For: West Oxfordshire District Council

Viability Assessment of the Community Infrastructure Levy (CIL)

Appendix 6 - Market Values & Assumptions Research

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DSP23835

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Note:

CoStar property resource extracts for research base follow the above.

1.0 Introduction

1.1.1 Dixon Searle Partnership (DSP) is engaged to provide viability evidence in support and development of a potential Community Infrastructure Levy (CIL) for West Oxfordshire District Council (WODC).

1.1.2 Referred to within DSP'S main report, this document – Appendix 6 – provides an overview of the research undertaken into residential and commercial 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 and commercial appraisal testing, providing important background evidence by building a picture of values and the variation of those within West Oxfordshire District.

1.1.3 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.

1.1.4 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, 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.

1.1.5 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 housing market patterns of the housing market, viewed at this time both more widely and in respect of the available information for West Oxfordshire District Council (WODC).

2.1.3. 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 appears to have reached its peak in early 2023 and in recent months we have seen the first decreases (year on year) in house prices. Latest HPI data shows prices at roughly the same level they were a year ago and beginning to fall, with indications being that prices will continue to fall in the coming months.

2.1.4. At present, based on the most recent Land Registry data, house prices in West Oxfordshire do not appear to be increasing and have remained at the same level for nearly a year now. The most recent (national) reporting, however, suggests that the situation is showing signs of improving somewhat; price trend indications overall have increased in the most recent months, partly as a result of mortgage rates beginning to ease. Knight Frank state in their most recent assessment of the housing market *‘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’*.

2.1.5. Regarding construction costs, the fairly weak sales market is mitigated to some extent by an apparent slowdown in build cost inflation, following a period of rapid increases in construction costs.

2.1.6. This current economic uncertainty stems from the fallout from the pandemic and the ‘cost of living crisis’ reflecting the high energy costs, increasing inflation (albeit now beginning to ease), rising interest rates (at the time of writing, the BoE base rate has been held at the previously increased rate of 5.25%), changing government leadership (again, at the time of writing with a new Housing/Planning Minister being recently appointed; the 16th Housing Minister since 2010, and with a Labour Government likely to take power later this year) 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.

2.1.7. The most recent analysis from Knight Frank in their Residential Development Update of January 2024 notes that build costs increased by 8.7% last year, however there are signs that build cost inflation is beginning to ease, with prices for some key building materials reducing following price surges in 2021 and 2022. Supply chain conditions have also improved following the disruption caused by the pandemic and global instability such as the war in Ukraine.

2.1.8. This aligns with our experience of the current market - we have seen build costs stabilise over the past few months (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. However, Knight Frank also note that whilst the situation has improved regarding build costs, this easing is tempered by other pressures such as mortgage availability/cost of borrowing; that said, as noted above Knight Frank's prediction is that the continuing imbalance between supply and demand will support sales rates and pricing over the medium term.

2.1.9. The tone of the most recent Savills market reporting in October 2023 is cautious, but overall positive, noting that market activity has been fairly stable but 'hovered below the pre-pandemic average' and concluding that 'the medium term outlook has improved'. Most commentators expect mortgage rates to stabilise, against a background of continuing demand for housing, yet it is expected that typical mortgage rates will remain between 4% and 6% until at least late 2024. First time buyers are amongst the most affected by the current situation, and these are the key element for builders of new housing, with effects across the market. Rents continue to increase due to the lack of supply, with the average increase across the UK being 10.3%.

2.1.10. We have seen some signs that the major housebuilders are resuming activity – some taking the view that larger schemes started now will benefit from completions taking place in a market which is picking up and where supply is constrained due to the slowdown in starts in recent times. However, on the whole the major housebuilders continue to be cautious about the market, with many reducing their construction activity for the time being and focusing only on the most straightforward sites.

2.1.11. Similarly to Knight Frank and Savills, the latest RICS residential market survey continues its relatively positive view taken towards the end of 2023, noting that, 'near-term sales expectations moved a little further into positive territory' and that 'the tide seems to be turning with respect to house prices' with a largely flat trend predicted for 2024. RICS surveyors also report an increase in buyer enquiries compared to previous months, and a 'stable' supply of new instructions (in contrast to previous months' reporting which suggested a lack of properties coming to the market).

2.1.12. The latest Office for National Statistics (ONS) UK House Price Index (HPI) for October 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 increased by 1.2% in the 12 months to October 2023 (provisional estimate), down from a decrease 0.6% (revised estimate) in the 12 months to September 2023.
- The average UK house price was £288,000 in October 2023, which was £3,000 lower than 12 months ago.
- Average house prices over the 12 months to October 2023 decreased in England to £306,000 (negative 1.4%), decreased in Wales to £214,000 (negative 3.0%) and increased in Scotland to £191,000 (0.2%).

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. The rental market is currently looking to be a more attractive prospect than usual with developers considering letting properties instead of selling; due to an increasing gap between supply and demand in the rental market and rising rents (seen to have increased by 6% to 10% over the past year depending on location, in contrast to house prices which have been falling).

2.1.14. Overall, the view of the housing market is that we will see prices remaining flat or possibly falling slightly, however not at the levels feared only a few months ago. The consensus within the industry is that 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, settlements and postcode areas within the district between 2021 and 2022. Value level ranges were estimated for each settlement 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 2021 to December 2022)

3.1.3. The following tables below provide West Oxfordshire 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 DCLG's remit. Property values have been updated in line with the UK House Price Index (HPI) at the point of data collection i.e., October 2023. 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 in West Oxfordshire (between Jan 2021 – Dec 2022)

Ward	Minimum £ per sq. meter	Q1 £ per sq. meter	Average Value £ per sq. meter	Median £ per sq. meter	Q3 £ per sq. meter	Maximum £ per sq. meter	Data Sample Number
Ascott and Shipton	£4,048	£4,858	£4,851	£4,974	£5,008	£5,122	11
Bampton and Clanfield	£4,125	£4,495	£4,773	£4,882	£4,929	£5,332	23
Brize Norton and Shilton	£3,887	£4,540	£4,793	£4,895	£5,005	£5,492	67
Burford	£3,116	£3,841	£4,758	£5,174	£5,394	£5,909	18
Carleton North East	£3,168	£3,503	£3,785	£3,841	£4,028	£4,632	55
Carleton North West	£3,974	£4,107	£4,288	£4,289	£4,417	£4,598	9
Chipping Norton	£2,850	£4,785	£5,022	£5,343	£5,498	£5,981	36
Ducklington	£3,415	£4,135	£4,287	£4,437	£4,586	£4,971	32
Eynsham and Cassington	£4,257	£4,703	£4,971	£4,849	£5,227	£5,937	34
Freeland and Hanborough	£3,828	£4,401	£4,637	£4,711	£4,902	£5,258	39
Hailey, Minster Lovell and Leafield	£3,580	£4,209	£4,356	£4,410	£4,599	£4,792	25
Milton-Under-Wychwood	£4,357	£4,646	£4,848	£4,837	£4,988	£6,081	25
North Leigh	£4,021	£4,745	£5,052	£4,936	£5,108	£7,622	48
Standlake, Aston and Stanton Harcourt	£3,397	£4,327	£4,780	£4,915	£5,184	£6,240	44
Stonesfield and Tackley	£4,569	£4,785	£4,956	£5,016	£5,174	£5,310	15
Witney Central	£3,992	£4,534	£4,872	£4,752	£5,079	£6,448	53
Witney South	£3,794	£4,315	£4,796	£4,834	£5,245	£5,873	15
Witney West	£3,571	£4,319	£4,728	£4,723	£5,119	£6,153	173
Woodstock and Bladon	£4,700	£5,649	£5,878	£5,860	£6,251	£6,650	24

** Data sample of 746*

Table 1b – Land Registry Sold Prices Review Analysis – New Build Property – Average Price and quartile analysis by Postcode Areas in West Oxfordshire (between Jan 2021 – Dec 2022)

Postcode Area	Minimum £ per sq. meter	Q1 £ per sq. meter	Average Value £ per sq. meter	Median £ per sq. meter	Q3 £ per sq. meter	Maximum £ per sq. meter	Data Sample Number
High	**£3,116**	**£4,651**	**£4,973**	**£4,908**	**£5,264**	**£6,650**	**166**
Medium	**£2,850**	**£4,382**	**£4,761**	**£4,750**	**£5,153**	**£7,622**	**449**
Low	**£3,168**	**£3,893**	**£4,335**	**£4,367**	**£4,895**	**£5,492**	**131**
OX20 1	£4,700	£5,649	£5,878	£5,860	£6,251	£6,650	24
OX29 4	£4,257	£4,703	£4,971	£4,849	£5,227	£5,937	34
OX29 8	£3,116	£4,544	£4,734	£4,797	£5,085	£5,909	72
OX7 6	£4,048	£4,660	£4,849	£4,888	£4,988	£6,081	36
OX18 2	£3,397	£4,287	£4,559	£4,504	£4,911	£5,332	44
OX28 4	£3,794	£4,315	£4,796	£4,834	£5,245	£5,873	15
OX28 6	£3,992	£4,534	£4,872	£4,752	£5,079	£6,448	53
OX29 0	£3,415	£4,172	£4,317	£4,410	£4,590	£4,971	57
OX29 5	£4,046	£5,032	£5,194	£5,171	£5,277	£6,240	23
OX29 6	£4,021	£4,745	£5,052	£4,936	£5,108	£7,622	48
OX29 7	£3,571	£4,319	£4,728	£4,723	£5,119	£6,153	173
OX7 5	£2,850	£4,785	£5,022	£5,343	£5,498	£5,981	36
OX18 1	£3,887	£4,399	£4,733	£4,849	£4,996	£5,492	76
OX18 3	£3,168	£3,503	£3,785	£3,841	£4,028	£4,632	55

** Data sample of 746*
*** No data for OX15 0, OX15 5, OX25 4, OX25 5, OX28 1, OX28 2, OX28 3, OX28 5, OX29 9, OX5, OX5 1, OX7 3, OX7 4, OX7 7, CV36 5, GL56 0, GL7 3*

Location of the Property Values by Postcode Area – West Oxfordshire District Council

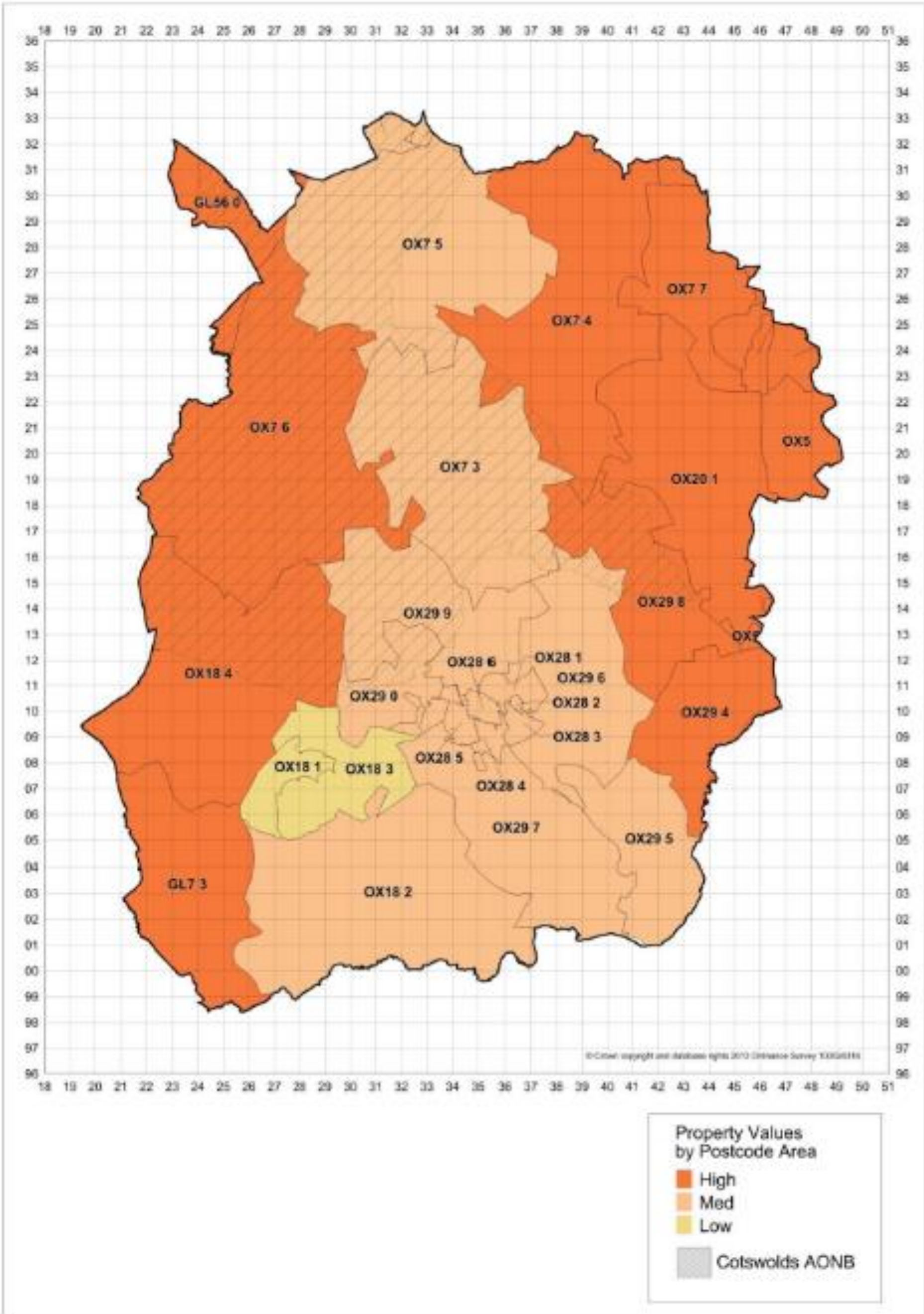

Table 1c – Land Registry Sold Prices Review Analysis – New Build Property – Average Price and quartile analysis by Dwellings in West Oxfordshire (between Jan 2021 – Dec 2022)

Type of Dwelling	Minimum £ per sq. meter	Q1 £ per sq. meter	Average Value £ per sq. meter	Median £ per sq. meter	Q3 £ per sq. meter	Maximum £ per sq. meter	Data Sample Number
Flat	£3,794	£4,204	£4,681	£4,638	£5,186	£5,909	29
Terraced	£3,164	£3,760	£4,428	£4,673	£4,974	£6,153	70
Semi-detached	£2,850	£4,385	£4,747	£4,798	£5,167	£6,448	219
Detached	£3,116	£4,403	£4,780	£4,769	£5,092	£7,622	428

** Data sample of 746*

Table 1d – Land Registry Sold Prices Review Analysis – New Build Property – Average Price and quartile analysis in West Oxfordshire District (between Jan 2021 – Dec 2022)

District	Minimum £ per sq. meter	Q1 £ per sq. meter	Average Value £ per sq. meter	Median £ per sq. meter	Q3 £ per sq. meter	Maximum £ per sq. meter	Data Sample Number
West Oxfordshire	£2,850	£4,363	£4,733	£4,754	£5,098	£7,622	746

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, variable by the affordable housing policy ‘value zones’ but overall, the data suggests a key range from £4,000 to £5,000 per sq. meter. However, this research analysis also indicated flatted sales values achieving the upper level of that range and in some cases above up to approximately £6,000 per sq. meter, depending on the type and location of the subject scheme. As with any values analysis there are exceptions whereby higher and lower values can be seen also between nearby sites and even within a site – an overview is needed as part of this high-level assessment.

Review of Land Registry Resale Sold Prices Data – (between Oct 2022 – June 2023)

3.1.6. A similar process has been undertaken as above for re-sale property with the following Tables providing a borough 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., October 2023. Due to its size the full data set it 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 – Resale Properties – Average Price and quartile analysis by Wards in West Oxfordshire (between Oct 2022 – June 2023)

Ward	Minimum £ per sq. meter	Q1 £ per sq. meter	Average Value £ per sq. meter	Median £ per sq. meter	Q3 £ per sq. meter	Maximum £ per sq. meter	Data Sample Number
Alvescot and Filkins	£4,190	£5,417	£6,203	£5,837	£7,312	£7,993	9
Ascott and Shipton	£2,665	£3,913	£4,907	£4,523	£5,752	£7,314	20
Bampton and Clanfield	£2,675	£3,944	£4,452	£4,364	£4,748	£6,275	35
Brize Norton and Shilton	£2,477	£3,176	£4,611	£4,257	£4,733	£9,928	8
Burford	£3,069	£5,127	£6,414	£6,109	£6,992	£10,211	18
Carterton North East	£1,024	£3,268	£3,742	£3,800	£4,241	£5,860	45
Carterton North West	£1,597	£3,569	£4,057	£4,209	£4,667	£6,976	24
Carterton South	£1,378	£3,465	£3,867	£3,887	£4,202	£6,169	16
Chadlington and Churchill	£4,589	£4,936	£5,656	£5,653	£6,223	£7,031	7
Charlbury and Finstock	£3,286	£3,905	£4,756	£4,332	£5,359	£7,399	27
Chipping Norton	£2,580	£3,560	£4,358	£4,480	£4,960	£6,685	64
Ducklington	£2,888	£3,826	£4,343	£4,214	£4,703	£6,737	19
Eynsham and Cassington	£1,973	£3,939	£4,411	£4,484	£4,863	£6,029	34
Freeland and Hanborough	£3,672	£4,324	£4,901	£4,662	£5,122	£7,844	28
Hailey, Minster Lovell and Leafield	£3,177	£3,816	£4,131	£3,995	£4,373	£5,382	18
Kingham, Rollright and Enstone	£2,742	£4,223	£5,352	£5,405	£6,375	£7,829	26
Milton-Under-Wytchwood	£3,243	£4,035	£4,648	£4,175	£5,219	£8,572	23
North Leigh	£2,849	£4,237	£5,418	£4,931	£6,588	£9,434	14
Standlake, Aston and Stanton Harcourt	£3,564	£3,897	£4,715	£4,649	£5,234	£6,881	15
Stonesfield and Tackley	£3,804	£4,121	£4,800	£4,438	£5,269	£6,267	19
The Bartons	£3,515	£3,827	£4,356	£4,308	£4,460	£5,829	6
Witney Central	£1,237	£3,486	£3,965	£4,077	£4,544	£5,378	36
Witney East	£1,765	£3,507	£4,197	£3,978	£5,042	£6,196	59
Witney North	£2,955	£3,613	£4,208	£4,050	£4,679	£5,894	25
Witney South	£1,874	£3,647	£4,010	£4,003	£4,543	£6,318	47
Witney West	£1,808	£4,219	£4,711	£4,839	£5,176	£6,117	59
Woodstock and Bladon	£3,534	£4,437	£5,287	£5,368	£5,892	£7,391	43

** Data sample of 744*

Table 2b – Land Registry Sold Prices Review Analysis – Resale Properties - Average Price and quartile analysis by Postcode Areas in West Oxfordshire (between Oct 2022 – June 2023)

Postcode Area	Minimum £ per sq. meter	Q1 £ per sq. meter	Average Value £ per sq. meter	Median £ per sq. meter	Q3 £ per sq. meter	Maximum £ per sq. meter	Data Sample Number
High	**£1,973**	**£4,161**	**£5,026**	**£4,740**	**£5,742**	**£9,928**	**208**
Medium	**£441**	**£3,792**	**£4,417**	**£4,308**	**£5,014**	**£9,434**	**434**
Low	**£303**	**£3,320**	**£3,804**	**£3,886**	**£4,389**	**£6,976**	**84**
GL56 0	£5,157	£5,157	£5,157	£5,157	£5,157	£5,157	1
GL7 3	£5,417	£5,732	£6,313	£6,261	£6,842	£7,312	4
OX18 4	£3,069	£5,091	£6,449	£5,738	£6,992	£10,211	21
OX7 6	£2,665	£4,043	£5,005	£4,537	£5,880	£8,572	49
OX20 1	£3,534	£4,387	£5,237	£5,310	£5,851	£7,391	46
OX29 4	£1,973	£3,916	£4,365	£4,484	£4,861	£5,973	30
OX29 8	£3,672	£4,185	£4,826	£4,578	£5,091	£7,844	35
OX5 3	£4,063	£4,209	£5,104	£5,150	£5,978	£6,133	9
OX7 4	£3,252	£4,028	£5,006	£4,539	£5,770	£7,288	11
OX7 7	£3,515	£3,827	£4,356	£4,308	£4,460	£5,829	6
OX18 2	£2,675	£3,948	£4,641	£4,466	£5,045	£7,993	44
OX28 1	£1,765	£3,406	£3,930	£3,825	£4,410	£6,196	63
OX28 2	£3,537	£4,179	£4,711	£4,803	£5,486	£5,548	5
OX28 3	£3,905	£4,719	£5,107	£5,398	£5,498	£6,103	16
OX28 4	£1,874	£3,364	£3,748	£3,849	£4,297	£5,211	24
OX28 5	£1,808	£3,996	£4,521	£4,559	£5,007	£6,117	75
OX28 6	£1,237	£3,494	£4,109	£4,132	£4,679	£6,318	39
OX29 0	£3,558	£3,860	£4,147	£3,995	£4,291	£5,382	12
OX29 5	£3,994	£4,332	£4,851	£4,932	£5,450	£5,544	4
OX29 6	£2,849	£4,214	£5,240	£4,794	£6,029	£9,434	17
OX29 7	£2,888	£3,827	£4,502	£4,326	£4,901	£6,881	28
OX29 9	£3,177	£3,283	£4,149	£4,046	£4,951	£5,289	5
OX7 3	£3,286	£3,912	£4,820	£4,603	£5,596	£7,399	34
OX7 5	£2,580	£3,655	£4,478	£4,576	£5,118	£6,685	75
OX18 1	£1,024	£3,378	£3,899	£3,887	£4,464	£6,976	61
OX18 3	£1,378	£3,260	£3,737	£3,784	£4,283	£6,169	30

** Data sample of 744*

*** No data for OX15 0, OX25 4, OX25 5, OX5, OX5 1, CV36 5, OX15 5*

Table 2c – – Land Registry Sold Prices Review Analysis – Resale Properties - Average Price and quartile analysis dwellings in West Oxfordshire (between Oct 2022 – June 2023)

Type of Dwelling	Minimum £ per sq. meter	Q1 £ per sq. meter	Average Value £ per sq. meter	Median £ per sq. meter	Q3 £ per sq. meter	Maximum £ per sq. meter	Data Sample Number
Flat	£1,024	£3,217	£3,730	£3,764	£4,308	£5,930	110
Terraced	£2,477	£3,878	£4,523	£4,310	£5,084	£9,631	215
Semi-detached	£2,580	£3,961	£4,555	£4,467	£4,998	£7,314	203
Detached	£1,378	£3,984	£4,966	£4,763	£5,659	£10,211	216

** Data sample of 744*

Table 2d – – Land Registry Sold Prices Review Analysis – Resale Properties - Average Price and quartile analysis in West Oxfordshire (between Oct 2022 – June 2023)

District	Minimum £ per sq. meter	Q1 £ per sq. meter	Average Value £ per sq. meter	Median £ per sq. meter	Q3 £ per sq. meter	Maximum £ per sq. meter	Data Sample Number
West Oxfordshire	£1,024	£3,828	£4,543	£4,382	£5,151	£10,211	744

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) 1-10+ 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 1). Above all, this shows the scale of values as well as the variation of those values seen in different parts of the borough.

3.1.9. At the time of compiling Appendix 1 in January 2024, we considered typical new build property values in West Oxfordshire to fall within the overall VLs range of £4,000 per sq. meter to £5,500 per sq. meter (i.e. approximately £430 per sq. ft to £592 per sq. ft). Overall, we consider the key new build values to be aligned with the affordable housing policy 'value zones' (low, medium and high), representing a range between £4,000 to £5,000 per sq. meter – as shown in Table 3a below. Therefore we have formed the view the above variable range by 'value zone' 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 – Residential Sales Value Level (VL) Assumptions – Indicative relevance by area within District

Market Values (MV)	VL1	VL2	VL3	VL4	VL5	VL6	VL7
High Value Zone *(LVZ)*			**HVZ Low**	**HVZ Base**	**HVZ High**	**HVZ Sensitivity Test**	**HVZ Sensitivity Test**
Medium Value Zone *(LVZ)*		**MVZ Low**	**MVZ Base**	**MVZ High**			
Low Value Zone *(LVZ)*	**LVZ Low**	**LVZ Base**	**LVZ High**				
1-bed flat	£200,000	£212,500	£225,000	£237,500	£250,000	£262,500	£275,000
2-bed flat	£244,000	£259,250	£274,500	£289,750	£305,000	£320,250	£335,500
2-bed house	£316,000	£335,750	£355,500	£375,250	£395,000	£414,750	£434,500
3-bed house	£372,000	£395,250	£418,500	£441,750	£465,000	£488,250	£511,500
4-bed house	£520,000	£552,500	£585,000	£617,500	£650,000	£682,500	£715,000
MV (£ / sq. m.)	**£4,000**	**£4,250**	**£4,500**	**£4,750**	**£5,000**	**£5,250**	**£5,500**

Note: Value Zones linked to Policy H3 Affordable Housing zones as depicted in Figure 1 below.

3.1.10. As in all areas, values are always mixed to some extent – within particular wards or settlements 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
1-bed flat	50	50	5.0%	25-30%
2-bed flat	61	61	30.0%	30-35%
2-bed house	79	79		
3-bed house	93	93	40.0%	30-35%
4-bed house***	130	106	25.0%	5-10%

**Based on Nationally Described Space Standard October 2015*

***rounded, based on the SHMA (2014), also set out in supporting text to Policy H4.*

****1-house typology tested at 300sq.m. from VL6 £5,250 to £7,000/sq.*

4.0 Retirement/Sheltered and Extra Care Housing research

4.1.1. DSP conducted research on the value of new build retirement/extra care development in the district. However, we noted no new build schemes were on the market at the time of writing, indicating that any supply coming forward are likely to come with higher values as aligns with our wider experience.

4.1.2. 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/extra care housing at the same overall upper range of values as used for traditional housing market appraisals (VL6 £5,250 to VL11 £7,000).

4.1.3. 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.

4.1.4. 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 is typically considered to be 25% higher than sheltered housing.

4.1.5. DSP have conducted research into recent sales transactions for second-hand 3-bedroom semi-detached properties within West Oxfordshire 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 4a – Assumed Unit Sizes & Dwelling Mix – Sheltered and Extra Care Housing

Property Type	Assumed Unit Sizes	Non-Saleable Floor Area Allowance *(net to gross ratio)*	Dwelling Mix (%)
1-bed flat (Sheltered)	55	75%	60%
2-bed flat (Sheltered)	75		40%
1-bed flat (Extra Care)	58.5	65%	60%
2-bed flat (Extra Care)	76		40%

Note: *We see a range of different levels of communal facilities and the above assumptions represent the upper end of communal areas seen at application stage viability assessment.*

Table 4b – Assumed Value Levels & Dwelling Mix – Sheltered and Extra Care Housing

Market Value (MV) - Private units	VL6 £5,250	VL7 £5,500	VL8 £5,750	VL9 £6,000	VL10 £6,500	VL11 £7,000
1-bed flat (Sheltered)	£288,750	£302,500	£316,250	£330,000	£357,500	£385,000
2-bed flat (Sheltered)	£393,750	£412,500	£431,250	£450,000	£487,500	£525,000
1-bed flat (Extra Care)	£307,125	£321,750	£336,375	£351,000	£380,250	£409,500
2-bed flat (Extra Care)	£399,000	£418,000	£437,000	£456,000	£494,000	£532,000
MV (£/sq. m.)	**£5,250**	**£5,500**	**£5,750**	**£6,000**	**£6,500**	**£7,000**

Table 4c – RHG Analysis – December 2023

RHG Analysis - September 2023 - December 2023		
Average value of a resale 3-bed Semi-detached property in West Oxfordshire	**£393,707**	
Type	**Indicative New Build Value**	**Indicative New Build Vale £/m²**
1-bed new build sheltered flat (worth 75% of the value)	£295,280	£5,369
2-bed new build sheltered flat (worth 100% of the value)	£393,707	£5,249
1-bed extra care (typically 25% higher than sheltered housing)	£369,100	£6,711
2-bed new build extra care (typically 25% higher than sheltered housing)	£492,134	£6,562

* Source: Rightmove, in Period - July 2023 - December 2023 (Sample Size: 79)

Table 4d – Advertised New Retirement Properties – McCarthy and Stone – December 2023

McCarthy & Stone: Advertised New Build prices:							
Watson Place, Trinity Road, Chipping Norton, Oxfordshire, OX7 5AJ							
2 Bed Apartment							
Property Number	Number of Beds	Type	Advertised price	Floor area (sq. meter)	£ per sq. meter	Floor area (sq. ft.)	£ per sq. ft
35	2	Apartment	£388,150	78.19	£4,964	842	£461
41	2	Apartment	£395,150	71.5	£5,527	770	£513
48	2	Apartment	£406,150	71.45	£5,684	769	£528
Average			**£396,483**	**73.71**	**£5,379**	**793**	**£500**
1 Bed Apartment							
Property Number	Number of Beds	Type	Advertised price	Floor area (sq. meter)	£ per sq. meter	Floor area (sq. ft.)	£ per sq. ft
42	1	Apartment	£249,950	56.89	£4,394	612	£408
47	1	Apartment	£298,150	56.31	£5,295	606	£492
59	1	Apartment	£298,150	55.32	£5,390	595	£501
Average			**£282,083**	**56.17**	**£5,022**	**605**	**£467**
Shared Ownership							
Property Number	Number of Beds	Type	Advertised price [50%/ 50%]	Advertised price [per month]			
43	1	Apartment	£138,250	317			
Rental Price							
Property Number	Number of Beds	Type	Advertised price [per month]	Floor area (sq. meter)			
16	1	Apartment	£2,690	57.3			

5.0 Commercial Market Information, Rents and Yields

5.1.1 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.

5.1.2 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.

5.1.3 The RICS Economy and Property Market Update November 2023 comments that transaction activity remains ‘soft’ in terms of overall £ of assets changing hands, but that the number of transactions has increased. Following previous negative reports on retail demand, surveyors are reporting an improvement in retail transactions, but with investment values for offices ‘remaining under pressure’. Activity in the residential market remains low, although with most surveyors being of the opinion that the market has reached the bottom and is likely to improve in the near future.

5.1.4 Industrial values have been ‘more or less unchanged’ during Q2. The November RICS report notes that the ‘flattening trend in the appetite to acquire industrial space is also visible’. As has been the trend for some time now the occupier market is anticipated to perform better than the investment market with stronger expectations for rental than capital growth. RICS note that prime assets are performing better than secondary assets and that there has been a move away from more traditional real estate (offices etc.) towards alternative sectors such as data centers, care homes, student housing and multifamily residential (rented).

5.1.5 DSP have also reviewed Savills – UK Market in Minutes – UK Commercial – September/ October 2023. Savills note the bank base rate being held and that two-year SONIA is below the central bank rate for the first time since early 2023. In Savills’ view, the market has hit the trough and is now primed to start a ‘typical asynchronous recovery’ as interest rates fall but buyers focus on rental growth prospects and concerns around capital expenditure; with prime logistics leading the recovery phase of this economic cycle.

Savills prime equivalent yields

	October 2022		September 2023		October 2023	
West End offices	3.75%		4.00%		4.00%	
City offices	4.25%	↑	5.25%		5.25%	
South East offices	6.00%	↑	7.00%		7.00%	↑
Provincial offices	5.50%	↑	6.25%	↑	6.50%	↑
High street retail	6.50%	↑	6.75%	↑	6.75%	↑
Shopping centres	8.00%	↑	8.25%	↑	8.25%	↑
Retail warehouse (Open A1)	5.75%	↑	5.75%		5.75%	
Retail warehouse (Restricted)	6.00%	↑	6.25%		6.25%	
Foodstores (OMR)	5.50%		5.00%		5.25%	↑
Industrial/Distribution (OMR)	5.00%	↑	5.25%		5.25%	
Industrial multi-lets	5.00%	↑	5.25%		5.25%	
Leisure parks	7.50%	↑	7.50%	↑	7.50%	↑
London leased (core) hotels	4.25%		4.50%	↑	4.50%	
Regional pubs (RPI)	5.75%		6.25%	↑	6.25%	↑

Source: Savills Research

5.1.6 To summarise the articles above, having rebounded from the pandemic, the commercial market has been heading downwards, and is thought to be at or close to the bottom of the market although with prime office and logistics space (which was leading the upward trend previously) remaining fairly robust due to demand still not meeting supply; with a focus on the occupier market whereas investment appears to be retrenching. Alternative sectors are also being explored and seen as increasingly attractive (data centres, student housing, Build to Rent and other 'non-traditional' commercial investments).

5.1.7 Table 5 below sets out indications on prime yields provided by the Knight Frank Investment Yield Guide (Jan 2024)[1]

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

Table 5 – Knight Frank Investment Yield Guide Jan 2024

SECTOR	Jan 2024	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	8.00% +	**NEGATIVE**
Sub-Regional Scheme	9.50% +	**NEGATIVE**
Local Scheme (successful)	10.50% +	**NEGATIVE**
Neighbourhood Scheme (assumes <25% of income from supermarket)	10.00%	**NEGATIVE**
Out of Town Retail		
Open A1 Parks	6.25%	**STABLE**
Good Secondary Open A1 Parks	8.00%	**STABLE**
Bulky Goods Parks	6.25%	**STABLE**
Good Secondary Bulky Goods Parks	8.00%	**STABLE**
Solus Open A1 (15 year income)	6.00%	**STABLE**
Solus Bulky (15 year income)	6.00%	**STABLE**
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% +	**NEGATIVE**
Budget Hotels Regional (20 years, 5 yearly indexed reviews)	5.25% +	**NEGATIVE**
Student Accommodation Prime London (Direct Let)	4.25%	**STABLE**
Student Accommodation Prime Regional (Direct Let)	5.00% - 5.25%	**STABLE**
Student Accommodation Prime London (25 years, Annual indexation)	4.25% +	**NEGATIVE**
Student Accommodation Prime Regional (25 years, Annual indexation)	4.50% +	**NEGATIVE**

SECTOR	Jan 2024	MARKET SENTIMENT
Healthcare (Elderly Care, 30 years, Annual indexed reviews)	4.50% +	**NEGATIVE**
Data Centres (Operational)	4.75%	**STABLE**
Data Centres (Leased, 15 years, Annual Indexation)	4.75%	**STABLE**
Income Strip (50 years, Annual RPI/CPIH+1% RRs, Annuity Grade)	3.75%	**POSITIVE**
Warehouse & Industrial Space		
Prime Distribution/Warehousing (20 years [NIY], higher OMV/ index)	4.75% - 5.00%	**NEGATIVE**
Prime Distribution/Warehousing (15 years, OMRRs)	5.25% - 5.50%	**NEGATIVE**
Secondary Distribution (10 years, OMRRs)	5.75% - 6.00	**NEGATIVE**
South East Estate (excluding London & Heathrow)	5.25%	**NEGATIVE**
Good Modern Rest of UK Estate	5.50%	**NEGATIVE**
Good Secondary Estates	6.75% - 7.25%	**NEGATIVE**
Office (Grade A)		
City Prime (10 years)	5.25% - 5.50%	**NEGATIVE**
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**
Life Sciences (Oxford, Cambridge)	4.50% - 4.75%	**NEGATIVE**

Commercial Property Values Research

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

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

Commercial Values Data – CoStar

5.1.10 DSP has a subscription to the commercial property data resource 'CoStar' and here we include relevant extracts, again as far as available, for West Oxfordshire Summary reporting analysis for the lease comparables is provided; combined with the full data extracts to be found at the end of this Appendix. 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.

5.1.11 The CoStar sourced research is based on available lease comparable within West Oxfordshire covering industrial / retail / office over the last (36 months). Figures 1a-1c below provides the analysis summary, with the full data set provided at the rear of this Appendix.

5.1.12 The full CoStar dataset, as summarised in the above tables, has been further analysed over a 3-year period from 2021-2024. [see Table 6a below] to provide a more detailed view of the range of commercial rents in the West Oxfordshire submarket.

Table 6a – CoStar Summary Analysis West Oxfordshire - Commercial Leases 2021 - 2024

Type of Commercial Leases in West Oxfordshire - Jan 2021- Jan 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	£1.81	£18.66	£27.15	£41.73	£58.69
Offices	£10.00	£12.05	£15.69	£18.00	£27.29
Industrial	£1.83	£7.10	£9.04	£10.94	£15.69

Type of Commercial Leases in West Oxfordshire - Jan 2021- Jan 2024 - [£ per sq. meter]	Minimum Average Rental Indications [£ per sq. meter]	1st Quartile Rental Indications [£ per sq. meter]	Median Rental Indications [£ per sq. meter]	3rd Quartile Rental Indications [£ per sq. meter]	Maximum Average Rental Indications [£ per sq. meter]
Retail	£19.48	£200.84	£292.28	£449.16	£631.69
Offices	£107.64	£129.65	£168.89	£193.75	£293.75
Industrial	£19.70	£76.42	£97.31	£117.79	£168.89

Figure 6a – 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
39	£25.89	£19.51	10

LEASE COMPARABLES

SUMMARY STATISTICS

Rent	Deals	Low	Average	Median	High
Asking Rent Per SF	28	£1.81	£25.89	£29.73	£58.82
Achieved Rent Per SF	18	£3.45	£19.51	£27.65	£58.82
Net Effective Rent Per SF	8	£3.23	£12.51	£20.08	£58.69
Asking Rent Discount	13	-16.7%	4.7%	0.0%	24.6%
TI Allowance	-	-	-	-	-
Rent Free Months	4	2	6	6	9

Lease Attributes	Deals	Low	Average	Median	High
Months on Market	30	1	10	8	36
Deal Size	39	237	1,696	831	11,600
Lease Deal in Months	19	12.0	77.0	72.0	180.0
Floor Number	38	GRND	GRND	GRND	1

Figure 6b – 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
39	£14.84	£15.28	18

LEASE COMPARABLES

SUMMARY STATISTICS

Rent	Deals	Low	Average	Median	High
Asking Rent Per SF	29	£10.00	£14.84	£14.07	£27.27
Achieved Rent Per SF	21	£10.00	£15.28	£16.32	£27.29
Net Effective Rent Per SF	5	£12.66	£17.05	£18.00	£22.58
Asking Rent Discount	15	-5.9%	1.1%	0.0%	16.7%
TI Allowance	-	-	-	-	-
Rent Free Months	1	0	0	0	0

Lease Attributes	Deals	Low	Average	Median	High
Months on Market	33	1	18	8	159
Deal Size	39	185	1,273	867	5,980
Lease Deal in Months	25	12.0	48.0	36.0	120.0
Floor Number	39	GRND	GRND	GRND	MEZZ

Figure 6c – 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
45	£6.69	£7.93	22

LEASE COMPARABLES

SUMMARY STATISTICS

Rent	Deals	Low	Average	Median	High
Asking Rent Per SF	18	£2.00	£6.69	£8.85	£15.69
Achieved Rent Per SF	28	£2.92	£7.93	£9.88	£15.69
Net Effective Rent Per SF	9	£2.92	£7.87	£9.48	£12.08
Asking Rent Discount	8	-11.1%	1.2%	1.3%	16.5%
TI Allowance	-	-	-	-	-
Rent Free Months	3	0	8	0	24

Lease Attributes	Deals	Low	Average	Median	High
Months on Market	31	1	22	21	58
Deal Size	45	335	11,667	1,863	130,569
Lease Deal in Months	28	12.0	71.0	60.0	120.0
Floor Number	45	GRND	GRND	GRND	MEZZ

Further commercial property values data sources – VOA Rating List

5.1.13 Table 7 below sets out the VOA Data Summary for convenience stores, larger supermarkets and retail warehousing in West Oxfordshire, again to understand and build upon previous data analysis and viability testing conducted in 2020. Note: full data sample not included due to large data sample.

Table 7 – VOA Data Summary Leases 2024

Type of premises in West Oxfordshire - Jan 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	£13.01	£15.33	£19.51	£32.52
Large Food Stores (750-2500m2)	£14.86	£18.12	£18.12	£18.12	£20.44
Large Supermarkets	£17.19	£17.88	£19.04	£20.55	£22.30
Retail Warehousing	£12.54	£13.59	£16.72	£18.81	£25.08

Type of premises in West Oxfordshire - Jan 2024 - [£ per sq. Meter]	Minimum Average Rental Indications [£ per sq. meter]	1st Quartile Rental Indications [£ per sq. meter]	Median Rental Indications [£ per sq. meter]	3rd Quartile Rental Indications [£ per sq. meter]	Maximum Average Rental Indications [£ per sq. meter]
Convenience Stores	£80.00	£140.00	£165.00	£210.00	£350.00
Large Food Stores (750-2500m2)	£160.00	£195.00	£195.00	£195.00	£220.00
Large Supermarkets	£185.00	£192.50	£205.00	£221.25	£240.00
Retail Warehousing	£135.00	£146.25	£180.00	£202.50	£270.00

6.0 Stakeholder Consultation

6.1.1 As part of the information gathering process in 2023, DSP invited a number of local stakeholders to contribute by providing 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.

6.1.2 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

6.1.3 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 in the West Oxfordshire district.

6.1.4 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.

6.1.5 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 borough, 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.

Site Promoter Consultation

6.1.6 Further phase of consultation with Site Promoters in followed up in October 2023 in relation to key specific sites to be viability tested (see report and Appendix 1 for further detail). This was conducted principally by way of survey / pro-forma but follow-up meetings were offered. All communications with site promoters confirmed and assured participants that any information provided would be kept in confidence respecting commercial sensitivities throughout the whole consultation process.

6.1.7 DSP has contacted each site promoter to contribute by providing specific information in relation to each site relating to site context, infrastructure requirements, site abnormals, existing uses etc. The purpose of this consultation was to help inform our study assumptions, alongside our own research.

6.1.8 Overall, DSP received positive and detailed responses from the majority of those contacted. Any information / comments provided as a result of this consultation helped to inform and check / support our assumptions.

7.0 Land Values Context

7.1.1. 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 – Q4 2023 which indicates that the recent falls in land values have continued into this quarter.

7.1.2. However as per their reporting earlier in the year Savills note there is strong demand for development land and an ongoing scarcity of sites, with greenfield 'oven-ready' sites holding up more than expected.

7.1.3. Overall, Savills report that UK greenfield and urban land values continued to fall in Q4 2023 (having now fallen by -8.7% and -9.9% respectively). Savills report that ' *Optimum sized sites between 100–200 units, in primary locations […] remain in demand. In the South East, land values are -9.7% below Q3 2022 due to greater falls in house prices (-5%) and buyers are more affordability-constrained.'*

7.1.4. Savills note that apartment schemes in town centres have seen less demand than house-led greenfield sites, leading to greater falls in urban land values.

7.1.5. This aligns with our experience on the ground and with press reporting, with major housebuilders having been in a period of 'retrenchment' both in terms of buying new sites and in building out existing permissions. We note also that some of the major housebuilders have been reporting that prices being paid for land (and particularly greenfield land) have been falling, due to the increasing pressure on housebuilders from national and local policy requirements, alongside downward movement in house prices.

7.1.6. The Knight Frank report 'Residential Development Land Index Q4 – 2023' corroborates the sentiment expressed above, although notes that land values are stabilizing in most areas of the country, with market sentiment being boosted by the BoE interest rates being held at 5.25% rather than the feared further increase. They also note that *'by region, there is most demand currently for greenfield housing schemes in the South East which are attracting buyers with larger deposits'.*

7.1.7. The greater caution over land purchases chimes with our recent experience, with SMEs responding to consultation on Local Plans expressing concern about landowner expectations remaining high whilst the cost of meeting policy requirements and building regulations/sustainability requirements is rising; and with the residential market remaining fairly strong which assists sales values but also impacts on smaller developers acquiring existing residential sites with the intention of increasing development density.

7.1.8. To summarise, reporting indicates a continuing high demand for supply, and low supply of land. However note the various cost pressures and market uncertainty which are thought likely to result in land values remaining at a similar level or even falling in the short to medium term.

Benchmark Land Values

7.1.9 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

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

7.1.11 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.

7.1.12 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.

7.1.13 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.

7.1.14 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 – September 2019

7.1.15 The revised NPPF was published in July 2018 and revised in February 2019. 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 latest PPG on viability (September 2019) 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+).’*

7.1.16 Further relevant extracts from the PPG (September 2019) 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'*

7.1.17 '*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.'*

7.1.18 *'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.'*

7.1.19 *'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.*

7.1.20 The Planning Practice Guidance (September 2019) on factors to be considered to established benchmark land values continues:

7.1.21 '*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).'*

7.1.22 *'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.'*

7.1.23 The Planning Practice Guidance (September 2019) states the following on how the premium for viability assessment to the landowner should be defined:

7.1.24 *'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.'*

7.1.25 *'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 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).'*

7.1.26 *'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).'*

7.1.27 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]. 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 West Oxfordshire district in relation to residential land estimates. Not all areas are covered and as is the case in most LA areas, West Oxfordshire 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.

7.1.28 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 MHCLG truncated valuation model provides a much higher level of land value as it assumes all land and planning related costs are discharged,

[2] MHCLG: Land value estimates for policy appraisal 2017 (May 2018)

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.

7.1.29 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, based on gross site area. 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). 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).

7.1.30 At this level, it could be relevant for consideration as 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 HCA issued a transparent assumptions document which referred to guide parameters of an uplift of 10 to 20 times agricultural land value. This sort of level of land value could also be relevant to a range of less attractive locations or land for improvement. 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.

7.1.31 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 approximately £2,500,000/ha for upper PDL/Residential land values.

7.1.32 Matters such as realistic site selection for the particular proposals, allied to realistic land owner 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.

7.1.33 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.'*

7.1.34 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.'*

7.1.35 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.

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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)

7.1.36 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 carefully considered. At a time of a 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.

7.1.37 In summary, reference to the land value benchmarks range as outlined within the report and shown within the Appendix 2, 3, 4 and 5 results summary tables footnotes (range overall £250,000 to £2,500,000/ha) have been formulated with reference to the principles outlined above and are considered appropriate.

Appendix 6 Ends

- followed by Co-Star extracts.