

OPDC – May 2018 Property Cost Estimate (PCE)

Basis & Assumptions Employed

The assumptions we have adopted in undertaking this exercise are summarised below:

- The valuation date is 1 May 2018.
- Our PCE has been prepared for the purpose of negotiations and to inform the business case. It has been excluded from the provisions set out within the RICS Valuation – Professional Standards and should not be construed as representing a formal ‘Red Book’ valuation.
- Inspections have been undertaken from the public highway and other publicly accessible areas. No internal inspections have been undertaken.
- The PCE boundary is based on an initial desk top land referencing exercise and plans prepared by Persona Associates (“the Persona Exercise”), which was refined following instruction from OPDC. The Persona Exercise split the boundary into four areas (Areas 1 – 4). These pre-date the business case and some interpretation has been required.
- Land ownership and occupier information has been taken from the Persona Exercise supplemented by our own research.
- Commercial building areas have been taken from the Valuation Office Agency website, published buildings reports or property particulars (where the property is or has recently been on the market).
- We have assumed it will be necessary to use compulsory purchase powers to acquire all interests and there is no means of securing possession by alternative methods, i.e. use of Landlord and Tenant powers or by acquiring vacant properties.
- Our estimates have been assessed in accordance with the provisions of the ‘compensation code’ and have considered the heads of claim likely to be pursued by each individual landowner. We have assumed that displaced occupiers will be able to identify, secure and move to suitable relocation premises before their existing property is acquired.
- Property values are considered on an existing use value only. We have not considered whether any of the interests have a “development value” that is greater than existing use value.
- Compensation and fees for Statutory Undertakers and utility companies are included at a small spot figure. There have been no other allowances made for contingencies due to unknown costs.¹
- We have excluded severance and injurious affection which may apply where part only of a property is acquired.
- No investigations have been undertaken to establish any incidence of contamination and/or deleterious materials and no enquiries have been made to establish whether any other environmental factors affect the subject properties.²

¹ OPDC: Allowances have been made within our construction cost estimates for the reinforcement, relocation, decommissioning or protection of utility services and other assets operated by statutory undertakers. This is based on advanced discussions with statutory undertakers.

² OPDC: Allowances have been made within the construction cost estimates for demolition, site clearance, land remediation and removal of harmful substances.

- Given the “high level” nature of this exercise and the sources of information available, individual line entries may be subject to variation and further due diligence should be undertaken before any financial offers are made to landowners.³
- We have included a provision for the reasonable professional fees (surveyors and solicitors costs) incurred by landowners in reaching agreement on the compensation to be payable. The fees incurred by the promoter (i.e. OPDC) been included.
- Our estimates for commercial property assumed that the claimant is VAT registered and is therefore able to recover any VAT incurred.
- Part 1 of the Land Compensation Act and S10 of the Land Compensation Act 1961 enables certain owners to claim compensation despite their property being located outside of the PCE boundary.
- Statutory Interest is excluded. Statutory Interest is currently 0% (calculated at 0.5% below the current base rate of 0.25%), but if interest rates increase there will be a liability to pay Statutory Interest on the outstanding compensation from the date of vesting or the date of possession (if earlier) until the claim is settled and paid.

Deloitte Real Estate
24 May 2018

Generally:

The detail and basis of the construction cost estimate is commercially sensitive, confidential and in part legally privileged.

Further information can be provided to Homes England/MHCLG through confidential briefings if required.

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³ OPDC: General allowances for Optimism Bias and contingencies are reflected in other lines of the projects total development cost.