



Our Ref: CTE

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Dear Sarah,

### SWINDON CIL VIABILITY EASTERN VILLAGES – EXAMINER’S QUESTIONS

In response to the questions posed by the Examiner during the Examination we have carried out further testing of the proposed District Centre within the Eastern Villages, including the potential changes to the Sainsbury store. We set out below the assumptions adopted and the results of the testing.

#### Assumptions

We have been provided with detailed assumptions by the Council for each Scenario, which are set out in Appendix 1. These assumptions have been discussed with White Young Green, and we understand reflect current suggestions as to the scale and form of the District Centre. We understand that the proposals for the Sainsbury site, with or without a district centre, include the provision of a lorry park within the proposals, but we have taken no account of this in the testing we have undertaken.

The three scenarios we have tested are:

- Scenario 1 Demolition of existing store & redevelop by developer to provide a new Sainsbury store of c 11,278 sqm
- Scenario 2 Demolition of existing store & redevelop by developer to provide a new Sainsbury store of c 11,278 sqm plus a District Centre
- Scenario 3
  - a) District Centre with discount food retailer c 1,500 sqm (not on Sainsbury site)
  - b) District Centre with discount food retailer c 3,252 sqm (not on Sainsbury site)

In order to provide for consistency with the testing we have undertaken for retail and all other uses that were considered at the Examination we have adopted costs and values as at 2012.

The base build and value assumptions we have adopted are:

Assumptions	
Sainsbury	Rent £19 psf Yield 5.25%
Discount food	Rent £15 psf Yield 6%
Food store	Rent £19 psf Yield 5.25%
District Centre – A1-A3	Rent £10 psf Yield 8%
District Centre – Pub	Rent £15 psf Yield 6.5%sf

Assumptions	
District Centre - Health Centre	Rent £15 psf Yield 7%sf
Library	Assume required to transfer for nil
Community	Assume required to transfer for nil
Sainsbury – base build	£121 psf
Discount food – base build	£121 psf
Food store – base build	£121 psf
District Centre – A1-A3 base build	£100 psf
District Centre – Pub base build	£140 psf
Library - base build	£150 psf
Community – base build	£110 psf
Car spaces	£2,000 per space
Demolition	£200,000
Contingency	5%
Professional Fees	10%
Letting Agent Fee	10%
Letting Legal Fee	5%
Sales Agent Fee	1%
Sales Legal Fee	0.5%
Finance	6.75%
Profit	Scenario 1 - 20% on Cost Scenario 2 & 3 – 25% on Cost

We have been provided with the anticipated S106 contributions in all cases, and these have been applied. In addition, we have undertaken testing both with and without a CIL charge of £100 psm for Retail.

## Results

The appraisals have been run using ProDev, which is the programme we have used for all the testing of commercial uses in Swindon and we have used elsewhere. A summary print out for each appraisal is appended.

The results are compared with a base land value, which is the same approach we have adopted for all the testing. In the case of the land on which the current Sainsbury store is sited the issue is whether to compare the outcome against the value of the existing store, the value of the land with an existing store or another comparator. Whilst we have adopted serviced land value for a supermarket, we consider that in the case of any scenario that requires the demolition of the current store and the provision of new, larger store both the landowner and Sainsbury will only agree to the works if it makes commercial sense for both i.e. the new store is a more valuable property investment and provides the operator with a better outlet for future trading. The comparator and analysis that each will use to come this joint decision will be different. In reality, therefore, the test to be applied in practice will be different to that shown.

In summary the results are:

Scenario	Base Land Value	Residual Land Value
Scheme 1	£11m	£10.1m with CIL £10.5m without CIL
Scheme 2	£13m	Nominal without CIL
Scheme 3A	£1.7m	Not viable
Scheme 3B	£1.7m	Not viable

Scheme 1 suggests that the proposal to extend the store cannot support a CIL, but it also suggests that the scheme is not viable even if a Nil CIL is charged. As already noted, the decision to enlarge the store will not be judged against the criteria we have used for CIL testing. The cost of the CIL charge is £383,000, which is c 2.2% of our assessment as at 2012 of the cost of the new store, excluding land, S106, finance or profit, and less than 1% of the costs including these items. We note that our assessment takes no account of the costs of providing a truck/lorry park.

Scheme 2 shows a nominal land value at a 20% return on cost, but is unable to match any plausible assessment of the value of the existing site.

Scheme 3 shows a negative land value, whether the scheme is underpinned by a discount food store or by a larger format food store. In reality we would not expect a direct competitor of Sainsbury to take a large format store in proximity to Sainsbury, whether Sainsbury remains as is or expands. We therefore do not consider Scenario 3b to be feasible in the current market.

### Conclusion

The results show that the only scheme that could potentially afford the proposed Retail CIL charge of £100 psm is an extension of the existing Sainsbury store, but our testing does not include any cost that arises from dealing with the lorry park. Any extension or reconfiguration of Sainsbury that is linked to the provision of a district centre, as we have assumed, cannot afford a Retail CIL charge. Likewise, the development of the new district centre on other land cannot afford a Retail CIL charge.

On the basis of this testing we recommend that the Retail CIL charge for the Eastern Villages be revised to £0 (Nil).

Yours sincerely,



**CHARLES TRUSTRAM EVE RICS Registered Valuer  
Director**

**For and on behalf of GVA Grimley Ltd**

**SCENARIOS**

<b>Scenario 1</b>	Sq M	Sq Ft
Sainsbury	11,278	121,400
S106		£1,241,680

<b>Scenario 2</b>	Sq M	Sq Ft
Sainsbury	11,278	121,400
Class A1 - 3	1,600	17,222
Medical Centre	2,276	24,500

Community	276	2,974
Library	1,537	16,544
Car spaces		904 spaces
S106		£1,241,680

<b>Scenario 3a</b>	Sq M	Sq Ft
Discount Food	1,500	16,146
Class A1 - 3	1,300	13,993
Pub	600	6,458
Medical Centre	2,276	24,500

Community	276	2,974
Library	1,537	16,544
Car spaces		783 spaces
S106		£1,241,680

<b>Scenario 3b</b>	Sq M	Sq Ft
Food Store	3,252	35,000
Class A1 - 3	1,300	13,993
Pub	600	6,458
Medical Centre	2,276	24,500

Community	276	2,974
Library	1,537	16,544
Car spaces		904 spaces
S106		£1,241,680

**Scenario 1 with CIL**

**REVENUE**

Let	121,400.00 sq ft at 19.00 psf/pa	2,306,600	
	Net annual income	2,306,600	
	Capitalised at 5.25% Yield	43,935,238	
	Less Unpaid Rent: 12 Months Income	2,306,600	
	Less Purchasers costs at 5.8%	2,408,548	39,220,090
		<b>REVENUE</b>	39,220,090

**COSTS**

<b>Site Value</b>		<b>10,130,000</b>	
Site Stamp Duty	at 4.00%	405,200	
Site Legal Fees	at 0.50%	50,650	
Site Agency Fees	at 1.00%	101,300	
		Site Costs	10,687,150
S106		1,242,000	
CIL		383,000	
		Initial Payments	1,625,000
Construct	121,400.00 sq ft at 121.00 psf	14,689,400	
Demolition		200,000	
Contingency	at 5.00%	744,470	
Professional Fees	at 10.00%	1,488,940	
		Build Costs	17,122,810
Letting Agents Fee	at 10.00%	230,660	
Letting Legal Fees	at 5.00%	115,330	
Invest.sale Agents Fee	at 1.50%	622,900	
		Disposal Fees	968,890
<b>Interest</b>			2,279,230
<b>PROFIT</b>	6,537,010	<b>COSTS</b>	32,683,080
<b>PROFIT/SALE</b>	16.67%	<b>PROFIT/COST</b>	20.00%
<b>IRR</b>	25.97%	<b>RENT COVER</b>	2.8 years
<b>YIELD/COST</b>	7.06%		

NPV/IRR Figures EXCLUDE Interest

**Scenario 1 without CIL**

**REVENUE**

Let	121,400.00 sq ft at 19.00 psf/pa	2,306,600	
	Net annual income	2,306,600	
	Capitalised at 5.25% Yield	43,935,238	
	Less Unpaid Rent: 12 Months Income	2,306,600	
	Less Purchasers costs at 5.8%	2,408,548	39,220,090
		<b>REVENUE</b>	39,220,090

**COSTS**

<b>Site Value</b>		<b>10,468,000</b>	
Site Stamp Duty	at 4.00%	418,720	
Site Legal Fees	at 0.50%	52,340	
Site Agency Fees	at 1.00%	104,680	
		Site Costs	11,043,740
S106		1,242,000	
CIL		1	
		Initial Payments	1,242,001
Construct	121,400.00 sq ft at 121.00 psf	14,689,400	
Demolition		200,000	
Contingency	at 5.00%	744,470	
Professional Fees	at 10.00%	1,488,940	
		Build Costs	17,122,810
Letting Agents Fee	at 10.00%	230,660	
Letting Legal Fees	at 5.00%	115,330	
Invest.sale Agents Fee	at 1.50%	622,900	
		Disposal Fees	968,890
<b>Interest</b>			2,305,304
<b>PROFIT</b>	6,537,345	<b>COSTS</b>	32,682,745
<b>PROFIT/SALE</b>	16.67%	<b>PROFIT/COST</b>	20.00%
<b>IRR</b>	25.74%	<b>RENT COVER</b>	2.8 years
<b>YIELD/COST</b>	7.06%		

NPV/IRR Figures EXCLUDE Interest

**Scenario 2 with CIL**

**REVENUE**

Sainsbury	121,400.00 sq ft at 19.00 psf/pa	2,306,600	
	Net annual income	2,306,600	
	Capitalised at 5.25% Yield	43,935,238	
	Less Unpaid Rent: 12 Months Income	2,306,600	
	Less Purchasers costs at 5.8%	2,408,548	39,220,090
Medical Centre	24,500.00 sq ft at 15.00 psf/pa	367,500	
	Net annual income	367,500	
	Capitalised at 7% Yield	5,250,000	
	Less Unpaid Rent: 12 Months Income	367,500	
	Less Purchasers costs at 5.8%	287,807	4,594,693
A1-3 Units	17,222.00 sq ft at 10.00 psf/pa	172,220	
	Net annual income	172,220	
	Capitalised at 8% Yield	2,152,750	
	Less Unpaid Rent: 18 Months Income	258,330	
	Less Purchasers costs at 5.8%	118,015	1,776,405
		<b>REVENUE</b>	45,591,188

**COSTS**

<b>Site Value</b>		<b>1</b>	
Site Legal Fees	at 0.50%	0	
Site Agency Fees	at 1.00%	0	
		Site Costs	1
S106		1,242,000	
CIL		543,000	
		Initial Payments	1,785,000
Sainsbury	121,400.00 sq ft at 121.00 psf	14,689,400	
Library	16,544.00 sq ft at 150.00 psf	2,481,600	
Community	2,974.00 sq ft at 110.00 psf	327,140	
Medical Centre	24,500.00 sq ft at 140.00 psf	3,430,000	
A1-3 Units	17,222.00 sq ft at 100.00 psf	1,722,200	
Car Parking	904 spaces at 2,000.00 ea.	1,808,000	
Demolition		200,000	
Public Realm		600,000	
Access Upgrade		2,700,000	
Infrastructure & Utilities		1,000,000	
Contingency	at 5.00%	1,447,917	
Professional Fees	at 10.00%	2,895,834	
		Build Costs	33,302,091
Letting Agents Fee	at 10.00%	284,632	
Letting Legal Fees	at 5.00%	142,316	
Invest.sale Agents Fee	at 1.00%	485,236	
Invest.sale Legal Fees	at 0.50%	242,618	
		Disposal Fees	1,154,802
Marketing		50,000	
		End Payments	50,000
<b>Interest</b>			1,973,757
<b>PROFIT</b>	7,325,537	<b>COSTS</b>	38,265,651
<b>PROFIT/SALE</b>	16.07%	<b>PROFIT/COST</b>	19.14%
<b>IRR</b>	32.35%	<b>RENT COVER</b>	2.6 years
<b>YIELD/COST</b>	7.44%		

NPV/IRR Figures EXCLUDE Interest

**Scenario 2 without CIL**

**REVENUE**

Sainsbury	121,400.00 sq ft at 19.00 psf/pa	2,306,600	
	Net annual income	2,306,600	
	Capitalised at 5.25% Yield	43,935,238	
	Less Unpaid Rent: 12 Months Income	2,306,600	
	Less Purchasers costs at 5.8%	2,408,548	39,220,090
Medical Centre	24,500.00 sq ft at 15.00 psf/pa	367,500	
	Net annual income	367,500	
	Capitalised at 7% Yield	5,250,000	
	Less Unpaid Rent: 12 Months Income	367,500	
	Less Purchasers costs at 5.8%	287,807	4,594,693
A1-3 Units	17,222.00 sq ft at 10.00 psf/pa	172,220	
	Net annual income	172,220	
	Capitalised at 8% Yield	2,152,750	
	Less Unpaid Rent: 18 Months Income	258,330	
	Less Purchasers costs at 5.8%	118,015	1,776,405
		<b>REVENUE</b>	45,591,188

**COSTS**

<b>Site Value</b>		<b>1</b>	
Site Legal Fees	at 0.50%	0	
Site Agency Fees	at 1.00%	0	
		Site Costs	1
S106		1,242,000	
CIL		1	
		Initial Payments	1,242,001
Sainsbury	121,400.00 sq ft at 121.00 psf	14,689,400	
Library	16,544.00 sq ft at 150.00 psf	2,481,600	
Community	2,974.00 sq ft at 110.00 psf	327,140	
Medical Centre	24,500.00 sq ft at 140.00 psf	3,430,000	
A1-3 Units	17,222.00 sq ft at 100.00 psf	1,722,200	
Car Parking	904 spaces at 2,000.00 ea.	1,808,000	
Demolition		200,000	
Public Realm		600,000	
Access Upgrade		2,700,000	
Infrastructure & Utilities		1,000,000	
Contingency	at 5.00%	1,447,917	
Professional Fees	at 10.00%	2,895,834	
		Build Costs	33,302,091
Letting Agents Fee	at 10.00%	284,632	
Letting Legal Fees	at 5.00%	142,316	
Invest.sale Agents Fee	at 1.00%	485,236	
Invest.sale Legal Fees	at 0.50%	242,618	
		Disposal Fees	1,154,802
Marketing		50,000	
		End Payments	50,000
<b>Interest</b>			1,961,673
<b>PROFIT</b>	7,880,620	<b>COSTS</b>	37,710,569
<b>PROFIT/SALE</b>	17.29%	<b>PROFIT/COST</b>	20.90%
<b>IRR</b>	34.42%	<b>RENT COVER</b>	2.8 years
<b>YIELD/COST</b>	7.55%		

NPV/IRR Figures EXCLUDE Interest

**Scenario 3a without CIL**

**REVENUE**

Discount Food	16,146.00 sq ft at 15.00 psf/pa	242,190	
	Net annual income	242,190	
	Capitalised at 6% Yield	4,036,500	
	Less Unpaid Rent: 12 Months Income	242,190	
	Less Purchasers costs at 5.8%	221,283	3,573,027
Medical Centre	24,500.00 sq ft at 15.00 psf/pa	367,500	
	Net annual income	367,500	
	Capitalised at 7% Yield	5,250,000	
	Less Unpaid Rent: 12 Months Income	367,500	
	Less Purchasers costs at 5.8%	287,807	4,594,693
A1-3 Units	13,993.00 sq ft at 10.00 psf/pa	139,930	
	Net annual income	139,930	
	Capitalised at 8% Yield	1,749,125	
	Less Unpaid Rent: 18 Months Income	209,895	
	Less Purchasers costs at 5.8%	95,888	1,443,342
Pub	6,458.00 sq ft at 15.00 psf/pa	96,870	
	Net annual income	96,870	
	Capitalised at 6.5% Yield	1,490,308	
	Less Unpaid Rent: 12 Months Income	96,870	
	Less Purchasers costs at 5.8%	81,699	1,311,738

**REVENUE** 10,922,801

**COSTS**

**Site Value**

Site Legal Fees	at 0.50%	0	
Site Agency Fees	at 1.00%	0	
		Site Costs	1
S106		1,242,000	
CIL		1	
		Initial Payments	1,242,001

Discount Food	16,146.00 sq ft at 121.00 psf	1,953,666	
Library	16,544.00 sq ft at 150.00 psf	2,481,600	
Community	2,974.00 sq ft at 110.00 psf	327,140	
Medical Centre	24,500.00 sq ft at 140.00 psf	3,430,000	
A1-3 Units	13,993.00 sq ft at 100.00 psf	1,399,300	
Pub	6,458.00 sq ft at 140.00 psf	904,120	
Car Parking	783 spaces at 2,000.00 ea.	1,566,000	
Public Realm		600,000	
Access		2,000,000	
Infrastructure & Utilities		1,000,000	
Contingency	at 5.00%	783,091	
Professional Fees	at 10.00%	1,566,183	
		Build Costs	18,011,100

Letting Agents Fee	at 10.00%	84,649	
Letting Legal Fees	at 5.00%	42,325	
Invest.sale Agents Fee	at 1.00%	118,393	
Invest.sale Legal Fees	at 0.50%	59,196	
		Disposal Fees	304,562
Marketing		50,000	
		End Payments	50,000

<b>Interest</b>			1,176,911
<b>PROFIT</b>	-9,861,774	<b>COSTS</b>	20,784,575
<b>PROFIT/SALE</b>	-90.29%	<b>PROFIT/COST</b>	-47.45%
<b>IRR</b>	-54.61%	<b>RENT COVER</b>	-11.7 years
<b>YIELD/COST</b>	4.07%		

NPV/IRR Figures EXCLUDE Interest

**Scenario 3b without CIL**

**REVENUE**

Food Store	35,000.00 sq ft at 19.00 psf/pa	665,000	
	Net annual income	665,000	
	Capitalised at 5.25% Yield	12,666,667	
	Less Unpaid Rent: 12 Months Income	665,000	
	Less Purchasers costs at 5.8%	694,392	11,307,275
Medical Centre	24,500.00 sq ft at 15.00 psf/pa	367,500	
	Net annual income	367,500	
	Capitalised at 7% Yield	5,250,000	
	Less Unpaid Rent: 12 Months Income	367,500	
	Less Purchasers costs at 5.8%	287,807	4,594,693
A1-3 Units	13,993.00 sq ft at 10.00 psf/pa	139,930	
	Net annual income	139,930	
	Capitalised at 8% Yield	1,749,125	
	Less Unpaid Rent: 18 Months Income	209,895	
	Less Purchasers costs at 5.8%	95,888	1,443,342
Pub	6,458.00 sq ft at 15.00 psf/pa	96,870	
	Net annual income	96,870	
	Capitalised at 6.5% Yield	1,490,308	
	Less Unpaid Rent: 12 Months Income	96,870	
	Less Purchasers costs at 5.8%	81,699	1,311,738

**REVENUE** 18,657,048

**COSTS**

Site Value		1	
Site Legal Fees	at 0.50%	0	
Site Agency Fees	at 1.00%	0	
		Site Costs	1
S106		1,242,000	
CIL		1	
		Initial Payments	1,242,001

Food Store	35,000.00 sq ft at 121.00 psf	4,235,000	
Library	16,544.00 sq ft at 150.00 psf	2,481,600	
Community	2,974.00 sq ft at 110.00 psf	327,140	
Medical Centre	24,500.00 sq ft at 140.00 psf	3,430,000	
A1-3 Units	13,993.00 sq ft at 100.00 psf	1,399,300	
Pub	6,458.00 sq ft at 140.00 psf	904,120	
Car Parking	904 spaces at 2,000.00 ea.	1,808,000	
Public Realm		600,000	
Access		2,000,000	
Infrastructure & Utilities		1,000,000	
Contingency	at 5.00%	909,258	
Professional Fees	at 10.00%	1,818,516	
		Build Costs	20,912,934

Letting Agents Fee	at 10.00%	126,930	
Letting Legal Fees	at 5.00%	63,465	
Invest.sale Agents Fee	at 1.00%	199,963	
Invest.sale Legal Fees	at 0.50%	99,982	
		Disposal Fees	490,340
Marketing		50,000	
		End Payments	50,000

**Interest** 1,311,011

**PROFIT** -5,349,239 **COSTS** 24,006,287

**PROFIT/SALE** -28.67% **PROFIT/COST** -22.28%

**IRR** -22.05% **RENT COVER** -4.2 years

**YIELD/COST** 5.29%

NPV/IRR Figures EXCLUDE Interest