

1 QUESTION RETAIL DEVELOPMENT

Introduction

- 1.1 The Chichester CIL Examiner has requested additional information in respect of the following:

3. Retail Development

Revise and re-run the appraisals for retail development, both convenience and comparison, using current build costs based on the latest data for 2015 from recognised industry sources.

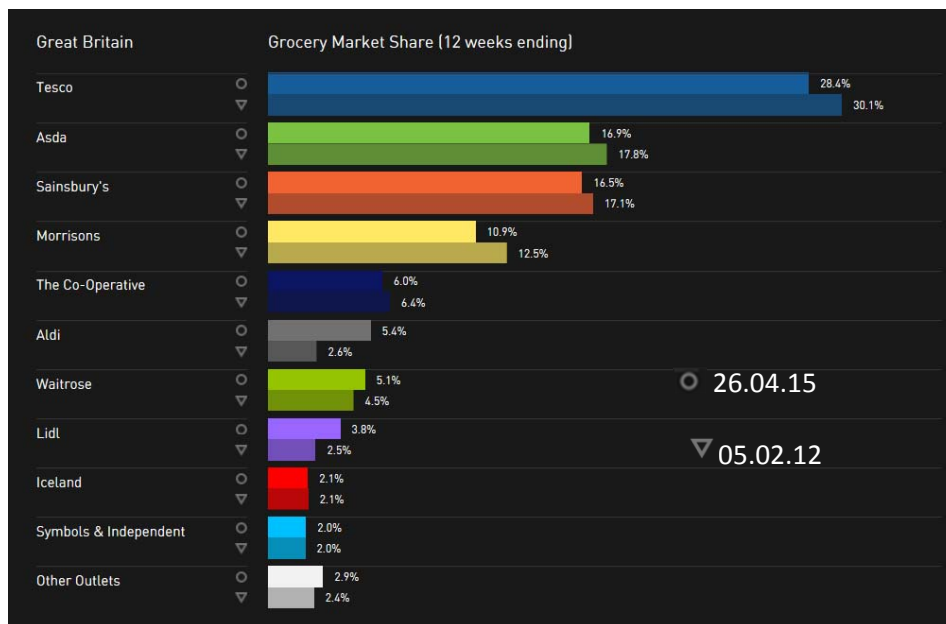
Test the sensitivity of the revised appraisals for a range of rents and yields above and below the rents and yields assumed in the submitted appraisals for convenience and comparison retail development in the VS.

The implications of the revised appraisals for the maximum chargeable CIL rate for each type and size of retail development should be set out in revised versions of Tables 14-4, 14-7 and 14-8 in the VS.

Market background

- 1.2 The convenience retail sector has seen a significant change since the financial crises of 2007/08. In the years following 2008 the supermarkets appeared to have weathered the economic storm with most operators aggressively expanding (commonly referred to as the race for space). Operators were able to competitively bid for sites as they were able to take advantage of other sectors in the property market being much weaker. During this period of growth there was a strong appetite from operators to open large format stores of up to circa 11,150 sq m. With this format of store providing a mixture of convenience and comparison retail.
- 1.3 In recent years shopping patterns have changed significantly: there is more reliance for online shopping combined with customers supplementing a 'big' shopping trip with regular smaller shopping trips during the week. Also some customers are dividing their shopping trips between the big four supermarkets (as defined in Figure 1) and discounters such as Aldi and Lidl. As shown in Figure 1 the discount supermarkets Along with Waitrose have gained market share over the last three years and this has been at the expense of the big four.

Figure 1 - Supermarkets % by share, February 2012 to 2015



Source: kantarworldpanel.com

- 1.4 The change in shopping patterns in tandem with aggressive expansion from the big four has led to them issuing profit warnings. This itself has been compounded by Tesco overstating their profit by £250 million due to the accelerated recognition of commercial income and delayed accrual of costs. A recent Tesco trading statement¹ stated that they are closing 43 unprofitable stores, consolidating head office location to Welwyn Garden City and disposal of Tesco Broadband and Blinkbox to TalkTalk.
- 1.5 Tesco's situation is not unique to the sector with Sainsbury's and Morrison's also reporting problems.
- 1.6 Sainsbury's announced in November 2014 that it was scaling back new store openings after the company reported a half year loss before tax of £290 million. In a recent trading statement² Sainsbury's announced that their total retail sales for third quarter 2014 were down 2.5 per cent (including fuel) and like-for-like retail sales for third quarter down 3.9% (including fuel). Sainsbury's outlook for the remainder of the financial year is that it is set to remain challenging, with food price deflation likely to continue.
- 1.7 Morrison's Chief Executive Dalton Philips recently announced that he was stepping down from his role after they announced in their January 2015 trading statement that total sales (excluding VAT and fuel) were down 1.3% over the six weeks to 4 January.
- 1.8 Moving away from the big four operators the discount operators are performing well. Aldi reported in September 2014 that their pre-tax profits had grown by 65.2%, with group turnover up by 35.7%. Lidl has also been reporting strong retail growth. In August 2014 Lidl's managing director stated that sales would grow 20% during 2014 and that they planned to double in size in the UK over the next decade as it looks to expand to between 1,200 and 1,500 stores.

¹ Tesco (08 January 2015) *Trading statement for 19 weeks ending 3 January 2015*

² Sainsbury's (08 January 2015) *3rd quarter trading statement for 14 weeks ending 3 January 2015*

National commercial agent's feedback

- 1.9 Commercial agents tell us that the uncertainty in the market could lead to yield shifts and investors being more selective on the tenant profile and location. In addition operators themselves are being more selective on store locations and lease terms. Agents have commented as follows:
- Yields have stagnated on those investments which have open market rent reviews (OMR). They however remain stable.
 - Yields are holding firm with those leases with RPI fixed increases and command a premium on the OMR arrangement
 - Large institutional investors are quite exposed to Tesco's and Sainsbury's meaning other covenants are comparatively more keenly priced
 - Morrisons is an attractive covenant in the investment market as they have not historically undertaken sale and leasebacks and they have a large freehold portfolio so are seen to be on a strong footing
 - Size and location impacts on yield. Larger formats are particularly unattractive as growth in the sector favours a smaller format
 - 25 year lease with 5 yearly fixed RPI remains at a sub 5% yield.
 - Aldi and Lidl will commit to a 15 year lease with OMR. Therefore the yield is circa 6%.

Convenience Retail in Chichester

- 1.10 The Local Plan does not expect significant retail development in Chichester. Future development is likely to focus on operators acquiring space in existing premises in and around town centres and the City itself.
- 1.11 The chances of an operator looking to develop a large out of town format have reduced as a consequence of changes in the market place.
- 1.12 Our previous modelling was based on costs and values as at August 2014. In respect of values we have not made material changes. Although some covenant strengths have diminished, both Waitrose and Morrisons remain attractive to investors.
- 1.13 Convenience Rental levels have been as high as £220-£260 per m² in areas and it is likely any new build retail would command rents of at least that figure.
- 1.14 Taking into account these trends we have adopted a figure of £220m² for smaller convenience retail and £230m² for the larger format. Assuming an RPI linked lease we have used a yield of 4.25% on the larger format and 4.75% on the in town format.

Build costs

- 1.15 We have updated build costs for the convenience retail sector and used the build costs within BCIS quarterly review of building prices (May 2015). The revised costs are £1,283m² for the larger format and £1,256 m² for the smaller format.

Revised viability results

1.16 Our updated revised viability results are in figure 1.2 below

Figure 1.2 Revised viability results (June 2015)

Convenience Retail appraisal summary table (in-town Metro type scheme)

Ref	Zone	Site area Ha	Floorspace Sq m	Residual land value		Benchmark land value		Overage (CIL Ceiling)	
				Per ha	Per sq m	Per ha	Per sq m	Per ha	Per sq m
13	Chichester	0.08	465	£8,251,939	£1,420	£5,282,362	£909	£2,969,577	£511

Convenience Retail appraisal summary table (larger supermarket)

Ref	Zone	Site area Ha	Floorspace Sq m	Residual land value		Benchmark land value		Overage (CIL Ceiling)	
				Per ha	Per sq m	Per ha	Per sq m	Per ha	Per sq m
14	Chichester	1.33	4,000	£6,103,095	£2,029	£5,282,362	£1,756	£820,733	£273

- 1.17 The revised appraisals show that the Council's proposed convenience retail charge of £125m² is appropriate being between ~~2530%~~ and ~~455%~~ of the theoretical buffer.

Sensitivity analysis

- 1.18 We have provided below a sensitivity table which shows the impact of rents rising and falling by 10% stepped changes and yields moving up and down by 0.5%

Figure 1.3 - Sensitivity analysis for convenience retail unit of 465m²

Chichester - Convenience Retail - 465 sq m

Table of Land Cost and IRR%

Rent: Yield					
Rent: Rate pm ²	-0.5000%	-0.2500%	0.0000%	+0.2500%	+0.5000%
	4.2500%	4.5000%	4.7500%	5.0000%	5.2500%
-20.000%	(£518,146)	(£447,309)	(£383,933)	(£326,898)	(£275,301)
176.00 pm ²	24.2187%	24.4817%	24.7542%	25.0368%	25.3300%
-10.000%	(£673,034)	(£593,342)	(£522,044)	(£457,881)	(£399,833)
198.00 pm ²	23.7733%	23.9948%	24.2233%	24.4591%	24.7026%
0.000%	(£827,922)	(£739,375)	(£660,155)	(£588,862)	(£524,365)
220.00 pm ²	23.4345%	23.6260%	23.8228%	24.0252%	24.2333%
+10.000%	(£982,810)	(£885,408)	(£798,266)	(£719,845)	(£648,897)
242.00 pm ²	23.1681%	23.3368%	23.5098%	23.6871%	23.8690%
+20.000%	(£1,137,698)	(£1,031,441)	(£936,377)	(£850,826)	(£773,430)
264.00 pm ²	22.9532%	23.1040%	23.2584%	23.4163%	23.5779%

- 1.19 The current target value generating the overage is the middle figure of £660,155. CIL becomes unviable if the land value reduces below £480,000. On the scenarios above, this would not happen with variations of 0.5% in the yield. It would require rents to drop by 10% which is counter-intuitive to the current market
- 1.20 The out of town analysis of retail is more sensitive as shown in Figure 2 below

Figure 2 - Convenience retail sensitivity test 4,000m²

Chichester - Convenience Retail - 4,000 sq m

Table of Land Cost and IRR%

Rent: Rate pm ²					
Rent: Yield	-20.000%	-10.000%	0.000%	+10.000%	+20.000%
	187.20 pm ²	210.60 pm ²	234.00 pm ²	257.40 pm ²	280.80 pm ²
-0.5000%	(£6,479,922)	(£8,148,438)	(£9,816,953)	(£11,485,474)	(£13,153,991)
3.7500%	35.8403%	34.7603%	33.9558%	33.3332%	32.8370%
-0.2500%	(£5,624,254)	(£7,185,816)	(£8,747,374)	(£10,308,930)	(£11,870,494)
4.0000%	36.5675%	35.3562%	34.4602%	33.7704%	33.2227%
0.0000%	(£4,869,309)	(£6,336,501)	(£7,803,691)	(£9,270,880)	(£10,738,068)
4.2500%	37.3364%	35.9813%	34.9862%	34.2241%	33.6217%
+0.2500%	(£4,198,294)	(£5,581,605)	(£6,964,922)	(£8,348,235)	(£9,731,547)
4.5000%	38.1510%	36.6380%	35.5352%	34.6955%	34.0346%
+0.5000%	(£3,597,957)	(£4,906,228)	(£6,214,501)	(£7,522,772)	(£8,831,042)
4.7500%	39.0157%	37.3286%	36.1089%	35.1856%	34.4622%

- 1.21 The critical land value when CIL becomes unviable is £7,547,750. This would occur in all scenarios if either the rent and or yield declined. It is also worth noting that the CIL has minimal effect on the viability and these declines would also make the scenario unviable with or without CIL.
- 1.22 We would therefore highlight that the benchmark land value in the appraisals is largely generated by the value of the convenience retail development itself. Declines in the value of the end product would lead to a reduction in the land value. There is no other alternative use in the district of Chichester that commands a higher value and therefore no reason for a vendor not to reduce the price. Therefore the sensitivity analysis would only be relevant if the level of CIL reduced land values to less than residential. This is not shown in any of the scenarios in the table.

Comparison Retail

- 1.23 Although consumer sentiment and spending has continued to improve and vacancy levels are down from the trough of the last economic cycle, it is clear from national observers that such improvements are focussed on the wealthier towns and cities. Chichester is a tightly constrained market for retailers with little potential for additional comparison retail space.
- 1.24 As at June 2015 there was little or no availability of existing space in the town centre with only small units of between 46m² and 300m² being available. Asking rents are between £340 per m² and £600 per m² depending on size and location.

Updated assumptions

- 1.25 Evidence of new build is scarce. We have erred on the conservative side and revised rents to £285m² and a yield of 6% for the in town format
- 1.26 For the out of town comparison offer we have assumed a rent of £285m² and a 7% yield.

Updated viability analysis

Revised viability results for comparison retail

Figure 1.3 Comparison retailing updated results

Ref	Zone	Site area Ha	Floorspace Sq m	Residual land value		Benchmark land value		Overage (CIL Ceiling)	
				Per ha	Per sq m	Per ha	Per sq m	Per ha	Per sq m
11	Chichester	0.08	465	£6,073,091	£1,045	£4,500,000	£774	£1,573,091	£271

Comparison Retail (out of town centre retail park) appraisal summary table

Ref	Zone	Site area Ha	Floorspace Sq m	Residual land value		Benchmark land value		Overage (CIL Ceiling)	
				Per ha	Per sq m	Per ha	Per sq m	Per ha	Per sq m
12	Chichester	0.30	929	£5,131,814	£1,657	£4,500,000	£1,453	£631,814	£204

- 1.27 Although viability has improved on both formats we do not propose to vary the charge from the £20m² currently proposed. The charge is between circa 8% and 109% of the maximum theoretical buffer.

Sensitivity testing

- 1.28 We have sensitivity tested the in town comparison retail unit. The results are in Table 1 below.

Table 1 - Comparison retail unit of 465m² sensitivity testing

Chichester - Comparison Retail - 465 sqm

Table of Land Cost and IRR%

Rent: Yield					
Rent: Rate pm ²	-0.5000%	-0.2500%	0.0000%	+0.2500%	+0.5000%
	5.5000%	5.7500%	6.0000%	6.2500%	6.5000%
-20.000%	(£345,704)	(£301,152)	(£260,317)	(£222,752)	(£188,080)
228.00 pm ²	19.4013%	19.5257%	19.6532%	19.7839%	19.9178%
-10.000%	(£469,171)	(£419,050)	(£373,110)	(£330,850)	(£291,844)
256.50 pm ²	19.1330%	19.2391%	19.3474%	19.4582%	19.5714%
0.000%	(£592,637)	(£536,947)	(£485,903)	(£438,947)	(£395,608)
285.00 pm ²	18.9273%	19.0199%	19.1143%	19.2105%	19.3086%
+10.000%	(£716,104)	(£654,845)	(£598,697)	(£547,045)	(£499,371)
313.50 pm ²	18.7646%	18.8469%	18.9305%	19.0157%	19.1024%
+20.000%	(£839,570)	(£772,743)	(£711,490)	(£655,143)	(£603,135)
342.00 pm ²	18.6327%	18.7068%	18.7820%	18.8585%	18.9362%

- 1.29 The critical land value when the proposed CIL charge of £20m² becomes unviable is £370,000. This would require a reduction on rent of circa 20% or an increase in the yield by 0.75% (not shown in the table). It is therefore highly unlikely that even radical market fluctuations would result in the CIL charge making comparison retail development unviable.
- 1.30 In respect of out of town development, the results of the sensitivity analysis are below.

Table 2 - Comparison retailing – out of town format 929m2 sensitivity test

Chichester - Comparison Retail - 929 sq m

Table of Land Cost and IRR%

Rent: Yield	Rent: Rate pm ²				
	-20.000%	-10.000%	0.000%	+10.000%	+20.000%
	228.00 pm ²	256.50 pm ²	285.00 pm ²	313.50 pm ²	342.00 pm ²
-0.5000%	(£1,230,313)	(£1,481,316)	(£1,732,318)	(£1,983,321)	(£2,234,323)
6.5000%	18.5027%	18.3668%	18.2606%	18.1753%	18.1053%
-0.2500%	(£1,150,337)	(£1,391,343)	(£1,632,348)	(£1,873,353)	(£2,114,358)
6.7500%	18.5606%	18.4177%	18.3061%	18.2166%	18.1431%
0.0000%	(£1,076,094)	(£1,307,819)	(£1,539,544)	(£1,771,269)	(£2,002,994)
7.0000%	18.6194%	18.4693%	18.3522%	18.2584%	18.1814%
+0.2500%	(£1,006,991)	(£1,230,078)	(£1,453,166)	(£1,676,253)	(£1,899,340)
7.2500%	18.6791%	18.5217%	18.3990%	18.3007%	18.2202%
+0.5000%	(£942,514)	(£1,157,541)	(£1,372,569)	(£1,587,597)	(£1,802,624)
7.5000%	18.7397%	18.5747%	18.4463%	18.3435%	18.2594%

- 1.31 The critical land value when development becomes unviable is £1,380, 000. On the sensitivity testing above this would require yield to increase by 0.5%, or rents to decline by 10%. Further movements would make all out of town retail unviable without a reduction in land prices

Conclusions

- 1.32 Based on the revised and updated evidence we do not propose to vary the charges for convenience and comparison retailing.

APPENDIX A – CONVENIENCE AND COMPARISON RETAIL VIABILITY APPRAISALS

Peter Brett Associates

Development Appraisal

Chichester - Convenience Retail - 465 sq m

Report Date: 08 July 2015

APPRAISAL SUMMARY**PETER BRETT ASSOCIATES****Chichester - Convenience Retail - 465 sq m****Summary Appraisal for Phase 1****REVENUE****Rental Area Summary**

	Units	m²	Rate m²	Initial MRV/Unit	Net Rent at Sale
Convenience Retail	1	465.00	£220.00	£102,300	102,300

Investment Valuation**Convenience Retail**

Market Rent	102,300	YP @	4.7500%	21.0526	
(0yrs 6mths Rent Free)		PV 0yrs 6mths @	4.7500%	0.9771	2,104,287

GROSS DEVELOPMENT VALUE

Purchaser's Costs	5.75%	(120,997)	2,104,287
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NET DEVELOPMENT VALUE1,983,291**NET REALISATION**1,983,291**OUTLAY****ACQUISITION COSTS**

Residualised Price (0.08 Ha £8,251,939.17 pHect)			660,155
Stamp Duty		4.00%	26,406
Agent Fee		1.00%	6,602
Legal Fee		0.50%	3,301
			696,464

CONSTRUCTION COSTS

Construction	m²	Rate m²	Cost	
Convenience Retail	465.00	£1,256.00	584,040	584,040
Contingency		5.00%	29,202	
External works		10.00%	58,404	
				87,606
Other Construction				
Other Construction section 106		10.00%	58,404	
			5,000	
				63,404

PROFESSIONAL FEES

Professional Fees	8.00%	51,396	
			51,396

MARKETING & LETTING

Letting Agent Fee	10.00%	10,230	
Letting Legal Fee	5.00%	5,115	
			15,345

DISPOSAL FEES

Sales Agent Fee	1.00%	19,833	
Sales Legal Fee	0.50%	9,916	
			29,749

FINANCE

Debit Rate 7.000% Credit Rate 0.000% (Nominal)			
Land		45,767	
Construction		24,147	
Letting Void		54,824	
Total Finance Cost			124,739

TOTAL COSTS**1,652,742****PROFIT****330,548****Performance Measures**

APPRAISAL SUMMARY**PETER BRETT ASSOCIATES****Chichester - Convenience Retail - 465 sq m**

Profit on Cost%	20.00%
Profit on GDV%	15.71%
Profit on NDV%	16.67%
Development Yield% (on Rent)	6.19%
Equivalent Yield% (Nominal)	4.75%
Equivalent Yield% (True)	4.89%
IRR	23.82%
Rent Cover	3 yrs 3 mths
Profit Erosion (finance rate 7.000%)	2 yrs 8 mths

Chichester - Convenience Retail - 465 sq m

Initial
MRV
102,300

Chichester - Convenience Retail - 465 sq m

Peter Brett Associates

Development Appraisal

Chichester - Comparison Retail - 465 sqm

Report Date: 09 July 2015

APPRAISAL SUMMARY**PETER BRETT ASSOCIATES****Chichester - Comparison Retail - 465 sqm****Summary Appraisal for Phase 1****REVENUE****Rental Area Summary**

	Units	m²	Rate m²	Initial MRV/Unit	Net Rent at Sale
Retail	1	371.98	£285.00	£106,015	106,015

Investment Valuation

Retail					
Market Rent	106,015	YP @	6.0000%	16.6667	
(0yrs 6mths Rent Free)		PV 0yrs 6mths @	6.0000%	0.9713	1,716,188

GROSS DEVELOPMENT VALUE

Purchaser's Costs	5.75%	(98,681)	1,716,188
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NET DEVELOPMENT VALUE1,617,507**NET REALISATION****1,617,507****OUTLAY****ACQUISITION COSTS**

Residualised Price (0.08 Ha £6,073,790.68 pHect)			485,903	
Agent Fee		1.00%	4,859	
Legal Fee		0.50%	2,430	
				493,192

CONSTRUCTION COSTS

Construction	m²	Rate m²	Cost	
Retail	464.98	£1,171.00	544,492	544,492
Contingency		5.00%	27,225	
				27,225
Other Construction				
Other Construction		5.00%	27,225	
Section 106			5,000	
				32,225

PROFESSIONAL FEES

Professional Fees	8.00%	45,737	
			45,737

MARKETING & LETTING

Marketing			25,000	
Letting Agent Fee		10.00%	10,602	
Letting Legal Fee		5.00%	5,301	
				40,902

DISPOSAL FEES

Sales Agent Fee	1.00%	16,175	
Sales Legal Fee	0.50%	8,088	
			24,263

FINANCE

Debit Rate 7.000% Credit Rate 0.000% (Nominal)				
Land			32,410	
Construction			19,948	
Letting Void			87,531	
Total Finance Cost				139,888

TOTAL COSTS**1,347,923****PROFIT****269,585****Performance Measures**

Profit on Cost%	20.00%
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APPRAISAL SUMMARY**PETER BRETT ASSOCIATES****Chichester - Comparison Retail - 465 sqm**

Profit on GDV%	15.71%
Profit on NDV%	16.67%
Development Yield% (on Rent)	7.87%
Equivalent Yield% (Nominal)	6.00%
Equivalent Yield% (True)	6.23%
IRR	19.11%
Rent Cover	2 yrs 7 mths
Profit Erosion (finance rate 7.000%)	2 yrs 8 mths

Chichester - Comparison Retail - 465 sqm

**Initial
MRV**

106,015

Chichester - Comparison Retail - 465 sqm

Peter Brett Associates

Development Appraisal

Chichester - Convenience Retail - 4,000 sq m

Report Date: 08 July 2015

APPRAISAL SUMMARY**PETER BRETT ASSOCIATES****Chichester - Convenience Retail - 4,000 sq m****Summary Appraisal for Phase 1****REVENUE****Rental Area Summary**

	Units	m²	Rate m²	Initial MRV/Unit
Convenience Retail	1	4,000.00	£230.00	£920,000

Investment Valuation**Convenience Retail**

Market Rent	920,000	YP @	4.2500%	23.5294
(0yrs 6mths Rent Free)		PV 0yrs 6mths @	4.2500%	0.9794

GROSS DEVELOPMENT VALUE

Purchaser's Costs	5.75%	(1,219,070)	21,201,221
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NET DEVELOPMENT VALUE19,982,150**NET REALISATION****19,982,150****OUTLAY****ACQUISITION COSTS**

Residualised Price (1.33 Ha £6,103,094.94 pHect)			8,117,116	
Stamp Duty		4.00%	324,685	
Agent Fee		1.00%	81,171	
Legal Fee		0.50%	40,586	
				8,563,558

CONSTRUCTION COSTS

Construction	m²	Rate m²	Cost	
Convenience Retail	4,000.00	£1,283.00	5,132,000	5,132,000
Contingency		5.00%	256,600	
External works		10.00%	513,200	
				769,800
Other Construction				
Other Construction section 106		10.00%	513,200	
			10,000	
				523,200

PROFESSIONAL FEES

Professional Fees	8.00%	451,616	451,616
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MARKETING & LETTING

Letting Agent Fee	10.00%	92,000	
Letting Legal Fee	5.00%	46,000	
			138,000

DISPOSAL FEES

Sales Agent Fee	1.00%	199,822	
Sales Legal Fee	0.50%	99,911	
			299,732

FINANCE

Debit Rate 7.000% Credit Rate 0.000% (Nominal)				
Land			562,746	
Construction			211,138	
Total Finance Cost				773,884

TOTAL COSTS**16,651,790****PROFIT****3,330,361****Performance Measures**

Profit on Cost%	20.00%
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APPRAISAL SUMMARY**PETER BRETT ASSOCIATES****Chichester - Convenience Retail - 4,000 sq m**

Profit on GDV%	15.71%
Profit on NDV%	16.67%
Development Yield% (on Rent)	5.52%
Equivalent Yield% (Nominal)	4.25%
Equivalent Yield% (True)	4.37%
IRR	34.43%
Rent Cover	3 yrs 7 mths
Profit Erosion (finance rate 7.000%)	2 yrs 8 mths

Chichester - Convenience Retail - 4,000 sq m

Net Rent at Sale	Initial MRV
920,000	920,000

21,201,221

Chichester - Convenience Retail - 4,000 sq m

Peter Brett Associates

Development Appraisal

Chichester - Comparison Retail - 929 sq m

Report Date: 08 July 2015

APPRAISAL SUMMARY**PETER BRETT ASSOCIATES****Chichester - Comparison Retail - 929 sq m****Summary Appraisal for Phase 1****REVENUE****Rental Area Summary**

	Units	m²	Rate m²	Initial MRV/Unit	Net Rent at Sale
Retail	1	929.00	£285.00	£264,765	264,765

Investment Valuation

Retail					
Market Rent	264,765	YP @	7.0000%	14.2857	
(1yr Rent Free)		PV 1yr @	7.0000%	0.9346	3,534,913

GROSS DEVELOPMENT VALUE

Purchaser's Costs	5.75%	(203,258)		3,534,913	
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NET DEVELOPMENT VALUE3,331,656**NET REALISATION****3,331,656****OUTLAY****ACQUISITION COSTS**

Residualised Price (0.30 Ha	£5,131,814.42 pHect)		1,539,544		
Agent Fee		1.00%	15,395		
Legal Fee		0.50%	7,698		
				1,562,637	

CONSTRUCTION COSTS

Construction	m²	Rate m²	Cost		
Retail	929.00	£680.00	631,720	631,720	
Contingency		5.00%	31,586		31,586
Other Construction					
Other Construction		10.00%	63,172		
Section 106			10,000		73,172

PROFESSIONAL FEES

Professional Fees	8.00%	55,591		55,591	
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MARKETING & LETTING

Marketing			25,000		
Letting Agent Fee		10.00%	26,477		
Letting Legal Fee		5.00%	13,238		
				64,715	

DISPOSAL FEES

Sales Agent Fee	1.00%	33,317			
Sales Legal Fee	0.50%	16,658			
				49,975	

FINANCE

Debit Rate 7.000% Credit Rate 0.000% (Nominal)					
Land			102,687		
Construction			24,319		
Letting Void			179,976		
Total Finance Cost				306,983	

TOTAL COSTS**2,776,380****PROFIT****555,276****Performance Measures**

Profit on Cost%	20.00%
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Chichester - Comparison Retail - 929 sq m

Profit on GDV%	15.71%
Profit on NDV%	16.67%
Development Yield% (on Rent)	9.54%
Equivalent Yield% (Nominal)	7.00%
Equivalent Yield% (True)	7.32%
IRR	18.35%
Rent Cover	2 yrs 1 mth
Profit Erosion (finance rate 7.000%)	2 yrs 8 mths

Chichester - Comparison Retail - 929 sq m

Initial
MRV
264,765

Chichester - Comparison Retail - 929 sq m

**APPENDIX B – EXTRACT FROM BCIS
QUARTERLY REVIEW OF BUILDING PRICES MAY
2015**



Table 4: Average building prices (4th quarter 2014 estimates)

(Based on a Tender Price Index of 250)

Building Function – New Build /510 Description	MEAN	MEAN	MEDIAN	MEDIAN	RANGE	INTER- QUARTILE RANGE	SAMPLE SIZE
	£/sq.ft	£/m ²	£/sq.ft	£/m ²	£/m ²	£/m ²	
Administrative, commercial, protective facilities							
County, City, Town halls (25)	190	2047	190	2045	1477–2620		4
Local admin buildings (15)	160	1723	161	1731	580–2687	1404–2118	22
Law courts (20)	205	2206	213	2289	1667–2685	1951–2414	8
Offices—generally (15)	128	1377	121	1306	586–4332	1015–1506	179
–air-conditioned							
–generally (15)	140	1505	130	1398	586–4332	1199–1564	62
–1-2 storey (15)	120	1294	114	1226	586–2608	1015–1390	20
–3-5 storey (15)	141	1518	131	1415	941–4332	1223–1546	33
–6+ storey (15)	178	1911	150	1620	1340–3343	1500–2183	8
Not air-conditioned—generally (15)	121	1303	113	1217	669–2541	937–1502	79
–1-2 storey (15)	112	1204	105	1130	669–2382	930–1393	41
–3-5 storey (15)	128	1376	121	1306	736–2541	1091–1506	35
–6+ storey (20)	169	1815	176	1896	1378–2092		4
Offices with shops, banks, flats, etc.—generally (15)	128	1383	119	1279	914–2566	1012–1636	21
–1-2 storey (15)	97	1046	88	947	914–1473	938–959	5
–3-5 storey (15)	126	1353	115	1233	935–1790	1072–1685	7
–6+ storey (15)	148	1594	135	1449	1083–2566	1279–1871	9
Artist's studios (20)	111	1196	121	1299	702–1482		4
Banks/Building Society branches (25)	181	1949	172	1848	1169–2992	1703–2099	6
Mixed commercial developments (15)	113	1220	110	1184	778–1734		4
Wholesale trading building/auction rooms (25)	87	940	90	973	631–1181		4
Retail warehouses—generally (20)	63	680	57	612	345–2077	528–701	57
–up to 1000m ² (20)	73	786	60	649	515–2077	585–748	10
–1000 to 7000m ² GFA (20)	63	677	56	606	345–1499	508–726	38
–7000 to 15000m ² (20)	53	567	50	540	408–818	501–601	7
Market building providing accommodation for pens stalls etc (25)	72	772	68	735	287–1331		4
Shopping centres (25)	96	1034	92	994	818–1330		4
Hypermarkets, supermarkets—generally (30)	116	1250	116	1253	206–2131	882–1619	57
–up to 1000m ² (25)	117	1256	102	1099	834–1991		4
–1000 to 7000m ² GFA (30)	119	1283	131	1405	206–2131	901–1641	47
–7000 to 15000m ² (30)	85	914	82	882	793–1024	861–1009	5
Shops—generally (30)	90	969	75	805	404–3185	618–1121	62
–1-2 storey (30)	91	982	75	805	404–3185	602–1230	56
–3-5 storey (30)	79	853	78	841	672–1092	709–966	6
Shops with domestic, office accommodation (15)	130	1400	112	1205	584–2805	1068–1543	11
Mountain and cave rescue stations (20)	132	1423	138	1482	1075–1654		4
Fire stations—generally (15)	183	1969	194	2088	409–3049	1714–2266	29
–up to 500m ² GFA (15)	195	2096	203	2181	409–3049	1788–2367	20
–500 to 2000m ² GFA (15)	169	1822	172	1856	1036–2266	1695–2104	7
Fire service admin/control buildings (25)	224	2412	222	2394	1615–3245		4
Fire training buildings (15)	132	1420	135	1454	773–2167	1154–1576	6
Ambulance stations (25)	119	1279	118	1273	1007–1565		4
Police stations (15)	173	1864	177	1908	1466–2064	1883–1949	6
Police admin/control buildings (15)	168	1811	156	1682	1317–2289	1618–2077	7
Military buildings (30)	165	1771	119	1279	676–5195	1115–1699	23
Territorial Army Centres (20)	123	1325	106	1142	891–1951	1112–1577	6
Civil defence facilities (25)	373	4019	438	4715	1452–5195		4
Reformatories, borstals, secure residential units for children (20)	245	2638	236	2536	1528–3891	1896–3376	6