Oxford City Council

Addendum to Economic Viability Assessment 2018

May 2019

Contents

Prepared By: Matthew Hayes
Status: Final
Date: May 2019

For and on behalf of GVA Grimley Limited t/a Avison Young

1. Introduction

1.1 Avison Young produced viability evidence on behalf of Oxford City Council (the 'Council') in support of the draft Oxford Local Plan 2036 ('Local Plan') and the review of the CIL Charging Schedule in September 2018. Since that time, consultation has taken place and the Council has received a number of comments from stakeholders. Partly in response to consultation responses, and due to further information becoming available on strategic sites, Avison Young ('AY') has been instructed by the Council to undertake further viability testing.

1.2 Specifically, AY has been asked to undertake further testing in relation to B1 offices and B2/B8 industrial uses, to reconsider residential values, to run sensitivity on greenfield land values, and to provide greater detail in the results including expressing viability in terms of maximum benchmark land values.

1.3 This addendum provides a market update in relation to B1 and B2/B8 uses, provides updated residential evidence, presents the method and results of the additional testing, and concludes with recommendations as to the Local Plan and CIL Charging Schedule as a result of the analysis.

1.4 This addendum should be read in conjunction with the original viability report 'Economic Viability Assessment to inform the Oxford Local Plan 2036 and the Review of the Community Infrastructure Charging Schedule, September 2018' (the 'Original Report').

2. Market Update

Office Market

2.1 Office take up in Oxfordshire has continued to improve, with Tokamak Energy taking 46,000 sq ft of office and lab space at Milton Park on a 15 year lease in Q3 2018. However, the take up level remains more subdued than that of the previous year. The Oxfordshire market has remained relatively consistent, with a high share of demand from high tech firms and out of town space. The area's office stock was estimated at around 6.7 million sq ft at the end of 2018. An additional 49,000 sq ft of office space is expected to reach completion in 2019, totalling 5.5 million sq ft of space in the development pipeline.

2.2 Over half of the schemes currently granted planning permission provide for more than 100,000 sq ft each. However 99% of the permissions are located out of town, and outside of the Oxford City administrative boundary. The exceptions are Oxford Business Park and Oxford Science Park, both in the Cowley/Littlemore area at the south-eastern end of the authority boundary. Plots here have been developed in stages for office and industrial uses. Most recently Goodman developed a 53,900sqft pre-let to A C Nielsen which completed in early 2018.

2.3 Due to a diminished supply of prime office space, Oxfordshire has continued to see sharp uplifts in prime rental values. The following lettings in Q3 2018 are indicative of current rent levels with the city administrative boundary: Sensyne Health rented 7,700 sq ft at Schrodinger Building in Oxford Science Park for £32 psf; and Exscientia has entered into a 10 year lease for 7,800 sq ft at Schrodinger Building in Oxford Science Park for

£30 psf. These represent the top of the market, with typical rents for good quality out of town space more typically in the £20-£30psf range.

2.4 Within the city centre, transactions are limited due to the limited central stock. Prime rents are c £20-£25psf, most recently represented by Bloomsbury Publishing taking 9,400sqft in Q4 2018. However, due to constrained city centre supply, rents are often unpredictable, with small floorplates in secondary buildings often exceeding the prime rental level. Over the last two years, lettings in the town centre have ranged from 420 – 4,100sqft at headline rents of £17-£30psf. The highest of these was 2,227sqft taken at King Charles House by Gsmatt.

2.5 2018 represented a relatively subdued year in terms of investment activity. The most noteworthy transaction across 2018 saw UK fund manager Mayfair Capital acquire 2600 John Smith Drive in Oxford Business Park for £35.4 million. The particularly low yield of 4.9% can in part be accounted for by the long unexpired lease term and strong covenant; the building is let in its entirety to British Gas until 2029. Overall prime yields are c 5.25%, potentially 5.0% out of town with the right terms.

Industrial Market

2.6 There have been no pre-let deals over the 12 months to Q4 2018 and there is currently very little space under construction, although there is 5 million sq ft of space in planning and preliminary stages within Oxford and the surrounding sub-market area. Supply is constrained with vacancy at c 2.9% and completions averaging just 11,000sqft pa over the last 5 years. Take up is predominantly at the lower size bands within the city administrative area, with 43% comprised of units of under 10,000 sq ft in the year to Q4 2018.

2.7 Constrained supply, coupled with structural shifts in online retailing leading to unprecedented demand for storage and distribution uses, has supported rental growth in recent years. Rents for good quality space are generally around £9psf, but prime rents of c £11-12 psf have been achieved in the wider Oxford area. The highest rent recently secured within the city administrative boundary was a headline of £14.95psf at Oxford Trade Centre in Cowley. This was an assignment of 3,000sqft for 15 years to UK Plumbing Supplies.

2.8 Some of the largest deals over Q3 and Q4 2018 included the 15 year letting of 85,200 sq ft at Oxbox in Cowley to Oxford Biomedica and the 10 year letting of 17,600 sq ft at Nuffield Industrial Estate to The Bss Group at £9psf. In two separate transactions, 6,700 and 3,700sqft let at £11.25 - £12psf at Trade City at Littlemore.

2.9 In terms of investment, there is little evidence of transactions in the city area. One available transaction since Q3 is the sale of 17,800sqft of multiple units at Sandy Lane West in Littlemore. The yield was unreported. These are modern units constructed in c 2008. Within the wider south east, increasing demand for storage and distribution uses is reported to have been sharpening yields, with prime units now commanding as low as c 3.75%.

2.10 Within the wider Oxfordshire area, the largest investment transaction since the publication of the Original Report is the sale of Unit 3 at Central M40. This comprised c 237,000sqft of distribution space let to HelloFresh, which sold for £27.5m representing a yield of 4.99%.

3. Additional Viability Testing

3.1 Using similar methodology as the Original Report, we have reviewed extant planning permissions for B1-B8 uses in order to determine typologies representative of development in the authority.

B1 Offices

3.2 In relation to B1 offices, we have identified the following permissions:

Location	Planning	Ref.	Size	Site Area	Ward	CIL Zone[1]
Plot 3100 Oxford Business Park, Cowley	Full Permission	04/00360/RES	144,000 sq ft	2.45ha	Lye Valley/ Cowley	1
Plot 8200, Oxford Business Park, Cowley	Full Permission	02/00100/RES	91,000 sq ft	1.88ha	Lye Valley/ Cowley	1
Remainder Oxford Business Park, Cowley	Outline Permission	12/01424/EXT	167,000 sq ft	35.6ha	Lye Valley/ Cowley	1
Plot 11, Oxford Science Park, Cowley	Full Permission	05/01722/RES	30,000 sq ft	0.64ha	Littlemore	1
Plot 26, Oxford Science Park, Cowley	Full Permission	07/02830/RES	24,000 sq ft	0.57ha	Littlemore	1
Plot 12, Oxford Science Park, Cowley	Full Permission	16/01945/FUL	77,000 sq ft	1.20ha	Littlemore	1
Magdalen Centre, Oxford Science Park, Cowley	Full Permission	17/03419/FUL	32,000 sq ft	0.57ha	Littlemore	1

3.3 No extant permissions were available for any areas other than CIL Zone 1 as defined in the Original Report. However, we are aware of proposals which include an element of B1 space, for which planning permission has not yet been sought but development is allocated in the Local Plan.

3.4 These include the development of the Oxpens Site, the Supplementary Planning Document for which includes an illustrative masterplan that estimates capacity of B1 Office and B1 R&D space of 133,000 sq ft. There is also a Supplementary Planning Document for the redevelopment of the Oxford Station Area. The illustrative masterplan in this case envisages 49,000 sq ft of commercial development.

3.5 The Oxpens SPD area is within both the Carfax and Hinksey Park wards, though the illustrative masterplan suggests the office component is best located predominantly in the former. The office space is distributed across plots totalling c 0.81ha (though this includes plots where B1 space occupies the ground floor only of mixed buildings) Carfax is within CIL Zone 5.

3.6 The Station Area masterplan covers areas within both the Carfax and Jericho and Osney wards, though the office component is envisaged to be south or Botley Road, within Carfax, on a plot of c 0.33ha. This is in CIL Zone 5.

3.7 Considering the above, the following typologies have been determined representative of B1 office development being delivered or with the potential to be delivered within the City administrative area during the plan period:

[1] See Original Report for definition of CIL zones.

Site Ref.	B1 Floorspace	Site Area	CIL Zone[2]
30	50,000 sq ft	0.75ha	1
31	150,000 sq ft	2.5ha	1
32	100,000 sq ft	0.6ha	5

B2-B8 Industrial

The following significant extant permissions have been identified for B2-B8 uses:

Location	Planning	Ref.	Size	Type	Site Area	Ward	CIL Zone
Former Royal Mail Sorting Office, Oxford Business Park, Cowley	Full Permission	16/00177/FUL	135,000 sq ft	B1(c)/B2/B8 (ancillary B1(a)) (change of use)	2.70ha	Lye Valley	1
1-2 Nuffield Industrial Estate	Full Permission	16/01360/FUL	18,000 sq ft	B1/B2/B8 (change of use)	0.26ha	Lye Valley	1
12 Nuffield Industrial Estate	Full Permission	17/00792/FUL	8,000 sq ft	B1/B2/B8 (change of use)	0.08ha	Lye Valley	1
13 Nuffield Industrial Estate	Full Permission	17/00621/FUL	9,000 sq ft	B1(b and c)/ B2/B8 (change of use)	0.08ha	Lye Valley	1

3.8 All the available permissions were for development in CIL Zone 1 only. It is noted that all the permissions are also for change of use rather than for new build development. However, they are considered indicative of the scale of B2/B8 typologies being brought forwards in Oxford and would apply in the case of new build as well as change of use.

3.9 It should be noted that the site areas above are taken from planning application forms and in many cases appear to be drawn tightly to existing units within a wider estate rather than a more typical ‘gross’ plot for new build units.

3.10 The Original Report included an industrial typology of 38,000 sq ft, in Zone 1 and assuming a site area of 0.85ha.

3.11 Given the further assessment of applications above, we consider the addition of additional typologies would increase the representativeness of the assessment of development with the potential to come forwards in the City administrative area over the plan period.

3.12 We consider the following additional typologies to be appropriate:

Site Ref.	B2/B8 Floorspace	Site Area	CIL Zone[3]
33	10,000 sq ft	0.25ha	1
34	100,000 sq ft	2.5ha	1

[2] See Original Report for definition of CIL zones.

[3] See Original Report for definition of CIL zones.

3.13 We would raise that in the Original Report on a number of occasions the floor area range stated to be tested for industrial uses is 200 to 5,000 sq ft. This is an error given the actual quantum tested was 38,000sqft and this is corrected in the remaining references in this report.

Residential

3.14 We have reassessed the residential values used in the Original Report.

3.15 In deriving residential sales values for the Original Report, analysis was undertaken of all sold prices registered at Land Registry during mid-2017, analysed by bed and property type and by ward. Averages were calculated and then a premium applied to reflect new build values. These were then applied as the residential values for the modelling.

3.16 However, the average unit values, when applied to the unit sizes used in the modelling, produced some high sales rates on a £psf basis. We have undertaken further analysis of sold prices to investigate this further.

3.17 We have taken data originally compiled by HDH Planning & Development in assessing the potential for a Strategic Infrastructure Tariff across all the Oxfordshire authorities. This comprised Land Registry sold data for new build properties, to which unit areas have been added using EPC records. We updated this data to take account of more recent transactions and analysed with reference to CIL Zone.

3.18 We have also reviewed asking prices for all new build properties on the market in the Oxford City area, and just outside, in early April 2019. We have analysed this data with reference to each property type and CIL zone. The analysis is summarised below:

CIL Zone	Property Type	Av. Asking Price	Av. Size (sq ft)	Av. £psf	#
1	1 Bed Flat	£230,000	486	£473.25	1
2	1 Bed Flat	£270,000	541	£499.08	1
	1 Bed House	£337,500	546	£618.83	2
	3 Bed House	£425,000	848	£501.18	1
	4 Bed House	£690,000	1,804	£382.74	3
3	1 Bed Flat	£297,475	592	£503.00	2
	2 Bed Flat	£386,250	922	£421.29	6
	2 Bed House	£350,000	-	-	1
	3 Bed House	£540,000	1,172	£461.74	5
	4 Bed House	£798,333	1,758	£458.25	3
	5 Bed House	£970,000	2,495	£388.78	1
4	1 Bed Flat	£264,869	545	£487.98	16
	2 Bed Flat	£354,500	728	£498.89	11
	4 Bed House	£1,079,375	2,307	£467.86	8
	5 Bed House	£2,335,000	3,563	£655.91	5

3.19 From this analysis it appears the unit sizes assumed in the Original Report are generally smaller than the average in the market, particularly for the larger units in the higher value areas. Applying average values to these smaller areas has therefore resulted in £psf rates that are too high, and the unit values should be adjusted to more closely reflect the adopted unit areas.

4. Appraisal Assumptions

B1 Offices

4.1 In light of the market assessment summarised in section 2 above, we consider the following assumptions are representative and appropriate to adopt in viability testing for office use:

CIL Zone	Rent £psf	Yield
1	£30.00	5.25%
5	£25.00	5.25%

B2-B8 Industrial

4.2 On further consideration of available evidence for industrial uses, we consider the assumption in the Original Report of a rent of £12psf to still be appropriate. However, in our view the evidence suggests the yield could be sharpened. The Original Report assumed 6%; however in our view the following would be appropriate and representative:

Site Ref.	B2/B8 Floorspace	CIL Zone[4]	Yield
23	38,000 sq ft	1	5.5%
33	10,000 sq ft	1	5.5%
34	100,000 sq ft	1	5.25%

4.3 This includes amending the assumptions adopted for the industrial typology previously tested in the Original Report, typology 23.

Residential

4.4 Considering the updated and further analysis of residential data above, we have revised the adopted residential values as follows:

Adopted Residential Unit Values

Zone	1 bed flat	2 bed flat	3 bed flat	2 bed house	3 bed house	4 bed house
1	£230,000	£280,000	£330,000	£330,000	£400,000	£530,000
2	£280,000	£370,000	£430,000	£490,000	£580,000	£630,000
3	£280,000	£370,000	£430,000	£460,000	£530,000	£630,000
4	£300,000	£400,000	£460,000	£570,000	£700,000	£850,000
5	£400,000	£500,000	£600,000	£600,000	£700,000	£850,000

Adopted Residential Values £ per square foot

Zone	1 bed flat	2 bed flat	3 bed flat	2 bed house	3 bed house	4 bed house
1	£427.34	£371.60	£356.48	£388.06	£375.35	£406.92
2	£520.24	£491.04	£464.50	£576.22	£544.26	£483.69
3	£520.24	£491.04	£464.50	£540.94	£497.34	£483.69
4	£557.40	£530.86	£496.91	£670.29	£656.87	£652.60

[4] See Original Report for definition of CIL zones.

Zone	1 bed flat	2 bed flat	3 bed flat	2 bed house	3 bed house	4 bed house
5	£743.20	£663.57	£648.14	£705.57	£656.87	£652.60

4.5 As a result of these amended values we have also updated values of shared ownership units as follows:

Zone	1 bed flat	2 bed flat	3 bed flat	2 bed house	3 bed house	4 bed house
1	£131,000	£160,000	£189,000	£189,000	£229,000	£303,000
2	£160,000	£211,400	£245,700	£280,000	£331,400	£360,000
3	£160,000	£211,400	£245,700	£280,000	£331,400	£360,000
4	£171,400	£211,400	£245,700	£262,900	£302,900	£360,000
5	£228,600	£285,700	£342,900	£342,900	£400,000	£485,700

4.6 Assumptions with respect to affordable tenure mix have been kept consistent with the Original Report and emerging Local Plan policy.

Other Assumptions

4.7 The Original Report stated that allowances for S278 costs were made at a rate of £500,000 per hectare. However, a rate of £500,000 per hectare has been applied to all modelling as a rate for site preparation and demolition costs. S278 costs are also separately allowed for. For residential typologies, S278 costs are applied at a rate of £500 per residential unit. For non-residential typologies, S278 costs are estimated at a rate of 1% of build costs. This is not a change of modelling assumption but rather a clarification of assumptions adopted.

4.8 As stated in the Original Report, a 5% uplift has been applied to build costs for non-residential uses to reflect environmental policies in the draft Local Plan, including BREEAM and energy efficiency requirements. However, this uplift was not originally applied to the Standard Care Home typology. This has now been applied and this typology, reference number 27, has been updated.

5. Viability Results

5.1 The tables below summarise the viability results for all typologies, including those tested previously and which have not been amended, in order to provide comprehensive results in one location. The results are also now provided to a greater level of detail, illustrating in each case the extent of development land value surplus or deficit for each typology.

5.2 The results tabled are coloured as follows:

Development Land Value in Excess of Benchmark Land Value (Existing Use Value +30%)
Development Land Value Between of Benchmark Land Value (Existing Use Value +30%) and Existing Use Value
Development Land Value less than Existing Use Value

5.3 The Benchmark Land Value is assumed to be the Existing Use Value of land in each zone, plus a premium of 30%, as assumed in the Original Report.

5.4 The figures in the table show the surplus or deficit of development land value above the existing use value.

Residential Results

Site Ref	Gross Site Area (Ha)	Zone	EUV per ha	EUV	Benchmark	Net Residual Land Value	Surplus/Deficit
1	0.03	Zone 1	£2,100,000	£63,000	£81,900	£30,989	**-£32,011**
2	0.10	Zone 2	£2,100,000	£210,000	£273,000	£930,551	**£720,551**
3	0.09	Zone 3	£3,100,000	£279,000	£362,700	£385,440	**£106,440**
4	0.08	Zone 3	£3,100,000	£248,000	£322,400	£885,319	**£637,319**
5	0.14	Zone 2	£2,100,000	£294,000	£382,200	£640,184	**£346,184**
6	0.57	Zone 2	£2,100,000	£1,197,000	£1,556,100	£3,116,332	**£1,919,332**
7	6.12	Zone 2	£2,100,000	£12,852,000	£16,707,600	£16,734,168	**£3,882,168**
8	0.48	Zone 4	£3,500,000	£1,680,000	£2,184,000	£8,627,625	**£6,947,625**
9	0.03	Zone 5	£7,300,000	£191,260	£248,638	£978,336	**£787,076**
10	0.05	Zone 2	£2,100,000	£111,720	£145,236	£119,002	**£7,282**
11	1.02	Zone 1	£2,100,000	£2,142,000	£2,784,600	-£320,238	**-£2,462,238**
12	0.03	Zone 2	£2,100,000	£70,980	£92,274	£450,043	**£379,063**
13	0.07	Zone 2	£2,100,000	£149,520	£194,376	£418,183	**£268,663**
14	0.05	Zone 4	£3,500,000	£165,200	£214,760	£254,287	**£89,087**
15	0.11	Zone 3	£3,100,000	£325,500	£423,150	£427,278	**£101,778**
16	0.05	Zone 4	£3,500,000	£161,000	£209,300	£1,679,919	**£1,518,919**
17	0.40	Zone 4	£3,500,000	£1,400,000	£1,820,000	£2,389,633	**£989,633**
18	0.09	Zone 2	£2,100,000	£189,000	£245,700	£465,980	**£276,980**
19	0.02	Zone 4	£3,500,000	£70,000	£91,000	£130,255	**£60,255**
20	0.76	Zone 2	£14,085	£10,704	£13,916	£967,642	**£956,937**
21	3.95	Zone 4	£73,203	£289,153	£375,899	£20,045,487	**£19,756,334**

5.5 We have also tested site typologies 20 and 21, representing greenfield housing development, with alternative benchmark land values. Whilst the approach to benchmark land value adopted in the Original Report is robust and in accordance with guidance, it is acknowledged that particularly in the case of greenfield a strict Existing Use Value-based approach can result in values significantly lower than those traded in the market. Though this may be evidence of land trading without taking full account of policy requirements, for the avoidance of doubt we have nevertheless tested higher benchmark values to determine viability in that event. The results are summarised below:

Site Ref	Gross Site Area (Ha)	EUV per ac	EUV	Benchmark	Net Residual Land Value	Surplus/Deficit
20	0.76	£7,500	£10,704	£13,916	£967,642	**£956,937**
20	0.76	£50,000	£71,362	£92,771	£967,642	**£896,279**
20	0.76	£100,000	£142,725	£185,542	£967,642	**£824,917**
20	0.76	£150,000	£214,087	£278,314	£967,642	**£753,554**
20	0.76	£200,000	£285,450	£371,085	£967,642	**£682,192**
20	0.76	£250,000	£356,812	£463,856	£967,642	**£610,829**
20	0.76	£300,000	£428,175	£556,627	£967,642	**£539,467**

Site Ref	Gross Site Area (Ha)	EUV per ac	EUV	Benchmark	Net Residual Land Value	Surplus/Deficit
21	3.95	£7,500	£289,153	£375,899	£20,045,487	**£19,756,334**
21	3.95	£50,000	£1,927,689	£2,505,996	£20,045,487	**£18,117,798**
21	3.95	£100,000	£3,855,378	£5,011,991	£20,045,487	**£16,190,109**
21	3.95	£150,000	£5,783,067	£7,517,987	£20,045,487	**£14,262,420**
21	3.95	£200,000	£7,710,756	£10,023,982	£20,045,487	**£12,334,732**
21	3.95	£250,000	£9,638,444	£12,529,978	£20,045,487	**£10,407,043**
21	3.95	£300,000	£11,566,133	£15,035,973	£20,045,487	**£8,479,354**

Non-residential Results

Site Ref	Land Use	Gross Site Area (HA)	Zone	CIL Rate £psm	EUV per ha	EUV	Benchmark	Net Residual Land Value	Surplus/Deficit
22	Retail Park	0.11	1	£200	£2,100,000	£231,000	£300,300	£400,205	**£169,205**
23	B2/B8 Industrial	0.85	1	£50	£2,100,000	£1,785,000	£2,320,500	£833,055	**-£951,945**
24	Student Housing	0.08	2	£200	£2,100,000	£168,000	£218,400	£1,299,562	**£1,131,562**
25	Student Housing	0.38	5	£200	£7,300,000	£2,774,000	£3,606,200	£3,844,753	**£1,070,753**
26	Student Housing	0.96	2	£200	£2,100,000	£2,016,000	£2,620,800	£3,237,273	**£1,221,273**
27	Standard Care Home	0.33	1	£50	£2,100,000	£693,000	£900,900	£658,723	**-£34,277**
28	Extra Care Home	0.61	3	£50	£3,100,000	£1,891,000	£2,458,300	£1,180,013	**-£710,987**
29	Hotel	0.21	3	£50	£3,100,000	£651,000	£846,300	£1,175,842	**£524,842**
30	B1 Office	0.75	1	£50	£2,100,000	£1,575,000	£2,047,500	£5,220,473	**£3,645,473**
31	B1 Office	2.50	1	£50	£2,100,000	£5,250,000	£6,825,000	£15,652,432	**£10,402,432**
32	B1 Office	0.60	5	£50	£7,300,000	£4,380,000	£5,694,000	£5,096,749	**£716,749**
33	B2/B8 Industrial	0.25	1	£50	£2,100,000	£525,000	£682,500	£221,247	**-£303,753**
34	B2/B8 Industrial	2.50	1	£50	£2,100,000	£5,250,000	£6,825,000	£2,880,581	**-£2,369,419**

5.6 We would highlight that the Standard Care Home typology, site ref. 27, is now shown as not viable having previously been listed as viable in the Original Report.

5.7 We have also tested the B2/B8 Industrial sites at lower CIL rates with the following results:

Site Ref	23	33	34
Land Use	B2/B8 Industrial	B2/B8 Industrial	B2/B8 Industrial
Surplus/Deficit £0 CIL	-£749,700	-£249,355	-£1,832,585
Surplus/Deficit £5 CIL	-£769,924	-£254,723	-£1,886,268
Surplus/Deficit £10 CIL	-£790,149	-£260,092	-£1,939,952
Surplus/Deficit £15 CIL	-£810,374	-£265,460	-£1,993,635
Surplus/Deficit £20 CIL	-£830,598	-£270,828	-£2,047,319
Surplus/Deficit £25 CIL	-£850,823	-£276,197	-£2,101,002
Surplus/Deficit £30 CIL	-£871,047	-£281,591	-£2,154,686
Surplus/Deficit £35 CIL	-£891,272	-£287,132	-£2,208,369
Surplus/Deficit £40 CIL	-£911,496	-£292,672	-£2,262,053
Surplus/Deficit £45 CIL	-£931,721	-£298,213	-£2,315,736
Surplus/Deficit £50 CIL	-£951,945	-£303,753	-£2,369,419

Alternative Outputs – Benchmark Land Value Analysis

5.8 An alternative approach to displaying the results in terms of scheme surplus above EUV is to instead display what the maximum benchmark land value each of the schemes could pay and still be viable. These alternative results use the same underlying modelling; they merely display the outputs differently. These alternative results are shown below:

Site Ref	Use	Gross Site Area (Ha)	Zone	EUV per ha	Net Residual Land Value	Max Benchmark per ha	% Over EUV
1	Residential	0.03	Zone 1	£2,100,000	£30,989	£1,032,955	-51%
2	Residential	0.10	Zone 2	£2,100,000	£930,551	£9,305,512	343%
3	Residential	0.09	Zone 3	£3,100,000	£385,440	£4,282,669	38%
4	Residential	0.08	Zone 3	£3,100,000	£885,319	£11,066,489	257%
5	Residential	0.14	Zone 2	£2,100,000	£640,184	£4,572,741	118%
6	Residential	0.57	Zone 2	£2,100,000	£3,116,332	£5,467,249	160%
7	Residential	6.12	Zone 2	£2,100,000	£16,734,168	£2,734,341	30%
8	Residential	0.48	Zone 4	£3,500,000	£8,627,625	£17,974,219	414%
9	Residential	0.03	Zone 5	£7,300,000	£978,336	£37,341,060	412%
10	Residential	0.05	Zone 2	£2,100,000	£119,002	£2,236,876	7%
11	Residential	1.02	Zone 1	£2,100,000	-£320,238	-£313,959	-115%
12	Residential	0.03	Zone 2	£2,100,000	£450,043	£13,314,894	534%
13	Residential	0.07	Zone 2	£2,100,000	£418,183	£5,873,357	180%
14	Residential	0.05	Zone 4	£3,500,000	£254,287	£5,387,436	54%
15	Residential	0.11	Zone 3	£3,100,000	£427,278	£4,069,310	31%
16	Residential	0.05	Zone 4	£3,500,000	£1,679,919	£36,519,987	943%
17	Residential	0.40	Zone 4	£3,500,000	£2,389,633	£5,974,083	71%
18	Residential	0.09	Zone 2	£2,100,000	£465,980	£5,177,553	147%
19	Residential	0.02	Zone 4	£3,500,000	£130,255	£6,512,765	86%
20	Residential	0.76	Zone 2	£563,388	£967,642	£1,273,213	126%
21	Residential	3.95	Zone 4	£2,928,135	£20,045,487	£5,074,807	73%
22	Retail Park	0.11	Zone 1	£2,100,000	£400,205	£3,638,223	73%
23	B2/B8 Industrial	0.85	Zone 1	£2,100,000	£833,055	£980,064	-53%
24	Student Housing	0.08	Zone 2	£2,100,000	£1,299,562	£16,244,526	674%
25	Student Housing	0.38	Zone 5	£7,300,000	£3,844,753	£10,117,772	39%
26	Student Housing	0.96	Zone 2	£2,100,000	£3,237,273	£3,372,160	61%
27	Standard Care Home	0.33	Zone 1	£2,100,000	£658,723	£1,996,129	-5%
28	Extra Care Home	0.61	Zone 3	£3,100,000	£1,180,013	£1,934,448	-38%
29	Hotel	0.21	Zone 3	£3,100,000	£1,175,842	£5,599,245	81%
30	B1 Office	0.75	Zone 1	£2,100,000	£5,220,473	£6,960,630	231%
31	B1 Office	2.50	Zone 1	£2,100,000	£15,652,432	£6,260,973	198%
32	B1 Office	0.60	Zone 5	£7,300,000	£5,096,749	£8,494,582	16%
33	B2/B8 Industrial	0.25	Zone 1	£2,100,000	£221,247	£884,986	-58%
34	B2/B8 Industrial	2.50	Zone 1	£2,100,000	£2,880,581	£1,152,232	-45%

5.9 These results are averaged per zone below:

Average Maximum Benchmarks per Zone – Residential

Zone	Av. Max Benchmark per ha	Av. % Over EUV
Zone 1	£359,498	-83%
Zone 2	£5,550,637	183%
Zone 3	£6,472,823	109%
Zone 4	£12,907,216	273%
Zone 5	£37,341,060	412%

Average Maximum Benchmarks per Zone – Non-residential

Zone	Av. Max Benchmark per ha	Av. % Over EUV
Zone 1	£3,124,748	49%
Zone 2	£9,808,343	367%
Zone 3	£3,766,847	22%
Zone 4	-	-
Zone 5	£9,306,177	27%

5.10 To provide context to these average values we have reviewed available Land Registry sales data for all the real-world sites used in the viability analysis. This includes where tested site typologies have been based on actual sites and schemes submitted for planning, and sites used in the estimation of existing use values per zone. The table below summarises the average sold land prices per hectare and per zone:

	Price Paid per ha	#
Zone 1	£3,536,795	9
Zone 2	£4,777,068	4
Zone 3	£3,961,987	4
Zone 4	£1,684,211	1
Zone 5	£11,071,977	4

5.11 It should be noted that sold prices are not available for all sites involved in the viability testing; hence the sample size is relatively small, particularly in the case of Zone 4. The figures shown above are for all sites where data are available, without consideration of whether the sites delivered policy-compliant schemes.

5.12 The table below further analyses these data, limiting the results only to those where, in the case of residential development, a policy-compliant level of affordable housing (or financial contribution in the case of small schemes) was delivered:

	Price Paid per ha	#
Zone 1	£3,919,804	5
Zone 2	£1,068,774	1
Zone 3	£1,369,515	1
Zone 4	-	0
Zone 5	£10,616,358	2

5.13 This reduces the sample size further but demonstrates the general trend that land will trade at lower values where policy-compliant development is promoted.

5.14 Generally these average prices compare favourably with the maximum land values that the tested schemes can viably afford. Where the schemes can afford a land payment greater than the average prices paid in the market, this suggests the schemes are viably capable of bearing the costs of the policies in the local plan, including affordable housing and CIL.

6. Commentary on Results

B1 Offices

6.1 The testing of the office typologies suggests this use can viably support a CIL payment. Office assumed to be delivered in Zone 1 is viable, however that tested in Zone 5 is at the margins of viability. This is due to the much higher land values in the city centre.

6.2 Overall the results are positive and the more viable typologies are those where there is greater likelihood of office development being promoted over the next plan period.

B2-B8 Industrial

6.3 The testing continues to suggest that industrial development is not viable. This is the case regardless of the CIL rate assumed, i.e. the modelling suggests that industrial development does not generate greater value than existing uses. As stated previously, arguably a marginal CIL may still be charged in such circumstance given CIL is not the deciding factor in viability, and in the event an industrial scheme is viable a small charge is unlikely to make it unviable. Industrial uses in the City authority area are also often built for owner-occupation or with pre-let or forward-purchase arrangements which may change the development economics from the typical residual development appraisal approach taken in the testing.

6.4 However, the Council may wish to consider lowering the charge proposed in the draft charging schedule in light of these results.

Residential

6.5 Though some assumptions have been amended the results of the residential analysis are almost entirely the same as those in the Original Report. The only difference is site 10 has been reduced to only marginal viability, generating a land value in excess of EUV but lower than the benchmark of EUV +30%.

6.6 This typology is for the development of 2 residential units. The analysis assumes that all residential schemes of 9 units or fewer are required to pay a financial affordable housing contribution of 15% of GDV. However, policy in the emerging Local Plan only applies this contribution to schemes of 4-9 residential units, not schemes of 3 units or fewer. If this contribution is removed from the calculation, then this site does produce a viable result. As in the Original Report, this is also the case for site 1, a single residential unit typology. The following are the results for these sites if the 15% GDV contribution is removed:

Site Ref	Gross Site Area (Ha)	Zone	EUV per ha	EUV	Benchmark	Net Residual Land Value	Surplus/Deficit
1	0.03	Zone 1	£2,100,000	£63,000	£81,900	£104,804	**£41,804**
10	0.05	Zone 2	£2,100,000	£111,720	£145,236	£240,538	**£128,818**

6.7 This demonstrates that the results of the residential testing are the same as in the Original Report.

6.8 The additional testing of alternative benchmark land values for sites 20 and 21 also shows that these sites are viable even where high land values, indicative of development hope value rather than EUV, are applied.

Other Uses

6.9 The results for all the other non-residential uses are the same as in the Original Report, with the one exception of site 27, the care home typology. The modelling suggests that the care home sites, both standard and extra care, cannot viably support the CIL rate tested.

6.10 We would highlight however that the testing assumes CIL is payable on the full floor area of new development, with no allowances for any exiting floorspace. We understand care home development is most likely to come forwards, if at all, on previously developed land likely to have existing structures which will reduce the CIL charge.

6.11 We would also comment that the CIL charge is a relatively small part of overall scheme costs and that development may still be viable if funding and development approaches are different to the standard residual approach adopted in the testing, for example self-delivery to be held as an investment by care home operators. As CIL is a relatively small charge in the context of overall scheme costs, should a development be viable on this basis it is unlikely to be rendered unviable by the CIL charge.

Benchmark Land Value Analysis

6.12 National Planning Practice Guidance ("PPG") on Viability is clear that the starting point for Benchmark should be existing use value, with a premium added to "reflect the minimum price at which it is considered a rational landowner would be willing to sell their land." In the Original Report we have sought to reflect this by estimating EUV of land in each zone, and applying an additional 30% premium to cover this additional requirement. This is considered a relatively generous allowance given in financial terms it would be prudent, all other things being equal, for a landowner to pursue development that generates even a slightly higher value than the existing use.

6.13 However the PPG also states that the Benchmark Land Value should be "informed by comparable market evidence of current values". This may suggest a permissible alternative approach to determining Benchmark Land Value would be to observe market transactions. We have therefore sought to compare the land values generated by the tested sites with average values traded in the market per zone.

6.14 In general terms the results compare favourably, with the land values generated by the schemes in excess of close to the market average transactions for all the samples sites where sold prices were available. The main exception is residential schemes in Zone 1, where it is acknowledged that residential prices are low. However, for this very reason relatively less residential development is proposed in this Zone, with new build tending to focus on non-residential uses, for which the tested values are close to market prices.

6.15 The PPG goes on to state that "there should be evidence that these transactions were based on policy compliant development. This is so that previous prices based on non-policy compliant developments are not used to inflate values over time." We have therefore also analysed traded market prices where policy-compliant affordable housing was delivered only. Average tested values in this case are lower and therefore compare still more favourably to the market prices in this case.

6.16 It is acknowledged that the values for non-residential uses in Zone 5 are a little below average market prices. However in this Zone significant non-residential development is unlikely to come forwards unless in conjunction with residential use in mixed schemes, and residential values compare much more favourably.

Where small-scale non-residential development is proposed it is more likely to be on sites with non-residential or vacant existing uses, which will have lower values than the general market average.

6.17 Finally we would emphasise that the PPG states that Benchmark Land Value should be informed by market evidence only of "current uses". Even where a site is sold pursuant to a policy-compliant scheme this may therefore still not be a valid value if based on development rather than existing asset value. On this basis the approach to Benchmark Land Value adopted in the Original Report is considered robust and in accordance with policy. We have nevertheless reviewed market prices in general and on the basis of policy compliance, regardless of the use on which those prices have been based, and the values generated by the tested sites are still generally above or close to those higher market prices. If those values were tempered with reference to existing use only, the tested sites would be more viable still as compared to market prices.

7. Conclusions and Recommendations

7.1 This report is an addendum to the 'Economic Viability Assessment to inform the Oxford Local Plan 2036 and the Review of the Community Infrastructure Charging Schedule, September 2018' and should be read in conjunction with that Original Report.

7.2 Additional testing has been undertaken to run figures for office use, to expand on industrial testing, and to update and correct other assumptions.

7.3 Overall the results continue to suggest the CIL rates proposed in the draft charging schedule can be viably afforded by development likely to come forwards in the City authority area over the plan period. For residential, this includes the proposed policies in relation to affordable housing tenure mix, and requirements for financial contributions to affordable housing for schemes of 4-9 residential units.

7.4 The potential exceptions are care home and industrial development. For both of these development may still be viable where undertaken directly by or for known occupiers or operators, where the development economics of the scheme will be different from the standard residual development appraisal approach adopted in the testing.

7.5 We note that there is generally very little care home development in the City authority area and on this basis, in general terms imposition of a consistent non-residential CIL rate will not compromise the promotion of development in the area.

7.6 The Council may however wish to review the proposed CIL charge in relation to industrial development given this is a more common typology which the testing does suggest struggles for viability, though this is the case in general rather than due to CIL per se.

Contact Details

Enquiries
Matthew Hayes
020 7911 2374
matthew.hayes@avisonyoung.com

Visit us online
avisonyoung.co.uk