Ministry of Housing,
Communities &
Local Government

Land Value Estimates for Policy Appraisal

May 2017 Values

May 2018
Valuations Office Agency
Ministry of Housing, Communities and Local Government

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May 2018

ISBN: 978-1-4098-5252-0

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Guidelines for use

The land values presented here have been provided specifically for the purpose of policy appraisal and are based on the assumptions set out in this document. It is strongly recommended that they are not used for any other purpose and it is important to emphasise that they have been produced adopting different assumptions from the Property Market Report previously published by the Valuation Office Agency.

Whilst the model adopted by the Valuation Office Agency is designed to provide a consistent approach to valuations across England's local authorities, it should be noted that residual valuations are highly sensitive to small changes in the inputs. As a result the values of a particular site may vary significantly from the 'typical residential site' value for the local authority that is provided in this document; where land values for a specific site under appraisal are known these should therefore be used over the 'typical values' presented in this document.

Further detailed assumptions associated with all these values are provided in Annex A.

Residential land values

The valuations have been undertaken using a truncated residual valuation model. This involves valuing the proposed development and deducting the development costs, including allowances for base build cost, developer's profit, marketing costs, fees, and finance to leave a "residual" for the site value.

The purpose of these values is to use in appraising land projects from a social perspective, in line with Green Book principles[1]. The values here assume nil Affordable Housing provision in order to give pure residential use value, rather than market value. In reality we expect the market value of land to reflect the cost of affordable housing provision.

Values provided for England and the LEPs are weighted averages. They are weighted by net additions to the housing stock by local authority.

Industrial land values

The value estimates for industrial land can be used to proxy alternative use value for developments on brownfield land. These are provided for hypothetical sites in England assuming:

- A typical urban, brownfield location, with nearby uses likely to include later, modern residential developments;
- All services are assumed available to the edge of the site;
- Use is restricted to industrial/warehouse and full planning consent is in place;
- There are no abnormal site constraints or contamination and/or remediation issues;

Commercial land values

Outside of London, two values for commercial land are provided, on the following basis;

- City centre offices assumed to be of 4,106 sq. meters net
- Out of town offices, assumed to be in business park type locations, 10,187 sq. meters net

In London values are provided for grade A office space which are:

- 9,662 sq. meters net in Inner London
- 10,266 sq. meters net in Outer London

1 https://www.gov.uk/government/publications/the-green-book-appraisal-and-evaluation-in-central-governent

Agricultural land values

Agricultural land values are provided for hypothetical sites which are typical for the region. These values exclude any uplift from ‘pony paddock’ markets or hope value, therefore representative values appropriate for a commercial agriculture user.

These values are also appropriate for use in valuing greenfield land.

Annex A

Assumptions applying to all valuations

1. The valuations are desk based without inspections of the locality.

2. All sites are assumed to be freehold with vacant possession.

3. It is assumed that the land and its value are unaffected by any statutory notice or proposal or by any matters that would be revealed by a local search and replies to the usual enquiries, and that neither the proposed construction of the new property will be unlawful or in breach of any covenant.

4. Any liability for the Community Infrastructure Levy, even where it was chargeable as at 1 March 2015, has been excluded.

Assumptions applying to residential land values only

1. The figures provided assuming nil Affordable Housing provision are hypothetical and in the majority of local authorities, it is likely that such a scheme would not obtain planning consent. The figures on this basis, therefore, may be significantly higher than could reasonably be obtained for land in the actual market.

2. It has been assumed that full planning consent is already in place; that no grants are available and that no major allowances need to be made for other s106/s278 costs.

3. Valuation Office Agency's local valuers have identified sites considered to be 'typical' for the local authority area based on their own knowledge and experience of that area.

4. The figures provided are appropriate to a single, hypothetical site and should not be taken as appropriate for all sites in the locality.

5. In a number of cases schemes that do not produce a positive land value in the model. Based on VOA market knowledge a 'reserve value' (£2,470,000 for London and £370,000 elsewhere) has been adopted to represent a figure at less than which it is unlikely (although possible in some cases) that one hectare of land would be released for residential development. This has been taken on a national basis and clearly there will be instances where the figure in a particular locality will differ based on supply and demand, values in the area, potential alternative uses etc. and other factors in that area.

6. The Valuation Office Agency assumed that each site is 1 hectare in area, of regular shape, with services provided up to the boundary, without contamination or abnormal development costs, not in an underground mining area, with road frontage, without risk of flooding, with planning permission granted and that no grant funding is available; the site will have a net developable area equal to 80 per cent of the gross area.

7. For those local authorities outside London, the hypothetical scheme is for a development of 35 two storey, 2/3/4 bed dwellings with a total floor area of 3,150 sq. metres.

8. Different assumptions are used for inner and outer London:

- For outer London the hypothetical site consists of 97 units comprising 1 to 4 bed flats with a gross building area of 8,672 sq. meters and a net sales area of 7,371 sq. meters
- For inner London the hypothetical site consists of 215 units comprising 1 to 4 bed flats with a gross building area of 19,457 sq. meters and a net sales area of 16,538 sq. meters

9. These densities are taken as reasonable in the context of this exercise and with a view to a consistent national assumption. However, individual schemes in many localities are likely to differ from this and different densities will impact on values produced.

10. Where recent, local data is available, lower quartile build costs are taken from the RICS Building Cost Information Service. Where this is absent, recent cost figures from neighbouring locations are applied.

11. Basic build costs are increased by 15 per cent to cover any external works, service connections, gardens, fencing and roads.

12. Profit is taken at 17 per cent of gross development value (GDV) for market housing (17.5 per cent in London)

13. Fees are taken at 8 per cent of build costs.

14. Marketing costs are assumed at 3per cent of the sale price.

15. Finance cost is calculated using a cashflow with a 6 per cent debit rate and a 2 per cent credit rate.