

Community Infrastructure Levy: Gosport Draft Charging Schedule

Statement on Issues and Questions

**Issue: Updated Commercial Development
Appraisal for Supermarket**

Date: 15th April 2015



GOSPORT
Borough Council

In light of the typographical error in CIL-6 appendix 4 could the Council please provide an updated Commercial Development Appraisal for a supermarket using the intended figure of £162 along with a 'Surplus to fund CIL' sensitivity box. Could they also provide similar Commercial Development Appraisals for rental values of £152 and £172, each with a 'Surplus to fund CIL' sensitivity box?

The attached Appraisals are provided at the request of the Examiner showing the viability of a notional supermarket in the Gosport area.

The Version 1 relates to the one shown in Appendix 4 of CIL 6 – Addendum Report. It shows the scenario of a 2,323 square metre supermarket constructed on a brown field site at a cost of £1,178 per square metre and pre-let to an operator at £162 per square metre and the freehold sold as an investment at a yield of 5.5%.

These inputs have been shown to be robust. As highlighted at the Examination the investment yield of 5.5% was applied in July 2013 and the investment market has improved since this time. A rate of 5.25% could now be appropriate for a well located and well let supermarket investment.

A new development at Mumby Road/Harbour Road, Gosport [Application Number 14/00076/FULL] includes a 1,550 square metre Aldi Food Store which is very near to completion. The letting agent has confirmed that the rent achieved is £162 per square metre which is very current and appropriate evidence for this exercise. See Appendix.

The outcome is a surplus before a CIL charge of £183,198. It also shows that after a CIL charge of £60 per square metre is imposed, a surplus of £14,603 remains after a 20% Developers Profit has been allowed for. At this £60 per square metre rate, the CIL amounts to 2.15% of the Gross Development Value which is considered to be acceptable.

Version 2 shows the same inputs other than the rental rate of £152 per square metre. The outcome is a negative amount indicating that at this level the scheme would not be viable.

Version 3 shows the same inputs other than the rental level of £172 per square metre. The outcome is a positive amount indicating that at this rental level the scheme would be very viable.

Version 1

Commercial Development Appraisal

Use Class: Supermarket

DEVELOPMENT VALUE			
Rental Income	Area sq m	£ per sq m	£ per annum
Rent - (GIA)	2,323	162	£376,326
Total Rental Income	2,323		£376,326
Rent free/voids (years)	1	0.9478	£356,682
Total revenue, capitalised (incl all costs)		5.50%	£6,485,123
Gross Development Value			£6,485,123
Less Purchaser's Costs	5.75%	£372,895	£6,112,229

DEVELOPMENT COSTS			
	Area	£ per sq m	Total
Demolition Costs	1,162	£64	£74,336
Building Costs		£1,178	£2,736,494
Area	2,323		
Contingency		5%	£136,825
External Works		5%	£136,825
Professional Fees		12%	£337,300
Planning Costs		10%	£273,649
Community Infrastructure Levy		60	£139,380
Total			£3,834,808
Disposal Costs			
		%	Total
Letting Agent's Fee (% of Rent)		10%	£37,633
Letting Legal fees (% of rent)		5%	£18,816
Agent's Fees (on capital value)		1%	£64,851
Legal Fees (% of capital value)		0.75%	£48,638
Total			£169,939
Interest on Finance			
	Months	%	Total
Total Development duration	36		
Loan arrangement fee		1%	£38,348.08
Finance Costs ('S' curve)		7.0%	£560,665
Total			£599,013
Profit			
		%	Total
Developer's Profit on Total Development Cost		20%	£920,752
Total Development Costs			£5,524,512

LAND VALUE			
		%	Total
Land Surplus			£587,717
Stamp Duty		4%	£23,509
Agent's Fees		1.25%	£7,346
Legal Fees		0.50%	£2,939
Total			£33,794
Interest on land finance		7.00%	£38,775
Total			£72,568
RESIDUAL LAND VALUE			£515,149

Existing Site Value			
	%		
Assumes existing space is % of new	50%	1,162	
Rent per sqm		£63	
Rental income per annum		£73,175	
Rent free/voids (years)	3	0.7938	£58,086
Total revenue, capitalised (incl all costs)		8.00%	£726,074
Refurbishment costs (per sqm)		£215	£249,723
Fees	7%		£17,481
Total			£267,203
Purchaser's Costs	5.75%		£41,749
Total Costs			£308,952
Existing Site Value			£417,122

Site Value incl Landowner Premium 20% £83,424 £500,546

Surplus available to fund CIL **£14,603**

Surplus to fund CIL - sensitivity

Rent/sqm	£152.00	£162.00	£172.00
Yield			
5.00%	£354,977	£705,341	£1,055,705
5.25%	£98,357	£431,837	£765,318
5.50%	-£134,935	£183,198	£501,330
5.75%	-£347,941	-£43,822	£260,298

Surplus after CIL Charge £14,603

CIL Charge as % of GDV 2.15%

Version 2

Commercial Development Appraisal

Use Class: Supermarket

DEVELOPMENT VALUE			
Rental Income	Area sq m	£ per sq m	£ per annum
Rent - (GIA)	2,323	152	£353,096
Total Rental Income			£353,096
Rent free/voids (years)	1	0.9478	£334,664
Total revenue, capitalised (incl all costs)			£6,084,807
Gross Development Value			£6,084,807
Less Purchaser's Costs			5.75% £349,876 £5,734,931

DEVELOPMENT COSTS			
	Area	£ per sq m	Total
Demolition Costs	1,162	£64	£74,336
Building Costs		£1,178	£2,736,494
Area	2,323		
Contingency		5%	£136,825
External Works		5%	£136,825
Professional Fees		12%	£337,300
Planning Costs		10%	£273,649
Community Infrastructure Levy		60	£139,380
Total			£3,834,808
Disposal Costs			
Letting Agent's Fee (% of Rent)		10%	£35,310
Letting Legal fees (% of rent)		5%	£17,655
Agent's Fees (on capital value)		1%	£60,848
Legal Fees (% of capital value)		0.75%	£45,636
Total			£159,449
Interest on Finance			
Total Development duration	36	Months	
Loan arrangement fee		1%	£38,348.08
Finance Costs ('S' curve)		7.0%	£559,196
Total			£597,544
Profit			
Developer's Profit on Total Development Cost		20%	£918,360
Total Development Costs			£5,510,161

LAND VALUE		
	%	Total
Land Surplus		£224,769
Stamp Duty	4%	£8,991
Agent's Fees	1.25%	£2,810
Legal Fees	0.50%	£1,124
Total		£12,924
Interest on land finance	7.00%	£14,829
Total		£27,753
RESIDUAL LAND VALUE		£197,016

Existing Site Value			
	%		
Assumes existing space is % of new	50%	1,162	
Rent per sqm		£63	
Rental income per annum		£73,175	
Rent free/voids (years)	3	0.7938	£58,086
Total revenue, capitalised (incl all costs)			£726,074
Refurbishment costs (per sqm)		£215	£249,723
Fees	7%		£17,481
Total			£267,203
Purchaser's Costs	5.75%		£41,749
Total Costs			£308,952
Existing Site Value			£417,122

Site Value incl Landowner Premium 20% £83,424 £500,546
 Surplus available to fund CIL -£303,530

Surplus to fund CIL - sensitivity

Rent/sqm	£152.00	£162.00	£172.00
Yield			
5.00%	£354,977	£705,341	£1,055,705
5.25%	£98,357	£431,837	£765,318
5.50%	-£134,935	£183,198	£501,330
5.75%	-£347,941	-£43,822	£260,298

Surplus after CIL Charge -£303,530

CIL Charge as % of GDV 2.29%

Version 3

Commercial Development Appraisal

Use Class: Supermarket

DEVELOPMENT VALUE			
Rental Income	Area sq m	£ per sq m	£ per annum
Rent - (GIA)	2,323	172	£399,556
Total Rental Income 2,323 £399,556			
Rent free/voids (years)	1	0.9478	£378,699
Total revenue, capitalised (incl all costs)		5.50%	£6,885,440
Gross Development Value			£6,885,440
Less Purchaser's Costs 5.75%			£395,913
			£6,489,527

DEVELOPMENT COSTS			
	Area	£ per sq m	Total
Demolition Costs	1,162	£64	£74,336
Building Costs		£1,178	£2,736,494
Area	2,323		
Contingency		5%	£136,825
External Works		5%	£136,825
Professional Fees		12%	£337,300
Planning Costs		10%	£273,649
Community Infrastructure Levy		60	£139,380
Total			£3,834,808
Disposal Costs			
		%	Total
Letting Agent's Fee (% of Rent)		10%	£39,956
Letting Legal fees (% of rent)		5%	£19,978
Agent's Fees (on capital value)		1%	£68,854
Legal Fees (% of capital value)		0.75%	£51,641
Total			£180,429
Interest on Finance			
	Months	%	Total
Total Development duration	36		
Loan arrangement fee		1%	£38,348.08
Finance Costs ('S' curve)		7.0%	£562,133
Total			£600,481
Profit			
		%	Total
Developer's Profit on Total Development Cost		20%	£923,144
Total Development Costs			£5,538,862

LAND VALUE		
	%	Total
Land Surplus		£950,665
Stamp Duty	4%	£38,027
Agent's Fees	1.25%	£11,883
Legal Fees	0.50%	£4,753
Total		£54,663
Interest on land finance	7.00%	£62,720
Total		£117,383
RESIDUAL LAND VALUE		£833,282

Existing Site Value			
	%		
Assumes existing space is % of new	50%	1,162	
Rent per sqm		£63	
Rental income per annum		£73,175	
Rent free/voids (years)	3	0.7938	£58,086
Total revenue, capitalised (incl all costs)		8.00%	£726,074
Refurbishment costs (per sqm)		£215	£249,723
Fees	7%		£17,481
Total			£267,203
Purchaser's Costs	5.75%		£41,749
Total Costs			£308,952
Existing Site Value			£417,122

Site Value incl Landowner Premium 20% £83,424 £500,546
 Surplus available to fund CIL **£332,736**

Surplus to fund CIL - sensitivity

Rent/sqm	£152.00	£162.00	£172.00
Yield			
5.00%	£354,977	£705,341	£1,055,705
5.25%	£98,357	£431,837	£765,318
5.50%	-£134,935	£183,198	£501,330
5.75%	-£347,941	-£43,822	£260,298

Surplus after CIL Charge £332,736

CIL Charge as % of GDV 2.02%

Appendix: Email response confirming supermarket rents in Gosport

From: [Kevin Marsh](#)

Sent: Thursday, April 09, 2015 11:14 AM

To: [Alex medhurst](#)

Subject: RE: Gosport- supermarket rents

Hi Alex

Thats right. The market has weakened since we did the letting to Aldi but I dont have any other evidence to the contrary at present.

Regards

Kevin

Kevin Marsh

Head of Department, Licensed Leisure

Leisure & Trading

Savills, 2 Charlotte Place, Southampton, SO14 0TB



Tel :+44 (0) 23 8071 3959

Mobile :+44 (0) 7968 550 369

Email :kmarsh@savills.com

Website :www.savills.co.uk



Before printing, think about the environment



Property Service Sheet
Licensed Leisure 2015 ▶

From: Alex medhurst [mailto:amedhurst@adamsintegra.co.uk]
Sent: 09 April 2015 10:38
To: Kevin Marsh
Subject: Gosport- supermarket rents

Dear Kevin

As just discussed I would be very grateful if you could confirm that your opinion is that £15 per square foot [£162 per square metre] would be a fair head line rent to assume for a new well located supermarket development in Gosport, based on your recent experience of the pre-letting to Aldi at Mumby Road?

Many thanks.

Regards

Alex Medhurst

BSc(Hons), Dip Surv, MRICS, RICS Registerd Valuer
Associate

Adams Integra Housing and Planning

St Johns House | St Johns Street | Chichester | West Sussex | PO19 1UU
M: 07854 513590 | T: 01243 771304 |E: amedhurst@adamsintegra.co.uk
Website: www.adamsintegra.co.uk