GL Hearn Limited
280 High Holborn
London WC1V 7EE

T: +44 (0)20 7851 4900
glhearn.com

Our ref:
Your ref:

Paul Creed
Development Manager
Greater London Authority
169 Union Street
London SE1 0LL

28 March 2018

Dear Paul

Beam Park

I refer to your request for GL Hearn to provide advice on the revised land payments proposed by Countryside for the above site to reflect the need to increase the affordable housing provision from 35% to 50%, in line with the Mayor's emerging planning requirements. In this letter I have set out the background context to the revised proposals, our review of the proposals and overall conclusions.

Background

Countryside was selected by the GLA in 2016, following a procurement using the London Development Panel, as preferred developer for the Beam Park site. A Development Agreement (DA) was entered into between Countryside and the GLA in July 2017. Countryside has a separate JV agreement with L&Q.

It was a requirement of the procurement and the DA that 35% affordable housing should be provided on site. The Countryside bid was for a £70million gross land value with phased land payments equating to a £52million net present value, based on a 2,781 unit scheme. Countryside subsequently submitted a hybrid planning application to LB Havering and LB Barking & Dagenham in July 2017 for up to 2,899 units.

In line with the Mayor's 2017 Homes for Londoners SPG the level of affordable housing is to be increased to 50%.

Countryside have indicated that they are prepared to revise their proposals to meet this requirement but that the land value will need to reduce to maintain scheme viability. In their letter dated 5 February 2018 addressed to the GLA, they have proposed a gross land payment of £17,136,821, increased to £19,380,209 with revised (deferred) payment terms, equivalent to a net present value of £12,750,110. This is based on a 3,000 unit development comprising 1,500 private units and 1,500 affordable units.

Review of the Revised Countryside Proposal

The Countryside revised financial proposal has been based on their bid financial proposal with costs and values updated to reflect the increase in scale (from 2,781 to 3,000 units) and the change in tenure mix (from 35% affordable housing to 50% affordable housing). The revisions are limited to these changes i.e. it has been assumed that this revised proposal is what Countryside would have submitted in December 2015 (the date of their original bid submission) for a 3,000 unit scheme with 50% affordable housing.

For comparison purposes, Countryside have also provided a further financial appraisal which shows a financial update to the current day (i.e. it reflects current day costs and values). I have commented on each of these financial appraisals below.

Revised appraisal based on update of the original bid figures

The broad approach used is fairly crude but not unreasonable – there are proportionate adjustments to revenues and costs to reflect the change in tenure mix and overall increase in scale. For example;

a)	Private sales revenue at bid	£677,938,385
b)	Private units at bid	1,825
c)	Average private unit value at bid	£371,473.09 (a/b)
d)	Updated private units	1,500
e)	Updated private sales revenue	£557,209,632 (c x d)

Many of the other appraisal inputs – commercial revenues, abnormal costs, station construction costs, S106/CIL – are unchanged from the original bid figures and others – freehold reversions, development costs, sales and marketing cost costs, project management fees – are a fixed % of other inputs and therefore change proportionally.

In relation to profit margin, Countryside have applied a profit margin of 17% blended. The original Countryside bid did show a blended profit margin of 17%, although it was based on a split profit margin of 20% on private and commercial revenue and 5% on affordable revenue. There is an argument for saying that in re-appraising the scheme based on an update of the original bid figures that the 20%/5% profit margin figures should be applied, not the 17% blended.

Countryside have also included a further 1% ‘contingency’ on costs including profit to reflect increased risk. This is not strictly a contingency, but is an additional layer of profit. Countryside have explained this as being due to an increase in risk profile with the ability to cover construction cost inflation substantially lower due to the reduced number of private units. We also consider this point to be arguable. Whilst there may be a reduced ability to cover construction costs, there is also reduced sales risk due to the increased number of affordable units.

We note that Countryside have continued to include the value of freehold reversions (£5,587,215) in the appraisal. Following the recent Secretary of State statement about the introduction of legislation to fix ground rents at zero, it is accepted valuation practice now not to include any freehold reversion value in valuations. We would therefore be sympathetic to this value being removed from the appraisal.

Appraisal updated to today’s costs and values

Countryside have provided a further appraisal which updates costs and values to today. Again, it is fairly crude but is a useful measure, particularly in relation to consideration of the site market value.

For this appraisal private sales values have been increased from the 2015 bid level of £461 to £485 psf. This represents a 5.2% increase. Affordable income has increased on a pro-rata basis plus 2% increase and £42m of grant which is being used by L&Q to fund their agreement with Countryside. As above, the appraisal includes the value of freehold reversions (£5,587,215).

On the costs side of the appraisal, construction costs have increased by 15% which is in line with BCIS tender price indices. An additional cost of c£9m has been included for surcharging, which we understand is an additional cost that has emerged since Countryside were selected as preferred developer. S106/CIL costs have remained unchanged at c£16m although it is understood that it is likely these will be higher. Other costs are a fixed % of other inputs and have therefore changed proportionally.

Developer profit margin is applied at 20% on private and commercial revenue and 5% on affordable revenue. The 1% ‘contingency’ figure mentioned above is also included.

This appraisal shows a residual land value of £1.24 million i.e. significantly lower than the revised appraisal based on an update of the original bid figures which produces a land value of £17.136 million.

The figures in this appraisal appear broadly reasonable and the overall conclusion of a minimal land value on this basis therefore is not unreasonable.

Site Market Value

An important consideration is the current market value of the site. GL Hearn provides annual year-end valuations of the GLAP estate including Beam Park. We have now provided a specific RICS Red Book market valuation of the Beam Park site.

Our market valuation of the site is in the sum of £15,200,000. This valuation was based on the Countryside scheme proposals of 2,899 units which we consider maximise the development potential of the site. We have then made our own independent assumptions about development values and costs except where specific factual information has been made available by Countryside in relation to matters such as abnormal development costs. Our market valuation report has considered the site value with 50% affordable housing but has concluded that this would produce a negative land value and that the market value should be based on a scheme with 35% affordable housing.

This supports Countryside’s position that the market value of the site currently, reflecting the Mayor’s requirements for 50% affordable housing, is less than their proposal of £17.136 million (£12,750,110 NPV). The 2018 market valuation of the Beam Park site is enclosed with this letter.

Please note that we have not considered the value of the site as industrial development land as this is not in accordance with the GLA, Havering or Barking and Dagenham’s policy objectives for the site. Industrial development of the site would not deliver the housing numbers or regenerative benefits expected from the residential led mixed use development of the site.

We have considered whether the GLA is obtaining best consideration for the disposal of the Beam Park site on the current terms proposed by Countryside and specifically the provisions of Section 333 ZC of the Greater London Authority Act 1999 (as amended.) In relation to this guidance we consider that:

- The Unrestricted Value (i.e.: RICS Red Book Market Value) of the land is £15,200,000.
- The Restricted Value (i.e.: reflecting the proposed transaction) is £12,750,110

As the Unrestricted Value is less than the Restricted Value there is no undervalue and we consider that the GLA has complied with its general obligations to dispose of land for the best consideration reasonably obtainable.

As the Restricted Value is less than the Unrestricted Value there is an undervalue of £2,449,890. This undervalue is influenced by the voluntary obligation to provide 50% affordable housing placed on Countryside. The undervalue identified does not exceed £10 million and does not exceed 30% of the Unrestricted Value. We consider that the proposed disposal of the site falls within the provisions of Section 333 ZC of the Greater London Authority Act 1999 (as amended) and therefore the GLA may decide to dispose of land at less than best consideration without requiring the consent of the Secretary of State.

Conclusions

The requirement for Countryside to increase affordable housing provision at Beam Park from 35% to 50% has resulted in a reduced land value proposal from the December 2015 bid proposal of £70 million (£52 million NPV) to a current proposal of £17.136 million (£12,750,110 NPV).

Countryside have provided financial appraisal evidence to support this reduction in land value. Their revised proposal is based on a 'retro-fitting' of the current scheme - 3,000 units with 50% affordable housing – back in to the December 2015 bid proposal. We have reviewed this proposal and agree in overall terms with the approach. We have highlighted certain aspects which we consider arguable – basis of developers profit and the 'risk contingency' figure – and also that Countryside continue to include value from freehold reversions in their appraisal, which is no longer standard industry practice.

Countryside have also provided a financial appraisal updated to today's costs and values. This appraisal shows a residual value of £1.24 million and effectively represents Countryside's view of the site's market value today. We consider the figures used in the appraisal to be broadly reasonable. In addition, GL Hearn has undertaken an RICS Red Book market valuation of the Beam Park site. This valuation shows a negative residual land value for the proposed scheme with 50% affordable housing and a market valuation of £15,200,000.

Our conclusions are that whilst there has been a significant reduction in the land value offer from Countryside, the current proposed land value proposal of £17,136,821 (£12,750,110 NPV) is a realistic and proportionate figure taking into account the Mayor's requirements for 50% affordable housing on public sector land. Whilst our assessment of the market value of the site, is above the level of the Countryside proposal this valuation is based on 35% affordable housing and would not deliver the significant additional benefit of 50% affordable as proposed by Countryside.

I trust the information enclosed is sufficient for your purposes. Please do let me know if I can assist further.

Yours sincerely

Jon Pinkerton MRICS
Director, GL Hearn

jon.pinkerton@glhearn.com

GL Hearn Limited
280 High Holborn
London WC1V 7EE

T: +44 (0)20 7851 4900
glhearn.com

Our ref:
Your ref:

Paul Creed
Development Manager
Greater London Authority
169 Union Street
London SE1 0LL

28 March 2018

Dear Paul,

Beam Park, Dagenham, London, RM8

Thank you for your instruction requesting GL Hearn to provide best consideration advice in respect of the land at Beam Park.

The Beam Street site was marketed by the Greater London Assembly (GLA) through the London Developer Panel, with final offers received on the 26th October 2015. A preferred bidder, Countryside Properties, was selected and a Development Agreement (DA) was entered into between Countryside and the GLA in July 2017.

The purpose of this report is to consider the unrestricted and restricted value of the Beam Park site, together with the value of any voluntary conditions for the purposes of determining whether the proposed disposal of the site falls within the provisions of Section 333 ZC of the Greater London Authority Act 1999 (as amended.) In accordance with these provisions, the GLA is given general consent to dispose of land at less than best consideration, provided that a number of specified criteria are met, including that the difference between the unrestricted value of the land and the consideration for the disposal does not exceed £10 million and does not exceed 30% of the Unrestricted Value.

1 SITE LOCATION AND DESCRIPTION

1.1 The Beam Park site comprises 31.61 hectares (78.16 acres) of former industrial land, previously owned by Ford, situated to the north of the A13 and south of the A1306. The site is owned by Greater London Land and Property Ltd, a subsidiary of the GLA. It is cleared of buildings and vacant apart from areas which are temporarily being used for open storage purposes.

1.2 The site is formed of four plots;-

- Beam Park 1 (formerly known as PTA) – 18.2 hectares (LBBD)

- Beam Park 2 – 9.5 hectares (LBH)
- Beam Park 3 (formerly known as Victor Engineering) – 1.6 hectares (LBH)
- Beam Park 4 (known as land east of Kent Avenue) – 2.3 hectares (LBBD)

1.3 Two roads cross the site. Marsh Way crosses the eastern part of the site, via a flyover leading to a junction with the A13 trunk road only 300 metres away. The M25 (junction 30) is 10 minutes' driving time. Thames Avenue crosses the middle of the site, also via a flyover, and serves the industrial areas to the south.

1.4 To the west of Kent Avenue is the Ford owned DSTO site, a former vehicle manufacturing plant of 20.8 ha, which has been decommissioned by Ford and has also been offered to the market for sale. It is understood that this site was sold in 2016 to Europa Land/St Congar Land.

1.5 The Tilbury loop of the Essex Thameside railway (London Fenchurch Street to Southend) and the High Speed One line run along the site's southern boundary. The nearest existing rail stations are at Dagenham Dock and Rainham, but there are also proposals for a new Beam Park station located at the eastern end of the site which is at an advanced stage of the Network Rail approval process.

1.6 To the north of the site are the established residential areas of Dagenham and Rainham, which have high proportions of social housing. To the east and west are mixed commercial areas along the A1306, including the Chequers Corner District Retail Centre. To the south beyond the railway are strategically important industrial areas which include Ford operations, the London Sustainable Industries Park, the Centre for Engineering & Manufacturing Excellence, and Beam Reach where a regional Tesco distribution centre opened in mid-2012.

1.7 From a planning perspective, Beam Park straddles the boundary between Barking & Dagenham and Havering boroughs, which is marked by the River Beam. It is located within the London Riverside Opportunity Area (LROA) which is identified in the London Plan 2015 as having the capacity to accommodate 26,500 new homes and 16,000 jobs, through industrial land consolidation and new and improved public transport. The site is located in Flood Zone 3.

1.8 A Planning Framework (OAPF) for the LROA was adopted by the Mayor in September 2015. The OAPF identifies Beam Park as a key development area, suitable for residential-led mixed use development around a new Beam Park station.

2 DEVELOPMENT PROPOSALS

2.1 A hybrid planning application was submitted by Countryside in August 2017 to Barking & Dagenham and Havering Councils for a residential led mixed use development of the site to provide up to 2,900 homes, a new railway station, local centre, two primary schools, public open space and other supporting infrastructure. The application proposed 35% affordable housing with a 20:80split in favour of shared ownership.

2.2 The Mayor commented on 2 October 2017 that the application does not comply with the London Plan but could become compliant if matters relating to affordable housing, urban design, climate change and affordable housing are resolved. Specifically in relation to affordable housing, the Mayor has commented;-

‘In accordance with the Mayor’s Affordable Housing and Viability SPG and London Plan Policy 3.12, any proposal on public land under 50% will not qualify for ’Fast Track’ and will be subject to robust interrogation of viability and a late stage review. Delivery of affordable housing should be maximised on this ex-industrial site in public ownership in accordance with the Mayor’s expectation that land in public ownership will make a significant contribution to the supply of new affordable housing. GLA officers are working with the applicants to increase the provision of affordable housing to 50%.’

2.3 Countryside have reviewed their development proposals to reflect the need to Mayor’s planning requirements for 50% affordable housing and submitted a revised application to Barking & Dagenham Council and Havering Councils which meets this requirement. This application was considered at committee by Barking & Dagenham on 19 March 2018 and the Council resolved to grant consent. We understand that the application is due to be considered by Havering Council in April 2018.

3 SUMMARY OF PROPOSED TRANSACTION

3.1 The 2015 bid proposal from Countryside was for a £70 million gross land value with phased land payments equating to a £52 million net present value. This bid proposal was based on a 2,781 unit scheme, providing 35% affordable housing. The Countryside bid proposal provided the highest land value figure of the four final bids received.

3.2 Countryside have indicated that they are prepared to revise their proposals to meet the requirement to provide 50% affordable housing but that the land value will need to reduce to maintain scheme viability. In their letter dated 5 February 2018 addressed to the GLA, they have proposed a gross land payment of £17,136,821, increased to £19,380,209 with revised (deferred) payment terms, equivalent to a Net Present Value of £12,750,110. This is based on a 3,000 unit development comprising 1,500 private units and 1,500 affordable units.

3.3 The Countryside revised financial proposal has been based on their bid financial proposal with costs and values updated to reflect the increase in scale (from 2,781 to 3,000 units) and the change in tenure mix (from 35% affordable housing to 50% affordable housing). The revisions are limited to these changes i.e. it has been assumed that this revised proposal is what Countryside would have submitted in December 2015 (the date of their original bid submission) for a 3,000 unit scheme with 50% affordable housing.

3.4 In order to consider whether a disposal to Countryside for a sale price of £17,136,821 (£12,750,110 NPV) would represent a disposal at less than best consideration, we have carried out a market valuation of the site, which is reported below.

4 UNRESTRICTED VALUE

4.1 We are of the opinion that the unrestricted value of the Beam Park site as at March 2018 is:

£15,200,000

(FIFTEEN MILLION AND TWO HUNDRED THOUSAND POUNDS)

4.2 Our attached valuation report dated March 2018 provides a full background as to how this figure has been arrived at. We consider that the sum of £19,070,000 represents the market value of the Beam Park site.

5 RESTRICTED VALUE

5.1 The restricted value of the land is:

£12,750,110

(TWELVE MILLION SEVEN HUNDRED AND FIFTY THOUSAND ONE HUNDRED AND TEN POUNDS)

5.2 This amount is the net present value of the minimum land value figure offered by Countryside.

6 VALUE OF VOLUNTARY CONDITIONS

6.1 The need to provide 50% affordable housing (as detailed above) cannot be classified as a 'Voluntary Condition' as defined by Circular 06/03 as this is initially a planning requirement, albeit that it will also be captured as an obligation in the Development Agreement (DA) between Countryside and the GLA. The value of this obligation cannot therefore be deducted for the purposes of calculating any undervalue

6.2 However, it is important to put this benefit in context notwithstanding that we do not believe it can be considered a Voluntary Condition.

6.3 The provision of 50% affordable housing rather than the 35% affordable housing previously proposed will provide 1,450 affordable homes compared with 974 affordable homes, an increase of 435 affordable homes. If Countryside are successful in securing a further planning consent for 3,000 homes, as proposed, a further 50 affordable home swill be provided. This will increase the provision of affordable homes in the two boroughs which will be occupied by residents on the boroughs waiting lists.

7 CALCULATION OF ANY UNDERVALUE

7.1 The table below calculates the undervalue based on the above figures:

(a) Unrestricted Land Value	£15,200,000
(b) Restricted Land Value	£12,750,110
(c) Total Value of Voluntary Conditions	£0
Undervalue (a) – (b) + (c)	£2,449,890

7.2 As the Restricted Value is less than the Unrestricted Value there is an undervalue of £2,449,890. This undervalue is influenced by the voluntary obligation to provide 50% affordable housing placed on Countryside. The undervalue identified does not exceed £10 million and does not exceed 30% of the Unrestricted Value. We consider that the proposed disposal of the site falls within the provisions of Section 333 ZC of the Greater London Authority Act 1999 (as amended) and therefore the GLA may decide to dispose of land at less than best consideration without requiring the consent of the Secretary of State.

I trust this letter meets your requirements. If you have any queries please do not hesitate to contact me.

Yours sincerely

Jon Pinkerton
Development Consultancy Director

Valuation report

Beam Park
South Dagenham
London
RM9 6DE

On behalf of

Greater London Authority
Housing and Land Directorate

29 March 2018

Prepared by

GL Hearn Limited
280 High Holborn
London WC1V 7EE

T +44 (0)20 7851 4900
F +44 (0)20 7851 4910
glhearn.com

Contents

Appendices

Quality Assurance

The signatories below verify that this document has been prepared in accordance with our quality control requirements. These procedures do not affect the content and views expressed by the originator.

This document must only be treated as a draft unless it has been signed by the Originator and approved by a Director.

Date	*Originator*	*Approved*
29/03/2018	**Graham Webb MRICS**	**Jonathan Rhodes MRICS**
	Associate Director	Director and Head of Valuation
	………………………..	………………………..

Limitations

This document has been prepared for the stated objective and should not be used for any other purpose without the prior written authority of GL Hearn; we accept no responsibility or liability for the consequences of this document being used for a purpose other than for which it was commissioned.

To the extent that the document is based on information supplied by others, GL Hearn accepts no liability for any loss or damage suffered by the client.

EXECUTIVE SUMMARY

Address	Beam Park, South Dagenham, London RM9 6DE
Valuation Date	29 March 2018
Property Type	A cleared site, forming a near triangular shaped plot of land, measuring 78.16 acres (31.61 hectares), and spread over several plots arranged around two intersecting roads.
Proposed Specification	The current development scheme proposals by Countryside Properties and L&Q, which recently received a resolution to grant planning permission by the London Borough of Barking and Dagenham, for the site to include up to 2,900 homes (50% affordable), two primary schools and nurseries (Use Class D1), railway station, up to 6,306 sq m of supporting uses including retail, healthcare, multi faith worship space, leisure, community uses and management space (Use Classes A1, A2, A3, A4, A5, B1, D1 and D2), energy centres, open space with localised flood lighting, public realm with hard and soft landscaping, childrens' play space, flood compensation areas, car and cycle parking, highway works and site preparation works. The proposed scheme also falls within the London Borough of Havering, who have yet to grant consent. For the residential units we have relied on the current resolution to grant consent detailed above in considering the value of the site. We understand from the information you have provided, the development will consist of 2,900 residential units, comprising a mixture of one, two and three bedroom flats measuring on average 538, 753 and 926 sq ft respectively as well as two, three and four bedroom houses measuring on average 893, 1,141 and 1,250 sq ft respectively. With regard to the residential units, we have assumed that these will be finished to a good specification similar to other schemes recently completed in the area and in accordance with the London Design Guide. As part of this valuation exercise we have run two appraisals assuming, firstly, a 65%/35% split between the private and affordable residential elements of the development and another

	assuming an even 50%/50% split between these two residential elements. We understand though that Countryside and L&Q are reviewing the current development agreement on the basis that under the Mayor's current SPG they will be required to provide a scheme consisting of 50% affordable housing. Consequently, to mitigate the impact of this requirement they are preparing a revised outline planning application, which aims to increase the density of the scheme to about 3,000 homes. Your specific instructions have requested us to ignore these proposals to increase the number of residential units for the purposes of this valuation exercise.
Tenure	Freehold
Tenancies	The existing property is available with full vacant possession and is, we assume, free from any tenancies or other occupational agreements.
Purpose	Valuation to assist in the negotiations and possible disposal of the subject property to Countryside and L&Q, in particular a Market Value representative of best consideration as defined under s.333Zc of the GLA Act 1999 (inserted by s.187 of the Localism Act). The report will essentially form the basis of the renegotiated sale price of the site following likely changes to the proposals mentioned above.
Market Value based on the current proposed scheme	**£15,200,000**
Brief analysis	• Residential tenure mix – Private sale 65%; Affordable 35% • Sales values – Private sales (flats) £250,000 per unit (average); Private Sales (houses) £360,000 per unit (average); Affordable (flats) £160,000 per unit (average); Affordable (houses) £235,000 (average) / commercial £15.00-£17.50 per sq ft (average) and equivalent yield of between 4.75% and 6.75%. • Costs – residential £125-150 per sq ft (houses and flats)/ commercial £108 per sq ft) and 10% contingency • Other costs – surcharge of £9million / professional fees 10% / letting and legal fees on commercial accommodation of 10% and 5% respectively / Residential Sales and Legal Fees at 2.75% / remediation costs of £12m. • Community Infrastructure Levy (CIL) - £10 per sq m for private residential / £10 per sq m for commercial / Mayoral CIL £20 per sq m all incorporated within a £16m s.106 charge • Finance 6.00% • Developers profit on cost 25%
Market Value on the Special Assumption the property has a planning permission for the proposed development with 50% designated as affordable units	**-£10,510,000** **(MINUS TEN MILLION FIVE HUNDRED AND TEN THOUSAND POUNDS)**
Brief analysis	• Residential tenure mix – Private sale 50%; Affordable 50% • Sales values – Private sales (flats) £250,000 per unit (average); Private Sales (houses) £360,000 per unit (average); Affordable (flats) £160,000 per unit (average); Affordable (houses) £235,000 (average) / commercial £15.00-

	£17.50 per sq ft (average) and equivalent yield of between 4.75% and 6.75%. • Costs – residential £125-150 per sq ft (houses and flats)/ commercial £108 per sq ft) and 10% contingency • Other costs – surcharge of £9million / professional fees 10% / letting and legal fees on commercial accommodation of 10% and 5% respectively / Residential Sales and Legal Fees at 2.75% / remediation costs of £12m. • Community Infrastructure Levy (CIL) - £10 per sq m for private residential / £10 per sq m for commercial / Mayoral CIL £20 per sq m all incorporated within a £16m s.106 charge • Finance 6.00% • Developers profit on cost 25%
Market Summary	• Dagenham is predominantly a residential suburb with some, albeit declining, industry found to the south of the borough near to the former Ford Dagenham Motor Plant. Much of the area is gradually undergoing redevelopment with the creation of new residential neighbourhoods such as Beam Park. • There is limited commercial property with it mostly being in the form of small retail parades with the exception of Heathway, which is the main high street, and Merriemans Retail Park (occupiers include Argos, Halfords, Carpetright). Otherwise the majority of supermarket operators already have a presence in the area. • Dagenham's residential property market is reasonably buoyant, with it being relatively affordable when compared with the majority of other London Boroughs. • Residential prices in the Borough have continued to experience growth, albeit at very modest rates when compared with previous years.
Valuations Considerations/SWOT	Valuation Considerations *Strengths:* • The site is held freehold. • The area benefits from good road links. • The site is well located, being in walking distance of both a mainline railway station (Dagenham Docks) and a London Underground Station (Dagenham Heathway), with another station to be built as part of the nearby Beam Park redevelopment. • The site has a prominent frontage onto New Road (A1306). • The property is near to some retail amenities, including Merrielands Retail Park. *Weaknesses:* • Despite Dagenham being considered relatively affordable when compared to many other London areas, it is nonetheless one of the most deprived. • The site is contaminated and costs are estimated to be at circa £154,000 per acre, equivalent to £12,000,000, which we have factored into our valuation. However, this rate may be based on historical estimates. • The area is characterised by a mixture of uses, with the site being located in what is still predominantly an industrial area given its historical use. Many of the surrounding sites

	previously formed part of the former Ford Dagenham car plant. However, the nature of the locality, particularly south of New Road, will change over the next 10 years or so.

GL Hearn Limited
280 High Holborn
London WC1V 7EE

T: +44 (0)20 7851 4900
glhearn.com

Date: 28 March 2019
Our Ref: GW/180364

The Directors
Housing and Land Directorate
The Greater London Authority
Third Floor, City Hall
The Queens Walk
London
SE1 2AA

For the attention of: Paul Creed – Head of Development and Place Making

Dear Sirs

Property: Beam Park, New Road, South Dagenham, London RM9 6DE

In accordance with your instructions, dated 20 March 2018, received by email, we have prepared a Valuation of the above premises in connection with its proposed disposal to Countryside and L&Q.

As you are aware we value the subject site on behalf of the GLA in relation to the Annual Asset Valuation, which we have been undertaking since January 2014 as well as advising you in respect of entering into a development agreement on the subject property and subsequent further discussions with Countryside and L&Q since they were selected as the preferred developer.

We understand our valuation report is required to assist you in the renegotiation of the site's development agreement, which is between the GLA and Countryside & L&Q, in particular to report a Market Value representative of best consideration as defined under s.333Zc of the GLA Act 1999 (inserted by s.187 of the Localism Act), and have pleasure in reporting as follows:-

1 INTRODUCTION

1.1 The Report comprises a Valuation followed by Appendices:

A. Details of Property being valued
B. Location and Site Layout Plans
C. Photographs
D. Valuation Print-outs
E. General Valuation Assumptions
F. Copy of Instruction Letters

1.2 Our Valuation Report is set out below and has been prepared in accordance with the current edition of the Valuation Professional Standards prepared by the Royal Institution of Chartered Surveyors ('the Red Book'). We have acted in the capacity of an External Valuer, as defined within those Standards. Our report is also subject to the definitions, caveats and assumptions contained in this report.

1.3 We confirm that, so far as we are aware, in providing this advice no conflict of interest exists that prevents us from providing a formal valuation of the property. We confirm that we have sufficient professional indemnity insurance for this instruction.

1.4 This valuation has been prepared by Graham Webb MRICS, Associate Director and overseen by Jonathan Rhodes MRICS Director and Head of Valuation. We confirm that Graham Webb and Jonathan Rhodes have the appropriate knowledge, skills and understanding to undertake this valuation competently. Both Graham and Jonathan are RICS Registered Valuers.

1.5 Our inspection was carried out by Graham Webb on 12 January 2018 at which time the weather was overcast and dry.

1.6 The valuations have been prepared as at today's date.

1.7 We understand that the existing development agreement between the GLA, Countryside and L&Q is currently being renegotiated following the introduction of a new target for affordable housing of 50% in all new developments consisting of more than 13 residential units. The GLA had planned to dispose of the site by way of a sale under the provisions of the existing development agreement, but now need to demonstrate best consideration for the site, as defined under s.333Zc of the GLA Act 1999 (inserted by s.187 of the Localism Act 2011) against the current offer received from Countryside and L&Q.

1.8 We understand the revised offer of £17,136,831 from Countryside and L&Q equates to a net present value of £12,750,000 adopting a discount rate of 5%, based on the proposed consented development albeit assuming 50% affordable housing.

1.9 We are in receipt of the following documents provided by yourselves, upon which we have relied for the purposes of this valuation exercise and report:

1. A letter, dated 5 February 2018, from Countryside detailing their revised offer for the site.
2. Several emails summarising the s.106 and surcharging costs.

1.10 We have been provided with no other documentation nor legal papers for the purposes of this valuation and draw your attention to our observations in this regard under the heading Specific Additional Valuation Assumptions, in Paragraph 3.6 of this Report.

2 DETAILS OF PREMISES

2.1 The premises which are the subject of this valuation report are set out in detail in Appendix A together with details of tenure. Briefly, the property is a cleared, irregular shaped plot of land, which had previously formed part of Ford Motor's Dagenham car plant campus, situated within the east London suburb of Dagenham, bordering the county of Essex. It had previously formed part of the Ford Dagenham Motor Plant. The northern boundary of the site fronts onto New Road whilst the southern boundary is delineated by a railway line. There are a couple of roads that intersect the site, in turn creating several plots. At the time of our inspection initial site preparation work was underway. The site straddles the administrative boundaries of the London Boroughs of Barking & Dagenham and Havering with the former having recently issued a resolution to grant planning consent for a mixed use, residential led development comprising 2,900 residential units of which 50% will be designated as affordable. A decision from Havering Council remains pending, but is expected very shortly.

2.2 We have been instructed to value the unencumbered Freehold interest in the subject premises.

3 BASIS OF VALUATION

3.1 We have carried out the valuation of the property as at today's date having regard to market conditions prevailing at this time.

3.2 In accordance with your instructions, we have undertaken our valuations on the following bases as defined within the RICS Valuation Professional Standards:-

- Market Value of the proposed consented scheme with 35% designated as affordable units
- Market Value on the Special Assumption the property has a planning permission for the proposed development with 50% designated as affordable units

3.3 In preparing our valuations on these bases it is necessary for us to adopt "Special Assumptions". A Special Assumption is referred to in the Glossary of the Red Book as

"An assumption that either:

- requires the valuation to be based on facts that differ materially from those that exist at the date of valuation; or

- is one that a prospective purchaser (excluding a purchaser with a special interest) could not reasonably be expected to make at the date of valuation, having regard to prevailing market circumstances."

3.4 In the circumstances of this instruction, we consider the above Special Assumptions may be regarded as realistic, relevant and valid.

3.5 The basis of our Valuation and the assumptions made are contained in Appendix E.

3.6 Additional Specific Assumptions for this Valuation

3.6.1 As requested within your original brief you have asked for us to value the site assuming the current outline application of 2,900 residential units, with some ancillary commercial accommodation measuring approximately 6,306 sq m.

3.6.2 We have assumed that a gross to net saleable area ratio of 85% is achievable within the proposed scheme to achieve the aggregate area of the proposed residential units, excluding any houses where this ratio is 100%. We have also adopted a ratio of 85% in respect of any commercial space to determine the lettable area of the units.

3.6.3 In accordance with your instructions we have undertaken two residual appraisals based on the existing outline application, which has a resolution to grant consent from the London Borough of Barking and Dagenham, for 2,900 residential units with the first assuming a 65/35% split between private and affordable housing whilst the other assumes an even 50%/50% split between the two elements. With regard to their relativities, our valuations assume the affordable element would command values equivalent to approximately 60% of the private sales. We understand Countryside are currently considering preparing a revised outline application for 3,000 residential units with a 50/50 split between private and affordable elements. Your specific instructions have requested us to ignore these proposals to increase the number of residential units for the purposes of this valuation exercise.

3.6.4 .

3.6.5 We understand there is a restrictive covenant prohibiting any form of motor car manufacturing or sale, which we understand is a common covenant in the Dagenham Area for land formerly owned by the Ford Motor Company. Furthermore, the property is subject to various restrictive covenants which may restrict development and also a lease of subterranean water that runs through the western section of the property. Our valuation advice detailed herein assumes these covenants would not have any adverse impact on the proposed residential led mixed use development and therefore could continue to run with the land without any impediment on value.

3.6.6 We have assumed Community Infrastructure Levy (CIL) rates of £10 per sq m for the private residential floor space, £10 per sq m for commercial space and £175 per sq m for supermarkets as prescribed in the London Borough of Barking and Dagenham CIL charge schedule. Additionally, you have asked for us to factor into the valuation the Mayoral CIL rate of £20 per sq m in relation to all new private residential and commercial floor space. The above CIL rates are included within the S.106 contribution of £16 million, which is to be payable to both London Boroughs.

3.6.7 Since we were unable to gain full access to the site we have only been able to observe the site from the sections whereby site preparation work is currently underway, which is focused around Kent Avenue, therefore limiting our inspection.

3.6.8 As instructed, we have assumed that all landscaping and surface treatments on the site will be standard.

3.6.9 We understand from the GLA there is Japanese knotweed on the subject site, although we have not been provided within any costings for its removal and therefore we have not accounted for this outgoing within our valuation.

3.6.10 We have assumed that there are no abnormal ground conditions, contamination (over and above that detailed within the Environmental Matters section of this report) or archaeological issues which would incur above average site costs in the absence of information to the contrary. We have assumed unless we are advised otherwise that the remediation costs for the site are to be in the region of £12,000,000, equivalent to circa £154,000 per acre, and have adopted this cost in our valuations.

3.6.11 For the commercial element we have assumed these units will be let on standard institutional occupational leases at market rents to occupiers with modest covenant strengths.

3.6.12 In respect of the affordable housing element, I have assumed that Registered Social Landlords (Housing Associations) would have been able to obtain the necessary grants to fund the acquisitions of these parts of the proposed development. In this regard, I have assumed a purchaser of the affordable housing would have been found before the development commenced and as such would pay for this element during the construction period.

3.6.13 I have assumed the development would have obtained an NHBC Guarantee or equivalent for a term of 10 years and that all conditions would have been met in order that purchasers of the houses and flats can benefit from this.

3.6.14 We have assumed the proposed development would be undertaken in accordance with the prevailing Building Regulations and undertaken to a high level of quality control on the standard of workmanship throughout the construction process. We have assumed the proposed development would have been constructed in accordance with the then Government's "Code for Sustainable Homes".

3.6.15 We have assumed that the private residential houses would have been sold on a freehold basis and the apartments on standard long leases at reasonable ground rents.

3.6.16 We have assumed that the location within which the subject site is situated provided the potential for the site to be connected to the mains supply of electricity, gas and water, and that it could also have been connected to the mains drainage system. We have assumed that the construction costs provided reflected the ability for the subject site to be connected to these services and the capacity required to adequately serve the proposed development. We have assumed there were no material defects or capacity issues to the existing utility services, which would have incurred substantially greater costs than those provided.

3.6.17 We have not been provided with a copy of a Report on Title and have assumed there is nothing contained therein which would have made it necessary for me to reconsider my opinions of value. We have assumed that there are no encumbrances or unduly onerous or unusual easements, restrictions, outgoings or conditions likely to have an adverse effect upon the value of the subject site. We have also assumed for the purposes of this valuation and report that a good and marketable title was held.

3.6.18 We have assumed the subject site was available with vacant possession and that there were no licences, leases or other occupational arrangements which would have prevented the subject premises of being sold without full vacant possession.

3.6.19 We have assumed there were no Rights to Light issues with the proposed development and that should any obligations in this regard have become apparent, this could have had a substantial impact on the scheme and its profitability, thereby having an adverse impact on the valuations provided.

3.6.20 Finally, our development scenario assumes the site is developed out over four phases until 2030, with construction for each phase commencing shortly before the start of the previous phase's sales period.

4 VALUATIONS

4.1 Market Value of the proposed consented scheme with 35% designated as affordable units

4.1.1 We are of the opinion that as at today's date, the Market Value (MV) of the freehold interest in the property detailed in Appendix A of the proposed consented scheme with 35% designated as affordable units**,** in accordance with the RICS Valuation Professional Standards and the bases and assumptions contained in Appendix E, is the sum of:

£15,200,000
(FIFTEEN MILLION TWO HUNDRED THOUSAND POUNDS)

4.2 Market Value on the Special Assumption the property has a planning permission for the proposed development with 50% designated as affordable units

4.2.1 We are of the opinion that as at today's date, the Market Value (MV) of the freehold interest in the property detailed in Appendix A on the Special Assumption the property has a planning permission for the proposed development with 50% designated as affordable units**,** in accordance with the RICS Valuation Professional Standards and the bases and assumptions contained in Appendix E, is the sum of:

-£10,510,000
(MINUS TEN MILLION FIVE HUNDRED AND TEN THOUSAND POUNDS)

5 MARKET SUMMARY

Economic Overview

5.1.1 For ease of reference, the key economic indicators are detailed in the table below:-

	Rate	Date updated	Comment
Gross Domestic Product (quarterly)	0.40%	22/02/18	Unchanged from Q3 2017.
Consumer Price Index (CPI)	2.70%	20/03/18	Down from 3.00% in January 2018.
Consumer Price Index including owner occupiers' Housing (CPIH)	2.50%	20/03/18	Down from 2.70% in January 2018.
Retail Price Index (RPI)	3.70%	20/03/18	Down from 4.00% in January 2018.
UK Interest Rate	0.50%	02/11/17	Interest raised in November 2017, from 0.25% which was set in August 2016. This is the first interest rate rise since July 2007.
European Union Interest Rate	0.00%	10/03/16	Decreased by 5bps in March 2016.
USA Interest Rate	1.50%	13/12/17	Increased from 1.50%, which was set in June 2017.

5.1.2 UK gross domestic product (GDP) in volume terms was estimated to have increased by 0.4% between Quarter 3 (July to Sept) and Quarter 4 (Oct to Dec) 2017; this is a 0.1 percentage point revision down from the preliminary estimate of GDP, in part reflecting a small downward revision to the estimated output of the production industries.

5.1.3 Growth in the latest quarter was driven by business services and finance within the services sector, there was, though, a small downward revision to services since the preliminary estimate of GDP, but this does not impact on services quarterly growth to one decimal place.

5.1.4 In terms of sector contribution, the services industries contributed the largest to GDP growth, with 0.4 percentage points, whilst total production contributed 0.1 percentage points to GDP. Agriculture and construction provided no contribution to GDP growth to one decimal place.

5.1.5 The largest component within the output approach of GDP is the services industries, which contributed to the growth of 0.4% in the output measure of GDP in Quarter 4 2017. Services increased by 0.6% overall, there was a small downward revision to services since the preliminary estimate of GDP, but this does not impact on services quarterly growth to one decimal place. Positive growth was recorded within three of the four sub-sectors of the services industries between Quarter 3 2017 and Quarter 4 2017 as follows:

- transport, storage and communications increased by 1.1%
- business services and finance increased by 0.9%
- government and other services increased by 0.2%
- distribution, hotels and restaurants decreased by 0.2%

5.1.6 Production output was estimated to have increased by 0.5% between Quarter 3 2017 and Quarter 4 2017, revised down by 0.1 percentage points from the preliminary estimate of GDP. Within production, manufacturing was the only sub-sector to increase, growing by 1.3% in Quarter 4 2017 compared with Quarter 3 2017. Of the other sub-sectors, water supply industries remained flat to one decimal place, electricity, gas and steam and air conditioning decreased by 0.5% and mining and quarrying including oil and gas extraction decreased by 4.7%. The decrease in mining and quarrying was partly due to the shut-down of the Forties Pipeline System for a large part of December 2017.

5.1.7 Construction output was estimated to have decreased by 0.7% in the fourth quarter of 2017, revised upwards from negative 1.0% in the preliminary estimate of GDP. This is the third consecutive quarter to show contraction, after a sustained period of positive growth in all quarters since Quarter 4 (Oct to Dec) 2015.

5.1.8 Despite this being the third quarter showing negative growth, the annual growth in 2017 of 5.1% is stronger than the 3.9% growth seen in 2016. This strength reflects strong growth in construction output in late 2016 and the first quarter of 2017.

5.1.9 Agriculture, the sector that makes up the smallest proportion of total output, decreased by 0.9% into Quarter 4 2017.

5.1.10 Business investment growth was flat between Quarter 3 (July to Sept) and Quarter 4 (Oct to Dec) 2017, but when compared with the same quarter a year ago business investment grew by 2.1%.

5.1.11 Household spending grew by 1.8% between 2016 and 2017, its slowest rate of annual growth since 2012, in part reflecting the increased prices faced by consumers.

5.1.12 The Consumer Prices Index including owner occupiers' housing costs (CPIH) 12-month rate was 2.5% in February 2018, down from 2.7% in January 2018. Following a steady increase from late 2015, the CPIH levelled off, ranging between 2.6% and 2.8% from April 2017 to January 2018. The figure for February 2018 is a little below this range and is the lowest observed since March 2017.

5.1.13 The largest downward contribution to the change in the CPIH rate came from transport, particularly motor fuels and sea fares. Average petrol prices fell by 0.2 pence per litre between January and February this year to stand at 120.8 pence per litre in February. This compares with a rise of 1.6 pence between the same two months a year ago to reach 120.2 pence per litre in February 2017. Sea fares rose by 2.9% between January and February this year compared with a larger rise of 13.2% a year ago. The sharper rise in 2017 may have been influenced by the pricing date for outward journeys falling on Valentine's Day.

5.1.14 Restaurants and hotels also had a large downward effect on the change in the rate, with prices of overnight hotel accommodation falling this year but rising a year ago. These prices can be reasonably volatile but again, the rise in 2017 may have been influenced by the timing of Valentine's Day.

5.1.15 There was a large downward contribution from food and non-alcoholic beverages, where prices rose by 0.1% between January and February this year compared with a rise of 0.8% a year ago. The downward effect was widespread within the broad group, with the largest single contribution coming from vegetables where prices fell in 2018 compared with a rise in 2017. The rise between January and February 2017 came amidst reports of shortages of certain greens and salad vegetables arising from adverse weather in southern Europe.

5.1.16 A slightly smaller downward effect came from recreation and culture. Within this group, the downward contributions came from a range of recreational goods and services, particularly audio-visual equipment.

5.1.17 The largest, partially offsetting, upward effect came from clothing and footwear. Prices rose as usual in February following the January sales period but they rose by more in 2018 than 2017. This effect came from footwear, particularly women's footwear.

5.1.18 OOH has consistently been the largest contributor to the rate during the period from 2015 to date, though it has fallen back from a high in October 2016. The contribution from other components has varied.

5.1.19 Utility bills had a negative contribution during 2015 and 2016 but recent rises, most notably in electricity prices, have seen this category rise to become the second-largest contributor. Increases in Council Tax in 2016 and 2017 mean that its contribution has also increased over this period.

5.1.20 Conversely, the reduction in the contribution from rents is likely to be a result of a policy to reduce social housing rent starting from April 2016, whilst other housing costs (namely regular maintenance and repair, along with water and sewerage services) tend to make a very small contribution to the 12-month rate.

5.1.21 The Retail Price Index (RPI), which is no longer considered an official measure by the ONS decreased to 3.6% in February 2018, down from 4.0% in January 2018.

5.2 Property Market Overview

Industrial Property Market

5.2.1 The ongoing shift of in-store to online sales is fuelling demand for a range of facilities with the E commerce sector currently accounting for 30% of this demand. This is also being helped by the low value of sterling, which has given a huge boost to exports. In London and the South East take-up for units measuring in excess of 50,000 sq ft during the first half of 2017 was 2.48million sq ft, which represented a fall of 48% on 2016 levels. Furthermore, there is some regional variation with East London appearing to offer a greater supply of stock than in north and west London where it is virtually barren. This shortage of stock, particularly in London, is evidenced by the tight supply of land available for such uses, which is reported to be 34% below what it was fourteen years earlier. This trend has been compounded by circa 268 acres of land per year over the last 14 years being removed and redeveloped for alternative uses, in particular residential.

5.2.2 Headline rents across the region have increased with west London still reporting the highest prime industrial rents in the country at £15.00 per sq ft for units measuring less than 20,000 sq ft, with some units on Park Royal (London's premier industrial estate) commanding prime rents equivalent to £15.25 per sq ft. For larger units measuring in excess of 50,000 sq ft, west London prime industrial rents are between £14.00 and £14.25 per sq ft. East London is the next strongest performing area of the country with prime rents for units measuring less than 20,000 sq ft and in excess of 50,000 sq ft being equivalent to £13.00 and £11.00 per sq ft respectively. In North and South London prime industrial rents for units measuring less than 20,000 sq ft are reported to be at £12.50 and £14.50 per sq ft respectively.

5.2.3 The investment market has increasingly attracted long term investors as a result of what is considered a relatively stable market given the supply and demand issues being experienced across the wider sector, which seems set to continue for the foreseeable future. Over the last 12 months prime industrial yields for west London have remained stagnant at 4.25% whilst in south London (Croydon) it has settled at 4.75%. In the context of the last 10 years both yields are at historic lows when compared to their highs of 7.00% and 7.75%, which helps illustrate how the sector's supply constraints are feeding into the investment market. This trend has been fuelled by a lack of speculative development during the recession but also competing alternative uses notably residential. Unsurprisingly, London reported the lowest prime industrial yields in the country with Birmingham and Bristol both recording the next lowest at 5.25%. The highest yields recorded in the country were for Edinburgh and Newcastle, which both recorded yields of 6.00%.

Residential Property Market

5.2.4 As of February 2018 annualised house price growth was reported to be at 2.2%, down from 3.2% which was the equivalent rate recorded in the preceding month. The decline in house price growth is not surprising given weak consumer confidence in the UK property market, especially with the growing concerns over the economic implications of Brexit coupled with stagnant wage growth

(2.5% annualised wage growth), which continues to be outstripped by consumer inflation (3% annualised CPI).

5.2.5 Mortgage approval rates are at a three year low with it having fallen to 61,039, the lowest level of approvals since January 2015 and representing a decline from the 64,712 applications approved in November of last year, with the drop being partly influenced by the Bank of England's decision to raise the base rate in November from 0.25% up to 0.5%. In the short term the outlook for mortgage approvals is still somewhat pessimistic with it recently being mooted by a number of sources that another rate rise is likely to occur in May 2018, which will compound this difficulty for householders to secure finance.

5.2.6 Regional variations still persist with the difference being most pronounced between the north and the south east. However, during the course of 2017 London was the weakest performing region, recording a fall in house prices of 0.5%, which is the first fall in annual terms in eight years. The south east continued to report very modest house price growth, but this was the next worst performing region during this period. Whilst house price growth rates across the regions have converged there still remain significant differences between them regarding affordability, as evidenced by the notable disparities in house price levels across the regions.

5.2.7 According to the Nationwide House Price Index (February 2018) the average UK house price is £210,402.

5.2.8 Whether this trend continues will very much depend on how the wider economy performs, in particular the outlook for the labour market and confidence amongst prospective buyers. At the end of 2017, low mortgage and healthy employment rates, combined with a continual tightening in housing supply have helped to provide some support for the housing market although there is increasing evidence that such favourable conditions are being offset by mounting pressures on household incomes, which has started to feed into consumer behaviour. Additionally, policy changes, most notably the recent changes to stamp duty on second homes and the gradual ending of mortgage rate relief for buy-to-let landlords has meant that the demand from buy to let investors has all but stagnated and seems set to continue for the foreseeable future. However, due to these contrasting circumstances, some market commentators are predicting house price growth, albeit at very modest levels. Most market commentators, though, are in agreement that the current climate is likely to continue if not worsen should current negotiations with the European Union over the UK's exit strategy become protracted.

5.3 Local Property Market

5.3.1 Dagenham is a predominantly residential area with some historic industrial uses found to the south of the Borough, concentrated in between the River Thames and the A13.

5.3.2 With regard to the local east London industrial market, as with much of the country, the area continues to experience a shortage of industrial supply with such levels dropping by 700,000 sq ft over the last 12 months. However, the level of transactional activity has also fallen from the peak levels reported in the latter half of 2016, although this still remains well above supply levels. As a result of this demand exceeding supply, prime industrial rents have increased to £16.50 per sq ft (Canning Town), which represented an increase of 3.1% over the previous six months leading to March 2017. Prime industrial rents in Dagenham are reported to be at £13.00 per sq ft whilst secondary industrial rents were recorded at £10.00 per sq ft. Capital Values for prime industrial stock within the Dagenham area is reported to be at £200 per sq ft.

5.3.3 Turning to the local residential property market, we note that it remains reasonably buoyant, fuelled by a surplus of demand, coupled with (at present) a restricted new-build supply, as well as its comparative affordability when compared to other London areas.

5.3.4 According to the Land Registry, the price of the average house in the London Borough of Barking and Dagenham stood at £293,034 in January 2018, up 3.8% over the last 12 months from a previous high of £282,441. This trend was also evident within the London Borough of Havering with average house prices reported to be at £365,093, up from £352,069 as recorded in the previous 12 months, thus representing a similar level of capital appreciation as in Barking and Dagenham at 3.7%.

6 VALUATION METHODOLOGY

6.1 Valuation Considerations

6.1.1 Dagenham is a predominantly residential area situated in east London, bordering Essex, much of which was built after the war to accommodate employees at the then expanding Ford Dagenham Motor Plant. Since the 1980s though, this industrial presence that once dominated the southern areas of the Borough has been in decline, with the majority of surplus sites having been sold for redevelopment. The sites have been sold for a mixture of uses including light industrial, retail, leisure and increasingly residential with the most significant site being the subject - Beam Park. The majority of the subject site is located to the east of Kent Avenue, west of Marsh Way albeit with Plot 1 being located to the east of the latter, with all the development plots sited to the south of New Road.

6.1.2 The nearest mainline station to the site is Dagenham Dock, situated to the south west of the site, although as part of the site's wider development a new station is to be built to accommodate the likely demand to emanate from this development once completed. Furthermore, the area benefits from good road links with access on to the A13 with it being situated approximately half a mile to the west of the subject property, which provides direct access to both Central London and junction 30 of the M25.

6.1.3 As previously mentioned the property borders two distinct areas. To the north of New Road is what is primarily a well-established residential area, consisting mostly of post war housing stock in the form of semi-detached and terraced housing. It is also on this side of New Road where the Heathway is, which is Dagenham's local high street and where Dagenham Heathway London Underground station is located. On the southern side of New Road, which is where the subject property is sited, the area is characterised mostly by derelict industrial land, albeit much of it has been earmarked for redevelopment. South of New Road, heading in a westerly direction, the commercial use changes and becomes predominantly retail in nature, consisting of an Asda supermarket, a smaller Aldi Supermarket and the Merrielands Retail Park in addition to a Premier Inn Hotel and a public house. This forms part of location known as Chequers Corner, where the Local Authority wish to see more retail and leisure development.

6.1.4 Dagenham is, by London standards, a relatively affordable area, given that a price of a two and three bedroom house appear to be in the region of £275,000 and £315,000 respectively, whilst one and two bedroom flats appear to be achieving values of between £195,000 and £250,000. However, despite what appear to be "affordable" prices, the area is not the most desirable, nor is the site located in an established residential area, which may undermine its marketability. A scheme of this size in this type of locality is dependent on a landmark development being built first in order to spearhead the wider area's gentrification, the likely precursor being the subject.

6.1.5 We are of the opinion that there will be demand for the commercial elements of the proposed development given the size of the community that could potentially reside here. We are of the opinion that demand will derive from both local and national occupiers, especially in the case of the food store. However, plainly if the residential development is successful there will be an inherent demand from the residents for retail goods.

6.1.6 The overriding impact of both the General Election result and the Brexit negotiations will be uncertainty, with the property market likely to be largely in a state of inertia. This is likely to impact the transactional markets, including both investment and occupational activity, which are already suffering from substantially reduced volumes. Investor sentiment will also be key. However, any immediate impact on property values will be limited initially until investors establish a position of what they consider the outcome could be. Whilst there is no current evidence to support any negative impact, we consider that prices are likely to be discounted slightly, which purely reflects the uncertainty.

6.1.7 Given that uncertainty is likely to continue for some time, due to the minority Conservative Government, but also negotiations with the EU, the effect of this will be that property valuations will have a shorter shelf life. In normal market conditions a valuation is valid for a period of about three months, but we consider in the current situation this is likely to be less than a month. The reason for this is that market volatility could occur at any particular moment due to various factors, but including loss of investor confidence or some sort of financial shock. Therefore, we recommend the position is regularly monitored in order to properly align values with the market.

6.1.8 The impact on the UK property market will similarly lead to a period of 'wait and see' with an on-going reduction in the number of comparable property transactions in what could be a fluid and potentially volatile macro-economic climate. Transactional volumes are already significantly down and the result of the General Election is only likely to compound this. A period of inertia might be expected and remains to be seen, although whether there is a more dramatic change, manifesting itself in a fall in values and disinclination to trade, is uncertain until it is clear how the market will be affected in the longer term.

6.1.9 We now incorporate a valuation uncertainty clause as detailed in our Valuation Assumptions attached hereto.

6.2 Methodology

6.2.1 Despite the strong market performance of the industrial property sector over the last few years and the site's historical use there has been a long term desire from both councils and the GLA for the site to be redeveloped into a new residential neighbourhood, whether that be a scheme similar to that currently envisaged. Needless to say the councils have both allocated their respective proportions of the site under the current Local Plan for some form of mixed use, residential led development. We understand the Councils' preference is for the majority of industrial uses to be located in between the River Thames and the southern boundary of the A13. It is for these reasons why we have assumed the site's value lies with an alternative, mostly residential use and have consequently ignored the site being acquired for industrial redevelopment given the likely opposition that would be experienced to such a use, not to mention it becoming increasingly out of keeping with the wider area.

6.2.2 In reaching our opinion of Market Value you have advised there have been extensive discussions between Countryside and L&Q and the two Councils as to the density of the proposed scheme, which have been taking place for several years.

6.2.3 In arriving at our opinion of Market Value that the site is redeveloped for a mixed use, residential led development, as that detailed herein and which has a resolution to grant consent, we have had regard to available evidence from sales of comparable development sites where possible. Such transactions though are limited and we have therefore relied upon residual valuation methodology.

6.2.4 This requires the estimation of the total sales proceeds resulting from the completed scheme (Gross Development Value 'GDV'), calculated assuming that planning consent has been granted. From this figure we have deducted the costs required to achieve it, including construction costs, professional fees, finance costs, sales and legal fees and developer's profit.

6.2.5 Our opinion of GDV is calculated on the assumption that the proposed scheme has been completed, having regard to comparable transactions. Our costs are based on figures provided by published cost information sources and our previous experience of similar schemes, and our material assumptions are discussed later in this Report. Subjective judgements are involved in this valuation process and material changes in the input data may produce significant changes in the resultant valuation.

6.3 Market Value

Summary of Proposed Scheme

6.3.1 We understand that an outline planning application for 2,900 residential units, recently received a resolution to grant planning consent from the London Borough of Barking and Dagenham which is based on 50% of the homes being designated as affordable. Consequently, Countryside and the GLA are in negotiations regarding the increase in affordable housing, with the view of revising the original land price to be payable during the course of the development. You have advised Countryside are also considering increasing the number of residential units in order to mitigate this requirement with 3,000 currently being considered for a revised outline planning application. However, given the inherent risk associated with such applications, especially those seeking to increase the development density, we have, as instructed, for the purpose of this valuation undertaken a residual appraisal based on the current outline planning application which has a resolution to grant consent for 2,900 residential units. Under this application we understand there will be approximately 6,306 sq m of supporting uses, the majority of which will be of a commercial nature, including retail, a foodstore, a medical centre, a nursery and a community facility which is most likely to be a multi faith place of worship. Summarised later on in our valuation is a breakdown of the composition of the proposed development.

6.3.2 The residential element will comprise a mixture of apartments and houses ranging from one bedroom flats to four bedroom houses. We understand that with regard to the developments of flats these blocks will be no more than 7 storeys in height.

6.3.3 Detailed below is a summary of the above assumptions regarding the makeup of the types of residential units to be found in the proposed schemes to be assumed for the purposes of this valuation exercise with the first consisting of 35% affordable housing whilst the second assumes an even 50%/50% split between the two elements:

Proposed development consisting of 65% private and 35% affordable housing.

Unit Type	Size (Sq Ft)	No. of Unis	Total Floor Area
Private Dwellings			
1 Bedroom Apartment	538	326	175,388
2 Bedroom Apartment	753	537	404,361
3 bedroom Apartment	926	219	202,794
2 Bedroom Houses	893	209	186,637
3 Bedroom Houses	1,141	391	446,131
4 Bedroom Houses	1,250	209	261,250
Affordable Dwellings			
1 Bedroom Affordable Apartment	538	174	93,612

2 Bedroom Affordable Apartment	753	294	221,382
3 Bedroom Affordable Apartment	926	112	103,712
2 Bedroom Affordable House	893	110	98,230
3 Bedroom Affordable House	1,141	209	238,469
4 Bedroom Affordable House	1,250	110	137,500
Total		**2,900**	**2,569,367**

<u>Proposed development consisting of 50% private and 50% affordable housing.</u>

Unit Type	Size (Sq Ft)	No. of Unis	Total Floor Area
Private Dwellings			
1 Bedroom Apartment	538	228	122,664
2 Bedroom Apartment	753	424	319,272
3 bedroom Apartment	926	169	156,494
2 Bedroom Houses	893	163	145,559
3 Bedroom Houses	1,141	301	343,441
4 Bedroom Houses	1,250	165	206,250
Affordable Dwellings			
1 Bedroom Affordable Apartment	538	228	122,664
2 Bedroom Affordable Apartment	753	424	319,272
3 Bedroom Affordable Apartment	926	169	156,494
2 Bedroom Affordable House	893	163	145,559
3 Bedroom Affordable House	1,141	301	343,441
4 Bedroom Affordable House	1,250	165	206,250
Total		**2,900**	**2,587,238**

6.3.4 As for the commercial element the table below summarises our understanding of the proposed commercial accommodation, which we have assumed for both development scenarios detailed above:

Unit Type	Floor Area
Nursery	6,938
Food store	5,052
Management Suite	984
Medical Centre	17,353

Pharmacy	1,217
Commercial (A1-A5, B1 Use)	6,925
Community Faith Building	2,804
Total	**41,273**

6.4 Gross Development Value

6.4.1 In arriving at our opinion of the GDV of the proposed development, as above, and on the assumption that it has been completed to a good standard, we have given consideration to the following:

<u>Retail Rents</u>

6.4.2 In considering the rental value of the proposed retail units we have had regard to the following letting evidence:

- **534 Rainham Road, Dagenham RM10** – a 543 sq ft retail unit, forming part of a tertiary retail pitch, was let in May 2017 for a term of 10 years, subject to an initial 3 month rent free period, at a rent of £9,000 per annum, equivalent to an overall rental rate of £16.57 per sq ft. This is a similar retail pitch to what is envisaged for the subject development.

- **228 Heathway, Dagenham RM10** – a retail unit measuring 1,683 sq ft was let in October 2016 for a term of 20 years, subject to an initial six month rent free period, at a rent of £38,000 per annum. Once the rent free period is accounted for this produces a net effective overall rental rate of £22.30 per sq ft to lease expiry or to the first rent review £21.45 per sq ft. This property is situated in a superior location forming part of an established retail pitch on Heathway, which is essentially Dagenham's local high street and therefore we would expect this property to command a significantly higher rental rate then that envisaged for the subject development.

6.4.3 In respect of the commercial accommodation we consider that the following lease terms are appropriate to achieve this level of rent having regard to current market conditions:

Term	5 years for the commercial/retail units and 15 years for the supermarket, medical centre and nursery.
Rent Reviews	None in respect to the five year leases but the 15 year lease would contain an upwards only, five yearly rent review pattern during the course of the term.
Break Option	None in relation to the five year leases. For lease terms of 15 years we have assumed they will be subject to a tenant break option at the end of the tenth year.
Repairs	Tenant responsible for all repairs
Insurance	Landlord insures and is reimbursed by Tenant
Rent Free Period	6 months

6.4.4 For the assumed commercial elements we have applied a range of rental rates of between £15.00 per sq ft for the supermarket, nursery and medical centre whilst for the smaller commercial units we have adopted a rate of £17.50 per sq ft, which results in the following rental values:

Unit Type	Floor Area	Rent Basis	Market Rent (£pa)
Nursery	6,938	£15.00	£104,070
Food store	5,052	£15.00	£75,780

Management Suite	984	£17.50	£17,220
Medical Centre	17,353	£15.00	£260,295
Pharmacy	1,095	£17.50	£19,168
Commercial (A1-A5, B1 Use)	6,233	£17.50	£109,069
Total	**37,655**		**£585,602**

6.4.5 When considering an appropriate yield for the various commercial elements of the development we have referred to the following investment sales transactions:

- **2, 3,4, 5 & 6 Rowallan Parade, Green Lane, London RM8** – a freehold parade of shops was sold in March 2016 with each property being sold individually from one another and achieving yields ranging from 4.71% to 6.04%. At the time of sale the retail units were mostly let to local covenants, except no.5 which was leased to the Co-operative Funeral Service, whilst a number of the upstairs flats were let under standard ASTs. However, some of the premises (No.2 and 6) had commercial leases for the entire building. The parade forms part of a well-established parade of shops that are anchored by a Tesco Express. At the time of sale the weighted average unexpired lease term of the parade was six years and six months.

- **748/752 Green Lane, Beacontree RM8** – a freehold retail investment was sold in October 2016 for £1,280,000, reflecting a net initial yield of 3.76%. The property consists of two large shops leased to Superdrug and a local covenant, collectively producing an aggregate income of £51,000 per annum. At the time of sale the lease to Superdrug only had an unexpired term of circa 3 years and 9 months whist the local retailer was holding over. The property was presented as a part development opportunity with residential conversion of the upper and rear sections of the building, subject to planning; hence the low yield profile. The property forms part of an established, secondary retail pitch.

- **183 Broad Street, Dagenham RM10** – a freehold retail property, measuring 1,167 sq ft, was sold with full vacant possession in May 2016 for £319,750, reflecting a capital value rate of £274 per sq ft. The property forms part of a local parade of shops that would be considered a tertiary retail pitch.

- **189 Broad Street, Dagenham RM10** – a freehold retail building, split over two floors, measuring in total 760 sq ft, was sold with full vacant possession in March 2016 for £280,000, reflecting a capital value rate of £368 per sq ft. The property forms part of a tertiary retail pitch.

6.4.6 In view of the above, our valuation approach in respect of the commercial element of the proposed development is to have adopted a range of equivalent yields to reflect the various uses, whilst assuming an average combined void/marketing period and rent free period of 6 months.

Unit Type	Equivalent Yield
Nursery	5.50%
Food store	4.75%
Management Suite	6.75%
Medical Centre	6.50%
Pharmacy	6.75%

A1-A5 and B1 Use	6.75%

6.4.7 We have applied higher yields to those detailed above, on the basis that all our comparable evidence involves properties located in well-established retail pitches, whilst in the case of the subject development this will be a new pitch and therefore a greater degree of risk is attached to it. For the nursery and the foodstore we have adopted lower yields for these two commercial elements on the assumption they will be leased either to an NHS funded General Practice or a national supermarket operator, each for terms of at least 15 years subject to a tenant break option at the end of the tenth year.

6.4.8 Overall our GDV for the commercial element alone is £9,100,000.

Private Residential Sales

6.4.9 In considering an appropriate value for the residential element of the development we have referred to the following sales transactions involving both flats and houses, which are detailed below:

Flats

- **2 Walters Close, Dagenham RM9** – a one bedroom flat, forming part of a development constructed in the 1990s, was sold for £155,000. At the time of sale the property was in reasonable decorative repair and condition and benefits from an allocated car parking space. The property is situated in an established residential area north of New Road, in close proximity to the Heathway.

- **Flat 14, Castle Court, Goresbrook Road, Dagenham RM9** – a first floor flat, forming part of a development constructed in the late 1990s/early 2000s, was sold in December 2018 for £234,000. At the time of sale the property was in reasonable decorative repair and condition and benefits from an allocated car parking space. The property is situated in an established residential area north of New Road, in close proximity to the Heathway.

- **105 Goresbrook Road, Dagenham RM9** – a second floor two bedroom flat, forming part of a development constructed in the late 1990s, was sold in July 2017 for £200,000. At the time of sale the property was in reasonable decorative repair and condition and benefits from an allocated car parking space. The property is situated in an established residential area north of New Road, in close proximity to the Heathway.

- **13 Wagstaff Gardnes, Dagenham RM9** – a two bedroom flat forming part of a modern development dating from the early 2000s was sold in December 2015 for £230,000. The flat is situated in an established residential area north of New Road, near to Beacontree London Underground station.

- **14 Tallow Close, Dagenham RM9** – a two bedroom flat was sold in May 2016 for £220,000. The flat forms part of a four storey development built in the 1990s. The property is situated in an established residential area, north of New Road, near to Beacontree London Underground station.

- **24 Sheldon Road, Dagenham RM9** – a ground floor two bedroom maisonette benefitting from its own private rear garden was sold in October 2016 for £252,000. The maisonette forms part of some post war housing stock.

Houses

- **128 Lower Mardyke Avenue, Rainham, RM13** – a mid-terraced, three bedroom house, dating from the 1970s, measuring 1,167 sq ft was sold in January 2018 for £328,000, reflecting a capital value rate of £281 per sq ft. The property was in good decorative repair but does require some modernisation. The property is located in an established residential area.

- **52 Downing Road, Dagenham RM9 -** a semi-detached, three bedroom house, dating from 1950s, measuring 869 sq ft, was sold in December 2017 for £325,000, equating to a capital value rate of £374 per sq ft. At the time of sale the property was in need of modernisation with a very dated kitchen and bathroom specification. The property is located in a well-established residential area north of New Road.

- **7 Comyns Road, Dagenham RM9** – a two bedroom, mid terrace house, dating from the 1950s, was sold in July 2017 for £278,000. At the time of sale the property was in reasonable decorative repair and condition with a modest kitchen and bathroom specification. The property is located in a well-established residential area north of New Road.

- **51 Rowdowns Road, Dagenham RM9** – an end of terrace two bedroom house was sold in July 2016 for £296,000. At the time of sale the property was in fair decorative repair and condition, but did have a very modest kitchen and bathroom specification. The property benefits from off street parking and is in an established in a residential area north of New Road.

- **75 Dagenham Avenue, Dagenham RM9** – an end of terrace three bedroom house was sold in July 2017 for £330,000. At the time of sale the property was in fair decorative repair and condition, but did have a very modest speciation. Once again the property is situated in the established residential area north of New Road.

- **19 Cartwright Road, Dagenham RM9** – a mid-terrace two bedroom house, in good decorative repair and condition with a modern kitchen and bathroom specification was sold in July of this year for £306,000. As before the property is situated in an established residential area north of New Road.

- **74 Stamford Road, Dagenham RM9** – a ground floor one bedroom flat, benefiting from a rear private garden, was sold in October 2016 for £200,000. As with the sales evidence above this property is situated in an established residential locality.

- **Beam Park, New Road, Dagenham RM9** – we understand Countryside and L & Q's current development proposals are based on rather ambitious prices with their advisors envisaging sales prices of £245,000 for one bedroom flats, £310,000 for small two bedroom flats, £350,000 for large two bedroom flats and £375,000 for three bedroom flats. These values are based on capital value rates ranging from £455 to £472 per sq ft. Although these prices appear rather high they are based on the assumed regenerative and 'place making' nature of the Beam Park proposals and the opportunity it presents in influencing the evolution of a new residential market. However, at the time of the tendering of the sale of the site GL Hearn were of the opinion that the assumed sales values factored into Countryside's bid were rather high, which we concurred with in our Annual Asset Valuation of earlier this year.

6.4.9 With regard to new build schemes in Dagenham, due to a dearth of evidence we have subsequently enlarged our search area to encompass neighbouring towns such as Barking, Romford and Ilford, which in comparison to the subject location would all be considered superior and more desirable residential locations:

- **The Stamford, Rivermill Lofts, Abbey Road, Barking IG11** – we understand that a couple of one bedroom apartments situated in this modern riverside development are currently being marketed for sale at prices between £265,000 to £269,000. The flats measure between 528 sq and 574 sq ft with the above prices reflecting capital value rates of £469 per sq ft and £501 per sq ft.

- **Stanley Road, Ilford IG1** – a small, new development of flats, situated on the outskirts of Ilford town centre, has a couple of two bedroom flats currently on the market for sale at prices in the region of £375,000 with the units benefiting from either balconies or a roof terrace. Ilford benefits from a superior train link into Romford.

6.4.10 As previously mentioned we have been asked to value the site assuming two development scenarios. Firstly, we have been asked to assume a mixed use, residential led scheme consisting of 2,900 residential units, with a 65%/35% split in favour of private sales in addition to 6,306 sq m of ancillary commercial accommodation. Our second appraisal is of the same scheme but with an even 50/50% split between the two elements. Detailed in section 6.3 above are tables summarising our assumed apportionments for the above scenarios:

6.4.11 We have then adopted an average capital value for the various types of residential units that are to form part of our hypothetical developments, which are summarised below:

Unit Type	Size (Sq Ft)	Average Sales Price	Capital Value Rate Per Sq Ft
Private Dwellings			
1 Bedroom Apartment	538	£225,000	£418
2 Bedroom Apartment	753	£250,000	£332
3 bedroom Apartment	926	£275,000	£297
2 Bedroom House	893	£325,000	£364
3 Bedroom House	1,141	£350,000	£307
4 Bedroom House	1,250	£400,000	£320
Affordable Dwellings			
1 Bedroom Apartment	538	£135,000	£251
2 Bedroom Apartment	753	£160,000	£213
3 Bedroom Apartment	926	£180,000	£194
2 Bedroom House	893	£205,000	£230
3 Bedroom House	1,141	£245,000	£215
4 Bedroom House	1,250	£260,000	£208

6.4.11 By adopting these values this produces the following gross development values in respect of the residential element on the specific assumptions previously detailed.

<u>Gross Development Value – 65% Private Sales / 35% Affordable</u>

6.4.12 We have calculated the vacant possession value of the 2,900 residential units based upon the individual unit values set out above, adopting 100% of the vacant possession value for the Private Sales units and once again a blended rate of 60% for the affordable units, giving rise to a gross value for the residential units of £749,245,000. This figures equates to the following values for each of the residential components mentioned above:

Private Sales	£556,200,000
Affordable (Social/shared)	£193,045,000

Gross Development Value – 50% Private Sales / 50% Affordable

6.4.13 We have then calculated the vacant possession value of the 2900 residential units based upon the individual unit values set out above, adopting 100% of the vacant possession value for the Private Sales units and a blended rate of 60% for the affordable units, giving rise to a gross value for the residential units of £707,200,000. This figures equates to the following values for each of the residential components mentioned above:

Private Sales	£428,100,000
Affordable	£279,100,000

6.4.14 On 21st December 2017, the Communities Secretary announced a Government proposal to introduce legislation to ensure that ground rents on new long leases of flats and houses are set at zero. While the legislation has yet to be passed, we gather that the proposal has all-Party support and, as such, we consider it prudent to assume that the proposal will become law in the relatively short term. Against this background, in assessing our valuation of the subject development, we have assumed that long leases will be granted for terms of not less than 125 years and that any ground rent stipulated could be fixed for the entire term at ‘zero’ (or deminimis) in the event the proposed legislation takes effect prior to the scheme being completed. We have further assumed that the leases will be granted on terms that are not onerous to either party to the effect that no value should be attributed to a sale of the freehold interest, subject to the ground leases, at the date of this Report. Consequently, our valuation does not take into account the ground rents payable from the proposed flats

Conclusions on GDV

6.4.15 Having regard to the above, we are of the opinion that the GDV of the proposed development schemes are in the order of:

65% Private Sales / 35% Affordable	**£758,345,000**
This can be apportioned between the various elements as follows:	
Commercial	£9,100,000
Residential Private Sales	£556,200,000
Residential Affordable	£193,045,000

50% Private Sales / 50% Affordable	**£716,300,000**
This can be apportioned between the various elements as follows:	
Commercial (after costs)	£9,100,000
Residential Private Sales	£428,100,000
Residential Affordable	£279,100,000

6.4.16 These total figures equate to our opinions of the Market Value of the proposed developments on the Special Assumption that they have been completed as at the valuation date.

6.4.17 We have allowed for purchaser’s acquisition costs of 6.80% in respect of the commercial element to include stamp duty land tax, legal and surveyor's fees. We have not made any allowance for such costs on the sale of the residential element as these could be acquired by owner occupiers as well as potential investors.

6.5 Development Costs

6.5.1 The assumptions adopted within our residual appraisals can be summarised as follows:

6.5.2 Timescale

We have assumed a lead in period of 3 months in which to tender the construction contract and then a construction period of 150 months or 12 years and 6 months. However, we have assumed that the construction of this development will be undertaken in phases over this period with, say the second phase commencing once the first phase's sales/marketing period commences. We have assumed that the likely purchaser for the social housing would be a Housing Association and we have assumed that all of these would be sold on a "golden brick" basis effectively during the course of construction. For the private units we have assumed that some units would be sold off plan but with the majority being sold post completion over the course of 24 months for each of the phases of which there are four.

In respect of the commercial element we have assumed that marketing would commence prior to completion of the development but that, on average, letting of the retail accommodation would complete approximately 6 months post-development. It is further assumed that any incoming tenant would receive a rent free period of 12 months, and that the commercial investment would be sold within 6 months of the development completing (i.e. when all the units are let).

6.5.3 Construction Costs

We have not been provided with estimated construction costs in respect of the proposed development bit have had regard to published cost indices (BCIS; Spons) have adopted the following costs:

• Commercial units	£108 per sq ft (£1,162.50 per sq m)
• Nursery	£200 per sq ft (£2,152.78 per sq m)
• Medical Centre	£230 per sq ft (£2,475.70 per sq m)
• Residential units (Flats)	£150 per sq ft (£1,614.59 per sq m)
• Residential units (houses	£125 per sq ft (£1,345.49 per sq m)

6.5.4 Professional Fees

We have allowed for professional fees of 10% of total construction costs.

6.5.5 Contingency

We have made a contingency and developer's allowance equivalent to 10% of total construction costs.

6.5.6 Additional Costs

In accordance with your instructions we have allowed for the cost of the surcharge of £9 million. Furthermore, we have factored into the valuation infrastructure costs and remediation costs, which in total amount to circa £17,000,000.

6.5.7 Demolition

We have not allowed for demolition as the site is cleared.

6.5.8 Finance

We have assumed a finance rate of 6.00%.

6.5.9 Site Acquisition Fees

We have allowed for normal purchaser's acquisition costs on site acquisition include stamp duty land tax, legal and surveyor's fees.

6.5.10 Sales / Letting Fees

In respect of the commercial accommodation we have adopted agency fees of 10% and legal fees of 5% of one year's rent in respect of letting. As we have assumed that this part of the scheme will be retained by the developer, we have not reflected marketing and sales costs for the completed commercial investment.

For the residential elements, we have assumed total sales, marketing and legal costs of 2.75% of our opinion of the GDV.

6.5.11 Section 106 / Section 278 and Community Infrastructure Levy (CIL)
As instructed, within our residual appraisals we have reflected the level of CIL that would be payable in respect of the Private Sales Accommodation at a rate of £10 per sq m (£0.93 per sq ft). CIL is calculated by reference to the increase in floor space created by the new development over and above the floor space provided by any existing buildings, which in this case is not applicable because the property is currently a cleared site. Our valuation also allows for a CIL rate of £10 per sq m (£0.93 per sq ft) in relation to the commercial element along with the Mayoral CIL rate of £20 per sq m (£1.86 per sq ft), which is applicable to both elements of the assumed scheme. We understand that the current s.106 obligation amounts to a total financial contribution equivalent to the sum of £16m, which incorporates the above CIL rates, with this sum covering costs such as education in the form of a primary and secondary school, Linear Park, open space and sport across the wider development site, improvements to the local bus network and the Beam Park Community Fund.

6.5.12 Developer's Profit
Having regard to the nature of the proposed scheme we have assumed that a developer will require a return of 25% on total costs including site acquisition.

6.6 Residual Valuation

6.6.1 Adopting the above figures, we calculate the following residual site values:

Market Value Special Assumption 65% Private Sales / 35% Affordable	**£15,200,000**
Market Value Special Assumption 50% Private Sales / 50% Affordable	**-£10,510,000**

6.6.2 Based on the assumed schemes detailed herein, the resultant residual site values for the two development scenarios do somewhat differ. A development consisting of an equal split between private and affordable residential sales produces a negative site value, which infers that such a proposal for the subject site is economically unviable. However, an appraisal of the site but with a 65%:35% split in favour of private sales does produce a value of £15,200,000, which would suggest that such a proposal is feasible.

6.6.3 We are of the opinion that the subject property would be marketed with a value as clearly a site of this size does have development potential depending on the nature of the scheme. Furthermore, we are of the opinion that this would be reflected by the market with a vendor wishing to maximise their return and consequently we have assumed a 65 / 35% split to be reflective of market practice, a rate that is acceptable in many other London Boroughs.

6.6.4 However, taking into account that the current planning application only has a resolution to grant rather than full planning consent from one of the two councils, with Havering having previously deferred an application in relation to this site's redevelopment, there is a modest degree of risk, but we have not applied a discount on the basis there is desire from both Councils for the area to be regenerated.

6.6.5 When our **Market Value of £15,200,000** is analysed on a per residential unit basis this produces a rate of £5,241. We understand that the nearby, former stamping tool plant site, situated immediately west of Kent Avenue, was sold in 2016 for £26million with a planning application having subsequently been submitted for 2,650 residential units, with a decision pending, which if permitted would result in an equivalent rate of £9,811. We would expect Beam Park to command a lower rate to reflect the higher proportion of commercial and the public realm that will be include in its development, both of which will suppress the rate detailed above.

6.6.6 A copy of our residual calculation is attached as Appendix D.

6.6.7 We would stress that any value produced by the residual valuation method is potentially very volatile as it is sensitive to a wide range of inputs; relatively small changes in the cost or revenue can have a disproportionately large impact on value.

6.7 Risk Adjustment

6.7.1 We have made no planning risk adjustment within our other valuations as in accordance with your instructions, these are arrived at on the Special Assumption that planning permission is in place for the schemes appraised and described herein. Furthermore, your specific instructions have requested us to ignore the proposals to increase the number of residential units for the purposes of this valuation exercise

6.8 Marketability

6.8.1 The property represents an obvious development opportunity and if offered for sale, we are of the opinion that the most likely purchaser would be a volume house builder.

6.8.2 However, having regard to your instructions for us to assume both a 35% and a 50% Affordable scheme we are of the opinion that the property would most likely appeal to a private developer in partnership with a housing association, who in the case of the latter would most likely build out the development and retain all but the Shared Ownership units.

6.8.3 We envisage that there would be a reasonable level of demand for the property from prospective purchasers and it is our opinion that a sale by private treaty would be the most effective way to dispose of the property and the method most likely to secure the best price.

7 SWOT ANALYSIS

7.1 We summarise below our opinions as to the strengths and weaknesses of the property:

7.1.1 *<u>Strengths:</u>*

- The site is held freehold.
- The area benefits from good road links.
- The site is well located, being in walking distance of both a mainline railway station (Dagenham Docks) and a London Underground Station (Dagenham Heathway), with another station to be built as part of the nearby Beam Park redevelopment.
- The site has a prominent frontage onto New Road (A1306).
- The property is near to some retail amenities, including Merrielands Retail Park.

7.1.2 *<u>Weaknesses:</u>*

- Despite Dagenham being considered relatively affordable when compared to many other London areas, it is nonetheless one of the most deprived.
- The site is contaminated and costs are estimated to be at £154,000 per hectare, equivalent to £12,000,000, which we have factored into our valuation. However, this rate may be based on historical estimates.
- The area is characterised by a mixture of uses, with the site being located in what is still predominantly an industrial area given its historical use. Many of the surrounding sites previously formed part of the former Ford Dagenham car plant. However, the nature of the locality, particularly south of New Road, will change over the next 10 years or so.

8 THIRD PARTIES AND PUBLICATIONS

8.1 In accordance with our standard practice this Report and Valuation is intended solely for the use of the instructing client, to whom it is addressed, for the specific purpose to which they refer and no responsibility is accepted to any third party for whole or any part of its content.

8.2 Neither the whole nor any part of this Report and Valuation or any reference thereto may be included in any published document, circular or statement, nor published, reproduced or referred to in any way without our written approval of the form and context in which it may appear.

Yours faithfully

Graham Webb MRICS
Valuation Director
RICS Regulated Valuer

For and on behalf of GL Hearn Ltd

APPENDIX A

DETAILS OF PREMISES

CONTENTS - APPENDIX A

APPENDIX A - DETAILS OF PREMISES

A1 Situation

1 The subject property is situated in the east London suburb of Dagenham, which is approximately 11.5 miles from central London. Surrounding areas include Barking to the west, which is the administrative and commercial centre of the borough, Rainham to the east, Romford to the north and the River Thames to the south.

2 The property is situated north of the A13 (accessed from New Road) from which the North Circular (A406), central London and the M25 can be accessed. The property is also north of Dagenham Dock railway station, which benefits from regular services into London Fenchurch Street (via the C2C railway line). Approximately 0.5 miles to the north of the site is Dagenham Heathway London Underground station, which is connected to the District Line.

3 Dagenham is predominately a residential area with the majority of the housing stock dating from the 1950s. To the south of Dagenham, near to the River Thames, are some areas of declining industrial activity, including the former Ford Dagenham car plant, which in 2013 ceased its stamping plant activities, with the site currently being cleared. The southern area of Dagenham forms part of the London Riverside Section of the Thames Gateway redevelopment area, which encompasses both sites of the river and the Thames Estuary.

4 The subject property is located to the south of New Road (A1306), with a prominent frontage onto it and is sited in between Kent Avenue to the west and Marsh Way with a section of the site located east of the latter. New Road is a four lane road that runs from east to west connecting the A13 with Rainham town centre. New Road almost runs parallel to the A13, which is one of the main arterial roads leading into Central London from the M25 in the east. To the north west of the site is Heathway (A1240), which runs from south to north leading into Dagenham town centre, which is where Dagenham Heathway London Underground station is situated.

5 The immediate area consists of mixture of uses including a retail park (Merrielands Retail Park) circa half a mile to the west along New Road. Directly opposite, on the northern side of New Road, is the boundary of a large residential estate, which was constructed in the 1950s. Immediately to the south of the site is the mainline railway line into London Fenchurch Street with an industrial estate known as Beam Reach 5 located to the south of it. At the time of our inspection the site clearance stage of the development was well underway following planning approval earlier this year for the demolition of the former factory buildings.

6 Beam Park is due to be redeveloped into a new, predominantly residential neighbourhood. We understand that Countryside and L & Q have a planning application, with a resolution to grant planning consent from one of the councils, for this site to be redeveloped. Their proposals are to redevelop the site for 2,900 residential homes, consisting of a mixture of Private, Affordable Rent, Affordable Home Ownership and Social Rent with the latter three components accounting for 50% of the total number of proposed homes. Additionally, non-residential uses will include a new mainline railway station, a new medical centre, two new primary schools, new commercial space, a new nursery and community facilities, a multi faith centre and central open space focused on the Beam River, which is to become a new focal point for residents within the development. It is intended that 1,500 homes will be completed by 1 August 2025, with the entire development scheduled for completion by 1 September 2030.

7 Other majors sites in the area that are currently being redeveloped include the former Ford Motor Stamping Plant site, with this site being a 42 acre brownfield site, which was acquired in June 2016 for a sum in the region of £26 million (£619,048 per acre). We understand the developer plans to build 2,650 homes on this site, subject to planning. Additionally, there is another GLA owned site that has been identified for redevelopment, which, again, was previously owned by Ford Motors. This particular site, known as Polar Ford, is situated to the west of Kent Avenue, north of the former Stamping Plant site, with LocatED, the government owned property company responsible for the redevelopment of sites for new free schools, having identified it as being suitable for such use.

8 We attach as Appendix B a Location Plan showing the position of Dagenham in its regional context, a Street Map with the property shown in its local context and an extract from the Ordnance Survey, on which the subject property is edged red in accordance with our understanding of the site boundaries. If verification of the accuracy of the plan is required, this should be referred to your solicitors.

A2 Description

1 The property comprises four plots of land, all of which previously formed part of the Ford Mortor Car Plant and are separated from one another by two intersecting roads, with the land forming a near triangular shaped site. The plots are covered, for the most part, by a mixture of tarmac and concrete, which would need to be removed prior to any development. At the time of our inspection this process had already commenced as part of the wider site's preparation in relation to its redevelopment, notably plots 1 and 4, which are to the western end of the site.

2 We understand that there are a significant number of utilities and other infrastructure that cross the plots, including gas pipelines. Padhi zones also affect areas, in addition to which a proportion of the subject land will have to be set aside for flood mitigation because of its presence within a Flood Zone area.

3 The three plots along with another site situated to the western side of Beam Park, fronting onto Kent Avenue, have been marketed by the GLA as a development opportunity, ideally as a mixed use scheme.

4 The land is currently split between two London Boroughs, both of whom have identified it as being suitable for the creation of a new neighbourhood providing circa 1,000 residential units and which will benefit from a new mainline station at the far eastern end of Beam Park 1. Consequently, the GLA have tendered the site to developers and are in receipt of four offers, all of which are based on mixed use schemes with differing housing densities, with the preferred bidder having now been selected (we provide further detail in this regard later on in this report.

5 Photographs of the subject premises are included as Appendix C.

A3 Development Agreement and Proposals

1 We understand the GLA agreed the sale of the Beam Park site to Countryside Properties (UK) Limited and L&Q, on 30 April 2016. Originally Countryside properties (UK) Limited and L&Q had offered a guaranteed land payment for the sum of £70,000,000, which when discounted to a net present value (NPV) equated to £52,080,911 (based on the current treasury rate of 3.5%). Furthermore, we understand that this figure was net of decontamination costs for the whole site, which Knight Frank had previously advised was in the region of £34,600,000, but which the GLA now advise is in the order of £12,000,000. These payments were to be made in seven stages with the payments being scheduled as follows:

Phase 1 - £7,210,959 (October 2019)

Phase 2 - £11,890,411 (June 2021)

Phase 3 - £10,010,959 (November 2022)

Phase 4 - £14,383,562 (September 2024)

Phase 5 - £7,978,082 (February 2026)

Phase 6 - £11,852,055 (November 2027)

Phase 7 - £6,673,972 (June 2029)

Total – £70,000,000

2 However, since this agreement the Mayoral target for all new residential developments of 13 units or more, under Homes for Londoner's Supplementary Planning Guidance (SPG), is for 50% of all homes within such schemes to be designated as affordable. As a result of this policy change we understand that Countryside and L & Q have revised their offer to reflect this requirement although as part of this revised offer the developer has proposed increasing the housing density from 2,781 to 3,000, subject to the relevant planning consents being obtained. .

3 The original offer of circa £70 million made by Countryside and L & Q was well above our original opinion of Fair Value, primarily because Countryside Properties and L & Q had assumed a scheme with a significantly higher density than that originally envisaged in our valuation, which had been calculated by reference to both Councils' local development policies, which then encouraged a low density development for the site. Furthermore, the Gross Development Value for their proposed scheme was based on an average capital value rate of £457 per sq ft, which was significantly above the sales evidence detailed within their advisor's (Knight Frank) report as well as our own. Additionally, when we previously reported on the offers, we did conclude that this offer is based on a very optimistic private sales forecast. Countryside's pricing was based on place making and new transport infrastructure, notably the proposed mainline railway station. Obviously, following the change in mayoral policy aimed at increasing the provision of affordable housing, this has, apparently, forced the developer's to revise their original offer, despite an increase density in the scheme. The current offer in the region of £17,136,821, which represents an NPV figure of £12,750,110 assuming the development consists of 50% affordable homes.

4 Firstly, the scheme to be assumed is a mixed use, residential led development consisting of 2,900 residential homes comprising a mixture of flats and houses with some ancillary commercial accommodation. In the case of the latter this will include 6,306 sq m of retail, healthcare, multi faith worship space, leisure, community uses and management space, set within the Use Classes A1, A2, A3, A4, A5, B1, D1 and D2. Additionally, the wider development will have energy centres, open space with localised flood lighting, areas of public realm which will have a mixture of community uses and management space with these areas measuring in total 298,099 sq m. The development will also offer 1,525 car parking spaces of which 161 of the spaces will be allocated for visitors. Detailed later on this report is a breakdown of the floor areas for both the residential and commercial elements of the scheme.

5 For the residential units, we have assumed that these will comply with the minimum space standards set out in the London Design Guide. The various unit sizes are set out in the table below and are similar to those proposed for the nearby Beam Park development:

Unit Type	Unit Size Sq M	Unit Size Sq Ft
1 Bedroom Flat	50.00	538

2 Bedroom Flat	70.00	753
3 Bedroom Flat	86.00	926
2 Bedroom Houses	83.00	893
3 Bedroom Houses	106.00	1,141
4 Bedroom Houses	116.00	1,250

6 We have assumed that the residential units will be completed to a good specification, similar to that of other new build developments recently constructed or envisaged for the area. Broadly this will comprise:

- Double glazing
- Neutral décor throughout
- Wood flooring to living areas
- Gas fired central heating
- Video phone entry system
- Fully fitted kitchens with Bosch/Neff fitted appliances or similar
- Tiled bathrooms with 3 piece suite

7 In arriving at our opinion of the Market Value under the Special Assumption the site is redeveloped for 2,900 residential units with commercial, we have assumed a couple of development scenarios. The first development scenario, which is more reflective of the market, assumes an affordable housing element of 35% whilst the second development appraisal assumes the residential element comprising 50% affordable homes.

A4 Trade Fixtures and Fittings

1 All trade fixtures and fittings have been excluded from our opinion of value.

A5 Accommodation

1 For the residual valuation undertaken we have assumed the floor areas below in respect to both the commercial and residential elements, in line with the current outline planning application for the site, with these having been calculated on a Gross Internal Area (GIA) in accordance with the current Code of Measuring Practice prepared by the Royal Institution of Chartered Surveyors.

<u>Commercial</u>

Unit Type	Floor Area
Nursery	6,938
Food store	5,052
Management Suite	984
Medical Centre	17,353
Pharmacy	1,217
Commercial (A1-A5, B1 Use)	6,925
Community Faith Building	2,804
Total	**41,273**

Proposed development consisting of 65% private and 35% affordable housing

Unit Type	Size (Sq Ft)	No. of Unis	Total Floor Area
Private Dwellings			
1 Bedroom Apartment	538	326	175,388
2 Bedroom Apartment	753	537	404,361
3 bedroom Apartment	926	219	202,794
2 Bedroom Houses	893	209	186,637
3 Bedroom Houses	1,141	391	446,131
4 Bedroom Houses	1,250	209	261,250
Affordable Dwellings			
1 Bedroom Affordable Apartment	538	174	93,612
2 Bedroom Affordable Apartment	753	294	221,382
3 Bedroom Affordable Apartment	926	112	103,712
2 Bedroom Affordable House	893	110	98,230
3 Bedroom Affordable House	1,141	209	238,469
4 Bedroom Affordable House	1,250	110	137,500
Total		**2,900**	**2,569,367**

Proposed development consisting of 50% private and 50% affordable housing.

Unit Type	Size (Sq Ft)	No. of Unis	Total Floor Area
Private Dwellings			
1 Bedroom Apartment	538	228	122,664
2 Bedroom Apartment	753	424	319,272
3 bedroom Apartment	926	169	156,494
2 Bedroom Houses	893	163	145,559
3 Bedroom Houses	1,141	301	343,441
4 Bedroom Houses	1,250	165	206,250
Affordable Dwellings			
1 Bedroom Affordable Apartment	538	228	122,664
2 Bedroom Affordable Apartment	753	424	319,272
3 Bedroom Affordable Apartment	926	169	156,494
2 Bedroom Affordable House	893	163	145,559

3 Bedroom Affordable House	1,141	301	343,441
4 Bedroom Affordable House	1,250	165	206,250
Total		**2,900**	**2,587,238**

2 We understand that the site areas of the four plots are as follows:

Beam Park 1 – 44.91 acres (18.17 Ha)

Beam Park 2 – 23.51 acres (9.51 Ha)

Beam Park 3 – 4.06 acres (1.64 Ha)

Beam Park 4 (KAE) – 5.68 acres (2.29 Ha

5 The total site area is 78.16 acres (31.61 ha). The extent of the site boundaries, as we understand them, is shown edged red on the Ordnance Survey extract included within Appendix B. If verification of the accuracy of the plan is required, this should be referred to your solicitors.

A6 Services

1 We understand that all mains water, gas and electricity services are supplied to the subject property and that it is connected to the mains drainage system. However, we understand from you that none of these services are live.

2 We have undertaken no tests to ascertain the condition and capacity of these services and have assumed for the purposes of this valuation that all plant and services are in good order.

A7 Condition

1 Our inspection was to the section of the site, known as plot 4, where initial site preparation work is currently underway. At the date of our inspection, for valuation purposes, the site appeared to be cleared of all buildings, but was overgrown with vegetation.

2 We have not been instructed to carry out a structural survey of the existing premises and the comments above should not be regarded as such.

3 We must stress that we have not carried out any detailed investigations of the fabric of the existing buildings and are, therefore, unable to report that they are free from defect arising from the use of High Alumina Cement, Asbestos or any deleterious material. If further investigation of the property is required, we recommend that this work be carried out by a qualified Civil or Structural Engineer. The age and style of construction of the subject property are such that materials such as high alumina cement concrete, woodwool shuttering, calcium chloride or asbestos are may have been used in its original construction or subsequent alteration.

4 No enquiries have been made to determine whether any Asbestos insulation or coating nor any other deleterious material has been used in the fabric, finishes or services to the premises, which may need removal by a Licensed Operator or sealing permanently. If it is considered that the presence of deleterious materials would necessitate detailed investigation we recommend a full survey be commissioned.

5 The Control of Asbestos at Work Regulations 2002 imposes a duty to manage the risk of asbestos by ensuring that a suitable and sufficient assessment is carried out as to whether asbestos is or is liable to be present in the premises. The regulations came into force in May 2004 from which date

it is assumed that asbestos is present within a building unless "proved" otherwise. The regulations require non-domestic property to have asbestos management plans in place.

6 In the absence of any such report, we have assumed for the purposes of this report that no asbestos is present in the property or, alternatively, that the removal of any asbestos will result in no significant costs to the borrower.

7 We have not been provided with an audit of the property in relation to the Disability Discrimination Act, 1995 (DDA). This legislation imposes duties on, amongst others, employers, service providers and landlords not to discriminate against disabled persons. Whilst employers are not required to make changes in anticipation of employing a disabled person, they have to make reasonable adjustments to their employment arrangements and premises if a disabled person might otherwise be substantially disadvantaged. In addition, service providers have a duty to make reasonable adjustments to physical features of buildings or provide agreeable terms in making the service available.

8 In the absence of any such audit report and having regard to the existing arrangements of the property we have assumed the property will require no extensive works of alteration at the cost of the landlord.

9 In accordance with the provisions of the Energy Performance of Buildings Regulations 2008 (as amended) all commercial buildings will require an Energy Performance Certificate (EPC) with effect from 4 January 2009. Exempt buildings are temporary buildings with a planned time of use of two years or less, workshops and non-residential agricultural buildings with low energy demand and stand-alone buildings with a total useful floor area of less than 50 sq.m (538 sq ft) which are not dwellings.

10 An EPC is a document which states the energy efficiency of a building based on the standardised way that the building is used. Carbon Dioxide ratings are shown in bandings from A to G, with A being the least polluting.

11 The EPC is to be provided by the seller (if the building is to be sold) and by the prospective landlord (if the building is to be let) and be made available free of charge to a prospective buyer or prospective tenant.

A8 Environmental Matters

1 We have not been provided with an environmental audit, or other environmental investigation or soil survey carried out on the property, which may draw attention to any contamination or the possibility of any such contamination. However, we have previously been advised that the contamination costs for Beam Park are estimated to be in the region of £12,000,000. Depending on how historic this estimate is, and given we are not experts in this field, there is a possibility that the contamination of the site may have worsened if it has not been treated in recent years. Consequently, a purchaser may undertake further investigations and if these were unexpectedly to reveal additional contamination then this might reduce the values now being reported.

2 We have made enquiries of the Planning Service’s online flood map and are advised that the subject property falls outside the extent of the extreme flood.

3 If the property lies within or close to a flood plain, or has a history of flooding, we have made an Assumption that building insurance is in place regarding flooding and available to be renewed by the current or any subsequent owner of the property, without payment of an excessive premium or excess.

4 The GLA have confirmed that the site is unaffected by Giant Hogweed and Japanese Knotweed, which we have assumed for the purposes of this valuation. Should these species of plant be detected at a later date then this may affect the Market Values reported herein.

A9 **Planning and User**

1 Online enquiries been made of the London Borough of Barking and Dagenham www.lbbd.gov.uk and the London Borough of Havering www.havering.gov.uk planning authoriteis_as to the possibility of highway improvement proposals, comprehensive development schemes and other ancillary planning matters that could affect property values.

2 We have been advised that part of the property (plots 1 and 2) is in an area covered by the London Borough Havering's Local Development Framework (LDF) Core Strategy, which was adopted in June 2008. This part of the land is located in Site Specific Allocation 11, which permits residential and ancillary education, community, leisure, recreation and retail uses within the site. It also proposes the creation of a new mainline station, which would need to be built first before any residential accommodation could be permitted.

3 We are advised that part of the property (plot 1) falls within an area administered by the London Borough of Barking and Dagenham's Core Strategy, forming part of the Local Plan, which was adopted in 2010. This part of the land falls within a Key Regeneration Area Outside Barking Town Centre and a Site Specific Allocation outside of Barking Town Centre.

4 Based on its former use the subject land has consent for B2 (General Industrial) and B8 (Storage and Distribution) use.

5 We understand that a joint planning application has been submitted by Countryside and L & Q, referenced 17/01307/OUT on the London Borough of Barking and Dagenham's website and P1242.17 on the London Borough of Havering website, relating to "the redevelopment of the site to include up to 2,900 homes (50% affordable), two primary schools and nurseries (Use Class D1), railway station, up to 5,272 sq m of supporting uses including retail, healthcare, multi faith worship space, leisure, community uses and management space (Use Classes A1, A2, A3, A4, A5, B1, D1 and D2), energy centres, open space with localised flood lighting, public realm with hard and soft landscaping, children' play space, flood compensation areas, car and cycle parking, highway works and site preparation works updated (site known as Beam Park)", which was received on 25 July 2017. The London Borough of Barking and Dagenham issued a resolution to grant outline planning consent on 19 March 2018, although a decision is still pending from Havering council.

6 The site is not located in a Conservation Area nor is it listed.

7 We draw your attention to the fact that employees of town planning departments now always give information on the basis that it should not be relied upon and that formal searches should be made if more certain information is required. If you should need to rely upon the information given about town planning matters, your solicitors should be instructed to make formal searches.

A10 **Highways**

1 We have made verbal enquiries of the local highways authority who have advised that New Road is adopted and maintained at public expense.

2 We are advised that there are no current highway proposals which might adversely affect the subject property.

A11 **Business Rates and Council Tax**

1 By reference to the Valuation Office website we note the property is not currently assessed for rating purposes.

2 Upon completion the commercial element of the assumed development will be assessed by the Valuation Office and a Rateable Value determined. The Rateable Value will then be subject to the Uniform Business Rate multiplier (NNDR), which for 2017/2018 is £0.479 or £0.466 for properties with a rateable value of less than £51,000.

3 Furthermore, the residential element of the completed development will be subject to Council Tax.

A12 **Tenure**

1 We have been instructed to value the unencumbered freehold interest in the property, the extent of which is shown edged red on the attached Ordnance Survey extract at Appendix B. We understand the property is subject to various restrictive covenants which may restrict development and also a lease of subterranean water that runs through the western section of the property.

2 In the absence of a recent Report on Title, we have assumed that there are no encumbrances or unduly onerous or unusual easements, restrictions, outgoings or conditions likely to have an adverse effect upon the value of the property. We have also assumed for the purposes of this valuation and report that good and marketable title is held.

3 **VAT:** We have assumed that no election has been made to waive exemption to VAT in respect of this property. The valuations included in this Report are net of Value Added Tax at the prevailing rate.

A13 **Tenancies**

1 We understand that the property is being sold with full vacant possession with no tenancies currently in place.

APPENDIX B

LOCATION AND SITE LAYOUT PLANS

CONTENTS - APPENDIX B

- **Location map (1:175000)**
- **Street map (1:7500)**
- **Ordnance Survey Extract (1:1250)**

APPENDIX C

PHOTOGRAPHS

CONTENTS - APPENDIX C

APPENDIX D

RESIDUAL VALUATION PRINT-OUTS

APPENDIX E

VALUATION ASSUMPTIONS

CONTENTS - APPENDIX E

APPENDIX E – VALUATION ASSUMPTIONS

In carrying out this Valuation we have made the following assumptions in relation to each property. References to PS and UKPS are to the Practice Statements of the current edition of the Valuation Professional Standards published by the Royal Institution of Chartered Surveyors.

E1 BASIS OF VALUATION

1 **Market Value (MV)** as defined in PS 3.2:

"The estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion"

Market Rent (MR) as defined in PS 3.3:

"The estimated amount for which a property, or space within a property, should lease (let) on the date of valuation between a willing lessor and a willing lessee on appropriate lease terms in an arm's-length transaction after proper marketing wherein the parties had acted knowledgably, prudently and without compulsion."

2 The basis of valuation is a statement of the fundamental terms upon which a hypothetical exchange is assumed to take place. Any change in basis is likely to have a material effect on the valuation.

3 We confirm that in our view no "Special Assumptions" as envisaged in PS 2.2 have been made in arriving at our opinion of value.

4 We have not reflected any element of "marriage value" and have valued the property as a single property unit and not as part of any property portfolio.

5 We have valued the premises on an investment basis and have assumed that existing lettings will continue without excessive voids or vacancies for the type of property concerned.

6 The Valuation has been made having regard to current market conditions. Specific factors affecting the general economic and property outlook may cause short term movement in values due to changes in investment yields and demand for particular types of property. In the event of any transaction being contemplated at a subsequent date it is recommended that a reassessment of value for the purpose of that transaction be made.

Valuation Uncertainty

7 The General Election result, with a hung parliament and a minority Government, following on from Britain having voted to leave the EU and triggering Article 50, there will be a period of uncertainty as both the UK and indeed the world economy adjust to the implications. The short term implications will be one of adjustment and will be dependent upon financial stability, while markets, both in the UK and internationally, find a level. Compounding this, will be whether there could be another General Election by the end of 2017 and indeed another Referendum.

8 The impact on the UK property market will similarly lead to a period of 'wait and see' with an on-going reduction in the number of comparable property transactions in what could be a fluid and potentially volatile macro-economic climate. Transactional volumes are already significantly down and the result of the General Election is only likely to compound this. A period of inertia might be expected and remains to be seen, although whether there is a more dramatic change, manifesting itself in a fall in values and disinclination to trade, is uncertain until it is clear how the market will be affected in the longer term.

9 The valuation of assets including property will be challenging pending evidence of market transactions, which are already at low levels. In advance of new market evidence, the valuer must consider the consequent uncertainty and its impact on various factors, including the following:

- Nature of the property or location
- Restrictions on enquiries or information provided
- Method of valuation (in particular when using residual method)
- Hope value
- Legal changes (eg: impending legislation or disputes pending a court decision)
- Market instability
- The target market for an asset

10 However, in the narrower sense of the local market (and asset type), the valuer must decide whether there is market instability and, if so the valuer must decide to what extent there is uncertainty relating to a specific asset and to what degree this impacts on the advice given. It should be emphasised that the characteristics of market instability as described in GN5 of the Valuation Professional Standards prepared by the RICS (the "Red Book") will not be the same in all circumstances. For example, reference is made to an event which causes a sudden and dramatic change on markets. There can be circumstances, such as those which exist at the present time, which can lead to a more prolonged period of uncertainty and possibly instability.

11 In such circumstances, it is likely that a valuer will still be able to make a judgement regarding value albeit that this judgement is expressed as being provided in conditions of uncertainty. This means that in the expected period of inertia there will probably be a lesser amount of comparable evidence on which to base our opinions of value. While we are confident the opinions expressed within this report are reasonable, we must point out that current market conditions dictate lesser certainty pending a return to a reasonable volume of market transactions in the 'New World'. However, if the impact is one of a very significant fall in the volume of transactions and greater financial volatility, albeit on the assumption of a still functioning market, our opinions may be subject to a greater degree of variance than in a more normal and stable environment

E2 CONDITION OF PREMISES

1 We have assumed that the premises, as described, are in the condition existing at the time of our inspection. We were not instructed to carry out a structural assessment or building condition survey and cannot give any assurance as to their structural condition, the absence of rot or timber infestation, or the service installations. None of the services were tested during the course of our inspection of the property.
In addition:

a) We have not made allowances for items of disrepair where these were patent and significant and would materially affect the market value. In these cases as we have not carried out a structural assessment or building condition survey the items identified do not purport to be a list of all or potential defects.

b) In the case of English properties, no allowances have been made for any rights, obligations or liabilities which might arise under the Defective Premises Act 1972. This Act does not apply to Scotland.

c) We have assumed there are no adverse ground conditions or latent defects, other than those specifically referred to, which would materially affect value.

d) We have assumed the floors and substructure have not been adversely affected by process chemicals and liquids including oil.

2 We have assumed that the land and buildings together with their uses evident at the time of our inspection:

a) are lawfully established and not in breach of any planning permission, Act of Parliament or regulation thereunder, by-law of a local authority, or similar provision or any conditions attached thereto,

b) will comply with the provisions as to user contained in any lease and conform to any enforceable restrictive covenant,

c) are served by easements for rights of way, support, services and emergency escape routes etc which are enjoyed as of right or will be renewable upon terms which will not materially affect value,

d) are not detrimentally affected by any highway, town planning or compulsory purchase proposals,

e) are not subject to outstanding notices requiring substantial works to be carried out.

3 We have assumed that adequate public and private utility services are available for the premises existing uses and that these services will continue for the foreseeable future without material change.

4 In cases where properties lie within or close to a flood plain or have a history of flooding we assume that building insurance is available without payment of an excessive premium or excess.

E3 TENURE

1 With regard to premises subject to a lease, and unless stated otherwise, we have assumed that:

a) any provision for the review of rent is upwards only to 100% of the full market rent of the property, as existing at the time of our inspection, without any restrictions, assumptions, covenants or conditions which might materially affect the open market rental value, and

b) the provisions for the review of any rent will be operative on the dates referred to in the details of tenure, and

c) the lease freely permits sub-letting and assignment of the whole premises, and

d) the uses to which the premises are put comply with the covenants contained in the lease, and

e) there are no material breaches of covenants, and

f) there are no restrictive covenants or any other limitations whatsoever which might materially affect the open market capital value.

2 We have not read title documents or leases and have, therefore, assumed that the tenure information supplied to us by your company is correct and that good titles can be shown free of any encumbrances, borrowings, unusual or onerous charges or covenants which would materially affect the value.

E4 TAXATION

1 We have neither had regard to any allowances, grants or subsidies of any nature which may be available from Central or Local Government or any other body statutory or otherwise, nor any liability to repay such sums which may arise upon disposal.

2 No specific allowance has been made for any effect that the 2010 commercial rating revaluation and uniform business rate may have upon the market value of the subject premises.

3 We have not included VAT at the standard rate on any of the following:

a) Construction materials and services on new or altered non-domestic property.

b) Professional services.

c) Demolition costs and other similarly associated construction costs.

d) Receipts from the freehold sale of a new non-domestic building.

e) Receipts from the freehold sale of an existing non-domestic building.

f) Receipts from the sale of a lease or the rent on a lease of developed or undeveloped land.

4 Items a) to d) above will be charged VAT at the standard rate, items e and f are exempt but with an irrevocable option for VAT to be charged. The incidence of VAT on rents, capital receipts and construction work and services could be significant and we recommend this be investigated in detail before any decision is taken to proceed with a transaction.

5 In arriving at our opinion of value we have made no allowance for Capital Gains Tax or any other tax liability nor any allowance for expenses of realisation which might arise upon disposal whether deemed or otherwise.

E5 ITEMS EXCLUDED

1 All Plant and Machinery installed wholly or primarily in connection with industrial or commercial processes has been excluded from our opinion of value.

2 All antiques, fine art and chattels have been excluded from our opinion of value

E6 EQUALITY ACT 2010

1 The Act imposes a duty to make physical alterations or adjustments to property occupied by employers with fifteen or more employees. This can impact on the value of the property interest.

2 Employers are under a duty to make reasonable changes to practices and procedures within the workplace to enable disabled people to do their jobs. This may extend to making physical alterations to the workplace. These provisions came into force in 1996, and further provisions came into effect in October 2004, when Part III of the Act came into force. This covers the provision of goods, services and facilities directly to the public. From this date, a service provider has to take reasonable steps to remove or alter any feature that makes it impossible, or unreasonably difficult, for a disabled person to make use of services.

E7 FIRE SAFETY LAW

1 The Regulatory Reform (Fire Safety) Order 2005 came into effect on 1 October 2006 and applies to all non-domestic property. The Order replaces the certificate procedure under the Fire Precautions Act 1971 with a requirement for the 'responsible person' (e.g.: occupier or owner of a property) to make a suitable and sufficient assessment of the risks and to identify the fire precautions required to comply with the Order.

2 It is assumed that an adequate Fire Risk Assessment has been carried out and the significant findings recorded where there are more than five people employed on the premises.

E8 RESIDENTIAL PROPERTY

1 In the case of the construction of a new residential property or conversion of an existing property to residential use, the construction of which has not yet been completed it is assumed that the construction will be satisfactorily completed and that the builder is a registered member of the NHBC or equivalent and has registered the subject project in accordance with the scheme concerned.

APPENDIX F

COPY OF INSTRUCTION LETTERS