

Wycombe District Council
Queen Victoria Road
High Wycombe
Buckinghamshire
HP11 1BB

DELIVERABILITY ASSESSMENT STUDY

FOR

REDEVELOPMENT PURPOSES

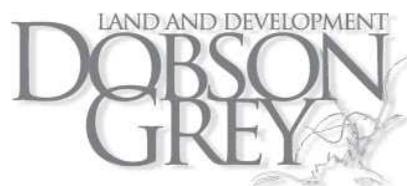
ON

MU15 SWAN FRONTAGE
MU24 OCTAGON PARADE
MU9 ARCHWAY SITE
SUFFIELD ROAD SITE
HIGH WYCOMBE

AS AT

30 MARCH 2009

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EXECUTIVE SUMMARY

Deliverability Assessment:	<p>Wycombe District Council have instructed Dobson-Grey to provide feasibility advice in connection with the development value of town centre sites on the basis of existing use and proposed use as outlined in their concept diagrams following highway changes.</p> <p>This report explores how the uplift in value in these sites following highway changes could generate contributions toward the removal of the Abbeyway flyover and other highway improvements could be optimised.</p> <p>The build costs and scheme layouts outlined herein have not had an opportunity to be value engineered and the form of the proposed developments should be subject to further sensitivity analysis in order to arrive at optimum development value.</p>
Inspection:	<p>We have not inspected the properties internally and have only inspected externally on the basis of providing a desktop appraisal of the sites.</p>
Existing Use Development Value:	<p>We have valued the sites based upon existing use development value. Our assumptions are based on current development proposals for the sites (where this is appropriate). We have not been provided with any scheme layouts other than where specifically mentioned. In order to refine the values reported these should be provided.</p>
Proposed Development Value:	<p>The values reported are based upon Master plan concept drawings attached as Appendix 3. These are subject to further refinement and sensitivity analysis.</p>
Tenure:	<p>The report assumes that all the sites have clean freehold titles.</p>
Tenancy:	<p>We have not been provided with any tenancy information in respect of the sites. Please see Section 11.1 for further commentary.</p>
Assessment Date:	<p>30 March 2009</p>
Summary of Assessment Findings:	<p>The following table summarises the expected development values if changes to the highway network proposed by Wycombe District Council under the Masterplan were to be implemented. The values are subject to the valuation assumptions under Section</p>

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14 of this report.

Site	Residual Land Value as existing	Residual Land Value as proposed	Development Value as Existing	Development Value as Proposed	Development costs as existing ¹	Development Costs as proposed
MU15 Swan Frontage As existing	-£450,000 ² £ (SV1) ³		£14,391,000		£11,600,000	
Option 1		£9,100,000		£71,000,000		£58,222,000
Option 2		£8,269,000		£63,700,000		£52,229,000
MU24 Octagon Parade Site 1 Site 2	£1,500,000 SV2 ⁴	£5,659,000	£11,263,000	£31,411,000	£9,230,000	£28,000,000
MU9 Archway Option 1 Option 2	£1,740,000	-£1,334,263 -£1,704,793 ⁵	£12,329,000	£29,941,000 £37,155,000	£10,720,000	£25,699,000 £32,309,000
Suffield Road	£498,000 (SV3) ⁶	£756,000	£1,675,000	£4,756,000	£1,340,000	£3,805,000

- Areas where funding could reasonably be expected to be secured to implement highway network changes from the developments proposed by WDC as part of the Master plan are as follows:

¹ Development costs include construction costs, professional costs, marketing and letting costs, disposal fees and finance costs and acquisition costs (including land cost).

² Sensitivity analysis required along with detailed scheme layout to appraise comprehensively.

³ SV1 this figure does not include the existing use valuation of the Police Station and Fire Station which have been identified for development under MU15 master plan. These buildings have been designed for specific purposes and as "Specialised" properties we are not qualified to value such in line with Red Book guidance UK PS1.1. Such operation specialized properties require valuation by depreciated replacement cost method by a suitably qualified valuer which is outside the scope of this feasibility report.

⁴ SV2 In line with Guidance Note 5 of the Red Book and in line with PS 6.1 it is our opinion that in order to bring forward this site a stopping up order would need to be applied for in order to bring the highway land into the Councils ownership. It is extremely likely that the tenants and owners of the Eden Centre would object to any stopping up order that would affect their access to the service yard and customer car park which is accessed via this land and thus any Stopping up Order would be Appealed. The proposed redevelopment of MU24 site 2 requires continued access into the multi storey car park. Our appraisal assumes that this access does not affect development however we have been unable to value the site as the site provide access to the service yard and car park to the Eden Centre and therefore value is indeterminable as the site would either have to assume a ransom position or special purchaser situation.

⁵ Negative land values reflect unprofitable development and arise as developers profit is fixed within residual appraisal. The negative land values reflect form and cost of development proposed. These sites could provide a positive land value if form of development is revised and development costs reviewed. Further sensitivity testing is required in order to ensure optimum profitability and positive land values. Due to the tight timescales this has not been possible as part of this initial feasibility study due to absence of review of initial layouts. Build Cost savings subject to further discussions with WDC.

⁶ The values provided reflect land value with vacant possession. We would recommend that a specialist valuation is obtained by a suitably qualified valuer to reflect the current tenancy agreement in place and to reflect the Council tenants potential right to buy ability. We have not been provided with details of the tenancy agreements and would recommend that a specialist valuation will confirm the level of compensation likely to be payable to the council tenant along with existing use value reflecting the current occupier interests.

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1. Section 106 contributions where WDC have no interest in the land e.g. MU24 Octagon Parade site 2
 2. Land value plus S.106 contributions where WDC have an interest in the land (outright sale) e.g. MU9 Archway
 3. Development Profit, Land Value plus Section 106 contributions where WDC own the land and either develop the land themselves or have a joint venture or other development agreement e.g. collaboration agreement with a development partner putting the land in as part of the partnership and splitting the developers profit 50:50. E.g. MU15 Swan Frontage and/or MU9 Arch Way Site 2
 4. Post 6 April 2010 it may be possible for further funding to be sourced from Community Infrastructure Levy.
- The level of Section 106 contribution could be increased if WDC were to consider phasing the timing of Section 106 contributions to later on in the development process and in particular when the development becomes income producing. Further value could be derived if the tenure requirements for affordable housing are relaxed or quality of build/design is decreased.
 - Relaxation of Building Standards (where appropriate) would release further capital towards highway changes from the schemes.
 - Where a more holistic approach is required toward regeneration of a wider area the consideration of compulsory purchase powers to acquire the land would allow WDC to derive income from developers profit and Section 106 contributions.
 - The optimum income that could be derived toward highway changes would be from a combination of phasing of Section 106 contributions and development of the land held by WDC to secure 100% of developer's profit. However this should be weighed up against the benefits of working with an experienced developer who can ensure the optimum development reflecting demand and manage to onward delivery.
 - A summary of the developers profit based for the proposed and existing schemes based upon 20% on cost where WDC takes on the role of developer re-couping 100% stake of developers profit is set out below:

⁷ Scheme required for wider area this appraise only the British Legion and fire station site

⁸ Excludes site 2 gross profit as this requires specialist valuation

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Site	Gross Developers Profit (Existing)	Gross Developers Profit (Proposed)
MU15 Swan Frontage Option 1 Option 2	£1,830,000 ⁷ note negative land value	£8,730,000 £7,830,000
MU24 Octagon Parade	£1,385,000 ⁸	£3,861,000
MU9 Archway Option 1 Option 2	£1,608,000	£3,850,000 note negative land value £4,850,000 note negative land value
Suffield Road	£335,000	£950,000

- It is envisaged that the contribution toward infrastructure will be secured by legal agreement, linked to the granting of planning permission, the making of road closure orders, with a clear policy basis in the Delivery and Site Allocations DPD. This conventional approach to securing income through a Section 106 agreement should make consideration of other mechanisms available to secure these contributions to include Community Infrastructure Levy (CIL), collaboration or joint venture agreement where WDC are a party to the development and grant funding through sources such as Europe, Lottery and Central Government.
- WDC have requested development costs beyond 2009. Regrettably due to the uncertain market conditions, tendering prices are somewhat unpredictable and unknown in the present market. A logical conclusion based upon historic events and data would be that an average of 4% ought to be added per annum cumulatively to the build cost figures if predicting into the future. This is an assumption based upon the current market conditions and facts available.

Key Issues:

- The residual valuations that we have provided are very sensitive to variations in the estimated costs and values assumed.
- The current market instability has meant that the values reported have assumed as far as possible a relatively stable market and availability of funding from lenders
- Further sensitivity analysis could provide a different range of values through an adjustment in rents, yields, build costs, contractor's contingency and/or development form.
- Deferred payment of Section 106 contributions from commencement of build could provide additional contributions towards highway improvements;

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- Due to the time constraints of this report we have been unable to provide a sensitivity analysis of the developments proposed by WDC as part of this report. This should be considered further as further sensitivity testing could provide an improvement on the values reported herein. The analysis will provides a range of values and reflects the sensitivity of residual valuations to variations in rent, build cost and yield changes.

This summary should be read in conjunction with the remainder of the Deliverability Assessment Report and must not be relied upon in isolation.

Wycombe District Council
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DELIVERABILITY ASSESSMENT

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1 INTRODUCTION

1.1 INSTRUCTIONS

- 1.1.1 In accordance with your brief dated 27 February 2009 and subsequent instructions dated 11 March 2009 (a copy of which is attached at **Appendix 3**), we have inspected externally and valued the residual interest in the above properties for appraisal purposes on the basis of Open Market Value.
- 1.1.2 Our valuation advice has been prepared in accordance with the Basis of Valuation and Valuation Assumptions set out in **Section 14** and in accordance with the current edition of the Valuation Standards for Development Land published by the Royal Institution of Chartered Surveyors.
- 1.1.3 We confirm our legal liability in providing this valuation report will be limited to £1 million, on a per claim per property basis, and that we have adequate professional indemnity insurance cover in this regard.
- 1.1.4 This Deliverability Assessment report has been compiled as part of the evidence base for the Delivery and Site Allocation Update Consultation and subject to further detailed information becoming available and sensitivity analysis in line with our comments in **Section 14**.
- 1.1.5 The purpose of this deliverability assessment is to provide an evidence base in order to address the concerns expressed by the Core Strategy Inspector in February 2008 into the Wycombe Development Framework Core Strategy – the document outlining the Council's overall planning vision up to 2026.
- 1.1.6 WDC's proposed policy 6(1) on High Wycombe Town Centre was deleted. This policy outlined the WDC's aspirations to improve the pedestrian environment, integrate the expanded town centre and secure changes to the road network. This includes re-routing the A40 Abbey Way Flyover so as to overcome its divisive effects.
- 1.1.7 The inspector stressed that the principle of the proposal is, however, "entirely supportable" and that ensuring the town centre is fully integrated is a "central" issue

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that should be resolved “as soon as possible”, particularly in the wake of Eden’s opening.

- 1.1.8 Whilst recognizing the need for flexibility the inspector says the policy as it stands is not yet supported by enough evidence to show that the proposal can be achieved within a reasonable period, and the implementation mechanisms are not sufficiently clear.
- 1.1.9 We understand that the values and advice set out in this report will assist WDC in compiling an evidence base for the shared vision for High Wycombe as set out in the Core Strategy and BCC second Local Transport Plan. These documents include aspirations to improve the pedestrian environment within High Wycombe through changes to the road network including the possible re-routing of the A40 Abbey Way Flyover in order to encourage cohesion in the town centre and to overcome its divisive effects.
- 1.1.10 In an effort to address the concerns raised by the Inspector following Public Examination of the High Wycombe Core Strategy in respect of a clear implementation mechanism and reasonable programme, Wycombe District Council have instructed Dobson-Grey Land and Development to assist in providing an evidence base which will assess the financial deliverability of the Master Plan.
- 1.1.11 The purpose of this report is providing advice on the following:
- (a) The development value of the sites identified by WDC with vacant possession prior to the proposed changes to the highways by the Master Plan and the potential cost of WDC securing the site.
 - (b) The development value of the sites following the proposed changes to the highways by the Master plan.
 - (c) The cost of developing the sites.
 - (d) The appropriate level of contribution towards the implementation of highway changes.
 - (e) The most appropriate means of securing contributions toward highway changes

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- (f) A broad guide as to the likely value that may be derived from the development of the four key sites based upon a set of assumptions as to the form of the development on each of the sites as recommended by WDC.
- 1.1.12 The Concept Diagrams produced and reviewed within this assessment have been compiled following extensive work and consultation that has been undertaken on the development of the Master Plan for High Wycombe since 2004.
- 1.1.13 Under RICS guidance we would highlight that the values reported do not represent Red Book Valuations for Existing Use of occupied properties as we have been unable to complete full inspections of the properties concerned and have not been provided with leases of the tenanted properties.
- 1.1.14 This report does not represent a valuation of Local Authority Assets as defined under the Redbook UK Appendix 1.5. We would advise that any asset valuations be conducted by a suitably qualified valuer in line with RICS and CIPFA guidance.
- 1.1.15 This report does not represent a valuation of Council land under Section 123 and 127 of the Local Government Act 1972 and S.233 of the Town and Country Planning Act 1990. Nor is it an assessment of any offers which may have been received on Council-owned land.
- 1.1.16 Further it is essential that in reading this report that WDC appreciate the currently unstable macro economic climate within which we find ourselves. The valuation date of this report co-incides with the aftermath and continuing uncertainty of a worldwide recession which has impacted on both the macro and micro economic climates. This report should be read with an element of caution due to the current uncertainty of market conditions and in particular the current borrowing climate for commercial and residential lending which has impacted upon values and has a considerable impact upon the current market stagnation and inactivity.
- 1.1.17 The valuations produced herein are residual valuations of the sites identified by WDC and are highly sensitive to the financial assumptions made particularly where forecasting future cashflows. Further work may be necessary in order to provide a sensitivity analysis to demonstrate where certain assumptions are changed that a different range of outcomes and values may arise.

1.2 INSPECTION

1.2.1 The sites which are the subject of this report were inspected on 13 March 2009 and 25 March 2009 by Keri Dobson MRICS, who is the author of this report. We confirm that this surveyor has the necessary experience in this type of property in this location in order to undertake this valuation for development purposes. We have not however made internal inspections of existing properties and have only visited sites on the assumption that any existing buildings will be demolished.

1.3 STATUS OF VALUER

1.3.1 In preparing this report, we confirm that Dobson-Grey Land & Development are acting as external valuers as defined in the Standards. We can also confirm that we consider ourselves to be independent for the purposes of this instruction.

1.4 VALUATION DATE

1.4.1 The sites have been valued as at 30 March 2009.

1.5 CONFLICT OF INTEREST

1.5.1 We confirm that we have had no prior formal involvement with the sites with the exception of MU15 Swan Frontage. We consider, therefore, that we do not have any conflict of interest in providing the advice that you have requested.

1.5.2 Dobson-Grey have however previously reported to WDC Estates Department in respect of the partial redevelopment of MU15 Swan Frontage based upon a scheme prepared by Markland Klaschka dated 24 September 2008 Drawing number SK20-24.

2 LOCATION

2.1 LOCATION

2.1.1 High Wycombe is an historic market town situated in Buckinghamshire. It is located about 29 miles west-north-west of London and 27 miles south east of Oxford.

2.1.2 The town centre is located about one mile south of junction 4 of the M40 motorway.

2.2 SITUATION AND DESCRIPTION

2.2.1 MU15 Swan Frontage

- (a) The site is generally level and is irregular in shape. The culverted River Wye abuts the north east site boundary and we believe this runs beneath the British Legion Club.
- (b) The site is currently occupied by four buildings, the British Legion Club, High Wycombe Fire Station, High Wycombe Police Station and the Liberal Club and extends to a site area of 1.911 hectares (4.722 acres).
- (c) The British Legion Club is a two storey detached building and is currently used as a members club by the British Legion. It is of brick construction with a pitched roof. There are aluminium framed, plate glass windows. Car parking is provided to the north west and south east side of the property for approximately 20 cars.
- (d) Access to the British Legion Club is via bridge over the River Wye from St Mary Street and Paul's Row.
- (e) The High Wycombe Fire Station comprises a part 2 and part 3 storey building with 3 active Fire Engine bays and fire tower to the rear.
- (f) The Fire Station is detached which we estimate it was built in the 1970s. Roofs to the property are flat asphalt covered. There are aluminium framed, plate glass windows. Car parking is provided to the rear of the site for approximately 20 cars. Access to the Fire Station is directly from Abbey Way south east bound traffic for Fire Service vehicles only. No access is permitted to members of the public.
- (g) The Liberal Club, which is set behind the Fire Station, is located fronting the Abbey Way roundabout to the south west and St Mary Street to the west. It is boarded to the east by the culverted River Wye and Queen Victoria Bridge. The property is a two storey detached building of brick construction under a tiled

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pitched roof built around the 1960s. Windows to the property are single glazed timber framed to the upper floor and UPVC double glazed arched windows to the ground floor. Car parking is provided to the curtilage of the site for approximately 7 to 10 cars.

- (h) The Police Station is adjacent to the Liberal Club and is a 3 storey building under a mansard tiled roof. Windows to the property are single glazed sash windows. To the rear of the original building is a modern brick extension of 3 storeys under a mansard roof. Parking to the property is provided to the south west side of the building.
- (i) The culverted River Wye runs adjacent to the south west side of the Police Station.
- (j) A 1:1782 Ordnance Survey extract showing our understanding of the extent of the site is outlined in red is attached as Appendix 1.1 with Concept Diagram attached as Appendix 2.1. Photographs of the property may be found in Appendix 4.

2.2.2 MU24 Octagon Parade Sites

- (a) The site is generally level and is irregular in shape fronting the Oxford Road Roundabout. The Abbey Way flyover runs along the south western boundary of the site elevated above the area known as Octagon Parade with Oxford Street running along the north-eastern boundary at ground level.
- (b) The site comprises perimeter ground floor secondary and tertiary retail and leisure uses (Pure and Obsession nightclubs fronting the Oxford Road roundabout) with offices above. There is an internal service yard accessed via Bull Lane from Queen Square and White Hart Street.
- (c) The site is occupied by buildings of brick and concrete construction of two and three storey terraced construction ranging in date from late 19th Century to 1970s. Roofs are pitched in the main with a flat roof to the modern nightclub block fronting the Oxford Street roundabout. There are aluminium framed shopfront fronting the Oxford Street roundabout with a mixture of timber

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aluminium and UPVC double glazing to the remainder. Car parking may be found in the service yard internally.

- (d) The site extends to an area to an area of 0.349 hectares (0.862 acres) referred to herein as MU24 Octagon Parade Site 2.
- (e) The other Octagon Parade site (Site 1) is an irregular shaped site to the north-east of the Octagon Parade block fronting the car park ramp and service road into the multi storey car park of the Eden Centre. This area is currently used for access and landscaping.
- (f) Site 1 to the south western side of the gyratory extends to an area of 0.597 hectares (1.475 acres).
- (g) A 1:1250 Ordnance Survey extract showing our understanding of the extent of the property outlined in red is attached as Appendix 1.2 with Concept Diagram attached as Appendix 2.2. Photographs of the property may be found in Appendix 4.

2.2.3 MU9 Archway

- (a) The site is generally level and is regular in shape set down from the Archway dual carriageway to the rear of the new Sainsbury developments multi storey car park. The site extends to an area of 1.026 hectares (2.536 acres).
- (b) The site is currently used as a surface public car park. Pedestrian access to the car park is via a subway which provides access to Dovecote Road. Vehicular access to the site is directly from the Archway dual carriageway.
- (c) The site is situated adjacent to the viaduct to the north with embankments directly abutting the site. The new Sainsbury's development is to the west of the site and the multi storey car park are accessed through the site. Uses in close vicinity to the site include the secondary and tertiary retail and leisure uses of the Octagon shopping parade fronting Oxford Road roundabout and the residential opposite the subject site. Beyond the viaduct is Morrisons supermarket with associated car parking.

- (d) A 1:1250 Ordnance Survey extract showing our understanding of the extent of the property outlined in red is attached as Appendix 1.3 with Concept Diagram attached as Appendix 2.3. Photographs of the property may be found in Appendix 4.

2.2.4 Suffield Road Site

- (a) The site is sloping and is irregular in shape and currently extends to a site area of 0.135 hectares (0.335 acres). Following highway changes this site area is proposed to increase to 0.26 hectares (0.65 acres).
- (b) The site is currently occupied by 4 houses built around the 1970s which are two storey semi-detached properties of brick construction with a pitched tiled roof. There are UPVC double glazed windows. Tandem car parking is provided to the rear of the properties accessed from Rutland Street for 4 cars.
- (c) A 1:1250 Ordnance Survey extract showing our understanding of the extent of the property outlined in red is attached as Appendix 1.4 with Concept Diagram attached as Appendix 2.4. Photographs of the property may be found in Appendix 4.

3 ACCOMMODATION

3.1 SITE AREA

- 3.1.1 Our understanding of the site boundaries are shown on the Ordnance Survey extract attached at Appendix 1. We calculate the following current and proposed site areas:-

Site	Site Area (Acres)	Site Area (Hectares)
MU15 Swan Frontage	4.722	1.911
MU24 Octagon Parade	3.002	1.215
Site 1	1.475	0.597
Site 2	0.862	0.349
MU9 Archway inc road	2.536	1.026
MU9 Archway exc road	1.502	0.608
Suffield Road	0.335 (existing) 0.65 (proposed)	0.135 (existing) 0.26(proposed)

3.2 DEVELOPMENT SCHEMES

3.2.1 We have not been provided with scheme layouts for the development value of the sites as existing other than previously received plans by Markland Klasche for part of MU15 Swan Frontage. We have had regard to existing development proposals for MU 9 Archway and MU24 Octagon Parade Site 2 but have not been provided with detailed layouts for any of the sites as to be value as existing. Our assumptions for Suffield Road have been based upon our experience of achievable densities for residential development. We would recommend that schemes are prepared or obtained for all sites in order to provide a more accurate appraisal of the site's existing use development value. The table below illustrate the accommodation assumed for existing use development value:

Sites MU15, Swan Frontage

Land Use	Sq m	Sq ft
Leisure	978	10,527
Leisure	233	2,508
Offices	4,402	47,382
Car parks and Bridge link	1,886	20,300
Total Floorspace	7,499	80,717

Sites MU24, Octagon Parade

Land Use	Sq m	Sq ft
120 Bed Hotel	2,787	30,000
Ground Floor Retail	929	10,000
Total Floor Space	3,716	40,000

Sites MU9 Archway

Land Use	Sq m	Sq ft
150 bed hotel	3,484	37,500
Retail	293	3,153

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Drive thru	198	2,134
Total Floorspace	3,975	42,967

Suffield Road Site

Land Use	Sq m	Sq ft
5 No. Townhouses	135	1,453

3.2.2 The Concept Diagrams provided by Wycombe District Council provide the following proposed land uses. The proposed floor areas are Gross Internal Areas unless stated otherwise:

Sites MU15, Swan Frontage

Option 1				
Site	Land Use	Sq m	Sq ft	Storeys
1	Retail ground floor	1470 m ²	15823	1
	Residential	2630 m ² (note 2940m ² existing – storage under flyover)	28309 (31645)	2
2 Two buildings east and west	<u>East</u> Offices	3525 m ²	37,942	3
	Residential	1175 m ²	12,647	1
	<u>West</u> Hotel	3180m ²	34,229	2
	Offices	3180m ²	34,229	2
3	A3 ground floor	840m ²	9,041	1
	New Parking	2760m ² (128 sp)	29,708	4
	Office	430 m ²	4,628	
4	Commercial leisure existing police station	1300 m ²	14,000	4
		4280 m ²	46,070	
5	A3 ground floor	600 m ²	6,458	2
	Residential upper floors	300 m ²	3,229	1
Total floorspace		25,670	276,313	
Option 2				

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1	Retail ground floor Residential	1850 m ² 3700 m ² (note 3330m ² existing mainly storage)	19,913 39,826 (35,843)	1 2
2	Offices Hotel	3520 m ² 3520 m ²	37,888 37,888	2 2
3	Offices Parking	2350 m ² 2350 m ² (98 sp)	25,295 25,295	2 2
4	Commercial leisure existing police station	1300 m ² 4280 m ²	14,000 46,070	4
Total floorspace		22,870	246,175	

Sites MU24, Octagon Parade

Site	Land Use	Sq M	Sq ft	Storeys
1	Retail Ground floor	2200m ²	23,680	1
	Office upper floors	2790 m ²	30,031	3
	Parking	2910 m ² (198 sp) (2660m ² existing)	31,322 (28,632)	3
2	Retail ground floor	680 m ²	7,319	1
	Hotel upper floors	2720 m ²	29,277	4
Total Floorspace		11,300	121,629	

Sites MU9 MUArchway

Option 1				
Site	Land Use	Sq m	Sq ft	Storeys
1	Parking	4854m ² (161 spaces on ground-2 nd floor)	52,248	3
	Hotel	2280m ² (1142m ² per floor on 3-4 th floor)	24,541	2

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2	Large format retail	1070m ² , ground floor	11,517	1
	Office	1000m ² , ground floor	10,763	1
	Residential– flats	1200m ² (15 x 2 bed flats of 80m ² each, 400m ² per floor on 1 st –3 rd floor)	12,917	3
	Residential– Town Houses	4500m ² (6 x 4 bed of 390m ² each, 6 x 3 bed of 360m ² each, all with two parking spaces each and internal amenity space as at Accordia. On 1 st – 3 rd floor)	48,437	3
3	Office	2345m ² (885m ² on ground, 730m ² per floor on first and second)	25,241	3
Total floorspace		17,249	185,664	
Option 2				
Site	Land Use	Sq m	Sq ft	Storeys
1	Parking	5650m ² (188 spaces on ground – 2 nd floor)	60,816	3
	Hotel	2460m ² (1230m ² per floor on 3–4 th floor)	26,479	2
2	Large format retail	1419m ² , ground floor	15,274	1
	Office	1530m ² , on ground floor	16,468	1
	Residential – Town Houses	8840m ² (20 x 3–bed dwellings of 370m ² each, 2 x 5–bed dwellings 645m ² each, all with two parking spaces each and internal amenity space as	95,152	3

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		at Accordia. On 1 st – 3 rd floor)		
3	Office	1350m ²	14,531	3
4	Retail	380m ² , on ground floor	4,090	1
	Office	760m ² , on 1 st –2 nd floor	8,180	2
Total floorspace		22,389	240,990	

Suffield Road Site

Site	Land Use	Sq m	sq ft	Storey
1	Residential – town houses	2160m ² (16 x 135 m ² each)	23,250	3
	Residential – Flats	240m ² (3 x 2bed 80m ² ea)	2,583	3
		165m ² (3 x 1 bed 55m ² ea)	1,776	
Total floorspace		2,565	27,609	

4 SERVICES

4.1.1 We understand that all mains services are available to the sites including electricity, gas, water and mains drainage. We have assumed that the capacity of the services is adequate for the future use of the sites but have been unable to verify that this is the case.

4.1.2 Consideration should be made to the possible future requirements for on-site electricity substations and how their inclusion within the schemes suggested for the sites may reduce the proposed accommodation and thus the value reported herein.

5 CONDITION

5.1 GENERAL CONDITION

5.1.1 We have not carried out a detailed building inspection, or a condition or structural survey. Based on our limited external inspection for appraisal purposes, we consider that the properties occupying sites appeared to be in a reasonable state of repair commensurate with their age, use and form of construction.

5.2 DELETERIOUS MATERIALS

5.2.1 We have not been able to determine whether or not deleterious materials have been used in the original construction or subsequent refurbishment of the property. However, given the age of the properties at MU24 Octagon Parade roundabout we would envisage that deleterious materials, such as asbestos, are a possibility to be present in adverse circumstances at the property.

5.2.2 Use of asbestos containing materials in the United Kingdom was widespread until the government ban on their use in building construction in November 1999. The Control of Asbestos at Work Regulation 2006 requires the management of any asbestos within commercial premises or the common parts of multi-occupancy residential premises. We confirm that we have not had sight of a copy of any asbestos management plan in respect of the existing properties and, therefore, asbestos issues have not been reflected in this valuation. Should asbestos subsequently be found in adverse circumstances, the values reported may be affected.

5.2.3 Should there be further concerns with regard to the presence of potentially deleterious materials within the building, we would recommend the appointment of a suitable specialist to advise accordingly.

6 INFORMATION PROVIDED

6.1 COPY DOCUMENTS

6.1.1 To assist us with this appraisal and report, we have been provided copies of the following documents:

- (i) Concept Diagrams scale 1:2000 for the sites (proposed)
- (ii) Site Accommodation schedules (proposed)
- (iii) Basic Specification assumptions
- (iv) High Wycombe Masterplan Planned Development and Revised Network Changes Associated with Master plan Vision removing Abbey Way by Peter Brett Associates LLP dated 10/7/08 Drawing number 14737/001/37 Revision A.

6.1.2 We have not been provided with detailed floor plans, elevations or detailed specification for existing or proposed uses it is only upon receipt of these documents that an accurate assessment may be made of the proposed developments. With the exception of Swan Frontage at the time of writing planning applications were pending for Octagon Parade and Archway the densities used in this report are based upon those received from the vendors of the sites. These may be subject to change. Suffield Road reflects our understanding of achievable residential densities for the site.

6.1.3 We have relied upon the documents above as being true and complete copies of the originals and we have not made further enquiries in this regard. We have assumed there are no other material documents which would affect our valuation that have not been supplied to us.

7 STATUTORY ENQUIRIES

7.1 TOWN PLANNING

7.1.1 We have had regard to proposed future development and consented schemes in the vicinity of the subject sites in order to have consideration of any competing developments or complementary developments which may have a bearing on the values reported herein. We understand that the subject sites and sites adjacent are the subject of the following planning applications:

Application No. & Applicant	Proposal	Status
07/05904 FUL Buckinghamshire Chilterns University College (Bucks New University)	The demolition of the existing two storey buildings at the east end of the Queen Alexandra Road Campus and the provision of a new landmark building comprising 11,185 sq m (gross external area) of floor space, refurbishment of parts of the main building adjoining the site, modification of vehicular access along Abbey Way and provision of new service access along Queen Alexandra Road, with landscaping and infrastructure works.	Permission with Planning Obligation – under construction
00/06900/FUL Sainsbury's Supermarkets Ltd	Demolition of existing Supermarket and 98-113 Oxford Road for the development of replacement Supermarket, Restaurant and Petrol Filling Station; Retail Units; Leisure Unit; Residential Accommodation; ancillary service areas, car parking and associated access and highway works.	Consent with planning obligation. Note that this application current includes the Archway site which is the subject of this report – under construction.

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<p>00/05788/OUT Secondsite Property – former Gas Works site.</p>	<p>Redevelopment of the gas works site and erection of up to 4000 sq m of retail shops within Class A1.and residential development with associated car parking, servicing and access</p>	<p>Outline Consent subject to planning obligations with reserved matters application currently being considered.</p>
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7.1.2 Part of MU24 Octagon Parade is the subject of pre-application enquiries with developers Penderidge and McLaren Construction who propose a 126 room hotel above 10,000 sq ft of ground floor retail (Octagon Parade). We have had consideration of this for our existing use development value appraisal but have not had sight of any plans.

7.1.3 We are aware that WDC are currently marketing the disposal of the Archway site on the basis of 120 bedroomed hotel with drive thru () and retail. We have not been provided with any plans for this.

7.1.4 Parts of the MU15 Swan Frontage site are within the Town Centre and Wycombe Abbey Conservation Areas. This may have cost implications upon building design to reflect the sensitive nature of new build within Conservation Areas.

7.2 PARKING STANDARDS

7.2.1 The sites are situated in Zone 1 which is described in High Wycombe’s Parking standards within Wycombe District Local Plan to 2011 – Adopted January 2004 as “an urban area, good public transport accessibility”. The guidance states that facilities should be provided within the site for appropriate storage, parking, loading and unloading and manoeuvring of goods vehicles. As a guide, large schemes should include space for a 15m articulated vehicle to turn and all schemes should include service bays to units suitable for long wheel based light vans separate from parking spaces.

7.2.2 We have assumed for the purposes of the appraisals that the parking assumptions provided by WDC are in line with the standards likely to be acceptable to Wycombe

District Council for the proposed developments. Where this is not the case is in respect of MU9 Archway and MU24 Octagon Parade where parking is assumed to be off site within the Dovecote and Eden Centre Car parks respectively. Swan Frontage as proposed assumes a bridge link to the adjacent public car park as proposed under the Markland Klasche scheme. Values have been adjusted to reflect the arrangement where parking is provided off site.

7.3 HIGHWAYS

7.3.1 The Concept Diagrams have been developed through the shared vision for High Wycombe set out in the WDC Core Strategy and BCC Second Local Transport Plan which includes an innovative vision for the town centre as described in The High Wycombe Master plan. This includes the aspirations to improve the pedestrian environment, integrate the expanded town centre and secure changes to the road network, including the possible re-routing of the A40 Abbey Way Flyover.

7.3.2 This Deliverability Assessment has been prepared on the basis of the discussions and information provided by John Callaghan Team Leader (Transport & Environmental Planning), Chris Schmidt-Reid Principal Planning Officer (Policy), Sarah Corben Planning Officer and Rebecca Coy Urban Designer. No further highway discussions have been made in respect of existing or proposed road infrastructure.

7.3.3 We have had sight of the work in progress High Wycombe Master plan Planned Development and Revised Network Changes Associated with Master plan Vision removing Abbey Way by Peter Brett Associates LLP dated 10/7/08 Drawing number 14737/001/37 Revision A which highlights the proposed highway changes to the existing infrastructure.

8 ENVIRONMENTAL CONSIDERATIONS

8.1 CONTAMINATION

8.1.1 We have not undertaken, commissioned or been provided with an environmental assessment to establish whether contamination exists or may not exist. We have not undertaken any investigations into past and present uses of the subject sites.

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- 8.1.2 We did not observe evidence of potential and actual contamination on the properties, save for some petrol/diesel spillage from parked cars and fire trucks on the car parks of the MU15 Swan Frontage and MU9 Archway sites. In light of the current use of the fire station and presence of fire tower and the age of MU24 Octagon Parade Site 2 we would suggest possible presence of asbestos and further investigations should be made to accurately assess any contamination. We have been informed by WDC that the Gas Links site has been decontaminated. We do not know the extent or likelihood of any leaching on to the Suffield Road site from the Gas Links site. Further investigations into ground conditions may impact on the values reported herein.
- 8.1.3 Overall in the absence of any further detailed information, for the purposes of this report, we have assumed that no contamination exists in relation to the property sufficient to affect value. However, should this assumption prove to be incorrect, the values reported herein might be reduced.

8.2 FLOOD RISK

- 8.2.1 We have made enquiries of the Environment Agency database which indicates that the sites situated at Octagon Parade (MU24), Swan Frontage (MU15) and Archway (MU9) are in an area that is unlikely to flood except in extreme conditions. This generally means that the chance of flooding each year from rivers or sea is 0.1% (1 in 1000) or less. We would recommend any redevelopment of the sites is carried out in liaison with the Environment Agency who can provide greater clarification on flood risk issues.
- 8.2.2 In light of the uncertainty in respect of the line of the culverted River Wye, that is, whether this runs beneath the British Legion Club or beneath the British Legion car park or runs beneath the line of St Mary Street/Paul's Row, we are unable to quantify the cost of this abnormal to the development. Further investigation by way of a ground investigation and formal costing by a cost consultant will be required to assess the effect of such on the redevelopment of the site.
- 8.2.3 There may be difficulties in obtaining full insurance for development over the culvert and we would, therefore, recommend that your solicitors verify that full insurance cover is in place. In the meantime, we have not made any adjustments to our

valuation to reflect flood risk/culvert abnormal issues as these cannot be quantified at this stage.

8.3 ENERGY PERFORMANCE CERTIFICATES & BREEAM

8.3.1 In accordance with EU Directives, most commercial properties when sold or leased will require an energy performance certificate ("EPC") that will give an assessment of the thermal efficiency of the property

8.3.2 It will be the responsibility of the vendor / lessor to arrange for the certificate to be prepared.

8.3.3 EPCs potentially will provide purchasers and lessees with additional information regarding properties and there may be an effect on market value as a result, with less efficient buildings being less attractive to the market on a more measurable basis than currently is the case. It is too early yet to assess whether there will be an effect, positive or negative, over and above the issues of obsolescence and construction materials which are already factored into price. Therefore we have not made any specific adjustment for energy efficiency in our valuation.

8.3.4 WDC is going out to consultation on the revised draft Supplementary Planning Document - Living within our limits, from the 1 to 29 May. This document sets out minimum standards of construction for development with particular regard to energy efficiency and generation of renewable energy. It is the intention of the Council to apply these policies to all applications.

8.3.5 The Council will require all applications for residential development to achieve code level 3 of the Code for Sustainable Homes. This is based on the assumption that any applications made from now are likely to be under construction or completed by 2010 and would therefore be required to meet Level 3 as a minimum requirement of building regulations. Larger schemes having a greater lead in time are unlikely to be completed prior to 2013 and as such should be designed according to Code Level 4 or its equivalent which is likely to be in place when the dwellings are completed. WDC will be expecting those major developments identified in the Energy Feasibility Study to incorporate gas powered or

biomass CHP as well as achieve CSH Level 3. Those having a longer lead time and unlikely to be constructed before 2013 will be required to meet Code Level 4. Alternative decentralised supply or renewable or low carbon technology will be considered provided that it can be conclusively demonstrated that equivalent carbon savings can be achieved.

8.3.6 The Building Research Establishment Environmental Assessment Method (BREEAM) is an environmental assessment standard for new and existing buildings. It is an assessment method which can be used for new non – residential development. The assessment is carried out under a scoring system which awards credits to buildings according to environmental performances. There are eight credit categories listed in the scheme as follows – Energy; Transport; Pollution; Materials; Water; Land Use and Ecology; Health and Well-Being; and Management. Credits are added together to produce a single overall score. The building is then rated on a scale of PASS (38%), GOOD (48%), VERY GOOD (58%) or EXCELLENT (70%). A higher category of OUTSTANDING is to be introduced in the near future. Under the Development Code for Sustainable Homes, BREEAM and Renewable Energy Major Residential of 10 dwellings or more to provide Code Level 3 and 4 if to be developed after 2013. Whilst Major Non Residential above 1000 sq m will be required to provide BREEAM Very Good or above with 10 % renewable

8.3.7 With the increase in build standards the viability of schemes has started to come into question in the current economic climate. There are a number of incidences whereby developers are increasingly re-negotiating Section 106 agreements in order to progress the developments, where grant funding is not available, by reducing the build design standards which are impacting severely on the economic viability of schemes. More stringent environmental standards for build may impact upon the values reported herein in light of the timescale for bringing forward the proposed developments. Due to the uncertainty of the current financial climate we have not made any specific adjustment for build standards other than those highlighted in Section 14.

9 PROPERTY TAXATION

9.1 VAT

9.1.1 We are uncertain as to the property/sites VAT registration status and, therefore, we have assumed that VAT issues should not adversely affect the value of the property.

9.2 STAMP DUTY LAND TAX

9.2.1 We understand that the property is not established within a special purpose vehicle and, therefore, stamp duty land tax will be payable at the full rate on any transaction. This has been reflected in our valuations by the deduction of appropriate purchaser's costs in accordance with market conventions.

9.3 SECTION 106 CONTRIBUTIONS & COMMUNITY INFRASTRUCTURE LEVY

9.3.1 After significant consultation, the Government have introduced a planning charge (termed the Community Infrastructure Levy) which forms part of the new Planning Act. This concluded its final Parliamentary stages in November 2008. Whilst details of the new CIL have yet to be given in promised Regulations to accompany the Act, the Levy will comprise a charge on most types of new development in an area. The Government announced in the 2009 Budget statement that CIL is now intended to be introduced from 6 April 2010.

9.3.2 Any impact from CIL is dependent upon its detailed provisions which are not yet known and, accordingly, we have not reflected the incidence of CIL within our valuation. However, the Government's intention is that:

- (a) CIL will fall on landowners, because developers would negotiate a discounted land value for land when they buy it, to offset their CIL liability.
- (b) Small developers will be asked to pay more towards infrastructure than under planning obligations.
- (c) Local authorities who choose to introduce a CIL will incur initial set-up costs for consultation on the draft charging schedule including a public examination

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(these will recur every five years). Ongoing costs connecting to billing, collecting, monitoring, reporting and enforcing CIL will then occur.

- (d) CIL is not expected to adversely affect competition, nor is the growth and increased development perceived to have an adverse effect on sustainable development.
- (e) Benefits believed to be derived from CIL are the reduction in risk for developers by providing them with up-front certainty about their potential liability. Due to the absence of available data however the benefits have not been quantified.
- (f) Local Authorities will be able to forecast better the amount of funding they expect from developer contributions. The CIL will be able to provide them with a discretionary mechanism to help unlock additional funding for infrastructure.
- (g) The potential risks associated with setting up CIL at too low a level may lead to much needed infrastructure projects being delayed or not going ahead. Whilst setting a CIL at too high a level could risk some land not coming forward for development, in particular brownfield sites that require substantial remediation,

9.3.3 In view of this, the potential impact of the Levy on some development schemes may be significant and we recommend that the progress of the legislation is monitored so that its impact on the valuation may be assessed. We comment later in this report on the appropriateness of conventional Section 106 procedures to secure payment of contributions along with any other mechanisms that maybe consider as an alternative.

9.3.4 Wycombe District Council has provided us with Section 106 costs in line with their Developers contributions calculator for all the sites. The figures are based upon hypothetical employment figures and may be subject to variation should employment figures be reduced or increased. These contributions have been included as Development Costs for the purpose of this Feasibility Report and are summarised as follows:

9.4

Section 106 contributions for Development		
Site	Existing use	Proposed use
MU15 Swan Frontage Option 1 Option 2	£62,408	£650,934.76 £619,401.80
MU24 Octagon Parade	£50,754	£330,953.94
MU 9 Archway Option 1 Option 2	£75,432	£558,661.37 £563,618.35
Suffield Road	£12,739	£183,408

9.4.1 Wycombe District Council's Developer Contributions SPD states that "8.5 ...Infrastructure works and highway improvements directly associated with the development are normally required to have been carried out before occupation, although in some instances, these may be required before any development can take place. Financial contributions for other off-site works and longer term projects will be normally be expected on commencement of development but in some cases on occupation may be acceptable". All Section 106 contributions within our assessment of the sites have been phased to be paid by the developer following receipt of planning permission at the commencement of the development.

9.4.2 In the current market where developers are finding raising finance a problem, for the lion share of this funding to be eaten up by upfront s106 contributions may not only have a depressing effect on land values but also upon the contributions themselves. Deferment of payment could lead to increased payments as the cost of interest payment on the developers loan is reduced serving as an incentive to bringing forward development sooner. Consequently adopting a more flexible approach to the timing of payments or a tariff based system that enables more certain phased payments may allow increased contributions from development sites.

9.4.3 The Milton Keynes Tariff is one of the more advanced tariff systems in place, as it relies on the Milton Keynes Partnership (through English Partnerships) providing the forward funding of the infrastructure needed to support growth. However, in its more basic sense it is still a tariff collected via a section 106 payment. The framework that

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is in place secures the commitment from developers to pay a proportion of the uplift in land value derived from the granting of permission. The tariff is set at £18,500 per residential dwelling and £260,000 per hectare of employment space. Contributions are then pooled and used to reimburse English Partnerships in future years after the infrastructure is provided. To achieve this the MK Partnership has had to manage the funds through a five year business plan, and more detailed delivery plans co-ordinate investment programmes between agencies.

9.4.4 The fixed price element of the Milton Keynes Tariff allows simple calculations across large sites and enables contributions to be pooled. The tariff means that there are contributions towards strategic infrastructure as well as local. Staged payments are "back-end loaded" for developers with the final 75% payable upon sale or occupation of a phase of residential development. Some of the tariff requirements can be delivered "in kind" by developers, for example off-site road improvements, or provision of public open space.

9.4.5 Contributions for residential development are made up as follows:

- 10% upon implementable consent
- 15% before start on site
- 75% on a quarterly basis after the first completion is sold or rented. The payment size relating to the proportion of dwellings sold or rented.

In respect of commercial land, the tariff works as follows:

- 25% before start on site
- 25% before completion of each unit
- 50% prior to the occupation of each unit

Any works in kind work carried out by the developer, such as junction improvements or laying out of open space, will be off-set against the first part of the final payment from the developers.

9.3.11 The Framework s.106 Agreement that is in place in respect of the tariff sets out the obligations on developers/landowners with respect to:

- the timing of reserved matters applications in order to prevent land banking once an outline consent is granted
- triggers for payments of contributions for both residential land and employment schemes

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- longstop dates when outstanding payments fall due (if development has not been completed within the agreed timescale)
- Indexation of tariff contributions
- Works in kind which the landowners wish to undertake in substitution for a payment of a proportion of the tariff

9.3.12 By way of another example, Brent LBC has adopted Supplementary Planning Guidance on s.106 obligations which set a standard charge per bedroom or square metre, according to whether it is residential or commercial. The standard charge covers contributions for sustainable transport, open space, education and training etc and is set at £3,000 per additional bedroom in respect of new residential units and £25 per sqm for increases of over 500sqm in commercial floor space. Other s.106 mitigation is also sought on applications in the usual way where conditions in the planning permission are insufficient to control the impacts of the development.

9.3.13 Ashford Borough Council has also implemented a Strategic Tariff System within its Core Strategy whereby pooled public funds would be used to finance required infrastructure projects and would be subsequently refunded through a pre-defined strategic tariff paid by the developers.

9.4.14 We are aware of a major development project in Cambridge which requires a spine road to be constructed to incentivise onward development. Here, a system was put in place so that payments were made as development progressed. The tariff worked on the basis of no further space to be developed before the next instalment of contributions were paid, i.e. a phased approach which triggered the payment of contributions.

9.4.15 Any adoption of a tariff based system would be dependent upon forward funding by the Local Authority, English Partnerships, Lottery Funding or European Grant funding in order to facilitate highway changes prior to the ability to draw down contributions from developers. Dobson-Grey has not been required to advise upon grant funding within the scope of this report. We would recommend that further advice is sought from specialist planning solicitors whom may provide advice on the intricacies of an appropriate tariff system.

9.4.16 There is an obligation under Wycombe District Council's Developer Contributions : A guide for prospective developers revised January 2009 to provide affordable housing

regardless of whether public subsidy is available. The Council's requirements should be taken into account in land and property purchase negotiations by developers, landowners and other parties which may be involved, ensuring that their impact on valuations and development appraisals can be accurately assessed. The Council's key requirements in respect of the delivery of affordable housing for urban thresholds are that affordable housing to be sought on sites of 15 dwellings or more (or a minimum of 0.5ha) at High Wycombe Urban Area.

9.4.17 Two thirds of the affordable housing should be affordable (social) rented, one third should be shared ownership (homebuy) for general needs and/or key worker housing (including shared ownership or "sub-market rented"/intermediate rented housing). (SPD, paragraph 10.8)

9.4.18 In terms of Size and type of affordable, Wycombe District Council state that wherever possible a range of dwellings sizes and types will be provided in line with the table in section (c) of Appendix 7 of the SPD. Where a range of unit sizes is proposed within a development scheme, the Council will generally expect larger homes to be the ones mainly provided for affordable rent. Whilst not Policy a relaxation in terms of the form of tenure provided within a residential scheme could produce an increased level of Section 106 monies coming from the scheme as alternative toward the payment of infrastructure changes proposed.

9.4.19 We have assumed the following affordable mix in the schemes proposed. Should this not be in line with Wycombe District Councils expectations for the proposed developments we would highlight changes will affect the values reported herein:

Site	Affordable Mix	Values
MU15 Swan Frontage Option 1	Total number 17 units 4 Shared ownership (2 beds) 13 social rented (1 bed)	£165,764 £75,000
MU15 Swan Frontage Option 2	Total number 15 units 11 social rented (1 beds) 4 shared ownership (2 beds)	£75,000 £165,754
MU9 Archway Option 1	Total number 8 units 6 social rented (2 beds)	£118,403

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	2 shared ownership (2 beds)	£165,754
MU9 Archway Option 2	Total number 10 units 7 social rented (2 bed) 3 shared ownership (2 bed)	£118,403 £165,754
Suffield Road Site	Total number 5 units 4 social rented (1 bed) 1 shared ownership (2bed)	£75,000 £165,764

9.5 CAPITAL ALLOWANCES

9.5.1 We are not aware of whether there are any capital allowances that might transfer with any property. As the benefit of such allowances is dependent upon the tax position of the purchaser, it is not feasible to make reliable enquiries in this regard. Consequently we have assumed that no allowances would be available and have not, therefore, adjusted our valuation in this regard. However, we could comment that should a purchaser be able to utilise significant capital allowances, this might enable them to increase their bid for the property, which could result in increasing the purchase price above our valuation.

10 TENURE

10.1.1 We understand that the sites are held freehold. We have assumed that there are no encumbrance's easements, restrictions, outgoing's or conditions that are likely to have an adverse effect on the value of the property. We recommend your solicitors verify all title issues are resolved in the event of redevelopment.

10.1.2 We also recognise that Wycombe District Council have raised concerns over a ransom position at the Suffield Road site. We would recommend that your legal advisers verify the position.

10.1.3 We understand that the MU9 Archway site is fettered by the need to relocate the existing waste recycling centre. We have made no allowance for any financial costs

for the lift and shift of the waste recycling centre and have assumed that the scheme provided to us by Wycombe District Council has made allowances for this in the schemes proposed.

11 TENANCIES

11.1 CURRENT LEASES

11.1.1 We have not been provided with any information regarding existing tenancies affecting the site nor service charges. Any existing tenancies will impact upon the ability to gain vacant possession in order to progress development. Your solicitors can advise on whether the Local Authority as landlord qualifies under Section 30 of the Landlord and Tenant Act 1954 Part II in respect of grounds for taking back the properties for redevelopment.

11.1.2 The values reported herein do not include any compensation payments which may need to be made to obtain vacant possession of the site for any existing or future interests which encumber the site.

11.1.3 Existing use valuations of existing properties have not been provided due to the absence of tenancy information for the individual sites. The existing use valuation of occupied sites may show a higher value as an investment than redevelopment value.

12 MARKET COMMENTARY

12.1 MARKET OVERVIEW

12.1.1 Global markets had been increasingly volatile in the wake of the US sub-prime mortgage crisis, rising oil prices and a weakening dollar. During the first half of 2008, continued concern about the health of the banking sector and their involvement in the "credit crunch" and growing fears of a global recession weighed heavily on the investment and property markets alike. Sharp falls in share prices resulted in global stock markets experiencing their worst start to a year in 20 years.

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- 12.1.2 The UK did not feel the full effects of the global financial crisis until mid 2008 when equity markets suffered extreme volatility; driven principally by negative market sentiment.
- 12.1.3 In response to the economic crisis there has been an unprecedented response from Governments with the widespread cuts in national interest rates and financial stimulus packages. Despite this since the beginning of 2009, global equity markets have continued to struggle due to renewed fears over the severity of the worldwide economic slowdown brought about by disappointing economic news and adverse developments in the financial sector.
- 12.1.4 With fears now mounting as to how Britain will cope with deflation – falling prices – pressure continues upon already deteriorating public finances. Estimates show that the retail prices index (RPI) is down by 0.8% since 2008. Analysts are even suggesting that RPI will continue into negative territory until 2010. Deflation makes it even harder for the Government to control public finances.
- 12.1.5 The commercial property market has suffered in the wake of record losses by UK banks. Since the highly publicised nationalisation of Northern Rock in February 2008, other banks have followed suit as losses and the extent of bad debts have been exposed. The UK accounts for £52 billion of RBS's £97 billion commercial property loan book. This includes £43 billion of loans to small and medium sized property companies. RBS has announced following its record £24 billion loss on 20 February that it is to place £325 billion of assets with the government's asset protection scheme, wherein it will be liable for the first £19.5 billion of future losses on these assets.
- 12.1.6 Lloyds Bank too have taken advantage of the governments asset protection measures (now 43.4% owned by the state) by putting £11 billion of HBOS's £29 billion commercial property loans and £11 billion of its £17 billion property joint venture loans and equity stakes into what Lloyds have dubbed the "bad book" a separate division of the bank specialising in sorting out problem loans.
- 12.1.7 The Chancellor of the Exchequer appointed Lord Turner, Chairman of the Financial Services Authority (FSA) to take an in-depth look at the causes of the financial crisis and recommend steps that the international community needs to take to enhance regulatory standards, supervisory approaches and international cooperation and coordination. Lord

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Turner reported back mid March 2009 that lenders will be forced to hold more capital in future to prevent another banking crisis. The report found that lending at high proportions of the property value and high income multiples played a “key” role in causing the credit crunch. It proposed lenders be forced to hold more capital, though it stopped short of capping loans at three times income or 95% of property value. The report also said that the FSA should consider regulating buy to let mortgage sales which have been the mainstay to the growth of town and city centre apartment market developments.

12.1.8 The effect upon corporate lending has meant that banks are drawing back from commercial lending. Where they are lending, they are increasing charges associated with loans and requiring borrowers to put more equity into mortgages, with banks stepping away from higher risk property, lending instruments such as mezzanine lending, warrants and PIK notes.

12.1.9 The effect upon high street borrowers is that the cost of tighter regulation will be passed on to them by the banks, through higher rates on home loans, with commercial lending concentrating on long standing customers rather than new. The lending situation has led to stagnation in the market and more importantly a dramatic downturn in demand.

OFFICE MARKET

12.1.10 Against a backdrop of greater domestic uncertainty and a weaker external environment due to higher unemployment, consumer retrenchment and deleveraging, occupier activity in the UK commercial property market has been waning. The RICS Commercial Property Market survey for Q3 2008 saw tenant demand ease back for the fourth consecutive quarter as businesses put investment decisions on hold amid the malaise. The reversal in tenant activity has been most pronounced in the office sector.

12.1.11 High Wycombe is not the preferred office location for “Thames Valley” headquarter office occupiers. It has struggled to compete with neighbouring towns such as Maidenhead and Uxbridge.

12.1.12 Wycombe District Council carried out an Economy Study in 2004 which identified the need to provide development land for high quality office uses (knowledge based

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users). It has been recognised that Wycombe town centre lacks quality prime office space with much dating back to the early 1980s or earlier. There continue to be only a handful of town centre schemes providing accommodation of circa 15,000 sq ft and above.

- 12.1.13 The proposed office space within the mixed use developments proposed by the concept Master plan proposals would prove attractive to potential occupiers due to the size of accommodation (25,000 sq ft plus), as well as the sustainability of the location in light of its proximity to the train station and town centre.
- 12.1.14 Much of this take up has been out of town (14% in town with 86% out of town.) The good take up out of town has largely in part been due to the good accessibility of Junction 4 of the M40 motorway.
- 12.1.15 The majority of transactional evidence in High Wycombe Town Centre is for offices of between 2,500-7,000 sq ft which range from rentals of £10-£17.50 per sq ft. Rentals above this level are generally being achieved on out of town business parks for good quality accommodation and with good car parking provision with accessibility to main motorway routes and neighbourhood facilities. This compares to rentals out of town in the region of £20-£25 per sq ft. Recent transaction evidence has seen quoting rentals out of town in the region of £21.50 per sq ft, which in this uncertain market are achieving rental substantially off this level closer to £15 per sq ft.
- 12.1.16 The proposed office uses will be well placed to provide modern office accommodation with floor plates and a specification in line with market requirements. However despite the convenience of town centre facilities such as train station and retail, it will be imperative to provide sufficient car parking in order to attract the right occupier at the best rent in order to compete with preferred out of town locations. Arguably levels in the region of £17.50- £20 per sq ft could be achieved for the office accommodation, with quoting rentals around £25 per sq ft. The upper end of this range reflects a scheme which can provide a more defined office head quarters premises that can compete with locations such as Maidenhead, and that has the benefit of a ground floor main reception. Mixed use schemes with ground floor leisure such as that proposed are more likely to be at the lower end of this rental range. We comment on the effect on mix and format of development upon yields under Investment Market.

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- 12.1.17 In this uncertain market few developers would build offices of the proposed size speculatively preferring to have an occupier to pre let the property.

RETAIL MARKET

- 12.1.18 The RICS Commercial Property Forecast December 2008 reveals survey evidence which paints a bleak picture with some of the worst conditions on the high street in over 25 years. The latest Distributive Trades survey from the CBI continues to show deteriorating retail sales activity in October having fallen at the fastest pace since 1983 in recent months and this is despite interest rates being at their lowest level at 0.5% since the Central Bank was founded in 1694. With unemployment at 2 million and set to rise further as the economy slows and consumer confidence at its lowest level in over a decade consumer spending and retail expansion are set to fall sharply. Overall the RICS predict that rents will fall by 7% by the end of 2009, 6% in 2010 and then remain broadly flat in 2011.
- 12.1.19 The Eden Centre in High Wycombe opened in Spring 2008 and is a 77,000-square-metre (825,000 sq. ft.) shopping centre that includes two anchor stores (House of Fraser and Marks and Spencer), 120 retail and restaurant units, cinema and bowling, as well as 48 residential units and a car park. The development is owned by Brookfield Europe and Aldersgate Investments Limited (a Reuben Brothers subsidiary). The Eden Centre has largely been responsible for High Wycombe achieving the highest annual growth of 44.4% with prime rents rising from £90 psf to £130 psf.
- 12.1.20 The Eden Centre has not been immune to the deterioration in the retail market. As the Eden Centre celebrates its first anniversary, Zavvi, one of the flagship stores in the centre, is one of a number of stores closing its doors because of economic pressures. Despite this downturn, the centre has pushed the town into the top 50 shopping destinations in Britain, and more than doubled the number of people coming to Wycombe to shop. Its success however has come at a price as secondary and tertiary pitches are falling away drastically in terms of occupancy levels as an increasing number of vacancies mar retail pitches outside of the Eden Centre.

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- 12.1.21 Colliers CRE reported in their National Retail Barometer that in October 2008, High Wycombe had the highest proportion of void retail units at 23.6%. High Wycombe has experienced the largest increase in proportion of void units since October 2006 up by 14.1 percentage points from 9.5% to 23.6%.
- 12.1.22 The area around the Octagon and High Street have been particularly hard hit with void units and by main retail anchors such as Principles and Woolworths falling into administration.
- 12.1.23 The concept master plan proposes significant convenience retail elements as part of the MU15 Swan Frontage redevelopment (1470 sq m/15,822 Sq ft (option 1 1850 sq m/ 19,913 sq ft option 2) and MU24 Octagon Parade (2200 sq m/23,680 sq ft). The Archway site proposes large bulky goods retail of 1070 sq m (11,517 sq ft).
- 12.1.24 There are 3 distinctly different pitches in High Wycombe town centre. MU15 Swan Frontage is currently a tertiary pitch with occupiers in the main local A5 hot food take aways. Leading from Swan Frontage to Corn Market and White Hart Street the pitch becomes more secondary retail. Latest deals done have been at £65 per sq ft ITZA to Shoezone who have taken a 10 year lease with 6 months rent free⁹. Next door, Unit 4 White Hart Lane is currently under offer at around £70 per sq ft ITZA. Other recent transactions in the area however paint a rather bleak picture as 20/22 White Hart Street has been let at nil rent to a local charity (Sept 08).
- 12.1.25 This area of High Wycombe has been decimated by what have been described as “huge incentives” of the Eden Centre and tenants preference to locate within the confines of the Centre itself which local landlords cannot compete with.

⁹ ITZA (In Terms of Zone A) is a form of measurement used in the retail property market in calculating the floor area of a shop with relation to the frontage and the amount of higher footfall area it has. The first 20ft of a shop floor is valuable floor space in terms of footfall (Zone A), the next 20ft is measured as half as valuable (Zone B), and the remainder, or Zone C, is rated as a quarter as valuable as Zone A. The method of measurement is generally based on the RICS Code of Measuring Practice for calculating Net Internal Areas (NIA). Generally, ITZA areas are only applied to retail units up to approximately 5,000 square feet in area.

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- 12.1.26 The area of MU24 Octagon Parade benefits from its proximity to the Eden Centre attracting Zone A rents of closer to £75 to £85 per sq ft.
- 12.1.27 In respect of our appraisal assumptions we have had to assume a less turbulent market and an element of hope value that such regeneration schemes would bring to the areas to the north and south east of the Eden Centre. In this market and without detailed layouts it is fairly difficult to make accurate predictions as to what rental levels could be achieved. However we have assumed that MU15 Swan Frontage will attract a rent at level of £25 per sq ft overall post highway changes, £15 per sq ft pre changes. Whilst Site 1 Octagon Parade will attract levels closer to those achieved in the Eden Centre at around £90-£100 per sq ft ITZA or £35 per sq ft overall based upon units of 650-1500 sq ft.
- 12.1.28 The MU9 Archway site proposes large format retail under the concept plans of 1070 sq m (11,517 sq ft). We have assumed a rate of £15 per sq ft assuming bulky goods retail. We understand that the former MFI unit which extends to 31,000 sq ft is currently on the market out of town for £21.15 per sq ft. Interest has been for a split unit as well as the whole at £16-£18 per sq ft. Other available large format retail space is currently available extending to 10,000 sq ft on London Road adjacent to B&Q and Halfords. Quoting rents are in the region of £10 per sq ft. Recent transactions in High Wycombe have been the letting of the former Land of Leather unit to Pets at Home. The unit proposed in the master plan is well placed to take advantage of the customer base visiting Sainsburys and the town centre and we have therefore attached a slight premium to rental levels for location.

LEISURE MARKET

- 12.1.29 General Recent research published by the British Hospitality Association in their Annual Trends and Development report December 2008 has indicated that the hospitality industry is in the middle of its biggest hotel construction period in history, surpassing the building boom of the late 1960s. Since 2002, it is reported that more than 74,000 new hotel bedrooms have come on stream with a further 15,000 under construction for 2009, additionally over 30,000 bedrooms are either in the planning or construction stage for 2010 and beyond.

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- 12.1.30 The budget and limited service sector has been a significant driver in this surge in development - with the number of bedrooms having risen from 50,000 in 2001 to around 97,000 in 2008. Despite phenomenal growth over the last decade or so the budget sector currently represents only around 13% of the total serviced accommodation stock in the UK.
- 12.1.31 Based on industry research, it is forecast that the sector will account for more than one quarter of serviced accommodation stock by 2027, bringing it more in line with other established international markets. This growth had been forecast to increase at an annual compound growth rate of around 10% per annum up to 2012, 5% per annum between 2013 and 2017 and 2.5% for the subsequent decade.
- 12.1.32 However Property Week announced 27 March 2009 that UK hotel occupancy levels have fallen for the first time in four years and are set to drop further in 2009. Predictions are that although the expansion and development of budget hotels is likely to continue, performance will vary according to geographic location.
- 12.1.33 The concept masterplan proposes hotel development on the MU15 Swan Frontage (Site 2 137-150 beds assumed), MU24 Abbeyway North (Site 2 117 Beds) and MU9 Archway (98 Beds-106 beds) sites. There is certainly capacity from the budget sector range of hotels within the town with active requirements from Accor Group for an 120 bed IBIS, Travelodge (70 bed in town and 70 beds out of town) and Premier Inn (120 beds).
- 12.1.34 Available sites include MU9 Archway which is currently under offer to I D Estates for a 150 bed hotel, 215 sq m drive thru and 293 sq m retail.
- 12.1.35 From our research into deals done we are aware of recent transaction in Maidenhead where Travelodge have paid a room rate of £4500 per room. In light of the competition for sites from the 3 occupiers with active requirements we anticipate that leasehold offers £4500-£6000 per room could be achievable. Leases are usually on the basis of 25 year institutional lease with 5 yearly upward only rent reviews geared to RPI with 6 months' rent free.
- 12.1.36 It is difficult to predict whether High Wycombe has the capacity to accommodate the 3 outstanding requirements for hotels which could be in the region of up to 400 beds for the town. If these requirements are met it will potentially be at the expense of the

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secondary/tertiary hotel market in the town including current supply of B&B's and Guest Houses. Values will also ease as requirements are met which in turn affect land values subject to covenant strength and rental levels.

12.1.37 Other leisure uses that have been considered under the Concept master plan are ground floor A3 uses on MU15 Swan Frontage.

12.1.38 MU15 Swan Frontage is considered "off pitch" for retail uses and, in light of the supply, in arguably more suitable areas of the town centre, the most appropriate ground floor uses for the proposed development would be leisure. The area is locally perceived to be the "emerging cafe district", however many of the bars/restaurants in the area are occupied by local covenants with few national covenants other than O'Neils. With the redevelopment of the New Bucks University and an improved leisure market the tenant covenant quality may improve significantly.

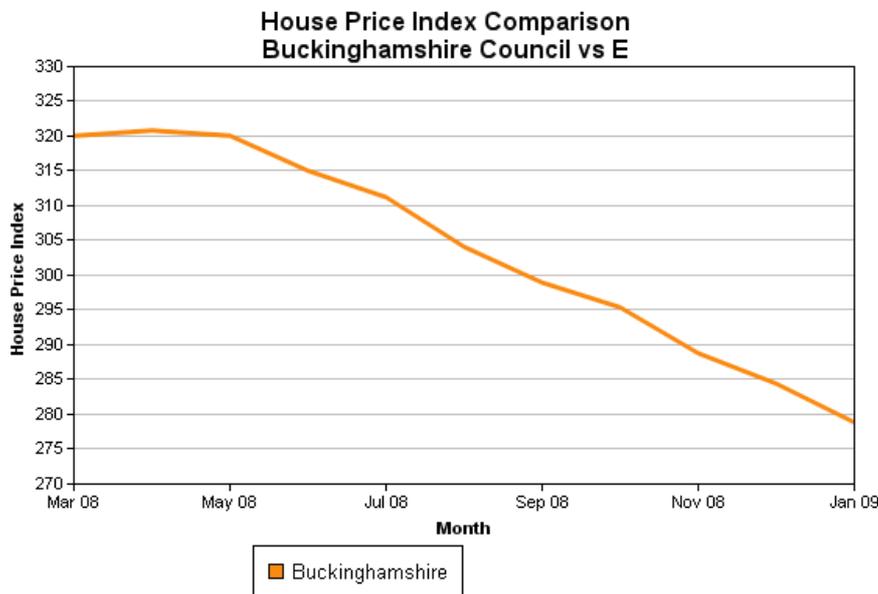
12.1.39 The principle use at ground floor level is proposed as leisure. The leisure market is going through a considerably challenging time at present with demand low and a marked increase in disposals by national leisure firms in the face of the toughening market conditions. The MU15 Swan Frontage site is located in an area which is on the edge of what is perceived as the "emerging cafe quarter" benefiting from the close proximity of the popular Swan Theatre. We would anticipate that leisure space in the vicinity of the Swan Theatre could achieve levels of £25-£30 per sq ft post highway changes however with current leisure space taking up to 12 months to be let as existing in this location we would expect levels nearer to £15-£20 per sq ft overall.

RESIDENTIAL MARKET

12.1.40 Buckinghamshire like the majority of the UK, has seen a dramatic depreciation in house prices over the last year. Whilst average house prices continue to be above the All England and Wales average house price of £156,753 (Jan 2008-Jan 2009) compared to a Buckinghamshire average of £243,765 in the same period, this still represents a significant fall in house price values of some 11.2% though not as bad as the UK average of 15%.

Graph: House Price Index report - Buckinghamshire Council vs All England & Wales (January 2008 - January 2009)

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- 12.1.41 High Wycombe has seen considerable new development like many town centres over the last 5 years, particularly in the apartment sector.
- 12.1.42 The Wycombe Masterplan proposes residential development at Suffield Road, MU15 Swan Frontage and MU9 Archway.
- 12.1.43 The Suffield Road site proposes conventional townhouses and apartments in an established residential area, at MU15 Swan Frontage proposes apartments above commercial, whilst at MU9 Archway conventional town centre apartments are accompanied by an unconventional single aspect townhouse development likened to the townhouse development at Accordia, Cambridge by Countryside Properties.
- 12.1.44 In terms of current new build housing developments close to the town centre these include Bloors' Rosebery Avenue and Bellway Homes' Windsor Gate to the east side of the town. Windsor Gate is in the final phase of a contemporary development of 2 bed apartments and 3 and 4 bed townhouses. Quoting prices for the remaining 4 bed townhouses with 2 parking spaces at Windsor Gate are in the region of £315,000-£365,000 (£213-£220 per sq ft). Townhouses range from 1524 sq ft- 1684 sq ft. Bloors' Roseberry Mews is a development of 17No. 3 bed townhouses with parking spaces with quoting prices ranging from £309,000-£399,950 (£268-£345 per sq ft). Sizes of townhouses range from 1103-1159 sq ft.

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- 12.1.45 Bloors and Bellway are currently quoting incentives of part exchange, stamp duty and 5% deposit paid. At Roseberry Mews a £50,000 price reduction was quoted on the Galbraith a detached 3 bed townhouse. Allowing for incentives quoting prices are reduced to around £254-£301 per sq ft (Bloors) and £181-£187 per sq ft (Bellway). Sales rates are poor at Roseberry Mews with only one sale since start on site in September 2008.
- 12.1.46 Further new build comparables may be taken from Millgates Temple side is situated on West Wycombe Road. The last remaining properties, Plots 3, 7 and 10 are semi detached 3 bed roomed townhouse properties extending to 1,330 sq ft. Incentives currently available are stamp duty paid and up to 10% further discounts. These are the last remaining plots at the end of the development and therefore as standing stock we would expect more generous incentives to be on offer particularly to proceedable parties. Quoting prices of £329,950 net back to £216-£240 per sq ft.
- 12.1.47 The current market for houses in the Suffield Road area of the town is predominantly student lets from Bucks New University, Council tenants and employees of the Wycombe Hospital.
- 12.1.48 We predict that demand for student accommodation in the short term will increase as Bucks New University have recently announced that they intend to halt development proposed and consequently there is a temporary short fall of 200 beds for the next 2 years from September 2009 for a 2 year period. This could lead to a short term growth in demand for apartments in the town.
- 12.1.49 In terms of the apartment market the nearest new build evidence for apartments may be found at the Eden Centre where there are 34 No. 1 and 2 bed apartments situated above the prime retail of the Eden Shopping centre. Values range from £330 Per sq ft to £370 per sq ft
- 12.1.50 George Wimpey have started on site with their ConteXt development which is a development of 1,2 and 3 bed roomed apartments situated on Castle Street Sales are being taken off plan with incentives of circa 20% from sales values £257- £300per sq ft.
- 12.1.51 Further comparable evidence nearby may be taken from West End Road apartment schemes. Developments include Peddle court flats and St Johns View. These were

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developed around June 2006 values range from £170,000-£240,000. We believe that values have depreciated since these prices were achieved.

- 12.1.52 New build comparables may also be taken from St Marks a development on Totteridge Road ranging from £230,000-£240,000 for 2 bed apartments.
- 12.1.53 In respect of the Suffield Road site, we have assumed that a 2 bedroomed apartment of circa 80 sq m (861 sq ft) would attract values in the region of £240-£250 per sq ft equating to freehold values of £206,00 - £215,250. We would attach a premium to the apartments proposed at MU15 Swan Frontage and MU9 Archway of 10% on these values in light of their proximity to the town centre.
- 12.1.54 At Suffield Road the concept masterplan diagram assumes family housing in the area produced by the re-routed road which extends to an area of 0.26 hectares (0.645 acres). The proposed mix includes 12No. 3 storey townhouses of 135 sq m each with 6 No. 3 storey apartments (3No. 1 bed at 80 sq m (861 sq ft) each and 3 No. 1 bed apartments at 55 sq m (592 sq ft). We have assumed off road parking spaces will be available 2 per townhouse 1 per apartment.
- 12.1.55 We would suggest that the location of Bloors and Bellway attract a premium of 10% due to the better facilities for family homes such as local schools (Beechview School) and public open space of Alexandra Park. Roseberry Mews townhouses are 294 sq ft smaller than those proposed at Gas Links we would therefore attribute a quantum deduction 10% for size to the largest unit adjusted price of £301 per sq ft. Adjusting Bellway sales evidence we would apportion a 10% adjustment as this is the final phase of the development reducing the value to £168.30 per sq ft. Providing a value range of £168.30 -£270.90. Our appraisal has assumed a range of value of £220-£240 per sq ft and taken a value of £335,000 per dwelling.
- 12.1.56 In terms of existing use development value we are aware of 2 three bed properties that sold at Suffield Road at £260,000 (27/3/08) and £225,000 (7/11/08). The drop in values reflects the deteriorating market during the latter part of 2008. Further second hand market evidence may be taken from Desborough Avenue where properties are larger and situated in arguably a better location. Values range from £260,000 to £320,000. We would anticipate freehold values with vacant possession to be in the region of £225,000-£235,000 for the existing dwellings.

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- 12.1.57 At the Suffield Road site provides as proposed 0.645 acres, we have assumed for the existing use development valuation a site area of 0.35 if the site was brought to the market would provide scope for a development of 10No. 3 bed townhouses of approximately 1350 sqft assuming integral garages. The number of units is below High Wycombe District Councils affordable housing policy for the Urban Area which sets the threshold at 15 units. Therefore no affordable housing allowance is included.
- 12.1.58 It should be noted that the potential competition of the forthcoming development adjacent to the Suffield Road site (Secondsite Property 00/05788/OUT) currently the subject of a reserved matters application, may affect achievable value should both sites come on the market at the same time. Therefore any proposed scheme should reflect diversity of market demand and competing schemes.
- 12.1.59 The concept diagrams for MU9 Archway include a residential format which we have assumed values of £650,000 for 3 bed dwellings of 370 per sq m (3,982 sq ft) and £700,000 to the 4 bed dwellings. These prices reflect the considerable size of these properties but this is an untested market for the Accordia format and in the current market we would expect properties at such a price in the town centre to struggle. As this format at 3,982 sq ft is over 3 times the size of a conventional townhouse.
- 12.1.60 We have adopted a slow sales rate of 1 per month to reflect the market in part but also the unconventional nature and size of these properties. The cost of developing this type of product on the site has led to a negative residual land value. If the build costs are put through a value engineering exercise some of this residual land value could be found however we would anticipate that in order to provide a positive land value and a therefore a development which is profitable, that the number of dwellings in the Accordia format is reviewed particularly as we would suggest that the size of these units are unlikely to be attractive to developers or potential purchasers.

13 INVESTMENT MARKET

- 13.1.1 Commercial property investment markets have been characterised by very strong demand from a wide range of domestic and foreign investors in recent years. This demand reflected the huge weight of investment capital seeking a home, the relatively strong performance of property compared with other asset classes and the appetite of

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banks to lend. Compared with this weight of money, there was generally a shortage of suitable available investments and hence yield compression continued over a protracted period.

- 13.1.2 The investment property market has seen a substantial hardening of yield profiles during the last two to three years (resulting in capital appreciation) but more recently, there has been a perceptible slowdown in this yield compression¹⁰.
- 13.1.3 The weight of money in the market place has decreased significantly both nationally and internationally. At the present time, overall transaction volume has declined and a number of institutions and property companies are holding back on trading to wait and see how the market stabilises. Severe lack of financial liquidity due to the credit crunch continues to hinder market recovery however there are still a few cash rich speculators in the market however any new developments proposed in the current market would be considerably risk averse with pre let position being of paramount importance and developers seeking an increased return in margins to compensate for the uncertain market.
- 13.1.4 The value of inducements has as a consequence increased, with the largest increases taking place in the office sector. Rising inducements was also recorded at a faster pace in the in the industrial and retail sectors as tenants bargaining power has picked up.
- 13.1.5 Commercial property in regional cities in the UK is experiencing higher yields and more stable occupancy rates than London and the South East of England, according to the latest analysis. Although the investment market is going through some tough times nationally, the regional office markets continue to offer advantages in terms of stable rental income, relatively stable occupier markets and continued balanced supply/demand ratios.

¹⁰ The "yield" of a property reflects the annual return on an investment. It is calculated by expressing a year's rental income as a percentage of how much the property cost. Yield compression or inversion can occur when economic activity is robust. Venture capital and equity can sometimes compete for money, causing short yields to rise. The historic compression of property yields was a response to an artificially induced uptrend – an uptrend caused by an artificially induced asset boom and widely available funding at low interest cost. If credit becomes less available, then velocity of deals and multipliers drift out causing yields to rise.

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- 13.1.6 Commercial property prime yields held in January but this is unlikely to last. With rents forecast to fall and with further tenant defaults expected, average yields are predicted to move out again. However compared to other assets, such as 5-year Gilts, property would currently offer an enhanced income return. The combination of falling cost of debt, weak pound and attractive pricing will lure equity-rich investors back to the market in 2009. However, shortages of debt will remain an issue, leading many investors to focus on smaller lot sizes (<£50m).
- 13.1.7 Initial yields were at 7.03% on UK property as at December 2008. The year-end yields on property compared favourably with three month sterling LIBOR and UK five year interest rate swaps which were both about 3% in December 2008. Going forward investors will be focusing on maintaining strength of the tenant base to ensure continued rental income.
- 13.1.8 The office sector has experienced redundancies with significant number within the financial sector. These costs have undermined the demand for space in regional markets as companies downsize or sub-let their office space. As occupier requirements stagnate requirement levels are down and consequently we have made an assumption of 7.5% for the office accommodation proposed. When the market improves this may shorten subject to covenant strength of the tenant.
- 13.1.9 The retail sector has experienced falls in rental values across its sub-sectors with a number of retailers such as Woolworths, Zavvi, Adams and MFI going into administration towards the end of 2008. This has led to an increase in vacant space and a decline in rental levels. With the uncertainty in the occupier market at present we have assumed retail yields at 6.75%- 7% for the proposed development drifting out to 7.5% for the retail space at MU15 Swan Frontage which is likely to prove more attractive to local occupiers.
- 13.1.10 The hotel investment sector has seen Travelodge frequently achieve investment yields of between 4.6% to 5.5%. The most recent transaction that we are aware of is on Egham High Street where a 5% yield was achieved on a mixed use development including Waitrose in January of this year as the other main anchor to this retail shopping scheme. We believe that with the worsening climate, particularly as these forms of investments have a review pattern generally linked to RPI which is currently

being predicted to drop from its current level of 0.8% into negative figures. We would therefore anticipate that yields may drift and have therefore taken an assumption of 6.5% for the purposes of the appraisals.

14 VALUATION CONSIDERATIONS AND VALUATION METHOD

14.1.1 Our appraisals have been subject to the following valuation considerations and assumptions. It should be noted that other than the Concept Diagrams for the proposed developments which were prepared by Wycombe District Council we have not been provided with any layouts or plans (other than historically for MU15 Swan Frontage) from which to appraise existing use development value or scaled plans for proposed development use value. The values reported herein are subject to receiving this detailed information and we would recommend that such schemes would provide a great accuracy in terms of the figures reported herein. Neither have we been provided with any tenancy information and without this information we cannot provide Existing Use Valuations in terms of investment value.

14.2 VALUATION CONSIDERATIONS

14.2.1 In terms of Build cost considerations we have been in liaison with Cost Consultants Rhomco Consulting Ltd who has the appropriate qualifications and experience of these type of projects. The residual valuations that we have been instructed to perform are very sensitive to variations in the estimated costs and the accuracy with which costs can be assessed may vary greatly particularly where there is an unusual building specification (e.g. fire station) and where specific structures may need to be retained. Greater accuracy may be had once detailed schemes become available.

14.2.2 The figures are based on current rates and pricing at first quarter 2009. Our feasibility appraisals assume the following:

14.2.3 A start on site no later than last quarter 2010.

14.2.4 £70 per sq ft to construct the leisure element to shell specification only. Leisure tenant to be responsible for fit out. No financial contribution has been included within the appraisal other than a 9 month rent free period;

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- 14.2.5 We have been given a build cost guide of £145 per sq ft on the assumption of BREEAM Excellent standard will be achieved for the offices, however the project does not become viable on this assumption. If the site is sold and not required to be BREEAM rated then Grade A air conditioned offices would be nearer £135 per sq ft inclusive of preliminaries at 20% of the build cost, contingencies and overheads and profits from the contractor. A lower build cost would enable the scheme to be more viable.
- 14.2.6 We have assumed a standard design and build contract with circa 55% of the professional fees pre contract and 45% included within the build contract.
- 14.2.7 Standard Developers contingency of 3% and contractors contingency of 15%.
- 14.2.8 Developers profit on cost of 15% for mixed use schemes and 20% developers profit on sales for residential schemes.
- 14.2.9 A standard form of JCT 2005 Design and Build Form of Building contract assuming the demolition of the British Legion building and the fire station. The new scheme is assumed to be constructed using a Standard steel frame construction with contiguous Piling/Pad foundation solution for the substructure. External walls to be constructed from concrete cladding panels with anodised aluminium glazing/brick block construction. An alternative construction would affect the values reported herein.
- 14.2.10 Build costs reflect a start on site to undertake the works during the first quarter of 2010 at the latest and that the work will be tendered competitively. Further detailed information in respect of build cost assumptions may be provided upon request.
- 14.2.11 Our valuation does not comment on any matters that we have not been made aware of that may result in excessive abnormal costs such as constrained site conditions, contamination or geotechnical conditions.
- 14.2.12 That no development is occurring opposite MU24 i.e the other side of the Octagon Parade. If development occurs at the same time additional costs could be incurred due to oversailing rights being affected and/or programming implications.

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- 14.2.13 Retail space is to be left as core and shell, fit out to be undertaken by the incoming retail tenant, basic services will be available in the space provided with cast concrete frame or steel, block walls and concrete slab.
- 14.2.14 Car parks are assumed to be constructed of reinforced precast/insitu concrete frame and floors with access ramps and core staircases. The outer walls will be clad to the agreed specification with the planners. Access gates and barriers will be provided.
- 14.2.15 Unencumbered and unrestricted freehold titles. This means that the sites are not encumbered with covenants, title restrictions or leasehold interests which may affect values. Our valuations also exclude any existing income ground or occupational rents as we have not been provided with any information pertaining to existing leases.
- 14.2.16 Residential will be built to NHBC standards.
- 14.2.17 We have assumed a programme for each site of between 18-24 months. Further work will be required into the optimisation of programming for each project once a formal detailed scheme has been produced for each site.
- 14.2.18 No allowance has been made in respect of rights of light, party wall or boundary issues unless this information is made available to us. Consideration should be had in respect of daylighting and sunlighting study to assess the impact of any of the proposed developments upon neighbouring properties.
- 14.2.19 No allowance has been made in terms of availability or capacity of infrastructure such as roads, public transport, mains drainage, water, gas or electricity other than standard service provision. We have not made any allowance for any temporary road closures or lane restriction implementations and costs. All highway works will be undertaken by others in respect of the proposed highway network.
- 14.2.20 Our valuation excludes allowances both in time and cost for archaeological features unless you have information to the contrary.
- 14.2.21 No allowance for onsite electricity substation, this will be subject to clarification from an Mechanical & Electrical consultant (M&E).

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- 14.2.22 No capital contributions to tenants other than a 9 month rent free period for the leisure tenants and 12 month rent free period for the office tenants, 6 months for hotel operators and retailers.
- 14.2.23 Our valuation makes no allowance for tax relief or grants.
- 14.2.24 Our valuation makes no allowance for compensation payments to the tenants.
- 14.2.25 No inflation or building cost increases beyond the allowance identified.
- 14.2.26 No special acoustic requirements have been included.
- 14.2.27 No Section 278 works unless expressly stated. Section 106 costs as per the figures provided by Wycombe District Council.
- 14.2.28 Bank fees are at present unpredictable and fluctuate widely between banks we have assumed interest at 7.5%. The current situation is that many of the banks have "closed shop" to new lending seeking to concentrate on strengthening existing customers. As part of the sensitivity testing values could be improved by reducing the funding assumptions in terms of interest rates.
- 14.2.29 Site clearance and demolition works to be carried out by others. Sites are assumed cleared and ready to be developed.
- 14.2.30 Building regulations costs are excluded but we have assumed that Building Regulations approval will be forthcoming.
- 14.2.31 Any Conservation Area or Listed Building Consent will be forthcoming;
- 14.2.32 Purchase will be on the basis of conditional exchange subject to satisfactory planning permission and technical reports on all site. We have assumed a 10% deposit on exchange and 90% deposit on completion.
- 14.2.33 We have been requested to provide development costs for 2012. Regrettably due to the uncertain market conditions, tendering prices are somewhat unpredictable and unknown in the present market as matters have not stabilised and therefore at present it is difficult to predict what will happen to development costs by this date. However if one considers the Retail Price Index as a prediction of growth and consideration were

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given to events from 1987 to 2008, as 2009 figures are currently not available, this shows an average annual increase of 3.66%. This also covers the period of the last recession late 80s and early 90s. A logical conclusion based upon historic events and data would be that an average of 4% ought to be added per annum cumulatively to the figures above if predicting into the future. This is an assumption based upon the current market conditions and facts available.

14.3 DEVELOPMENT VALUES

Having regard to the facts and assumptions set out in this Valuation Report, we are of the opinion that the Land and Development Values as existing and as proposed under the Concept Drawing provided by WDC of the freehold interest of the sites assuming vacant possession in the properties are as follows as at 30 March 2009:

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Site	Residual Land Value as existing	Residual Land Value as proposed	Development Value as Existing	Development Value as Proposed	Development costs as existing ¹¹	Development Costs as proposed
MU15 Swan Frontage As existing Option 1 Option 2	-£450,000 ¹² £ (SV1) ¹³	£9,100,000 £8,269,000	£14,391,000	£71,000,000 £63,700,000	£11,600,000	£58,222,000 £52,229,000
MU24 Octagon Parade Site 1 Site 2	£1,500,000 SV2 ¹⁴	£5,659,000	£11,263,000	£31,411,000	£9,230,000	£28,000,000
MU9 Archway Option 1 Option 2	£1,811,000	-£1,334,263 -£1,704,793 ¹⁵	£12,329,000	£29,941,000 £37,155,000	£10,720,000	£25,699,000 £32,309,000
Suffield Road	£498,000 (SV3) ¹⁶	£756,000	£1,675,000	£4,756,000	£1,340,000	£3,805,000

14.3.1 We have been unable to provide an existing use valuation of the Police Station and Fire Station, identified for development under MU15 master plan, which are buildings which have been designed for specific purposes and as a “specialised” properties as

¹¹ Development costs include construction costs, professional costs, marketing and letting costs, disposal fees and finance costs and acquisition costs (including land cost).

¹² Sensitivity analysis required along with detailed scheme layout to appraise more comprehensively. Figures reflect high build costs which need to be value engineered.

¹³ SV1 this figure does not include the existing use valuation of the Police Station and Fire Station which have been identified for development under MU15 master plan. These buildings have been designed for specific purposes and as “Specialised” properties we are not qualified to value such in line with Red Book guidance UK PS1.1. Such operation specialized properties require valuation by depreciated replacement cost method by a suitably qualified valuer which is outside the scope of this feasibility report. In order to assess development value of existing uses we would require a feasibility to be conducted by an architect for conversion from the existing operation or demolition and new build, subject to any listing status. Only when provided with floor areas can we run more accurate appraisal figures.

¹⁴ SV2 In line with Guidance Note 5 of the Red Book and in line with PS 6.1 it is our opinion that in order to bring forward this site a stopping up order would need to be applied for in order to bring the highway land into the Councils ownership. It is extremely likely that the tenants and owners of the Eden Centre would object to any stopping up order that would affect their access to the service yard and customer car park which is access via this land and thus any Stopping up Order would be Appealed. The proposed redevelopment of MU24 site 2 requires continued access into the multi storey car park. Our appraisal assumes that this access does not affect development however we have been unable to value the site as the site provide access to the service yard and car park to the Eden Centre and therefore value is indeterminable as the site would either have to assume a ransom position or special purchaser situation.

¹⁵ Negative land values reflect unprofitable development and arise as developers profit is fixed within residual appraisal. The negative land values reflect form and cost of development proposed. These sites could provide a positive land value if form of development is revised and development costs reviewed. Further sensitivity testing is required in order to ensure optimum profitability and positive land values. Due to the tight timescales this has not been possible as part of this initial feasibility study due to the absence of review of initial layouts. Build cost savings are subject to further discussions with WDC in light of planning design standards.

¹⁶ The values provided reflect land value with vacant possession. We would recommend that a specialist valuation is obtained by a suitably qualified valuer to reflect the current tenancy agreement in place and to reflect the Council tenants potential right to buy ability. We have not been provided with details of the tenancy agreements and would

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required by us under Red Book guidance UK PS 1.1 we are not qualified to value such as part of this report. Such operational specialised properties require valuation by depreciated replacement cost method by a suitably qualified valuer which is outside the scope of this report.

14.3.2 We would also advise that a specialist valuation will be required for the Existing Use Valuation of the Suffield Road site as this is currently occupied by Council Tenants with potentially a Right to Buy ability. A specialist valuation will confirm such and the level of compensation payable to the tenant and/or relocation obligations.

14.3.3 We would also draw your attention under Guidance Note 5 of the Red Book and in line with PS 6.1 wherein valuation reports should not be misleading or create a false impression, that due to its locational characteristics it is difficult to form an opinion of demand for the area identified as Site 1 MU24 which forms the entrance to the Eden Centre Car Park and Service Yard. It is difficult to form an opinion of demand for this area as it is unlikely to be brought forward to the market as it is an essential access to the Eden Centre Car Park and Service Yards. It is therefore imperative that any redevelopment option maintains the access and egress to these areas.

14.3.4 A summary of the developer's profit which may achieved for the proposed and existing schemes based upon 20% on cost where WDC takes on the role of developer recouping 100% stake of developers profit is set out below. These figures may vary once detailed schemes become available and you should have regard to the assumptions set out within this section:

Site	Gross Developers Profit (Existing)	Gross Developers Profit (Proposed)
MU15 Swan Frontage Option 1 Option 2	£1,830,000 ¹⁷ note negative land value	£8,730,000 £7,830,000
MU24 Octagon Parade	£1,385,000 ¹⁸	£3,861,000
MU9 Archway Option 1	£1,608,000	£3,850,000note negative land value

recommend that a specialist valuation will confirm the level of compensation likely to be payable to the council tenant along with existing use value reflecting the current occupier interests.

¹⁷ Scheme required for wider area this appraisal has valued only the British Legion and fire station site

¹⁸ Excludes site 2 gross profit as this requires specialist valuation

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Option 2		£4,850,000 note negative land value
Suffield Road	£335,000	£950,000

14.3.5 Under Section 9.3 we discussed statutory planning charges and specifically how their structure may improve or reduce the level of contribution payable to Wycombe District Council. In the table below we provide an illustration of the effect of deferral of Section 106 payments such is the case with a tariff based system and how these contributions affect development site values. Regrettably due to time constraints we have been unable to provide a review of all sites however we are happy to explore this subject to your further instructions.

Comparison of Residual land value following highway changes - Section 106 payments v staged payments as per tariff system			
Site	Land value including Section 106 paid upon planning	Land value assuming Tariff System*/phased payments	Additional funds available for further contributions
Suffield Road/Gas Site	Total S.106 Cost = £183,408 Land value c. £1.3 million	Total Tariff = £183,408 Land value c. £1.39 million	£90,000

*Tariff used is set out under section 9.3.7-9 of this report.

14.3.6 It is worthy of note that by deferring section 106 payments the proportion of payment increases. This figure would provide additional sums available to contribute toward highway changes.

14.3.7 Alternative revenue streams that could be explored are exploring contributions from existing stakeholders such as retailers. By encouraging investment from existing retailers/occupiers particularly in respect of public realm works. Local involvement in improving the immediate environment e.g best shop front competitions, local schools input into public realm design will improve the local environment as well as increase footfall. Large anchor stores in struggling parts of the town centre will be encouraged to invest in the area rather than to re-locate if initiatives will increase footfall in the immediate vicinity rather than relying solely on S.106 contribution pot.

- 14.3.8 It should be noted that due to the negative values that have been thrown up by some of the proposed developments (Arch Way), that an assessment of level of contribution towards highway changes could not be assessed. It is also worthy of note that in respect of the current market some of those development that currently show positive land values may struggle if values depreciate further and yields drift out.

15 FURTHER WORK

In moving forward with the Town Centre Deliverability Assessment, we would highlight that the following further work should be considered:

- 15.1.1 Sensitivity analysis, review of proposed mix, build costs and contingencies to allow for more viable developments. Value engineering could produce savings as could reduction of contractors contingency.
- 15.1.2 Appraisals should be based upon detailed layouts for proposed and existing use schemes.
- 15.1.3 Whilst not a request under the initial brief following our discussions with the Planning Policy Team concerns were raised regarding treatment of land beneath the roads which are ear-marked for re-routing and its respective ownerships. The Land Registry has set itself the key objective of the compulsory registration of freehold and leasehold land in England and Wales by 2012. As an incentive to land owners to voluntarily register their titles substantial discounts are available especially for bulk applications,
- 15.1.4 The benefits of voluntary registration are not only fiscal they also provide a guarantee. A registered title is guaranteed by the State as it sets out a description of the land, the details of the owner and the rights and obligations that affect the land. The registration process simplifies the conveyancing process by providing proof of ownership. In doing so the owner of registered land is far better protected against squatters and claims for adverse possession than the owner of land that is unregistered.
- 15.1.5 In light of the Master plan proposals it would be advisable that prior to these going live that as much of the town centre land in the WDC's ownership as possible is registered. A review of the root conveyance plans held by the Council will establish

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the extent of the Council's ownerships. The registration with the Land Registry will enable better estate management but also greater certainty in terms of the ownerships involved when bringing the land forward for development and hopefully avoids ransom positions over the land which could frustrate the future regeneration of the town centre.

- 15.1.6 Having a clean site in term of tenure will provide great flexibility for the future use of planning powers. Whilst this advice provides no advice on the Compulsory Purchase process and we recommend if this route is a preferred option for Wycombe District Council that further advice is sought from a specialist CPO consultant.
- 15.1.7 Ground Investigations into ground contamination and ground structures as highlighted under section 8.1.2 and 8.2.2 in this report.
- 15.1.8 Cost of insurance to protect any future acquisition from tenure issues which may affect redevelopment proposals e.g. title restrictions, ransom strips etc
- 15.1.9 Further research into grant assistance should be made in light of High Wycombe's local history. The Heritage lottery fund could be a source of funding for Public Realm Works proposed.
- 15.1.10 We would recommend that further advice is sought from specialist planning solicitors whom may provide advice on the intricacies of an appropriate tariff system and Section 106 legal documents.
- 15.1.11 Consideration should be made, if not already instructed, in respect of a Retail Capacity Report that takes on board flexible modelling to account for changes in housing and population growth and the level of need for comparison versus convenience goods.
- 15.1.12 Following detailed design a review of net to gross floor areas may be made in order to ensure efficient build versus income;
- 15.1.13 Clarification on expectations in terms of Public Realm. We have not received site area for public realm works or specification and are consequently unable to assess its value. Some Local Authorities set aside 1% of development value toward these works.

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15.1.14 If considering Compulsory Purchase of sites the first stage of the compulsory purchase procedure is for the acquiring authority to define and justify the making of the compulsory purchase order. This involves:

- undertaking feasibility studies to define the boundaries of the site
- carrying out initial investigations to establish the ownership and occupation of land and identifying third party rights.
- checking the adequacy of the policy basis for the project (the policy position needs to be satisfied at the time of making the order and there should be an up to date and publicly considered development plan policy to support the project, or at least publicly considered and adopted SPG)
- considering the financial and funding arrangements and preparing an initiating report to put to the Committee.
- The second stage of the process is the formal resolution by the Council's Executive or appropriate Executive Committee to use compulsory purchase powers.
- In terms of timescales, a period of approximately three years should be allowed for from the initial stages of developer selection, pre-planning and design through to the date that vacant possession is likely to be obtained and construction can begin. In respect of the inter-relationship with the application to stop-up the road(s), the agreement of diversions with utilities will usually start at approximately the same time as the compulsory purchase policy is being formulated, with the road stopping-up application being submitted within a few months of the resolution of the Council to proceed with the CPO.

15.1.15 We recommend WDC instructs further specialist reports to ensure greater certainty in respect of the figures provided:

- (a) Site investigation works and contamination reports;
- (b) Services survey;
- (c) Topographical survey to be undertaken to verify levels and the extent of retaining walls excavation or filling;
- (d) Detailed design for the existing and proposed developments, particularly in light of the unconventional residential proposals on Archway. We would also express concern over the depth of these units and lack of daylight due to single aspect and 19 m depth;
- (e) Detailed road design;

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- (f) Off site infrastructure works;
- (g) Party wall agreements;
- (h) Specialist valuation reports for MU15 Swans Frontage and MU24 Octagon Parade (Site 1).

16 CONFIDENTIALITY

- 16.1.1 This Feasibility Report is provided for the use only of the party to whom it is addressed and no responsibility is accepted to any third party for the whole or any part of its content. The basis of valuation may not be appropriate for other purposes other than as an evidence base for DSA consultation and should not be so used without prior consultation with us.

