

Viability Report

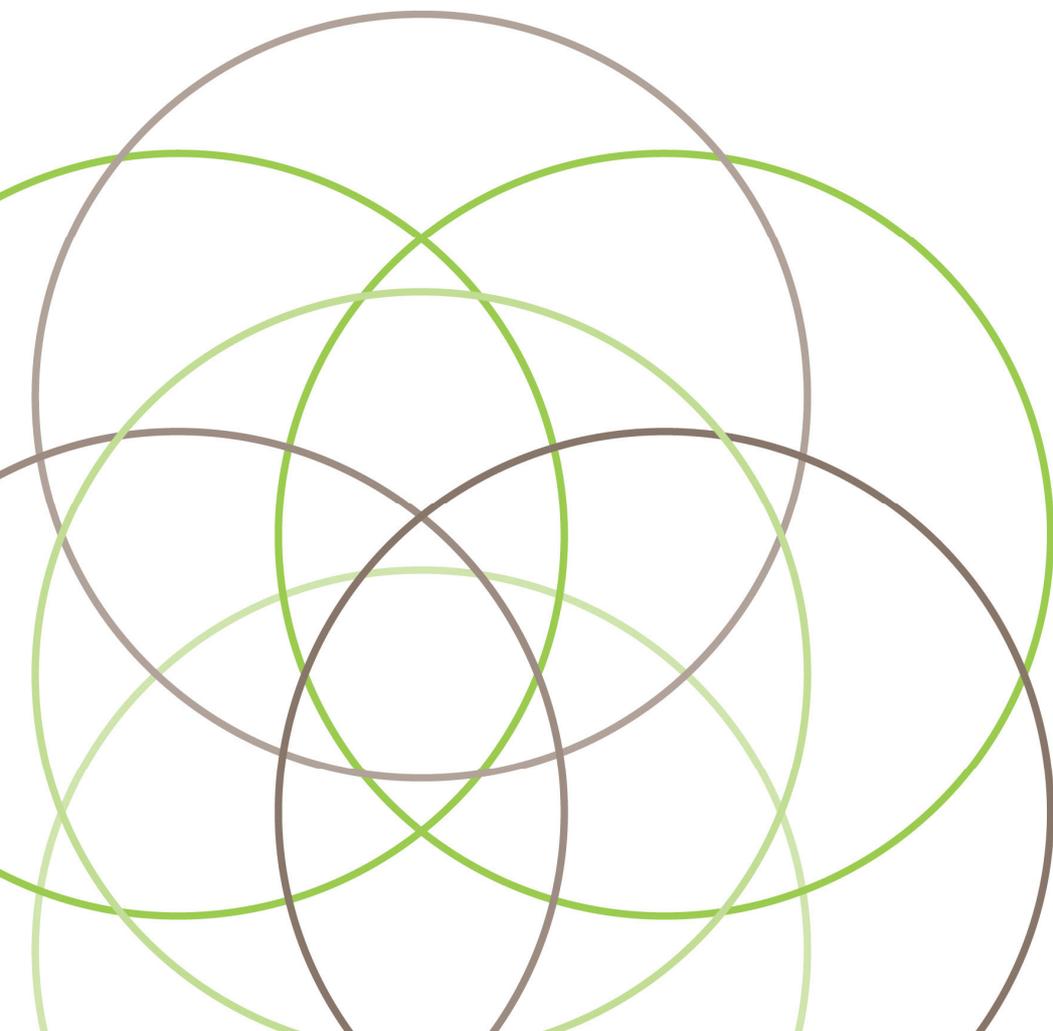
Cattle Market Site, Thame
Viability Assessment

Thame Town Council



2 November 2012

Private and Confidential



Quality Assurance

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1 Introduction

- 1.1 AspinallVerdi and Barton Willmore have been appointed by Thame Town Council to provide commercial viability advice in respect of the two development scenarios for the Cattle Market site in Thame.
- 1.2 The viability advice is required to demonstrate whether or not the policies and proposals for the Cattle Market site set out under Policy 8D-P1 of the Consultation Draft Thame Neighbourhood Plan (September 2012) are deliverable in the context of advice set out in the National Planning Policy Framework (NPPF).
- 1.3 Barton Willmore have prepared spatial plans to demonstrate that the quantum of development in the two scenarios set out in the Council's brief can be appropriately accommodated on the site. AspinallVerdi have undertaken residual land value appraisals to test whether the above proposals are viable.
- 1.4 In order to meet the aims of the brief, this report is structured as follows. In Section 2 we provide a brief overview of the site and present the spatial options drawn up by Barton Willmore. In Section 3 we provide an update on the relevant sectors of the property market in Thame and identify the values (rents/yields) to be adopted within the development appraisals. In Section 4 we set out the appraisal assumptions that we have used in preparing the development appraisals as well as the outputs and sensitivity analysis to test whether there is a potentially more viable scenario that the Council could consider in further detail. Finally in Section 5 we set out our conclusions on the viability analysis.
- 1.5 We must stress that our appraisals and valuations as part of this work have been undertaken in order to understand in broad terms the financial viability of indicative development options. The advice contained in this report, and the appraisals and valuations upon which the advice has been based, should not be regarded as formal valuations as defined by the RICS Appraisal and Valuation Standards (the Red Book).

2 Site & Scheme Overview

Site Overview

- 2.1 The Cattle Market site is approximately 1.22 hectares (3 acres) and is located just north of the Butter Market and Cornmarket areas of Thame town centre, on the eastern side of North Street. It is positioned between the surrounding residential neighbourhoods and the end of the shopping area that spreads up eastern side of North Street.
- 2.2 The western side of North Street is an informal composition of predominantly 19th century 2-storey terraced housing. Opposite the northern point of the site is the large car park serving Waitrose. The northern edge of the site borders residential areas and the eastern side of the site backs onto the playing fields of Barley Hill Primary School. The site is well located to act as a fulcrum between the town centre and residential neighbourhoods, improving the connections to the surrounding residential areas and contributing to the urban fabric and quality of the town centre.
- 2.3 The site currently accommodates the existing cattle market buildings and associated cattle enclosures as well as 122 parking spaces that are located off a loop road that runs around the cattle market. The perimeter of the site is almost entirely given over to open areas of tarmac, but there are a few buildings located to the site edges, notably the Racquets Fitness Centre. The site relates poorly to the street and is screened to some degree by some low trees placed in a grassed verge along the stone boundary wall to the cattle market. The stone boundary wall terminates in a pillared gateway to the site in the north. The only building fronting directly onto North Street is the public conveniences block. The cattle market itself contains low-grade buildings of a functional quality that are inward looking and provide limited or no activity to the spaces within the site.
- 2.4 Along the northern boundary existing houses create a short section of frontage from North Street overlooking the cattle market site, but the remainder of this boundary is open to the parking and garage walls and fencing of Abingdon Close. There are two existing pedestrian connections in the north eastern corner: one to Abingdon Close and the second to Parliament Road. The eastern boundary is mainly made up of the Racquets Fitness Centre and a storage shed. A small section to the north is open to the school playing fields. There are two notable mature trees along this boundary. The southern boundary is overlooked by existing 2 and 3 storey apartment blocks in the south east corner, but the remainder backs onto the hard standing associated with the Wellington Street and North Street buildings. There is a connection through the site to an existing parking area for these buildings.

- 2.5 Other than the stone wall to North Street, the site boundary treatments are mainly functional fencing or walls, often metal. The open spaces are also functional and for parking or manoeuvring vehicles associated with the market and so offer poor quality space for pedestrians.
- 2.6 Redevelopment of the site would provide the opportunity to knit the existing urban structure together, providing enhanced links to the surrounding areas and high quality buildings, streets and public space to complement the existing network within Thame Town Centre.

Site Ownership

- 2.7 According to the DTZ Options and Viability Testing Report (dated January 2009) the site is currently let to Thame Farmers Auction Mart Ltd, on a lease expiring 10 April 2021. The remainder of the site is laid out for 122 surface car parking spaces which are operated by South Oxfordshire District Council (SODC). There is also an electricity substation let to Eastern Electricity Board, expiring on 16 April 2050 and public conveniences at the south of site owned by SODC. The freehold of the whole site (the cattle market and the car park) we understand is owned by SODC.
- 2.8 For the purpose of our analysis we have been asked not included the Racquets Fitness Centre (currently on a long lease expiring on 31 May 2075) within the development site. However, Racquets Fitness Centre's lease includes a right of way over a road and to 5 car parking spaces; however, these can be re-positioned across the site, subject of course to being satisfactory to Racquets.
- 2.9 There is also the grass bank between the stone wall boundary of SODC's ownership and pavement for North Street, which we have assumed is in the ownership of Oxfordshire County Council.
- 2.10 For the purpose of this report we have assumed that the site is available with vacant possession and therefore we have not allowed any costs for assembling the site.

Planning Background

- 2.11 The South Oxfordshire Local Plan sets out in Policy THA1 the basis on which development will be permitted on the Cattle Market site. The policy seeks to promote a comprehensive mixed used scheme for the site. The Policy enables Class A1 retail units (excluding foodstores) up to 2,000 sqm (21,520 sqft) and Classes A2 and A3, as well as residential/non-residential uses (Classes C2 and D1) and, assembly/leisure (Classes D2) and offices to be developed on site. The development could also include public car parking spaces.

2.12 The Consultation Draft Thame Neighbourhood Plan (September 2012) reiterates the policy within the local plan but allows for up to 3,000 sqm (32,280 sqft) of Class A1 (excluding food stores). The policy refers to the South Oxfordshire Core Strategy and the need to provide an additional 5,700 sqm (61,332 sqft) of retail floorspace in Thame and that only 600 sqm (6,456 sqft) of this needs to be convenience floorspace. The Cattle Market is seen as one of the few sites which could accommodate a substantial amount of that additional floorspace and contribute to the viability and vitality of the town centre.

Policy 8D-P2 of the Consultation Draft Thame Neighbourhood Plan (September 2012) sets out the key principles to ensure that the development of the Cattle Market site relates positively to the wider town. These principles have been reflected in the spatial plans that Barton Willmore have prepared.

2.13 Other policies within the Consultation Draft Thame Neighbourhood Plan (September 2012) taken into consideration include:

- Policy 7C: Provide a greater range of affordable housing. The requirement is that all proposals where the net gain is more than 3 homes should provide 40% affordable housing. This is also in accordance with the South Oxfordshire Core Strategy 2012 (Policy CSH3).
- Policy 9E-P1: Retain public parking on the Cattle Market site. The aim being to ensure that car parking supports the viability of the town centre.
- Policies 12A-P1 to P4, 12A-P6 and 12A-P11 to 12A-P15 are all relevant to ensuring that a quality development which reinforces the character and quality of Thame is delivered on the Cattle Market site.

Spatial Plans & Floorspace Schedules

2.14 The two development scenarios set out in the Council's Brief that we have been asked to test as part of this viability study are as follows:

- **Scenario 1**
 - 3,000 sqm (32,280 sqft) of Class A1 (non-food) Retail;
 - Residential Uses;
 - Office Uses;
 - Public Car Parking (no net reduction in the number of existing parking spaces on the site); and
 - Retention of Existing Squash Club (Racquets Fitness Centre)

- **Scenario 2**

- 3,000 sqm (32,280 sqft) of Class A1 (non-food) Retail;
- Office Uses;
- 200 Capacity Community Hall and ancillary facilities;
- Public Car Parking (no net reduction in the number of existing parking spaces on the site); and
- Retention of Existing Squash Club (Racquets Fitness Centre).

2.15 The main aim of both layouts that we have proposed is to build upon the existing built environment and infrastructure network, maintaining the links to the surrounding area and completing the fragmented edges to the site in order to create a new part of Thame that provides a useful and high quality environment for the town's residents.

Option 1 and 1a (Includes Community Centre)

2.16 The key interventions are:

- Locate a central 2-storey retail block in a prominent position at the front of the site;
- Position residential development behind the retail and along the northern and eastern boundaries;
- Provide active street frontages within the site with a central apartment block overlooking each street section;
- The creation of incidental public spaces;
- Screen the backs of the units along Wellington Street with 2-storey office development on the southern boundary.

2.17 **Retail** - The central retail block continues a street frontage along North Street. To the north it provides a marker building overlooking the junction with Moorend Lane, which indicates the main vehicular entrance to the site. The internal loop road within the site is retained, but through-access is not possible in order to avoid this being used as a loop road for shoppers. To the south, the retail returns into the site where access to the retained existing parking for the North Street units is gained via a shared surface. This ends in a small public space overlooked by the retail block.

- 2.18 **Residential** - A U-shaped block of 2-storey apartments closes the retail block and creates a courtyard area which performs a dual function of parking area and green space for the apartments. Together with the houses positioned along the northern and eastern boundaries, the dual aspect apartments create a residential setting with active frontages to the north east segment of the site. A small public space is created by the splay between the apartments and the houses along the northern edge.
- 2.19 The pedestrian links to the surrounding residential areas are retained and the proposed houses will provide good overlooking of these. The apartment block cranks round to adjoin the retail block along the southern edge, where it overlooks a parking area. The apartment block layout is flexible and elements of retail and/or office use could be incorporated into the ground floor. Additional apartments could be located within the roof-space should a 2.5 storey block height be suitable.
- 2.20 **Office** - The 2-storey office space is positioned along the southern boundary and provides screening to the open yard area used for parking to the North Street units and frontage to site. This block is set away from the boundary to avoid any potential overlooking and daylight issues with the residential units south of the site. Retail uses could form part of the ground floor.
- 2.21 **Community Centre** – A 300 sqm (3,228 sqft) community centre is proposed adjacent to the existing Racquets Fitness Centre. The main hall has a capacity for 200 people.
- 2.22 Please refer to Appendix 1 for layout plans.

Option 2 (Includes Community Centre)

- 2.23 The key interventions are:
- Locate a central 2-storey retail block in a prominent position at the front of the site;
 - Position a single-storey retail 'outlet' type building behind the North Street retail overlooking a new parking square;
 - Screen the backs of the units along Wellington Street with 2-storey office development on the southern boundary;
 - Continue a building frontage along the northern boundary; screen the garages and parking areas of Abingdon Close;

- 2.24 **Retail** - The central retail block continues a street frontage along North Street. To the north it can provide a focal point overlooking the junction with Moorend Lane. The internal loop road within the site is retained with through-access to relieve potential pressure at the junction with Moorend Lane.
- 2.25 **Office** - The 2-storey office space is positioned along the southern boundary and provides screening to the open yard area used for parking to the North Street units and frontage to site. This block is set away from the boundary to avoid any potential overlooking and daylight issues with the residential units south of the site. Retail uses could form part of the ground floor.
- 2.26 **Community Centre** – A 300 sqm (3,228 sqft) community centre is proposed adjacent to the existing Racquets Fitness Centre. The main hall has a capacity for 200 people.
- 2.27 It is important to note that these scheme options are to demonstrate the capacity of the site to accommodate the various uses set out the Council's planning policy and may not necessarily be the actual schemes delivered.

3 Property Market Overview

- 3.1 To allow a robust appraisal of potential development options on the Cattle Market site, Thame, we have undertaken a high level market analysis. This analysis covers the three sectors central to the considered development options:
- Retail;
 - Residential;
 - Offices.
- 3.2 Data has been collected from a variety of sources including The Land Registry, VOA Property Market report, EGi, and Focus. Local agents input has also been obtained in order to get a full understanding of the local property market, views on values and evidence of local deals.

Retail Market

- 3.3 Thame is a considerably smaller location in terms of attracting consumer spending, particularly in respect of comparison retailing. Neighbouring Oxford and Aylesbury are the main competitors as comparison shopping destinations. Although comparison spending is set to increase once more, the velocity of spending expansion is unlikely to result in similar growth experienced prior to the recession. Convenience spending on the other hand is likely to remain robust and deliver slow growth (Retail Needs Assessment, 2009). The Retail and Leisure Needs Assessment (2009) also outlines the divergence of and polarisation between larger key centres and district centres such as Oxford and Thame respectively in their ability to attract and retain comparison retailers.
- 3.4 Thame has a number of identified requirements and exhibits much higher retail demand than other areas in the UK. A survey carried out by the Market Town Coordinator (February 2011) revealed only 3% of units in the town centre were currently empty, compared to a national average of 14.5%. At this time a number of new units had opened: Sainsburys store (in the premises formerly occupied by Woolworths), a Costa Coffee (on the High Street), Powder, Wallace Homes Boutique and White Lion Antiques. It does have a unique and independent offer not comparable to the wider national retail market.
- 3.5 Retail requirements stem from a variety of retailers; Zizzi, The Wine Rack, Toys UK, Temptation Gifts, Store Twenty One, Starbucks, Schmidt, River Island, Monsoon, Budgens. However, due to way in which requirements are registered on these databases i.e., Thame is included with requirements for the rest of Oxfordshire, confirmation of the requirements will be necessary.

- 3.6 Thame's main town centre retailing runs along the High Street, Butter Market, Cornmarket and Upper High Street which run east to west and provide open car parks. There are three main food retailers - the Co-operative store, Sainsbury's and the Waitrose. The town centre 'high street' area has a variety of retailers including; Costa Coffee, Boots, Superdrug, Viyella, Clarks Shoes, Major High Street Banks and others.
- 3.7 In Thame there are only 6 retail deals recorded from 2007 (Property Data, Estates Gazettes) although none of these have the values/rents achieved listed. Furthermore only 3 retail units are available in Thame at present, listed below in table 3; these are not comparable due to the age/nature of the properties listed.

Address	Value/Rent (£)/ Rent per sq m	Size (sqm)	Description	Agent
94 High Street	£325,000 (sale) £23,750 (rent) £182.70 per sqm	130	Period high street property sold on a long leasehold basis. Includes storage and retail space.	Fields
87 High Street	£425,000 (sale)	65	2 storey period property. 40/50 cover ground floor restaurant with consent to extend into 1st floor which may be suitable for 1 bed flat, subject to planning. Also suitable for retail.	Central Business Agency
9 Buttermarket	£18,000 (rent) £645.85 per sqm	28	Period retail property in prime town centre location. Retail and storage.	Fields

Table 1 – Retail Availability (Property Link, 2012)

- 3.8 Based on the type of retailers likely to take space in the scheme and the level of rent they be prepared to pay we would suggest a rent of around £161 per sq m (£15 per sq ft) possibly even up to £188 per sqm (£17.50 psf) if there is significant demand for the units. We would allow for 24 month rent free period. It is important to note that these rental values are attributable to large floorspace retail units to meet the requirements of multiple retailers rather than independent retailers.
- 3.9 Due to a lack of reported deals, we have assumed a yield of 6%; this is based on CBRE's UK Prime Rent and Yield Monitor (Q3 2012) for retail in the South East.

Residential Market

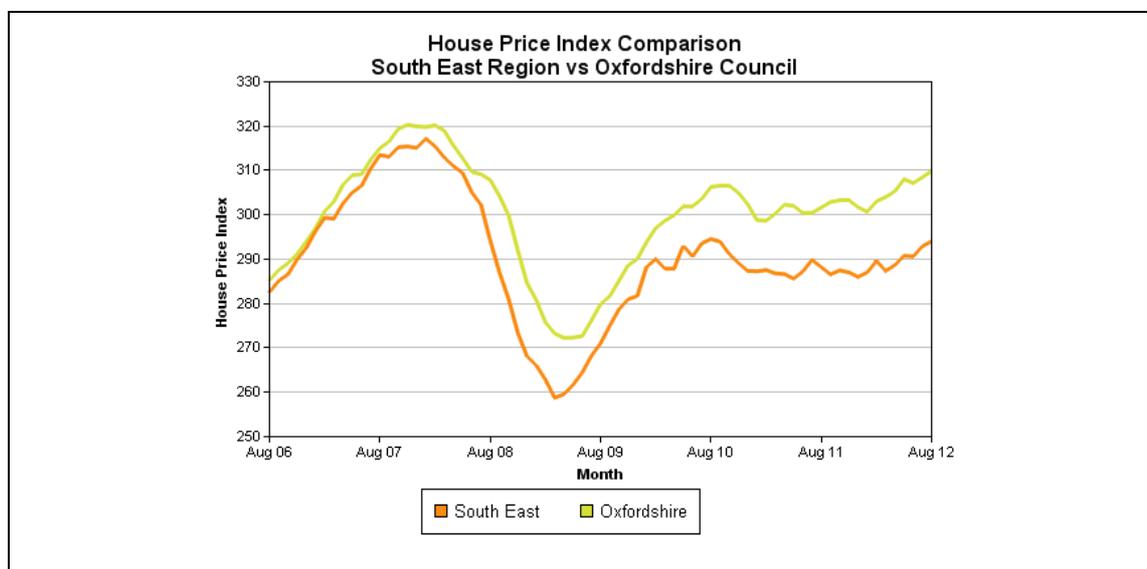
- 3.10 Nationally due to the recessionary and tight credit environment the residential property market has witnessed a fall in values; despite this fact the South East remains a high value area, one

exhibiting the greatest level of activity outside of London (Land Registry, 2012). Average house prices (August 2012 values Land Registry) in the South East sit at £211,050 whereas the average for England and Wales is £163, 376 (August 2012 values Land Registry).

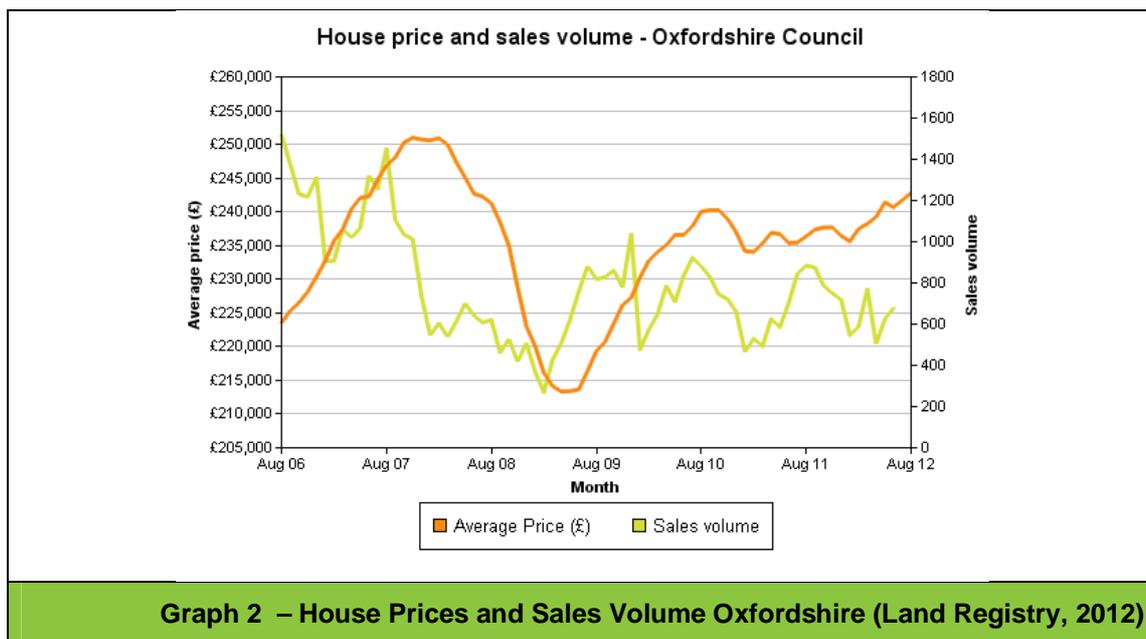
- 3.11 In Oxfordshire, (Graph 1) despite mirroring the national and regional dip in values there has been a considerable recovery of achieved sales values within the district. The volume of sales recorded has however been less stable (Graph 2).
- 3.12 At a local level the post code OX9 (including the Thame area) exceeds values obtained in Oxfordshire and nationally (Table 2).

No Beds	Thame (OX9)	Oxfordshire	National
1 Bedroom	£162,800	£169,100	£151,700
2 Bedroom	£227,700	£225,500	£162,000
3 Bedroom	£290,800	£267,200	£189,700
4 Bedroom	£433,700	£432,500	£350,600
5 Bedroom +	£622,000	£682,800	£613,500

Table 2 – Average House Price Values (Land Registry, 2012)



Graph 1 – House Prices South East and Oxfordshire (Land Registry, 2012)



- 3.13 Commonly new build properties exceed values for older properties, with the exception of character and one off housing. With this in mind residential research into new build housing developments has been undertaken in the Thame area. The market research focuses on townhouses and flats in central locations where possible as these share the greatest similarities in terms of values and the potential scheme to be developed. Please refer to Table 3 below.
- 3.14 In Thame there are 6 new build properties advertised. The values are broadly similar, as are the sizes relative to price. As these properties are available now, in a similar location to the scheme these are highly indicative of potential values and acceptable/comparable sizes.
- 3.15 A reasonable value assumption, given the location and neighbouring uses (i.e. retail/car parking) is thus £210,000 for a 2 bed flat/small house of 60 sqm, or approximately £350,000 for a 90 sqm 3 bedroom terrace/semi-detached property. These values also reflect recent sold prices in new developments such as Windmill Road.
- 3.16 According to local residential property agents demand for new build is high in Thame and therefore units are likely to be sold relatively quickly. It's expected that on a small scale development of say 6 houses that they would be sold within the month if priced correctly.

Location	No. of Beds	Price (£)	Size (Approximate)	Description
Whitehound scheme, Upper High Street, Thame	2 (Penthouse)	£335,000	100 sqm	Town Centre new build flat. Part of small scale new development by Zest Developments (containing 7 plots all two beds– Brochure Appended.
	2 (Duplex)	£249,950	60 sqm	
Bambooks Mews, Chinnor Road, Thame	2 Beds (House)	£245,000	60 sqm	Close to town centre Thame, small scale new development. 5 Plots, two 3 beds, and three 2 beds. Landscaped private drives.
	3 Beds (Townhouse)	£375,000	90 sqm	
Windmill Road, Thame	3 Beds (Townhouse)	£381,995 - £382,995	90 sqm	3 Bed townhouse, standard quality. Including garage, garden and parking.

Table 3 - New Build Availability, Thame (Zoopla)

Affordable Housing

3.17 SODC's policy position for affordable housing delivery as set put in their Supplementary Planning Guidance (SPG) is for 40% affordable housing. The tenure split is currently negotiated based upon viability; however moving forwards, the Local Development Framework, suggests desired levels are 75% social rented/affordable rented to 25% intermediate. The values attached to affordable units are variable as would be expected as high levels of market differentials exist. No particular calculations are used to understand the values attached to affordable units; however a recent level recorded (in Didcot) was in the region of 55% of market sale value for affordable rented properties and 65-70% for intermediate tenure.

Office Market

3.18 Similar to retail and residential the office market has suffered a similar downturn nationally. Established office locations in key centres are able to attract occupiers, whilst office locations in areas like Thame are more likely to attract only local demand. Rents are thus generally lower in smaller towns rather than City locations.

- 3.19 The two key office locations appear to be in the town centre; at Belmont House on the Upper High Street and south of the town centre at Thame Park Business Centre. There are offices available in other locations such as industrial locations (Stations Yard) and above the main retail area close to the High Street/Butter Market.
- 3.20 Only 15 deals over the last 5 years have been reported in the Estates Gazette (Property Data, October 2012), concentrated in the mentioned locations. Smaller offices 24 and 35 sqm at Belmont House achieved rents of £306 psm (£28 psf) and £270 psm (£25 psf) respectively. However upon conversation with agents these rents are thought to be unusual, with the £100 psm - £150 psm (£9 - £14 psf) range more common, as can be seen via the availability in Table 4. Larger offices deals have been recorded elsewhere, for spaces between 55 – 451 sqm the variance and range of achieved rents are considerably lower £111 – £165 psm (£10 - £15 psf)). This could be attributed to the larger size of units (as £165 psm relates to the smallest unit deal done) or the quality of the offer.
- 3.21 Table 4 below lists current available units in Thame. Properties at industrial sites have been discounted from this search as they are not comparable to the potential offer at the Cattle Market development. As can be seen likely rents, albeit for older properties are likely to be in the region of £100 psm. For a newer development, £135 psm (£12.50 psf) is a realistic/achievable rent at this location.

Address	Value/Rent (£)/Rent psm	Size (sqm)	Description	Town/Out of Town	Agent
7 Goodson Mews	£86.37	521	Goodsons Mews is a modern development of business/office units situated in Wellington Street and a short walk from Thame town centre. Secondary space.	TC	Brown & Lee
6a Buttermarket	£125	64	In a period building (secondary/older space)	TC	Fields
Thame Park Business Centre Units: 1, 2, 4, 8	£91.58 - £112.80	336	Thame Park Business Centre is a mixed development of office/business units and industrial/warehouse units.	OT	Lambert Smith Hampton
Kingsmead Business Park	£89	330	Ground floor office suite located on Thame Eastern Bypass within easy reach of Thame Town Centre and some 6 miles from the M40 motorway.	OT	Brown & Lee
Upper High Street (Belmont House)	£125 - £150	25- 93	Traditional/period building. Office/business centre within.	TC	Instant
55 North Street	£86.66	75	Ground floor Office Suite of approx. period building. The accommodation is arranged as a general open-plan area with two further Private Offices.	TC	Fields
Upper High Street Business Centre	£136 - £250	14-70	Converted barn. Business Centre with parking.	OT	Instant

Table 4 – Office Availability Thame (Property Link, 2012)

4 Viability Analysis

- 4.1 We have undertaken a viability analysis based on the two development scenarios for a mixed use retail led scheme set out by Thame Town Council and the spatial plans prepared by Barton Willmore to demonstrate the development possible in terms of size and scale. Please refer to Appendix 1 for outline scheme plans. The schemes upon which the residual development appraisals are based on the following:

Use	Option 1	Option 1A	Option 2
Retail	3,000 sqm	3,000 sqm	3,500 sqm
Offices	1,200 sqm	1,200 sqm	1,800 sqm
Houses	15 units	9 units	-
Apartments	22 units	18 units	-
Car Parking Spaces	135 spaces	142 spaces	184 spaces
Community Centre	-	300 sqm	300 sqm

Table 5 – Schedule of Accommodation

- 4.2 We have used the residual method of valuation to calculate an indicative land value for the Council's interest using Argus Developer - industry standard software. The residual land value is calculated by deducting all the total development related costs (e.g. construction, fees and financing) and an allowance for a developer's profit from the gross development value of the scheme, if there is a surplus this equates to the residual land value of the scheme. The key assumptions within the development appraisal are set out below:

Environmental/Contamination

- 4.3 We are not aware of any environmental audit, environmental investigations or soil survey which may have been carried out on the site and which may draw attention to contamination or the possibility of contamination. No investigations into the past or present uses of the site have been undertaken to establish whether there is the potential for contamination. Therefore we have not allowed for any contamination costs within the appraisal.

Title Information

- 4.4 It has not been possible to examine Deeds, Leases or the documents relating to title/tenure under which the properties are held and therefore we have relied on the information provided within the DTZ Viability Report dated January 2009. Apart from the rights that Racquets

Fitness Centre have in terms of access and parking spaces, we have assumed that the site benefits from unfettered and marketable title with no onerous or restrictive covenants.

Finance

4.5 In light of the current economic circumstances, the Bank of England base rate has been substantially reduced to 0.5% since March 2009. We have applied a finance rate of 6.5%. In normal circumstances the finance rate is dependent upon the standing and track record of the developer and is normally 1.5% to 2.5% above the Bank of England Base Rate, which as mentioned above currently stands at 0.5%. However, due to the fact that credit is still not readily available we have applied 6% above rate to reflect that banks are still not willing to lend at the lower rate and when they do so it is on stringent terms.

Timing

4.6 All development appraisals are particularly sensitive to timing and note should be taken of our assumptions on construction commencement, completion and the period which it takes to sell/let units.

4.7 Any delay in construction will ultimately effect whether development can be completed. The longer the delay the more likely a change in the current conditions and therefore estimates of financing can be less accurate. For the purposes of this appraisal we have assumed Q4 2012 costs and Q4 2012 values. We have not allowed for inflation in relation to the costs or growth in respect of the revenue/capital receipts.

4.8 In order to arrive at an indicative residual value we have assumed that the scheme will have a 6 month lead in period for planning and securing vacant possession of the site, followed by an 18 month build out period. We have assumed that the scheme will be delivered in a single phase.

4.9 We have assumed that the following time periods for the disposal/letting of the residential and commercial units:

- Residential property sold at approximately 6 units per month, with off plan sales starting 3 months before completion. We have assumed that affordable housing will be sold off to a housing association midway through the construction in a single month.
- We assumed that the investment sale of the commercial elements takes place on completion of the construction phase.

Construction Costs

- 4.10 We have used construction costs from the RICS Building Cost Information Service as the basis of our appraisal. We set out below the costs assumptions for the core uses we have taken into consideration in preparing our development appraisal for the Cattle Market scheme:

Use	Construction Costs £ psm (£ psf)
Retail	£850 (£79)
Residential (Flats)	£1,107 (£102)
Residential (Town House)	£1,107 (£102)
Offices	£1,216 (£113)
Surface Car Parking	£2,500 per space
Community Centre	£1,517 (£141)
Remediation (Including demolition)	£100,000 per acre
Table 6 – Schedule of Construction Costs	

NB: Costs have been rebased to the Oxfordshire market. The residential cost figures are based on residential being delivered as part of retail/mixed use scheme.

- 4.11 We have allowed for a notional cost of £500,000 covering highway works and £250,000 for public realm related works. We have also allowed for a notional cost of £250,000 towards S106/S278 Costs. These figures are estimates based on previous experience but will need to be fully costed and tested as the scheme is worked up in further detail.

Rental and Sale Values

- 4.12 We set out below the value assumptions that we have taken into consideration in preparing our development appraisal for the Cattle Market development scenarios. These figures are based on our understanding of the property market as of Q4 2012. We have assumed that the office space will be of better quality than the existing stock and therefore command a slightly higher rent.

Use	Value
Retail	£161 psm (£15 psf)
Residential (Flats)	£210,000 per unit
Residential (Town House)	£350,000 per unit
Offices	£135 psm (£12.50psf)
Community Centre	£nil
Table 7 – Schedule of Values	

- 4.13 We have not allowed for an income stream for the car park, on the basis that it will be a town centre car park and the retailers will want to be able to compete with other locations within the town where there is free car parking.

Yields

- 4.14 Based on our market research we have adopted a yield of 6% on the retail element and 7.5% on the offices. The investment yield is the yield received by a property purchaser - i.e. rent as a percentage of purchase price.

Contingency

- 4.15 We have allowed for a contingency of 5% on build costs and 5% developers contingency. We consider the contingency figure that we have applied to be robust and necessary to allow for any unknowns, for example, contamination or archaeological issues that may arise in the future.

Professional Fees

- 4.16 In recent years, we have seen professional fees fall from an average 15% to 10%. However, given the mix of uses proposed and the need to deliver a quality scheme we have allowed for professional fees at 12%.

Letting & Disposal Fees

- 4.17 We have applied letting agent fees at 10% and letting legal fees at 5% of the first years rent. In addition to the letting fees we have also allowed for a marketing budget based on 3% of the private residential sector values and £25,000 for the commercial elements.
- 4.18 We have applied a sales agent fee of 1% for the residential properties and a sales legal fee of 0.5% of the same. With regards to commercial units we have applied a purchaser's cost at a rate of 5.7625%; this rate includes Stamp Duty Land Tax, legal and agency fees, and survey charges.

Tenant Inducements

- 4.19 In relation to both the office and retail units, we have assumed a 24 month rent free period. This level of rent free reflects that quite significant inducements are required to attract occupiers to the scheme in the current economic climate. We have assumed that the schemes will be pre-let.

Profit

4.20 Developers adopt their profit margin ranging from 12.5% to 25% on costs, depending on the market conditions. Given the current market conditions we have applied a profit on cost at 20%.

Appraisal Outputs

4.21 Based on our assumptions as to the potential size/scale of uses that can be accommodated on the site, and the requirement for a developer to achieve a 20% profit on cost, the following residual values are generated:

- Option 1: £1.59m
- Option 1a: £280,000
- Option 2: -£1.81m

4.22 Please refer to Appendix 3 for summary appraisals.

4.23 Only Option 1 shows a significant residual land value which would be attractive to South Oxfordshire DC as the current land owners. Option 1a and 2 both include a Community Centre, which does not generate an income and therefore impacts on viability. Option 2 is the least viable due to not only having the community centre but also offices, which are less viable than residential and retail uses. We have discounted these two options on the basis that Option 1a although produces a positive residual land value, is significantly lower than Option 1 and therefore likely to be unattractive to South Oxfordshire DC and Option 2 is a negative land value.

4.24 We have therefore focused our sensitivity analysis on Option 1 as it is already a viable scheme in order to demonstrate the impact of changes in yields, build costs and values for retail and offices would have on the residual land value. A 0.25% improvement in the investment yields on the retail and office elements, coupled with a 5% increase in retail and office rental values and a 5% decrease in build costs results in the viability improving from £1.59m to £2.3m. Clearly, the appraisals is sensitivity even the smallest changes in values and costs. Please refer to Appendix 4 for a table of demonstrating the various permutations (sensitivity analysis) of changes in yields, build costs and rental values for retail and offices

4.25 We have also tested the impact on viability of charging for the car parking spaces. We have calculated that the car park would generate approximately £360 per parking space (net) per annum (please refer to Appendix 2 for our calculations). Under Option 1, this additional income results in the residual land value improving from £1.59m to £2.0m.

5 Conclusion

- 5.1 This high level analysis demonstrates that a viable scheme is possible on the Cattle Market site both in terms of the capacity of the site to accommodate the mix of uses set out in the Consultation Draft Thame Neighbourhood Plan (September 2012) and also in terms of viability. Option 1 (Scenario 1) generates the highest residual land value at £1.59m (£0.5 per acre). Option 2 generates a negative land value of £1.81m which means that public sector funding would be needed to deliver this scheme. The main reason for the difference in viability is that Option 2 has to carry the cost of building the Community Centre without any return (value) and offices are less viable than residential at this location.

Appendix 1 – Spatial Plans

Option 1



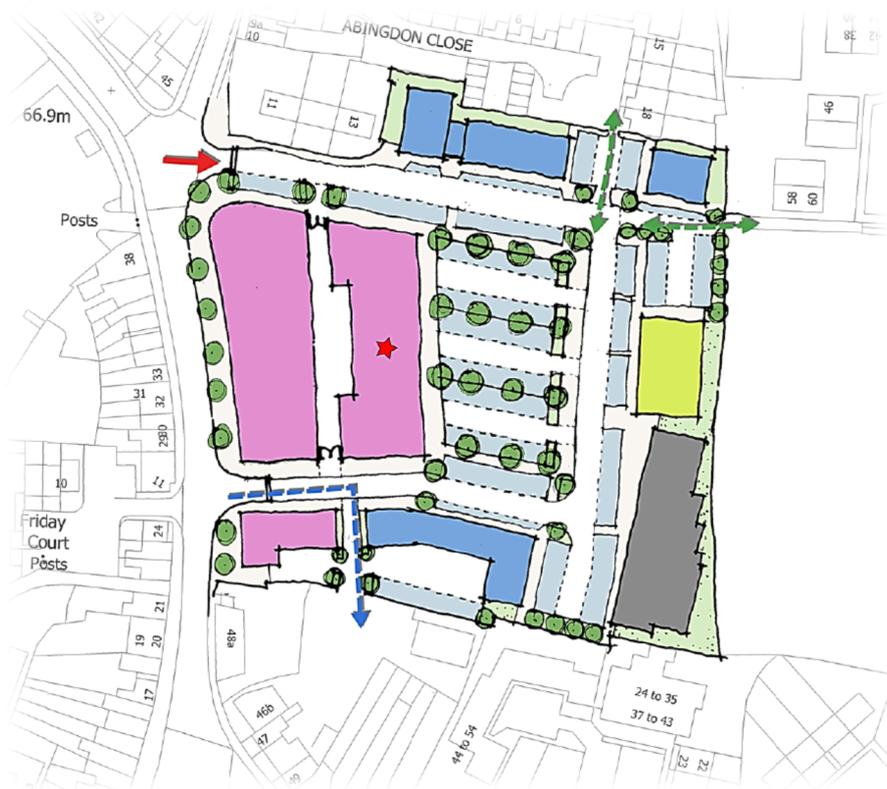
Option 1A

- Retail - 3000m² (2 Storey)
- Office - 1200m² (2 Storey)
- Houses - 9 Units
- Apartments - 18 Units
- Community Building - 300m²
- Parking - 142 Spaces
- Existing Racquets Club
- Private Space
- Site Access Points
- Pedestrian Connections
- Link to Existing Parking
- Marker building
- Public space



Option 2

-  Retail - 3500m²
-  Office - 1800m²
-  Community Building - 300m²
-  Parking - 184 spaces
-  Existing Racquets Club
-  Private space
-  Site Access Points
-  Pedestrian Connections
-  Link to Existing Parking
-  Single Storey 'Outlet' Type Retail



Appendix 2 – Car Parking Income Calculation

In order to calculate the potential income that can be generated from the car park, we have adopted the following calculation:

- Current number of spaces: 124
- Current charge: £0.80 per 2 hours
- Operational hours: 9 – 5 pm (8 hours or 4 x 2 hour slots)
- Maximum income generated per space per day = £3.20 (4 2 hour slots x £0.80)
- £3.20 x 6 days (number days a week car park charges apply) = £19.20 per space per week
- £19.20 x 52 weeks = £998.40 per space per annum
- Assume 60% occupancy = £600 per space per annum
- Assume running costs at 40% = £240 per space per annum
- Total Net Income = £ 360 per space per annum

Appendix 3 – Development Appraisals

Option 1

Summary Appraisal for Phase 1

REVENUE

Sales Valuation	Units	ft ²	Rate ft ²	Unit Price	Gross Sales
Residential Houses	9	8,712	£361.57	£350,000	3,150,000
Residential Houses - Social Rente	5	4,840	£198.86	£192,500	962,500
Residential Houses - Interediate	2	1,936	£235.02	£227,500	455,000
Flats - Private	13	7,138	£382.44	£210,000	2,730,000
Flats - Social Rented	8	4,393	£210.34	£115,500	924,000
Flats - Private	<u>2</u>	<u>1,098</u>	<u>£248.59</u>	<u>£136,500</u>	<u>273,000</u>
Totals	39	28,117			8,494,500

Rental Area Summary

	Units	ft ²	Rate ft ²	Initial MRV/Unit	Net Rent at Sale	Initial MRV
Retail	1	27,438	£15.00	£411,570	411,570	411,570
Offices	<u>1</u>	<u>10,975</u>	<u>£12.50</u>	<u>£137,190</u>	<u>137,190</u>	<u>137,190</u>
Totals	2	38,413			548,760	548,760

Investment Valuation

Retail					
Market Rent	411,570	YP @	6.0000%	16.6667	
(2yrs Rent Free)		PV 2y @	6.0000%	0.8900	6,104,931
Offices					
Market Rent	137,190	YP @	7.5000%	13.3333	
(2yrs Rent Free)		PV 2y @	7.5000%	0.8653	1,582,866
					7,687,797

GROSS DEVELOPMENT VALUE

16,182,297

Purchaser's Costs 5.76% (443,009)

NET DEVELOPMENT VALUE

15,739,288

NET REALISATION

15,739,288

OUTLAY

ACQUISITION COSTS

Residualised Price			1,591,247	
Stamp Duty		4.00%	63,650	
Agent Fee		1.00%	15,912	
Legal Fee		0.50%	7,956	
Planning Fees			6,500	
Survey			20,000	
				1,705,265

CONSTRUCTION COSTS

Construction	ft ²	Rate ft ²	Cost	
Retail	32,280	£79.00	2,550,120	
Offices	12,912	£113.00	1,459,056	
Residential Houses	8,712	£102.00	888,624	
Residential Houses - Social Rente	4,840	£102.00	493,680	
Residential Houses - Interediate	1,936	£102.00	197,472	
Flats - Private	8,398	£102.00	856,596	
Flats - Social Rented	5,168	£102.00	527,136	
Flats - Private	1,292	£102.00	131,784	
Totals	<u>75,538</u>		<u>7,104,468</u>	7,104,468

Contingency 5.00% 355,223

Developers Contingency 5.00% 355,223

Demolition 300,000

1,010,447

Other Construction

Highways 500,000

Car Parking 337,500

Public Relam 250,000

S106 Costs 250,000

1,337,500

PROFESSIONAL FEES			
Professional Fees	12.00%	1,019,036	
			1,019,036
MARKETING & LETTING			
Marketing Commercial		25,000	
Marketing Residential	3.00%	176,400	
Letting Agent Fee	10.00%	54,876	
Letting Legal Fee	5.00%	27,438	
			283,714
DISPOSAL FEES			
Sales Agent Fee	1.00%	157,393	
Sales Legal Fee	0.50%	78,696	
			236,089
Additional Costs			
Planning Fees		50,000	
			50,000
FINANCE			
Debit Rate 6.50% Credit Rate 0.00% (Nominal)			
Land		228,394	
Construction		141,158	
Total Finance Cost			369,552
TOTAL COSTS			13,116,072
PROFIT			2,623,216
Performance Measures			
Profit on Cost%	20.00%		
Profit on GDV%	16.21%		
Profit on NDV%	16.67%		
Development Yield% (on Rent)	4.18%		
Equivalent Yield% (Nominal)	6.32%		
Equivalent Yield% (True)	6.57%		
	34.22%		
Rent Cover	4 yrs 9 mths		
Profit Erosion (finance rate 6.500%)	2 yrs 10 mths		

Option 1A

Summary Appraisal for Phase 1

REVENUE

Sales Valuation	Units	ft ²	Rate ft ²	Unit Price	Gross Sales
Residential Houses	5	4,840	£361.57	£350,000	1,750,000
Residential Houses - Social Rente	3	2,904	£198.86	£192,500	577,500
Residential Houses - Interediate	1	968	£235.02	£227,500	227,500
Flats - Private	11	6,040	£382.44	£210,000	2,310,000
Flats - Social Rented	6	3,295	£210.34	£115,500	693,000
Flats - Private	<u>2</u>	<u>1,098</u>	<u>£248.59</u>	<u>£136,500</u>	<u>273,000</u>
Totals	28	19,145			5,831,000

Rental Area Summary

	Units	ft ²	Rate ft ²	Initial MRV/Unit	Net Rent at Sale	Initial MRV
Retail	1	27,438	£15.00	£411,570	411,570	411,570
Offices	<u>1</u>	<u>10,975</u>	<u>£12.50</u>	<u>£137,190</u>	<u>137,190</u>	<u>137,190</u>
Totals	2	38,413			548,760	548,760

Investment Valuation

Retail					
Market Rent	411,570	YP @	6.0000%	16.6667	
(2yrs Rent Free)		PV 2y @	6.0000%	0.8900	6,104,931
Offices					
Market Rent	137,190	YP @	7.5000%	13.3333	
(2yrs Rent Free)		PV 2y @	7.5000%	0.8653	1,582,866
					7,687,797

GROSS DEVELOPMENT VALUE 13,518,797

Purchaser's Costs 5.76% (443,009)
NET DEVELOPMENT VALUE 13,075,788

NET REALISATION 13,075,788

OUTLAY

ACQUISITION COSTS

Residualised Price			280,238	
Stamp Duty	4.00%		11,210	
Agent Fee	1.00%		2,802	
Legal Fee	0.50%		1,401	
Planning Fees			6,500	
Survey			20,000	
				322,152

CONSTRUCTION COSTS

Construction	ft ²	Rate ft ²	Cost	
Retail	32,280	£79.00	2,550,120	
Offices	12,912	£113.00	1,459,056	
Residential Houses	4,840	£102.00	493,680	
Residential Houses - Social Rente	2,904	£102.00	296,208	
Residential Houses - Interediate	968	£102.00	98,736	
Flats - Private	7,106	£102.00	724,812	
Flats - Social Rented	3,876	£102.00	395,352	
Flats - Private	1,292	£102.00	131,784	
Totals	<u>66,178</u>		<u>6,149,748</u>	6,149,748

Contingency	5.00%	307,487	
Developers Contingency	5.00%	307,487	
Demolition		300,000	
			914,975

Other Construction

Highways	500,000
Community Centre	455,100
Car Parking	355,000
Public Relam	250,000
S106 Costs	250,000

			1,810,100
PROFESSIONAL FEES			
Professional Fees	12.00%	961,182	961,182
MARKETING & LETTING			
Marketing Commercial		25,000	
Marketing Residential	3.00%	121,800	
Letting Agent Fee	10.00%	54,876	
Letting Legal Fee	5.00%	27,438	
			229,114
DISPOSAL FEES			
Sales Agent Fee	1.00%	130,758	
Sales Legal Fee	0.50%	65,379	
			196,137
Additional Costs			
Planning Fees		50,000	50,000
FINANCE			
Debit Rate 6.50% Credit Rate 0.00% (Nominal)			
Land		40,927	
Construction		222,156	
Total Finance Cost			263,083
TOTAL COSTS			10,896,490
PROFIT			2,179,298
Performance Measures			
Profit on Cost%	20.00%		
Profit on GDV%	16.12%		
Profit on NDV%	16.67%		
Development Yield% (on Rent)	5.04%		
Equivalent Yield% (Nominal)	6.32%		
Equivalent Yield% (True)	6.57%		
	41.31%		
Rent Cover	3 yrs 12 mths		
Profit Erosion (finance rate 6.500%)	2 yrs 10 mths		

Option 2

Rental Area Summary	Units	ft ²	Rate ft ²	Initial MRV/Unit	Net Rent at Sale	Initial MRV
Retail	1	32,011	£15.00	£480,165	480,165	480,165
Offices	<u>1</u>	<u>16,463</u>	£12.50	£205,785	<u>205,785</u>	<u>205,785</u>
Totals	2	48,474			685,950	685,950
Investment Valuation						
Retail						
Market Rent	480,165	YP @	6.0000%	16.6667		
(1yr 11mths Unexpired Rent Free)		PV 1y 11m @	6.0000%	0.8943	7,157,088	
Offices						
Market Rent	205,785	YP @	7.5000%	13.3333		
(2yrs Rent Free)		PV 2y @	7.5000%	0.8653	2,374,300	
					9,531,387	
GROSS DEVELOPMENT VALUE					9,531,387	
Purchaser's Costs		5.76%	(549,246)			
NET DEVELOPMENT VALUE					8,982,141	
NET REALISATION					8,982,141	
OUTLAY						
ACQUISITION COSTS						
Residualised Price			(1,810,613)			
Planning Application Fees			6,500			
Survey			20,000			
					(1,784,113)	
CONSTRUCTION COSTS						
Construction	ft²	Rate ft²	Cost			
Retail	37,660	£79.00	2,975,140			
Offices	19,368	£113.00	2,188,584			
Totals	57,028		5,163,724		5,163,724	
Contingency			5.00%	258,186		
Developers Contingency			5.00%	258,186		
Demolition				300,000		
					816,372	
Other Construction						
Highways			500,000			
Car Parking			460,000			
Public Relam			250,000			
S106 Costs			250,000			
Community Centre			455,100			
					1,915,100	
PROFESSIONAL FEES						
Professional Fees			12.00%	800,847		
					800,847	
MARKETING & LETTING						
Marketing Commercial				25,000		
Letting Agent Fee			10.00%	68,595		
Letting Legal Fee			5.00%	34,298		
					127,893	
DISPOSAL FEES						
Sales Agent Fee			1.00%	89,821		
Sales Legal Fee			0.50%	44,911		
					134,732	
Additional Costs						
Planning Consultancy Fees				50,000		
					50,000	

-

FINANCE

Debit Rate 6.50% Credit Rate 0.00% (Nominal)

Land (156,315)

Construction 416,878

Total Finance Cost 260,563

TOTAL COSTS

7,485,118

PROFIT

1,497,023

Performance Measures

Profit on Cost% 20.00%

Profit on GDV% 15.71%

Profit on NDV% 16.67%

Development Yield% (on Rent) 9.16%

Equivalent Yield% (Nominal) 6.38%

Equivalent Yield% (True) 6.65%

N/A

Rent Cover 2 yrs 2 mths

Profit Erosion (finance rate 6.500%) 2 yrs 10 mths

Appendix 4 – Sensitivity Analysis

Table of Profit Amount and Land Cost

Rent: Yield	Construction: Rate pf ²				
Rent: Rate pf ²	-10.000%	-5.000%	0.000%	+5.000%	+10.000%
-10.000%	£2,608,096 (£1,961,739)	£2,608,094 (£1,749,009)	£2,608,093 (£1,536,279)	£2,608,093 (£1,323,547)	£2,608,092 (£1,110,816)
-5.000%	£2,674,334 (£2,229,117)	£2,674,338 (£2,016,382)	£2,674,336 (£1,803,653)	£2,674,334 (£1,590,922)	£2,674,334 (£1,378,191)
0.000%	£2,740,575 (£2,496,492)	£2,740,575 (£2,283,761)	£2,740,579 (£2,071,026)	£2,740,577 (£1,858,296)	£2,740,576 (£1,645,565)
+5.000%	£2,806,817 (£2,763,867)	£2,806,816 (£2,551,136)	£2,806,816 (£2,338,404)	£2,806,821 (£2,125,669)	£2,806,818 (£1,912,939)
+10.000%	£2,873,058 (£3,031,242)	£2,873,058 (£2,818,510)	£2,873,058 (£2,605,779)	£2,873,057 (£2,393,048)	£2,873,062 (£2,180,312)

Rent: Yield	Construction: Rate pf ²				
Rent: Rate pf ²	-10.000%	-5.000%	0.000%	+5.000%	+10.000%
-10.000%	£2,553,049 (£1,736,710)	£2,553,048 (£1,523,979)	£2,553,047 (£1,311,248)	£2,553,047 (£1,098,517)	£2,553,050 (£885,783)
-5.000%	£2,616,235 (£1,991,581)	£2,616,232 (£1,778,851)	£2,616,231 (£1,566,121)	£2,616,231 (£1,353,390)	£2,616,230 (£1,140,658)
0.000%	£2,679,414 (£2,246,458)	£2,679,418 (£2,033,723)	£2,679,416 (£1,820,993)	£2,679,414 (£1,608,262)	£2,679,414 (£1,395,531)
+5.000%	£2,742,597 (£2,501,331)	£2,742,597 (£2,288,599)	£2,742,601 (£2,075,864)	£2,742,599 (£1,863,135)	£2,742,598 (£1,650,404)
+10.000%	£2,805,780 (£2,756,204)	£2,805,780 (£2,543,473)	£2,805,780 (£2,330,741)	£2,805,784 (£2,118,006)	£2,805,782 (£1,905,276)

Rent: Yield	Construction: Rate pf ²				
Rent: Rate pf ²	-10.000%	-5.000%	0.000%	+5.000%	+10.000%
-10.000%	£2,502,469 (£1,529,938)	£2,502,469 (£1,317,207)	£2,502,468 (£1,104,476)	£2,502,471 (£891,741)	£2,502,469 (£679,012)
-5.000%	£2,562,844 (£1,773,323)	£2,562,842 (£1,560,592)	£2,562,842 (£1,347,861)	£2,562,842 (£1,135,130)	£2,562,845 (£922,396)
0.000%	£2,623,219 (£2,016,707)	£2,623,217 (£1,803,977)	£2,623,216 (£1,591,247)	£2,623,215 (£1,378,516)	£2,623,215 (£1,165,784)
+5.000%	£2,683,588 (£2,260,097)	£2,683,592 (£2,047,361)	£2,683,590 (£1,834,632)	£2,683,589 (£1,621,901)	£2,683,588 (£1,409,170)
+10.000%	£2,743,961 (£2,503,482)	£2,743,961 (£2,290,751)	£2,743,966 (£2,078,016)	£2,743,963 (£1,865,286)	£2,743,962 (£1,652,556)

Rent: Yield	Construction: Rate pf ²				
Rent: Rate pf ²	-10.000%	-5.000%	0.000%	+5.000%	+10.000%
-10.000%	£2,455,835 (£1,339,293)	£2,455,834 (£1,126,562)	£2,455,838 (£913,827)	£2,455,835 (£701,098)	£2,455,834 (£488,367)
-5.000%	£2,513,618 (£1,572,087)	£2,513,617 (£1,359,356)	£2,513,617 (£1,146,625)	£2,513,621 (£933,890)	£2,513,617 (£721,161)
0.000%	£2,571,401 (£1,804,880)	£2,571,400 (£1,592,150)	£2,571,399 (£1,379,419)	£2,571,399 (£1,166,688)	£2,571,403 (£953,953)
+5.000%	£2,629,186 (£2,037,673)	£2,629,184 (£1,824,943)	£2,629,183 (£1,612,213)	£2,629,182 (£1,399,482)	£2,629,182 (£1,186,751)
+10.000%	£2,686,964 (£2,270,471)	£2,686,968 (£2,057,736)	£2,686,966 (£1,845,006)	£2,686,965 (£1,632,276)	£2,686,964 (£1,419,545)

Rent: Yield	Construction: Rate pf ²				
Rent: Rate pf ²	-10.000%	-5.000%	0.000%	+5.000%	+10.000%
-10.000%	£2,412,702 (£1,162,963)	£2,412,702 (£950,232)	£2,412,703 (£737,499)	£2,412,700 (£524,770)	£2,412,702 (£311,996)
-5.000%	£2,468,088 (£1,385,961)	£2,468,088 (£1,173,230)	£2,468,088 (£960,498)	£2,468,089 (£747,766)	£2,468,088 (£535,035)
0.000%	£2,523,475 (£1,608,959)	£2,523,475 (£1,396,228)	£2,523,474 (£1,183,497)	£2,523,474 (£970,765)	£2,523,475 (£758,033)
+5.000%	£2,578,863 (£1,831,956)	£2,578,862 (£1,619,226)	£2,578,861 (£1,406,495)	£2,578,860 (£1,193,764)	£2,578,865 (£981,028)
+10.000%	£2,634,252 (£2,054,953)	£2,634,249 (£1,842,223)	£2,634,248 (£1,629,493)	£2,634,247 (£1,416,762)	£2,634,247 (£1,204,031)