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4 March 2015

Dear Ms Anderson

CIL MODIFICATIONS - Representations to Birmingham City Council Community Infrastructure Levy (CIL) Draft Charging Schedule – Statement of Modifications

Introduction

We write on behalf of Lidl to make representations to the Draft Charging Schedule (DCS) – Statement of Modifications that was published by Birmingham City Council (BCC) on **Monday 9 February 2015**.

As you are aware, JLL made representations in **November 2014** on the DCS. Our particular concern was that the threshold for charging CIL on convenience retail uses of 1,500 sq m was too low. This threshold would have a significant impact on the viability and deliverability of discount convenience retail stores across the Charging Area.

Although our client welcomes the principle of the proposed modification (to increase the threshold from 1,500 sq m to 2,000 sq m), they remain concerned that the increase is not high enough. Our previous representations suggested that the threshold should be increased to 2,700 sq m to ensure that the threshold is in line with the viability testing undertaken by GVA and hence BCC can demonstrate to the Independent Examiner that the DCS is robust.

The following paragraphs provide an overview of our representations in **November 2014**; how these representations have been taken into account (albeit in part) in formulating the Statement of Modifications. They also set out additional development viability evidence which justifies why the threshold for convenience retail floor space should be increased further to 2,700 sq m (not the 2,000 sq m proposed in the Statement of Modifications – **Modification SM2**).

Previous Representations to the DCS

Our previous representations to the DCS highlighted that BCC's viability consultant, GVA, had tested a range of convenience retail store sizes from 1,500 sq m to 6,968 sq m. GVA concluded at

Paragraph 4.3 of their CIL Development Viability Study - **Additional Retail Testing (Document CIL S10)** that:

> '*in the case of the food sector, there is an ability to make a sizeable contribution to CIL for certain categories of store*'.

This led to the DCS proposing a CIL rate of £260 per sq m for ***all*** convenience retail stores above 1,500 sq m (but no CIL charge for stores under 1,500 sq m).

Our representations were as follows:-

1. **GVA's advice (at Paragraph 4.4 of document CIL S10) had not been reflected in the DCS, as the proposed CIL rate was applied for all convenience stores above 1,500 sq m (not 2,000 sq m).** The DCS therefore assumed that all convenience retail stores above the 1,500 sq m threshold adopted would be viable. This was clearly contrary to GVA's advice at **Paragraph 4.4** of Document **CIL S10**.

   This appears to have been acknowledged by BCC (albeit only in part), as the proposed threshold for convenience retail floor space has increased in Document **CIL S22 Statement of Modifications** to 2,000 sq m, by virtue of Modification **SM2**.

2. **GVA has not tested the viability of a 2,000 sq m store.** GVA has only tested the viability of 1,500 and 2,700 sq m stores. GVA has not undertaken any development viability analysis of stores between 1,500 sq m to 2,700 sq m to evidence whether stores of 2,000 sq m and above are viable.

Therefore, whilst the increase in the threshold from 1,500 sq m to 2,000 sq m is in principle welcomed, as it partly addresses our client's concerns set out in (1) above, the revised threshold of 2,000 sq m has not been subject to the viability testing, as discussed in (2) above.

It appears that the second limb of our **November 2014** representations does not appear to have been considered at all (reference **Page 19** of Document **CIL S04 – DCS Consultation Statement – Summary of Representations and Council responses**).

Hence, the threshold of 2,000 sq m proposed in Modification **SM2** is not compliant with the CIL Regulations, that require that Local Authorities to consider the economic viability of the CIL rates proposed across the Charging Area and demonstrate to an Independent Examiner that their proposed charging rates are robust.

To justify a threshold of 2,000 sq m, GVA should have tested this size of store to confirm whether or not the store would be viable. As GVA have not undertaken additional viability testing to address this issue, we therefore undertake this viability testing utilising GVA's own assumptions in the paragraphs that follow.

A copy of our previous representations are enclosed.

Representations on Proposed Modification SM2

As set out in our previous representations, the thresholds for convenience retail charging should be ***at least*** 2,700 sq m, in light of GVA's own development viability evidence, in order to be found robust by the Examiner and satisfy the CIL Regulations. It is this principal issue that BCC has not taken into account in Modification **SM2.**

Our client is concerned that the increase of the convenience retail threshold to only 2,000 sq m has not been based on sound and robust viability testing by GVA. The CIL Guidance at **Paragraph ID 25-020-20140612** states that:

> *'Charing Authorities that decide to set differential rates may need to undertake more fine-grained sampling, on a higher proportion of total sites, to help them to estimate the boundaries for their differential rates. Fine-grained sampling is also likely to be necessary where they wish to differentiate between categories or scales of intended use.'*

As GVA has not robustly tested the viability of the 2,000 sq m threshold for convenience retail, this opens up the DCS to challenge at the CIL Examination. This is particularly important as the guidance continues to state that proposed CIL rates should be reasonable, and differential rates *'must be justified by reference to economic viability'* (Reference **Paragraph ID 24-023-20140612**).

In addition, **Paragraph ID-25-021-20140612** states that:

> *'Charging schedules with differential rates should not have a disproportionate impact on particular sectors or specialist forms of development'.*

The current CIL threshold proposed for convenience retail charging is not justified by the viability evidence, and will have a significantly negative impact on the viability of discount food retail stores in the Charging Area. This will in turn limit the choice available in the market.

The paragraphs that follow demonstrate this issue further, drawing on GVA's own development viability appraisal analysis to test stores of 2,000 sq m and over in size.

Development Viability of 2,000 sq m Threshold Proposed

We have undertaken several development viability appraisals of retail convenience stores as follows:

- **Scenario 1** – A 2,000 sq m retail convenience store (which would be subject to CIL based upon Modification **SM2.**

- **Scenario 2** – A 2,258 sq m retail convenience store (which represents our client's minimum store format).

- **Scenario 3** – A 2,623 sq m retail convenience store (which represents a slightly larger store format that our client also develops).

The above development appraisals utilise GVA's assumptions which underpin their evidence (notwithstanding our concerns in connection with the assumptions GVA have utilised that we expressed in our **November 2014** representations).

Table 1 below sets out our findings.

Table 1 Development Viability Appraisal Findings

Scenario	GVA Residual Land Value (Profit on Cost of 15%)	GVA Base Land Value (BLV) - £350,000 per acre	CIL Threshold Met on GVA's figures?
Scenario 1 – 2,000 sq m store	£325,000	£630,000	**No** – This size of convenience retail store is not viable (based upon GVA's own figures).
Scenario 2 – 2,258 sq m store	£435,000	£700,000	**No** – This size of convenience retail store is not viable (based upon GVA's own figures).
Scenario 3 – 2,623 sq m store	£592,000	£700,000	**No** – This size of convenience retail store is not viable (based upon GVA's own figures).

Source: JLL Analysis (March 2015)

Table 1 above shows that, based on GVA's own assumptions for a discount convenience food retailer, the 2,000 sq m, 2,258 sq m and 2,623 sq m stores are not viable for CIL and therefore cannot meet the CIL charge. That said, the viability of **Scenarios 2** and **3** has improved when compared to **Scenario 1**. This indicates that viability threshold is likely to be nearer to the 2,700 sq m threshold tested by GVA.

Please note that we have not increased the level of car parking in each scenario (hence this cost is arguably too low in **Scenarios 2** and **3**). We have also assumed that the land take for Scenario 3 is the same as that for **Scenario 2**, based upon discussions with our client. These assumptions will paint a slightly over optimistic picture of the viability of these Scenarios (and hence their ability to meet a CIL contribution).

The above suggests that the threshold should be at least 2,700 sq m (based upon GVA's own figures) to ensure that the viability of discount food retail stores is not threatened throughout the Charging Area, in line with the CIL Guidance at **Paragraph ID-25-021-20140612**.

The above clearly demonstrates that stores above 2,000 sq m and below 2,700 sq m cannot contribute to CIL, and that GVA's own evidence suggests that the threshold should be increased to 2,700 sq m. At present, the current threshold of 2,000 sq m is not in line with GVA's viability evidence base.

Summary and Conclusions

Although the proposed Modifications to the DCS increase the threshold for CIL charging of convenience retail uses from 1,500 sq m to 2,000 sq m is in principle welcomed, our client remains concerned that the DCS in its current form has not been subject to robust viability testing to arrive at the CIL threshold adopted in Modification **SM2,** as required by both the CIL regulations and guidance.

The proposed threshold continues to be based on a mere assertion by GVA that retail stores over 2,000 sq m would be viable and hence able to contribute to CIL. This assertion has not been subject to additional retail viability testing by GVA (as required by the CIL Regulations and guidance). Accordingly, the revised threshold for CIL convenience retail stores of 2,000 sq m as proposed by the DCS and Modification **SM2** should be increased to 2,700 sq m, based upon GVA's own assumptions and viability evidence.

Our additional representations continue to show that, even based on GVA's own assumptions, stores above 2,000 sq m are not viable. This provides the justification to increase the threshold for CIL Charging proposed by Modification **SM2** further from 2,000 sq m to 2,700 sq m. This will ensure consistency with GVA's viability evidence and hence ensure that the modifications to the DCS are found robust by the Independent Examiner.

Request to be Heard at the Examination

We would like to make a formal request to be heard at the Examination, so that the Examiner can consider our representations on Modification **SM2**, and we can stand by our previous representations on this issue, if necessary.

We look forward to hearing from you at your earliest opportunity, and ask that BCC keep us informed with progress leading up to the Examination in due course.

Yours sincerely

[redacted]

For and on behalf of Jones Lang LaSalle Limited

Enc.
Representations dated **10 November 2014**
Update Development Appraisal Scenarios 1, 2 and 3 (Utilising GVA's assumptions).

Enclosure 1 – November 2014 Representations

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10 November 2014

Dear Ms Anderson

Representations to Birmingham City Council Community Infrastructure Levy (CIL) Draft Charging Schedule on behalf of Lidl

We write on behalf of Lidl to make representations to the Draft Charging Schedule (DCS) for Birmingham City Council (BCC)'s Community Infrastructure Levy (CIL). Our particular concern lies in the proposed charge for convenience retail floorspace over 1,500 sq m.

The 2010 CIL Regulations advise that charging authorities should propose a levy rate that does not put at risk the overall development of the area. They have to strike an appropriate balance between the desirability of funding infrastructure from the CIL and the potential effects on the economic viability of development across the Charging Area.

Charging authorities should prepare evidence about the effect of the levy on economic viability in their area to demonstrate to an independent examiner that their proposed charging rates strike an appropriate balance.

It is the potential effect on economic viability that our representations are predominantly focused on, and we recommend that the DCS is amended on this basis.

The proposed charge for foodstores over 1,500 sq m would make developing our client's stores unviable and prevent any new 'deep discounter' retail stores being developed in the Birmingham area. Not only is this contrary to the CIL Regulations, but this would limit choice as only the 'big 4' supermarkets would be able to proceed on the basis of the proposed CIL charge.

Planning policy should not restrict market forces or consumer choice, and we believe that the proposed DCS will do this.

Our representations consider the following:

- The Lidl Business Model;
- The Policy Context for Convenience Retail;
- Development Viability and BCC's Evidence Base; and
- Our Conclusions.

Lidl Business Model

The Lidl retail philosophy is centred on simplicity and maximum efficiency at every stage of the business, from supplier to customer, enabling Lidl to sell high quality products from a limited range of exclusive own brand labels (along with other brands), at the lowest prices. It is this format which has resulted in Lidl being classified by retail research company Verdict as falling within the 'deep' or 'hard discounters' sector of the UK convenience retail market. Deep or hard discounters are distinct from the mainstream big 4 convenience retailers such as Tesco, ASDA, Sainsbury's and Morrison's.

Lidl are able to offer high quality products at low prices due to extensive pan European bulk purchasing. This enables the company to achieve significant economies of scale that can then be passed onto the consumer in the form of highly competitive prices. Other factors which enable Lidl to offer consistently low prices include the store format, staffing levels and management of the stores themselves.

Store Format

Lidl has one of the highest net to gross sales floor space rates compared to stores within the grocery sector. The market position of Lidl as a 'deep-discounter' is dictated by its ability to cut cost throughout its business. Products are predominately displayed from the original pallets which were delivered to the store and in their original boxes rather than them being stacked on shelves. This reduces the costs associated with manual handling by removing the need to breakdown pallets and transferring products onto shelves. The single storey format allows pallet loads of products to be moved directly from the delivery bay to the sales area.

Lidl have a minimum store size to enable them to operate their standard business model efficiently. Previously this was approximately 1,600 sq m gross on a single level. This floorspace has been accepted by Planning Inspectors at Planning Appeals as the minimum size from which Lidl can trade.

More recently, the average store size has increased and the new stores are now generally between 2,000 sq m to 2,300 sq m gross, leading to an average Gross Internal Area (GIA) of over 2,000 sq m.

The increase in size enables Lidl to incorporate an ancillary element which the company refers to as a 'backnische'. The backnische comprises a freezer, a preparation table and an oven, which facilitate the heating of bread (which is delivered to the store frozen), before it is placed on the shelves. The larger format stores allow for these elements to be located together and for Lidl to include a bakery area as customers enter the store. That said, the new format will mean that the 'net to gross' floor space ratio will reduce.

Retail Operation

Lidl do not have the same turnover as the 'big 4' retailers which impacts upon their development appraisals (and hence their ability to acquire potential sites). **Table 1** below sets out Lidl's turnover as compared to Tesco, Sainsburys, ASDA and Morrisons.

Table 1 – Retail Turnover

Store	Sales Density £ per sq.m
Lidl	£3,960
Tesco	£11,715
Tesco Express	£15,179
Sainsburys	£11,827
Sainsburys Local	£14,960
Morrisons	£14,809
Asda	£12,496
Aldi	£8,251

Source: Mintel Retail Rankings 2014

The above data is taken from Mintel Retail Rankings 2014 and evidences that discount retailers have significantly lower turnovers per sq ft than the big 4 convenience retailers.

Policy Context

It is important to place the DCS in the context of the current planning policy for Birmingham.

The emerging Birmingham Development Plan was submitted to the Secretary of State for examination in **July 2014**. **Policy TP21** deals specifically with convenience retail and does not plan for any further convenience floorspace in the City. The policy states that:

> *'The BRNA Update (2013) indicates that there is limited capacity for additional convenience retail development in Birmingham in the period to 2026 after existing commitments are taken into account.'*

Birmingham City Council's Retail Needs Assessment (BRNA) Update 2013

Contrary to the text in the emerging Birmingham Development Plan, the **2013** update does identity a quantitative need for additional convenience floorspace. Allowing for commitments there is a requirement for between 25,000 sq m gross and 34,800 sq m gross of new floorspace between 2012 and 2026. This is based on a sales density of one of the big 4 supermarkets (approximately £12,000 per sq m).

The study states at **Para 3.30** that:

> '*It should be noted, however, that the floorspace requirement we have identified in the convenience goods sector is dependent, ultimately, on the end operator; for example, some operators such as Lidl and Aldi will trade at much lower sales densities than the four leading operators (Tesco, ASDA, Sainsbury and Wm Morrison). For the purposes of this assessment, we have utilised an average sales density of £12,000 per sq.m in 2012, rising to £12,841 per sq.m by 2031, so that the floorspace requirement we have identified reflects the high share of the market accounted for by high order operators.'*

If we were to convert this requirement into additional deep discounter floorspace, using the calculation in Table 11a and 11b, of the BRNA and a sales density of £6,000 and floorspace ratio of 85% (to better reflect the deep discounters), there would be a requirement between 2012 and 2026 of circa 39,864 sq m gross to 55,294 sq m gross.

We therefore believe that there is a need for additional convenience floorspace in the Birmingham City area, and that the DCS as currently prepared could result in only the big 4 supermarkets being able to meet this need.

Given that there is a need for additional convenience retail in Birmingham and that it should not be down to policy to restrict market forces or prevent consumer choice, we now look specifically at the viability of the proposed DCS.

Development Viability

The Proposed CIL Levels

The Preliminary Draft Charging Schedule (PDCS) proposed that all convenience retail stores above 5,000 sq m would be subject to a significant charge of £380 per sq m. However, all other retail uses would be subject to a lower charge of £150 per sq m, as set out in **Table 2** below.

Table 2 – Preliminary Draft Charging Schedule - Retail Charges

Maximum CIL Tariff (per Sq M)	Type of Development
Band 1 £380	• Retail (Supermarket) > 5,000 sq. m
Band 2 £150	• Retail (Supermarket) < 5,000 sq. m • All other retail

Source: Appendix 2 of BCC's PDCS Briefing Note

However, the Birmingham City Council (BCC) DCS proposes revised CIL rates for retail, following the outcome of consultation on the PDCS and further viability testing undertaken by GVA.

The revised CIL rates are set out in Section 6.0 'CIL Charges'. **Table 3** below sets out the revised charging position now proposed:-

Table 3 - Draft CIL Charges - Retail Development

Development Type	Detail	Charge/Sq.M
Retail Convenience	< 1,500 sq. m	£0
Retail Convenience	> 1,500 sq. m	£260
Retail	All Other	£0
Retail	Sustainable Urban Extension	£0

Source: BCC's CIL Draft Charging Schedule September 2014; JLL Analysis November 2014

The DCS now proposes that convenience retail above 1,500 sq m will be subject to a £260 per sq m CIL charge. However, all other retail (including convenience retail stores below 1,500 sq m) will be subject to a CIL rate of £0. This is a significant change from the charges proposed by the PDCS.

Whilst the general reduction in CIL rates that are now proposed by the DCS, which seek to provide a greater viability 'cushion' for CIL charges (reference **Paragraph 5.3** of the DCS), is in principle welcomed, our client is concerned that the DCS in its current form has not been subject to robust viability testing to arrive at the CIL rates now proposed for retail uses.

In particular, the revised charging rates now mean that any convenience retailing above 1,500 sq m (16,146 sq ft) will be subject to a significant CIL charge. We assume that this CIL charge is aimed at the larger 'big 4' supermarket operators rather than discount food retailers; however, with the current threshold of 1,500 sq m in place, the proposed CIL charge will also apply to discount convenience retail stores.

This will render many opportunity sites for discount convenience retail unviable across the Charging Area, as demonstrated in the paragraphs that follow.

Assessment of BCC's CIL Evidence Base

Regulation 14 requires that the DCS is underpinned by an assessment of the viability of CIL charging rates throughout the Charging Area.

GVA have undertaken several studies on behalf of BCC to inform the CIL rates proposed. These include advice to inform the PDCS in **October 2012**, and subsequent viability testing following the consultation on the PDCS. The later advice was provided by GVA in **December 2013**.

The most pertinent viability advice to retail uses is set out in 'CIL Development Viability Study Additional Retail Testing' **11 December 2013** undertaken by GVA. GVA have tested a range of scenarios and their findings are set out in **Table 4** below:

Table 4: Table 6 of GVA's Additional Retail CIL Testing Report

			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

Source: Table 6 of GVA's Additional Retail CIL Testing Report (2013)

Our client has several concerns regarding how GVA's conclusions have been interpreted to inform the DCS, and the assumptions underpinning the viability testing. These are set out in the paragraphs that follow.

Thresholds Tested

A range of store formats have been tested by GVA ranging from 1,500 sq m to 6,968 sq m. GVA conclude at **Paragraph 4.3** that:-

> *'In the case of the food sector, there is an ability to make a sizable contribution to CIL for **certain** categories of store.'* [Our emphasis]

This has led to the DCS proposing a CIL rate of £260 per sq m for all convenience retail stores above 1,500 sq m, but £0 CIL for stores under this level. This is presumably based upon GVA's findings set out in **Table 6** above, where the results of the viability testing show that a 1,500 sq. m store ***is not*** viable, but a 2,700 sq m store ***is*** viable.

First, GVA's advice has not been reflected in the DCS, given that the proposed CIL rate is applied for **all** convenience retail stores **above 1,500 sq m**. The DCS therefore assumes that all convenience retail stores above the 1,500 sq m threshold are viable. This is contrary to GVA's advice, which states at **Paragraph 4.4** that:-

> *'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 appraisal show that large stores, above c2,000 sq. m can afford a significant CIL payment.'*

Thus, **Paragraph 4.4** of GVA's report is clear in advising that a CIL is only viable for stores over circa 2,000 sq m.

Second, GVA's assertion that only, convenience retail stores over 2,000 sq m would be viable (and hence able to contribute to CIL) has not been subject to viability test. GVA conclude that a much larger convenience retail store of 2,700 sq m store could support CIL, based upon the outcome of their development appraisal analysis. However, they have not viability tested thresholds between 1,500 sq m and 2,700 sq m (such as a 2,000 sq m store), to ascertain at what point the viability threshold for CIL is met.

In this light, the threshold for CIL for convenience retail of 1,500 sq m as proposed by the DCS should be increased to at least 2,700 sq m, based upon GVA's own assumptions and viability analysis.

We also have several comments on the assumptions GVA have adopted to inform their development viability testing, as set out below.

Site Value Benchmark/Base Land Values

We understand that GVA's **2012** assessment assumed a Base Land Value (BLV) of £500,000 per acre to assess retail uses. However, the benchmark of £500,000 per acre proposed in GVA's earlier study in **2012** appears to have been reduced in GVA's **2013** assessment to only £350,000 per acre (reference **Table 5 Base Land Values** of GVA's Additional Retail Testing Report, and the supporting commentary at **Paragraph 2.11**).

We are concerned that the BLVs adopted in both of GVA's assessments are too low. A low BLV will paint an over-optimistic picture of the ability of convenience retail developments to meet CIL rates throughout the Charging Area.

The BLV benchmark will need to encompass a wide range of sites within the Charging Area, and is too low for retail development land (particularly for convenience retail), which are typically developed on small sites with high land values. It is also unlikely to be sufficient for more complex urban sites which comprise existing buildings, where £500,000 per acre is unlikely to meet the existing use value of sites and hence generate an appropriate return for the land owner as required by the NPPF.

Improved Market Conditions

We are also bemused by the reduced level of BLV applied to retail projects in GVA's **2013** assessment, in light of the fact that the market has improved significantly since GVA's **2012** study, with a corresponding increase in land values.

GVA have not provided a justification in their **2013** report as to why the reduction in BLV for benchmarking retail uses has been adopted.

Comparison with Industrial Land Values

The BLV of £350,000 per acre adopted by GVA in **2013** to assess the viability of retail sites is in line with the lowest base land value that GVA have adopted in their CIL studies (which test the viability of industrial uses). Even for industrial land throughout the Charging Area, the BLV of £350,000 per acre is low.

There is evidence of much higher land values being transacted for employment land throughout the Charging Area. For example, JLL Industrial Agents are marketing Plots B and C at Opus Aspect, Erdington, Birmingham, which comprise several cleared sites of approximately 0.4 hectares (1 acre). The quoting prices equate to approximately £600,000 per acre. GVA are the joint marketing agents.

This calls into question the BLV of £350,000 per acre GVA that have adopted for retail development (as this is akin to average industrial, rather than retail land values in the Charging Area). If the BVL is not adjusted to a more realistic market level, this will portray an over optimistic picture of the ability of sites to meet the proposed retail CIL levels throughout the Charging Area.

Review of Quoting Prices for Available Sites

We have also undertaken a desktop review of available sites of up to 1.21 ha (3 acres) in the Charging Area, based upon research of available sites on the market at present, drawing on the Co-Star/Focus Database. This has been undertaken for all sites for which a quoting price is provided on the database.

This research assists our understanding of land owners' price expectations for potential opportunities which are currently on the market and could be targeted by convenience retail operators. This research is enclosed**.**

This analysis suggests that average asking prices for sites of up to 1.21 ha (3 acres) are over £1,000,000 per acre. In addition, many of the sites are not prime sites i.e. with a high degree of prominence to key arterial routes. Hence, whilst this 'snap shot' of available sites gives an indication of land values, it is anticipated that a prime pitch for a retail food store use would command significantly more. In addition, land values at £350,000 per acre do not factor in any alternative use potential for sites (such as residential) which discount retailers typically have to compete with in order to secure sites. This provides a further indication that the £350,000 per acre BLV assumption adopted by GVA is too low for potential retail sites in the Charging Area.

Site Acquisition Costs

GVA have applied Purchasers' Costs of 5.8% in their Development Appraisals. However, the acquisition costs applied to the Site Value equate to only 5.75%. This should be amended to 5.80% to reflect Value Added Tax (VAT) at 20%, in line with market practice. This will also ensure that the assumption is consistent with other areas of GVA's development appraisal.

The current assumption will have a marginally positive impact on the viability position that GVA report.

Rent and Yield Assumptions

GVA have applied a rent of £161.46 per sq m per annum (£15.00 per sq ft) where they have tested a 1,500 sq m store, and have capitalised this rental income at 6%. However, GVA have applied a higher rent of £215 per sq m (£19.97 per sq. ft) for the 2,700 sq m store and have capitalised this rent at a lower yield of 5%.

GVA do not appear to have applied a rent free allowance in their appraisal of the 2,700 sq m store. This appears to be an omission, given that a rent free allowance is applied in all other retail appraisals. This omission will artificially inflate the viability of the 2,700 sq. m store.

We have reviewed the rents and yields GVA have applied with JLL's Retail Agency Team. This review reveals that the yields applied to the big 4 (ASDA, Morrisons, Sainsbury's and Tesco's) would be approximately 5% (and perhaps lower). However, for discount food retailers (such as our client), the investment yield is likely to be higher and approximately 6% (as anticipated by GVA). The yield assumptions will be project specific and will depend upon a range of factors, such as the lease terms agreed etc).

Our analysis suggests that whilst rents will be project dependant, rents for discount retailers are typically much lower than for the 'Big 4' supermarket operators and will be in the order of £15 per sq ft. For example, we are aware that a discount food retailer has recently taken units in both Sutton Coldfield and Wolverhampton at a rental level of approximately £14 per sq ft.

This suggests that the rent and yield assumptions GVA has applied in their assessment are too high, particularly for stores of 2,700 sq m and below which are likely to be attractive to discount convenience retailers. This will paint an over-optimistic picture of development viability of convenience retail development throughout the Charging Area.

JLL Analysis of Development Viability

Given that GVA has not viability tested convenience retail store formats between 1,500 sq m to 2,700 sq m stores to assess the threshold for charging CIL, we have undertaken an analysis of the viability of the development envisaged by GVA, incorporating our revised assumptions (as discussed above).

We have included an additional sensitivity test of a store comprising 2,258 sq m, which reflects our client's minimum store format.

Table 5 sets out our findings:

Table 5 - JLL Development Viability Appraisal Findings

Scenario	JLL Residual Land Value (Profit of 15% on Cost)	GVA Base Land Value (BLV) (at £350,000 per acre)	JLL Assessment of Base Land Value (As per GVA 2012 report at £500,000 per acre)	JLL Assessment of Base Land Value (at £1,000,000 per acre)	CIL Viability Threshold Met ?
Scenario 1 - 1,500 sq m store	£178,000	£525,000	£750,000	£1,500,000	No – This level of food store is not viable based on both JLL and GVA BLV assumptions.
Scenario 2 - 2,258 sq m store	£435,000	£700,000	£1,000,000	£2,000,000	No – This scenario is not viable based upon JLL assumptions for a discount retailer. This is the case regardless of whether JLL or GVA BLVs are assumed for benchmarking purposes.
Scenario 3 - 2,700 sq m store	£453,000	£1,043,000	£1,490,000	£2,980,000	No – This Scenario is not viable based upon JLL assumptions for a discount retailer. It should also be noted that GVA have not made allowances for rent free and highways costs in their viability assessment.

Source: JLL Analysis (November 2014)

Table 5 above shows that, based upon JLL's assumptions for a discount convenience food retailer, a 1,500 sq m store is not viable for CIL and therefore cannot meet a CIL charge. This is in line with GVA's findings.

Table 5 also shows that a 2,258 sq m convenience food store is not viable based upon JLL's assumptions for a discount convenience food retailer (regardless whether JLL or GVA assumptions regarding Base Land Values is adopted. This is also the case for a 2,700 sq m store (where discount food retailer assumptions are adopted in the appraisal).

Summary

The DCS now proposes that convenience retail uses above 1,500 sq m are to be subject to a CIL charge of £260 per sq m. Whilst the general reduction in CIL rates that are now proposed by the DCS is in principle welcomed, our client is concerned that the DCS in its current form has not been subject to robust viability testing to arrive at the CIL rates proposed.

First, GVA's advice has not been reflected in the DCS, given that the proposed CIL rate is applied for all convenience stores above 1,500 sq m. This is contrary to GVA's advice which states that CIL is only viable for stores over circa 2,000 sq m.

Second, GVA's assertion that only convenience retail stores over 2,000 sq m would be viable and hence able to contribute to CIL has not been subject to the viability test (as required by the CIL Regulations). GVA have not sensitivity tested thresholds between 1,500 sq m and 2,700 sq m (such as 2,000 sq m), to ascertain at what point the viability threshold for meeting CIL is met. Accordingly, the threshold for CIL for convenience retail of 1,500 sq m as proposed by the DCS should be increased to at least 2,700 sq m, based upon GVA's own assumptions and analysis.

We have also made several comments on the assumptions GVA have adopted to inform their viability testing. We are particularly concerned with the Base Land Values (BLVs) that GVA have adopted to benchmark the viability of retail schemes throughout the Charging Area. We are also concerned that BLVs appear to have been revised downwards since GVA's 2012 assessment without justification, during which time the market has improved and land values have risen. Our analysis suggests that average asking prices for sites of up to 1.21 ha (3 acres) are over £1,000,000 per acre. This provides a further indication that the £350,000 per acre BLV assumption adopted by GVA is too low for potential retail sites in the Charging Area.

Finally, the imposition of CIL for small convenience stores above the 1,500 sq m threshold set by the DCS will have a significantly negative impact on the viability of convenience retail projects throughout the Charging Area. For example, our analysis suggests that both 2,258 sq m and 2,700 sq m stores would not be able to contribute to CIL where assumptions for discount food retailers are assumed. By way of context, the proposed CIL charge for a 2,258 sq m convenience retail store would equate to £587,000. This cost would equate to approximately 85% of the land value utilising GVA's BLV assumption of £350,000 per acre. This would be a significant additional project cost which would render the development of our client's convenience stores across the Charging Area unviable.

The BNRA does identify a requirement for additional convenience floorspace across the city area; however, the DCS as it stands will only allow the development of smaller format stores – below 1,500 sq m GIA, or larger format 'top 4' stores. It makes the development of stores between these ranges unviable and specifically will prevent our client from being able to develop their stores and hence provide the market with choice.

We therefore recommend that the threshold for convenience retail currently proposed in the DCS is revised upwards from 1,500 sq m, in accordance with the CIL Regulations, to ensure that the appropriate balance between funding infrastructure and economic viability is achieved.

Yours sincerely

[redacted]

For and on behalf of Jones Lang LaSalle Limited

Enc.
Desktop Assessment of Site Availability
JLL Development Appraisals Scenarios 1 to 3

Desktop Review of Available Sites

Birmingham CIL Charging Area (Sites from 0 to 3 acres).

Nigel Simkin

Jones Lang LaSalle Limited

10-Nov-14

Street No	Street Name	Town/City	Status	Tenure	Lease Notes	Guide Price	Site area (Acres)	Value Per Acre
	Bagot Street	Birmingham	Available	Freehold	The available space comprises an industrial site/ yard area, which extends to approximately 0.16 acres zoned for general industrial and other commercial uses. The site is available for freehold purchase at an asking price of £125,000 or alternatively available by way of a new lease for a term to be agreed. Further information is available upon application to the agent.	£125,000	0.16	£781,250.00
163	Fordhouse Lane	Birmingham	Available	Freehold	The available space comprises 0.52 acres of land. The property is available freehold.	£350,000	0.52	£673,076.92
11 - 22	Great Hampton Street	Birmingham	Available	Freehold	The available plot of land comprises 1.201 acres of development land. The property is freehold.	£500,000	1.2	£416,666.67
206	Hagley Road	Birmingham	Available	Leasehold	The site comprises an area of land approximately 0.47 acres (0.19 ha) in size which is broadly rectangular in shape and is level. It has been cleared and has a maintained grass covering. Offers are invited for the long leasehold interest of 125 years with a guide price of £750,000.	£750,000	0.47	£1,595,744.68
	Manor Farm Road	Birmingham	Available	Freehold	The site area extends to 0.94 acres and offers in excess of £350,000 are invited for the freehold interest.	£350,000	0.94	£372,340.43
62 - 70	Pershore Street	Birmingham	Available	Leasehold	The available space comprises a site that has recently been cleared, the previous use being that of a three storey garage/workshop. The current permitted use is B2. It should be noted that an application to the City for change of use for car parking was refused and that refusal was upheld following a subsequent appeal. New lease terms are negotiable and the term would run up to a maximum period of 23 years. The landlord has not quoted an asking rent, but is asking for offers to be put forward for considered.	£250,000	0.13	£1,923,076.92
480	Rednal Road	Birmingham	Available	Freehold	The available site comprises a vacant development site/ yard facility, which extends to approximately 0.3 acres. The development site/ yard facility is available for freehold purchase. Further information upon application to the agent.	£150,000	0.3	£500,000.00
268	Stratford Road	Birmingham	Available	Freehold	The available space comprises approximately 0.14 acres of land. Offers in the region of £165,000 are sought for the freehold interest in this property.	£165,000	0.14	£1,178,571.43
55 - 81	Stratford Road	Birmingham	Available	Freehold	The available space comprises an area of land extending to 0.57 acres, which contains a disused petrol station. There is planning consent in place for 18 x 2 bedroom flats and a convenience store of approximately 6,000 sq ft. The property is available freehold.	£650,000	0.57	£1,140,350.88
35	Vyse Street	Birmingham	Available	Freehold	The available space comprises land of 0.147 acres. The freehold interest is available for £400,000	£400,000	0.147	£2,721,088.44
1298	Warwick Road	Birmingham	Available	Freehold	The available space comprises a plot of development land totalling 2.5 acres which is suitable for a number of uses including retail/care home and residential. Offers in excess of £2,500,000 are invited for the freehold interest in the site.	£2,500,000	2.5	£1,000,000.00
158	Wellington Road	Birmingham	Available	Freehold	The available space comprises a site of 0.479 Acres suitable for a variety of alternative uses/redevelopment, subject to planning. Planning permission for residential use has been granted in the past. The site is available freehold with vacant possession for £300,000 plus VAT.	£300,000	0.479	£626,304.80
39	Wood End Lane	Birmingham	Available	Freehold	The plot comprises 0.48 acres of development land. The plot is available by way of a freehold investment. Quoting Price - £550,000,	£550,000	0.48	£1,145,833.33
							Average Per Acre	£1,082,638.81

Source: Co-Star/Focus Database November 2014

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Development Appraisal

Scenario 1 JLL Appraisal

Report Date: 10 November 2014

Prepared by Jones Lang LaSalle Limited

APPRAISAL SUMMARY				LICENSED COPY

Scenario 1 JLL Appraisal

Summary Appraisal for Phase 1

REVENUE				
Rental Area Summary	**ft²**	**Rate ft²**	**Gross MRV**	
Retail	16,146	£15.00	242,190	
Investment Valuation				
Retail				
Market Rent	242,190	YP @	6.0000%	16.6667
(1yr Rent Free)		PV 1yr @	6.0000%	0.9434
GROSS DEVELOPMENT VALUE				3,808,019
Purchaser's Costs		5.80%	(220,865)	
NET DEVELOPMENT VALUE				3,587,154
NET REALISATION				**3,587,154**
OUTLAY				
ACQUISITION COSTS				
Residualised Price (1.50 Acres £118,461.58 pAcre)			177,692	
Stamp Duty		4.00%	7,108	
Agent Fee		1.00%	1,777	
Legal Fee		0.80%	1,422	
				187,999
CONSTRUCTION COSTS				
Construction	**ft²**	**Rate ft²**	**Cost**	
Retail	16,146	£120.77	1,949,952	
Retail (Parking Spaces)	90	£2,000.00	180,000	**2,129,952**
Developers Contingency		5.00%	119,598	
Enabling Works			162,000	
Highways			100,000	
				381,598
PROFESSIONAL FEES				
Other Professionals		10.00%	239,195	
				239,195
MARKETING & LETTING				
Letting Agent Fee		10.00%	24,219	
Letting Legal Fee		5.00%	12,110	
				36,329
DISPOSAL FEES				
Sales Agent Fee		1.00%	35,872	
Sales Legal Fee		0.50%	17,936	
				53,807
FINANCE				
Multiple Finance Rates Used (See Assumptions)				
Land			13,259	
Construction			77,125	
Total Finance Cost				90,385
TOTAL COSTS				**3,119,264**
PROFIT				
				467,890
Performance Measures				
Profit on Cost%		15.00%		
Profit on GDV%		12.29%		
Profit on NDV%		13.04%		

Scenario 1 JLL Appraisal

Development Yield% (on Rent)	7.76%
Equivalent Yield% (Nominal)	6.00%
Equivalent Yield% (True)	6.23%
Gross Initial Yield%	6.36%
Net Initial Yield%	6.36%
IRR	41.62%
Rent Cover	1 yr 11 mths
Profit Erosion (finance rate 7.500%)	1 yr 11 mths

Scenario 1 JLL Appraisal

3,808,019

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Development Appraisal

Scenario 2 JLL Appraisal

Report Date: 10 November 2014

Prepared by Jones Lang LaSalle Limited

APPRAISAL SUMMARY				LICENSED COPY

Scenario 2 JLL Appraisal

Summary Appraisal for Phase 1

REVENUE				
Rental Area Summary	**ft²**	**Rate ft²**	**Gross MRV**	
Retail	24,305	£15.00	364,575	
Investment Valuation				
Retail				
Market Rent	364,575	YP @	6.0000%	16.6667
(1yr Rent Free)		PV 1yr @	6.0000%	0.9434
GROSS DEVELOPMENT VALUE				5,732,311
Purchaser's Costs		5.80%	(332,474)	
NET DEVELOPMENT VALUE				5,399,837
NET REALISATION				**5,399,837**
OUTLAY				
ACQUISITION COSTS				
Residualised Price (2.00 Acres £217,679.10 pAcre)			435,358	
Stamp Duty		4.00%	17,414	
Agent Fee		1.00%	4,354	
Legal Fee		0.80%	3,483	
				460,609
CONSTRUCTION COSTS				
Construction	**ft²**	**Rate ft²**	**Cost**	
Retail	24,305	£120.77	2,935,315	
Retail (Parking Spaces)	90	£2,000.00	180,000	**3,115,315**
Developers Contingency		5.00%	172,056	
Enabling Works			225,800	
Highways			100,000	
				497,856
PROFESSIONAL FEES				
Other Professionals		10.00%	344,111	
				344,111
MARKETING & LETTING				
Letting Agent Fee		10.00%	36,458	
Letting Legal Fee		5.00%	18,229	
				54,686
DISPOSAL FEES				
Sales Agent Fee		1.00%	53,998	
Sales Legal Fee		0.50%	26,999	
				80,998
FINANCE				
Multiple Finance Rates Used (See Assumptions)				
Land			32,486	
Construction			109,450	
Total Finance Cost				141,936
TOTAL COSTS				**4,695,511**
PROFIT				
				704,327
Performance Measures				
Profit on Cost%		15.00%		
Profit on GDV%		12.29%		
Profit on NDV%		13.04%		

Scenario 2 JLL Appraisal

Development Yield% (on Rent)	7.76%
Equivalent Yield% (Nominal)	6.00%
Equivalent Yield% (True)	6.23%
Gross Initial Yield%	6.36%
Net Initial Yield%	6.36%
IRR	40.22%
Rent Cover	1 yr 11 mths
Profit Erosion (finance rate 7.500%)	1 yr 11 mths

5,732,311

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Development Appraisal

Scenario 3 JLL Appraisal

Report Date: 10 November 2014

Prepared by Jones Lang LaSalle Limited

Scenario 3 JLL Appraisal

Summary Appraisal for Phase 1

REVENUE				
Rental Area Summary	**ft²**	**Rate ft²**	**Gross MRV**	
Retail	29,063	£15.00	435,945	
Investment Valuation				
Retail				
Market Rent	435,945	YP @	6.0000%	16.6667
(1yr Rent Free)		PV 1yr @	6.0000%	0.9434
GROSS DEVELOPMENT VALUE				6,854,481
Purchaser's Costs		5.80%	(397,560)	
NET DEVELOPMENT VALUE				6,456,921
NET REALISATION				**6,456,921**
OUTLAY				
ACQUISITION COSTS				
Residualised Price (2.00 Acres £226,619.35 pAcre)			453,239	
Stamp Duty		4.00%	18,130	
Agent Fee		1.00%	4,532	
Legal Fee		0.80%	3,626	
				479,527
CONSTRUCTION COSTS				
Construction	**ft²**	**Rate ft²**	**Cost**	
Retail	29,063	£120.77	3,509,939	
Retail (Parking Spaces)	150	£2,000.00	300,000	**3,809,939**
Developers Contingency		5.00%	208,997	
Enabling Works			270,000	
Highways			100,000	
				578,997
PROFESSIONAL FEES				
Other Professionals		10.00%	417,994	
				417,994
MARKETING & LETTING				
Letting Agent Fee		10.00%	43,595	
Letting Legal Fee		5.00%	21,797	
				65,392
DISPOSAL FEES				
Sales Agent Fee		1.00%	64,569	
Sales Legal Fee		0.50%	32,285	
				96,854
FINANCE				
Multiple Finance Rates Used (See Assumptions)				
Land			33,820	
Construction			132,192	
Total Finance Cost				166,012
TOTAL COSTS				**5,614,713**
PROFIT				
				842,208
Performance Measures				
Profit on Cost%		15.00%		
Profit on GDV%		12.29%		
Profit on NDV%		13.04%		

Scenario 3 JLL Appraisal

Development Yield% (on Rent)	7.76%
Equivalent Yield% (Nominal)	6.00%
Equivalent Yield% (True)	6.23%
Gross Initial Yield%	6.36%
Net Initial Yield%	6.36%
IRR	40.93%
Rent Cover	1 yr 11 mths
Profit Erosion (finance rate 7.500%)	1 yr 11 mths

Scenario 3 JLL Appraisal

6,854,481

Scenario 3 JLL Appraisal

Enclosure 2 – Development Appraisals

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Development Appraisal

Scenario 1

2,000 sq m (GVA Assumptions)

Report Date: 03 March 2015

Prepared by Jones Lang LaSalle Limited

APPRAISAL SUMMARY **LICENSED COPY**

Scenario 1
2,000 sq m (GVA Assumptions)

Summary Appraisal for Phase 1

REVENUE				
Rental Area Summary	**ft²**	**Rate ft²**	**Gross MRV**	
Retail	21,528	£15.00	322,920	
Investment Valuation				
Retail				
Market Rent	322,920	YP @	6.0000%	16.6667
(1yr Rent Free)		PV 1yr @	6.0000%	0.9434
GROSS DEVELOPMENT VALUE				5,077,358
Purchaser's Costs		5.80%	(294,487)	
NET DEVELOPMENT VALUE				4,782,872
NET REALISATION				**4,782,872**
OUTLAY				
ACQUISITION COSTS				
Residualised Price (2.00 Acres £162,321.51 pAcre)			324,643	
Stamp Duty		4.00%	12,986	
Agent Fee		1.00%	3,246	
Legal Fee		0.75%	2,435	
				343,310
CONSTRUCTION COSTS				
Construction	**ft²**	**Rate ft²**	**Cost**	
Retail	21,528	£120.77	2,599,937	
Retail (Parking Spaces)	90	£2,000.00	180,000	**2,779,937**
Developers Contingency		5.00%	155,287	
Enabling Works			225,800	
Highways			100,000	
				481,087
PROFESSIONAL FEES				
Other Professionals		10.00%	310,574	
				310,574
MARKETING & LETTING				
Letting Agent Fee		10.00%	32,292	
Letting Legal Fee		5.00%	16,146	
				48,438
DISPOSAL FEES				
Sales Agent Fee		1.00%	47,829	
Sales Legal Fee		0.50%	23,914	
				71,743
FINANCE				
Multiple Finance Rates Used (See Assumptions)				
Land			24,213	
Construction			99,717	
Total Finance Cost				123,930
TOTAL COSTS				**4,159,018**
PROFIT				
				623,853
Performance Measures				
Profit on Cost%		15.00%		
Profit on GDV%		12.29%		

Scenario 1
2,000 sq m (GVA Assumptions)

Profit on NDV%	13.04%
Development Yield% (on Rent)	7.76%
Equivalent Yield% (Nominal)	6.00%
Equivalent Yield% (True)	6.23%
Gross Initial Yield%	6.36%
Net Initial Yield%	6.36%
IRR	40.70%
Rent Cover	1 yr 11 mths
Profit Erosion (finance rate 7.500%)	1 yr 11 mths

Scenario 1
2,000 sq m (GVA Assumptions)

5,077,358

Scenario 1
2,000 sq m (GVA Assumptions)

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Development Appraisal

Scenario 2

2,258 sq m (GVA Assumptions)

Report Date: 03 March 2015

Prepared by Jones Lang LaSalle Limited

APPRAISAL SUMMARY — LICENSED COPY

Scenario 2
2,258 sq m (GVA Assumptions)

Summary Appraisal for Phase 1

REVENUE				
Rental Area Summary	**ft²**	**Rate ft²**	**Gross MRV**	
Retail	24,305	£15.00	364,575	
Investment Valuation				
Retail				
Market Rent	364,575	YP @	6.0000%	16.6667
(1yr Rent Free)		PV 1yr @	6.0000%	0.9434
GROSS DEVELOPMENT VALUE				5,732,311
Purchaser's Costs		5.80%	(332,474)	
NET DEVELOPMENT VALUE				5,399,837
NET REALISATION				**5,399,837**
OUTLAY				
ACQUISITION COSTS				
Residualised Price (2.00 Acres £217,782.02 pAcre)			435,564	
Stamp Duty		4.00%	17,423	
Agent Fee		1.00%	4,356	
Legal Fee		0.75%	3,267	
				460,609
CONSTRUCTION COSTS				
Construction	**ft²**	**Rate ft²**	**Cost**	
Retail	24,305	£120.77	2,935,315	
Retail (Parking Spaces)	90	£2,000.00	180,000	**3,115,315**
Developers Contingency		5.00%	172,056	
Enabling Works			225,800	
Highways			100,000	
				497,856
PROFESSIONAL FEES				
Other Professionals		10.00%	344,111	
				344,111
MARKETING & LETTING				
Letting Agent Fee		10.00%	36,458	
Letting Legal Fee		5.00%	18,229	
				54,686
DISPOSAL FEES				
Sales Agent Fee		1.00%	53,998	
Sales Legal Fee		0.50%	26,999	
				80,998
FINANCE				
Multiple Finance Rates Used (See Assumptions)				
Land			32,486	
Construction			109,450	
Total Finance Cost				141,936
TOTAL COSTS				**4,695,511**
PROFIT				
				704,327
Performance Measures				
Profit on Cost%		15.00%		
Profit on GDV%		12.29%		

APPRAISAL SUMMARY	LICENSED COPY

Scenario 2

2,258 sq m (GVA Assumptions)

Profit on NDV%	13.04%
Development Yield% (on Rent)	7.76%
Equivalent Yield% (Nominal)	6.00%
Equivalent Yield% (True)	6.23%
Gross Initial Yield%	6.36%
Net Initial Yield%	6.36%
IRR	40.22%
Rent Cover	1 yr 11 mths
Profit Erosion (finance rate 7.500%)	1 yr 11 mths

Scenario 2
2,258 sq m (GVA Assumptions)

5,732,311

Scenario 2
2,258 sq m (GVA Assumptions)

Jones Lang LaSalle

Development Appraisal

Scenario 3

2,623 sq m (GVA Assumptions)

Report Date: 04 March 2015

Prepared by Jones Lang LaSalle Limited

Scenario 3
2,623 sq m (GVA Assumptions)

Summary Appraisal for Phase 1

REVENUE				
Rental Area Summary	**ft²**	**Rate ft²**	**Gross MRV**	
Retail	28,233	£15.00	423,495	
Investment Valuation				
Retail				
Market Rent	423,495	YP @	6.0000%	16.6667
(1yr Rent Free)		PV 1yr @	6.0000%	0.9434
GROSS DEVELOPMENT VALUE				6,658,726
Purchaser's Costs		5.80%	(386,206)	
NET DEVELOPMENT VALUE				6,272,520
NET REALISATION				**6,272,520**
OUTLAY				
ACQUISITION COSTS				
Residualised Price (2.00 Acres £296,229.19 pAcre)			592,458	
Stamp Duty		4.00%	23,698	
Agent Fee		1.00%	5,925	
Legal Fee		0.75%	4,443	
				626,525
CONSTRUCTION COSTS				
Construction	**ft²**	**Rate ft²**	**Cost**	
Retail	28,233	£120.77	3,409,699	
Retail (Parking Spaces)	90	£2,000.00	180,000	**3,589,699**
Developers Contingency		5.00%	195,775	
Enabling Works			225,800	
Highways			100,000	
				521,575
PROFESSIONAL FEES				
Other Professionals		10.00%	391,550	
				391,550
MARKETING & LETTING				
Letting Agent Fee		10.00%	42,350	
Letting Legal Fee		5.00%	21,175	
				63,524
DISPOSAL FEES				
Sales Agent Fee		1.00%	62,725	
Sales Legal Fee		0.50%	31,363	
				94,088
FINANCE				
Multiple Finance Rates Used (See Assumptions)				
Land			44,187	
Construction			123,217	
Total Finance Cost				167,404
TOTAL COSTS				**5,454,365**
PROFIT				
				818,155
Performance Measures				
Profit on Cost%		15.00%		
Profit on GDV%		12.29%		

Scenario 3
2,623 sq m (GVA Assumptions)

Profit on NDV%	13.04%
Development Yield% (on Rent)	7.76%
Equivalent Yield% (Nominal)	6.00%
Equivalent Yield% (True)	6.23%
Gross Initial Yield%	6.36%
Net Initial Yield%	6.36%
IRR	39.73%
Rent Cover	1 yr 11 mths
Profit Erosion (finance rate 7.500%)	1 yr 11 mths

Scenario 3
2,623 sq m (GVA Assumptions)

6,658,726

Scenario 3
2,623 sq m (GVA Assumptions)