



# Hillingdon Typology Assessment

September 2023

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**For and on behalf of Avison Young (UK) Limited**

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# 1. Introduction

## VIABILITY CONSIDERATIONS

- 1.1. This report takes the conceptualised workspace typologies, provided by Maccreanor Lavington, one step further and considers the viability implications and considerations that could arise to deliver these new workspace forms, in Hillingdon.
- 1.2. It should be noted that the assessment is not intended to be site specific, nor test all potential forms of workspace development that could conceivably come forward.
- 1.3. A range of industry standard data sources have been used to inform the analysis, including Costar, EGi, Moliior, Land Registry, Nimbus, Zoopla to determine the values and cost assumptions. These have allowed us to test key value and location characteristics that reflect the sub-areas markets.
- 1.4. Please note that the values and assumptions detailed in this section reflect a point in time, June to September 2023. We stress that the following appraisals are **not** in accordance to RICS red book, and should not be relied on for future valuations. Avison Young, remains the right to amend the recommendations in this section should new information come to light.

## APPRAISAL METHODOLOGY

- 1.5. In line with practice, the residual method of valuation has been used to establish a Residual Land Value ('RLV'):

$$\text{Gross Development Value} - \text{Development Costs (including Developer's Profit)} = \text{RLV}$$

- 1.6. In order to test viability, the RLV is compared to a Benchmark Land Value ("BLV"), the land value required to incentivise a hypothetical land owner to promote development.
- 1.7. If the RLV is sufficiently greater than a BLV then the scheme is considered potentially commercially attractive and a landowner is likely to be sufficiently incentivised to release the site for development. If the RLV is roughly equivalent to the BLV then the scheme is marginally viable. If the RLV is less than the BLV then the scheme is commercially unattractive and there is little incentive for the landowner to bring the site forward for redevelopment.

## BENCHMARK LAND VALUES

- 1.8. There are a number of methods to determine the BLV. We are aware that the RICS Guidance Note<sup>1</sup> recommends a Market Value approach to determine the existing use value, and the GLA guidance

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<sup>1</sup> RICS GN 'Financial Viability in Planning' (GN 94/2012, 1<sup>st</sup> Edition, 2012)

recommends a landowner’s premium of 20% on top of this. This approach has been adopted by a number of studies, including the Industrial Intensification and Co-location study: Design and Delivery Testing (2018) which forms part of the London Plan evidence. This approach has been outlined in the London Plan Guidance, Development Viability, Consultation Draft (May 2023).

- 1.9. For the purpose of this assessment, Avison Young have relied on recent transactional sales to establish BLVs, as well as the Land Value Estimates for Policy Appraisals (2019).
- 1.10. To reflect industrial land values across the Borough outside of this premium, we have sought to rely on the Land Value Estimates for Policy Appraisals (2019) and transactional evidence. We are aware that Glebe Farm (a 3.7 acre site) transacted in Ruislip in April 2022 for £6.5mn, equating to £4.6mn per hectare. A 1 acre site at Dawley Road transacted for £3.2mn, equating to £7.9mn per hectare in August 2021. This indicates that general industrial land values may be at c.£6mn per hectare.
- 1.11. From our investigation we are aware that there may be a premium for industrial land in/around the Heathrow / Hayes area. Our agents, and recent transactional activity, indicates a land value of £11.25mn per hectare. In line with GLA guidance, a 20% premium has been applied equating to a BLV of £13.4mn adopted for the testing.

**Table 1: Benchmark Land Values**

Benchmark Land Value per hectare	
General Industrial	£6 million
Heathrow / Hayes Industrial	£13.4 million

Source: Costar, 2023

**Table 2: Benchmark Land Values adopted for testing**

	General Industrial	Heathrow / Hayes Industrial
Heathrow		X
Hayes Corridor		X
Uxbridge	X	
Ruislip	X	
North Hillingdon	X	

Source: Avison Young, 2023

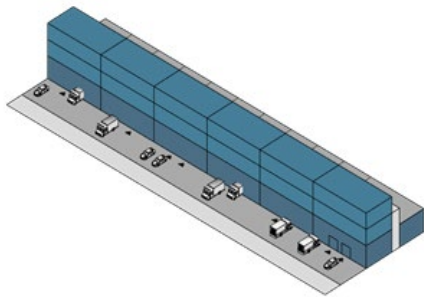
- 1.12. It is acknowledged that BLVs have always been a highly contested point of debate within policy viability appraisals. We are well aware that there are a number of different approaches that could be adopted,

and as such it imperative to understand that the outcomes of these appraisals are indicative only. It is encouraged that as sites come forward, more detailed investigations are conducted.

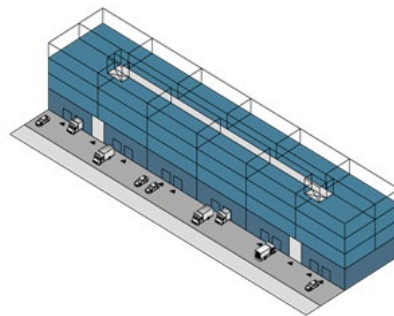
## 2. Typologies tested

2.1 Avison Young have tested the typologies provided by Maccreanor Lavington Architects (set out in Chapter 6, of the main report):

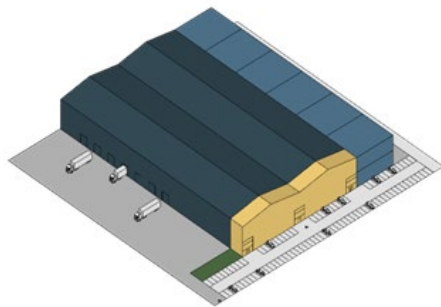
**Figure 1: Typologies**



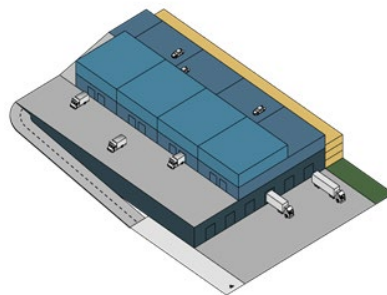
Typology A.1



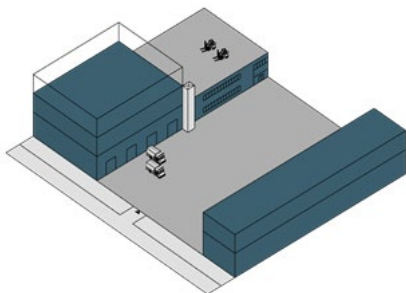
Typology A.2



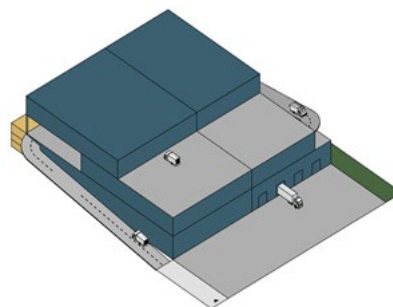
Typology B.1



Typology B.2



Typology C.1



Typology C.2

*Source: Maccreanor Lavington, 2023*

2.2 Testing has been carried out where it is assumed typologies are most likely be delivered in the current urban form.

**Table 3: Typologies Tested**

		Clusters				
		A: Heathrow	B: Hayes Corridor	C: Uxbridge	D: Ruislip	E: North Hillingdon
Typologies	A.1 SMALL		X	X	X	X
	A.1 LARGE		X			
	A.2 SMALL		X	X	X	
	A.2 LARGE		X			
	B.1 LARGE	X	X			
	B.2 SMALL	X				
	B.2 LARGE	X				
	C.1 SMALL		X	X		
	C.1 LARGE		X	X		
	C.2 SMALL			X		
	C.2 LARGE		X			

Source: Maccreeanor Lavington, 2023

**Table 4: Typologies Areas**

Typology	Small GIA sqm	Plot (ha)	Large GIA sqm	Plot (ha)
A.1	1,890	0.25	5,130	0.4
A.2	5,130	0.3	15,525	0.6
B.1	<b>N/A</b>	<b>N/A</b>	13,230	2.15
B.2	9,000	1.3	14,220	1.3
C.1	6,030	1	11,610	1.4
C.2	10,125	1.4	14,535	1.4

Source: Maccreeanor Lavington, 2023

## BASE ASSUMPTIONS

- 1.13. Table 5 outlines the base assumptions used. This reflects industry standards and our previous knowledge and experience in other projects of a similar nature.

**Table 5: Assumptions**

	Assumption	
Profit GDV	15%	
Abnormals	£5	per sqft
Contingency	5%	total build costs
Stamp duty	5%	
Stamp duty legal and sale fee	1.8%	
Sale Agent Fee	1.0%	
Sale Legal Fee	0.25%	
Marketing Fee	1.0%	Applied to commercial
Professional fees	7%	
Finance rate	6%	

	Assumption	
Demolition	£6	per sqft

Source: Avison Young, 2023

## VALUES AND COSTS

- 1.14. The value and costs outlined in the following paragraphs are derived from reviewing the averages £ per sqft across the sub-areas. Whilst it is understood that higher rental prices may be marketed in these sub areas, we would consider this to be aspirational. To ensure that the outcome of the testing is robust, historical rental data is analysed, and an average of achieved rents reflective of the sub area as a whole have been adopted.
- 1.15. Table 6 shows the average industrial values across the sub-areas.

**Table 6: Average Industrial rents (£/sqft) and yields (%)**

	Rents £/sqft	Yields (%)
Heathrow	£18.00	3%
Hayes Corridor	£17.00	4%
Uxbridge	£14.00	5%
Ruislip	£13.00	5%
North Hillingdon	£11.00	6%

Source: Costar, 2023

## CIL Charges

- 1.16. Table 7 outlines the gross CIL charges for each typology. Note that 50% of this has been applied to the testing to account for an increased in new floorspace. This is a generalised assumption.

**Table 7: CIL Charges**

	£PSM TOTAL	50% £PSM Applied
A.1 SMALL	£120,170	£60,085
A.1 LARGE	£326,176	£163,088
A.2 SMALL	£326,176	£163,088
A.2 LARGE	£987,112	£493,556
B.1 LARGE	£940,284	£470,142
B.2 SMALL	£639,649	£319,824
B.2 LARGE	£1,010,645	£505,323
C.1 SMALL	£383,400	£191,700
C.1 LARGE	£738,188	£369,094

	£PSM TOTAL	50% £PSM Applied
C.2 SMALL	£643,769	£321,884
C.2 LARGE	£924,166	£462,083

Source: Respective local authorities' CIL Charging schedules, BCIS, and MCIL2 charging schedule, 2023

### Build Costs

- 1.17. To determine the build costs for the commercial and residential components, Avison Young have referred to the information provided by BCIS (Building Cost Information Service). An average of the build cost per sqft for each typology has been adopted for the assessment. This is outlined in Table 8.

**Table 8: Build Cost (£ / sqft)**

	Build Costs £PSF	NB
A.1 SMALL	£106	
A.1 LARGE	£141	Increased to 3 storeys and max plot size
A.2 SMALL	£106	
A.2 LARGE	£141	Increased 4 to 6 storeys and max plot size
B.1 LARGE	£141	Large only
B.2 SMALL	£141	
B.2 LARGE	£141	Increases 2 to 3 storeys
C.1 SMALL	£106	
C.1 LARGE	£141	Increased 1 to 2 storeys. Larger yard
C.2 SMALL	£141	
C.2 LARGE	£141	Increased 2 to 3 storeys

Source: BCIS, Avison Young analysis, 2023

### Timings

- 1.18. BCIS and Avison Young's previous knowledge and experience has been used to determine the development timings for the appraisals. For the purposes of this exercise, it is assumed that the industrial units are let and sold at completion.

**Table 9: Timings**

	Pre-Construct (months)	Construct (months)	Sale (months)
A.1 SMALL	3	6	1
A.1 LARGE	3	12	1
A.2 SMALL	3	12	1
A.2 LARGE	6	18	1
B.1 LARGE	6	18	1



	Pre-Construct (months)	Construct (months)	Sale (months)
B.2 SMALL	6	12	1
B.2 LARGE	6	18	1
C.1 SMALL	3	12	1
C.1 LARGE	6	12	1
C.2 SMALL	6	12	1
C.2 LARGE	6	18	1

Source: BCIS, Avison Young analysis, 2023

### 3. Appraisal outcomes

3.1 The results of the appraisals are detailed in Table 10 and Table 11.

**Table 10: Outcome - General Industrial BLV**

		Residual Land Value	Residual Land Value per hectare	General Industrial Benchmark Land Value per hectare	Outcome
A.1 SMALL	Uxbridge	£1,525,988	£6,103,952	£6,000,000	Marginal
A.1 SMALL	Ruislip	£1,252,091	£5,008,364	£6,000,000	Not Viable
A.1 SMALL	North Hillingdon	£197,218	£788,872	£6,000,000	Not Viable
A.2 SMALL	Uxbridge	£4,136,377	£13,787,923	£6,000,000	Viable
A.2 SMALL	Ruislip	£3,403,937	£11,346,457	£6,000,000	Viable
C.1 SMALL	Uxbridge	£4,607,416	£4,607,416	£6,000,000	Not Viable
C.1 LARGE	Uxbridge	£4,632,905	£3,309,218	£6,000,000	Not Viable
C.2 SMALL	Uxbridge	£3,970,912	£2,836,366	£6,000,000	Not Viable

Source: Avison Young analysis, 2023

**Table 11: Outcomes - Hayes / Heathrow BLV**

		Residual Land Value	Residual Land Value per hectare	Heathrow / Hayes Benchmark Land Value per hectare	Outcome
A.1 SMALL	Hayes Corridor	£3,523,181	£14,092,724	£13,500,000	Viable
A.1 LARGE	Hayes Corridor	£7,506,382	£18,765,955	£13,500,000	Viable
A.2 SMALL	Hayes Corridor	£9,477,176	£31,590,587	£13,500,000	Viable
A.2 LARGE	Hayes Corridor	£21,605,651	£36,009,418	£13,500,000	Viable
B.1 LARGE	Heathrow	£33,674,121	£15,662,382	£13,500,000	Viable
B.1 LARGE	Hayes Corridor	£17,730,255	£8,246,630	£13,500,000	Not Viable
B.2 SMALL	Heathrow	£23,881,775	£18,370,596	£13,500,000	Viable
B.2 LARGE	Heathrow	£36,585,537	£28,142,721	£13,500,000	Viable
C.1 SMALL	Hayes Corridor	£10,885,241	£10,885,241	£13,500,000	Not Viable

		Residual Land Value	Residual Land Value per hectare	Heathrow / Hayes Benchmark Land Value per hectare	Outcome
C.1 LARGE	Hayes Corridor	£16,541,414	£11,815,296	£13,500,000	<b>Not Viable</b>
C.2 LARGE	Hayes Corridor	£14,356,291	£10,254,494	£13,500,000	<b>Not Viable</b>

Source: Avison Young analysis, 2023

## OUTCOME – SUMMARY

3.2 The outcome of the base testing outlined the following emerging findings:

- Across the board, current build costs are relatively high, dampening viability and delivery. This is particularly onerous in ‘weak’ rental locations i.e. outside of Hayes / Heathrow locality.
- The adopted average value sets in Uxbridge is largely insufficient to support delivery of typologies requiring larger plots. Typology A.2 Small is marginally viable owing to the 0.25 hectare plot size.
- Adopted average values sets in North Hillingdon are the lowest amongst the cluster (in line with leasing activity – this significantly affects development delivery. This is not surprising, there is limited / no new development in the area coming forward, which we expect is due to a range of location-specific factors culminating poor demand. We do not anticipate rents will improve in the longer term to shift the viability outcome for stacked typologies.
- Adopted average value sets in Ruislip can support development delivery of one typology - A2 Small. Delivery of larger typologies namely A.2 Small, which requires a 0.3ha plot, is unable to generate a sufficient return above and beyond the cost of the current industrial land at £6mn / hectare. Ruislip’s current industrial land is relatively concentrated across a handful of sites, and whilst we have seen some leasing activity which could suggest higher rents are achievable, this is mainly for smaller units (smaller than the typologies tested). The rental profile may improve in Ruislip, but we expect this to be in the longer term.
- Value sets in Heathrow are sufficient to support delivery of industrial typologies tested. This mirrors current market activity in the area.
- Majority of typologies tested are viable in Hayes Corridor. A marginal increase in rental values could improve the viability outcomes on C.1 Small, C.1 Large and C.2 Large. We believe value sets in Hayes are improving as demand radiates from the Heathrow area. To account for this trend, we have run sensitivity tests on the rental profile for Hayes. This is set out below.

## SENSITIVITY TESTING

1.19. The testing adopts an 'average' price for industrial rents at Hayes (c.£17psf). However (as noted above) given the proximity to Heathrow and the demand in the area, new build stock is achieving an upwards of £20psf (an increase of 15%). For example, a c.34,550 sqft unit at North Hyde Garden was let at £20psf to Transglobal Express. Taking this into consideration, we have re-run the testing for Hayes to determine the impact of an 15% and 20% uplift in rents to understand the impact of delivering Industrial typologies at 'new build' prices potentially across the plan period. This has been focused on the typologies in the base testing shown to be unviable: B.1 Large, C.1 Small, C.1 Large and C.2 Large.

**Table 12: Sensitivity Testing - Hayes**

		Rent / % Increase	Residual Land Value	Residual Land Value per hectare	Heathrow / Hayes Benchmark Land Value per hectare	
B.1 LARGE	Hayes Corridor	£20.40 / 15% Increase	£25,422,660	£11,824,493	£13,500,000	<b>Not Viable</b>
B.1 LARGE	Hayes Corridor	£21.42 / 20% Increase	£27,730,382	£12,897,852	£13,500,000	<b>Not Viable</b>
B.1 LARGE	Hayes Corridor	£22.44 / 25% Increase	£30,038,104	£13,971,211	£13,500,000	<b>Marginal</b>
B.1 LARGE	Hayes Corridor	£23.46 / 30% Increase	£32,345,826	£15,044,570	£13,500,000	<b>Viable</b>
C.1 SMALL	Hayes Corridor	£20.40 / 15% Increase	£14,333,797	£14,333,797	£13,500,000	<b>Viable</b>
C.1 LARGE	Hayes Corridor	£20.40 / 15% Increase	£20,018,662	£14,299,044	£13,500,000	<b>Viable</b>
C.2 LARGE	Hayes Corridor	£20.40 / 15% Increase	£20,421,288	£14,586,634	£13,500,000	<b>Viable</b>

Source: Avison Young analysis, 2023

1.20. As demonstrated above, a 15% increase in rents to c.£20.40, creates an optimal position for delivering typologies C.1 Small, C.1 Large and C.2 Large at Hayes.

1.21. For B.1 Large, a 25% increase in rents is required to drive a positive (albeit marginal) outcome. This may be due to the significant cost of land / size of the plot required, at c.2.15 hectares – the largest plot size of all typologies.

## FURTHER CONSIDERATIONS

1.22. The testing adopts 'average' values and costs, which provides a snapshot 'picture' on current viability and delivery dynamics across Hillingdon. As development proposals are brought forwards, the likelihood is that developers will adopt their own set of internal assumptions on profit, build costs and rental expectations. Therefore, from the Council's perspective each proposal brought forward through planning should be investigated on a site by site basis.

1.23. We recognise that the viability outcome for some typologies in this testing does not produce sufficient development value to meet the cost of the land. However, it is important to note that this testing reflects

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a point in time and that factors (to more favourable conditions) may change. The likelihood is that supply pressures felt across the borough and London more generally may create an environment that allows the market to deliver these typologies in the medium to longer term. Therefore our typology recommendation remains as is.



# Contact details

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