



## Report

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# CIL Development Viability Study: Additional Retail Testing Birmingham City Council

Draft 11th December 2013



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## Contents

Foreword.....	3
1. INTRODUCTION .....	3
2. ANALYSIS.....	3
3. RESULTS .....	6
4. CONCLUSIONS.....	7
Appendix A: Appraisals.....	13

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**For and on behalf of GVA Grimley Ltd**

## Foreword

This Addendum is to be read in conjunction with GVA's 'CIL Economic Viability Assessment Birmingham City Council' of October 2012.

## 1. INTRODUCTION

- 1.1 GVA has been instructed by the Council to carry out further work in respect of two retail scenarios, supermarkets and city centre retail, to demonstrate the ability of different size and formats of retail stores to potentially contribute to a CIL Charge.
- 1.2 As noted in the Report of October 2012, it is open to the Council to show through its Core Strategy and other work what form of retail is anticipated to be delivered during the currency of the CIL Tariff, and to propose a CIL rate that can be afforded by those proposals even if it cannot be by other forms of the same development.

## 2. ANALYSIS

- 2.1 The 4 additional development schemes have been discussed and agreed with Officers at the Council, including a modified version of Scenario 15 (Scenario C). The details of the schemes are summarised in the Table below.
- 2.2 The appraisals we have undertaken are for a hypothetical scheme in the Study Area, and are not site specific. As such the appraisals are high level and cannot be used as an example of what an individual developer or operator would be prepared to pay for land at any given location. The appraisals do not account for sunk costs or abnormal costs, and assume for the convenience stores a single storey development. The majority of assumptions within the appraisals are generic based on market comparables - the specifics of any scheme could have a significant impact on residual value e.g. site servicing costs.
- 2.3 If an operator was to construct a convenience or food store then, based on its own business model, it could potentially pay significantly more for the site than a developer; we have seen examples where an operator has offered more than double the bids from developers. We have sought to illustrate the potential difference in residual land value between the two approaches.

**Table 1: Summary of Development Typologies**

Scenario	Type	GIA Sq M	Car Parking Spaces	Gross site Ha
A	Convenience	1,500	90 surface	0.61
B	Convenience	2,700	150 surface	1.21

Scenario	Type	GIA Sq M	Car Parking Spaces	Gross site Ha
C	Convenience (including petrol station)	5,000	250 surface	2.42
D	City Centre	6,968	0	0.69

2.4 A summary of the values adopted is set out in the Table below.

**Table 2: Summary of Rents, Yields and Rent Free Periods**

Scenario		
A	Rent per Sq M	£161
	Yield	6%
	Rent Free – months	12
B	Rent per Sq M	£215
	Yield	5%
	Rent Free – months	0
C	Rent per Sq M	£215
	Yield	5%
	Rent Free – months	9
D	Rent per Sq M	£161-£215
	Yield	5.5%
	Rent Free – months	24

## Convenience Stores

2.5 We have made a number of standard assumptions as detailed below.

**Table 3: Summary of Building Cost Assumptions**

Item	
Build Cost per sqm	£1,300 - £1,430
Professional Fees	10%
Contingency	3% - 5%
Letting Costs	15%
Investment Sale Costs	1.5%
Finance	7.5%

Item	
Profit on Costs	5% on Operator Led 15% on Developer Led

- 2.6 An additional cost of £1,000,000 has been added to Scenario C, to account for the build costs of the petrol filling station.
- 2.7 We have calculated the developer led schemes by reference to a profit of 15% on the development costs. Currently in respect of schemes involving convenience stores we would expect developers to seek c 15 - 17.5%.
- 2.8 We have calculated the operator led schemes by reference to a profit of 5% on the Cost, which reflects the fact that operators are not seeking to make a profit on the development itself but to enable a development which allows them to derive income and profit from trading; we have seen appraisals from operators that have made no allowance for a profit. This also illustrates how effectively operators can submit substantially greater bids for land than developers.

## City Centre

- 2.9 We have made a number of standard assumptions as detailed below.

**Table 4: Summary of Building Cost Assumptions**

Item	
Build Cost per sqm	£1,290
Professional Fees	12%
Contingency	4%
Letting Costs	15%
Investment Sale Costs	1.5%
Finance	7.5%
Profit on Costs	15%

- 2.10 We have calculated the scheme by reference to a profit of 15% on the development costs. It is assumed that the scheme would only be promoted by an owner who wishes to extend an existing centre, and who has secured pre-lets of a substantial part of the accommodation.

- 2.11 The Residual Land Value for each Scenario has been compared with a Base Land Value, which then allows for a margin from which CIL/S.106 can be provided (taking into account cashflow and finance charges).

**Table 5: Base Land Values**

Area	Per Hectare	Per Acre
City Centre	£17.3m	£7m
Inner Urban	£865,000	£350,000
Commercial Greenfield Sites	£865,000	£350,000

### 3. RESULTS

- 3.1 The appraisals are appended, and the Table below summarise the maximum CIL charges per square metre for the scenarios. We have assumed that there is effectively no payment required under a S106 Agreement.

**Table 6: Maximum CIL**

			Max CIL per Sq M (40% Viability Cushion)		
			Developer led		Operator led
Scenario	Type	GIA Sq M	Profit @ 20% GDV	Profit @ 15% Costs	Profit @ 5% Costs
A	Convenience	1,500	£0	£0	£0
B	Convenience	2,700	£470	£624	£810
C	Convenience	5,000	£260	£410	£590
D	City Centre	6,968	£0	£0	n/a

- 3.2 The Table below details the CIL if it is assessed by reference to the Gross Development Value for each scenario.

**Table 6: CIL if assessed by reference to the Gross Development Value**

Scenario	Type	GIA Sq M	3% of GDV	5% of GDV	7% of GDV
A	Convenience	1,500	£70	£120	£170
B	Convenience	2,700	£120	£200	£290
C	Convenience	5,000	£120	£200	£270
D	City Centre	6,968	£90	£150	£210

**Table 7: CIL if assessed by reference to the Costs excluding Land (Developer Led)**

Scenario	Type	GIA Sq M	3% of Costs	5% of Costs	7% of Costs
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A	Convenience	1,500	£60	£100	£150
B	Convenience	2,700	£60	£100	£140
C	Convenience	5,000	£70	£110	£160
D	City Centre	6,968	£60	£90	£130

Table 8: CIL if assessed by reference to the Costs including Land (Developer Led)

Scenario	Type	GIA Sq M	3% of Costs	5% of Costs	7% of Costs
A	Convenience	1,500	£60	£110	£150
B	Convenience	2,700	£110	£180	£250
C	Convenience	5,000	£100	£170	£240
D	City Centre	6,968	£80	£130	£180

## 4. CONCLUSIONS

- 4.1 It should also be noted that the appraisals have been undertaken on a high level basis, and that there can be exceptional costs for individual sites which can mean that the residual land value is materially reduced.
- 4.2 Within the City centre we consider that retail development is already seriously challenged and cannot afford a CIL payment
- 4.3 In the case of the food sector, there is an ability to make a sizeable contribution to CIL for certain categories of store.
- 4.4 The analysis suggests that the results for Scenario A (1,500 sq m convenience store) are the most sensitive and unable to bear a material CIL contribution. Whilst the appraisals show that large stores, above c 2,000 sq m, can afford a significant CIL payment.



Report

Appendices



**Birmingham City Council – Additional Retail CIL Testing  
1,500 sq m Convenience Store, Profit 15% on Cost**

APPENDIX 2iii

<b>REVENUE</b>					
Retail	1,500.00 sq-m at 161.46 psm/pa				242,190
<b>Inv.Value-A</b>	Net annual income				242,190
	Capitalised at 6% Yield				4,036,500
	Less Unpaid Rent: 12 Months Income				242,190
	Less Purchasers costs at 5.8%				221,283
					<b>3,573,027</b>
				<b>REVENUE</b>	<b>3,573,027</b>
<b>COSTS</b>					
<b>Site Value</b>					<b>201,250</b>
Site Stamp Duty	at 4.00%				8,050
Site Legal Fees	at 0.75%				1,509
Site Agency Fees	at 1.00%				2,013
				Site Costs	<b>212,822</b>
Retail	1,500.00 sq-m at 1,300.00 psm				1,950,000
Surface Parking	90 spaces at 2,000.00 ea.				180,000
Enabling Works	1,500.00 sq-m at 108.00 psm				162,000
Highways					100,000
Contingency	at 5.00%				119,600
Professional Fees	at 10.00%				239,200
				Build Costs	<b>2,750,800</b>
Letting Agents Fee	at 10.00%				24,219
Letting Legal Fees	at 5.00%				12,110
Invest.sale Agents Fee	at 1.00%				38,152
Invest.sale Legal Fees	at 0.50%				19,076
				Disposal Fees	<b>93,557</b>
					<b>49,763</b>
<b>INTEREST</b>					
7.50% pa	on Debt charged Quarterly and compounded Quarterly				
<b>PROFIT</b>	466,086				
<b>PROFIT/SALE</b>	13.04%				
<b>IRR</b>	100.43%				
<b>YIELD/COST</b>	7.80%				
	<b>1,170.00</b>	<b>1,235.00</b>	<b>1,300.00</b>	<b>1,365.00</b>	<b>1,430.00</b>
<b>137.46</b>	0	0	0	0	0
	14.97%	10.23%	5.86%	1.82%	-1.93%
<b>145.46</b>	136,250	31,875	0	0	0
	15.00%	15.00%	11.84%	7.58%	3.64%
<b>153.46</b>	273,250	168,750	64,500	0	0
	15.00%	15.00%	15.00%	13.33%	9.18%
<b>161.46</b>	410,000	305,750	201,250	97,000	0
	15.00%	15.00%	15.00%	15.00%	14.70%
<b>169.46</b>	547,000	442,500	338,250	233,750	129,250
	15.00%	15.00%	15.00%	15.00%	15.00%
<b>177.46</b>	684,000	579,500	475,000	370,750	266,250
	15.00%	15.00%	15.00%	15.00%	15.00%
<b>185.46</b>	820,750	716,250	612,000	507,500	403,000
	15.00%	15.00%	15.00%	15.00%	15.00%

Residual Site Value and Profit on Cost (%)

Y Axis: Retail Income psm/pa

X Axis: Retail Build Rate psm

**Birmingham City Council – Additional Retail CIL Testing  
1,500 sq m Convenience Store, Profit 20% on GDV**

APPENDIX 2iii

<b>REVENUE</b>			
Retail	1,500.00 sq-m at 161.46 psm/pa	242,190	
<b>Inv.Value-A</b>	Net annual income	242,190	
	Capitalised at 6% Yield	4,036,500	
	Less Unpaid Rent: 12 Months Income	242,190	
	Less Purchasers costs at 5.8%	221,283	3,573,027
		<b>REVENUE</b>	<b>3,573,027</b>
<b>COSTS</b>			
<b>Site Value</b>		<b>12,000</b>	
Site Stamp Duty	at 4.00%	480	
Site Legal Fees	at 0.75%	90	
Site Agency Fees	at 1.00%	120	
		Site Costs	12,690
Retail	1,500.00 sq-m at 1,300.00 psm	1,950,000	
Surface Parking	90 spaces at 2,000.00 ea.	180,000	
Enabling Works	1,500.00 sq-m at 108.00 psm	162,000	
Highways		100,000	
Contingency	at 5.00%	119,600	
Professional Fees	at 10.00%	239,200	
		Build Costs	2,750,800
Letting Agents Fee	at 10.00%	24,219	
Letting Legal Fees	at 5.00%	12,110	
Invest.sale Agents Fee	at 1.00%	38,152	
Invest.sale Legal Fees	at 0.50%	19,076	
		Disposal Fees	93,557
			43,470
<b>INTEREST</b>			
7.50% pa	on Debt charged Quarterly and compounded Quarterly		
<b>PROFIT</b>	672,511	<b>COSTS</b>	2,900,517
<b>PROFIT/SALE</b>	18.82%	<b>PROFIT/COST</b>	23.19%
<b>IRR</b>	185.07%	<b>RENT COVER</b>	2.8 years
<b>YIELD/COST</b>	8.35%		

	1,170.00	1,235.00	1,300.00	1,365.00	1,430.00
<b>137.46</b>	0	0	0	0	0
	13.02%	9.28%	5.54%	1.79%	-1.96%
<b>145.46</b>	0	0	0	0	0
	17.66%	14.13%	10.59%	7.05%	3.51%
<b>153.46</b>	56,500	0	0	0	0
	20.00%	18.47%	15.11%	11.76%	8.41%
<b>161.46</b>	182,250	77,750	0	0	0
	20.00%	20.00%	19.19%	16.00%	12.81%
<b>169.46</b>	307,750	203,500	99,000	0	0
	20.00%	20.00%	20.00%	19.84%	16.81%
<b>177.46</b>	433,500	329,000	224,500	120,250	15,750
	20.00%	20.00%	20.00%	20.00%	20.00%
<b>185.46</b>	559,000	454,500	350,250	245,750	141,500
	20.00%	20.00%	20.00%	20.00%	20.00%

Residual Site Value and Profit on GDV (%)

Y Axis: Retail Income psm/pa

X Axis: Retail Build Rate psm

**Birmingham City Council – Additional Retail CIL Testing  
1,500 sq m Convenience Store, Profit 5% on Cost**

APPENDIX 2iii

**REVENUE**

Retail	1,500.00 sq-m at 161.46 psm/pa	242,190	
<b>Inv.Value-A</b>	Net annual income	242,190	
	Capitalised at 6% Yield	4,036,500	
	Less Unpaid Rent: 12 Months Income	242,190	
	Less Purchasers costs at 5.8%	221,283	3,573,027

**REVENUE** 3,573,027

**COSTS**

<b>Site Value</b>		<b>472,500</b>	
Site Stamp Duty	at 4.00%	18,900	
Site Legal Fees	at 0.75%	3,544	
Site Agency Fees	at 1.00%	4,725	
		Site Costs	499,669

Retail	1,500.00 sq-m at 1,300.00 psm	1,950,000	
Surface Parking	90 spaces at 2,000.00 ea.	180,000	
Enabling Works	1,500.00 sq-m at 108.00 psm	162,000	
Highways		100,000	
Contingency	at 5.00%	119,600	
Professional Fees	at 10.00%	239,200	
		Build Costs	2,750,800

Letting Agents Fee	at 10.00%	24,219	
Letting Legal Fees	at 5.00%	12,110	
Invest.sale Agents Fee	at 1.00%	38,152	
Invest.sale Legal Fees	at 0.50%	19,076	
		Disposal Fees	93,557

**INTEREST**

7.50% pa on Debt charged Quarterly and compounded Quarterly

**PROFIT** 170,219 **COSTS** 3,402,808

**PROFIT/SALE** 4.76% **PROFIT/COST** 5.00%

**IRR** 32.25% **RENT COVER** 0.7 years

**YIELD/COST** 7.12%

	1,170.00	1,235.00	1,300.00	1,365.00	1,430.00
<b>137.46</b>	230,500	126,000	21,500	0	0
	5.00%	5.00%	5.00%	1.82%	-1.93%
<b>145.46</b>	380,750	276,250	172,000	67,500	0
	5.00%	5.00%	5.00%	5.00%	3.64%
<b>153.46</b>	531,000	426,750	322,250	217,750	113,500
	5.00%	5.00%	5.00%	5.00%	5.00%
<b>161.46</b>	681,500	577,000	472,500	368,250	263,750
	5.00%	5.00%	5.00%	5.00%	5.00%
<b>169.46</b>	831,750	727,250	623,000	518,500	414,000
	5.00%	5.00%	5.00%	5.00%	5.00%
<b>177.46</b>	982,000	877,500	773,250	668,750	564,500
	5.00%	5.00%	5.00%	5.00%	5.00%
<b>185.46</b>	1,132,500	1,028,000	923,500	819,000	714,750
	5.00%	5.00%	5.00%	5.00%	5.00%

Residual Site Value and Profit on Cost (%)

Y Axis: Retail Income psm/pa

X Axis: Retail Build Rate psm.

**Birmingham City Council – Additional Retail CIL Testing  
2,700 sq m Convenience Store, Profit 15% on Cost**

APPENDIX 2iii

**REVENUE**

Retail	2,700.00 sq-m at 215.00 psm/pa	580,500	
<b>Inv.Value-A</b>	Net annual income	580,500	
	Capitalised at 5% Yield	11,610,000	
	Less Purchasers costs at 5.8%	636,465	10,973,535

**REVENUE** 10,973,535

**COSTS**

<b>Site Value</b>		<b>3,855,000</b>	
Site Stamp Duty	at 4.00%	154,200	
Site Legal Fees	at 0.75%	28,913	
Site Agency Fees	at 1.00%	38,550	
		Site Costs	4,076,663

Retail	2,700.00 sq-m at 1,430.00 psm	3,861,000	
Surface Parking	150 spaces at 2,000.00 ea.	300,000	
Enabling Works	2,700.00 sq-m at 100.00 psm	270,000	
Contingency	at 3.00%	132,930	
Professional Fees	at 10.00%	443,100	
		Build Costs	5,007,030

Letting Agents Fee	at 10.00%	58,050	
Letting Legal Fees	at 5.00%	29,025	
Invest.sale Agents Fee	at 1.00%	109,735	
Invest.sale Legal Fees	at 0.50%	54,868	
		Disposal Fees	251,678

**INTEREST**

7.50% pa on Debt charged Quarterly and compounded Quarterly 206,588

**PROFIT** 1,431,576 **COSTS** 9,541,959

**PROFIT/SALE** 13.05% **PROFIT/COST** 15.00%

**IRR** 71.44% **RENT COVER** 2.5 years

**YIELD/COST** 6.08%

**1,287.00 1,358.50 1,430.00 1,501.50 1,573.00**

**182.75** 2,984,000 2,781,000 2,577,500 2,374,500 2,171,500  
15.00% 15.00% 15.00% 15.00% 15.00%

**193.50** 3,410,000 3,206,500 3,003,500 2,800,500 2,597,000  
15.00% 15.00% 15.00% 15.00% 15.00%

**204.25** 3,835,500 3,632,500 3,429,000 3,226,000 3,023,000  
15.00% 15.00% 15.00% 15.00% 15.00%

**215.00** 4,261,500 4,058,000 3,855,000 3,652,000 3,449,000  
15.00% 15.00% 15.00% 15.00% 15.00%

**225.75** 4,687,000 4,484,000 4,281,000 4,078,000 3,875,000  
15.00% 15.00% 15.00% 15.00% 15.00%

**236.50** 5,113,000 4,910,000 4,707,000 4,504,000 4,301,000  
15.00% 15.00% 15.00% 15.00% 15.00%

**247.25** 5,539,000 5,336,000 5,133,000 4,930,000 4,727,000  
15.00% 15.00% 15.00% 15.00% 15.00%

Residual Site Value and Profit on Cost (%)

Y Axis: Retail Income psm/pa

X Axis: Retail Build Rate psm

**Birmingham City Council – Additional Retail CIL Testing  
2,700 sq m Convenience Store, Profit 20% on GDV**

APPENDIX 2iii

**REVENUE**

Retail	2,700.00 sq-m at 215.00 psm/pa	580,500	
<b>Inv.Value-A</b>	Net annual income	580,500	
	Capitalised at 5% Yield	11,610,000	
	Less Purchasers costs at 5.8%	636,465	10,973,535

**REVENUE** 10,973,535

**COSTS**

<b>Site Value</b>		<b>3,155,000</b>	
Site Stamp Duty	at 4.00%	126,200	
Site Legal Fees	at 0.75%	23,663	
Site Agency Fees	at 1.00%	31,550	
		Site Costs	3,336,413

Retail	2,700.00 sq-m at 1,430.00 psm	3,861,000	
Surface Parking	150 spaces at 2,000.00 ea.	300,000	
Enabling Works	2,700.00 sq-m at 100.00 psm	270,000	
Contingency	at 3.00%	132,930	
Professional Fees	at 10.00%	443,100	
		Build Costs	5,007,030

Letting Agents Fee	at 10.00%	58,050	
Letting Legal Fees	at 5.00%	29,025	
Invest.sale Agents Fee	at 1.00%	109,735	
Invest.sale Legal Fees	at 0.50%	54,868	
		Disposal Fees	251,678

**INTEREST**

7.50% pa	on Debt charged Quarterly and compounded Quarterly		183,311
<b>PROFIT</b>	2,195,103	<b>COSTS</b>	8,778,432

<b>PROFIT/SALE</b>	20.00%	<b>PROFIT/COST</b>	25.01%
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<b>IRR</b>	130.24%	<b>RENT COVER</b>	3.8 years
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<b>YIELD/COST</b>	6.61%				
	<b>1,287.00</b>	<b>1,358.50</b>	<b>1,430.00</b>	<b>1,501.50</b>	<b>1,573.00</b>

<b>182.75</b>	2,389,000	2,186,000	1,983,000	1,780,000	1,576,500
	20.00%	20.00%	20.00%	20.00%	20.00%

<b>193.50</b>	2,780,000	2,577,000	2,374,000	2,170,500	1,967,000
	20.00%	20.00%	20.00%	20.00%	20.00%

<b>204.25</b>	3,171,000	2,968,000	2,764,500	2,561,000	2,358,000
	20.00%	20.00%	20.00%	20.00%	20.00%

<b>215.00</b>	3,562,000	3,358,000	3,155,000	2,952,000	2,749,000
	20.00%	20.00%	20.00%	20.00%	20.00%

<b>225.75</b>	3,952,000	3,749,000	3,546,000	3,343,000	3,140,000
	20.00%	20.00%	20.00%	20.00%	20.00%

<b>236.50</b>	4,343,000	4,140,000	3,937,000	3,734,000	3,531,000
	20.00%	20.00%	20.00%	20.00%	20.00%

<b>247.25</b>	4,734,000	4,531,000	4,328,000	4,125,000	3,922,000
	20.00%	20.00%	20.00%	20.00%	20.00%

Residual Site Value and Profit on GDV (%)

Y Axis: Retail Income psm/pa

X Axis: Retail Build Rate ps

**Birmingham City Council – Additional Retail CIL Testing  
2,700 sq m Convenience Store, Profit 5% on Cost**

APPENDIX 2iii

<b>REVENUE</b>					
Retail	2,700.00 sq-m at 215.00 psm/pa				580,500
<b>Inv.Value-A</b>	Net annual income				580,500
	Capitalised at 5% Yield				11,610,000
	Less Purchasers costs at 5.8%				636,465
					<b>REVENUE</b> 10,973,535
<b>COSTS</b>					
<b>Site Value</b>					<b>4,688,000</b>
Site Stamp Duty	at 4.00%				187,520
Site Legal Fees	at 0.75%				35,160
Site Agency Fees	at 1.00%				46,880
					Site Costs 4,957,560
Retail	2,700.00 sq-m at 1,430.00 psm				3,861,000
Surface Parking	150 spaces at 2,000.00 ea.				300,000
Enabling Works	2,700.00 sq-m at 100.00 psm				270,000
Contingency	at 3.00%				132,930
Professional Fees	at 10.00%				443,100
					Build Costs 5,007,030
Letting Agents Fee	at 10.00%				58,050
Letting Legal Fees	at 5.00%				29,025
Invest.sale Agents Fee	at 1.00%				109,735
Invest.sale Legal Fees	at 0.50%				54,868
					Disposal Fees 251,678
					234,288
<b>INTEREST</b>					
7.50% pa	on Debt charged Quarterly and compounded Quarterly				
<b>PROFIT</b>	522,979				<b>COSTS</b> 10,450,556
<b>PROFIT/SALE</b>	4.77%				<b>PROFIT/COST</b> 5.00%
<b>IRR</b>	26.23%				<b>RENT COVER</b> 0.9 years
<b>YIELD/COST</b>	5.55%				
	<b>1,287.00</b>	<b>1,358.50</b>	<b>1,430.00</b>	<b>1,501.50</b>	<b>1,573.00</b>
<b>182.75</b>	3,692,000 5.00%	3,489,000 5.00%	3,286,000 5.00%	3,083,000 5.00%	2,879,500 5.00%
<b>193.50</b>	4,159,500 5.00%	3,956,500 5.00%	3,753,000 5.00%	3,550,000 5.00%	3,347,000 5.00%
<b>204.25</b>	4,627,000 5.00%	4,424,000 5.00%	4,221,000 5.00%	4,018,000 5.00%	3,815,000 5.00%
<b>215.00</b>	5,095,000 5.00%	4,891,500 5.00%	4,688,000 5.00%	4,485,000 5.00%	4,282,000 5.00%
<b>225.75</b>	5,562,000 5.00%	5,359,000 5.00%	5,156,000 5.00%	4,953,000 5.00%	4,750,000 5.00%
<b>236.50</b>	6,030,000 5.00%	5,827,000 5.00%	5,623,000 5.00%	5,420,000 5.00%	5,217,000 5.00%
<b>247.25</b>	6,497,000 5.00%	6,294,000 5.00%	6,091,000 5.00%	5,888,000 5.00%	5,685,000 5.00%

Residual Site Value and Profit on Cost (%)

Y Axis: Retail Income psm/pa

X Axis: Retail Build Rate psm.

**Birmingham City Council – Additional Retail CIL Testing  
5,000 sq m Convenience Store, Profit 20% on GDV**

APPENDIX 2iii

<b>REVENUE</b>		
Retail	5,000.00 sq-m at 215.00 psm/pa	1,075,000
<b>Inv.Value-A</b>	Net annual income	1,075,000
	Capitalised at 5% Yield	21,500,000
	Less Unpaid Rent: 9 Months Income	806,250
	Less Purchasers costs at 5.8%	1,178,639
		<b>REVENUE 19,515,111</b>

<b>COSTS</b>		
<b>Site Value</b>		<b>5,514,000</b>
Site Stamp Duty	at 4.00%	220,560
Site Legal Fees	at 0.75%	41,355
Site Agency Fees	at 1.00%	55,140
		Site Costs 5,831,055

Retail	5,000.00 sq-m at 1,300.00 psm	6,500,000
Surface Parking	250 spaces at 2,000.00 ea.	500,000
Enabling Works	5,000.00 sq-m at 54.00 psm	270,000
Pfs		1,000,000
Highways		500,000
Contingency	at 5.00%	438,500
Professional Fees	at 10.00%	877,000
		Build Costs 10,085,500

Letting Agents Fee	at 10.00%	107,500
Letting Legal Fees	at 5.00%	53,750
Invest.sale Agents Fee	at 1.00%	203,214
Invest.sale Legal Fees	at 0.50%	101,607
		Disposal Fees 466,070

**INTEREST** 587,766

7.50% pa on Debt charged Quarterly and compounded Quarterly

**PROFIT** 2,544,719 **COSTS** 16,970,392

**PROFIT/SALE** 13.04% **PROFIT/COST** 15.00%

**IRR** 43.87% **RENT COVER** 2.4 years

**YIELD/COST** 6.33%

**1,157.00      1,228.50      1,300.00      1,371.50      1,443.00**

<b>182.75</b>	4,046,000 15.00%	3,666,000 15.00%	3,286,000 15.00%	2,905,000 15.00%	2,525,000 15.00%
<b>193.50</b>	4,789,000 15.00%	4,409,000 15.00%	4,028,000 15.00%	3,648,000 15.00%	3,267,000 15.00%
<b>204.25</b>	5,532,000 15.00%	5,151,000 15.00%	4,771,000 15.00%	4,390,000 15.00%	4,010,000 15.00%
<b>215.00</b>	6,274,000 15.00%	5,894,000 15.00%	5,514,000 15.00%	5,133,000 15.00%	4,752,000 15.00%
<b>225.75</b>	7,017,000 15.00%	6,636,000 15.00%	6,256,000 15.00%	5,876,000 15.00%	5,495,000 15.00%
<b>236.50</b>	7,760,000 15.00%	7,379,000 15.00%	6,998,000 15.00%	6,618,000 15.00%	6,238,000 15.00%
<b>247.25</b>	8,502,000 15.00%	8,122,000 15.00%	7,741,000 15.00%	7,360,000 15.00%	6,980,000 15.00%

Residual Site Value and Profit on Cost (%)

Y Axis: Retail Income psm/pa

X Axis: Retail Build Rate psm.

**Birmingham City Council – Additional Retail CIL Testing  
5,000 sq m Convenience Store, Profit 20% on GDV**

APPENDIX 2iii

<b>REVENUE</b>					
Retail	5,000.00 sq-m at 215.00 psm/pa				1,075,000
<b>Inv.Value-A</b>	Net annual income				1,075,000
	Capitalised at 5% Yield				21,500,000
	Less Unpaid Rent: 9 Months Income				806,250
	Less Purchasers costs at 5.8%				1,178,639
					<b>REVENUE</b> 19,515,111
<b>COSTS</b>					
<b>Site Value</b>					<b>4,292,000</b>
Site Stamp Duty	at 4.00%				171,680
Site Legal Fees	at 0.75%				32,190
Site Agency Fees	at 1.00%				42,920
					Site Costs 4,538,790
Retail	5,000.00 sq-m at 1,300.00 psm				6,500,000
Surface Parking	250 spaces at 2,000.00 ea.				500,000
Enabling Works	5,000.00 sq-m at 54.00 psm				270,000
Pfs					1,000,000
Highways					500,000
Contingency	at 5.00%				438,500
Professional Fees	at 10.00%				877,000
					Build Costs 10,085,500
Letting Agents Fee	at 10.00%				107,500
Letting Legal Fees	at 5.00%				53,750
Invest.sale Agents Fee	at 1.00%				203,214
Invest.sale Legal Fees	at 0.50%				101,607
					Disposal Fees 466,070
					522,139
<b>INTEREST</b>					
7.50% pa	on Debt charged Quarterly and compounded Quarterly				
<b>PROFIT</b>	3,902,611				<b>COSTS</b> 15,612,500
<b>PROFIT/SALE</b>	20.00%				<b>PROFIT/COST</b> 25.00%
<b>IRR</b>	73.09%				<b>RENT COVER</b> 3.6 years
<b>YIELD/COST</b>	6.89%				
	<b>1,170.00</b>	<b>1,235.00</b>	<b>1,300.00</b>	<b>1,365.00</b>	<b>1,430.00</b>
<b>182.75</b>	2,939,000 20.00%	2,593,000 20.00%	2,247,000 20.00%	1,901,000 20.00%	1,556,000 20.00%
<b>193.50</b>	3,620,000 20.00%	3,274,000 20.00%	2,928,000 20.00%	2,582,000 20.00%	2,237,000 20.00%
<b>204.25</b>	4,302,000 20.00%	3,956,000 20.00%	3,610,000 20.00%	3,264,000 20.00%	2,918,000 20.00%
<b>215.00</b>	4,984,000 20.00%	4,638,000 20.00%	4,292,000 20.00%	3,946,000 20.00%	3,600,000 20.00%
<b>225.75</b>	5,664,000 20.00%	5,319,000 20.00%	4,974,000 20.00%	4,628,000 20.00%	4,282,000 20.00%
<b>236.50</b>	6,346,000 20.00%	6,000,000 20.00%	5,654,000 20.00%	5,308,000 20.00%	4,962,000 20.00%
<b>247.25</b>	7,028,000 20.00%	6,682,000 20.00%	6,336,000 20.00%	5,990,000 20.00%	5,644,000 20.00%

Residual Site Value and Profit on GDV (%)

Y Axis: Retail Income psm/pa

X Axis: Retail Build Rate psm.



**Birmingham City Council – Additional Retail CIL Testing  
5,000 sq m Convenience Store, Profit 5% on Cost**

APPENDIX 2iii

**REVENUE**

Retail	5,000.00 sq-m at 215.00 psm/pa	1,075,000	
<b>Inv.Value-A</b>	Net annual income	1,075,000	
	Capitalised at 5% Yield	21,500,000	
	Less Unpaid Rent: 9 Months Income	806,250	
	Less Purchasers costs at 5.8%	1,178,639	19,515,111
		<b>REVENUE</b>	19,515,111

**COSTS**

<b>Site Value</b>		<b>6,968,000</b>	
Site Stamp Duty	at 4.00%	278,720	
Site Legal Fees	at 0.75%	52,260	
Site Agency Fees	at 1.00%	69,680	
		Site Costs	7,368,660
Retail	5,000.00 sq-m at 1,300.00 psm	6,500,000	
Surface Parking	250 spaces at 2,000.00 ea.	500,000	
Enabling Works	5,000.00 sq-m at 54.00 psm	270,000	
Pfs		1,000,000	
Highways		500,000	
Contingency	at 5.00%	438,500	
Professional Fees	at 10.00%	877,000	
		Build Costs	10,085,500
Letting Agents Fee	at 10.00%	107,500	
Letting Legal Fees	at 5.00%	53,750	
Invest.sale Agents Fee	at 1.00%	203,214	
Invest.sale Legal Fees	at 0.50%	101,607	
		Disposal Fees	466,070
<b>INTEREST</b>			665,853
7.50% pa	on Debt charged Quarterly and compounded Quarterly		
<b>PROFIT</b>	929,028		<b>COSTS</b> 18,586,083
<b>PROFIT/SALE</b>	4.76%		<b>PROFIT/COST</b> 5.00%
<b>IRR</b>	18.87%		<b>RENT COVER</b> 0.9 years
<b>YIELD/COST</b>	5.78%		

	<b>1,170.00</b>	<b>1,235.00</b>	<b>1,300.00</b>	<b>1,365.00</b>	<b>1,430.00</b>
<b>182.75</b>	5,214,000 5.00%	4,868,000 5.00%	4,522,000 5.00%	4,176,000 5.00%	3,830,000 5.00%
<b>193.50</b>	6,029,000 5.00%	5,683,000 5.00%	5,337,000 5.00%	4,991,000 5.00%	4,646,000 5.00%
<b>204.25</b>	6,844,000 5.00%	6,498,000 5.00%	6,152,000 5.00%	5,806,000 5.00%	5,460,000 5.00%
<b>215.00</b>	7,660,000 5.00%	7,314,000 5.00%	6,968,000 5.00%	6,622,000 5.00%	6,276,000 5.00%
<b>225.75</b>	8,475,000 5.00%	8,129,000 5.00%	7,783,000 5.00%	7,438,000 5.00%	7,092,000 5.00%
<b>236.50</b>	9,290,000 5.00%	8,944,000 5.00%	8,598,000 5.00%	8,252,000 5.00%	7,906,000 5.00%
<b>247.25</b>	10,106,000 5.00%	9,760,000 5.00%	9,414,000 5.00%	9,068,000 5.00%	8,722,000 5.00%

Residual Site Value and Profit on Cost (%)

Y Axis: Retail Income psm/pa

X Axis: Retail Build Rate psm

**REVENUE**

Retail 1	5,574.00 sq-m at 188.00 psm/pa	1,047,912	
Retail 2	929.00 sq-m at 215.00 psm/pa	199,735	
Retail 3	465.00 sq-m at 269.00 psm/pa	125,085	
<b>Inv.Value-A</b>	Net annual income	1,372,732	
	Capitalised at 5.5% Yield	24,958,764	
	Less Unpaid Rent: 24 Months Income	2,745,464	
	Less Purchasers costs at 5.8%	1,368,250	20,845,050
		<b>REVENUE</b>	<b>20,845,050</b>

**COSTS**

<b>Site Value</b>		<b>4,778,000</b>	
Site Stamp Duty	at 4.00%	191,120	
Site Legal Fees	at 0.50%	23,890	
Site Agency Fees	at 1.00%	47,780	
		Site Costs	5,040,790
Survey		100,000	
		Initial Payments	100,000
Retail 1	5,574.00 sq-m at 1,291.70 psm	7,199,936	
Retail 2	929.00 sq-ft at 1,291.70 psf	1,199,989	
Retail 3	465.00 sq-ft at 1,291.70 psf	600,641	
Demolition		250,000	
Contingency	at 4.00%	370,023	
Professional Fees	at 12.00%	1,110,068	
		Build Costs	10,730,656
Letting Agents Fee	at 10.00%	137,273	
Letting Legal Fees	at 5.00%	68,637	
Invest.sale Agents Fee	at 1.00%	235,905	
Invest.sale Legal Fees	at 0.50%	117,953	
		Disposal Fees	559,768
			1,695,497

**INTEREST**

7.50% pa on Debt charged Quarterly and compounded Quarterly

<b>PROFIT</b>	2,718,339	<b>COSTS</b>	18,126,711
<b>PROFIT/SALE</b>	13.04%	<b>PROFIT/COST</b>	15.00%
<b>IRR</b>	19.13%	<b>RENT COVER</b>	2.0 years
<b>YIELD/COST</b>	7.57%		

	1,033.70	1,162.70	1,291.70	1,420.70	1,549.70
<b>70.00%</b>	2,005,500	1,304,500	603,000	0	0
	15.00%	15.00%	15.00%	13.89%	6.53%
<b>80.00%</b>	3,397,000	2,696,000	1,995,000	1,294,000	593,000
	15.00%	15.00%	15.00%	15.00%	15.00%
<b>90.00%</b>	4,788,000	4,087,000	3,386,000	2,685,000	1,984,000
	15.00%	15.00%	15.00%	15.00%	15.00%
<b>100.00%</b>	6,180,000	5,478,000	4,778,000	4,076,000	3,376,000
	15.00%	15.00%	15.00%	15.00%	15.00%
<b>110.00%</b>	7,571,000	6,870,000	6,169,000	5,468,000	4,767,000
	15.00%	15.00%	15.00%	15.00%	15.00%
<b>120.00%</b>	8,962,000	8,262,000	7,560,000	6,859,000	6,158,000
	15.00%	15.00%	15.00%	15.00%	15.00%
<b>130.00%</b>	10,354,000	9,652,000	8,952,000	8,250,000	7,550,000
	15.00%	15.00%	15.00%	15.00%	15.00%

Residual Site Value and Profit on Cost (%)

Y Axis: Retail Income psm/pa

X Axis: Retail Build Rate psm.

**REVENUE**

Retail 1	5,574.00 sq-m at 188.00 psm/pa	1,047,912	
Retail 2	929.00 sq-m at 215.00 psm/pa	199,735	
Retail 3	465.00 sq-m at 269.00 psm/pa	125,085	
<b>Inv.Value-A</b>	Net annual income	1,372,732	
	Capitalised at 5.5% Yield	24,958,764	
	Less Unpaid Rent: 24 Months Income	2,745,464	
	Less Purchasers costs at 5.8%	1,368,250	20,845,050

**REVENUE** 20,845,050

**COSTS**

<b>Site Value</b>		<b>3,629,000</b>	
Site Stamp Duty	at 4.00%	145,160	
Site Legal Fees	at 0.50%	18,145	
Site Agency Fees	at 1.00%	36,290	
		Site Costs	3,828,595
Survey		100,000	
		Initial Payments	100,000
Retail 1	5,574.00 sq-m at 1,291.70 psm	7,199,936	
Retail 2	929.00 sq-ft at 1,291.70 psf	1,199,989	
Retail 3	465.00 sq-ft at 1,291.70 psf	600,641	
Demolition		250,000	
Contingency	at 4.00%	370,023	
Professional Fees	at 12.00%	1,110,068	
		Build Costs	10,730,656
Letting Agents Fee	at 10.00%	137,273	
Letting Legal Fees	at 5.00%	68,637	
Invest.sale Agents Fee	at 1.00%	235,905	
Invest.sale Legal Fees	at 0.50%	117,953	
		Disposal Fees	559,768
			1,457,053
<b>INTEREST</b>			
7.50% pa	on Debt charged Quarterly and compounded Quarterly		
<b>PROFIT</b>	4,168,978		
<b>PROFIT/SALE</b>	20.00%	<b>COSTS</b>	16,676,071
<b>IRR</b>	27.61%	<b>PROFIT/COST</b>	25.00%
<b>YIELD/COST</b>	8.23%	<b>RENT COVER</b>	3.0 years

	1,033.70	1,162.70	1,291.70	1,420.70	1,549.70
<b>70.00%</b>	1,202,000	500,000	0	0	0
	20.00%	20.00%	18.26%	12.20%	6.13%
<b>80.00%</b>	2,478,000	1,777,000	1,076,000	375,000	0
	20.00%	20.00%	20.00%	20.00%	17.53%
<b>90.00%</b>	3,754,000	3,054,000	2,352,000	1,652,000	950,000
	20.00%	20.00%	20.00%	20.00%	20.00%
<b>100.00%</b>	5,031,000	4,330,000	3,629,000	2,928,000	2,227,000
	20.00%	20.00%	20.00%	20.00%	20.00%
<b>110.00%</b>	6,308,000	5,606,000	4,906,000	4,204,000	3,504,000
	20.00%	20.00%	20.00%	20.00%	20.00%
<b>120.00%</b>	7,584,000	6,884,000	6,182,000	5,480,000	4,780,000
	20.00%	20.00%	20.00%	20.00%	20.00%
<b>130.00%</b>	8,860,000	8,160,000	7,458,000	6,758,000	6,056,000
	20.00%	20.00%	20.00%	20.00%	20.00%

Residual Site Value and Profit on GDV (%)

Y Axis: Retail Income psm/pa

X Axis: Retail Build Rate psm