



Lambeth Community Infrastructure Levy - Addendum Viability Report

Prepared for
London Borough of Lambeth

November 2013

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1 Introduction

This addendum report should be read in conjunction with our September 2012 'Viability Study' (and subsequent April 2013 update report) which sets out the results of appraisals of a range of developments in Lambeth to test their ability to absorb contributions towards infrastructure through the Community Infrastructure Levy ('CIL').

This report summarises our responses to representations received in relation to the viability of developments of hotels, student housing and supermarkets. This addendum report is structured as follows:

- Section 2 addresses representations on hotel development;
- Section 3 considers representations on student housing development; and
- Section 4 considers representations on supermarket development.

2 Hotel development

This section addresses comments received from Travelodge on the proposed rates of CIL for hotel developments. The Council's Draft Charging Schedule ('DCS') proposes two rates of CIL for hotels (£250 per square metre in Waterloo and Vauxhall; and £100 per square metre elsewhere)

2.1 Travelodge representation

Travelodge have raised the following issues on the appraisals included within the September 2012 Viability Study, with particular reference to their recently opened budget hotel in Vauxhall:

- Capital value overstated
- Mayoral CIL not accounted for in appraisals
- 2 year rent free period too long – 6 months is typical
- Yield too high by 0.25 – 0.5%
- Additional appraisals should be undertaken of different hotel types.

2.2 Additional appraisals undertaken in response to Travelodge representation

We have undertaken some additional investigations and have established that Travelodge has signed a 35 year lease with an annual rent of £926,730 with upwards only review every 5 years linked to RPI. We have relied upon this rent in our revised appraisals.

We have also adjusted the gross room sizes in our appraisal to 250 sq ft per room GIA (including circulation), as noted as Travelodge standard size on their website (attached as **Appendix 1**).

The most recent BICS costs for hotels shows a mean average cost of £157 per sq ft including preliminaries. Given Travelodge's preference for modular build, this is likely to overstate costs for developments they undertake.

As noted in our report, our appraisals are intended to identify the **maximum** amount available for CIL (both Borough and Mayor). Our revised appraisal continues this approach.

Our revised appraisal is attached as **Appendix 2**. With the revisions outlined above, the maximum CIL rate ranges from £904 to £1,629 per square metre. The proposed CIL of £250 per square metre equates to 3.1% (or 3.5% inclusive of Mayoral CIL). At £250 per square metre, the CIL is set at a substantial discount to the maximum CIL.

We have also run a sensitivity analysis with lower capital values and reduced costs, the latter reflecting further savings for development outside the central activities zone. This appraisal is attached as **Appendix 3**. This appraisal indicates that the proposed rate of £100 for developments outside Waterloo and Vauxhall will not adversely impact on viability. The proposed CIL plus Mayoral CIL of £35 would equate to only 3.25% of total development costs.

3 Viability of student housing development

This section addresses comments received from Kings College London ('KCL') on the proposed rates of CIL for student housing development. The Council's Draft Charging Schedule ('DCS') proposes a single rate for student housing (£350 per square metre).

3.1 KCL representation

KCL have raised the following issues on the student housing appraisals:

- Mayoral CIL not included as a cost;
- Purchaser's costs not included;
- No contingency included;
- Reduced rents might be charged in lower value parts of the Borough (the representation specifically identifies Stockwell, Brixton and Streatham, although KCL have not confirmed that they plan to develop student housing schemes in these areas).

3.2 Additional appraisals undertaken in response to KCL representation

We have re-run our appraisal reflecting adjustments for these issues (attached as **Appendix 4**). We have also had regard to the most recent BCIS cost for student housing, which indicates a mean average in LB Lambeth of £1,580 per square metre (£147 per sq ft).

At the rents adopted in the original appraisal (£200 per week during term time and £230 per week during vacations), our revised appraisal shows a maximum rate of £1,141 per square metre. We have also tested the sensitivity of the CIL rate to changes in rent levels. If rents fall to £173 per week, the maximum CIL rate would fall to £514 per square metre (appraisal attached as **Appendix 5**). After allowing a 30% buffer, the rate would reduce to £360 per square metre, in line with the proposed CIL rate.

Having tested the impact of the issues that KCL have raised, our appraisals indicate that the proposed CIL rate is robust and proportionate.

4 Viability of supermarket development

This section responds to comments received from agents acting on behalf of Morrisons on the proposed rates of CIL for supermarkets/superstores. The Council's Draft Charging Schedule ('DCS') proposes a rate of £115 per square metre across the borough.

4.1 Morrisons' representations

Morrisons' agents express "grave concern" about the impact the proposed rate of CIL will have on the viability of supermarket developments. Despite this concern, they provide no evidence to support their assertions. Instead, they have commented on various inputs to our appraisals, claiming that they overstate the viability of supermarkets.

Morrisons have raised the following issues on the appraisals included within the April 2013 Viability Study:

- Existing use values too low (although no evidence has been provided as to what Morrisons consider they should be increased to);
- Mayoral CIL not accounted for in appraisals;
- Section 106 not included within appraisals;
- Types of build costs not made explicit. A claim that median costs are too low and that costs should increase by 10%;
- Demolition costs too low – Morrisons advocate £10 per sq ft;
- Profit at 20% on cost is too low and Morrisons claim that profit should be increased to 25% on cost;
- No site preparation costs included; and
- Finance timescales too short, finance on land should be lengthened.

4.2 Additional appraisals undertaken in response to Morrisons' representation

Whilst we do not necessarily accept the validity of any of these points, we have modelled all of them to test whether the Council's proposed CIL rates remain viable. The changes to the appraisal inputs are set out in Table 4.2.1 overleaf.

Table 4.2.1: Changes to appraisal inputs to test impact of Morrisons' suggested changes

Appraisal input	Original input	Amended input	Comments
Current use values	CUV1: rent of £7 psf CUV2: rent of £8 psf CUV3: rent of £10 psf	CUV1: rent of £10 psf CUV2: rent of £15 psf CUV3: rent of £20 psf	
Mayoral CIL	Included as part of the maximum CIL identified by the appraisals	Included as a cost at £35 per sqm	
Section 106	None included	£250 per sqm	
Base build costs	BCIS mean average (NOT median as Morrisons suggest)	No change	BCIS mean average as used is £1,393 per sqm, whereas the median is £1,214 per sqm. Mean is 15% higher than median, which is higher than the 10% increase suggested by Morrisons.
Demolition costs	£5 per sq ft	£10 per sq ft	
Profit	20% on cost	No change	Profit at anything higher than 20% on cost is unwarranted given the limited risk. Developers unlikely to develop a supermarket without a pre-let or pre-sale, so there is very limited risk. If an operator is self developing, this risk is removed entirely.
No site preparation costs included	Nil	No change	These costs will vary and are swept up within the 5% contingency. The proposed CIL is set well below the maximum to give headroom for the exceptional cases where higher costs arise.
Finance period	18 months on construction 18 months on land	18 months on construction 24 months on land	
Yield	6.5%	5%	Adjusted to reflect current yields. Previous 6.5% assumption substantially undervalued the investment value.

Our revised appraisal is attached as **Appendix 6**. With the revisions outlined above, the maximum CIL rate ranges from £508 to £865 per square metre, assuming the existing floor space is **not** netted off the new floorspace for calculating the CIL liability. If the existing floorspace is netted off, the maximum CIL rates would increase to £741 to £1,251 per square metre.

Morrisons also assert in their representation that we have applied a Vauxhall rent to the whole of the Borough. This is not correct; evidence from one of Morrisons' competitors indicates that rents in the north of the Borough are circa £29 per sq ft, whereas our appraisals adopt a rent of only £25 per sq ft.

At a rate of £115 per square metre, our revised appraisals indicate that the proposed CIL will equate to 1.75% of total development costs. This is a very modest proportion of overall costs and is therefore unlikely to have any adverse impact on viability.

Having tested the impact of the issues that Morrisons have raised, our appraisals indicate that the proposed CIL rate is robust and proportionate.

Appendix 1 - Excerpt from Travelodge Development website



Home	About Travelodge	New Developments	Design & Construction	Going Concerns	Image Gallery	Contact Us	International
	Types & Sizes	Std. Floor Plans	Scheme Design	Planning Brief		Preferred Contractors	

Travelodge developments fall into three categories; new build, conversions of existing buildings and [going concerns](#). All can be [standalone](#) or part of [mixed-use schemes](#).

There are four bedroom types; [standard family](#), [squeeze family](#), [double showers](#), and [accessible](#). The Development Manager will advise you of the appropriate room mix in each case.

On average, each bedroom equates to approximately 250 sq ft GIA, inclusive of circulation space.

Our absolute minimum requirement is for 20 bedrooms.

Travelodge does not have a standard foot print, nor a minimum or maximum number of bedrooms per floor. However, please bear in mind that the most efficient floor plate has bedrooms either side of a central corridor and that a [linen room](#) is needed on each floor. Building regulations also requires minimum travel distances for fire escape purposes and this will determine how many fire escapes are needed.

For food & beverage, Travelodge has two offers; vending and bar café. The Development Manager will advise which will be required in each case.

Please see the scheme design section for specific details of our Tenant's Requirements.

Modular Build

Travelodge has recently introduced modular build as an option for our construction process, which enables us to take advantage of low cost manufacturing, factory quality and reduced construction time.

Two modular build manufacturers have been approved by us; Verbus and Sisk+Corus.



This section should provide the necessary technical information to enable you to determine whether a development opportunity will be physically capable of allowing a Travelodge Hotel to be incorporated within it.

Appendix 2 - Revised Hotel appraisal

COMMUNITY INFRASTRUCTURE LEVY

Commercial Development

Salmon Harvester Properties Ltd, the joint venture between

Use class:	BUDGET HOTEL
Location:	Lambeth

	£s per sqft	Yield	Rent free
Appraisal 1	£22.00	6.00%	0.50 years
Appraisal 2	£23.00	6.00%	0.50 years
Appraisal 3	£24.00	6.00%	0.50 years
Appraisal 4	£25.05	6.25%	0.50 years
Appraisal 5 (base)	£25.05	6.00%	0.50 years
Appraisal 6	£25.05	5.75%	0.50 years
Appraisal 7	£27.00	6.00%	0.50 years
Appraisal 8	£28.00	6.00%	0.50 years
Appraisal 9	£29.00	6.00%	0.50 years
Appraisal 10	£30.00	6.00%	0.50 years

Existing floorspace as % of new
50%

Build cost - reduced from £175 to £150

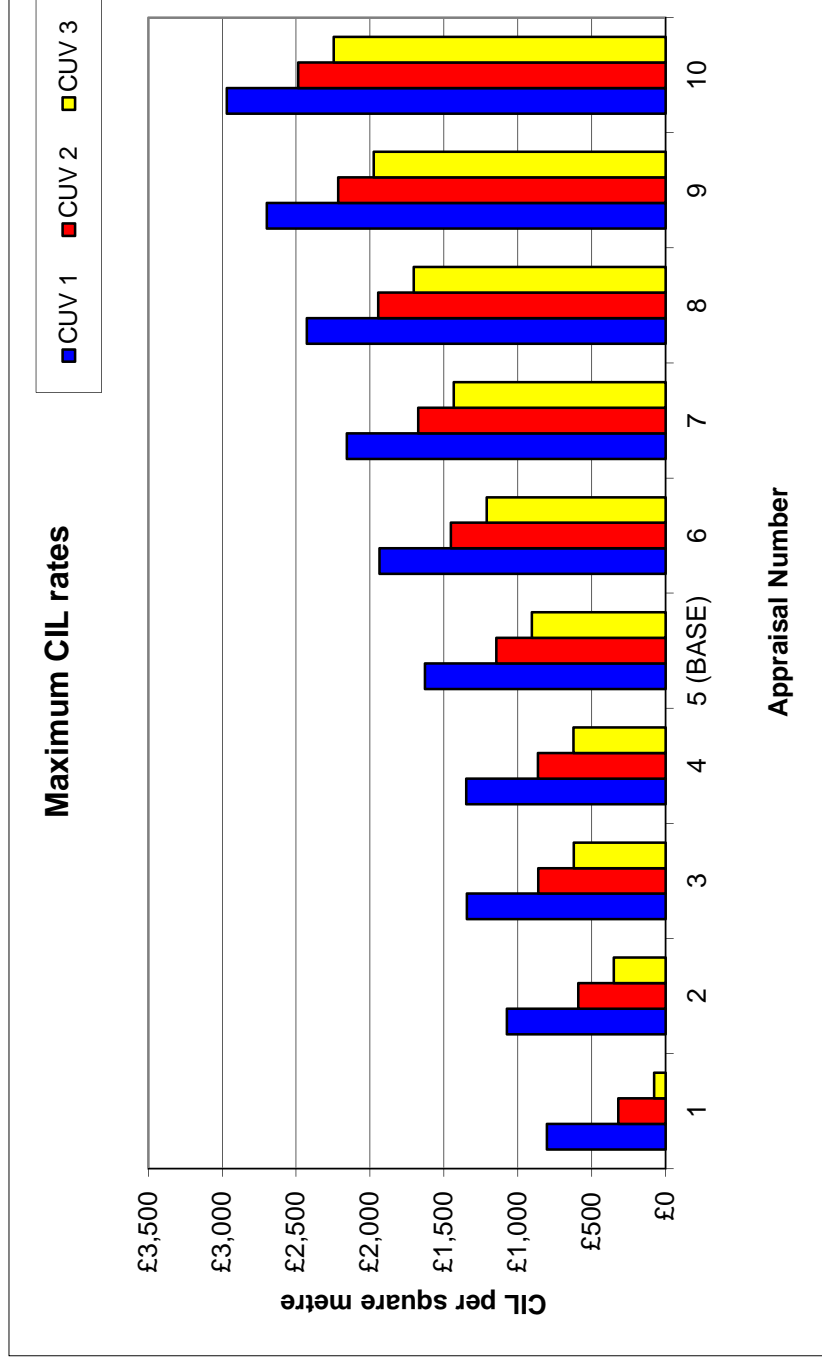
Travelodge Vauxhall - 35 year lease
Travelodge Vauxhall rooms
Assume 250 sq ft GIA area per room (Travelodge Dev Website)
Annual rent for Travelodge Vauxhall (CoStar verified)
Rent per room per annum
Rent psf

148
250
£926,730
£6,262
£25.05

	£s per sqft	Yield	Rent free	Premium
Current use value 1	£9.00	8.00%	3.00 years	20.00%
Current use value 2	£13.00	8.00%	3.00 years	20.00%
Current use value 3	£15.00	8.00%	3.00 years	20.00%

Results - Maximum CIL rates per square metre

	Change in rent from base	CUV 1	CUV 2	CUV 3
Appraisal 1	-14%	£803	£320	£78
Appraisal 2	-9%	£1,074	£591	£349
Appraisal 3	-4%	£1,345	£861	£620
Appraisal 4	0%	£1,348	£864	£623
Appraisal 5 (base)	-	£1,629	£1,146	£904
Appraisal 6	0%	£1,935	£1,452	£1,210
Appraisal 7	7%	£2,157	£1,674	£1,432
Appraisal 8	11%	£2,428	£1,945	£1,703
Appraisal 9	14%	£2,699	£2,215	£1,974
Appraisal 10	17%	£2,969	£2,486	£2,245



CURRENT USE VALUE

Commercial Development

Use class: **BUDGET HOTEL**

	Common assumptions	CUV 1	CUV 2	CUV 3
Current use value				
Existing space as percentage of new	50%			
Rent per sq ft		£9 psf	£13 psf	£15 psf
Rental income per annum		£166,500	£240,500	£277,500
Rent free/voids (years)		3.0	3.0	3.0
Total revenue, capitalised (including all costs)		8.00%	8.00%	8.00%
Refurbishment costs	£50 psf	£925,000	£925,000	£925,000
Fees	7%	£64,750	£64,750	£64,750
Capitalised rent, net of refurb and fees		£662,413	£1,396,708	£1,763,856
Purchaser's costs	5.75%	-£38,089	-£80,311	-£101,422
Current use value		£624,325	£1,316,397	£1,662,434
CUV including Landowner premium		20%	20.00%	20.00%
		£749,190	£1,579,677	£1,994,921

Appendix 3 - Hotel appraisal – sensitivity analysis – lower value area

COMMUNITY INFRASTRUCTURE LEVY

Commercial Development

Use class:	BUDGET HOTEL (lower value)
Location:	Lambeth

Appraisal	£s per sqft	Yield	Rent free
Appraisal 1	£17.00	6.00%	0.50 years
Appraisal 2	£18.00	6.00%	0.50 years
Appraisal 3	£19.00	6.00%	0.50 years
Appraisal 4	£20.00	6.25%	0.50 years
Appraisal 5 (base)	£20.00	6.00%	0.50 years
Appraisal 6	£20.00	5.75%	0.50 years
Appraisal 7	£21.00	6.00%	0.50 years
Appraisal 8	£22.00	6.00%	0.50 years
Appraisal 9	£23.00	6.00%	0.50 years
Appraisal 10	£24.00	6.00%	0.50 years

Existing floorspace as % of new
50%

Build cost - reduced from £175 to £135

Number of rooms
148

Assume 250 sq ft GIA area per room (Travelodge Dev Website)
250

Annual rent for Travelodge Vauxhall (CoStar verified)
£740,000

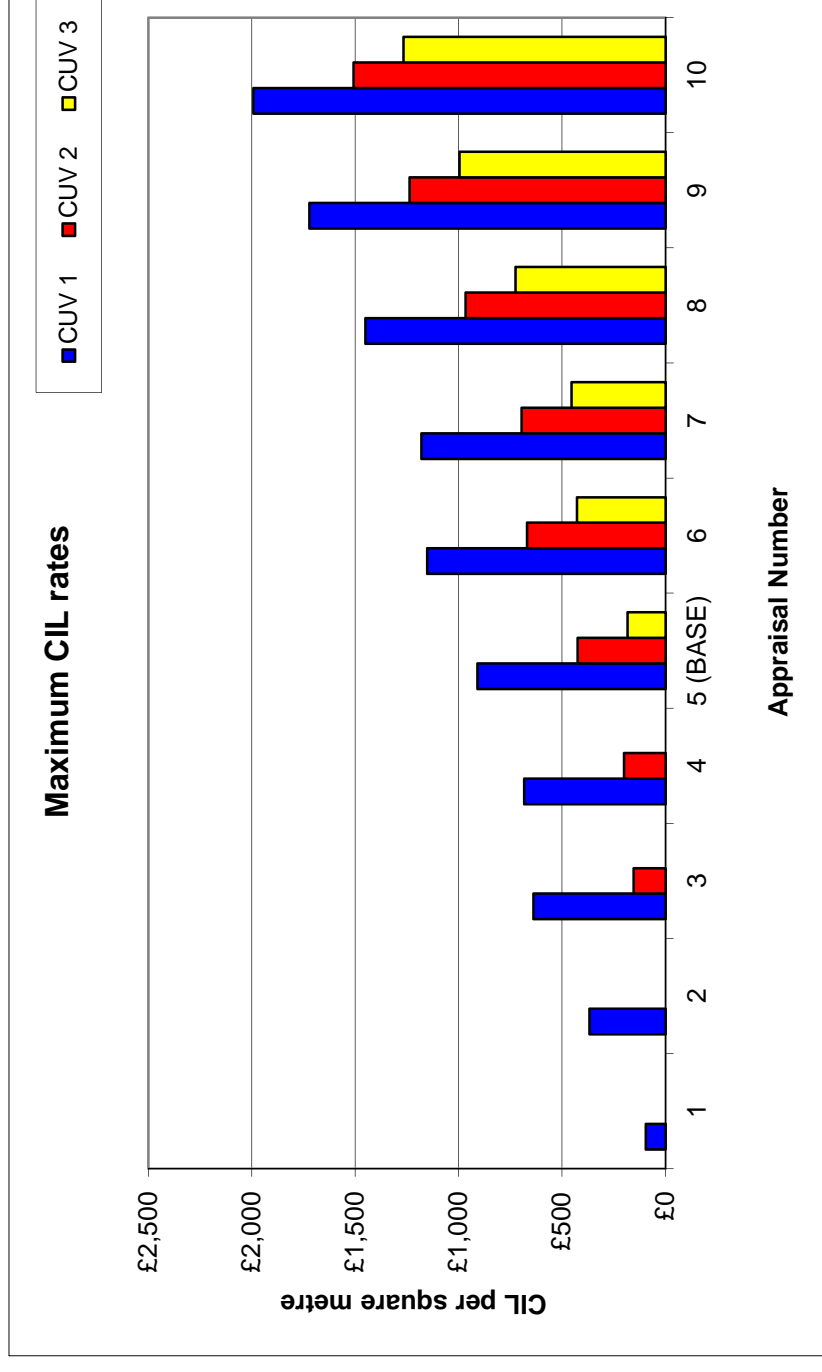
Rent per room per annum
£5,000

Rent psf
£20.00

Current use value	£s per sqft	Yield	Rent free	Premium
Current use value 1	£9.00	8.00%	3.00 years	20.00%
Current use value 2	£13.00	8.00%	3.00 years	20.00%
Current use value 3	£15.00	8.00%	3.00 years	20.00%

Results - Maximum CIL rates per square metre

	Change in rent from base	CUV 1	CUV 2	CUV 3
Appraisal 1	-18%	£96	£0	£0
Appraisal 2	-11%	£367	£0	£0
Appraisal 3	-5%	£638	£154	£0
Appraisal 4	0%	£684	£201	£0
Appraisal 5 (base)	-	£909	£425	£184
Appraisal 6	0%	£1,153	£669	£428
Appraisal 7	5%	£1,179	£696	£455
Appraisal 8	9%	£1,450	£967	£725
Appraisal 9	13%	£1,721	£1,238	£996
Appraisal 10	17%	£1,992	£1,509	£1,267



DEVELOPMENT APPRAISAL
Commercial Development

Use class:	BUDGET HOTEL
Location:	Lambeth

	Common assumptions	Appraisal 1	Appraisal 2	Appraisal 3	Appraisal 4	Appraisal 5	Appraisal 6	Appraisal 7	Appraisal 8	Appraisal 9	Appraisal 10
DEVELOPMENT VALUE											
Rental Income											
Rent - area 1	37,000	£17.00	£629,000	£ psf £18	£ psf £18	£ psf £18	£ psf £18	£ psf £18	£ psf £18	£ psf £18	£ psf £18
Rent - area 2		£17.00	£0	£19,000	£20,000	£20,000	£20,000	£21,000	£22,000	£23,000	£24,000
Rent - area 3		£17.00	£0	£19,000	£20,000	£20,000	£20,000	£21,000	£22,000	£23,000	£24,000
Total floor area / rent	37,000	£629,000	£666,000	£703,000	£740,000	£740,000	£740,000	£777,000	£814,000	£851,000	£888,000
Rent free/voids (years)		0.5	0.9713	0.5	0.9701	0.5	0.9724	0.5	0.9713	0.5	0.9713
Yield	6.00%	6.00%	6.00%	6.00%	6.25%	6.00%	5.75%	6.00%	6.00%	6.00%	6.00%
Capitalised rent		£10,182,313	£10,761,273	£11,380,233	£11,486,487	£11,979,192	£12,514,793	£12,578,152	£13,177,112	£13,776,071	£14,375,031
GROSS DEVELOPMENT VALUE											
Purchaser's costs	5.80%	£590,574	£625,314	£660,053	£666,216	£694,793	£725,858	£729,533	£764,272	£799,012	£833,752
		£9,591,739	£10,155,959	£10,720,179	£10,820,271	£11,284,399	£11,788,935	£11,848,619	£12,412,839	£12,977,059	£13,541,279
DEVELOPMENT COSTS											
Development Costs											
Existing floor area	18,500										
Demolition costs	50% £5 psf	£92,500	£92,500	£92,500	£92,500	£92,500	£92,500	£92,500	£92,500	£92,500	£92,500
Building costs	£135 psf	£4,995,000	£4,995,000	£4,995,000	£4,995,000	£4,995,000	£4,995,000	£4,995,000	£4,995,000	£4,995,000	£4,995,000
Area	37,000										
External works	10.00%	£499,500	£499,500	£499,500	£499,500	£499,500	£499,500	£499,500	£499,500	£499,500	£499,500
Professional fees	10.00%	£558,700	£558,700	£558,700	£558,700	£558,700	£558,700	£558,700	£558,700	£558,700	£558,700
Contingency	5.00%	£307,285	£307,285	£307,285	£307,285	£307,285	£307,285	£307,285	£307,285	£307,285	£307,285
CIL	1	-	0	£0	£0	£0	£0	£0	£0	£0	£0
Disposal Costs											
Letting Agent's fee (% of rent)	10.00%	£62,900	£66,600	£70,300	£74,000	£74,000	£74,000	£77,700	£81,400	£85,100	£88,800
Agent's fees (on capital value)	1.00%	£101,823	£107,813	£113,802	£114,865	£119,792	£125,148	£125,782	£131,771	£137,761	£143,750
Legal fees (% of capital value)	0.75%	£76,367	£80,860	£85,352	£86,149	£89,844	£93,861	£94,336	£98,828	£103,321	£107,813
Finance on construction											
Loan arrangement fee	1.00%	£64,530	£64,530	£64,530	£64,530	£64,530	£64,530	£64,530	£64,530	£64,530	£64,530
Interest rate	7.00%										
Interest on Construction Costs	18 months	£338,782	£338,782	£338,782	£338,782	£338,782	£338,782	£338,782	£338,782	£338,782	£338,782
Profit											
Developer's profit on cost	20.00%	£1,419,477	£1,422,314	£1,425,150	£1,426,262	£1,427,986	£1,429,861	£1,430,823	£1,433,659	£1,436,496	£1,439,332
TOTAL DEVELOPMENT COSTS											
		£8,516,864	£8,533,883	£8,550,901	£8,557,572	£8,567,919	£8,579,167	£8,584,937	£8,601,955	£8,618,973	£8,635,992
LAND VALUE											
Land surplus		£1,074,875	1,622,077	£2,169,278	£2,262,699	£2,716,480	£3,209,769	£3,263,682	£3,810,884	£4,358,086	£4,905,287
Stamp duty	4.00%	-£42,995	-£64,883	-£86,771	-£90,508	-£108,659	-£128,391	-£130,547	-£152,435	-£174,323	-£196,211
Agent's fees	1.25%	-£13,436	-£20,276	-£27,116	-£28,284	-£33,956	-£40,122	-£40,796	-£47,636	-£54,476	-£61,316
Legal fees	0.50%	-£5,374	-£8,110	-£10,846	-£11,313	-£13,582	-£16,049	-£16,318	-£19,054	-£21,790	-£24,526
Interest rate	6.50%	-£98,774	-£149,059	-£199,343	-£207,928	-£249,628	-£294,958	-£299,912	-£350,196	-£400,481	-£450,765
Finance period	18 months										
RESIDUAL LAND VALUE											
		£914,295	£1,379,749	£1,845,202	£1,924,666	£2,310,655	£2,730,249	£2,776,108	£3,241,562	£3,707,015	£4,172,468
Less CUV 1		165,106	630,559	1,096,012	1,175,476	1,561,466	1,981,060	2,026,919	2,492,372	2,957,825	3,423,279
Less CUV 2		(665,382)	(199,928)	265,525	344,989	730,978	1,150,573	1,196,431	1,661,885	2,127,338	2,592,791
Less CUV 3		(1,080,625)	(615,172)	(149,719)	(70,255)	315,734	735,329	781,188	1,246,641	1,712,094	2,177,548
Net additional floorspace (sq ft)		18,500	18,500	18,500	18,500	18,500	18,500	18,500	18,500	18,500	18,500
Net additional floorspace (sq m)		1,719	1,719	1,719	1,719	1,719	1,719	1,719	1,719	1,719	1,719
Maximum CIL per sqm											
Against CUV 1		96	367	638	684	909	1,153	1,179	1,450	1,721	1,992
Against CUV 2		-	-	154	201	425	699	696	967	1,238	1,509
Against CUV 3		-	-	-	-	184	428	455	725	996	1,267

CURRENT USE VALUE

Commercial Development

Use class: **BUDGET HOTEL (lower value)**

	Common assumptions	CUV 1	CUV 2	CUV 3
Current use value				
Existing space as percentage of new	50%			
Rent per sq ft		£9 psf	£13 psf	£15 psf
Rental income per annum		£166,500	£240,500	£277,500
Rent free/voids (years)		3.0	3.0	3.0
Total revenue, capitalised (including all costs)		8.00%	8.00%	8.00%
Refurbishment costs	£50 psf	£925,000	£925,000	£925,000
Fees	7%	£64,750	£64,750	£64,750
Capitalised rent, net of refurb and fees		£662,413	£1,396,708	£1,763,856
Purchaser's costs	5.75%	-£38,089	-£80,311	-£101,422
Current use value		£624,325	£1,316,397	£1,662,434
CUV including Landowner premium		20%	20.00%	20.00%
		£749,190	£1,579,677	£1,994,921

Appendix 4 - Revised student housing appraisal

DEVELOPMENT APPRAISAL

Commercial Development

Use class:	STUDENT HSG
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DEVELOPMENT VALUE			
	Term rent	£200 per week	
	Vacation rent	£230 per week	
Rental Income			
Annual rent per unit - term time (95% occupancy)	42 weeks	98% occupancy	98,000
Annual rent per unit - summer (50% occupancy)	10 weeks	50% occupancy	57,500
Operating costs	500 units	£2100 per unit	(1,050,000)
Net annual rents			3,641,000
Total revenue, capitalised (including all costs)		6.25%	58,256,000
GROSS DEVELOPMENT VALUE			58,256,000

DEVELOPMENT COSTS			
Development Costs			
Demolition costs	£5 psf	42,750 sqt	213,750
Building costs	£146.79 psf		20,916,945
Area per unit (incl common areas)	285 sqft pu	142,500	
External works		10.00%	2,091,695
Contingency		5.00%	1,150,432
Mayoral CIL			324,345
S106			430,000
Professional fees		10.00%	2,322,239
			-
Disposal Costs			
Letting Agent's fee (% of rent)		0.00%	-
Agent's fees (on capital value)		0.00%	-
Legal fees (% of capital value)		0.00%	-
Interest on Finance			
Total development duration	24 months		
Loan arrangement fee		1.00%	274,494
Interest on Construction Costs	24 months	7.00%	1,921,458
Profit			
Developer's profit on total revenue		20.00%	11,651,200
TOTAL DEVELOPMENT COSTS			41,296,558

LAND VALUE			
Land surplus			16,959,442
Stamp duty		4.00%	(678,378)
Agent's fees		1.25%	(211,993)
Legal fees		0.50%	(84,797)
Interest on land finance	24 months	6.50%	(2,077,956)
RESIDUAL LAND VALUE			13,906,318

Existing use value			
Existing space as % of new	30%	42,750	
Rent per sq ft		£12.00 psf	
Rental income per annum		513,000	
Rent free/voids (years)		3.0	0.7938
Total revenue, capitalised (including all costs)			8.00%
			5,090,449
Refurbishment costs		£50 psf	2,137,500
Fees		7%	149,625
Purchaser's costs		5.75%	161,191
Existing use value			2,642,133
EUV including Landowner premium		20%	3,170,560
Residual Land Value less EUV plus premium			10,735,758
Per sqm (net additional floorspace)			1,158

Appendix 5 - Revised student housing appraisal – reduced rent

DEVELOPMENT APPRAISAL

Commercial Development

Use class:	STUDENT HSG
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DEVELOPMENT VALUE			
	Term rent	£173 per week	
	Vacation rent	£230 per week	
Rental Income			
Annual rent per unit - term time (95% occupancy)	42 weeks	98% occupancy	84,667
Annual rent per unit - summer (50% occupancy)	10 weeks	50% occupancy	57,500
Operating costs	500 units	£2100 per unit	(1,050,000)
Net annual rents			3,080,999
Total revenue, capitalised (including all costs)		6.25%	49,295,989
GROSS DEVELOPMENT VALUE			49,295,989

DEVELOPMENT COSTS			
Development Costs			
Demolition costs	£5 psf	42,750 sqt	213,750
Building costs	£146.79 psf		20,916,945
Area per unit (incl common areas)	285 sqft pu	142,500	
External works		10.00%	2,091,695
Contingency		5.00%	1,150,432
Mayoral CIL			324,345
S106			430,000
Professional fees		10.00%	2,322,239
			-
Disposal Costs			
Letting Agent's fee (% of rent)		0.00%	-
Agent's fees (on capital value)		0.00%	-
Legal fees (% of capital value)		0.00%	-
Interest on Finance			
Total development duration	24 months		
Loan arrangement fee		1.00%	274,494
Interest on Construction Costs	24 months	7.00%	1,921,458
Profit			
Developer's profit on total revenue		20.00%	9,859,198
TOTAL DEVELOPMENT COSTS			39,504,556

LAND VALUE			
Land surplus			9,791,433
Stamp duty		4.00%	(391,657)
Agent's fees		1.25%	(122,393)
Legal fees		0.50%	(48,957)
Interest on land finance	24 months	7.00%	(1,291,980)
RESIDUAL LAND VALUE			7,936,446

Existing use value			
Existing space as % of new	30%	42,750	
Rent per sq ft		£12.00 psf	
Rental income per annum		513,000	
Rent free/voids (years)		3.0	0.7938
Total revenue, capitalised (including all costs)			8.00%
			5,090,449
Refurbishment costs		£50 psf	2,137,500
Fees		7%	149,625
Purchaser's costs		5.75%	161,191
Existing use value			2,642,133

EUV including Landowner premium 20% 3,170,560

Residual Land Value less EUV plus premium 4,765,886

Per sqm (net additional floorspace) 514

Appendix 6 - Revised supermarket appraisal

COMMUNITY INFRASTRUCTURE LEVY

Commercial Development

Use class:	Large Convenience Retail
Location:	Whole of Borough

	£s per sqft	Yield	Rent free
Appraisal 1	£19.00	5.00%	2.00 years
Appraisal 2	£21.00	5.00%	2.00 years
Appraisal 3	£23.00	5.00%	2.00 years
Appraisal 4	£25.00	5.25%	2.00 years
Appraisal 5 (base)	£25.00	5.00%	2.00 years
Appraisal 6	£25.00	4.75%	2.00 years
Appraisal 7	£27.00	5.00%	2.00 years
Appraisal 8	£29.00	5.00%	2.00 years
Appraisal 9	£31.00	5.00%	2.00 years
Appraisal 10	£33.00	5.00%	2.00 years

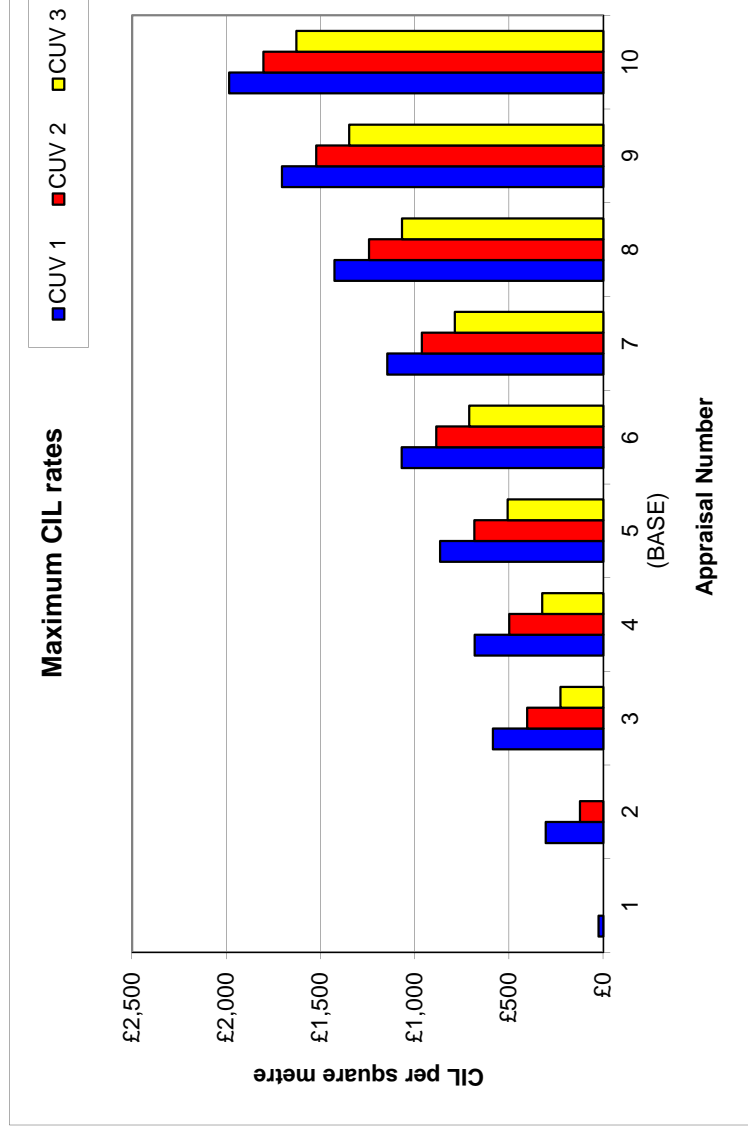
Existing floorspace as % of new
30%

Net off existing floorspace from CIL calculation: n

	£s per sqft	Yield	Rent free	Premium
Current use value 1	£10.00	8.00%	3.00 years	15.00%
Current use value 2	£15.00	8.00%	3.00 years	20.00%
Current use value 3	£20.00	8.00%	3.00 years	20.00%

Results - Maximum CIL rates per square metre

	Change in rent from base	CUV 1	CUV 2	CUV 3
Appraisal 1	-32%	£25	£0	£0
Appraisal 2	-19%	£305	£123	£0
Appraisal 3	-9%	£585	£403	£228
Appraisal 4	0%	£682	£499	£324
Appraisal 5 (base)	-	£865	£683	£508
Appraisal 6	0%	£1,069	£887	£711
Appraisal 7	7%	£1,145	£963	£788
Appraisal 8	14%	£1,426	£1,243	£1,068
Appraisal 9	19%	£1,706	£1,524	£1,348
Appraisal 10	24%	£1,986	£1,804	£1,628



CURRENT USE VALUE

Commercial Development

Use class: **Large Convenience Retail**

	Common assumptions	CUV 1	CUV 2	CUV 3
Current use value				
Existing space as percentage of new	30%			
Rent per sq ft		£10 psf	£15 psf	£20 psf
Rental income per annum		£96,876	£145,314	£193,752
Rent free/voids (years)		3.0	3.0	3.0
Total revenue, capitalised (including all costs)		8.00%	8.00%	8.00%
Refurbishment costs	£50 psf	£484,380	£484,380	£484,380
Fees	7%	£33,907	£33,907	£33,907
Capitalised rent, net of refurb and fees		£443,005	£923,650	£1,404,296
Purchaser's costs	5.75%	-£25,473	-£53,110	-£80,747
Current use value		£417,532	£870,540	£1,323,549
CUV including Landowner premium		15%	20.00%	20.00%
		£480,162	£1,044,648	£1,588,258