



OXFORD CITY COUNCIL – COMMUNITY INFRASTRUCTURE LEVY RESPONSE TO ISSUES RAISED DURING EXAMINATION IN PUBLIC

1. Introduction

During the Examination in Public held on 31 March 2025, Savills (appearing on behalf of Oxford Science Park, Royal London Mutual Insurance Society, Thomas White Limited and Oxford North Ventures) raised a number of points that had not been addressed in any of their representations.

They suggested that the Benchmark Land Values for sites 6 and 9 were incorrect and we agreed to review these.

In addition, they claimed that they had recreated all the appraisals using the inputs in CIL.5 and CIL.6 and that their outputs demonstrated that the proposed CIL rates could not be supported. They have subsequently submitted a further representation dated 3 April 2025 with additional information on costs which contains information not previously provided.

We have reviewed the additional information submitted by Savills and respond in the following sections.

2. Benchmark land values for sites 6 and 9

During the Examination hearing, Mr Reade of Savills suggested that the Benchmark Land Values for sites 6 and 9 were incorrect. This was the first time that this had been raised and was not a point addressed by any of Savills' representations. Nevertheless, we agree to look at this and respond in writing following the hearing.

Site 6 (Science Park Plot 16) is currently a nursery in existing use, which is akin to greenfield/ agricultural use with some small ancillary buildings and structures. We previously attributed a value of £324,461, but upon review, we have increased this to £964,582 to reflect the existing buildings.

Site 9 (Science Park – Littlemore House) is partly occupied by a building converted into office space from its original hospital use in the 1980s and had been occupied by SAE Institute as a media college until recently. However, the bulk of Plot 18 is undeveloped land. The existing Littlemore House was only used by SAE under a personal permission, which lapsed when they vacated the building. Consequently, it has a nil use and we had reflected this in the BLV. However, it is possible that a new permission could be granted for B1 use so we have reflected this through an increase in the BLV from the previous £3,557,402 to £10,575,706. The impact of these changes on the maximum CIL rates (as shown in Table 4 of CIL.6) are summarised in Table 2.1. As can be noted, adjustments to the BLV have very little bearing on the ability of these two sites to absorb the proposed CIL rate.

Table 2.1: Impact of adjustment to BLVs for sites 6 and 9 on surpluses (rent of £540 per square metre)

Scheme	Residual Land Value	BLV	Surplus (RLV - BLV)	GIA square metres	Surplus per square metre	Proposed CIL rate as % of surplus
Site 6 – using original BLV	£32,656,650	£324,461	£32,332,189	19,823	£1,631	10%
Site 6 – using adjusted BLV	£32,656,650	£964,582	£31,692,068	19,823	£1,599	11%
Site 9 – using original BLV	£43,933,186	£3,557,402	£40,375,784	26,668	£1,514	11%
Site 9 – using adjusted BLV	£43,933,186	£10,575,706	£33,357,480	26,668	£1,251	13%



3. Savills' appraisals using our inputs

The claim by Mr Reade during the Examination that his appraisals using our inputs do not support the proposed CIL rates, does not withstand scrutiny and is demonstrably false.

Notwithstanding the fact that the recreated appraisals contain errors and misunderstandings (addressed later), the outputs of Savills' appraisals are summarised in Table 3.1. These outputs are not set out clearly in the body of Savills' letter. One needs to delve into Appendix 3 to see the outputs.

Table 3.1: Savills appraisal outputs

Scheme	Residual Land Value	BLV	Surplus (RLV - BLV)	GIA square metres	Surplus per square metre	Proposed CIL rate as % of surplus
3 Arc Trinity House	£19,464,274	£6,777,038	£12,687,236	17,669	£718	23%
6 Oxford Science Park Plot 16	£21,837,133	£324,461	£21,512,672	19,823	£1,085	16%
6 Oxford Science Park Plot 16 (using Savills' claimed BLV)	£21,837,133	£14,649,600	£7,187,533	19,823	£363	47%
9 Oxford Science Park Plot 18	£29,377,625	£3,557,402	£25,820,223	26,668	£968	17%
9 Oxford Science Park Plot 18 (using Savills' claimed BLV)	£29,377,625	£35,555,900	-£6,178,275	26,668	-£232	-73%
15 Oxford North Plot B	£96,170,193	£11,215,625	£84,954,568	87,300	£973	17%
17 Oxford North Plot B	£18,243,695	£2,127,628	£16,116,067	16,564	£973	17%

As can be noted in Table 3.1, even if one takes Savills' appraisals as read, in all but one of the seven cases they have tested, the surpluses generated far exceed the proposed CIL rate of £168.74, in most cases by significant margins. The proposed CIL rate is as low as 17% of the surplus and no more than 47% of the surplus in a single case.

In a single case (Site 9), the residual land value is lower than the BLV, but that is because Savills have incorrectly calculated the BLV (which we address later). However, if Savills' BLV for Site 9 were correct, the only logical conclusion that one could draw from their analysis is that the landowner would retain the existing building, as it is clearly more valuable than a redevelopment. This case would therefore (in principle) be discounted from the CIL rate setting process as it would not be a site that would come forward.

4. Errors in Savills' appraisals

Notwithstanding the fact that Savills' appraisals actually provide further support for the Council's proposed CIL rates and fatally undermine the claims that Mr Reade made during the Examination, the appraisals themselves contain errors which result in the RLVs being understated. These errors are as follows:

Table 4.1: Errors in Savills' appraisals

Appraisal input	Savills assumption	Correct assumption	Comments
Gross: Net	80%	85%	Significant reduction in lettable area in relation to costs
Sustainability (% of construction costs)	15%	5%	Results in construction costs being overstated by 10%
Plot externals (% of construction costs)	11.5%	10%	Overstatement in cost
Professional fees (% of construction costs)	12.64%	10%	Overstatement in cost
Marketing	Varying cash sums from £680,000 to £3,595,363	Nil	Marketing only relates to residential developments (show homes etc). No such costs are incurred for commercial developments.
Profit (% of GDV)	15.86%	15.00%	Savills have applied the profit to the capital value before deducting the rent free period.

If these issues are corrected, then the outputs of Savills' appraisals would be more closely aligned with ours. Nevertheless, as noted above, even with their errors, their appraisals support the proposed CIL rates.

5. Construction costs

Savills have produced a further set of appraisals, retaining all of the errors above, but then also applying higher construction costs of £427 per square foot (compared to the £277 per square foot applied in CIL.5 and CIL.6. This is based on Lab Enabled Life Sciences floorspace, which far exceeds the specification of space that we had assumed in using a rent of £50 - £55 per square foot in CIL.5.

Consequently, in adopting a cost for Laboratory Enabled Space but retaining a rent that reflects a much lower specification of space, Savills' appraisals significantly skew the outcome. This is clearly demonstrated by the outputs of their appraisals which incorrectly claim that all of the potential developments in Oxford would generate hugely negative residual land values. These outputs clearly do not pass any 'stand back' test – if they were correct, then none of the landowners would be contemplating any form of development in the Oxford City area.

The disconnect between the costs and specification that Savills have assumed and the rents that they have applied is the cause of the apparent complete lack of viability of any form of office development in Oxford. If their appraisals were re-run, but using a rent that *reflects life sciences floorspace* (which is what they have costed for), then the outputs would be positive. Carter Jonas' *"Life Sciences Research Report"* (Spring 2024)¹, indicates that rents for Life Sciences floorspace in Oxford far exceed those applied in CIL.6:

*"Robust demand amid limited availability means that prime life science park and city centre rents have outpaced their pre-pandemic levels, and prime Grade A office space is now heading towards £65 per sq ft. However, it should be noted that there is significant variation in both the quality and the approach of landlords of **laboratory-enabled space, with evidence of fitted lab space exceeding £100 per sq ft**".* [emphasis added]

¹ <https://www.carterjonas.co.uk/commercial/research/life-sciences-research-report/spring-2024>



The outputs of the appraisals using Savills' Lab-Enabled Space cost of £427 per square foot and Lab-Enabled rents of £78.50 per square foot and a yield of 4.75%² are summarised in Table 5.1. These outputs demonstrate that when consistent construction costs and rents are applied, the developments tested by Savills show significant surplus residual values. The proposed CIL can be easily absorbed by these surpluses, amounting to between 6% and 9% of the surplus only.

Table 5.1: Appraisals re-run with consistent Lab-fitted rents (£78.50 per square foot), lab-fitted yield (4.75%) and Savills' Lab-Enabled costs (£427 per square foot)

_Scheme	Residual Land Value	BLV	Surplus (RLV - BLV)	GIA square metres	Surplus per square metre	Proposed CIL rate as % of surplus
3 Arc Trinity House	£48,136,156	£6,777,038	£41,359,118	17,669	£2,341	7%
6 Oxford Science Park Plot 16	£54,004,359	£324,461	£53,679,898	19,823	£2,708	6%
6 Oxford Science Park Plot 16 (using revised BLV)	£54,004,359	£964,582	£53,039,777	19,823	£2,676	6%
9 Oxford Science Park Plot 18	£72,652,385	£3,557,402	£69,094,983	26,668	£2,591	7%
9 Oxford Science Park Plot 18 (using revised BLV)	£72,652,385	£10,575,706	£62,076,679	26,668	£2,328	7%
15 Oxford North Plot B	£168,159,039	£11,215,625	£156,943,414	87,300	£1,798	9%
17 Oxford North Plot B	£45,117,600	£2,127,628	£42,989,972	16,564	£2,595	7%

6. Conclusions

We welcome this opportunity to respond to Savills' unsubstantiated claims made during the Examination hearing on 31 March. It is unfortunate that they had not incorporated these new points in their representations as this denied the Council an opportunity to respond prior to the hearing. Nevertheless, as set out in this note, Savills claims do not withstand scrutiny and rely upon selective use of the data and assumptions on rents and build costs which are inconsistent.

As set out in the points above, there is nothing in the Savills post-Examination note that indicates that the proposed CIL rate would threaten the viability of R&D/office floorspace in Oxford. As discussed during the Examination hearing, the proposed rate equates to between 1.64% and 2.6% of development costs (and an even lower proportion when using Savills' costs), which is well within the normal accepted range.

BNP Paribas Real Estate
10 April 2024

² Reflecting the rents identified for prime fitted labs in the Bidwells Databook – Oxford Offices and Labs February 2025. Bidwells also note in the same report that investment yields for laboratories are 4.75%, which is far keener than the 5.75% we applied in CIL.6. <https://www.bidwells.co.uk/insights-reports-events/oxford-databook-offices-labs-february-2025/>

The Carter Jonas study clearly indicates that rents could far exceed £78.50 per square foot.