For: Sevenoaks District Council

Regulation 18 Stage - Local Plan Viability & CIL Viability Assessment

Sevenoaks
DISTRICT COUNCIL

Current stage Appendix III

Market Values & Assumptions Research

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DSP22785

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1.0 Introduction

1.1.1 Sevenoaks District Council (SDC) engaged Dixon Searle Partnership (DSP) to provide viability evidence in support and development of the Council's emerging Local Plan. DSP's involvement commenced in 2022, providing a 'Preliminary Overview Report' published alongside the Part one Regulation 18 consultation.

1.1.2 Following this initial reporting in October 2022, this next phase of the study (interim reporting) will provide an updated/refreshed review, building on earlier work with an initial focus on key site typologies relevant to the emerging site supply picture. Overall the viability assessment will consider the viability of the Council's emerging Plan, sites, and policies as well as wider national policy changes.

1.1.3 Referred to within DSP'S main report, this document – Appendix III – 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 Sevenoaks.

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 Sevenoaks District Council (SDC).

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. The majority of commentators expect that the overall effect on house prices will be a c. 10% peak to trough change before the market recovers (expected to be not before 2025). Knight Frank's most recent market commentary predicts a greater fall than initially expected for 2023 with prices falling 7% overall outside London, but with the market picking up more quickly than at first thought; however still predicting a 4% fall across the country in 2024.

2.1.4. 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 increased to 5.25%), 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.

2.1.5. The analysis from Knight Frank in their Residential Development Update of September 2023 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.

2.1.6. 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, Knight Frank's prediction is that the continuing imbalance between supply and demand will support sales rates and pricing over the medium term.

2.1.7. The tone of the most recent Savills market reporting in August 2023 is cautious, but overall positive, noting that stability within the residential market has increased (with fewer deals falling through, and fewer reductions from asking price). The recent marginal falls in house prices are not thought likely to continue, and Savills consider that 'any further downward pressure on prices will be mitigated by demand from cash buyers and measures taken by lenders to help people facing a sharp increase in mortgage costs as they come to the end of their fixed rate mortgage.'. 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.

2.1.8. These concerns are reflected in the activity of the major housebuilders, with many reducing their construction activity for the time being.

2.1.9. The latest RICS residential market survey also takes a more positive view than in previous months, noting that whilst nationally house prices are still falling, 'downward momentum continues to ease' and new instructions have 'moved into positive territory for the first time since early 2022'. The RICS conclude that national house price expectations now sit in 'broadly neutral territory'.

2.1.10. The latest Office for National Statistics (ONS) UK House Price Index (HPI) for September 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 0.2% in the 12 months to August 2023 (provisional estimate), down from a revised 0.7% in July 2023.*

- *The average UK house price was £291,000 in August 2023, which was only a small change from 12 months ago, but £9,000 above the recent low point in March 2023.*

- *Average house prices increased over the 12 months to August 2023, to £310,000 in England (0.0%), increased to £194,000 in Scotland (1.1%), while average house prices in Wales decreased to £217,000 (negative 0.1%).*

2.1.11. 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).

2.1.12. Overall, the view of the housing market is that we will see price falls over the coming year, albeit not at such dramatic levels as feared. 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 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.

3.2. Review of Land Registry New Build Sold Prices Data – (January 2019 to July 2023)

3.2.1. The following tables below provide Sevenoaks 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., August 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

Ward	New Build Value - Summary Quartile Analysis - Sevenoaks District Council (1/2019 - 7/2023)						
	Minimum £/m^2	Q1 £/m^2	Average Value £/m^2	Median £/m^2	Q3 £/m^2	Maximum £/m^2	Data Sample No.
Ash and New Ash Green	£3,927	£4,913	£5,396	£5,561	£5,794	£6,830	41
Cowden and Hever	£6,624	£6,857	£7,203	£7,153	£7,278	£8,286	15
Dunton Green and Riverhead	£4,424	£6,406	£6,569	£6,584	£6,882	£8,020	20
Edenbridge North and East	£3,601	£4,600	£5,106	£5,184	£5,608	£6,318	112
Farningham, Horton, Kirby and South Darenth	£4,266	£4,358	£5,322	£4,745	£5,880	£7,362	5
Fawkham and West Kingsdown	£6,453	£6,473	£6,756	£6,579	£6,889	£7,384	5
Hextable	£6,051	£6,303	£6,851	£6,709	£7,096	£8,716	20
Leigh and Chiddingstone Causeway	£4,251	£4,905	£5,808	£5,854	£6,690	£7,821	27
Seal & Weald	£4,547	£5,244	£6,926	£6,024	£8,047	£10,037	13
Sevenoaks Town and St. John	£4,146	£6,654	£7,560	£7,178	£8,658	£10,907	28
Swanley Christchurch and Swanley Village	£4,294	£4,877	£5,197	£5,195	£5,609	£6,688	68
Swanley St Mary's	£4,596	£5,501	£5,862	£5,752	£6,741	£6,943	27
Swanley White Oak	£5,060	£6,055	£6,050	£6,164	£6,456	£6,559	14
Westerham and Crockham Hill	£4,563	£5,469	£6,004	£5,920	£6,238	£8,132	7

** Data sample of 402*

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

Dwelling	New Build Value - Summary Quartile Analysis - SSevenoaks District Council (1/2019 - 7/2023)						
	Minimum £/m^2	Q1 £/m^2	Average Value £/m^2	Median £/m^2	Q3 £/m^2	Maximum £/m^2	Data Sample No.
Flat	£3,927	£5,020	£5,965	£5,697	£6,606	£10,907	181
Terraced	£3,601	£5,105	£5,784	£5,652	£6,641	£9,681	85
Semi-detached	£4,251	£5,027	£5,513	£5,574	£5,754	£7,688	65
Detached	£4,215	£4,590	£5,596	£5,497	£6,304	£8,286	71

** Data sample of 402*

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

District	New Build Value - Summary Quartile Analysis - Sevenoaks District Council (1/2019 - 7/2023)						
	Minimum £/m^2	Q1 £/m^2	Average Value £/m^2	Median £/m^2	Q3 £/m^2	Maximum £/m^2	Data Sample No.
Sevenoaks District Council	£3,601	£4,963	£5,788	£5,626	£6,465	£10,907	402

3.2.2. 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.

3.2.3. The above new build data indicates a range of values with the overall key new build values between around £4,750 to £5,750/m2. However, this research analysis also indicated flatted sales values achieving the upper level of that range i.e. £5,500 - £6,000/m2. 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.

3.2.4. For added context, we have also reviewed the Land Registry HPI which indicates since the preliminary overview work in early Autumn 2022 house prices have increased by approximately 4%.

3.3. Review of Land Registry Resale Sold Prices Data – (January 2023 – July 2023)

3.3.1. 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., August 2023. Due to its size the full data set has not been included here, however it can be requested by the Council.

3.3.2. 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

Ward	LR Resale Value - Summary Quartile Analysis - Sevenoaks District Council (1/2023 - 7/2023)						
	Minimum £/m²	Q1 £/m²	Average Value £/m²	Median £/m²	Q3 £/m²	Maximum £/m²	Data Sample No.
Ash and New Ash Green	£1,805	£3,822	£4,228	£4,180	£4,908	£5,919	22
Brasted, Chevening & Sundridge	£2,991	£4,797	£5,716	£5,364	£6,294	£9,462	23
Cowden and Hever	£4,809	£5,112	£5,871	£5,319	£6,403	£7,386	9
Crockenhill and Well Hill	£4,390	£4,634	£5,872	£4,948	£6,719	£9,059	7
Dunton Green and Riverhead	£2,118	£4,753	£5,226	£5,466	£5,831	£8,497	34
Edenbridge North and East	£1,730	£3,497	£4,094	£3,697	£4,657	£7,238	20
Edenbridge South and West	£2,999	£4,064	£4,982	£4,814	£5,099	£8,734	7
Eynsford	£3,237	£3,667	£4,670	£4,918	£5,651	£5,802	6
Farningham, Horton Kirby and South Darenth	£2,206	£3,568	£4,095	£4,163	£4,640	£5,428	20
Fawkham and West Kingsdown	£2,373	£3,545	£4,633	£4,686	£5,642	£6,674	16
Halstead, Knockholt and Badgers Mount	£4,161	£5,443	£5,917	£5,747	£6,433	£8,170	13
Hartley and Hodsoll Street	£2,851	£4,333	£5,050	£4,923	£5,583	£7,833	20
Hextable	£3,320	£4,010	£4,870	£4,982	£5,675	£6,291	24
Kemsing	£4,369	£4,982	£5,831	£5,438	£6,165	£11,121	21
Leigh and Chiddingstone Causeway	£4,487	£5,488	£5,583	£5,711	£5,976	£6,113	6
Longfield, New Barn and Southfield	£4,589	£4,589	£4,589	£4,589	£4,589	£4,589	1
Otford and Shoreham	£4,969	£5,217	£6,085	£5,991	£6,762	£8,029	10
Penhurst, Fordcombe and Chiddingstone	£6,434	£6,588	£6,742	£6,742	£6,896	£7,050	2
Seal & Weald	£2,707	£4,786	£5,728	£5,775	£6,635	£8,569	20
Sevenoaks Eastern	£4,063	£4,707	£5,592	£5,490	£6,581	£7,055	14
Sevenoaks Kippington	£4,705	£5,701	£6,807	£6,415	£7,328	£12,059	16
Sevenoaks Northern	£3,638	£4,705	£5,888	£5,864	£6,975	£8,118	18
Sevenoaks Town and St. John	£3,583	£5,203	£6,267	£6,036	£7,291	£10,896	45
Swalney Christchurch and Swanley Village	£2,753	£4,346	£4,682	£4,575	£5,153	£5,919	33
Swanley St. Mary's	£3,216	£3,651	£4,238	£4,320	£4,482	£5,615	11
Swanley White Oak	£3,349	£4,021	£4,551	£4,425	£5,043	£5,757	27
Westerham and Crockham Hil	£3,187	£5,516	£5,943	£5,981	£6,528	£8,463	12

** Data sample of 457*

Table 2b – Land Registry Sold Prices Review Analysis – Average Price and quartile analysis by Dwellings

Dwellings	LR Resale Value - Summary Quartile Analysis - Sevenoaks (1/2023 - 7/2023)						
	Minimum £/m²	Q1 £/m²	Average Value £/m²	Median £/m²	Q3 £/m²	Maximum £/m²	Data Sample No.
Flat	£2,118	£3,863	£4,738	£4,705	£5,577	£8,595	72
Terraced	£1,730	£4,015	£4,770	£4,689	£5,534	£8,147	144
Semi-detached	£3,355	£4,632	£5,448	£5,365	£6,014	£9,462	129
Detached	£2,682	£5,015	£6,080	£5,879	£6,983	£12,059	112

** Data sample of 457*

Table 2c – Land Registry Sold Prices Review Analysis – Average Price and quartile analysis – Sevenoaks District

District	LR Resale Value - Summary Quartile Analysis - Sevenoaks (1/2023 - 7/2023)						
	Minimum £/m²	Q1 £/m²	Average Value £/m²	Median £/m²	Q3 £/m²	Maximum £/m²	Data Sample No.
Sevenoaks	£1,730	£4,369	£5,277	£5,153	£6,064	£12,059	457

3.4. DSP Residential 'Value Levels' (VLs)

3.4.1. 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) 1-11 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.

3.4.2. At the time of compiling Appendix I in Summer 2023, we considered typical new build property values in Sevenoaks to fall within the overall VLs range of £4,000/m2 to £8,500/m2 (i.e. approximately £430/sf to £789/sf). We consider the key new build values to be represented overall within the narrower range £4,750/m2 to £5,750/m2. Therefore we have formed the view the above VL4 - VL8 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

Value Levels - Sevenoaks

Market Value (MV) - Private units	VL1 £4,000	VL2 £4,250	VL3 £4,500	VL4 £4,750	VL5 £5,000	VL6 £5,250	VL7 £5,500	VL8 £5,750	VL9 £6,000	VL10 £6,500	VL11 £7,000
1-bed flat	£200,000	£212,500	£225,000	£237,500	£250,000	£262,500	£275,000	£287,500	£300,000	£325,000	£350,000
2-bed flat	£244,000	£259,250	£274,500	£289,750	£305,000	£320,250	£335,500	£350,750	£366,000	£396,500	£427,000
2-bed house	£316,000	£335,750	£355,500	£375,250	£395,000	£414,750	£434,500	£454,250	£474,000	£513,500	£553,000
3-bed house	£372,000	£395,250	£418,500	£441,750	£465,000	£488,250	£511,500	£534,750	£558,000	£604,500	£651,000
4-bed house	£520,000	£552,500	£585,000	£617,500	£650,000	£682,500	£715,000	£747,500	£780,000	£845,000	£910,000
MV (£/sq. m.)	£4,000	£4,250	£4,500	£4,750	£5,000	£5,250	£5,500	£5,750	£6,000	£6,500	£7,000

Note: Bespoke assumptions for Sheltered Housing set out in Table 1c

3.4.3. 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

Unit sizes and dwelling mix assumptions

Property Type	Assumed Unit Sizes*		Dwelling Mix (%)**		
	Affordable	Market	Market Units	Affordable Units - Rented	Affordable Units - Affordable Home Ownership
1-bed flat	50	50	5%	30%	5%
2-bed flat	61	61	10%	10%	10%
2-bed house	79	79	15%	35%	30%
3-bed house	93	93	35%	15%	40%
4-bed house	106	130	35%	10%	15%

**based on Nationally Described Space Standard (NDSS)*

**based on Targeted Review of Local Housing Needs by Arc4 (2022) and further DSP analysis*

Note: Retirement/sheltered units assumed at 55sq.m (1-Bed Flats) and 75 sq.m. (2-Bed Flats) with 75% net to gross ratio, extra-care

3.5. 'Value Levels' (VLs) – by Ward Areas

3.5.1. 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 areas

Ward Area	Indicative Value Level Range
District-wide - overall new build range	VL4 - VL8
District-wide - new build range flats	VL5 - VL9
District-wide - new build range houses	VL6 - VL10
Ash and New Ash Green	VL5 - VL8
Brasted, Chevening and Sundridge	VL6 - VL10
Cowen and Hever	VL8 - VL11
Crockenhill and Well Hill	VL5 - VL10
Dunton Green and Riverhead	VL7 - VL10
Edenbridge North and East	VL4 - VL8
Edenbridge South and West	VL3 - VL7
Eynsford	VL4 - VL9
Farningham, Horton Kirby and South	VL3 - VL7
Fawkham and West Kingsdown	VL7 - VL10
Halstead, Knockholt and Badgers Mount	VL8 - VL11
Hartley and Hodsoll Street	VL4 - VL9
Hextable	VL7 - VL11
Kemsing	VL7 - VL10
Leigh and Chiddingstone Causeway	VL5 - VL9
Otford and Shoreham	VL8 - VL11
Penshurst, Fordcombe and Chiddingstone	VL8 - VL11
Seal and Weald	VL6 - VL11
Sevenoaks Eastern	VL5 - VL10
Sevenoaks Kippington	VL8 - VL11
Sevenoaks Northern	VL5 - VL9
Sevenoaks Town and St John's	VL7 - VL11
Swanley Christchurch and Swanley Village	VL4 - VL8
Swanley St Mary's	VL6 - VL10
Swanley White Oak	VL7 - VL10
Westerham and Crockham Hill	VL6 - VL9

3.6. Retirement/Sheltered and Extra Care Housing research

3.6.1. DSP conducted research on the value of new build retirement units in the district.

3.6.2. 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 housing at the same overall upper range of values as used for traditional housing market appraisals (VL9 £6,000 to VL14 £8,500).

Table 5 – DSP Value Levels – Older Persons Accommodation

Value Levels - Sevenoaks

Market Value (MV) - Private units	VL9 £6,000	VL10 £6,500	VL11 £7,000	VL12 £7,500	VL13 £8,000	VL14 £8,500
1-bed flat (Sheltered)	£330,000	£357,500	£385,000	£412,500	£440,000	£467,500
2-bed flat (Sheltered)	£450,000	£487,500	£525,000	£562,500	£600,000	£637,500
1-bed flat (Extra Care)	£351,000	£380,250	£409,500	£438,750	£468,000	£497,250
2-bed flat (Extra Care)	£456,000	£494,000	£532,000	£570,000	£608,000	£646,000
1-bed flat (IRC)	£390,000	£422,500	£455,000	£487,500	£520,000	£552,500
2-bed flat (IRC)	£540,000	£585,000	£630,000	£675,000	£720,000	£765,000
3-bed flat (IRC)	£660,000	£715,000	£770,000	£825,000	£880,000	£935,000
4-bed flat (IRC)	£960,000	£1,040,000	£1,120,000	£1,200,000	£1,280,000	£1,360,000
MV (£/sq. m.)	£6,000	£6,500	£7,000	£7,500	£8,000	£8,500

3.6.3. 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.

3.6.4. 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.

3.6.5. DSP have conducted research into recent sales transactions for second-hand 3-bedroom semi-detached properties within Sevenoaks 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 6 – RHG Analysis – September 2023

RHG Analysis 2023		
Average value of a resale 3-bed Semi-detached property in North Somerset	£632,165	
Type	Indicative New Build Value	Indicative New Build Vale £/m²
1-bed new build sheltered flat (worth 75% of the value)	£474,124	£8,620
2-bed new build sheltered flat (worth 100% of the value)	£632,165	£8,429
1-bed extra care (typically 25% higher than sheltered housing)	£592,655	£10,776
2-bed new build extra care (typically 25% higher than sheltered housing)	£790,206	£10,536

* Source: Rightmove, in Period - January 2023 -September 2023 (Sample Size: 31)

Table 7 – Advertised Retirement Properties – McCarthy & Stone, Churchill – September 2023

McCarthy & Stone: Advertised New Build prices - The Dairy, 103 St. John's Road, Tunbridge Wells, Kent, TN4 9FJ

Property No	Beds	Type	Advertised price [per month]	Floor area (m²)
35	2	Apartment	£ 4,655	80.03

Churchill: Advertised New Build prices - Paddock Lodge, Commercial Road, Paddock Wood, TN12 6EL

Property No	Beds	Type	Advertised price	Floor area (m²)	£/m²	Floor area (ft²)	£/ft²
	2	Apartment	£ 474,950	52.86	£ 8,985	569	£ 835
	1	Apartment	£ 381,950	52.86	£ 7,226	569	£ 671
	1	Apartment	£ 349,950	52.86	£ 6,620	569	£ 615

Property No	Beds	Type	Asking price
	2	Apartment	£ 528,000
	1	Apartment	£ 353,000

Churchill: Advertised New Build prices - Edinburgh Lodge, 20 Station Road, Kent, BR6 0FJ

Property No	Beds	Type	Advertised price	Floor area (m²)	£/m²	Floor area (ft²)	£/ft²
	1	Apartment	£ 400,000	54.5	£ 7,339	587	£ 682

Property No	Beds	Type	Asking price
	2	Apartment	£ 743,000
	1	Apartment	£ 497,000

Churchill: Advertised New Build prices - Burlington Lodge, Birchwood Park Avenue, Swanley, Kent, BR8

Property No	Beds	Type	Asking price
	2	Apartment	£ 521,950
	2	Apartment	£ 456,950
	2	Apartment	£ 445,950
	1	Apartment	£ 383,950
	1	Apartment	£ 369,950
	1	Apartment	£ 350,000

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 than at Stage 1 of the study, particularly regarding short term prospects for values, although noting that logistics (distribution) is seeing increased values.

4.1.3 The RICS Economy and Property Market Update September 2023 comments that the commercial market has seen increased transaction activity, but that investment sentiment is still in negative territory, with the majority of respondents to RICS's survey taking the view that the market is in a downturn phase of the property cycle. *'Although the retail demand indicator is still most deeply in negative territory, the Q2 reading was little different from Q1. For offices, there is clear evidence that the improvement reported in the early months of this year has been reversed.'*

4.1.4 Industrial values have been 'more or less unchanged' during Q2. 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).

4.1.5 DSP have also reviewed Savills – UK Market in Minutes – UK Commercial – September 2023. Savills corroborate the sentiment expressed above by RICS, although noting that some sectors have seen smaller month-on-month capital value declines and *'In reality, the mixed messages around the UK's economic outlook may suggest we are not at the nadir in terms of pricing, and that we may see some further rises before we see any falls.'*

Savills prime equivalent yields

	August 2022		July 2023		August 2023	
West End offices	3.25%		4.00%		4.00%	
City offices	4.00%		5.00%		5.25%	
South East offices	5.25%	↑	7.00%		7.00%	
Provincial offices	4.75%	↑	6.25%		6.25%	↑
High street retail	6.00%		6.75%	↑	6.75%	↑
Shopping centres	7.50%	↑	8.25%		8.25%	↑
Retail warehouse (Open A1)	5.25%		5.75%		5.75%	
Retail warehouse (Restricted)	5.25%		6.25%		6.25%	
Foodstores (OMR)	4.75%		5.00%		5.00%	
Industrial/Distribution (OMR)	3.75%	↑	5.25%		5.25%	
Industrial multi-lets	3.75%	↑	5.00%		5.25%	
Leisure parks	7.00%		7.50%	↑	7.50%	↑
London leased (core) hotels	3.50%	↑	4.50%	↑	4.50%	↑
Regional pubs (RPI)	5.25%		6.00%		6.25%	↑

Source: Savills Research

4.1.6 To summarise the articles above, having rebounded from the pandemic, the commercial market is now seen to be heading downwards, 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).

4.1.7 Table 8 below sets out indications on prime yields provided by the Knight Frank Investment Yield Guide (September 2023)[1]

Commented [NM1]: Please update to the latest yield guide.

Table 8 – Knight Frank Investment Yield Guide September 2023

SECTOR	Sep-23	MARKET SENTIMENT
High Street Retail		
Bond Street	2.75% - 3.00%	STABLE
Oxford Street	4.50%	STABLE
Prime Towns (Oxford, Cambridge, Winchester)	6.75%	WEAKER
Regional Cities (Manchester, Birmingham)	7.00%	WEAKER
Good Secondary (Truro, Leamington Spa, Colchester etc)	9.50%	WEAKER
Shopping Centres (sustainable income)		
Regional Scheme	8.00% +	WEAKER
Sub-Regional Scheme	9.00% +	WEAKER
Local Scheme (successful)	10.00% +	WEAKER
Neighbourhood Scheme (assumes <25% of income from supermarket)	9.75% - 10.00%	WEAKER
Out of Town Retail		
Open A1 (essential retailers)	6.00%	WEAKER
Secondary Open A1 Parks	7.75%	WEAKER
Bulky Goods Parks	6.00%	WEAKER
Secondary Bulky Goods Parks	7.75%	WEAKER
Solus Open A1 (15 year income)	5.75% - 6.00%	WEAKER
Solus Bulky (15 year income)	5.75% - 6.00%	WEAKER
Leisure		
Prime Leisure Parks	7.50% +	WEAKER
Good Secondary Leisure Parks	9.00%	NEGATIVE
Major Foodstores		
Annual RPI Increases [NYI] (20 year income)	5.00%	STABLE
Open Market Reviews (20 year lease)	5.75% +	WEAKER
Discounters (20 year, 5 yeaerly indexation)	4.75%	STABLE
Specialist Sectors		
Car Showrooms (20 years with fixed uplifts & dealer covenant)	5.75%	STABLE
Budget Hotels London (20 years, 5 yearly RPI / CPI uplifts)	4.5% +	WEAKER
Budget Hotels Regional (20 years, 5 yearly RPI / CPI uplifts)	5.00%	STABLE
Student Accommodation Prime London (Direct Let)	4.00% - 4.25%	WEAKER
Student Accommodation Prime Regional (Direct Let)	5.00% - 5.25%	STABLE
Student Accommodation Prime London (25 years, Annual RPI)	4.00% +	WEAKER
Student Accommodation Prime Regional (25 years, Annual RPI)	4.25% - 4.50%	WEAKER
Healthcare (Elderly Care, 30 years, 5 yearly PRI/ CPI reviews)	4.25% - 4.50%	WEAKER
Data Centres (Operational)	4.75%	POSITIVE
Data Centres (Leased, 15 years, Annual Indexation)	4.75%	POSITIVE
Income Strip (50 years, Annual RPI/CPIH+1%, Annuity Grade)	4.00%	STABLE
Warehouse & Industrial Space		
Prime Distribution/Warehousing (20 years [NIY], fixed/indexed uplifts)	4.75% +	WEAKER
Prime Distribution/Warehousing (15 years, OMRRs)	5.25% +	WEAKER
Secondary Distribution (10 years, OMRRs)	5.75%	WEAKER
South East Estate (excluding London & Heathrow)	5.00%	STABLE
Good Modern Rest of UK Estate	5.25% - 5.50%	STABLE
Secondary Estates	6.50% - 7.00%	STABLE
Office (Grade A)		
City Prime (Single let, 10 years)	5.25% +	WEAKER
West End: Prime Core (Mayfair & St James's)	4.00%	STABLE
West End: Non-core (Soho & Fitzrovia)	4.75%	WEAKER
Major Regional Cities (Single let, 15 years)	6.25%	WEAKER
Major Regional Cities (Multi-let, 5 year WAULT)	7.25% +	NEGATIVE
Good Secondary Regional Cities	10.50% +	NEGATIVE
South East Towns (Single let, 15 years)	7.00% +	WEAKER
South East Towns (Multi-let, 5 year WAULT)	8.25 % +	NEGATIVE
Good Secondary South East Towns	11.00% +	NEGATIVE
South East Business Parks (Single let, 15 years)	7.75% +	WEAKER
South East Business Parks (Multi-let, 5 year WAULT)	10.00% +	NEGATIVE
Good Secondary South East Business Parks	12.00% +	NEGATIVE
Life Sciences (Oxford, Cambridge)	4.50%	STABLE

[1] Knight Frank "Investment Yield Guide" (September 2023)

5.0 Commercial Property Values Research

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

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

5.2 Commercial Values Data – CoStar

5.2.1 DSP has a subscription to the commercial property data resource 'CoStar' and here we include relevant extracts, again as far as available, for Sevenoaks. 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.

5.2.2 The CoStar sourced research is based on available lease comparables within Sevenoaks 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.

5.2.3 The full CoStar dataset, as summarised in the above tables, has been further analysed over a 3-year period from 2021-2023. [see Table 9 below] to provide a more detailed view of the range of commercial rents in the Sevenoaks submarket, as part of the robust assumption seeing process.

Table 9 – CoStar Summary Analysis – Sevenoaks Commercial Leases September 2023

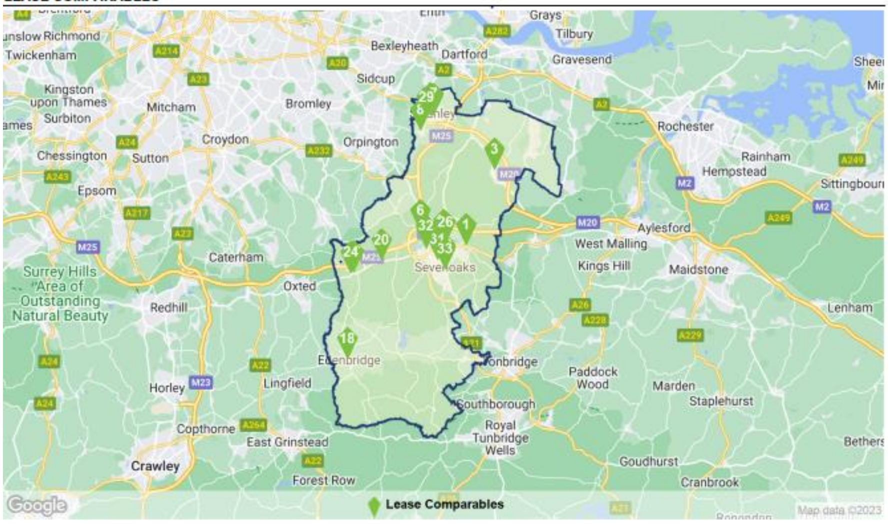
Type	Sevenoaks District Council - £/sq. ft (2021-2023)				
	Minimum Average Rental Indications [£/sq. ft]	1st Quartile Rental Indications [£/sq. ft]	Median Rental Indications [£/sq. ft]	3rd Quartile Rental Indications [£/sq. ft]	Maximum Average Rental Indications [£/sq. ft]
Retail	£8.22	£20.58	£30.34	£40.72	£66.88
Offices	£6.56	£17.84	£24.19	£26.64	£69.84
Industrial	£5.76	£9.03	£13.14	£13.81	£27.38

Type	Sevenoaks District Council - £/m² (2021-2023)				
	Minimum Average Rental Indications [£/m²]	1st Quartile Rental Indications [£/m²]	Median Rental Indications [£/m²]	3rd Quartile Rental Indications [£/m²]	Maximum Average Rental Indications [£/m²]
Retail	£88.47	£221.55	£326.53	£438.31	£719.89
Offices	£70.61	£192.03	£260.38	£286.75	£751.76
Industrial	£62.00	£97.15	£141.44	£148.65	£294.72

Figure 1a – CoStar Lease Comparables – Retail – Stage 1 (Previous 36 months)

Deals	Asking Rent Per SF	Achieved Rent Per SF	Avg. Months On Market
42	£25.78	£20.87	13

LEASE COMPARABLES



SUMMARY STATISTICS

Rent	Deals	Low	Average	Median	High
Asking Rent Per SF	27	£10.27	£25.78	£31.01	£66.88
Achieved Rent Per SF	19	£8.22	£20.87	£23.72	£45.00
Net Effective Rent Per SF	8	£2.73	£16.92	£20.38	£44.89
Asking Rent Discount	9	0.0%	6.4%	0.0%	20.0%
TI Allowance	-	-	-	-	-
Rent Free Months	9	0	4	1	18

Lease Attributes	Deals	Low	Average	Median	High
Months on Market	29	2	13	9	84
Deal Size	42	157	1,516	910	9,949
Lease Deal in Months	27	6.0	83.0	60.0	240.0
Floor Number	42	GRND	GRND	GRND	1

Figure 1b – CoStar Lease Comparables – Office – Stage 1 (Previous 36 months)

Deals	Asking Rent Per SF	Achieved Rent Per SF	Avg. Months On Market
49	£24.37	£21.59	16

LEASE COMPARABLES

SUMMARY STATISTICS

Rent	Deals	Low	Average	Median	High
Asking Rent Per SF	27	£11.41	£24.37	£22.72	£70.00
Achieved Rent Per SF	12	£6.56	£21.59	£25.00	£70.00
Net Effective Rent Per SF	5	£19.05	£26.98	£25.00	£69.84
Asking Rent Discount	7	-52.3%	-3.4%	0.0%	20.0%
TI Allowance	-	-	-	-	-
Rent Free Months	3	0	1	0	3

Lease Attributes	Deals	Low	Average	Median	High
Months on Market	45	1	16	14	53
Deal Size	49	220	1,639	851	9,525
Lease Deal in Months	14	12.0	63.0	60.0	180.0
Floor Number	49	BSMT	1	GRND	3

Figure 1c – CoStar Lease Comparables – Industrial – Stage 1 - (Previous 36 months)

Deals	Asking Rent Per SF	Achieved Rent Per SF	Avg. Months On Market
43	£12.90	£13.38	14

LEASE COMPARABLES

SUMMARY STATISTICS

Rent	Deals	Low	Average	Median	High
Asking Rent Per SF	23	£5.76	£12.90	£13.44	£27.00
Achieved Rent Per SF	15	£8.50	£13.38	£13.14	£27.38
Net Effective Rent Per SF	12	£8.50	£15.43	£13.49	£27.38
Asking Rent Discount	11	-8.0%	3.7%	0.0%	19.4%
TI Allowance	-	-	-	-	-
Rent Free Months	3	0	0	0	0

Lease Attributes	Deals	Low	Average	Median	High
Months on Market	38	1	14	9	49
Deal Size	43	1,263	6,632	4,424	24,650
Lease Deal in Months	18	12.0	92.0	114.0	180.0
Floor Number	43	GRND	GRND	GRND	MEZZ

5.3 Further commercial property values data sources – VOA Rating List

5.3.1 Table 8 below sets out the VOA Data Summary for convenience stores, larger supermarkets and retail warehousing in Sevenoaks as a further sense check of assumptions used, largely informed by the above Co-Star analysis. Note: full data sample not included due to large data sample.

Table 10 – VOA Data Summary Leases September 2023

Type	Sevenoaks District Council - £/sq. ft				
	£/sq. ft Minimum Average Rental Indications	£/sq. ft 1st Quartile Rental Indications	£/sq. ft Median Rental Indications	£/sq. ft 3rd Quartile Rental Indications	£/sq. ft Maximum Average Rental Indications
Convenience Stores	£13.94	£13.94	£15.79	£21.02	£31.12
Large Supermarkets	£19.51	£19.51	£21.02	£22.59	£22.76
Retail Warehousing	£3.72	£10.68	£15.79	£21.83	£21.83
Large Food Stores (750 - 2500m²)	£12.54	£19.97	£19.97	£19.97	£19.97
Offices	£6.75	£17.13	£20.59	£22.90	£28.18

Type	Sevenoaks District Council - £/m²				
	£/m² Minimum Average Rental Indications	£/m² 1st Quartile Rental Indications	£/m² Median Rental Indications	£/m² 3rd Quartile Rental Indications	£/m² Maximum Average Rental Indications
Convenience Stores	£150.00	£150.00	£170.00	£226.25	£335.00
Large Supermarkets	£210.00	£210.00	£226.25	£243.13	£245.00
Retail Warehousing	£40.00	£115.00	£170.00	£235.00	£235.00
Large Food Stores (750 - 2500m²)	£135.00	£215.00	£215.00	£215.00	£215.00
Offices	£72.68	£184.38	£221.59	£246.45	£303.28

5.0 Stakeholder Consultation

4.1.1 As part of the initial information gathering process in 2022, DSP invited a number of local stakeholders to 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. A further consultation phase will take place at the next assessment stage moving towards the Regulation 19 consultation.

4.1.2 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

4.1.3 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 Sevenoaks district.

4.1.4 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.

4.1.5 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.

5. Land Values Context

5.1.1. 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 – Q2 2023 which indicates that the expected 'downward pressures' have materialized, with the market continuing to be slow and *'further softening of land values.'*
However Savills report strong demand for development land and an ongoing scarcity of sites, with the ongoing shortage of supply '*sustaining competition for [residential] land in some locations'*. The locations in question are stated to be those in 'undersupplied markets.

Commented [NM2]: Please can you update this to the latest Q2 2023 report https://www.savills.co.uk/research_articles/229130/349605-0

5.1.2. Overall, Savills report that UK greenfield and urban land values fell by -1.1% and -1.3% respectively in Q2 2023 and the tone is cautious regarding land values. *'Weaker prospects for the housing market, will continue to impact buyer demand and confidence. Therefore, significant economic uncertainty, housing market pressures and the additional costs required to deliver sites will put pressure on land values.'*

Savills note that *'Additionally, there were a record number of transactions for Single Family Housing (Build to Rent) in the first half of the year, as the sector continues to rapidly expand, and housebuilders are benefitting from de-risking a proportion of their future sales through partnering with institutional investors in the space.'*

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.

5.1.3. The Knight Frank report 'Residential Development Land Index Q2 – 2023' corroborates the sentiment expressed above, noting that *'The UK's worsening economic outlook weighed on the residential development land market in the second quarter, leading to a slowdown in activity and a decline in prices across the board.'*

Commented [NM3]: Likewise please update based on the comments in the Q2 report https://www.knightfrank.com/research/report-library/uk-res-dev-land-index-q2-2023-10458.aspx

5.1.4. Knight Frank report concerns over *'The sluggish economy has led to greater caution towards land purchases'.* The general outlook per Knight Frank's analysis is that whilst activity generally in the land market will continue to be 'subdued', land values will hold steady due to limited land availability and ongoing demand for land – despite margins becoming tighter for developers (and in particular SMEs). And *'While the land price falls are significant, residential land values tend to be volatile and highly sensitive to house price changes. As the economic situation improves and inflation eases, we could see a sharp rebound in land values.'*

5.1.5. Again this 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.

5.1.6. To summarise, both reports indicate 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.

5.2. Benchmark Land Values

5.2.1 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

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

5.2.3 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.

5.2.4 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.

5.2.5 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.

5.2.6 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.

5.3. National Planning Policy Framework – September 2019

5.3.1 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+).'*

5.3.2 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'*

5.3.3 '*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.'*

5.3.4 *'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.'*

5.3.5 *'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.'*

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

5.3.7 '*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).'*

5.3.8 *'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.'*

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

5.3.10 *'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.'*

5.3.11 *'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).'*

5.3.12 *'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).'*

5.3.13 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 Sevenoaks district in relation to residential land estimates. Not all areas are covered and as is the case in most LA areas, Sevenoaks 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.

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

5.3.14 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, 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.

5.3.15 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).

5.3.16 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.

5.3.17 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 £3,000,000/ha for upper PDL/Residential land values. 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.

5.3.18 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.

5.3.19 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.'*

5.3.20 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*

[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)

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.'

5.3.21 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.

5.3.22 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.

5.3.23 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 III Ends