

BMW Mini Plant, Oxford

FINANCIAL VIABILITY ASSESSMENT FOR EXCEPTIONAL CIL RELIEF

Prepared by DS2 LLP for BMW Group UK

November 2023



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1 EXECUTIVE SUMMARY

- 1.1 This is an Executive Summary of the Financial Viability Assessment (hereafter “FVA”) which has been prepared by DS2 on behalf of BMW Group UK (“the Applicant”) to robustly examine the financial viability of the proposed extension of the BMW Mini Plant in Cowley, Oxford (hereafter “the Site”). The Site is located within the administrative boundary of Oxford City Council (“OCC” or “the Council”).
- 1.2 This FVA has been prepared to accompany the application for discretionary exceptional Community Infrastructure Levy (CIL) relief, in accordance with Regulations 55 and 56 of the Community Infrastructure Levy Regulations 2010 (as amended). It has been prepared on an independent and objective basis, in accordance with planning policy and best practice guidance, including the Royal Institution of Chartered Surveyors Guidance Note, ‘Assessing viability in planning under the national planning policy framework 2019 for England’ (1st Edition) which became effective from 1st March 2021. We can also confirm that in collating this report:
- We have abided by the RICS Guidance note, ‘Financial viability in planning: conduct and reporting’ which became effective in May 2019.
 - We have complied with the RICS Professional Statement (2) Ethics, Competency, Objectivity and Disclosures. We have been reasonable, transparent, fair and objective as required by Section 4 of the Professional Statement.
 - Our instruction is on a non-performance or contingent related basis.
 - There are no conflicts of interest in accordance with the RICS Professional Statement ‘Conflicts of Interest’, 1st Edition, that came into effect on 1st January 2018.

Site location and description

- 1.3 The BMW Mini Plant Oxford is situated approximately three miles south east of Oxford. The Plant is bounded to the west by the A4142 Eastern By-Pass Road, to the north by Horspath Road and to the south by Garsington Road. The eastern boundary adjoins open space.
- 1.4 The Site is the main assembly facility for the Mini range of cars and builds up to 1,000 vehicles per day, which means it is the third largest vehicle manufacturing site in the UK. The majority of the vehicles built at the Site are traditional internal combustion engine (“ICE”) powered cars. Manufacture of ICE powered vehicles is being rapidly phased out and production is planned to cease by 2030 as the automotive industry transitions to electric vehicles.

Development proposals

- 1.5 The Applicant is seeking to upgrade its production facilities at the Site to accommodate the assembly of electric vehicles at the Site. This will secure its long term commercial prospects beyond the end of ICE production in 2030. The proposed works will increase production capacity through a mix of new building construction and existing building extension. The description of development for the proposed works (hereafter “Proposed Development”) is as follows:

“Demolition of Buildings 30.5 and 31.5, extension of Integrated Logistics Centre (Building 80.0) and Body-in-White/Logistics building (Building 31.0/31.3), provision of new lorry

parking area, expansion of external waste storage area, realignment of internal road and installation of associated landscaping, delivery decks, canopies, shutter doors, plant and equipment and all other associated works.”

- 1.6 The application boundary is split into four distinct parts of the wider manufacturing site. Subject to planning, the Proposed Development will deliver:
- 14,982 sqm / 161,269 sq ft of industrial space in a building known as “TKB/TLO”
 - 14,875 sqm / 160,112 sq ft of industrial space in a building known as the “Integrated Logistics Centre”
 - 17,085 sqm / 183,901 sq ft of new hard standing surface to be used for lorry parking and a small office/shelter building extending to 42 sqm / 456 sq ft in an area known as the “Trailer Park Area or TPA”
 - An extension to an existing structure used for waste recycling in an area known as the “Waste Recycling Area or WRA”
- 1.7 Subject to planning, the Proposed Development will deliver 29,900 sqm / 321,838 sq ft of industrial buildings over three parts of the site. The Proposed Development will also deliver 17,085 sqm / 183,901 sq ft of new hardstanding surface, in addition to the 7,145 sqm / 76,908 sq ft of existing hard standing that will be reused in the WRA element of the Site. The Proposed Development will be delivered under a general industrial (B2/B8) use class with ancillary E(g)(offices, research and development and light industrial) uses.
- 1.8 The Applicant will integrate the Proposed Development into the existing production facilities in its wider ownership. The planning application relates only to the built areas of the site expansion proposals which comprises a small fraction of the investment required to deliver the transition to electric vehicles at the Oxford plant. The Proposed Development is part of a €690m investment commitment made by the Applicant into its UK manufacturing facilities and within this is an element of grant provided by the UK Government (referred to hereafter as “HMG”).

Approach to assessment of viability

- 1.9 The Proposed Development will be assessed using the residual method of valuation to determine the residual land value which is then, in turn, measured against an appropriate benchmark land value. If the benchmark land value is in excess of the value of the Proposed Development, the scheme is deemed to be in a viability deficit and therefore a CIL contribution cannot viably be made and there is a case for exceptional CIL relief. If vice versa, and the value of the Proposed Development is in excess of the benchmark land value, the scheme is deemed to be in a viability surplus and the CIL contribution can viably be made.
- 1.10 The assessment must be conducted on a non-applicant specific basis, using standardised inputs where possible, in accordance with national policy and guidance on viability matters. The viability appraisal therefore treats the Proposed Development as standard industrial (B2/B8 use) buildings/areas on the assumption that the buildings and open areas would be developed by a typical industrial developer and let and sold on the open market. Appropriate industrial rents and yields are assumed, rather than any value specific to the Applicant. Conversely, any additional costs that cover additional works to manufacturing facilities which might be required for its end-

use but which sit outside the planning permission are omitted. The public subsidy provided by HMG is also apportioned appropriately so that a portion is allocated solely to the construction works at the Oxford plant. This subsidy is included within the viability calculations.

- 1.11 The benchmark land value is assessed on a £ per acre basis for industrial land, noting that each element of the Site is within a standard general industrial use class. There is no premium or discount applied to account for the site being in the ownership of BMW Group's wider operations at the Site.

Appraisal results

- 1.12 The appraisal results are summarised in the table below.

EXECUTIVE SUMMARY TABLE: APPRAISAL RESULTS	
Item	£
Gross Development Value including grant	£112,157,104
Less	
Purchaser's costs	£6,824,435
Construction costs	£83,320,529
Contingency at 5%	£4,166,026
CIL	£832,421
Professional fees	£6,665,642
Other development costs	£4,611,000
Marketing and agents	£3,108,815
Developer's Return at 20% on cost	£17,555,441
Finance at 7%	£6,913,065
Equals	
Residual Land Value	-£21,840,270
Less	
Benchmark Land Value	£39,742,495
Equals	
Surplus/ (Deficit)	-£61,582,765

- 1.13 The FVA illustrates that on a present-day basis, the Proposed Development derives a residual land value of -£21,840,270 which, when measured against the BLV of £39,742,495, generates a deficit of -£61,582,765. Therefore, the Proposed Development is providing in excess of the maximum viable level of CIL.
- 1.14 The Proposed Development will deliver works that will facilitate expansion of capacity at the BMW Mini Plant and will secure its long-term future. The financial outputs outlined in this assessment show that when assessed using the standard planning viability methodology on an objective and non-applicant specific basis, the scheme cannot viably provide any financial contributions by way of planning obligations. This FVA therefore satisfies one of the requirements for an application of exceptional CIL relief.

2 INTRODUCTION

Purpose of assessment

- 2.1 This FVA has been prepared by DS2 on behalf of the Applicant to robustly examine the financial viability of the proposed works at the Site. This FVA has been prepared to accompany the application for discretionary exceptional CIL relief, in accordance with Regulations 55 and 56 of the Community Infrastructure Levy Regulations 2010 (as amended).

Justification for assessment

- 2.2 National guidance on viability notes that where up to date policies set out the contributions expected from development, it is up to the Applicant to demonstrate whether particular circumstances justify the need for a viability assessment.
- 2.3 In this instance the Council's CIL policies allow for an application for CIL relief to be accompanied by an economic viability assessment of the chargeable development (the development which would otherwise be liable for a CIL 'charge').

Basis of assessment

- 2.4 In accordance with NPPF paragraph 56 and national viability guidance, viability assessments must incorporate standardised inputs and must be conducted on an objective, non-applicant specific basis. The Applicant will integrate the Proposed Development into its existing manufacturing facilities. The overall commitment to invest €680m into the Applicant's manufacturing facilities includes various works which sit outside of the planning application and which are specific to the Applicant's function as a vehicle manufacturer. These works have therefore been ignored for the purposes of an objective and non-applicant specific viability assessment, which considers only the four distinct components of the Proposed Development, and which considers the value and cost of these components from the perspective of a typical developer.
- 2.5 The viability appraisal therefore treats the Proposed Development as standard industrial use buildings/areas on the assumption that the buildings and open areas would be developed by a typical industrial developer and let and sold on the open market. The viability of development is assessed over the development period (acquisition, construction, sale), as is established practice, and does not consider any longer, operational period.
- 2.6 The benchmark land value is assessed on a £ per acre basis, noting that each element of the Site has an existing, industrial planning use class. There is no premium or discount applied to account for the site being in the ownership of the BMW Group's wider operations at the Site.
- 2.7 In accordance with established best practice, this FVA has been carried out a current day basis, using present day revenues and costs.

The Financial Viability Assessment

- 2.8 ARGUS developer has been used to demonstrate the project's financial viability. This is commercially available and widely used development appraisal software. It is considered appropriate to assess a development of this type because of its ability to accurately model

development timings and cash flows. The use of ARGUS Developer has previously been accepted by OCC for viability testing.

2.9 The appraisals and figures in this FVA do not represent formal 'Red Book' valuations (RICS Global Valuation Standards, effective from January 2022) and should not be relied upon as such. This report has been prepared in accordance with the referenced policy and professional guidance to accompany the planning application and exceptional circumstances CIL relief only and should only be used for the consideration of these matters.

2.10 This FVA has been prepared by Jack Savin-Taylor MRICS and Joe Crossley MRICS, both of whom have considerable experience in preparing viability assessments for large-scale developments across London, the South East and the Midlands.

2.11 This FVA has been structured as follows:

- **Site location & description** – summary of the location and nature of the existing site.
- **Development proposals** – review and description of the Proposed Development.
- **Policy** – includes a review of the local exceptional CIL relief policy.
- **Viability methodology** – description of the methodology employed within the wider context of best practice for FVAs.
- **Development timings** – description of the proposed programme subject to a satisfactory planning consent being obtained.
- **Development values** – review of the residential values and commercial revenues alongside any additional revenue streams that comprise the scheme Gross Development Value (GDV).
- **Development costs** – review of the development costs for the proposed project.
- **Developer's profit return** – analysis of the appropriate developer's return for the development at the Site.
- **Benchmark Land Value** – analysis in relation to the proposed Benchmark Land Value for the financial appraisal.
- **Appraisal results and sensitivity testing** – summary of the financial appraisal outputs and supplementary results of sensitivity testing.
- **Conclusions** – statement as to whether the Proposed Development qualifies for exceptional CIL relief on the basis of development viability and concluding rationale.

2.12 To inform the preparation of this FVA, information prepared by the following consultants has been relied upon:

- Ridge – architect;
- David Lock Associates – planning consultant;
- Drees and Sommer – cost consultant

Mandatory requirements

2.13 This pre-app FVA has been prepared by DS2 in accordance with the RICS Professional Statement titled ‘Financial Viability in Planning: Conduct and Reporting’ which became effective from 1st September 2019 (re-issued as a Professional Standard in April 2023).

TABLE 1: RICS MANDATORY REQUIREMENTS								
Requirement/ reference	RICS	Statement						
Objectivity, impartiality and reasonableness (2.1)		DS2 can confirm that this FVA has been prepared on an objective and impartial basis, without interference, and in full accordance with national planning policy and guidance and professional best practice requirements. DS2 can also confirm that in collating this report we have complied with the RICS Professional Standard (2) Ethics, Competency, Objectivity and Disclosures in the RICS Valuation – Global Standards (2022).						
Terms and conflicts (2.2)		DS2 are instructed to provide an objective assessment of the viability of the proposed development and its ability to support a policy compliant level of planning obligations and CIL. DS2 can confirm that we are not currently working for the Council on any other live planning applications. DS2 can confirm that there are no conflicts of interest in accordance with the RICS Professional Statement Conflicts of Interest, 1st Edition, that came into effect on 1st January 2018 (re-issued as a Professional Standard in April 2023).						
Fees (2.3)		DS2 confirm that our instruction is not on a contingent or performance related basis.						
Transparency (2.4)		DS2 can confirm that this FVA has been prepared on the basis that it may be made publicly available other than in exceptional circumstances.						
Area-wide FVAs (2.5)		DS2 can confirm that we have not undertaken an area-wide viability assessment related to formulating existing or future policies which would be relevant to the proposed development.						
Evidence (2.6)		DS2 can confirm that all inputs into the appraisal model have been reasonably justified and evidenced.						
Benchmark Land Value (2.7)		DS2 can confirm that this FVA provides the Benchmark Land Value in accordance with the national Planning Practice Guidance (PPG), including reporting of the existing use value, premium, alternative use value, and whether any adjusted market evidence has been considered appropriate.						
FVA origination, reviews and negotiations (2.8)		DS2 can confirm that this FVA is distinct from any subsequent negotiations that may take place with the Council’s viability advisor. We confirm that such negotiations would be reflected within addendum documents, and which may relate to S106 agreements or to CIL.						
Sensitivity analysis (2.9)		DS2 can confirm that this FVA includes sensitivity analysis of key appraisal inputs and accompanying explanation, allowing the reader to understand how changes in inputs affects the conclusions of this FVA.						
Engagement (2.10)		DS2 confirm that we advocate reasonable, transparent and appropriate engagement between the Applicant and the Council.						
Non-technical summary (2.11)		This FVA includes a non-technical executive summary to allow for better stakeholder understanding of the assessment, and which includes key figures and outcomes.						
Author sign off (2.12)		DS2 can confirm that this FVA has been prepared by Joe Crossley MRICS and reviewed by Jack Savin-Taylor MRICS <table border="1" data-bbox="635 1915 1337 2016" style="margin-left: auto; margin-right: auto;"> <tr> <td>Jack Savin-Taylor MRICS</td> <td>Joe Crossley MRICS</td> </tr> <tr> <td>Partner</td> <td>Associate</td> </tr> <tr> <td>For and on behalf of DS2 LLP</td> <td>For and on behalf of DS2 LLP</td> </tr> </table>	Jack Savin-Taylor MRICS	Joe Crossley MRICS	Partner	Associate	For and on behalf of DS2 LLP	For and on behalf of DS2 LLP
Jack Savin-Taylor MRICS	Joe Crossley MRICS							
Partner	Associate							
For and on behalf of DS2 LLP	For and on behalf of DS2 LLP							

Contributors (2.13)	All contributors to this report have been considered competent by DS2 and understand they must comply with the mandatory requirements.
Timeframes (2.14)	DS2 can confirm that we have allowed sufficient time to prepare this FVA, proportionate to the scale of the project.

3 THE SITE

Site location

- 3.1 The BMW Mini Plant Oxford is situated approximately three miles south east of Oxford. The Plant is bounded to the west by the A4142 Eastern By-Pass Road, to the north by Horspath Road and to the south by Garsington Road. The eastern boundary adjoins open space.
- 3.2 The application boundary is split into eight parts, four of which relate to minor alterations and upgrades and have been omitted from this assessment, and the remaining four comprise the main works locations for the Proposed Development. A location plan delineating the boundary of the plant showing ownership of the Applicant (shown in blue), with the application boundaries shown alongside (shown in red) is included below.

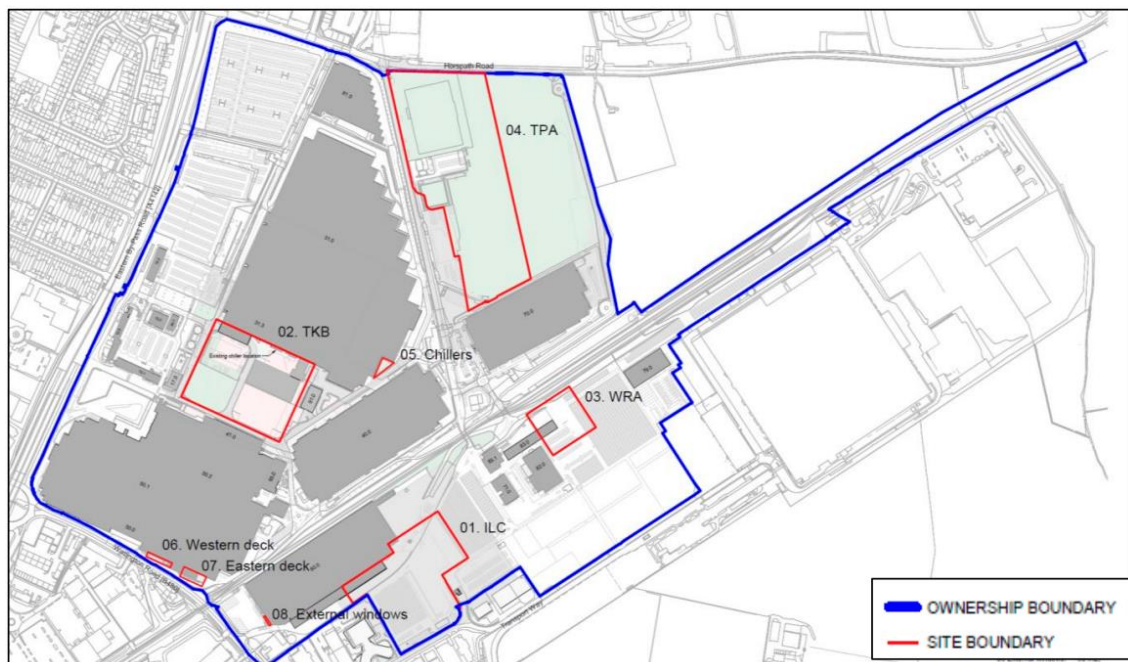


Figure 1 - Site boundary plan

- 3.3 A full-sized version of the above is attached at **Appendix 1**.
- 3.4 The Site is well connected by road as it lies between the M40 and M4 motorways. The wider manufacturing site also benefits from its own rail link which connects the production facilities to the wider UK rail network. This is used for freight transport and delivers assembled vehicles to ports for export to Europe.
- 3.5 The Site is not located in any conservation areas and it does not contain any listed buildings.

Site description

- 3.6 The application Site comprises eight separate areas within the wider plant boundary, along with integration works to Building 50.0. These areas together constitute an application area of 11.54ha or 28.51 acres. Excluding the four small red line areas associated with upgrade works (areas 5,

6, 7 and 8 in the diagram above), the site area of the four main elements (areas 1, 2, 3 and 4 in the diagram above) of the red line totals 11.45 ha or 28.30 acres. These four main elements are the parts of the Site assessed in this FVA. A site plan showing the existing buildings is attached at **Appendix 2**.

3.7 Each main area is described below:

- **Technologie Karosserie Bau/Technologie Logistik ('TKB/TLO') Site:** This part of the Site currently comprises an existing building (the MLH building) which needs to be demolished prior to development. There is also an existing yard, an area of vacant space and an internal circulation road within the TKB/TLO site. The TKB/TLO site is surrounded by existing manufacturing buildings, including Building 30.0 (logistics) to the north, Building 41.0 (assembly) to the south, and Buildings 91.0 and 40.0 to the east. To the west is a car park and further manufacturing buildings. This part of the Site extends to 6.45 acres.
- **Integrated Logistics Centre ('ILC') Site:** This part of the Site comprises existing parking bays, an internal circulation road and an industrial yard with storage containers. The existing ILC building lies to the north of the site, while to the east is an existing car parking area. The western and southern boundaries form the wider boundary of the plant. This part of the Site extends to 6.53 acres.
- **Waste Recycling Area ('WRA') Site:** This part of the Site is primarily an area of hardstanding that forms part of an existing waste recycling and storage area. This part of the Site extends to 1.77 acres.
- **Trailer Park Area ('TPA') Site:** This part of the Site is predominantly a vacant field adjacent to an existing trailer park. There are some existing hedges and parking bays within the TPA site. To the west is Roman Way which runs north to south across the wider BMW Plant site, while to the north is the Applicant's ownership boundary abutting Horspath Road. Building 70.0 lies directly to the south. To the east, there is further vacant land and a recently installed vehicle test track. This part of the Site extends to 13.54 acres.

3.8 DS2 visited the Site on 5th September 2023. Taking photographs is prohibited due to the commercially confidential product development taking place on site, however, we have been provided with photos by the Applicant of each element of the existing Site. These are attached at **Appendix 3**.

Ownership

3.9 The freehold of the Site is owned by the Applicant.

4 DEVELOPMENT PROPOSALS

Proposed development

4.1 A full assessment of Proposed Development is contained within the Planning Statement prepared by David Lock Associates and the Design and Access Statement (“DAS”) prepared by Ridge. The DAS in particular provides further context regarding the design evolution, movement and access and considerations of the scheme. This section of the FVA should be read in conjunction with the Planning Statement and the DAS, both of which have been submitted as part of the application.

4.2 The description of the development is as follows:

“Demolition of Buildings 30.5 and 31.5, extension of Integrated Logistics Centre (Building 80.0) and Body-in-White/Logistics building (Building 31.0/31.3), provision of new lorry parking area, expansion of external waste storage area, realignment of internal road and installation of associated landscaping, delivery decks, canopies, shutter doors, plant and equipment and all other associated works.”

4.3 The Proposed Development will operate under Use Class B2 (General Industrial) and B8 (Storage of Distribution) of the Town and Country Planning (Use Classes) Order 1987 (as amended). The proposal also includes ancillary Use Class E (g) (offices, research and development and light industrial) uses.

4.4 Further details relating to each of the four main application areas is outlined below.

TKB/TLO Site

4.5 The proposal includes the demolition of Buildings 30.5 and 31.5 and the erection of a new building providing 14,982 sqm / 161,269 sq ft of additional floorspace. The TKB building will provide additional floorspace for the Mini Plant’s body shop processes. This includes a chiller area which comprises plant to regulate the temperature of the adjacent TKB extension. The TLO building will provide additional floorspace for logistics operations.

4.6 The proposed building comprises a ground and a mezzanine floor. The southern façade of the building will include a raised deck and canopy to enable safe loading and unloading of vehicles (up to 5 vehicles). The new building will connect to the existing Body-in-White (Building 30.1) to the north.

4.7 A new internal road will provide access to the retained yard. There will also be an internal circulation road to the south of the proposed building.

Integrated Logistics Centre (ILC) Site

4.8 The Proposed Development includes an extension to the existing ILC (Building 80.0) to provide 14,875sqm / 160,112 sq ft of additional floorspace over a ground and mezzanine floor. The extension will provide additional space for BMW’s logistics operations.

4.9 The extension will include a canopy on the western façade, which will connect to the existing Building 80.0 southern canopy, to enable safe loading and unloading of vehicles (up to 4 vehicles). The new building will also connect to the existing ILC to the northwest.

4.10 A new internal circulation road will wrap around the western, southern and eastern perimeter of the site, re-providing the east-to-west connection lost through the delivery of the proposed development. There will also be an additional 6 parking spaces provided through the ILC development.

Waste Recycling Area (WRA) Site

4.11 The proposal includes a 340 sqm / 3,660 sq ft canopy extension to the existing waste recycling area, together with a new yard, external storage area and road amendment to improve vehicle movement safety. The proposed canopy will match the existing in height and appearance.

Trailer Park Area (TPA) Site

4.12 The proposal includes the provision of additional space to accommodate parking for up to 97 heavy goods vehicles (HGVs) to the east of Roman Way. The parking area will also include an inspection canopy together with approximately 42 sqm / 456 sq ft of floorspace for an office/welfare facilities.

Summary

4.13 A full set of floor plans for the Proposed Development is included at **Appendix 4**. Area schedules for the TKB/TLO, ILC and TPA sites are included at **Appendix 5**. There is no area schedule for the WRA site because there is no new building included in this part of the works – only a canopy extension. The GIAs for the elements of the Proposed Development containing buildings with gross areas is shown below. Industrial buildings are measured in GIA terms only, so there are no net areas provided.

TABLE 2: PROPOSED DEVELOPMENT AREAS (GIA)		
Use	GIA (sq m)	GIA (sq ft)
TKB/TLO	14,982	161,269
ILC	14,875	160,112
TPA	42	456
WRA	-	-
TOTAL	29,900	321,838

4.14 In addition to the buildings listed above, the TPA site will create a hardstanding area with parking for 97 lorries. The newly created hardstanding area extends to 17,085 sqm or 183,901 sq ft.

4.15 The WRA will retain the hardstanding area of 7,145 sqm or 76,908 sq ft.

5 POLICY

- 5.1 CIL relief can be applied for under OCC's Discretionary Exceptional Circumstances Relief Policy which was introduced on 1st June 2019 in accordance with Regulations 55 and 56 of the Community Infrastructure Levy Regulations 2010 (as amended). A copy of the policy is attached at **Appendix 6**, and it is briefly summarised below.
- 5.2 The policy will only be applied at OCC's discretion after considering each application individually. It allows relief to be applied for after planning permission has been granted but before commencement of development.
- 5.3 To qualify for CIL relief, the following criteria must be met:
- a Section 106 agreement has been entered into in respect of the planning permission which permits the chargeable development; and OCC considers that:
 - o requiring payment of the CIL charged by OCC would have an unacceptable impact on the economic viability of the chargeable development; and
 - o granting relief would not constitute state aid.
- 5.4 It is understood that OCC has advised the Applicant that references to "state aid" should now be taken to be a reference to the domestic subsidy control regime pursuant to the Subsidy Control Act 2022.
- 5.5 The policy requires applications for CIL relief to be accompanied by:
- an assessment of the cost of complying with the planning obligation;
 - an assessment of the economic viability of the chargeable development (this element is the purpose of this FVA document);
 - an explanation of why in the opinion of the claimant, payment of the chargeable amount would have an unacceptable impact on the economic viability of that development;
 - an apportionment assessment where there is more than material interest in the land; and
 - a declaration that the claimant has complied with paragraph 6 of Regulation 57.
- 5.6 The policy also states that any applications for CIL relief are expected to be genuinely exceptional.

6 VIABILITY METHODOLOGY

6.1 The approach adopted in producing this FVA has been framed by national, regional, and local adopted planning policy as well as best practice guidance.

Methodology

6.2 PPG paragraph 010 Reference ID: 10-010-20180724 defines the viability process as

“looking at whether the value generated by a development is more than the cost of developing it. This includes looking at the key elements of gross development value, costs, land value, landowner premium, and developer return.”

6.3 The residual methodology is detailed within the RICS Guidance Note ‘Valuation of Development Property’ (2019). In short, the gross value of the completed development is assessed, including, amongst others, the aggregated value of any residential properties and commercial values ((in this case only commercial values are relevant. Secondly, the cost of building the development is deducted along with professional fees, finance costs, return etc to the developer. This is illustrated below:

TABLE 3: RESIDUAL ANALYSIS METHODOLOGY	
Gross Development Value	
	Residential and commercial sales income
	Any additional income (e.g. car parking)
	Less
Costs	
	Build costs
	Exceptional development costs (e.g. listed building works)
	Professional fees
	Internal overheads
	Planning obligations (e.g. CIL, site specific s.106 obligations)
	Marketing costs and disposal fees
	Finance costs
	Less
Developer’s Profit	
	Equals
Residual Land Value	

6.4 The output is the Residual Land Value (RLV). Simply, if the RLV produced by a scheme is lower than an appropriate Benchmark Land Value (BLV), the scheme is deemed to be unviable and, therefore, unlikely to come forward for development unless the level of planning obligations and in this case CIL can be reduced. This approach to viability is the approach adopted in this FVA. If the RLV is higher than the BLV the scheme can, in theory, provide additional planning obligations and in this case pay CIL.

6.5 Through sensitivity testing it is possible to determine the maximum reasonable level of planning obligations and in this case CIL payments that ensure a scheme remains financially viable and retains the highest possible chance of coming forward, whilst balancing commercial requirements with policy requirements of the development plan.

7 DEVELOPMENT TIMINGS

7.1 The following section sets out the adopted pre-construction, construction and sale timings applied within the ARGUS appraisal of the Proposed Development.

Pre-construction

7.2 A six-month pre-construction period is considered appropriate given the nature of the scheme and the time required to prepare and mobilise the Site for development. The 'lead-in' period includes allowances for the following:

- Signing of the Section 106 legal agreement.
- Planning and adjustment of existing manufacturing services to accommodate works.
- Expiration of the judicial review period.
- Discharging of pre-commencement conditions.
- Main contractor procurement.
- Tender period for the build contract package(s); and
- Securing development funding including grant funding.

Construction

7.3 The Applicant has drawn up a construction programme for the Proposed Development, a summary of which is provided below:

TABLE 4: PROPOSED DEVELOPMENT CONSTRUCTION TIMINGS			
Building	Construction		
	Start	End	Duration
Pre-Construction	November 2023	April 2024	6 months
TKB/TLO	June 2024	October 2025	17 months
ILC	June 2024	October 2025	17 months
TPA	May 2024	June 2025	14 months
WRA	May 2024	January 2025	9 months
Entire Scheme	November 2023	October 2025	24 months

7.4 A total development programme of 24 months has been adopted assuming a 6-month pre-construction programme. The above programme has been compiled to facilitate the ongoing operation of the wider plant while the works progress. The sequencing of the proposed works has to be planned carefully to ensure the capacity of the plant is not affected during the construction period. We understand that construction will only be able to take place for seven hours per day during the construction period.

Industrial sales timings

- 7.5 The methodology in calculating the viability position requires the valuation of the Proposed Development using the residual method of valuation. In calculating the Gross Development Value of commercial property, such as the industrial space proposed here, has to be assumed to be capitalised (i.e. sold) at a point in time at the end of the development period, despite the reality that the Applicant will retain the buildings to integrate into the wider manufacturing facility.
- 7.6 The practical approach for the purposes of this viability assessment is to value the Proposed Development as a standard B2/B8 development with an estimated income stream that will be capitalised upon expiry of the relevant void period (i.e. at the point a hypothetical developer is able to let and then sell the investment). We have engaged in discussions with industrial investment specialists who have advised that industrial buildings of this scale (anything over 100,000 sq ft is regarded as large) would not let at practical completion and in reality a letting void would be required because delivery of two large industrial buildings at the same time would compete with one another given the restricted pool of occupiers able to take such a large space. We have therefore applied a 12 month letting void period to all value generating space within the Proposed Development. It has been assumed that capitalisation would occur immediately upon expiration of the 12 month void period.

8 DEVELOPMENT VALUE

- 8.1 The practical approach to value the proposed industrial buildings for the purposes of this viability assessment is to assume values for a standard B2/B8 development. While in reality the Applicant will integrate the Proposed Development into the existing manufacturing site, viability must be assessed on a non-applicant specific basis.
- 8.2 For the purposes of this assessment, the following approach has therefore been adopted for each element of the Proposed Development:
- TKB/TLO comprises a 161,269 sq ft (GIA) industrial building that will have high strength floors, enhanced hanging capacity, a weld water system and a compressed air system. This has been valued as a high quality industrial building.
 - ILC comprises a 160,112 sq ft (GIA) industrial building. This will also be valued as a typical industrial building, although it should be noted that it does not contain the additional specification items listed above for the TKB/TLO building.
 - TPA comprises 183,901 sq ft of newly created hard-standing area with parking space for 97 lorries. There will also be a small inspection area providing office and welfare facilities extending to 456 sq ft (GIA). For the purposes of this assessment, the hard-standing area will be valued as industrial open storage and the small building will adopt the same rental and yield assumptions as the industrial buildings.
 - WRA comprises an open sided canopy which will be sited on existing hard-standing area. We have therefore applied a nil value to this canopy as it is not anticipated that its construction will generate any value uplift for this part of the site. We have, however, applied value to the hard standing area for the purposes of this assessment. This hardstanding area has been valued using the same approach as the TPA, which is to assume an open storage value.
 - The other small areas of the site within the application red line have been omitted from this assessment.

8.3 The following section provides a summary of the values adopted.

Industrial rents and yield – TBL/TLO and ILC

- 8.4 It is assumed that the industrial buildings within the Proposed Development would generate prime industrial rents. We have gathered details of industrial transactions that have taken place over the past 6 months in the south of England which are summarised at **Appendix 7**. All comparable evidence relied upon transacted with reversionary rents which suppresses the initial yields. Estimated Rental Values (ERVs) and reversionary yields for each transaction are provided. The ERVs range from £7.40 psf to £20 psf, and the reversionary yield estimates range from 5.24% to 7.72%.
- 8.5 In addition to the above mentioned comparables, we are aware of the following nearby lettings:
- Verda Park (OX10) extends to 153,483 sq ft has an average passing rent of £11.37 psf. The most recent letting at the estate transacted at £14 psf. The property is being marketed and a sale at the marketing price would represent a net initial yield of 5.25% and a

reversionary yield of 6.23%. The marketing brochure for Verda Park is attached at **Appendix 8**.

- Symmetry Park (OX25) – Suite C extends to 270,056 sq ft and let in February 2023 at £9.75 psf. The unit did not transact for sale so there is no yield information available. The marketing brochure for Symmetry Park is attached at **Appendix 9**.

8.6 We have also had regard to the Colliers UK Industrial Rents Map – H2 2023. This provides the following rental values on a £ psf basis:

- Big Sheds (over 100,000 sq ft)
 - o Bicester £10 psf
 - o Banbury £9.50 psf
 - o Swindon £9 psf
- Small sheds (10,000 – 50,000 sq ft)
 - o Oxford £16 psf

8.7 Noting the above information and having regard to the most recent lettings at Verda Park in particular, we have adopted a rental value of £14 psf for the ILC building and £16 psf for the TKB/TLO building, noting the improved specification.

8.8 In terms of yield, the following information is published by Knight Frank and CBRE:

- Knight Frank Industrial Prime Distribution / Warehousing (15 years, OMRRs) – 5.25%
- CBRE Industrial Prime Distribution – 5.25%

8.9 Considering the above in conjunction with the comparable data attached at **Appendix 7**, we have adopted a yield of 5.25% for capitalisation of the estimated income for the industrial buildings in the Proposed Development.

8.10 We have discussed rent free and void assumptions with industrial agents. We understand that in the current market, rent free is offered at a rate of one month per term certain, and that large (100,000 sq ft plus) industrial units would typically be let on a 10-15 year term. On this basis, we have adopted a rent free period of 12 months.




8.11 Noting the Proposed Development would deliver two large industrial units that would launch to market at the same time, there would be an element of the two competing with one another for a relatively limited number of occupiers able to lease such a large space. We understand from industrial agents that such large units would require a minimum 12 month letting void each, and this has duly been adopted in the viability appraisal.

8.12 The above rent, yield, void and rent free assumptions have also been applied to the small office/welfare facility building in the TPA part of the Site.

Open storage rents and yield – TPA and WRA

8.13 For the TPA and WRA elements of the Proposed Development, we have applied an open storage rent noting both areas will be primarily composed of hardstanding areas suitable for parking lorries, extending to 183,901 sq ft and 76,908 sq ft respectively. Each will be within a B2/B8 use class. We have assumed no additional value for the extended canopy proposed on the WRA site.

8.14 There is very limited publicly available open storage rental transaction data. We have gathered the following examples of open storage sites currently on the market in Oxfordshire and Berkshire.

Site and details	sq ft	Rent	£ psf	Acres	£ per acre	Photo
Land at Begbroke, Kidlington, Oxford. Surface is a mixture of hardcore and hard standing. There are no services available. There are secure gates to the site.	15,000	£7,500	£0.50	0.3444	£21,780	
Heyford Park, Bicester, Oxford. Former air base and air field. 5 acre site with four buildings totalling 20,747 sq ft - means that rent will be elevated on a £ psf basis.	217,800	£235,000	£1.08	5	£47,000	
A34 Site, Weston on the Green, Bicester, Oxford Land situated on the A34, north of Oxford. Available on a 12 month lease. Site has a sui generis use but also has a Certificate of Lawful Use for storage of vehicles including rental/sale/servicing.	17,860	£25,000	£1.40	0.41	£60,976	

<p>Land at 16c Upton Road, Tilehurst, Reading</p> <p>Self contained secure site partially gravel covered. HGV access.</p>	6,970	£17,500	£2.51	0.16	£109,375	
<p>Land at Membury Airfield, Hungerford, Reading</p> <p>Self contained hard standing open storage with services</p>	130,680	£180,000	£1.38	3	£60,000	
<p>Lambourn Business Park, Reading</p> <p>High quality hard standing with gated plots ranging from 1 to 5 acres. Site is fully serviced with power/water/septic tanks, CCTV.</p>	Up to 217,800	-	£2.50	Up to 5	£108,900	

8.15 The above open storage areas are currently on the market for between £0.50 psf and £2.51 psf. In addition to the above comparable data, we have also had regard to the Carter Jonas market report titled Open Storage Update Summer 2023, which provides open storage rental levels on a £ psf basis for various UK locations. The ERV for Class 1 open storage in the Oxford regional market is £2.75 psf. Class 1 space is defined as open storage with a fully concreted surface, high security fencing, built in water and electricity systems, easy access for HGVs and an unrestricted B8 planning use. The TPA and WRA areas of the Proposed Development are anticipated to meet all of these criteria. We have also spoken with an agent at Carter Jonas who advised that £2.75 psf is the correct open storage value for a site such as this in the outer Oxford area. We have duly adopted £2.75 psf which has been applied to the TPA and WRA areas of the Site.

8.16 Noting the industrial use class, we have adopted a yield of 5.25% which is in line with the rest of the industrial space in the Proposed Development. We have also applied the same rent free and void assumptions, namely 12 months for each.

HMG Grant

8.17 As part of the Applicant’s commitment to invest in its UK car manufacturing facilities, a subsidy has been agreed with HMG totalling £75,000,000. This figure has been widely reported in the press

and was applied for by the Applicant. The grant application was restricted to 'one time' investment expenditure and cannot cover day to day operations. The 'one time' costs are split into three categories:

- Structural investment which covers buildings in the Oxford site and thus is relevant to this assessment.
- Product investment which covers additional machinery upgrades required in the new production facility.
- Launch investment which covers investment required to commence manufacturing of the new electric cars at the upgraded Site.

8.18 The £75,000,000 agreed with HMG is not disaggregated into the above elements. The grant modelled in the appraisal should be apportioned based on the investment required for the building works at the Oxford site in isolation, and should exclude grant required for product and launch investment. We have therefore sought to calculate the proportion of the total investment that is required for the construction of the Proposed Development and apply the grant proportionately.

8.19 The total Tranche 1 costs (the Oxford build costs isolated) in the Drees and Sommer cost plan is £95,818,608 and the total investment for the entire project is €690,000,000. BMW's current standard exchange rate for GBP/EUR is £0.8828 per €1.00. Applying this rate, the Tranche 1 costs therefore equate to €108,539,429, which equates to 15.73% of the total required investment. When this percentage is applied to the £75,000,000 grant, the proportion of grant required for construction of the Proposed Development is £11,797,764.

8.20 The above figure has been adopted in the viability appraisal and is profiled in line with the agreement with HMG, which is 50% in year 1 (start on site) and 50% in year 2.

9 DEVELOPMENT COSTS

9.1 The following section provides a summary of the Proposed Development costs on a present-day basis. The overall costs comprise:

- Construction costs;
- Contingency;
- Professional fees;
- Other development costs;
- Planning obligations;
- Sales, letting disposal and marketing costs and
- Financing costs.

Construction costs

9.2 The build costs have been provided by the Drees and Sommer for the four main works areas of the Site. The cost plan drawn up by Drees and Sommer is attached at **Appendix 10** and splits the works into two tranches – Tranche 1 relates to the construction of the buildings at the Oxford site. Tranche 2 relates to costs associated with integrating the works into the existing Site and connecting with production facilities at the Applicant’s other manufacturing site in Swindon.

9.3 This FVA is assessing the viability of the Proposed Development on a non-applicant specific basis and therefore the Applicant’s plan to integrate the new buildings into the existing site should not form part of the FVA. The construction costs included therefore only relate to the Tranche 1 costs of constructing the proposed buildings and structures. The costs also omit any car manufacturing machinery that will be housed within the Proposed Development. Construction costs relating to the four small areas within the application boundary are also excluded.

9.4 It should be noted that the Tranche 1 costs relied upon for the purposes of this FVA are taken from the July 2023 costs shown in pound sterling in the left hand column of the cost plan.

9.5 The Tranche 1 costs are summarised below and include a 15% contingency. The right hand column shows the costs with the 15% contingency removed by DS2.

TABLE 6: DREES AND SOMMER TRANCHE 1 CONSTRUCTION COSTS		
Part of site	Construction cost (as per cost plan)	Construction costs (with 15% contingency removed)
TKB/TLO	£46,930,383	£40,809,028
ILC	£43,567,487	£37,884,771
TPA	£4,027,088	£3,501,816
WRA	£1,293,651	£1,124,914
Total	£95,818,608	£83,320,529

9.6 The above costs have been adopted in the viability appraisal with contingency removed. A separate contingency allowance has been applied in the viability appraisal as detailed below.

Contingency

- 9.7 A 5% construction contingency has been assumed in this FVA. This is in line with what is typically assumed for the purposes of viability assessments albeit at the current time higher contingency allowances are being factored into commercial appraisals to allow for the significant risks associated with the current economic environment. This is clear from the Drees and Sommer cost plan which assumes a 15% contingency.

Professional fees

- 9.8 Professional fees have been included at 8% of the total construction costs. This is below the range of 10-12% which is typically deemed to be reasonable and acceptable, but reflects the reduced design and planning required for industrial development.
- 9.9 The professional fees have been cash flowed on an s-curve basis with fees being incurred at the start of construction up until practical completion, on a phase-by-phase basis.

Planning obligations & CIL

- 9.10 A CIL estimate of £832,421 has been calculated by David Lock Associates. This cost has been profiled in accordance with the OCC CIL instalment policy, which spreads payments of £200,000 to £2,000,000 in four equal instalments over a year. For the purposes of this assessment, the first payment is modelled at start on site.
- 9.11 No other planning obligations have been identified by David Lock Associates, including financial contributions.

Sales, marketing, legal and purchaser's costs

- 9.12 The following disposal costs have been adopted which are considered to be in line with market norms for an industrial development:
- Commercial marketing cost – £1.50 per sq ft (of commercial NIA)
 - Commercial letting agent fee – 10% (of 1st year's annual rental income)
 - Commercial letting legal fee – 5% (of 1st year's annual rental income)
 - Sales agent fee – 1% (of commercial GDV)
 - Sales legal fee – 0.5% (of commercial GDV)
 - Purchaser's costs – 6.8% (of commercial GDV)

Other development costs

- 9.13 The following additional costs have been applied within the appraisal. Each cost is shown within the Drees and Sommer cost plan as a below the line item.
- Sustainability costs covering photovoltaic solar panels and air source heat pumps: £2,175,000.
 - Insurance for site/buildings throughout construction works: £2,436,000.

Finance

- 9.14 Standard planning viability methodology assumes a project is 100% debt financed, whereas in reality lenders will generally only provide senior debt at 50-60% loan to cost ratio. The rest will need to be made up of equity. The finance rate adopted within viability assessments therefore represents a total, weighted cost of capital in financing a development, combining both debt and equity financing.
- 9.15 The cost of debt is based upon a margin above swap rates (e.g. SONIA – Sterling Overnight Index Average) plus a variety of additional fees including arrangement fees, commitment fees, non-utilisation fees and exit fees, as well as a bank management/monitoring cost.
- 9.16 Swap rates are impacted by changes to the base rate of interest. To tackle the current levels of inflation the Bank of England's Monetary Policy Committee has raised the base rate of interest throughout 2022 and 2023, starting at 0.25% and currently at 5.25%. As the base rate increases, so does the cost that lenders pass onto developers via the swap rate.
- 9.17 DS2 would note that in the current lending environment, and for the foreseeable future, many of the more traditional lenders are not actively seeking to provide development finance and in reality, in order to secure finance developers are having to source debt from niche operators, who are by their nature, more expensive than the traditional lenders. Anecdotally, DS2 are aware of developer clients who have recently tendered development projects to the funding markets with debt costs reported in excess of 10%.
- 9.18 The equity component is typically assumed to be funded through cash, either from the developer's internal reserves or a separate equity funder. The cost of this equity reflects the level of return that this investment could achieve elsewhere. As an alternative to equity funding there is the option of secondary unsecured debt (e.g. 'junior' debt) the rates for which are significantly higher than senior debt due to the increased risk to the lenders in the event of an insolvency event.
- 9.19 Considering the scale and nature of the Proposed Development, DS2 have adopted a conservative rate of 7% within the appraisal model. We reserve the right to amend this rate should more evidence come to light and considering the current volatility of the funding markets.

10 DEVELOPER'S PROFIT RETURN

- 10.1 The criteria to consider in arriving at an appropriate figure for developer's return as defined in the PPG include, amongst other things, location, property use type, the scale of development, the weighted cost of capital and the economic context. Developers, banks, and other funding institutions will have minimum expectations in terms of financial returns that are aligned with the risk profile. Simply, there must be a reasonable prospect that the return will be commensurate to the risks being undertaken.
- 10.2 The requirement for a reasonable risk-adjusted development return is by reference to the PPG. Developer return is deemed to be a key component of the viability process as defined in paragraph 10.
- 10.3 Paragraph 18 Reference ID:10-018-20190509 of the PPG states the following with regard to developer return:
- 'For the purpose of plan making an assumption of 15-20% of gross development value (GDV) may be considered a suitable return to developers in order to establish the viability of plan policies. Plan makers may choose to apply alternative figures where there is evidence to support this according to the type, scale and risk profile of planned development. A lower figure may be more appropriate in consideration of delivery of affordable housing in circumstances where this guarantees an end sale at a known value and reduces risk. Alternative figures may also be appropriate for different development types'.*
- 10.4 The above explicitly states that plan makers may choose to apply alternative figures where there is evidence to support this according to the type, scale, and risk profile of planning development.
- 10.5 The OCC Economic Viability Assessment to inform the Oxford Local Plan 2036 and the Review of the Community Infrastructure Charging Schedule which was prepared by GVA in 2018 adopts a profit margin of 20% of gross development cost.
- 10.6 There are considerable risks associated with the Proposed Development that are particular to the Applicant, noting there is a challenging car manufacturing environment in western Europe. However, as noted elsewhere in this FVA, the Proposed Development must be assessed on a non-applicant-specific basis which means that the individual risks to BMW Group associated with car manufacturing at the Site should be discounted, and the risk should be assessed considering the nature of the development and the use class.
- 10.7 A normal commercial profit allowance has therefore been adopted. This is typically 15% of GDV for commercial development. For the purposes of this assessment, the profit allowance adopted aligns with the approach used in the OCC Economic Viability Assessment mentioned above, which is 20% of development costs.

11 BENCHMARK LAND VALUE

11.1 In arriving at a BLV for the Site, regard has been given to the planning policy framework provided by the NPPF and PPG, and the professional best practice guidance produced by the RICS. The assessment of BLV considers the following components: Existing Use Value, Premium and Alternative Use Value (where appropriate).

Policy context

Existing Use Value

11.2 Paragraph 13 Reference ID: 10-013-20190509 of the PPG states that a BLV should be established based on the Existing Use Value (“EUV”) of the land, plus a premium for the landowner.

11.3 Paragraph 14 Reference ID: 10-014-20190509 of the PPG states that BLV should:

- “Be based upon existing use value
- Allow for a premium to landowners [...]
- Reflect the implications of abnormal costs; site-specific infrastructure costs; and professional site fees”

11.4 Market evidence [land transactions] can be used, however, PPG limits the use of land transaction evidence to that of a cross-check of the BLV and should not be used in place of BLV. Further limitation on the use of market evidence is set out within the RICS 2021 Guidance Note.

11.5 Paragraph 15 Reference ID: 10-015-20190509 of the PPG defines what is meant by EUV in a viability assessment. This states the following:

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

11.6 Paragraph 17 Reference ID: 10-017-20190509 of the PPG states that where it is assumed that an existing use will be refurbished or redeveloped this will be considered as an AUV [Alternative Use Value] when establishing BLV. Where BLV is assessed on an AUV basis, no premium is allowed.

11.7 However, whilst the PPG is silent as to what constitutes a ‘refurbishment’, the RICS 2021 Guidance Note states within Appendix B that what constitutes a repair vs an alteration will be determined by professional judgement as to whether the works bring the building up to a standard within the existing use, or whether they go beyond that and fall into the category of a refurbishment.

- 11.8 Appendix B of the RICS Guidance Note provides further detail as to how the treatment of EUV is considered where sites have either been prepared for development (and costs incurred), or asset managed in the expectation of development.

Premium

- 11.9 The EUV is the first component of calculating BLV. The second component is the premium, or as stated at paragraph 16 Reference ID: 10-016-20190509 of the PPG the 'plus' in EUV+. The premium is the amount above the EUV required to provide a reasonable incentive for a landowner to bring forward land for development while allowing a sufficient contribution to comply with policy requirements.
- 11.10 The premium should be informed by professional judgement and must be based upon the best available evidence informed by cross sector collaboration. The PPG states that for any viability assessment data sources to inform the establishment of the landowner premium should include market evidence and can include benchmark land values from other viability assessments.
- 11.11 The RICS 2021 Guidance Note considers how the treatment of costs incurred by a landowner in preparing a site for development may require an adjustment to the premium.

Alternative Use Value

- 11.12 The PPG recognises that an Alternative Use Value (AUV) is an acceptable basis to assess BLV and states in paragraph 17:

“For the purpose of viability assessment alternative use value (AUV) refers to the value of land for uses other than its existing use. AUV of the land may be informative in establishing benchmark land value. If applying alternative uses when establishing benchmark land value these should be limited to those uses which would fully comply with up-to-date development plan policies, including any policy requirements for contributions towards affordable housing at the relevant levels set out in the plan. Where it is assumed that an existing use will be refurbished or redeveloped this will be considered as an AUV when establishing BLV.

Plan makers can set out in which circumstances alternative uses can be used. This might include if there is evidence that the alternative use would fully comply with up-to-date development plan policies, if it can be demonstrated that the alternative use could be implemented on the site in question, if it can be demonstrated there is market demand for that use, and if there is an explanation as to why the alternative use has not been pursued. Where AUV is used this should be supported by evidence of the costs and values of the alternative use to justify the land value. Valuation based on AUV includes the premium to the landowner. If evidence of AUV is being considered the premium to the landowner must not be double counted”

- 11.13 The RICS Guidance Note notes that were permitted development or a use within the same use class constitute an AUV where refurbishment or redevelopment is required.
- 11.14 The assessment of an AUV must be supported by evidence of the costs and values of the alternative use. This includes accurate floor plans and elevations to ensure that accurate efficiencies and costs can be calculated.

Market value






National Planning Policy Guidance

- 11.15 Paragraph 14 of the PPG on viability states that market evidence can be used as a cross-check of BLV but should not be used in place of BLV. There may be divergence between BLVs and market evidence; and plan makers should be aware that this could be due to different assumptions and methodologies used by individual developers, site promoters and landowners.
- 11.16 The evidence used should be based on developments which are fully compliant with emerging or up to date plan policies, including affordable housing requirements at the relevant levels set out in the plan. Where this evidence is not available plan makers and Applicants should identify and evidence any adjustments to reflect the cost of policy compliance. This is so that historic BLVs of non-policy compliant developments are not used to inflate values over time.
- 11.17 Where a viability assessment is used to inform decision making, under no circumstances will the price paid for the land be a relevant justification for failing to accord with relevant policies in the plan.

Benchmark Land Value assessment

- 11.18 The four main areas of the existing site total 28.30 acres. Each element of the Site is has a different existing use but each is within the B2/B8 use class, meaning it can be used for general industrial purposes. A brief summary of each element is shown below and photographs are attached at **Appendix 3**.
- TKB/TLO: This part of the Site currently comprises an existing building used for storage, a yard, some vacant space and an internal circulation road within the TKB/TLO site. This part of the Site extends to 6.45 acres.
 - ILC: This part of the Site comprises existing parking bays, an internal circulation road and an industrial yard with storage containers. This part of the Site extends to 6.53 acres.
 - WRA: This part of the Site is primarily an area of hardstanding that forms part of an existing waste recycling and storage area. This part of the Site extends to 1.77 acres.
 - TPA: This part of the Site is predominantly a vacant field adjacent to an existing trailer park. There are some existing hedges and parking bays within the TPA area. This part of the Site extends to 13.54 acres.
- 11.19 To objectively assess the value of these four parcels of land in their existing use, the most appropriate approach is to apply a £ per acre to each element. Industrial sites are commonly valued and traded on this basis. We have considered the following comparable evidence when deriving an industrial value per acre for the Site.

TABLE 7: INDUSTRIAL PRICE PER ACRE COMPARABLE EVIDENCE

Site and details	Acres	Price	£ per acre	PHOTO
<p>Southmead Industrial Park, Didcot, Oxford</p> <p>Industrial unit extending to 70,359 sq ft. Well located close to M4 and M40 motorways. Sold August 2023.</p>	4.56	£9,000,000	£1,973,684	
<p>Station Lane Industrial Area, Witney, Oxford</p> <p>Industrial unit extending to 40,893 sq ft situated on the A40. Sold May 2022.</p>	3.01	£4,500,000	£1,495,017	
<p>35 Range Road, Witney, Oxford</p> <p>Industrial unit extending to 49,400 sq ft situated close to the A40. Sold March 2022.</p>	3.10	£4,400,000	£1,419,355	
<p>Axle 120, Garsington Road, Oxford</p> <p>Industrial unit extending to 119,997 sq ft. Situated 0.5 miles from the subject Site. Sold March 2022.</p>	6.52	£9,240,000	£1,417,178	
<p>4 Lupton Road, Thame, Oxford</p> <p>Industrial unit extending to 33,055 sq ft. Situated close to the M40. Sold December 2021.</p>	1.33	£2,580,000	£1,939,850	

11.20 Discussions with industrial agents indicate that industrial land in the Oxford area will typically transact at £1,500,000 per acre. We have also had regard to the Colliers UK Industrial Rents Map – H2 2023. This provides the following land values on a £ per acre basis:

- Big Sheds (over 100,000 sq ft)
 - o Bicester £1,000,000 per acre

- Banbury £950,000 psf
- Swindon £650,000 psf
- Small sheds (10,000 – 50,000 sq ft)
 - Oxford £1,750,000 per acre

11.21 Considering the above information, a value of £1,500,000 per acre has been adopted for the purposes of this assessment. The table below shows the valuation calculation of the four elements of the Site.

Site	Sqm	Hectares	Acres	£ per acre	Value
ILC	26,135	2.6135	6.45	£1,500,000	£9,686,938
TKB	26,430	2.643	6.53	£1,500,000	£9,796,280
WRA	7,145	0.7145	1.76	£1,500,000	£2,648,294
TPA	54,805	5.4805	13.54	£1,500,000	£20,313,473
Total		11.45	28.30		£42,444,985
Purchaser's costs					6.80%
Net value					£39,742,495

11.22 Using the above calculation, the total value of the aggregated area of the existing Site is £39,742,495 once purchaser's costs have been applied at 6.8%.

11.23 The approach adopted above applies general industrial land values to the four main areas that the Site comprises. The industrial comparables listed are examples of sites comprising varying degrees of site cover – some comprise large buildings while others are majority outdoor or yard space. The principle of this approach is that it is the use class and the area of the site, rather than the presence of buildings (or lack thereof), that determines a site's value.

11.24 We are, however, conscious that three of the four main site areas (ILC, WRA and TPA) currently do not contain industrial buildings, but exist within an industrial use class. We have therefore sought to crosscheck the £1.5m per acre adopted using an open storage approach using the same inputs as adopted for the Proposed Development. We have reduced the open storage rental assumption from £2.75 psf to £2.25, noting that the space is not new newly constructed as it would be in the Proposed Development. As an example, the calculation below sets out an open storage land value for the existing ILC element of the site and provides a price per acre equivalent for this space.

TABLE 9: EUV CROSS CHECK CALCULATION	
Valuation	Input/output
Site area (sqm)	26,135
Site area (sq ft)	281,315
Open storage rent £ psf	£2.25
Gross rent per annum	£632,959
Yield	5.25%
Gross value	£12,056,357
Rent free/ void (yrs)	2
Net value	£10,883,583
Purchaser's costs	6.80%
EUV	£10,190,621
Site area (acres)	6.46
Value per acre	£1,577,495

11.25 The value per acre derived using the above approach is higher than the general industrial site value of £1.5m per acre figure adopted for the purposes of this assessment. This demonstrates that the figure adopted is therefore robust and £1.5m per acre is retained and applied to the existing site area for the purposes of this assessment.

Landowner premium

11.26 As set out within this section, the PPG states that the premium for the landowner should reflect the minimum return at which it is considered a reasonable landowner would be willing to sell their land. The premium should provide a reasonable incentive, in comparison with other options available, for the landowner to sell land for development while allowing a sufficient contribution to comply with policy requirements.

11.27 The existing Site benefits from strong commercial prospects: industrial use is in demand; parts of the Site are cleared with hardstanding; it has good connections to the road network; there are numerous vehicular access entry points and maintenance requirements are low. However, the Site is split into four smaller elements of a larger site and the TPA is currently a former playing field. As such, no premium has been applied for the purposes of this assessment. The adopted Benchmark Land Value is therefore **£39,742,495**.

12 APPRAISAL RESULTS

- 12.1 A copy of the ARGUS appraisal summary of the Proposed Development is attached at **Appendix 11**.

TABLE 10: APPRAISAL RESULTS	
Item	£
Gross Development Value including grant	£112,157,104
Less	
Purchaser's costs	£6,824,435
Construction costs	£83,320,529
Contingency at 5%	£4,166,026
CIL	£832,421
Professional fees	£6,665,642
Other development costs	£4,611,000
Marketing and agents	£3,108,815
Developer's Return at 20% on cost	£17,555,441
Finance at 7%	£6,913,065
Equals	
Residual Land Value	-£21,840,270
Less	
Benchmark Land Value	£39,742,495
Equals	
Surplus/ (Deficit)	-£61,582,765

- 12.2 The FVA illustrates that on a present-day basis, the Proposed Development derives a residual land value of -£21,840,270 which, when measured against the BLV of £39,742,495, generates a deficit of -£61,582,765. Therefore, the Proposed Development is providing in excess of the maximum viable level of CIL.

Sensitivity analysis

- 12.3 It is a mandatory requirement of the RICS Professional Statement 'Financial Viability in Planning; Conduct and Reporting' to undertake sensitivity testing of planning viability assessments to examine the effects of changes in key inputs, and to address the potential for variation in residual valuations.
- 12.4 Whilst the results suggest that the current CIL provision is unviable, we have undertaken sensitivity analysis to reflect variations in both the build costs and the industrial yield. We have varied the industrial yield by +/- 0.25% increments and varied the construction costs by +/- 10% increments.
- 12.5 Improvements to the viability of the Proposed Development are shown by the cells coloured in green and where the viability worsens, this is shown by the cells coloured in red.

RLV	Industrial yield					
		4.75%	5.00%	5.25%	5.50%	5.75%
Build costs	-20%	£3,470,407	-£4,933	-£3,475,694	-£6,652,350	-£9,564,343
	-10%	-£5,252,139	-£9,116,713	-£12,632,186	-£15,833,651	-£18,767,099
	0%	-£14,410,007	-£18,304,541	-£21,840,270	-£25,060,436	-£28,010,924
	+10%	-£23,615,965	-£27,529,307	-£31,085,577	-£34,317,813	-£37,280,491
	+20%	-£32,855,228	-£36,786,684	-£40,352,464	-£43,603,529	-£46,571,236

- 12.6 The results of the sensitivity testing demonstrate that through a combination of changes to the sales and build cost inputs, an improvement in the RLV can be achieved however the scheme remains financially challenged and unviable in all scenarios.
- 12.7 We are conscious that the Proposed Development is not a typical property type that is often tested using a planning viability methodology. As an objective assessor, we have therefore sought to further test the robustness of the approach adopted to ensure that the conclusions remain accurate.
- 12.8 We have considered an additional approach whereby it is assumed that only an owner occupier would bring forward the Site, noting the elements within the application boundary are spread across a wider industrial site and therefore that they might only be brought forward within that wider site's ownership boundary. On the basis it could be considered that an owner occupier may not seek to extract the same level of development profit return as a typical developer, with the primary business focus being the expansion of existing facilities and the long term future of the business. We have therefore sought to test the impact of removing profit from the appraisal because in reality.
- 12.9 The amended appraisal results are shown in the table below which assume no profit is extracted.

Item	£
Gross Development Value including grant	£112,157,104
Less	
Purchaser's costs	£6,824,435
Construction costs	£83,320,529
Contingency at 5%	£4,166,026
CIL	£832,421
Professional fees	£6,665,642
Other development costs	£4,611,000
Marketing and agents	£3,108,815
Developer's Return at 0% on cost	£0
Finance at 7%	£9,182,828
Equals	
Residual Land Value	-£6,554,592
Less	
Benchmark Land Value	£39,742,495
Equals	
Surplus/ (Deficit)	-£33,187,903

- 12.10 The above results demonstrate there remains a viability deficit albeit it is reduced in comparison to the results shown in Table 10.

12.11 We have then sought to further examine the robustness of the conclusions by sensitivity testing the industrial yield adopted. This is in the context of industrial yields softening rapidly over the past two years.

12.12 CBRE's UK Investment Yields publication shows that Prime Industrial yields have softened from 3.5% in March 2022 to 5.25% in November 2023. Knight Frank's yield guidance shows the same trajectory for prime industrial yields over a similar timeframe. We have therefore tested a contraction in industrial yields as shown in the table below, which is shown alongside variations in construction cost.

TABLE 12: FVA SENSITIVITY ANALYSIS

RLV	Industrial yield					
		4.25%	4.50%	4.75%	5.00%	5.25%
Build costs	-20%	£27,890,245	£22,788,655	£18,224,975	£14,118,514	£10,403,948
	-10%	£19,805,115	£14,703,524	£10,139,845	£6,033,383	£2,292,997
	0%	£11,719,985	£6,618,394	£2,027,173	£-2,365,665	£-6,554,592
	+10%	£3,629,079	£-1,699,823	£-6,839,833	£-11,486,629	£-15,711,079
	+20%	£-5,048,803	£-10,811,028	£-15,989,000	£-20,662,903	£-24,912,166

12.13 The above table demonstrates that the Proposed Development can generate a positive land value, albeit the scheme remains in a viability deficit when assessed against the Benchmark Land Value under every scenario shown in the table above. This demonstrates that the conclusions shown in Table 10 remain accurate and robust, that the Proposed Development cannot viably support the payment of CIL, and qualifies for exceptional relief.

13 CONCLUSIONS

- 13.1 The Proposed Development will deliver works that will facilitate expansion of capacity at the BMW Mini Plant and will secure its long-term future. The financial outputs outlined in this assessment show that when assessed using the standard planning viability methodology on an objective and non-applicant specific basis, the scheme cannot viably provide any planning obligations or CIL. This FVA therefore satisfies one of the requirements for an application of exceptional CIL relief as outlined in Section 5 of this FVA and attached at **Appendix 6**.
- 13.2 In securing the long-term commercial prospects of the BMW Mini Plant, the Proposed Development will enable to provision of an array of benefits to the local and wider UK economy.
- 13.3 We would be happy to meet with OCC and their appointed advisors to discuss this project.

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