letting Legal Fee	2.00%	9,000	
			53,999
DISPOSAL FEES			
Sales Agent Fee	1.00%	83,485	
Sales Legal Fee	0.25%	20,871	
			104,356

FINANCE

Debit Rate 7.000%, Credit Rate 0.000% (Nominal)

Land	(15,771)	
Construction	245,727	
Letting Void	39,006	
Total Finance Cost		268,962

Appendix 4- Hotel

TOTAL COSTS		**6,957,053**
PROFIT		
		1,391,411
Performance Measures		
Profit on Cost%	20.00%	
Profit on GDV%	16.67%	
Profit on NDV%	16.67%	
Development Yield% (on Rent)	6.47%	
Equivalent Yield% (True)	5.50%	
IRR	40.77%	
Rent Cover	3 yrs 1 mth	
Profit Erosion (finance rate 7.000%)	2 yrs 8 mths	

Appendix 4- Hotel

Table of Profit Amount and Land Cost

	Rent: Rate pm²				
Rent: Yield	-50.00 pm²	-25.00 pm²	0.00 pm²	+25.00 pm²	+50.00 pm²
	110.71 pm²	135.71 pm²	160.71 pm²	185.71 pm²	210.71 pm²
-0.5000%	£1,052,469	£1,290,135	£1,527,799	£1,765,462	£2,003,128
5.0000%	£1,758,930	£666,136	(£397,410)	(£1,435,096)	(£2,472,781)
-0.2500%	£1,003,257	£1,229,807	£1,456,356	£1,682,909	£1,909,460
5.2500%	£1,988,629	£944,374	(£83,234)	(£1,072,044)	(£2,060,857)
0.0000%	£958,516	£1,174,965	£1,391,411	£1,607,858	£1,824,306
5.5000%	£2,197,803	£1,197,827	£209,584	(£741,992)	(£1,686,373)
+0.2500%	£917,665	£1,124,887	£1,332,111	£1,539,333	£1,746,558
5.7500%	£2,388,791	£1,430,259	£481,104	(£440,632)	(£1,344,444)
+0.5000%	£880,215	£1,078,982	£1,277,749	£1,476,513	£1,675,283
6.0000%	£2,564,496	£1,643,625	£730,878	(£164,385)	(£1,031,006)

Sensitivity Analysis : Assumptions for Calculation

Rent: Rate pm²
Original Values are varied in Fixed Steps of £25.00

Heading	Phase	Rate	No. of Steps
100 Bed Budget Hotel	1	£160.71	2 Up & Down

Rent: Yield
Original Values are varied in Fixed Steps of 0.25%

Heading	Phase	Cap. Rate	No. of Steps
100 Bed Budget Hotel	1	5.5000%	2 Up & Down

Appendix 5

Appendix 5- Residential Care Home

Summary Appraisal for Phase 1

Currency in £

REVENUE

Rental Area Summary	**Units**	**m²**	**Rate m²**	**Initial MRV/Unit**	**Net Rent at Sale**
60 Bed Residential Care Home	1	3,000.00	180.00	540,000	540,000

Investment Valuation					
60 Bed Residential Care Home					
Current Rent	540,000	YP @	6.0000%	16.6667	9,000,000
NET REALISATION				**9,000,000**	

OUTLAY

ACQUISITION COSTS				
Residualised Price (Negative land)			(650,256)	
				(650,256)
CONSTRUCTION COSTS				
Construction	**m²**	**Rate m²**	**Cost**	
60 Bed Residential Care Home	3,000.00 m²	2,222.00 pm²	6,666,000	**6,666,000**
Contingency		3.00%	199,980	
Demolition/Enabling Costs			50,000	
				249,980
PROFESSIONAL FEES				
Architect		4.00%	266,640	
Quantity Surveyor		1.00%	66,660	
Structural Engineer		1.00%	66,660	
Mech./Elec.Engineer		1.00%	66,660	
Project Manager		1.50%	99,990	
C.D. Manager		1.00%	66,660	
Other Professionals		1.00%	66,660	
				699,930
MARKETING & LETTING				
Marketing			20,000	
				20,000
DISPOSAL FEES				
Sales Agent Fee		1.50%	135,000	
Sales Legal Fee		0.50%	45,000	
				180,000
FINANCE				
Debit Rate 7.500%, Credit Rate 0.000% (Nominal)				
Land			(62,512)	
Construction			396,857	
Total Finance Cost				334,345
TOTAL COSTS				**7,499,999**

Appendix 5- Residential Care Home

PROFIT

1,500,001

Performance Measures

Profit on Cost%	20.00%
Profit on GDV%	16.67%
Profit on NDV%	16.67%
Development Yield% (on Rent)	7.20%
Equivalent Yield% (Nominal)	6.00%
Equivalent Yield% (True)	6.23%
IRR	41.68%
Rent Cover	2 yrs 9 mths
Profit Erosion (finance rate 7.500%)	2 yrs 5 mths

Appendix 5- Residential Care Home

Table of Profit Amount and Land Cost

	Rent: Rate pm²				
Rent: Yield	-50.00 pm²	-25.00 pm²	0.00 pm²	+25.00 pm²	+50.00 pm²
	130.00 pm²	155.00 pm²	180.00 pm²	205.00 pm²	230.00 pm²
-0.5000%	£1,181,818	£1,409,091	£1,636,363	£1,863,637	£2,090,909
5.5000%	£2,090,530	£1,059,087	£42,848	(£924,202)	(£1,889,587)
-0.2500%	£1,130,435	£1,347,828	£1,565,218	£1,782,611	£2,000,003
5.7500%	£2,325,094	£1,335,966	£358,576	(£580,020)	(£1,503,430)
0.0000%	£1,083,334	£1,291,666	£1,500,001	£1,708,330	£1,916,667
6.0000%	£2,541,140	£1,590,396	£650,256	(£264,526)	(£1,149,458)
+0.2500%	£1,040,000	£1,239,999	£1,440,000	£1,640,000	£1,840,000
6.2500%	£2,739,901	£1,825,308	£919,922	£26,777	(£823,802)
+0.5000%	£999,998	£1,192,306	£1,384,616	£1,576,923	£1,769,232
6.5000%	£2,923,536	£2,042,712	£1,169,289	£306,519	(£523,195)

Sensitivity Analysis : Assumptions for Calculation

Rent: Rate pm²
Original Values are varied in Fixed Steps of £25.00

Heading	Phase	Rate	No. of Steps
60 Bed Residential Care Home	1	£180.00	2 Up & Down

Rent: Yield
Original Values are varied in Fixed Steps of 0.25%

Heading	Phase	Cap. Rate	No. of Steps
60 Bed Residential Care Home	1	6.0000%	2 Up & Down

Appendix 6

Appendix 6- Gym

Summary Appraisal for Phase 1

Currency in £

REVENUE

Rental Area Summary	**Units**	**m²**	**Rate m²**	**Initial MRV/Unit**
Gym/Fitness Centre	1	1,500.00	135.00	202,500

Investment Valuation				
Gym/Fitness Centre				
Current Rent	202,500	YP @	7.5000%	13.3333
NET REALISATION				**2,700,000**
OUTLAY				
ACQUISITION COSTS				
Residualised Price (0.20 Ha 407,998.58 pHect)			81,600	
				81,600
Agent Fee		1.00%	816	
Legal Fee		0.50%	408	
				1,224
Other Acquisition				
Other Acquisition		0.25%	204	
				204
CONSTRUCTION COSTS				
Construction	**m²**	**Rate m²**	**Cost**	
Gym/Fitness Centre	1,500.00 m²	1,151.00 pm²	1,726,500	**1,726,500**
Contingency		3.00%	51,795	
Demolition/Enabling Costs			50,000	
				101,795
PROFESSIONAL FEES				
Architect		3.00%	51,795	
Quantity Surveyor		1.50%	25,898	
Structural Engineer		1.00%	17,265	
Mech./Elec.Engineer		1.00%	17,265	
Project Manager		1.50%	25,898	
C.D. Manager		1.00%	17,265	
Other Professionals		1.00%	17,265	
				172,650
MARKETING & LETTING				
Letting Agent Fee		10.00%	20,250	
Letting Legal Fee		2.00%	4,050	
				24,300
DISPOSAL FEES				
Sales Agent Fee		1.00%	27,000	
Sales Legal Fee		0.25%	6,750	

Appendix 6- Gym

		33,750
FINANCE		
Debit Rate 7.000%, Credit Rate 7.000% (Nominal)		
Land	7,530	
Construction	75,425	
Other	25,022	
Total Finance Cost		107,977
TOTAL COSTS		**2,250,000**
PROFIT		
		450,000

Performance Measures	
Profit on Cost%	20.00%
Profit on GDV%	16.67%
Profit on NDV%	16.67%
Development Yield% (on Rent)	9.00%
Equivalent Yield% (Nominal)	7.50%
Equivalent Yield% (True)	7.87%
IRR	30.03%
Rent Cover	2 yrs 3 mths
Profit Erosion (finance rate 7.000%)	2 yrs 8 mths

Appendix 6- Gym

Table of Profit Amount and Land Cost

	Rent: Rate pm²				
Rent: Yield	-40.00 pm²	-20.00 pm²	0.00 pm²	+20.00 pm²	+40.00 pm²
	95.00 pm²	115.00 pm²	135.00 pm²	155.00 pm²	175.00 pm²
-0.5000%	£339,286	£410,714	£482,142	£553,572	£625,001
7.0000%	£405,677	£89,294	(£220,873)	(£518,606)	(£814,242)
-0.2500%	£327,586	£396,552	£465,518	£534,483	£603,449
7.2500%	£458,037	£152,678	(£149,320)	(£438,779)	(£724,114)
0.0000%	£316,666	£383,333	£450,000	£516,667	£583,334
7.5000%	£506,906	£211,835	(£81,600)	(£363,849)	(£639,995)
+0.2500%	£306,452	£370,968	£435,484	£500,000	£564,516
7.7500%	£552,623	£267,177	(£17,911)	(£293,324)	(£561,302)
+0.5000%	£296,875	£359,375	£421,875	£484,375	£546,875
8.0000%	£595,482	£319,059	£42,635	(£227,207)	(£487,528)

Sensitivity Analysis : Assumptions for Calculation

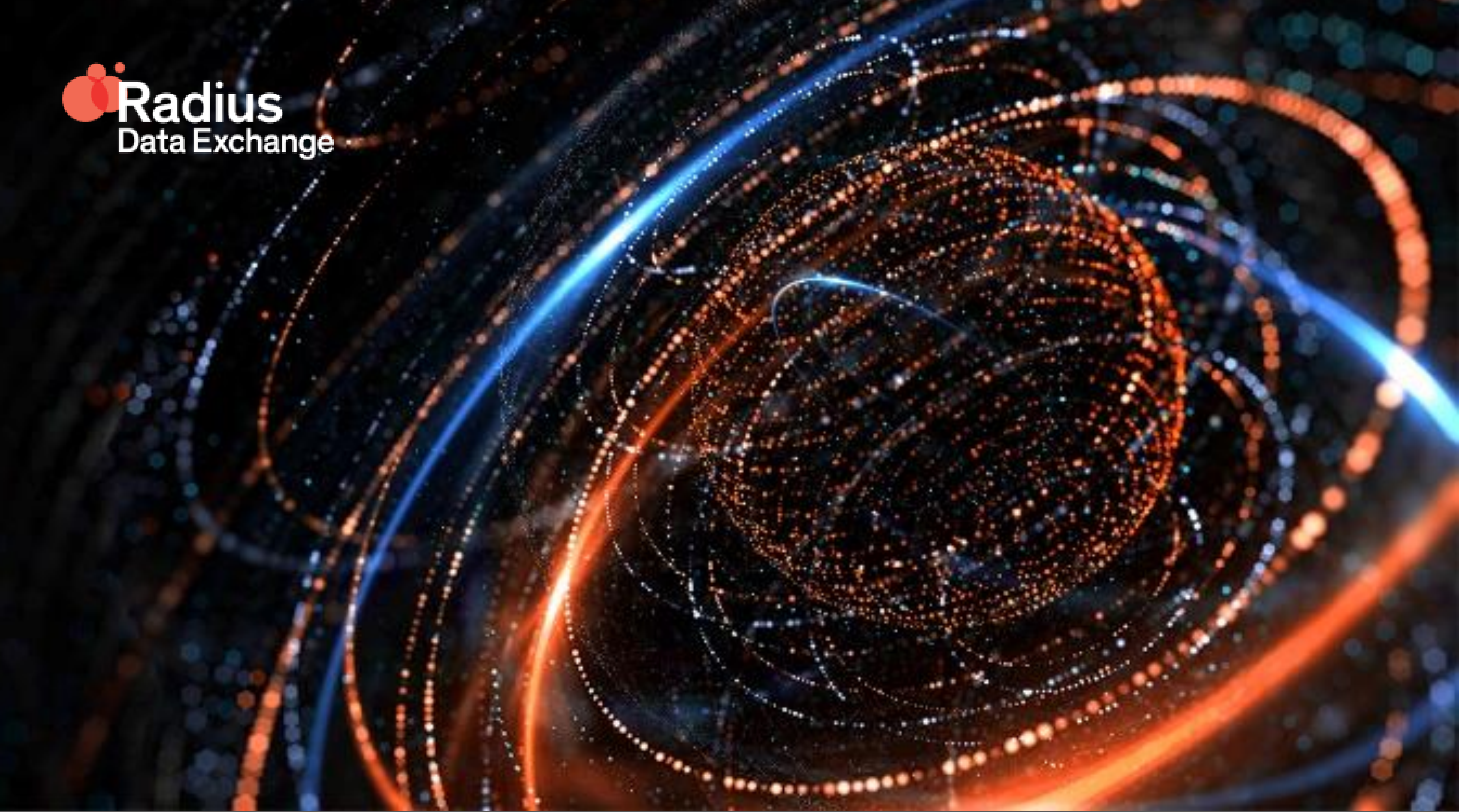
Rent: Rate pm²
Original Values are varied in Fixed Steps of £20.00

Heading	Phase	Rate	No. of Steps
Gym/Fitness Centre	1	£135.00	2 Up & Down

Rent: Yield
Original Values are varied in Fixed Steps of 0.25%

Heading	Phase	Cap. Rate	No. of Steps
Gym/Fitness Centre	1	7.5000%	2 Up & Down

Appendix 7



Availabilities Report

24/08/2018

Custom Search – Retail Space

Station Buildings, Birmingham Road, Birmingham, B46 1SR

On the market date 11/04/2018

Unit details
Letting

670 SqFt

Second-hand (Retail)

Tenure – Not Available

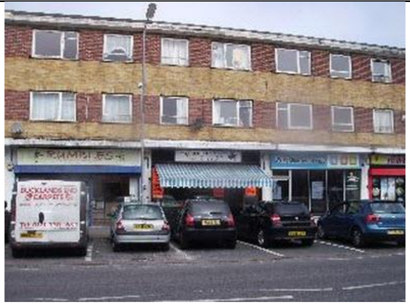
Costs
Asking rent £15,000 – Per Annum

Business rates – Not Available

Service charges – Not Available

Total costs – £15,000

Floor	Size(SqFt)	Use type	U/O
Ground	670	General Retail	N



Disposing agent
AMT Commercial Limited
01527 821 111

Disposing agent
AMT Commercial Limited
01527 821 111

Amenities
Not Available

112, Glascote Road, Tamworth, B77 2AF

On the market date 07/02/2018

Unit details
Occupational Sale

713 SqFt

Second-hand (Retail)

Tenure – Freehold

Costs
Asking rent – Not Available

Business rates – Not Available

Service charges – Not Applicable

Total costs – Not Applicable

Floor	Size(SqFt)	Use type	U/O
1st	408	General Retail	N
Ground	305	General Retail	N

Disposing agent
Peter J Hicks & Co
01827 60519

Disposing agent
Not Available

Amenities
Not Available

Occupational Deals Report

24/08/2018

Atherstone – Retail Space

Warwick House, Ratcliffe Street, Atherstone, CV9 1JP			Deal Date 18/05/2016
Unit details 647 Net SqFt Second-hand (Retail) Unit 3 Letting Lease FRI Lease length – Not Available	**Letting details** Achieved rent – Not Available Asking rent – £8,500 Per Annum Business rates – Not Available Service charges – Not Available Rent free periods – Not Available	**Amenities** Not Available	
Tenant Beaut **Landlord** Undisclosed	**Acquiring agent** Not Available	**Disposing agent** Burley Browne 0121 321 3441	**Disposing agent** Not Available

59-61, Long Street, Station Street, Atherstone, CV9 1AZ			Deal Date 15/04/2016
Unit details 18,998 Net SqFt Second-hand Grade B Ground and 1st Letting Lease Lease length – Not Available	**Letting details** Achieved rent – Not Available Asking rent – Not Available Business rates – Not Available Service charges – Not Available Rent free periods – Not Available	**Amenities** Not Available	
Tenant Undisclosed **Landlord** Undisclosed	**Acquiring agent** Not Available	**Disposing agent** Bruton Knowles LLP 0121 200 1100	**Disposing agent** Harris Lamb 0121 455 9455

51-51A, Station Street, Atherstone, CV9 1DB			Deal Date 03/09/2015
Unit details 721 Net SqFt Second-hand (Retail) Ground (51A station street) and Ground (51 station street) Letting Lease FRI Lease length – 3 years	**Letting details** Achieved rent – £7,800 Per Annum Asking rent – Not Available Business rates – Not Available Service charges – Not Available Rent free periods	**Amenities** Not Available	
Tenant Teachplus **Landlord** D G LEWIS ESTATES LIMITED	**Acquiring agent** Not Available	**Disposing agent** Shortland Parsley 01827 718912	**Disposing agent** Not Available

92-92a, Long Street, Atherstone, CV9 1AP			Deal Date 01/02/2014
Unit details 1,130 Net SqFt Second-hand (Retail) Ground Letting Lease Lease length – Not Available	**Letting details** Achieved rent – Not Available Asking rent – Not Available Business rates – Not Available Service charges – Not Available Rent free periods – Not Available	**Amenities** Not Available	
Tenant Undisclosed **Landlord** Undisclosed	**Acquiring agent** Not Available	**Disposing agent** Howkins & Harrison Limited 01827 718021	**Disposing agent** Not Available

58, Long Street, Atherstone, CV9 1AU			Deal Date 01/04/2013
Unit details 2,330 Net SqFt Second-hand (Retail) Retail Unit Letting Lease Lease length – Not Available	**Letting details** Achieved rent – Not Available Asking rent – £24,260 PerAnnum Business rates – Not Available Service charges – Not Available Rent free periods – Not Available	**Amenities** Not Available	
Tenant Undisclosed **Landlord** Undisclosed	**Acquiring agent** Not Available	**Disposing agent** Wareing & Company 01926 430700	**Disposing agent** Not Available

96, Long Street, Atherstone, CV9 1AR			Deal Date 24/06/2001
Unit details 3,480 Net SqFt Letting Lease FRI Lease length – 10 years	**Letting details** Achieved rent – £22,000 Per Annum Asking rent – Not Available Business rates – Not Available Service charges – Not Available Rent free periods – Not Available	**Amenities** Not Available	
Tenant Barclays Bank **Landlord** Undisclosed	**Acquiring agent** Not Available	**Disposing agent** Not Available	**Disposing agent** Not Available

2, Market Street, Atherstone, CV9 1ET			Deal Date 01/04/2017
Unit details 215 Net SqFt Second-hand (Retail) Entire Building Occupational Sale	**Sale Details** Price – Not Available Tenure – Freehold		
Vendor Arragon Jaguars Limited **Purchaser** Undisclosed	**Acquiring agent** Not Available	**Disposing agent** Redacre Licensed Property Specialists	**Disposing agent** Not Available

2, Market Street, Atherstone, CV9 1ET			Deal Date 01/04/2017
Unit details 215 Net SqFt Second-hand (Retail) Entire Building Occupational Sale	**Sale Details** Price – Not Available Tenure – Freehold		
Vendor Undisclosed **Purchaser** Undisclosed	**Acquiring agent** Not Available	**Disposing agent** Redacre Licensed Property Specialists	**Disposing agent** Arragon Jaguars Limited

33, Long Street, Atherstone, CV9 1AY			Deal Date 01/02/2015
Unit details 1,600 Net SqFt Second-hand (Retail) Ground and First Occupational Sale	**Sale Details** Price – Not Available Tenure – Freehold		
Vendor Undisclosed **Purchaser** Undisclosed	**Acquiring agent** Not Available	**Disposing agent** SEL Estate Agents 01827 711900	**Disposing agent** Not Available

Milton House, Market Street, Atherstone, CV9 1ET			Deal Date 06/12/2005
Unit details 3,977 Net SqFt Occupational Sale	**Sale Details** Price – £230,000 Tenure – Freehold		
Vendor Undisclosed **Purchaser** Trideag Limited	**Acquiring agent** Shortland Horne (Now trading as Shortland Penn and Moore Limited) 024 7623 2970	**Disposing agent** Not Available	**Disposing agent** Not Available

Nuneaton Road, Atherstone, CV9 1RF			Deal Date 11/09/2001
Unit details Occupational Sale	**Sale Details** Price – £4,300,000 Tenure – Freehold		
Vendor Undisclosed **Purchaser** Dobbies	**Acquiring agent** Not Available	**Disposing agent** Not Available	**Disposing agent** Not Available

11, Long Street, Atherstone, CV9 1AX			Deal Date 22/01/1996
Unit details Occupational Sale	**Sale Details** Price – £50,000 Tenure – Freehold		
Vendor Woolwich Building Society **Purchaser** Undisclosed	**Acquiring agent** Not Available	**Disposing agent** James & Lister Lee Limited	**Disposing agent** Not Available

Cardinal Point Retail Park, Cardinal Point Retail Park, Winchester Road, Tamworth, B78 3HG

On the market date 03/04/2018

Unit details
Letting

5,143 SqFt

New - New Build (existing)

Tenure – Not Available

Costs
Asking rent – £120,000 Per Annum

Business rates – Not Available

Service charges – Not Available

Total costs – £120,000

Floor	Size(SqFt)	Use type	U/O
Ground	5,143	General Retail	N

Disposing agent
GCW LLP
Simon Morris
020 7647 4802

Disposing agent
GCW LLP
020 7408 0030

Amenities
Not Available

8, Coleshill Road, Tamworth, B78 3RY

On the market date 22/11/2016

Unit details
Letting

720 SqFt

Second-hand (Retail)

Tenure – Not Available

Costs
Asking rent £14,500 – Per Annum

Business rates – Not Available

Service charges – Not Available

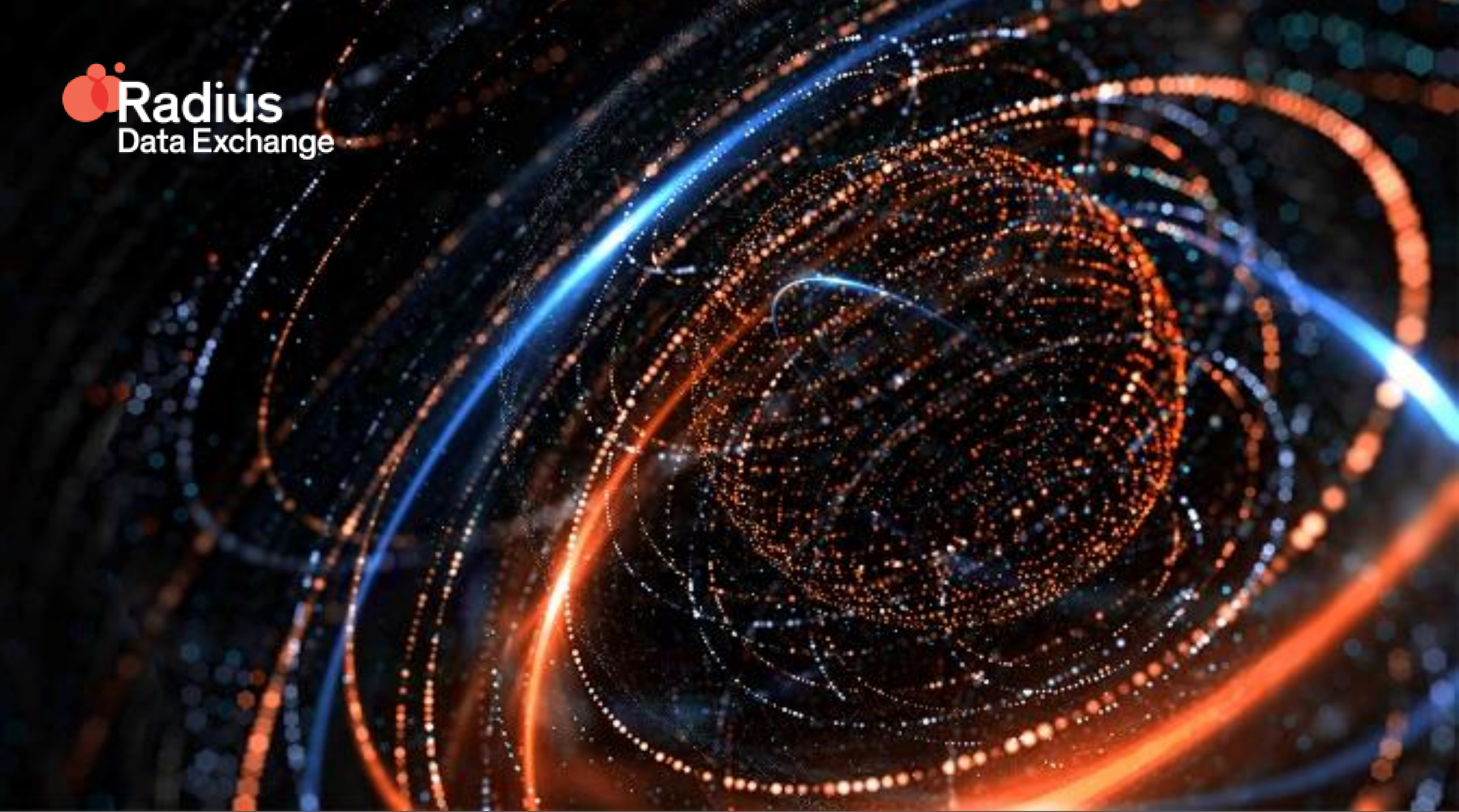
Total costs – £14,500

Floor	Size(SqFt)	Use type	U/O
2nd	N/A	General	N
1st	N/A	General	N
Ground	720	General Retail	N

Disposing agent
Howkins & Harrison Limited
01827 718021

Disposing agent
Howkins & Harrison Limited
01827 718021

Amenities
Not Available



Availabilities Report

24/08/2018

Coleshill, Warwickshire – Industrial Space

Hams Hall Distribution Park, Prologis Park, Eddison Road, Birmingham, B46 1AB — On the market date 25/04/2018

Unit details
Letting

38,495 SqFt

Design & Build

Tenure – Not Available

Costs
Asking rent – Not Available

Business rates – Not Available

Service charges – Not Available

Total costs – Not Available

Floor	Size(SqFt)	Use type	U/O
DC1	38,495	Mixed Industrial - B1, B2, B8	N

Disposing agent
JLL
Tom Price
0121 634 6537

Disposing agent
Cushman & Wakefield
John Sambrooks
0121 697 7321

Amenities
Not Available

Hams Hall Distribution Park, Prologis Park, Eddison Road, Birmingham, B46 1AB — On the market date 25/04/2018

Unit details
Letting

24,605 SqFt

Design & Build

Tenure – Not Available

Costs
Asking rent – Not Available

Business rates – Not Available

Service charges – Not Available

Total costs – Not Available

Floor	Size(SqFt)	Use type	U/O
DC2	24,605	Mixed Industrial - B1, B2, B8	N

Disposing agent
Cushman & Wakefield
Simon Lloyd
0121 697 7392

Disposing agent
JLL
0121 643 6440

Amenities
Not Available

Hams Hall Distribution Park, Prologis Park, Eddison Road, Birmingham, B46 1AB

On the market date 25/04/2018

Unit details
Letting

11,377 SqFt

Design & Build

Tenure – Not Available

Costs
Asking rent – Not Available

Business rates – Not Available

Service charges – Not Available

Total costs – Not Available

Floor	Size(SqFt)	Use type	U/O
DC3	11,377	Mixed Industrial - B1, B2, B8	N

Disposing agent
JLL
0121 643 6440

Disposing agent
Cushman & Wakefield
John Sambrooks
0121 697 7321

Amenities
Not Available

Hams Hall Distribution Park, Prologis Park, Eddison Road, Birmingham, B46 1AB

On the market date 25/04/2018

Unit details
Letting

7,925 SqFt

Design & Build

Tenure – Not Available

Costs
Asking rent – Not Available

Business rates – Not Available

Service charges – Not Available

Total costs – Not Available

Floor	Size(SqFt)	Use type	U/O
DC4	7,925	Mixed Industrial - B1, B2, B8	N

Disposing agent
JLL
0121 643 6440

Disposing agent
Cushman & Wakefield
0121 232 4900

Amenities
Not Available

Coleshill Trade Park, Station Road, Birmingham, B46 1AT

On the market date Not Available

Unit details
Letting

2,977 SqFt

Second-hand Grade B

Tenure – Not Available

Costs
Asking rent – £6.55 per SqFt

Business rates – Not Available

Service charges – Not Available

Total costs – £19,499.35

Floor	Size(SqFt)	Use type	U/O
Unit 4	2,977	Mixed Industrial - B1, B2, B8	N

Disposing agent
Johnson Fellows & Company
0121 643 9337

Disposing agent
A&J Mucklow Group
0121 550 1841

Amenities
Not Available

Coleshill Trade Park, Station Road, Birmingham, B46 1AT

On the market date 19/04/2017

Unit details
Letting

2,967 SqFt

Second-hand Grade B

Tenure – Not Available

Costs
Asking rent – £19,500 Per Annum

Business rates – Not Available

Service charges – Not Available

Total costs – £19,500

Floor	Size(SqFt)	Use type	U/O
Unit 3	2,967	Mixed Industrial - B1, B2, B8	N

Disposing agent
GVA
08449 020304

Disposing agent
A&J Mucklow Group
Stuart Haydon
0121 550 1841

Amenities
Not Available

Roman Park, Roman Park, Roman Way, Birmingham, B46 1HG

On the market date 11/05/2018

Unit details
Letting

15,645 SqFt

New - New Build (existing)

Tenure – Not Available

Costs
Asking rent – Not Available

Business rates – Not Available

Service charges – Not Available

Total costs – Not Available

Floor	Size(SqFt)	Use type	U/O
Unit 5	15,645	Mixed Industrial - B1, B2, B8	N

Disposing agent
Lambert Smith Hampton
0121 236 2066

Disposing agent
Darby Keye Property
Chris Keye
07951 147 421

Amenities
Not Available

Coleshill Industrial Estate, Roman Way, Station Road, Birmingham, B46 1HQ

On the market date 04/10/2017

Unit details
Letting

5,255 SqFt

Second-hand Grade B

Tenure – Not Available

Costs
Asking rent – £31,266 Per Annum

Business rates – Not Available

Service charges – Not Available

Total costs – £31,266

Floor	Size(SqFt)	Use type	U/O
Unit 34	5,255	Mixed Industrial - B1, B2, B8	N

Disposing agent
A&J Mucklow Group
0121 550 1841

Disposing agent
White Rose Real Estate Limited
0121 633 4433

Amenities
Not Available

Coleshill Industrial Estate, Roman Way, Station Road, Birmingham, B46 1HQ On the market date 04/10/2017

Unit details
Letting

5,449 SqFt

Second-hand Grade B

Tenure – Not Available

Costs
Asking rent – £32,421 Per Annum

Business rates – Not Available

Service charges – Not Available

Total costs – £32,421

Floor	Size(SqFt)	Use type	U/O
Unit 35	5,449	Mixed Industrial - B1, B2, B8	N

Disposing agent
Darby Keye Property
Chris Keye
07951 147 421

Disposing agent
White Rose Real Estate Limited
0121 633 4433

Amenities
Not Available

Coleshill Industrial Estate, Roman Way, Station Road, Birmingham, B46 1HQ On the market date 04/10/2017

Unit details
Letting

5,349 SqFt

Second-hand Grade B

Tenure – Not Available

Costs
Asking rent – £31,827 Per Annum

Business rates – Not Available

Service charges – Not Available

Total costs – £31,827

Floor	Size(SqFt)	Use type	U/O
Unit 36	5,349	Mixed Industrial - B1, B2, B8	N

Disposing agent
White Rose Real Estate Limited
0121 633 4433

Disposing agent
A&J Mucklow Group
Stuart Haydon
0121 550 1841

Amenities
Not Available

Coleshill Industrial Estate, Roman Way, Station Road, Birmingham, B46 1HQ			On the market date 04/10/2017
Unit details Letting 5,307 SqFt Second-hand Grade B Tenure – Not Available	**Costs** Asking rent – Not Available Business rates – Not Available Service charges – Not Available Total costs – Not Available	**Floor** / **Size(SqFt)** / **Use type** / **U/O** Unit 37 / 5,307 / Mixed Industrial - B1, B2, B8 / N	
Disposing agent A&J Mucklow Group Stuart Haydon 0121 550 1841	**Disposing agent** White Rose Real Estate Limited 0121 633 4433		**Amenities** Not Available

Coleshill Industrial Estate, Roman Way, Station Road, Birmingham, B46 1HQ			On the market date 04/10/2017
Unit details Letting 5,355 SqFt Second-hand Grade B Tenure – Not Available	**Costs** Asking rent – £31,862 Per Annum Business rates – Not Available Service charges – Not Available Total costs – £31,862	**Floor** / **Size(SqFt)** / **Use type** / **U/O** Unit 38 / 5,355 / Mixed Industrial - B1, B2, B8 / N	
Disposing agent White Rose Real Estate Limited 0121 633 4433	**Disposing agent** Darby Keye Property Chris Keye 07951 147 421		**Amenities** Not Available

Coleshill Industrial Estate, Roman Way, Station Road, Birmingham, B46 1HQ			On the market date 26/02/2018
Unit details Letting 2,670 SqFt Second-hand Grade B Tenure – Not Available	**Costs** Asking rent – £24,030 Per Annum Business rates – Not Available Service charges – Not Available Total costs – £24,030	**Floor** / **Size(SqFt)** / **Use type** / **U/O** Unit 39 / 2,670 / Mixed Industrial - B1, B2, B8 / N	
Disposing agent A&J Mucklow Group 0121 550 1841	**Disposing agent** A&J Mucklow Group Stuart Haydon 0121 550 1841		**Amenities** Not Available

Coleshill Industrial Estate, Roman Way, Station Road, Birmingham, B46 1HQ			On the market date 09/07/2018
Unit details Letting 9,940 SqFt Second-hand Grade B Tenure – Not Available	**Costs** Asking rent – Not Available Business rates – Not Available Service charges – Not Available Total costs – Not Available	**Floor** / **Size(SqFt)** / **Use type** / **U/O** Unit 16 / 9,940 / Mixed Industrial - B1, B2, B8 / N	
Disposing agent McGuinness Waddington Real Estate 0121 285 9470	**Disposing agent** McGuinness Waddington Real Estate 0121 285 9470		**Amenities** Parking Spaces, Kitchenette, WCs

Coleshill Industrial Estate, Roman Way, Station Road, Birmingham, B46 1HQ						On the market date Not Available
Unit details Letting 2,967 SqFt New - Refurb (existing) Tenure – Not Available	**Costs** Asking rent – Not Available Business rates – Not Available Service charges – Not Available Total costs – Not Available	**Floor** Unit 3	**Size(SqFt)** 2,967	**Use type** Mixed Industrial - B1, B2, B8	**U/O** N	
Disposing agent GVA 028 9031 6121	**Disposing agent** A&J Mucklow Group 0121 550 1841					**Amenities** Not Available

Coleshill Industrial Estate, Roman Way, Station Road, Birmingham, B46 1HQ						On the market date 13/04/2018
Unit details Letting 8,077 SqFt New - Refurb (pre-construction) Tenure – Not Available	**Costs** Asking rent – £6.50 per SqFt Business rates – Not Available Service charges – Not Available Total costs – £52,500.50	**Floor** Unit 17	**Size(SqFt)** 8,077	**Use type** Mixed Industrial - B1, B2, B8	**U/O** N	
Disposing agent Lambert Smith Hampton 0121 236 2066	**Disposing agent** McGuinness Waddington Real Estate 0121 285 9470					**Amenities** Not Available

Coleshill Industrial Estate, Roman Way, Station Road, Birmingham, B46 1HQ			On the market date 13/04/2018
Unit details Letting 8,743 SqFt New - Refurb (pre-construction) Tenure – Not Available	**Costs** Asking rent – £6.50 per SqFt Business rates – Not Available Service charges – Not Available Total costs – £56,829.50	**Floor** / **Size(SqFt)** / **Use type** / **U/O** Unit 18 / 8,743 / Mixed Industrial - B1, B2, B8 / N	
Disposing agent Lambert Smith Hampton 0121 236 2066	**Disposing agent** McGuinness Waddington Real Estate 0121 285 9470		**Amenities** Not Available

Trillennium, Trillennium, Highway Point, Coleshill, Birmingham, B46 1JU			On the market date 15/02/2018
Unit details Letting 50,328 SqFt Second-hand Grade B Tenure – Not Available	**Costs** Asking rent – Not Available Business rates – Not Available Service charges – Not Available Total costs – Not Available	**Floor** / **Size(SqFt)** / **Use type** / **U/O** Unit 3 / 50,328 / Mixed Industrial - B1, B2, B8 / N	
Disposing agent Knight Frank 0121 200 2220	**Disposing agent** Not Available		**Amenities** Not Available

TRILLENNIUM, GORSEY LANE, COLESHILL, B46 1JU

On the market date 13/02/2018

Unit details

Letting

49,387 SqFt

Tenure – Not Available

Costs

Asking rent – Not Available

Business rates – Not Available

Service charges – Not Available

Total costs – Not Available

Floor	Size(SqFt)	Use type	U/O
First Floor Office	3,601	General Industrial	N
Warehouse	42,153	General Industrial	N
Ground Floor Office	3,633	General Industrial	N

Disposing agent

Knight Frank LLP
James Clements
+44 121 233 6460

Disposing agent

Not Available

Amenities

Not Available

Appendix 8

£/m2 study

Description: Rate per m2 gross internal floor area for the building Cost including prelims.
Last updated: 18-Aug-2018 02:05

› Rebased to North Warwickshire (99; sample 10)

Maximum age of results: Default period

Building function (Maximum age of projects)	£/m² gross internal floor area						Sample
	Mean	Lowest	Lower quartiles	Median	Upper quartiles	Highest	
New build							
282.2 Purpose built factories							
Generally (25)	1,091	230	570	938	1,398	3,737	77
Up to 500m2 GFA (25)	1,262	665	867	1,079	1,707	1,946	7
500 to 2000m2 GFA (25)	1,188	230	605	814	1,472	3,737	27
Over 2000m2 GFA (25)	1,001	305	545	938	1,335	2,027	43
284.2 Purpose built warehouses/stores							
Generally (15)	964	320	592	767	1,092	4,050	37
Up to 500m2 GFA (15)	1,849	582	1,082	1,445	2,320	4,050	6
500 to 2000m2 GFA (15)	836	428	606	729	996	1,484	14
Over 2000m2 GFA (15)	757	320	538	745	886	1,364	17
320. Offices							
Generally (15)	1,723	770	1,274	1,597	1,968	5,324	132
Air-conditioned							
Generally (15)	1,841	1,103	1,411	1,708	2,070	5,324	38
1-2 storey (15)	1,668	1,103	1,385	1,590	1,821	3,187	13
3-5 storey (15)	1,911	1,178	1,407	1,692	2,128	5,324	18
6+ storey (15)	1,886	1,608	1,793	1,917	2,013	2,082	6
Not air-conditioned							
Generally (15)	1,694	932	1,233	1,594	1,986	3,094	65
1-2 storey (15)	1,640	973	1,154	1,593	1,957	2,913	36
3-5 storey (15)	1,720	932	1,320	1,526	1,971	3,094	26
6+ storey (20)	2,177	1,701	-	2,237	-	2,533	4
341.1 Retail warehouses							
Generally (25)	825	399	629	729	880	2,515	65
Up to 1000m2 (25)	932	624	692	785	871	2,515	11
1000 to 7000m2 GFA (25)	823	399	619	729	917	1,820	43
7000 to 15000m2 (25)	728	489	616	673	765	1,094	9
Over 15000m2 GFA (25)	725	639	-	-	-	811	2
344. Hypermarkets, supermarkets							
Generally (30)	1,488	245	1,032	1,345	1,955	2,568	41

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Building function (Maximum age of projects)	Mean	Lowest	Lower quartiles	Median	Upper quartiles	Highest	Sample
	£/m² gross internal floor area						
Up to 1000m2 (30)	1,532	1,023	-	1,338	-	2,431	4
1000 to 7000m2 GFA (30)	1,486	245	1,029	1,485	1,961	2,568	35
7000 to 15000m2 (30)	1,238	-	-	-	-	-	1
Over 15000m2 GFA (30)	1,648	-	-	-	-	-	1
345. Shops							
Generally (30)	1,325	542	786	1,009	1,715	3,911	34
1-2 storey (30)	1,346	542	777	1,009	1,788	3,911	32
3-5 storey (30)	1,187	-	-	-	-	-	1
442.2 Nursing homes long stay (residential homes) (5)	1,933	-	-	-	-	-	1
562.2 Gymnasia, fitness centres, etc (20)	1,297	788	-	1,001	-	2,103	3
852. Hotels (15)	1,955	1,126	1,627	1,853	2,219	2,865	21
Rehabilitation/Conversion							
282.2 Purpose built factories (30)	722	204	291	579	750	2,762	11
284.2 Purpose built warehouses/stores (15)	1,132	191	227	648	941	3,653	5
320. Offices							
Generally (15)	1,058	70	463	928	1,284	4,612	104
Air-conditioned							
Generally (15)	1,204	297	709	1,007	1,374	4,612	36
1-2 storey (15)	1,294	297	574	1,128	1,449	4,612	14
3-5 storey (15)	1,228	308	744	1,056	1,363	3,666	13
6+ storey (15)	1,092	489	755	899	1,296	2,128	6
Not air-conditioned							
Generally (15)	1,224	245	802	1,060	1,726	3,080	36
1-2 storey (15)	1,149	245	762	1,044	1,456	2,636	19
3-5 storey (15)	1,258	383	931	1,074	1,579	3,080	13
6+ storey (20)	960	404	-	855	-	1,724	4
341.1 Retail warehouses (30)	598	526	-	-	-	670	2
344. Hypermarkets, supermarkets (25)	2,183	2,107	-	-	-	2,259	2
345. Shops (15)	1,341	246	-	990	-	3,139	4
562.2 Gymnasia, fitness centres, etc (20)	895	677	711	732	1,092	1,262	5
852. Hotels (15)	1,920	972	1,393	1,666	1,896	4,810	9

Appendix 9

North Warwickshire Borough Council- Non-Residential Values table- Q3 2018

Development Use Type/Use Class Indication	**Example Scheme Type**	**GIA [m2]**	**Site Coverage [%]**	**Site Size [Ha]**	**Build Period [months]**	**Values Range Rent £/m2**			**Investment Yield [%]**	**Build Cost [1][£/m2]**	**External Works Addition [%]**	**Total Build Cost exc. fees [£/m2]**
						Low	Mid	High				
Retail- Large Format-convenience	Large supermarket- main centre or edge of centre	2500	40	0.63	12	162	188	215	5.5	1485	15	1708
Retail Large Format-comparison	Large format retail warehouse- edge of centre	1000	25	0.4	7	188	215	269	5.75	729	15	838
A1-A5- comparison retail	Main Centre	300	100	0.03	6	538	807	1076	5.75	1250	-	1250
A1-A5- comparison retail	Local Centre	300	100	0.03	6	161	242	323	7.0	1250	-	1250
A1-A5- small retail	Convenience	300	100	0.03	6	135	161	180	6.75	1250	-	1250
B1a – Offices	Local Centre	500	100	0.15	12	161	178	194	7.75	1597	15	1836
B1a – Offices	Business Park	1500	100	0.5	12	175	194	215	7.5	1708	15	1964
B1/B2/B8 – Industrial Warehousing	Startup/Move on unit	1000	50	0.5	10	70	80	90	7.5	1079	15	1240
B1/B2/B8 – Industrial/Warehousing	Logistics/warehouse	5000	40	1.25	18	60	75	90	5.5	729	15	838
C1- Hotel	Budget style	2800	80	0.35	14	136	161	186	5.5	1853	15	2130
C2- Residential Institution	Nursing Home/Care home	3000	80	0.5	16	160	180	200	6	1933	15	2222
D2 Assembly & Leisure	Gym/Fitness centre	1500	50	0.2	10	115	135	161	7.5	1001	15	1151

[1] BCIS – current Q3 2018-Median General – rebased to North Warwickshire

North Warwickshire Borough Council- Non-Residential Values table- Q3 2018

Professional Fees	% of Build Costs	10	
Contingency	% of Build Costs	3	
Other	% of Build Costs	Variable	
Finance			
Interest rate per annum	% of Total costs	7.0	
Arrangement fees/Valuations etc.	% of Total Costs	2.0	
Site Acquisition Costs			
Stamp Duty	% of Land Value	5.0	>£250k
Stamp Duty	% of Land Value	2.0	£150k-£250k
Agents fees	% of Land Value	1.0	
Legal fees	% of Land Value	0.5	
Marketing Costs			
Advertising	% of ERV	5.0	
Letting Agents fees	% of ERV	10.0	
Letting Legal fees	% of ERV	0.5	
Disposal Costs			
Sales Agents Fees	% of Sale Value	1.0	
Sales Legal Fees	% of Sale Value	0.25	

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