COMMUNITY INFRASTRUCTURE LEVY

LAND VALUE APPRAISAL STUDY

AS PART OF EVIDENCE BASE

FOR AND ON BEHALF OF
WORTHING BOROUGH COUNCIL

Worthing
BOROUGH COUNCIL

REPORT PREPARED BY

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Appendices

TERMS OF REFERENCE

As part of our instruction to provide valuation advice and assistance to Worthing Borough Council in respect of Community Infrastructure Levy adoption, we are instructed to prepare a report identifying typical land and property values for geographical locations within the Borough.

These typical land and sale prices are to reflect 'new build' accommodation and test categories have been broken down into land use types reflecting the broad divisions of the use classes order reflecting common development land use types specifically:-

1) Residential (C3 houses)
2) Residential (C3 apartments)
3) Other residential institutions (C1, C2)
4) Food retail (supermarket)
5) Other retail (A1, A2, A3, A4, A5)
6) Offices (B1a Cat A fit out)
7) Industrial (B1, B/C, B2, B8)
8) Institutional and community use (D1)
9) Leisure (D2, including casinos)
10) Agricultural
11) Sui Generis (see later notes)

It should be noted that although food (supermarket) retail falls under an A1 use, we have specifically assessed it as a separate category since it generally commands a much higher value than other retail categories. It is for the Authority to decide whether they wish to incorporate a separate CIL charging category for this use, or proceed by way of a general retail category more reflective of retail as a whole.

The purpose of this value appraisal study is to provide Stage 1 of the Authority's Evidence Base in support of the preparation of the Community Infrastructure preliminary draft charging schedule.

Once appropriate levels of value evidence was identified and analysed, it has been utilised to identify appropriate charging zones in which broadly similar levels of values can be grouped.

Our report identifies potential charging zones and contains colour coordinated maps, which are to be read in conjunction with the valuation commentary and tables of appropriately cross referenced value data.

The report also provides evidence to justify whether a fixed rate or variable rate charging scheme is appropriate within the Borough.

AN INTRODUCTION TO CIL

The Community Infrastructure Levy (CIL) is a charge which local authorities in England and Wales can apply to new development in their area. CIL charges will be based on the size, type and location of the development proposed. The money raised will be used to pay for strategic and other infrastructure required to support growth.

Authorities wishing to charge CIL are required to produce a CIL charging schedule that sets out the rates that will be applied. This must be based on evidence of need for infrastructure and an assessment of the impact of CIL on the economic viability of development. If an Infrastructure Delivery Plan is in place, it will provide the underlying evidence for establishing a CIL system but it is not essential.

For many Authorities it is likely that much of the required infrastructure will still be provided by planning obligations under Section 106 Agreement. However the use of planning obligations will be severely restricted once CIL has been adopted and in any event by April 2014.

CIL is intended to contribute to the Infrastructure intended to support new development as part of the Authority's development strategy. Relevant infrastructure might include:-

- Highways and Transport Improvements;
- Educational Facilities;
- Health Centres;
- Community Facilities & Libraries;
- Sports Facilities;
- Flood Defences; and
- Green Infrastructure

CIL may be used in conjunction with planning obligation contributions to make up an identified funding deficit. CIL cannot currently be used to fund affordable housing.

THE EVIDENCE BASE

The CIL charge & setting procedures (CCSP March 2010) advise that a charging authority must provide evidence on economic viability and infrastructure planning as background for examination. The legislation (sec 212 (4) B) of the 2008 Planning Act requires that '*appropriate available evidence'* must inform a draft charging schedule.

It is up to each individual charging authority to determine what evidence is appropriate to demonstrate they have struck an appropriate balance between infrastructure funding and the potential effect of CIL on economic viability development within the Borough. A report commissioned from RICS Registered Valuers (as in this instance) is generally deemed appropriate.

The guidance recommends that standard valuation models should be used to inform viability evidence (CCSP para 20-22).

Where differential rates of CIL are proposed (rather than a flat fixed rate) then Government guidance advises that market sector sampling will be required to justify the boundaries of charging zones and the rates of different categories of development (CCSP para 25).

The purpose of this report is to provide a bespoke valuation Evidence Base, specifically for the implementation of the Worthing CIL regime. Whilst it is possible to assemble an evidence base from many different (and in some instances existing) information sources, we believe there is an inherent danger in this approach. The underlying assumptions for valuation or costs assessment in each data source may be different and a 'mix and match' approach may be flawed when comparable evidence is scrutinised.

We consider our approach herein to be far reaching and sufficiently robust to be defensible at a CIL examination (as evidenced by previous Inspector approval elsewhere).

The valuation evidence obtained to produce this report takes the form of an area wide approach as recommended by the guidance, and allow for economic viability of development to be considered as a whole, whereby all categories of development have been assessed. Land valuation evidence has been assembled for the following categories:-

- Residential (C3) – land values per hectare, land values per house plot and development value based on dwelling type

- Commercial – land values per hectare and completed development values in the following categories:-

Food Retail (supermarket)
Other Retail (A1, A2, A3, A4, A5)
Industrial (B1, B, B1c, B2, B8)
Hotels (C1)
Institutional and Community (D1)
Offices (B1a)
Residential Institutions (C2)
Leisure (D2)
Agricultural
Sui Generis (sample based on Worthing's recent planning history)

Valuation methodology has consisted primarily of collecting recent comparable evidence of sales transactions within all of the identified development categories prior to full analysis (more fully outlined under 'Procedure and Methodology').

Where evidence may be unavailable for example new build stock, more unusual use classes and especially within certain locations, reasoned valuation assumptions have been taken.

The key to our approach is to assess at what value land and property may reasonably come forward rather than simply following a quasi-scientific residual method which may not fully reflect the real world realities of a functioning property market. Where appropriate, residual valuations have been undertaken in addition to incorporate and verify figures.

Subsequent to the land and property value evidence assembly, groupings of similar value have emerged in distinct zones across the Borough.

In accordance with the CIL guidance, the evidence has been tabulated and presented in a manner to inform our logical approach to the Worthing CIL, whereby we have identified sufficient evidence to justify under the CIL regulations the adoption of a variable rate system across distinct value zones.

Furthermore the market evidence has produced justification for the two separate charge zone maps, namely commercial zones and residential zones. This is to be expected – as in most locations, high residential value areas often produce low commercial value figures, and vice versa.

However it should be noted that there will inevitably be scope for anomalies to be identified for each zone. This is to be expected (and is allowable under the CIL guidance). The values and zones identified herein provide a fair and reasonable 'tone' across each zone and use class. This approach and methodology is deemed wholly acceptable under the CIL regulations and guidance, whereby it is accepted that inevitably valuation at an area wide level cannot be taken down to 'micro economic' geographical level.

WORTHING BOROUGH

Worthing is a municipal Borough in West Sussex, the most populas town in the county.

The Borough extends to approximately 12.5 sq miles (32.37 sq kilometres) and has an estimated population of 105,000 people (2011 Census).

Worthing is situated on the south coast of England approximately 59 miles (95 kilometres) south of London, approximately 10 miles (16 kilometres) west of Brighton, 15 miles (24 kilometres) east of the county town of Chichester.

The Borough is enclosed by the South Downs National Park to the north and the English Channel to the south.

NATIONAL PROPERTY MARKET OVERVIEW – RESIDENTIAL

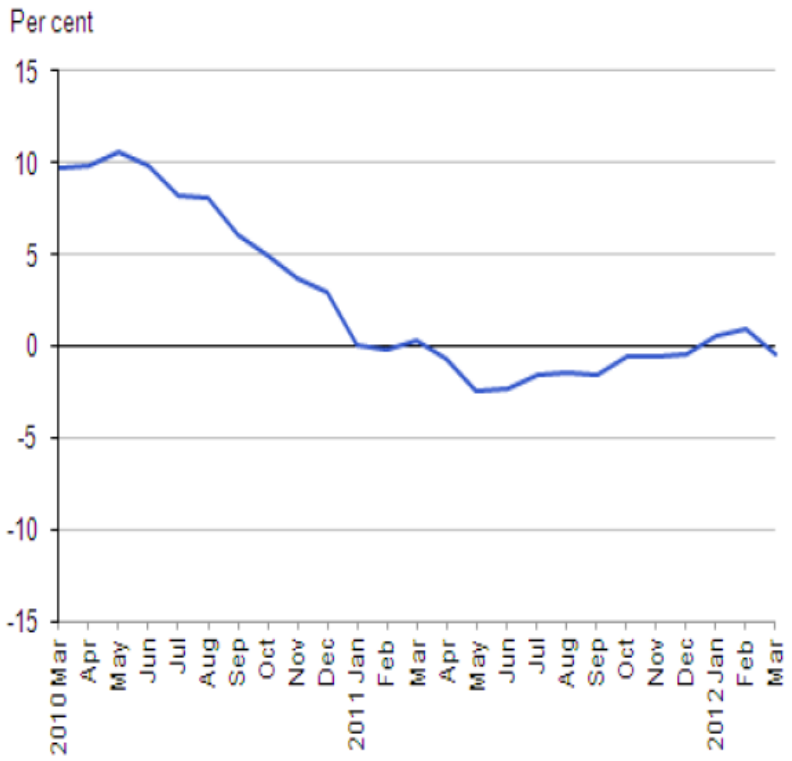
By way of context, the latest DCLG (March 2012) House Price Index shows the following results:-

House Price Index UK summary

UK average house prices decreased by 0.4 per cent over the year to March 2012, down from a 1.0 per cent increase in the year to the revised February 2012 index. The average UK mix-adjusted house price in March 2012 was £225,283.

Figure 1 - UK all dwellings annual house price rates of change

12 month percentage change



Source: Office for National Statistics

Notes:

1. Not seasonally adjusted

On a seasonally adjusted basis, average house prices decreased by 0.6 per cent over the month to March 2012 compared with an increase in average prices of 1.2 per cent in March 2011.

House Price Index - March 2012 - Summary of UK all dwellings

Index - February 2002=100

			Index	% 12 month change	Index	% monthly change	£
			Not seasonally adjusted	Not seasonally adjusted	Seasonally adjusted	Seasonally adjusted	Not seasonally adjusted
2011	Jan		174.5	0.1	173.3	-1.1	216,109
	Feb		171.1	-0.2	173.0	-0.2	211,960
	Mar		173.2	0.3	175.1	1.2	214,566
	Apr		172.6	-0.7	173.5	-0.9	213,832
	May		171.1	-2.5	171.9	-0.9	211,975
	Jun		173.1	-2.3	173.1	0.7	214,426
	Jul		175.6	-1.6	173.4	0.2	217,473
	Aug		176.0	-1.5	174.2	0.5	218,022
	Sep		175.2	-1.6	173.1	-0.6	217,044
	Oct		174.2	-0.5	174.3	0.7	215,772
	Nov		173.8	-0.5	174.2	-0.1	215,333
	Dec		173.0	-0.4	174.5	0.2	214,342
2012	Jan	R	175.5	0.6	174.7	0.1	229,121
	Feb	R	172.8	1.0	175.1	0.2	225,607
	Mar		172.6	-0.4	174.0	-0.6	225,283

Table source: Office for National Statistics

Table notes:

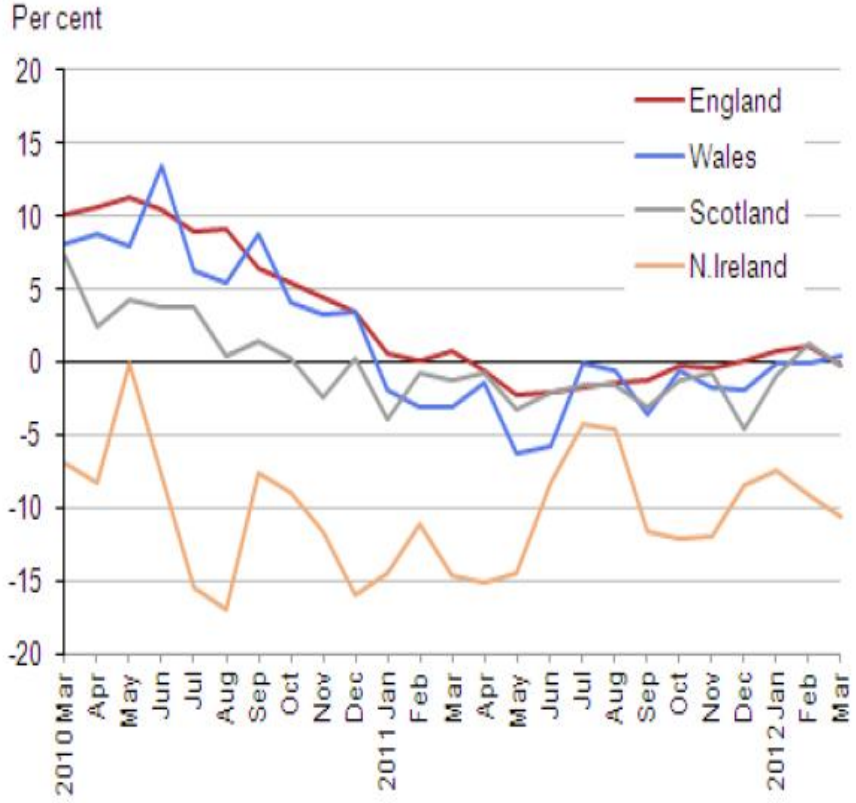
1. Data collected via the Regulated Mortgage Survey

House Price Index by Country

During the year to March 2012, average house prices decreased in England by 0.3 per cent, in Scotland by 0.3 per cent and in Northern Ireland by 10.7 per cent. However, in Wales average house prices increased by 0.4 per cent.

Figure 2 - Country all dwellings annual house price rates of change

12 month percentage change



Source: Office for National Statistics

Notes:

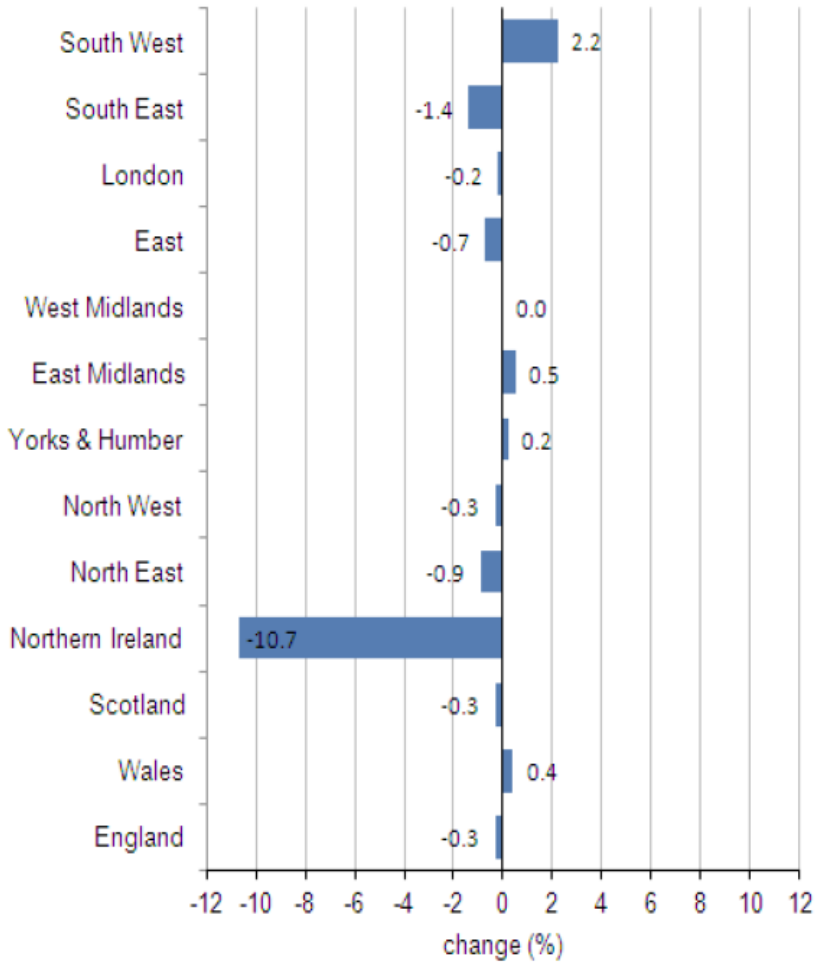
1. Not seasonally adjusted
2. Data collected via the Regulated Mortgage Survey

House Price Index by Region

Average house prices decreased in five of the nine English regions over the year to March 2012. The largest decrease was in the South East at 1.4 per cent, while London saw its average price decrease by 0.2 per cent, the first year on year decrease since October 2009. Over the same period, average house prices increased in three of the regions, with the largest increase observed in the South West at 2.2 per cent. Average house prices remained unchanged in the West Midlands.

Figure 3 - Regional all dwellings annual house price rates of change

12 month percentage change for the latest month



Source: Office for National Statistics

Notes:

1. Not seasonally adjusted
2. Data collected via the Regulated Mortgage Survey

Average House Prices in Countries and Regions

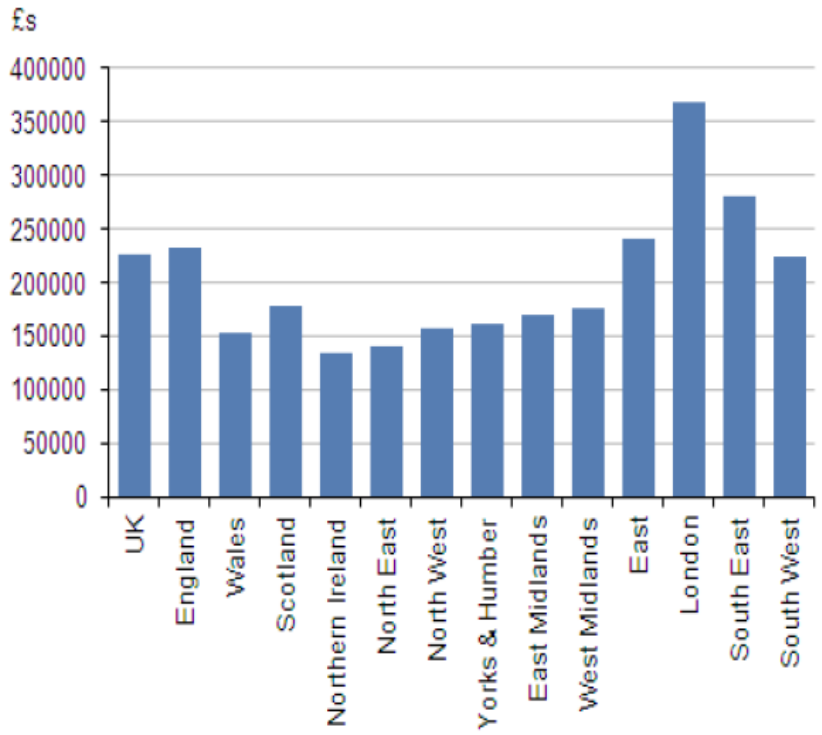
Average mix-adjusted house prices in March 2012 stood at £233,203 in England, £153,957 in Wales and £179,222 in Scotland.

In March 2012, London continues to be the English region with the highest average house price at £368,049. The North East had the lowest average house price at £141,130. London, the South East and the East of England all had prices higher than the UK average price of £225,283.

Excluding London and the South East, the average UK mix-adjusted house price was £184,377.

Figure 4 - Mix-adjusted average house price by UK, Country and Region

Current month compared with the same month last year



Source: Office for National Statistics

Notes:

1. Not seasonally adjusted
2. Data collected via the Regulated Mortgage Survey

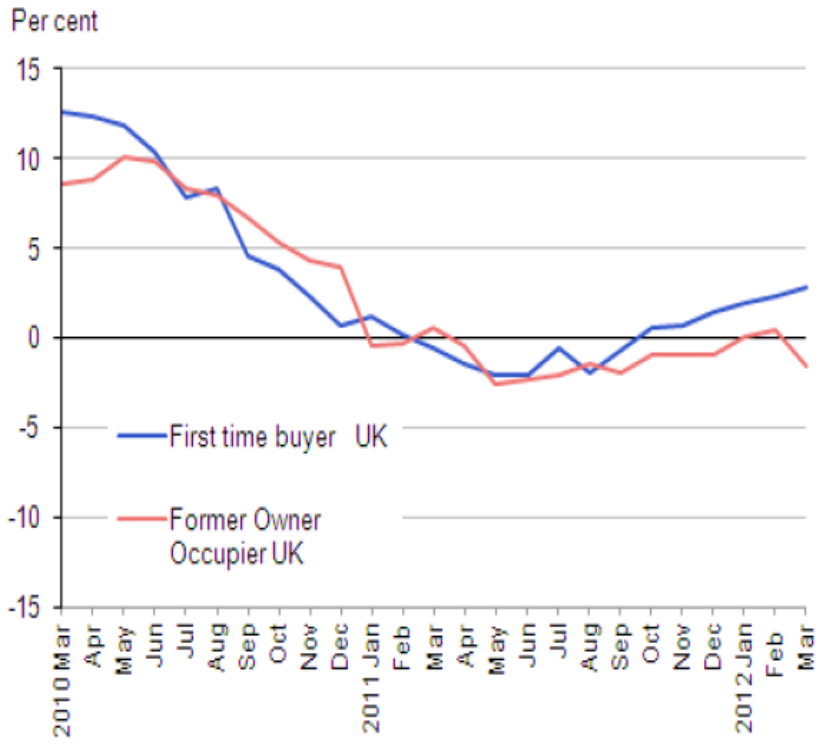
House Price Index by Type of Buyer

The average price for properties bought by first time buyers increased by 2.8 per cent over the year to March 2012, compared with an annual increase of 2.3 per cent in February 2012. During March 2012 the average price paid for a house by a first time buyer was £170,109.

The average price for properties bought by former owner occupiers (existing owners) decreased by 1.6 per cent in the year to March 2012 compared with an increase of 0.5 per cent in February 2012. In March 2012, the average price paid for a house by a former owner occupier was £257,650.

Figure 5 - UK annual house price rates of change by type of buyer

12 month percentage change



Source: Office for National Statistics

Notes:

1. Not seasonally adjusted
2. Data collected via the Regulated Mortgage Survey

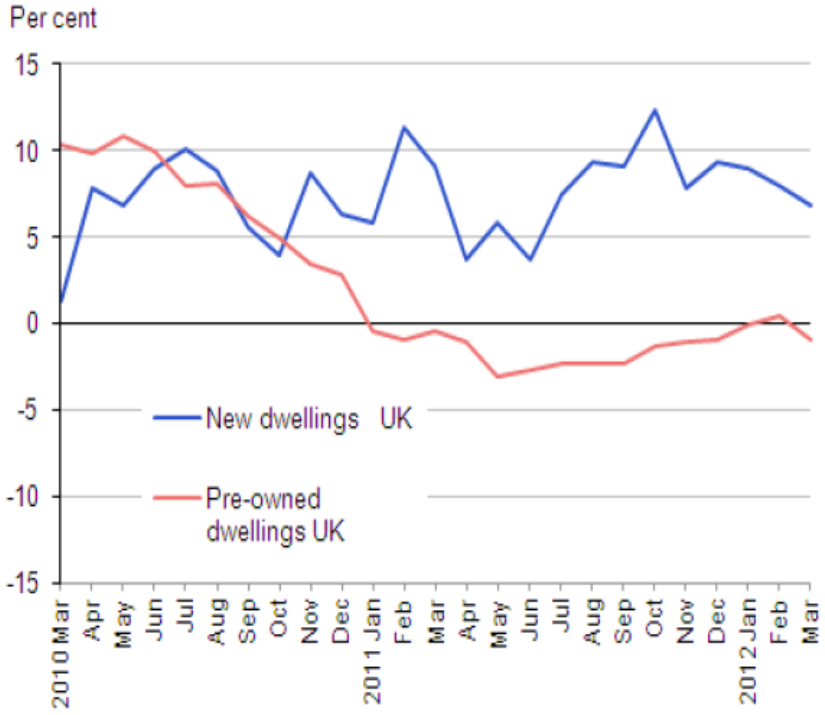
House Price Index by new and pre-owned dwellings

During the year to March 2012 prices paid for pre-owned dwellings decreased by 0.9 per cent on average, compared with an increase of 0.5 per cent in the year to February 2012. The average UK house price for pre-owned dwellings in March 2012 was £225,780.

During the year to March 2012 prices paid for new dwellings increased by 6.9 per cent on average, compared with an increase of 8.0 per cent in the year to February 2012. The average UK house price for new dwellings in March 2012 was £217,840.

Figure 6 - UK annual house price rates of change by type of dwelling

12 month percentage change



Source: Office for National Statistics

Notes:

1. Not seasonally adjusted
2. Data collected via the Regulated Mortgage Survey

NATIONAL PROPERTY MARKET OVERVIEW – COMMERCIAL

By way of context, the latest (Q) survey from the RICS, shows the following trends within the national commercial property market:-

RICS UK Commercial Market Survey Q1 2012

Activity stabilises and confidence turns less negative

- **Both demand and available space stabilise in Q1, but rent expectations remain in negative territory**
- **New development still falling, but at the slowest pace since 2007**
- **Little change in investment enquiries, but capital values still expected to ease in the near term**

The latest RICS UK Commercial Market Survey shows there was little change in overall activity during the first quarter. The net balance readings for both occupier demand and available space broadly stabilised, resulting in slightly tighter market conditions compared to last quarter. As such, there was a small improvement in the rental outlook; rent expectations remain negative, but less so than in the previous quarter. Surveyors in many parts of the country are continuing to suggest that occupiers are remaining cautious with regards to new letting activity.

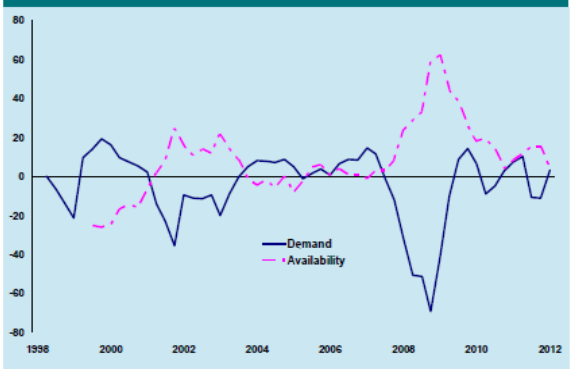
At the headline level, occupier demand and available space were largely unchanged in Q1, at +3 and +4 respectively, suggesting a relatively flat quarter for activity. However, the rental picture has yet to materially improve – or even stagnate – with expectations easing in the short term. On the investment side, enquiries to purchase also stabilised, while future activity is set to pick up slowly in the coming three months.

The results suggest there are fewer development projects in the pipeline, as new starts are continuing to fall. They are however, declining at the slowest pace for 5 five years. Moreover, capital values are still expected to ease further at the national level; nine percent more surveyors expect them to fall rather than rise in the coming quarter.

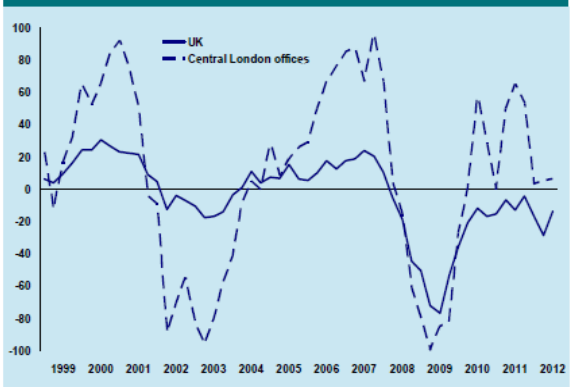
At the sector level, demand for space fell in the retail sector, while it stabilised for offices and increased for industrial space. Available space continued to rise for office and retail units, but showed modest declines for industrial – the first such reading since 2005. In the industrial sector, rents are stabilising following several consecutive decreases. Rents are still expected to decline for office and retail units.

On the investment side, only the industrial sector saw new enquiries and capital value expectations stabilise this quarter, with the net balances just edging into positive territory. There were declines for the office and retail sectors, though at a lesser pace than in last quarter.

Occupier demand and available space, England and Wales
% Balance, seasonally adjusted



Rental expectations (1 quarter ahead) - UK and Central London offices
% Balance, non seasonally adjusted



All commercial property : England and Wales

% balance*		Change during the quarter: Available space for occupiers	Change during the quarter: Occupier demand for space	Expected next quarter: Capital values	Expected next quarter: Rental levels
2011	Q1	8	7	-8	-13
	Q2	11	10	-3	-4
	Q3	15	-11	-13	-16
	Q4	15	-11	-28	-28
2012	Q1	4	3	-9	-14

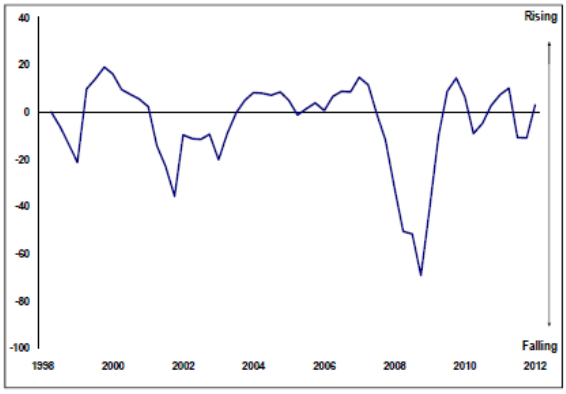
* Net balance = Proportion of surveyors reporting a rise in prices minus those reporting a fall (if 30% reported a rise and 5% reported a fall, the unadjusted net balance will be 25%)

RICS UK Commercial Market Survey Q1 2012

Commercial property - all sectors

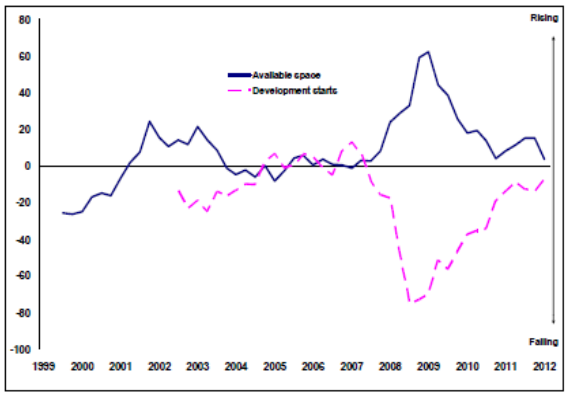
Occupier Demand

% balance, seasonally adjusted



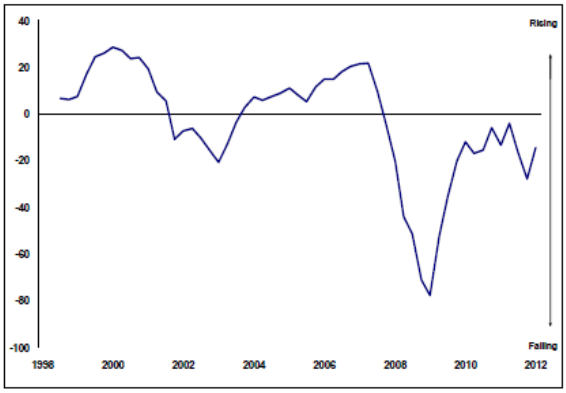
Supply

% balance, Available space seasonally adjusted



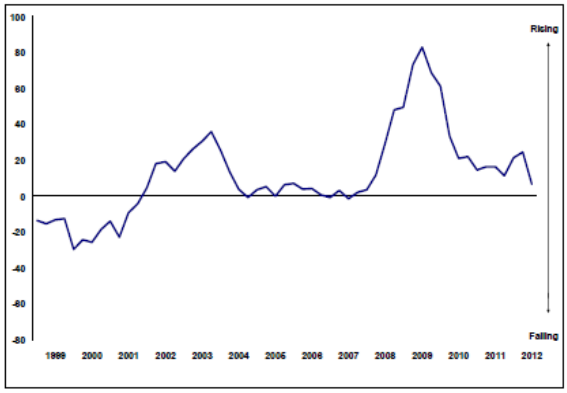
Rent expectations

% balance, seasonally adjusted



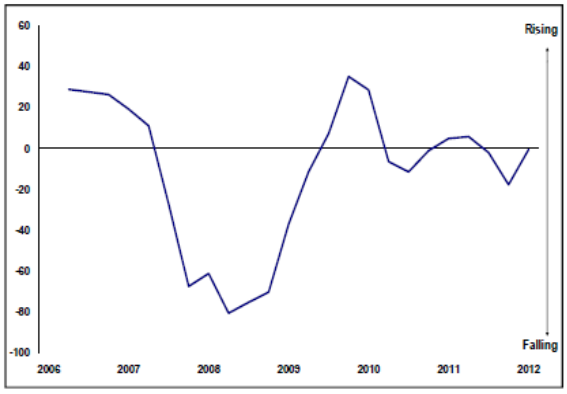
Inducements

% balance, seasonally adjusted



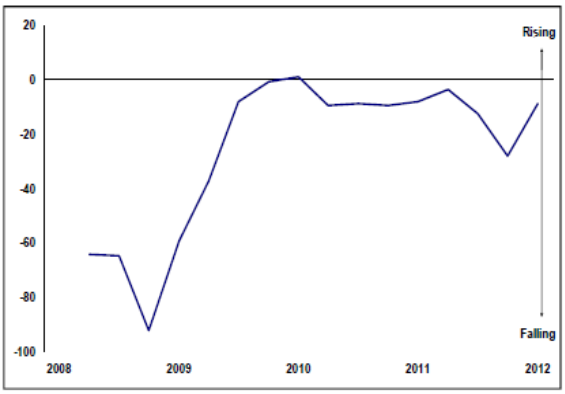
Investment enquiries

% balance, non seasonally adjusted



Capital value expectations

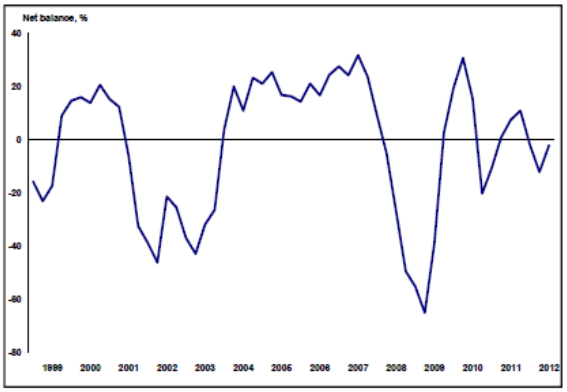
% balance, non seasonally adjusted



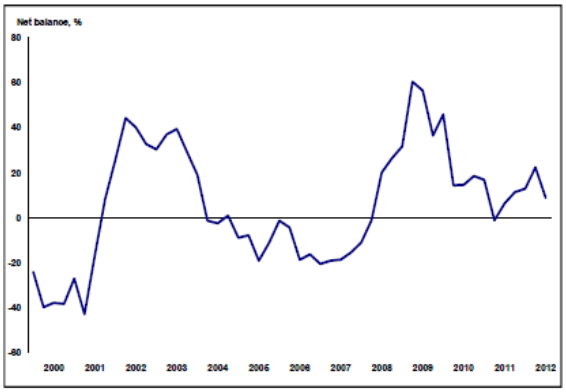
RICS UK Commercial Market Survey Q1 2012

Office sector

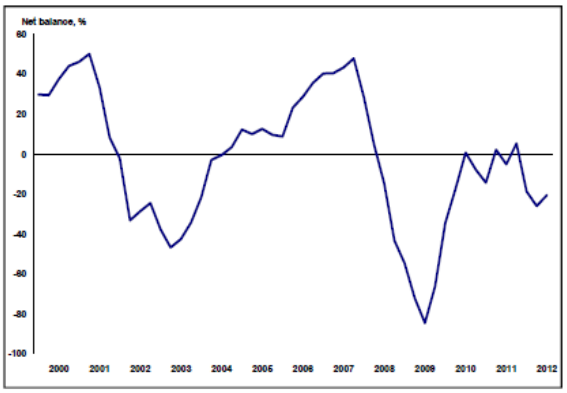
Demand



Available space



Rent expectations



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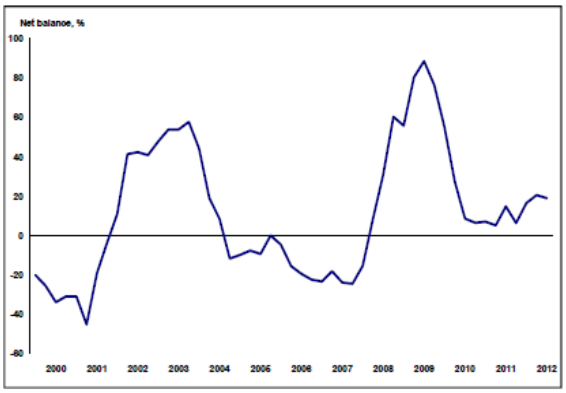
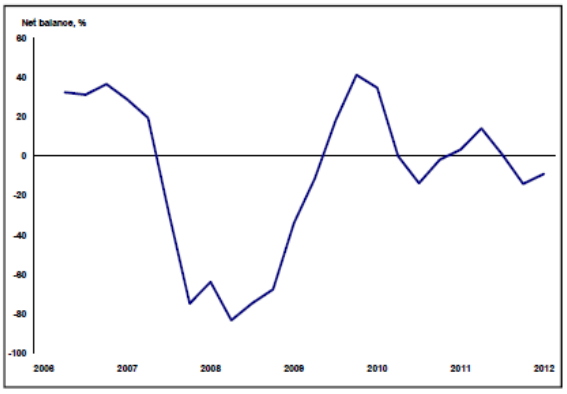
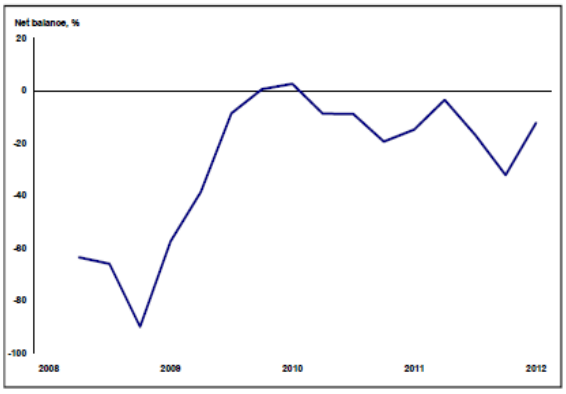


Investment enquiries



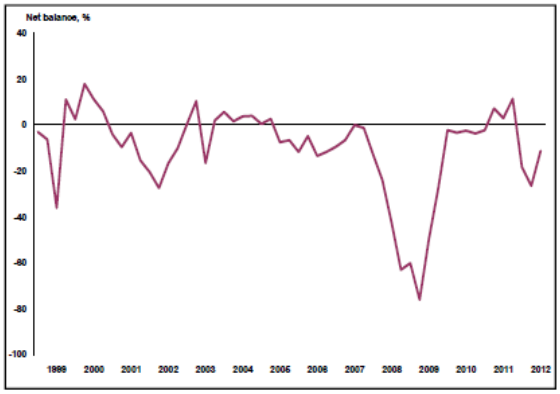
Capital value expectations



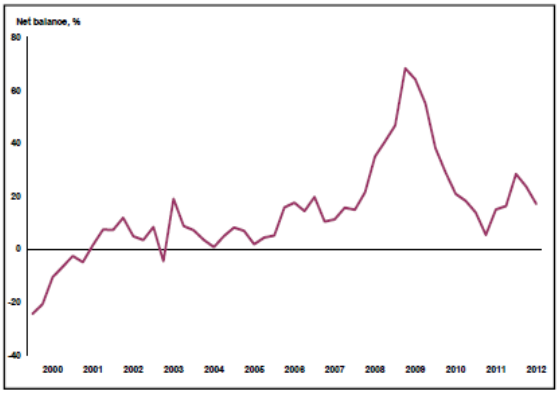
RICS UK Commercial Market Survey Q1 2012

Retail sector

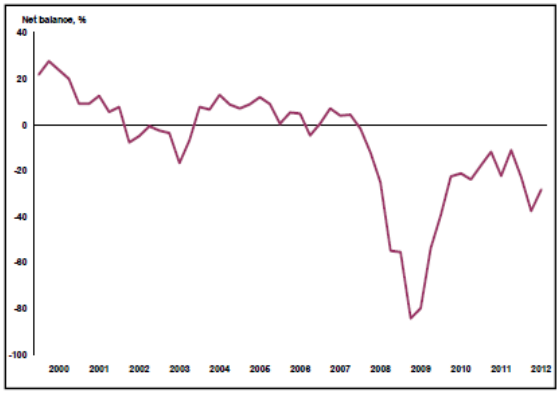
Demand



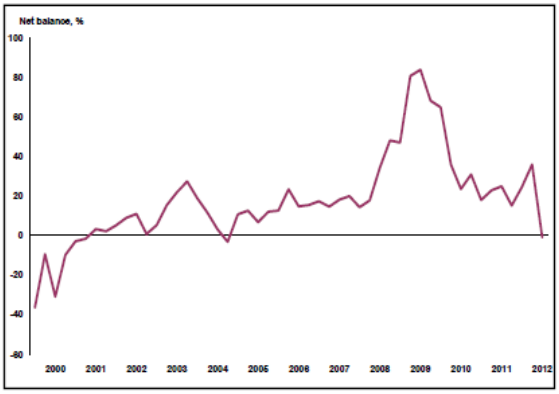
Available space



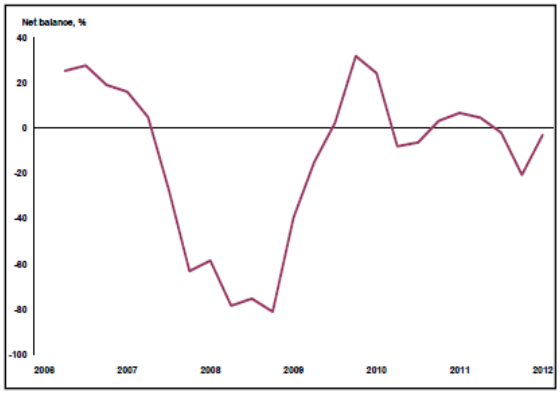
Rent expectations



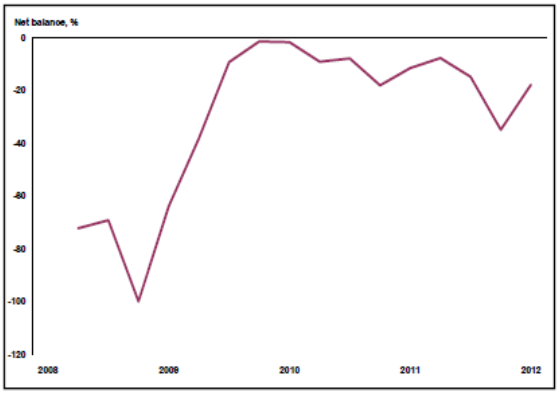
Inducements



Investment enquiries



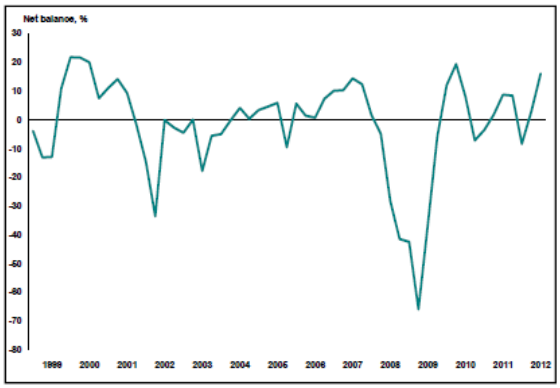
Capital value expectations



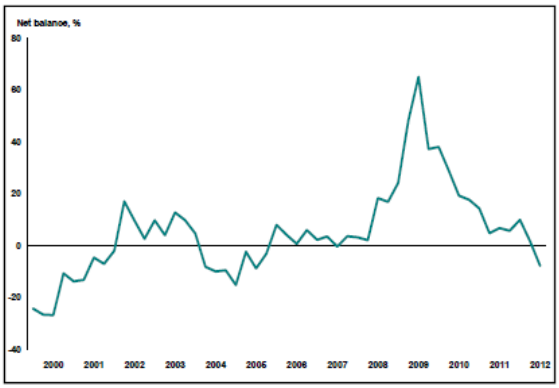
RICS UK Commercial Market Survey Q1 2012

Industrial sector

Demand

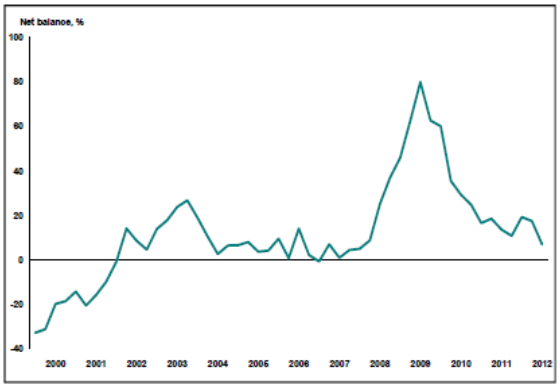


Available space



Rent expectations

Inducements



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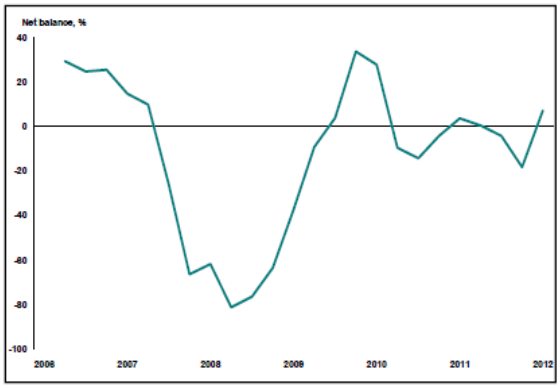
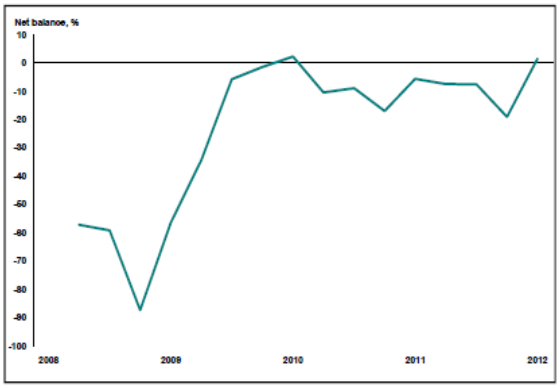


Capital value expectations



LOCAL PROPERTY MARKET OVERVIEW

The Downs and sea define the extent of the Borough to the north and south. To the east is the large village of Lancing within the Adur District and to the west further residential areas which form a virtually continuous urban environment through to Littlehampton within the Arun District.

Worthing provides administrative, leisure, retail and office facilities. Montague Street is the prime pedestrianised retail heart of the town and provides reasonably diverse provisions extending to Chapel Street and South Street, Warwick Street and Rolands Road. The town has two relatively small covered retail Malls.

Discussions with the Economic Development Officer has confirmed a list of sites which may be subject to more significant development expectations. These include:

- Northbrook College sites
- Northbrook Farm
- Rectory Road, Broadwater
- Lloyds Tower at The Causeway, Durrington
- Union Place

The office provision is fairly dispersed with some concentration within central districts supplemented by decentralised parks and solus office buildings in locations such as Yeoman Gate, Durrington, Goring and Goring Road and elsewhere on the periphery of the Borough. The sector has seen little activity in recent years with large occupiers such as Lloyds TSB and Norwich Union leaving locations in Durrington and The Warren. There has not been much interest from prospective new occupiers when these major occupiers have withdrawn from these locations, alternative uses have been pursued.

The town has an important B1/B8 sector with major occupiers represented within long established estates which are broadly dispersed throughout peripheral locations within the Borough. GlaxoSmithKline have a major facility within the East Worthing Industrial Estate and other significant occupiers include B&W Speakers and Saywells which has a sizeable facility at Lyons Farm on the A27 to the north of the Borough.

The residential sector is characterised generally by a diverse provision. Areas bordering the Downs to the north, such as Findon Valley, High Salvington, and Offington represent prestigious locations. A further high value area is centred on Grand Avenue to the west of the town centre close to the seafront. The lowest value areas are on the eastern side of the town towards Lancing and to the west around The Strand.

Other areas are more mixed and include some low and high value areas but are generally characterised by mid market property types.

The town is served by the A27 south coast Trunk Road, but this is of inferior single carriageway standard through the town and represents a major bottleneck. The A24 connects to the M25 at Junction 9 and provides a good link to Crawley/Gatwick and the M23. This link is of dual carriageway standard from the A27.

The A259 links local population centres along the Sussex coast.

Socio economic mosaic classifications reflect a relatively aged but also relatively prosperous population structure and there are low levels of deprivation.

The town has some relatively successful decentralised neighbourhood retail areas such as at Broadwater and Goring Road with large modern supermarkets dispersed within the Borough. Occupiers represented within Worthing include Sainsbury's at Lyons Farm, Morrisons and Waitrose in central areas plus Tesco at Durrington.

The town has not escaped the current national harsh economic conditions and rents in all commercial sectors have fallen. Montague Street saw a trend of rents peak at or about £125 per sq ft ITZA and rents are now typified by deals being done at less than £75 per sq ft on a Zone basis. Industrial rents peaked at circa £7.50 for modern medium sized warehouses and light industrial units. These have now trended downwards by approximately £2.50 per sq ft with increased incentives available to prospective tenants.

The office market has been characterised by low rents, dated stock and limited take-up for a considerable period, these long term forces have become more prevalent during the post credit crunch economic environment.

The commercial property market as a whole remains subdued, with negligible new build and speculative commercial development within Worthing for many years.

PROCEDURE & METHODOLOGY

The CIL guidance 2012 (para 24) recommends that standard valuation models should be used to inform viability evidence, and this approach has been adhered to for the purpose of this report.

Inevitably our methodology has varied to some extent with each property sector addressed, primarily due to the differing valuation techniques appropriate and required for that property type. More specific clarification is given within the chapter outlining methodology for each specific market category.

It is generally accepted that CIL will be extracted from the residual land value (i.e. the margin between development value and development cost including land acquisition costs and a reasonable allowance for developer's profit). As a starting point it is therefore important to establish base land values across all market sectors to ascertain the remaining margin for contributions. There are two principal methods of assessing base land values for CIL viability assessment, which we would categorise as 'Benchmarking' and 'Market comparison'.

The benchmarking approach relies on assessing existing use value (EUV) and potential Alternative Use Value (AUV), subsequently fixing a percentage uplift on the higher of these values to simulate the 'benchmark' value at which land owners will be sufficiently incentivised to sell the land.

This is an approach which the Homes and Community Agency refer to in 'Investment and Planning Obligations: Responding to the Downturn'. This guide states *'a viable development will support a residual land value at a level sufficiently above the sites existing use value (EUV) or alternative use value (AUV) to support a land acquisition price acceptable to the land owner'.* We would comment however that a key difficulty is fixing a realistic existing / alternative use value to cover the majority of development scenarios and more importantly a percentage uplift that realistically reflects the reasonable aspirations of the land owner.

This is also an approach which most affordable housing viability studies rely on. The starting point in many appraisals is a low value existing use with an assumption that land owners will release land based on a modest 10-20% uplift. This approach is more justifiable in Affordable Housing Studies as they generally set policy targets which are subject to further viability assessment at planning application stage. It is therefore understandable that these appraisals attempt to maximise affordable housing provision by minimising base land values. In our opinion, this approach may be less robust with CIL.

Once adopted CIL is a fixed levy which will not be subject to further viability assessment. It may therefore be unrealistic to take a 'lowest common denominator' approach to land value as it is unlikely to reflect the majority of market circumstances that are likely to guide land owners decisions.

For the reasons above, we believe that this approach will in many instances prove to be highly 'theoretical', and not reflect 'real world' market activity, where factual transactional evidence is available and likely to contradict the results of Benchmarking. For this reason, and to ensure a robust evidence base more difficult to challenge at Examination, our methodology favours the 'market comparison' approach, which is more widely accepted and adopted in the property market. This approach considers the value of land with planning permission for the chargeable category under consideration, and acknowledges that land owners will generally have an aspirational land value based on the planning permission that might be achieved. This is considered a more pragmatic approach and better reflects the realities of the property market.

Market comparison relies on an assessment of value from comparable evidence and will therefore be consistent with property sales value evidence (which is also normally based on comparables).

The approach assesses the minimum value at which land will be released by land owners. The assessment reflects both the aspirational alternative use value with planning permission, but also makes allowance for the infrastructure and affordable housing contributions that may reasonably be expected by the local Authority.

Our approach applies a professional assessment of market conditions and consultation with local property agents to properly reflect market value. We believe this is a robust approach that is entirely defensible under challenged by private sector surveyors at examination.

In our opinion the Market comparison approach is most appropriate for Local Authorities who wish to be sensitive to market conditions and ensure that CIL does not have an adverse impact on growth.

Wherever possible we have relied on the transactional market comparison information that is available, adapting it through justifiable assumptions where necessary.

It should be appreciated that it has not always been possible to find a definitive piece of evidence for every property type in every potential zone. The CIL guidance accepts that this may inevitably be the case on occasion, and where appropriate reasoned assumptions have been taken.

With regards to our built property sales valuations, our methodology varies slightly between commercial property and residential property.

With commercial property we have scrutinised and adopted evidence from actual sales transaction evidence where possible, this is backed up where appropriate by market rent capitalisation whereby rental evidence (and estimated market rental levels) are capitalised through multiplication reflecting appropriate investment yield profiles to produce a capital value.

Our residential sales values are based solely upon actual market comparable evidence, due to the fact that housing tends to offer a much more 'uniform' product, with more easily identifiable sales value market evidence being available.

We have engaged the services of Stiles Harold Williams as sub consultants to assist with local valuation knowledge and expertise. Stiles Harold Williams practice from a number of branches across the region and are involved in commercial and residential transactions on a day to day basis in the locality.

Members of our professional team have made a number of visits to appropriate locations within the Borough to back up our extensive desktop research.

For the purposes of this report we have identified, assembled and fully analysed a significant number of pieces of individual comparable market evidence. It would be impractical to tabulate and include this level of information within this report however we will be happy to provide more detailed evidence on any aspect of our comparable database upon request. Comparable evidence will also be made available at Examination for discussion.

As well as our desktop and field research, we have carried out interviews with commercial and residential property agents active within the Borough, both in terms of collecting further market evidence but also to establish general 'market sentiment' for each use category.

All of the above information has been analysed, applied then distilled into the tabulated figures appended to this report. Evidence predominantly is drawn from the period January 2010 up to the date of this report.

It should be borne in mind that as with any study where artificial boundaries are imposed, certain anomalies may arise.

There is inevitably a limit to the scale with which this study and allocated zones can be reduced to, and accordingly it is entirely feasible that certain 'hot' or 'cold' spots may exist above or below the overall tone for each zone. Similarly within each specific zone an individual building or piece of evidence could fall outside the 'tone'.

An example would be in a particularly rural area where there is generally not strong office demand however an individual, bespoke high quality office barn conversion could easily out perform the 'average and typical' figures quoted herein.

Further sources of information for comparable evidence has been sought from a variety of data points including:-

- Focus System – a nationwide subscription database covering commercial property issues
- EGI – a further subscription database covering commercial property uses
- heb and Stiles Harold Williams' own residential and commercial database of transactions
- Land Registry – a internet based database to establish residential sale values by area
- RICS Commercial Market Survey (quarterly)
- V.O.A Property Market Report 2012
- V.O.A. Residential Building Land Report (July 2011)
- RICS Rural Land Survey 2012 (quarterly)
- DCLG House Price Index Report
- Contact and discussions with regional house builders, Estate Agents and Commercial Developers
- Contact by verbal interview of commercial property agents active within the District
- Discussions with Valuation Office / District Valuer as well as District Council Property Services and Worthing Borough Council Property Services, with particular reference to more unusual use class categories for example Institutional and Community.

We believe this methodology has produced the best, most accurate and most recent evidence available to support the recommended CIL rates across the Borough.

When considering this report it should be borne in mind that an element of 'valuation uncertainty' has arisen in recent years primarily due to the turbulent and recessionary market conditions. The current economic downturn has produced a dramatic fall in the quantity of property transactions taking place which in turn results in far fewer pieces of transactional market evidence that would ordinarily be available in more buoyant market conditions.

Inevitably this produces a position where fewer pieces of market evidence are allocated to a larger area with fewer individual charging zones benefitting from quality comparable evidence specifically from within their own boundaries and more particularly for more unusual use classes. In such instances the evidence available must therefore be adapted using best and reasoned assumptions, which may inevitably give rise to an element of 'Valuation Uncertainty', as defined within the recent guidance issued by the Royal Institution of Chartered Surveyors to property valuers as listed below, (edited version):-

'The valuation of many assets including property in the current market is unusually challenging, due mainly to a reduction in comparable property transactions in what is rapidly changing macro economic climate. The degree of certainty (that is the probability that the valuers opinion will be the same as the price achieved by an actual sale at the valuation date) that can be attached to a particular valuation will vary significantly from time to time, because of the inherent features of the property, the market place, or the information available to the valuer. The resultant subjectivity in the valuation opinion is not a reflection on the professional skill or judgment of the valuer.

Market instability can arise when an unforeseen macro economic event causes a sudden and dramatic change in markets and this could manifest itself by either panic buying or selling, or simply disinclination to trade until it is clear how prices in the market will be affected in the longer term. If the valuation date coincides with the immediate aftermath of such events, the data on which any valuation is based may be confused, incomplete or inconsistent with an inevitable effect on the uncertainty that can be attached to it.

Notwithstanding the very significant fall in the volume of transactions, together with similar falls in the availability of bank financing, the market may still be functioning, albeit at far lower volumes of transactions than hitherto. In such circumstances, it is likely that the valuer will still be able to make a judgment regarding value, albeit that this judgment will be expressed as being provided in the conditions of uncertainty'.

On occasion we have been obliged to make reasoned subjective judgements as to our opinion of the likely use value for certain zones and uses. Similarly parts of our research comprises market opinion and value judgements gathered from the property agents active within the Borough to form a likely value achievable if theoretical transactions had or were occurring.

Similarly on occasion it has been appropriate to value on the basis of 'alternative use'. An example of this might be D1 (clinical), where in real market situations a D1 user will typically acquire a B1 (office) building by way of a 'subject to planning' deal. After an allowance has been made for alteration, the values would typically be broadly similar.

The adoption of best, reasoned and justifiable assumptions, is permitted under the CIL guidelines which specify that an authority 'must *consider* the effect on viability" for each development category.

The figures reported herein may appear to be somewhat "irregular". This is primarily due to the fact that in practice the property market still operates largely through imperial measurements which we have been obliged to convert to metric for the purposes of this report. By way of example '£60 per sq ft' becomes '£645.83 per sqm'.

BASIS OF VALUATION

Unless otherwise stated (for example with reference to land values and benchmarking), we have prepared our valuation figures on the basis of Market Value which is defined in the valuation standards published by the Royal Institution of Chartered Surveyors as:-

The amount for which a property should exchange at the date of valuation between a willing buyer and willing seller in an arms length transaction after proper marketing wherein the parties both acted knowledgably, prudently and without compulsion'.

POTENTIAL CIL CHARGING ZONES

From the valuation evidence we have assembled, 3 distinct areas of similar value emerged for residential property. We were not able to identify sufficient variance in geographical price data to justify a subdivision of the Borough for commercial uses and accordingly we have recommended a single commercial zone on a Borough wide basis.

Whilst anomalies may exist within zones, we believe that overall the proposed zones represent distinct zones of similar value that should be used to inform the Viability Assessment.
Where they occur, boundaries have been predominantly based on political ward boundary lines, for ease of reference and administration but still fully justifiable under CIL guidance and regulation.

We can confirm that our research has identified sufficient evidence to justify a differential zone approach, for further Viability Assessment to determine whether a Differential Rate CIL system will be appropriate.

For ease of reference the residential valuation zones have been named as:-

Residential Zones:
- i) High Zone
- ii) Medium Zone
- iii) Low Zone

Commercial Zone: (single, Borough-wide zone)

SECTOR SPECIFIC VALUATION COMMENTARY

1) Residential C3 (houses and apartments)

The Community Infrastructure Levy for residential development, is to be applied to proposed and future new build housing within the Borough.

It therefore follows that the methodology used to determine the CIL rates is applied to real evidence collated from the existing new homes market. An extensive survey of this market was conducted within the entire Borough. Three sources of information were available i.e.

- Recently completed and existing new homes developments
- Land Registry recorded sales of recently completed new home sales
- Information from local estate agents and property professionals.

New home developments, predominantly built by the larger volume developers, were chosen as reliable comparable evidence as the house types are of relatively uniform size, style and specification Borough wide. It also follows that the majority of proposed developments, that could attract CIL, would constitute similar construction and stiles.

Having established like for like comparable developments this was further analysed and tabulated to specify new home house types i.e. 2, 3, 4 and 5 bed units.

Market research was therefore focussed on the above criteria by identifying new home developments in the Borough where possible that were both currently under construction and recently completed. Data for individual house types on these developments were analysed and sale prices achieved obtained from Land Registry data , and developers themselves where possible. Additional and supportive information was gathered from each development using asking prices with a reduction made according to negotiated discounts as provided by the developer, local estate agents, contacts, local knowledge and professional judgement /assessment of the results. Where new home data was found lacking, “nearly new” transactions and asking prices were analysed and adapted.

When assessing an appropriate tone for residential development land value, our starting point was to carry out a residual land/development appraisal whereby a typical development scenario was appraised. In simplified terms this was achieved by assessing the ‘end’ property value (total projected value of sales from the completed development), then deducting from this figure the cost of construction, including professional fees, finance and other standard costs of development.

The resultant figure is the maximum price which may be available for land acquisition, which in turn determines likely market values.

As a starting point for viability testing, this residual appraisal was carried out without deduction for Affordable Housing, Section 106 contributions or any other Local Authority contributions, to give an indication of the 'maximum' possible land value which could be appropriate in the study area.

This 'maximum' value was then subjected to benchmarking to establish appropriate threshold land values for 'greenfield', 'brownfield' and 'recycled' development scenarios for the purpose of the viability appraisal. This methodology is explained in greater detail in the Viability report

Once the threshold land values have been derived from the maximum residual value they are assessed against other sources of land value information when our qualified property valuers apply established valuation techniques and reasoned assumptions and judgement to adjust where necessary and produce a land value which is both fair and realistic in current market conditions.

The valuation methodology we employ is therefore based on establishing appropriate threshold land values as advised by best practice guidance in 'Viability Testing Local Plans (LHDG 2012) and 'Financial Viability in Planning' (RICS 2012). It is important to note, though, that the land values used in the viability appraisal rely on a combination of 'benchmarking' and market valuation to ensure that the theoretical land values at which landowners will release sites are reflective of current market activity.

Additional Land values have been obtained from research of local land transactions, cross referenced with published Land Registry, Valuation Office and RICS data reports.

The resultant land / plot values are considered to be realistic in current market conditions.

All evidence obtained has been scrutinised and considered on a 'ward by ward basis' with areas of similar value levels grouped together (by ward) to create the suggested value zones.

2) Other Residential (C1, C2)

C1 – Hotels

The most likely scenario for hotel development within Worthing is from the budget sector of the hotel market for example Premier Inn and Travelodge. We consider it less likely that a five star or hotel spa complex will be constructed within Worthing and our evidence base is therefore drawn from the budget sector.

Our evidence on sales values per sqm for hotels in the urban area is based on our comparable evidence and market knowledge which shows that budget hotel operators pay in the region of £3,000 per room per annum which when capitalized at a rate of 7% produces a maximum sales value per room of £43,000.

The average budget hotel room is approximately 22 sqm which also equates to an overall sales value per m in the region of £1,950.

In terms of land values for hotel use, we have undertaken traditional development appraisals producing the land values per hectare as well as considering comparable evidence as quoted in the charging schedule.

A number of traditional and larger hotels have closed in the town, most recently the Beach Hotel which has been converted, subject to planning, for flats, we believe now owned by Roffey Homes.

C2 (including C2a) – Residential Institutions

We should make clear that this property sub sector has been particularly challenging to provide a “mean” value for.

This is partly due to a lack of quality transactional evidence but also due to the wide range of property types falling within the categorisation.

Many of the categories within the C2 use class rarely change hands on the open market, since most are likely to be held by Government, Local Authorities or other public sector bodies.

Examples of this include schools, detention centres, training centres, hospitals, and military barracks.

We have discussed likely values with the Valuation Office Agency who advised that as an organisation they too often have difficulty in identifying suitable market evidence.

Even where such evidence is available there is a subjective judgement to make with regards to arriving at a “mean” figure appropriate to the wide variety of uses within the category.

The Economic Development departments we have discussed this matter with have indicated that when acquiring sites and buildings for these types of uses, they are often transferred from other public bodies for other policy reasons and often at nil value.

When sites are acquired from the private sector the policy is simply to pay the “market value” for whatever is the most likely alternative use of the site (e.g. retail, office, industrial etc) with this in mind in terms of land value figures similar to those adopted for B1 (offices and industrial – “Employment Land”) would be appropriate as a mean value for this category.

With regards to end unit values, the lack of a properly functioning private sector market for accommodation of this nature has resulted in us adopting a mean figure based on construction costs (Contractors Test).

It should also be borne in mind that this figure would in practice need adjusting up or down according to the complexity and specification of the individual property being assessed within the property category.

We have then cross referenced these figures against potential alternative use values.

We have been advised by our contacts in various Local Authorities’ property and economic development departments that their own internal book valuations tend to follow this methodology i.e. contractors test (build cost) allowing for depreciation.

The mean figures shown are not as sensitive to locational factors than other property categories, primarily due to the fact that typically the properties within this category are not “market driven” in terms of location. Ordinarily “local public need” will determine location.

One potential notable exception to the above comments would be nursing homes. Private nursing homes are an increasingly popular development sector which will typically pay enhanced values over and above the sector “mean” values provided herein. Notwithstanding this, we do not believe it equitable or appropriate to allow this one exception to unrealistically increase the values across the whole use class category.

Nursing home valuations are carried out on the basis of analysing a specific home's net profitability. Adapting a "theoretical tone" for this use would be inherently risky, since income varies widely dependent on the level of care provided which could range from "basic" to "high intensity/dementia specific" and whether the home serves a Public Authority contract or is run on a purely private basis. The above factors mean that individual room rates could vary from say £400-£1,000 per week. Accordingly we would warn against adopting an assumed profit figure then calculating working through to a value per sqm, due to the inherent risk of producing a figure which threatens the future viability of certain sectors within the market category.

For this reason we have adopted a more general reflective figure, which could be considered as more appropriate for these categories as a whole. This figure has been applied to a test property as a 4,000 sqm care facility.

If care home specific use were to be considered, then a land value in the region of £1,000,000 per hectare could be considered as an appropriate "tone", with a capital value in the region of £800 per sqm (all locations), based upon a £400 per week room rate (20 sqm room) capitalised at 9%.

We would again caution however, against adopting charging for this use category based on this methodology since a large proportion of the sector falling outside these parameters (for the variable reasons mentioned previously), will inevitably be rendered unviable.

3) Food Retail

Food retail within Worthing is not dominated by any particular suburb. Food stores are located on the A27, Sainsbury's at Lyons Farm, centrally where a Morrisons and a Waitrose are located near Teville Gate. To the west is a large Tesco at Durrington.

The larger food store retailers, namely Sainsbury's, Waitrose, Tesco and Morrisons are all represented with the Authority.

The discount food market including retailers such as Lidl and Iceland are also represented within the area and typically they occupy store sizes of between 930 sqm and 1,200 sqm. In locations such as Wallace Parade, Goring High Street, Worthing and Broadwater Street West.

In terms of valuations, our food retail valuations are based on the comparable/ comparison and Investment methods.

For food retail outlets, we have based or assumptions on a food store format of 3,000 sqm (c. 30,000 sq ft) with a total site area of 0.9 -1.2 hectares.

In all likelihood, any supermarket development within Worthing is likely to be peripheral. Longstanding attempts to build at Titnore Lane to the west remain very contentious. Plans are being actively pursued within Arun District at Wick (Littlehampton). We understand Asda have consent. Asda appear to have shelved proposals at Southern Cross in Bognor.

The sales figures that we have quoted within our report are based on a rental level per sqm multiplied by the appropriate capitalisation level to provide a gross sales figure per sqm.

We have utilised a figure of £190 sqm with a capitalisation yield of 5.5%. This capitalisation yield is appropriate bearing in mind that the food stores will be most likely occupied by one of the major supermarket brands such as Tesco, Sainsbury's, Asda or Morrisons.

Supermarket land sale information is often difficult to obtain. Typically confidentiality clauses may relate to transactions. Furthermore supermarket sites are often pieced together by way of a lengthy site assembly process. Often smaller, key parts of potential sites are purchased at a premium, not reflective of a more realistic 'per hectare' figure for the site as a whole. Similarly, rental and sales deal information is often subject to confidentiality clauses.

In this respect our comparable information has been drawn from a relatively wide geographical area, not always specific to Worthing Borough.

This is fully justifiable in valuation terms. Typically foodstore values are driven by the availability of planning consent (triggering competitive bidding) rather than exact location specifics. This tends to level values to a similar tone, region wide. Accordingly we have considered some evidence from outside the Borough.

We have included a separate appraisal of supermarket / food superstore values for information purposes, however it is for the Authority to decide whether they wish to incorporate a separate CIL charging category for this use, or proceed by way of a general retail category more reflective of retail as a whole.

4) Other Retail (A1, A2, A3, A4, A5)

Other retail is dominated by the decentralised secondary areas such as Goring, Broadwater and Tarring Road. There is a limited amount of other retail within the residential suburbs primarily local parades and smaller convenience shopping such represented at Field Place Parade, Ham Road and other local parades.

Our retail valuations are primarily based on the comparable and comparison and investment methods.

For the purpose of this report, we have categorized other retail as all other retail except (supermarket) food stores. Other retail therefore encompasses high street retail, edge of town and out of town retail as well as restaurants and drive through and so forth.

In terms of producing a sales value per m², we have again utilised a rental level per sqm and capitalised this using appropriate yield to arrive at a sales value per sqm. However, town centre retail units are valued on a Zoned Area basis as opposed to arterial road, edge of town or out of town retail, which sometimes are Zoned but are more typically valued on a gross overall basis uses an overall rental per sqm.

Our methodology has therefore included an assessment of Zone A rentals for the principal suburbs within the urban area and from these Zone A rentals we have calculated an average rental figure per sqm for the suburbs that takes in to account our assessment of the ratio of prime, secondary and tertiary retail stock.

The resultant figure is one consistent with retail rents for edge of centre and arterial road retail and can therefore be applied across all geographical retail locations.

We have then considered rentals for arterial roadside retail units within the urban area, which again using comparable evidence produces a rental in the region of £15 per sq ft (£160 per sqm), capitalised at a yield of 8%.

Our test property is based on a 300 sqm roadside retail unit, since this is the most likely type of development to come forward. High Street retail tends to be long-established, and any redevelopment will typically be restricted for CIL charging due to the deduction of existing floor area provisions.

With regard to land values, we have utilised the development appraisal method. Little or no central or decentralised land transactions have occurred within the Borough for many years.

5) Offices (B1a, Cat "A" fit-out)

Land values across the Borough range from approximately £450,000 to £550,000 per hectare, with "as built" prices ranging from £1,500- £1,750 per sqm.

Our offices valuations are primarily based upon the comparable – capital comparison methodology. Where appropriate rental evidence has been capitalised through the adoption of investment yields. We have undertaken extensive research of the market and from our internal database of market transactions.

As mentioned previously, valuation uncertainty is inevitably a factor, primarily due to recessionary market conditions resulting in a marked reduction of recent comparable evidence. Recently older stock has generally been unsuitable for modern needs but rental values, even for modern space, has precluded refurbishment from being economic.

Accordingly, we have been obliged to adjust comparable evidence using justifiable best assumptions to fit some locations, as is permitted under CIL Regulation Guidance. Typically, factors taken into account will include considerations such as distance from main road networks, urban centres and our knowledge of the local markets against which Worthing will compete.

Our research has confirmed that typically there is little difference between land values for office, industrial and many other commercial uses. Generally, such land is simply categorised as "employment land" and sold as being suitable for a variety of end users, thereafter purchasers appraising and undertaking such schemes as they deem appropriate.

Demand is limited across the Borough post "credit crunch" with enquiry levels significantly reduced. Where it exists demand is predominately from existing local business, with limited relocation from outside the Borough.

Low rental levels and capital values following on from limited demand have severely limited the viability of the office development in the area. Generally speaking office occupiers tend to migrate towards the Business Parks to the west of the Borough at Durrington.

Land availability is also a factor with very little land available in the Borough because of its position situated between the Downs and sea.

It should also be noted that across the subject area (and indeed the region as a whole) speculative development has ceased.

This is primarily due to recessionary conditions, but also influenced by the recent removal of empty property rates liability limitation. Typically developers controlling much of the available land are only prepared to enter into specific pre-let or design and build packages with parties if a market price/rent can be agreed which is artificially above what could be considered as true market value level.

Letting are being negotiated virtually rent free as landlords face high void costs.

With regards to the valuation figures quoted we have made the following assumptions:

1. That land values are given for cleared sites, free from contamination and generally ready for development without undue remedial works and with services connected or easily available.

2. Office values quoted are for newly constructed, Grade A office accommodation, divisible if required into the size bracket of 2,000-5,000 sq ft (this size range will exclude abnormally high premium prices for small units, whilst not unduly discounting for quantum).

It should be remembered that the figures quoted should be considered as a mean for the Zone and inevitably anomalies could arise.

In more rural areas the market reality is that speculative construction of office accommodation is unlikely to occur. While we believe that the figures quoted could be achieved, it is likely that in the current climate an extended marketing period would be required to achieve them.

6) Industrial (B1b/c, B2, B8)

The majority of our comments for the office category (above) will apply equally for the industrial use classes. We have not repeated them in the commentary here but would recommend that this section is read in conjunction with Section 5 (above).

Our methodology is again based largely on the capital comparison method, through assessment of transactional evidence. It should again be noted, however, that something of a shortfall of available evidence exists for “new build”. Most of the stock in Worthing is aged with only a few exceptions.

Where appropriate rental evidence has been capitalised through adopting investment yields.

The B1/B8 market is more established than for offices with relatively significant longstanding estates within the Borough which we are familiar with having had many years direct involvement across the sector, as we have across sectors within the Borough.
When preparing our figures we have assumed:-

1. The land is cleared and ready for development without unduly onerous remediation being required, with sites generally serviceable and appropriate planning in place.

2. Our appraisal assumes a new build industrial/warehouse development of c.10,000 sq ft and capable of division into units of approximately 5,000 sq ft (to avoid premium or discount for quantum) with say 10% office content.

The market generally meets local demand. Save for Lyons Farm, accessibility is poor to the established estates. HGV servicing can be difficult via inadequate local roads.

Typically, land values across the Borough range from £450,000 to £550,000 per hectare where traded, with "as built" prices ranging from £800 to £900 per sqm.

7) Institutional and Community (D1)

Of all of the use class categories, this sector has perhaps been the most challenging to accurately value in terms of providing an appropriate "mean" figure for all subsections.

Non residential institutions comprise an extremely wide variety of use types and associated values.

In practice many uses within this category rarely if ever change ownership on the open market. For obvious reasons there is little private sector market for law courts, libraries, schools, museums, art galleries, places of worship and the like (particularly "new build" which is the basis of valuation).

Notwithstanding this, we believe that there would be a reasonable healthy demand for certain uses including day nurseries, crèches and health centres. Accordingly, a potentially large range of possible values exist. This has made adopting a mean valuation figure difficult, more so due to a notable lack of relevant comparable evidence for this category.

We have discussed this category with various Valuation Officers and the Economic Development Officer who were unable to provide relevant comparable evidence for their own area.

Various Valuation Officers we have spoken to have indicated that they are aware of the lack of any credible evidence for within this category and are often compelled to contact other regional valuation officers nationwide to try and identify transactional evidence, before making reasoned assumptions and adjustments.

On a similar basis to the C2 category, we understand that where transactions do take place they are often between Government departments or other public bodies where there is a typically a policy motive and accordingly a conveyance occurs at nil charge.

Where a public body acquires a site or premises for this type of use from the private sector they will typically pay open market value for the likely alternative use, and we believe in this respect it is appropriate to adopt as a mean figure values similar to those for "employment land" (office and industrial) as a base figure for land values.

As with C2 use, the wide spectrum of potential sub-categories and specifications therein cause some uncertainty in ascribing a fair "mean" value.

Typically, public bodies will adopt a "build cost" (depreciated contractors test) methodology for internal valuation purposes.

In assessing a fair mean value for the category we believe that it is justifiable to assess potential alternative uses. In this respect we believe that many of the categories within this section could potentially be occupied for more traditional office use and accordingly we have adopted a discounted figure based upon values contained within the office section of this report. It should again be borne in mind however that this is a "mean" figure and in practice some properties would require adjustment up or down depending on specification, build complexity etc. This figure has then been cross referenced against new build costs, and applied to a test for a 200 sqm community centre.

8) Leisure (D2, including Casinos)

The D2 leisure market incorporates principally uses such as cinema, bingo hall, casino, gymnasium and swimming baths.

The leisure market, perhaps more than any other property sector, is more likely to involve new build properties rather than conversions of existing buildings into a leisure use.

Again, we have used the comparable method of valuation where appropriate and available in relation to the leisure sector although comparable information in relation to swimming baths and leisure centres is somewhat restricted. We draw our information from the regional context.

Our assumed test subject is a 2,500 sqm leisure "box", suitable for bowling alley use or similar.

Typically rental levels for leisure operators are in the region of £100 per sqm and we have utilised the capitalization yield of 8.5%.

In terms of land values for leisure use, we have undertaken traditional development appraisals and utilised comparable evidence to produce the land values per hectare quoted in the charging schedule.

9) Agriculture

The valuation figures have been obtained through collecting and analysing recent sales and transactional evidence, obtained through agricultural land agents, as well as the various other points of data and information referenced previously in this report.

Agricultural land continues to perform well despite recessionary market conditions. Prices for farmland generally remain buoyant driven by increasing demand and restricted supply. Our research for the Borough suggests an average value for all types of farmland of approximately £15,000 per hectare.

Premium, strong high yielding Grade 1 land has been transacting in the region of £20,000 per hectare, with Grade 2-3 land in the region of £12,000 to £15,000 per hectare.

The recent RICS rural land market survey has suggested that across the South East region as a whole average agricultural land prices are approximately £15,000 per hectare.

Our report has allocated an average figure across the whole of the region, which should be considered as being for guidance and information purposes only.

We do not believe it appropriate within the scope of this report to provide more detailed, area specific banding.

The valuation of agricultural land is extremely site specific, down to a “field by field” basis. The quality of soil for each individual plot of land is paramount, with other factors being taken into account for example the existence of sporting rights. Accordingly, to give a truly accurate reflection on values across the area with this estate analysis down to a micro level which we do not believe is appropriate or necessary for the purposes of this report.

We would be happy to give further comment if required.

With regards to unit sale values, we have assumed that the theoretical valuation applies to a "barn" of simple warehouse type construction for example a 500 sqm farm store. Obviously our figures would need adjusting for anything more specific and bespoke for example cold storage, milking facilities etc.

New build agricultural buildings rarely appear individually on the open market as they are typically sold as part of larger farm sales.

Our valuation assumes that the market value will in effect be the cost of constructing such a building from new, since an agricultural occupier is unlikely to purchase a building on an adjoining farm, when he is permitted under simplified planning regulations to construct accommodation on his own site. By default therefore the market value can typically be defined as the cost of construction.

10) Sui Generis Uses

To ensure full compliance with CIL regulations and guidance we have considered potential uses falling under the Sui Generis use category.

Sui Generis planning uses comprise of any planning use not specifically allocated to one of the other uses classes, covered above.

Clearly this category potentially includes an indeterminable number and variety of other types of property. By way of example Sui Generis uses might include petrol filling stations, retail warehouse clubs, amusement arcades, launderettes, taxi hire offices, motor vehicle sales, nightclubs, builders yards, scrap yards.

In order to comply with guidance and give consideration to the category, we have sought advice from DCLG. We are advised that an appropriate methodology in this instance is to obtain planning history records from the Local Authority being appraised and assessing appropriate values for uses granted consent falling under 'Sui Generis' within the proceeding 5 year period.

Accordingly, the comment and zoning advice is provided in respect of:-

1) Car showroom use
2) Vehicle repairs

As with previous categories, our figures and values reported here are on the basis of an average 'tone' across each zone. In certain instances the market reality of a site changing hands for each use may be that a transaction would be unlikely to occur. An example of this would be car sales in an especially rural or sparsely populated area within the Borough.

Similarly the effective quantum will in reality would affect some uses more than others. For example petrol filling stations where in practice a relatively small site area is required, producing a disproportionately high theoretical value on a per hectare basis (if unadjusted).

Sui Generis uses tend to be limited in number and accordingly there is a noticeably lack of good comparable market evidence. In certain instances we have been obliged to make our best reasoned assumptions by adjusting historic evidence or transactional evidence from uses which are not dissimilar. By way of example, motor repairs will often (both land and buildings) occupy what would otherwise be considered as industrial sites / buildings. Similarly vehicle sales (particularly franchise dealers – the most likely developers/buyers of new build accommodation and therefore relevant to CIL) will typically require an urban based prominent location and will therefore often consider roadside retail and/or Business Park sites.

Within Worthing there is no major concentration of dealerships, they are spread throughout the town on arterial roads and more local distributor routes. A number of brands are not represented in the Town but have dealerships nearby on major roads.

In each instance we have assumed that land values are based on cleared sites, free from contamination and generally ready for development without any unduly onerous remediation works and with services connected or easily available.

Building values assume new build property, constructed to a good standard.

<u>Vehicle Sales</u>

Our valuation assumes a typically main franchise dealer (new build) with main road frontage and "typical" external sales display and customer parking areas.

In terms of building values we have assumed a ratio of 50% showroom/display, with 50% workshop, ancillary, staff and office admin accommodation. This has produced an average figure for the two constituent parts, (typically showroom accommodation will produce a higher value than the balance of the workshop and ancillary accommodation).

Motor Cycle/Car Vehicle Repair

Typically this use will occupy existing or new build accommodation which will otherwise be utilised for industrial (particularly B2) general employment uses.

Conclusions

Subsequent to the matters discussed above, the conclusions of our report can be summarised as follows:-

1) We can confirm that sufficient evidence has been found to justify a variable rate CIL regime, with differing value levels appropriate across the various development categories and across 3 residential zones and a separate single commercial zone. We did not identify sufficient evidence to justify multiple commercial zones.

2) Our conclusions as to appropriate mean values across development categories and zones are tabulated and summarised within the value tables and proposed charging zone maps, appended hereafter.

Limitation of Liability

For limitation of liability this report is provided for that stated purpose that is for the sole use of the named client – Worthing Borough Council. The report may not be disclosed to any other party (unless where previously authorised) and no responsibility is accepted for third party issues relying on the report at their own risk.

Neither the whole or any part of this report nor any reference to it may be included in any published document, circular or statement nor published in any way without prior written approval of the form and context of which it may appear. We shall be pleased to discuss any aspect of this report

Yours faithfully

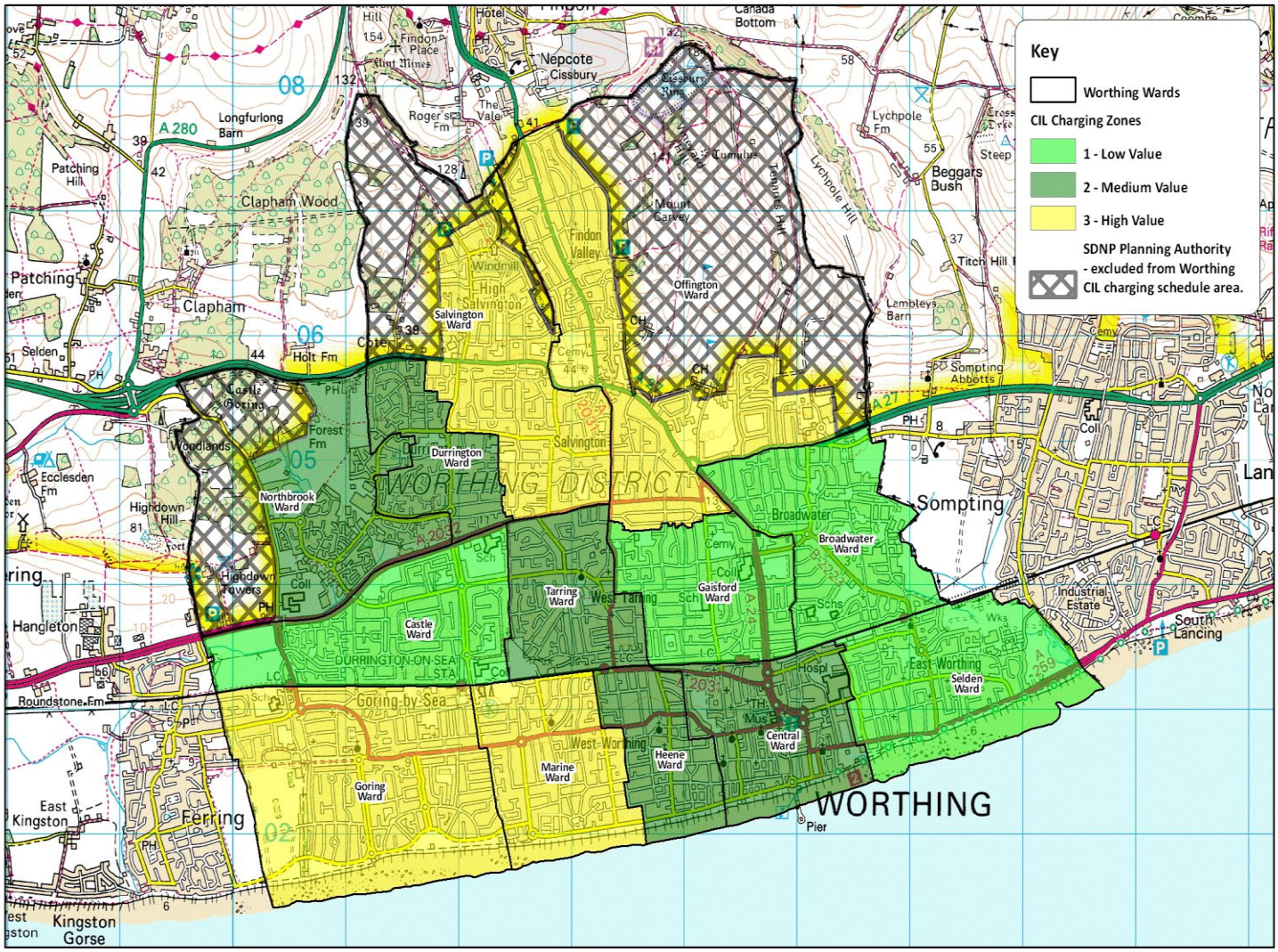
heb

heb Chartered Surveyors

APPENDIX I

RECOMMENDED CHARGING ZONE MAP

Worthing CIL Residential Charging Zones



APPENDIX II

ZONE VALUE TABLES

WORTHING COMMERCIAL VALUES

Commercial Sales Values Sqm		
Industrial		860
Office		1750
Food Retail		3500
Other Retail		2000
Residential Inst		800
Hotels		1920
Community		1000
Leisure		1000
Agricultural		250
Sui Generis	Car Sales	1700
Sui Generis	Car Repairs	700

Commercial Land Values per Ha		
Industrial		500,000
Office		500,000
Food Retail		7,000.000
Other Retail		1,000,000
Residential Inst		500,000
Hotels		800,000
Community		200,000
Leisure		500,000
Agricultural		15,000
Sui Generis	Car Sales	1,000,000
Sui Generis	Car Repairs	500,000

WORTHING RESIDENTIAL VALUES

Residential Sales Values					
Charging Zone	Sales Value £sqm				
	Apartment	2 Bed	3 Bed	4 Bed	5 Bed
Low Value	2000	2000	2100	2150	2200
Medium Value	2700	2700	2775	2900	3015
High Value	3230	3120	3015	2960	2960

Residential Land Values per Ha (£)				
Land Value per Ha	1,000,000	2,500,000	3,000,000	
	Low	Medium	high	