

Colchester Borough Council

Community Infrastructure Levy



Report

Update to Review of Evidence Base

Prepared by

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Charging Levels

SECTION 1 - INTRODUCTION

- 1.1 BPS Chartered Surveyors has been instructed by Colchester Borough Council (CBC) to update the evidence base used to test the generic viability of development in the Colchester administrative area and on the basis of these findings to advise as to a viable charging schedule in respect of the introduction of the Community Infrastructure Levy.
- 1.2 In preparing this report we have had regard to Community Infrastructure Levy (Amendment) Regulations 2015 which came into force in March 2015 together with further updates which came into effect in June 2015. We have also had regard to CIL Statutory Guidance - June 2014 and earlier versions of this guidance. The statutory framework for CIL is embodied within the Community Infrastructure Levy (Amendment) Regulations 2014.
- 1.3 BPS was initially instructed by the Council in 2012 to review the Colchester Community Infrastructure Levy (CIL) Evidence Base Report (EBR) produced by Roger Tym & Partners (RT) which has been used to set the proposed CIL charge tariffs in the Council's Draft Charging Schedule. We subsequently prepared a report dated October 2012.
- 1.4 The Council has yet to adopt a CIL Charging Schedule and in view of the period of time that has elapsed since our 2012 report BPS has been instructed to update our evidence base and suggested Charging Schedule.
- 1.5 BPS has been advised that the Council is no longer contemplating pursuing a levy in respect of all forms of retail development given the weak current market for this use.

SECTION 2 - REPORT SUMMARY

- 2.1 BPS has been instructed by the Council to update our assessment of viability in relation to the residential costs and values adopted in our viability testing set out in our October 2012 report into possible CIL charging levels.
- 2.2 The original report methodology has been reviewed and updated to take account particularly of the changes in local residential values and build costs over the intervening period to the end of Q3 2014, but also in response to comments from the Council and Savills.
- 2.3 Our 2012 report considered two zones namely urban and rural. The Council has since considered these designations and has taken the view that defining development purely by reference to location either inside or outside the urban area could potentially fail to reflect real division between development on Brownfield sites and development on previously undeveloped and Greenfield land. The zones have therefore been reworked as **Zone 1** broadly equating to Brownfield sites and **Zone 2** equating to previously undeveloped Greenfield land.
- 2.4 For a variety of reasons the Council wishes to promote development on Brownfield sites which accords with National planning policy guidance and more specifically meets the following requirements:
 - a) The Council's desire to promote re-use and regeneration of previously developed Brownfield sites.
 - b) The marked contrast in apparent land values for Brownfield and Greenfield sites reflecting their different planning status.
 - c) The often significant difference in site density and infrastructure requirements between developments in these two environments.
 - d) A reflection of the significant levels of development coming forward on land not previously developed but which lies within the urban area.
- 2.5 Elements of the earlier methodology have been retained, in that it sought to differentiate house price data by postcode using urban and rural areas which remains a valid basis for establishing the relative development viability of Brownfield and Greenfield development. However adopting these revised definitions would effectively capture development on previously undeveloped sites within the urban area and similarly previously developed areas within the rural post code areas and as such is much more reflective of the viability facing these form of development.

Report Findings

- 2.6 It is quite apparent that there have been modest increases in house prices for all house types, with price growth running at a higher overall level in rural locations compared to urban locations over the past 2¾ years. For new build units in rural locations these increases are 21% (caution small sample sizes) and 7% for urban and for existing housing stock 6% and 3% respectively.
- 2.7 By contrast construction costs have risen equally in both locations at a rate amounting to 25%.
- 2.8 The net effect of these changes is that rural development has become marginally more viable whereas urban development has become less viable and these changes are reflected in our appraisal findings and also in our recommendations concerning CIL charging levels.
- 2.9 Following the methodology adopted in preparation of our 2012 report we have modelled hypothetical developments from which we draw the following conclusions:

Zone 1

- 2.10 The combined impact of increasing costs when compared to some lower levels of house price growth show that developments are now less viable than in 2012.
- 2.11 Our modelling identifies that only a relatively modest level of CIL could be supported by developments but this would potentially impact on viability in some instances and could limit the ability of schemes to deliver other planning obligations such as affordable housing. Because CIL is a fixed development cost we are of the view that given the very low levels indicated by our modelling the Council and developers would be better served through individual assessments of viability and focussing on the potential of sites to deliver affordable housing and site specific S106 contributions rather than risk making development none viable.
- 2.12 Therefore in conclusion we recommend a zero CIL charge for development falling within the boundary of Zone 1.

Zone 2

- 2.13 By contrast improvements in overall development viability for rural development suggested a CIL of £185 per sq.m could be supported whilst still delivering a policy compliant level of affordable housing at 20%.

- 2.14 However we have also considered the requirement that CIL charges should not be set at the margins of viability and so consequently we have examined the relative impact of charges at a number of levels to assess their impact on over all development costs. We conclude that CIL at £185 per sq.m would not represent more than 10% of total development costs and therefore to change this impact would require significant changes to the level of CIL sought.
- 2.15 We take the view that it is appropriate to apply a reduced rate of £150 per sq.m as this would provide approximately a 3% reduction total construction costs which should be seen in context with a typical development contingency of 5%.
- 2.16 We have further sought to contrast the cost per unit represented by CIL at £150 per sq.m which averages across all unit types at a figure of £13,750. We take the view that this total compares well with the level of S.106 contributions typically achieved by the Council on recent consents for rural development and so consequently we take the view that a charge of £150 per sq.m provides for a suitable buffer against the charge being set at the margins of viability.

SECTION 3 - METHOD STATEMENT

- 3.1 The CIL report prepared by BPS on behalf of the council in September 2012 has been updated to take account particularly in changes in local residential values and build costs over the intervening period but also in response to comments from the Council and Savills.
- 3.2 The previous BPS report followed the approach initially proposed by Roger Tym & Partners in looking at two potential charging zones, zone 1 urban and zone 2 rural.
- 3.3 Further examination of development trends and market evidence suggests that these zones should now be modified to equate to Zone 1 centred on Colchester town centre and the surrounding urban areas and Zone 2, rural Colchester or more specifically sites which do not have a history of previous development.
- 3.4 We have maintained our original approach to analysing housing sales data based on a separation of postcodes into predominantly urban areas and those in predominantly rural areas as these continue to be relevant in terms of identifying the economics of development of Brownfield land which is characterised by development in the urban areas and Greenfield development which is generally focussed on development in the largely rural areas.
- 3.5 The key reason for the change of definition is that it is quite possible for development to occur on sites with no development history but which fall within the urban area. Similarly there are areas of former development within the rural areas and as such the revised definitions more accurately reflect the characteristics of the development type not simply location within a purely geographical area
- 3.6 This modified approach has been adopted to reflect a number of considerations:
 - a) The Council's desire to promote re-use and regeneration of previously developed Brownfield sites.
 - b) The marked contrast in apparent land values for Brownfield and Greenfield sites reflecting their different planning status.
 - c) The often significant difference in site density and infrastructure requirements between developments in these two environments.

- d) A reflection of the significant levels of development coming forward on land not previously developed but which lies within the urban area.

Changes in House Prices

- 3.7 In order to update our assessment of development viability we have revisited house prices as this is an area where there remains a degree of volatility. It was agreed with the Council that the most appropriate basis for assessing change would be to secure information on all residential transactions through procuring all relevant records from the Land Registry.
- 3.8 The Land Registration Act 2002 makes registration of all property sales compulsory therefore it would be possible to secure a complete picture of all transactions since the preparation of our last report and this would provide a clear indication of prices and price movements over the intervening period.
- 3.9 The Land Registry supplied information for all relevant postcodes within the Colchester administrative area. The transactional information was then separated into areas where new development was seen as being typified by Greenfield development or by Brownfield development. Appendix 1. includes a sector post code map which shows how postcodes have been distributed between rural and urban areas.
- 3.10 Land Registry transactions must by law be registered within 3 months of the transaction. The Land Registry data is generally a quarter behind registrations therefore there is a potential delay between date of the actual transaction and the availability of data for analysis purposes. However this is common to most predictive analysis where sales data is used as the data for analysis. Therefore the data represents the most reliable and comprehensive an up to date basis for determining house price trends.
- 3.11 We have revisited house prices and two alternative methods have been considered as a basis from which to update our original 2012 study. It is possible to simply take new build values and apply them to our analysis , however there is a considerable risk in using information drawn from very limited sample sizes, therefore we considered alternative methods of analysis which were likely to generate a more consistent and reliable outcome. These methods are discussed below.

Method 1

- 3.12 A detailed analysis of Land Registry of all transactions in the relevant Colchester postcodes from 2012 to the end of Q3 2014 has been undertaken. Both existing property sales and new build sales have been analysed separately. We have also analysed the variances in the values of new build and existing property sales by housing type as well as referencing the

change in prices over time for both zones. Appendix 2 includes the raw data for all CO postcodes for 2014. Appendix 3 includes the total value of properties for the relevant CO postcodes for Zone's 1 and 2, for 2012 - 2014 to derive Average Value by Property Type.

- 3.13 The house prices derived from these figures are then summarised in the 2 tables below for existing and new build properties for Zones 1 and zone 2. The key figures and percentage changes (see 3.15) have then been inputted into the appraisal.

Table 1: Analysis of Existing Housing Transactions

| EXISTING | | | | | |
|-------------------------|---------------------------------|--------------------------------|--------------------------------|-------------------------------|----------|
| | 4 bed House - 120m ² | 3 bed House - 95m ² | 2 bed House - 80m ² | 2 bed Flat - 65m ² | Total |
| Q's 1,2 & 3 2014 Zone 1 | £293,182 | £209,995 | £172,542 | £129,923 | £192,299 |
| 2013 Zone 1 | £274,784 | £194,587 | £171,713 | £115,032 | £187,400 |
| 2012 Zone 1 | £287,345 | £190,204 | £161,613 | £113,770 | £185,887 |
| Q's 1,2 & 3 2014 Zone 2 | £358,148 | £210,013 | £195,350 | £135,976 | £269,137 |
| 2013 Zone 2 | £327,996 | £202,034 | £179,951 | £122,688 | £250,739 |
| 2012 Zone 2 | £334,977 | £199,996 | £188,283 | £134,867 | £254,983 |

Table 2: Analysis of New Build Housing Transactions

| NEW BUILD | | | | | |
|-----------------------|---------------------------------|--------------------------------|--------------------------------|-------------------------------|-------------------|
| | 4 bed House - 120m ² | 3 bed House - 95m ² | 2 bed House - 80m ² | 2 bed Flat - 65m ² | Total |
| Q1&Q2 2014 Zone 1 | £265,404 | £206,445 | £212,600 | £152,741 | £209,298 |
| 2013 Zone 1 | £238,013 | £200,384 | £195,328 | £142,821 | £194,136 |
| 2012 Zone 1 | £253,136 | £207,721 | £187,588 | £126,983 | £193,857 |
| | | | | | small sample size |
| Q1,Q2, Q3 2014 Zone 2 | £377,547 | £226,392 | £200,700 | £143,125 | £236,941 |
| 2013 Zone 2 | £318,659 | £214,229 | £230,047 | £178,791 | £275,128 |
| 2012 Zone 2 | £306,031 | £250,666 | £239,319 | £137,083 | £244,973 |

Note

Where data is flagged in orange it denotes that it has been derived from a relatively small number of transactions which makes conclusions drawn less reliable.

- 3.14 Tables 4 and 5 below show in numbered rows. The following paragraphs provide analysis and explanation which is referenced to the row number in order to assist comprehension.

- 3.15 In order to calculate the new values to be used in the updated appraisal (4. in Tables 4 & 5 below), the price per sq.m (2. Tables 4 & 5) was derived for each house type by dividing the 2014 average value for each house type for existing properties (1. Tables 4 & 5), by the floor area for that property type. This price per sq.m based on existing values was then multiplied by the average percentage difference between the years 2012, 2013 and 2014 in new build values by housing type compared to existing values for the same period (3). Appendix 4 summarises the percentage difference between new and existing properties, by property type, zone and year, averaged to derive this percentage (3).
- 3.16 The percentage difference multiplier between new and existing properties (3) has been applied, rather than using the actual values for new house sales, due to the sample sizes for existing property sales being significantly larger and therefore much more reliable. Specifically for Zone 1, samples were 6 times higher, whilst for Zone 2 where numbers of new build sales were particularly limited sales of existing properties were 20-60 times greater than for new build. For Zone 2 in particular this was important as the sample for 2014 only included 60 properties, 32 of which were detached. See Appendix 5 for comparative sample sizes of existing and new sales.
- 3.17 Through looking to establish the approximate margin above second hand unit values it would then be possible to take a much broader sample size from across all postcodes mitigating the impact of potentially anomalies.
- 3.18 In looking at house prices on a post code level, prices have been based on the much larger samples of sales of existing stock to which the identified margin or premium for new build per unit type has then been applied.

Method 2

- 3.19 Using the same updated Land Registry data, the percentage change in values between 2012 and 2014 for existing properties, as summarised in the table below, has been applied to the new house values used in the original report and appraisal to derive an updated figure. Changes in existing house prices were used due to the increased reliability from a significantly larger sample size.

Table 3: Analysis of House Price Increases – Existing Stock

| Existing | Detached | Semi-detached | Terraced | Flat/ maisonette | Total |
|-------------------------|----------|---------------|----------|---------------------|-------|
| % Ch 2014 V 2012 Zone 1 | 2% | 10% | 7% | 14% | 3% |
| % Ch 2014 V 2012 Zone 2 | 7% | 5% | 4% | 1% | 6% |

Analysis

- 3.20 Tables 4 and 5 below highlight that whilst methods 1 and 2 represent a route to generating figures close to actual sales values for Zone 1, (appraisal values -1% below actual values method 1 compared to -5% lower than actual values method 2), for Zone 2 the percentage difference between the updated 2012 figures from the original appraisal are on average -21% lower than actual values using method 2 as compared to only -4% difference using method 1.
- 3.21 For Zone 2 sites both methods were compared with the new build prices for the average of 2013 and 14 to increase the size of the sample whilst for Brownfield sites the 2014 sample was considered sufficiently large enough to enable direct comparison.
- 3.22 Therefore as the results derived from Method 1 are generally very close to actual new house prices evidenced in the area as in Tables 1 and 2 below, the focus has been on updating our appraisals using this method.

Table 4 - Zone 1 - changes in value

| Zone 1 | | 4 bed House - 120m2 | 3 bed House - 95m2 | 2 bed House - 80m2 | 2 bed Flat - 65m2 | Average |
|---------------|---|----------------------------|---------------------------|---------------------------|--------------------------|-----------------|
| 1 | Existing Q's 1,2 & 3 2014 Zone 1 | £293,182 | £209,995 | £172,542 | £129,923 | £201,411 |
| 2 | Price per sq m | £2,440 | £2,210 | £2,160 | £2,000 | |
| 3 | Average % Diff New/Existing Zone 1 based on 3 years | -12% | 3% | 18% | 18% | |
| 4 | Values of new build derived from above figures used in appraisal | £258,872 | £217,297 | £203,352 | £153,112 | £208,158 |
| 5 | Actual new build Values 2014 | £265,404 | £206,445 | £212,600 | £152,741 | £209,298 |
| 6 | % difference values used in Appraisal (4) V New Build Values 2014 (5) | -2% | 5% | -4% | 0% | -1% |
| 7 | 2012 Report figures New Build | £234,000 | £204,250 | £157,500 | £130,000 | £181,438 |
| 8 | 2012 report figures New Build * average change in values 2012-14 for existing properties (to give larger sample size) | £238,753 | £225,503 | £168,152 | £148,457 | £199,819 |
| 9 | Updated Report figures (8) V New Build Values 2014 (5) | -10% | 9% | -21% | -3% | -5% |

Table 5 - Zone 2 - changes in value

| Zone 2 | | 4 bed House - 120m ² | 3 bed House - 95m ² | 2 bed House - 80m ² | 2 bed Flat - 65m ² | Average |
|---|---|---------------------------------|--------------------------------|--------------------------------|-------------------------------|-----------------|
| 1 | Existing Q's 1,2 & 3 2014 Zone 2 | £358,148 | £210,013 | £195,350 | £135,976 | £224,872 |
| 2 | Price per sq m | £2,980 | £2,210 | £2,440 | £2,090 | |
| 3 | Average % Diff New/Existing Zone 2 based on 3 years | -2% | 16% | 17% | 18% | |
| 4 | Calc values of new build from appraisal | £350,900 | £242,955 | £227,806 | £159,830 | £245,373 |
| 5 | Actual new build Values 2014/13 to give reasonable sample size | £348,103 | £220,310 | £215,374 | £160,958 | £256,035 |
| 6 | % difference values used in Appraisal (4) V New Build Values 2014/13 (5) | 1% | 10% | 6% | -1% | -4% |
| 7 | 2012 Report figures | £245,760 | £213,750 | £165,410 | £143,325 | £192,061 |
| 8 | 2012 report figures New * average change in values for existing properties (to give larger sample size) | £262,760 | £224,456 | £171,618 | £144,504 | £202,723 |
| 9 | % difference values used in Appraisal (4) V Updated 2012 Report figures (8) | -25% | 2% | -20% | -10% | -21% |
| Adjusted % as small sample size resulted in larger % difference existing V new of 27%, as compared with any other property type. Therefore applied the average of % diff 3 bed house and 2 bed flat Zone 2 and same as difference in Zone 1 (17%) | | | | | | |

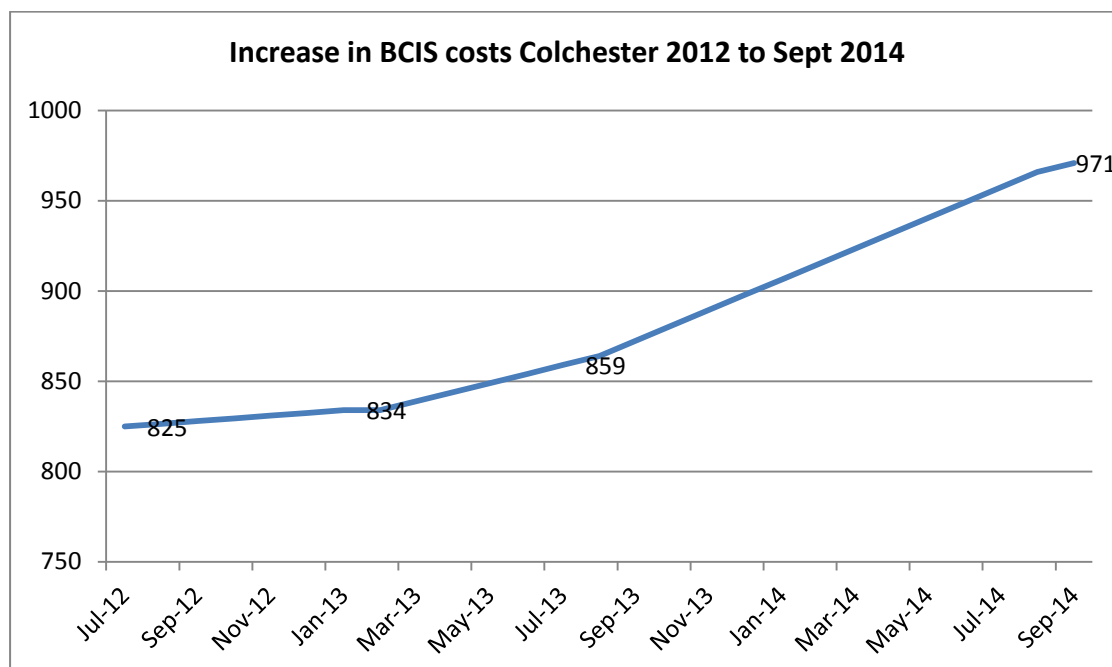
3.23 Private house prices by Zone have initially been calculated from the average house prices for existing properties for Q1 and Q2, 2014 as this represents a significantly larger sample than new build values alone.

3.24 These figures, by housing type and zone, have then been multiplied by the average differential between prices of new properties compared to existing properties, using 2012, 2013 and Q1 and 2 2014 data, in order to maximise sample size. Any anomalous values have been excluded as they could potentially skew the data. For example a few very high detached prices in rural areas in particular are not atypical of the majority of property prices. For Zone 2 caution has been applied to certain sub groups of property type for new build where annual samples sample sizes are low.

Changes in Construction Costs

- 3.25 In order to update the construction cost estimates set out in our 2012 report we have used information from the RICS Building Cost Information Service (BCIS). We use BCIS costs for benchmarking because it is a national and independent database. Construction costs have been updated from our 2012 report by reference to the BCIS All in Tender price Index (5 years) adjusted by the relevant location factor for Colchester.
- 3.26 Since July 2012 to September 2014 there have been changes to both the index and also to the location factor as shown in the table below. General movements in the index are illustrated by the following chart:

Chart 1: Changes in BCIS All In Tender Price Index



- 3.27 The location factor measures the relative costs of development in Colchester against the national average. In July 2006 the location factor stood at 100 and by September 2014 had moved to 106 indicating that relative to the rest of the country development costs had increased by 6% in Colchester.
- 3.28 BCIS median build costs and location factor have together increased by 26% between the original report in September 12 and September 14. This compares to real house price increases of 4-6% in Colchester and although the revised method of more accurately calculating house prices has resulted in some higher house prices, particularly in rural areas, there has therefore been a significant negative impact on the amount of affordable housing, CIL and S106 payments which can now be provided particularly in Zone 1.

SECTION 4 – APPRAISAL RESULTS

Appraisal Inputs & Benchmarking

- 4.1 The updated appraisals have been run using a number of assumptions for simplicity these have been summarised in Appendix 6
- 4.2 The key assumption that differentiates Zone 1 land from Zone 2 is the presumption of planning consent being secured whereas land within Zone 2 is likely to represent Greenfield development and therefore present a considerably higher planning risk. Other factors such as probability of Zone 1 land having a current development use contribute to a conclusion that Zone 1 land is likely to generate a higher land value than Zone 2.
- 4.3 Our appraisals assume £1,000,000 per hectare for Zone 1 and £600,000 per hectare for Zone 2.

Appraisal Outputs – Sensitivity Testing – Zone 1

- 4.4 The outputs generated by the appraisal have been sensitivity tested. This means that different combinations of input assumptions have been used to generate different outputs. The primary variables used for sensitivity testing purposes include:
- a) Quantum of affordable housing
 - b) Level of site specific S.106 contributions required on a per unit basis
 - c) Level of CIL per sq.m
- 4.5 In relation to the application of CIL it has been assumed that 50% of floor area developed would be eligible for CIL. Based on these assumptions sensitivity analysis generates the following results:

Table 6 - Sensitivity Testing CIL Levels - Zone 1

| ZONE 1 SENSITIVITY TESTING RESULTS | | | |
|------------------------------------|--------|-----|--------------------------------|
| % affordable | S106 | CIL | Net Residual against Land Cost |
| 0% | £3,200 | £0 | £21,242 |
| 0% | £0 | £70 | £20,108 |
| 0% | £0 | £25 | £127,195 |
| 5% | £0 | £25 | £27,818 |
| 10% | £0 | £25 | -£116,302 |

- 4.6 It can be seen that development on sites within Zone 1 generates only a relatively small development surplus from which to fund planning obligations broadly amounting to some £3,200 per unit as represented by the standalones S.106 sum shown in the first row of the table above.
- 4.7 Translating this sum to a CIL would represent a CIL of £70 per sq.m. However this figure would fall by 50% if the modelling assumptions assumed 100% of development floor area would attract CIL.
- 4.8 There is also clearly an impact on the potential ability of schemes to deliver affordable housing as it can be seen that even with a relatively modest CIL charge a 10% affordable housing quantum would be undeliverable.
- 4.9 The following table shows the impact on affordable housing of an assumption of a nil CIL rate and either a limited or nil S.106 contribution shown on a per unit basis.

Table 7 - Sensitivity Testing Affordable Housing and S106 Levels - Zone1

| ZONE 1 SENSITIVITY TESTING RESULTS | | | |
|---|-------------|------------|---------------------------------------|
| % affordable | S106 | CIL | Net Residual against Land Cost |
| 0% | £1,000 | £0 | £134,986 |
| 5% | £1,000 | £0 | £35,415 |
| 10% | £1,000 | £0 | -£109,348 |
| | | | |
| 0% | £0 | £0 | £186,688 |
| 5% | £0 | £0 | £86,082 |
| 10% | £0 | £0 | -£62,817 |

- 4.10 It can be seen that there is likely to be a delicate balance between development's ability to fund a site specific S.106 and affordable housing contributions.
- 4.11 Recognising that the NPPF requires that the scale of planning obligations should not be a factor adversely affecting viability to the point where a scheme would not be delivered and that CIL regulations seek to ensure that any CIL charge is not set at the margins of viability it would seem appropriate that any imposition of a CIL levy could potentially adversely affect viability.

4.12 Against this backdrop it would seem that securing planning obligations from developments would be most advantageously achieved through assessments of individual scheme viability rather than through a more generic exercise.

Appraisal Outputs – Sensitivity Testing – Zone 2

4.13 The assumptions informing these appraisals are set out in Appendix 8. The primary variables used to inform the sensitivity testing are remain the same as those used for testing Zone 1 development:

- a) Quantum of affordable housing
- b) Level of site specific S.106 contributions required on a per unit basis
- c) Level of CIL per sq.m

4.14 Unlike Zone 1 development it has been assumed that 100% of developed floor area would be chargeable for CIL purposes. Based on these assumptions sensitivity analysis generates the following results:

Table 8 - Sensitivity Testing CIL Levels - Zone 2

| ZONE 2 SENSITIVITY TESTING RESULTS | | | |
|---|-------------|---------------------|---------------------------------------|
| % affordable | S106 | CIL per sq m | Net Residual against Land Cost |
| | | | |
| 10% | £1,500 | £185 | £250,417 |
| 15% | £1,500 | £185 | £197,474 |
| 20% | £1,500 | £185 | £8,921 |
| | | | |
| 10% | £0 | £200 | £254,473 |
| 15% | £0 | £200 | £201,453 |
| 20% | £0 | £200 | £12,430 |

4.15 It can be seen that a CIL of £185 per sq.m can be supported even allowing for delivery of 20% affordable housing and £1,500 per unit site specific S.106 contribution. The deliverable CIL figure increases to £200 per sq.m assuming there were no site specific S106 charges.

4.16 Allowing for a CIL rate of £185 per sq.m but no site specific S.106 shows a £50,000 surplus. As a proportion of GDV of the hypothetical scheme modelled this surplus represents approximately 1%. Therefore in our view

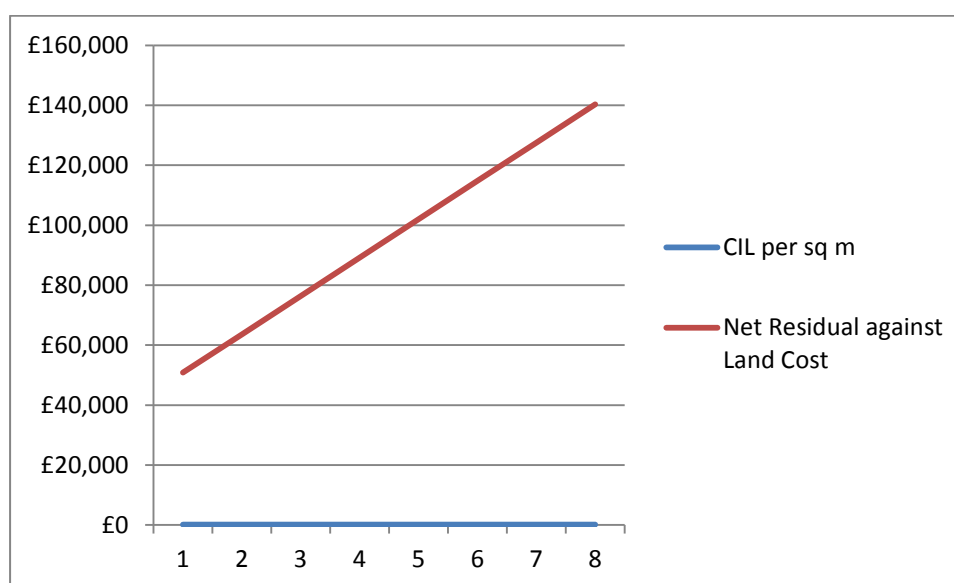
£185 per sq.m represents the ceiling for a supportable CIL charge whilst allowing for the delivery of policy target levels of affordable housing.

- 4.17 There is no specific advice issued to indicate what a suitable margin below ceiling rates would represent when setting a CIL charge rate. National planning policy guidance makes the following statement:

A charging authority's proposed rate or rates should be reasonable, given the available evidence, but there is no requirement for a proposed rate to exactly mirror the evidence. For example, this might not be appropriate if the evidence pointed to setting a charge right at the margins of viability. There is room for some pragmatism. It would be appropriate to ensure that a 'buffer' or margin is included, so that the levy rate is able to support development when economic circumstances adjust. In all cases, the charging authority should be able to explain its approach clearly.

- 4.18 We have considered the effect of variable CIL rates on the level of surplus generated by the appraisal and it can be seen from the following chart that the level of surplus shows a straight-line correlation to the level of CIL charge tested;

Chart 2: Changes in Residual Value Compared to CIL Charging Levels



- 4.19 Recognising this correlation there is no obvious tipping point which suggests where the "buffer" might be most appropriately set.
- 4.20 To further assist this consideration we have also considered the CIL payment as a proportion of total building costs and then modelled the impact on overall costs of £5 incremental changes in the CIL charge.

- 4.21 At £185 per sq.m the quantum of CIL shown as a cost in our appraisal is £457,644. As a proportion of total development costs, assuming no site specific S.106 payment this represents 9.54%. Total costs exclude the CIL payment itself and developer profit. This percentage falls to 7.74% when the charge is reduced to £150 per sq.m.
- 4.22 It can be seen from this analysis that CIL is a relatively small proportion of total development costs and that movements in the charge rate will have only a very modest impact on total overall development costs. We have illustrated this point by modelling the residual values generated by the appraisal as a percentage of total build costs using differential charge rates:

Table 9 - CIL Charging Levels - Impact on Residual Value

| CIL per sq m | Net Residual as % of Total Development Costs |
|---------------------|---|
| £185 | 1.06% |
| £180 | 1.33% |
| £175 | 1.59% |
| £170 | 1.86% |
| £165 | 2.13% |
| £160 | 2.39% |
| £155 | 2.66% |
| £150 | 2.93% |

- 4.23 It can be seen from the above table, which models the residual value generated by the appraisal and computes its value as a percentage of total development costs, that a £35 change in rate from £185 per sq.m which broadly corresponds to a 20% rate reduction generates less than 2% reduction in overall build costs. Therefore it is clearly important that when seeking to ensure an affective “buffer” is built into the rate care is taken to avoid large scale reductions in the rate as a basis for making significant changes to scheme costs.
- 4.24 To place the percentage changes in context it is common practice for development to include a build cost contingency. This sum varies with the nature of the development and the specifics of the individual site. However a general allowance of 5% of total construction costs is commonly accepted for new build schemes. In this context a reduction from £185 per sq.m to £150 per sq.m reflects approximately 60% of a typical development contingency.
- 4.25 Reducing the charge still further to generate a 5% impact on build costs would have the effect of reducing the charge to £110 per sq.m.

- 4.26 It should be considered that cost contingencies are to cover risk on unknown or uncontrolled changes to estimated cost whereas CIL is a known cost from scheme inception, therefore in setting a charge it would not seem appropriate to seek to insulate development from normal development risk by setting an unduly low charge. In this context a reduction reflecting 5% would therefore seem too great.
- 4.27 On balance therefore a charge set at £150 per sq.m would appear to be both achievable without impact on the ability of scheme to deliver policy compliant levels of affordable housing and would not reflect a charge set at the margins of viability.

Impact on land value

- 4.28 National Planning Policy Guidance makes the following comments in respect of land value:

Land Value

Central to the consideration of viability is the assessment of land or site value. Land or site value will be an important input into the assessment. The most appropriate way to assess land or site value will vary from case to case but there are common principles which should be reflected.

In all cases, land or site value should:

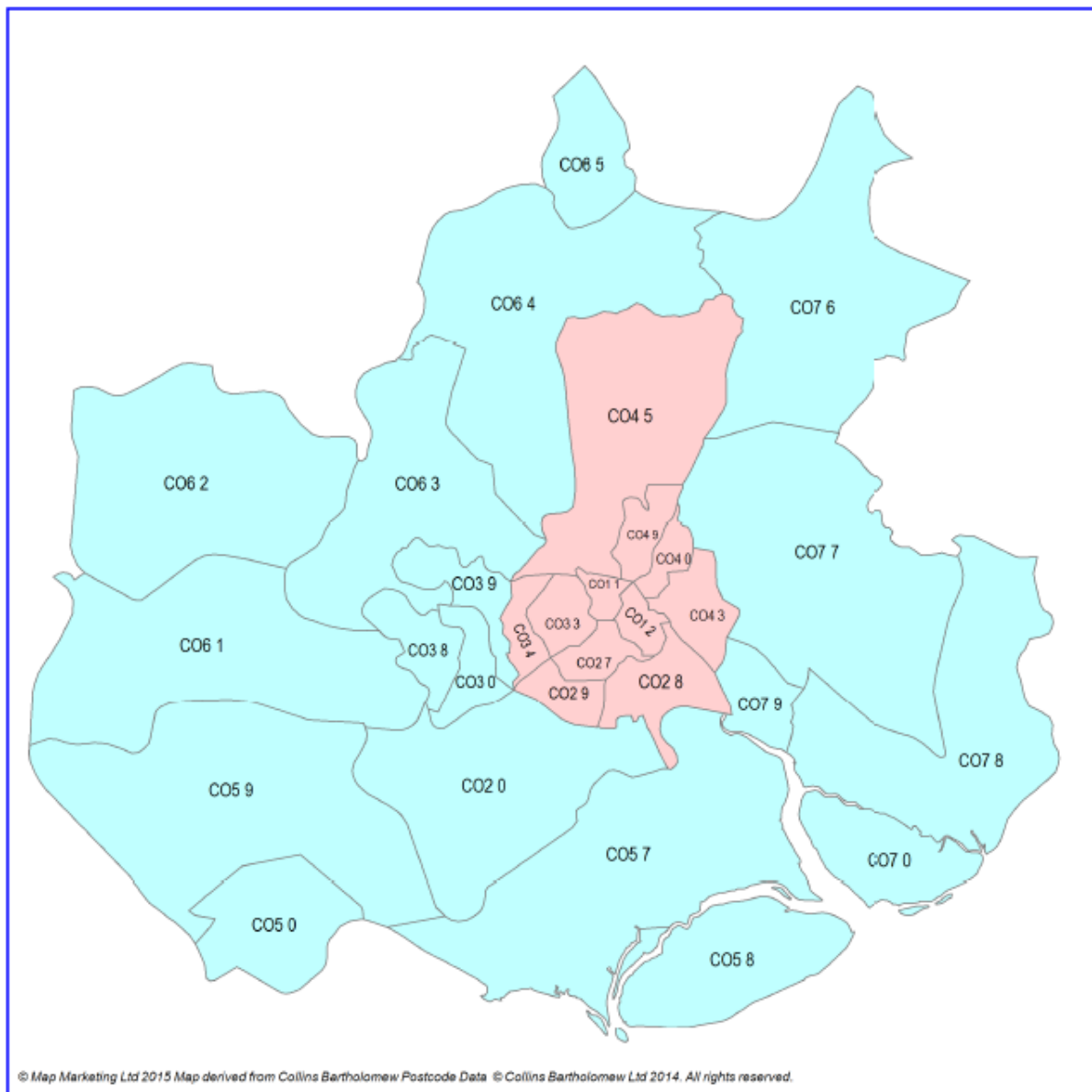
- reflect policy requirements and planning obligations and, where applicable, any Community Infrastructure Levy charge;*
- provide a competitive return to willing developers and land owners (including equity resulting from those wanting to build their own homes); and*
- be informed by comparable, market-based evidence wherever possible. Where transacted bids are significantly above the market norm, they should not be used as part of this exercise.*

- 4.29 It can be seen that the guidance anticipates land value will reflect the impact of CIL. It is therefore appropriate to consider the impact of CIL on land values. To make a fair comparison it is important to contrast the impact of CIL with levels of S.106 which might otherwise have been sought. To achieve this we have looked at some specific schemes which have recently secured consent in what could be described as Greenfield locations.
- 4.30 The assumptions relating to the level of land value have remained unchanged since our 2012 report. We are aware that land values have in

general moved in an upward direction with some parts of the UK seeing very significant rises. However land value analysis can be very misleading unless the full facts relating to the transaction are known and inevitably there are likely to be assumptions made by purchasers regarding factors such as the anticipated level of affordable housing and future sales values which remain very subjective.

- 4.31 The purpose of this report was to identify the impact of changes in time to residential development costs and values since production of our earlier report. It can be seen that although prices have risen so too have construction costs with the net effect being a reduction in overall viability. Against this backdrop it would be perverse to assume that land values had risen when they are directly related to development viability.
- 4.32 For this reason holding land values at the level assumed in 2012 has the effect of maintaining land value against a general fall in development viability accounting in part for the wider trend in land values whilst reflecting that maintaining land values has the effect of insulating land owners against movements in the market. We are of the view this position represents an appropriate balance of these competing influences on land value.
- 4.33 A CIL charge based on £150 per sq.m would generate a cash sum equivalent to £13,750 per private housing unit. This is very comparable with recent Zone 2 consents where we have seen a typical cost per private unit of approximately £14,000. Therefore we conclude there should be no net additional cost to developers and that there should consequently be no net impact on the supply or value of development land with a CIL charge at this level.

Appendix 1 - Post Code Map Colchester



Key

Zone 1

Mainly urban Brownfield



Zone 2

Rural Greenfield Areas



Appendix 2 - Raw Land Registry data - 2014 ALL Sales CO postcodes by Q1, Q2 & Q3

Q1 Jan-Mar 2014

| | Detached | | Semi-det | | Terraced | | Flat/mais | | Overall Total | |
|--------|----------|----|----------|----|----------|----|-----------|----|---------------|----|
| CO1 1 | £365,625 | 4 | | | £353,333 | 3 | £103,486 | 7 | £231,921 | 14 |
| CO1 2 | £215,996 | 5 | £194,498 | 2 | £177,982 | 15 | £125,000 | 1 | £185,378 | 23 |
| CO10 0 | £267,249 | 3 | | | £250,000 | 1 | | | £262,937 | 4 |
| CO10 7 | £254,332 | 6 | £195,000 | 1 | £200,000 | 1 | | | £240,124 | 8 |
| CO10 9 | | | | | £148,000 | 1 | | | £148,000 | 1 |
| CO12 3 | | | | | | | £88,830 | 3 | £88,830 | 3 |
| CO13 9 | | | | | | | £165,000 | 1 | £165,000 | 1 |
| CO15 1 | | | | | | | £52,000 | 1 | £52,000 | 1 |
| CO15 4 | £278,332 | 3 | | | | | | | £278,332 | 3 |
| CO15 6 | £249,995 | 1 | £199,995 | 1 | | | £150,000 | 1 | £199,997 | 3 |
| CO16 8 | £201,122 | 12 | £174,500 | 2 | £165,746 | 4 | | | £190,303 | 18 |
| CO16 9 | | | £142,995 | 1 | | | | | £142,995 | 1 |
| CO2 7 | £249,950 | 1 | £215,993 | 9 | £181,289 | 15 | £146,263 | 15 | £177,679 | 40 |
| CO2 8 | | | | | | | £140,750 | 10 | £140,750 | 10 |
| CO2 9 | £218,108 | 9 | £182,862 | 11 | £187,347 | 10 | | | £194,931 | 30 |
| CO3 8 | £256,667 | 3 | £239,374 | 4 | £230,000 | 2 | | | £243,055 | 9 |
| CO4 5 | £301,750 | 3 | | | £253,750 | 9 | | | £265,750 | 12 |
| CO5 0 | £422,500 | 2 | | | | | | | £422,500 | 2 |
| CO6 1 | | | | | | | £157,500 | 2 | £157,500 | 2 |
| CO8 5 | £310,000 | 1 | £207,500 | 4 | | | | | £228,000 | 5 |
| CO9 1 | £525,000 | 1 | | | | | | | £525,000 | 1 |
| CO9 2 | | | | | £250,000 | 1 | £215,000 | 1 | £232,500 | 2 |
| CO9 4 | | | £229,995 | 1 | | | | | £229,995 | 1 |

Q2 Apr-Jun 2014

| | Detached | | Semi-det | | Terraced | | Flat/mais | | Overall Total | |
|--------|----------|----|----------|----|----------|----|-----------|----|---------------|----|
| CO1 1 | £284,231 | 13 | £395,000 | 1 | £300,000 | 1 | | | £292,667 | 15 |
| CO1 2 | £227,495 | 2 | | | £192,968 | 5 | £144,496 | 4 | £181,620 | 11 |
| CO10 0 | £335,377 | 8 | | | | | | | £335,377 | 8 |
| CO10 2 | | | £240,000 | 1 | | | | | £240,000 | 1 |
| CO10 7 | £175,000 | 1 | | | £202,498 | 2 | | | £193,332 | 3 |
| CO10 8 | £549,995 | 1 | | | | | £157,500 | 1 | £353,748 | 2 |
| CO11 2 | £335,000 | 1 | | | | | | | £335,000 | 1 |
| CO12 3 | £230,000 | 1 | | | | | £95,923 | 17 | £103,372 | 18 |
| CO15 4 | £278,746 | 4 | | | | | | | £278,746 | 4 |
| CO15 6 | | | £199,995 | 2 | | | | | £199,995 | 2 |
| CO16 8 | £187,995 | 16 | £152,498 | 2 | £148,996 | 5 | | | £176,430 | 23 |
| CO16 9 | £110,000 | 1 | | | | | | | £110,000 | 1 |
| CO2 7 | £248,330 | 3 | £232,854 | 7 | £172,517 | 24 | £168,745 | 4 | £189,220 | 38 |
| CO2 8 | | | £172,000 | 1 | | | £158,625 | 16 | £159,412 | 17 |
| CO2 9 | £214,262 | 15 | £186,360 | 11 | £173,603 | 14 | £139,995 | 1 | £191,081 | 41 |
| CO3 3 | | | | | | | £340,000 | 1 | £340,000 | 1 |
| CO3 8 | £246,750 | 6 | £238,142 | 7 | £193,375 | 8 | | | £223,547 | 21 |
| CO4 5 | £255,000 | 3 | | | £272,495 | 2 | £142,733 | 15 | £172,549 | 20 |
| CO5 0 | £350,000 | 1 | | | | | | | £350,000 | 1 |
| CO5 7 | £395,000 | 1 | | | | | | | £395,000 | 1 |
| CO6 1 | £725,000 | 1 | | | | | | | £725,000 | 1 |
| CO6 2 | £210,000 | 1 | | | | | | | £210,000 | 1 |
| CO6 4 | £348,000 | 1 | | | | | | | £348,000 | 1 |
| CO7 0 | £217,500 | 4 | £190,000 | 2 | | | | | £208,333 | 6 |
| CO7 7 | £495,000 | 1 | | | | | | | £495,000 | 1 |
| CO7 8 | £325,000 | 1 | | | | | | | £325,000 | 1 |
| CO7 9 | £820,000 | 1 | | | | | | | £820,000 | 1 |
| CO8 5 | £306,700 | 5 | £257,500 | 4 | £241,667 | 3 | | | £274,042 | 12 |
| CO9 1 | £525,000 | 2 | | | £152,500 | 2 | | | £338,750 | 4 |
| CO9 2 | | | | | £262,500 | 2 | £150,000 | 1 | £225,000 | 3 |

Q3 July- Sept 2014

| Postcode Sector | Detached | | Semi-detached | | Terraced | | Flat/maisonette | | Total | |
|-----------------|---------------|-------|---------------|-------|---------------|-------|-----------------|-------|------------------|---------------|
| | Average Price | Sales | Average Price | Sales | Average Price | Sales | Average Price | Sales | Overall Averages | Overall Sales |
| CO1 1 | £515,000 | 1 | | | £410,000 | 1 | £204,100 | 6 | £268,700 | 8 |
| CO1 2 | £249,995 | 2 | | | £221,662 | 3 | £149,328 | 3 | £201,620 | 8 |
| CO10 0 | £386,839 | 5 | | | | | | | £386,839 | 5 |
| CO10 7 | £215,000 | 1 | | | | | | | £215,000 | 1 |
| CO10 8 | £503,749 | 4 | | | | | | | £503,749 | 4 |
| CO11 1 | £435,000 | 1 | | | | | | | £435,000 | 1 |
| CO12 5 | £350,000 | 1 | | | | | | | £350,000 | 1 |
| CO13 9 | | | | | | | £335,000 | 3 | £335,000 | 3 |
| CO15 3 | | | £198,000 | 1 | | | | | £198,000 | 1 |
| CO15 4 | £279,995 | 1 | | | | | | | £279,995 | 1 |
| CO15 6 | £279,995 | 2 | | | | | | | £279,995 | 2 |
| CO16 8 | £210,723 | 11 | | | £165,998 | 8 | | | £191,891 | 19 |
| CO16 9 | £305,000 | 1 | | | | | | | £305,000 | 1 |
| CO2 7 | £209,995 | 3 | £210,999 | 10 | £206,560 | 23 | £183,737 | 14 | £201,264 | 50 |
| CO2 8 | | | | | | | £159,909 | 11 | £159,909 | 11 |
| CO2 9 | £262,998 | 5 | £194,534 | 8 | £187,051 | 9 | | | £207,033 | 22 |
| CO3 3 | | | | | | | £160,000 | 1 | £160,000 | 1 |
| CO3 9 | | | | | | | £147,500 | 1 | £147,500 | 1 |
| CO4 5 | | | £265,000 | 1 | £249,846 | 13 | £137,667 | 3 | £230,941 | 17 |
| CO5 0 | £531,000 | 4 | | | | | £110,000 | 1 | £446,800 | 5 |
| CO5 7 | £384,000 | 1 | | | | | | | £384,000 | 1 |
| CO7 0 | £180,000 | 1 | £165,000 | 1 | | | | | £172,500 | 2 |
| CO7 7 | £650,000 | 1 | | | | | | | £650,000 | 1 |
| CO7 8 | £320,000 | 1 | | | | | | | £320,000 | 1 |
| CO7 9 | £790,000 | 1 | | | | | | | £790,000 | 1 |
| CO8 5 | £297,500 | 2 | £330,000 | 1 | | | | | £308,333 | 3 |
| CO9 2 | | | | | £137,500 | 1 | £246,250 | 10 | £236,364 | 11 |

Appendix 3 - Total Value of Properties By Zone, Year, Sample Size to derive Average Value by Property Type

Zone 1

2012

| Application | | | | | | | | | | |
|-----------------------------|--------------------|----|--------------------|----|--------------------|----|--------------------|----|--------------------|-----|
| Property Type | Detached | | Semi-det | | Terraced | | Flat/mais | | Overall Total | |
| C01 1 | £220,000 | 1 | £206,667 | 3 | £191,750 | 17 | £135,000 | 1 | £192,488 | 22 |
| C01 2 | £221,076 | 7 | £214,998 | 3 | £185,806 | 40 | £128,540 | 6 | £185,643 | 56 |
| C02 7 | £216,792 | 14 | £206,559 | 29 | £186,252 | 44 | £131,004 | 33 | £179,530 | 120 |
| C02 8 | £208,665 | 3 | £167,665 | 3 | £192,250 | 4 | £126,867 | 58 | £136,121 | 68 |
| C02 9 | £204,378 | 18 | £199,206 | 18 | £184,021 | 25 | £134,499 | 5 | £189,962 | 66 |
| C03 3 | | | | | | | £150,000 | 1 | £150,000 | 1 |
| C03 4 | | | | | | | | | | |
| C04 5 | £292,634 | 45 | £222,145 | 20 | £190,916 | 39 | £76,000 | 4 | £234,825 | 108 |
| Application | | | | | | | | | | |
| Property Type | Detached | | Semi-det | | Terraced | | Flat/mais | | Overall Total | |
| C01 1 | £220,000 | | £620,000 | | £3,259,745 | | £135,000 | | £4,234,745 | |
| C01 2 | £1,547,535 | | £644,995 | | £7,432,230 | | £771,241 | | £10,396,001 | |
| C02 7 | £3,035,091 | | £5,990,224 | | £8,195,101 | | £4,323,140 | | £21,543,556 | |
| C02 8 | £625,995 | | £502,995 | | £769,000 | | £7,358,259 | | £9,256,249 | |
| C02 9 | £3,678,800 | | £3,585,700 | | £4,600,528 | | £672,495 | | £12,537,523 | |
| C03 3 | £0 | | £0 | | £0 | | £150,000 | | £150,000 | |
| C03 4 | £0 | | £0 | | £0 | | £0 | | £0 | |
| C04 5 | £13,168,528 | | £4,442,890 | | £7,445,705 | | £304,000 | | £25,361,123 | |
| Total Value | £22,275,949 | | £15,786,804 | | £31,702,309 | | £13,714,135 | | £83,479,197 | |
| Number of properties | 88 | | 76 | | 169 | | 108 | | 441 | |
| Average Value | | | | | | | | | | |
| Zone 1 | £ 253,136 | | £ 207,721 | | £ 187,588 | | £ 126,983 | | £ 189,295 | |

2013

| Application | | | | | | | | | | |
|-----------------------------|--------------|----|-------------|----|-------------|----|-------------|----|---------------|-----|
| Property Type | Detached | | Semi-det | | Terraced | | Flat/mais | | Overall Total | |
| C01 1 | £242,499 | 14 | £208,750 | 4 | £271,667 | 6 | | | £244,166 | 24 |
| C01 2 | £210,935 | 8 | | | £181,965 | 31 | £129,500 | 5 | £181,270 | 44 |
| C02 7 | £223,629 | 19 | £200,771 | 40 | £184,792 | 92 | £140,996 | 53 | £180,164 | 204 |
| C02 8 | £231,125 | 6 | £163,000 | 2 | £161,750 | 2 | £144,547 | 37 | £157,117 | 47 |
| C02 9 | £216,551 | 18 | £186,558 | 16 | £178,108 | 18 | £138,995 | 2 | £191,977 | 54 |
| C03 4 | £361,500 | 2 | | | | | | | £361,500 | 2 |
| C04 5 | £278,530 | 15 | £227,828 | 9 | £216,005 | 63 | £249,950 | 1 | £228,258 | 88 |
| Application | | | | | | | | | | |
| Property Type | Detached | | Semi-det | | Terraced | | Flat/mais | | Overall Total | |
| C01 1 | £3,394,980 | | £835,000 | | £1,630,000 | | £0 | | £5,859,980 | |
| C01 2 | £1,687,480 | | £0 | | £5,640,916 | | £647,500 | | £7,975,896 | |
| C02 7 | £4,248,945 | | £8,030,857 | | £17,000,870 | | £7,472,790 | | £36,753,462 | |
| C02 8 | £1,386,750 | | £326,000 | | £323,500 | | £5,348,230 | | £7,384,480 | |
| C02 9 | £3,897,925 | | £2,984,920 | | £3,205,935 | | £277,990 | | £10,366,770 | |
| C03 3 | | | | | | | | | | |
| C03 4 | | | | | | | | | | |
| | £723,000 | | £0 | | £0 | | £0 | | £723,000 | |
| C04 5 | £4,177,952 | | £2,050,452 | | £13,608,345 | | £249,950 | | £20,086,699 | |
| Total Value | £ 19,517,032 | | £14,227,229 | | £41,409,566 | | £13,996,460 | | £89,150,287 | |
| Number of properties | 82 | | 71 | | 212 | | 98 | | 463 | |
| Average Value Zone 1 | £ 238,013 | | £ 200,384 | | £ 195,328 | | £ 142,821 | | £ 192,549 | |

2014 Q1, 2 & 3

| Application | | | | | |
|-----------------------------|--------------|------------|-------------|-------------|---------------|
| Property Type | Detached | Semi-det | Terraced | Flat/mais | Overall Total |
| C01 1 | £5,672,500 | £395,000 | £1,770,000 | £1,949,000 | £9,786,500 |
| C01 2 | £2,034,960 | £388,995 | £4,299,550 | £1,150,970 | £7,874,475 |
| C02 7 | £879,935 | £4,053,925 | £7,470,230 | £4,766,266 | £17,170,356 |
| C02 8 | £0 | | | £3,166,495 | £3,166,495 |
| C02 9 | £3,277,960 | £3,567,755 | £3,556,920 | | £10,402,635 |
| C03 3 | | | | £160,000 | £160,000 |
| C03 4 | | | | | |
| C04 5 | £1,670,250 | £265,000 | £6,076,735 | £2,553,995 | £10,565,980 |
| Total Value | £ 13,535,605 | £8,670,675 | £23,173,435 | £13,746,726 | £59,126,441 |
| Number of properties | 51 | 42 | 109 | 90 | 292 |
| Average Value Zone 1 | £ 265,404 | £ 206,445 | £ 212,600 | £ 152,741 | £ 202,488 |

Zone 2 NB Anomalous values highlighted in red exclude from analysis

| Annual 2012 | | | | | | | | | | |
|-------------|----------|----|----------|---|----------|----|-----------|----|---------------|----|
| | Detached | | Semi-det | | Terraced | | Flat/mais | | Overall Total | |
| C03 0 | £251,667 | 6 | £250,000 | 1 | £226,615 | 13 | £171,263 | 19 | £204,103 | 39 |
| C03 9 | | | | | | | £110,790 | 5 | £110,790 | 5 |
| C05 0 | £350,000 | 1 | | | | | £132,125 | 4 | £175,700 | 5 |
| C05 7 | £238,750 | 2 | | | | | £165,000 | 2 | £201,875 | 4 |
| C05 8 | £282,833 | 3 | | | | | | | £282,833 | 3 |
| C05 9 | £307,000 | 1 | | | | | | | £307,000 | 1 |
| C06 1 | £195,000 | 1 | | | | | | | £195,000 | 1 |
| C06 2 | £446,000 | 1 | | | | | | | £446,000 | 1 |
| C06 3 | £530,000 | 1 | | | | | | | £530,000 | 1 |
| C06 4 | £285,888 | 9 | £256,250 | 4 | £315,000 | 1 | | | £279,500 | 14 |
| C07 0 | £225,000 | 2 | £217,400 | 5 | | | | | £219,571 | 7 |
| C07 6 | £900,000 | 1 | | | | | | | £900,000 | 1 |
| C07 7 | £317,500 | 1 | | | | | | | £317,500 | 1 |
| C07 8 | £203,500 | 2 | £197,000 | 1 | | | | | £201,333 | 3 |
| C07 9 | £354,916 | 22 | £300,246 | 4 | £328,782 | 1 | | | £345,849 | 27 |

| | | | | | |
|-----------------------------|--------------------|-------------------|-------------------|-------------------|--------------------|
| C03 0 | £1,510,000 | £250,000 | £2,946,000 | £3,254,000 | £7,960,000 |
| 0 | £0 | £0 | £0 | £0 | £0 |
| C03 9 | | | | | |
| 0 | £0 | £0 | £0 | £0 | £0 |
| C05 0 | £350,000 | £0 | £0 | £528,500 | £878,500 |
| C05 7 | £477,500 | £0 | £0 | £330,000 | £807,500 |
| C05 8 | £848,500 | £0 | £0 | £0 | £848,500 |
| C05 9 | £307,000 | £0 | £0 | £0 | £307,000 |
| C06 1 | £195,000 | £0 | £0 | £0 | £195,000 |
| C06 2 | £446,000 | £0 | £0 | £0 | £446,000 |
| C06 3 | £530,000 | £0 | £0 | £0 | £530,000 |
| C06 4 | | | | | |
| 0 | £2,572,995 | £1,025,000 | £315,000 | £0 | £3,912,995 |
| C07 0 | | | | | |
| 0 | £450,000 | £1,087,000 | £0 | £0 | £1,537,000 |
| C07 7 | £317,500 | £0 | £0 | £0 | £317,500 |
| C07 8 | £407,000 | £197,000 | £0 | £0 | £604,000 |
| C07 9 | £7,808,144 | £1,200,985 | £328,782 | £0 | £9,337,911 |
| Total Value | £16,219,639 | £3,759,985 | £3,589,782 | £4,112,500 | £27,681,906 |
| Number of properties | 53 | 15 | 15 | 30 | 113 |
| Average Value | | | | | |
| Zone 2 | £ 306,031 | £ 250,666 | £ 239,319 | £ 137,083 | £ 244,973 |

| Annual 2013 | | | | | | | | | | |
|-----------------------------|---------------------|----|-------------------|----|-------------------|----|-------------------|---|--------------------|----|
| | Detached | | Semi-det | | Terraced | | Flat/mais | | Overall Total | |
| C03 0 | £250,000 | 2 | £250,000 | 2 | £227,118 | 17 | | | £231,476 | 21 |
| C03 8 | £266,346 | 26 | £206,224 | 10 | £200,000 | 1 | | | £248,304 | 37 |
| C04 6 | £332,498 | 2 | £275,246 | 4 | £256,665 | 3 | | | £281,775 | 9 |
| C05 0 | £344,688 | 9 | | | | | £118,745 | 1 | £322,094 | 10 |
| C05 7 | £178,000 | 1 | | | | | £145,000 | 1 | £161,500 | 2 |
| C05 8 | £590,000 | 1 | £177,500 | 2 | | | | | £315,000 | 3 |
| C05 9 | £250,000 | 1 | | | | | | | £250,000 | 1 |
| C06 1 | | | | | | | £249,000 | 1 | £249,000 | 1 |
| C06 2 | | | £155,000 | 1 | | | | | £155,000 | 1 |
| C06 3 | £500,000 | 1 | | | | | | | £500,000 | 1 |
| C06 4 | £324,398 | 15 | | | | | | | £324,398 | 15 |
| C07 0 | £212,500 | 2 | £236,875 | 4 | | | | | £228,750 | 6 |
| C07 6 | £785,000 | 1 | £234,995 | 1 | | | | | £509,998 | 2 |
| C07 7 | £270,000 | 1 | | | | | | | £270,000 | 1 |
| C07 8 | £425,000 | 1 | | | | | | | £425,000 | 1 |
| C07 9 | £515,714 | 7 | £235,000 | 1 | | | £186,667 | 3 | £400,454 | 11 |
| | TOTAL VALUES | | | | | | | | | |
| C03 0 | £500,000 | | £500,000 | | £3,861,000 | | £0 | | £4,861,000 | |
| C03 8 | £6,925,000 | | £2,062,235 | | £200,000 | | £0 | | £9,187,235 | |
| C03 9 | | | | | | | | | | |
| C04 6 | £664,995 | | £1,100,985 | | £769,995 | | £0 | | £2,535,975 | |
| C05 0 | £3,102,195 | | £0 | | £0 | | £118,745 | | £3,220,940 | |
| C05 7 | £178,000 | | £0 | | £0 | | £145,000 | | £323,000 | |
| C05 8 | £590,000 | | £355,000 | | £0 | | £0 | | £945,000 | |
| C05 9 | £250,000 | | £0 | | £0 | | £0 | | £250,000 | |
| C06 1 | £0 | | £0 | | £0 | | £249,000 | | £249,000 | |
| C06 2 | £0 | | £155,000 | | £0 | | £0 | | £155,000 | |
| C06 3 | £500,000 | | £0 | | £0 | | £0 | | £500,000 | |
| C06 4 | £4,865,975 | | £0 | | £0 | | £0 | | £4,865,975 | |
| C07 0 | £425,000 | | £947,500 | | £0 | | £0 | | £1,372,500 | |
| C07 7 | £270,000 | | £0 | | £0 | | £0 | | £270,000 | |
| C07 8 | £425,000 | | £0 | | £0 | | £0 | | £425,000 | |
| C07 9 | £3,609,995 | | £235,000 | | £0 | | £560,000 | | £4,404,995 | |
| Total Value | £22,306,160 | | £5,355,720 | | £4,830,995 | | £1,072,745 | | £33,565,620 | |
| Number of properties | 70 | | 25 | | 21 | | 6 | | 122 | |
| Average Value Zone 2 | £ 318,659 | | £ 214,229 | | £ 230,047 | | £ 178,791 | | £ 275,128 | |

| | 2014 Q's 1,2 & 3 | | | | |
|-----------------------------|--------------------------|-------------------|-------------------|-----------------|--------------------|
| | Detached | Semi-det | Terraced | Flat/mais | Overall Total |
| 2014 Q's 1,2 & 3 | Multiplying the above up | | | | |
| C03 0 | £0 | £0 | £0 | £0 | £0 |
| C03 8 | £2,250,500 | £2,624,490 | £2,007,000 | £0 | £6,881,990 |
| C03 9 | | | | £ 147,500 | £147,500 |
| C04 6 | £0 | £0 | £0 | £0 | £0 |
| C05 0 | £3,319,000 | £0 | £0 | £110,000 | £3,429,000 |
| C05 7 | £779,000 | £0 | £0 | £0 | £779,000 |
| C05 8 | £0 | £0 | £0 | £0 | £0 |
| C05 9 | £0 | £0 | £0 | £0 | £0 |
| C06 1 | £725,000 | £0 | £0 | £315,000 | £1,040,000 |
| C06 2 | £210,000 | £0 | £0 | | £210,000 |
| C06 3 | £0 | £0 | £0 | £0 | £0 |
| C06 4 | £348,000 | £0 | £0 | £0 | £348,000 |
| C07 0 | £1,050,000 | £545,000 | £0 | £0 | £1,595,000 |
| C07 7 | £1,145,000 | £0 | £0 | £0 | £1,145,000 |
| C07 8 | £645,000 | £0 | £0 | £0 | £645,000 |
| C07 9 | £1,610,000 | £0 | £0 | £0 | £1,610,000 |
| Total Value | £12,081,500 | £3,169,490 | £2,007,000 | £572,500 | £17,830,490 |
| Number of properties | 32 | 14 | 10 | 4 | 60 |
| Average Value Zone 2 | £ 377,547 | £ 226,392 | £ 200,700 | £ 143,125 | £ 297,175 |

Appendix 4 - % Difference between New & existing properties, by property type, zone & year

| difference % New/Existing | 4 bed House - 120m² | 3 bed House - 95m² | 2 bed House - 80m² | 2 bed Flat - 65m² | |
|--|---|--|--|---|------|
| 2014 Zone 1 | -9% | -2% | 23% | 18% | 9% |
| 2013 Zone 1 | -13% | 3% | 14% | 24% | 4% |
| 2012 Zone 1 | -12% | 9% | 16% | 12% | 4% |
| Average % Diff New/Existing Zone 1 based on 3 years | -12% | 3% | 18% | 18% | |
| 2014 Zone 2 | 5% | 8% | 3% | 5% | -12% |
| 2013 Zone 2 | -3% | 6% | 28% | 46% | 10% |
| 2012 Zone 2 | -9% | 25% | 27% | 2% | -4% |
| Average % Diff New/Existing Zone 2 based on 3 years | -2% | 16% | 27% | 18% | |
| | | | 17% | | |

2 bed Zone 2 adjusted to 17% as size of % diff existing and new seems to be due sample bias therefore taken av of % diff 3 bed house and 2 bed flat zone 2 and similar to diff in Zone 1 (17%)

Appendix 5 - Sample Sizes Existing and New Build Properties

| Sample sizes EXISTING | 4 bed House - 120m ² | 3 bed House - 95m ² | 2 bed House - 80m ² | 2 bed Flat - 65m ² | Total |
|-------------------------|---------------------------------|--------------------------------|--------------------------------|-------------------------------|-------|
| Q's 1,2 & 3 2014 Zone 1 | 346 | 413 | 656 | 469 | 1,884 |
| 2013 Zone 1 | 428 | 533 | 700 | 418 | 2,079 |
| 2012 Zone 1 | 411 | 496 | 588 | 410 | 1,905 |
| Q's 1,2 & 3 2014 Zone 2 | 673 | 441 | 269 | 105 | 1,488 |
| 2013 Zone 2 | 879 | 578 | 312 | 138 | 1,907 |
| 2012 Zone 2 | 701 | 493 | 220 | 119 | 1,533 |

| Sample sizes NEW BUILD | 4 bed House - 120m ² | 3 bed House - 95m ² | 2 bed House - 80m ² | 2 bed Flat - 65m ² | Total |
|-------------------------|---------------------------------|--------------------------------|--------------------------------|-------------------------------|-------|
| Q's 1,2 & 3 2014 Zone 1 | 51 | 42 | 109 | 90 | 292 |
| 2013 Zone 1 | 82 | 71 | 212 | 98 | 463 |
| 2012 Zone 1 | 88 | 76 | 169 | 108 | 441 |
| Q's 1,2 & 3 2014 Zone 2 | 32 | 14 | 10 | 4 | 60 |
| 2013 Zone 2 | 70 | 25 | 21 | 6 | 122 |
| 2012 Zone 2 | 53 | 15 | 15 | 30 | 113 |

Sample size less than 10

Appendix 6 - Appraisals

| Brownfield Residential Scheme - 1 Hectare | | Update based on detailed study of house sales in Colchester 2012/13/14 | | | | | |
|--|--|--|-------------------------------------|---|------------------------------|----------------------|--------------------|
| 1. APPRAISAL SUMMARY | | | | | | | |
| 1.1 VALUES | | No.* | | | | Sales value | |
| Private units | | 49 | | | | £10,249,085 | |
| Affordable | | 3 | | | | £369,075 | |
| Ground Rents (flats) | | | | | | £34,255 | |
| | | | | | | £10,652,414 | |
| <i>* Note: Rounded to 51 units, based on target density of circa.50 units per developable Ha</i> | | | | | | | |
| 1.2 DEVELOPMENT COSTS | | | | | | Total cost | |
| Construction Costs | | | | | | £5,957,388 | |
| Post-Completion Costs & Other Costs | | | | | | £1,198,835 | |
| Finance Costs | | | | | | £208,660 | |
| Developer's Profit | | | | | | £2,069,140 | |
| | | | | | | £9,434,023 | |
| NET RESIDUAL VALUE | | | | | | £1,093,415 | |
| Land Value (inclusive of purchaser's costs) | | | | | | -£1,058,000 | |
| NET RESIDUAL AGAINST LAND VALUE | | | | | | £35,415 | |
| 2. RESIDENTIAL VALUES | | | | | | | |
| 2.1 PRIVATE | | No. of units | Avg. unit size m ² (NIA) | Sales Value per m ² using average existing 2014 * new build difference (factor land reg) | % change | Value per unit | Total Value |
| 2 bed flats | | 9 | 65 | £2,356 | 0.0% | £153,112 | £1,378,006 |
| 2 bed houses | | 11 | 80 | £2,542 | 0.0% | £203,352 | £2,236,868 |
| 3 bed houses | | 21 | 95 | £2,287 | 0.0% | £217,297 | £4,563,233 |
| 4 bed houses | | 8 | 120 | £2,157 | 0.0% | £258,872 | £2,070,978 |
| | | 49 | 4,420 | £2,319 | | £209,165 | £10,249,085 |
| 2.2 AFFORDABLE | | No. of units | Unit size m ² (NIA) | Sales value per m ² | Value sensitivity (% change) | Sales Value per unit | Total Value |
| Affordable Rent | | 2 | 95 | £ 1,295 | 0.0% | £123,025 | £246,050 |
| Shared Ownership | | 1 | 95 | £ 1,295 | 0.0% | £123,025 | £123,025 |
| | | 3 | 285 | | | | £369,075 |
| 2.3 GROUND RENTS | | | | | | Total Value | |
| Ground Rents | | | | | | £34,255 | |
| CAPITAL VALUE | | | | | | £10,652,414 | |

| 3.0 COSTS | | | | | | |
|--|--------------|---|--|-----------------------------|---------------------|-------------------|
| | | | | | 19% | 24% |
| | No. of units | Total area (m ² GIA) inc assumption 15% Gross to net flats | Base build cost per m ² (BCIS £/m ² median Sept 14 * location factor 106) | Cost sensitivity (% change) | Build Cost per unit | Total Cost |
| 3.1 CONSTRUCTION | | | | | | |
| Private | 49 | 4508 | £1,130 | 0% | £103,954 | £5,093,758 |
| Shared Ownership | 1 | 95 | £1,130 | 0% | £107,350 | £107,350 |
| Affordable Rent | 2 | 190 | £1,130 | 0% | £107,350 | £214,700 |
| | 52 | 4,793 | | | | £5,415,808 |
| Abnormals/Infrastructure | | | 10.0% | | | £541,581 |
| | | | | | | £5,957,388 |
| 3.2 OTHER COSTS | | | | | | |
| Contingency | | | 5% | | | £297,869 |
| Professional Fees | | | 10% | | | £595,739 |
| | | | | | | £893,608 |
| 3.3 POST COMPLETION COSTS | | | | | | |
| Sales Costs - Agent & Legal Fees | | | 2.5% | | | £256,227 |
| CIL payments | | | £0 per m ² (of net additional area | | | £0 |
| Section 106 payments | | | £1,000 per unit | | | £49,000 |
| | | | | | | £305,227 |
| 3.4 FINANCE COSTS | | | | | | |
| Interest payments (excluding land finance costs) | | | 6.75% | | | £208,660 |
| Arrangement Fee | | | 0% | | | £0 |
| | | | | | | £208,660 |
| 3.5 DEVELOPER'S PROFIT | | | | | | |
| Profit on private units | | | 20.0% on GDV | | £1,422,981 | £2,049,817 |
| Profit on affordable units | | | 6.0% on cost | | | £19,323 |
| | | | | | | £2,069,140 |
| | | | | | | |
| | | | Equivalent blended profit on GDV: | 19.42% | | |
| | | | Equivalent blended profit on Cost: | 24.74% | | |
| | | | | | | |
| TOTAL DEVELOPMENT COST | | | | | | £9,434,023 |
| 4.0 RESIDUAL VALUATION | | | | | | |
| GROSS RESIDUAL VALUE | | | | | | £1,218,391 |
| Less LAND FINANCE COST | | | | | | -£124,976 |
| NET RESIDUAL VALUE | | | | | | £1,093,415 |
| 5.0 RESIDUAL AGAINST VIABILITY BENCHMARK | | | | | | |
| NET RESIDUAL VALUE | | | | | | £1,093,415 |
| Land Value (inclusive of purchaser's costs) | | | | | | -£1,058,000 |
| NET RESIDUAL AGAINST LAND VALUE | | | | | | £35,415 |

Greenfield Residential Scheme - 1 Hectare Update based on detailed study of house sales in Colchester 2012/13/14

| 1.0 APPRAISAL SUMMARY | | | | | | | |
|--|--|--------------|-------------------------------------|--|------------------------------|----------------------|-------------------|
| VALUES | | No. * | | | | Sales value | |
| Private units | | 27 | | | | £6,485,050 | |
| Affordable units | | 7 | | | | £861,175 | |
| Ground Rents (flats) | | | | | | £21,409 | |
| | | | | | | £7,367,634 | |
| <i>*Note: Total unit No. rounded to 34, based on target density of 35 units per Ha</i> | | | | | | | |
| DEVELOPMENT COSTS | | | | | Total cost | | |
| Construction Costs | | | | | £3,901,466 | | |
| Post Completion Costs & Other Costs | | | | | £1,118,409 | | |
| Finance Costs | | | | | £144,837 | | |
| Developer's Profit | | | | | £1,342,097 | | |
| | | | | | | £6,506,809 | |
| NET RESIDUAL VALUE | | | | | £775,127 | | |
| Land Value (inclusive of purchaser's costs) | | | | | -£634,800 | | |
| NET RESIDUAL AGAINST LAND VALUE | | | | | | £140,327 | |
| 2.0 RESIDENTIAL VALUES | | | | | | | |
| 2.1 PRIVATE | | No. of units | Avg. unit size (m ² NIA) | Value per m ² based on 2014 sales existing * diff New build | Value sensitivity (% change) | Sales value per unit | Total value |
| 2 bed flats | | 5 | 65 | £2,459 | 0.0% | £159,830 | £799,152 |
| 2 bed houses | | 6 | 80 | £2,848 | 0.0% | £227,806 | £1,366,834 |
| 3 bed houses | | 12 | 95 | £2,557 | 0.0% | £242,955 | £2,915,464 |
| 4 bed houses | | 4 | 120 | £2,924 | 0.0% | £350,900 | £1,403,600 |
| | | 27 | 2,425 | £2,674 | | £240,187 | £6,485,050 |
| 2.2 AFFORDABLE | | No. of units | Unit size sq m (NIA) | Sales value per m ² | Value sensitivity (% change) | Sales value per unit | Total value |
| Affordable Rent | | 6 | 95 | £1,295 | 0.0% | £123,025 | £738,150 |
| Shared Ownership | | 1 | 95 | £1,295 | 0.0% | £123,025 | £123,025 |
| | | 7 | 665 | | | | £861,175 |
| | | | | | | Total value | |
| Ground Rents | | | | | £21,409 | | |
| CAPITAL VALUE | | | | | | £7,367,634 | |

| 3.0 COSTS | | | | | | |
|--|--------------|--|--|-----------------------------|---------------------|-------------------|
| | No. of units | Total area (m ² GIA) inc assumption 15% ground works private housing 12.5% affordable | Base build cost per m ² (BCIS £/m2 median Sept 14 * location factor 106) | Cost sensitivity (% change) | Build cost per unit | Total cost |
| 3.1 CONSTRUCTION | | | | | | |
| Private | 27 | 2,474 | £1,130 | 0% | £103,531 | £2,795,338 |
| Shared Ownership | 1 | 95 | £1,130 | 0% | £107,350 | £107,350 |
| Affordable Rent | 6 | 570 | £1,130 | 0% | £107,350 | £644,100 |
| | 34 | 3,139 | £1,130 | | | £3,546,788 |
| Abnormals and Infrastructure | | | 10% | | | £354,679 |
| CONSTRUCTION COST | | | | | | £3,901,466 |
| 3.2 OTHER COSTS | | | | | | |
| Contingency | | | 5% | | | £195,073 |
| Professional Fees | | | 10% | | | £390,147 |
| | | | | | | £585,220 |
| 3.3 POST COMPLETION COSTS | | | | | | |
| Sales Costs - agent & legal fees | | | 2.5% | | | £162,126 |
| CIL payments | | | £150 per m ² (of net additional area | | | £371,063 |
| Section 106 payments | | | £0 per private unit | | | £0 |
| | | | | | | £533,189 |
| 3.4 FINANCE COSTS | | | | | | |
| Interest payments (excluding land finance) | | | 6.75% | | | £144,837 |
| Arrangement Fee (% of total borrowings) | | | 0% | | | £0 |
| | | | | | | £144,837 |
| 3.5 DEVELOPER'S PROFIT | | | | | | |
| Profit on private units | | | 20.0% on GDV | | | £1,297,010 |
| Profit on affordable units | | | 6.0% on cost | | | £45,087 |
| | | | | | | £1,342,097 |
| | | | | | | |
| | | | Equivalent blended profit on GDV: | 18.22% | 7.74% | £4,793,649 |
| | | | Equivalent blended profit on Cost: | 23.28% | | £5,164,712 |
| TOTAL DEVELOPMENT COST | | | | | | £6,506,809 |

| 4.0 RESIDUAL VALUATION | | | | | | |
|--|--|--|--|--|--|-----------------|
| GROSS RESIDUAL VALUE | | | | | | £860,825 |
| Less LAND FINANCE COST | | | | | | -£85,698 |
| NET RESIDUAL VALUE | | | | | | £775,127 |
| 5.0 RESIDUAL AGAINST VIABILITY BENCHMARK | | | | | | |
| NET RESIDUAL VALUE | | | | | | £775,127 |
| Less LAND VALUE (inclusive of purchaser's costs) | | | | | | -£634,800 |
| NET RESIDUAL AGAINST LAND VALUE | | | | | | £140,327 |

Appendix 7 - Assumptions in relation to Zone 1 Development Appraisals

Assumptions for Zone 1 Modelling

- Prices for affordable housing have been updated from the original model by the average of change in Zone 1 house prices of +6% and +4% for Zone 2 between 2012 and 2014.
- Land values are currently unchanged from the original model £1,000,000 per Ha Zone 1, £600,000 per Ha Zone 2.
- The original model assumed S.106 payments of £2000 for both Zone 1 and Zone 2 private accommodation. Sensitivities in the levels of S106 payments have also now been included in the model.
- Provision of affordable housing, CIL and S.106 payments, have also been adversely affected by increasing developers profit from 17.5% in the original model to 20% on the private elements and remains unchanged at 6% for the affordable housing.

Appendix 8 - Assumptions in relation to Zone 2 Development Appraisals

Assumptions for Zone 2 Modelling

- Prices for affordable housing have been updated from the original model by the average of change in Zone 1 house prices of +6% and +4% for Zone 2 between 2012 and 2014.
- Land values are currently unchanged from the original model £1,000,000 per Ha Zone 1, £600,000 per Ha Zone 2.
- The original model assumed S.106 payments of £2000 for both Zone 1 and Zone 2 private accommodation. Sensitivities in the levels of S106 payments have also now been included in the model.
- Provision of affordable housing, CIL and S.106 payments, have also been adversely affected by increasing developers profit from 17.5% in the original model to 20% on the private elements and remains unchanged at 6% for the affordable housing.