LOCAL PLAN VIABILITY
&
COMMUNITY INFRASTRUCTURE LEVY

LAND AND PROPERTY VALUE APPRAISAL STUDY

AS PART OF EVIDENCE BASE

FOR AND ON BEHALF OF
NOTTINGHAM CITY COUNCIL, BROXTOWE BOROUGH COUNCIL & RUSHCLIFFE BOROUGH COUNCIL

Nottingham City Council

Broxtowe Borough Council

Rushcliffe Borough Council

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TERMS OF REFERENCE

As part of our instruction to provide valuation advice and assistance to Nottingham City Council, Broxtowe Borough Council and Rushcliffe Borough Council in respect Local Plan testing and possible Community Infrastructure Levy adoption, we are instructed to prepare a report identifying typical land and property values for geographical locations within the study area.

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

1) Residential (C3 houses)
2) Residential (C3 apartments, including dedicated student housing)
3) Other residential institutions (C1, C2)
4) Food retail (supermarkets)
5) General retail (A1, A2, A3, A4, A5)
6) Offices (B1a Cat A fit out)
7) Industrial (B1, B/C, B2, B8)
8) Institutional and community use (D1)
9) Leisure (D2, including casinos)
10) Agricultural
11) Sui Generis (see later notes)

It should be noted that although food supermarket retail falls under an A1 use, we have specifically assessed it as a separate category since it generally commands a much higher value than other retail categories. We have provided valuation guidance however it is up to each Authority to decide whether they wish to adopt a separate charging category for this use, or adopt a general retail charge, more reflective of all retail uses.

The purpose of this value appraisal study is to provide part of the Evidence Base in support of Local Plan viability testing and the potential preparation of the Community Infrastructure preliminary draft charging schedules.

We have assessed evidence from across the administrative areas to consider whether separate value zones may be appropriate, or whether a single zone rate can be applied.

The report also provides evidence to justify whether a fixed rate or variable (by use type) CIL rate charging scheme might be appropriate within the district.

AN INTRODUCTION TO CIL

The Community Infrastructure Levy (CIL) is a charge which local authorities in England and Wales can apply to new development in their area. CIL charges will be based on the size, type and location of the development proposed. The money raised will be used to pay for strategic and other infrastructure required to support growth.

Authorities wishing to charge CIL are required to produce a CIL charging schedule that sets out the rates that will be applied. This must be based on evidence of need for infrastructure and an assessment of the impact of CIL on the economic viability of development. If an Infrastructure Delivery Plan is in place, it will provide the underlying evidence for establishing a CIL system but it is not essential.

CIL is intended to contribute to the Infrastructure intended to support new development as part of the Authority's development strategy. Relevant infrastructure might include:-

- Highways and Transport Improvements;
- Educational Facilities;
- Health Centres;
- Community Facilities & Libraries;
- Sports Facilities;
- Flood Defences; and
- Green Infrastructure

CIL may be used in conjunction with planning obligation contributions to make up an identified funding deficit. CIL cannot currently be used to fund affordable housing.

THE EVIDENCE BASE

The CIL Guidance advises that a charging authority must provide evidence on economic viability and infrastructure planning as background for examination. The legislation (Sec 212 (4) B) of the 2008 Planning Act requires that '*appropriate available evidence'* must inform a draft charging schedule.

It is up to each individual charging authority to determine what valuation evidence is appropriate to demonstrate they have struck an appropriate balance between infrastructure funding and the potential effect of CIL on economic viability development within the District. A report commissioned from Royal Institution of Chartered Surveyors (RICS) Registered Valuers (as in this instance) is generally deemed appropriate.

Our evidence takes an area based view, by a broad sample of value to establish a fair indicative value 'tone' for the study area.

The CIL Guidance recommends that standard valuation models should be used to inform viability evidence.

Where differential rates of CIL are proposed (rather than a flat fixed rate) then Guidance advises that market sector sampling will be required to justify the boundaries of charging zones and the rates of different categories of development.

The Guidance also confirms that the an Authority may adopt a pragmatic approach when assessing value evidence, and that adopted value judgments need not necessarily exactly mirror available evidence.

The purpose of this report is to provide a bespoke valuation Evidence Base, specifically for assessing possible implementation of CIL. Whilst it is possible to assemble an evidence base from many different (and in some instances existing) information sources, we believe there is an inherent danger in this approach. The underlying assumptions for valuation or costs assessment in each data source may be different and a 'mix and match' approach may be flawed when comparable evidence is scrutinised.

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

The valuation evidence obtained to produce this report takes the form of an area wide approach as recommended by the guidance, and allows for economic viability of development to be considered as a whole, whereby all categories of development have been assessed. Land and property valuation evidence has been assembled for the following categories:-

- Residential (C3) – land values per hectare, and development value based on dwelling type.

- Commercial – land values per hectare and completed development values in the following categories:-

Food Retail (supermarket)
General Retail (A1, A2, A3, A4, A5)
Bespoke Student accommodation
Industrial (B1, B, B1c, B2, B8)
Hotels (C1)
Institutional and Community (D1)
Offices (B1a)
Residential Institutions (C2)
Leisure (D2)
Agricultural
Sui Generis (sample based on indicative recent planning history)

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

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

The key to our approach is to assess at what value land and property may reasonably come forward. Where appropriate, residual valuations have been undertaken to incorporate and verify figures.

It should be noted that there will inevitably be scope for anomalies to be identified within the charging area. This is to be expected (and is allowable under the CIL guidance). The values identified herein provide a fair and reasonable 'tone' across the study area.

This approach and methodology is deemed wholly acceptable under the CIL regulations and guidance, whereby it is accepted that inevitably valuation at an area wide level cannot be taken down to a 'micro economic' geographical level.

THE STUDY AREA

The study area comprises the administrative boundaries of Nottingham City and the Boroughs of Broxtowe and Rushcliffe.

Situated in Central England it comprises three of the forty four councils that make up the East Midlands region, and the eight of Nottinghamshire.

The study area includes the settlements of Nottingham City, West Bridgford, Eastwood, Bingham, Cotgrave and Beeston amongst several others.

Nottingham City covers an area of some 29 sq miles, and has an estimated population (2011 census) of 305,000 persons.

Broxtowe Borough covers an area of 31 sq miles, and has an estimated population of 110,000 persons.

Rushcliffe Borough covers an area of 158 sq miles, and has and estimated population of 111,000 persons.

The study area is well served by road, rail and other transport links, including the M1 motorway, East Midlands airport, and numerous main line train stations.

London is approximately 120 miles to the South, with the conurbations of Derby, Leicester, Sheffield, Lincoln and Birmingham all easily accessible.

LOCAL PROPERTY MARKET OVERVIEW

The local economy is generally buoyant, and the location as a whole is largely prosperous although pockets of deprivation exist.

Nottingham City tends to dominate the local economy, with Beeston and West Bridgford acting as the administrative centres for Broxtowe and Rushcliffe.

Across the study area a wide range of property values can be demonstrated.

Nottingham City tends to command the highest commercial property values, but has a slightly weaker housing market (The Park and Wollaton being notable exceptions).

Rushcliffe has a much more rural landscape, outside the urban area of West Bridgford and the main towns and villages. Rushcliffe is a much sought-after residential location, with many high value areas.

Broxtowe has a combination of urban and rural landscapes, as well as a cross section of high – lower value areas.

Nottingham City dominates the market for retail and offices, while other commercial uses are more evenly distributed across the study area, often linked to the road network, especially the M1.

PROCEDURE & METHODOLOGY

The CIL Guidance recommends that standard valuation models should be used to inform viability evidence, and this approach has been adhered to for the purpose of this report.

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

Our methodology favours an approach which is pragmatic and balances the reasonable expectations of landowners return with the contributions expected by the Local Authority for the infrastructure needs generated by new development, as advocated by the National Planning Policy Framework. Our approach pays due regard to 'market comparison' evidence available in each of the charging categories to provide a 'sense checked' output, bespoke to the study area.

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

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

It should be appreciated that it has not always been possible to find a definitive piece of evidence for every property type in every potential location. The CIL guidance accepts that this may inevitably be the case on occasion, and where appropriate, reasoned assumptions have been taken.

Methodology varies slightly between commercial property and residential property.

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

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

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

We are locally based (Nottingham) Chartered Surveyors, valuers and property agents, and accordingly have extensive local knowledge and expertise.

For the purposes of this report we have identified, assembled and fully analysed substantial amounts of individual comparable market evidence.

Clearly it would be impractical to tabulate and include *all* of the information obtained within this report, however we will be happy to provide more detailed evidence on any aspect of our comparable database upon request.

For reasons of simplicity in reporting we have focussed on publishing data primarily for those categories where the subsequent viability tests have demonstrated a potential for levying a CIL charge. We should make clear however that we have also obtained and analysed market transactional data and valuation evidence for other use categories including those where our subsequent viability tests have indicated a lack of sufficient viability for a charge to be considered.

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

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

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

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

- Contact / interview of House Builders and property agents active within the study area
- CoStar System – a nationwide subscription database covering commercial property issues
- Zoopla / Rightmove (professional user subscriptions)
- EGI – a further subscription database covering commercial property uses
- heb’s own residential and commercial database of transactions – we are locally based Surveyors, values and agents, and accordingly have an excellent working knowledge of the location.
- Land Registry – subscription data tables where appropriate
- RICS Commercial Market Survey (quarterly)
- RICS Rural Land Survey 2018 (quarterly)

We have further sought local market information and ‘market sentiment’ from local Stakeholders including:-

Avant Home	Barratt Homes	Balfour Beatty (Homes)
Bellway Homes	Longhurst Housing	Peveril Homes
Keepmoat Homes	Westleigh Homes	Peter James Homes
Miller Homes	Bloor Homes	Peveril Home
Crest Nicholson	Inside Land (Nottingham based developers and land agents)	

All of the above parties were contacted with a view to discussing market activity and an appropriate value tone for the study area.

In the majority of instances full cooperation was forthcoming although a small number of potential Stakeholders did not respond or were unable to fully engage in consultations (typically due to a lack of recent market activity). We are grateful to all parties for their assistance.

We believe this methodology has produced accurate and recent evidence available to support the attached indicative values.

On occasion we have been obliged to make reasoned subjective judgements as to our opinion of the likely use value for certain locations and uses. Similarly parts of our research comprises market opinion and value judgements gathered from the Stakeholders and property agents active within the study area to form a likely value achievable.

Similarly on occasion it has been appropriate to value on the basis of 'alternative use'. An example of this might be D1 (clinical), where in real market situations a D1 user will typically acquire a B1 (office) building by way of a 'subject to planning' deal. After an allowance has been made for alteration, the values would typically be broadly similar.

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

EVIDENCE DATES

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

The majority of our comparable evidence was obtained from January to May 2018.

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

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

BASIS OF VALUATION

Unless stated otherwise, we have prepared our valuation figures on the basis of Market Value (stated on a £/Sq m basis) which is defined in the valuation standards published by the Royal Institution of Chartered Surveyors as:-

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

POTENTIAL CIL CHARGING ZONES

Residential

From our own local market knowledge, we are aware that values range considerably across what is a large and varied geographical area. This is verified further by opinion provided by house builder stakeholders.

It is accepted that within the study area there are particularly high value ‘hot spots”. Inevitably appraisals must take a ‘high level’ approach with a limit to the scale at which geographical zones can be assessed.

To more forensically assess potential zones and confirm the opinion of stakeholders, we obtained Land Registry data for average house price sales.

The data was tabulated and analysed on a ‘by Ward’ basis to produce the ‘heat maps’ attached at **Appendix 1.**

The findings very much confirm our own and stakeholder opinions, and have also been “sense-checked” by each authority.

Following the “sense-check” process, the following issues were considered further.

i) The Park and Radford Ward in Nottingham City, where one of the study area’s highest value addresses (The Park) falls within the same ward as one of the lowest (Radford). This produced a relatively high over-all average house price figure. It was considered that this would unduly threaten potential development in the Radford area, and accordingly a pragmatic decision was taken to include the ward in a lower banding. The Park is a relatively small, well established location, unlikely to produce further development of any significance.

ii) Beeston Central ward initially produced a lower than unexpected average price, especially in comparison to the adjoining Beeston Rylands ward. Concern was raised that the “town centre” location contained a higher proportion of flats in the sample, than other locations. This in turn had potential to skew the figure to a lower overall average (since typically a flat will sell at a lower price than a house). To address this, the house price data set was re-run to exclude all apartment sales and ensure that wards were being assessed on a like for like basis.

The resulting figures were in fact very similar to those produced in the initial appraisal, and made little or no difference to potential value zone boundaries.

In addition, it was felt that Beeston Rylands showed average sales figures below expected, when compared to the rest of Beeston (which is acknowledged as a prosperous and sought-after location).

This can be explained insofar as much of the existing housing is terraced or semi-detached, compared to much of Beeston which shows a higher proportion of detached housing.

It should be noted that the sub-markets have been produced by analysing Land Registry *average* house price data. This will typically supress values when compared to new build values in isolation, since the average data is based on *all* sales irrespective of size, specification or condition. In addition, there is no distinction between new build and existing stock in the sample.

In the case of Beeston Rylands and Beeston Central, we consider that an exclusively new build sales value sample would easily out-perform the "mean" since it would be priced aspirationally toward the rest of the Beeston area as a whole. This is evidenced by the strong price levels achieved at the recent Bellway scheme on Hassocks Lane (within the Beeston Rylands ward) which were comfortably in excess of the area average.

In this respect should any assessment of these areas appear marginal in viability terms, we would be entirely comfortable if assessments adopted sales values more akin to the "Band 2" figures reported within this report.

iii) An anomaly in the data set suggested that Brinsley Ward (to the north of Broxtowe) should be included in Band 2. When sense checked against "local knowledge" it was agreed that this was inappropriate. Local market conditions and socio-economics very much confirm that Brinsley is more realistically placed in Band 1.

iv) Clifton North ward in Nottingham City is bisected by the A52 ring road. It is very distinctly "West Bridgford fringe" (high values) to the North of the A52, and "Clifton" (much lower values) to the south. Accordingly for pragmatism we have divided the ward on this basis.

Commercial

Our research has identified a much less noticeable range for commercial property.

The majority of commercial activity is contained within the urban areas, especially Nottingham City.

Retail, office, hotel and other commercial functions tend to favour the urban locations, although the M1 junctions act as a draw for Business Parks and warehousing.

Within the rural locations, more limited commercial activity exists across all sectors, predominantly convenience retailing.

In summary we do not believe that there is sufficient 'fine grained' evidence to warrant a subdivision into separate CIL charging zones for commercial property.

Inevitably the overall lack of tangible quality new build market evidence would mean an arbitrary decision is required as to where boundaries should be drawn which may not be defendable at Examination.

While it is certainly the case that retail uses will be at a premium in the urban areas, "high street" retail is seldom developed from new (more typically a refurbishment of long established existing stock), and even if it were, the established high street locations would not attract CIL since there would be little or no increase in floor area. The most typical retail likely to emerge is from the roadside / convenience sector.

Commercial zoning may produce other anomalies, for example a low value retail location near the motorway, would produce strong warehouse demand. Accordingly a "one size fits all" approach to adopting catch all "commercial" zoning would be flawed.

Accordingly in our opinion a single commercial rate should be applied where appropriate, at a level which does not unduly threaten development as a whole across the entire study area.

SECTOR SPECIFIC VALUATION COMMENTARY

1) Residential C3 (houses and apartments)

Base Land Values

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

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

As a starting point for viability testing, this residual appraisal is carried out *without* deduction for Affordable Housing, Section 106 contributions or any other Local Authority policy based contributions, to give an indication of the theoretical 'maximum' possible land value which could be appropriate in the study area, before any impact of planning policy.

The residual approach in context with the land value benchmarking methodology adopted in the Viability Appraisals is more thoroughly outlined within the 'Development Equation' section of the Viability Testing report.

Once the residual land value figure has been calculated it is provided as the basis for the land value benchmarking exercise in the viability assessments. As a secondary 'sense check' values are also assessed along with other sources of land value information. Qualified property valuers reasoned assumptions and judgement is applied to the market information that is available to produce an estimate of 'Comparable Market Value' which is both fair and realistic in current market conditions.

It is recognised that comparable market values do not necessarily reflect the true costs of planning policy impacts and of course cannot factor in new land taxes such as CIL.

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

This methodology is replicated for *all p*roperty use types, with a 'minimum' land value (typically based on market value figure) adopted for uses where the residual suggests a negative value or one below market value.

It is a fact of real market activity that sites are purchased when a residual may suggest a negative value.

Buyers often 'over-pay' for a variety of reasons – the market does not function perfectly with the benefit of perfect information, developers may be optimistic in a rising market, or special purchaser / ransom situations. A specific development type may show a negative residual value, but the fact of competition from other possible uses will ensure a minimum level is achieved.

Furthermore, a self-builder will not need to demonstrate a developer's profit.

Accordingly market evidence can on occasion suggest a figure above residual levels, which is sensible and pragmatic to adopt.

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

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

The benchmark for brownfield land is more complex. It assumes that land has some form of established use and therefore value (which will be much higher than an undeveloped greenfield plot).

The range of established brownfield land values is obviously quite wide dependent on location and use. However for the purpose of viability appraisal it must be assumed that the land has a low value or redundant use that makes it available for alternative use.

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

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

<u>New Build Residential Values per Sq m</u>

CIL and other Planning charges are applied to future *new build* housing within the location.

It therefore follows that the methodology used for viability testing is applied using real evidence collated from the new / nearly new homes market wherever possible. An extensive survey of this market was conducted within the study area and immediate surround (undertaken January – May 2018).

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

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

Having established like for like comparable evidence, this was further analysed and tabulated to specify new home types, i.e. apartments and 2, 3, 4 and 5 bed units.

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

Where necessary, additional supporting information was gathered on each development using asking prices with an assumed reduction made according to negotiated discounts as provided by the developer, local agents and professional judgement / assessment of the results. Adjustments for garages were made where present, to ensure like for like comparison.

Where new home data was found lacking, nearly new or 'modern' transactions and asking prices were analysed and adapted.

We have contacted contact home builders currently or recently active within the location, as listed in 'Procedure and Methodology' and again in Appendix 3.

In most instances we were grateful to receive full assistance and cooperation although in a few instances the developer was unavailable for comment or unable to provide assistance.

Market value opinion obtained from stakeholders (house builders, other land agents) generally confirmed our suggested sub-markets approach and values as appropriate, and a range between £1883- £3,875 sq m (£175- £360 per sq ft) as appropriate for houses across the study area, marginally less for apartments.

Our adopted values for appraisal are shown at Appendix 2, with numeric sales data obtained tabulated at Appendix 3, with stakeholder comment.

By way of a further 'sense check' the ***Zoopla Price Index**** for pin-point locations within the study area currently suggests average prices of **£2,347 sq m** for Bingham (Rushcliffe), **£2,594 sq m** for Radcliffe on Trent (Rushcliffe), **£2,433 sq m** for Cotgrave (Rushcliffe), **£3,078 sq m** for West Bridgford (Rushcliffe), **£2,250 sq m** for East Leake (Rushcliffe), **£2,731** for Ruddington (Rushcliffe), **£2,583** for Keyworth (Rushcliffe) **£2,411 sq m** for Nottingham City, **£2,572** for Wollaton (Nottingham City suburb), **£2,454 sq m** for Beeston (Broxtowe) **£1,948 sq m** for Kimberley (Broxtowe) and **£2,712 sq m** for Chilwell (Broxtowe).

Figures are based on averages for all sales, not limited to new build. This will generally produce a *lower* average price than new build figures alone, since the averages will include varying degrees of age and quality. After adjustment to reflect a new build "premium", our figures are further verified as being appropriate.

**As at 22/5/18, detached housing.*

Additional Stakeholder and background evidence is listed at **Appendix 3**.

2) Other Residential (C1, C2, Student Accommodation)

Bespoke Student Accommodation

Nottingham is home to two major universities, and accordingly the student residential sector is a major feature of the local property market.

New development is focused towards the city centre, both in terms of new build and conversion of obsolete offices. Residents are increasingly drawn from the more traditional established "student suburbs".

The city centre tends to serve Nottingham Trent University. More peripheral locations in the city and Broxtowe are likely to see ongoing demand for development, where in reach of the main Nottingham University campus.

Weekly gross rents are currently in the region of £90 -£150 per week (albeit often for a 50 week rental), depending on location and specification. Rents are generally charged inclusive of utilities and broadband.

Capital values are in the region of £50,000 - £80,000 per bed space, again depending on location and specification.

Typical room sizes are 10-15 sq m, or 25 sq m for studios.

Capital values per sq m will typically range from £2,500 - £4,500.

3) Hotels

The most likely scenario for hotel development within the Study area is from the budget - mid range sector of the hotel market for example Premier Inn and Travelodge, and our evidence base is therefore drawn from the budget – mid range sector.

Our evidence on sales values per sq m for hotels is based on our comparable evidence and market knowledge which shows that budget hotel operators pay in the region of £3,000 per room per annum which when capitalised at a rate of 7.5% produces a maximum sales value per room of approximately £40,000.

The average budget hotel room is approximately 17 sq m which also equates to an overall sales value figure per m in the region of £2,500.

4) Food Retail (Supermarket)

The majority of the larger food store retailers, including Sainsburys, Asda, Tesco, and Morrisons are all represented within the area, operating from large store formats. The “budget” operators are also well established.

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

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

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

We have adopted a rental figure of £170 per sq m with a capitalisation yield of 5.5%. This produces a sales value per m of £3,000. This capitalisation yield is appropriate bearing in mind that the food stores will be most likely occupied by one of the major supermarket brands such as Tesco, Sainsburys, Asda or Morrison’s, by way of an institutional lease.

Typically, food store values are driven by the availability of planning consent (triggering competitive bidding), rather than exact location specifics. This tends to level values to a similar tone, region wide and accordingly we have considered some evidence from outside the study area.

We consider our figures to be considered a ‘conservative’ assessment. Both regionally and nationally substantial evidence exists to demonstrate typical rental values paid by large format food operators from £150 to £300 per sq m, with yields often at 5% or lower.

5) General Retail (A1, A2, A3)

The city and town centres dominate the other retail sectors.

The rural areas have a more limited demand, mainly providing local and smaller convenience shopping.

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

For the purpose of this report, we have categorised other retail as all other retail except supermarket food stores. Other retail therefore encompasses high street retail, edge of town and out of town retail as well as restaurants and drive through and so forth. In practice, High Street development will be mainly limited to re-development of existing buildings, therefore limiting CIL charging (which is only levied on new, additional floor area).

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

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

We have then considered rentals for arterial roadside retail units within the urban areas, which again using comparable evidence produces a rental in the region of £135 per sq m (£12.50 per sq ft), capitalised at a yield of 7%.

All of the above methodology has been considered then applied to the 'test' assumed property, i.e. a 300 sq m roadside unit.

We believe that this is the most likely form of new retail development to emerge. Established 'high street' retail is seldom developed from new (more typically a refurbishment of long established existing stock), and even if it were, the established high street location would not attract CIL since there would be little or no increase in floor area.

We believe the figures adopted can be considered as being 'safe' and conservative. Within the general retail category other occupier types for example bulky goods warehouse style retail can command significantly higher figures than those specified, often to a similar level to supermarket retail. To assess a fair 'tone' for the category and the area as a whole we have been more conservative in our assessments.

6) Offices (B1a, Cat "A" fit out)

New build office development is still lacking in the market locally, primarily due to the relationship between build costs vs prime rental levels.

Demand for modern space is reasonably robust, especially in the City, but there is a noticeable lack of supply.

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

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

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

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

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

Our methodology is again based largely on the capital comparison method, through assessment of transactional evidence, and investment capitalisation where appropriate.

Where appropriate, rental evidence has been capitalised through adopting investment yields.

The industrial market is more evenly spread across the study area, with ease of access to the main road network typically an influencing factor on price.

When preparing our figures we have assumed:-

- The land is cleared and ready for development without unduly onerous remediation being required, with sites generally serviceable and appropriate planning available.
- Our appraisal assumes a new build industrial/warehouse development of c. 10,000 sq ft and capable of division into units of approximately 5,000 sq ft (to avoid premium or discount for quantum) with say 5% office content.

8) Agriculture

The recent RICS rural land market survey (H2, 2017) has suggested that for the East Midlands region average agricultural land prices are approximately £20,000 per hectare.

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

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

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

With regards to unit sale values, we have assumed that the theoretical valuation applies to a 'barn' of simple warehouse type construction for example a 500 sq m farm store. Obviously our figures would need adjusting for anything more specific and bespoke for example cold storage, milking facilities etc.

New build agricultural buildings rarely appear individually on the open market as they are typically sold as part of larger farm sales.

Conclusions

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

- We can confirm that sufficient evidence has been found to justify considering a variable rate CIL regime with differing value levels appropriate across the various development categories and across four separate residential value bands and a single commercial zone (subject to further viability appraisals).

- heb Chartered Surveyors are fully accredited RICS Registered Valuers, and our conclusions as to appropriate 'tone' indicative values across development categories within the study area are tabulated and summarised within the value tables and zone map appended.

Limitation of Liability

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

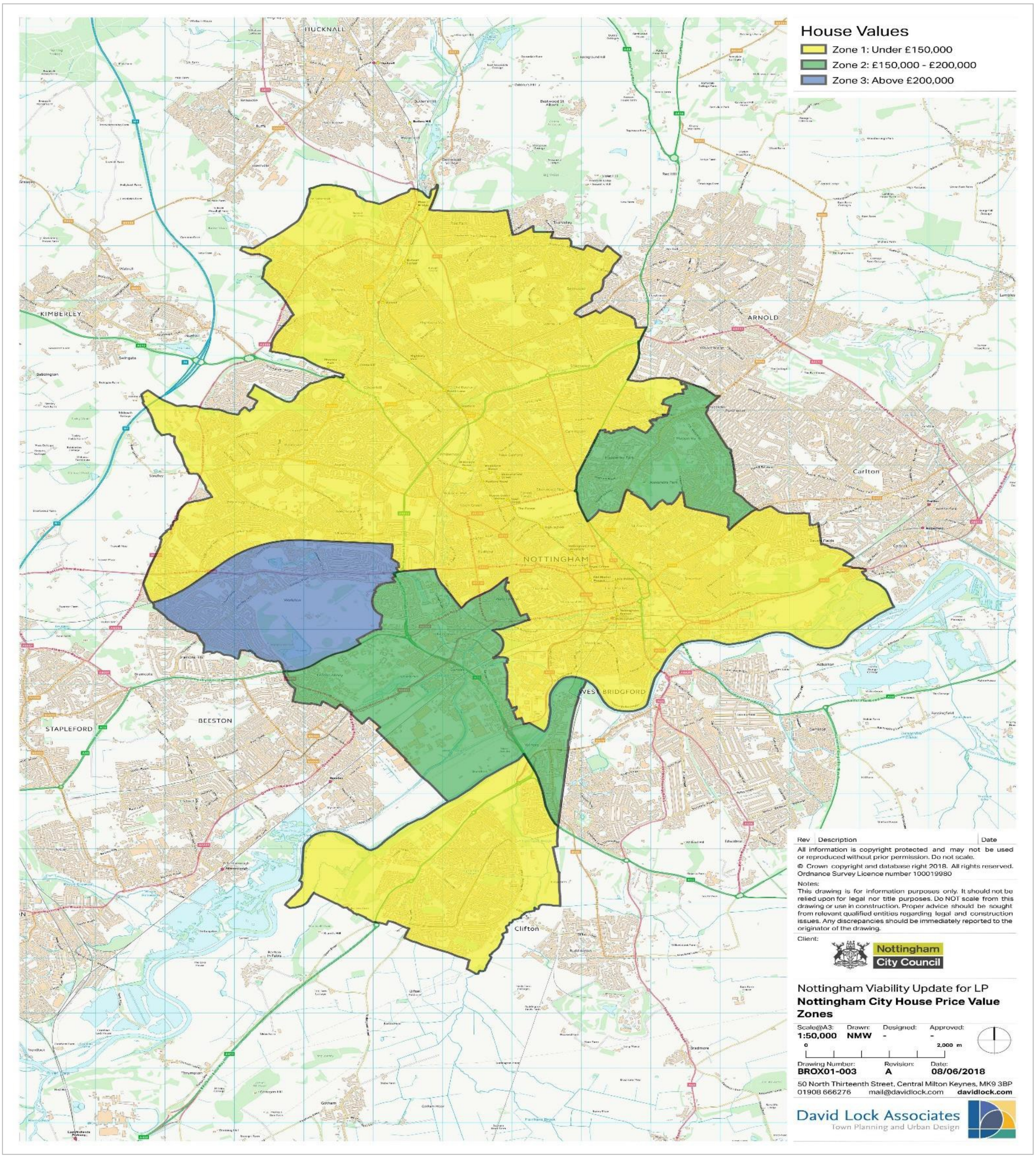
Neither the whole or any part of this report nor any reference to it may be included in any published document, circular or statement nor published in any way without prior written approval of the form and context of which it may appear. We shall be pleased to discuss any aspect of this report.

Yours faithfully

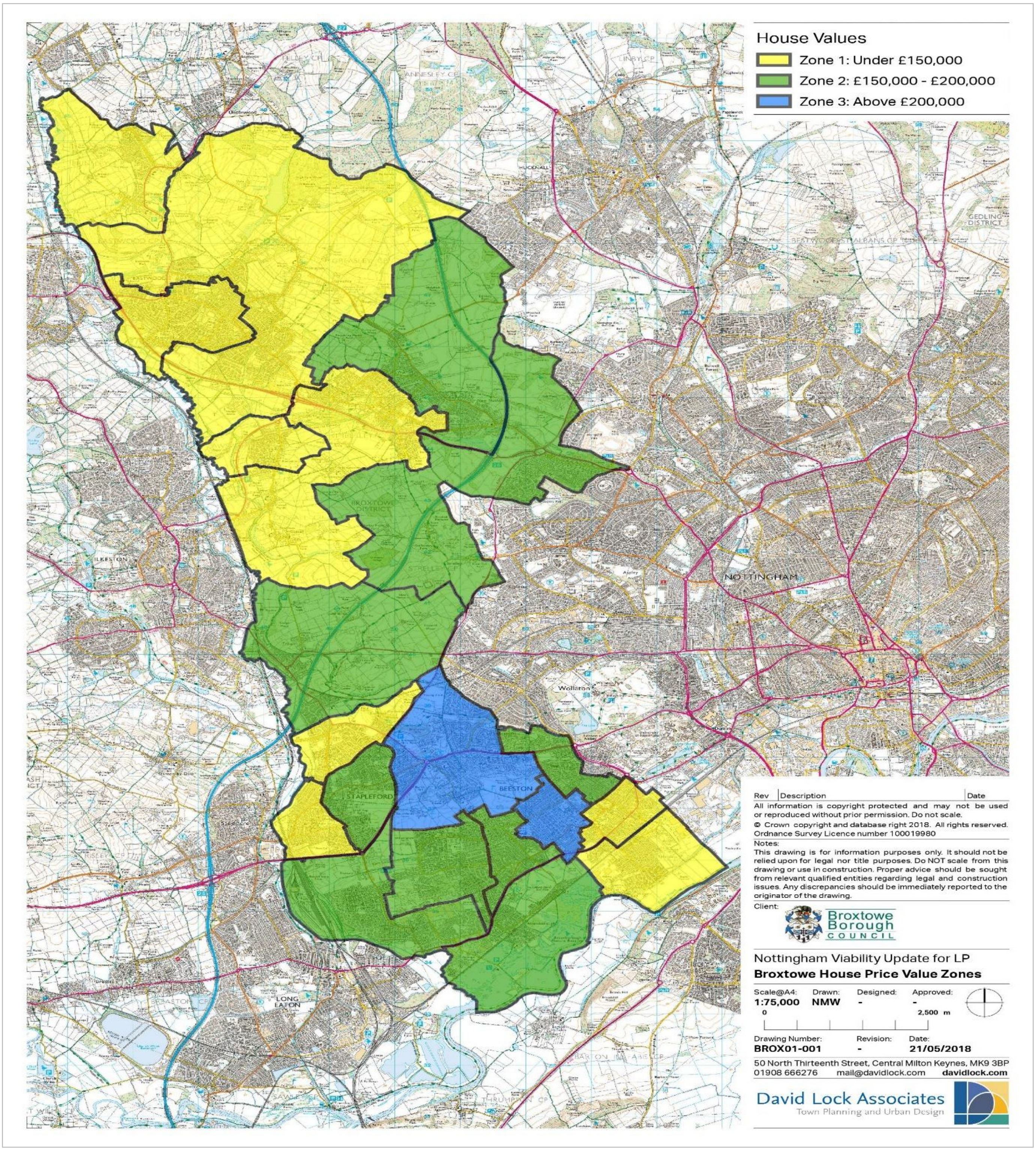
heb

heb Chartered Surveyors

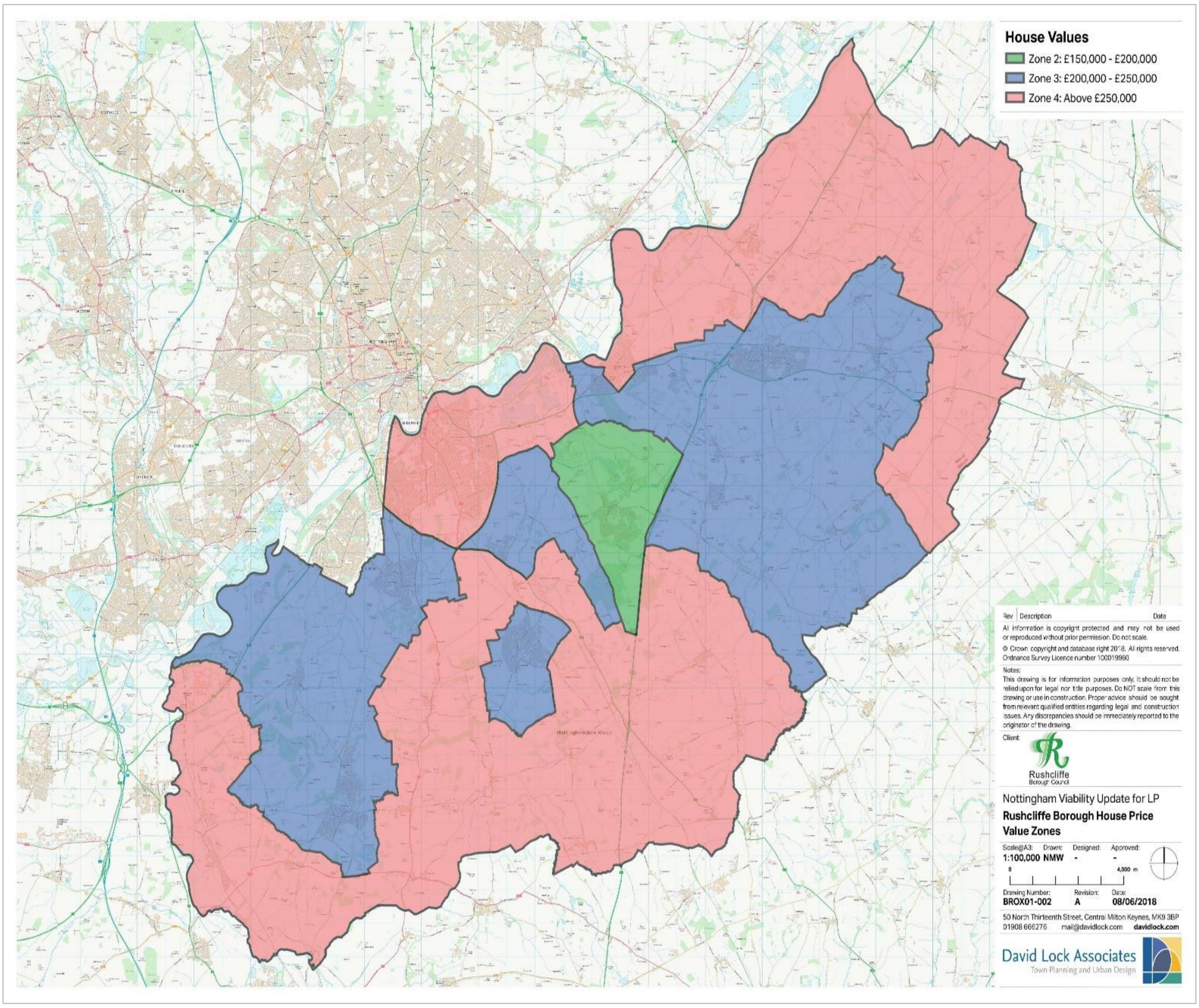
APPENDIX 1
Sub-Market Map – Nottingham



Sub-Market Map – Broxtowe



Sub-Market Map – Rushcliffe



APPENDIX 2

INDICATIVE RESIDENTIAL PROPERTY VALUES

Sales Values					
Charging Zone	Sales Value £sq m				
	Apartment	2 Bed	3 Bed	4 Bed	5 Bed
Band 1	2,152	2,370	2,315	2,315	2,250
Band 2	2,400	2,550	2,475	2,475	2,400
Band 3	2,700	2,800	2,700	2,700	2,600
Band 4	2,853	3,390	3,337	3,122	2,906

INDICATIVE COMMERCIAL PROPERTY VALUES

Sales Values £ per sq m		
Industrial		750
Office		1615
Food Retail		3000
Other Retail		2000
Residential Inst		1350
Hotels		2500
Student Apartments		3,500
Community		1200
Leisure		1400
Agricultural		400
Sui Generis	Car Sales	1500
Sui Generis	Vehicle Repairs	750

INDICATIVE COMMERCIAL LAND VALUES

Commercial Land Values	
Industrial Land Values £ per Ha	
Comparable Land Value £ per Ha	600,000
Office Land Values per Ha	
Comparable Land Value £ per Ha	600,000
Supermarket Land Value £ per Ha	
Comparable Land Value £ per Ha	3,000,000
General Retail Land Value £ per Ha	
Comparable Land Value £ per Ha	1,650,000
Residential Institution Land Values per Ha	
Comparable Land Value £ per Ha	600,000
Hotel Land Values per Ha	
Comparable Land Value £ per Ha	1,000,000
Community Use Land Values per Ha	
Comparable Land Value £ per Ha	600,000
Leisure Land Values per Ha	
Comparable Land Value £ per Ha	700,000
Agricultural Land Values per Ha	
Comparable Land Value £ per Ha	20,000
Sui Generis Land Values £ per Ha	
Car Sales	900,000
Sui Generis Land Values £ per Ha	
Vehicle Repairs	600,000

APPENDIX 3

ADDITIONAL VALUATION DATA AND STAKE-HOLDER COMMENTS

DEVELOPMENT **NOTTINGHAM CITY COUNCIL**	DEVELOPER	SALES RANGE PER SQ M	SALES RANGE PER SQ FT	NOTES
Martins Reach, Wollaton	Avant Homes	£2,582 - £2,936	£240 - £272	Nottingham / Broxtowe borders
Woodhouse Park, Nottingham	Barratt Homes	£2,153 - £2,843	£200 - £263	Nottingham / Broxtowe borders
Province Wood Road, Nottingham	Ashberry Homes	£2,260 - £2,696	£210 - £250	
Daleside Road, Colwick	Truelove Property	£2,200 - £2,435	£204 - £226	
Plains Road, Mapperley*	Private	£2,292 & £2,528 (x2)	£213 & £235	* Nottingham City borders (Gedling Borough) 3 new build executive houses available
Carriage Close, Nottingham NG3	Bailey Rhodes	£2,558 - £3,481	£240 - £323	
The Kentwood, Nottingham	Private	£2,850	£265	Gated development – contemporary design – 5 bed town houses (3 available)
Standhill Road, Carlton	Private	£2,036	£189	Single plot 4 bed newbuild town house
Chalfont Drive, Nottingham	Bellway Homes	£2,422 - £2,476	£225 - £230	Prices confirmed by **Simon Maddison** at Bellway
Chase Farm, Gedling*	Keepmoat Homes	£2,170 & £2,651	£202 & £246	*Gedling Borough - Nottingham City study area border Limited availability, currently 2 homes – both 4 bed detached **Shaun Fielding** at Keepmoat confirms historically an approx. range from £2,152 - £2,691 per sq m being achieved

DEVELOPMENT **BROXTOWE BOROUGH COUNCIL**	DEVELOPER	SALES RANGE PER SQ M	SALES RANGE PER SQ FT	NOTES
Elm Avenue, Attenborough	Private	£2,668	£248	Single new build 4 bed
Mulbury Close, Beeston	Private	£3,147	£292	First release – 5 bed detached house (high spec)
Hansons View, Kimberley	Fairgrove	£2,176 - £2,558	£202 - £238	
Linby*	Bellway Homes	£2,476 - £2,691	£230 - £250	* Broxtowe borders. **Simon Maddison** at Bellway confirmed price range
Hassocks Lane, Beeston	Bellway Homes	£2,508 - £2,800	£233 - £260	Site completed in 2016 / 2017. (Most recent prices confirmed for 3 & 4 bed properties) **Simon Maddison** at Bellway confirms our proposed indicative figures for the study area as a whole as sensible in conjunction with the sub-market approach
Pentrich Fields, Giltbrook	Peter James Homes	£2,368 - £2,583	£220 - £240	**Simon Gardner** at Peter James Homes confirmed prices being achieved. Our proposed indicative figures for the study area & sub market approach also confirmed as 'appropriate'
Toton	Peveril Homes	£2,691 - £2,799	£250 - £260	**James Smith** at Peveril advises that sales have not commenced on site, however they are hopeful of achieving figures in this region
Fritchley*	Peveril Homes	£2,852	£265	* Broxtowe borders. James Smith at Peveril confirms that site is currently achieving this approx. value tone

DEVELOPMENT **RUSHCLIFFE BOROUGH COUNCIL**	DEVELOPER	SALES RANGE PER SQ M	SALES RANGE PER SQ FT	NOTES
Wilford Fields, Wilford Lane, West Bridgford	Linden Homes	£3,257- £3,464	£302 - £322	First releases.
Edwalton Fields, Edwalton	Bovis Homes	£2,642 - £3,880	£245 - £360	Range for 3 beds to 6 beds
Edwalton Park, Edwalton	Bloor Homes	£3,374 - £3,401	£313 - £315	
Edwalton Park, Edwalton	Barratt Homes	£3,304 - £3,559	£307 - £330	
Edwalton Park, Edwalton	David Wilson Homes	£2,575 - £2,960	£239 - £275	Current availability limited to 4-6 bed homes
Hollygate Park, Cotgrave	Barratt Homes	£2,430 - £2,496	£226 - £231	
Hollygate Park, Cotgrave	David Wilson Homes	£2,191 - £2,500	£203 - £232	Limited availability – 4/5 bed houses remain.
Aslakr Park, Aslockton	Avant Homes	£2,624 - £2,850	£244 - £264	
Meadowcroft, East Leake	Persimmon	£2,367 - £2,886	£220 - £250	
Main Street, Kinoulton	Private	£2,583	£240	Single new build 4 bed detached house
Grange Road, Edwalton	North Sands	£3,632	£337	New build 6 bed detached house
Storkit Meadows, Wymeswold*	Barwood Homes	£2,705 - £3,201	£251 - £297	* Rushcliffe borders
Greythorne Drive, West Bridgford	Bellway Homes	£2,767	£350	Approximate net prices achieved for 3 bed properties, confirmed by **Simon Maddison** at Bellway.
Greythorne Drive, West Bridgford	Bellway Homes	£2,444 - £2,552	£320 - £330	Approximate net prices achieved for 4 bed properties, , confirmed by Simon Maddison at Bellway.
Nottingham Road, Southwell*	Miller Homes	£3,660	£340	*Newark & Sherwood - Rushcliffe study area border **Tom Roberts** at Miller Homes confirms approx. sales rates achieved

DEVELOPMENT **RUSHCLIFFE BOROUGH COUNCIL**	DEVELOPER	SALES RANGE PER SQ M	SALES RANGE PER SQ FT	NOTES
Farnsfield, Newark*	Miller Homes	£2,852 - £3,069	£265 - £285	*Newark & Sherwood – Rushcliffe study area border **Tom Roberts** also confirmed approx. sales rates achieved Our suggested indicative figures are confirmed as being broadly appropriate along with the proposed sub-market approach. Tom indicated that a 5% discount on quoting prices is 'generous' – market improvements have meant 0% to 1% currently more appropriate

Note: Where not specifically confirmed by developer, quoting prices allow a 5% deduction for negotiations / incentives and exclude garages.

OTHER CONSULTEES	DEVELOPER	SALES RANGE PER SQ M	SALES RANGE PER SQ FT	NOTES
-	Westleigh Homes	-	-	**Brett Casswell** at Westleigh – no current developments in study area, but verifies our proposed values and sub-market approach as "fair"
-	Inside Land	-	-	Inside Land are Nottingham based developers and residential land agents **Gareth Staff** at Inside Land confirms our proposed figures and sub-market approach as appropriate
-	Crest Nicholson	-	-	**Edward Elliman** at Crest Nicholson – no current developments in the study area, however, our proposed indicative figures were verified as being broadly appropriate