Provision of Affordable Employment Accommodation

July 2020

SQW

Contents

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1. The Brief

1.1 This study was commissioned as a follow-up piece of work to the Coventry and Warwickshire Employment Land and Market Signals Study (published July 2019) which identified a particular issue relating to the shortage of employment premises available at affordable rates. In particular, this study is supporting Stratford-on-Avon District Council's proposed policy approach in its emerging Site Allocations Plan which aims to tackle this issue head-on.

1.2 It is understood that the proposed policy is seeking to bring forward affordable industrial / office workspace (capped at affordable rental levels) either as the sole use on a site, or as part of a wider development, where the affordable development is in effect subsidised by the other commercial uses offered at full market rates.

1.3 The policy will only apply to additional windfall sites that would not otherwise gain planning. It will also not apply to those employment sites already identified to meet the District's employment land requirements. Whilst Stratford-on-Avon District Council acknowledges that the likely residual land values, created by such development will not be sufficient to entice every landowner, it is confident that it will provide an adequate incentive on a number of sites resulting in the provision of additional employment land, including affordable employment premises.

1.4 In undertaking this commission, we have therefore compiled an analysis of the local property market, over the last five years, in order to understand the general trends / movements in demand for a range of employment space (including both industrial, storage and offices), From this range of data we have examined lease and sales information, to form a view as to the general levels of rent /capital value that businesses have been able to afford across the District over this period for these different types of premises (reflecting both geography and sectors), We have also received some feedback from developers and agents, to our analysis and emerging conclusions.

1.5 This analysis and feedback has therefore informed an assessment of what can be classified as 'affordable' accommodation, (alongside the views of businesses and of agents, from our previous work in the area).

1.6 We were particularly commissioned to explore the extent to which the development of new "affordable" space would be viable (and therefore likely to be undertaken by the private sector) and generate sufficient land value to encourage land owners to release sites for such purposes. Where this is not considered feasible, we were asked to consider potential ways in which such space could be delivered through both alternative mechanisms and the intervention of the local authority or other public bodies.

1.7 Having identified market conditions for both industrial and office developments, we have then run a number of "benchmark" development appraisals (using standard appraisal methodology), looking at a range of new build, "affordable" scenarios, in order to determine the main viability issues, adopting a methodology that is aimed at identifying the "residual land value" to be achieved in each case.

1.8 Where the results of these appraisals confirm that there is a residual land value (better than existing use value (EUV)) – then this represents (in theory) a deliverable "end product", which we have then assessed to form a view as to whether the land value generated would be sufficient to persuade a land owner to release land for such purposes.

1.9 Where the results identify no, or a negative land value, then we have examined ways in which this can be addressed.

1.10 Our methodology has also compared "affordable" appraisals with "open market" scenarios – to enable us to identify the "extra-over cost" of delivering new, affordable accommodation under what would be considered normal market conditions, and where / how the gap between the affordable and market related scenarios can be overcome.

1.11 In analysing the data and running the appraisals, we have also considered the impact of a number of important factors, such as –

- different locations / types of use
- different mixes of affordable and non-affordable uses
- other forms of intervention (public) in order to “switch values”

1.12 Flowing from the above analysis, we have also been asked to consider the quantum of affordable industrial and office accommodation, that the future business market might demand, given current conditions.

2. Approach and Methodology

Defining "Affordable"

2.1 One of the key issues for this Study is to set out a "definition" of what is classed as "affordable" accommodation. From our previous work across the C&W LEP area, we formed the view that there was an underlying stock of premises (both office based and "industrial" based) that provided the core business floorspace provision across the sub-region, particularly for SME's.

2.2 This was primarily "second hand" in nature and provided in a variety of locations (inner urban, outer urban, adjacent to main thoroughfares, rural etc). Over recent years this accommodation has been available at reasonable (affordable) rental levels (e.g. for industrial premises between £4 and £5.50 / £6 per sq ft) and on sensible occupational terms, however with the shortage of space over the last two to three years, two things have been happening –

- First, there has been little new accommodation for businesses to grow into, and therefore traditional "churn" has been limited and there have been high levels of occupation across the existing portfolio (and therefore few vacancies)
- Second, these factors have generated high levels of demand, which have forced rental levels upwards (to some would say unaffordable levels for many occupiers)

2.3 Linked to the above, has been the fact that any new development (due to a combination of land values, build and other costs, developers approach to profit and risk etc) will need to seek rental levels significantly above the figures discussed above for traditional stock, placing such premises out of reach of many companies running businesses in the area at the present time. It is these trends that we have tried to analyse from available data, in order to see whether these anecdotal views are supported by evidence.

2.4 Our work has primarily considered the rental market, as maintaining a widely based and flexible range of accommodation, as part of a long term, local portfolio, readily "transferable" between business occupiers, is seen as the best way of establishing the property base, needed to meet affordable business demand. Over recent years however, there has also been a growing market for new build workspace, only available for freehold sale, where companies have taken advantage of beneficial purchase arrangements (e.g. through pension schemes etc). Due to the inherent inflexibilities in this product however, this has not been a major focus for this study, although the appraisal implications for "units for sale" has been considered.

Our Approach / Methodology

2.5 In order to establish a view on the potential shortfall in "affordable floorspace" on an annual basis – i.e. the gap between DEMAND AND SUPPLY, we have undertaken an examination of stock and uptake figures across the District (based on readily available data), together with some limited discussions with agents / developers, to identify / check what has been happening on the ground

2.6 In terms of demand side information, we have considered -

Lettings achieved - year on year (looking back over a number of years - to see trends)

This has been broken down into type / size and rental levels etc
We have then analysed which of these transactions fall into the "affordable" category
From this we have assessed the type and volume of affordable accommodation that is in demand and being let – annually and annual average
Based on our original work and from a quick overview of the above data, we have assessed whether there is potentially additional demand not being satisfied by the above
We have then used the above factors, to demonstrate the scale and scope of affordable units to rent that are potentially required each year

2.7 In terms of the supply side data – we have considered -

Availability -
We have classified current availability figures (properties available to let at the date of the Study) into type / age & quality / size etc
We have used this data to identify what is available, and from that – what potentially meets current business needs, and what falls into the affordable category (set out above)
Using the current availability data and stock data, we have considered how this marries up with annual demand profiles (reflecting trends over the last 5 years)
We have used this to highlight whether there appears to be an affordable accommodation gap that needs to be addressed

2.8 Examining this in more detail, our approach has been to -

- Analyse local market data to understand the characteristics of activity / take-up (within the office and industrial / distribution sectors) over a five-year period – 2014 to 2018, and also 2019 - up to the month of September,
- Analyse the current stock position across the above sector categories, as represented by data available in September 2019.
    - Overall stock levels can be defined as the total square footage of industrial or office buildings located within the district boundary, at a given date. We have utilised CoStar data to understand this position (EGi do not provide this service) and provide a snapshot on how stock levels have changed over the past 5 years.
- Consider different geographies within the District, to identify the impacts of any performance variations across these distinct areas – primarily Alcester, Shipston On Stour, Southam, Stratford Upon Avon and Studley. We have also included a number of properties, that are within the Stratford upon Avon Council boundary, but described as falling within other geographies, namely Warwick, Leamington Spa, Solihull and Evesham
- Consider a number of size bands within each use sector, industrial - less than 3,000 sq ft, 3,000 to 20,000 sq ft and above 20,000 sq ft, and for offices – below 500 sq ft, 500 to 1,000 sq ft, 1,000 – 2,500 sq ft, 2,500 to 5,000 sq ft and 5,000 to 10,000 sq ft
- Analyse by age i.e. constructed during – last 5 yrs, 5 to 20 yrs, 20 to 30 yrs, pre 30 yrs

2.9 We have also used this data to provide us with the number of transactions, rental levels, investment sale values, and floorspace uptake, overall and within each category.

2.10 This is particularly important to inform our understanding as to how rental values have changed over time, and to conceptualise if (and in what direction) the level of demand for industrial and office units has changed. Based on this data, we have made a number of assumptions in defining what should be classified as "affordable" accommodation (a transaction relating to an "affordable" unit) – based on rental levels, age and condition, specification and lease terms.

2.11 These parameters have then been benchmarked across the range of categories analysed, to provide an assessment of the quantum of affordable development that should indicatively be provided through this initiative, over the next 3 to 5 years.

2.12 Based on this benchmarked data, we have run a number of appraisals, utilising assumptions that would be made by a "typical" private developer (e.g. build costs, achievable rents, yield levels, finance costs etc) in order to understand the practical considerations behind developing the range of new accommodation, required by businesses at the present time, and to identify where development of affordable accommodation could generate –

- land values, which would potentially persuade land owners to release development land and
- a reasonable developer's return which would persuade developers to commit to risk and investment

2.13 Having established these benchmark appraisals, we have then run a series of sensitivities to identify the variables that could / would need to be adjusted, in order to deliver a viable, affordable scheme. We have also considered alternative approaches to development, in order to secure an element of affordable floorspace, within a particular scheme, and other ways in which public sector intervention, could be adopted, in order to stimulate development, on the ground.

2.14 Comparing such "affordable" appraisals with commercially viable / "open market" scenarios has also enabled us to identify the "extra-over cost" of delivering new affordable accommodation under what would be considered current [normal] market conditions.

2.15 Finally, it should be stated that the data on which this study has been undertaken, reflected the market position at the end of the third quarter in 2019. It does not take into account any of the initial impacts as a result of the COVID-19 situation. Although it seems certain that this will certainly have an impact upon business demand, continued occupation levels, rental levels and ultimately the viability of new development, it is considered generally too soon to be drawing any conclusions from the current position. All of these factors will need to be kept under close review over the next 12 months.

3. Data sources

Available Data-Sets

3.1 We have used two real estate market intelligence databases; CoStar and EGi to collect as broader a spectrum of take-up / stock data as possible, and therefore to aid the robustness of our analysis and recommendations.

3.2 CoStar is a reliable commercial real estate agency that tracks over 400,000 UK commercial properties within their database. CoStar gathers and updates its data on an ongoing basis and has a proficient research centre dedicated to monitoring the market. CoStar researchers proactively update more than 90% of their active listings every 30 days, thus guaranteeing quality / accurate data.

3.3 Estates Gazette (EGi) offers a comprehensive data, news and analysis service with information on hundreds of thousands of commercial properties across the UK. EGi provides information regarding identified deals, and tracks market trends enabling us to make an informed analysis based on "live" market intelligence. Unlike CoStar, EGi does not actively / regularly update their listings, and any changes are informed by contributors submitting updated data. For this reason and the range of data sources accessed, there will normally be some discrepancies and overlaps, in the results between CoStar and EGi.

3.4 It should also be stressed that both data-sets rely on information being available / provided and accurately sourced and cannot therefore be said to provide a fully comprehensive record of transactions or availability. They do however represent the best data sources available, and therefore the most reliable way of understanding property market activity, movements and stock levels for the purposes of this Study.

3.5 Our analysis has therefore considered separately both Stratford's industrial and office market performance over the past 5 years, using the same search criteria in CoStar and EGi to allow a cross-comparison of data. The search criteria used for industrial and office units is broadly set out in the previous Section above, and in more detail in Annex A.

3.6 As with all market-based datasets, there are inconsistencies, and where we have identified such records, we have excluded the details from these transactions for the following reasons;

- There is missing data regarding rental price, year of transaction, location, or unit size
- Extreme "outliers", providing significantly abnormal data e.g. with rental values quoted at £0 or very low. Where such "outliers" are present, we have investigated the data further to consider other parameters such as accommodation type, age and quality. If the data is considered to be unreliable or inconsistent with our search parameters (e.g. the rental levels included significant storage yards) then these have been excluded from our analysis.

4. Data Analysis

4.1 This section provides a detailed analysis of our findings. Our analysis, which is broken down into industrial and office units shows CoStar and EGi data side-by-side (when appropriate) to provide a well-rounded analysis.

4.2 The data provided by CoStar, provides a simple categorisation of the types of property / user forming the basis of the transactions, namely industrial / distribution and offices, and we have therefore adopted these two classifications as the means of analysing / calculating trends and performance, across Stratford upon Avon.

4.3 EGi provides a more detailed sub-division of data, splitting industrial / distribution transaction data into a variety of categories, such as Mixed Industrial (B1 / B2) and (B1 / B2 & B8), Distribution Parks, Storage and Distribution, Garage / Workshop, General Industrial, and Light Industrial / Business Units. We are uncertain of the robustness of these allocations over different time periods however, and for the purposes of this analysis therefore, have grouped all data under a single category – "industrial / distribution".

4.4 Similarly, office data is mainly split between two categories; Office (B1a), and Offices located in Business Parks (B1b), however for similar reasons we have classified all data as "offices".

4.5 As set out above, both databases can select data for transactions which are wholly within Stratford-on-Avon's local authority boundary. Whilst some data is classified as being within adjoining districts such as Leamington Spa and Warwick, all transactions analysed in our investigation are within the Stratford-on-Avon Local District boundary as shown in Figures 1 and 2 below.

Figure 1 - CoStar's Stratford-on-Avon District boundary

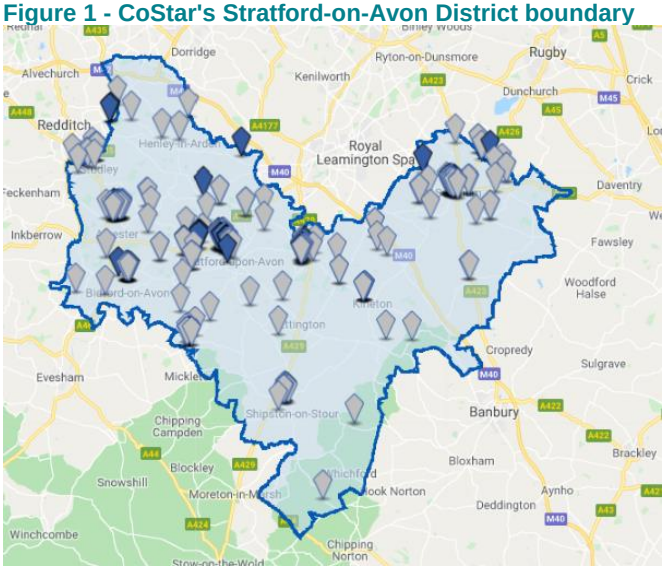
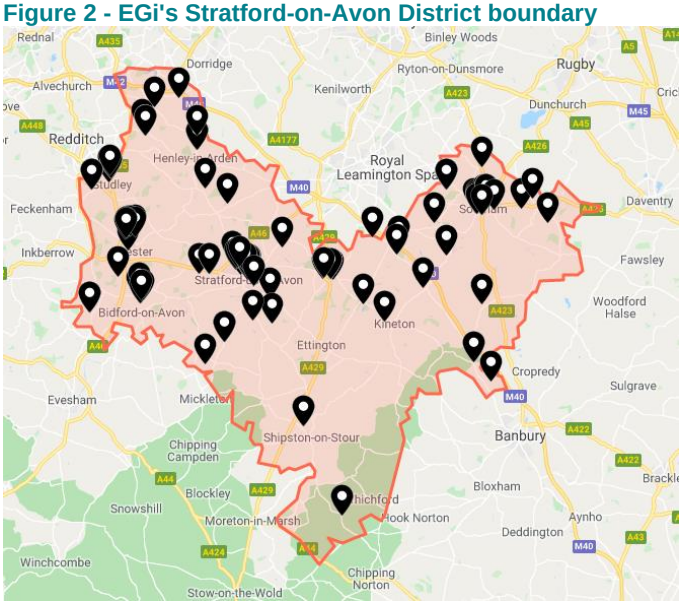


Figure 2 - EGi's Stratford-on-Avon District boundary



4.6 We have also attempted to consistently "group" data within the key centres and focal points of activity within the District – e.g. under categories such as Southam, Alcester, Shipston on Stour, Stratford upon Avon and Studley.

Industrial Data Analysis

4.7 Table 1 provides an indication of the total industrial stock in Stratford-on-Avon district over the last five years, and how the supply of industrial stock has changed over time.

Table 1 - CoStar Total Industrial Stock [NB this includes both industrial and light industrial categories combined]

	2014	2015	2016	2017	2018	YTD
Number of buildings	239	241	247	247	253	253
Total stock (sqft)	5,805,406	5,724,146	5,908,235	6,116,673	6,259,913	6,259,913
Change year-on-year		-1.40%	3%	4%	2%	0.00%

Source: CoStar

4.23 It can be seen that the supply of industrial units has remained relatively stagnant over the past 5 years, with a small increase in supply from 2016 - 2018.

4.24 In terms of availability of accommodation at the "present time" (October 2019 data), Table 2 below, shows the position last October. Further detail is available in Annex B, however it should be noted that apart from Southam, the majority of premises on offer are very dated and large scale, and the overall figure, which suggests that there is some 590,000 sq ft of "suitable" industrial premises available, is highly misleading.

Table 2 - CoStar – Available Industrial premises as at October 2019

	No of Units	Age	Total Sq Ft	Rental Range
Alcester	4	1975 to 2015	62,653	£3.84 to £11.47
Leamington Spa	1	1953	24,114	£4.01
Southam	8	1980 to 2019 (3)	76,552	£3.95 to £8
Stratford Upon Avon	8	1960 to 2007	266,718	£2.50 to £9
Warwick	2	2007 to 2010	166,211	£7.29 to £14.54
TOTALS	23		**596,248**	

4.25 With regard to take-up, Tables 3 and 4 illustrate the annual industrial take-up across the district of Stratford-on-Avon from 2014 – to 2019 from CoStar and EGi, respectively. Blank cells represent no take up within a particular use class during a given year. A more detailed breakdown of the types of accommodation included in these figures, is provided within the EGi database, and these are included in Annex B.

Table 3 - CoStar Industrial Annual Take-Up

	2014	2015	2016	2017	2018	2019 YTD	Grand total
Total take-up (sq. ft.)	289,998	239,221	352,781	252,339	427,294	151,245	1,712,878
Total number of deals	31	19	21	13	33	9	126

Source: CoStar

Table 4 - EGi Industrial Annual Take-Up

Uses	2014	2015	2016	2017	2018	2019	Grand Total
Grand Total	779,558	25,745	420,497	430,929	369,825	177,934	2,204,488

Source EGi Data services:

4.26 Overall, both datasets show that take-up has been broadly steady with no major variations in take up over the past 5 years, although EGi figures are generally running above CoStar on an annual basis. There are two exceptions – where the EGi data in 2014, is showing a significantly higher figure, and 2015, which shows a very low take-up.

4.27 There is no obvious explanation for these discrepancies, although as set out in the introduction to this section, it should be stated that EGi and CoStar do draw data from a range of different sources, have different methods of collection / updating and we are not therefore looking at directly comparable figures. Indeed, our more detailed analysis of the transactions indicates that although there are many records in common, there are also transactions which are unique to one or other dataset, and therefore it is more important to compare the annual variations within each dataset, rather than comparing between the two sources

4.28 The more detailed analysis in Annex B, does suggest that there is a significant level of demand for warehousing / distribution uses (48%) and an equally high demand for flexible, mixed use (B1/2/8) units (46%) across the last 5years in comparison to uses specifically identified as B1c and B2. This does suggest that B8 units are in real demand – and also that flexibility is

important – compared to specifications which have a particular B1c or B2 bias, as might be expected.

Industrial Rental Values

4.29 Table 5 below illustrates the number of CoStar and EGi lease transactions in Stratford upon Avon that are included in our data analysis, on a year by year basis.

Table 5 - Number of CoStar and EGi Lease Transactions

Year	CoStar	EGi
2019 (Jan-9th Oct)	8	9
2018	24	23
2017	11	16
2016	23	26
2015	19	4
2014	24	4
Total	**109**	**82**

Source: CoStar & EGi

4.30 Based on these lease transactions, we have analysed the average rental levels achieved across the 5-year period. To determine what may be classed as an affordable rent, we have divided the achieved rents into subcategorises such as minimum, 25% percentile, 50% percentile, 75% percentile and maximum rents as shown in Tables 6 and 7.

Table 6 - CoStar rents from 2014 to October 2019

CoStar Rents (£ per sq. ft.)	2014	2015	2016	2017	2018	2019
Average rent	£5.05	£4.75	£5.74	£5.44	£5.62	£5.37
Minimum rent	£1.96	£1.87	£3.00	£1.75	£2.63	£2.55
25%	£4.55	£4.04	£4.33	£4.62	£3.86	£4.07
50%	£4.95	£4.76	£5.11	£6.00	£5.00	£5.17
75%	£6.12	£5.51	£6.15	£6.62	£6.49	£6.38
Maximum rent	£11.64	£6.00	£13.82	£9.00	£12.41	£9.56

Source: CoStar

Table 7 - EGi rents from 2014 to October 2019

EGi Rents (£ per sq. ft.)	2014	2015	2016	2017	2018	2019
Average rent	£4.71	£5.37	£4.55	£5.22	£4.51	£5.02
Minimum rent	£2.50	£3.93	£0.85	£1.54	£0.55	£0.71
25%	£4.37	£4.73	£4.17	£3.42	£2.00	£2.99
50%	£5.27	£5.41	£4.59	£5.50	£3.78	£4.21
75%	£5.60	£6.05	£6.05	£6.74	£6.26	£6.00
Maximum rent	£5.81	£6.75	£8.50	£9.00	£12.86	£9.56

Source: EGi

4.31 The rental figures are relatively consistent across both datasets, and the average rent (£ per sq. ft.) has remained relatively steady across the 5 year period with industrial units achieving an average rent ranging from c. £4.00 - £5.70. A more detailed examination of the data seems to suggest that the lower range of achieved rents tends to be attributed to large industrial

units, over 20,000 sq. ft. Premises that commanded maximum rents tend to be of more recent construction or located close to the M40 and other main highways.

4.32 What can be described as an affordable rental will clearly vary depending on the location, size, quality and age of the premises. However, the range of values within the 25-50 percentile suggest that for the purposes of this exercise, affordable rents range from £4.50 - £5.50 (max £6.00) across the district of Stratford-on-Avon.

Average Industrial Rents by Location

4.33 Assessing this data by location, has also been examined and the headline data is included in the tables below, covering the main locations (for both EGi and CoStar datasets) and in more detail in Annex B. Recognising that the variations between the datasets produces some differing results, the data nevertheless does demonstrate that there are some interesting results for places such as Southam, where there are a significant number of transactions and rents are seen to have been rising over the last 3 years, to a level in excess of the "affordable" range, set out above. Shipston on Stour also seems to show this trend, but it is based on very limited transactions. Both of these locations have benefitted from recently constructed floorspace, which would explain these higher levels.

4.34 Elsewhere Alcester, Studley and Stratford fall within the "affordable" range, although at the lower end, and the EGi averages have picked up transactions that reduce the average in Stratford and Studley below this range

Table 8 – Average Rental Analysis by Location (2014 to 2019)

	2014	2015	2016	2017	2018	2019	No of Transactions over period	5-year average
CoStar Dataset								
Alcester	£6.89	£5.10	£4.53	£6.82	£6.58	£5.51	20	£5.90
Shipston On Stour	NA	NA	£4.79	£3.79	NA	NA	2	£4.29
Southam	£5.43	£6.65	£5.93	£9.00	£8.67	£9.56	23	£7.54
Stratford Upon Avon	£3.66	£5.01	£4.29	£4.23	£5.93	£2.55	34	£4.28
Studley	£3.00	NA	NA	£6.21	£3.74	£4.00	6	£4.24
EGi Dataset								
Alcester	£5.00	£5.00	£4.95	£5.19	£4.59	£5.26	29	£5.00
Shipston On Stour	NA	NA	NA	NA	£7.26	NA	2	£7.26
Southam	£5.67	£6.28	£5.33	£5.40	£6.57	£9.56	22	£6.47
Stratford Upon Avon	£2.49	£3.93	£4.68	£2.00	£3.78	£2.89	18	£3.30
Studley	NA	NA	NA	£3.83	£1.56	£3.19	4	£2.86

Size Analysis

4.35 Similarly, we have analysed the data by the size of units being let, in order to understand the broad variations between small space (less than 3,000 sq ft), primarily occupied by start-ups (at the lower end of this scale) and smaller SME's (at the higher end), mid-range accommodation (3,000 to 20,000 sq ft) leased by larger SME's and large floorspace (over 20,000 sq ft) occupied by a range of larger industrial and distribution businesses.

4.36 The headline figures are included in Table 9 below.

4.37 Unsurprisingly, the smaller industrial units of 3,000 sq. ft. or less command higher rental values at c. £5.00 - £9.50psf, compared to the mid-range units, where the rental values are lower at around £4.00 -£5.50psf. It should also be noted that smaller / start-up rental levels could also include an element of service charge / other services, which are often rolled up into an all-inclusive rental figure, which is not identified from the data available.

4.38 The largest industrial / distribution units (above 20,000 sq ft) include premises up to a maximum of some 250,000sq. ft, based on the transactions recorded over this period, and mainly include large, dated, second hand accommodation, commanding the lowest rental values between £2 and £3.50psf.

Table 9 - CoStar and EGi average rents by size band from 2014-2019

Size of Industrial unit (sq. ft.)	2014	2015	2016	2017	2018	2019	No of Transactions over period	6-year average
CoStar Data								
<3000	NA	£5.34	£5.88	£7.29	£7.22	£9.56	27	£7.06
3000-20,000	£4.71	£5.41	£4.68	£4.08	£3.31	£4.90	45	£4.52
20,000-100,000	NA	NA	£3.00	£2.00	£2.04	£2.17	8	£2.30
EGi Data								
<3000	£6.13	£4.88	£6.49	£6.92	£6.55	£6.43	51	£6.23
3000-20,000	£4.36	£4.53	£5.35	£4.04	£5.52	£4.90	46	£4.78
20,000-100,000	£3.24	NA	£3.03	£3.42	£4.32	£2.55	12	£3.31

Source: CoStar

Age and Condition

4.39 The age of premises under consideration is another factor that influences rental values. Generally, it would be expected that more modern premises would command higher rents and significantly older premises, lower rents. This is generally borne out by the analysis in the Table 10 below, which shows that rents are generally higher for properties constructed in the last six years, and lowest for premises which are more than thirty years old. In between these bands, rental levels are broadly on a par, with the exception of 2016, which seems an anomaly to the remaining figures.

Table 10 - CoStar average rents by age of premises

Year Built	2014	2015	2016	2017	2018	2019
2014 -2019	£6.12	NA	£6.20	£4.87	£6.50	NA
number of transactions	*1*	*0*	*1*	*2*	*1*	*0*
1998-2013	£4.60	£4.90	£9.03	NA	£5.50	NA
number of transactions	*4*	*5*	*4*	*0*	*3*	*0*
1987-1997	£5.03	£5.08	£5.33	£5.86	£5.10	£5.75
number of transactions	*5*	*3*	*2*	*2*	*2*	*3*
1950-1986	NA	NA	£6.68	£4.48	£4.92	£4.99
number of transactions	0	0	5	14	20	5

Office Data Analysis

4.40 This section reviews the data available on office premises / transactions and follows the same format as the previous industrial data analysis section, and is subject to the same caveats outlined above. We have considered the total office stock and office take up over the past 5 years to demonstrate how the market has changed over time. We have also assessed rental values over time, and considered rents, analysed by size of office space and geographical location, age, and quality.

4.41 Table 11 provides an indication of the total office stock in the Stratford-on-Avon district and how the supply of office stock has changed over time.

Table 11 - Total office stock in Stratford-on-Avon

	2014	2015	2016	2017	2018	2019 YTD
Number of buildings	322	323	323	323	323	323
Total stock (sq. ft.)	1,912,995	1,914,933	1,917,408	1,917,408	1,917,408	1,917,408
Year-on-year change		0.10%	0%	0%	0%	0.00%

Source: CoStar

4.42 This table indicates that office supply has remained virtually unchanged from 2014 to October 2019, which suggests that apart from some minor additions in 2014/15, no new office developments have been delivered since that time.

4.43 In terms of the availability of office accommodation at October 2019 , Table 12 below, shows the position. Further detail is available in Annex C, however it should be noted that there seem to be no available premises that have been built within the last 6 years. As with industrial premises, the majority of premises on offer are very dated, with many stretching back into the last century, although rental levels do seem to have been achieved in some places at a relatively high level, suggesting that the anecdotal evidence concerning rental levels being pushed up by the lack of good, available accommodation, appears to be correct.

4.44 The indication that some 270,000 sq ft of "suitable" office premises is available, could again be quite misleading.

Table 12 - CoStar – Available Office premises as at October 2019

Locations	No of Units	Age	Total Sq Ft	Rental Range
Alcester	5	1663 to 2004	40,158	£7.92 to £13
Evesham	2	1789 to 1900	25,853	£14.00
Henley In Arden	4	1970 to 1995	13,525	£11.37 to £14.50
Redditch	1	2008	7,875	£12.50
Shipston On Stour	1	1905	9,355	£11.33
Southam	2	1900	3,767	£9.48 to £13.86
Stratford Upon Avon	9	1800 to 2005	111,912	£8.73 to £19.35
Studley	1	1965	6,074	£14.06
Warwick	3	1975 to 2013	50,090	£13.44 to £15.00
TOTALS	28		**268,609**	

4.45 With regard to annual take-up, Table 13illustrates the position in Stratford-on-Avon over the last 5+ years, from both datasets, from 2014 (2015 for EGi data) – to October 2019. Zero represents no take up in a particular use class during a given year.

Table 213 - Offices - annual take-up

Uses	2014	2015	2016	2017	2018	2019 ytd	Overall Total	Averages (excl 2019)
EGi Data								
Office Business Parks (B1b)		5,715	489	6,247	1,653	0	14,104	3,526
Office (B1a)		10,029	26,343	36,239	26,621	2,280	101,512	24,808
Grand Total		15,744	26,832	42,486	28,274	2,280	115,616	28,334
Total number of deals		21	62	48	39	12	182	43
CoStar Data								
Total take up (sq. ft.)	52,575	76,064	87,275	61,403	74,333	28,694	380,344	70,330
Total number of deals	33	34	25	47	46	21	206	37

4.46 Given the static stock position over this period and the lack of any new development, the transaction levels in this table, must primarily show "churn" within the current stock levels. The levels of take-up should however not necessarily be seen as a proxy for demand, given the static levels of stock and high levels of occupation. Anecdotally, it is reported that over this period there has been significant demand for office accommodation, but due to the lack of supply, this is not translated into the take up figures.

4.47 The data also shows considerable variances between datasets, in terms of the annual take-up figures, and the number of transactions each year. This suggests significant variations in the level and sources of office data being assimilated by the two companies.

4.48 The CoStar data suggests that take-up levels have been reasonably consistent throughout the period, with an annual average of some 70,000 sq ft. For broadly the same number of transactions, the EGi data indicates that average take-up is under half of the above (28,000 sq ft), suggesting that they are identifying a greater number of small transactions across the market, on a consistent basis.

4.49 From the above transactions, we have been able to identify rental data from 96 CoStar records and 119 EGi records, and have consequently analysed this information in order to calculate average rental levels across the 6-year period, breaking down data into a number of categorises which reflect the 25% percentile, 50% percentile, and 75% percentile, as well as the minimum and maximum rents. These are shown in Table 14 below.

4.50 The CoStar annual, average office rental figures remain reasonably steady (around £11psf) across the early part of this period (2014 to 2017), however there does appear to have been a significant rise over the last two years to over £13psf, which equates to a 17% increase in average office rents across the 6 year period. It is also clear that there is a large variation in the range of office rentals, with minimum rents fluctuating around £7psf for most of the period, and maximum rents running closer to £20psf (and even rising to £30psf in 2018). This potentially reflects two scenarios –

- the presence of some transactions that represent small areas of floorspace, at rentals that include some element of service charge and other services

- the significant difference in premises being used for offices, and in particular office types, specifications and locations

Table 14 - Average office rents from 2014 to 2019

Rental value over time	2014	2015	2016	2017	2018	2019	Average
CoStar Data							
Average Rent	£11.11	£11.18	£10.44	£11.26	£13.67	£13.16	£11.80
Min rent	£7.14	£5.87	£7.14	£7.91	£7.52	£9.50	£7.51
1st Quartile	£9.41	£8.15	£7.76	£10.15	£10.04	£11.65	£9.53
2nd Quartile	£10.13	£11.36	£10.65	£10.15	£12.50	£14.34	£11.52
3rd Quartile	£12.88	£12.94	£12.80	£11.73	£14.61	£13.03	£13.00
Max rent	£19.59	£18.65	£13.90	£20.47	£30.84	£15.00	£19.74
Number of Transactions	25	15	9	18	22	7	16
EGi Data							
Average Rent	£13.47	£12.40	£13.02	£15.03	£11.65	£26.28	£15.31
Min rent	£10.00	£8.00	£6.93	£5.43	£7.25	£7.33	£7.49
1st Quartile	£10.37	£9.44	£10.56	£12.43	£10.65	£12.79	£11.04
2nd Quartile	£14.23	£11.99	£12.67	£13.00	£12.40	£28.10	£15.40
3rd Quartile	£16.17	£15.04	£14.43	£17.50	£14.64	£41.60	£19.90
Max rent	£16.41	£15.97	£23.93	£36.00	£15.38	£41.60	£24.88
Number of Transactions	33	10	31	27	14	4	20

4.51 With regard to EGi data, there are some marked differences compared to the above, with average rents running some £3psf higher over the period and some very high maximum rents in 2017 and 2019 (£36psf and £41psf respectively), which highlights an even greater variation in terms of the "inclusivity" of rents and the location / property specification etc, between minimum and maximum figures.

4.52 Although the 2019 maximum average is heightened by a single transaction to the north of the district (a small detached barn that has been converted into an office space) and is therefore not consistent with the wider office market in the district, the other transactions do show that there has been an overall rise in rental levels over the period.

Location

4.53 As was highlighted with the analysis of industrial transactions above, location can have a significant impact on rental levels achieved. The headline data in respect of office accommodation is included in Table 15 below, covering the main locations (for both EGi and CoStar datasets) and in more detail in Annex C.

4.54 Recognising that the variations between the two datasets produces some differing results, the data nevertheless does demonstrate that there are some identifiable trends over the period.

4.55 For example there are very few office transactions in places such as Shipston on Stour and Studley. However, in Stratford upon Avon itself and Southam, there is a significant level of activity. In general, it can also be seen that rental trends are slowly moving upwards over the period, starting with a range between £8psf and £13psf in the early years, and increasing to some £11psf to £17psf in the last two years. As mentioned earlier, there are some "peak

rentals" seen towards Henley in Arden in 2019, however this relates to a particular type of property (converted agricultural barn).

4.56 Overall it can also be seen that rental levels to the north of the district, do seem to be higher than in the remainder.

Table 15 - Average office rents from 2014 to 2019

Locations	2014	2015	2016	2017	2018	2019	No of Transactions over Period	6-year Average
CoStar Data								
Alcester	£9.48	£7.19	£7.72	£10.00	£11.00	NA	12	£9.08
North West of the District	£10.78	£9.76	£12.88	NA	£14.67	£15.00	14	£12.62
Shipston On Stour	NA	NA	NA	£10.29	NA	NA	1	£10.29
Southam	NA	£9.36	£9.97	£15.56	£11.73	NA	8	£11.66
Stratford Upon Avon	£11.85	£13.49	£12.28	£11.13	£14.91	£11.30	45	£12.49
Studley	NA	NA	NA	NA	£10.59	NA	1	£10.59
EGi Data								
Alcester	£12.52	£8.00	£11.21	£10.35	£11.32	£0.00	26	£10.68
Henley-In-Arden	NA	NA	£9.33	£36.00	£12.31	£32.60	10	£22.56
Shipston On Stour	NA	NA	NA	NA	NA	NA	0	N/A
Southam	£10.00	£14.19	£12.45	NA	£13.28	NA	15	£12.48
Stratford Upon Avon	£13.47	£10.60	£12.01	£12.77	£6.19	NA	48	£11.01
Studley	£12.50	NA	NA	£12.29	£17.58	£10.49	6	£13.21
North West of the District	£14.00	NA	£15.97	£14.03	£17.27	NA	9	£15.32

Size

4.57 Both datasets have been analysed according to a number of size bands, in order to identify the rental levels that have been achieved over the last 5 / 6 years, within each category. We have adopted bands which cover a range of accommodation, primarily in relation to demand from Start-Ups and smaller SME's (less than 10,000 sq ft), reflecting the fact that this also covers the majority of transactions recorded.

4.58 The analysis is included in the Table 16 below, and it can be seen that there are a significant number of transactions taking place within the smaller unit sizes (less than 2,500 sq ft), and very few taking place in the balance up to 10,000 sq ft.

4.59 Furthermore, the expectation would be that the smallest units would generally command the highest rental levels, and these would decrease as unit size increases. However, the average rental levels are broadly similar across all size bands up to 5,000 sq ft (between £11psf and £12psf) with only CoStar data showing a decrease in rents for accommodation between 5,000 and 10,000 sq ft. EGi data in fact shows an increase, however this is only based on three transactions over the 6 yrs, and particularly one which achieved £18psf in 2017.

4.60 One final variation worthy of mention is the EGi data for less than 500 sq ft units, which based on some 39 transactions, shows a 6 yr average of over £21psf, which is significantly above other size bands. As stated above, this could particularly relate to more "inclusive" rents which is more common in the smaller units (e.g. a small number of transactions in 2017, which appear to have achieved rents in excess of £26psf)., as well as the inclusion of the converted barn (referred to above at £41psf).

Table 16 - Average rents by size band from 2014 – 2019

Size of office units (sqft)	2014	2015	2016	2017	2018	2019	No of Transactions over period	6 year average
CoStar Data							96	
0-500	£12.02	£14.01	£7.72	£10.29	£16.62	£10.20	24	£11.81
500-1000	£10.71	£9.71	£13.35	£12.00	£11.19	£13.72	27	£11.78
1000-2500	£10.80	£10.44	£10.64	£9.68	£12.73	£15.00	35	£11.55
2500-5000	£8.06	NA	£12.19	£20.47	£10.00	£9.50	5	£12.04
5000-10,000	£13.48	£5.87	NA	£8.96	£9.50	NA	5	£9.45
EGi Data							119	
0-500	£14.62	£12.76	£15.96	£26.76	£15.06	£41.60	39	£21.13
500-1000	£10.00	£15.77	£12.29	£14.23	£12.14	£7.33	29	£11.96
1000-2500	£10.00	£10.34	£7.52	£12.58	£12.36	£14.60	42	£11.23
2500-5000	NA	NA	£12.25	10.31	13	NA	6	£11.85
5000-10,000	£13.93	NA	NA	£18.00	NA	NA	3	£15.97

Age and Condition

4.61 Again, as in the case of industrial property discussed above, the office analysis in this report, covers a wide range of properties of different age and quality. Much of the transactional activity analysed here has involved dated premises with no lettings of space in buildings that were constructed within the last six years. Rents for office space built between 1986 and 2013 appear to be relatively consistent around £9.50 to £11.50, however in the last two years, premises built between 1998 and 2013, appear to be achieving over £13psf. Overall this suggests an average rent of around £11.70psf and average transaction numbers of some nine per annum.

4.62 Rents for office premises built before 1986 are generally lower (with rents running between £7 and £11psf and with an average around £9psf), most likely due to poorer quality accommodation, although data suggests that there have been no transactions within this size band over the last three years. Transaction numbers were however high in the early years - averaging around 14 pa. (See Table 17 below)

Table 17 - CoStar average rents by size band from 2014 - 2019

Year Built	2014	2015	2016	2017	2018	2019	Total No of Transactions	Averages pa
2014-2019	NA	NA	NA	NA	NA	NA		n/a
number of transactions	*0*	*0*	*0*	*0*	*0*	*0*	0	n/a
1998-2013	£10.71	£9.55	£11.60	£11.63	£13.30	£13.65		£11.74
number of transactions	*4*	*6*	*6*	*8*	*4*	*5*	33	6
1987-1997	£11.28	£11.36	£12.80	£11.85	£11.30	NA		£11.72
number of transactions	*4*	*1*	*1*	*3*	*4*	*0*	13	3
1950-1986	£8.81	£7.33	£11.74	NA	NA	NA		£9.29
number of transactions	14	14	13	0	0	0	41	14

Initial Conclusions – Industrial and Distribution

4.63 The foregoing analysis has provided a number of data "cuts", in order to understand the industrial premises market over the last five years. There are clearly some significant

variations between datasets and between the differing basis of analysis (by age, size, geography etc).

4.64 Looking at "averages" over the time period under consideration and across the comparator analysis, there does seem to be some level of consistency, which would suggest that there is a basis for proposing a range of "affordable rental levels", which can therefore be used for the appraisal analysis in the next section.

4.65 The Table below (18) therefore sets out the headline data, by size, type of space and location, and on this basis, we have adopted an "affordable" rental range of between £4.50psf and £5.50 / £6.00psf, for the purpose of assessing the viability of new, affordable industrial accommodation. This seems to represent the range of acceptable market rents (over recent years), which the majority of businesses across the district would / accept / be expecting to pay.

Table 18 – Suggested Affordable Industrial Rental Levels

Suggested Affordable Rents -					
- by size	< 3,000 sq ft	3,000 to 20,000 sq ft			
	£6.65	£4.65			
- by type of space / specification	Overall CoStar average	Overall EGi average			
	£5.33	£4.90			
- by location	Alcester	Shipston On Stour	Southam	Stratford Upon Avon	Studley
	£5.45	£5.78	£7.01	£3.79	£3.55

4.66 As part of this report, we have also considered (at a broadbrush / high level), the quantum of affordable accommodation, that might be required across the district, on say an annual basis, and from that analysis, to suggest the level of development land, that would need to be brought forward to accommodate this provision. Table 19 below establishes the overall average floorspace take-up over the last five years and applies the assumed %age of "affordable" floorspace, based on the rental levels of the transactions analysed above.

4.67 This is then subdivided between the main floorspace groupings identified in this report and required land areas (over three and five years respectively) subsequently calculated, using different development densities. It can be seen that some 17 to 21 acres, could be required for "affordable" accommodation over this period (depending on development density) and some 28 to 34 acres, over a five year period, again depending on densities achieved.

Table 19 – Land Areas to Accommodate Affordable Industrial Floorspace

	Sq Ft	
Average Take-Up pa	**358,819**	
Of that - %'age of Affordable		42.00
Assumed Affordable floorspace (sq ft)		150,704
Split between -	%'ages	Sq Ft
< 3,000 sq ft	40.27	60,688
3,000 to 20,000 sq ft	49.23	74,185
	Development density 45%	Development density 55%
Overall Land requireent over 3 yrs (acres)	21	17
Overall Land requireent over 5 yrs (acres)	34	28

Initial Conclusions – Offices

4.68 As detailed above, in respect of the industrial analysis, the market position for office transactions / stock etc, demonstrates some even more significant variations between datasets and between the differing basis of analysis (age, size, geography etc).

4.69 However, again looking at "averages" over the time period under consideration and the across the comparator analysis, there also seems to be some level of consistency, which suggests a basis for proposing "affordable rental levels", which can be used for the appraisal analysis in the next section.

4.70 Table 20 below therefore sets out the headline data, by size, type of space and location, and on this basis we have adopted an "affordable" rental range of between £9.50psf and £12.00psf, for the purpose of assessing the viability of new, affordable office accommodation. This seems to represent the range of acceptable market rents (over recent years), which the majority of businesses across the district would accept / be expecting to pay.

Table 20 – Suggested Affordable Office Rental Levels

Suggestd Affordable Rents -						
- by size	0-500	500 - 2500	2500 - 10,000			
	16.47	11.63	11.90			
- by type of space / specification	Overall CoStar average	Overall EGi average				
	£11.80	£15.31	NB Egi data heavily influenced by high 2019 transactions			
- by location	Alcester	Shipston On Stour	Southam	Stratford Upon Avon	Studley	"North" of the District
	9.88	10.29	12.07	11.75	11.90	12.82

4.71 As set out above, we have also considered (at a broadbrush / high level), the quantum of affordable office accommodation, that might be required across the district, on an annual basis, and therefore the level of development land, that would be needed. Clearly the take-up of offices over the last few years has been very limited, and therefore the resulting land provision is very small, however as stated above this low take-up level should not be seen as a proxy for demand, which anecdotally is reported to have been strong and the land area quoted below should be seen as a minimum. It should also be considered alongside the land

area required for the provision of industrial premises, given the growing demand for flexible, multi-use floorspace, which can accommodate a range of "hybrid" uses.

4.72 Table 21 below establishes the overall average office floorspace take-up over the last five years and applies the assumed %age of "affordable" floorspace, based on the rental levels of the transactions analysed above.

4.73 As before, this suggests some likely floorspace figures and land areas, over three and five years respectively, using different development densities. It can be seen that some 3 to 4 acres, could be required for "affordable" office accommodation over this period (depending on development density) and some 6 to 7 acres, over a five year period, again depending on densities achieved.

Table 21 – Land Areas to Accommodate Affordable Office Floorspace

Potential Affordable Floorspace / Land pa	**Sq Ft**	
Average Take-Up pa	**49,332**	
Of that - %'age of Affordable		53.52
Assumed Affordable floorspace		26,403
Split between -	%'ages	Sq Ft
0-500	28.89	7,627
500 - 2500	62.12	16,403
2500 - 10,000	8.99	2,374
	Development density 45%	Development density 55%
Overall Land requireent over 3 yrs (acres)	4	3
Overall Land requireent over 5 yrs (acres)	7	6

5. Appraisals

5.1 Based on the assumptions set out above, particularly with regard to the rental values and take-up levels / demand associated with industrial / distribution and office premises, we have undertaken development investment appraisals to arrive at Residual Land Values for new developments for these purposes.

5.2 In order to establish a common basis for comparison, we have calculated the appraisals assuming development on a single acre of greenfield land, making a variety of assumptions that reflect those we consider would be likely to be taken into account by a private developer. The Residual Land Value is the value available to purchase the land once the total costs of development, including build costs, professional fees, letting risk and developer's profit, have been deducted from the assumed Gross Development Value of a completed scheme.

5.3 The level of Residual Land Value available, would determine whether an investment scheme is likely to be taken forward by a developer or not. Specifically, this is considered to be where the land value generated is greater than the existing use value of the land to the extent that a land owner would be motivated to release the land for development, and in those circumstances, the scheme is considered to be deliverable / viable.

5.4 According to Savills GB Farmland Value Survey 2017, the average value for prime arable land was £9,000 per acre (c.£22,000 per hectare) with average grade 3 farmland at £7,500 per acre (c.£19,000 per hectare), with higher values for diversified uses, such as equestrian land. Recent consultations suggest that this figure is currently around £10,000 per acre for prime land (c.£25,000 per hectare) and increasing. The excess value required by a land owner to release the land for development would clearly depend on local market conditions and landowner expectations.

5.5 For the purposes of this study, we have assumed that a reasonable benchmark to stimulate a decision by a landowner to dispose, would be in the order of ten times agricultural value c. £100,000 per acre (£250,000 per hectare). Consultations with agents / developers have highlighted differing views on whether this would be an adequate multiplier to trigger a disposal, however for comparison purposes in this study, we have adopted this figure. In practice however, this would clearly depend on individual circumstances and other alternatives, for example whether there was any expectation that a more valuable use could potentially be secured at some stage in the future.

5.6 The assumed Gross Development Investment Value has been based on capitalising assumed rents using a reasonable investment yield (based on market evidence and expectations with regard to the security of long term investment income) to arrive at a capital value of the completed development, assuming that the scheme is built and the units let, and allowing for a reasonable void period for marketing, and achieving lettings, potentially on a phased basis over a number of months.

5.7 Base build costs have been based on BCIS average tender price data for relevant building types, as well as consultation with local developers and agents. BCIS average tender prices include overheads, contractors' profit and professional fees. We have made assumptions as to

any other professional fees, marketing and sale costs, cost of finance and any other associated fees.

5.8 The headline assumptions made with regard to the main appraisal variables are set out in Table 22 below and a version of the appraisal model is attached as Annex D.

Table 22 - Appraisal assumptions

Variables	Assumptions
Gross Development Value	
Rental levels	Industrial Affordable: £4.50 / sq ft to £5.50 / £6.00 per sq ft (this compares with a new build market rental which would need to achieve between £8.50 and £12psf) Offices We have tested affordable rental levels ranging from £9.50 to £12.00psf
Yields	5.5% to 8% depending on covenant strength (although poor covenants could worsen yields to between 10% and 12%)
Void period	6 months in basic appraisal (allowing a scheme to be let in phases over say a 12 month period) – however extended to 12 months in some cases to test sensitivities
Development Costs	
Build costs	Industrial 'Advance Factories – total developed floorspace - 20 / 26,000 sq ft (based on density assumptions) with a build cost ranging from £54psf to £89psf (depending on the scale of the development and whether "shell" or basic, fitted out specification) Offices 'Offices, not air-conditioned, 1-2 storey' – at £135 to £152psf Mixed use "hybrid" specification has also been used at around £105psf *NB, Base build costs are taken from BCIS Median average tender price as of October 2019, rebased to Warwickshire.*
Contingency	Assumed at 5% on main costs

Professional Fees (Architect, QS, etc)	8%-10%
Marketing, letting and sale costs	Letting agent fee: 7.5%-10% of first year's rent Sales agent fee: 1% of GDV Sales legal fee: 0.5% of GDV
Finance Costs	Assumed at 4.5% to 6.5%
Developer's Profit	Varies depending on circumstances – traditional developer requirement 20% (with public sector support could be lower - down to 12.5%)
Planning contributions	We have not allowed for any costs of CIL or other Section 106 planning contributions in these appraisals, given that these are being treated as long term, affordable provision
Land Acquisition Costs	
Land Value	£0 In all cases the methodology has been to examine the potential to create a residual land value as a result of different types of development / assumptions, therefore the Land Value has been set to zero within all appraisals
Survey and Planning Fees	Surveys etc: say £50,000 Planning and Building Regulation fees etc: say £50,000

Source: SQW

5.9 We have run appraisals for both industrial and office schemes to consider the commercial viability of delivering each use within the range of affordable rental levels set out above, and reflecting / varying a range of other normal, market based assumptions within such an appraisal (location, type of floorspace being developed, security of income etc) which we view would be key considerations by a private sector developer at the present time.

5.10 These scenarios are summarised in Table 23 below, with more detailed appraisal summaries contained in Annex E (industrial) and Annex F (offices).

Table 23 - Summary of appraisal scenarios tested

Use	Rent £psf	Yield %	Void / letting period (mnths)	Development Density %	Development Area	Construction costs (psf)	Developer's Profit %	Professional Fees %	Finance Costs %	Residual Land Value £
INDUSTRIAL										
Scenario 1	4.5	8.00	12	45	19,602	89.00	20.00	10.00	5.50	-2,117,355
Scenario 2	5.5	8.00	12	45	19,602	89.00	20.00	10.00	5.50	-1,908,946
Scenario 3	6	8.00	12	45	19,602	89.00	20.00	10.00	5.50	-1,804,742
Scenario 4	6	5.50	12	55	23,958	89.00	20.00	10.00	5.50	-1,428,368
Scenario 5	6.5	5.50	6	60	26,136	89.00	20.00	8.00	5.50	-1,211,427
Scenario 6	9.6	5.50	6	60	26,136	89.00	20.00	8.00	5.50	110,448
Scenario 7	13.5	7.50	6	50	21,780	89.00	20.00	8.00	5.50	140,376
Scenario 8	10.5	6.50	0	50	21,780	89.00	12.50	8.00	5.50	79,031
Scenario 9	7.5	5.50	0	55	23,958	75.00	12.50	8.00	3.50	103,540
OFFICES										
Scenario 1	9.5	5.50	12	50	21,780	152.00	20.00	8.00	5.50	-2,349,134
Scenario 2	9.5	5.50	6	50	21,780	135.00	20.00	8.00	5.50	-1,631,932
Scenario 3	11	5.50	6	50	21,780	135.00	20.00	8.00	5.50	-1,098,917
Scenario 4	12.5	5.50	6	55	23,958	135.00	20.00	8.00	5.50	-612,218
Scenario 5	13.25	5.50	0	55	23,958	135.00	12.50	8.00	5.50	115,574
HYBRID FLOORSPACE - WORKSPACE / OFFICES										
Scenario 1	13.5	6.50	6	55	23,958	106	20	8.0	5.5	118,383
Scenario 2	10.65	5.50	0	55	23,958	106	13	8.0	5.5	108,932
DEVELOP AS A FREEHOLD FOR SALE										
	Sale Value £	Yield %	Void / letting period (mnths)	Development Density %	Development Area	Construction costs (psf)	Developer's Profit %	Professional Fees %	Finance Costs %	Residual Land Value £
Scenario 1	200	n/a	n/a	50	21,780	89.00	20.00	8.00	5.50	722,653
Scenario 2	150	n/a	n/a	50	21,780	89.00	20.00	8.00	5.50	-303,185
Scenario 3	125	n/a	n/a	50	21,780	89.00	20.00	8.00	5.50	-816,104

5.11 The first three industrial scenarios have appraised affordable rental levels at the lower, mid and upper level of the range (£4.50 to £6.00 psf) but with other parameters kept constant (mid-range yield (8%), development density at 45%, build cost at the upper end of the range, developers profit at 20%, mid-range finance costs (5.5%) and a 12 months rental void).

5.12 The appraisal work shows that in these investment scenarios, any new development schemes with affordable rents would not generate a positive residual land value as costs exceed the value of the completed scheme by some margin (-£1.8m to -£2.1m). Scenarios 4 and 5 have examined the impact of varying a number of factors, in particular improving the yield to 5.5% (which implies a strong tenant covenant) increasing rental levels to £6.5 psf and increasing development density (55%). These changes still produce a negative residual land value, around -£1.2m to -£1.4m.

5.13 Four further scenarios have then been modelled, to identify the circumstances where a sufficiently positive land value (c.£100,000 per acre) can be achieved, to encourage a land owner to consider releasing the land for development. Scenarios 6 and 7 have increased rental levels (between £9.5 and £13.50 psf), adopted variable yields (5.5% and 7.5%) and reduced rental voids (6 months). However, in both cases the rental levels are considerably above the affordable targets identified earlier in the report.

5.14 Scenarios 8 and 9 have looked at the potential for some form of public sector intervention, for example rent "underwriting" to bridge the difference between an affordable rent of £4.50 to £6.00 psf – and the minimum levels shown in these scenarios (£7.50 to £10.50 psf) and / or providing funds at lower finance costs. This approach could also potentially eliminate the rental void period, improve the yield and reduce developers profit. The impact of reducing the build costs to BCIS basic, "advance factory" specification has also been included in Scenario 9.

5.15 The above analysis therefore demonstrates the extreme challenges of developing a viable, new build, industrial investment at the present time, and with a reasonable land value.

5.16 As mentioned earlier in this report, there has been evidence over the last couple of years, of a market for new build units "for sale", with companies able to raise the finance (either through loans or pension fund arrangements) in order to acquire the freehold interest in their premises. Whilst this is an option for some businesses, it is not necessarily seen as a flexible solution for those who are starting up / expanding and need both affordable running costs and the ability to readily move between premises, as their needs dictate.

5.17 Nevertheless, we have considered the potential for new build premises to be sold in this way, and market evidence suggests that transactions in the best locations are achieving £200 psf, whereas more secondary locations are seeing sales at £150 psf and rural locations at £125 psf.

5.18 Our baseline appraisals indicate that at the highest sales values, schemes are certainly viable and would produce good residual land values. The sales rates being achieved in secondary locations however are much more marginal and rural scenarios would produce a significant negative residual land value.

5.19 With regard to office premises, as above the appraisal work shows that in most office scenarios, "affordable schemes" would not generate a positive residual land value. This applies across the range of affordable rents identified (£9.50psf to £12.00psf), where the negative land value is again very significant (even with an attractive yield of 5.5%).

5.20 Construction cost is an issue here, and the BCIS data places median build costs for a 2 storey office building (without air conditioning) but built to a traditional / good office specification, in the region of £152psf. Consultations have suggested that this is on the high side and we have therefore adopted a lower BCIS decile (£135 psf) in order to demonstrate the impact of this reduced level. As will be seen from the table above, this is still insufficient to turn the residual land value positive, even at £12.50 psf.

5.21 As discussed above with regard to industrial premises, we have considered the opportunity for some form of public sector intervention (rent "underwriting" to bridge the difference between an affordable rent of £9.50 to £12.00 psf – and the minimum level necessary to achieve a positive residual (£13.25 psf in Office Scenario 5), even allowing for the other potential impacts of public intervention (no rental void period / reduced developers profit)

5.22 One further possibility, that is being adopted in a small number of locations, is for a "hybrid" unit to be constructed (having more the appearance of a high quality industrial building and constructed to a higher density), with highly flexible floorspace, that can be used for office / assembly / other desk or bench-based processes etc.

5.23 This could potentially reduce the build cost (to just over £100psf), but even so the rental levels would need to be set around £13.50 psf, (adopting the range of standard assumptions set out above, including a yield at 6.5%) in order to achieve an acceptable, positive land value.

5.24 Combining this approach with the "public intervention" scenario set out above however, i.e. leaving rents at a broadly affordable level (£10.65psf), but introducing some form of initial rent "underwriting" by the public sector (hence removing the initial void period and reducing developer's profit) – would establish a more viable project, with residual land value just over £100k per acre.

Other Approaches -

5.25 Following on from the analysis above, we have considered an alternative approach to delivering affordable workspace schemes by examining the impact of linking 'affordable units' to a scheme of market facing (fully commercial) development, capable of achieving higher market rents and capital values, such as retail/leisure uses or higher value B8 uses.

5.26 This approach could potentially create a cross subsidy, from higher value uses, to support the overall viability of a site, in very much the same way as affordable housing is linked to private housing development. Overall this could have a positive impact on land value, and create a situation where the combined development, will establish a land value, sufficient to persuade a landowner to release sites for this purpose. We have however only considered this in the context of releasing new development land areas, not currently allocated for any commercial uses, on the basis that this strategy is looking to create development potential that is not possible at present, and the financial equation would work if land had an existing use value.

5.27 From discussions with developers and agents, the type of use that may be capable of generating such value could be retail based (particularly trade retail such as Screwfix or Tool Station), food and beverage based (such as a Starbucks or Costa drive-thru) or a high quality, purpose built development for a blue-chip covenant, capable of commanding a high rental level (possibly logistics based).

5.28 Clearly such an approach would only be deliverable in specific locations / market conditions, and consultations have highlighted the fact that the opportunities for trade retail uses have in most cases already been exhausted and would therefore be very limited going forward. Food and beverage opportunities are also quite limited, given the location and accessibility criteria which need to be met. Establishing the principle does however create a framework within which development potential can be explored on a site by site basis, and the opportunity taken to explore the full range of development options.

5.29 We have therefore run appraisals on this basis to identify the scale of "market facing" commercial development, that would be required to generate a sufficiently positive land value to support affordable floorspace, and the rental levels that would be required for this accommodation. In all cases we have adopted the appraisal methodology set out above, for consistency, e.g. all examples test development on a single 1 acre plot.

5.30 Table 24 below sets out the results of this exercise. The first example, considers a scheme that delivers an equal quantum of market related space (logistics, or trade retail for example, that would command a rental of some £10psf) and affordable floorspace, with rental levels fixed at around £5.50psf. This also assumes that a letting void period would be required, as well as a developer's profit of around 20% on the overall development, and that the investment yield achieved would be higher for the market related space, than the affordable units.

5.31 The outcome of such a scheme would however not generate a positive land value (just under -£600,000 per acre), and this balance and type of accommodation mix would therefore not provide an overall, viable development.

5.32 The next example, uses the same types of development and appraisal assumptions, but in this case changes floorspace to a 25:75 mix, with some 25% of the development forming affordable accommodation and the balance, market facing floorspace. As can be seen, this raises the

overall land value of the site, to a positive level, which (with some further minor adjustments) should potentially be a value sufficient to drive release by the landowner.

5.33 The third example retains the 50:50 split of affordable to market facing accommodation, but raises the market rental level, in order to understand the point at which this is adequate to create a sufficiently positive land value, to generate release by the landowner. In this case, it requires a market rent of some £13.50psf to generate such a position, which would exceed current rental levels for logistics or retail trade uses. It may however allow a bespoke, office / HQ to be undertaken as the "matching" development, which with the right covenant, may provide the opportunity to realise this level of rental.

5.34 Finally, we have examined the potential, to utilise a specialist, higher value use, in order to generate a development mix, which could potentially create an overall land value, capable of supporting a reasonable level of affordable floorspace. In the final example in the table below, we have demonstrated the potential for developing a "drive-thru" café (or similar), which would only require a relatively small portion of the site, allowing the balance to come forward for an affordable unit scheme.

5.35 As set out above, these are very specialist operations, and rely on both good accessibility, and an attractive location (e.g. close to main thoroughfares or other compatible uses) but the principle is worth considering in the broader context of the district.

5.36 It can be seen however, that this scenario does create a significant volume of affordable accommodation, compared to other examples (approaching 70:30, affordable : market facing) which in the right location, could provide an attractive proposition.

5.37 Further details of these appraisals are included in Annex G.

Table 24 – Alternative development scenarios delivering mix of affordable workspace alongside 'market' product

Use	Rent psf	Yield %	Void period (mnths)	Development Density %	Development Area Sq Ft	Construction costs (psf)	Developer's Profit %	Professional Fees %	Residual Land value £
Affordable / Market 50:50									
Affordable Accommodation	5.5	0.075	6	0.55	11979	89	0.2	0.08	-597,106
Market Accommodation (Trade unit)	10	0.055	0	0.55	11979	100			
Affordable / Market 25:75									
Affordable Accommodation	5.5	0.075	6	0.55	5989.5	89	0.2	0.08	56,356
Market Accommodation (Trade unit)	10	0.055	0	0.55	17968.5	100			
Affordable / Market 50:50 - (rent required to turn positive)									
Affordable Accommodation	5.5	0.075	6	0.55	11979	89	0.2	0.08	109,913
Market Accommodation (Trade unit)	14.5	6.00%	6	60.00%	13,068	100.00			
Affordable / Market (Drive-Thru Café) 70:30									
Affordable Accommodation	5.5	8.00%	6	52.50%	18,295	73.95	20.00%	8.00%	127,328
Market Accommodation (Trade unit)	25	6.00%	0	52.50%	5,881	120.00			

5.38 Based on the analysis undertaken above – it would be reasonable and feasible to consider a policy approach (only on sites without an existing / planned permission) which sought to achieve a **minimum** 20% affordable accommodation element, alongside a level of market facing development.

5.39 On the basis that this could be proven, in terms of supporting appraisals / market analysis etc, then this would be accepted as the basis for an appropriate planning permission to be granted. Clearly, this would not prevent a higher level of affordable floorspace being provided, if the investment metrics supported this. It is also suggested that this would not necessarily preclude a lower level of affordable floorspace being approved / delivered, however this

would very much be subject to negotiations with / approval from the local authority (at its entire discretion) and would need to be strictly based on proven viability evidence, in very much the same way as affordable housing numbers can be similarly mitigated.

6. Overall conclusions and recommendations

6.1 In summary all of the appraisals undertaken in the previous Section, and the analysis of the results, broadly conclude that it is not possible to create a positive land value (or a value sufficient to persuade a private landowner to release previously unallocated land), through the development of an affordable, industrial floorspace investment scheme alone (with rents benchmarked at currently affordable levels and current costs) within the Stratford-on-Avon District.

6.2 The market has demonstrated that the development of small workspace units (generally in the range 2,500 sq ft and below), for sale on a freehold basis, has been proven successful in the right location, over the last two / three years, with sales values achieving some £200 psf. Whilst there is clearly a market for this product, this is not seen as the main answer to the demand for affordable / flexible floorspace, although it could certainly form part of a wider mixed use scheme, in the right location.

6.3 In the case of office development, higher build costs and rents which are low comparative to more traditional office markets make viability of office space within the District challenging in any circumstances. From discussions with local developers and experience elsewhere, there could be potential demand for flexible "hybrid" offer, usable as both industrial or basic office/studio space, although there are few examples in the area. If this kind of product were to be targeted, then viability is still an issue, although not as challenging as the more traditional office product.

6.4 The above conclusions, therefore indicate that even if sites were to be allocated exclusively for affordable office / industrial uses, they are unlikely to be brought forward without more active intervention of some kind.

6.5 The above analysis does however indicate that if such developments could benefit from some form of public sector intervention in order to support the viability of a scheme, then under these circumstances it might be possible to deliver such floorspace.

6.6 The sensitivities we have run show that there are a number of factors that could be adjusted / under-written, in order to create a positive development scenario. This could include the public sector adopting a "lead" role in bringing forward / supporting the funding of the development. Other options could include –

- the Public Sector "guaranteeing" the head rent (at say £7.50psf for industrial floorspace) from practical completion to full letting (and beyond if achieved rents fall below this figure), so as to eliminate any void period, business rates or other risks,
- as a result of this commitment, working with a contractor / developer, in order to significantly reduce the developer's profit required
- using the public sector's involvement to also reduce the investment yield, reduce the finance costs of the development, and potentially to reduce the overall build costs etc

6.7 The above factors could result in a positive residual land value being achieved, which would be sufficient to motivate a landowner to release land for development of this kind.

6.8 The direct Public Sector interventions that could be deployed to improve viability and likelihood of delivery of the desired kind of development include the following:

- **Rent guarantees** – the Council guarantees rents at a fixed level to reduce the void period while a tenant is found
- **Head leases** – the Council or other body could agree to take a head lease to secure income for an investor, and then sub-let the premises to occupiers, thus taking on some of the risk and eliminating the void period while a tenant is found
- **Public subsidy (gap funding)** – the viability gap could be funded by investing public money in a development project

6.9 As an example of one of the above interventions, the use of rental guarantees by other authorities have resulted in -

- An agreement to underwrite the minimum rental level required to provide a developer / investor with an acceptable level of return on the proposed "affordable scheme"
- This would be cross referenced with a fully evidenced development appraisal, that would establish the development parameters, such as accommodation size and specification, land and build costs, fees and other associated costs, specific rental level required, fixed developers profit (or agreed level of return if to be retained as a long-term investment), minimum occupational terms and conditions etc
- The appraisal would need to fully reflect the rental guarantee being offered, and any consequent impact on such aspects as the level of developers profit, void periods, finance costs, investment yields etc
- These components would be agreed at full design / tender stage, but subject to final ratification, based on audited outturn costs etc and any adjustments to retain the agreed levels of return
- The rental agreement would cover a fixed period (say 2 years) and both the developer and the Council, would be permitted to promote the floorspace for letting (and potentially sale if appropriate) on the agreed terms, over this period (subject to agreed criteria in respect of tenant covenant / standing)
- In the event that the accommodation (or parts of the accommodation where the scheme comprises a number of units) is let, then any rental payments received over the 2 year "guarantee period" will be deducted from the guarantee payments due from the Council, to the developer
- All claims and payments, would be subject to full audit over the period of the guarantee and the preparation of a final balancing statement

6.10 As well as delivering much needed / additional levels of affordable floorspace into the market – the policy would also have other / more significant benefits to the wider economy, including the delivery of –

- New permanent jobs (and in some cases the retention of jobs in the local economy)

- Construction jobs
- Increased GVA within the area
- Spin off jobs in the wider supply chain
- Increased business rate income

6.11 An alternative approach, could be the balancing of a number of uses, within a single development, matching affordable space with market facing development, which has the potential to create a deliverable mix of uses, although the commercial use would need to generate high capital values or rental levels (and therefore investment value) and would be expected to form the majority of the site usage (with a proposed maximum of 80%). Where the matching use could be retail, logistics or "food" related, the site location would be important and this would only be feasible in a number of accessible locations.

6.12 As set out above, this approach would only apply to sites which are not allocated for commercial use within the Local Plan and have no current prospect of being allocated. The objective of the proposal under consideration is solely to generate new affordable development, that would not take place under any other circumstances.

6.13 This could be embodied in the "right to build" an element of floorspace at 'full value' – as part of the planning consent, that allows a proportion of development to consist of higher value uses, either full market value logistics units, trade counter retail or leisure uses, which are conditional on the developer providing a specified minimum (20%) amount of affordable workspace. These higher value uses would then allow development of the desired product through cross-subsidy to help viability and support land values to allow a suitable return to the landowner.

6.14 The Authority may be prepared to negotiate lower levels of affordable accommodation in exceptional circumstances, entirely at its discretion and subject to the provision of evidence based, financial justification.

6.15 Finally, there are some other issues to be considered in the context of public sector intervention in this "affordable workspace" agenda. For example, the Council will need to define 'affordable' from a policy perspective. This could be a specified discount on full market value or alternatively lettings must be fixed at a specified rental level.

6.16 In formulating it's policy, the Council would also need to consider how to both ensure that affordable uses are delivered, but also more importantly, how they are retained into the future once initially delivered.

6.17 For example, the policy could require any land owner / developer applying for permission to bring forward affordable accommodation (or a mix of market facing and affordable accommodation) – to specify precise and evidence-based arrangements / proposals as to:

- how this is going to be delivered
- by whom and within what timescales
- the proposed size, specification and rental levels for the affordable accommodation

- how long the floorspace will be retained in this use (x years) and
- how that is going to be achieved / maintained and protected, over this period

6.18 Once in an acceptable format, these provisions would need to be incorporated into an appropriate form of legal / planning conditions that could be enforced, depending on the ultimate strategy adopted.

6.19 The Council could also consider whether any over-arching limitations placed on these schemes are time-limited, and if so what the time period should be.

Next Steps

6.20 Following the conclusions from the previous section, it is suggested that the Council could –

- Draw up a "technical framework" around the "affordable floorspace" strategy to set out the guiding parameters that must be considered in any application. Any proposal must –
    - entirely create new commercial floorspace on land that would not otherwise be considered for development at all
    - establish a minimum amount of affordable floorspace [20%] linked to a compatible non- affordable, mix of accommodation. The objectives behind each proposal however, would be to maximise the quantum of deliverable, affordable floorspace
    - be accompanied by a full financial appraisal, that demonstrates the viability of delivering the affordable floorspace, alongside the market facing accommodation
    - demonstrate that the affordable floorspace (or a significant quantum) will be delivered in parallel with the market facing accommodation and how that will be achieved
- Provide a pre planning application process within which the range of options can be explored, in terms of the site under consideration, the range of potential uses, the proportionate mix of uses, viability issues etc
- Establish the legal framework under which planning "conditions" will be required to enforce the provision of affordable floorspace, and to ensure that it is consistently made available at an affordable cost, and retained in such use for a definitive period [10 years] with specific provisions to govern the only circumstances under which an "exit" from affordable uses, will be permitted
- Provide the Local Authority (or any other relevant public sector body that operates a property development / investment vehicle in the area e.g. Warwickshire County Council) with a "right of first refusal" to take over the affordable floorspace, in the event that the owner / developer attempts to exercise the "exit" provisions

Annex A: Database Search Criteria

Figure 1 - CoStar and EGi Industrial data collection search criteria

Criteria	CoStar	EGi
Location	Stratford-on-Avon local boundary	Stratford-on-Avon local boundary
Data range (time)	January 2014 – 1st October 2019	January 2014 – 1st October 2019
Geographical location	Alcester, Evesham, Leamington Spa, Shipston on Stour, Southam, Stratford-upon-Avon, Studley, Warwick	Alcester, Leamington Spa, Shipston on Stour, Southam, Stratford-upon-Avon, Studley, Warwick
Size categories (sq. ft)	Less than 3,000, 3,000 to 20,000, Greater than 20,000	Less than 3,000, 3,000 to 20,000, Greater than 20,000

Figure 2 - CoStar and EGi Office data collection search criteria

Criteria	CoStar	EGi
Location	Stratford-on-Avon local boundary	Stratford-on-Avon local boundary
Data range (time)	January 2014 – 1st October 2019	January 2014 – 1st October 2019
Geographical location	Alcester, Evesham, Henley In Arden, Leamington Spa, Shipston on Stour, Solihull, Southam, Stratford-upon-Avon, Studley, Warwick	Alcester, Henley In Arden, Leamington Spa, Shipston on Stour, Solihull, Southam, Stratford-upon-Avon, Studley, Warwick
Size categories (sq. ft)	0 - 500, 501 - 1000, 1001 - 2500, 2501- 5000, 5000 – 10,000	0 - 500, 501 - 1000, 1001 - 2500, 2501- 5000, 5000 – 10,000

Annex B Industrial Property Performance – data analysis

Table 1 - CoStar – Industrail Availability October 2019 by location

Location	Year Built	Floor Area	Rent/SF/Yr	Quality (1 to 5)
Alcester	1975	15250	£5.97	2
Alcester	1988	18815	£7.28	3
Alcester	1990	24247	£3.84	2
Alcester	2015	4341	£11.47	4
Leamington Spa	1953	24114	£4.01	2
Southam	1980	40068	£6.06	2
Southam	1993	40049	£5.62	3
Southam	2000	30526	£3.95	3
Southam	2010	2590	£6.94	3
Southam	2016	18249	£6.57	3
Southam	2019	5596	£8.00	2
Southam	2019	6329	£8.00	3
Southam	2019	13262	£8.00	3
Stratford Upon Avon	1960	16216	£7.46	2
Stratford Upon Avon	1968	31740	£2.50	2
Stratford Upon Avon	1969	65801	£6.00	3
Stratford Upon Avon	1970	16559	£5.47	3
Stratford Upon Avon	1972	13349	£3.88	2
Stratford Upon Avon	1980	71424	£3.50	3
Stratford Upon Avon	1988	23629	£8.04	3
Stratford Upon Avon	2007	28000	£9.00	3
Warwick	2007	161820	£14.54	3
Warwick	2010	4391	£7.29	4

Table 2 - EGi Industrial Annual Take-Up

Uses	2014	2015	2016	2017	2018	2019	Grand Total
Industrial - Distribution Parks (B8)	229,998		209,998				439,996
Industrial - Storage and Distribution (B8)	423,857	5,050	21,596	9,900	162,555		622,958
Industrial - Garage / Workshop (B1c)					2,950		2,950
Industrial - General Industrial (B2)	1,470	2,185		9,900	6,602		20,157
Industrial - Light Industrial / Business Units (B1c)	16,051		4,516	500	1,400		22,467
Industrial - Mixed Industrial (B1/2)	10,665	7,584	13,349	28,000		11,754	71,352
Industrial - Mixed Industrial (B1/2/8)	97,517	10,926	171,038	382,629	196,318	166,180	1,024,608
Grand Total	**779,558**	**25,745**	**420,497**	**430,929**	**369,825**	**177,934**	**2,204,488**

Source EGi Data services:

Table 3 - CoStar average rents by location

	2014	2015	2016	2017	2018	2019	5-year average
Alcester	£6.89	£5.10	£4.53	£6.82	£6.58	£5.51	£5.90
number of transactions	*2*	*5*	*5*	*2*	*3*	*3*	
Evesham	£3.24	NA	NA	NA	£5.16	NA	£4.20
number of transactions	*1*	*0*	*0*	*0*	*3*	*0*	
Leamington Spa	£4.18	£3.75	£7.28	£4.28	£6.75	NA	£5.25
number of transactions	*1*	*2*	*3*	*1*	*1*	*0*	
Shipston On Stour	NA	NA	£4.79	£3.79	NA	NA	£4.29
number of transactions	*0*	*0*	*1*	*1*	*0*	*0*	
Southam	£5.43	£6.65	£5.93	£9.00	£8.67	£9.56	£7.54
number of transactions	*7*	*4*	*6*	*2*	*3*	*1*	
Stratford Upon Avon	£3.66	£5.01	£4.29	£4.23	£5.93	£2.55	£4.28
number of transactions	*10*	*4*	*6*	*4*	*9*	*1*	
Studley	£3.00	NA	NA	£6.21	£3.74	£4.00	£4.24
number of transactions	*1*	*0*	*0*	*1*	*3*	*1*	
Warwick	£6.03	£5.42	£3.86	NA	£4.74	£4.57	£4.92
number of transactions	*3*	*3*	*2*	*0*	*3*	*1*	

Table 4 - EGi average rents by location

	2014	2015	2016	2017	2018	2019	5-year average
Alcester	£5.00	£5.00	£4.95	£5.19	£4.59	£5.26	£5.00
number of transactions	*1*	*1*	*8*	*9*	*7*	*3*	
Leamington Spa	NA	NA	£4.02	NA	NA	NA	£4.02
number of transactions	*0*	*0*	*2*	*0*	*0*	*0*	
Shipston On Stour	NA	NA	NA	NA	£7.26	NA	£7.26
number of transactions	*0*	*0*	*0*	*0*	*2*	*0*	
Southam	£5.67	£6.28	£5.33	£5.40	£6.57	£9.56	£6.47
number of transactions	*2*	*2*	*8*	*4*	*5*	*1*	
Stratford Upon Avon	£2.49	£3.93	£4.68	£2.00	£3.78	£2.89	£3.30
number of transactions	*1*	*1*	*7*	*1*	*6*	*2*	
Studley	NA	NA	NA	£3.83	£1.56	£3.19	£2.86
number of transactions	*0*	*0*	*0*	*1*	*2*	*1*	
Warwick	NA	NA	£8.50	£7.59	£3.78	£5.13	£6.25
number of transactions	*0*	*0*	*1*	*2*	*1*	*2*	

Source: EGi

Table 5 - CoStar average rents by size

Size of Industrial unit (sq. ft.)	2014	2015	2016	2017	2018	2019
<3000	£6.13	£4.88	£6.49	£6.92	£6.55	£6.43
number of transactions	*10*	*12*	*12*	*6*	*7*	*4*
3000-20,000	£4.36	£4.53	£5.35	£4.04	£5.52	£4.90
number of transactions	*12*	*7*	*9*	*2*	*13*	*3*
20,000-100,000	£3.24	NA	£3.03	£3.42	£4.32	£2.55
number of transactions	*2*	*0*	*2*	*3*	*4*	*1*

Table 6 - EGi average rents by size

Size of Industrial unit (sq. ft.)	2014	2015	2016	2017	2018	2019
<3000	NA	£5.34	£5.88	£7.29	£7.22	£9.56
number of transactions	0	2	10	6	8	1
3000-20,000	£4.71	£5.41	£4.68	£4.08	£3.31	£4.90
number of transactions	4	2	15	8	12	4
20,000-100,000	NA	NA	£3.00	£2.00	£2.04	£2.17
number of transactions	0	0	1	1	3	3

Annex C - Office Property Performance – data analysis

Table 1 - CoStar – Availability of Offices Premises To Let - by location

Location	Year Built	Floor Area	Rent psf	Quality (1 to 5)
Alcester	1663	6,632	£12.90	2
Alcester	1799	8,139	£13.00	2
Alcester	1997	1,035	£12.08	2
Alcester	2003	17,552	£7.92	3
Alcester	2004	6,800	£11.00	3
Banbury	1900	2,490	£14.00	2
Evesham	1789	23,363	£14.06	3
Henley In Arden	1970	1,511	£12.64	3
Henley In Arden	1992	1,050	£14.50	2
Henley In Arden	1995	10,000	£11.37	3
Henley In Arden		964	£14.50	2
Redditch	2008	7,875	£12.50	3
Shipston On Stour	1905	9,355	£11.33	2
Southam	1900	3,226	£9.48	2
Southam		541	£13.86	2
Stratford Upon Avon	1800	5,080	£12.61	3
Stratford Upon Avon	1899	1,058	£19.82	2
Stratford Upon Avon	1900	1,270	£10.00	2
Stratford Upon Avon	1956	16,729	£8.73	2
Stratford Upon Avon	1960	1,326	£12.69	2
Stratford Upon Avon	1960	767	£19.35	2
Stratford Upon Avon	1969	78,820	£10.50	3
Stratford Upon Avon	1989	1,638	£15.26	2
Stratford Upon Avon	2005	5,224	£13.93	2
Studley	1965	6,074	£14.06	3
Warwick	1975	40,147	£14.00	3
Warwick	1996	2,828	£13.44	3
Warwick	2013	7,115	£15.00	3

Table 2 - CoStar Office rents by location

CoStar Data	2014	2015	2016	2017	2018	2019 YTD
Alcester	£9.48	£7.19	£7.72	£10.00	£11.00	NA
Number of Transactions	*4*	*2*	*1*	*2*	*3*	*0*
Evesham	NA	NA	NA	NA	£19.48	£14.34
Number of Transactions	*0*	*0*	*0*	*0*	*2*	*1*
Henley In Arden	£10.78	£9.76	£12.88	NA	£14.67	£15.00
Number of Transactions	*5*	*3*	*2*	*0*	*1*	*3*
Leamington Spa	£8.73	£9.65	NA	£11.58	£10.17	NA
Number of Transactions	*2*	*1*	*0*	*1*	*1*	*0*
Shipston On Stour	NA	NA	NA	£10.29	NA	NA
Number of Transactions	*0*	*0*	*0*	*1*	*0*	*0*
Solihull	£12.00	£13.16	NA	NA	NA	NA
Number of Transactions	*2*	*1*	*0*	*0*	*0*	*0*
Southam	NA	£9.36	£9.97	£15.56	£11.73	NA
Number of Transactions	*0*	*2*	*2*	*1*	*3*	*0*
Stratford Upon Avon	£11.85	£13.49	£12.28	£11.13	£14.91	£11.30
Number of Transactions	*13*	*6*	*2*	*12*	*10*	*2*
Studley	NA	NA	NA	NA	£10.59	NA
Number of Transactions	*0*	*0*	*0*	*0*	*1*	*0*
Warwick	NA	NA	£8.01	NA	£9.09	£10.20
Number of Transactions	*0*	*0*	*2*	*0*	*1*	*1*

Table 3 – EGi Office rents by location

EGi Data	**2014**	**2015**	**2016**	**2017**	**2018**	**2019 YTD**
Alcester	£12.52	£8.00	£11.21	£10.35	£11.32	NA
number of transactions	13	1	5	4	3	0
Henley-In-Arden	NA	NA	£9.33	£36.00	£12.31	£32.60
number of transactions	0	0	1	2	4	3
Leamington Spa	NA	NA	NA	NA	NA	£7.33
number of transactions	0	0	0	0	0	1
Shipston On Stour	NA	NA	NA	NA	NA	NA
number of transactions	0	0	0	0	0	0
Southam	£10.00	£14.19	£12.45	NA	£13.28	NA
number of transactions	2	3	7	0	3	0
Stratford Upon Avon	£13.47	£10.60	£12.01	£12.77	£6.19	NA
number of transactions	13	5	12	14	4	0
Studley	£12.50	NA	NA	£12.29	£17.58	£10.49
number of transactions	1	0	0	3	1	1
Solihull	£10.00	NA	NA	NA	NA	NA
number of transactions	3	0	0	0	0	0
Warwick	£14.00	NA	£15.97	£14.03	£17.27	NA
number of transactions	1	0	1	5	2	0

Table 4 - CoStar average rents by size band from 2014 – 2019

Size of office units (sqft)	2014	2015	2016	2017	2018	2019	No of Transactions over period	6 year average
CoStar Data							96	
0-500	£12.02	£14.01	£7.72	£10.29	£16.62	£10.20		£11.81
number of transactions	7	5	3	1	7	1	24	
500-1000	£10.71	£9.71	£13.35	£12.00	£11.19	£13.72		£11.78
number of transactions	7	3	3	8	4	2	27	
1000-2500	£10.80	£10.44	£10.64	£9.68	£12.73	£15.00		£11.55
number of transactions	9	6	3	6	8	3	35	
2500-5000	£8.06	NA	£12.19	£20.47	£10.00	£9.50		£12.04
number of transactions	1	0	1	1	1	1	5	
5000-10,000	£13.48	£5.87	NA	£8.96	£9.50	NA		£9.45
number of transactions	1	1	0	2	1	0	5	
EGi Data							119	
Size of office units (sqft)	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**		**5 year average**
0-500	£14.62	£12.76	£15.96	£26.76	£15.06	£41.60		£21.13
number of transactions	14	4	14	4	1	2	39	
500-1000	£10.00	£15.77	£12.29	£14.23	£12.14	£7.33		£11.96
number of transactions	8	3	9	7	1	1	29	
1000-2500	£10.00	£10.34	£7.52	£12.58	£12.36	£14.60		£11.23
number of transactions	9	4	6	11	11	1	42	
2500-5000	NA	NA	£12.25	10.31	13	NA		£11.85
number of transactions	0	0	2	3	1	0	6	
5000-10,000	£13.93	NA	NA	£18.00	NA	NA		£15.97
number of transactions	2	0	0	1	0	0	3	

Annex D - Example Appraisal Format

Summary Appraisal for Phase 1							
Currency in £							
REVENUE							
Sales Valuation		Units	ft²	Rate ft²		Unit Price	Gross Sales
	Residential Private	0	0	0		0	0
	Residential Affordable	0	0	0		0	0
	Totals	0	0				**0**
Rental Area Summary						Initial	Net Rent
		Density	ft²	Rent - ft²	Market / affordable split	MRV/Unit	at Sale
	Affordable Workspace industrial or	60%	26,136	5.5	50%	71,874	71,874
	Market Workspace	60%	26,136	15	50%	196,020	196,020
	Totals	60%	26,136				267,894
Investment Valuation		Net Rent					
	Affordable Workspace industrial or	office					
	Affordable ERV	71,874	YP @	6.50%		15.38461538	
	Rent Free / Void (months)	0	PV @	6.50%		1.000	**1,105,754**
	Market Workspace						
	Market ERV	196,020	YP @	8.00%		12.5	
	Rent Free / Void (months)	6	PV @	8.00%		0.962	**2,357,754**
GROSS DEVELOPMENT VALUE						3,463,508	
	Purchaser's Costs	5.80%		200,883			
						200,883	
NET DEVELOPMENT VALUE						**3,262,625**	
OUTLAY							
ACQUISITION COSTS		Area	£ / acre				
	Land Value	1	0	0			
	Surveys			50,000			
	Town Planning			50,000			
	Etc						
						100,000	
CONSTRUCTION COSTS							
	NEA: GEA residential	85%					
	NEA: GEA commercial	90%					
Construction		ft²	Rate ft²	Cost			
	Affordable Workspace industrial or	29,040	74	2,147,514			
	Residential Private	0		0			
	Residential Affordable	0		0			
	Totals	29,040		2,147,514		2,147,514	
	Contingency		5.00%	107,376			
	Developer Profit Commercial (on cost)		12.50%	268,439			
	Developer Profit Private Resi (on GDV)		20.00%	0			
	Developer Profit AH (on GDV)		6.00%	0			
	Site Works and Demolition		5%	107,376			
	CIL			0			
						483,191	
PROFESSIONAL FEES							
	Architect		8.00%	171,801			
						171,801	
MARKETING & LETTING							
	Letting Agent Fee		10.00%	7,187			
						7,187	
DISPOSAL FEES							
	Sales Agent Fee		1.00%	32,626			
	Sales Legal Fee		0.50%	16,313			
						48,939	
FINANCE							
	Years of Finance	1					
	Expenditure rate	50%					
	Cost of finance (%	5.0%					
	Total costs pre-finance	2,958,632					
	Total Finance Cost					73,966	
	PUBLIC CONTRIBUTION TO COSTS					**-**	
TOTAL COSTS						**3,032,598**	
RESIDUAL LAND VALUE						**230,026**	
Performance Measures							
	Profit on Cost%		7.59%				
	Profit on GDV%		6.64%				
	Profit on NDV%		7.05%				
	Development Yield% (on Rent)		0.31%				
	Rent Cover		12 yrs				
	TOTAL COSTS		3,032,598				
	ANNUAL RENT		267,894				
	LESS MANAGEMENT COSTS	5%	13394.7				
	NET ANNUAL RENT		254,499				
	ANNUAL RETURN ON CAPITAL		8.39%				

Annex E - Detailed Appraisal Analysis – Industrial Scenarios

PERFORMANCE CRITERIA	Industrial - Scenario 1		Industrial - Scenario 2		Industrial - Scenario 3		Industrial - Scenario 4		Industrial - Scenario 5		Industrial - Scenario 6		Industrial - Scenario 7		Industrial - Scenario 8		Industrial - Scenario 9	
Rent	£4.5 psf		£5.5 psf		£6 psf		£6 psf		£6.5 psf		£9.6 psf		£13.5 psf		£10.5 psf		£7.5 psf	
Construction	BCIS Median Decile - purpose built		BCIS Median Decile - purpose built		BCIS Median Decile - purpose built		BCIS Median Decile - purpose built		BCIS Median Decile - purpose built		BCIS Median Decile - purpose built		BCIS Median Decile - purpose built		BCIS Median Decile - purpose built		BCIS Median Decile - advance factory	
Yield	8.00%		8.00%		8.00%		6%		5.50%		5.50%		7.50%		6.50%		5.50%	
REVENUE																		
Rental Area Summary																		
Workspace industrial or office																		
Density	45%		45%		45%		55%		60%		60%		50%		50%		55%	
ft²	19,602		19,602		19,602		23,958		26,136		26,136		21,780		21,780		23,958	
Rent - ft²	£5		£6		£6		£6		£7		£10		£14		£11		£8	
Net Rent		£88,209		£107,811		£117,612		£143,748		£169,884		£250,906		£294,030		£228,690		£179,685
Investment Valuation																		
Market Rent	£88,209		£107,811		£117,612		£143,748		£169,884		£250,906		£294,030		£228,690		£179,685	
YP @	8.00%		8.00%		8.0%		5.50%		5.5%		5.5%		7.50%		6.5%		5.5%	
Rent Free / Void (months)	12		12		12.00		12		6		6		6		0		0	
GROSS DEVELOPMENT VALUE		£1,020,938		£1,247,813		£1,361,250		£2,477,346		£3,007,209		£4,441,416		£3,781,170		£3,518,308		£3,267,000
Purchaser's Costs	5.80%	£59,214	5.80%	£72,373	5.8%	£78,953	5.80%	£143,686	5.8%	£174,418	5.8%	£257,602	5.80%	£219,308	5.8%	£204,062	5.8%	£189,486
NET DEVELOPMENT VALUE		£961,723		£1,175,439		£1,282,298		£2,333,660		£2,832,791		£4,183,814		£3,561,862		£3,314,246		£3,077,514
OUTLAY																		
ACQUISITION COSTS																		
Land Value		0		0		0		0		0		0		0		0		0
Surveys		£50,000		£50,000		£50,000		£50,000		£50,000		£50,000		£50,000		£50,000		£50,000
Town Planning		£50,000		£50,000		£50,000		£50,000		£50,000		£50,000		£50,000		£50,000		£50,000
CONSTRUCTION COSTS																		
Rate ft²	£89		£89		£89		£89		£89		£89		£89		£89		£75	
Cost		£2,052,445		£2,052,445		£2,052,445		£2,508,544		£2,736,593		£2,736,593		£2,280,494		£2,280,494		£2,113,941
Contingency	5.00%	£102,622	5.00%	£102,622	5.00%	£102,622	5.00%	£125,427	5.0%	£136,830	5.0%	£136,830	5.00%	£114,025	5.0%	£114,025	5.0%	£105,697
Developer Profit Commercial (on c	20.00%	£410,489	20.00%	£410,489	20.00%	£410,489	20.00%	£501,709	20.0%	£547,319	20.0%	£547,319	20.00%	£456,099	12.5%	£285,062	12.5%	£264,243
PROFESSIONAL FEES	10.00%	£205,244	10.00%	£205,244	10.00%	£205,244	10.00%	£250,854	8.0%	£218,927	8.0%	£218,927	8.00%	£182,440	8.0%	£182,440	8.0%	£169,115
MARKETING & LETTING	10.00%	£8,821	10.00%	£10,781	10.00%	£11,761	10.00%	£14,375	10.0%	£16,988	10.0%	£25,091	10.00%	£29,403	10.0%	£22,869	10.0%	£17,969
DISPOSAL FEES																		
Sales Agent Fee	1.00%	£9,617	1.00%	£11,754	1.00%	£12,823	1.00%	£23,337	1.0%	£28,328	1.0%	£41,838	1.00%	£35,619	1.0%	£33,142	1.0%	£30,775
Sales Legal Fee	0.50%	£4,809	0.50%	£5,877	0.50%	£6,411	0.50%	£11,668	0.5%	£14,164	0.5%	£20,919	0.50%	£17,809	0.5%	£16,571	0.5%	£15,388
FINANCE																		
Cost of finance (%	5.5%	£82,408	5.5%	£82,550	5.50%	£82,622	5.5%	£100,687	5.5%	£108,239	5.5%	£109,020	5.5%	£91,573	5.5%	£86,587	3.5%	£51,149
TOTAL COSTS		£3,079,078		£3,084,386		£3,087,040		£3,762,028		£4,044,218		£4,073,366		£3,421,485		£3,235,215		£2,973,974
RESIDUAL LAND VALUE		**-£2,117,355**		**-£1,908,946**		**-£1,804,742**		**-£1,428,368**		**-£1,211,427**		**£110,448**		**£140,376**		**£79,031**		**£103,540**

Annex F - Detailed Appraisal Analysis – Office Scenarios

PERFORMANCE CRITERIA	OFFICES - Scenario 1		OFFICES - Scenario 2		OFFICES - Scenario 3		OFFICES - Scenario 4		OFFICES - Scenario 5		HYBRID - Offices / Workspace - Scenario 1		HYBRID - Offices / Workspace - Scenario 2	
Rent	£9.5 psf		£9.5 psf		£11 psf		£12.5 psf		£13.25 psf		£13.5 psf		£10.65 psf	
Construction	BCIS - Offices 1-2 Storey - Median Decile		BCIS - Offices 1-2 Storey - 4th Decile		BCIS - Offices 1-2 Storey - 4th Decile		BCIS - Offices 1-2 Storey - 4th Decile		BCIS - Offices 1-2 Storey - 4th Decile		Hybrid - mixed use - higher density		Hybrid - mixed use - higher density	
Yield	5.50%		5.50%		5.50%		5.50%		5.50%		6.50%		5.50%	
REVENUE														
Rental Area Summary														
Workspace industrial or office														
Density	50.00%		50.00%		50.00%		55.00%		55.00%		55.00%		55.00%	
ft²	21,780		21,780		21,780		23,958		23,958		23,958		23,958	
Rent - ft²	£9.50		£9.50		£11.00		£12.50		£13.25		£13.50		£10.65	
Net Rent		£206,910		£206,910		£239,580		£299,475		£317,444		£323,433		£255,153
Investment Valuation														
Market Rent	£206,910		£206,910		£239,580		£299,475		£317,444		£323,433		£255,153	
YP @	5.50%		5.50%		5.50%		5.50%		5.50%		6.50%		5.50%	
Rent Free / Void (months)	12		6		6		6		0		6		0	
GROSS DEVELOPMENT VALUE		£3,565,877		£3,662,626		£4,240,935		£5,301,169		£5,771,700		£4,821,655		£4,639,140
Purchaser's Costs	5.8%	£206,821	5.8%	£212,432	5.8%	£245,974	0	£307,468	0	£334,759	5.8%	£279,656	5.8%	£269,070
NET DEVELOPMENT VALUE		£3,359,056		£3,450,194		£3,994,961		£4,993,701		£5,436,941		£4,541,999		£4,370,070
OUTLAY														
ACQUISITION COSTS														
Land Value		£0		£0		£0		£0		£0		£0		£0
Surveys		£50,000		£50,000		£50,000		£50,000		£50,000		£50,000		£50,000
Town Planning		£50,000		£50,000		£50,000		£50,000		£50,000		£50,000		£50,000
CONSTRUCTION COSTS														
Rate ft²	£152.27		£135.00		£135.00		£135.00		£135.00		£105.53		£105.53	
Cost		£3,901,695		£3,459,176		£3,459,176		£3,805,094		£3,805,094		£2,974,456		£2,974,456
Contingency	5.00%	£195,085	5.00%	£172,959	5.00%	£172,959	0	£190,255	0	£190,255	5.00%	£148,723	5.00%	£148,723
Developer Profit Commercial (on c	20.00%	£780,339	20.00%	£691,835	20.00%	£691,835	0	£761,019	0	£475,637	20.00%	£594,891	15.00%	£446,168
PROFESSIONAL FEES	8.00%	£312,136	8.00%	£276,734	8.00%	£276,734	0	£304,408	0	£304,408	8.00%	£237,956	8.00%	£237,956
MARKETING & LETTING	10.00%	£20,691	10.00%	£20,691	10.00%	£23,958	0	£29,948	0	£31,744	10.00%	£32,343	10.00%	£25,515
DISPOSAL FEES														
Sales Agent Fee	1.00%	£33,591	1.00%	£34,502	1.00%	£39,950	0	£49,937	0	£54,369	1.00%	£45,420	1.00%	£43,701
Sales Legal Fee	0.50%	£16,795	0.50%	£17,251	0.50%	£19,975	0	£24,969	0	£27,185	0.50%	£22,710	0.50%	£21,850
FINANCE														
Cost of finance (%	5.50%	£152,774	5.50%	£136,018	5.50%	£136,333	0	£150,037	0	£142,421	5.50%	£118,394	5.50%	£114,045
TOTAL COSTS		£5,708,190		£5,082,125		£5,093,878		£5,605,920		£5,321,367		£4,423,616		£4,261,138
RESIDUAL LAND VALUE		**-£2,349,134**		**-£1,631,932**		**-£1,098,917**		**-£612,218**		**£115,574**		**£118,383**		**£108,932**

Annex G - Detailed Appraisal Analysis – Alternative development scenarios delivering mix of affordable workspace alongside 'market' product

PERFORMANCE CRITERIA	**Affordable / Market 50:50 - no intervention**		**Affordable / Market 75:25 - no intervention**		**Affordable / Market 50:50 - no intervention**		**Affordable / Drive-Thru Cafe 30:70 - Build cost £89/sf & £159 /sf**	
Rent	Affordable: £5.50 / sq ft - Market: £10 / sq ft		Affordable: £5.50 / sq ft - Market: £10 / sq ft		Affordable: £5.50 / sq ft - Market: £13.50 / sq ft		Affordable: £5.50 / sq ft - Market: £25 / sq ft	
Construction	BCIS Median (Advance Factories - 500 to 2000m2 GFA)		BCIS Median (Advance Factories - 500 to 2000m2 GFA)		BCIS Median (Advance Factories - 500 to 2000m2 GFA)		BCIS Median (Advance Factories - 500 to 2000m2 GFA) and Bespoke D&B costs	
Yield	Market: 5.5% - Affordable: 7.5%		Market: 5.5% - Affordable: 7.5%		Market: 5.5% - Affordable: 7.5%		Market: 5.5% - Affordable: 7.5%	
Floorspace Sq Ft -	Floorspace Sq Ft -		Floorspace Sq Ft -		Floorspace Sq Ft -		Floorspace Sq Ft -	
Affordable	Affordable	11,979	Affordable	5,990	Affordable	11,979	Affordable	16,771
Market	Market	11,979	Market	17,969	Market	11,979	Market	7,187
REVENUE								
Rental Area Summary								
Affordable Workspace industrial or office								
Overall Density	55.00%		55.00%		55.00%		55.00%	
ft²	11,979		5,990		11,979		16,771	
Rent - ft²	£5.50		£5.50		£5.50		£5.50	
Net Rent		£65,885		£32,942		£65,885		£92,238
Market Facing offices / retail w'hse / logistics								
Density	55.00%		55.00%		55.00%		55.00%	
ft²	11,979		17,969		11,979		7,187	
Rent - ft²	£10.00		£10.00		£13.50		£25.00	
Net Rent		£119,790		£179,685		£161,717		£179,685
Proportion Affordable Workspace	50.00%		25.00%		50.00%		70.00%	
Investment Valuation								
Affordable ERV	£65,885		£32,942		£65,885		£92,238	
YP @	7.50%		7.50%		7.50%		7.50%	
Rent Free / Void (months)	6		6		6		6	
Investment Valuation								
Market ERV	£119,790		£179,685		£161,717		£179,685	
YP @	5.50%		5.50%		5.50%		5.50%	
Rent Free / Void (months)	0		0		0		0	
GROSS DEVELOPMENT VALUE		£847,262		£423,631		£847,262		£1,186,167
Purchaser's Costs	5.80%	£175,465	5.80%	£214,057	5.80%	£219,679	5.80%	£258,284
NET DEVELOPMENT VALUE		£2,849,797		£3,476,574		£3,567,883		£4,194,883
OUTLAY								
ACQUISITION COSTS								
Land Value		£0		£0		£0		£0
Surveys		£50,000		£50,000		£50,000		£50,000
Town Planning		£50,000		£50,000		£50,000		£50,000
CONSTRUCTION COSTS								
Rate Affordable	£89.00		£89.00		£89.00		£89.00	
Rate Non-Affordable	£100.00		£100.00		£100.00		£158.96	
Cost		£2,515,590		£2,588,795		£2,515,590		£2,927,847
Contingency	5.00%	£125,780	5.00%	£129,440	5.00%	£125,780	5.00%	£146,392
Developer Profit Commercial (on cost)	20.00%	£236,918	20.00%	£118,459	20.00%	£236,918	20.00%	£331,685
PROFESSIONAL FEES	8.00%	£201,247	8.00%	£207,104	8.00%	£201,247	8.00%	£234,228
MARKETING & LETTING	10.00%	£6,588	10.00%	£3,294	10.00%	£6,588	10.00%	£9,224
DISPOSAL FEES								
Sales Agent Fee	1.00%	£28,498	1.00%	£34,766	1.00%	£35,679	1.00%	£41,949
Sales Legal Fee	0.50%	£14,249	0.50%	£17,383	0.50%	£17,839	0.50%	£20,974
FINANCE								
Cost of finance (%	5.50%	£92,253	5.50%	£91,539	5.50%	£92,549	5.50%	£108,864
TOTAL COSTS		£3,446,902		£3,420,219		£3,457,970		£4,067,556
RESIDUAL LAND VALUE		**-£597,106**		**£56,356**		**£109,913**		**£127,328**