

# **ASSESSING VIABILITY**

**Community Infrastructure Levy:**

**A Stage 1 Economic Viability Assessment prepared  
for 8 Hertfordshire Authorities:**

**Dacorum Borough Council**

Three Rivers District Council

Watford Borough Council

Hertsmere Borough Council

Welwyn Hatfield Borough Council

St Albans City and District Council

East Herts Council

Borough of Broxbourne

**AUTHORITY SPECIFIC VERSION FOR DACORUM  
BOROUGH COUNCIL**

**Report by: Lambert Smith Hampton:**

**December 2012**

**Final**

# Assessing Viability

## Community Infrastructure Levy: A Stage 1 Economic Viability Study: Authority Specific Version for Dacorum Borough Council

Prepared for:

8 Hertfordshire Authorities

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## **Foreword: about the authority specific version of this report**

The Stage 1 Economic Viability Study was commissioned as a single entity and subsequently prepared and delivered by Lambert Smith Hampton as a single report containing the complete data for all 8 client authorities: its contents were discussed and agreed with them in this form. The advantage of this was that it has enabled a composite picture of CIL viability issues to be presented to the clients and discussed collectively with them before finalisation, and there have been many benefits for them in considering these matters as a totality rather than viewing them in isolation.

Each district indicated during the course of the report's preparation that they would want to publish a version that focused on data pertaining to that district, and isolated extraneous data relevant only to other authorities. This is that version: it is the **authority specific report** for **Dacorum Borough Council**.

Data relating to other authorities has been removed from Section 6 of the main report as well as from Appendices 2, 3, 5 and 6: apart from this and the first three pages of each report being 'personalised' for the district in question the 8 published versions will in all other respects be identical.

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# Executive Summary

## Introduction

- a Lambert Smith Hampton (LSH) was commissioned by 8 of the 10 Hertfordshire district councils to undertake a Stage 1 Community Infrastructure Levy (CIL) Economic Viability Study (EVS) to investigate and support the eventual preparation of individual charging schedules for each of the authorities. CIL was introduced by the government through regulations published in April 2010 in order to help authorities secure funding from new development towards the provision of the infrastructure need that such development gives rise to in order to support planned growth in their area.
- b In commissioning this work the 8 authorities saw considerable advantages in pursuing a joint CIL EVS, as it builds on historic practices of joint working. It also enables a consistent approach to be adopted towards a standard assessment of the key factors and parameters that will influence development viability and therefore potential CIL rates within Hertfordshire. At the same time it allows for local market variations and policy differences across the county to be taken into consideration when assessing potential CIL rates for each authority. However, it should be noted that the assumptions and approach used in this study have been chosen to best serve a review across a diverse study area. The nature of this study means that it does not assess the development viability of individual schemes, but it recognises that there will be circumstances where individual schemes will a) have infrastructure impacts and b) be inherently profitable, and that in such circumstances authorities may continue to seek appropriate contributions
- c Ultimately, each of the 8 potential charging authorities will make an individual decision on CIL rates to be charged, based on the evidence on viability as well as the options contained within this report, its own assessment of infrastructure need and its attitude to risk. What we have provided in this report is the evidence needed to arrive at such a judgement.

## Relationship with the NHDC viability study

- d North Herts District Council (NHDC) is commissioning their own individual CIL EVS as they wanted to link this closely with work to test out affordable housing provision as a variable alongside potential CIL rates. This is a step further than our study, and given this and NHDC's desire to make a much earlier start on progression of viability work (their consultants DSP were commissioned a full 5 months earlier) means that a study covering all 10 Hertfordshire districts - though it might have had its advantages - was neither practical or appropriate (although we also have covered the issue of potential variations in affordable housing proportions/mix for each of our 8 districts in our sensitivity testing). The North Herts CIL review has also been considered in preparing this advice.
- e We believe that the work undertaken for North Herts is broadly compatible with our study. A number of our generic viability model inputs (developer's profits, marketing fees etc) are consistent with other

CIL viability studies and have also been used by DSP in their EVS work for North Herts (and as part of that commission have been the subject of development industry consultations during the summer of 2011). These values are also consistent with other industry standard viability models such as those developed by the HCA and Three Dragons.

### Status of this work

- f This is a Stage 1 CIL EVS study. What that means is that we have developed a model and undertaken an initial assessment of potential CIL rates developed in consultation with the client authorities and reflecting assumptions agreed with the authorities. It would be entirely possible for one or more individual authority - if they felt it to be appropriate - to move forward to prepare a charging schedule and (subject to suitable evidence of infrastructure need) proceed to a charging schedule examination on the basis of the viability assessment work contained within this study. The study will form part of the 'appropriate evidence' required by the CIL Regulations.
  
- g It is the case that at the time of writing only 1 of the 8 client authorities currently has an adopted Core Strategy, and although some authorities expect to have adopted Core Strategies in place within a relatively short timescale, others will not. What we can see therefore are considerable differences in the current status of LDF and infrastructure planning work in the county. We think that on the information we have that the period between the first and last CIL charging schedules being in place is likely to be many months and indeed, quite possibly, several years.
  
- h Given this, the 'early' CIL promoters should, we feel, be comfortable with the evidence on viability we have provided, and are able to follow our recommendations regarding CIL rates. The 'later' authorities may wish to pay attention to a range of factors (such as market conditions, scheme values and other variables) to ensure that the values assumed now remain appropriate in the future. It is also possible that authorities may wish to test out different geographies, or indeed take a different approach to their CIL rates than that in our report. A follow on Stage 2 study (at a later date) would pick up such matters and the influence of any other factors such as changing government policy and possible amendments to the CIL Regulations. It would also allow further development industry consultations.
  
- i Potentially, however, all authorities may wish to undertake further work under Stage 2. This is because of the potential importance we have identified within this report of the interplay between CIL rates, the ongoing ability to negotiate s106 agreements for site specific infrastructure (despite future restrictions coming into force) and the cost to developers of providing affordable housing. What we have emphasised in this study is that potential variations - in, say, financial contributions to be sought for site specific infrastructure, and changes to both the proportion and mix of affordable housing - would have a direct and possibly significant influence on CIL rates, because of the changes they would bring about in the viability of schemes.

- j With this knowledge authorities may or may not choose to adjust affordable housing requirements and site related s106 aspirations to deliver changes in anticipated CIL rates. If they do, then a Stage 2 study would need to test out the effect of amending such values in detail. (We have undertaken a preliminary analysis of these changes in our sensitivity work within this report, using proposed affordable housing policies as a benchmark, but an in depth analysis is outside the scope of this study and the authorities concerned would therefore need to explore such matters in finer detail).
- k As a final point on the status of this work, it should be noted that as part of this commission we are passing on the viability model to the authorities, and providing a face to face training session and a manual of how to operate it. Authorities will have the ability make use of our model to undertake any Stage 2 work for themselves, or ask for help from outside bodies as they see fit.

### Our viability methodology

- l As noted earlier, in undertaking this work we have made use of a number of standardised assumptions cross referenced by a range of bespoke local assumptions informed by both geographical and policy based considerations. These have all been factored into our model, which uses a residual appraisal methodology to determine whether, having deducted construction costs, planning requirements and developer profit, the residual value that remains is sufficient to incentivise landowners into releasing that land for development.
- m To do this we have established a benchmark based on “market value” (i.e. the value we think a landowner would reasonably accept for the land with planning permission) for a wide range of development types. Potential CIL rates are then inserted into the model as a development cost to determine - for different development scenarios - whether the residual value for that proposal achieves or fails to meet the predetermined benchmark.
- n Should this residual value fail to meet the benchmark, then the scheme is either considered unviable at the chosen CIL rate or, potentially, the value of 'negotiated' elements of development cost (which will be the planning requirements such as s106 contributions to deal with the cost of site related infrastructure as well as the provision of affordable housing) will be "squeezed" with the consequence that they cannot reasonably be secured (or only in part) from the development. This latter point - the potential for CIL (which will be a mandatory, fixed cost) to impact on the funding of other infrastructure including affordable housing - can potentially have significant repercussions for local authorities introducing CIL and is something we will return to shortly.
- o To identify a benchmark value which is likely to give a landowner a reasonable return we have assumed a market value for the land which takes into account development plan policies and other material planning considerations relating to that land, as well as previous property disposals.
- p This is achieved through a review of comparable evidence as a sensitivity check, comparing results to residual testing which takes into account changes in planning policy and reviews alternative land

values. By using a number of approaches, we feel we have provided a robust consideration of “Market Value” and how it varies between property types and over geography.

- q Evidence was gathered on property sales data across Hertfordshire covering both residential and non residential types. This includes published data from the Land Registry and the Valuation Office Agency. Data was then inputted for a variety of indices including unit sizes, sale prices and rents/yields to ascertain a benchmark for a range of development types, taking into account the different planning policies, across the study area.
  
- r To operate the model a development type for a chosen location is selected and the postcode inserted (to reflect the impact of location on development costs and sales) and a local authority identified (to reflect the differing impact of local authority planning policies). The model then applies build and other development costs (e.g. sales/marketing); developers profit; and assumptions for the costs falling on the development in relation to planning obligations to secure site related infrastructure and the provision of affordable housing; and then sets these against likely revenues (which are postcode sensitive) to give a residual value for the land.
  
- s It is this residual value that, once compared to a predetermined benchmark, establishes whether a positive value can be set for CIL for this type within this specified location, and if so, what value can be potentially placed on that CIL rate.

### Model variables

- t A number of standard values for a range of variables have been established and agreed with the authorities for inputting into the model, including an average dwelling size for houses/flats (in the case of residential development), a ratio of net to gross development, and an appropriate deduction for current floorspace (on which CIL cannot be charged). Other inputs will tend to be industry standard, and/or already accepted in tried and tested viability models.
  
- u A particularly important consideration is the reflection of local authority policies on affordable housing requirements (both proportions and mixes) and the insertion of an average figure for the cost of s106 site specific infrastructure for residential development (the latter figure has been agreed by each of the 8 authorities individually). Up to date sales values, rents and yields for residential and non residential development as appropriate have also been incorporated, based on market evidence.

## Modelling the outputs and the conclusions

- v A total of 11 different development types (5 residential, and 6 other property uses - offices, industrial/distribution, hotels, care homes and gyms) - were tested. The residential types were tested across the 47 Hertfordshire postcodes covering the 8 districts whilst a single countywide figure was used for the non residential uses, based on the lack of geographical variation in the comparable evidence.
- w Our modelling work quickly drew the conclusion that on viability grounds, a number of development activities - including cinemas, theatres and leisure centres - were unlikely to be capable of sustaining a positive CIL charge and we therefore recommend that these are zero rated. Office development also appeared unviable in 8 authorities, with only St Albans able to support a potential CIL rate of **circa £63 m<sup>2</sup>**.
- x To reach this conclusion, office and distribution average rental data was assessed for each of the 8 local authorities. Even in the higher value areas office appeared unable to sustain a CIL rate and remain viable. The exception to this is St Albans where values are higher but the extent of floorspace currently available is driving down values. It is therefore proposed that for **office be set at zero** to ensure commercial development remains viable and can be delivered in the study area. It is possible, however, that market conditions will improve and the current office space will not be sufficient to supply the need, which will drive up rental values and make commercial development more viable. It is therefore important to review commercial CIL rates at appropriate intervals. For **St Albans** an **office rate of £63 m<sup>2</sup>** is suggested.
- y With regard to **industrial use (B2) and distribution (B8)** it was concluded that a rate of **£20 m<sup>2</sup>** could be achieved across the authorities. However, LSH suggest caution in applying a CIL charge to industrial and distribution uses at this level. Further investigation at stage 2 is required to ensure that minor changes in a range of inputs would not make the charge unviable.
- z We recommend a CIL charge for **hotels at £145 m<sup>2</sup>** and for **care homes, £163 m<sup>2</sup>**. A standard CIL rate across the county is proposed for such developments as we did not find that either development costs or sales/rental values varied significantly across the 8 districts.
- aa Although our research in regards to **retail properties** appeared to reflect a difference in viability between larger retail stores and smaller local shop developments, recent CIL examinations in public and a legal challenge by Sainsbury in Poole have indicated that it may not be possible to differentiate CIL rates within a specific use class based on size. Therefore we recommend that for retail development a single rate of **£125 m<sup>2</sup>** across the 8 authorities is adopted. The authorities may wish to review this once they fully understand the mix of retail development they anticipate in their areas through the plan period as LSH identified a range of potential CIL rates depending on the retail property type.

- bb Turning to residential development we found, as expected, that differing authorities would most likely command different CIL rates. Although across Hertfordshire it seems reasonable to anticipate similar rates for a range of costs including fees, build costs and profit, the location of a development within the county makes a big difference in terms of sales values. For example house prices in central St Albans are significantly higher than those found in Watford. This was most notably recognised in average sales values by postcode, reflected in Land Registry data.
- cc Additionally and most strikingly, local authority policies on affordable housing provision from new development makes a significant impact on potential CIL rates. There are marked differences in the proportions of affordable housing sought within the 8 authorities (from 25% in part of one authority to 45% in another) but notably what is even more significant is the mix of such housing, with the proportion of social rented housing (of the overall affordable housing mix) varying from 20% in one authority to 80% in another.
- dd Since the cost of providing social rented housing is a very significant one to a developer when compared to other forms of affordable housing tenure, it naturally follows that this will be reflected in variations in the viability of residential development and consequently potential CIL rates for authorities that might otherwise share broadly similar characteristics.
- ee This having been noted, we are able to propose CIL residential rates for all 8 authorities. The rates we propose make a suitable allowance for potential abnormalities and contingencies and also include sufficient headroom for future adverse changes (we believe, for instance, that for all scenarios, there is sufficient headroom in our assumptions for an increase in build cost of 10% costs even if sales values remain static). Our rates also reflect the type and location of development expected in each district, and this is explicitly covered in our report. All our figures can be justified on viability grounds, in line with the CIL Regulations.
- ff Our recommended standard residential CIL rates for the authorities are as set out below and reflect the most appropriate CIL rate on balance across each of the authorities:

Table 1: Proposed residential CIL rates by authority.

<b>Authority</b>	<b>Affordable Housing (%)</b>	<b>Proposed Residential CIL rate (£/sq.m.)</b>
<b>Broxbourne</b>	<b>40</b>	<b>130</b>
<b>Dacorum</b>	<b>35</b>	<b>150</b>
<b>East Herts</b>	<b>40</b>	<b>110</b>
<b>Hertsmere</b>	<b>40</b>	<b>120</b>
<b>St Albans</b>	<b>40</b>	<b>170</b>
<b>Three Rivers</b>	<b>45</b>	<b>150</b>
<b>Watford</b>	<b>35</b>	<b>200</b>
<b>Welwyn Hatfield</b>	<b>25</b>	<b>270</b>
	<b>30</b>	<b>200</b>
	<b>35</b>	<b>135</b>

## Issues associated with high density urban schemes and large sites

- gg The proposed rates mask an important issue that the 8 Hertfordshire authorities need to consider. This is the problem of the apparent inability of higher density urban development to bear CIL. Amongst the types we tested out within each postcode were a medium density urban housing scheme of 1 hectare (with a density of 70 dwellings/ha) as well as a high density scheme also of 1 ha (density 100 dwellings/ha).
- hh The cause of this disparity in some high density schemes is that the assumption of build costs per square metre will increase for high density schemes, but the revenue per square metre does not increase to the same extent. This effectively squeezes the potential to pay CIL in some areas at high density. In some locations, such as Dacorum (postcode HP2), Three Rivers (WD25), and Broxbourne (EN11), even nil or very low CIL rates would not lead to development values sufficient to incentivise landowners to release land for development. In other words it is not the introduction of CIL which makes high density schemes in these locations unviable, but their underlying unprofitability. In other locations - such as Three Rivers (WD18) - lowering CIL rates to bring such schemes into positive viability would have a detrimental effect on CIL revenues secured by charging authorities.
- ii There is, however, an alternative to this which we would recommend. Firstly it needs to be pointed out that only a relatively small part of Hertfordshire regularly attracts development at this type of density most notably only in parts of the towns of Watford, Borehamwood and Rickmansworth, which means that for large parts of the county this is unlikely to be a significant issue on balance for CIL.
- jj Even in those districts where high density development occurs, such development tends to be confined to town centre locations. In view of this, we consider that local authorities should not seek to rein back CIL rates to take account of the relative adverse viability of higher density development.
- kk Instead, those authorities faced with the prospect of such development can consider alternative choices: if discrete high density enclaves can readily be identified (e.g. town centres, major brownfield locations) the authority in question can identify such areas in its charging schedule and propose a lower or nil CIL residential rate for these locations, depending on the outcome from further viability work, which may show such areas can support higher than average residential sale values.
- ll Alternatively an authority can maintain the standard CIL rate and be prepared to accept potential reduced levels of site related infrastructure secured through a s106 agreement and/or reduced provision of affordable housing secured through the development, if the developer can make a convincing case for this. The authority might even take the view that the combined effect of the CIL rate and its planning policies may render such development unviable under current circumstances, although if an authority were to take such a stance it would need to reconcile this with its proposed development strategy and in addition convince the CIL examiner that this represents a reasonable step.

- mm Potentially a similar situation may arise in relation to major development areas (MDAs) - developments of 500 dwellings+ brought forward in LDF development strategies. Here the issues are however slightly different. We would anticipate that for large developments, there is likely to be an expectation that such schemes will meet the cost of site related infrastructure (access roads, primary schools, open space etc) through a negotiated planning obligation.
- nn Despite the introduction of CIL, we anticipate that s106 agreements will continue to be the chosen method of securing site related infrastructure for MDAs and some other developments, because the CIL regime cannot provide the certainty that CIL revenues will be directed towards the provision of infrastructure in any one location, and the promotion of MDAs is likely to be predicated on a guarantee that such infrastructure will be secured.
- oo We have however made only a relatively modest standard allowance for s106 costs as an input into our viability model as it is impossible to provide an accurate value for likely s106 costs for MDAs without knowing each development's specific characteristics. Moreover each local authority will need to develop its own ideas on how it wishes to secure infrastructure for MDAs (should there be any) within its boundaries. We did not test the viability of any specific sites as part of this study so if any of the authorities wish to consider alternative CIL charges for MDAs they are able to identify (or indeed other sites/areas) this will need to be progressed as part of any Stage 2 viability testing.
- pp We also noted that in authorities where the affordable housing policy had the least impact on viability, currently significant levels of s106 contributions could be collected. With the introduction of CIL a balance between Section 106 and CIL will be required as the proposed model shifts the previous monies that could be attributed to Section 106 contribution to that of CIL. This is of particular note in Watford.

### Possible differential residential rates

- qq We have considered the possibility of differential rates for individual authorities based on location: given that our study of Hertfordshire was postcode based this would involve the potential for differentiation by postcode within each of the authorities. It needs to be recognised that CIL has been conceived as a system that should be straightforward in both conception and operation, and there may be little merit in promoting a complex system of differential rates particularly if the viability justification for doing so is marginal.
- rr It is also the case that individual postcodes can sometimes show marked variation in sales values within the same district and ultimately, for differential CIL rates for residential development to be fully justified it may be necessary to show a more fine grained approach than that contained within our study, and this would therefore need to be the subject of follow up work as part of Stage 2 testing.

ss These points aside, we have identified evidence that there is some potential for differential rates in particular areas within the following districts and these are set out in table 2:

Table 2: Proposed variable residential CIL rates by location.

Authority	Postcode(s)	Rate (£/sq.m)
Dacorum BC	HP1, HP2, HP3, WD4	£150
	HP4, AL3, HP23	£210
Three Rivers DC	WD3, WD4, WD18, WD19, WD25	£150
	WD5	90

tt Where they can be considered achievable, the benefit of differential CIL rates is that they will maximise development across an authority by reducing the risk of jeopardising development in more marginal locations whilst maximising potential returns in more robust locations. Differential rates do however increase the complexity of the CIL charge. Furthermore it may be that an authority anticipates little development in certain postcodes or areas (too little to justify a separate CIL) and on balance may decide to adopt a single rate. We understand that Hertsmere may wish to investigate the potential for differential rates as part of a Stage 2 study due to the nature of their geographic areas. At present our investigations have not uncovered sufficient evidence based on the data collected to justify, this but further work is required.

uu It is also possible that other authorities may wish to undertake more detailed analysis on a finer grain than that achievable at a postcode level. Postcodes can cover a wide area and not best reflect the nuances of geographical variation between streets/areas.

## Sensitivity Testing

vv As part of our commission we undertook a standard set of sensitivity tests across all 8 authorities to determine the impact of charging cost and value parameters. The following table identifies our recommended rates and illustrates a variety of sensitivity test results and their impact on where rates may be set.

Variable→ Authority↓	Standard rate (£/sq.m)	5% reduction in land values	5% increase in land values	5% increase in costs (above 10% already incorporated)	5% reduction in proportion of affordable housing sought	Affordable Housing Mix at 35% Social Rented and 65% Intermediate	Doubling of s106 contribution towards site related infrastructure from that agreed with local authority	New development compliance with Code for Sustainable Homes Level 3 (Not CSH 4)
Broxbourne	130	160	90	20	230	500	100	220
Dacorum	150	170	125	40	210	350	90	230
Three Rivers	150	180	60	30	250	500	125	250
Watford	200	250	100	100	235	100	130	280
Hertsmere	120	180	30	20	260	440	80	200
Welwyn Hatfield (35%)	135	150	80	50	200	350	80	190
Welwyn Hatfield (30%)	200	230	160	100	270	400	140	260
Welwyn Hatfield (25%)	270	300	240	190	300	425	230	350
St Albans	170	210	90	40	270	340	120	240
East Herts	110	150	50	15	230	430	50	190

Notes:

1. All the figures in the boxes represent impact of this change in variable on the proposed standard rate

Table 3: Sensitivity test of residential CIL outputs by authority.

ww The table provides a balanced view of potential sensitivity across the various types of development. Given that permutations that could be undertaken in sensitivity testing could be virtually endless, we have focused on a manageable range of amended values to illustrate the implications of the most likely variations, not every conceivable one. It is possible that some districts will wish to do some further testing to consider a wider range of potential options open to them in relation to s106 contributions and affordable housing provision: the model we are providing allows them to do that as part of a Stage 2 study.

## Conclusions

xx In conclusion we feel that we have provided robust, properly researched and sourced evidence to enable each of the 8 Hertfordshire authorities to understand the potential for raising CIL within their district, whilst also setting out for them the constraints they need to work within and the issues they will need to confront and, if necessary, resolve in moving forward.

yy As we have made clear, the report allows authorities - if they are otherwise able - to move forward quickly with the preparation of a charging schedule at the earliest opportunity based on the evidence we have provided. Alternatively, they can undertake follow up work to consider and if appropriate make changes to the way in which CIL interacts with other planning policy variables that have an infrastructure content and cost - i.e. s106 payments for site related infrastructure, affordable housing provision and mix, and Code for Sustainable Homes level compliance.

## Next steps

zz On acceptance of this report we will provide a copy of our model as well as face to face training backed up by written instructions on its use. That act will complete our commission. We think it will be important for local authorities to reflect upon the outcome of this commission and the issues this raises for them. We recommend:

- All authorities consider viability issues as a whole: in particular the way CIL and affordable housing policy interact/impact on scheme viability. We would recommend this particularly considered in Watford and Three Rivers.
- All authorities consider the impact of the anticipated distribution of development across the authorities and where the proposed CIL rates should be adjusted to account for this. It is anticipated that authorities will need to have undertaken further analysis of their emerging plans for this to be achievable.
- Hertsmere and Dacorum consider the impact of CIL on high density schemes: their likely incidence/location within the district and (given what our viability evidence has shown) how to deal with the issues that are likely to arise in terms of introducing and operating CIL.

- 
- Additionally Hertsmere consider a finer grained analysis of their authorities than reflected at a postcode level. Also we would suggest collection of additional development evidence to ensure that the maximum reasonable CIL rate can be achieved.
  - All authorities consider Major Development Areas (MDAs): how those local authorities where MDAs have been identified will approach the task of ensuring the provision of appropriate and timely infrastructure to ensure such development is fully sustainable, considering the respective roles of CIL and s106 agreement in doing so.
  - Welwyn Hatfield District Council to consider a more fine grained analysis of the implications of differential rates for affordable housing, based on location and development viability.
  - For local authorities contemplating a later introduction of CIL, a review of model data assumptions to consider whether they are still relevant or require updating due to changed circumstances.
  - All authorities to consider type and mix of anticipated retail development with their authorities, in consideration of their emerging planning documents.
  - All authorities remain up to speed with examiners decisions in respect of the examination in public of CIL schedules.

[End of Executive summary]

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# 1. Introduction

## Instruction

- 1.1 Lambert Smith Hampton was commissioned in December 2011 to undertake a joint Stage 1 Community Infrastructure Levy (CIL) Economic Viability Study (EVS) on behalf of 8 of the 10 Hertfordshire authorities as part of the supporting evidence that will be eventually used in the preparation of each individual authority's CIL Charging Schedule. The authorities commissioning this study were:

- Dacorum Borough Council
- Three Rivers District Council
- Watford Borough Council
- Hertsmere Borough Council
- Welwyn Hatfield Borough Council
- St Albans City and District Council
- East Herts Council
- Borough of Broxbourne

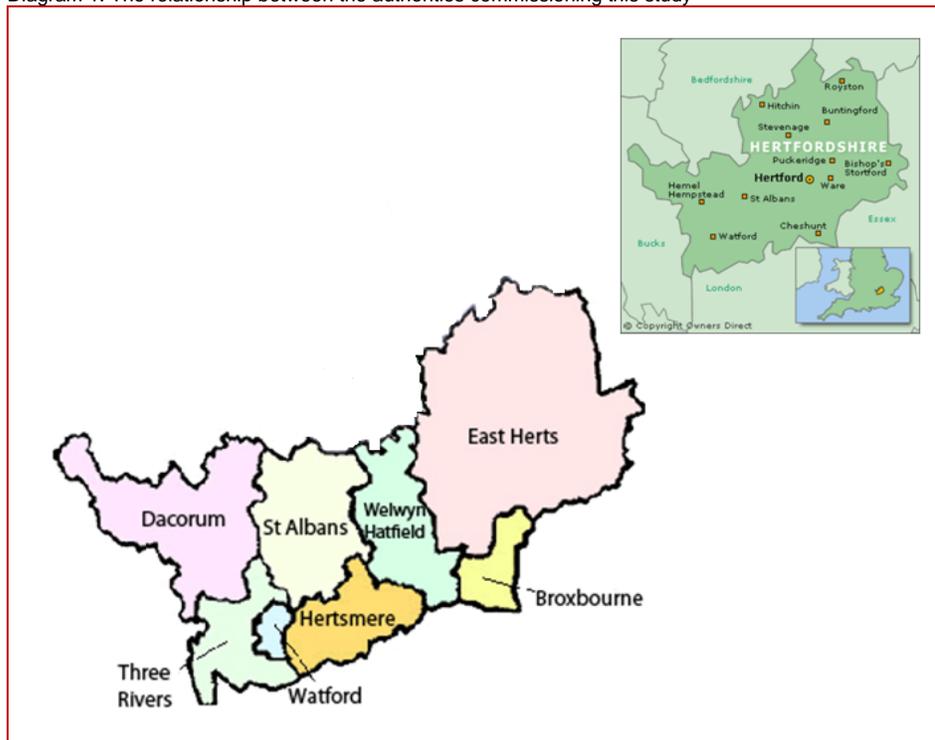
- 1.2 The Study is in response to the Secretary of State's enabling powers in the Planning Act of 2008<sup>1</sup> with regard to the introduction of a Community Infrastructure Levy. This Stage 1 Study provides a first review of appropriate assumptions for assessing CIL as well as an evidence base from which we propose appropriate CIL rates. The local authorities can then feed this review into eventual CIL Charging Schedules through further work. The study will also identify options available to the authorities in exploring CIL charging rates further.
- 1.3 The Stage 1 review was commissioned across 8 authorities as joint working was considered to provide significant advantages, building on historic practices of joint working in the County and enabling a consistent approach to many elements of the CIL viability assessment process. At the same time the commission has also made allowances for local market variations between the authorities to ensure a measured view of CIL rates, taking account of the individual market characteristics of each authority.

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<sup>1</sup> Section 205-2225 and CIL regulations February 11<sup>th</sup> 2011.

- 1.4 When undertaking this assessment careful consideration was given to the appropriate assumptions and data required to deliver a reasonable assessment across the 8 local authorities which cover circa 650 square miles. It was discussed and agreed with the authorities that for the purpose of this study that generic types of development would be tested across the study area based on information collected at a postcode level. The benefit of this approach allowed all the authorities to be compared and enabled the collection of accessible data. The constraints of such an approach are that the finer grain detail within authorities is not captured. Furthermore, consideration also needs to be given to the application of individual property types within a district to ensure they remain appropriate in considering a reasonable CIL rate.
- 1.5 It is anticipated that the information in this report will provide a framework for identifying viable CIL rates as well as stimulating further debate within each authority on CIL's relationship with other aspects of individual authority's work, including affordable housing policy and emerging planning policies.
- 1.6 The diagram below demonstrates the geographic area of the commission. This instruction does not include North Herts or Stevenage districts.

Diagram 1. The relationship between the authorities commissioning this study



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## Structure of the Report

- 1.7 This report has been structured to provide the authorities with a common understanding of the processes involved in reaching the study's conclusions including the options available to them in determining CIL rates. The subsequent chapters of this report cover the following:

### **2. Explanation of CIL.**

This section provides an explanation of what the Community Infrastructure Levy (CIL) is and why it is important for the authorities to consider and understand its purpose and its relationship with planning policies. The relationship between this study and the separate commission undertaken for North Herts District Council is considered, as well as the study's status as a Stage 1 study (and what further work, if deemed necessary, could be undertaken as part of Stage 2).

### **3. Planning Context.**

This section provides a synopsis of the individual authorities' planning policies and considers the implications these will have on CIL rates.

### **4. Our Methodology.**

This section provides an explanation of the methodology underpinning our work. Including an explanation of the approach to assessing viability, calculating land value benchmarks and the model used to calculate CIL rates.

### **5. Model Assumptions & Data review.**

This section outlines the base assumptions incorporated in our model to determine potential CIL rates. An explanation is provided of the chosen types of development which have been tested as well as the data collected across the county, with particular emphasis on how LSH calculated average residential values and the application of land value benchmarks.

### **6. Standard Assumption Outputs.**

This section identifies the results of testing the agreed assumptions on CIL rates, both geographically and for different types.

### **7. Sensitivity testing.**

This section reviews the impact of varying the agreed assumptions, including planning policies.

### **8. Options.**

This provides advice on the various options available to the authorities in introducing CIL.

### **9. Conclusions.**

This provides a summary of this study as well as setting out potential next steps.

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## Our Advice

- 1.8 This report has been prepared using standard industry residual valuation techniques, taking account of previous CIL reviews and RICS guidance. The advice provided herein is to inform the CIL policy decision making process and must only be regarded as an indication of potential value, on the basis that all assumptions are satisfied. In accordance with Valuation Standards 1 of the Royal Institution of Chartered Surveyors (RICS) Valuation Professional Standards – Global and UK 7th Edition (2012 amended) advice given expressly in preparation for, or during the course of negotiations or possible litigation does not form part of a formal “Red Book” valuation and should not be relied on as such.
- 1.9 This report covers 8 local authorities and therefore a significant amount of data has been collected, reviewed and interpreted. It is therefore acknowledged that chosen assumptions will rarely fit all eventualities. LSH recognise that every development scheme will be unique and the assumptions of this report will not necessarily reflect the outcomes of specific cases.
- 1.10 The advice provided herein should only be used as a guide to inform the authorities’ CIL policy decision making process. LSH have, however, attempted to ensure that the assumptions used are explained, accurate and robust to support our approach in proposing appropriate CIL rates.

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## 2. CIL in context

### Community Infrastructure Levy

- 2.1 The Planning Act 2008 introduced CIL as a mechanism to enable the funding of infrastructure needed to support growth from developer contributions. This led to the publication of the CIL Regulations in March 2010 and the introduction of CIL from 6th April 2010. The Regulations set out the requirements for CIL, including the production of a Charging Schedule, which has to be supported by background evidence on economic viability and infrastructure planning. The Regulations were amended in April 2011 and further changes are being considered in 2012 to clarify the 2010 Regulations and allow Charging Authorities to charge by instalments.
  
- 2.2 This report provides economic viability evidence that identifies appropriate CIL rates that each authority could charge by assessing “*the potential effects (taken as a whole) of the imposition of CIL on the economic viability of development across its area*”<sup>2</sup> and in appropriate circumstances provides them with options for potential charging rate(s). This study will support the future consideration of a CIL charging schedule at Examination in Public (EiP). The regulations require a local authority to have used appropriate evidence to inform the draft charging schedule which should both include information on the infrastructure requirements that CIL will help fund as well as evidence that the economic viability of the proposed CIL charge has been properly considered.
  
- 2.3 Through previous work on CIL viability, we fully recognise the importance of ensuring that CIL is deliverable without compromising new development, and this study considers the potential impact on future development both for a range of development types and across differing geographical areas. When adopted by a Local Authority CIL rates are, in essence, non negotiable and have to be paid by developers on the additional floorspace created by new development. It is important to ensure that the evidence a charging authority uses to set its CIL rates is sufficiently robust and credible to support a local authority in achieving the “appropriate balance” that CIL Regulations require. The diagram overleaf sets out the wider considerations local authorities will have to consider when establishing a balanced CIL charge.

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<sup>2</sup> (CIL Regs 2010, R.14.1.b)

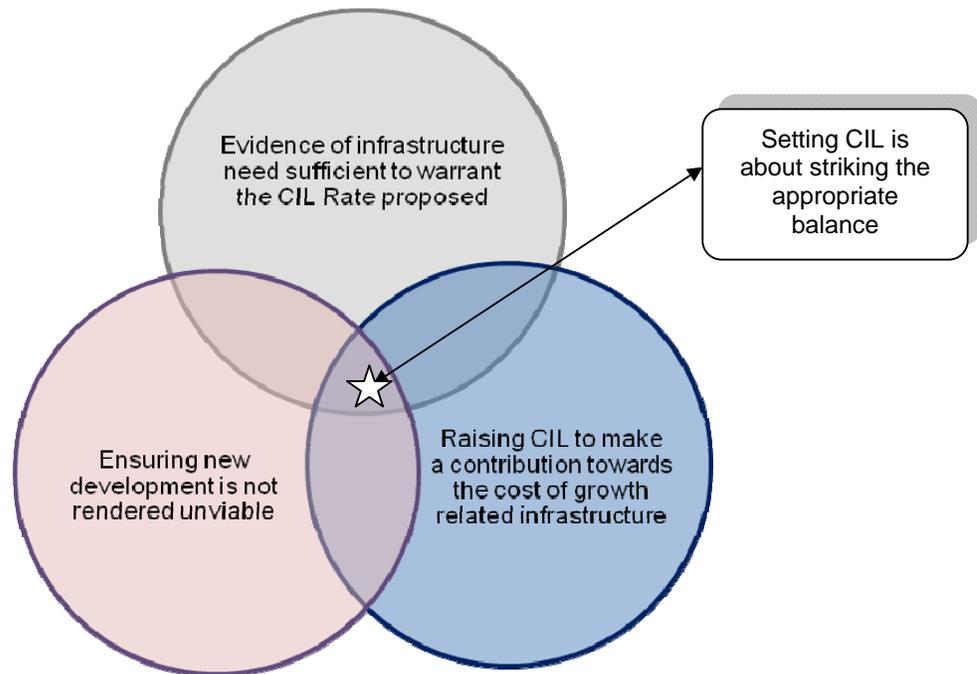


Diagram 2: Introducing CIL is all about striking the appropriate balance

### CIL explained in further detail

2.4 The Community Infrastructure Levy (CIL) is a local levy that is charged on new development for the purpose of raising funds to deliver infrastructure that is required to enable growth. CIL was introduced by the previous government (1997-2010) through Section 206 of the Planning Act 2008 (The Act). This allows certain bodies known as “charging authorities” to charge CIL. In most circumstances the “charging authority” is the Local Planning Authority for the area, but in London includes the Mayor of London also.

2.5 The introduction of CIL is intended to provide a more transparent and effective way of providing for major infrastructure, addressing some concerns that have been expressed about the previous reliance on the use of 'tariff style' s106 obligations to support the funding of new infrastructure. When introduced, the expectation is that CIL will be used for general infrastructure contributions across the local authority area (and beyond it as well, since the Regulations allow for the pooling of CIL to deliver strategic infrastructure). S106 obligations will still be available to local planning authorities to be entered into for site specific mitigation - including the securing of affordable housing - but on a reduced scale when they introduce CIL (or from 6 April 2014, whichever is the earliest date). The

Planning Officers Society<sup>3</sup> in its advice note on S106 and CIL identified three significant repercussions for S106 obligations:

- Making the test for the use of S.106 obligations statutory (R.122)
- Ensuring that there is no overlap in the use of CIL and s106 (R.123)
- Limiting the use of 'pooled' S.106 obligations post April 2014 (R.123)

2.6 If a charging authority decides to levy CIL in its area, a document known as a 'charging schedule' must be prepared setting out the rate of CIL which will apply. The charging schedule must be supported by background evidence on the economic viability of CIL as well as evidence of infrastructure need in the area plus an up to date development strategy. The charging schedule will be subject to public consultation, and an independent examination. The adopted charging schedule will sit within the Local Development Framework, although it will not form part of the statutory Development Plan.

2.7 Other key elements of CIL are as follows

Key area of CIL	Comment
Introducing CIL is optional	Whilst charging authorities are empowered to introduce CIL they are not obliged to. It is anticipated however that many authorities will be sufficiently incentivised to introduce CIL given the future restrictions on the scope of s106 agreements and the increased financial contributions that CIL is expected to make towards the funding of new infrastructure. It is anticipated that all Hertfordshire authorities will introduce it in time
Once introduced, CIL is mandatory	In all but the most exceptional circumstances once introduced CIL is a mandatory charge
To introduce CIL a charging authority will require an up to date development strategy and evidence of infrastructure need	The view appears to be that the base requirement is an emerging or adopted core strategy or up to date development plan. Evidence of infrastructure need should be presented at examination, and costed: the cost of such infrastructure must be equal to or exceed the amount CIL is expected to raise

Table 4: Key elements of CIL

<sup>3</sup> The Planning Officers Society, Section 106 Obligations and the Community Infrastructure Levy: An Advice Note, April 2011

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## The Legislative and Planning Framework to CIL

2.8 The current legislation and guidance informing the development of CIL includes the following:

- The Planning Act 2008
- The Community Infrastructure Levy Regulations 2010, and amendments from 6 April 2011 and April 2012
- Community Infrastructure Levy Guidance – Charge Setting and Charging Schedule Procedures; CLG March 2010

2.9 There are further changes proposed to CIL through the Localism Act 2011, which include:

- A 'meaningful' amount of CIL is proposed to be directed towards local communities in which it is raised
- The examiners' report on CIL is proposed to be limited to ensure compliance with legislation
- The possibility (yet to be confirmed) that affordable housing provision will be secured through CIL as well as provision through S106 obligations.

2.10 A summary of the key regulations that have been taken into consideration in the preparation of this study can be found in Appendix 1.

## How does CIL work and how is it calculated?

2.11 The CIL rate or rates are set out in the 'charging schedule' and must be expressed in standard metric format as £/square metre. CIL is levied on the gross internal floorspace of the net additional liable development. Existing floorspace to be demolished on a site is deducted from the gross new floorspace to arrive at a net new floorspace that the CIL rate is to be applied. Any existing floorspace on a site must have been in lawful use for at least 6 of the last 12 months from when planning permission is granted in order for it to be deducted from the gross floorspace of the new development

2.12 The levy can be varied for different areas within the charging authority's area and for different types of development (e.g. residential, commercial). This economic viability study will assist in determining the most appropriate levels of CIL in Hertfordshire, and whether CIL should be applied at different rates in different parts of the County or for different types of development.

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2.13 In setting the rate(s) of CIL in an area, the charging authority must consider the “appropriate balance” between:

- (a) the desirability of funding from CIL (in whole or in part) the actual and expected estimated total cost of infrastructure required to support the development of its area, taking into account other actual and expected sources of funding; and
- (b) The potential effects (taken as a whole) of the imposition of CIL on the economic viability of development across its area.”<sup>4</sup>

2.14 This means that in setting the CIL rate charging authorities need to demonstrate that their proposed CIL rate(s) will not put development across their area, taken as a whole, at undue risk.

2.15 The regulations place this consideration of the “appropriate balance” upon the charging authorities. It is expected that there will be wide variations of CIL rates across the country and these need to be explained and justified.

2.16 Any revenue received through CIL must be used to fund infrastructure that will support the development and growth of the area, and the charging authority is responsible for reporting to its local community how much CIL has been collected and spent.

### Current CIL Rates in England and Wales

2.17 As April 2014 approaches more Local Authorities are developing their CIL charging schedules. The approach by authorities so far has varied widely.

- Some authorities have arrived at complex CIL rates (e.g. Newark and Sherwood has, for instance, 5 zones for residential use with rates varying from £0 to £75 per sq.m.)
- Others have gone for a simpler approach (the London Borough of Redbridge has adopted a flat rate of £70 per sq.m. with no geographical or use variance)
- the focus has tended to be on charges for residential and, to a slightly lesser extent, retail uses, with a number of authorities setting zero rates for industrial, non residential institutions and leisure uses
- examiners appear to be scrutinising draft charging schedules to ensure that there is sound viability evidence to support proposed rates and there is no attempt to 'engineer' CIL rates for planning or regeneration purposes (which is not acceptable under the Regulations)

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<sup>4</sup> CIL Regs 2010, R14.1.(a) and (b)

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## The joint commission and its relationship with the North Hertfordshire CIL Economic Viability Study

- 2.18 As previously noted, this is a study commissioned by 8 of the 10 Hertfordshire districts. Aside from the obvious economies of scale of authorities working together on a matter of mutual interest, with many shared characteristics across the county, the commission is a reflection of a well established pattern of joint working on infrastructure planning and viability issues (e.g. development economics studies, strategic housing market assessments) of which Hertfordshire can be proud.
- 2.19 The study has further value in enabling a consistent approach to be undertaken to a number of key indices and viability model inputs and the range of parameters that will influence development viability and therefore potential CIL rates across Hertfordshire, whilst at the same time allowing for local market variations (particularly residential sales values, which are marked) and policy differences between authorities to be factored in when assessing these potential rates.
- 2.20 A common approach should not be taken to mean a singular approach across the 8 authorities in arriving at CIL rates. Individual authorities are likely to have their own views on the extent to which setting CIL rates challenges development viability and each will therefore need to make a decision about the "appropriate balance" that needs to be struck. As we will see later in the report, a range of CIL rates across the 8 authorities are proposed (reflecting different viability considerations) and for several authorities it is possible to consider differential residential rates. What is consistent however is the methodological approach to assessing viability, and many of the model inputs (e.g. marketing fees, profits) are ones that we consider appropriate right across the county.
- 2.21 A final consideration in relation to this joint commission is that our study assumptions and overall conclusions will be tested out at the first of the 8 commissioning authorities' charging schedule examinations. The outcome of this first examination (whether the examiner supports our approach and conclusions, or whether he/she raises concerns that are subsequently addressed) will have a considerable bearing on subsequent examinations, with some expectation that sound assumptions and evidence demonstrated at the first examination will hold good for later ones.

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2.22 North Herts District Council (NHDC) are commissioning their own CIL viability work. It would be wrong to assume that NHDC were hostile to the idea of a countywide study, or that the other 8 authorities have any concerns about them pursuing an independent commission. In the case of North Herts, they wanted a study that linked CIL viability closely with work to test out affordable housing policies and provision as a variable alongside potential CIL rates. This is not something we were asked to do in our commission, which has the cost of affordable housing provision as a predetermined model input, although it is something that some clients may wish to explore as part of any follow on Stage 2 work.

2.23 Additionally NHDC were ready to commission work a full 5 months ahead of the other 8 authorities, so decided to make an earlier start on viability work.

2.24 The NHDC study (undertaken by consultants DSP) is not yet published, although we have had sight of the final report. Although it takes a different methodological approach in reaching market value to our study, we consider their conclusions on CIL rates for North Herts are entirely consistent with our conclusions on CIL rates for the other 8 districts. This is in no small measure due to the fact that we are both using the same generic model inputs, as agreed at the start of the commission. These inputs (which cover fixed allowances for matters such as developer's profits, build costs and marketing fees) are consistent with those used in viability models developed by the HCA and by Three Dragons, and can be regarded as an industry standard. Furthermore as part of their commission, DSP tested out these inputs in development industry consultations that took place in the summer of 2011.

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## Status of this report as a Stage 1 study

- 2.25 This is a Stage 1 viability study. What this means is that we have undertaken a full assessment of the viability implications of introducing CIL across the 8 client authorities by developing a bespoke residual value model and tested it out across the study area to arrive at the relevant conclusions for each authority (this is the scope of our Stage 1 study), whilst at the same time identifying follow up work that authorities may wish to undertake, and which might have a bearing on our initial conclusions. This further work would form Stage 2 of the study.
- 2.26 What this also means is that based on the evidence provided by this study it would be entirely appropriate for each of the client authorities to move forward with the preparation of a CIL charging schedule with the aim of holding a charging schedule examination at the earliest opportunity. This would be subject to being able to demonstrate at the charging schedule examination that there is sufficient evidence of infrastructure need, at a cost of providing equal to or exceeding the estimated revenue CIL will generate. (We were not asked to undertake such work and it therefore forms no part of this report).
- 2.27 It is however also the case that the Hertfordshire authorities, for the most part, are at the early stages of introducing CIL. At the time of writing only 1 of the 8 districts has an adopted core strategy in place, and although a number of others expect to have reached a similar position in a relatively short timescale, others will not. What this means is that there is anticipated to be a wide divergence in the timescale for introducing CIL across the client authorities: we think the potential spread could be as much as two years.
- 2.28 Given this we think it is possible to think of the 8 authorities being split between 'early CIL introducers' and 'late CIL introducers'. The 'early introducers' are those who wish to move forward quickly, with possibly little or no supplementary work to that contained in this report. These authorities should, we feel, be entirely comfortable with the evidence provided in this report and our recommendations on proposed CIL rates.
- 2.29 'Later introducers' will as a minimum wish to reassure themselves that the values assumed in this report (such as market conditions, scheme values and other model variations) remain as appropriate at the time they introduce CIL as they were when this study was completed. Beyond that, there may be changes in government policy (and indeed CIL Regulations) which may need to be factored in. Authorities may decide to test

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out different geographies, or indeed adopt a different approach to defining CIL rates to that proposed in this report. If any of these factors result in different model inputs, further development industry consultations on the new assumptions are likely to be desirable.

2.30 All the above could be undertaken under a Stage 2 study, but there is another important consideration. Later in this report we make much of the important interplay between CIL rates, the ongoing ability to negotiate s106 agreements for site specific infrastructure (despite the forthcoming restrictions in their use) and the cost to developers in providing affordable housing. We cannot overstate our view that potential variations in what can be regarded as 'negotiable' contributions - the financial contribution being sought for site related infrastructure through a planning obligation, the cost to developers in providing affordable housing (influenced by the proportion and tenure mix of what is being sought by local authorities) - has a significant impact on potential (and to all intents and purposes non negotiable) CIL rates, because of the impact this will have on scheme viability.

2.31 In this commission we were asked simply to provide a fixed value for the cost to the developer of providing affordable housing - in some but not all cases this was based on current affordable housing policies whilst in one case (Welwyn Hatfield Council) this entailed the testing of three differential rates. We also looked at changes in affordable housing provision in our sensitivity testing. In terms of s106 contributions, we assigned a single 'across the board' value representing an average anticipated developer's contribution towards site related infrastructure for each authority and agreed this with the district concerned: we also sensitivity tested this figure.

2.32 Though our sensitivity work provides authorities with no more than a broad picture of the implications of making changes to both affordable housing provision and the contribution to be sought through a s106 agreement for the cost of site related infrastructure, we feel it is sufficient to make it absolutely clear that making such changes will have a significant bearing on CIL rates and therefore the revenues that can be raised towards growth related infrastructure. With this information it is open to authorities to explore further potential changes in the values of these three indices to see what effect this has on the authority's development strategy, its ability to deliver sufficient infrastructure to ensure the creation of vibrant and sustainable new communities, and its commitment to deliver sufficient affordable housing in response to local needs.

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2.33 There is undoubtedly a trade off between these three policy imperatives and it is possible that authorities will want to explore this and other issues in further detail - such as CIL and its relationship with major development areas, and medium and high density development, issues we highlight in this report. Such work would be undertaken as part of Stage 2. Authorities may wish to receive outside help to undertake this task: equally it is possible that they will be in a position to undertake such work in house, because as part of this commission, we will be providing face to face training as well as written instructions in the form of a manual on how to operate our model.

2.34 In section 9 (Conclusions) we set out in further detail the additional work that could be encompassed in Stage 2.

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## 3. Planning in Context

3.1 This study is a joint approach to CIL viability across the 8 individual authorities, however we are aware that planning policy - particularly approaches to affordable housing - can have a significant impact on viability and therefore it is very important to consider the impact of those policies on an individual basis.

3.2 Although this report focuses on viability and is not an attempt to review planning policy we have nevertheless provided a summary of individual authorities' planning policies in Appendix 2. Our individual authority commentaries on planning policies influencing CIL outputs consider:

- Authority Location
- Local Spatial Strategy
- Affordable Housing Policy
- Infrastructure need overview

3.3 Our review of the various authorities' planning documents enabled us to establish individual authority related assumptions, which have then been agreed and applied to the model (e.g. affordable housing).

3.4 In addition, we asked each authority to identify the anticipated average Section 106 contributions for site related infrastructure which would be anticipated over and above CIL, so that this sum could be included in the viability model, as it was recognised that some allowance would need to be made for such contributions to continue, albeit on a smaller scale, given the scaling back of planning obligations from April 2014 (or from when CIL is introduced, if it takes place at an earlier date).

3.5 It was agreed with the authorities that anticipated Section 106 contributions would be identified as a per unit sum for the purposes of this assessment (whilst recognising that actual figures will, in practice, vary as the sum sought will be related to the scale of site related infrastructure relating to any particular development scheme).

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## 4. Our Methodology

### Assessing Viability

- 4.1 ***“An individual development can be said to be viable if, after taking account of all costs, including central and local government policy and regulatory costs and the cost and availability of development finance, the scheme provides a competitive return to ensure that the development takes place and generates a land value sufficient to persuade the land owner to sell the land for the development proposed. If these conditions are not met, a scheme will not be delivered”***.<sup>5</sup>
- 4.2 In discussing the impact of planning policy on development viability, the National Planning Policy Framework (NPPF) states that: ***“the cumulative impact of these standards and policies should not put implementation of the plan at serious risk”***<sup>6</sup> and is echoed in the requirement in CIL guidance for charging authorities to set rates that ***“will not put the overall development across their area at serious risk”***.
- 4.3 Estimating a potential CIL charge therefore requires an understanding of the impact on viability of a CIL charge for a notional development. This can be achieved through undertaking a valuation of a development and assessing its viability through review of the impact on land value.
- 4.4 The RICS identify in valuation information paper 12: Valuation of Development Land, that there are two approaches to the valuation of development land:
- ***comparison with the sale price of land for comparable development; or***
  - ***assessment of the value of the scheme as completed and deduction of the costs of development (including developer’s profit) to arrive at the underlying land value.***

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<sup>5</sup> Viability Testing Local Plans, advice for planning practitioners (June 2012) LGA and HBF.

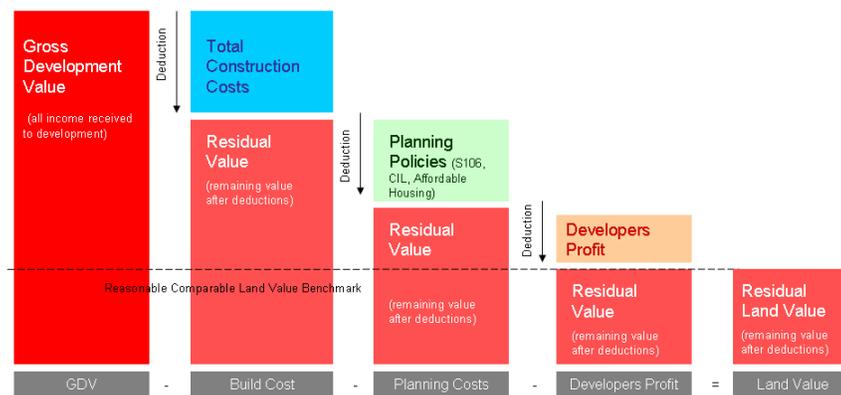
<sup>6</sup> NPPF, para 174.

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- 4.5 The latter approach is known as the residual method. In practice it is likely that a valuer would utilise both approaches, and the degree to which either, or both, are relevant depends upon the nature of the development being considered, and the complexity of the issues.
- 4.6 Given the nature of anticipated development including CIL, there are no (or limited) transactions to use for the comparative method; therefore the residual method provides the most appropriate valuation approach. However, even limited analysis of comparable sales can provide a useful check as to the reasonableness of a residual valuation against real world market conditions – particularly if an allowance for a CIL payment is considered.
- 4.7 The residual method requires the input of a large amount of data, which is rarely absolute or precise, coupled with making a large number of assumptions, particularly when reviewing generic developments over wide geographical areas. Small changes in any of the inputs can cumulatively lead to a large change in the land value. Some of these inputs can be assessed with reasonable objectivity, but others present great difficulty. For example, the profit margin, or return required, varies dependent upon whether the assessor is a developer, a contractor, an owner occupier, an investor or a lender, as well as with the passage of time and the risks associated with the development.
- 4.8 A residual method has been applied in this study and is consistent with that used in previous CIL viability studies - including North Herts - and is the recommended approach stated in the paper “Viability Testing Local Plans – advice for practitioners” (June 2012). Furthermore, we have given careful consideration to all assumptions used to provide the most robust approach possible.

## Residual Appraisal Methodology

4.9 The residual appraisal method essentially deducts the total costs - in the form of construction costs, planning obligations and profit - from the total value generated by the development opportunity. The remaining sum is described as the residual land value and this is available to pay a landowner to enable the site to be developed and guides a developer in determining an appropriate offer price for a site. The diagram below sets out this approach.

Diagram 3: Calculating residual value



4.10 To establish whether the resulting residual land value, including a CIL charge, is appropriate and does not render the scheme unviable proper allowance has been made to the level of value of which a landowner would reasonably release/dispose of their land for development. This has been recognised by the National Planning Policy Framework (NPPF, March 2012). Therefore, it is important to identify what is a reasonable market value or “Land Value Benchmark” (shown as a dotted line on diagram above) by which to assess the viability of a development.

4.11 Market Value is described as *"The estimated amount for which an asset should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing, wherein the parties had each acted knowledgeably, prudently and without compulsion. ... Market Value is understood as the value of an asset estimated without regard to costs of sale or purchase, and without offset of any associated taxes"*<sup>7</sup>

<sup>7</sup> The Royal Institution of Chartered Surveyors, Appraisal & Valuation Standards, PS 3.2., 3.3.2 (5th ed. London: 2003, as amended). A detailed Commentary on the definition is set out in the Appraisal & Valuation Standards. This definition has

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## Land Value Benchmark

4.12 In the CIL regulations no prescription is given to a particular methodology for testing viability and it is deemed a matter of judgement for each charging authority. However there has been significant debate about how a reasonable benchmark should be assessed to ascertain a reasonable market value and there are currently a number of alternative approaches to achieving this:

- Comparison to similar sites.
- Existing Use Value with and without a premium.
- Alternative Use Value.
- Evidence assessment of Development Value.

4.13 A “comparison” approach uses comparable property values to determine a reasonable market value for a property. Whilst relatively simplistic and easy to use, this approach is problematic where value is determined by factors yet to be reflected in comparable sales, such as emerging planning policy or site specific characteristics. This approach is often identified as the preferred approach of the RICS.

4.14 The RICS suggest that whilst Market Value based on comparable evidence is the preferred method, any value used should also have regard to development plan policies, including CIL and all other material planning considerations and disregard those matters which are contrary to the development plan. Therefore simply applying comparable land values of previously purchased sites would not fully account for current or future planning policies.

4.15 Given a lack of comparable data, it is reasonable to assume, in the first instance that Market Value will be reflected in a site’s Current or Existing Use value (EUV) or its value for an alternative use. However, development land by definition assumes the potential for change or improvement of use, which may cause the land value to be higher than the EUV or an alternative use value. It seems logical that if a residual land value of a proposed development is below that of the EUV or an Alternative Use Value (whichever is higher), the land owner is likely to be reluctant to sell.

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been accepted by the International Valuation Standards Committee (International Valuation Standards (8th ed. London: IVSC, 2007)).

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- 4.16 To account for this value over or above EUV for redevelopment a number of viability assessments have applied an EUV plus a premium approach to deliver a reasonable market value benchmark. It is the intention that the margin will act as suitable incentive for a land owner to release the site for development – in other words a premium is added to reflect Market Value.
- 4.17 An issue with this approach, as with any generic assessment of land value, is anticipating a reasonable EUV of land for the purposes of an area wide CIL viability assessment, as this may not reflect site specific circumstances, or the multitude of current land uses which may be developed. This is particularly an issue with deriving a reasonable approach over 8 local authorities.
- 4.18 It should be noted that applying an EUV plus a percentage approach requires an assessment of a reasonable margin assumption to incentivise a landowner to sell the land (achieving Market Value). Clearly this percentage will vary between uses and geography, for example the increase in value between agricultural use and residential use will be significantly higher than that between commercial uses and residential use. It is therefore, best that this premium elevates EUV to reflect comparable data taking into account current and emerging planning policy.
- 4.19 Furthermore, the gross development value in the residual model will be based on values associated with the market, whether these are house prices or commercial rents and a simple cost plus approach to land value may deliver a distorted assessment of viability, which could be open to challenge by developers and land owners at examination.
- 4.20 The “EUV plus” approach has been endorsed by the LGA/Home Builder Association in “Viability Testing Local Plans – Advice for Planning Practitioners (June 2012).” However, the paper indicates that it is best not to determine a reasonable value benchmark from one approach in isolation.
- 4.21 An alternative method therefore would be to review the comparable data and develop residual models to reflect current comparable land values. These models could then be adjusted to make allowances for emerging planning policy. This delivers a benchmark value which is evidenced and grounded in comparable data, but allows for anticipation of planning policy. It is likely if the S106 and affordable housing planning obligations on a site

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increase that the resulting benchmark land value will be less than for comparable schemes recently sold or developed.

4.22 In effect a similar land value would be achieved if a reasonable premium to reflect anticipated market value was added to an existing use value.

4.23 Therefore, the most robust solution to ascertaining a reasonable market value benchmark will be to use a number of methods with appropriate sensitivity testing. Irrespective of which approach is used the important focus should be on ensuring that the chosen benchmark does not render the development undeliverable and therefore a market value which takes into account the obligations required by planning is required.

### **Applied Land Value Benchmark**

4.24 For the reasons expressed above we have not wholly relied upon applying a premium to EUV to achieve a reasonable market value. Instead we attempted to estimate land value benchmarks through assessing and combining a variety of approaches; making sure we have taken account of emerging planning policies including CIL. This combined approach endeavours to minimise objections to identifying a reasonable land value at which landowners will sell land, whilst achieving the objectives set out in the NPPF.

4.25 We have reviewed comparable evidence, undertaken residual development land appraisals taking into account emerging planning policy, and assessed reasonable alternative land values.

4.26 We have concluded proposed land value benchmarks on the assumption of a value per hectare of development. An estimate of land value per hectare by geography follows a similar approach to that of the VOA Property Market report that is published twice a year.

4.27 We recognised that residential land values will vary geographically and therefore rather than applying a single land value across the study area of 8 Local Authorities the land value benchmarks were adjusted to reflect market variation in land values across the study area. These variations in land values were presented at a postcode level, for the purposes of this area wide study; however it is recognised that market value of land within postcodes can vary.

4.28 The diagram below sets out the approach taken to identify a reasonable land value benchmark taking into account various sources of information.

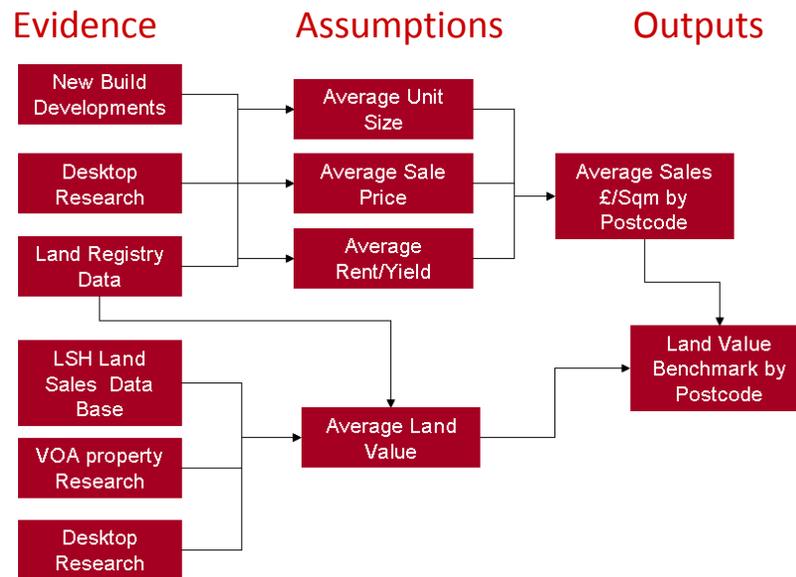


Diagram 4: How an appropriate land value benchmark by postcode is established

### Comparable Land & Sale Values

4.29 LSH investigated the recent land transactions across Hertfordshire and compared this to published data from the Land Registry and the Valuation Office Agency (VOA) to provide a 'sense check' to what current land values are being achieved (Appendix 4 reflects a collection of comparable land values). It is anticipated future land values will be adjusted to take into account CIL levels, however, this approach provided us with a good understanding of the geographic variations across the study area.

4.30 We have identified minimal recent activity in many property use classes, mainly as a consequence of the recent recession. In relation to B1/B8 uses, activity has also been dampened by the increase in speculative development over the boom period immediately prior to the recession (particularly in B1 uses) which has led to an overhang of supply.

4.31 The supply of land for B1/B8 uses is not generally restricted as local authorities typically allocate a range of employment site opportunities which will provide for several years of demand. Undeveloped land is available to purchase in the open market, and whilst take-up may vary, variations in land value appeared to be limited. Therefore we noted that commercial land values tended to be consistent across a wide geographic spread. It was

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therefore agreed that it would be right to apply a single land value benchmark across the stage 1 study area for non-residential land.

4.32 The comparable evidence, however, did not show a relatively consistent land value across the study area for residential land. Residential land values fluctuate principally according to location and availability. However, it is likely that the variations in affordable housing policies and other planning policies across the study area, given that we are addressing 8 Local Authorities, also have an impact on residential land values.

4.33 As well as geographic distinctions in value we have also been able to establish that land values vary between greenfield and brownfield sites, as well as at differing densities. These values are predominately affected by the potential achievable development value and the variations in development costs.

4.34 In addition to land values we have collected comparable property sales data from a number of reliable sources and reviewed the data geographically to identify general patterns in value. This data was used to inform both the estimated residential land value benchmarks and also used within the residual model for testing CIL.

4.35 Land Registry average property sale values (by postcode) were compared to those identified from desktop analysis and field surveys on new developments in similar locations. This approach is particularly useful in identifying the difference in average sale values in residential units collected from Land Registry and those of sold values for new build residential properties.

4.36 Based on data collated it was possible to estimate the average achievable residential property price, commercial rental stream and yields that can be anticipated in different geographical areas, which helped support our understanding of potential land values as well as acting as an input assumption for CIL modelling.

4.37 As with land values sale data was assessed by postcode for this study. This approach is limited to the average price anticipated across the postcode, which was viewed as providing adequate detail for a stage 1 study covering 8 Local Authorities. However, there may be locations where - given the fact the whole authority is covered by only two postcodes - the nuances of the local market are not reflected in postcode data. It may be

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that in such cases additional, more “fine grained” review is required at a Stage 2 review. This may also be the case where an average postcode value does not reflect the geographical spread in values across a postcode. Furthermore, anomalies can arise in assessments where postcodes cross authority boundary lines.

#### Estimated Market Land Value

4.38 To take account of changes in planning policy we estimated the market land values of our proposed types, based on comparable data collected and using a residual model. Estimated land values took into account planning policies such as affordable housing, although no direct allowance was made for CIL at this point. Instead an applied contribution per unit was used which reflected assumed Section 106 cost including infrastructure works which would eventually be collected through CIL (at c£6,000 per residential unit).

#### Alternative Use Value

4.39 It was anticipated that there would be examples where a residual development appraisal, irrespective of a CIL charge, would have a lower potential development value than an alternative use value. Therefore, in all instances if a residual output was below an alternative use value, the alternative use value was used to assess the scheme. Alternative use value was used instead of an existing use value as it would be beyond the scope of the study to identify multiple existing use values for properties across the study area of 8 authorities. It was also recognised that the alternative use value would be likely to vary between greenfield and brownfield developments.

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### Alternative Use: Greenfield development

4.40 To identify an appropriate benchmark for greenfield development, we have investigated values for agricultural land in Hertfordshire and have estimated an average of £24,000 per hectare. Based on HCA guidance on “Transparent Assumptions”<sup>8</sup> an allowance of 10 to 20 times agricultural value (existing use) is acceptable to reflect an alternative use (namely un-serviced residential).

4.41 Based on this approach LSH would conclude that minimum greenfield land values would be c£480,000 per hectare. This conclusion is also consistent with discussions we have had with the VOA recently in respect of unserviced residential land values.

### Alternative Use: Brownfield development

4.42 Although alternative uses are restricted by planning policy we considered that using an alternative use value for industrial land would provide a reasonable alternative land value benchmark. Average industrial land values remain reasonably constant across the study area and equate to circa £1,600,000 per hectare (c.£650k per acre). Industrial land value as an alternative use value for brownfield development is a suitable alternative use value as the assumptions regarding design, revenue and costs are broadly consistent across the county.

### Proposed Benchmarks

4.43 Appendix 3 sets out the applied residential land value benchmarks for each of the proposed development types used to establish potential CIL rates on the assumption of planning policy compliant development. For the most part they reflect an anticipated market value, taking into account emerging planning policies and are therefore below comparable land values. Where residual land values fall below alternative use value, Alternative use value has been applied (£480k for greenfield and £1.6m for brownfield). It is unlikely however that residential development would occur on sites where the residual land value is below the alternative use value.

4.44 We also used alternative use value benchmarks for non residential land values for each of the proposed development types. No premium was added to these benchmarks.

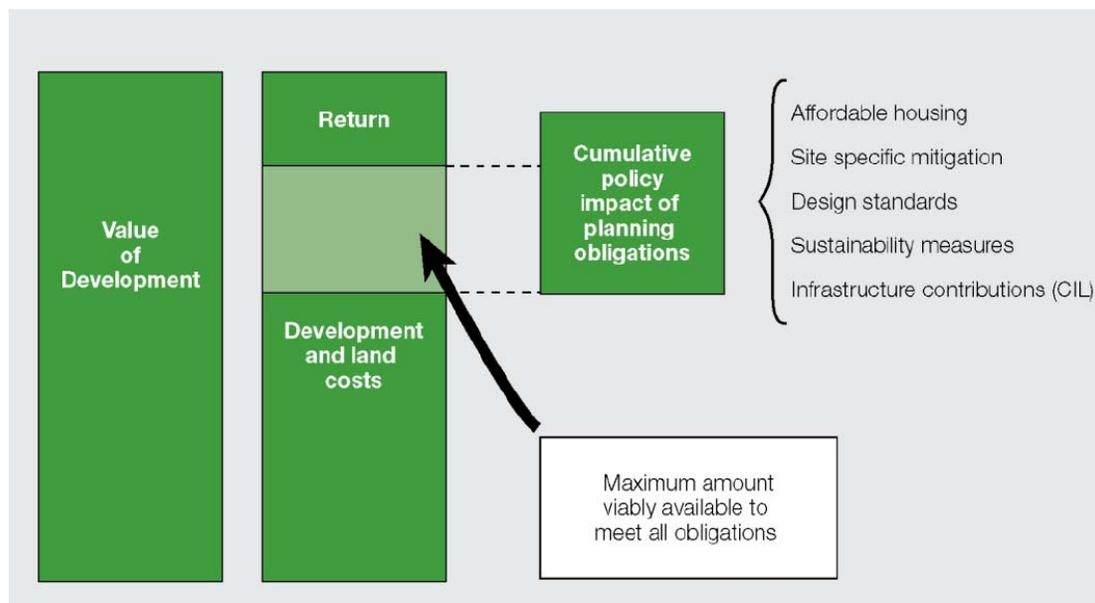
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<sup>8</sup> As also this approach was used in the North Herts CIL viability study

4.45 LSH recognise that variations in the proposed land value will have a direct impact on the potential achievable CIL rates. Therefore as part of our sensitivity analysis we assessed the impact of a reduction in land value benchmark marks on the potential deliverable CIL rate.

### Impact of Planning Policy

4.46 Assuming that other outputs remain constant, there is will be a maximum level of cost attributed to planning policies (including s106, CIL, affordable housing requirements etc) which can be imposed on a development whilst allowing it to remain viable; as demonstrated in the diagram below:



Source: Diagram from: Financial Viability in Planning - Exposure Draft Guidance Note: April 2012

Diagram 5: There is a maximum amount of planning obligations that can be imposed on any development scheme

4.47 Given this maximum cost associated with planning policies which can be secured from a development, the introduction of CIL will have an impact on both land value and the ability of schemes to deliver other planning obligations, and it might be that negotiable elements, such as s106 or affordable housing become "squeezed" in order that the scheme remains viable.

4.48 For the purposes of this study is it is therefore fundamental to consider the implications of a proposed planning contribution package on the viability of assessed development types.

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Therefore in setting CIL charges at the appropriate level there is the need to ensure that there is sufficient headroom in the proposed CIL rate so that that the majority of schemes to which they are applied remain deliverable (both in terms of viability and in terms of meeting planning policy).

4.49 Given the wide geographic spread of this Stage 1 study it was agreed that, wherever possible, appropriate industry standard assumptions, (such as profit, professional fees, build costs and disposal costs) would be assumed whilst also factoring in variations in local geography and the impact of different planning policies across the study area. Therefore a number of assumptions used are bespoke to individual authorities, ensuring that the outputs of this study are specific to each local authority assessed. Our assumptions are similar to those used in the North Herts Study.

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## CIL Viability Model

4.50 In order to generate an appropriate CIL rate from a set of assumptions we have produced a residual viability model which can assess a residual value against a benchmark value for a number of types, geographies and planning policy assumptions. Given CIL Regulations 13 & 14 (which stress the need to establish CIL rates which enable schemes to remain viable), our model has been produced to allow consideration of the following:

1. Land Use to be developed.
2. Impact of Land Use type on CIL viability.
3. Impact of geographical market variations on CIL viability.

4.51 The model process can be broken down into five stages:

1. Choose:
  1. Type
  2. Planning Authority
  3. Postcode
2. The model applies:
  - i) Inputted build and development costs/profit/sufficient headroom.
  - ii) Inputted affordable and s106 assumptions.
  - iii) Revenues assumed with the postcode.
  - iv) Assumed benchmark reflecting use and location.
3. The model produces a residual land value
4. Adjust CIL rate which ensures residual value capable of meeting benchmark
5. Resultant adjustment identifies achievable CIL

4.52 Diagram 6 demonstrates the model process in reaching a CIL capable of being delivered based on the set inputs:

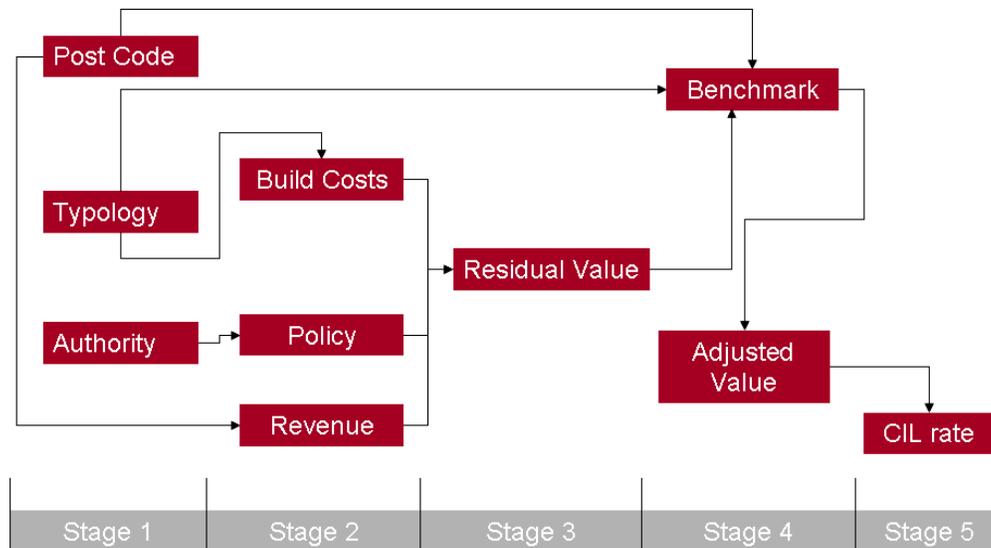


Diagram 6: How a CIL rate is established

4.53 A “type” is represented by a generic development opportunity, whether it is a small greenfield housing scheme, a large brownfield housing scheme or a commercial development. Following discussion with the authorities it was agreed that the same types are to be applied across all authorities. This approach gives some consistency across the assessment. However, it is recognised that different authorities may have different proportions of types driven by opportunities or development which should be taken into account when assessing the overall CIL rate for a particular use. For example, it is unlikely that many of the authorities will see a significant level of high density residential development.

4.54 Diagram 7 demonstrates the inputs which go into producing a type and how a type is then assessed to produce an estimated CIL rate.

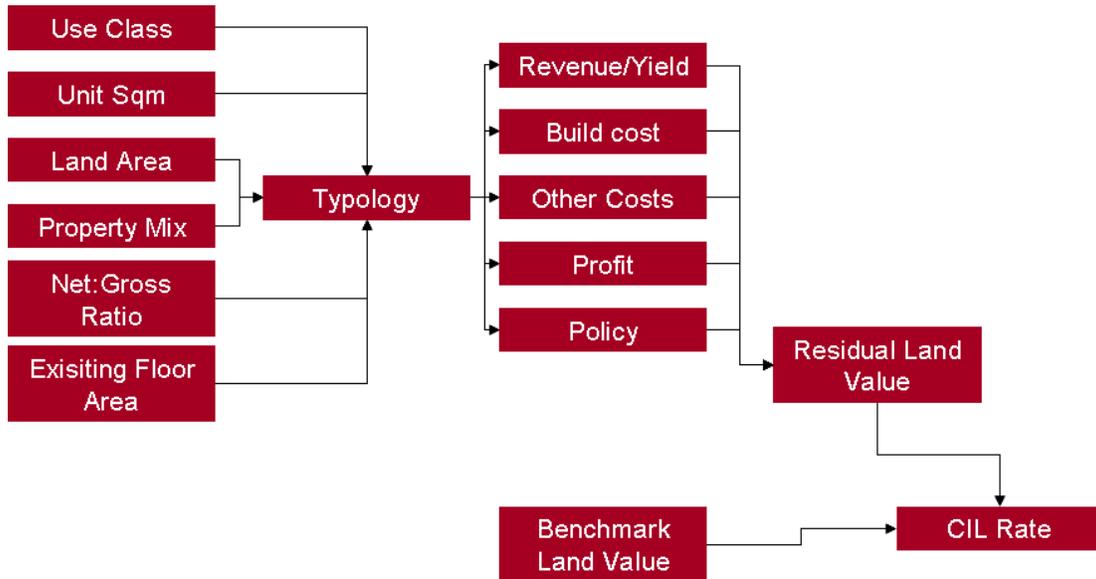


Diagram 7: How an appropriate CIL rate is established

4.55 Our CIL model can support and assess a number of chosen types and assumed development schemes, and the model can then assess the types against changes to inputs such as revenue, cost and individual authority values for affordable housing percentage and mixes and s106 requirements. In this way the CIL model can produce different results from the same types, thus reflecting geographic and planning policy variations across the authorities.

4.56 The residual model produces a net CIL payable by taking into account previously developed floorspace and affordable housing. The model also has the ability to apply different CIL rates for different types in the same development.

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## 5. Model Variables

### Standard Types

- 5.1 A CIL may be attributable to any new development opportunity and therefore assessment is required of a number of notional development types to ascertain if a CIL is firstly viable and secondly, whether it should vary between uses. Clearly not every permutation of development can be undertaken for a Stage 1 study, but a range of development types were chosen to best reflect the significant types of development anticipated in the 8 authorities.
- 5.2 Our model assessed development across a broad range of development types and activities, including 5 different residential types and a number of non-residential types, as set out below. These types were discussed and agreed with the 8 authorities as the most suitable for undertaking a Stage 1 CIL assessment.

	Activity	Code	Description
•	Retail	A1	Shop
•	Office	B1 (a)	Office
•	General Industrial	B2	Industrial
•	Hotel	C1	Hotel
•	Institutional Residential	C2	Care Home
•	Residential 1	C3G	Rural/Greenfield Resi
•	Residential 2	C3U	Urban/Brownfield Resi
•	Residential 3	C3XU	Medium density Resi
•	Residential 4	C3IU	High Density Resi
•	Residential 5	C3M	Mixed Use Resi
•	Leisure	D2	Gym

- 5.3 It is likely that not all these types, particularly high density residential development, will be identifiable in all of the 8 authorities within the study area. In fact high density schemes may only be appropriate in a few settlements including, Watford, Borehamwood and Rickmansworth. Therefore consideration will be required, when anticipating any potential CIL rate for the individual authorities, to the anticipated density of development across each local authority.

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## Scheme Size (Area)

- 5.4 The types can be varied to assess any size of scheme. The metric for assessment is in hectares, but a comparable size in acres can also be displayed. Development area will vary from scheme to scheme and location, therefore any area chosen for the model can only reflect an average.
- 5.5 Major developments and regeneration schemes in the authorities can potentially cover sites varying from 0.25 - 10 hectares, varying from small infill schemes to major urban extensions. B1/B8 developments can vary from extensive strategic development sites of 50 hectares (plus), to much smaller scale, often less than 1 hectare; retail parks and out of town supermarket developments can be relatively extensive. For the purposes of this study we have assumed a standard development size on the scale of 1 hectare; density then reflects the individual types.

## Floor Area (GIA)

- 5.6 The model assumes an average gross internal floor area (GIA) based on market data and discussions with the authorities. A 5% increase over these private residential averages is applied to the affordable housing to reflect higher affordable space standards. The model does not distinguish between individual unit types, as a single average rate of value has been used in the assessment. However the sizes are an average which takes into account mix. Although affordable housing does not generate a CIL contribution, it does have an impact on overall development costs and the proportion of a scheme which does contribute to CIL.
- 5.7 In assessing commercial only schemes, there are difficulties in estimating the coverage of an average development, due to the potential variables, including height and potential use/tenant. Furthermore, coverage is affected by the size of the development site, as large sites will favour particular uses which may reduce the coverage, whilst smaller sites may have a higher coverage. However, for the purposes of this review we have agreed with the authorities that we will assess the potential non residential types using the following Gross Internal Areas:

- **Net to Gross Ratio:** The model assumes an average gross internal floor area (GIA) based on market data and standard industry assumptions, as discussed and agreed with the authorities.
- **Current floorspace to be deducted:** It has been assumed that as some development will be undertaken on previously developed land; some overall allowance must be made for a proportion of previous floorspace to be deducted from certain types. This is important because CIL can only be charged on the net increase in overall floorspace. We have therefore deducted a standard figure of 15% for all types with the exception of 2 of the 5 residential types.
- **Non residential element of mixed use schemes:** The amount of non residential uses of such schemes can be variable, but for the purposes of this study it was assumed that 20% of the total floorspace of any mixed use scheme would consist of a non residential use.
- **Unit Mix/Density:** The model enables development scenarios to be varied through amending the number of units and/or site area. For the purposes of this study it was assumed that development would reflect planning policy. Therefore, different types were assessed at different density assumptions.

Table 5 Standard development type assumptions used in this study:

Type description	Area (Ha)	GIA (sqm)	Net to Gross ratio	Current Floorspace	Density Dwelling per Ha	Av. House size (Sqm)	Av. Flat size (Sqm)	Proportion of Flatted Development
Shop	0.14	92	90%	15%	N/A	N/A	N/A	N/A
Office	0.5	2800	80%	15%	N/A	N/A	N/A	N/A
Industrial	1	6000	90%	15%	N/A	N/A	N/A	N/A
Hotel	0.5	2600	85%	15%	N/A	N/A	N/A	N/A
Care home	0.5	1700	75%	15%	N/A	N/A	N/A	N/A
Rural/Greenfield resi	1	2375	100%	0%	25	95	N/A	0%
Urban/Brownfield resi	1	3800	100%	0%	40	95	N/A	0%
Medium density resi	1	4690	85%	15%	70	95	67	80%
High density resi	1	6700	85%	15%	100	N/A	67	100%
Mixed use resi	1	4690	85%	15%	70	N/A	67	100%
Gym	0.5	1700	85%	15%	N/A	N/A	N/A	N/A

## Standard Viability Model Inputs

### Proposed development costs

5.8 Standard development costs were assessed on a value per sq.m. basis based on market data and the Royal Institution of Chartered Surveyors (RICS) Build Cost Index Service (BCIS). The Model uses average standard build costs for the various uses and differentiates between low and high density residential schemes.

5.9 The below table sets out all costs allowances (£per sqm.) used in this study based on BCIS Build costs March 2012 (adjusted for Hertfordshire):

Table 6: Build cost assumptions by property type

Type description	Build Cost Commercial per sqm	Build Cost House per sqm	Build Cost Flat per sqm	Externals allowance *	Code 4*	Abnormals allowance*
Shop	£748	N/A	N/A	5%	N/A	5%
Office	£1,345	N/A	N/A	5%	N/A	5%
Industrial	£484	N/A	N/A	0%	N/A	5%
Hotel	£1,345	N/A	N/A	5%	N/A	5%
Care home	£1,300	N/A	N/A	5%	N/A	5%
Rural/Greenfield resi	N/A	£1,022	N/A	5%	4%	10%
Urban/Brownfield resi	N/A	£1,022	N/A	5%	4%	10%
Medium density resi	N/A	£1,022	£1,195	5%	4%	10%
High density resi	N/A	N/A	£1,195	5%	4%	10%
Mixed use resi	£1,300	N/A	£1,195	5%	4%	10%
Gym	£1,400	N/A	N/A	5%	4%	5%

\*% of extra over standard build cost – additional external costs are not anticipated for industrial buildings.

5.10 We understand that BCIS residential data reflects a Code level 3 energy rating; therefore values have been increased by 4% to reflect a Code level 4 energy rating in line with planning policies. All residential outputs in this assessment, therefore, assume that homes will be built to Sustainable Homes Code Level 4.

5.11 Standard BCIS average build costs reflect a countywide average. We do not anticipate that build costs will vary significantly as a result of location across the county, and it is reasonable therefore, to use countywide averages.

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5.12 We recognise that schemes may incur site specific external costs over and above the basic build cost assumed in this study. This is reflected in the model by an allowance of 5% over and above standard build costs.

5.13 Furthermore an additional allowance of 10% has been added to the standard build costs to allow sufficient headroom to enable abnormal costs - such as contamination, build cost inflation, or individual additional site costs - to be factored in before the viability of CIL is assessed.

5.14 The additional allowances made within the model ensure that the residual results are consistent with those identified through other CIL viability assessments such as the North Herts assessment. However, this approach taken can only act as a guide, as some schemes will incur higher or lower standard costs. It should also be understood that even small variations in build costs can lead to significant variations in scheme viability.

#### Profit

5.15 Profit is closely reflective of risk, and the larger the risk to development, the higher the required profit level. The model enables profit to be varied, both for private elements of the scheme and for affordable elements.

5.16 We are aware that a 17% profit return on total GDV (20% on Cost) is a standard assumption of the GLA Three Dragons Affordable Housing Toolkit and is also supported by the HCA Economic Appraisal Toolkit. Arguably the level of profit within a development scheme reflects the level of risk to the developer. However, our model attributes profit as a percentage of overall cost, and as sufficient headroom is achieved through additional costs allowances, this will feed through to additional profit as well. We therefore consider that we have reasonably allowed for developer's risk in the model.

5.17 We have however distinguished between developer's profit on private residential developments at 20% on cost and contractor's profit only of 6% on cost for non-profit affordable housing. This again reflects GLA and HCA guidance, although it is understood that the North Herts CIL assessment did not make this distinction and allowances were made elsewhere in their assessment.

5.18 In addition to residential developments, residual appraisals were run for several other property development types. Profit returns on these types of properties were chosen to reflect market norms. For example development undertaken by owner occupiers such as shops and hotels were calculated on a contractor's profit of 6% as their return would be achieved through the operational activities of the properties developed.

5.19 The table below sets out the assumed profit returns for the various property types tested.

Table 7: Profit assumptions by development type.

Type	Profit on Cost
Shops	15%
Office	15%
General Industrial	15%
Hotels	6%
Care homes	20%
Private Residential	20%
Mixed Use	20%
Gym/Leisure	15%
Affordable	6%

#### Additional basic assumptions used in the base model

5.20 The model also reflects a number of other standard viability appraisal inputs, such as professional fees and sale costs. LSH have reviewed those assumptions adopted by North Herts and, in general the standard assumptions used in both assessments are consistent.

5.21 The table below sets out additional assumptions reflect standard industry assumptions and other guidance/practice.

Table 8: other assumed development assumptions

Assumption		Comment
Professional Fees	12%	Reflects GLA TDTK
Marketing Fees	1%	Standard Industry Assumption
Sales Fees	2%	Standard Industry Assumption
Contingency	5%	Reflects GLA TDTK
Finance Costs	7%	Standard Industry Assumption
Stamp Duty	4%	Standard Industry Assumption
VAT on Stamp	0.8%	Standard Industry Assumption
Purchase Fees	1.5%	Standard Industry Assumption
Consultant Fees	1%	Reflects planning costs
Ground Rent	£100 per unit	LSH estimate
Ground Rent Yield	5.5%	LSH estimate

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## Authority specific viability inputs

### Affordable housing

- 5.22 The model allows variation in the unit size, cost, revenue, mix and the percentage of overall units, as well as potential grant funding, to generate the development potential from the affordable housing element. There is a positive correlation between affordable housing delivery and viability, which has been further highlighted by the recent reduction in availability of affordable housing grant.
- 5.23 Affordable housing policies vary from authority to authority and significantly influence potential viability even when revenue streams remain constant. The reason for this is that the level of overall revenue attributed to a scheme is influenced by the proportion of affordable housing and the mix of affordable housing. Affordable housing by definition produces less revenue than private sales and therefore residential schemes with higher levels of affordable housing will generate less revenue to offset costs whilst the private element of the scheme will be more constrained in its ability to support significant CIL charges. Furthermore the amount of revenue varies between affordable housing types, with much less revenue being achieved from social rented accommodation than intermediate forms of tenure and affordable rents.
- 5.24 We consider the level and mix of affordable housing to be one of the most fundamental factors in differences generating potential CIL rates across the Hertfordshire authorities. It may be the case that some authorities may wish to review their affordable housing policies in light of the impact on potential CIL rate generation, and this is something that we will return to later in the report.
- 5.25 We discussed and agreed with each authority the affordable housing criteria to be applied to this exercise as set out below. Over the timescale of this instruction it became apparent a number of the authorities are considering or proposing affordable rent housing to replace social rented units within their policies. It was agreed that amending the results to reflect affordable rent assumptions was beyond the scope of a Stage 1 study and that review of the impact of increased levels of affordable rent could be considered as part of a Stage 2 study.

5.26 The assessment for Dacorum is based upon an affordable rent reflecting their emerging policy position. As this demonstrated, the introduction of affordable rent by other authorities would improve the overall viability of development and therefore, potentially allow the establishment of higher CIL rates. However, LSH wish to emphasise that if affordable rent is used to identify a reasonable CIL rate for residential development, it is likely that attempts to include social rented units in the future will make a scheme less viable.

Table 9: Affordable housing assumptions agreed with authorities.

Authority	Affordable Housing %	Social Rented %	Intermediate (Shared Ownership / Affordable Rent) %
Broxbourne	40%	80%	20%
Dacorum	35%	75%*	25%
Three Rivers	45%	70%	30%
Watford	35%	20%	80%
Hertsmere	35%	75%	25%
Welwyn Hatfield**	25%/30%/35%	70%	30%
St Albans City	40%	60%	40%
East Herts	40%	75%	25%

\*Social rent replaced by Affordable Rent.

\*\*Welwyn Hatfield has a range of different percentages that are location specific.

5.27 In order to estimate standard capitalised rates for affordable tenures - such as social rented, affordable rent or shared ownership (intermediate) - a standard blended mix of unit sizes was discussed and agreed with the authorities and calculated on assumptions similar to the GLA Three Dragons Toolkit and the HCA Economic Appraisal Toolkit. No grant funding was included in the viability testing. By not including any grant funding in assessing the development viability LSH have ensured that irrespective of future decisions regarding grant availability, viability will not be adversely impacted.

5.28 Anticipated average capitalised affordable values applied in the model are set out in table 10. By using these standard rates across the study area LSH is taking a cautionary approach to affordable revenues to ensure the affordable element remains viable.

Table 10: Assumed capitalised affordable revenue

Tenure (without grant)	Cap Rate per m <sup>2</sup> (£)	Cap rate per ft <sup>2</sup> (£)
Social Rented Units	£818	£76
Affordable Rented Units*	£1071*	£100
Shared Ownership Units	£2,433	£226

\* Affordable rent rental values will be individually capped by local authorities, Dacorum displayed.

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### Planning Obligations

5.29 As of April 2014 or (or earlier on the adoption of CIL) local authorities will be unable to pool s106 contributions in the same way. It is, however, anticipated that development schemes will still be required to provide some s106 contributions for site specific mitigation. The model enables the input of a value per sqm which is anticipated as an average across each authority.

5.30 Required s106 contributions will vary from site to site; however, the authorities have provided what they anticipate will be the average required s106 contribution as a rate per unit following April 2014 when the new regulations come into force and determine what can be collected under s106 obligations and that which will be can be collected through a CIL charge. These proposed s106 contributions are anticipated to be lower than the current collected s106 revenues.

5.31 The table below demonstrates the anticipated s106 contribution by unit for each individual authority to be used in the modelling exercise. These levels of contribution were agreed by the relevant authorities in preparation for this study. Variations in CIL and s106 contributions may affect the overall viability of the scheme.

Table 11: Agreed s106 contributions (post April 2014 ) by authority

	Section 106 per unit
Dacorum	£2,500
Three Rivers	£1,000
Watford	£3,000
Hertsmere	£2,000
Welwyn Hatfield	£3,000
St Albans City	£1,000
East Herts	£2,000
Broxbourne	£1,000

5.32 It should be noted that this study does not assess the development viability of individual schemes, but it recognises that there will be circumstances where individual schemes will a) have site specific infrastructure impacts and b) be inherently profitable, and that in such circumstances authorities may continue to seek appropriate contributions

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## Applying CIL

5.33 CIL Regulation 40 permits any existing floorspace within a lawful use to be deducted from the total proposed floorspace, ensuring that the CIL Levy is applied only to the net increase in floorspace. Therefore, in assessing the CIL charge an allowance has been made for existing floorspace in brownfield development opportunities, which can be deducted from a CIL charge. If such space is not deducted from before running the model then it will give an inaccurate picture of the potential CIL to be collected.

5.34 Through an analysis of their recent planning applications the authorities estimated that an average 15% of the new floor area was previously developed. This deduction in floorspace was applied in the viability assessment to reflect this position.

5.35 In addition, an exemption is made for all forms of affordable housing including socially rented or shared ownership (intermediate) (Reg 49-50 Social Housing relief). LSH have therefore not applied CIL calculations to affordable housing development.

## Revenue Inputs

5.36 Thorough market research was undertaken in Hertfordshire and following discussions with the authorities it was concluded that this study should concentrate on the most common types of development anticipated over the plan period.

- Retail (includes local shops, supermarkets and major retailers)
- Business/Offices
- Warehouse/Distribution
- Private residential
- Hotels

5.37 In addition to these property types, consideration was given to alternatives; however these uses were particularly problematic to assess due to the limitation of data and the variation in individual schemes. Examples of such property types are classified under the Use Class Order 2008 (as amended).

- C2 Residential schools  
Hospitals  
Care Homes
- D1 Churches  
Education  
Health Centres  
Public Halls  
Day Nurseries
- D2 Cinemas  
Concert Halls  
Sports Centres  
Gyms
- Sui Generis  
Theatre  
Scrap yard  
Petrol Station

5.38 Because of the wide range of potential property types an assessment of development value by use class is extremely difficult. In LSH's experience many of the property types identified in the Use Class categories of C2 and D1 do not generate income streams and are in effect non-profit making organisations or public institutions. In fact a number of these property types would be anticipated to be delivered by CIL rather than deliver a CIL charge.

5.39 LSH would however anticipate that private schools, care Homes, private gymnasiums and Day Nurseries may generate a viable residual land value. Detailed review of all use class categories is beyond the scope of this report; however, additional work on various use classes could support the overall conclusion and be included in stage 2 assessments.

### Revenue data Collection

5.40 Assessing revenue values is largely dependent on comparable evidence, which requires sufficient new development within the study area to provide a realistic value base. Furthermore, such evidence only represents a snapshot in time, reflecting the market conditions and planning policies at the time of review. Therefore careful consideration

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needs to be given to the current market conditions to identify any trends or anomalies that may distort this assessment.

5.41 Although the common consensus is that we are currently at the bottom of an economic cycle the model does not rely on improved market conditions to find viability. It does however reflect local market conditions, which have, for residential housing remained relatively stable in Hertfordshire. The conclusions of this study must be considered in the context of the information available and reasonable tolerance should be given to determining the impact of market changes in the future.

5.42 Revenue variables were based on collected data across Hertfordshire between January and June 2012. LSH collected data from the following sources, through desktop research and site visits:

- 17 current and proposed development schemes in the study area.
- LSH land dataset for Hertfordshire
- Circa 250 Land Registry entries of recent property transactions.
- Advertised residential properties in the study area.
- Circa 450 various commercial properties in study area
- National data set reviews – Focus, PIP, VOA Property Market Reviews
- Discussions with local agents.

### **Residential Housing Market –National Context**

5.43 At a national level, the March 2012 RICS Housing Market Survey shows that the trend towards price stabilisation continues to be driven by the London market. Sale activity and market confidence remains largely intact, supported by temporary (stamp duty exemption expiry and unseasonable weather) as well as more fundamental factors (less economic downside risk perceived).

5.44 On the activity side, the Q1 2012 RICS data highlights a further modest improvement in newly agreed sales and new buyer enquiries, while new vendor instructions remained relatively unchanged on the month. Although the survey's net balance data does not correlate exactly with the sales and stocks data, they are both providing a broadly consistent message i.e. a slightly firmer market. Indeed, the sales-to-stock ratio - a lead indicator of market slack - rose from 22.9% to 23.3%. This is the best reading since September 2010, but is still well below the long run average of 33%.

5.45 Anecdotal evidence in the RICS survey suggests a more fundamentally driven market improvement. Indeed, it is possible that surveyors, as with financial markets, are now beginning to factor in less economic downside risk going forward. This is consistent with the more solid trend in sales expectations at the 3 month horizon. Indeed, if the recent improved market was boosted purely by the stamp duty changes and seasonal distortions, near term activity expectations would likely reflect this by receding but they remain elevated. It is also consistent with positive price expectations at the 12-month horizon for the second successive month.

5.46 London remains the only region in the survey where more respondents are currently reporting price rises rather than falls. In Northern Ireland, surveyors are the most negative in the UK, whilst in Scotland, the price balance remains negative.

#### Residential Housing Market –Local Context

5.47 At a local level Land Registry data suggests most authorities have seen house prices fall in the last 12 months by circa 1%, whilst AL post codes has seen a circa 2% rise.

Table 12: House price growth by post codes in Hertfordshire

Growth rate	Percentage variation by Post Code					
	WD	EN	CM	SG	AL	HP
5yr house price growth	-0.43%	-1.07%	-2.66%	-1.03%	1.93%	-1.61%

Source: Land registry, Updated April 2012

#### Residential Housing Development in Hertfordshire

5.48 The number of current residential developments underway in the county is limited. This is anticipated to be the consequence of the recent recession and contraction in the residential development market. Appendix 4 sets out identified schemes showing the average sales prices.

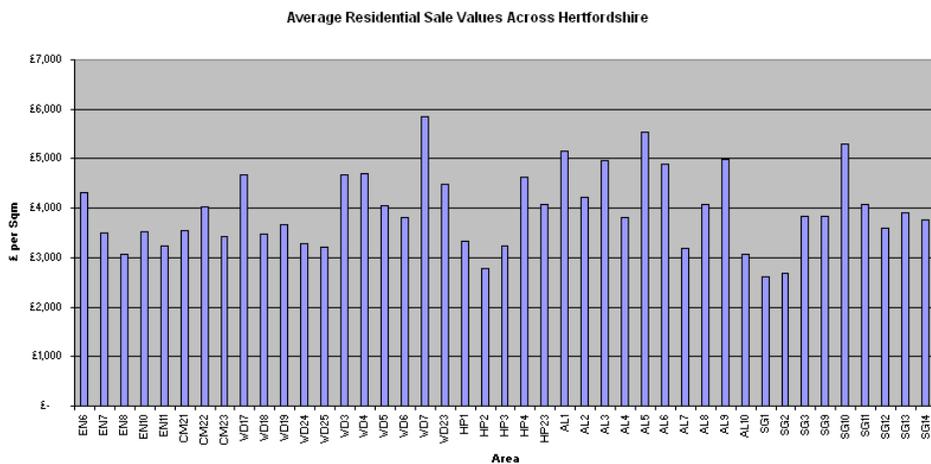
#### Estimated Hertfordshire Residential Housing sale values

5.49 On assessment of the average residential values by postcode LSH found that the range in value was significant with the highest values over double the lowest. The average residential value over the whole of Hertfordshire is circa £3,950 m<sup>2</sup> (£367 psf). Table 13 sets out the sales values used in the viability assessment. The data has been arranged to identify the low, medium and high value areas (by postcode) across the study area.

Table 13: Average residential sale values by post code in Hertfordshire

Low Value Areas			Medium Value Areas			High Value Areas		
Post Code	£/sqft	£/sqm	Post Code	£/sqft	£/sqm	Post Code	£/sqft	£/sqm
HP2	£259	£2,788	EN10	£328	£3,531	WD23	£416	£4,478
EN8	£285	£3,068	CM21	£330	£3,552	HP4	£431	£4,639
AL10	£286	£3,079	SG12	£335	£3,606	WD3	£433	£4,661
AL7	£296	£3,186	WD19	£341	£3,671	WD17	£434	£4,672
WD25	£299	£3,218	SG14	£349	£3,757	WD4	£437	£4,704
EN11	£300	£3,229	AL4	£353	£3,800	AL6	£455	£4,898
HP3	£300	£3,229	WD6	£354	£3,810	AL3	£461	£4,962
WD24	£306	£3,294	SG3	£356	£3,832	AL9	£462	£4,973
HP1	£309	£3,326	SG9	£356	£3,832	AL1	£478	£5,145
CM23	£318	£3,423	SG13	£364	£3,918	SG10	£492	£5,296
WD18	£323	£3,477	CM22	£374	£4,026	AL5	£515	£5,543
EN7	£324	£3,488	WD5	£377	£4,058	WD7	£543	£5,845
			SG11	£378	£4,069			
			HP23	£378	£4,069			
			AL8	£380	£4,090			
			AL2	£392	£4,219			
			EN6	£402	£4,327			

5.50 The following graph drawn from table 13 shows the variation in residential sale values across the study area.



5.51 By identifying property value by postcode it is possible to categorise the average residential values per sqm (or sqft) on different terms, if finer detail was required, although collection of data beyond that of postcode is more difficult. As part of any Stage 2 assessment authorities could investigate sales values in more depth to identify differences within postcodes if whole postcode area average values do not provide the level of detail required.

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## Non Residential Housing Market

### National Level

5.52 In comparison to the last three months of 2011 there was a 21% drop in investment activity in commercial property over the first quarter of the year in the UK. Investor activities have been limited by the Greek debt crisis, worries over the UK economic recovery and the squeeze on consumer spending. In contrast, both industrial and office sectors within Central London have performed well, with an increase in both transaction volumes and inward yield movement. Unfortunately Hertfordshire has not reflected this Central London trend, partly due to the location dynamics of Hertfordshire, but also because commercial property across the UK has looked less attractive against other asset classes.

### Local level

5.53 At a local level LSH undertook research into available retail, office, and warehouse space, which gave a view of the market dynamics in and around Hertfordshire and an indication of those uses that are capable of paying CIL. Examples of the collected data across the County are set out in Appendix 4.

### Estimating potential non-residential housing values

5.54 There is less geographical variation in rents in some property types such as care homes, leisure uses, and hotels compared to that found in residential development over the study area. This is partly a result of the dearth of comparable evidence for some uses such as care homes, gyms and hotels. Furthermore, geography, certainly over the study area, has a lesser impact on revenue streams for some non-residential uses. For the purposes of this Stage 1 study we have used historic evidence and anticipated revenues for development such as care homes, gyms and hotels.

5.55 Table 14 sets out the assumptions used in this study based on available comparable data:

Table 14: Assumed rents, yields and revenue assumptions for non residential properties

Type	Net Rent (m <sup>2</sup> )	Est. Yield	Rate per room	Room Size ( m <sup>2</sup> )
Hotel		6%	£5,000	33
Care Home	£323	6%		
Gym	£161	6%		

5.56 With regards to office space, the current market conditions have seen an increase in available commercial space, which has reduced the demand for new build commercial property. LSH was able to identify c.200 currently available offices across the study area (see Appendix 4) that show rental values ranging from £127 per sqm in Broxbourne to £250 per sqm in St Albans and Berkhamsted, with an average rent of £186 per sqm across the study area. Initially we concluded that a single commercial rate at the upper end of values across the study area would be sufficient to demonstrate the impact of CIL on office development. However, on reflection it was considered that average office rents would be applied for individual authorities for the purposes of this study.

Table 15: Average rents and yields for office properties

Local Authority	Average Office rent per (m <sup>2</sup> )	Proposed Yield
Broxbourne BC	£127	8%
Dacorum BC	£180	8%
East Herts DC	£215	8%
Hertsmere BC	£182	8%
St Albans City & District	£250	8%
Three Rivers DC	£176	8%
Watford BC	£176	8%
Welwyn Hatfield BC	£183	8%
AVERAGE	£186	8%

5.57 LSH identified around 200 industrial/warehouse properties across the study area (appendix 4). The industrial properties appear to have less variation in rents between locations around the study area, with a rental range (£50-95 per m<sup>2</sup>) appearing to be more related to the size of property and its quality rather than location. Therefore LSH concluded it reasonable to test the study area average rent of £75 per m<sup>2</sup> and upper limit of £95 per m<sup>2</sup> using a yield of 7.5%.

5.58 The recent Poole CIL examination experience may suggest that CIL rates cannot be varied according to the size of retail units. It was noticeable in collecting retail data (Appendix 4) that local/smaller shops appear to achieve a lower capital value than larger/national retail units. This appeared to reflect the strength of occupiers associated with the larger retail units, including supermarkets, multiples and department stores. In further discussions with the local authorities and reflecting uncertainties raised by the Poole case it was concluded a single CIL rate should be calculated for retail development in each authority based on average rents (Table 16) to which we have applied an average yield of 6.5:

Table 16: Average rents, yields for retail properties

<b>Local Authority</b>	<b>Average Retail rent per sqm</b>	<b>Proposed Yield</b>
Broxbourne BC	£230	6.5%
Dacorum BC	£385	6.5%
East Herts DC	£303	6.5%
Hertsmere BC	£415	6.5%
St Albans City & District	£466	6.5%
Three Rivers DC	£355	6.5%
Watford BC	£287	6.5%
Welwyn Hatfield BC	£307	6.5%
<b>AVERAGE</b>	<b>£343</b>	<b>6.5%</b>

5.59 Additional research into particular commercial areas or development types within authorities could be further investigated as part of a stage 2 study and at the point individual authorities produce their charging schedules to ensure the approach remains reasonable at that time.

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## 6. Modelling Outputs

This section identifies the results of testing the agreed assumptions on CIL rates, by location and for different types of development.

### Introduction

- 6.1 The test CIL results reflecting the various scenarios and assumptions discussed earlier in section 5 are set out for each authority in Appendix 5. The sensitivity test results for each authority in are set out in Appendix 6.
- 6.2 LSH undertook modelling of all property types across all 8 authorities; with the 5 residential housing property types taking into account planning polices and variations in sale values by post code; and with the non-residential property types reflecting standard assumptions with only rental values varying between authorities within the study area.
- 6.3 This testing produced approximately 450 standard test CIL results; these demonstrate the CIL rate that is viable for each property type tested.
- 6.4 Table 17 sets out the number of standard CIL tests undertaken for each local authority based on an agreed set of assumptions. Welwyn Hatfield was tested at three affordable rates to reflect their current policy, therefore tripling the number of standard CIL outputs:

Table 17: Number of CIL results tested by Authority

Authority	No. Post Codes	Residential results	Non residential results	Total Standard Results
Broxbourne	4	20	7	27
Dacorum	6	30	7	37
Three Rivers	6	30	7	37
Watford	6	30	7	37
Hertsmere	5	25	7	32
Welwyn Hatfield	10	50 x 3*	7	157
St Albans	10	50	7	57
East Herts	9	45	7	52
<b>TOTAL</b>	<b>56</b>	<b>380</b>	<b>56</b>	<b>436</b>

\*Tested at 25%, 30% and 35% affordable

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## Viability Summary Sheets

- 6.5 Due to the number of individual results, LSH have not included a summary appraisal sheet for each CIL test, however worked examples of each property type tested can be found in Appendix 6.
- 6.6 The summary sheets are divided into 6 sections:

- Section 1:

- This includes the chosen area, which populates the planning policy specific assumptions of that authority into the model; these include affordable housing percentage, affordable housing mix and Section 106 contributions.
- The postcode is then chosen to reflect the geographical location of the development. Where appropriate this populates revenue data for residential developments. For commercial/non residential schemes postcode choice is irrelevant as there is no geographical variation.
- Finally the property scenario/type is chosen. This and the chosen postcode inform the land value benchmark, total units, area, existing floorspace on site etc.

- Section 2:

- This section is automatically populated based on section 1.
- It includes the generation of gross development value, based on the property type chosen, which provided unit sizes, numbers and values. The Gross Development Value (GDV) is calculated for both private and affordable housing elements.
- If the chosen type is non-residential or mixed residential the commercial GDV is also calculated based on pre-chosen floor areas, yields and rents as highlighted in the assumptions in Section 5.
- This section also attributes basic build costs based on the chosen scenario multiplied by floor area.
- In addition to this an extra cost is added to residential units to reflect the over and above cost of Code 4 for Sustainable Homes.
- Section 2 highlights the total Gross development area, the GDV and the Gross Development Cost (standard).

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- Section 3:
    - This section established site costs and displays them separately for private / commercial and affordable housing.
    - This section calculates professional fees, marketing, sales fees, contingency costs and additional costs for abnormal/externals or additional costs – reflecting sufficient headroom to allow the majority of individual schemes to be delivered based on the output CIL rate.
    - This section also includes assumed Section 106 and CIL rates
  - Section 4:
    - This section applies finance costs on a basic residual assumption to all costs summarised in the previous section (including standard build costs).
  - Section 5:
    - This section demonstrates the anticipated profit to be attributed to the scenario, both for affordable housing and private/commercial elements.
  - Section 6:
    - This section delivers a gross residual land value from deducting the costs from the GDV of the proposed scheme. It then creates a net residual land value which takes into account, purchase costs.

6.7 The summary sheet has three potential CIL rate inputs in Section 1 which can be applied manually or generated automatically. A range of CIL rates can be applied to different property types to enable assessment of the impact of CIL on a mixed use development.

6.8 A CIL rate is generated by the model when the residual land value is equal to or greater than the appropriate land value benchmark.

6.9 In the model, if a potential CIL is generated automatically this will enable the residual land value to match or equal the assumed land value benchmark suggesting a viable rate at which the CIL can be fixed.

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6.10 This process was run for all scenarios and authorities to produce around 450 standard test results. As highlighted earlier, a summary of the results of these tests are presented for each authority in Section 6a.

### Residential Results

6.11 The individual authority CIL test results as set out in section 6a express the optimum achievable residential housing CIL rate per sqm (based on a reasonable land value benchmark) for each of the chosen property types, whilst also showing the geographical variation in results.

6.12 All of the schemes are assessed based on assumptions agreed with the authorities and anticipate policy compliant affordable housing provision.

### Impact of type and density

6.13 The residential types of development assessed and presented in the tables at section 6a, effectively increase in density from left to right, with the furthest column to the right showing the output of an assumed mixed use scheme (20% non residential made up of office and retail). The residential development types tested (C3U, C3G, C3IU, C3XU and C3M) are set out in Table 5 Chapter 5.

6.14 It can be noted that in some circumstances the test CIL rate is zero. This is because the model matches the residual land value to the benchmark land value and where there is a deficit it is automatically filled with a CIL rate. Therefore where a scheme has costs in excess of revenue, a negative CIL is produced automatically to balance the equation. Clearly CIL cannot be negative so the achievable CIL has been assumed to be zero.

6.15 Where a zero CIL rate is the outcome, the development type tested cannot viably support a CIL charge. It is important to note that in some circumstances the schemes would appear unviable even before a CIL charge is applied. Given this, it is unlikely that scenarios with zero CIL would see this type of development delivered in these locations.

6.16 Positive residential CIL rates also vary between the types of development assessed. On the whole, lower density (25-40 per hectare) greenfield schemes appear to be able to support a significant CIL rate based on the assumptions employed.

6.17 The results show that urban schemes (40 to the hectare), which are likely to be partially or wholly brownfield appear to support slightly lower CIL rates than lower density greenfield developments, which may be a result of higher build costs associated with higher density development. It may also be affected by an increase in anticipated land value as a result of the land being serviced compared to greenfield land.

6.18 Achievable CIL rates were significantly reduced in the “extra” and “intense” urban residential developments tested, with a number of areas - most notably in parts of Broxbourne and Dacorum - unable able to support a CIL in high density residential development.

6.19 One reason some areas appear to be unable to support high density schemes may be because they are in areas with lower sales values. Sales values in the model do not increase as a result of an increase in density and indeed may decrease, whilst build costs go up. In consequence, for some locations the higher density schemes appear the least viable or those which may be unable to support a CIL.

6.20 To some extent the impact of low sales values is counterbalanced by a reduction in the proposed land value benchmarks, but this does not always appear enough to enable a scheme to support a CIL charge in all cases.

6.21 It is also notable that in locations where the Market Value reflects Alternative Land Value (ALV) CIL test results show the scenario unable to support a viable CIL. This is where residential land values are lower than alternative development types. In such circumstances residential development is unlikely to come forward. Table 18 demonstrates the correlation between adopting an alternative land value (where residential values are too low) and achieving a viable CIL rate:

Table 18: Examples of correlation between land value and CIL rate.

Authority	Post Code	Average Sales Value per Sqm	Land Value per hectare	Type	CIL rate per Sqm
Broxbourne	EN10	£3,531	£1,600,000*	C3XU	£27
Broxbourne	EN11	£3,229	£1,600,000*	C3XU	£0
St Albans	AL1	£5,145	£6,900,000	C3IU	£188
St Albans	AL10	£3,079	£1,600,000*	C3IU	£0

\*Alternative land value used, because it is higher than Residential Land Value.

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- 6.22 In these cases residential land value is below an alternative use land value, suggesting that residential development is unviable as a landowner and the developer would do better to develop the land for a viable alternative use, rather than residential.
- 6.23 It is important to recognise that the different residential types provide a good understanding of the implications for delivering different types of residential development in different locations across Hertfordshire. It is unlikely that all of the assessed types will be implemented in all of the authorities. For example Broxbourne and East Herts are unlikely to see significant high density development in their areas.
- 6.24 In reaching our conclusions on appropriate CIL rates for the local authorities LSH have considered the various outputs against the likelihood of certain types of development coming forward. The NPPF policy seeks to ensure that a residual appraisal generates a land value after payment of CIL that is sufficient to persuade the landowner to sell the land for development. The CIL rate must not compromise the viability of development within an area taken as a whole. This must lead to the adoption of a CIL rate at the lower end of the appropriate viable range. LSH have considered the various outputs to ensure that any proposed CIL rate optimises the scope for development to remain viable.
- 6.25 It is possible to consider the outputs in more strategic ways, reflecting the anticipated geographical spread of development identified in emerging core strategies. It may be that individual authorities may wish to consider this approach in more detail in a Stage 2 study, once they have fully established the likely distribution of development driven by the core strategy across the authority and the requirement or need for investment in additional infrastructure.

#### CIL and Urban extensions/Large developments

- 6.26 In addition to density there may be a requirement to consider the impact of the scale of development on potential CIL rates. Although no Major Development Areas have been identified to date by the authorities it is apparent that any significant development (schemes with 500 plus units) may require significant “on-site” infrastructure which it may not be appropriate to deliver through CIL but should be sought via s106 contributions. Development on the fringe of Watford may be one such example where large scale development may happen in the study area. In order to secure the specific infrastructure required, a s106 may prove a more effective delivery vehicle in such circumstances. If the

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location can be defined, a geographic CIL could be developed that would not apply or which would apply at a lower rate to release development value to support the s106 requirement.

6.27 “On-site“ infrastructure on large urban extensions could have an impact on the cost of development - and therefore viability - over and above that usually identified for small developments. It may be useful as part of a stage 2 assessment to consider the achievable CIL rate that major developments can viably support to ensure that this is not inconsistent to that proposed based on the assessed types.

#### Impact of Geography

6.28 LSH also note that within any single residential type, CIL outputs vary between postcodes even within the same authority. This variation is not a result of density, nor can it be a result of affordable housing policy as this only applies between authorities. This variation is attributable to the relationship between Gross Development Costs (GDC) and Gross Development Value (GDV). Therefore it seems reasonable that in a single authority where GDV by virtue of sales values is highest it will be able support a higher CIL than where the sales value is lower, assuming all other assumptions remain constant.

6.29 Given that variations in land value for the most part balance variations in sale values, any variation in achievable CIL rates between authorities may result from the variation in planning policy between authorities.

#### Impact of planning policy

6.30 The CIL test results show a variation in the viable CIL rates achievable in different authorities across the study area. On investigation it became apparent that this variation was strongly correlated to planning policy and more particularly the affordable housing percentage and mix applied.

6.31 The impact of affordable housing on potential CIL rates was more apparent in this study where two authorities cover the same postcode, because the model uses a single Land Value benchmark per postcode. In these instances all other variables other than planning policy are effectively equal, but the deliverable CIL rates are considerably different. In other words, in the authority with the higher affordable housing requirements, there is less GDV generated to offset costs, including a CIL or a s106 contribution.

6.32 The table below sets out an example where the impact of affordable housing policy in different authorities across the same postcode is reflected in different CIL levels.

Table 19: Examples of impact of affordable housing on CIL rate.

Authority	Post Code	Type	Land Value Bench Mark (£)	Affordable Housing	Affordable Mix SR/SO	Section 106 Contribution per unit	Achievable CIL rate (£ per Sqm)
Three Rivers	WD25	C3G	£900,000	45%	70% / 30%	£1,000	£177
Hertsmere	WD25	C3G	£900,000	35%	75% / 25%	£2,000	£212

6.33 Once a CIL rate is adopted it will be obligatory for a developer to pay and cannot be negotiated. Any amendments to viability will affect the proportion of affordable housing within the scheme. If a scheme becomes less viable the developer may request that affordable housing levels or s106 contributions are reduced. Therefore, in taking their CIL charging schedules forward the authorities should consider the balance or potential “trade off” between CIL, s106 and affordable housing.

6.34 LSH have undertaken sensitivity testing to demonstrate the relationship between affordable housing, s106 and CIL. Table 19 shows that even with a lower s106 requirement and a lower Social Rent proportion, an increase of 10% in the affordable housing requirement has a circa 16.5% negative impact on potential CIL rates. Therefore it can be concluded that the impact of increasing affordable housing has an exaggerated effect on a potential CIL rate.

6.35 It should be noted that CIL is not chargeable on affordable floorspace and therefore, not only does increased affordable housing affect viability, it also reduces the potential CIL revenues which will be collected from a particular scheme.

## Individual test results – Dacorum Borough Council

6.46 LSH ran 35 separate tests for the 5 residential development scenarios across the 7 postcodes covering Dacorum. Testing incorporated the following key assumptions:

Assumption	Comment
Affordable housing @ 35%	In accordance with DBC planning policy expectations
Affordable housing mix 75% affordable rented and 25% forms of intermediate tenure	In accordance with emerging DBC planning policies
Assumption for s106 assumption post CIL - £2,500 per dwelling	Agreed as an appropriate assumption with Dacorum Borough Council
residential land values varying between £700,000/ha and £5,600,000/ha	See Appendix 6 for details

6.47 The outcome from modelling gave rise to the following results CIL rates:

Table 22: Modelling for Dacorum showing potential CIL rates

		C3G	C3U	C3XU	C3IU	C3M
DACORUM	HP1	£200	£145	£66	£5	£114
DACORUM	HP2	£149	£157	£0	£0	£0
DACORUM	HP23	£209	£217	£199	£188	£274
DACORUM	HP3	£180	£149	£0	£0	£26
DACORUM	HP4	£216	£173	£192	£189	£265
DACORUM	WD4	£211	£172	£193	£183	£263
DACORUM	AL3	£284	£253	£317	£282	£378

6.48 The results show strong positive CIL rates for all standard greenfield and brownfield development scenarios (C3G and C3U).

6.49 They also show that for the two higher density and mixed use development scenarios - C3XU, C3IU and C3M - positive CIL rates would be difficult to achieve in HP2 and HP3 in Hemel Hempstead and would be very low in HP1.

6.50 However, in the higher value areas around Berkhamsted, Tring and Kings Langley (WD4) higher density development would be able to support a positive CIL charge due to high sales values.

6.51 The nature of development in the Borough of Dacorum suggests that high density and significant mixed use development will be uncommon in most locations. However the regeneration of Hemel Hempstead Town Centre planner is likely to involve both mixed use and high density development. It is therefore recommended that the potential CIL rate for this area is tested through a stage 2 assessment. For the rest of the borough, outside central Hemel Hempstead, we would propose discounting the results for the C3XU, C3IU and C3M categories, and derive an appropriate CIL rate based on the C3G and C3U development scenarios only.

### Our recommendations for residential CIL rates for Dacorum

6.52 CIL Regulations require that charging authorities should set CIL rates at a level which ensures that the rate proposed will not put development across their area, taken as a whole, at undue risk. With this in mind, if the borough wishes to pursue a single CIL rate for residential development across the borough we would propose that a rate set at **£150/sq.m** would be appropriate.

6.53 Only 3 of the 14 model results (C3G, C3U) fall below this figure, and only marginally so. We do not feel that development in this location would be compromised to any degree.

6.54 If the borough council wish to pursue differential rates of CIL for residential uses on a geographical basis, then we feel there is sufficient variation in development value to do so. The results in table 22 suggest that a single rate should be applied across Hemel Hempstead (covered by postcodes HP1, HP2 and HP3) and that a higher rate would be appropriate for the rest of the borough as shown below. If the Council wish to pursue this option then we suggest that this is looked at in more detail on a stage 2 assessment.

Authority	Postcode(s)	Proposed Rate (£/sq.m)
Dacorum BC	HP1, HP2, HP3	£150
	HP4, AL3, HP23, WD4	£210

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6.55 The conclusions of testing for Dacorum are contained as a summary in the table below:

Table 23: Summary of conclusions and recommendations - Dacorum

Standard residential CIL rate of £150/sq.m. across the district
Differential rates may be appropriate and can be supported with further work at stage 2
Possible Stage 2 work to look at significant high density/mixed use development if considered necessary
Consideration of development distribution across the authority.
Major Development Areas (MDAs) – consider approach to timely delivery of infrastructure to ensure sustainable development whilst considering the roles of CIL and s106 agreements.
Should the authority be considering later introduction of CIL – a review of model data assumptions to consider whether they need updating due to changed circumstances.
Consideration of the type of retail development anticipated – analysis of mix between local shops and national providers such as superstores.
Consideration of emerging CIL examinations in public – consider emerging guidance and results of other examinations in public.

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## Non Residential Development

- 6.113 For this viability assessment, rather than a detailed valuation exercise LSH focused on assessing a number of generic commercial property types based on property market research and applied representative rents and yields to the various types of development to provide an indication of the anticipated potential achievable CIL.
- 6.114 This approach toward different types of commercial development reduces the potential variance between geographical locations and authorities, whilst still providing a good indication of the potential CIL achievable on a site specific development. LSH have made similar assumptions on all key inputs across the 8 authorities, with the exception of rental values.
- 6.115 Individual schemes will vary, particularly in scheme coverage and build costs, however, LSH have applied BCIS assumptions of build costs for the various property types and have considered site coverage at rates to reflect the development type tested.
- 6.116 Due to the wide range of potential other property types that may be developed and due to the limitations of this stage 1 study, LSH concentrated on what were regarded as the key (and most likely) types of development including offices, shops and hotels.
- 6.117 LSH found through its research - although limited by lack of recent evidence - that there was limited or no real variation in development values and build costs within the study area.

### Offices

- 6.118 LSH noted that although office rents showed some variation across the study area it became apparent early in the testing that speculative new office development was in the most part unviable and therefore unable to support a CIL charge. This was partly due to the limiting influences on rents and yields across the study area, but also because of the current lack of demand for these uses in areas where planning permission is achievable. This is exacerbated by the fact that there has been a significant contraction in the commercial and industrial market following the recent/current recession. This in turn increases the available stock on the market and reduces the demand; and therefore achievable rents and land values. This exercise has been carried out to coincide with an historic low in terms of office development and take-up. Rapid expansion in office

provision up until 2006/7 has provided a hangover of space in the region where there is little actual demand meaning that some new office space has remained empty for a number of years. In these circumstances any viability exercise for new office development will identify that there is no real market for this type of development as it remains unviable. At some point this market will change, much of the overhang space will either be taken up or converted to alternative uses and at this point the viability for office development will re-emerge. Councils need to regularly monitor the market to ensure that when it returns, they are well placed to introduce a CIL charge at the appropriate time.

6.119 The below table sets out the residual land values calculated for the 8 authorities for new office accommodation:

Table 40: Residual office land values against an alternative use value benchmark.

Authority	Residual Office Land Value per hectare	Land Value Benchmark per hectare	Proposed CIL
Broxbourne BC	-£3,555,627	£1,600,000	£0
Dacorum BC	-£1,204,860	£1,600,000	£0
East Herts DC	£347,533	£1,600,000	£0
Hertsmere BC	-£1,116,152	£1,600,000	£0
St Albans City & District	£1,899,926	£1,600,000	£63
Three Rivers DC	-£1,382,277	£1,600,000	£0
Watford BC	-£1,382,277	£1,600,000	£0
Welwyn Hatfield BC	-£1,115,032	£1,600,000	£0

6.120 It would appear that offices in all authorities, with the exception of St Albans, are unable to support a meaningful CIL rate at this time. However, LSH would suggest that this is regularly reviewed (in line with the CIL charging schedule review); say 2-5 year intervals to ensure that CIL rates can be adjusted to take advantage of any improvement in market conditions. This recommendation reflects the conclusions of many other CIL viability studies.

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6.121 St Albans could implement a CIL rate of **£63/m<sup>2</sup>** for office uses. The Stage 2 study for St Albans should investigate the market potential for new development coming forward and in our view the evidence indicates that a CIL is achievable for office development types in that district.

#### Industrial land

6.122 Based on the assumptions used, general industrial properties appeared to be able to support a CIL charge based on average rental values across the authorities. However the notional CIL achievable on development which can achieve more than £95/m<sup>2</sup> in rent could only be set at **£20/m<sup>2</sup>**. We believe further work is required to support and justify this level of CIL to ensure that this rate remains robust under examination scrutiny. The issue arises that CIL set at such a low level will be susceptible to small changes in the inputs that may render CIL rates at such a low level unviable fairly quickly.

#### Retail

6.123 On reviewing retail evidence in the study area, it became apparent that there were two clear types of retail occupiers, the larger national organisations, such as Tesco, Waitrose, Debenhams and Boots and smaller local shop traders. These two groups of retail providers/occupiers have significantly different characteristics (leaseholder covenants etc) which affect both anticipated rents and yields and would appear to operate in different markets. Multiple retailers in the High Street and the major convenience chains could support a higher CIL whereas secondary retail locations and the independent sector would only be able to support a CIL at a lower level.

6.124 Supermarket and large High Street stores were assessed on different assumptions but they delivered similar CIL rate results, whilst the smaller, local operators appeared to produce a CIL rate approximately half that of national corporate retailers.

6.125 Furthermore, LSH found that the market evidence suggested that corporate retail occupiers tended to occupy properties in excess of 500 m<sup>2</sup>, whilst the smaller local retail occupiers often occupied properties less than 500 m<sup>2</sup>.

6.126 Based on the findings it would be feasible to separate retail development into two distinct groups based on size of unit. Notwithstanding this the results of the recent Poole CIL charging schedule public examination (and a challenge by J Sainsbury) suggests that it may not be possible, within the CIL regulations, to differentiate between the size of

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property or development types within in the same use class. Therefore, following further discussions with the authorities, it was concluded that in the light of the current uncertainties only a single CIL rate for retail properties should be proposed. It will be important for the authorities to consider the likely scale and type of retail development either planned for in their core strategies or which is likely to come forward in the plan period when identifying a potential retail CIL charge. Our assessments suggest that an acceptable range for CIL between **£84 per m<sup>2</sup>** for small retail units and **£170 per m<sup>2</sup>** for large units would be viable.

6.127 It is open for the authorities to choose from within this range, depending on the scope and type of retail space anticipated in their emerging core strategies. However, for the purposes of a Stage 1 study, LSH would proposed a CIL charge for retail properties of **£125 per m<sup>2</sup>** which reflects the middle ground or average viable CIL rate for shops across the study area and all size ranges. A more sophisticated approach may be developed based on locations and other definitions at Stage 2.

#### Hotel and Care Homes

6.128 Based on the assumptions set out in Section 5 and evidence in appendix 4, Hotel and Care Home results do appear to be able to deliver CIL rate of circa **£145 per m<sup>2</sup>** and circa **£168 per m<sup>2</sup>** respectively.

6.129 Again these reflect the assumptions chosen, based on the research undertaken. However, there are institutional care homes which may be unable to support any CIL charge, whilst the potential costs associated with an individual or speculative hotel development may be in excess of those reflected by BCIS. The authorities therefore need to carefully weigh up the potential CIL that will be delivered from such uses compared to the potential risk to restrict some development. As part of a Stage 2 study, an authority may wish to consider these uses further having regard to the potential for development in these sectors anticipated over the next 2-5 years.

#### Other property types

6.130 The commercial and non residential property types were discussed and chosen in agreement with the authorities as part of this stage 1 study. These arguably will reflect the major non residential development that the authorities can anticipate over the plan period. However, there are many other types of property which may get developed over the plan period, including agriculture, community use, surgeries, day nurseries, hospitals, cinemas,

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leisure centres, petrol stations etc. However, assessing these minor development opportunities by scale is beyond the scope of this assessment. For the most part such uses, do not in LSH's experience produce revenue which out weights the costs at a level which would enable a CIL to be included whilst the schemes remain viable. However the authorities may wish to investigate such uses at a stage 2 review or at a later CIL charging review. Therefore, at this time LSH would recommend that the authorities do not apply a charging rate to other property types without further investigation.

### Summary of Findings

6.131 The table below sets out a summary of the findings from the viability tests:

- Residential housing CIL rates vary by postcode reflecting sales value variation.
- Residential market land value is directly correlated to house sale values.
- Variations in land value benchmarks to reflect geography reduce the impact of CIL on development schemes across the study area.
- Residential CIL rates are affected by affordable housing allowances.
- Postcode data may not reflect finer grained variations in values within the same post code.
- The costs/revenue balance for higher density residential schemes leads to this type of development being unviable and unable to support a CIL in many circumstances.
- Across the study area commercial rental values are not sufficiently high to support a CIL for office or industrial development except in St Albans.
- Shops do appear to be able to support a CIL charge, however the potential level that is viable does depend on the type of retail development.

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## 7. SENSITIVITY TESTING

This section reviews the impact of varying the agreed assumptions; including planning policies.

7.1 In order to support the various authorities in making decisions as to reasonable CIL rates LSH undertook several sensitivity tests.

1. A 5% increase in proposed land value benchmarks.
2. A 5% decrease in proposed land value benchmarks.
3. A 5% decrease in affordable housing policy.
4. A proposed affordable housing tenure mix of 35% social rent 65% Shared Ownership.
5. Doubling the proposed Section 106 contribution.
6. 5% increase in standard build costs.
7. Reduction in adoptable Sustainable Homes Code level to 4 from 3.

7.2 These tests are designed to highlight the impact of variations in assumptions to the standard CIL tests presented in section 5. The results of the sensitivity tests are set out in Appendix 6.

7.3 LSH have undertaken 7 sensitivity tests on the original 240 residential results, thus providing circa 1,680 variations to the CIL outputs across the study area.

7.4 The seven sensitivity tests above are not exhaustive but give a robust indication of the impacts on CIL that more probable variations in market conditions and development economics may produce over the next several years.

## Variations to land value benchmarks

### 1. 5% reduction in land value

- 7.5 CIL test results for all 8 authorities against all residential outputs. The table below summarised the outputs presented in Appendix 6 for each authority showing the impact of a decrease in the land value benchmark assumption by 5%.

Table 41: Impact on CIL rates through reduction of land value

Variable→ Authority↓	Standard rate (£/sq.m)	5% reduction in land values
Broxbourne	130	160
Dacorum	150	170
Three Rivers	150	180
Watford	200	250
Hertsmere	120	180
Welwyn Hatfield (35%)	135	150
Welwyn Hatfield (30%)	200	230
Welwyn Hatfield (25%)	270	300
St Albans	170	210
East Herts	110	150

- 7.6 The table above demonstrates that a reduction in the cost of land enables a scheme to be more profitable and deliver a greater CIL rate. The differences are significant and illustrate the need to continually monitor land values in the changing areas.

### 2. 5% increase in land value

- 7.7 The table below summarises the outputs presented in Appendix 6 for each authority showing the impact of an increase in the land value assumption by 5%.

Table 42: Impact on CIL rates through increase in land value

Variable→ Authority↓	Standard rate (£/sq.m)	5% increase in land values
Broxbourne	130	90
Dacorum	150	125
Three Rivers	150	60
Watford	200	100
Hertsmere	120	30
Welwyn Hatfield (35%)	135	80
Welwyn Hatfield (30%)	200	160
Welwyn Hatfield (25%)	270	240
St Albans	170	90
East Herts	110	50

7.8 The table above demonstrates that this variation increases the costs to the developer causing the scheme to be less profitable and therefore reducing the potential achievable CIL rate. This assumption demonstrates that paying more than open market value for the land will reduce the viability of the scheme at the standard CIL rates. Market value however, should be assessed on the assumption of a policy compliant scheme, in the future taking into account CIL. Applying the standard rates proposed is likely in the long term to reduce the land value rather than make the scheme unviable.

7.9 The CIL rates produced as an outcome to this study reflect those already tested by authorities elsewhere and this can give a degree of comfort that the testing in Hertfordshire is producing similar results to assessments elsewhere. The sensitivity testing of the proposed land values also suggests that the assumptions used are reasonable as the potential CIL rates generated by the standard assumptions appear to reflect the proposed CIL rates in other published or proposed CIL Charging schedules.

## Variations Affordable Housing, mix and S106

### 3. 5% reduction in Affordable Housing

7.10 The table below summarises the outputs presented in Appendix 6 for each authority showing the impact of a reduction in the affordable housing percentage anticipated of 5%.

Table 43: Impact on CIL rates through reduction of affordable housing.

Variable→	Standard rate (£/sq.m)	5% reduction in proportion of affordable housing sought
Authority↓		
Broxbourne	130	230
Dacorum	150	210
Three Rivers	150	250
Watford	200	235
Hertsmere	120	260
Welwyn Hatfield (35%)	135	200
Welwyn Hatfield (30%)	200	270
Welwyn Hatfield (25%)	270	300
St Albans	170	270
East Herts	110	230

7.11 The table above demonstrates that this variation increases the revenue stream to the scheme, causing the scheme to be more profitable and therefore increases the potential achievable CIL rate.

7.12 This assumption demonstrates that reducing the affordable housing percentage will make a scheme more viable and therefore able to support a greater a CIL rate. It is also noticeable that the affect on potential achievable CIL rates appears to be exaggerated, with the negative impact being greater where affordable housing consists of a significant proportion of social rented properties.

7.13 It should be noted that when CIL rates are set it is possible that the delivery of affordable housing will be squeezed, particularly if development costs increase. The model already builds significant headroom into the build cost to ensure that affordable housing levels can still be met even if costs increase. Nevertheless it is worth noting that it would appear that only small reductions in affordable housing would be required to enable schemes to remain viable within the proposed standard rates even if cost increases exceed the contingency and anticipated levels.

#### 4. Changing the Affordable Housing tenure mix

7.14 The table below summarises the outputs presented in Appendix 6 for each authority showing the impact of a change in the affordable housing mix anticipated of delivering 35% social rented units and 65% intermediate units.

Table 44: Impact on CIL rates through change in affordable housing tenure.

Variable→ Authority↓	Standard rate (£/sq.m)	Affordable Housing Mix at 35% Social Rented and 65% Intermediate.
Broxbourne	130	500
Dacorum	150	350
Three Rivers	150	500
Watford	200	100
Hertsmere	120	440
Welwyn Hatfield (35%)	135	350
Welwyn Hatfield (30%)	200	400
Welwyn Hatfield (25%)	270	425
St Albans	170	340
East Herts	110	430

7.15 The table above demonstrates this variation, in most cases it increases the revenue stream to the scheme, causing the scheme to be more viable and therefore increasing the potential achievable CIL rate. In the case of Watford the scheme becomes much less viable if this mix is applied. This is because it actually increases the amount of social rented units beyond that of policy in the Borough.

7.16 The table demonstrates that it is important for the authorities to consider carefully the balance between affordable housing percentages, tenure mix and s106 that can be delivered by a scheme. Once CIL is introduced it is likely that any challenges based upon the viability of a scheme are most likely to affect the affordable housing or s 106 contributions.

## 5. Variation of the s106 contribution

7.17 The table below summarises the outputs presented in Appendix 6 for each authority showing the impact of doubling the agreed s106 contributions.

Table 45: Impact on CIL rates through change in s106.

Variable→ Authority↓	Standard rate (£/sq.m)	Doubling of s106 contributions towards site related infrastructure from that agreed with the local authority
Broxbourne	130	100
Dacorum	150	90
Three Rivers	150	125
Watford	200	130
Hertsmere	120	80
Welwyn Hatfield (35%)	135	80
Welwyn Hatfield (30%)	200	140
Welwyn Hatfield (25%)	270	230
St Albans	170	120
East Herts	110	50

7.18 The table above demonstrates the impact of varying this increased the costs associated with the scheme, causing the development to be less viable and therefore reducing the potential achievable CIL rate.

7.19 The s106 contribution was based on an amount per unit, therefore the impact is increased as the density/scale of the development increases. Doubling the assumed s106 payment reduces the CIL by circa 30%.

7.20 In instances or locations where significant “on site” infrastructure is anticipated - such as regeneration areas, MDA’s or schemes of circa 500 residential units plus - the CIL rate may need to be adjusted to allow sufficient s106 contributions to be secured to deliver the necessary site related infrastructure.

## Variations in costs

### 6. Increase in build costs by 5% above the 10% already included

7.21 The table below summarises the outputs presented in Appendix 6 for each authority showing the impact of increasing the proposed build cost assumptions by 5%. However, this sum is over and above the additional 10% build cost inflation already built into every appraisal.

Table 46: Impact on CIL rates through increase in build costs.

Variable→ Authority↓	Standard rate (£/sq.m)	5% increase in costs (above the 10% already incorporated)
Broxbourne	130	20
Dacorum	150	40
Three Rivers	150	30
Watford	200	100
Hertsmere	120	20
Welwyn Hatfield (35%)	135	50
Welwyn Hatfield (30%)	200	100
Welwyn Hatfield (25%)	270	190
St Albans	170	40
East Herts	110	15

7.22 The table above demonstrates the impact of this changed assumption; this increased the costs associated with the scheme, causing the scheme to be less viable and therefore reducing the potential achievable CIL rate.

7.23 The reason amending build costs by 5% has such a significant affect is due to the other variables linked to build costs and the multiplying effect to the overall cost. In effect Code level costs, externals and abnormal costs, contingency, professional fees, interest and profit also increased proportionately to build costs creating an exponential impact on development cost.

7.24 An additional 10% contingency above standard build costs have already been built into the model to ensure that the standard CIL rates proposed will remain reasonable for the foreseeable future and can take account of development site abnormal costs.

## 7. Delivering Code 3 sustainable Homes

7.25 The table below summarises the outputs presented in Appendix 6 for each authority showing the impact of reducing the code requirement for sustainable homes from 4 to 3. The assessed types already include code 4 on the assumption that code 4 will become mandatory in new build properties from April 2014. Therefore the approach taken has anticipated this mandatory change to incorporate anticipated build costs over the next 2-5 years.

Table 47: Impact on CIL rates through reduction the code for sustainable homes.

Variable→ Authority↓	Standard rate (£/sq.m)	Reduction in code for sustainable homes from 4 to 3.
Broxbourne	130	220
Dacorum	150	230
Three Rivers	150	250
Watford	200	280
Hertsmere	120	200
Welwyn Hatfield (35%)	135	190
Welwyn Hatfield (30%)	200	260
Welwyn Hatfield (25%)	270	350
St Albans	170	230
East Herts	110	190

7.26 The table above demonstrates the effect that this change in assumptions will have. It decreases the costs associated with the scheme, causing the scheme to be more profitable and therefore able to support a higher potential CIL rate.

7.27 The impact of code 5 and code 6 have yet be tested, however, it is understood that current code 5 and 6 build costs are significantly higher than code 4 which is included in the model. It is unlikely that revenues will increase at the same rates as build costs when code 5 and 6 are introduced; therefore it is worth the authorities considering the impact of the implementation of code 5 or 6 in the future. LSH would suggest that the viability assumptions are reviewed near the time code 5 or 6 become mandatory to ensure the CIL rates do not make development unviable or cause affordable housing to be reduced.

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## 8. CIL options

This section provides an explanation of the options available to the authorities in setting their CIL Charging Schedules.

- 8.1 This stage 1 study was undertaken for the benefit of 8 authorities on the assumption it would provide guidance for them in determining their CIL rates. Over 1600 variations to potential CIL rates were assessed. To this end LSH regard that in most circumstances a single rate for property types appears appropriate, however there are a few cases where the range of CIL tests suggest that differentiation by location may be more appropriate.
- 8.2 It is the responsibility of the individual authorities to decide which approach they prefer taking account of their attitude to risk, their need for Infrastructure funding, and to ensure the viability of development across their authorities.
- 8.3 When reviewing the achievable CIL rate outputs based on the agreed assumptions of this study, the authorities should give consideration to the aspirations of the authority with regard to development including:
- Where the major development will be within their authority?
  - What type of development is anticipated in the authority?
  - What is the residential mix of types expected in their authority area?
  - What will be the likely impact of setting a CIL on affordable housing delivery?
  - How will CIL vs. s106 relationship be managed?
  - Is it more appropriate to propose a single CIL rate for each use class or is there justification for differential rates based on geography?
  - How will a chosen CIL rate allow developments to remain viable in changing economic conditions?
- 8.4 The authorities can consider the test outputs and the proposed CIL rates to make a balanced judgement on what reasonable CIL rates they may wish to impose; taking account of different property types, the impact of scale and the impact of geography on development viability.

8.5 Due to the variation in achievable CIL rates across different residential department types, as well as postcodes, it will be important for the authorities to consider what type of development is most likely to be developed within their area. On discussion with the authorities, it is anticipated that only a few authorities may expect high density development and even these are likely to be limited and localised.

8.6 The table below sets out proposed single CIL rates for residential development, which provide a balanced view across the various scenarios tested by LSH and which are aimed at delivering the maximum development whilst maintaining viability across a wide range of potential schemes.

Table 48: Proposed residential CIL rates by authority

Authority	Affordable Housing (%)	Proposed Residential CIL rate (£/sq.m.)
Broxbourne BC	40	130
Dacorum BC	35	150
East Herts DC	40	110
Hertsmere BC	35	120
St Albans City & District	40	170
Three Rivers DC	45	150
Watford BC	35	200
Welwyn Hatfield BC	25	270
	30	200
	35	135

8.7 In a number of authorities the range of CIL rates identified suggests that differentiation in achievable CIL rates by geography may be more appropriate than a single rate. The table below sets out where LSH deem it appropriate to separate out differential residential CIL rates by geography:

Table 49: Proposed differential residential CIL rates by geography

Authority	Postcode(s)	Rate (£/sq.m)
Dacorum BC	HP1, HP2, HP3, WD4	150
	HP4,AL3,HP23	210
Three Rivers DC	WD3, WD4, WD18, WD19, WD25	150
	WD5	90

8.8 LSH suggest that for Dacorum BC and Three Rivers DC differential CIL rates are applied based on geography to ensure the majority of development opportunities remain viable. (See comments elsewhere about differential rates for other authorities).

8.9 On the evidence included in this study LSH are also of the view that a single rate for most commercial/ non-residential schemes would be appropriate and that differential rates are not justified by viability testing and geography. This excludes St Albans where commercial office development could support a CIL. From the Stage 1 assessment there appears to be no need to vary non residential rates between authorities and areas with the exception of St Albans. Table 50 sets out our recommendations. It is for the individual council's to review the figures in the light of our advice and some may choose alternatives to our proposals based on further work at stage 2.

Table 50: Proposed commercial CIL rates by type

Property type	Proposed CIL rate per sqm
Office (B1)	£0 (£63 St Albans)
Leisure (D1)	£0
General Industrial (B2/B8)	£20
Hotel	£145
Care Home	£163
Retail	£125

8.10 Furthermore, as highlighted above, LSH have concluded that with the exception of St Albans, office developments cannot support a CIL rate whilst remaining viable, irrespective of geography. Therefore LSH proposed that this type of development has a CIL rate set at zero. LSH propose that General Industrial could deliver a CIL of £20psm. We would, however, propose authorities err on the side of caution if an industrial CIL is to be charged, as small variables can impact on the CIL rate to make it unviable.

8.11 The above table highlights LSH's conclusion of a single retail CIL rate which takes account of the varying CIL rates potentially delivered by different types of shops. This is set at the mid range and each authority needs to consider the nature, quantum and type of retail development that may be anticipated to ensure that this level is appropriate.

8.12 Ultimately the authorities will need to consider the outputs of this stage 1 study and consider if they feel it is appropriate to adopt the approach proposed or to undertake further investigations highlighted in this report in a stage 2 study to consider alternatives and to gain a greater understanding of the impact that emerging planning strategies may make.

## 9. Conclusions

- 9.1 The purpose of this study was to provide an evidence base to ascertain the potential deliverable Community Infrastructure Levy for 8 Hertfordshire local authorities, whilst maintaining the viability of potential development (taken as a whole) within each authority.
- 9.2 We feel that we have successfully provided authorities with robust, properly researched and sourced evidence to enable each of the commissioning authorities to understand the potential for raising CIL in their district. This work has been set within the context of the constraints that the CIL will be required to work within and also sets out issues that individual authorities will need to confront and if necessary resolve in moving forward with their charging schedules.
- 9.3 In terms of conclusions, we have been able through our research to establish the following:

Table 51: Summary of Joint CIL EVS findings

<b>Joint Hertfordshire CIL EVS - main conclusions summarised</b>	
<b>Ability to charge CIL on residential development</b>	All authorities should be able to charge a significant CIL rate for the majority of residential types.
<b>Variations in potential residential CIL rates across the authorities</b>	We found evidence of reasonably significant variations in the level of CIL charge for such developments across the authorities, and this is reflected in our recommendations for proposed rates.
<b>The potential justification for differential residential rates within individual authorities</b>	We found some scope for differential residential rates in 3 districts, and have set out these potential variations on a postcode basis for the authorities concerned, together with the pros and cons of pursuing variable rates.
<b>Potential issues with medium and high density urban residential development</b>	We have set out specific concerns about the potential impact of proposed CIL residential rates on medium and high density residential developments, identifying those locations where this is likely to be an issue and how, potentially, affected authorities can tackle the issues this gives rise to.
<b>Potential issues with Major Development Areas (MDAs)</b>	Similarly we have outlined potential issues should authorities identify Major Development Areas (MDAs) as part of their development strategy and again how they can respond to such issues in terms of operating CIL and maintaining the use s106 agreements in appropriate circumstances.
<b>Potential CIL charges for hotels and care homes</b>	We have set out the justification for a potential standard cross authority CIL charge for these development activities.

<b>Potential CIL charges for retail development</b>	Similarly we have set out the justification for a potential cross authority charge for retail development.
<b>Potential CIL charges for Office Uses</b>	Beyond St Albans we can find no justification on CIL grounds for a positive charge for office development. Our recommendation is that a zero charge is set other than in St Albans where a CIL rate of £63 per sq m is viable for office development.
<b>Potential for Industrial and Warehousing (B2/B8)</b>	A low level charge of £20 per sq m is viable for such development across the district but a charge set at this level is very marginal and only minor movements in any of the input variables could make a charge set at this level unviable. Further work is required to support this number.

- 9.4 As previous discussed, this study has not assessed the development viability of individual schemes, but it recognises that there will be circumstances where individual schemes will a) have infrastructure impacts and b) be inherently profitable, and that in such circumstances authorities may continue to seek appropriate contributions

## Next steps

- 9.5 Given the above, and as we have made clear, this report allows authorities - if they are otherwise able - to move forward quickly with the preparation of a charging schedule at the earliest opportunity based on the evidence we have provided.
- 9.6 Alternatively, they can undertake follow up work to consider and build on the conclusions of our study. In particular, authorities may feel that it is appropriate to make changes to the way in which CIL interacts with other planning policy variables that have an infrastructure content and cost - i.e. s106 payments for site related infrastructure, affordable housing provision and mix, and the Code for Sustainable Homes level compliance.
- 9.7 Our model allows the effects of changes to these variables to be rapidly established, and on acceptance of this report we will provide a copy of our model as well as face to face training backed up by written instructions on its use. That will complete the Stage 1 commission.
- 9.8 As we have made clear, we think it will be important for local authorities to reflect upon the outcome of this commission and the issues this raises for them. Set out below are the issues we think they may wish to examine further in stage 2 follow on work. Although

some of this could be undertaken collectively, our feeling is that most if not all authorities would want to explore such matters individually.

#### Proposed potential Stage 2 CIL work

Action	Description	Recommended Authority
A further exploration of viability issues	In particular the way CIL and affordable housing policy interact/impact on scheme viability	Watford, Three Rivers.
Consideration of development distribution across the authority	The proposed CIL have been concluded based on an attempt to make all developments to remain viable across the authorities. However, it may be that the CIL rate could be weighted to reflect the anticipated distribution of development, which will be identified through the production of core strategies and site allocation document.	All Authorities.
The issues associated with medium/high density schemes	For those authorities where this is likely to be an issue, the likely incidence/location of such development within the district and (given what our viability evidence has shown) how to deal with the issues that are likely to arise in terms of introducing and operating CIL	Dacorum, Watford, Three Rivers,
Finer grained analysis of settlements rather than postcodes	Where postcode results are deemed to not demonstrate the finer variance in potential CIL rates across the authority.	Hertsmere, Watford.
Major Development Areas (MDAs)	How the local authority will approach the task of ensuring the provision of appropriate and timely infrastructure to ensure such development is fully sustainable, in doing so considering the respective roles of CIL and s106 agreements	All Authorities.
CILs reflecting variable affordable housing	A more fine grained analysis of the implications of the authority's proposed variable rates for affordable housing on development viability	Welwyn Hatfield.
For local authorities contemplating a later introduction of CIL	A review of model data assumptions when CIL is about to be introduced to consider whether they are still relevant or require updating due to changed circumstances	All Authorities.
Additional evidence base and research	More detailed analysis where current research was unable to identify significant comparable evidence.	St Albans, Dacorum, Three Rivers
Consideration type of anticipated retail development	Analysis of the anticipate mix of type of retail development between local shops and national providers such as superstores.	All Authorities.
Consideration of emerging CIL examinations in public	Consideration in implementing a CIL rate on emerging guidance and results of other examinations in public	All Authorities.

# Appendix 1

CIL Regulations

## I Key regulations we have had regard to in preparing this Assessment

<b>Regulation</b>	<b>Description</b>	<b>Summary</b>
12	Format and content of charging schedules	A draft charging schedule must set the rate of CIL at pounds per square metre, identify where any differential rates apply (including a map if they are based on zones/ geographical areas), and an explanation on how the chargeable amount will be calculated.
13	Differential Rates	A charging authority can set differential rates based either on development in geographical areas or on the different intended use of development
14	Setting Rates	A charging authority must strike an appropriate balance when setting a rate of CIL between the desirability of funding infrastructure from CIL and the potential effects (taken as a whole) of the imposition of CIL on the economic viability of development across its area.
15	Consultation	A charging authority must undertake consultation on the preliminary draft charging schedule and
16	Publication	A minimum of a 4 week consultation must be undertaken on published draft charging schedule inviting representations before a draft charging schedule is submitted for examination.
28	Effect	A charging schedule will have effect on the day after the day that it is published.
40	Calculation of chargeable amount	The chargeable amount is an amount equal to the aggregates amounts of CIL chargeable at each of the relevant rates. Where that amount is less than £50 the chargeable amounts is deemed to be zero. The amount of CIL chargeable must be calculated by applying the formula in the regulations. Index figure in the formula is the national All-in Tender Price Index published from time to time by the RICS.
42	Exemption for minor development	Liability for CIL does not arise on developments with a GIA of less than 100sqm, but not where this would comprise one or more dwellings.
43 - 44	Exemption for charities	CIL liability is exempt where the use of the land or property is mainly for charitable purposes. Relief from CIL may also be given for charitable investment purposes.
49-50	Social Housing Relief	CIL is not chargeable on housing that is social rented (range of circumstances) or shared ownership (intermediate).
55	Exceptional Relief	A charging authority may give relief from CIL in exceptional circumstances.
59	Application	A charging authority must apply CIL funding to infrastructure. This can also occur outside of its area where to do so would support the development of its area.
61	Administrative Expenses	A charging authority may apply CIL to administrative expenses incurred by it in connection with CIL.
62	Reporting	A charging authority must report, on an annual basis (financial year) the total amount of CIL receipts and expenditure, including a summary of items to which CIL has been applied, and the total amount of CIL receipts retained at the end of the reported year.

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## Current CIL Rates in England and Wales

- II As April 2014 approaches more Local Authorities are developing their CIL Charging Schedules. The approach by Authorities so far has widely varied. In Newark and Sherwood there are 6 zones for residential use with rates varying from £0 to £75 per sqm, retail is charged between £100 and £125 per sqm, industrial between £0 and £20 per sqm and offices, hotels, leisure, residential institutions and community/ institutional uses exempt. In the London Borough of Redbridge, with a more simple approach, have adopted a flat rate of £70 per sqm with no geographical or use variance. As at April 2012 the following authorities have adopted a CIL Charging Schedule with the following CIL rate(s):

Local Authority	CIL Rate(s)	Adopted
Newark and Sherwood	Rates vary from £0 to £125 per sqm depending on use	1 <sup>st</sup> December 2011
Shropshire	Rates from Nil to £40 or £80 per sqm for residential use	1 <sup>st</sup> January 2012
London Borough of Redbridge	£70 per sqm across the whole borough	1 <sup>st</sup> January 2012
Mayor of London	Three bands of £20 per sqm; £35 per sqm and £50 per sqm varies by geographical area	1 <sup>st</sup> April 2012
Portsmouth City Council	£105 per sqm for residential development and £53-£105 per sqm for retail, £53 per sqm for hotels and residential institutions. Offices, industrial development and community use all exempt.	1 <sup>st</sup> April 2012

- III There are also several local authorities that are at advanced stages of preparation of their CIL Charging Schedules, and a wider variation of rates is emerging. Huntingdonshire Council and the London Borough of Wandsworth have recently been through examination of their CIL Charging Schedules.
- IV Huntingdonshire is proposing CIL rates of £85 per sqm for residential; with charges of between £40-£60 per sqm for retail; hotels £60 per sqm, health facilities £65 per sqm and nursing homes £45 per sqm. Business, industrial and other community uses are exempt.

V The London Borough of Wandsworth has four charging zones for residential ranging from £0 to £575 per sqm. Office and retail development in the Nine Elms area of the Borough is charged at £100 per sqm, with a Nil rate elsewhere. All other uses are exempt.

VI In addition to the local authorities included in this study the following boroughs have consulted on their preliminary or draft charging schedules:

Local Authority	CIL Rate(s)	Current Status
Wycombe District Council	The proposed CIL rates are £125 and £150 per sqm on residential; Large retail £200 per sqm and smaller retail £125 per sqm. All other development is exempt from any CIL charge.	The District Council is currently consulting on its draft charging schedule, with the consultation due to end on 27 <sup>th</sup> April 2012
London Borough of Brent	The preliminary draft charging schedule proposed a residential rate of £200 per sqm; office £40 per sqm; retail £80 per sqm, student accommodation £300 per sqm; hotels £200 per sqm, and a £5 per sqm charge to assembly and leisure. Industrial uses are exempt.	The Borough's consultation on its Preliminary draft charging schedule closed on 12 <sup>th</sup> December 2011.
East Cambridgeshire District Council	The Preliminary Draft Charging Schedule proposed residential CIL charges of £40 and £90 per sqm, large scale retail £120 per sqm, small scale retail at £60 per sqm, business development £10 per sqm and equestrian development at £30 per sqm. All other uses are proposed to be exempt.	The District Council recently consulted on its Preliminary Draft Charging Schedule, the consultation closed on 2 <sup>nd</sup> February 2012.
London Borough of Barnet	A single flat rate of £135 per sqm would apply to all development.	The Borough's consultation on its Preliminary draft charging schedule is due to finish on 23 <sup>rd</sup> April 2012.

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# Appendix 2

Planning Commentary

# Planning Context

## Dacorum Borough Council

Dacorum is located in southwest Hertfordshire, and the Borough is bordered by St Albans to the east and Three Rivers to the south, as well as Buckinghamshire to the south and west, and Bedfordshire to the north.

The Borough is reasonably well connected north to south with the A41, and the M1 running down the eastern boundary, and is also on the west coast main line rail link into London.

The major urban area in the Borough is the town of Hemel Hempstead, with small towns and settlements in the surrounding countryside, including Berkhamsted and Tring. Dacorum is predominantly a rural area (85% of the Borough), with a significant proportion of this designated as Green Belt, 60%.

## Local Spatial Strategy

The current planning policy for the Borough is the Dacorum Borough Local Plan 1991-2011. However Dacorum has recently submitted its Core Strategy to the planning inspectorate. The pre-Submission Core Strategy (incorporating the List of Proposed Amendments: June 2012) sets out the approach to future development. This future direction of policy is considered to be a more relevant basis for this report. In the pre-submission Core Strategy Dacorum is anticipating accommodating the following quantum of development:

- 430 homes per annum from 2006-2031 equating to 10,750 homes, with 38% or less of these homes expected on Greenfield sites.
- 131,000sqm of net additional office floorspace provision is expected, with no net loss of industrial and distribution floorspace which will help to deliver 10, 000 new jobs.
- Up to 63,750sqm of net additional retail floorspace depending on the level of demand.

Development in the Borough will be distributed through the settlement hierarchy, with the focus of development, in particular new housing, employment and retail floorspace, being located in Hemel Hempstead.

Development will then follow the settlement hierarchy with the next tier including market towns (Berkhamsted and Tring) and large villages. There will be a restrained approach to development which will be in the other small villages and the countryside, small villages in the Green Belt and the rural area.

Hemel Hempstead (postcodes HP1, HP2 and HP3) is where the main concentration of development and changes are planned to happen, and it is expected that over the period 2006 - 2031 the area will deliver:

- 8,800 new homes, with 35% of these affordable
- a significant amount of employment floorspace
- up to 53,500 sqm of retail floorspace
- New leisure and cultural facilities, including the need for 6 new primary schools

The distribution of development in Hemel Hempstead is anticipated to see 1, 800 homes in the town centre, 1,000 homes in East Hemel and 6, 000 homes in the rest of the town. The local allocations in Hemel Hempstead are:

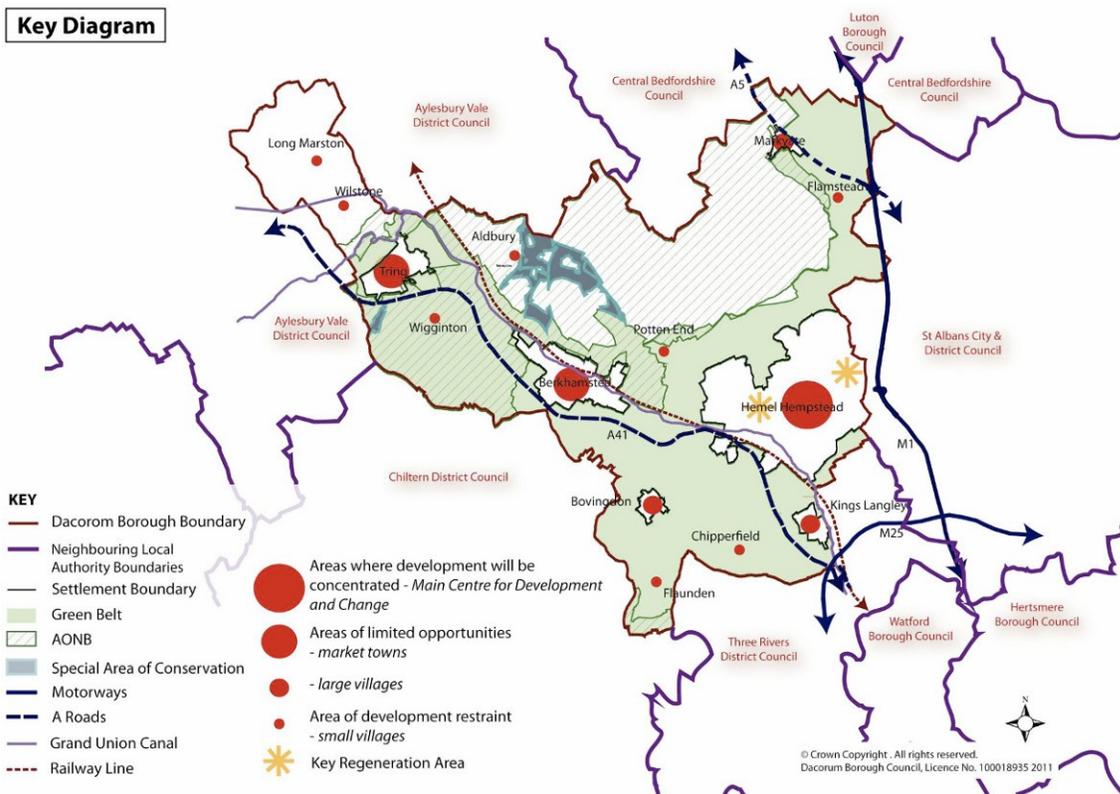
- Marchmont Farm - 300 homes
- Old Town – 80 homes
- West Hemel Hempstead – up to 900 homes

There are two areas designated for regeneration, Hemel Hempstead town centre and Maylands Business Park, both indicated on the key diagram below.

Detailed development proposals for these areas will be contained within a Town Centre Masterplan for Hemel Hempstead Town Centre, and the East Hemel Hempstead Area Action Plan (AAP) for the Maylands Business Park.

In the next tier of the settlement hierarchy, the market towns and larger villages are expected to deliver the following numbers of new homes over the period 2006 - 2031;

- Berkhamsted: 1,180 homes
- Tring: 480 homes
- Markyate: 200 homes
- Bovington: 130 homes
- Kings Langley: 110 homes



Key diagram from Pre-Submission Core Strategy

### Affordable Housing Policy

The Borough's emerging affordable housing policy requires the provision of 35% Affordable Housing, with a minimum of 75% affordable rented accommodation and 25% intermediate tenure on:

- On sites of a minimum of 0.3ha or 10 dwellings (and larger) in Hemel Hempstead; and
- Elsewhere on sites of a minimum size of 0.16ha or 5 dwellings or more

For sites under these thresholds of greater than 3 units (the requirement for a financial contribution will be waived on sites of 3 units or less), a financial contribution will be sought in lieu of affordable housing. Further information including the formula for calculating these payments is set out in the emerging Affordable Housing SPD. This is as follows:

$$C = A \times B$$

*A = affordable housing percentage of 35%*

*B = proposed number of dwelling on the site*

*C = proportion of affordable housing required (i.e. no. units equivalent)*

$$E = D \times C$$

*D = Land Value per unit (Land value / proposed number of dwellings)*

*E = financial contribution payable*

## Infrastructure Needs Overview

The Hertfordshire Infrastructure and Investment Strategy Study (2009) was commissioned to provide the Hertfordshire Authorities with an assessment of future infrastructure requirements, their likely costs and identify possible funding mechanisms. The Dacorum Strategic Infrastructure Study was produced in 2011 and in 2012 the Dacorum Infrastructure Delivery Plan update was published, which shows the infrastructure required to support the development planned through the Core Strategy.

Some of the key findings of the Dacorum Infrastructure Delivery Plan Update are:

- Potential shortfalls in the capacity of existing sewerage network
- Future need for primary school places
- Improvements to the transport network

The Hertfordshire Infrastructure and Investment Strategy Study (2009) included both strategic (transport, health, education, emergency services) and local infrastructure (sports facilities, libraries, allotments) and provided an assessment of the infrastructure cost per district based on their assumed level of residential development.

For Dacorum the infrastructure cost<sup>2</sup> was:

Area	Strategic Cost	Local Cost	Estimated Cost
Dacorum	£305.0m	£49.2m	£354.2m

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<sup>2</sup> Figures are taken from the Hertfordshire Infrastructure and Investment Strategy Study (2009), undertaken by Atkins Ltd, Roger Tym and Partners and URS.

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# Appendix 3

Estimated Land Values and comparable data



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# Appendix 4

Comparable Data

**RESIDENTIAL AVERAGE PRICES  
ACROSS HERTFORDSHIRE COUNTY  
SOURCE: LAND REGISTRY**

National Average Unit Sizes

Bed	Sqft	Sqm
1	550	51
2	750	70
3	1000	79
4	1500	107

POST CODE	No. of Beds	Average Price	Size	Old to New	New	£/sqm	£/sqft		Ave £psf
EN6	1	£167,200	51	5%	£175,560	3,442	320		
EN6	2	£264,700	70	5%	£277,935	3,971	369		
EN6	3	£347,000	79	5%	£364,350	4,612	428		
EN6	4	£537,800	107	5%	£564,690	5,277	490	EN6	402
EN7	1	£137,800	51	5%	£144,690	2,837	264		
EN7	2	£226,400	70	5%	£237,720	3,396	315		
EN7	3	£277,000	79	5%	£290,850	3,682	342		
EN7	4	£412,400	107	5%	£433,020	4,047	376	EN7	324
EN8	1	£135,300	51	5%	£142,065	2,786	259		
EN8	2	£189,600	70	5%	£199,080	2,844	264		
EN8	3	£251,300	79	5%	£263,865	3,340	310		
EN8	4	£335,900	107	5%	£352,695	3,296	306	EN8	285
EN10	1	£133,300	51	5%	£139,965	2,744	255		
EN10	2	£187,400	70	5%	£196,770	2,811	261		
EN10	3	£281,800	79	5%	£295,890	3,745	348		
EN10	4	£490,800	107	5%	£515,340	4,816	447	EN10	328
EN11	1	£137,300	51	5%	£144,165	2,827	263		
EN11	2	£201,900	70	5%	£211,995	3,029	281		
EN11	3	£259,100	79	5%	£272,055	3,444	320		
EN11	4	£367,200	107	5%	£385,560	3,603	335	EN11	300
CM21	1	£144,400	51	5%	£151,620	2,973	276		
CM21	2	£227,300	70	5%	£238,665	3,410	317		
CM21	3	£283,200	79	5%	£297,360	3,764	350		
CM21	4	£411,800	107	5%	£432,390	4,041	375	CM21	330
CM22	1	£179,000	51	5%	£187,950	3,685	342		
CM22	2	£271,500	70	5%	£285,075	4,073	378		
CM22	3	£292,900	79	5%	£307,545	3,893	362		
CM22	4	£452,600	107	5%	£475,230	4,441	413	CM22	374
CM23	1	£140,000	51	5%	£147,000	2,882	268		
CM23	2	£214,300	70	5%	£225,015	3,215	299		
CM23	3	£275,100	79	5%	£288,855	3,656	340		
CM23	4	£403,000	107	5%	£423,150	3,955	367	CM23	318
WD17	1	£172,900	51	5%	£181,545	3,560	331		
WD17	2	£240,300	70	5%	£252,315	3,605	335		
WD17	3	£411,700	79	5%	£432,285	5,472	508		
WD17	4	£615,900	107	5%	£646,695	6,044	561	WD17	434
WD18	1	£156,400	51	5%	£164,220	3,220	299		
WD18	2	£221,800	70	5%	£232,890	3,327	309		
WD18	3	£262,200	79	5%	£275,310	3,485	324		
WD18	4	£396,700	107	5%	£416,535	3,893	362	WD18	323
WD19	1	£149,300	51	5%	£156,765	3,074	286		
WD19	2	£239,500	70	5%	£251,475	3,593	334		
WD19	3	£276,600	79	5%	£290,430	3,676	342		
WD19	4	£442,100	107	5%	£464,205	4,338	403	WD19	341
WD24	1	£161,500	51	5%	£169,575	3,325	309		
WD24	2	£217,300	70	5%	£228,165	3,260	303		
WD24	3	£271,500	79	5%	£285,075	3,609	335		
WD24	4	£304,800	107	5%	£320,040	2,991	278	WD24	306
WD25	1	£158,800	51	5%	£166,740	3,269	304		
WD25	2	£215,900	70	5%	£226,695	3,239	301		
WD25	3	£280,700	79	5%	£294,735	3,731	347		
WD25	4	£403,700	107	5%	£423,885	3,962	368	WD25	330
WD3	1	£207,300	51	5%	£217,665	4,268	397		
WD3	2	£277,100	70	5%	£290,955	4,157	386		
WD3	3	£383,400	79	5%	£402,570	5,096	473		
WD3	4	£663,000	107	5%	£696,150	6,506	604	WD3	465
WD4	1	£179,400	51	5%	£188,370	3,694	343		
WD4	2	£279,100	70	5%	£293,055	4,187	389		
WD4	3	£380,700	79	5%	£399,735	5,060	470		
WD4	4	£600,400	107	5%	£630,420	5,892	547	WD4	437
WD5	1	£171,100	51	5%	£179,655	3,523	327		
WD5	2	£238,900	70	5%	£250,845	3,584	333		
WD5	3	£310,800	79	5%	£326,340	4,131	384		
WD5	4	£507,600	107	5%	£532,980	4,981	463	WD5	377
WD6	1	£158,600	51	5%	£166,530	3,265	303		
WD6	2	£228,000	70	5%	£239,400	3,420	318		
WD6	3	£290,200	79	5%	£304,710	3,857	358		
WD6	4	£476,900	107	5%	£500,745	4,680	435	WD6	354
WD7	1	£226,500	51	5%	£237,825	4,663	433		
WD7	2	£351,500	70	5%	£369,075	5,273	490		

WD7	3	£419,800	79	5%	£440,790	5,580	518		
WD7	4	£801,200	107	5%	£841,260	7,862	730	WD7	543
WD23	1	£172,200	51	5%	£180,810	3,545	329		
WD23	2	£264,100	70	5%	£277,305	3,962	368		
WD23	3	£362,100	79	5%	£380,205	4,813	447		
WD23	4	£571,200	107	5%	£599,760	5,605	521	WD23	416
HP1	1	£143,600	51	5%	£150,780	2,956	275		
HP1	2	£200,400	70	5%	£210,420	3,006	279		
HP1	3	£256,000	79	5%	£268,800	3,403	316		
HP1	4	£403,500	107	5%	£423,675	3,960	368	HP1	309
HP2	1	£125,400	51	5%	£131,670	2,582	240		
HP2	2	£163,100	70	5%	£171,255	2,447	227		
HP2	3	£222,500	79	5%	£233,625	2,957	275		
HP2	4	£321,500	107	5%	£337,575	3,155	293	HP2	259
HP3	1	£151,200	51	5%	£158,760	3,113	289		
HP3	2	£209,300	70	5%	£219,765	3,140	292		
HP3	3	£262,300	79	5%	£275,415	3,486	324		
HP3	4	£453,800	107	5%	£476,490	4,453	414	HP3	330
HP4	1	£182,100	51	5%	£191,205	3,749	348		
HP4	2	£273,900	70	5%	£287,595	4,109	382		
HP4	3	£364,900	79	5%	£383,145	4,850	451		
HP4	4	£594,000	107	5%	£623,700	5,829	542	HP4	431
HP23	1	£153,500	51	5%	£161,175	3,160	294		
HP23	2	£256,200	70	5%	£269,010	3,843	357		
HP23	3	£326,900	79	5%	£343,245	4,345	404		
HP23	4	£500,400	107	5%	£525,420	4,910	456	HP23	378
AL1	1	£207,300	51	5%	£217,665	4,268	397		
AL1	2	£294,300	70	5%	£309,015	4,415	410		
AL1	3	£383,700	79	5%	£402,885	5,100	474		
AL1	4	£691,700	107	5%	£726,285	6,788	631	AL1	478
AL2	1	£169,100	51	5%	£177,555	3,481	323		
AL2	2	£264,900	70	5%	£278,145	3,974	369		
AL2	3	£345,900	79	5%	£363,195	4,597	427		
AL2	4	£493,900	107	5%	£518,595	4,847	450	AL2	392
AL3	1	£207,800	51	5%	£218,190	4,278	397		
AL3	2	£311,000	70	5%	£326,550	4,665	433		
AL3	3	£387,300	79	5%	£406,665	5,148	478		
AL3	4	£586,800	107	5%	£616,140	5,758	535	AL3	461
AL4	1	£173,100	51	5%	£181,755	3,564	331		
AL4	2	£254,500	70	5%	£267,225	3,818	355		
AL4	3	£386,900	79	5%	£406,245	5,142	478		
AL4	4	£556,000	107	5%	£583,800	5,456	507	AL4	418
AL5	1	£199,700	51	5%	£209,685	4,111	382		
AL5	2	£305,700	70	5%	£320,985	4,586	426		
AL5	3	£461,000	79	5%	£484,050	6,127	569		
AL5	4	£749,900	107	5%	£787,395	7,359	684	AL5	515
AL6	1	£180,100	51	5%	£189,105	3,708	344		
AL6	2	£304,800	70	5%	£320,040	4,572	425		
AL6	3	£391,000	79	5%	£410,550	5,197	483		
AL6	4	£623,100	107	5%	£654,255	6,115	568	AL6	455
AL7	1	£139,200	51	5%	£146,160	2,866	266		
AL7	2	£200,000	70	5%	£210,000	3,000	279		
AL7	3	£248,600	79	5%	£261,030	3,304	307		
AL7	4	£363,200	107	5%	£381,360	3,564	331	AL7	296
AL8	1	£153,600	51	5%	£161,280	3,162	294		
AL8	2	£232,300	70	5%	£243,915	3,485	324		
AL8	3	£351,900	79	5%	£369,495	4,677	435		
AL8	4	£511,200	107	5%	£536,760	5,016	466	AL8	380
AL9	1	£164,900	51	5%	£173,145	3,395	315		
AL9	2	£279,600	70	5%	£293,580	4,194	390		
AL9	3	£398,300	79	5%	£418,215	5,294	492		
AL9	4	£715,600	107	5%	£751,380	7,022	652	AL9	462
AL10	1	£138,100	51	5%	£145,005	2,843	264		
AL10	2	£201,400	70	5%	£211,470	3,021	281		
AL10	3	£245,100	79	5%	£257,355	3,258	303		
AL10	4	£325,200	107	5%	£341,460	3,191	296	AL10	286
SG1	1	£110,500	51	5%	£116,025	2,275	211		
SG1	2	£166,800	70	5%	£175,140	2,502	232		
SG1	3	£195,900	79	5%	£205,695	2,604	242		
SG1	4	£320,600	107	5%	£336,630	3,146	292	SG1	244
SG2	1	£116,500	51	5%	£122,325	2,399	223		
SG2	2	£174,600	70	5%	£183,330	2,619	243		
SG2	3	£192,400	79	5%	£202,020	2,557	238		
SG2	4	£323,700	107	5%	£339,885	3,176	295	SG2	250
SG3	1	£144,300	51	5%	£151,515	2,971	276		
SG3	2	£201,400	70	5%	£211,470	3,021	281		
SG3	3	£308,700	79	5%	£324,135	4,103	381		
SG3	4	£534,200	107	5%	£560,910	5,242	487	SG3	356
SG9	1	£175,100	51	5%	£183,855	3,605	335		

SG9	2	£222,400	70	5%	£233,520	3,336	310		
SG9	3	£294,400	79	5%	£309,120	3,913	364		
SG9	4	£457,600	107	5%	£480,480	4,490	417	SG9	356
SG10	1	£214,200	51	5%	£224,910	4,410	410		
SG10	2	£300,600	70	5%	£315,630	4,509	419		
SG10	3	£401,100	79	5%	£421,155	5,331	495		
SG10	4	£705,900	107	5%	£741,195	6,927	644	SG10	492
SG11	1	£158,400	51	5%	£166,320	3,261	303		
SG11	2	£256,400	70	5%	£269,220	3,846	357		
SG11	3	£309,200	79	5%	£324,660	4,110	382		
SG11	4	£513,300	107	5%	£538,965	5,037	468	SG11	378
SG12	1	£153,700	51	5%	£161,385	3,164	294		
SG12	2	£210,800	70	5%	£221,340	3,162	294		
SG12	3	£288,000	79	5%	£302,400	3,828	356		
SG12	4	£434,400	107	5%	£456,120	4,263	396	SG12	335
SG13	1	£152,600	51	5%	£160,230	3,142	292		
SG13	2	£237,100	70	5%	£248,955	3,557	330		
SG13	3	£302,300	79	5%	£317,415	4,018	373		
SG13	4	£505,200	107	5%	£530,460	4,958	461	SG13	364
SG14	1	£158,000	51	5%	£165,900	3,253	302		
SG14	2	£241,600	70	5%	£253,680	3,624	337		
SG14	3	£314,300	79	5%	£330,015	4,177	388		
SG14	4	£486,000	107	5%	£510,300	4,769	443	SG14	368

NOTE:  
Old to New Column: this 5% figure represents the expected increase in value from secondhand property to new build.

## NEW BUILD RESIDENTIAL SCHEMES - HERTFORDSHIRE

Postcode	Development	Area	Developer	DATE	Average £/SQFT	Aver £/sqm
HP3	The Mulberry House & Aspen Park HP3 9SE	Hemel H	Bovis	Feb-12	£ 300	£ 28
WD17	Nascot Grange, Langley Rd, Watford WD17 4YF	Watford	Cala	Feb-12	£ 328	£ 30
WD23	Lime Tree Close, Chiltern Avenue, Bushey WD23 4RG	Bushey	Banner Homes	Feb-12	£ 322	£ 30
AL4	Albany Fields, Oaklands Lane, St Albans AL4 0HS	St Albans	Taylor Wimpey	Feb-12	£ 353	£ 33
WD25	Leggatts Green, Nth Western Ave, Watford WD25 0AQ	Watford	Taylor Wimpey	Feb-12	£ 262	£ 24
WD17	Block C, The Springs, Off Lower High St, Watford WD17 2FG	Watford	Taylor Wimpey	Feb-12	£ 301	£ 28
SG1	Ice, Monument Ct, Woolners Way, Stevenage SG1 3AD	Stevenage	Higgins Homes	Feb-12	£ 243	£ 23
AL1	Oaklands, St Albans	St Albans	Nicholas King	Feb-12	£ 349	£ 32
SG14	Serenity, Salcombe Road, Bengeo SG14 3HL	Bengeo	Fairview New Homes	Feb-12	£ 323	£ 30
SG14	Gatekeeper Meadow, Hertford SG14 3SH	Hertford	Barratt	Feb-12	£ 375	£ 35
SG9	Kingfisher Park, Buntingford SG9 9JL	Buntingford	Barratt	Feb-12	£ 276	£ 26
WD25	Symonds Park, Cow Lane, Watford WD25 9PW	Watford	Barratt	Feb-12	£ 336	£ 31
WD3	Merchant Taylors Place, Rickmansworth WD3 3ND	Rick	Barratt	Feb-12	£ 433	£ 40
CM21	Saffron Gardens, Sawbridgeworth CM21 9DH		Barratt	Feb-12	£ 307	£ 29
SG12	Leaside Rise, Widbury Hill, Ware, Herts SG12 7AS		Taylor Wimpey	Feb-12	£ -	£ -
AL7	Mirage, Broadwater Road, Welwyn Garden City AL7 3BQ		Taylor Wimpey	Feb-12	£ -	£ -
WD6	Oaktrees, Elstree Way, Borehamwood WD6		Taylor Wimpey	Feb-12	£ -	£ -
					£ -	£ -

**RETAIL (A1/A2/A3 USE CLASSES) EVIDENCE - HERTFORDSHIRE**

<b>Address WATFORD WD</b>	<b>TOWN</b>	<b>POSTCODE</b>	<b>Property Type/Use Class</b>	<b>Sales Area Only Size sq ft</b>	<b>Rent</b>	<b>Achieved £psf</b>
Villiers Road	Watford	WD19	A5 Takeaway	447	29,120	65.14
Harlequin Centre, 125	Watford	WD17	A1	1,711	100,000	55.53
Queens Road	Watford	WD17	A1	3,500	65,000	18.51
Watford High Street	Watford	WD17	A3	1,556	85,000	50.57
23/33 The Parade	Watford	WD17	A1	24,988		
Harlequin Centre, 152A	Watford	WD17	A1	219	59,600	267.80
462/464 St Albans Road	Watford	WD25	A1, A2	737	20,000	25.90
20 Market Street	Watford	WD18	A1, A2, A3	1,360		
Harlequin Centre, 39	Watford	WD17	A1	2,581	216,800	83.99
72 Market Street	Watford	WD18	A1	439		
75 High Street	Watford	WD17	A3 basement	840	10,000	11.90
114c High Street	Watford	WD17	A1	1,297	45,000	33.39
39 High Street	Watford	WD17	A1	6,892	215,000	28.28
43 Langley Way	Watford	WD17	A1	547	20,000	34.01
Harlequin Centre, 43	Watford	WD17	A1	2,521	185,000	73.38
North Western Avenue	Watford	WD25	A1	5,360	110,000	20.52
St Albans Road	Watford	WD24	A1	470	14,500	26.17
Harlequin Centre, 115	Watford	WD17	A1	1,242	219,800	173.60
The Exchange, Exchange Road	Watford	WD17	A2 (financial) , B1 (office), D1 (medic	1,750		
<b>ST ALBANS AL</b>						
<b>Address</b>						
401 Hatfield Road	St Albans	AL4	A1	256		
20 Christopher Place	St Albans	AL3	A1	923	60,000	63.62
9 Market Place	St Albans	AL3	A1	569	40,000	60.42
1 Market Place	St Albans	AL3	A1	578	50,000	76.17
27 Market Place	St Albans	AL3	A1	467	35,000	70.39
Unit E, Christopher Place	St Albans	AL3	A1	177		
5/7 London Road	St Albans	AL1	A1	1,540	35,000	22.73
24 Holywell Hill	St Albans	AL1	A2	305	20,750	55.57
13/15 Chequer Street	St Albans	AL1	A1	1,115	59,500	53.36
23a St Peters Street	St Albans	AL1	A2	775	15,000	19.35
7/11 Verulam Road	St Albans	AL3	A3	2,760	70,000	23.00
6 Chequer Street	St Albans	AL1	A1	1,103	60,000	50.96
K3 Christopher Place	St Albans	AL3	A1	168	24,000	141.80
41/43 St Peters Street	St Albans	AL1	A1	2,793	195,000	68.40
7/11 The Colonnade	St Albans	AL1	A3	1,894	70,000	31.68
4 Christopher Place	St Albans	AL3	A1	1,543	80,000	51.85

Market Place	St Albans	AL3	A1	894		
11 Market Place	St Albans	AL3	A1	312	20,000	59.69
85 St Peter Street	St Albans	AL1	A1	812		
77 St Peters St	St Albans	AL1	A1, A3, A5	8,844	175,000	19.79
<b>BROXBOURNE</b>						
<b>Address</b>						
37 High Road	Broxbourne	EN10	A1	660	14,500	21.97
High Road	Broxbourne	EN10	A4	1,076	75,792	70.44
<b>STEVENAGE SG</b>						
<b>Address</b>						
3A Stevenage Leisure Park	Stevenage	SG1	A3, D2	12,660		
71 Queensway	Stevenage	SG1	A3, D2	1,120	60,000	51.31
74 Queensway	Stevenage	SG1	A1	1,267	82,500	60.93
Queensway	Stevenage	SG1	A1	2,600		
65 Queensway	Stevenage	SG1	A1	1,145	50,000	38.66
94 Queensway	Stevenage	SG1	A1	1,219	77,500	63.58
86 Queensway	Stevenage	SG1	A1	1,213	82,500	63.85
20 The Forum	Stevenage	SG1	A1, A2	683	32,500	47.38
40 Queensway	Stevenage	SG1	A1	611	57,500	86.08
16a Westgate Centre	Stevenage	SG1	A1	1,406	75,000	50.84
33 Queensway	Stevenage	SG1	A1	2,668	75,000	28.11
2 Town Square	Stevenage	SG1	A2	4,052		
24/26 The Forum	Stevenage	SG1	A1	922	35,000	37.96
68 High Street	Stevenage	SG1	A2	2,597		
3 Westgate Centre	Stevenage	SG1	A1	830	44,500	53.61
17 Town Square	Stevenage	SG1	A3	1,018	32,500	31.93
61 Queensway	Stevenage	SG1	A2	1,449	80,000	53.96
54 Queensway	Stevenage	SG1	A1	861	63,000	67.78
6 Stevenage Leisure Park	Stevenage	SG1	D2, SG	25,000	153,000	6.12
<b>HITCHIN SG</b>						
Bridge Street	Hitchin	SG5	A1	978	29,000	26.37
111/112 Bancroft	Hitchin	SG5	A1	4,100	110,000	21.51
119 Bancroft	Hitchin	SG5	A1	895	55,000	60.38
Unit 3, 121/123 Bancroft	Hitchin	SG5	A1	718	65,000	87.73
16 Bancroft	Hitchin	SG5	A1	1,562	47,500	27.41
21 High Street	Hitchin	SG5	A1	1,649	76,500	43.78
115 Bancroft	Hitchin	SG5	A1	1,775	95,000	50.57

<b>LETCHWORTH</b>						
<b>Garden Square Shopping Centre</b>						
1 Central Approach	Letchworth	SG6	A1	2,126	60,000	25.77
6 Central Approach	Letchworth	SG6	A1	744	30,000	38.62
7/9 Central Approach	Letchworth	SG6	A1	1,496	60,000	38.49
10 Central Approach	Letchworth	SG6	A1	540	25,000	45.76
12a Central Approach	Letchworth	SG6	A1	559	25,000	44.72
18 Commerce Way	Letchworth	SG6	A1	1,800	60,000	33.33
19 Commerce Way	Letchworth	SG6	A1	814	42,000	49.16
Unit A, Market Hall	Letchworth	SG6	A1	4,762	125,000	24.64
Unit B Leys Avenue	Letchworth	SG6	A1	516	33,500	64.92
4 Garden Centre	Letchworth	SG6	A1	668	30,500	44.03
Jubilee Road	Letchworth	SG6	A3	1,500		
Second Avenue	Letchworth	SG6	A1	35,382		
<b>POTTERS BAR EN6</b>						
55/55a Darkes Lane	Potters Bar	EN6	SG	799	30,000	37.55
62 High Street	Potters Bar	EN6	A1	719	15,000	20.86
1 Kemble Parade	Potters Bar	EN6	A1	589	17,500	28.65
33 The Broadway	Potters Bar	EN6	A1	1,224	19,000	15.52
160/162 Darkes Lane	Potters Bar	EN6	A1	779	25,000	32.09
7 Barnet Road	Potters Bar	EN6	A1	705		
<b>BISHOP'S STORTFORD CM</b>						
16 North Street	Bishops S	CM23	A1	2,132	57,500	22.05
Anchor Street Leisure Park	Bishops S	CM23	A1	2,430	48,640	18.82
12 North Street	Bishops S	CM23	A1	789	22,500	26.21
24 South Street	Bishops S	CM23	A1	1,343	50,000	35.93
Jacksons Wharf, 4 Adderley Rd	Bishops S	CM23	A3	4,100	100,000	22.54
34 South Street	Bishops S	CM23	A1	968	37,500	35.61
Jackson Square Centre, 18	Bishops S	CM23	A1	1,264	75,000	56.51
Jackson Square Centre, 8	Bishops S	CM23	A1	1,580	32,500	20.57
Jackson Square Centre, 3a	Bishops S	CM23	A1	2,128	75,000	32.25
42 Hockerill Street	Bishops S	CM23	A1	531	17,500	28.19
35 Potter Street	Bishops S	CM23	A1	826	47,500	51.47
4/4a South Street	Bishops S	CM23	A1	732	47,500	64.34
1/3 Market Square	Bishops S	CM23	A1	635	35,000	52.28
High Street	Bishops S	CM23	A1, A2	758	15,000	19.79
1/3 High Street	Bishops S	CM23	A1	817	24,000	27.76

<b>HATFIELD AL</b>						
The Galleria, Park Plaza	Hatfield	AL10	A1	1,575	70,500	45.00
Unit 2, 41/45 Town Centre	Hatfield	AL10	A1	1,300	42,500	33.00
11 The Galleria, Park Plaza	Hatfield	AL10	A1	2,800	80,000	29.00
<b>HEMEL HEMPSTEAD HP</b>						
Marlowes Centre 17	Hemel H	HP1	A1	2,395	70,000	27.25
Kier Park	Hemel H	HP1	A1, A3, A4	2,495		
57 Waterhouse Street	Hemel H	HP1	A1	423	15,000	35.46
185/185a Marlowes	Hemel H	HP1	A1	3,556		
28/30 Market Square	Hemel H	HP1	SG	1,204	30,000	24.92
The Marlowes	Hemel H	HP1	A1	575	25,000	42.54
137/139 Marlowes	Hemel H	HP1	A1, A2	1,918	35,000	16.33
162 Marlowes	Hemel H	HP1	A5	3,508	60,000	13.83
17 Alexandra Road	Hemel H	HP1	A1	505	10,000	19.80
17 Queensway	Hemel H	HP1	A5	289	12,000	41.52
559 London Road	Hemel H	HP1	A1	4,396		
Riverside Centre	Hemel H	HP1	A3	7,500	100,000	13.33
170 The Marlowes	Hemel H	HP1	A1	914	35,000	36.59
207 The Marlowes	Hemel H	HP1	A1	1,302	43,700	31.86
35 The Marlowes	Hemel H	HP1	A1	1,140	50,000	43.39
37 The Marlowes	Hemel H	HP1	A1	1,339	55,000	41.08
<b>WELWYN GARDEN CITY AL</b>						
1 Howardsgate	Wel Gn	AL8	A1	2,518	60,250	23.93
19/21 Cole Green Lane	Wel Gn	AL7	A1	2,190	25,500	11.64
18 Howardsgate	Wel Gn	AL8	A1	866	35,000	40.24
7/9 High Street	Wel Gn	AL6	A1	865	20,000	20.31
8/9 Howard Centre	Wel Gn	AL8	A1	1,496	95,000	63.5
25 Howard Centre	Wel Gn	AL8	A1	2,863	90,000	31.44
43/44 Howard Centre	Wel Gn	AL8	A1	4,168	60,000	14.40
45 Howard Centre	Wel Gn	AL8	A1	1,267	25,000	19.73
46 Howard Centre	Wel Gn	AL8	A1	1,865	35,000	18.77
48 Howard Centre	Wel Gn	AL8	A1	1,859	30,000	16.14
25 Wigmores North	Wel Gn	AL8	A1	997	28,000	25.44
27 Stonehills	Wel Gn	AL8	A1	818	35,000	41.57
26 Howard Centre	Wel Gn	AL8	A1	2,679	95,000	35.46
51 Howard Centre	Wel Gn	AL8	A1	254	25,000	94.49
31 Stonehills	Wel Gn	AL8	A1	2,135	61,000	27.72
38/40 Howardsgate	Wel Gn	AL8	A1	767	46,100	55.57

<b>RICKMANSWORTH WD</b> Unit 7, Whitton House, 24/38 Lower Road	Rick	WD3	A2	467	16,000	33.04
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**OFFICE (B1 USE CLASS) EVIDENCE FOR HERTFORDSHIRE**

Building Name	Street Name	Town	Postcode	Use	Sq Ft Available	Sale Price	Rent Sq Ft	Rent Sq M
The Red & White	High Street	Berkhamsted	HP4 2DJ	B1 Office/Business	1,395	n/a	NQ	NQ
	Lower Kings Road	Berkhamsted	HP4 2AE	B1 Office/Business	1,304	n/a	£14.57	£156.82
	The Wilderness	Berkhamsted	HP4 2UB	B1 Office/Business	976	n/a	£14.60	£157.15
	Chester Road	Borehamwood	WD6 1LT	B1 Office/Business	4,800	n/a	£12.00	£129.12
	Elstree Way	Borehamwood	WD6 1JD	B1 Office/Business	19,664	n/a	£17.00	£182.98
	Manor Way	Borehamwood	WD6 1GW	B1 Office/Business	2,077	n/a	£16.50	£177.60
Devonshire House	Manor Way	Borehamwood	WD6 1QQ	B1 Office/Business	30,000	n/a	NQ	NQ
Imperial Place	Maxwell Road	Borehamwood	WD6 1JN	B1 Office/Business	5,753	n/a	£19.50	£209.89
The Midden Court	Drivers End	Codicote	SG4 8TR	B1 Office/Business	770	n/a	£16.00	£172.21
	Coldharbour Lane	Harpenden	AL5 4UN	B1 Office/Business	592	n/a	£14.99	£161.34
Clayton House	Vaughan Road	Harpenden	AL5 4EF	B1 Office/Business	3,149	n/a	£15.00	£161.45
Colonnades	Beaconsfield Close	Hatfield	AL10 8YD	B1 Office/Business	23,407	n/a	£16.50	£177.60
King George House	Harpsfield Broadway	Hatfield	AL10 9TF	B1 Office/Business	1,258	n/a	£16.50	£177.54
	Market Place	Hatfield	AL10 0LN	B1 Office/Business	490	n/a	£12.24	£131.80
Chequers House	Park Street	Hatfield	AL9 5AT	B1 Office/Business	1,982	n/a	£12.00	£129.16
	Boundary Way	Hemel Hempstead	HP2 7BF	B1 Office/Business	1,167	n/a	£10.00	£107.63
Hemel One	Boundary Way	Hemel Hempstead	HP2 7YU	B1 Office/Business	7,350	n/a	£15.00	£161.45
Nexus House	Boundary Way	Hemel Hempstead	HP2 7ST	B1 Office/Business	13,388	n/a	£14.90	£160.37
Breakspear Park	Breakspear Way	Hemel Hempstead	HP2 4TZ	B1 Office/Business	6,974	n/a	£18.00	£193.74
	Brunel Court	Hemel Hempstead	HP3 9XX	B1 Office/Business	2,480	n/a	£15.00	£161.45
Clifton Court	Corner Hall	Hemel Hempstead	HP3 9XY	B1 Office/Business	728	n/a	£13.05	£140.46
Clifton Court	Corner Hall	Hemel Hempstead	HP3 9XY	B1 Office/Business	1,293	n/a	£12.00	£129.16
Forsyth House	Mark Road	Hemel Hempstead	HP2 7BN	B1 Office/Business	9,670	n/a	£8.00	£86.11
Vantage Point	Mark Road	Hemel Hempstead	HP2 7DN	B1 Office/Business	6,000	n/a	£11.00	£118.40
One Park Lane	Park Lane	Hemel Hempstead	HP2 4YL	B1 Office/Business	9,020	n/a	£16.50	£177.60
Old Town Court	Queensway	Hemel Hempstead	HP2 5HD	B1 Office/Business	1,133	n/a	£14.00	£150.69
Block L -k	Red Lion Lane	Hemel Hempstead	HP3 9XF	B1 Office/Business	740	NQ	NQ	NQ
Block L -k	Red Lion Lane	Hemel Hempstead	HP3 9XF	B1 Office/Business	1,034	NQ	NQ	NQ
Bryanston Court	Selden HI	Hemel Hempstead	HP2 4TN	B1 Office/Business	5,500	n/a	£13.99	£150.58
Galleries	Station Road	Hemel Hempstead	HP1 1JZ	B1 Office/Business	1,433	£895,000	n/a	n/a
Galleries	Station Road	Hemel Hempstead	HP1 1JZ	B1 Office/Business	1,654	n/a	£19.00	£204.50
Galleries	Station Road	Hemel Hempstead	HP1 1JZ	B1 Office/Business	3,058	n/a	£19.00	£204.50
Galleries	Station Road	Hemel Hempstead	HP1 1JZ	B1 Office/Business	1,443	n/a	£19.00	£204.50
Galleries	Station Road	Hemel Hempstead	HP1 1JZ	B1 Office/Business	3,075	n/a	£19.00	£204.50
The Image Building	Station Road	Hemel Hempstead	HP1 1JZ	B1 Office/Business	8,017	n/a	NQ	NQ
Waterhouse	Waterhouse Street	Hemel Hempstead	HP1 1ES	B1 Office/Business	2,826	n/a	£13.00	£139.92

	Bluecoats Avenue	Hertford	SG14 1PB	B1 Office/Business	5,987	£1,250,000	n/a	n/a
Old Stable	Cole Green	Hertford	SG14 2NL	B1 Office/Business	1,200	n/a	£22.00	£236.79
The Chase	John Tate Road	Hertford	SG13 7NN	B1 Office/Business	6,018	n/a	NQ	NQ
The Chase	John Tate Road	Hertford	SG13 7NN	B1 Office/Business	9,296	n/a	£16.50	£177.60
Building E1	John Tate Road	Hertford	SG13 7NN	B1 Office/Business	2,810	n/a	£15.50	£166.83
The Chase	John Tate Road	Hertford	SG13 7NN	B1 Office/Business	7,148	n/a	£15.50	£166.83
Office Warehouse	Walkern Road	Hertford	SG14 3RQ	B1 Office/Business	1,000	n/a	£10.80	£116.24
	Watermark Way	Hertford	SG13 7TZ	B1 Office/Business	1,263	n/a	£14.50	£156.07
	Conduit Lane	Hoddesdon	EN11 8EP	B1 Office/Business	5,205	n/a	£12.50	£134.54
North Park House	High Road	Hoddesdon	EN10 7HY	B1 Office/Business	3,600	n/a	£12.50	£134.54
Bridge House	High Road	Hoddesdon	EN10 7HX	B1 Office/Business	15,706	n/a	£15.00	£161.45
Titmore Court	Titmore Green	Little Wymondley	SG4 7JT	B1 Office/Business	725	n/a	NQ	NQ
Brosnan House	Darkes Lane	Potters Bar	EN6 1BW	B1 Office/Business	1,235	n/a	£13.92	£149.82
Brosnan House	Darkes Lane	Potters Bar	EN6 1BW	B1 Office/Business	738	n/a	£14.23	£153.17
Orchard House	Mutton Lane	Potters Bar	EN6 3AX	B1 Office/Business	1,951	n/a	NQ	NQ
Abbey House	Southgate Road	Potters Bar	EN6 5DU	B1 Office/Business	1,893	n/a	£17.04	£183.41
Unicorn House	Station Close	Potters Bar	EN6 3JW	B1 Office/Business	8,786	n/a	£9.50	£102.25
	Station Road	Radlett	WD7 8JX	B1 Office/Business	650	n/a	NQ	NQ
The Small Barn	Harpendenbury	Redbourn	AL3 7QA	B1 Office/Business	2,019	n/a	NQ	NQ
Maltings Shopping	Abbey View	St Albans	AL1 3HL	B1 Office/Business	3,724	n/a	£13.00	£139.92
Adelaide House	Adelaide Street	St Albans	AL3 5BE	B1 Office/Business	6,617	£445,000	n/a	n/a
E1-e2	Alban Park	St Albans	AL4 0LA	B1 Office/Business	2,596	n/a	NQ	NQ
	French Row	St Albans	AL3 5EZ	B1 Office/Business	740	n/a	£18.92	£203.65
	French Row	St Albans	AL3 5EZ	B1 Office/Business	565	n/a	£20.35	£219.04
	Grosvenor Road	St Albans	AL1 3AW	B1 Office/Business	20,000	n/a	£21.00	£226.03
E1-e2	Hatfield Road	St Albans	AL4 0LA	B1 Office/Business	3,066	£535,000	n/a	n/a
Target House	High Street	St Albans	AL2 1HA	B1 Office/Business	8,647	NQ	n/a	n/a
Holiday House	London Road	St Albans	AL1 1PQ	B1 Office/Business	1,243	£280,000	n/a	n/a
	London Road	St Albans	AL1 1NG	B1 Office/Business	1,458	n/a	£15.40	£165.73
	Parkway	St Albans	AL3 6PA	B1 Office/Business	890	n/a	NQ	NQ
Oak Court	Sandridge Park	St Albans	AL3 6PH	B1 Office/Business	2,621	n/a	£10.00	£107.63
Polk House/church	Upper Marlborough Road	St Albans	AL1 3UU	B1 Office/Business	3,073	n/a	£20.99	£225.92
Polk House/church	Upper Marlborough Road	St Albans	AL1 3UU	B1 Office/Business	23,709	n/a	£23.50	£252.94
Gladstone Place	Upper Marlborough Road	St Albans	AL1 3US	B1 Office/Business	5,302	n/a	£22.50	£242.18
	Victoria Street	St Albans	AL1 3TT	B1 Office/Business	326	n/a	NQ	NQ
Caxton Point	Bessemer Drive	Stevenage	SG1 2XT	B1 Office/Business	1,832	n/a	£18.00	£193.74
	Ditchmore Lane	Stevenage	SG1 3LJ	B1 Office/Business	6,156	n/a	£12.75	£137.19
Ardent House	Gates Way	Stevenage	SG1 3HG	B1 Office/Business	3,105	n/a	£9.66	£103.97
Ladygrove Court	Hitchwood Lane	Stevenage	SG4 7SA	B1 Office/Business	880	n/a	NQ	NQ
Icon 1-3	Lytton Way	Stevenage	SG1 1ZE	B1 Office/Business	3,753	n/a	£13.00	£139.92

Kestrel House	Primett Road	Stevenage	SG1 3EE	B1 Office/Business	850	n/a		
Southgate House	St Georges Way	Stevenage	SG1 1HG	B1 Office/Business	25,174	n/a	£10.39	£111.82
	Town Square	Stevenage		B1 Office/Business	2,320	n/a	£7.00	£75.34
	Town Square	Stevenage		B1 Office/Business	383	n/a	£7.00	£75.34
	Whittle Way	Stevenage	SG1 2BD	B1 Office/Business	3,062	n/a	NQ	NQ
	Willows Link	Stevenage	SG2 8AR	B1 Office/Business	1,218	n/a	£7.06	£75.99
Sucklings Yard	Church Street	Ware	SG12 9EN	B1 Office/Business	375	n/a	£13.33	£143.48
	Railway Terrace	Watford	WD4 8JE	B1 Office/Business	1,359	n/a		
	Prospect Place	Welwyn	AL6 9EN	B1 Office/Business	767	n/a	£10.10	£108.76
Orion House	Bessemer House	Welwyn Garden City	AL7 1HE	B1 Office/Business	19,111	n/a	£14.50	£156.07
Former Norton Bu	Bridge Road East	Welwyn Garden City	AL7 1RU	B1 Office/Business	120,000	n/a	NQ	NQ
Twentynine	Broadwater Road	Welwyn Garden City	AL7 3BQ	B1 Office/Business	1,336	n/a	£20.00	£215.27
Biopark	Broadwater Road	Welwyn Garden City	AL7 3AX	B1 Office/Business	8,000	n/a	£40.00	£430.54
	Falcon Gate	Welwyn Garden City	AL7 1TW	B1 Office/Business	12,767	n/a	£18.00	£193.74
Falcon Gate	Falcon Way	Welwyn Garden City	AL7 1TW	B1 Office/Business	12,311	n/a	£17.50	£188.36
	Falcon Way	Welwyn Garden City	AL7 1TW	B1 Office/Business	6,200	n/a	£16.75	£180.29
Gate House	Fretherne Road	Welwyn Garden City	AL8 6NS	B1 Office/Business	792	n/a	£17.50	£188.36
Gate House	Fretherne Road	Welwyn Garden City	AL8 6NS	B1 Office/Business	1,264	n/a	£17.50	£188.36
	Parkway	Welwyn Garden City	AL8 6HG	B1 Office/Business	4,050	n/a	£16.00	£172.21
	Parkway	Welwyn Garden City	AL8 6HG	B1 Office/Business	1,332	n/a	NQ	NQ
Rosanne House	Parkway	Welwyn Garden City	AL8 6HG	B1 Office/Business	4,816	n/a	NQ	NQ
Stonehills House	Stonehills	Welwyn Garden City	AL8 6NA	B1 Office/Business	1,566	n/a	NQ	NQ
	Tewin Road	Welwyn Garden City	AL7 1BW	B1 Office/Business	5,222	n/a	NQ	NQ
		Hatfield	AL10 0LN	B1 Office/Business	490		£12.24	£131.80
	Building 5 Hatfield Busines	Hatfield	AL10 9AX	B1 Office/Business	40,000		£19.50	£209.89
	4	Hatfield	AL10 9AX	B1 Office/Business	80,000		£19.50	£209.89
	6	Hatfield	AL10 9BW	B1 Office/Business	80,000		£19.50	£209.89
Chequers House		Hatfield	AL9 5AT	B1 Office/Business	1,982		£12.00	£129.16
		Hatfield	AL9 5EJ	B1 Office/Business	983		£13.22	£142.34
		Hatfield	AL9 5BT	B1 Office/Business	940		£15.00	£161.45
Bishops Square	Part Ground Floor 1 Helios	Hatfield	AL10 9NE	B1 Office/Business	3,940		£18.00	£193.74
Broadway House		Hatfield	AL9 5HZ	B1 Office/Business	900		£20.00	£215.27
Broadway House		Hatfield	AL9 5HZ	B1 Office/Business	2,243		£12.50	£134.54

**INDUSTRIAL TRANSACTION EVIDENCE (B2/B8 USE CLASS) - HERTFORDSHIRE**

Address	Location	Type	Use Class	Postcode	Size SqFt	Size SqM	Achieved Rent (£)	Achieved Rent (£ per Sq Ft)	Achieved Rent (£ per Sq M)
London Road Business Park, 222 London Rd	St. Albans	Industrial/Warehouse	B2/B8	AL1	2500	232	£16,000.00	6.40	68.89
44 Western Rd	Tring	Industrial/Warehouse	B2/B8	HP23	5657	526			
312 Ware Rd	Hertford	Light Industry	B1	SG13	1253	116	£6,000.00	4.79	51.56
Verulam Estate, 224 London Rd	St. Albans	Industrial/Warehouse	B2/B8	AL1	4765	443	£18,500.00	3.88	41.76
Bowman Trading Estate, Bessemer Drive	Stevenage	Industrial/Warehouse	B2/B8	SG1	3650	339	£17,000.00	4.66	50.16
New River Trading Estate, The Fairways	Cheshunt	Industrial/Warehouse	B2/B8	EN8	550	51	£5,000.00	9.09	97.84
Fiddle Bridge Industrial Est, Fiddle Bridge Lane	Hatfield	Industrial/Warehouse	B2/B8	AL10	410	38	£5,000.00	12.19	131.21
Iceni Court, Icknield Way	Letchworth	Industrial/Warehouse	B2/B8	SG6	5940	552	£25,000.00	4.21	45.32
7 Station Close	Potters Bar	Warehousing	B8	EN6	2091	194	£21,000.00	10.04	108.07
Park Industrial Estate, Park Street	St. Albans	Light Industrial	B1	AL2	2646	246	£18,000.00	6.80	73.20
Blenheim Court, Brownfields	Welwyn Garden City	Industrial/Warehouse	B2/B8	AL7	1992	185	£12,500.00	6.28	67.60
Newton House, Broadwater Road	Welwyn Garden City	Industrial/Warehouse	B2/B8	AL7	7472	694	£37,360.00	5.00	53.82
Knuway Warehouse/Factory, Cranbourne Rd	Potters Bar	Industrial/Warehouse	B2/B8	EN6	12000	1115	£33,000.00	2.75	29.60
Swallowfields, Swallow Court	Welwyn Garden City	Industrial/Warehouse	B2/B8	AL7	1627	151	£8,500.00	5.22	56.19
New River Trading Estate, The Fairways	Cheshunt	Industrial/Warehouse	B2/B8	EN8	1065	99	£13,000.00	12.21	131.43
Bridgegate Centre, Martinfield	Welwyn Garden City	Industrial/Warehouse	B2/B8	AL7	2324	216	£15,000.00	6.45	69.43
North Orbital Commercial Ctr. Napsbury Lane	St. Albans	Industrial/Warehouse	B2/B8	AL1	6635	616	£24,881.00	3.75	40.37
North Orbital Commercial Ctr. Napsbury Lane	St. Albans	Industrial/Warehouse	B2/B8	AL1	6206	577	£23,273.00	3.75	40.37
Maxwells, Great Cambridge Rd	Cheshunt	Industrial/Warehouse	B2/B8	EN8	5100	474	£35,000.00	6.86	73.84
Penfold Trading Estate, Imperial Way	Watford	Industrial/Warehouse	B2/B8	WD24	5905	549	£47,240.00	8.00	86.11
Hemel Hempstead Ind Park, Eastman Way	Hemel Hempstead	Industrial/Warehouse	B2/B8	HP2	5804	539			
Spring Valley Business Centre, Long Spring	St. Albans	Industrial/Warehouse	B2/B8	AL3	11466	1065	£67,500.00	5.89	63.40
Maylands Wood Estate, Maylands Ave	Hemel Hempstead	Industrial/Warehouse	B2/B8	HP2	20660	1919	£150,000.00	7.26	78.15
Fiddle Bridge Industrial Est, Fiddle Bridge Lane	Hatfield	Industrial/Warehouse	B2/B8	AL10	410	38	£4,750.00	11.58	124.65
The Quadrant, Network close	Royston	Light Industrial	B1	SG8	1750	163	£10,000.00	5.71	61.46
Mallow Park, Watchmead	Welwyn Garden City	Industrial/Warehouse	B2/B8	AL7	3669	341	£22,500.00	6.13	65.98
3-7a Woodfield Rd	Welwyn Garden City	Industrial/Warehouse	B2/B8	AL7	3366	313	£17,000.00	5.05	54.36
Fiddle Bridge Industrial Est, Fiddle Bridge Lane	Hatfield	Industrial/Warehouse	B2/B8	AL10	820	76	£8,750.00	10.67	114.85
Glovers Court, Bury Mead Lane	Hitchin	Industrial/Warehouse	B2/B8	SG5	802	75	£6,250.00	7.79	83.85
Greatham Rd Ind Estate, Greatham Rd	Watford	Industrial/Warehouse	B2/B8	WD23	12316	1144	£48,648.00	3.95	42.52
Lyon Way, Hatfield road	St. Albans	Industrial/Warehouse	B2/B8	AL1	3988	370	£30,000.00	7.52	80.95
Paramount Industrial Estate, Sandown Road	Watford	Light Industrial	B1	WD24	3554	330	£19,000.00	5.35	57.59
De Soutter Medical Ltd, River Park, Billet Lane	Berkhamsted	Industrial/Warehouse	B2/B8	HP4	12112	1125	£45,000.00	3.72	40.04
Centre House, Southdown Ind Estate, Southdown Rd	Harpden	Industrial/Warehouse	B2/B8	AL5	1283	119	£13,800.00	10.76	115.82
Fiddle Bridge Industrial Est, Fiddle Bridge Lane	Hatfield	Industrial/Warehouse	B2/B8	AL10	1020	95	£12,000.00	11.76	126.58
Penfold Trading Estate, Imperial Way	Watford	Industrial/Warehouse	B2/B8	WD24	2374	221	£14,244.00	6.00	64.58
Swallow End, Swallowfields	Welwyn Garden City	Industrial/Warehouse	B2/B8	AL7	2348	218	£13,000.00	5.54	59.63
Saracen Estate, Mark Road	Hemel Hempstead	Light Industrial	B1	HP2	2335	217	£21,000.00	8.99	96.77

Saracen Estate, Mark Road	Hemel Hempstead	Light Industrial	B1	HP2	2335	217	£21,000.00	8.99	96.77
Former Premises of Hertford Glass, 15 Currie St	Hertford	Industrial/Warehouse	B2/B8	SG13	3775	351	£24,000.00	6.36	68.46
Langley Wharf, Primrose Hill	Kings Langley	Light Industrial	B1	WD4	3531	328	£11,000.00	3.11	33.48
51-57 Knowl Piece	Hitchin	Industrial/Warehouse	B2/B8	SG4	2885	268	£15,000.00	5.20	55.97
Jarman Way	Royston	Light Industrial	B1	SG8	1200	111	£7,250.00	6.04	65.01
Marsh Works, Marsh Lane	Ware	Industrial/Warehouse	B2/B8	SG12	8676	806	£35,000.00	4.03	43.38
North Orbital Commercial Ctr. Napsbury Lane	St. Albans	Industrial/Warehouse	B2/B8	AL1	6087	565	£22,826.00	3.75	40.37
64-68 Akeman St	Tring	Self-Storage	B8	HP23	200	19	£1,200.00	6.00	64.58
The Dencora Centre, Campfield Road	St. Albans	Industrial/Warehouse	B2/B8	AL1	4479	416	£47,030.00	10.50	113.02
St. Albans Rd Ind Estate, St Albans Rd	St. Albans	Industrial/Warehouse	B2/B8	AL4	6500	604	£28,400.00	4.37	47.04
41-49 Knowl Piece	Hitchin	Industrial/Warehouse	B2/B8	SG4	1250	116	£5,000.00	4.00	43.06
21 Greycaine Rd	Watford	Light Industrial	B1	WD24	7013	652	£35,000.00	4.99	53.71
81 Whinbush Rd	Hitchin	Industrial/Warehouse	B2/B8	SG5	1898	176	£12,000.00	6.32	68.03
Colne Way Court, Colne Way	Watford	Industrial/Warehouse	B2/B8	WD24	2227	207	£19,000.00	8.53	91.82
Motorway Trading Estate, Babbage Rd	Stevenage	Industrial/Warehouse	B2/B8	SG1	6288	584	£36,200.00	5.76	62.00
North Orbital Commercial Ctr. Napsbury Lane	St. Albans	Industrial/Warehouse	B2/B8	AL1	6313	586	£23,674.00	3.75	40.37
R/O Elstree Way	Borehamwood	Industrial/Warehouse	B2/B8	WD6	4508	419	£27,500.00	6.10	65.66
Ro24 Jarman Way	Royston	Industrial/Warehouse	B2/B8	SG8	1400	130	£10,000.00	7.14	76.85
13 Greenhill Crescent	Watford	Industrial/Warehouse	B2/B8	WD18	28402	2639	£175,515.00	6.18	66.52
Bermer Place, Imperial Way	Watford	Industrial/Warehouse	B2/B8	WD24	2685	249	£20,138.00	7.50	80.73
River Park Industrial Estate, billet Lane	Berkhamsted	Industrial/Warehouse	B2/B8	HP4	3510	326	£24,000.00	6.84	73.63
1 high View	Hatfield	Industrial/Warehouse	B2/B8	AL10	1870	174	£3,500.00	1.87	20.13
Centrus Mead Lane	Hertford	Industrial/Warehouse	B2/B8	SG13	9833	914	£71,289.00	7.25	78.04
Colne Way Court, Colne Way	Watford	Industrial/Warehouse	B2/B8	WD24	1279	119	£12,500.00	9.77	105.16
Tring Industrial Estate	Tring	Industrial/Warehouse	B2/B8	HP23	1748	162	£16,760.00	9.59	103.23
Unit R, Lyon Way	St. Albans	Industrial/Warehouse	B2/B8	AL4	9148	850	£53,250.00	5.82	62.65
Merchant Drive, Mead Lane	Hertford	Industrial/Warehouse	B2/B8	SG13	7930	737	£45,583.00	5.75	61.89
Maylands wood Estate, Hall Road	Hemel Hempstead	Industrial/Warehouse	B2/B8	HP2	2221	206	£18,300.00	8.23	88.59
Brick Knoll Park	St. Albans	Industrial/Warehouse	B2/B8	AL1	11439	1063	£72,638.00	6.35	68.35
Maylands Wood Estate, Hall Road	Hemel Hempstead	Industrial/Warehouse	B2/B8	HP2	6759	628	£54,072.00	8.00	86.11
Watford Business Park, Greenhill Crescent	Watford	Warehousing	B8	WD18	5962	554	£47,698.00	8.00	86.11
Croxley Green Business Park, Woodshots Meadow	Watford	Industrial/Warehouse	B2/B8	WD18	5954	553	£58,052.00	9.75	104.95
Site 1, Northbridge Road	Berkhamsted	Industrial/Warehouse	B2/B8	HP4	2712	252	£20,000.00	7.37	79.33
24-26 Boulton Rd	Stevenage	Light Industrial	B1	SG1	2450	228	£22,000.00	8.98	96.66
Sunley House, Olds Approach	Watford	Industrial/Warehouse	B2/B8	WD18	10900	1013	£54,500.00	5.00	53.82
Bermer Place, Imperial Way	Watford	Industrial/Warehouse	B2/B8	WD24	5245	487	£31,000.00	5.91	63.62
Southmill Trading Centre, Southmill Road	Bishops Stortford	Industrial/Warehouse	B2/B8	CM23	1258	117	£10,500.00	8.35	89.88
Chancerygate Business Centre, Whiteleaf Rd	Hemel Hempstead	Industrial/Warehouse	B2/B8	HP3	4596	427	£27,576.00	6.00	64.58
Mundells Industrial Centre, Little Mundells	Welwyn Garden City	Industrial/Warehouse	B2/B8	AL7	5562	517	£30,520.00	5.49	59.09
Southmill Trading Centre, Southmill Road	Bishops Stortford	Industrial/Warehouse	B2/B8	CM23	1200	111	£10,500.00	8.75	94.19
Peerglow Ind Estate, Olds Approach	Watford	Light Industrial	B1	WD18	1153	107	£11,000.00	9.54	102.69
Olds Close, Tolpits Lane	Watford	Industrial/Warehouse	B2/B8	WD18	1983	184	£15,000.00	7.56	81.38
Centennial Park, Centennial Ave	Elstree	Industrial/Warehouse	B2/B8	WD6	6500	604	£45,000.00	6.92	74.49

**CARE HOME EVIDENCE - HERTFORDSHIRE (USE CLASS C2)**

Name	Town	Postcode	Authority	Use	Approx Price per acre £	Approx Price per hectare £
Signature Senior Lifestyle Ltd	Berkhamsted	HP4		C2	£2.5m - £3m	£6.18m - £7.41m
	Bushey	WD23		C2	£2.5m - £3m	£6.18m - £7.41m
	Harpenden	AL5		C2	£3.5m	£8.65m
	Hertford	SG13		C2	£2m	£4.94m
	Rickmansworth	WD3		C2	£3.5m	£8.65m
	St Albans	AL1+		C2	£2.5m - £3m	£6.18m - £7.41m
	Welwyn Gdn City	AL7, AL8		C2	£2m	£4.94m

Following a discussion with a representative of Signature Senior Lifestyle the above figures were established as prices being paid by them in the above locations for land for care homes. Signature also indicated that they are the main provider of care homes in Hertfordshire at the present time.

**HOTEL (USE CLASS C1) TRANSACTION EVIDENCE - HERTFORDSHIRE**

<b>Name</b>	<b>Town</b>	<b>Postcode</b>	<b>Date</b>	<b>Use</b>	<b>Bedrooms</b>	<b>Sale Price £</b>	<b>Price per bedroom</b>
Shendish Manor	Hemel Hempstead	HP3	Sep-09	Hotel (C1)	70	£7,500,000	£107,142
Travelodge	Edmonton Green	N9	Oct-10	Hotel (C1)	73	£4,500,000	£61,644

There is little transactional evidence for hotels at the present time.

BCIS BUILD COSTS FOR VARIOUS PROPERTY TYPES IN HERTFORDSHIRE

	Building Function (Maximum age of projects)	£/m <sup>2</sup> gross internal floor area						Sample	
		Mean	Lowest	Lower Quartile	Median	Upper Quartile	Highest		
	<b>New build</b>								
B1	320	<b>Offices</b>							
		Generally (15)	1347	580	1059	1293	1523	4310	238
C3	810.13	<b>Estate housing</b>							
		Generally (15)	928	471	776	901	1049	1910	264
		Single storey (15)	984	613	824	930	1131	1541	53
		2-storey (15)	915	471	780	901	1015	1367	173
		3-storey (15)	912	594	744	833	949	1910	38
C3	816	<b>Flats (apartments)</b>							
		Generally (15)	1073	425	889	1028	1202	3294	635
		1-2 storey (15)	1032	606	888	992	1151	1923	177
		3-5 storey (15)	1056	425	883	1030	1194	2192	413
		6+ storey (15)	1462	808	1099	1353	1654	3294	38
B1/B2	282	<b>Factories</b>							
		Generally (20)	737	182	462	628	895	2981	218
		Up to 500m2 GFA (20)	911	357	658	754	1065	2156	41
		500 to 2000m2 GFA (20)	731	182	478	621	867	2981	97
		Over 2000m2 GFA (20)	654	246	429	533	839	1569	80
	282.1	<b>Advance factories</b>							
		Generally (15)	631	307	436	594	754	1310	53
		Up to 500m2 GFA (15)	821	615	662	730	897	1310	12
		500 to 2000m2 GFA (15)	623	307	441	569	771	1310	28
		Over 2000m2 GFA (15)	474	313	374	435	556	754	13
B1	282.12	<b>Advance</b>							
		Generally (15)	900	343	499	939	1155	1782	23
		Up to 500m2 GFA (20)	1348	748	-	1430	-	1782	4
		500 to 2000m2 GFA (15)	860	343	557	870	1125	1485	12
		Over 2000m2 GFA (15)	718	366	461	636	1019	1119	8
	282.2	<b>Purpose built</b>							

		Generally (25)	791	182	473	675	973	2981	130
		Up to 500m2 GFA (20)	1017	550	711	872	1383	1512	7
		500 to 2000m2 GFA (25)	778	182	504	634	867	2981	53
		Over 2000m2 GFA (25)	777	246	436	738	994	2170	70
282.22		factories/Offices -	730	312	444	628	882	1752	20
B8	284	<b>Warehouses/store</b>							
		Generally (15)	604	157	401	483	641	3324	87
		Up to 500m2 GFA (15)	1105	488	650	831	895	3324	7
		500 to 2000m2 GFA (15)	577	305	412	480	674	1243	20
		Over 2000m2 GFA (15)	555	157	387	454	601	2223	60
284.1		warehouses/stores	455	157	384	423	472	873	23
284.2		<b>Purpose built</b>							
		Generally (15)	640	197	406	501	641	3324	60
		Up to 500m2 GFA (15)	1105	488	650	831	895	3324	7
		500 to 2000m2 GFA (15)	530	305	396	430	524	1243	15
		Over 2000m2 GFA (15)	599	197	404	517	613	2223	38
284.5		stores/Refrigerated	1001	523	637	776	1324	2041	8
340		developments (30)	1139	557	683	1149	1589	1678	9
A1	341.1	<b>Retail warehouses</b>							
		Generally (20)	623	318	462	554	667	1970	56
		Up to 1000m2 (20)	734	398	509	626	737	1970	10
		1000 to 7000m2 GFA (20)	606	318	444	552	679	1297	35
		7000 to 15000m2 (20)	576	395	463	521	610	875	9
		Over 15000m2 GFA (25)	456	312	-	438	-	634	4
342		(20)	1023	797	-	975	-	1296	3
343		(40)	1063	371	831	892	1218	2003	5
A1L	344	<b>Hypermarkets,</b>							
		Generally (25)	1202	199	851	1198	1555	2062	53
		Up to 1000m2 (25)	1209	810	-	1062	-	1902	4
		1000 to 7000m2 GFA (25)	1227	199	861	1345	1577	2062	44
		7000 to 15000m2 (25)	898	808	-	898	-	989	4

		Over 15000m2 GFA (30)	1321	-	-	-	-	-	1
A1	345	<b>Shops</b>							
		Generally (25)	883	442	586	748	993	2177	42
		1-2 storey (25)	896	442	575	748	1108	2177	38
		3-5 storey (25)	767	625	-	751	-	941	4
	345.1	office accommodation (25)	1311	564	1011	1132	1453	2286	9
D1	424		1277	1234	-	-	-	1320	2
C2	442	convalescent homes,	1412	822	1024	1417	1620	2358	20
	446	Childrens homes (15)	1626	935	1203	1514	1904	2773	27
C2	447	<b>Old people's</b>							
		Generally (15)	1272	759	1083	1252	1382	2599	43
		Up to 500m2 GFA (25)	1170	979	-	1160	-	1378	4
		500 to 2000m2 GFA (15)	1376	759	1114	1258	1484	2599	11
		Over 2000m2 GFA (15)	1231	863	1012	1230	1379	1978	30
D1	448	Day centres (15)	1533	1080	1316	1497	1624	2596	30
A3	512	Restaurants (20)	1745	1434	1544	1779	1918	2049	5
A3	515	coffee bars, milk bars	1906	919	1185	1931	2031	3463	5
A4	517	<b>Public houses,</b>							
		Generally (20)	1659	1030	1520	1575	1886	2318	18
		Up to 500m2 GFA (20)	1664	1463	-	1629	-	1936	4
		500 to 2000m2 GFA (20)	1657	1030	1520	1550	1899	2318	14
D1	532	<b>Community</b>							
		Generally (20)	1436	646	1152	1394	1661	5015	133
D2	562.21	centres including (15)	4156	-	-	-	-	-	1
D1	630		1761	740	1241	1526	1827	5007	42
	710	<b>Schools</b>							
		Generally (15)	1487	517	1223	1445	1714	3860	852
		Public (15)	1485	550	1222	1444	1713	3860	782
		Private (15)	1498	517	1219	1470	1688	2846	66
D1	711	<b>Nursery</b>							
		Generally (15)	1662	517	1408	1595	1861	3006	139
		Up to 500m2 GFA (15)	1718	517	1446	1619	1954	3006	94
		500 to 2000m2 GFA (15)	1541	903	1309	1541	1757	2302	44
		Over 2000m2 GFA (15)	1649	-	-	-	-	-	1
D1	712	<b>Primary schools</b>							
		Generally (15)	1493	693	1260	1446	1712	2691	322

		Up to 500m2 GFA (15)	1573	816	1282	1557	1769	2392	61
		500 to 2000m2 GFA (15)	1456	693	1225	1411	1643	2691	185
		Over 2000m2 GFA (15)	1518	872	1288	1452	1741	2335	76
712.1	Middle schools (15)		1320	1045	1208	1303	1482	1550	6
712.12	schools - specialised		1685	1155	1507	1661	1870	2342	9
712.8	mixed facilities (15)		1584	1064	1300	1471	1826	2564	13
713	(high schools) (15)		1320	705	1060	1299	1505	3860	133
713.1	specialised teaching		1411	550	1136	1354	1589	2811	121
713.8	mixed facilities (15)		1371	737	1158	1402	1625	1848	16
714	colleges (15)		1421	575	1111	1342	1670	2392	38
714.1	teaching blocks (15)		1672	1162	1354	1718	1773	2248	9
714.8	facilities (15)		1524	1218	-	1435	-	2006	4
717	Special schools (15)		1615	940	1382	1605	1807	3215	41
717.2	mentally handicapped		1599	983	1395	1625	1845	2554	35
717.3	physically		1557	1319	-	1506	-	1896	4
717.8	mixed		1277	1081	-	1130	-	1620	3
852	Hotels (15)		1435	823	1280	1432	1545	2212	20

C1

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# Appendix 5

Summary viability sheets









# LSH CIL CALCULATOR

AUTHORITY **DACORUM**



Total Units	70	Per Hec	70	Per Acre	26
Developable Hectares	1.00		2.74		Acres
LAND VALUE BENCHMARK	£ 1,600,000				
SCHEME TYPE	<b>C3M</b>				

		£/sqm	
Affordable %	35%	no Grant	Plus Grant
Social Rent %	0%	£ 860	£ 1,960
Affordable Rent %	75%	£ 1,071	
Shared Ownership %	25%	£ 2,500	
Other	0%	£	
AFF/sqft	100%	£ 1,428	
Social Grant	<b>NO</b>		

		CIL GIA	CIL SPLIT		
Existing Sqft on Site %	15%	6,966	2,980	<b>CIL RATE 1 area</b>	43%
Non Residential Space in Scheme %	20%		3,987	<b>CIL RATE 2 area</b>	57%
				<b>CIL RATE 3 area</b>	0%

POST CODE	<b>HP1</b>	
Per Sqft		Per Sqm
CIL Rate 1	£ 10.58	£ 114 per sqm
CIL Rate 2	£ -	£ - per sqm
CIL Rate 3	£ -	£ - per sqm

GDV	£ 24,545,347
Residual Cost	£ 19,268,822
Residual Return (Cost)	£ 17,550
Residual Profit	£ 3,371,128
Residual Land Value	£ 1,600,000
RLV per hect	£ 1,600,000

Benchmark Land Value	£ 1,600,000
Benchmark per Hec	£ 1,600,000

## REVENUE/BUILD COST

T	No Beds	Av. Unit (Sqrm)	Rev £/Sqrm	Build Cost	Mix	Net to Gross	CIL R
C3M	Private Apartments	67	£ 3,498	£ 1,195	100%	85%	1
C3M	Private Houses	95	£ 3,331	£ 1,022	0%	100%	1

	Rent	Yield
Ground Rent	100	5.5%

GIA	3,506
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T	No Beds	Av. Unit (Sqrm)	Rev £/Sqrm	Build Cost	Mix	Gross to Net
A	Affordable Apartments	67	£ 1,428	£ 1,255	100%	85%
H	Affordable Houses	95	£ 1,428	£ 1,073	0%	100%

GIA	1,888
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CODE LEVEL	<b>4</b>	4%
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PD Units	NIA	REVENUE	COST
46	3,049	£ 10,662,747	£ 4,285,832
0	-	£ -	£ -

Ground units	Ground Rev
46	£ 82,727

T PD Units	NIA	REVENUE	COST
46	3,049	£ 10,745,474	£ 4,285,832

AF Units	NIA	REVENUE	COST
25	1,642	£ 2,344,472	£ 2,423,144
0	-	£ -	£ -

T AF Units	Total NIA	Affordable Revenue	Standard Cost
25	1,642	£ 2,344,472	£ 2,423,144

		£ 268,359
70	<b>TOTAL</b>	£ 6,977,335

OTHER USE	Net Rent/Rooms (£)	Yield (%)	GIA	NIA %	Build Cost	CIL R
A1 1 Retail - High st - Prime	£ -	0.0%	-	0%	£ -	2
A1 2 Retail - High st	£ -	0.0%	-	0%	£ -	2
A1L Retail - Super-retail	£ -	0.0%	-	0%	£ -	2
B1 Offices - Super-retail	£ -	0.0%	-	0%	£ -	3
C1 Hotel	£ -	0.0%	-	0%	£ -	2
BS Industrial	£ -	0.0%	-	0%	£ -	3
D1 Leisure	£ -	0.0%	-	0%	£ -	2
C2 Care Home	£ -	0.0%	-	0%	£ -	1
C3M Mixed B1/A1	£ 222.7	7.8%	4,690	85%	£ 1,260	2
Other	£ -	0.0%	-	0%	£ -	0%
MAN MANUAL	£ -	0.0%	-	0%	£ -	0%

GIA	4,690
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TOTAL GIA	10,084
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NIA	REVENUE	COST
-	£ -	£ -
-	£ -	£ -
-	£ -	£ -
-	£ -	£ -
-	£ -	£ -
-	£ -	£ -
-	£ -	£ -
-	£ -	£ -
-	£ -	£ -
-	£ -	£ -
-	£ -	£ -
3,987	£ 11,455,401	£ 5,909,400
-	£ -	£ -
-	£ -	£ -

3,987	£ 11,455,401	£ 5,909,400
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TOTAL NIA	TOTAL REVENUE	TOTAL COST
8,677	£ 24,545,347	£ 12,886,735

## SITE COSTS

Professional Fees	12%
Externals & Abnormal Costs	15%
Marketing	3.0%
Sale Fees	1.75%
Contingency	5%

SECTION 106	Per unit	By Sqm	by sqft
Residential Section 106	£ 2,500		
Commercial S.106	£ .20	£ -	£ -
Other	£ -	£ -	£ -

CIL	Per sqft	Per sqm
CIL RATE 1	£ 10.58	£ 114
CIL RATE 2	£ -	£ -
CIL RATE 3	£ -	£ -

PD+COM	AF	Site Costs
1,255,631	290,777.24	£ 1,546,408
1,569,539	363,472	£ 1,933,010
£ 666,026	70,334	£ 736,360
£ 200,470		£ 200,470
£ 523,180	121,157	£ 644,337
£ 4,214,845	£ 845,740	£ 5,060,585

Section 106	Section 106	Section 106
£ 175,000	£ 61,250	£ 236,250
£ 93,800		£ 93,800
£ 0		£ 0
<b>TOTAL 106</b>	<b>£ 268,800</b>	<b>£ 330,050</b>

CIL	CIL	CIL
£ 339,366		£ 339,366
£ -		£ -
£ -		£ -
<b>TOTAL CIL</b>	<b>£ 339,366</b>	<b>£ 339,366</b>

£ 15,286,602.86	£ 3,330,133.82	£ 18,616,736.69
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## FINANCE COSTS

Finance Costs	7%
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Finance Cost	£ 535,031	£ 116,555	£ 651,586
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## PROFIT

Private Profit on Cost	20%
Affordable Contractor on cost	6%

TOTAL PROFIT	£ 3,164,327
	£ 206,801
	£ 3,371,128

## LAND PURCHASE

GROSS LAND VALUE	£ 1,905,896
Land Interest	7%
Stamp Duty	4.00%
VAT on Stamp	0.80%
Purchase Fees	1.50%
Additional Fees	5.00%

Land Cost	£ 66,706
	£ 160,050
	£ 15,247
	£ 28,588
	£ 95,295

## RESIDUAL LAND VALUE

£ 1,600,000

Note: Blue assumptions on Data Input Sheet  
Red assumptions are manual  
Black assumptions are based on formula/input page

Equals Viable  
Equals Non Viable



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# Appendix 6

CIL sensitivity results

## DACORUM CIL OUTPUTS REBASED AT 75% AFFORDABLE RENT 25% SHARED OWNERSHIP

### Dacorum

#### Base Output

		C3G	C3U	C3XU	C3IU	C3M
DACORUM	HP1	£ 200	£ 145	£ 66	£ 5	£ 114
DACORUM	HP2	£ 149	£ 157	£ 0	£ 0	£ 0
DACORUM	HP23	£ 209	£ 217	£ 199	£ 188	£ 274
DACORUM	HP3	£ 180	£ 149	£ 0	£ 0	£ 26
DACORUM	HP4	£ 216	£ 173	£ 192	£ 189	£ 265
DACORUM	WD4	£ 211	£ 172	£ 193	£ 183	£ 263

### Sensitivity Testing

#### 1. -5% decrease in Land Value

		C3G	C3U	C3XU	CSIU	C3M
DACORUM	HP1	£ 240	£ 88	£ 91	£ 23	£ 140
DACORUM	HP2	£ 171	£ 178	£ 0	£ 0	£ 0
DACORUM	HP23	£ 277	£ 285	£ 248	£ 227	£ 322
DACORUM	HP3	£ 217	£ 188	£ 1	£ 0	£ 52
DACORUM	HP4	£ 306	£ 265	£ 265	£ 252	£ 338
DACORUM	WD4	£ 304	£ 267	£ 270	£ 249	£ 338

#### 2. +5% increase in Land Value

		C3G	C3U	C3XU	CSIU	C3M
DACORUM	HP1	£ 159	£ 102	£ 42	£ 0	£ 88
DACORUM	HP2	£ 127	£ 136	£ 0	£ 0	£ 0
DACORUM	HP23	£ 141	£ 149	£ 150	£ 148	£ 226
DACORUM	HP3	£ 143	£ 110	£ 0	£ 0	£ 0
DACORUM	HP4	£ 126	£ 81	£ 118	£ 126	£ 193
DACORUM	WD4	£ 117	£ 77	£ 116	£ 116	£ 187

### 3. 5% reduction in Affordable Housing on Policy

		C3G	C3U	C3XU	CSIU	C3M
DACORUM	HP1	£ 287	£ 237	£ 175	£ 116	£ 217
DACORUM	HP2	£ 210	£ 217	£ 0	£ 0	£ 0
DACORUM	HP23	£ 336	£ 344	£ 343	£ 329	£ 409
DACORUM	HP3	£ 263	£ 234	£ 85	£ 28	£ 129
DACORUM	HP4	£ 374	£ 334	£ 370	£ 364	£ 435
DACORUM	WD4	£ 374	£ 337	£ 376	£ 363	£ 437

### 4. Change of Affordable Housing Tenure mix: 65% Shared Ownership / 35% Rented

		C3G	C3U	C3XU	CSIU	C3M
DACORUM	HP1	£ 404	£ 349	£ 286	£ 218	£ 327
DACORUM	HP2	£ 353	£ 361	£ 0	£ 0	£ 0
DACORUM	HP23	£ 413	£ 421	£ 419	£ 401	£ 488
DACORUM	HP3	£ 384	£ 353	£ 196	£ 131	£ 240
DACORUM	HP4	£ 420	£ 377	£ 411	£ 402	£ 479
DACORUM	WD4	£ 415	£ 376	£ 413	£ 396	£ 476

### 5. Double S106 Contributions

		C3G	C3U	C3XU	CSIU	C3M
DACORUM	HP1	£ 147	£ 92	£ 0	£ 0	£ 37
DACORUM	HP2	£ 96	£ 104	£ 0	£ 0	£ 0
DACORUM	HP23	£ 156	£ 164	£ 125	£ 111	£ 197
DACORUM	HP3	£ 127	£ 96	£ 0	£ 0	£ 0
DACORUM	HP4	£ 163	£ 120	£ 0	£ 0	£ 37
DACORUM	WD4	£ 158	£ 119	£ 120	£ 106	£ 186

### 6. +5% increase in Build Costs

		C3G	C3U	C3XU	CSIU	C3M
DACORUM	HP1	£ 94	£ 40	£ 0	£ 0	£ 0
DACORUM	HP2	£ 44	£ 52	£ 0	£ 0	£ 0
DACORUM	HP23	£ 104	£ 111	£ 56	£ 39	£ 126
DACORUM	HP3	£ 75	£ 44	£ 0	£ 0	£ 0
DACORUM	HP4	£ 110	£ 68	£ 49	£ 40	£ 117
DACORUM	WD4	£ 105	£ 66	£ 50	£ 34	£ 114

### 7. Code Level 3

		C3G	C3U	C3XU	C3IU	C3M
DACORUM	HP1	£ 284	£ 230	£ 181	£ 124	£ 233
DACORUM	HP2	£ 234	£ 241	£ 0	£ 0	£ 0
DACORUM	HP23	£ 294	£ 301	£ 313	£ 307	£ 393
DACORUM	HP3	£ 264	£ 233	£ 91	£ 36	£ 145
DACORUM	HP4	£ 300	£ 257	£ 306	£ 308	£ 384
DACORUM	WD4	£ 295	£ 256	£ 307	£ 301	£ 381