# For: Uttlesford District Council
# Local Plan Regulation 19

# Viability Assessment (Stage 2)

## Appendix S2-IV
## Market Values & Assumptions Research

**June 2024**

**DSP24868**

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**Note:**

CoStar property resource extracts for research base follow the above – provided to the rear of this document as Sub-Appendix S2-IVa)

# 1.0 Introduction

1.1.1 During earlier stages of the Plan's development, Dixon Searle Partnership (DSP) was engaged to provide viability evidence in support and development of the Uttlesford District Council (UDC).

1.1.2 The Viability Assessment has taken place following earlier review stages between 2021 and 2023. Initial viability findings were issued to the Council throughout this period. Following these initial stages of assessment and further discussions with the Council alongside newly emerging evidence/national policy, the next phase of the study will provide a refresh/update, building on earlier work with a further focus on the consideration of key/strategic sites. Overall the viability assessment will consider the viability of the current emerging Local Plan, its sites and policies as well as wider national policy changes.

1.1.3 Referred to within DSP'S main report, this document – Appendix IV – provides an overview of the research undertaken into residential property values, together with the wider economic conditions at the time of writing. Collectively, this research aims to help inform the assumptions setting for the residential appraisal testing, providing important background evidence by building a picture of values and the variation of those within Uttlesford.

1.1.4 This report will also provide the Council with an indication of the type and sources of data that it could monitor, revisit and update, to further inform its ongoing work where necessary in the future. Doing so would provide valuable context for monitoring the delivery subsequent to settling policy positions and aspirations.

1.1.5 It should be acknowledged that this is high-level work, and a great deal of variance may be seen in practice from one development to another (with site-specific characteristics). This data gathering process adopted by DSP involves the review of a range of information sources, so as to inform an overview that is relevant to and appropriate for the project context. The aim here is to consider changes and trends and therefore enable us to assess with the Council an updated context picture so far as is suitable and practically possible.

1.1.6 This Appendix is informed by a range of industry reporting and quotes/extracts (shown in *italic text* to distinguish that externally sourced information from DSP's commentary and context/analysis), with sources acknowledged.

## 2.0 Economic/Housing Market Context

2.1.1. There are a number of sources available in reviewing the current economic and housing market context generally. We have made particular reference to the Land Registry, Royal Institution of Chartered Surveyors (RICS) market reporting, Office for National Statistics (ONS) and Savills market reporting and forecasts.

2.1.2. These industry reporting resources have all described a similar picture of the current economic context alongside the general patterns of the housing market, viewed at this time both more widely and in respect of the available information for Uttlesford District Council (UDC).

2.1.3. The war in Ukraine and general global economic uncertainty has caused some disruption and uncertainty in the market since 2022. However, the most recent (national) reporting suggests that the housing market generally is showing signs of improving somewhat following a brief period which saw month-on-month falls in house prices. Having taken a negative stance in 2023, Knight frank revised their assessment of the housing market in early 2024, stating "We now expect UK mainstream prices to rise by 3% in 2024, which compares to a decline of 4% predicted in October. With low-level single digit growth in subsequent years, we expect cumulative growth of 20.5% in the five years to 2028". The ONS notes that the average UK house price increased by 1.1% in the 12 months to April 2024. Commentary from agents indicates a consensus that there has been a modest 'Spring bounce' in prices, as well as a significant increase in new properties being listed for sale.

2.1.4. Since 2022 there has also been a period of rapid increases in construction cost inflation which began to slow mid-2023 with most recent reporting indicating this is expected to stabilise from 2025.

2.1.5. This economic backdrop features heavily amongst the wider range of influences on development matters in the last 24 months (and continuing as significant influences at the current time) including the ongoing uncertainty in relation to planning reforms especially in light of the forthcoming general election. The increasing emphasis on climate change response is also a key theme and one which the Council is looking to fully support, via the Future Homes Standard, alongside other additional areas that now need to be reflected through assumptions within assessment such as this – biodiversity, nutrient neutrality, for example.

2.1.6. Despite the wide disruption and uncertainty within the market caused by the Coronavirus pandemic, and the continuing effects of Brexit, the downward effect on house prices did not initially materialise. Following the pandemic, values rose significantly – overall negative impacts were not experienced to nearly the extent anticipated by many market commentators. However, the market appeared to reach its peak in early 2023 and in the latter part of 2023 and early part of 2024 we saw the decreases (year on year) in house prices. The annual rate of inflation has since returned to positive territory.

2.1.7. Ongoing economic uncertainty stems from the fallout from the pandemic and the 'cost of living crisis' reflecting the high energy costs, increasing inflation (albeit now having eased, with inflation having returned to the Government's 2.0% target), rising interest rates (at the time of writing, the BoE base rate has been held for the second time at 5.25% - and although forecast to fall it currently remains at the highest it has been in many First Time Buyer's lifetimes), changing government leadership and corresponding changes in financial policy - all resulting in much greater levels of uncertainty over the coming few years. Dixon Searle Partnership (DSP) has studied and analysed the latest economic/housing market commentary alongside our own wider experience across the country.

2.1.8. As noted above, the most recent analysis from Knight Frank is more upbeat than in previous reporting, referring to a 'turning point' with 'better-than-expected economic data and strengthening transaction numbers providing a platform for a longer-term recovery in residential development volumes'. However, in their Residential Market Update for Q2 2024, Knight Frank note that whilst prices have returned to annual growth, 'the current direction of travel is sideways'.

2.1.9. This aligns with our experience of the current market - we have seen build costs stabilise over the past year or so (after an extended period of rapid inflation). This is partly due to the lack of activity in housebuilding and therefore greater competition for building contracts, as well as by some of the supply chain issues easing. This is tempered however by continuing high mortgage rates.

2.1.10. The tone of the most recent Savills market reporting in June 2024 is cautious, but overall positive, noting that the residential market continues to stabilise, albeit with price growth likely to 'remain muted until there is additional mortgage rate cuts'. Regarding the forthcoming election, Savills note that 'at the time of writing [5 June 2024] there are no emerging policies from the major parties that are likely to disrupt the mainstream housing market'. Similarly to Knight Frank, Savills note the increase in listings and transactions which is positive for the market generally but is seen to have a limiting effect on house prices due to the increased number of properties now available for buyers to choose from.

2.1.11. The latest RICS residential market survey (May 2024) also takes a cautiously positive view, noting a 'general softening in momentum reported across the sales market' which is attributed to 'scaling back in expectations around the degree of monetary policy loosening' from the Bank of England; however with most surveyors expecting the recovery to 'get back on track in the months ahead' and with contributors to the survey remaining 'firmly of the view that house prices will move higher over the next twelve months'.

2.1.12. The latest Office for National Statistics (ONS) UK House Price Index (HPI) for December 2023 focuses on sale prices and trends in data rather than forecasting the future of the housing market. The ONS examines the condition of the market over the last couple of years, and notes the following:

- Average UK house prices decreased by 1.4% in the 12 months to December 2023 (provisional estimate), up from a decrease of 2.3% (revised estimate) in the 12 months to November 2023.

- The average UK house price was £285,000 in December 2023, which was £4,000 lower than 12 months previous.

- Average house prices over the 12 months to December 2023 decreased in England to £302,000 (negative 2.1%), decreased in Wales to £214,000 (negative 2.5%), but increased in Scotland to £190,000 (3.3%).

2.1.13. At the current time, we are informed by housebuilders that they are increasingly pursuing non-standard forms of development or approaches to sales, for example agreeing bulk disposals of units to Registered Providers, Build to Rent schemes rather than outright sale, and retirement/age restricted housing. It should also be noted however that many Registered Providers also have a reduced appetite for expansion and acquisitions, due to a tougher lending environment and uncertainty regarding, for example, sales of shared ownership, as well as a decision amongst some providers to focus energy and funds on ensuring that existing stock is suitably maintained or refurbished.

2.1.14. The consensus within the industry is that significant house price growth will not be seen in the short term, but that in the medium to long term the market is supported by the 'fundamentals' – i.e. the continuing imbalance between supply and demand, as the population continues to increase with housebuilding falling well behind the rates needed to meet current and future demand. There are however concerns about the capacity of the development industry to cope with increased demand when the economy and housing market improve, as well as the availability of sufficient developable land should all those housebuilders who have 'retrenched' wish to increase their development programmes simultaneously.

# 3.0 Residential Market Review

3.1.1. Consistent with our assessment principles, DSP research data from a range of readily available sources, as also directed by the Planning Practice Guidance (PPG). As noted above, these are sources that could also be used by the Council for any future similar work, updating or monitoring. In the following sections we will provide an outline of the data reviewed.

3.1.2. The residential market review and data collection/analysis phase was conducted using data from the Land Registry grouped into Wards within the district between 2019 and 2023. Value level ranges were estimated for each area based on a variety of data presentation and analysis techniques including quartile analysis. This process comprised the desktop-based research and analysis of both sold and asking prices for new build and resale property across the district.

### Review of Land Registry New Build Sold Prices Data – (January 2019 to December 2023)

3.1.3. The following tables below provide Uttlesford based summary of Land Registry published sold prices data – focusing solely on new build housing. The floor areas have been sourced separately – from the Domestic Energy Performance Certificate (EPC) Register operated by Landmark on behalf of the Government and available to view via www.epcregister.com under the DLUHC’s remit. Property values have been updated in line with the UK House Price Index (HPI) at the point of data collection i.e., February 2024. Due to its size, the full data set has not been included - but can be requested if required.

**Table 1a** – Land Registry Sold Prices Review Analysis – New Build Property – Average Price and quartile analysis by Wards

| New Build Value - Summary Quartile Analysis - Uttlesford (1.2019 - 12.2023) | | | | | | | |
|---|---|---|---|---|---|---|---|
| **Ward** | **Minimum £ per sq. metre** | **Q1 £ per sq. metre** | **Average Value £ per sq. metre** | **Median £ per sq. metre** | **Q3 £ per sq. metre** | **Maximum £ per sq. metre** | **Data Sample Number** |
| Broad Oak & Hallingburys | £4,034 | £4,664 | £4,991 | £4,982 | £5,208 | £6,097 | 14 |
| Elsenham & Henham | £3,839 | £4,145 | £4,520 | £4,323 | £4,875 | £5,560 | 41 |
| Felsted & Stebbing | £3,934 | £4,266 | £4,569 | £4,515 | £4,814 | £5,890 | 27 |
| Great Dunmow North | £3,259 | £3,823 | £4,298 | £4,168 | £4,813 | £5,705 | 147 |
| Great Dunmow South & Barnston | £3,708 | £4,393 | £4,846 | £4,798 | £5,114 | £6,883 | 32 |
| Hatfield Heath | £3,918 | £4,280 | £4,710 | £4,805 | £5,064 | £5,379 | 11 |
| Littlebury, Chesterford & Wenden | £3,823 | £4,356 | £4,860 | £4,826 | £5,208 | £7,085 | 54 |
| Newport | £3,803 | £4,273 | £4,533 | £4,465 | £4,759 | £5,668 | 78 |
| Saffron Walden Audley | £3,407 | £4,167 | £4,565 | £4,483 | £4,833 | £7,085 | 142 |
| Saffron Walden Shire | £3,643 | £3,665 | £3,972 | £3,705 | £3,705 | £5,140 | 5 |
| Stansted North | £3,784 | £4,373 | £4,934 | £4,867 | £5,497 | £7,212 | 76 |
| Stansted South & Birchanger | £4,118 | £4,339 | £4,600 | £4,677 | £4,900 | £4,999 | 18 |
| Takeley | £3,821 | £3,994 | £4,758 | £4,846 | £5,611 | £5,889 | 19 |
| Thaxted & the Eastons | £3,458 | £4,154 | £4,349 | £4,396 | £4,561 | £5,264 | 38 |

** No New Sales in 2024*

*** Data sample of 702*

**Table 1b** – Land Registry Sold Prices Review Analysis – New Build Property – Average Price and quartile analysis by Dwellings

| New Build Value - Summary Quartile Analysis – Uttlesford (1.2019 - 12.2023) | | | | | | | |
|---|---|---|---|---|---|---|---|
| **Dwelling** | **Minimum £ per sq. metre** | **Q1 £ per sq. metre** | **Average Value £ per sq. metre** | **Median £ per sq. metre** | **Q3 £ per sq. metre** | **Maximum £ per sq. metre** | **Data Sample Number** |
| Flat | £3,407 | £4,477 | £5,045 | £4,945 | £5,539 | £7,085 | 75 |
| Terraced | £3,259 | £3,886 | £4,344 | £4,123 | £4,687 | £7,212 | 86 |
| Semi-Detached | £3,458 | £4,047 | £4,560 | £4,513 | £4,894 | £5,889 | 131 |
| Detached | £3,389 | £4,203 | £4,549 | £4,490 | £4,873 | £6,949 | 410 |

** Data sample of 702*

**Table 1c** – Land Registry Sold Prices Review Analysis – New Build Property – Average Price and quartile analysis - Uttlesford District

| New Build Value - Summary Quartile Analysis - Uttlesford (1.2019 - 12.2023) | | | | | | | |
|---|---|---|---|---|---|---|---|
| **District** | **Minimum £ per sq. metre** | **Q1 £ per sq. metre** | **Average Value £ per sq. metre** | **Median £ per sq. metre** | **Q3 £ per sq. metre** | **Maximum £ per sq. metre** | **Data Sample Number** |
| Uttlesford | £3,259 | £4,147 | £4,579 | £4,497 | £4,922 | £7,212 | 702 |

3.1.4. A key point of this analysis is to consider all available information in an appropriate way for the study purpose and strategic level, which in this case requires a high-level overview of general values ‘patterns’ rather than aiming necessarily to reflect finer grained variations and potential site-specifics.

3.1.5. The above new build data indicates a range of values with the overall key new build values between around £4,500 to £5,250/m2. However, this research analysis also indicated flatted sales values achieving the upper level of that range. As with any area, there are exceptions whereby higher and lower values can be seen also between nearby sites and even within a site – an overview is needed at plan making stage.

**Review of Land Registry Resale Sold Prices Data – (May 2023 – December 2023)**

3.1.6. A similar process has been undertaken as above for re-sale property with the following Tables providing a district summary of Land Registry published sold prices data as part of the current project phase – focusing solely on resale housing. As above, the floor areas have been sourced separately – from the Domestic Energy Performance Certificate (EPC) Register operated by Landmark on behalf of the Government and available to view via www.epcregister.com under the DCLG's remit. Property values have been updated in line with the UK HPI (area-specific figures) at the point of data collection i.e., February 2024. Due to its size the full data set has not been included here, however it can be requested by the Council.

3.1.7. Given the context of the study, being a high-level overview of viability at a strategic level, we have considered general values 'patterns' rather than aiming necessarily to reflect finer grained variations and potential site specifics.

**Table 2a** – Land Registry Sold Prices Review Analysis
– Average Price and quartile analysis by Wards

| **Resale Value - Summary Quartile Analysis - Uttlesford (5.2023 12.2023)** | | | | | | | |
|---|---|---|---|---|---|---|---|
| **Ward** | **Minimum £ per sq. metre** | **Q1 £ per sq. metre** | **Average Value £ per sq. metre** | **Median £ per sq. metre** | **Q3 £ per sq. metre** | **Maximum £ per sq. metre** | **Data Sample Number** |
| Ashdon | £3,643 | £4,363 | £5,083 | £5,083 | £5,802 | £6,522 | 2 |
| Broad Oak & the Hallingburys | £3,542 | £4,237 | £4,797 | £4,800 | £5,354 | £6,786 | 13 |
| Clavering | £4,144 | £4,418 | £4,944 | £4,613 | £5,267 | £6,178 | 9 |
| Debden and Wimbish | £4,388 | £4,742 | £5,141 | £5,237 | £5,414 | £6,052 | 7 |
| Elsenham & Henham | £2,844 | £4,244 | £4,512 | £4,754 | £5,024 | £5,229 | 18 |
| Felsted & Stebbing | £1,954 | £3,592 | £4,029 | £4,197 | £4,556 | £5,332 | 19 |
| Flitch Green & Little Dunmow | £2,983 | £3,194 | £3,671 | £3,576 | £3,919 | £5,751 | 15 |
| Great Dunmow North | £2,301 | £3,780 | £4,202 | £4,332 | £4,604 | £5,964 | 26 |
| Great Dunmow South & Barnston | £2,396 | £3,741 | £4,356 | £4,253 | £5,032 | £7,295 | 44 |
| Hatfield Heath | £2,748 | £3,321 | £4,266 | £4,483 | £5,138 | £5,714 | 7 |
| High Easter & the Rodings | £3,964 | £4,208 | £4,758 | £4,315 | £4,440 | £7,323 | 9 |
| Littlebury, Chesterford & Wenden Lofts | £3,308 | £4,183 | £4,526 | £4,415 | £4,988 | £5,789 | 17 |
| Newport | £2,664 | £4,244 | £4,492 | £4,484 | £4,837 | £5,472 | 24 |
| Saffron Walden Audley | £2,488 | £3,918 | £4,609 | £4,730 | £5,238 | £6,443 | 41 |
| Saffron Walden Castle | £2,685 | £4,275 | £4,759 | £4,587 | £5,154 | £7,564 | 33 |
| Saffron Walden Shire | £1,423 | £3,630 | £4,169 | £4,268 | £4,739 | £6,097 | 61 |
| Stansted North | £2,571 | £4,134 | £4,771 | £4,801 | £5,284 | £7,485 | 28 |
| Stansted South & Birchanger | £3,009 | £4,048 | £4,516 | £4,652 | £4,844 | £6,530 | 18 |
| Stort Valley | £2,078 | £2,704 | £3,312 | £3,312 | £3,920 | £4,548 | 4 |
| Takeley | £2,838 | £4,268 | £4,616 | £4,678 | £4,848 | £7,118 | 35 |
| Thaxted & the Eastons | £3,280 | £3,749 | £4,188 | £4,188 | £4,556 | £5,393 | 24 |
| The Sampfords | £3,549 | £3,696 | £4,142 | £4,001 | £4,502 | £4,932 | 9 |

** Data sample of 463*

**Table 2b** – Land Registry Sold Prices Review Analysis

– Average Price and quartile analysis by Dwellings

| Resale Value - Summary Quartile Analysis - Uttlesford (5.2023 12.2023) | | | | | | | |
|---|---|---|---|---|---|---|---|
| **Dwelling** | **Minimum £ per sq. metre** | **Q1 £ per sq. metre** | **Average Value £ per sq. metre** | **Median £ per sq. metre** | **Q3 £ per sq. metre** | **Maximum £ per sq. metre** | **Data Sample Number** |
| Flat | £1,423 | £3,095 | £3,674 | £3,630 | £4,196 | £6,096 | 59 |
| Terraced | £2,838 | £4,181 | £4,629 | £4,640 | £5,065 | £7,564 | 120 |
| Semi-detached | £1,954 | £3,871 | £4,523 | £4,526 | £5,122 | £7,343 | 114 |
| Detached | £2,078 | £4,003 | £4,494 | £4,389 | £4,859 | £7,485 | 170 |

** Data sample of 463*

**Table 2c** – Land Registry Sold Prices Review Analysis

– Average Price and quartile analysis - Uttlesford District

| Resale Value - Summary Quartile Analysis - Uttlesford (5.2023 12.2023) | | | | | | | |
|---|---|---|---|---|---|---|---|
| **District** | **Minimum £ per sq. metre** | **Q1 £ per sq. metre** | **Average Value £ per sq. metre** | **Median £ per sq. metre** | **Q3 £ per sq. metre** | **Maximum £ per sq. metre** | **Data Sample Number** |
| Uttlesford | £1,423 | £3,855 | £4,432 | £4,421 | £4,997 | £7,564 | 463 |

### DSP Residential 'Value Levels' (VLs)

3.1.8. Overall, for the purposes of this assessment, we decided to focus our appraisals on the following values range – represented by what we refer to as Value Levels (VLs) 1-9 indicative by location, all in accordance with the extensive research values analysis outlined above. See Table 3a below (note: table also included for ease of reference in Appendix I). Above all, this shows the scale of values as well as the variation of those values seen in different parts of the district.

3.1.9. At the time of compiling Appendix I in Spring/ Summer 2024, we considered typical new build property values in Uttlesford to fall within the overall VLs range of £4,000/m2 to £6,000/m2 (i.e. approximately £430/sf to £645/sf). We consider the key new build values to be represented overall within the narrower range £4,250/m2 to £5,250/m2. Therefore, we have formed the view the above VL2-6 is a reasonable broad representation of a suitable indicator for results review/interpretation. As noted above, we also consider flatted development to come forward at the upper end of the above overall VLs range.

**Table 3a** – DSP Value Levels (VLs)

**Residential Sales Value Level (VL) Assumptions - Indicative relevance by area within District**

| Market Values (MV) | VL1 | VL2 | VL3 | VL4 | VL5 | VL6 | VL7 | VL8 | VL9 |
|---|---|---|---|---|---|---|---|---|---|
| | | Typical New Builds Values Range - districtwide | | | | | | | |
| 1-bed flat | £200,000 | £212,500 | £225,000 | £237,500 | £250,000 | £262,500 | £275,000 | £287,500 | £300,000 |
| 2-bed flat | £244,000 | £259,250 | £274,500 | £289,750 | £305,000 | £320,250 | £335,500 | £350,750 | £366,000 |
| 2-bed house | £316,000 | £335,750 | £355,500 | £375,250 | £395,000 | £414,750 | £434,500 | £454,250 | £474,000 |
| 3-bed house | £372,000 | £395,250 | £418,500 | £441,750 | £465,000 | £488,250 | £511,500 | £534,750 | £558,000 |
| 4-bed house | £520,000 | £552,500 | £585,000 | £617,500 | £650,000 | £682,500 | £715,000 | £747,500 | £780,000 |
| MV (£/sq. m.) | £4,000 | £4,250 | £4,500 | £4,750 | £5,000 | £5,250 | £5,500 | £5,750 | £6,000 |

***Note: The retirement/sheltered housing element for each site assumes a fixed value level of £6,250/sq. m. Self-build plots assumed at £125,000 per plot.***

3.1.10. As in all areas, values are always mixed to some extent – within particular wards and even within sites. The table above assumes the gross internal floor areas for dwellings as shown below in Table 3b (these are purely for the purpose of the above market dwelling price illustrations) for the 'standard' scenario set. Table 3b sets out the assumed dwelling mix principles applied as part of the testing.

**Table 3b** – Assumed Unit Sizes & Dwelling Mix

| Property Type | Assumed Unit Sizes* | | Dwelling Mix (%)** | | |
|---|---|---|---|---|---|
| | Market Units | Affordable Units | Market Units | Affordable Units - rented | Affordable Units - affordable home ownership |
| 1-bed flat | 50 | 50 | 5% | 25% | 20% |
| 2-bed flat | 61 | 61 | 10% | 15% | 20% |
| 2-bed house | 79 | 79 | 10% | 15% | 25% |
| 3-bed house | 93 | 93 | 45% | 35% | 25% |
| 4-bed house | 130 | 106 | 30% | 10% | 10% |

**Based on Nationally Described Space Standards October 2015*

**Based on the LHNA (2024)*

## 'Value Levels' (VLs) – by Ward Areas

3.1.11. Building on the above values research analysis, the table below indicatively aligns the range of Value Levels to ward areas in the district.

**Table 4** – DSP Value Levels – Locations by Wards Areas

**Value Levels - Locations by ward area**

| Ward Area | Value Level Range |
|---|---|
| Ashdon | VL4 - VL7 |
| Broad Oak & The Hallingburys | VL2 - VL5 |
| Clavering | VL3 - VL5 |
| Debden & Wimbush | VL2 - VL3 |
| Elsenham & Henham | VL3 - VL4 |
| Felstead & Stebbing | VL3 - VL5 |
| Flitch Green & Little Dunmow | VL1 - VL3 |
| Great Dunmow North | VL1 - VL3 |
| Great Dunmow South & Barnston | VL2 - VL5 |
| Hatfield Heath | VL3 - VL6 |
| High Easter & The Rodings | VL2 - VL5 |
| Littlebury, Chesterford & Wenden Lofts | VL3 - VL5 |
| Newport | VL2 - VL4 |
| Saffron Walden Audley | VL4 - VL7 |
| Saffron Walden Castle | VL3 - VL5 |
| Saffron Walden Shire | VL5 - VL7 |
| Stansted North | VL2 - VL4 |
| Stansted South & Birchanger | VL3 - VL5 |
| Stort Valley | VL2 - VL3 |
| Takeley | VL2 - VL5 |
| Thaxted & The Eastons | VL2 - VL3 |
| The Sampfords | VL2 - VL5 |

## Retirement/Sheltered and Extra Care Housing research

3.1.12. DSP conducted research on the value of new build retirement units in the borough.

3.1.13. DSP's significant experience of carrying out site-specific viability reviews on numerous schemes together with bespoke research analysis led us to test retirement/sheltered housing at the same overall upper range of values as used for traditional housing market appraisals (VL8 £5,750 to VL11 £6,500).

3.1.14. From wider experience, we would generally expect retirement/sheltered housing values to be representative of the upper end of this overall range; even this could be considered conservative in our view.

3.1.15. According to the Retirement Housing Group (RHG) in their paper amended February 2016 which discusses assumptions for strategic policy viability it is possible to value sheltered housing by assuming that a 1-bed new build sheltered flat is worth 75% the value of a second-hand 3-bed semi-detached property locally, with a 2 bed new build sheltered flat being worth 100% of the value. In addition, extra care housing values are typically considered to be 25% higher than sheltered housing.

3.1.16. DSP have conducted research into recent sales transactions for second-hand 3-bedroom semi-detached properties within Uttlesford to follow this methodology. The results provide a sense check on our other retirement research. Ultimately it corroborates the impression that new build retirement units represent higher value levels in the district.

**Table 5** – RHG Analysis – April 2024

| RHG Analysis - April 2024 | | |
|---|---|---|
| **Average value of a resale 3-bed Semi-detached property in Uttlesford** | **£455,531** | |
| **Type** | **Indicative New Build Value** | **Indicative New Build Vale £/m²** |
| 1-bed new build sheltered flat (worth 75% of the value) | £341,648 | £6,212 |
| 2-bed new build sheltered flat (worth 100% of the value) | £455,531 | £6,074 |
| 1-bed extra care (typically 25% higher than sheltered housing) | £427,060 | £7,765 |
| 2-bed new build extra care (typically 25% higher than sheltered housing) | £569,414 | £7,592 |

* Source: Rightmove, April 2024 (Sample Size: 78)

## 4.0 Commercial Market Information, Rents and Yields

4.1.1 DSP have also analysed relevant articles relating to the commercial market, rents and yields, including the Royal Institution of Chartered Surveyors, Savills and Knight Frank Yields.

4.1.2 The commercial market, having rebounded from challenges posed by the pandemic and remote working, is now seeing commercial values heading downwards again, amongst economic uncertainty. The overall view of the commercial sector is considerably less positive, particularly regarding short term prospects for values.

4.1.3 The RICS Economy and Property Market Update May 2024 comments that forecasts point to a ‘subdued’ near term outlook for the UK economy, with commercial real estate investment volumes having fallen, continuing a *‘persistently weak trend’*. Following previous negative reports on retail demand, surveyors remain generally downbeat, however a rising number feel that we are entering the early stages of an upturn.

4.1.4 Industrial values have not significantly changed of late, however the RICS report predicts modest annual percentage increases in capital values and rents.

4.1.5 DSP have also reviewed Savills' bulletin: UK Market in Minutes – UK Commercial – March 2024. Savills note '*another month of static yields'* with the market remaining in a period of stasis. However, Savills expect regional offices to be a driver of increased investment yields, with UK office occupancy rates continuing to climb as workers return to the office following the pandemic. It is also noted that *'industrials, retail warehouses and shopping centers have all seen negative total returns move back into positive territory'* with expectations that the office sector will follow.

***Savills prime equivalent yields***

| | April 2023 | March 2024 | April 2024 |
|---|---|---|---|
| **West End offices** | 4.00% | 4.00% | 4.00% |
| **City offices** | 4.75% | 5.25% | 5.25% |
| **South East offices** | 6.50% | 7.50% | 7.50% |
| **Provincial offices** | 5.75% | 7.00% | 7.00% |
| **High street retail** | 6.50% | 7.00% | 7.00% |
| **Shopping centres** | 8.00% | 8.25% | 8.25% |
| **Retail warehouse (Open A1)** | 5.25% | 5.75% | 5.50% |
| **Retail warehouse (Restricted)** | 5.75% | 6.25% | 6.00% |
| **Foodstores (OMR)** | 5.00% | 5.50% | 5.50% |
| **Industrial/Distribution (OMR)** | 4.75% | 5.25% | 5.00% |
| **Industrial multi-lets** | 4.75% | 5.25% | 5.00% |
| **Leisure parks** | 7.00% | 7.75% | 7.75% |
| **London leased (core) hotels** | 4.25% | 4.75% | 4.50% |
| **Regional pubs (RPI)** | 5.75% | 6.50% | 6.50% |

**Source:** Savills Research

4.1.6 To summarise the articles above, the commercial market is thought to be picking up from its lowest point (post-pandemic) with modest improvements seen in most sectors. Whilst at the time of review office yields were not beginning to fall (with falling yields indicating greater investment security) as seen in some other sectors, the pick-up trends around the office accommodation market are reported as expected to follow the other more positive signs. This picture is as per Savills' table above, and also reflected in the Knight Frank sourced information included below – Table 6. Locally, UDC's employment needs evidence suggests demand for more office space.

4.1.7 By way of brief explanation on yield percentages (%s) and trends, upward moving investment yields i.e. higher or increasing %s (with trends denoted by upward arrows by Savills or 'negative' market sentiment noted by Knight Frank meaning yield %s increasing) indicate reducing security of investment income (e.g. rental flow) i.e. higher risk. This is reflected in a greater % return when viewed in this way. In valuation terms, this means rents are capitalised at a lower rate (using a lower multiplier). Conversely, stable or positive market sentiment reflects steady or falling yield %s, pointing towards more secure investment prospects – lower risk and stronger capitalisation of (higher multiplier applied to) the rent/other income.

4.1.8 Table 6 below sets out indications on prime yields provided by the Knight Frank Investment Yield Guide (May 2024)[1]

**Table 6 – Knight Frank Investment Yield Guide May 2024**

| SECTOR | May-24 | MARKET SENTIMENT |
|---|---|---|
| **High Street Retail** | | |
| Bond Street | 2.75% - 3.00% | **STABLE** |
| Oxford Street | 4.50% | **STABLE** |
| Prime Towns (Oxford, Cambridge, Winchester) | 7.00% | **STABLE** |
| Regional Cities (Manchester, Birmingham) | 7.25% | **STABLE** |
| Good Secondary (Truro, Leamington Spa, Colchester etc) | 10.00% | **STABLE** |
| **Shopping Centres (sustainable income)** | | |
| Regional Scheme | 8.25% | **STABLE** |
| Sub-Regional Scheme | 9.50% | **STABLE** |
| Local Scheme (successful) | 10.50% | **STABLE** |
| Neighbourhood Scheme (assumes <25% of income from supermarket) | 10.00% | **STABLE** |
| **Out of Town Retail** | | |
| Open A1 Parks | 5.75% | **POSITIVE** |
| Good Secondary Open A1 Parks | 7.75% | **POSITIVE** |
| Bulky Goods Parks | 5.75% | **POSITIVE** |
| Good Secondary Bulky Goods Parks | 7.75% | **POSITIVE** |
| Solus Open A1 (15 year income) | 6.00% | **STABLE** |
| Solus Bulky (15 year income) | 6.00% | **STABLE** |

[1] Knight Frank "Investment Yield Guide" (May 2024)

| | | |
|---|---|---|
| **Leisure** | | |
| Prime Leisure Parks | 8.00% | **STABLE** |
| Good Secondary Leisure Parks | 9.00% | **STABLE** |
| **Major Foodstores** | | |
| Annual RPI Increases [NYI] (20 year income) | 5.00% | **STABLE** |
| Open Market Reviews (20 year lease, 5 yearly reviews) | 6.00% | **STABLE** |
| Discounters (20 year, 5 yearly indexation) | 4.75% | **STABLE** |
| **Specialist Sectors** | | |
| Car Showrooms (20 years with indexed uplifts & dealer covenant) | 6.00% | **STABLE** |
| Budget Hotels London (20 years, 5 yearly indexed reviews) | 4.75% | **POSITIVE** |
| Budget Hotels Regional (20 years, 5 yearly indexed reviews) | 5.50% | **STABLE** |
| Student Accommodation Prime London (Direct Let) | 4.25% + | **STABLE** |
| Student Accommodation Prime Regional (Direct Let) | 4.50% + | **STABLE** |
| Student Accommodation Prime London (25 years, Annual indexation) | 4.75% | **STABLE** |
| Student Accommodation Prime Regional (25 years, Annual indexation) | 5.75% | **STABLE** |
| Healthcare (Elderly Care, 30 years, Annual indexed reviews) | 5.00% | **STABLE** |
| Data Centres (Operational) | 4.75% | **STABLE** |
| Data Centres (Leased, 15 years, Annual Indexation) | 3.75% | **STABLE** |
| Income Strip (50 years, Annual RPI/CPIH+1% RRs, Annuity Grade) | 3.75% | **STABLE** |
| **Warehouse & Industrial Space** | | |
| Prime Distribution/Warehousing (20 years [NIY], higher OMV/index) | 5.00% | **STABLE** |
| Prime Distribution/Warehousing (15 years, OMRRs) | 5.50% | **STABLE** |
| Secondary Distribution (10 years, OMRRs) | 6.00% | **STABLE** |
| South East Estate (excluding London & Heathrow) | 5.25% | **STABLE** |
| Good Modern Rest of UK Estate | 5.50% | **STABLE** |
| Good Secondary Estates | 6.75% - 7.25% | **STABLE** |
| **Office (Grade A)** | | |
| City Prime (10 years) | 5.25% - 5.50% | **STABLE** |
| West End: Prime Core (Mayfair & St James's) | 4.00% | **STABLE** |
| West End: Non-core (Soho & Fitzrovia) | 4.75% | **STABLE** |
| Major Regional Cities (10 years) | 6.50% | **STABLE** |
| Major Regional Cities (5 years) | 7.50% | **STABLE** |
| Secondary Regional Cities | 11.00% + | **NEGATIVE** |
| South East Towns (10 years) | 7.25% | **STABLE** |
| South East Towns (5 years) | 8.25% | **STABLE** |
| Secondary South East Towns | 11.50% + | **NEGATIVE** |
| South East Business Parks (10 years) | 8.00% + | **NEGATIVE** |
| South East Business Parks (5 years) | 10.50% + | **NEGATIVE** |
| Secondary South East Business Parks | 12.50% + | **NEGATIVE** |

## Commercial Property Values Research

4.1.9 The information as outlined in the following section is based on research data as far as available reflecting commercial properties within Uttlesford district. Our assessment particularly focuses on the main commercial uses – industrial, retail and office rents.

4.1.10 Our commercial rent assumptions are informed by a range of data sources detailed throughout this report.

## Commercial Values Data – CoStar

4.1.11 DSP subscribes to the commercial property data resource 'CoStar' and here we include relevant extracts, again as far as available for Uttlesford, summary reporting analysis for the lease comparables is provided; combined with the full data extracts to be found in Sub-Appendix S2-IVa provided alongside this information. CoStar is a market leading commercial property intelligence resource used and informed by a wide range of Agents and other property firms, to provide commercial real estate information and analytics. CoStar conducts extensive, ongoing research to provide and maintain a comprehensive database of commercial and real estate information where subscribers can analyse, interpret and gain insight into commercial property values and availability, as well as general commercial market conditions.

4.1.12 The CoStar sourced research is based on available lease comparables within Uttlesford covering industrial/retail/office property over the last (36 months). Tables 8a-8c below provides the analysis summary, with the full data set provided at the rear of this Appendix.

4.1.13 The full CoStar dataset, as summarised in the above tables, has been further analysed over a 3-year period from 2021-2024 [see Table 7 below] to provide a more detailed view of the range of commercial rents in the Uttlesford submarket.

## Table 7 – CoStar Summary Analysis in Uttlesford District - Commercial Leases 2021 - 2024

| Uttlesford District | | | | | |
|---|---|---|---|---|---|
| Type of Commercial Leases - April 2021-April 2024 - [£ per sq. ft] | Minimum Average Rental Indications [£ per sq. ft] | 1st Quartile Rental Indications [£ per sq. ft] | Median Rental Indications [£ per sq. ft] | 3rd Quartile Rental Indications [£ per sq. ft] | Maximum Average Rental Indications [£ per sq. ft] |
| **Retail** | £12.50 | £21.56 | £31.59 | £40.44 | £51.47 |
| **Offices** | £7.51 | £10.99 | £13.73 | £15.00 | £52.08 |
| **Industrial** | £4.48 | £8.10 | £9.09 | £10.05 | £12.00 |

| Uttlesford District | | | | | |
|---|---|---|---|---|---|
| Type of Commercial Leases - April 2021- April 2024 - [ £ per sq. metre] | Minimum Average Rental Indications [£ per sq. metre] | 1st Quartile Rental Indications [£ per sq. metre] | Median Rental Indications [£ per sq. metre] | 3rd Quartile Rental Indications [£ per sq. metre] | Maximum Average Rental Indications [£ per sq. metre] |
| **Retail** | £134.55 | £232.08 | £340.01 | £435.28 | £554.03 |
| **Offices** | £80.84 | £118.30 | £147.79 | £161.46 | £560.59 |
| **Industrial** | £48.22 | £87.16 | £97.79 | £108.18 | £129.17 |

## Table 8a – CoStar Lease Comparables – Retail – (Previous 36 months)

# Lease Comps Summary

Lease Comps Report

| Deals | Asking Rent Per SF | Achieved Rent Per SF | Avg. Months On Market |
|---|---|---|---|
| 34 | £26.12 | £32.63 | 12 |

**LEASE COMPARABLES**


**SUMMARY STATISTICS**

| Rent | Deals | Low | Average | Median | High |
|---|---|---|---|---|---|
| Asking Rent Per SF | 30 | £12.50 | £26.12 | £27.45 | £51.47 |
| Achieved Rent Per SF | 12 | £12.50 | £32.63 | £32.89 | £42.50 |
| Effective Rent Per SF | 4 | £16.14 | £35.21 | £38.81 | £42.50 |
| Asking Rent Discount | 9 | 0.0% | 11.2% | 0.0% | 30.0% |
| TI Allowance | - | - | - | - | - |
| Rent Free Months | 6 | 0 | 4 | 0 | 12 |

| Lease Attributes | Deals | Low | Average | Median | High |
|---|---|---|---|---|---|
| Months on Market | 28 | 1 | 12 | 10 | 39 |
| Deal Size | 34 | 145 | 896 | 618 | 5,587 |
| Deal in Months | 17 | 36.0 | 87.0 | 60.0 | 259.0 |
| Floor Number | 34 | BSMT | LBBY | GRND | GRND |

## Table 8b – CoStar Lease Comparables – Office – (Previous 36 months)

# Lease Comps Summary

**Lease Comps Report**

| Deals | Asking Rent Per SF | Achieved Rent Per SF | Avg. Months On Market |
|---|---|---|---|
| 44 | £12.96 | £13.72 | 10 |

### LEASE COMPARABLES


### SUMMARY STATISTICS

| Rent | Deals | Low | Average | Median | High |
|---|---|---|---|---|---|
| Asking Rent Per SF | 29 | £6.23 | £12.96 | £13.87 | £52.08 |
| Achieved Rent Per SF | 8 | £8.45 | £13.72 | £13.98 | £52.08 |
| Effective Rent Per SF | 1 | £13.01 | £13.01 | £13.01 | £13.01 |
| Asking Rent Discount | 8 | -0.2% | 1.8% | 0.0% | 13.3% |
| TI Allowance | - | - | - | - | - |
| Rent Free Months | 1 | 9 | 9 | 9 | 9 |

| Lease Attributes | Deals | Low | Average | Median | High |
|---|---|---|---|---|---|
| Months on Market | 43 | 1 | 10 | 6 | 36 |
| Deal Size | 44 | 50 | 1,261 | 835 | 11,518 |
| Deal in Months | 13 | 12.0 | 44.0 | 24.0 | 240.0 |
| Floor Number | 44 | BSMT | GRND | GRND | 2 |

**Table 8c – CoStar Lease Comparables – Industrial – (Previous 36 months)**

# Lease Comps Summary

Lease Comps Report

| Deals | Asking Rent Per SF | Achieved Rent Per SF | Avg. Months On Market |
|---|---|---|---|
| 18 | £7.64 | £7.16 | 10 |

**LEASE COMPARABLES**


**SUMMARY STATISTICS**

| Rent | Deals | Low | Average | Median | High |
|---|---|---|---|---|---|
| Asking Rent Per SF | 16 | £4.48 | £7.64 | £9.09 | £12.00 |
| Achieved Rent Per SF | 3 | £6.01 | £7.16 | £8.90 | £10.00 |
| Effective Rent Per SF | - | - | - | - | - |
| Asking Rent Discount | 3 | 0.0% | 0.2% | 0.0% | 3.2% |
| TI Allowance | - | - | - | - | - |
| Rent Free Months | - | - | - | - | - |

| Lease Attributes | Deals | Low | Average | Median | High |
|---|---|---|---|---|---|
| Months on Market | 16 | 1 | 10 | 7 | 38 |
| Deal Size | 18 | 580 | 3,384 | 2,681 | 9,597 |
| Deal in Months | 5 | 36.0 | 43.0 | 36.0 | 60.0 |
| Floor Number | 18 | GRND | GRND | GRND | MEZZ |

### Further commercial property values data sources – VOA Rating List

4.1.14 Table 9 below sets out the VOA Data Summary for convenience stores, larger supermarkets and retail warehousing in Uttlesford, again to understand and build upon previous data analysis and viability testing conducted between 2020-2023. Note: full data sample not included due to large data sample.

### Table 9 – VOA Data Summary Leases 2024

| Uttlesford District Council | | | | | |
|---|---|---|---|---|---|
| **Type of premises April 2024 - [£ per sq. ft]** | **Minimum Average Rental Indications [£ per sq. ft]** | **1st Quartile Rental Indications [£ per sq. ft]** | **Median Rental Indications [£ per sq. ft]** | **3rd Quartile Rental Indications [£ per sq. ft]** | **Maximum Average Rental Indications [£ per sq. ft]** |
| **Convenience Stores** | £7.43 | £12.89 | £14.17 | £17.19 | £19.04 |
| **Large Supermarkets** | £10.68 | £15.79 | £16.72 | £19.04 | £19.04 |
| **Retail Warehousing** | £8.36 | £13.36 | £16.72 | £19.51 | £19.51 |
| **Offices** | £7.90 | £12.08 | £13.94 | £16.26 | £30.19 |
| **Distribution Warehouses [500-1000m2]** | £2.97 | £3.67 | £4.90 | £6.50 | £8.36 |
| **Distribution Warehouses [over 1000m2]** | £1.72 | £2.66 | £3.72 | £5.57 | £8.36 |

| Uttlesford District Council | | | | | |
|---|---|---|---|---|---|
| **Type of premises April 2024 - [£ per sq. Metre]** | **Minimum Average Rental Indications [£ per sq. metre]** | **1st Quartile Rental Indications [£ per sq. metre]** | **Median Rental Indications [£ per sq. metre]** | **3rd Quartile Rental Indications [£ per sq. metre]** | **Maximum Average Rental Indications [£ per sq. metre]** |
| **Convenience Stores** | £80.00 | £138.75 | £152.50 | £185.00 | £205.00 |
| **Large Supermarkets** | £115.00 | £170.00 | £180.00 | £205.00 | £205.00 |
| **Retail Warehousing** | £90.00 | £143.81 | £180.00 | £210.00 | £210.00 |
| **Offices** | £85.00 | £130.00 | £150.00 | £175.00 | £325.00 |
| **Distribution Warehouses [500-1000m2]** | £32.00 | £39.52 | £52.74 | £70.00 | £90.00 |
| **Distribution Warehouses [over 1000m2]** | £18.50 | £28.63 | £40.00 | £60.00 | £90.00 |

# 5.0 Stakeholder Consultation

5.1.1 As part of the information gathering process between 2020-2023 and building on earlier consultation phases, DSP invited a number of local stakeholders to further contribute by providing any updated local residential/commercial market indications/experiences and values information. This was in order to both invite engagement and to help inform our study assumptions, alongside our own research, with further experience and judgements. It was conducted by way of a survey/pro-forma (containing some suggested assumptions) supplied by email by DSP via the Council for comment. The covering email contained a short introduction about the project, and also explained the type of information we required as well as assuring participants that any information they may provide would be kept in confidence respecting commercial sensitivities throughout the whole process.

5.1.2 The list of development industry stakeholders consulted as part of this assessment in connection with both consultation phases is included below. Contact information has not been included for confidentiality reasons:

- Avison Young
- Barton Willmore LLP
- CALA Homes (Chiltern) Limited
- Carter Jonas Cass Holdings Ltd
- Cass Holdings Ltd
- Planning Issues Ltd
- Crest Nicholson
- Crest Nicholson South
- Darcliffe Homes
- Environment Agency
- Feltham Properties Ltd
- Gladman Developments Ltd
- GVA
- J & M Properties (Berkshire) Ltd
- James Build Ltd
- Joy Schlaudraff
- JSA  Architects Ltd
- Miller Homes Ltd
- Millgate Developments Ltd
- Oakridge Developments
- Orchard Investments
- Origin3
- Pegasus Group on behalf of Walker Logistics Ltd
- Persimmon Homes
- Persimmon Homes North London
- Praxis Real Estate Management Ltd
- Pro Vision
- Rackham Planning Ltd
- Rectory Homes
- Ressance Limited
- Robert Tutton Town Planning Consultants Ltd
- Rolfe Judd Planning
- Savills
- Sport England
- Strutt and Parker
- Sustrans (National Cycle Network)
- Sutton Griffin Architects
- Taylor Wimpey UK
- Thames Valley LEP
- Thames Water
- Turley
- UK Land Ltd
- Westbuild Homes
- White Young Green

5.1.3 Other stakeholders contacted as part of the information gathering process included locally active Affordable Housing Providers and local estate agents as well as key contacts at Uttlesford District.

5.1.4 DSP received a limited number of responses from development industry and affordable housing providers, some of which offered broad ranges for costs and values, or general opinions/commentary on the market, as well as some offering more detailed responses.

5.1.5 Any information/comments that were provided as a result of this consultation helped to inform and check/support our assumptions – these assumptions were developed through research within the district, discussions with local estate agents, and also DSP's extensive experience conducting independent viability reviews at planning application stage generally. However, due to concerns around commercial sensitivity, we have not included any specific references or comments in this Appendix.

## 6.0 Land Values Context

6.1.1 As with the residential and commercial values, DSP also considered information as far as available regarding land values. We focused on two main reports, the first being the Savills Market in Minutes: UK Residential Development Land – Q1 2024 which indicates that 'downward pressures' which materialized in 2023 persist. Whilst Savills report *'an improvement in activity'* they note that appetite for land remains highly varied and sales of sites are taking longer to progress.

6.1.2 Overall, Savills report that *'UK greenfield and urban land values remained relatively flat in Q1 2024, taking annual change to -4.8% and -6.5% respectively in the 12 months to Q1 2024.* Savills note that there is *'greater positivity in the wider housing market and economy, supporting an uptick in demand alongside limited supply in the land market.'* In summary, land values remain fairly static, having fallen slightly in 2023. Although there is renewed interest in land driven by a '*chronic scarcity of land'* which is sustaining the current land values, there are not currently signs of land values increasing. As has been the case for the past year or more, larger, optimum sites in primary locations remain popular however Savills note that the *'appetite for flat-led schemes in urban locations remains suppressed'*, noting also the viability challenges posed for schemes over six storeys due to the recently published guidance on additional staircases for buildings over 18 metres tall.

6.1.3 Savills also note a reduced appetite from RPs for the acquisition of S106 units, with *'previously assumed S106 values'* not being achieved in the current less competitive housing association market. This is a phenomenon which we have seen referred to in 2024, however the extent of this issue is unclear and where any issues have arisen with demand for S106 units these appear to be restricted to certain specific locations – it is not certain at this stage what is influencing RP decision-making in this area and/or whether this is a temporary ‘blip’ or the start of a more general trend.

6.1.4 The Knight Frank report ‘Residential Development Land Index Q1 – 2024’ highlights the sentiment that a Labour government would *‘enhance the land and development market the most’* but also notes that a lack of power capacity in the National Grid has delayed some housing schemes.

6.1.5 Knight Frank state that housebuilder sales rates for early 2024 have improved, and that sentiment is generally more positive – however based on their data land prices remain fairly static and the general expectation is that this will remain the case in the short to medium term. Interestingly, in contrast to Savills’ view from earlier in the year, Knight Frank conclude that ‘*land is becoming more plentiful’* and *‘while availability is still limited* [their survey] *points to a loosening’.* A quarter of those surveyed said that land supply is now adequate. This might therefore indicate further downward pressure on land prices.

6.1.6 Based on Knight Frank’s data, the appetite for Build to Rent opportunities appears to have decreased. This aligns with indications we have received from the industry with many noting that whilst schemes which are in planning or consented are being pursued there is limited appetite for new opportunities in this sector, and in particular for BTR schemes which are not in prime locations.

6.1.7 To summarize, whilst there is some difference of opinion on the prospects for land values, both reports suggests that land values will remain at the present level having fallen over the past year or so.

**Benchmark Land Values**

6.1.8 Land value in any given situation should reflect specific viability influencing factors, such as:

- The existing use scenario
- Planning approval and status/risk (as an indication and depending on circumstances, planning risk factors may equate to a reduction from a “with planning” land value by as much as 75%)
- Development potential – scale, type, etc. (usually subject to planning)

- Development constraints – including site conditions and necessary works, costs and obligations (including known abnormal factors)
- Development plan policies

6.1.9 It follows that the planning policies and obligations will have a bearing on land value; as has been recognized by examiners and Planning Inspectors.

6.1.10 In order to consider the likely viability of local plan policies in relation to any development scheme relevant to the Local Plan, the outturn results of the development appraisals (the RLVs viewed in £/ha terms) need to be somehow measured against a comparative level of land value. This is a key part of the context for reviewing the strength of the results as those changes across the range of assumptions on sales values (GDVs) and crucially including the effect of local plan policies (including affordable housing) and other sensitivity tests.

6.1.11 This comparison process is, as with much of strategic level viability assessment, not an exact science. It involves judgements and well-established acknowledgements that, as with other appraisal aspects, land values will in practice vary from scheme to scheme as well as being dependent to some extent on timing in relation to market conditions and other wider influences such as Government policy. The levels of land values selected for this comparison context are often known as 'benchmark' land values, 'viability tests' (as referred to in our results tables – Appendices II-Iv) or similar. They are not fixed in terms of creating definite cut-offs or steps in viability, but in our experience, they serve well in terms of adding a layer of filtering to the results, to help enable the review of those; they help to highlight the tone of the RLV results and therefore the changing strength of relationship between the values (GDVs) and development costs as the appraisal inputs (assumptions) change.

6.1.12 As suitable (appropriate and robust) context for a high-level review of this nature, DSP's practice is to compare the wide range of appraisal RLV results with a variety of potential land value comparisons in this way. This allows us to consider a wide range of potential scenarios and outcomes and the viability trends across those.

6.1.13 The land value comparison levels are not fixed or even guides for use on scheme specifics; they are purely for this assessment purpose. In our experience, sites will come forward at alternative figures – including in some cases beneath the levels assumed for this purpose. We have considered land values in a way that supports an appropriately "buffered" type view.

**National Planning Policy Framework – December 2023**

6.1.14 The revised NPPF was published in July 2018, further revised in February 2019 and subsequently updated in 2021 and twice in 2023. This sits alongside the Planning Practice Guidance (PPG) (in relation to viability both at plan making and decision taking stages of the planning process). The PPG on 'Viability' (most recently updated February 2024) makes it clear that benchmark land values (BLVs) should be based on the Existing Use Value (EUV) plus approach and states: '*A benchmark land value should be established on the basis of the existing use value (EUV) of the land, plus a premium for the landowner [which] should reflect the minimum return at which it is considered a reasonable landowner would be willing to sell their land. The premium should provide a reasonable incentive, in comparison with other options available, for the landowner to sell land for development while allowing a sufficient contribution to comply with policy requirements. This approach is often called 'existing use value plus (EUV+).*

6.1.15 Further relevant extracts from the PPG are set out below.

*Benchmark land values should:*

- *Be based upon existing use value*
- *Allow for a premium to landowners (including equity resulting from those building their own homes)*
- *Reflect the implications of abnormal costs; site-specific infrastructure costs; and professional site fees'*

6.1.16 '*Viability* assessments *should be undertaken using benchmark land values derived in accordance with this guidance. Existing use value should be informed by market evidence of current uses, costs and values. Market evidence can also be used as a cross-check of benchmark land value but should not be used in place of benchmark land value. There may be a divergence between benchmark land values and market evidence; and plan makers should be aware that this could be due to different assumptions and methodologies used by individual developers, site promoters and landowners.'*

6.1.17 *'This evidence should be based on developments which are fully compliant with emerging or up to date plan policies, including affordable housing requirements at the relevant levels set out in the plan. Where this evidence is not available plan makers and applicants should identify and evidence any adjustments to reflect the cost of policy compliance. This is so that historic benchmark land values of non-policy compliant developments are not used to inflate values over time.'*

6.1.18 *'In plan making, the landowner premium should be tested and balanced against emerging policies. In decision making, the cost implications of all relevant policy requirements, including planning obligations and, where relevant, any Community Infrastructure Levy (CIL) charge should be taken into account.'*

6.1.19 On factors to be considered in establishing benchmark land values The PPG continues:

6.1.20 '*Existing use value (EUV) is the first component of calculating benchmark land value. EUV is the value of the land in its existing use. Existing use value is not the price paid and should disregard* hope *value. Existing use values will vary depending on the type of site and development types. EUV can be established in collaboration between plan makers, developers and landowners by assessing the value of the specific site or type of site using published sources of information by assessing the value of the specific site or type of site using published sources of information such as agricultural or industrial land values, or if appropriate capitalised rental levels at an appropriate yield (excluding any hope value for development).'*

6.1.21 *'Sources of data can include (but are not limited to): land registry records of transactions; real estate licensed software packages; real estate market reports; real estate research; estate agents' websites; property auction results; valuation office agency data; public sector estate/property teams' locally held evidence.'*

6.1.22 The PPG states the following on how the premium for viability assessment to the landowner should be defined:

6.1.23 *'The premium (or the 'plus' in EUV+) is the second component of benchmark land value. It is the* amount *above existing use value (EUV) that goes to the landowner. The premium should provide a reasonable incentive for a land owner to bring forward land for development while allowing a sufficient contribution to fully comply with policy requirements.'*

6.1.24 *'Plan makers should establish a reasonable premium to the landowner for the purpose of assessing the viability of their plan. This will be iterative process informed by professional judgement and must be based upon the best available evidence informed by cross sector collaboration. Market evidence can include benchmark land values from other viability assessments. Land transactions can be used but only as a cross check to other evidence. Any data used should reasonably identify any adjustments necessary to reflect the cost of policy compliance (including for affordable housing), or differences in the quality of land, site scale, market performance or different building use types and reasonable expectations of local landowners. Policy compliance means that the development complies fully with up to date plan policies including any policy requirements for contributions towards affordable housing requirements at the relevant levels set out in the plan. A decision maker can give appropriate weight to emerging policies. Local authorities can request data on the price paid for land (or the price expected to be paid through an option or promotion agreement).'*

6.1.25 *'Plan makers should establish a reasonable premium to the landowner for the purpose of assessing the viability of their plan. This will be iterative process informed by professional judgement and must be based upon the best available evidence informed by cross sector collaboration. Market evidence can include benchmark land values from other viability assessments. Land transactions can be used by only as a cross check to other evidence. Any data used should reasonably identify any adjustments necessary to reflect the cost of policy compliance (*including *for affordable housing), or differences in the quality of land, site scale, market performance or different building use types and reasonable expectations of local landowners. Policy compliance means that the development complies fully with up to date plan policies including any policy requirements for contributions towards affordable housing requirements at the relevant levels set out in the plan. A decision maker can give appropriate weight to emerging policies. Local authorities can request data on the price paid for land (or the price expected to be paid through an option or promotion agreement).'*

6.1.26 In order to inform the BLVs for use here, we have reviewed existing evidence, previous viability studies, site specific viability assessments and in particular have had regard to published Government sources of land values for policy application[2].

[2] MHCLG: Land value estimates for policy appraisal 2019

The Government data provides industrial, office, residential and agricultural land value estimates for the local sub-region but not all areas are covered. This includes data for Uttlesford district in relation to residential land estimates. Not all areas are covered and as is the case in most LA areas, Uttlesford may well have varying characteristics. Therefore, where data is insufficient, we have made use of our own experience and judgement in order to utilise a ‘best fit’ from the available data. The benchmarks indicated within the appendices are therefore informed by this data and other sources as described above.

6.1.27 The residential land value estimates in particular require adjustment for the purposes of strategic viability testing due to the fact that a different assumptions basis is used in our study compared to the truncated valuation model used for the residential land value estimate. This (and other) viability assessments, assume all development costs are accounted for as inputs to the RLV appraisal, rather than those being reflected within a much higher, “serviced” i.e. “ready to develop” level of land value. The (former) MHCLG truncated valuation model provides a much higher level of land value as it assumes all land and planning related costs are discharged, assumes that there is a nil affordable housing requirement (whereas in practice the affordable housing requirement can impact land value by around 50% on a 0.5 ha site with 35% AH) with no CIL or other planning obligations allowance. That level of land value would also assume that full planning consent is in place, whereas the risk associated with obtaining planning consent can equate to as much as a 75% deduction when adjusting a consented site value to an unconsented land value starting point. Lower quartile build costs and a 17% developer’s profit (compared to the assumed median build costs and 17.5% developer’s profit used in this study) are additional assumptions that lead to a view of land value well above that used for comparison (benchmark purposes) in viability assessments such as this. So, the assessment approach (as relates to all land values) assumes all deductions from the GDV are covered by the development costs assumptions applied within the appraisals. In our view this would lead to a significantly reduced residential land value benchmark when taking into account all of those factors.

6.1.28 The figure that we consider representing the minimum land value likely to incentivise release for development under any circumstances in the local context is around £250,000/ha. Typically, we expect to apply this across the whole site area as part of a prudent assumptions approach, but with experience increasingly showing that the non-developable areas of larger schemes tending to grow, this needs to be considered in coming to overall BLVs that do not overstate the land value influence on viability, given the increasing requirements that the developer will often need to meet. In our experience of dealing with site specific viability, greenfield land values tend to be assumed at minimum option agreements levels. These are typically around £100,000 and not exceeding £200,000 per gross acre (i.e. approx. £250,000 to a maximum of £500,000 per gross hectare and representing a 10 to 20 times uplift from existing use value). Land values at those levels are likely to be relevant to development on greenfield land (e.g. agricultural land or in cases of enhancement to amenity land value).

6.1.29 We consider £250,000 per gross hectare to be the lowest base point for enhancement to greenfield land values (with agricultural land reported by the VOA and a range of other sources to be valued at circa £20,000 - £25,000/ha in existing use). The upper-end of the above-noted range at £500,000 per gross hectare is in our view more appropriate for small, paddock type sites than large amounts of farmland/grassland.

6.1.30 Another point of triangulation on greenfield BLVs is to consider the developable area of the site in question, and apply a full BLV level assumption to that, then adding a much lower £ rate per hectare to the SANG/open space/non-developed areas. This is dependent on the level of open space within the development however typically leads to similar assumptions to those noted above.

6.1.31 When considering BLV it can also be helpful to review the uplift in £ terms as well as reviewing multiple of or percentage uplift from existing use value.

6.1.32 The EUV+ BLVs used within the study therefore range between £250,000/ha for greenfield land (including a significant uplift from existing agricultural values) to £3,000,000+/ha for upper PDL/Residential land values (with the PDL range tested starting at £500,000/ha. This is not to say that land value expectations in such scenarios would not go beyond these levels either – they could well do in a range of circumstances. There is evidence of higher values for commercial sites in the district (and our results indicate that acquisition of these sites could be supported in some scenarios) however these are likely to be viable in their existing use, i.e. high value, successful commercial sites and therefore less likely to be proposed for a change of use to residential.

6.1.33 Matters such as realistic site selection for the particular proposals, allied to realistic landowner expectations on site value, will continue to be vitally important. Even moving away from a 'market value' led approach, site value needs to be proportionate to realistic development scope and site contracts, ensuring that headroom for supporting necessary planning obligations is not overly squeezed beneath the levels that should be achieved.

6.1.34 The latest RICS Guidance[3] (updated to reflect the new NPPF and PPG) refers to benchmark land value as follows *'The value to be established on the basis of the existing use value (EUV) plus a premium for the landowner (PPG, paragraph 013) or the alternative use value (AUV) in which the premium is already included. PPG paragraph 014 is clear that there 'may be a divergence between benchmark land values and market evidence; and plan makers should be aware that this could be due to different assumptions and methodologies used by individual developers, site promoters and landowners.'*

6.1.35 The Local Housing Delivery Group report[4] chaired by Sir John Harman (again pre-dating the new NPPF and PPG), notes that: '*Consideration of an appropriate Threshold Land Value needs to take account of the fact that future plan policy requirements will have an impact on land values and landowner expectations. Therefore, using a market value approach as the starting point carries the risk of building-in assumptions of current policy costs rather than helping to inform the potential for future policy. Reference to market values can still provide a useful 'sense check' on the threshold values that are being used in the model (making use of cost-effective sources of local information), but it is not recommended that these are used as the basis for the input into a model… We recommend that the Threshold Land Value is based on a premium over current use values and credible alternative use values.'*

6.1.36 The revisions to the Viability PPG and the new NPPF (in July 2018), as described above, now very clearly advise that land value should be based on the value of the existing use plus an appropriate level or premium or uplift to incentivise release of the land for development from its existing use.

6.1.37 Any overbid level of land value (i.e. incentive or uplifted level of land value) would be dependent on a ready market for the existing or other use that could be continued or considered as an alternative to pursuing the redevelopment option being assumed. The influences of existing/alternative use on site value need to be

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[3] Assessing viability in planning under the National Planning Policy Framework 2019 for England

[4] Local Housing Delivery Group – Viability Testing Local Plans (June 2012)

carefully considered. At a time of low demand through depressed commercial property market circumstances, for example, we would not expect to see inappropriate levels of benchmarks or land price expectations being set for opportunities created from those sites. Just as other scheme specifics and appropriate appraisal inputs vary, so will landowner expectation.

6.1.38 In summary, reference to the land value benchmarks range as outlined within the report and shown within the Appendix II results summary tables footnotes (range overall £250,000 to £3,000,000/ha) have been formulated with reference to the principles outlined above and are considered appropriate.

**Appendix S2-IV Ends** - followed by Co-Star extracts (as Sub-Appendix S2-IVa).