

Valuation Report.

Tangmere Viability Assessment

Prepared for Chichester District Council

Valuation date: 31 January 2020

Important Notice to all readers of this report

Unless you are the Client named within this report, or have been explicitly identified by us as a party to whom we owe a duty of care and who is entitled to rely on this report, Knight Frank LLP does not owe or assume any duty of care to you in respect of the contents of this report and you are not entitled to rely upon it.

**Locally expert,
globally connected.**

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For the attention of Ms Hannah Chivers
Email: hchivers@chichester.gov.uk
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Our ref: I:1076824

Date of issue: 31 January 2020

Dear Madam,

Valuation Report - Tangmere Viability Assessment - This report is to be read in conjunction with the original valuation report and in accordance with our signed Contract (attached at Appendix 1).

Further to your instructions, we are writing to provide you with a desktop update report for Tangmere Viability Assessment as requested within the enclosed Contract dated 29th January 2020.

We previously provided you with a Valuation Report dated 27th March 2017. We detail below only the paragraphs that are notable, for where matters have changed since our previous report. All other details remain the same.

Signed for and on behalf of Knight Frank LLP



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Andrew Johnston MRICS
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Executive summary

This Executive summary is a brief overview of our Valuation Report and must not be relied upon in isolation. It is intended to be read in conjunction with the whole report and is subject to any assumptions, caveats and comments stated within the body of this report.

| | |
|---------------------------------|---|
| Address | Tangmere Strategic Development Site, Chichester, West Sussex |
| Location | <p>The Property is located to the west of Tangmere within the administrative district of Chichester in West Sussex. It sits approximately 2.3 miles to the east of Chichester and 5 miles to the north west of Bognor Regis.</p> <p>The location plan is depicted in Section 2.1 of this report.</p> |
| Description | The Property comprises several parcels of land owned by a variety of landowners which together make up the Tangmere Strategic Development Site. It occupies a total site area of approximately 76.6 hectares (189 acres) (areas taken from Promap). |
| Tenure | <p>Freehold. We understand that the site comprises several parcels of land under separate ownerships and that a one metre wide control strip exists bisecting the Property from east to west.</p> <p>In our valuation we have assumed that the Client owns the unencumbered freehold interest in the entire Property. We have further assumed a good and marketable title and that all documentation is satisfactorily drawn, and that there are no issues inhibiting the creation of a cohesive development.</p> |
| Planning | <p>We are not aware of any planning permissions pertaining to the proposed development. However, the adopted Chichester Local Plan Key Policies 2014-2029 (CLPKP) allocates the Property as a strategic development site for a mixed use development comprising 1,000 homes, community facilities, open space and green infrastructure.</p> <p>The emerging Chichester Local Plan Review 2035 identifies potential for a further 300 to achieve an allocation of 1,300 dwellings.</p> |
| Proposed development | <p>We have been provided with the Masterplan, albeit no further detailed plans for a proposed scheme at the Property.</p> <p>We have been instructed to provide values for both a 1,000 unit and 1,300 unit scheme assuming a 30% affordable housing provision with a primary school, a mixed-use village centre, sports pavilion and a variety of community facilities as well as associated infrastructure and green spaces.</p> |
| Valuation considerations | <ul style="list-style-type: none"> • Freehold title • Large scale new build development with potential capacity for up to 1,300 houses with accompanying facilities • Planning allocation for 1,000 units |

| | |
|---|--|
| | <ul style="list-style-type: none"> • Outline planning permission is yet to be granted • Detailed scheme is yet to be designed • In close proximity to Chichester and it's amenities • Excellent road connections • Reasonably good residential market in the surrounding area • The Masterplan for the proposed scheme is well conceived, providing good sense of separation between residential dwellings and the proposed commercial and education facilities. • Generous provision of public open space • Detailed due diligence yet to be undertaken and associated reports to be produced • No massing and density study for the Property • Section 106 and infrastructure costs yet to be fully quantified |
| Valuation date | 31 January 2020 |
| Market value – special assumption unencumbered freehold interest | <p>Market Value - special assumptions unencumbered freehold interest (1,000 unit scheme)</p> <p>We are of the opinion that the Market Value of the freehold interest in the property on the special assumption of vacant possession and that the Client owns the unencumbered freehold interest in the entire Property, at the Valuation date is:</p> <p>£8,000,000 (Eight Million Pounds)</p> <p>Market Value – special assumption unencumbered freehold interest (1,300 unit scheme)</p> <p>We are of the opinion that the Market Value of the freehold interest in the property on a special assumption of allocation for a 1,300 unit scheme and vacant possession, and that the Client owns the unencumbered freehold interest in the entire Property, at the Valuation date is:</p> <p>£8,400,000 (Eight Million Four Hundred Thousand Pounds)</p> |
| Market value - special assumption planning | <p>Market Value - special assumption planning (1,000 units)</p> <p>We are of the opinion that the Market Value of the freehold interest in the property on the special assumption that planning permission for a 1,000 unit scheme described herein has been obtained and with vacant possession, at the Valuation date is:</p> <p>£15,800,000 (Fifteen Million Eight Hundred Thousand Pounds)</p> |

Market Value on special assumption planning (1,300 units)

We are of the opinion that the Market Value of the freehold interest in the property on a special assumption that planning permission for a 1,300 unit scheme described herein has been obtained and with vacant possession, at the Valuation date is:

£16,700,000 (Sixteen Million Seven Hundred Thousand Pounds)

We have not been provided with a massing and density study to support the valuation. We have therefore had to make an assumption as to the potential density achievable on the site. As a result, there is a high degree of risk associated with this valuation. We recommend this is investigated further and prior to any financial commitments.

Property risks

- **Section 106 and Infrastructure costs** - We have been provided with estimated S106 and infrastructure costs. Any variation in the costs may have a significant impact upon the reported Market Value of the site.
- **Massing study** - We have not been provided with an appropriate massing study for the Property. As a result, there is a high degree of risk associated with this valuation. We recommend the matter is investigated further and prior to any financial commitments.
- **Brexit and UK political uncertainty** – The absence of a favourable deal and stable transition period could result in second-round economic effects with a potential knock-on impact for the UK housing market. Failing to achieve a deal that ensures London's status as a leading global financial centre could have implications for the London market. We highlight that our opinion of value is only current at the valuation date.

1. Terms of engagement

Engagement of Knight Frank LLP

- 1.1 We refer to our signed Contract dated 29th January 2020 (together the “Agreement”) to provide a valuation report on Tangmere Viability Assessment, as enclosed within **Appendix 1**.

Client

- 1.2 We have been instructed to prepare the Valuation by Chichester District Council (the “Client”).

Valuation standards

- 1.3 This valuation has been undertaken in accordance with RICS Valuation - Global Standards 2017, which incorporate the International Valuation Standards, and the RICS UK National Supplement effective from January 2019. References to the “Red Book” refer to either or both of these documents, as applicable. As required by the Red Book, some key matters relating to this instruction are set out below.

Independence and expertise

Disclosure of any conflicts of interest

- 1.4 We confirm that we do not have any material connection or involvement giving rise to a conflict of interest and are providing an objective and unbiased valuation.
- 1.5 This has been disclosed to you and you have given your consent to us proceeding with this instruction. We confirm that we are not aware of any undisclosed matter giving rise to a potential conflict of interest and that we are providing an objective and unbiased valuation.

Valuer and expertise

- 1.6 The valuer, on behalf of Knight Frank LLP, with the responsibility for this report is Andrew Johnston MRICS, RICS Registered Valuer. Parts of this valuation have been undertaken by additional valuers as listed on our file.
- 1.7 We confirm that the valuer and additional valuers meet the requirements of the Red Book, having sufficient current knowledge of the particular market and the skills and understanding to undertake the valuation competently.
- 1.8 For the purposes of the Red Book, we are acting as External Valuers, as defined therein.
- 1.9 This report has been vetted as part of Knight Frank LLP’s quality assurance procedures.

Use of this Valuation

Purpose of valuation

- 1.10 This Valuation is provided to support the Client in the compulsory purchase of the Property (the “Purpose”) only and may not be used for any other purpose without our express written consent.

Reliance

- 1.11 This Valuation has been prepared for the Client only.

- 1.12 No other person is entitled to rely on the Valuation for any purpose. We accept no liability to anyone for any improper or unauthorised reliance on this Valuation.

Disclosure & publication

- 1.13 The Valuation has been prepared for the Client and in accordance with the Agreement which governs its purpose and use. As stated in the Agreement, this Valuation is confidential and must not be disclosed to any person other than the Client without our express written consent. Nor may the whole nor any part of this valuation nor any reference thereto may be included in any prospectus, listing particulars, published document, circular or statement nor published in any way without our prior written approval of the form or context in which it may appear.

Limitations on liability

- 1.14 Knight Frank LLP's total liability for any direct loss or damage (whether caused by negligence or breach of contract or otherwise) arising out of or in connection with this Valuation is limited in accordance with the terms of the Agreement. Knight Frank LLP accepts no liability for any indirect or consequential loss or for loss of profits.
- 1.15 We confirm that we hold adequate and appropriate PII cover for this instruction.
- 1.16 No claim arising out of or in connection with this Valuation may be brought against any member, employee, partner or consultant of Knight Frank LLP. Those individuals will not have a personal duty of care to any party and any claim for losses must be brought against Knight Frank LLP.
- 1.17 Nothing in this Valuation shall exclude or limit our liability in respect of fraud or for death or personal injury caused by our negligence or for any other liability to the extent that such liability may not be excluded or limited as a matter of law.

Scope of work

Restrictions on the scope of work

- 1.18 You have instructed us to undertake a restricted service, namely that we will not re-inspect the property. You should note that this limits the extent to which reliance can be placed upon our valuation report. The property was previously inspected on 16 December 2016, as part of the original valuation report. This was carried out by Katherine Harris RICS Registered Valuer.

Information provided to us which we have relied upon

- 1.19 In this report we have been provided with information by yourselves and Countryside Properties (UK) Limited ("Countryside"). We have relied upon this information as being materially correct in all aspects.
- 1.20 In the absence of any documents or information provided, we have had to rely solely upon our own enquiries as outlined in this report. Any assumptions resulting from the lack of information are also set out in the relevant section of this report.

Investigations carried out by us

- 1.21 In carrying out this Valuation we have undertaken verbal / web based enquiries referred to in the relevant sections of this report. We have relied upon this information as being accurate and complete.

2. The Property

Location

Situation

- 2.1 As can be seen from the plan below, the Property is located to the west of Tangmere within the administrative district of Chichester in West Sussex. It sits approximately 2.3 miles to the east of Chichester and 5 miles to the north west of Bognor Regis. Immediately to the south of the site lies the village of Oving with the village of Boxgrove to the north separated by the A27.



Location plan (Crown Copyright. All rights reserved. Licence number 100022432)

- 2.2 The Property is bordered to the north by the A27, a major road which runs from Whiteparish, near Salisbury, to the west to Pevensey, near Eastbourne, to the east. Tangmere Road (B2144) runs along the southern border of the site linking the A27 to the Chichester Bypass.
- 2.3 The street plan below shows the location of the Property.



Street Plan (Crown Copyright. All rights reserved. Licence number 100022432)

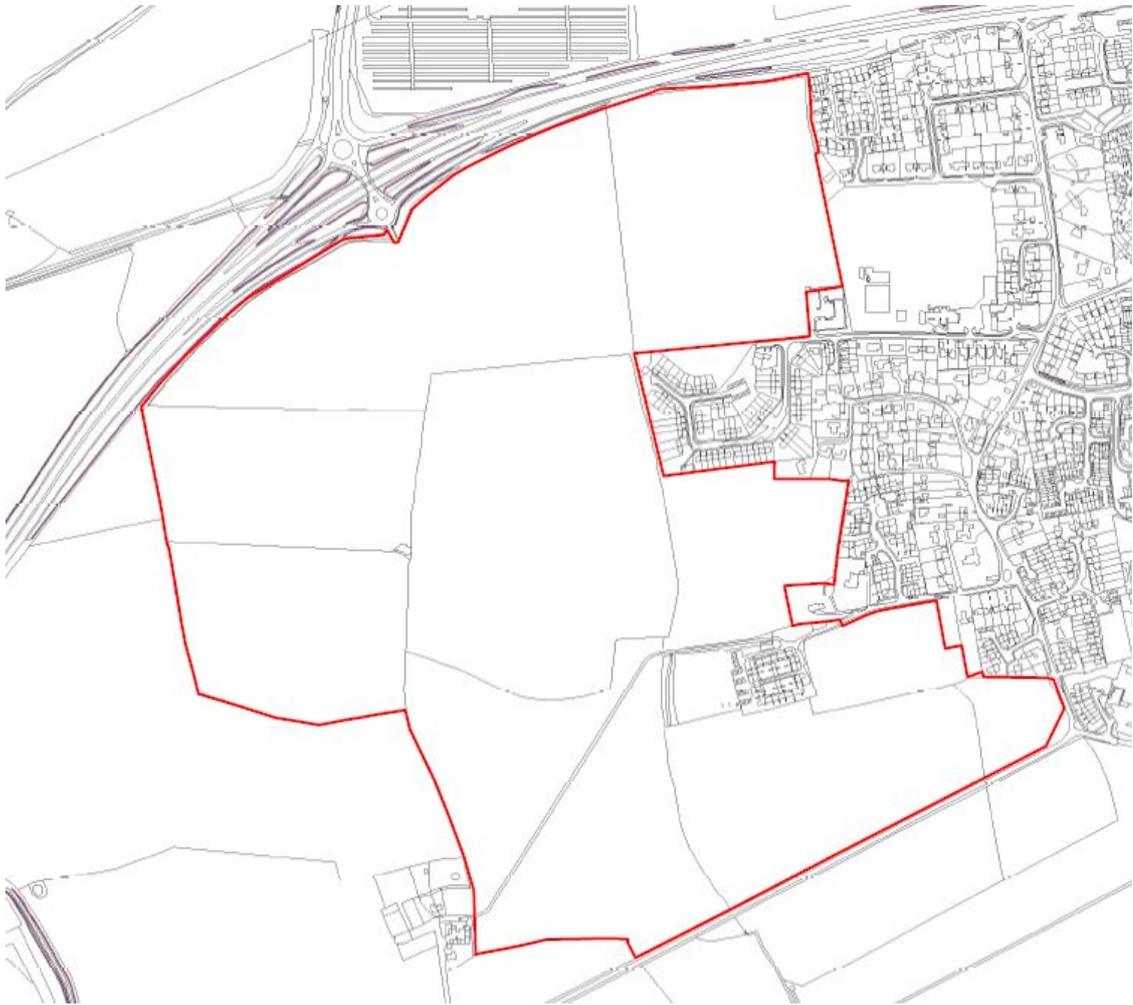
Site

Site area

- 2.4 The Property comprises several parcels of land owned by a variety of landowners, which together make up the Tangmere Strategic Development Site.
- 2.5 It occupies a total site area of approximately 76.0 hectares (188 acres) (areas provided by Countryside).

Site plan

- 2.6 The property is identified on the plan below, showing the boundary outlined in red.



Source: The Client

Description

- 2.7 From our previous valuation we note that the site currently comprises undeveloped agricultural land used for arable farming and is underlain by rich soils. There is further agricultural land lying to the south and west with residential houses adjoining the site to the east.

Site constraints

Chichester Pipeline

- 2.8 We note from Environmental Impact Assessment (EIA) Scoping Report dated July 2019 that Southern Water have obtained planning permission to construct the new Chichester Pipeline – a new 10km sewer that will partially run within and alongside the south and west boundaries of the subject site. It is understood that construction of the pipeline commenced on-site in 2019. The construction of the New Chichester Pipeline will require an 8m easement.

Services

- 2.9 No tests have been undertaken on any of the services.
- 2.10 Given the current greenfield nature of the land we have assumed that significant service upgrade works will be required. In our valuation we have assumed that the costs provided to us by Countryside are reflective of the costings required for the service upgrade works.

Legal title

Land register searches

- 2.11 We do not undertake searches or inspections of any kind (including web based searches) for title or price paid information in any publicly available land registers, including the Land Registry for England & Wales, Registers of Scotland and Land & Property Services in Northern Ireland.

Tenure

- 2.12 From our previous valuation report we note that the site comprises several parcels of land under separate ownerships.
- 2.13 We further note that there is a one meter wide control strip owned by CS South Limited and CS East Ltd, which runs across the site from east to west and separates a large proportion of the site from the A27.
- 2.14 For the purpose of this report, we have valued the subject property on a special assumption that the entire site is held on a single Freehold title. We have further assumed a good and marketable title and that all documentation is satisfactorily drawn, and that there are no issues inhibiting the creation of a cohesive development.
- 2.15 We recommend that our understanding of all legal title issues is referred to your legal advisers for their confirmation that our understanding is correct. It is also particularly important that your legal advisers should be asked to check whether there have been any transactions relating to the Property which reveal price paid information which we should be made aware of.
- 2.16 If any matters come to light as a result of your legal adviser's review of these issues, we request that these matters are referred back to us as this information may have an important bearing upon the values reported.

Potential changes in legislation affecting ground rents

- 2.17 In December 2017 the Communities Secretary announced new measures to cut out unfair and abusive practices within the leasehold system, including a ban on leaseholds for almost all new build houses in England. The Government plans to introduce legislation that will require ground rents on new long leases – for both houses and flats – to be set to zero.
- 2.18 As a result of these plans, we have assumed zero ground rents for all new residential long leases within our valuation. For existing residential long leases, where the ground rent is considered to be “onerous”, the Government wishes to see support extended to leaseholders. The Government has not explicitly stated what level of ground rent it considers to be onerous, nor where the support for affected leaseholders should come from. In addition, the Government intends to consider ways in which to

make it easier for leaseholders to buy their freehold or to extend their leases. Where likely to be applicable, we have set out any specific assumptions within our valuation in this regard.

Covenants

- 2.19 We have assumed that the Property is free from any unusual or onerous covenants, restrictions, encumbrances or outgoings.

Rights of way

- 2.20 We have further assumed that the Property is not subject to any unusual or onerous easements of rights of way.

Tenancies

Title assumed for proposed units

- 2.21 We have assumed that the houses in the proposed scheme will be sold freehold.
- 2.22 We have assumed that the apartments in the proposed scheme will be sold on 250 year leases with zero ground rents and will be subject to a reasonable service charge to cover the repair and maintenance of the buildings, services and common areas.

Vacant possession

- 2.23 We have valued the property on the assumption of vacant possession.

Environmental considerations

Contamination

- 2.24 Investigations into environmental matters would usually be commissioned from suitably qualified environmental specialists. Knight Frank LLP is not qualified to undertake scientific investigations of sites or buildings to establish the existence or otherwise of any environmental contamination, nor do we undertake searches of public archives to seek evidence of past activities which might identify potential for contamination.
- 2.25 From the Environment Agency's position in response to the EIA Scoping Report, we note that the site is greenfield and therefore risk of contamination is low. However, we understand the site has been under agricultural influence for a significant period of time, which increases the risk to contaminant exposure, whilst the area surrounding the site has been part of military infrastructure, which indicates a risk of contamination from waste, fuel and chemicals.
- 2.26 No environmental investigation has been provided to us. We have therefore assumed that no contamination exists and our valuation therefore excludes any potential impact on value. We accordingly recommend that further investigations be undertaken by a suitably insured and qualified chartered environmental surveyor or environmental consultant to determine the extent and nature of the contaminants and the likely costs of remediation

Sustainability

Sustainability

- 2.27 The issue of sustainability is becoming increasingly important to participants in the property market. There is a general expectation that buildings that minimise environmental impact through all parts of the building life cycle and focus on improved health for their occupiers may retain value over a longer term than those that do not.
- 2.28 The Government has set itself a target to reduce CO₂ emissions by 80% by 2050. With property representing around 50% of total emissions, the sector has become an obvious target for legislation. It is likely that, as we move towards 2050, energy efficiency legislation for property will become increasingly stringent.

EPCs

1. All properties within the UK require an Energy Performance Certificate (EPC) when bought, sold, built or rented. An EPC measures the asset rating of a building in relation to its energy performance.
 2. The Energy Act 2011 introduced legislation that has made it unlawful to rent a property which has an “F or G” energy efficiency rating. This minimum energy efficiency rating could be made more stringent in the future.
- 2.29 Additionally, residential landlords are not be able to unreasonably refuse consent for certain types of energy efficiency improvements.
- 2.30 As EPC testing is carried out once a property has been constructed, we have not been provided with EPC ratings for the proposed development. As the units will be newly constructed, we assume it will perform very well from an energy performance perspective. Accordingly, our valuation is based on the assumption that the subject property will meet the Minimum Energy Efficiency Standard for rental property specified in the extant regulations made under the Energy Act 2011 (minimum E rating) and that there will be no adverse impact on value or marketability.

Sustainability Characteristics

- 2.31 From a value perspective, sustainability is likely to be a long term issue and its relative importance will change over time. Our valuation provides our opinion of value at the valuation date based on market related factors at that date.

Planning

Sources of planning information

- 2.32 We have made informal enquiries of Chichester District Council, the planning authority for the subject property and our Client, as well as enquiries via its website.
- 2.33 These enquiries should not be taken as personal searches and information on the relevant website is assumed to be both accurate and up to date. For a formal planning enquiry to be made, the planning authority will require written representation which has not been possible as part of our report.

Planning policies

- 2.34 Planning policy is contained within the adopted development plan, comprising the Chichester Local Plan: Key Policies 2014-2029 (CLPKP) and the made Tangmere Neighbourhood Plan 2014-2029.
- 2.35 The adopted Local Plan identifies Tangmere as being capable of accommodating further sustainable growth to enhance and develop its role as a settlement hub. It identifies the Tangmere Strategic Development Location for a development of 1,000 dwellings.
- 2.36 The emerging Chichester Local Plan Review 2035 identifies potential for a further 300 to achieve an allocation of 1,300 dwellings. At the date of writing of this report, the Local Plan Review has undergone consultation on the Regulation 18 Preferred Approach plan, with the Local Development Scheme anticipating Regulation 19 plan being published for consultation in March - May 2020, with submission to the Planning Inspectorate for examination anticipated in June 2020. We have been instructed to value both a scheme with the allocation of 1,000 units as well as 1,300 units.

Development partner

- 2.37 You have advised us that Countryside are the chosen development partner to deliver the Tangmere Strategic Development Location (SDL). We understand that a series of community events have been held since June 2019 as part of the Masterplan consultation process to share and discuss the proposals for the SDL’s new homes, new primary school, significant new areas of open space and community facilities. We further understand that the Masterplan was submitted to the Council for endorsement on 15 November 2019 and was subsequently endorsed by the Council’s planning committee on 8 January 2020.

Relevant planning history

- 2.38 The subject property currently does not benefit from any planning permissions, albeit we understand that an outline planning application for the proposed scheme will be submitted later this year.
- 2.39 Our enquiries have revealed the following relevant planning history:

Table 1: Planning permissions

| Date | Reference | Description |
|------------|--------------|--|
| 23/07/2019 | 19/01913/EIA | EIA scoping opinion for a mixed use development comprising up to 1,300 homes, with education, retail, community facilities and open space and green infrastructure. |
| 15/11/2019 | 19/02836/MAS | Master Plan for Tangmere, proposing a mixed use development comprising up to 1,300 homes (including 30% affordable housing), an expanded village centre (comprising units suited to A1, A2, A3, A4, A5 and B1(a)), community facilities, education facilities and open space and green infrastructure. |

Source: Chichester District Council

Planning obligations

2.40 Due to the absence of any planning permission a Section 106 Agreement has not as yet been entered into, however, the Client has provided us with the latest estimates of known anticipated S106 costs, which we have adopted in our valuation. These are as follows:

- On site early years facility – £2,250,000
- Primary school - £10,600,000
- Community centre – £2,000,000
- A27 mitigation works - £5,914 per dwelling
- Chichester - Tangmere cycle route - £630,000
- Green infrastructure (sports grounds, play space, allotments, parks and recreations land, amenity / natural open space) – estimated at £4,846,796
- Sports hall - £2,410,000

2.41 We would note, however, that the total contribution is yet to be fully quantified and the final S106 costs may exceed the above list, given the upcoming removal of S106 pooling restrictions in particular.

2.42 We would stress that any variation in the total cost of planning obligations may have an impact on the valuation figure in this report.

Community infrastructure Levy (CIL)

2.43 The CIL is a locally set tariff system which captures contributions for infrastructure requirements across a regional and sub-regional level which came into force in April 2010. The system will operate in conjunction with the current Section 106 agreement system (including affordable homes) which will be retained to capture site specific contributions.

2.44 The adopted CIL Charging Schedule for the District of Chichester took effect from 1 February 2016 and is index linked. The current CIL charge is at a rate of £147.90 per sq m (£13.74 per sq ft) for newly built private residential floorspace to the South of the National Park. We understand that this rate will be payable for all private residential floorspace at the Property and have reflected this within our valuation.

2.45 We understand that for the Tangmere Strategic Development Site both CIL and S106 contributions will be required and have reflected this within our valuation. We would highlight that any variation to our assumed level of costs may have a material impact on land values.

2.46 We summarise the anticipated Section 106 and CIL costs in the table below:

Table 2: Estimates of anticipated S106 and CIL costs

| Project | 1,000 units | 1,300 units |
|------------------|-------------|-------------|
| Early years | £2,250,000 | £2,250,000 |
| Primary school | £10,600,000 | £10,600,000 |
| Community centre | £2,000,000 | £2,000,000 |
| A27 mitigation | £5,914,000 | £7,688,200 |
| Cycle route | £630,000 | £630,000 |

| | | |
|----------------------|--------------------|--------------------|
| Green infrastructure | £4,846,796 | £4,846,796 |
| Sports hall | £2,410,000 | £2,410,000 |
| CIL | £10,759,849 | £12,864,923 |
| Total costs | £39,410,645 | £43,289,919 |
| Cost per plot | £39,411 | £33,300 |

Source: Chichester District Council

3. Proposed development

Proposed scheme

Source of information

- 3.1 We have not been provided with detailed plans for a proposed scheme at the Property however we have been provided with the Masterplan by the Client.
- 3.2 The Masterplan was endorsed on 8 January 2020 and sets out the framework masterplan for the subject site.

Scheme outline

- 3.3 The proposal is for a mixed use development comprising up to 1,300 homes, with education, retail, community facilities and open space and green infrastructure delivered on the site extending to approximately 76.0 hectares.
- 3.4 The proposed masterplan is shown below:



Source: The Client

- 3.5 As can be seen from the masterplan, approximately 50% (37.6 hectares) of the gross site area is dedicated to the residential accommodation, set around public open space and attenuation ponds. The subject site currently benefits from an allocation of 1,000 units, which equates to an average density of 26 dwellings per gross hectare. We have also been instructed to value a scheme of 1,300 units, as identified in the emerging Chichester Local Plan Review 2035, which equates to an average density of

35 dwellings per gross hectare. We have been advised by Countryside that the intended tenure mix proposes 70% private and 30% affordable housing, in accordance with the adopted Local Plan.

- 3.6 Approximately 3.0 hectares of the site are dedicated to education land comprising primary and further education schools, whilst further 5.3 hectares of the site provide community facilities. As part of the community facilities, the scheme proposes a mixed-use village centre, formal sports provision, community orchard and allotments. Both uses are somewhat separated from the residential part of the development and occupy the eastern side of the wider scheme.
- 3.7 Additionally, up to 1,000 sq m of units suited to A1, A2, A3, A4, A5 and B1 (a) use classes are also proposed as part of the new expanded village centre.
- 3.8 The proposed scheme will be served by multi-modal accesses from Tangmere Road, the A27 grade-separated junction and Malcolm Road, whilst a development spine road running through the site will connect Tangmere Road and the A27, whilst also providing access to secondary roads at the development.
- 3.9 The table below summarises proposed area allocations for each different use type.

Table 3: Proposed areas by use

| Use | Units | Site areas | |
|------------------------------|-----------------------|-------------|--------------|
| | | Hectares | Acres |
| Private residential units | 700 or 910 | 37.6 | 92.9 |
| Affordable residential units | 300 or 390 | | |
| Education | - | 3.0 | 7.4 |
| Mixed-use village centre | - | 0.5 | 1.2 |
| Sports provision | - | 1.9 | 4.7 |
| Public open space | - | 26.5 | 65.5 |
| Allotments | - | 2.1 | 5.2 |
| Community orchard | - | 0.8 | 2.0 |
| Primary infrastructure | - | 3.7 | 9.1 |
| Total | 1,000 or 1,300 | 76.1 | 188.0 |

Source: Countryside

Proposed residential accommodation

- 3.10 We are advised by Countryside that the private housing mix will not be fixed as part of the outline planning permission and will be determined through future reserved matters application. That said, we have been provided with an indicative private unit mix for the proposed 1,300 unit scheme. We have adopted the same unit mix for the proposed 1,000 unit scheme.
- 3.11 We understand that the affordable unit mix is split into 60% affordable rent and 40% intermediate, in accordance with Policy 2 of the Tangmere Neighbourhood Plan. We further understand that the affordable unit mix will be fixed as part of the outline planning application, albeit we are advised that it has not been determined yet. We have therefore had regard to the Local Plan to inform the affordable housing mix within the proposed scheme at the Property.

3.12 We outline the assumed unit mix below:

Table 4: Unit mix

| Accommodation | Private % of mix | Affordable % of mix | |
|-----------------|------------------|---------------------|--------------------------|
| | | Rent (60% of AH) | Intermediate (40% of AH) |
| 1 bed apartment | 2% | 15% | 20% |
| 2 bed apartment | 9% | 17.5% | 25% |
| 2 bed house | 9% | 17.5% | 25% |
| 3 bed house | 52% | 35% | 30% |
| 4 bed house | 28% | 15% | - |

Source: Countryside / Chichester District Council

3.13 We have not been provided with average unit sizes nor a massing and density study relating to the Property. We have therefore had to make an assumption as to the potential density achievable on the subject site. However, we would stress the importance of having an appropriate massing and density study undertaken for the subject property prior to any financial commitments.

3.14 As can be seen from the table above, the proposed private unit mix comprises a high proportion of three and four bedroom dwellings. Therefore, having undertaken basic calculations to determine the density of the development, we are of the opinion that the average unit sizes at the proposed 1,300 unit scheme will be smaller than those at the proposed 1,000 unit scheme.

3.15 We have further had regard to the average unit sizes of the comparable schemes to inform the average sizes of the residential units within the proposed scheme at the Property.

3.16 In our valuation we have adopted the following average unit sizes:

Table 5: Unit sizes

| Accommodation | 1,000 Units Average GIA (sq ft) | 1,300 Units Average GIA (sq ft) |
|-----------------|---------------------------------------|---------------------------------------|
| 1 bed apartment | 560 | 525 |
| 2 bed apartment | 760 | 725 |
| 2 bed house | 850 | 760 |
| 3 bed house | 1,100 | 950 |
| 4 bed house | 1,395 | 1,395 |

Source: Knight Frank

Specification

- 3.17 We have not been provided with details of the proposed specification by the Client. In reporting our opinions of value, we have appraised the individual units on the assumption that they will be completed (both internally and externally) in accordance with a specification that is commensurate with that of an appropriate quality development in this location.

Phasing of the scheme

- 3.18 We understand that the scheme will be delivered as one to ensure comprehensive delivery of strategic infrastructure with residential development parcels constructed on a phased basis linked to the delivery of strategic infrastructure.

Building Regulations

- 3.19 In reporting our opinions of value we have assumed that the scheme is compliant with all Building Regulations and can be implemented in accordance with the plans provided. In the event that amendments need to be made to the proposed scheme as a consequence of it failing to meet statutory requirements, our opinions of value may be affected.

Rights of lights

- 3.20 We have assumed that the proposed scheme does not raise any issues with regard to rights of light and that no third parties are entitled to compensation and that no injunctions could be made in this respect.

Development costs

General comment

- 3.21 We strongly recommend that you supply us with build cost and other relevant information prepared by a suitably qualified construction cost professional, such as a quantity surveyor. We do not hold ourselves out to have expertise in assessing build costs and any property valuation advice provided by us will be stated to have been arrived at in reliance upon the build cost information supplied to us by you.
- 3.22 In the absence of any build cost information supplied to us, we may have regard to published build cost information. There are severe limitations on the accuracy of build costs applied by this approach and professional advice on the build costs should be sought by you. The reliance which can be placed upon our advice in these circumstances is severely restricted. If you subsequently obtain specialist build cost advice, we recommend that we are instructed to review our advice.

Source of cost information

- 3.23 We have been supplied with a summary of the build costs by Countryside.

Summary of build costs provided

- 3.24 The summary build costs provided by Countryside shows an estimated construction cost of £155 per sq ft for residential units based on the gross internal area of the development.

- 3.25 The build costs above are inclusive of on plot infrastructure / external costs and contingency however exclusive of VAT and exclusive of professional fees, acquisition costs, sales costs, marketing costs and finance costs required to complete the scheme.
- 3.26 The estimated infrastructure costs are at £400,000 per net developable acre equating to approximately £28,100 per unit.
- 3.27 Countryside have also provided us with an estimated cost of £1,000,000 for archaeology excavation / mitigation.

Build cost comments

- 3.28 BCIS suggests that the mean price for estate housing adjusted for the local area is £1,401 per sq m (£130 per sq ft) based on a sample size of 1,696. BCIS produces mean build costs per gross internal area of a building and excludes external works and contingencies.
- 3.29 Our experience and knowledge of similar schemes in the south of England delivered by house builders such as CALA Homes would suggest a build cost allowance of approximately £1,238 per sq m (£115 per sq ft) for private units and a build cost allowance of approximately £1,184 per sq m (£110 per sq ft) for affordable units based on the gross internal area of the development.

Build costs adopted

- 3.30 In light of the above evidence, we consider that Countryside's estimate of build costs outlined above may be excessive. Accordingly we have adopted an average cost of approximately £1,292 per sq m (£120 per sq ft) for private units based on the gross internal area of the development. Affordable units tend to include lower cost specification therefore we have adopted a cost of approximately £1,184 per sq m (£110 per sq ft) for affordable units based on the gross internal area of the development, in order to account for a cost saving. The build costs are exclusive of VAT and exclusive of professional fees, acquisition costs, sales costs, marketing costs and legal and finance costs required to complete the scheme.
- 3.31 We have made an allowance of 10% of build costs within our valuation for on-plot infrastructure / external costs and a further allowance of 5% of build costs as a contingency. These allowances are in accordance with our experience of similar developments.
- 3.32 We summarise the build costs adopted in our valuation in the table below:

| Cost Component | Total Cost (1,000 units) | Cost per sq ft | Total Cost (1,300 units) | Cost per sq ft |
|---------------------------------------|-----------------------------|----------------|-----------------------------|----------------|
| Basic Build Costs | £124,224,000 | £117.40 | £148,102,500 | £117.42 |
| On-plot Infrastructure / Externals | £12,422,400 | £11.74 | £14,810,250 | £11.74 |
| Contingency | £6,211,200 | £5.87 | £7,405,125 | £5.87 |
| Infrastructure | £28,100,000 | £26.56 | £36,530,000 | £28.96 |
| Archaeology excavation | £1,000,000 | £0.95 | £1,000,000 | £0.79 |
| Total | £171,957,600 | £162.52 | £207,847,875 | £164.78 |

Professional fees & contingency

- 3.33 We have made an allowance of 10% of total build costs within our valuation for professional fees and an allowance of 5% of total build costs as a contingency. These allowances are in accordance with our experience of similar developments.

Purchaser's warranties

- 3.34 We have assumed that the units will be sold with the benefit of NHBC New Build warranties, or equivalent. Financial institutions can be reluctant to lend to prospective purchasers without this. The Developer will need to register the works with the appropriate authority and appoint registered contractors.

Construction phasing

- 3.35 We have assumed that construction of the development will be phased over a 10 year period for 1,000 units and 13 year period for 1,300 units.

Delivery of units

- 3.36 According to the Tangmere Parish Neighbourhood Plan: State of the Parish Report (July 2014), it is intended that 100 houses will be completed and occupied by March 2020 with 100 houses delivered per annum thereafter.

- 3.37 We understand that the timescales above were indicative, based on the information available at the time of writing the Neighbourhood Plan. Since this time, the trajectory for housing delivery on the site has slipped, however, for the purpose of this report, we have adopted this approximate rate of delivery within our valuation, assuming these numbers include both private and affordable housing.

- 3.38 We have not inflated our assumed build costs or the infrastructure costs provided despite the strong likelihood of some build cost inflation over the development period. This is because we have used an uninflated cashflow reflecting day one costs and revenues. We believe this is a fair reflection of how a purchaser would approach its appraisal of the Property.

Constraints on construction

- 3.39 We have assumed that the necessary over sailing rights and cranage rights, have been granted over adjoining land for the duration of the development.

Disposal costs

- 3.40 We have made an allowances of 3.5% for private sales agency and legal fees as well as promotion of the finished development to include a marketing suite including its furnishings and staff costs, local and national advertising and further promotional media.

4. Market analysis

UK market commentary

4.1 A copy of the UK Residential Market Update dated December 2019, prepared by Knight Frank LLP is attached at **Appendix 2**.

4.2 It should be appreciated that this Market Overview is published for general information only and while rigorous research has been used in preparing this analysis, the views and projections provided in the report should not form the basis of any formal decision. Being a general report, the material does not necessarily represent the view of Knight Frank LLP in relation to specific properties or projects and no responsibility can be accepted by Knight Frank LLP resulting from the contents of the document.

Source of information

4.3 Our market analysis has been undertaken using market knowledge within Knight Frank LLP, enquiries of other agents, searches of property databases, as appropriate and any information provided to us.

Sector overview

UK General Election

4.4 The Conservative Party has won a majority of just under 80 seats in the UK general election. As a result, the UK is likely to leave the European Union on 31 January, with a vote in Parliament and a Queen's Speech expected before Christmas.

4.5 The result will, for the time being, end the uncertainty of a no-deal Brexit and pave the way for the release of some of the pent-up demand that has built in the housing market in recent years. The extent to which this translates into transaction activity in the short-term will depend on the size of pricing expectations between buyers and sellers.

4.6 Supply is likely to rise in the short to medium term as vendors anticipate stronger market conditions. However, while some may expect these conditions to support higher prices, growth in supply will temper this somewhat. Accurate pricing will remain key to securing sales.

Tax proposals and the pound may encourage buyers to act

4.7 The first Budget for the new government is expected in February. The prospect of future tax changes – in particular the proposed additional rate of Stamp Duty for non-resident buyers – may prompt some purchasers to accelerate their plans in coming weeks.

4.8 At the same time, sterling rose to about \$1.34 in early trading of the election results morning - which compares to \$1.21 in August this year. Some analysts believe it will climb as high as \$1.40 as the threat of a disorderly Brexit recedes and inflows of pent-up private capital and higher levels of public spending stimulate the economy. Some buyers may be encouraged into the market as a result.

Finance costs may begin to rise in the medium term

4.9 Even if we accept that Brexit is likely to create some short term economic uncertainty, interest rates are likely to begin a slow but gradual process of normalisation in 2020. This means that the window for

locking in current ultra-low mortgage rates could begin to close – again a process which may encourage buyers to accelerate their plans.

First-time buyers will be a key policy focus for the new government

- 4.10 The Conservative Party has said it will refocus its efforts on home ownership, particularly for first-time buyers. Though the manifesto reiterated the Help to Buy Equity Loan Scheme would be scaled back in 2021, subsequently ending in 2023, it pledged a review of methods to support home ownership follow its completion.
- 4.11 It is also worth bearing in mind the potential impact in Scotland in the medium-term as a big SNP win looks likely to increase pressure for a second independence referendum.

Housing market update

- 4.12 Average house price growth across the country continues to moderate, with a 1.3% increase in the year to September compared to an annual rate of growth of 7.5% before the Brexit referendum. Nevertheless, even this modest annual change took the average value of a home to £254,000, up around £3,000 on the year and up £80,000 from March 2009, when prices troughed in the wake of the financial crisis.
- 4.13 The ONS data shows that average prices continued to fall on an annual basis in Greater London, by 0.4%, although this marked the shallowest decline in pricing since summer last year. This reflects trends in pricing in the prime London market, where price declines are narrowing and activity is beginning to pick up.
- 4.14 While sentiment among agents remains subdued, the latest survey of agents across the country carried out by the Royal Institute of Chartered Surveyors (RICS) shows that there is an expectation of increased momentum in pricing over the next year.
- 4.15 A similar picture emerges in the rental market, where increased demand and limited supply is expected to push up rents in the short and medium term.

Local market commentary

Land Registry house price index

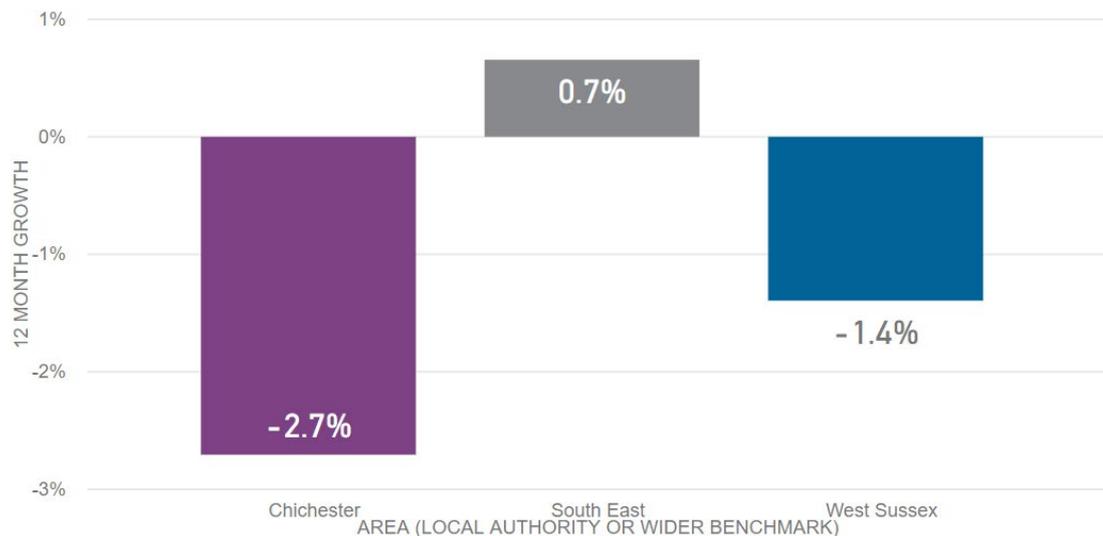
HOUSE PRICE INDEX - LAST TWO YEARS



Source: Land Registry House Price Index (2 years to September 2019)

- 4.16 In the two years to September 2019, the Land Registry House Price Index for Chichester grew by 2.0% compared to increases of 1.6% in West Sussex and 2.0% across the South East of England.

12 MONTH PRICE GROWTH

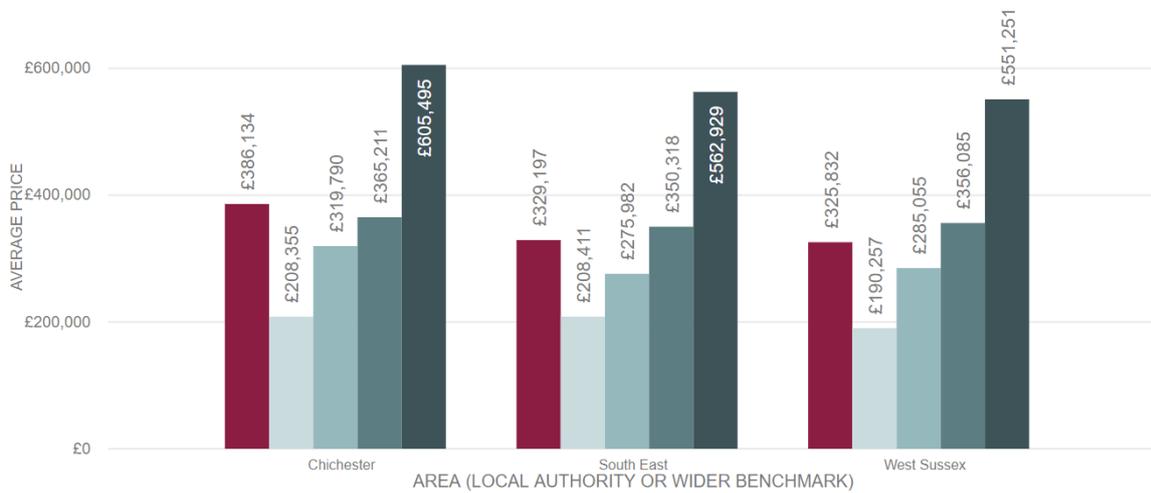


Source: Land Registry House Price Index (12 months to September 2019)

- 4.17 In the 12 months to September 2019, the Land Registry House Price Index in Chichester fell by 2.7%. This compares to a fall of 1.4% across West Sussex and an increase of 0.7% across the wider South East. This fall is in part a reflection of the volatility of the index.

AVERAGE PRICE BY PROPERTY TYPE

● All property ● Flat ● Terraced ● Semi ● Detached

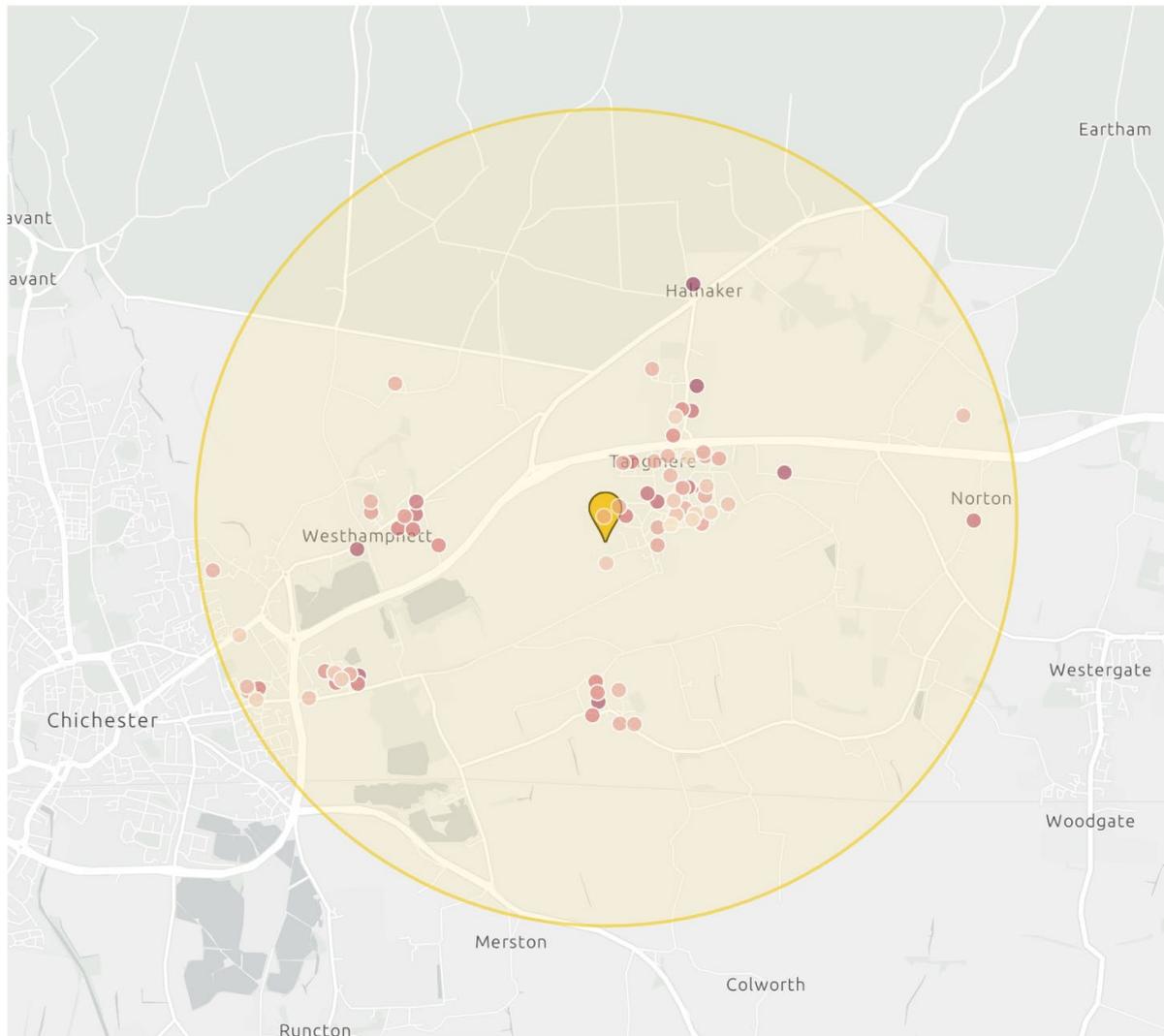


Source: Land Registry House Price Index (prices from September 2019)

4.18 According to the Land Registry House Price Index, the average property in Chichester was £386,134 in September 2019. This represents a premium of 17.3% to the average property in the South East.

Land Registry price paid data

LAND REGISTRY SALES WITHIN 3KM OF SUBJECT SITE



Source: Land Registry Price Paid data (within 1 mile of subject site, in the last 4 quarters)

£357,554

Average Sale Price

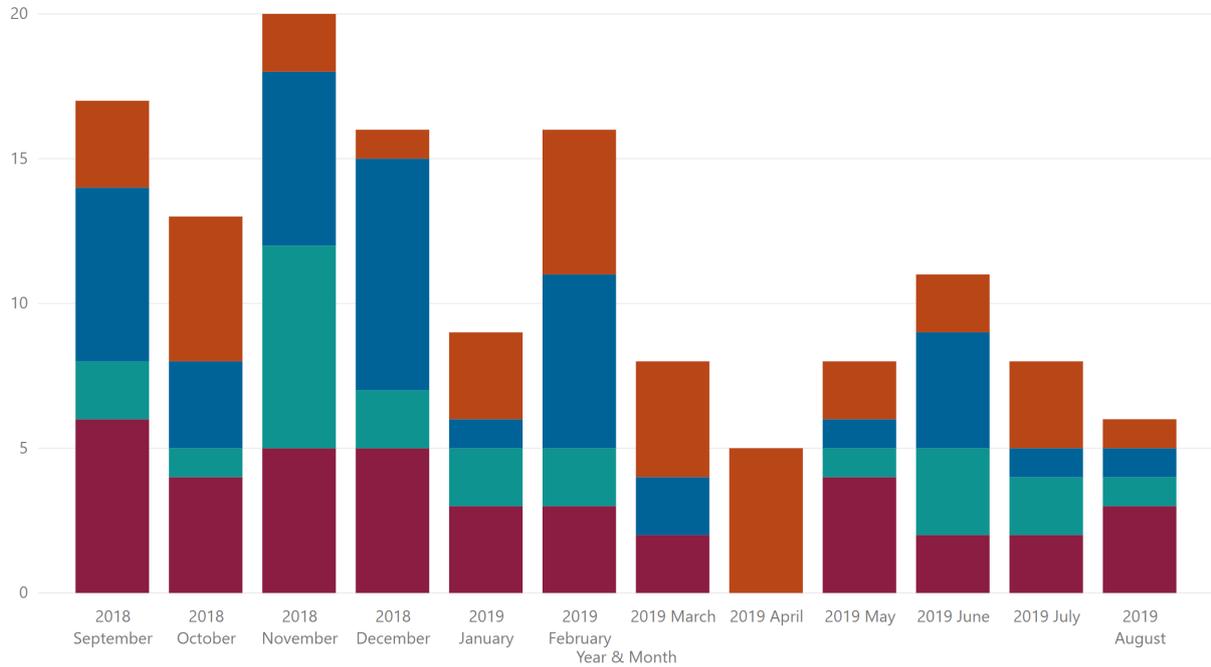
£309,000

Median Sale Price

Source: Land Registry Price Paid data (last four quarters)

SALES BY QUARTER AND PRICE BRACKET

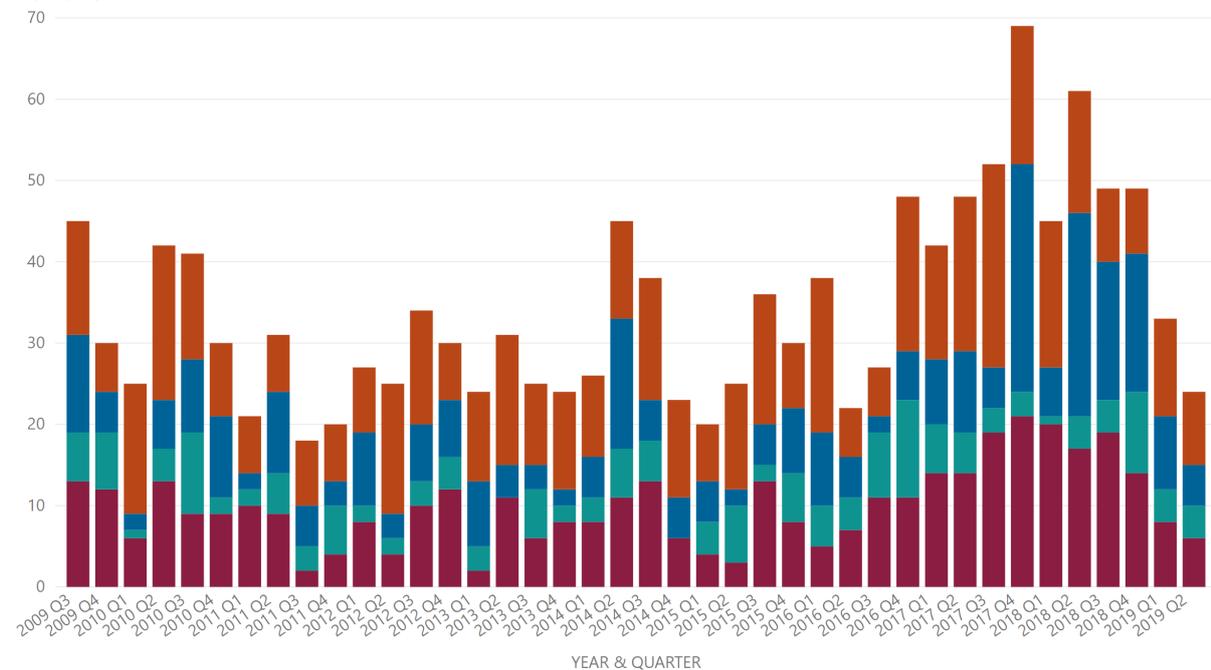
Property Type ● Detached ● Flat ● Semi-detached ● Terraced



Source: Land Registry Price Paid data (12 months to September 2017)

SALES BY QUARTER AND PRICE BRACKET

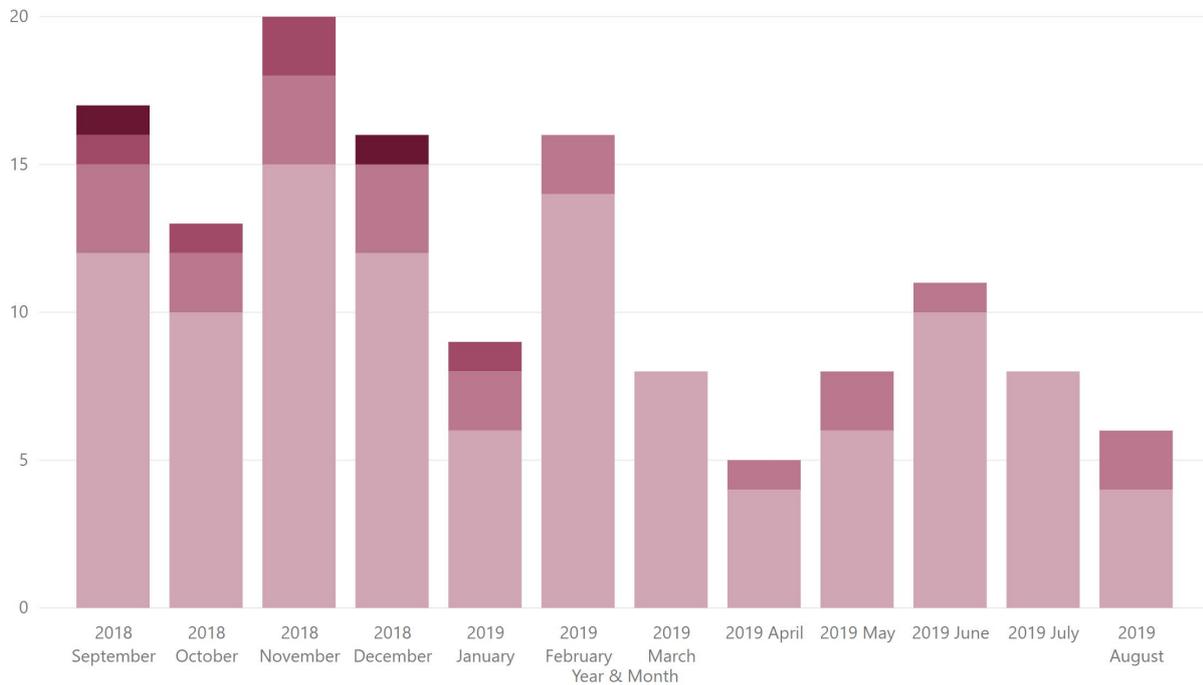
Property Type ● Detached ● Flat ● Semi-detached ● Terraced



Source: Land Registry Price Paid data (10 years to September 2017 by quarter)

SALES BY QUARTER AND PRICE BRACKET

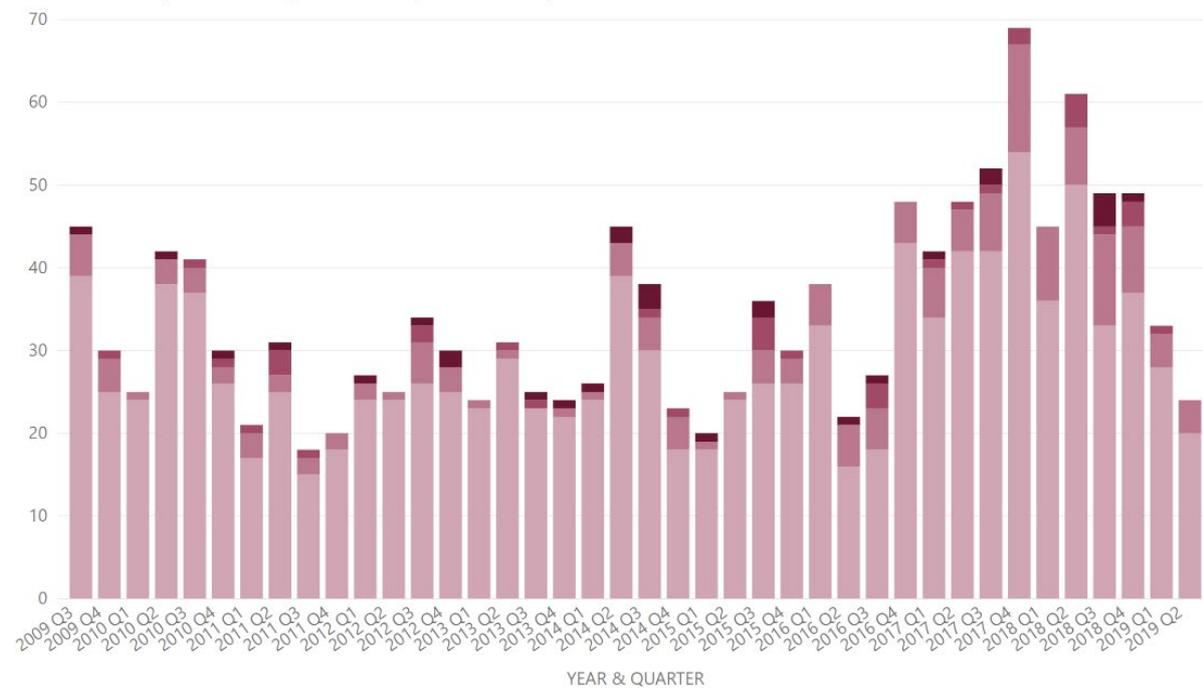
PRICE BRACKET ● 1) SUB £450K ● 2) £450-600K ● 3) £600K-750K ● 4) £750K+



Source: Land Registry Price Paid data (12 months to September 2017)

SALES BY QUARTER AND PRICE BRACKET

PRICE BRACKET ● 1) SUB £450K ● 2) £450-600K ● 3) £600K-750K ● 4) £750K+



Source: Land Registry Price Paid data (10 years to September 2017 by quarter)

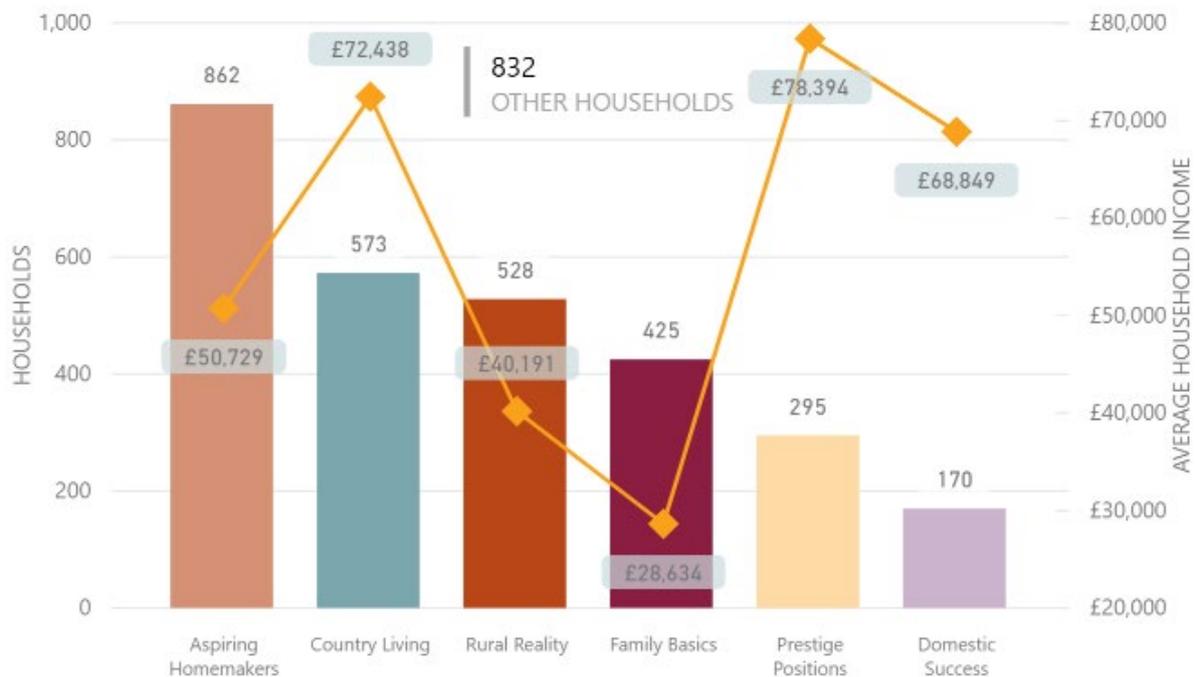
Demographic profiling

4.19 Household demographic data from Mosaic, Experian’s demographic profiling tool, has been examined within 3km of the site to determine the socio-economic context of the local area. Please see the table below for a full breakdown:

| GROUP NAME | GROUP DESCRIPTION | H' HOLDS | AVE INCOME |
|---------------------|---|--------------|----------------|
| Aspiring Homemakers | Younger households settling down in housing priced within their means | 862 | £50,729 |
| Country Living | Well-off owners in rural locations enjoying the benefits of country life | 573 | £72,438 |
| Rural Reality | Householders living in inexpensive homes in village communities | 528 | £40,191 |
| Family Basics | Families with limited resources who have to budget to make ends meet | 425 | £28,634 |
| Prestige Positions | Established families in large detached homes living upmarket lifestyles | 295 | £78,394 |
| Domestic Success | Thriving families who are busy bringing up children and following careers | 170 | £68,849 |
| Transient Renters | Single people privately renting low cost homes for the short term | 151 | £29,571 |
| Senior Security | Elderly people with assets who are enjoying a comfortable retirement | 142 | £23,425 |
| Modest Traditions | Mature homeowners of value homes enjoying stable lifestyles | 134 | £29,274 |
| Rental Hubs | Educated young people privately renting in urban neighbourhoods | 130 | £35,013 |
| Suburban Stability | Mature suburban owners living settled lives in mid-range housing | 116 | £42,468 |
| Vintage Value | Elderly people reliant on support to meet financial or practical needs | 101 | £12,039 |
| Municipal Challenge | Urban renters of social housing facing an array of challenges | 34 | £12,656 |
| Urban Cohesion | Residents of settled urban communities with a strong sense of identity | 24 | £24,953 |
| Total | | 3,685 | £48,004 |

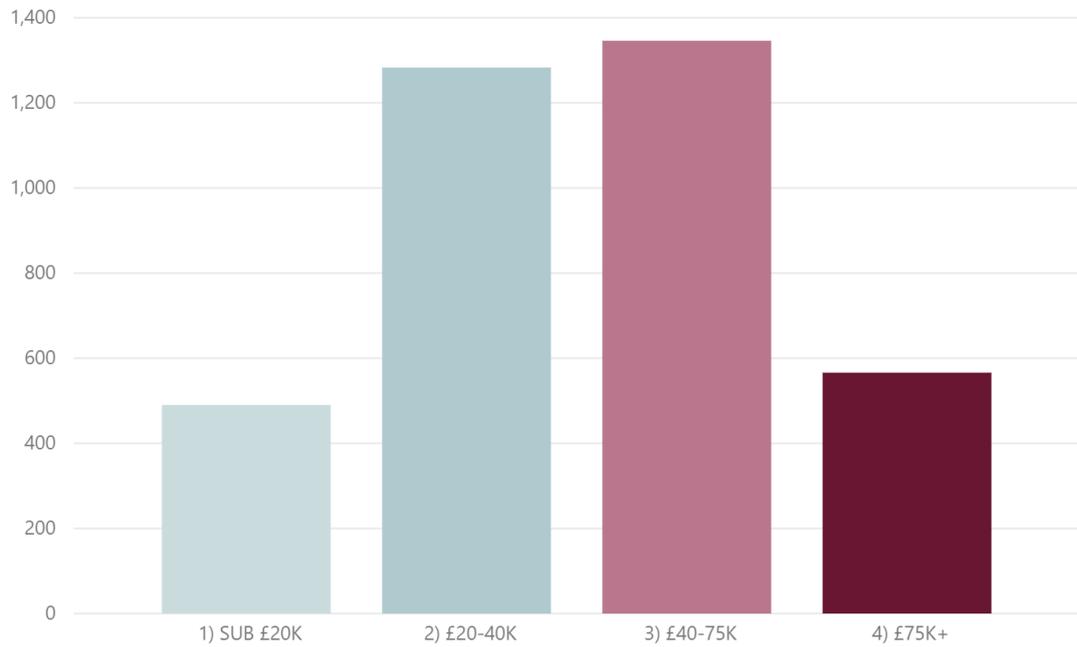
Source: Mosaic, 2018 (red indicates an average household income of above £40,000 p.a., grey indicates an average household income below £40,000 p.a.)

TOP SIX HOUSEHOLD GROUPS WITHIN 3KM



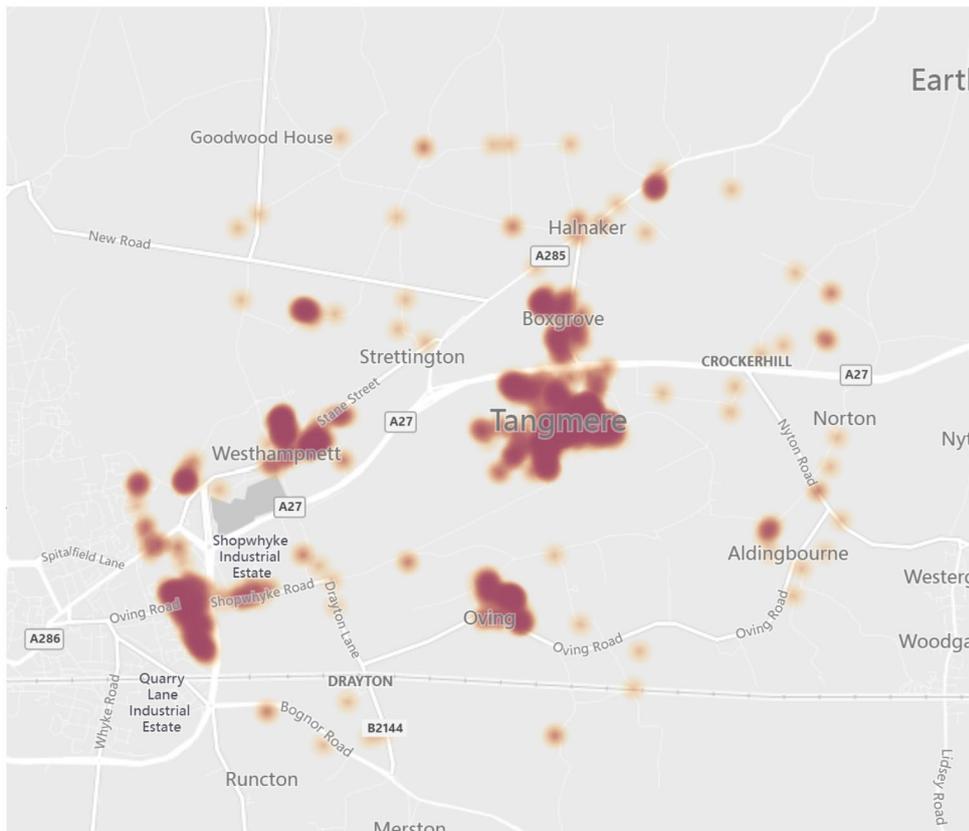
Source: Mosaic, 2018

HOUSEHOLD NUMBERS BY AREA AND PRICE BRACKET



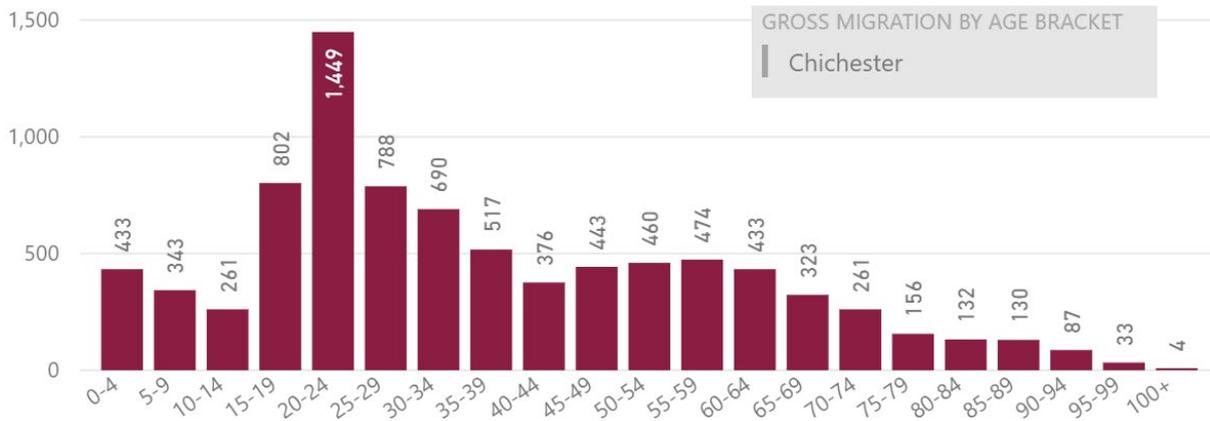
Source: Mosaic, 2018

HEATMAP OF HOUSEHOLDS

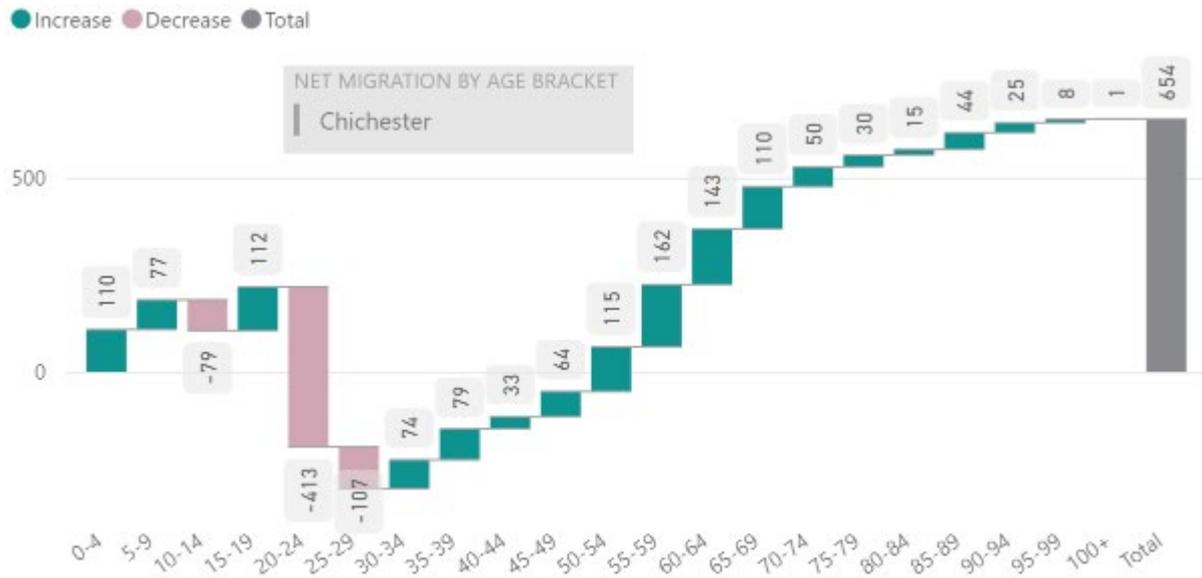


Source: Mosaic, 2018 (showing distribution of households with average household income between £40 & 75K p.a. within 3km of site)

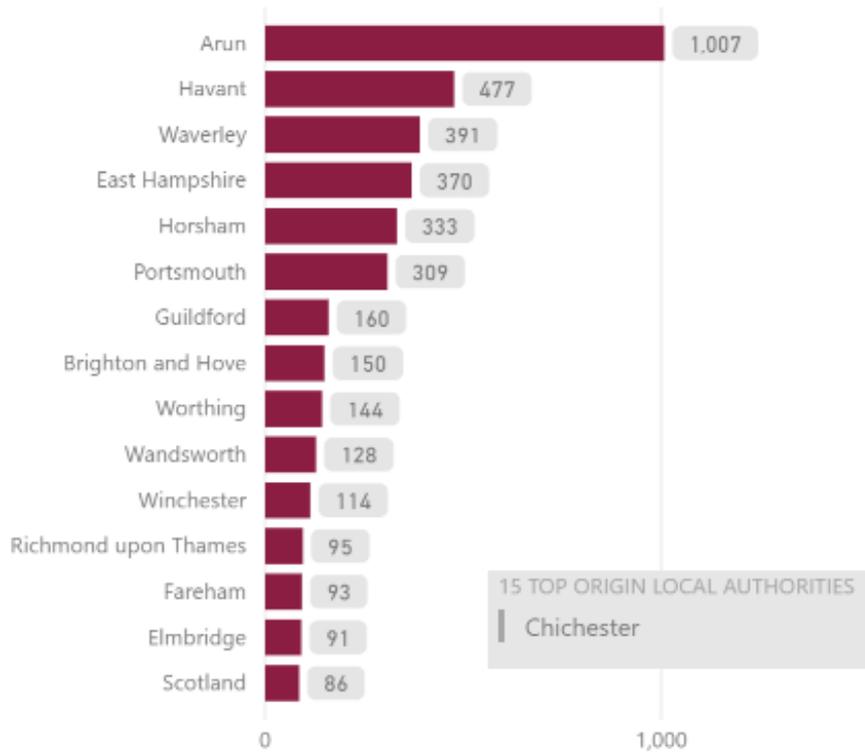
Internal Migration



Source: ONS, 12 months to June 2018



Source: ONS, 12 months to June 2018



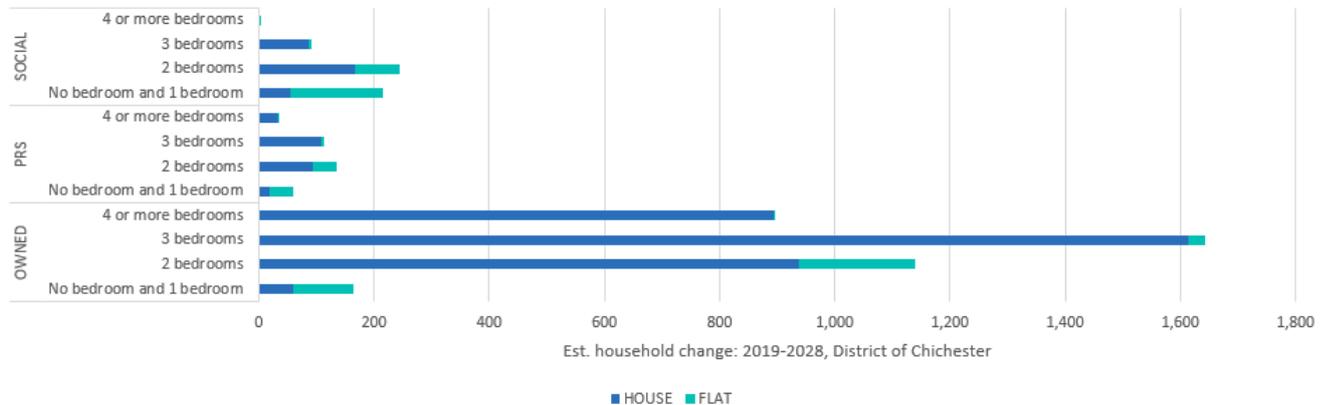
Source: ONS, 12 months to June 2018

- 4.20 8,594 internal migrants moved from elsewhere in the UK to the district of Chichester in the 12 months to June 2018 – of these 1,135 moved from London, representing 13.2% of all internal migration to the district.
- 4.21 Overall, internal migration accounted for a net increase in population of 654 migrants.
- 4.22 The most prominent age cohort of internal migrants was those aged 20-24, accounting for 17% of all internal migration in the 12 months to June 2018.

Estimates of demand for household accommodation type

- 4.23 The chart below shows the projected household growth from the 2011 Census matched with ONS data showing the domicile of each resident by tenure and unit type. This provides a proxy for the likely demand of different unit types.”

Estimates of demand for household accommodation types based on historic trends, Chichester
2019-2028



Source: Knight Frank Residential Research, ONS

| Chichester | | | |
|------------|--------------------------|---------|--------|
| | | HOUSE | FLAT |
| OWNED | No bedroom and 1 bedroom | 59.04 | 105.86 |
| | 2 bedrooms | 937.60 | 200.88 |
| | 3 bedrooms | 1613.10 | 30.56 |
| | 4 or more bedrooms | 892.71 | 4.09 |
| PRS | No bedroom and 1 bedroom | 17.55 | 41.43 |
| | 2 bedrooms | 94.56 | 39.58 |
| | 3 bedrooms | 108.47 | 5.55 |
| | 4 or more bedrooms | 33.56 | 0.49 |
| SOCIAL | No bedroom and 1 bedroom | 54.43 | 161.61 |
| | 2 bedrooms | 166.66 | 78.26 |
| | 3 bedrooms | 86.83 | 4.20 |
| | 4 or more bedrooms | 2.27 | 1.08 |

Source: Knight Frank Residential Research, ONS

Development land sales evidence

4.24 In undertaking our research, we were unable to obtain any recent comparable evidence of greenfield land with allocation. However, having spoken to the prominent land agents active in the area, the general consensus is that the greenfield site without planning but with allocation normally achieves £100k per gross acre, whilst the net developable area (private and affordable) of a serviced land with planning tends to achieve circa £1.3m - £1.5m per acre. We used this information as a sense check for our valuation.

4.25 It is also fairly common for there not to be direct comparable evidence for development sites of this size so we have considered evidence for smaller serviced land parcels in the local area as well as further afield in areas with similar average residential sales values to the subject site.

4.26 We have had regard to the following sales of sites.

Comparable evidence of Sites

| Address | Purchaser | Purchase price | £ per net acre | £ per private unit | Date | Comments |
|--|--------------------------|----------------------------|------------------|--------------------|-------------|--|
| Shopwyke Lakes, Shopwhyke Road, Chichester | CALA Homes | £29,000,000 | £775,400 (gross) | £74,550 | Early 2016 | 37.4 acre (gross) site with an outline planning permission for 500 units with 30% affordable |
| Land to the north east of Chichester | P1 Barratt Homes | £22,372,967 | £895,000 | £74,570 | Aug-17 | 25 acre (net) site with an outline planning permission for 300 units with 30% affordable and associated playing fields. |
| | P2 Redrow | £23,875,000 | £1,488,000 | £119,370 | Under offer | 16.05 acre (net) site with outline planning permission for up to 200 units with 30% affordable. Sale is dependent on an option agreement for access through the adjoining site, expressed as a payment of 35% of net proceeds. |
| Berewood, Waterlooville | P9A & P10A Redrow | £16,550,000 | £1,035,000 | £74,550 | Sep-17 | 15.99 acre (net) site with a detailed planning permission for 222 units with 40% affordable |
| | P3A Barratt Homes | £19,562,400 | £1,033,000 | £66,089 | Jan-17 | 18.94 acre (net) site with a detailed planning permission for 296 units with 25% affordable |
| | P13A Redrow | £6,122,462 | £987,500 | £71,436 | Mar-18 | 6.20 acre (net) site with a detailed planning permission for 73 units with 40% affordable |
| | P3B & 8 On the market | Offers between £23m - £24m | c.£1,100,000 | c.£77,000 | For Sale | 21.89 acre (net) plot with a detailed planning permission for 293 units with 50% affordable |
| Former Dairy site, Hampshire | Dandara | £6,300,000 | £1,047,000 | £58,300 | Oct-18 | 6.02 acre (net) site with an outline planning permission for 108 units with 30% affordable |

4.27 We would expect the value per net acre of the land at the Property to sit in between that of the land sale comparables at Shopwyke Lakes and Chichester as it sits within an area with similar average residential values, whilst affordable housing provision is also similar to that assumed in our valuation.

4.28 As part of our valuation approach, however, we believe it is more accurate to assess the potential receipts and costs that are directly relevant to the Property, rather than use land transactions which will always reflect the specific attributes of that site, and refer to the land sales evidence as a sense check only. We have therefore had regard to the market for completed units of the type and nature proposed in the scheme at the Property.

New home sales market

Comparable evidence of sales of completed units

- 4.29 The sales market in Chichester is predominantly driven by domestic, owner-occupier demand. Owing to good transport connections to London and the surrounding area, the proximity to the beach and South Downs National Park, the area renders popular with first time buyers, young families, the elderly and downsizers.
- 4.30 From the agents canvassed the general consensus is that sales market in the area is reasonably good, albeit with values coming off by circa 5% over the last year, for larger properties in particular. We understand that smaller, laterally configured units are currently the most sought-after arrangement in the area.
- 4.31 We highlight the key comparable evidence adopted within our valuation below:

Skylark, Boxgrove, Chichester, PO18



| | |
|-----------------------|-------------------------------|
| Developer: | Bargate Homes |
| Units: | 22 (16 Private; 6 Affordable) |
| Status: | Under Construction |
| Average Price: | £391 psf |

Skylark is a small scheme of 22 units only situated a short distance to the north east of the subject site in a neighbouring village of Boxgrove, occupying a plot adjacent to the A27.

The scheme comprises a mixture of two, three and four bedroom semi-detached and detached houses completing in October 2019. We have been advised by the developer that the off-plan marketing of the scheme commenced in February 2019 with 12 units selling since, reflecting an average sales rate of approximately 1-2 units a month. We understand that no incentives are offered with the plots, with the exception of flooring included in the purchase price with some of the units. Help to Buy is also available at the development, albeit we understand that it has been utilised with 3 plots only.

Whilst a significantly smaller development, Skylark is a broadly comparable scheme to the subject in terms of its location, being in close proximity to the A27, whilst also finished to an equally good standard. We would note however that the scheme provides predominantly detached houses set on larger plots, which generally tends to be a more favoured arrangement, and as such, higher on an overall value than the scheme at the Property.

A selection of the recent sales is included below. The achieved prices are exclusive of incentives:

| Plot | Type | Beds | Sq ft | Achieved Price | £/sq ft | Reserved | Incentives |
|------|---------------|------|-------|----------------|---------|----------|-------------------------------------|
| 22 | Semi-detached | 2 | 824 | £309,950 | £376 | Jul-19 | - |
| 4 | Detached | 3 | 997 | £384,950 | £386 | Mar-19 | £5k Flooring |
| 25 | Detached | 3 | 1,050 | £419,950 | £400 | May-19 | - |
| 6 | Detached | 4 | 1,495 | £599,950 | £401 | Feb-19 | £5k Triple glazing and £5k flooring |

Shopwyke Lakes, Shopwyke Road, Chichester, PO20



| | |
|-----------------------|----------------------|
| Developer: | CALA Homes |
| Units: | 398 (27% affordable) |
| Status: | Under Construction |
| Average Price: | £356 psf (Asking) |

Shopwyke Lakes is a large scale development set in an extensive parkland setting, situated less than a mile to the west of the subject site.

Upon completion the development will provide 398 dwellings comprising a range of one and two bedroom apartments and two, three, four and five bedroom family homes, in addition to football and cricket pitches, a clubhouse, community centre, convenience store and children's play areas. Phase 1 construction is underway, with the first completions taking place in December 2019.

We have been advised by the developer that 90% of the scheme has sold since its launch in early 2017. We understand that the current average sales rate is one unit a week, and whilst the scheme receives good levels of interest, we are advised that values achieved at the development have come off by circa 10% over the last year or so, for larger houses in particular.

We were unable to confirm the exact achieved prices, however, we are advised that these are close to or at the asking prices. We further understand that Help to Buy, paid stamp duty or part exchange are offered with some of the plots, albeit we understand that incentives are not key to the sales at the scheme.

Shopwyke Lakes provides an excellent comparable evidence for the proposed subject scheme, given its similar scale, unit mix and the provision of community facilities as well as equally compromised location, being adjacent to the A27 as the subject site. We would therefore consider the subject scheme to be broadly similar to Shopwyke Lakes on both capital and £psf figure.

A selection of the asking prices is included below:

| Plot | Type | Arrangement | Beds | Sq ft | Asking Price | £/sq ft |
|------|----------------|-------------|------|-------|--------------|---------|
| 160 | Longacre House | Apartment | 1 | 589 | £189,950 | £323 |
| 158 | Longacre House | Apartment | 2 | 670 | £235,000 | £350 |

| | | | | | | |
|-----|----------------------------|---------------|---|-------|----------|------|
| 163 | Longacre House | Apartment | 2 | 860 | £275,000 | £320 |
| 5 | The Chichester Galdenbrook | Terraced | 2 | 860 | £325,000 | £378 |
| 112 | The Chichester Hulsfields | Semi-detached | 3 | 920 | £375,000 | £407 |
| 87 | The Chichester Oatfield | Detached | 4 | 1,371 | £535,000 | £390 |
| 128 | The Wittering | Detached | 5 | 1,900 | £610,000 | £321 |

Graylingwell Park, Chichester, PO19



| | |
|-----------------------|---------------------------------|
| Developer: | Linden Homes |
| Units: | 100 (75 Private; 25 Affordable) |
| Status: | Under construction |
| Average Price: | £296 psf |

Graylingwell Park is located 2.5 miles to the north west of the subject property in Chichester and is a development by Linden Homes, set within 85 acres of parkland providing private and affordable housing, in addition to primary school, allotments, playground, trim trails and a cafe.

Its newest phase comprises a collection of three and four bedroom terraced and semi-detached houses, with asking prices starting at £440,000. We understand that Help to Buy, part exchange, assisted move and paid stamp duty are offered with some of the plots. We further understand that 9 units remain unsold since the scheme's launch in October 2018, equating to an average sales rate of circa 5 units a month.

Graylingwell Park provides further useful evidence being another development of similar scale to the subject, albeit better located for the amenities of Chichester town centre. The units at the comparable scheme are somewhat oversized therefore artificially deflating the average sales rate achieved, albeit reflecting higher capital values.

A selection of the recent sales is included below. The achieved prices are exclusive of incentives:

| Plot | Type | Beds | Sq ft | Price | £/sq ft | Date | Incentives |
|------|----------------|------|-------|----------|---------|--------|--|
| 490 | Mid-terrace | 3 | 1,521 | £440,000 | £289 | May-19 | £25k discount |
| 506 | Mid-terrace | 3 | 1,521 | £405,000 | £266 | May-19 | Cash discount |
| 461 | Semi-detached | 3 | 1,493 | £455,000 | £305 | Jun-19 | £10k discount and £13,250 Stamp Duty payment |
| 491 | Mid-terrace | 3 | 1,521 | £480,000 | £316 | Dec-18 | £7k Stamp Duty payment |
| 488 | Mid-terrace | 3 | 1,521 | £465,000 | £306 | Jun-18 | - |
| 501 | Semi-detached | 4 | 1,608 | £475,000 | £295 | Apr-18 | £5k discount |
| 491 | End of terrace | 3 | 1,493 | £438,000 | £293 | May-18 | £27k discount |

Keepers Green, Chichester, PO19



| | |
|-----------------------|----------------------------------|
| Developer: | Hill |
| Units: | 160 (112 Private; 48 Affordable) |
| Status: | Under construction |
| Average Price: | £356 psf |

Keepers Green is a residential scheme providing one and two bedroom apartments and two, three and four bedroom houses, alongside a communal cricket ground, pavilion and community garden. It is situated 2.5 miles to the north west of the subject in Chichester.

Marketing of the scheme commenced in October 2018 receiving good levels of demand. We understand that 47 units have sold since, equating to an average sales rate of circa 4 units per month. However, we are advised by the developer that the current sales rate at the scheme is 2.5 units per week.

We understand that flooring, turf to the rear garden and wardrobes are included in the purchase price with all of the plots, whilst Help to Buy scheme is also available. We further understand that paid stamp duty is offered with some of the plots, albeit we are advised that incentives are not key to the sales at the scheme.

A selection of recent sales is included below:

| Type | Beds | Sq ft | Price | £psf | Exchange Date |
|---------------|------|-------|----------|------|---------------|
| Apartment | 1 | 561 | £203,000 | £362 | Aug-19 |
| Apartment | 2 | 863 | £299,999 | £348 | Jul-19 |
| Detached | 2 | 865 | £340,000 | £393 | Oct-19 |
| Link-detached | 3 | 1,259 | £415,000 | £330 | Jul-19 |
| Detached | 4 | 1,481 | £515,000 | £348 | Aug-19 |

4.32 We summarise below the averages for each unit type of our comparable evidence:

| Accommodation | Average GIA (sq ft) | Average sale price | Average £ / sq ft |
|--------------------------|---------------------|--------------------|-------------------|
| 1 bed apartment | 575 | £197,000 | £343 |
| 2 bed apartment | 798 | £270,000 | £339 |
| Apartment Average | 687 | £233,500 | £341 |
| 2 bed house | 850 | £325,000 | £382 |
| 3 bed house | 1,150 | £410,000 | £366 |
| 4 bed house | 1,487 | £508,300 | £344 |
| House Average | 1,162 | £414,000 | £364 |

| Accommodation | Average GIA (sq ft) | Average sale price | Average £ / sq ft |
|-----------------|---------------------|--------------------|-------------------|
| Overall Average | 972 | £342,000 | £355 |

Second Hand Sales Comparables

4.33 In determining our opinion of value of the completed units at the proposed subject scheme, we have also had regard to the tone of values achieved on other similar second hand properties in the immediate locality. This provides a useful benchmark from which to value the subject units.

| Address | Beds | Area (sq ft) | Price | (£psf) | Date | Comments |
|---|------|--------------|----------|----------|---------------|---|
| Apartments | | | | | | |
| 6 Tempest House, Hangar Drive, Tangmere, PO20 | 1 | 506 | £182,000 | £360 | On the market | -Situated in a broadly similar micro location -2 nd floor apartment -Bader Heights scheme completed in 2018 -Excellent condition internally -Allocated parking |
| 5 Tamar Way, Tangmere, PO20 | 1 | 480 | £173,500 | £362 | Oct-18 | -Situated a mile to the east of the subject in Tangmere -Terraced house over G/1 st floors - Good recently refurbished condition -Rear garden |
| 5 Bader House, Hangar Drive, Tangmere, PO20 | 2 | 702 | £210,000 | £299,000 | On the market | -Situated in a broadly similar micro location -2 nd floor apartment -Bader Heights scheme completed in 2018 -Excellent condition internally -Allocated parking |
| Houses | | | | | | |
| 5 Tamar Way, Tangmere, PO20 | 2 | 639 | £223,500 | £350 | Dec-18 | -Situated a mile to the east of the subject in Tangmere -1980s built, terraced house - Good condition internally, albeit not brand new |
| 74 Churchwood Drive, Tangmere, PO20 | 2 | 676 | £240,000 | £355 | Jan-19 | -Situated a mile to the north east of the subject in a broadly similar micro location -Mid-terrace house -Good, recently refurbished condition |
| 12 Nicolson Close, Tangmere, PO20 | 3 | 947 | £290,000 | £306 | Feb-19 | -Situated immediately to the north east of the subject on one of the |

| | | | | | | |
|---|---|-------|----------|------|--------|--|
| | | | | | | neighbouring roads immediately south of the A27 -Modern, semi-detached house - Good condition internally, with newly fitted kitchen and bathrooms |
| 30 Nicolson Close, Tangmere PO20 | 3 | 1,200 | £332,500 | £277 | Jan-19 | -Situated immediately to the north east of the subject on one of the neighbouring roads immediately south of the A27 -Modern, detached house -Dated condition internally |
| Gate House, Chestnut Walk, Tangmere, PO20 | 4 | 1,668 | £585,000 | £351 | Jan-19 | -Situated immediately to the east of the subject on one of the neighbouring roads -1970s built, detached house -Well-sized plot -Benefits from planning for rear extension -Good recently refurbished condition internally |
| Wings, Chestnut Walk, Tangmere, PO20 | 5 | 2,147 | £625,000 | £291 | Jan-19 | -Situated immediately to the east of the subject on one of the neighbouring roads -Detached house -Generously sized plot with front and rear gardens -In need of complete modernisation |

5. Valuation

Methodology

5.1 Our valuation has been undertaken using appropriate valuation methodology and our professional judgement.

Residual method

5.2 Our valuation has been carried out using the comparative, residual and discounted cashflow methods.

5.3 We arrive at our opinion of the Market Value of the completed units (often referred to as the “Gross Development Value”) using the comparative method, which involves comparison of the subject scheme with sales evidence from other comparable schemes and other sales within the local market and making adjustments using our professional judgement.

5.4 Our opinions of the Market Value of the serviced land parcels are arrived at using the residual method which is a generally accepted method for valuing properties that are considered to have possible development potential. Having formed an opinion of the value of the completed units, using the method described above, we deduct from the estimated net receipts the anticipated costs of development and an allowance for the developer’s profit. We have carried out residual appraisals on separate land parcels each with 100 units.

5.5 We have then phased the delivery of the residential parcels and set these future land receipts against anticipated infrastructure costs within a cashflow to reflect a land wholesaler’s approach to appraising land. The resulting cashflow has then been discounted to provide a net present value for each point in the future.

Valuation considerations

Gross Development Value

5.6 In determining our opinion of value of the completed units at the proposed subject scheme we have given most regard to the new build schemes that are situated in similar micro locations to the subject, on the outskirts of Chichester and the surrounding rural areas.

5.7 Our comparable evidence and analysis demonstrate that developments in such locations are achieving average values of approximately £296 psf - £391 psf. This is clearly a wide variation, which can be explained by the fact that some of the comparable schemes, such as Graylingwell Park, comprises oversized units artificially deflating sales rates achieved, whilst other schemes, such as Skylark, are significantly smaller in scale providing well-sized houses on larger detached plots therefore achieving values at the higher end of the comparable range.

5.8 We found sales evidence at Shopwyke Lakes and Keepers Green to provide the most relevant comparable evidence to the subject, given their similar scale, tenure and unit mix. We have therefore adopted an average value of £350 psf in our valuation.

Land Value

5.9 As previously discussed, land transactions reflect the specific attributes of the site therefore we have assessed the potential receipts and costs that are directly relevant to the Property when determining our opinion of value for the subject site, which we then sense checked against development land sales evidence.

5.10 Our adopted cashflow model generated the following key performance indices:

Table 6: Key performance indices

| KPIs | 1,000 units | 1,300 units |
|---|--------------|--------------|
| General | | |
| Gross site acreage | 189 | 189 |
| Net acreage (residential) | 92.9 | 92.9.0 |
| Plots per acres (net) | 10.8 | 14.0 |
| Revenues | | |
| Total Residential GDV | £335,985,000 | £400,832,250 |
| Private GDV (average value £350 psf) | £274,155,000 | £327,736,500 |
| Average Unit price (private) | £391,650 | £360,150 |
| Affordable GDV | £61,830,000 | £73,095,750 |
| Local Centre | £360,000 | £360,000 |
| Costs | | |
| Core Build Cost | £124,224,000 | £148,102,500 |
| Contingency | £6,211,200 | £7,405,125 |
| On plot infrastructure costs/ Externals | £12,422,400 | £14,810,250 |
| Professional Fees | £12,422,400 | £14,810,250 |
| Infrastructure Costs | £28,100,000 | £36,530,000 |
| Archaeology excavation | £1,000,000 | £1,000,000 |
| Section 106 & CIL | £39,411,000 | £43,290,000 |
| Sales and Marketing | £11,759,475 | £14,029,129 |
| Total Costs (£ sq ft) | £223 | £222 |
| Total Costs | £235,550,475 | £279,977,254 |
| Discount Rate | | |
| MV with planning | 8.0% | 8.0% |
| Serviced land | | |
| MV per NDA (acres) | £1,042,295 | £1,245,506 |
| MV per Private Plot | £138,411 | £127,151 |

| KPIs | 1,000 units | 1,300 units |
|----------------------------------|--------------------|---------------------|
| MV per Plot | £96,888 | £89,006 |
| Market Value (Serviced) | £96,887,735 | £115,707,538 |
| Greenfield land | | |
| MV per NDA (acres) | £169,675 | £179,556 |
| MV per private Plot | £22,518 | £18,330 |
| MV per Plot | £15,763 | £12,831 |
| Market Value (Greenfield) | £15,762,788 | £16,680,753 |

Source: Cashflow model

- 5.11 The proposed residential land area at the Property is approximately 92.9 acres. As can be seen from the KPIs above, the serviced land value per net developable area (NDA) is at £1,042,925, and value per plot is at £96,888 for 1,000 unit scheme, whilst serviced land value for 1,300 unit scheme is at £1,245,506 per net developable acre and £89,006 per plot.
- 5.12 Our comparable land evidence and analysis demonstrate that sites in similar locations are achieving values in the range of £895,000 – 1,488,000 per net developable area, whilst values per plot are between £58,300 and £119,370. We would note, however, that some of the comparable development land is situated in lower value areas to the subject, resulting in lower values achieved, whilst others are more historic transactions, with land values continuing to rise up until late 2018.
- 5.13 Conversations with key local land agents also revealed that the net developable area (private and affordable) of a serviced land with planning tend to achieve circa £1.3m - £1.5m per acre.
- 5.14 Our key performance indices would therefore suggest that the serviced land value per NDA and per plot at the Property fall within the range observed at the comparable land transactions.

Unit absorption rates

- 5.15 We have analysed the average sales rates achieved at local comparable schemes, which equate to approximately 3-4 units per month. In our valuation we adopted an average sales rate of circa 6 units per month, assuming that there will be 2 separate sales centres in operation throughout the sales period. We have therefore adopted a unit absorption rate of approximately 100 units per annum for each of the proposed schemes, equating to 70 private units and 30 affordable units per annum.
- 5.16 These rates are applied to the total number of units within the scheme and apportioned to the area of the subject site as a percentage of the subject site. Based on our knowledge and experience with similar sites, we believe that these absorption rates will enable a balance between future supply and demand to be achieved without resulting in price deflation.

Discount factor

- 5.17 The discount factor used within the discounted cashflow is effectively an unlevered weighted average cost of capital (WACC). It is therefore defined by a purchaser's anticipated cost of equity and debt. With the special assumption that the Property has planning permission, we anticipate that a purchaser would have access to senior debt finance and justify an overall WACC of approximately 8.0% and we

have therefore adopted this as the discount factor within our valuation of the Property. This is a growth implicit discount rate as our model assumes zero inflation.

5.18 Our primary method of valuation has been to assess the value of the subject site with the assumption of planning. In order to arrive at the value of the site with an allocation, we have discounted this by 50% due to the inherent uncertainty around achievable density and delivery costs.

SWOT Analysis

5.19 We outline the SWOT analysis below, which we have taken into account when forming our opinion of Market Value.

| Strengths | Weaknesses |
|---|---|
| <ul style="list-style-type: none"> • Freehold title • Large scale new build development with potential capacity for up to 1,300 houses with accompanying facilities • Planning allocation for 1,000 units • In close proximity to Chichester and it's amenities • Excellent road connections • Reasonably good residential market in the surrounding area • The illustrative Masterplan for the proposed scheme is well conceived, providing good sense of separation between residential dwellings and the proposed commercial and education facilities. • Generous provision of public open space | <ul style="list-style-type: none"> • Outline planning permission is yet to be granted • Detailed scheme is yet to be designed • Detailed due diligence yet to be undertaken and associated reports to be produced • Large costs associated with infrastructure expenditure |
| Opportunities | Threats |
| <ul style="list-style-type: none"> • Opportunity to create a high quality village extension with a vibrant community and improved facilities • Potential to respond to the current housing needs and provide wider choice and better mix in the size and type. • Potential to improve the residential sub-market with greater values than current levels in surrounding areas • Opportunity to provide additional employment at the business park and Horticultural Development Area | <ul style="list-style-type: none"> • One meter wide control strip could hinder the creation of a cohesive development if the strip is not transferred to Heaver upon planning consent • We have not been provided with a massing and density study to support our valuation. • Section 106 and infrastructure costs yet to be fully quantified • Increasing build costs may reduce future land receipts and increase the infrastructure burden • Large scale of the development could produce too many units for the local |

| | |
|--|---|
| | <p>market to absorb and lead to price deflation.</p> <ul style="list-style-type: none"> • Political and market uncertainty is persisting • A no-deal Brexit could deter buyers / slow down the market at the start of 2020. |
|--|---|

Calculation

5.20 We attach a copy of cashflows at **Appendix 3**.

Valuation bases

Market Value

5.21 Market Value is defined within RICS Valuation - Professional Standards as:

“The estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm’s length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion.”

Gross Development Value

5.22 We have been instructed to provide our opinion of the Market Value as if the proposed scheme has been completed at the valuation date. RICS Valuation - Professional Standards refer to a valuation on this basis as being the Market Value on the special assumption that “a building or other proposed development has been completed in accordance with a defined plan and specification”. This is colloquially known as the Gross Development Value.

5.23 Gross Development Value (GDV) is defined by Knight Frank LLP as the aggregate Market Value(s) for the proposed scheme at the property, on the special assumption that the proposed scheme has obtained all necessary permissions and been fully completed.

5.24 The aggregate Market Value represents the total Market Value(s) of the saleable interest(s) within the proposed scheme. Please note that the GDV may not reflect the Market Value of the whole scheme if sold as a single lot.

Valuation date

Valuation date

5.25 The Valuation date is 31 January 2020.

Market Value

Assumptions

5.26 Our valuation is necessarily based on a number of assumptions which have been drawn to your attention within this report.

Key assumptions

5.27 Whilst we have not provided a summary of all these assumptions here, we would in particular draw your attention to the following key assumption that we have adopted:

- The proposed highways works will be carried out by Countryside, as the enabling developer, rather than by the developer of each of the related plots
- Countryside will make a commuted sum contribution equivalent to 30% of the total construction costs of infrastructure and servicing costs as well as the land itself
- Assumptions on the affordable unit mix
- Assumptions on the density of the site and average unit sizes
- Specification that is commensurate with that of an appropriate quality development in this location

Special assumptions

5.28 As instructed by with you, our valuation is also undertaken the following special assumptions:-

- A special assumption that the Property is vacant
- A special assumption that the Client owns the unencumbered freehold interest in the entire Property.
- A special assumption the Property benefits from an allocation for a 1,300 unit scheme.
- A special assumption that planning permission for both a 1,000 unit and a 1,300 unit scheme described within this report has been granted
- A special assumption that all necessary permissions for the scheme described in this report has been obtained and that this scheme has been completed, in order to arrive at our opinion of the Market Value of the fully completed development.

Market Value - special assumptions unencumbered freehold interest (1,000 unit scheme)

5.29 We are of the opinion that the Market Value of the freehold interest in the property on a special assumption of vacant possession and that the Client owns the unencumbered freehold interest in the entire Property, at the Valuation date is:

£8,000,000 (Eight Million Pounds).

Market Value – special assumption unencumbered freehold interest (1,300 unit scheme)

5.30 We are of the opinion that the Market Value of the freehold interest in the property on a special assumption of allocation for a 1,300 unit scheme and vacant possession, and that the Client owns the unencumbered freehold interest in the entire Property, at the Valuation date is:

£8,400,000 (Eight Million Four Hundred Thousand Pounds).

Market Value - special assumption planning (1,000 units)

5.31 We are of the opinion that the Market Value of the freehold interest in the property on a special assumption that planning permission for a 1,000 unit scheme described herein has been obtained and with vacant possession, at the Valuation date is:

£15,800,000 (Fifteen Million Eight Hundred Thousand Pounds).

Market Value on special assumption planning (1,300 units)

- 5.32 We are of the opinion that the Market Value of the freehold interest in the property on a special assumption that planning permission for a 1,300 unit scheme described herein has been obtained and with vacant possession, at the Valuation date is:

£16,700,000 (Sixteen Million Seven Hundred Thousand Pounds).

We have not been provided with a massing and density study to support our valuation. We have therefore had to make assumption as to the potential density achievable on the site. As a result, there is a high degree of risk associated with this valuation. We recommend this is investigated further and prior to any financial commitments.

- 5.33 This valuation is on the basis that special assumptions above, do not represent the Market Value of the property and the purpose for which this figure is used, should be carefully considered.

6. Property risk analysis

General comments

General comments

- 6.1 You have asked us to comment on the suitability of the property for loan security purposes.
- 6.2 In this section of our report we summarise the property related risks which we have identified as part of our valuation report and which we consider should be drawn to your attention. This summary should not be taken to be exhaustive and must be considered in conjunction with the remainder of the report. Nothing in this section should be construed as being a recommendation of taking any particular course of action.

Risks relating to the property

Legal title

- 6.3 We have not been provided with a Report on Title. Any legal title issues are matters which should be referred to your legal advisers.

Control strip

- 6.4 There is a one meter wide control strip owned by CS South Limited and CS East Ltd, which runs across the site from east to west and separates a large proportion of the site from the A27. In our valuation we have assumed that the Client owns the unencumbered freehold interest in the entire Property. We have further assumed a good and marketable title and that all documentation is satisfactorily drawn, and that there are no issues inhibiting the creation of a cohesive development.

Development risks

Infrastructure costs

- 6.5 We have been provided with estimated infrastructure costs. Our valuation has been undertaken upon the assumption that these costs are adequate to complete the development. Any variation in the costs may have a significant impact upon the reported Market Value of the site. In this respect we additionally draw your attention to the importance of our recommendation in relation to the appointment of an independent quantity surveyor.

Section 106

- 6.6 Section 106 costs for the subject site are yet to be fully quantified. The Client has provided us with the latest estimates of known anticipated S106 costs, which we have adopted in our valuation. We would note that any variation in the planning contributions may have a significant impact upon the reported Market Value of the site.

Cost over-runs

- 6.7 We would highlight that there may be unexpected additional construction costs that we are unable to quantify within our valuation. We are also unable to factor in any future build cost inflation, which is may occur over the course of the development period.

Time over-runs

- 6.8 We have estimated the development timing based on our experience with other comparable schemes. Any time over-runs could reduce the residual values of the schemes.

Massing study

- 6.9 We have not been provided with an appropriate massing study for the Property. As a result, there is a high degree of risk associated with this valuation. We recommend the matter is investigated further and prior to any financial commitments.

Interest rate increases

- 6.10 Our valuation is based on historically low interest rates. An increase could reduce the residual value of the Property.

Sales rate (market absorption)

- 6.11 We have applied an absorption rate over the entire development period. We believe this is reasonable and market fluctuations will average out over the period. However, there could be extended future periods of lower transactions in the market, or higher competition, both of which could lead to lower absorption rates which would extend the overall development period and negatively affect the Market Value.

Economic & property market risks

Brexit and UK political uncertainty

- 6.12 It is still very unclear what impact Brexit will have on the UK property market. We face a period of rolling uncertainty, which is causing a considerable amount of speculation regarding the future direction of the market.
- 6.13 The government still has to negotiate future trade terms with the EU, but it does so with an 80-strong majority in Parliament.
- 6.14 The absence of a favourable deal, written into law, and a stable transition period during which the future relationship of the UK with the EU is negotiated, could result in second-round economic effects with a potential knock-on impact for the UK housing market. Failing to achieve a final deal and agreements that ensure London's status as a leading global financial centre could have implications for the London market.
- 6.15 We highlight that our opinion of value is only current at the valuation date.

Sales incentives

- 6.16 If the market weakens, sales incentives may be required.

Valuation risks

Methodology

- 6.17 You need to be aware that the residual method requires the input of a large amount of data, which are rarely absolute or precise, together with the making of a large number of assumptions. Small changes

in any of the inputs can cumulatively lead to a large change in the site value. Some of the inputs can be assessed with reasonable objectivity, but others require a high degree of professional judgement.

Assumptions & special assumptions

- 6.18 Our valuation has been carried out on the basis of a large number of assumptions and special assumptions as outlined within this report. Our adopted figures could differ significantly should these assumptions prove to be incorrect.

Risks relating to the terms of the instruction

Inspection

- 6.19 You have instructed us to undertake our update valuation without re-inspecting the property. As a result, there may be a wide range of issues which we have been unable to reflect within our valuation. This means that there is a higher than normal degree of uncertainty attached to our opinion of value and limits the reliance which should be placed upon our report.

Appendix 1 Instruction documentation



DATE

29th January

2020

CHICHESTER DISTRICT COUNCIL

and

KNIGHT FRANK LLP

AGREEMENT

TO:

PROVIDE A VIABILITY ASSESSMENT RELATING TO THE TANGMERE SDL

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THIS AGREEMENT is dated

29th January

2020

PARTIES

(1) **CHICHESTER DISTRICT COUNCIL** of East Pallant House East Pallant Chichester West Sussex PO19 1TY ("the Council").

(2) **KNIGHT FRANK LLP** (a limited liability partnership) whose registered office is at 55 Baker Street London W1U 8AN (company registration number OC305934) ("the Contractor")

Agreed terms

1. INTERPRETATION

1.1 The definitions and rules of interpretation in this clause apply in this agreement (unless the context requires otherwise).

Capacity: as agent, contractor, director, employee, owner, partner, or in any other capacity.

Commencement Date: a date to be agreed in writing between the parties.

Council Property: all documents, books, manuals, materials, records, correspondence, papers and information (on whatever media and wherever located) relating to the Business or affairs of the Council including hardware or software provided for the Contractor's use by the Council during the Term of this Agreement, and any data or documents (including copies) produced, maintained or stored by the Contractor on the Council's or the Contractor's computer systems or other electronic equipment during the Term of this Agreement.

Confidential Information: information in whatever form (including without limitation, in written, oral, visual or electronic form or on any magnetic or optical disk or memory and wherever located) relating to the business, customers, products, affairs and finances of the Council for the time being confidential to the Council and trade secrets including, without limitation, technical data and know-how relating to the Business of the Council including in particular (by way of illustration only and without limitation) and including (but not limited to) information that the Contractor creates, develops, receives or obtains in connection with the delivery of the services set out in this Agreement, whether or not such information (if in anything other than oral form) is marked confidential.

Intellectual Property Rights: patents, rights to inventions, copyright and related rights, moral rights, trade marks, trade names and domain names, rights in get-up, rights in goodwill or to sue for passing off,

rights in designs, rights in computer software, database rights, rights in confidential information (including know-how and trade secrets) and any other intellectual property rights, in each case whether registered or unregistered and including all applications (or rights to apply) for, and renewals or extensions of, such rights and all similar or equivalent rights or forms of protection which may now or in the future subsist in any part of the world.

Pre-Contractual Statement: any undertaking, promise, assurance, statement, representation, warranty or understanding (whether in writing or not) of any person (whether party to this agreement or not) relating to this Agreement other than as expressly set out in this Agreement or any documents referred to in it.

Services: the services specified in Schedule 1

Completion Date : the date which is three weeks from the Commencement Date or such later date as agreed in writing between the Council and the Contractor.

Works: all records, reports, documents, papers, software, and all other materials in whatever form, including but not limited to hard copy and electronic form, prepared by the Contractor.

- 1.2 The headings in this agreement are inserted for convenience only and shall not affect its construction. A reference to a particular law is a reference to it as it is in force for the time being taking account of any amendment, extension, or re-enactment and includes any subordinate legislation for the time being in force made under it.
- 1.3 Unless the context otherwise requires, a reference to one gender shall include a reference to the other genders.
- 1.4 Unless the context otherwise requires, words in the singular include the plural and in the plural include the singular.
- 1.5 The Schedules to this agreement form part of (and are incorporated into) this Agreement.

2. **TERM**

The Council hereby engages the Contractor to provide the Services on the terms and conditions set out in this agreement and shall commence on the Commencement Date and end on the Completion Date unless determined earlier pursuant to clauses 3.7 and 10 of this Agreement.

3. DUTIES AND OBLIGATIONS

- During the Term the Contractor shall
- 3.1 provide the Services with all reasonable care, skill and ability expected of someone providing similar Services.
 - 3.2 promptly give to the Council all such information and reports as it may reasonably require in connection with matters relating to the provision of the Services.
 - 3.3 The Contractor shall use reasonable endeavours to be available at all times on reasonable notice to provide such assistance or information as the Council may require.
 - 3.4 Unless specifically authorised to do so by the Council in writing, the Contractor shall not:
 - 3.4.1 have any authority to incur any expenditure in the name of or for the account of the Council; or
 - 3.4.2 hold itself out as having authority to bind the Council .
 - 3.5 The Contractor shall comply with the General Data Protection Regulations and all Data Protection Acts in relation to the use of information and communication systems and data protection to such extent that they are relevant to the provision of the Services.
 - 3.6 The Contractor may use a third party to perform any administrative, clerical or secretarial functions which are reasonably incidental to the provision of the Services provided that:
 - 3.6.1 the Council will not be liable to bear the cost of such functions; and
 - 3.6.2 at the Council's request the third party shall be required to enter into direct undertakings with the Council which may include a confidentiality agreement.
 - 3.6.3 the Contractor carries out an employment test as required by the Finance Act 2017 section 6
 - 3.7 The Contractor shall:
 - 3.7.1 comply with all applicable laws, regulations, codes and sanctions relating to anti-bribery and anti-corruption including but not limited to the Bribery Act 2010 ;

3.7.2 not engage in any activity, practice or conduct which would constitute an offence under sections 1, 2 or 6 of the Bribery Act 2010 if such activity, practice or conduct had been carried out in the UK;

3.7.3 promptly report to the Council any request or demand for any undue financial or other advantage of any kind received by the Contractor in connection with the performance of this agreement;

3.7.4 ensure that all persons associated with the Contractor or other persons who are performing services in connection with this agreement comply with this clause 3.7 and clause 10. Any breach shall be deemed a material breach of this Agreement.

4. FEES

The Council shall pay the Contractor a fee of Fifteen Thousand Pounds (£15,000.00) exclusive of VAT ("the Fee").

- 4.1 The Council shall pay the Contractor within 30 days of receipt of the Contractor's invoice subject to any deduction in respect of payment of tax and national insurance if an employment test shows that employee status applies to the Services .

5. OTHER ACTIVITIES

Nothing in this agreement shall prevent the Contractor from being engaged, concerned or having any financial interest in any Capacity in any other business, trade, profession or occupation during the period of this Agreement provided that:

- 5.1 such activity does not cause a breach of any of the Contractor's obligations under this agreement; and
- 5.2 the Contractor shall not engage in any such activity which is in any way competitive with the Business of the Council without the prior written consent of the Council; for the avoidance of doubt carrying out work for another local authority will not be considered a competitive activity.

6. CONFIDENTIAL INFORMATION

- 6.1 The Contractor acknowledges that in the course of this Agreement it will have access to Confidential Information. The Contractor has therefore agreed to accept the restrictions in this clause 6.
- 6.2 The Contractor shall not (except in the proper course of their duties), either during the Term of this Agreement or at any time after the

Termination Date, use or disclose to any third party (and shall use its reasonable endeavours to prevent the publication or disclosure of) any Confidential Information. This restriction does not apply to:

6.2.1 any use or disclosure authorised by the Council or required by law; or

6.2.2 any information which is already in, or comes into, the public domain otherwise than through the Contractor's unauthorised disclosure.

6.3 At any stage during the Term of this Agreement, the Contractor will promptly on request return all and any Council Property in its possession.

7. DATA PROTECTION

7.1 The Contractor shall comply with the requirements of the Data Protection Act 2018 and any subsequent legislation and associated codes of practice when processing personal data relating to any employee, worker, customer, client, supplier or agent of the Council.

8. INTELLECTUAL PROPERTY

8.1 The Contractor hereby assigns to the Council existing and future Intellectual Property Rights in the Works and all materials embodying these rights to the fullest extent permitted by law. Insofar as they do not vest automatically by operation of law or under this agreement, the Contractor holds legal title in these rights on trust for the Council.

8.2 The Contractor undertakes:

7.2.1 whenever requested to do so by the Council and in any event on the Completion Date for the Services promptly deliver to the Council all correspondence, documents, papers and records on all media (and all copies or abstracts of them), recording or relating to any part of the Works and the process of their creation which are in its possession, custody or power;

7.2.2 not to register nor attempt to register any of the Intellectual Property Rights in the Works, or permit a sub-contractor to register any such Rights unless requested to do so by the Council ; and

7.2.3 to do all acts necessary to confirm that absolute title in all Intellectual Property Rights in the Works has passed, or will pass, to the Council.

- 8.3 The Contractor warrants to the Council that:
- 8.3.1 It has not given and will not give permission to any third party to use any of the Works nor any of the Intellectual Property Rights in the Works;
 - 8.3.2 It is unaware of any use by any third party of any of the Works or Intellectual Property Rights in the Works; and
 - 8.3.3 the use of the Works or the Intellectual Property Rights in the Works by the Council will not infringe the rights of any third party.
- 8.4 The Contractor agrees to indemnify the Council and keep it indemnified at all times against all reasonably foreseeable, legally enforceable costs, claims, damages or expenses incurred by the Council, or for which the Council may become liable, with respect to any intellectual property infringement claim or other claim relating to the Services provided by the Contractor to the Council during the course of providing the Services save that the Council agrees to take all reasonable steps to mitigate any foreseeable losses. The Contractor shall maintain adequate liability insurance coverage and the Council confirms that it has received a copy of these which are satisfactory.
- 8.5 The Contractor waives any moral rights in the Works to which it is now or may at any future time be entitled under Chapter IV of the Copyright Designs and Patents Act 1988 or any similar provisions of law in any jurisdiction, including (but without limitation) the right to be identified, the right of integrity and the right against false attribution, and agrees not to institute, support, maintain or permit any action or claim to the effect that any treatment, exploitation or use of such Works or other materials infringes the Contractor's moral rights.
- 8.6 The Contractor acknowledges that, except as provided by law, no further fees or compensation other than those provided for in this agreement are due or may become due to the Contractor in respect of the performance of the Contractor's obligations under this clause 8.

9. INSURANCE AND LIABILITY

The following liability clauses shall apply where a Contractor is deemed to be a sole trader where, pursuant to the provisions of clause 13 of this Agreement, an ESS test has confirmed that the Contractor is a sole trader. In that event the Contractor will not be required to have separate insurances as he/she will be insured via the Council's own insurance policies

- 9.1 The Contractor shall be liable to the Council for any reasonably foreseeable, legally enforceable and fully mitigated loss, liability, costs (including reasonable legal costs), damages or expenses arising from any breach by the Contractor of the terms of this agreement including any negligent or reckless act, omission or default in the provision of the Services and shall accordingly maintain in force during the Term of this Agreement full and comprehensive Insurance Policies.
- 9.2 The Contractor shall ensure that its Public Liability, Employer's Liability and Professional Indemnity Insurance Policies are acceptable to the Council and that the level of cover and other terms of insurance are acceptable to and agreed by the Council each having a minimum level of cover of Five Million Pounds in respect of any one claim.
- 9.3 The Contractor shall on request supply to the Council evidence that such insurance is in place in the form of a Broker's certificate showing satisfactory evidence of its insurance cover.
- 9.4 The Contractor shall comply with all terms and conditions of the Insurance Policies at all times. If cover under the Insurance Policies shall lapse or not be renewed or be changed in any material way or if the Contractor is aware of any reason why the cover under the Insurance Policies may lapse or not be renewed or be changed in any material way, the Contractor shall notify the Council without delay.
- 9.5 The Contractor's maximum liability under this Agreement, except for death or personal injury (for which liability shall be unlimited), in contract, tort or otherwise in connection with this Agreement shall not exceed £10,000,000 (ten million pounds) in respect of any one claim.

10. TERMINATION

- 10.1 The Council may terminate this Agreement by serving written notice on the Contractor to take effect on the date stated in the notice ("the Termination Date" with no liability to make any further payment to the Contractor (other than in respect of amounts accrued before the Completion Date) if at any time the Contractor or any employee:-
- 10.1.1 commits any gross misconduct affecting the Business of the Council;
- 10.1.2 commits any serious or repeated breach or non-observance of any of the provisions of this agreement or refuses or neglects to comply with any reasonable and lawful directions of the Council;

10.1.3 is convicted of any criminal offence (other than an offence under any road traffic legislation in the United Kingdom or elsewhere for which a fine or non-custodial penalty is imposed);

10.1.4 is declared bankrupt or makes any arrangement with or for the benefit of creditors or has a county court administration order made under the County Court Act 1984;

10.1.5 is incapacitated (including by reason of illness or accident) from providing the Services for an aggregate period of FOUR WEEKS in any 26-week consecutive period;

10.1.6 commits any fraud or dishonesty or acts in any manner which in the opinion of the Council brings or is likely to bring the Contractor or the Council into disrepute or is materially adverse to the interests of the Council; or

10.1.7 commits any offence under the Bribery Act 2010.

- 10.2 The rights of the Council set out in clause 10.1 are without prejudice to any other rights that it might have at law to terminate this Agreement or to accept any breach of this agreement on the part of the Contractor as having brought the agreement to an end. Any delay by the Council in exercising its rights to terminate shall not constitute a waiver of these rights.

11. OBLIGATIONS ON TERMINATION

On the Termination Date the Contractor shall:

- 11.1 immediately deliver to the Council all Council Property in its possession or under its control;
- 11.2 irretrievably delete any information relating to the Business of the Council stored on any magnetic or optical disk or memory and all matter derived from such sources which is in its possession or under its control outside the premises of the Council. For the avoidance of doubt, the contact details of business contacts made during the period of this Agreement are regarded as Confidential Information, and as such, must be deleted from personal social or professional networking accounts; and
- 11.3 provide a signed statement that it has complied fully with its obligations under this clause 11.

12. EMPLOYMENT STATUS

- 12.1 The Council reserves the right to determine whether the terms of the Agreement are on employed or self-employed terms for tax purposes.

- 12.2 The Council is obliged under the terms of the Finance Act 2017 Section 6 and Schedule 1 to determine whether the Contractor would, but for the fact this contract is between the Council and the Contractor, otherwise be considered as employed for tax purposes. If the Contractor would otherwise be so considered the Council is obliged to deduct Pay-as-You- Earn under the provisions of that Act and national Insurance Contributions
- 12.3 If the Contractor is a sole trader, registered company or partnership and the Services are deemed to be *provided on self-employed terms* for tax purposes the relationship of the Contractor to the Council will be that of independent Contractor and nothing in this agreement shall render the Contractor an employee, worker, agent or partner of the Council and the Contractor shall not be held out as such.
- 12.4 If the Contractor is a sole trader and the Services are deemed to be *provided on employed terms* for tax purposes the relationship of the Contractor with the Council will be that of employee. In that event the Council is obliged to deduct and account for Pay As You Earn and National Insurance Contributions under the provisions of the Finance Act 2017, section 6 and Schedule 1.
- 12.5 If the Contractor employs a sub-contractor to carry out any of the services under this contract it shall be the Contractor's responsibility as the intermediary to carry out an Employment Status check but may request the Council to do so.
- 12.6 The Contractor shall indemnify the Council against any matters arising from any employment-related claim or any claim based on worker status (including reasonable costs and expenses arising out of or in connection with the provision of the Services). The Council may at its own discretion opt to satisfy any indemnity (in whole or in part) by way of deduction from any payments due to the Contractor.
- 12.7 Unless the status of employee applies pursuant to the Finance Act 2017 section 6 the Contractor shall be fully responsible for and shall indemnify the Council for and in respect of any income tax, National Insurance and social security contributions and any other liability, deduction, contribution, assessment or claim arising from or made in connection with the performance of the Services, where the recovery is not prohibited by law. The Contractor shall further indemnify the Council against all reasonable costs, expenses and any penalty, fine or interest incurred or payable by the Council in connection with or in consequence of any such liability, deduction, contribution, assessment

or claim save where the latter arise out of the Council's negligence or wilful default;

13. NOTICES

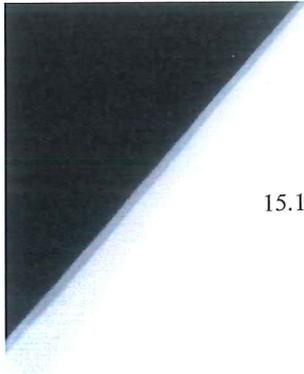
- 13.1 Any notice given under this agreement shall be in writing and signed by or on behalf of the party giving it and shall be served by sending it by pre-paid recorded delivery or registered post to the relevant party at (in the case of the Council to East Pallant House 1 East Pallant Chichester West Sussex PO19 1TY and (in the case of the Contractor) its registered office address so identified at Companies House. Any such notice shall be deemed to have been received 48 hours from the date of posting by pre-paid recorded delivery or special delivery registered post.
- 13.2 In proving such service it shall be sufficient to prove that the envelope containing the notice was addressed to the address of the relevant party and delivered into the custody of the postal authorities as pre-paid recorded delivery or registered post.

14. FREEDOM OF INFORMATION

The Contractor acknowledges that the Employer is subject to the requirements of the Freedom of Information Act 2000 (FOIA), the Environmental Information Regulations 2004 and the National Audit Act 1983 and shall assist and co-operate with the Council to enable the Council to comply with its information disclosure and audit obligations. The Contractor acknowledges that the Council is subject to transparency obligations which require the Council to publish certain contract information and materials. Accordingly, and notwithstanding any other term of this Contract, the Contractor hereby gives its consent for the Council to publish this Contract (save and except such matters as the Council is by law able to exclude as being confidential, commercially sensitive, or otherwise not in the public interest to disclose), to the general public in whatever form the Council. The Contractor shall render such assistance and co-operate with the Council to enable such publication, including, if the Council so requires, assisting the Council at no additional cost to the Council in the redaction of such contract documents prior to publication to eliminate material considered confidential, commercially sensitive, or otherwise not in the public interest to disclose.

15. ENTIRE AGREEMENT

Each party on behalf of itself acknowledges and agrees with the other party that:

- 
- 15.1 this agreement together with any documents referred to in it constitutes the entire agreement and understanding between the Contractor and the Council and supersedes any previous arrangement, understanding or agreement between them relating to the Agreement (which shall be deemed to have been terminated by mutual consent);
 - 15.2 in entering into this agreement neither party has relied on any Pre-Contractual Statement; and
 - 15.3 each party agrees that the only rights and remedies available to it or arising out of or in connection with any Pre-Contractual Statement shall be for breach of contract. Nothing in this agreement shall, however, limit or exclude any liability for fraud.

16. VARIATION

No variation of this agreement or of any of the documents referred to in it shall be valid unless it is in writing and signed by or on behalf of each of the parties.

17. THIRD PARTY RIGHTS

A person who is not a party to this agreement shall not have any rights under the Contracts (Rights of Third Parties) Act 1999 to enforce any term of this agreement. The rights of the parties to terminate, rescind or agree any variation, waiver or settlement under this agreement are not subject to the consent of any person that is not a party to this agreement.

18. GOVERNING LAW AND JURISDICTION

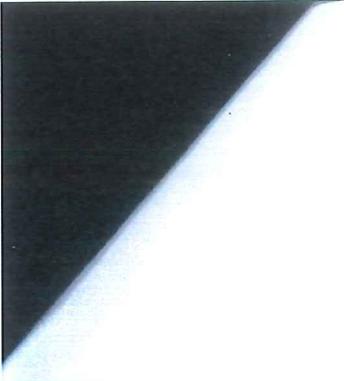
18.1 This agreement and any dispute or claim arising out of or in connection with it or its subject matter or formation (including non-contractual disputes or claims) shall be governed by and construed in accordance with the law of England and Wales.

18.2 The parties irrevocably agree that the courts of England and Wales shall have exclusive jurisdiction to settle any dispute or claim that arises out of or in connection with this agreement or its subject matter or formation (including non-contractual disputes or claims).

The following information is provided for your information and is not intended to constitute an offer of insurance. The information is provided for your information only and is not intended to constitute an offer of insurance. The information is provided for your information only and is not intended to constitute an offer of insurance.

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Schedule 1 – Services to be provided

The Council's Project Brief
(comprising of e mail correspondence between the parties)

From: Hannah Chivers
Sent: 29 May 2019 15:14
To: Charlie Dugdale
Cc: James Leaver; 'Nigel Riley' (nigel.riley@citicentric.co.uk); Robin de Wreede
Subject: RE: Tangmere - Viability Assessment.

Dear Charlie,

Following on the below, we will need a refresh of the viability assessment for Tangmere. Would you be able to provide me with a provisional quote and timescale for the work required to update the viability report?

We will need to flush out any procurement issues this end, but prior to that wanted to establish the cost before our legal team can instruct you.

Many thanks,
Hannah



Hannah Chivers
Senior Planning Policy Officer
Planning Policy
Chichester District Council

Ext: 21272 | Tel: 01243521272 | hchivers@chichester.gov.uk | Fax:



From: James Leaver [mailto:James.Leaver@knightfrank.com]
Sent: 24 May 2019 19:00
To: nigel.riley@citicentric.co.uk
Cc: Mike Allgrove; Robin de Wreede; Hannah Chivers; Charlie Dugdale
Subject: Re: Tangmere - Viability Assessment.

Dear Nigel

Thank you for highlighting this requirement which I am sure we can assist with.

I am copying Charlie Dugdale who has also been involved should Mike need to progress this next week (I am on leave next week).

We will obviously have the benefit of better information this time and now that Countryside are well underway with their due diligence.

Many thanks
James

Sent from my iPhone

On 24 May 2019, at 17:12, "nigel.riley@citicentric.co.uk" <nigel.riley@citicentric.co.uk> wrote:

James,

Following on from our telephone conversation I can confirm that at a recent conference with Alex Booth QC it was agreed that Knight Frank would be asked to update their previous viability report to assist the preparations/justification for the likely CPO necessary to assemble the Tangmere expansion site.

At the conference there was some discussion as to the specific information that would be available to KF in this regard and at present I believe that this will include the infrastructure costs that have been worked up by the Countryside team.

However, initially, can I suggest that you/a colleague makes contact with Mike Allgrove at the council (copied in to this email) to agree the details of the instruction including timing.

Kind regards

Nigel

Nigel Riley BSc. MRICS

Director

<image003.jpg>

07989 130479

nigel.riley@citicentric.co.uk
www.citicentric.co.uk

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James Leaver, Dip VEM MRICS
Partner, Department Head
for Public Sector

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United Kingdom

T: +44 20 7861 1133
S: +44 20 7629 8171
M: +44 7771 885989
PA: +44 20 7861 1136 - Emma Baxter

james.leaver@knightfrank.com
knightfrank.com

From: Mike Allgrove
Sent: 06 June 2019 15:44
To: James Leaver (James.Leaver@knightfrank.com)
Cc: Hannah Chivers
Subject: FW: Tangmere viability assessment
Attachments: Fee Quote Tangmere Viability Assessment June 2019.pdf

Follow Up Flag: Follow up
Flag Status: Flagged

Dear James,

Thank you for arranging for quote for the viability work. We are somewhat surprised that the cost is the same as the last viability assessment. I would suggest that given that Knight Frank has prior knowledge of the site the cost should be cheaper than the previous assessment. I am concerned that we will need to enter a more formal procurement process if there is no clear cost advantage to using Knight Frank. Please could you ask Andrew Johnstone to review the quote and it may be possible for us then avoid going to the market to demonstrate that we are achieving best value.

Thanks,

Mike



Mike Allgrove
Planning Policy Manager
Planning Policy
Chichester District Council

Ext: 21044 | Tel: 01243521044 | mallgrove@chichester.gov.uk | Fax: 01243776766
<http://www.chichester.gov.uk>



From: Hannah Chivers
Sent: 05 June 2019 07:56
To: Mike Allgrove
Subject: Tangmere viability assessment

Hi Mike

Knight Frank have given us a quote for the viability work - £20,000 – which is the same amount as it cost last time. Do I need to speak to someone in procurement or legal about whether we will need to tender or whether Andrew can sign a waiver?

Hannah



Hannah Chivers
Senior Planning Policy Officer
Planning Policy
Chichester District Council

Ext: 21272 | Tel: 01243521272 | hchivers@chichester.gov.uk | Fax:



SCHEDULE 2 - Contractor's Tender Submission

(comprising of Knight Frank's letter dated 13 June 2019)

Hannah Chivers

Senior Planning Policy Officer
Planning Policy
Chichester District Council

By email only hchivers@chichester.gov.uk

13 June 2019

Dear Hannah

Property: Tangmere Viability Assessment

Thank you for your invitation for Knight Frank LLP to submit a fee quotation for a viability report to assist the preparations/justification for the likely CPO necessary to assemble the Tangmere expansion site. We propose a fee of **£15,000**, exclusive of VAT for a report prepared on a similar basis to our report of March 2017.

We believe it will be possible to produce a draft valuation report within three weeks of receipt of instructions and information. Given the scale of the development, receipt of the information in a timely manner will be essential for us to meet this timetable.

We are confident that we would have no conflicts of interest in providing this report to you. We have no current or recent fee earning involvement with the property and any other party connected with this transaction and that we would have no conflicts of interest in providing this report.

We confirm that the valuer will be an RICS Registered Valuer and meets the requirements of RICS Valuation Standards VPS1a, having sufficient current knowledge of the particular market and the skills and understanding to undertake the valuation competently.

Knight Frank LLP's total liability for any direct loss or damage caused by negligence or breach of contract in relation to this potential instruction is limited to £250,000 or 50 times the fee under this instruction. We do not accept any liability for any indirect or consequential loss (such as loss of profits). For the avoidance of doubt, the maximum aggregate of liability referred to above refers to the aggregate of all claims of any kind whatsoever brought by any party or parties arising out of or relating to this instruction. We can confirm that we have adequate professional indemnity cover in place for this instruction.

T +44 20 7629 8171 F +44 20 7493 4114
55 Baker Street London W1U 8AN

KnightFrank.co.uk

Knight Frank LLP is a limited liability partnership registered in England with registered number OC305934. Our registered office is 55 Baker Street London W1U 8AN where you may look at a list of members' names.

We look forward to hearing from you.

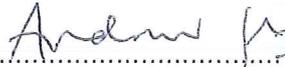
Kind regards

A handwritten signature in black ink, appearing to read "Andrew Johnston".

Andrew Johnston
Partner, Residential Development
Andrew.johnston@knightfrank.com
T 020 7861 5253
M 07766 811 784

In Witness whereof this Agreement has been executed as a deed and is delivered and takes effect on the date stated at the beginning of it.

Signed as a Deed by an
authorised official on behalf
of CHICHESTER DISTRICT
COUNCIL



Authorised signatory

Executed by KNIGHT FRANK
LLP acting by [Andrew Johnson]
a Member, in the presence of:


Member

Witness [name]
AGNE BERZINSKAITE

Witness [address]
55 BAKER STREET

.....
LONDON
W1U 8AN

Appendix 2 Residential Market update

1.3%
RISE IN UK HOUSE
PRICES IN YEAR TO
SEPTEMBER

-3.1%
ANNUAL DECLINE IN
PRIME CENTRAL LONDON
PRICES IN NOVEMBER

0.4%
ANNUAL RISE IN PRIME
CENTRAL LONDON RENTS
IN NOVEMBER

1.3%
RISE IN UK RENTS IN
YEAR TO OCTOBER

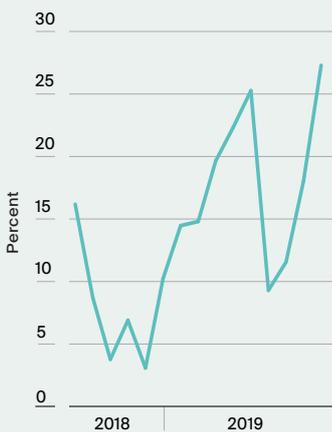


UK Residential Market Update

December 2019

knightrank.com/research

Fig 1. Price expectations rise
(next 12 months, net balance)



Source: RICS

Fig 2. Rent expectations rise
(3 months ahead, net balance)



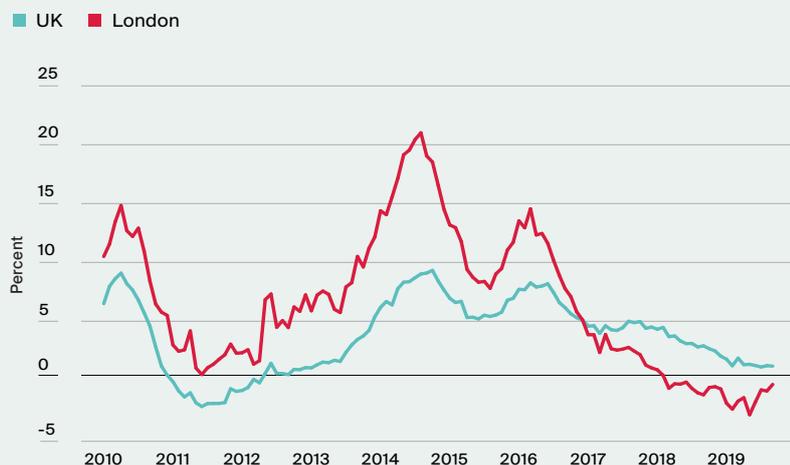
Source: RICS

Housing market update

As the country gears up to go to the polls on December 12, uncertainty remains a watchword in the market. Average house price growth across the country continues to moderate, with a 1.3% increase in the year to September compared to an annual rate of growth of 7.5% before the Brexit referendum. Nevertheless, even this modest annual change took the average value of a home to £254,000, up around £3,000 on the year and up £80,000 from March 2009, when prices troughed in the wake of the financial crisis.

The ONS data shows that average prices continued to fall on an annual basis in Greater London, by 0.4%, although this marked the shallowest decline in pricing since summer last year. This reflects trends in pricing in the prime London market, where price

Fig 3. Average house price growth moderates
Annual percentage change



Source: ONS



Rise in number of prospective tenants in
prime London in year to October 2019

Source: Knight Frank

declines are narrowing and activity is beginning to pick up – a trend that could gain momentum if some clear political direction is provided by the results of the General Election.

While sentiment among agents remains subdued, the latest survey

of agents across the country carried out by the Royal Institute of Chartered Surveyors (RICS) shows that there is an expectation of increased momentum in pricing over the next year (chart 1).

A similar picture emerges in the rental market, where increased demand

and limited supply is expected to push up rents in the short and medium term (chart 2).

As all eyes turn to the election, see a complete overview of what the three main parties' are promising on for housing and property below.

WHAT ARE THE PARTIES PROMISING ON HOUSING AND PROPERTY?



| | Conservatives | Labour | Liberal Democrats |
|------------------------------|--|--|--|
| HOUSING SUPPLY TARGET | 300,000 a year by mid-2020s One million new homes over next five years of all tenures | | 300,000 new homes a year by 2024 |
| AFFORDABLE HOMES | Renew Affordable Homes programme and simplify shared ownership rules | 150,000 a year (100,000 social rent) by 2024 Redefine "affordable housing" – link to local incomes | Build 100,000 social rent homes a year by 2024 |
| OTHER HOUSING PLEDGES | Maintain Right to Buy | Scrap Right to Buy £1bn fire safety fund for sprinklers and other fire safety measures in high-rise Council and HA-owned tower blocks | Councils to have full control of Right to Buy |
| | Ban on sale of new leasehold homes | Creation of English Sovereign Land Trust with powers to buy land more cheaply for low-cost housing Creation of a Department of Housing | Increase local housing allowance in line with rents in area |
| | Support high-rise residents with removal of unsafe cladding | Increase Local Housing Allowance Abolish Bedroom Tax | Abolish Bedroom Tax |
| | Support design to create more homes suitable for the disabled and elderly | "Use it or lose it" tax for stalled housing developments Leaseholders offered chance to buy freehold for property, no leasehold sales on new-builds and allow leaseholders to buy freehold on privately-owned estates | |
| HOMEOWNERSHIP | Local buyers get a 30% discount on new homes in their area, prioritising key workers | Key Worker first-time buyers: 20% discount on new homes (rising up to 50%). Prices bases on mortgage payments not exceeding 1/3 of local incomes | Rent to Own for those in social housing – increasing equity over 30 years |
| | New long-term fixed-rate mortgage with 5% deposit for renters who want to buy first home | Local people given 'first dibs' on new homes built in their areas | Help to Rent: Government-backed deposit loans for first-time renters under 30 |
| GREEN HOMES PLEDGES | £9.2 billion towards improving energy efficiency of homes, schools and hospitals | New zero-carbon homes standard for all new homes and upgrading existing homes for energy efficiency | New homes and non-residential buildings to meet zero-carbon standards by 2021 and more ambitious standards by 2025. Free energy retrofits for low-income homes, solar panels on all homes |
| HELP TO BUY | Change thresholds in 2021 and narrow to first-time buyers only, end in 2023 | Reform Help to Buy to focus on first-time buyers | |
| PRIVATE RENTED SECTOR | Abolish no-fault evictions | Rent controls – rises capped at inflation | Mandatory licensing of rogue landlords |
| | | Cities: local powers to cap rents further | |
| | One 'lifetime' deposit which moves with tenant | New minimum standards for rental properties, supported by landlord licensing and sanctions | |
| | | Landlords no longer able to check immigration status of tenants Councils new powers to regulate short-term lets via third-party companies | |
| TENANCY LENGTH | | Open-ended tenancies to stop no-fault evictions | Promote 3-year tenancies with inflation-linked annual rent rises built in |

| | | | |
|--------------------------|---|---|--|
| PLANNING | Amend planning rules so that local infrastructure is delivered before new homes are occupied | Scrap permitted development rights for offices to be developed into residential units | Scrap permitted development rights for offices and shops to be developed into residential units |
| GREEN BELT | Brownfield development a priority, protect the Green Belt | Brownfield development a priority, protect the Green Belt | |
| STAMP DUTY/ PROPERTY TAX | Additional 3% stamp duty surcharge on non-resident buyers | 20% levy on overseas companies buying housing | Surcharge on overseas residents buying second homes |
| | | CGT payable on sale of second home at same level as income tax | |
| COUNCIL TAX | | Levy on second homes used as holiday homes (ringfenced for homelessness pledges) | Up to 500% increase for second homes |
| | | Councils given powers to tax properties empty for over a year | |
| INFRASTRUCTURE | Northern Powerhouse Rail, Midlands Rail Hub, Review HS2 | Free full-fibre broadband to every home | All new homes connected to ultra-fast broadband by 2022 |
| | | Complete HS2 full route to Scotland | Support HS2, Northern Powerhouse Rail, Crossrail 2 |
| HOMELESSNESS | End rough sleeping by end of next Parliament, supported by £120 million raised from 3% SDLT surcharge for non-residents | End rough sleeping within five years | Publish a cross-Whitehall plan to end all forms of homelessness |
| | Extending Rough Sleeping Initiative and Housing First | Additional 8,000 homes for people with history of rough sleeping £1bn a year for councils' homelessness services | Introduce a legal duty to ensure everyone at risk of sleeping rough is provided with emergency accommodation |
| CORPORATION TAX | Unchanged at 19% (shelving cut to 17%) | Raise to 26% (21% for companies with <£300,000 turnover) | Increase to 20% and keep rate stable |
| BUSINESS RATES | Cut business rates for smaller retailers, cinemas, music venues and pubs | Pledge to review the option of a land value tax on commercial landlords as an alternative | Replace Business Rates in England with a Commercial Landowner Levy based on land value of commercial sites rather than capital value |

Note: pledges made after publication of manifestos are included where possible

We like questions, if you've got one about our research, or would like some property advice, we would love to hear from you.



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Appendix 3 Development appraisal

| Tangmere Viability Assessment | | Index | Sparkline | Line total |
|---|------------|-------|-------------|-------------|
| FINANCIAL APPRAISAL - MASTER DEVELOPER FOR 1,000 UNITS | | | | |
| RESIDUAL APPRAISAL | | | | |
| Accommodation | | | | |
| Private units | | | | 700 |
| Private floor area (NSA) | 1,119.0 | 19 | | 783,300 |
| Private floor area (GIA) | 1,119.0 | 20 | | 783,300 |
| Affordable units | 30% | 11 | | 300 |
| Affordable floor area (NSA) | 916.0 | 21 | | 274,800 |
| Affordable floor area (GIA) | 916.0 | 22 | | 274,800 |
| Revenues | | | | 1,058,100 |
| Private sales | 350 | 25 | | 274,155,000 |
| Affordable sales | 225 | 26 | | 61,830,000 |
| Total revenues | | | | 335,985,000 |
| Costs | | | | |
| Private construction | 120 | 29 | | 93,996,000 |
| Affordable construction | 110 | 30 | | 30,228,000 |
| Total base construction costs | | | | 124,224,000 |
| Professional fees | 10% | 31 | | 12,422,400 |
| Contingency | 5% | 32 | | 6,211,200 |
| Total all-in construction costs | | | | 142,857,600 |
| On-plot infrastructure costs | 10% | 35 | | 12,422,400 |
| Sales and marketing costs | 3.5% | 38 | | 11,759,475 |
| Total on-plot development costs | | | | 167,039,475 |
| Finance | | | | 157.87 |
| On-plot finance costs | 5.0% | 36 | | |
| Profit | | | | |
| Profit on GDV | 17% | 42 | | 57,117,450 |
| Residual value | | | | |
| Gross land value | | | | 103,476,101 |
| Net land value | 6.8% | 40 | Serviced MV | 96,887,735 |
| Value per unit | | | per plot | 96,888 |
| Value per acre | | | per acre | 1,042,925 |
| MASTER DEVELOPER CASHFLOW | | | | |
| Land Sales Proceeds | | | | |
| Residential land | | | | 96,887,735 |
| Village Centre | | 27 | | 360,000 |
| Total Net Revenue | | | | 97,247,735 |
| Cost of sales | | | | |
| | 1.5% | 39 | | 1,458,716 |
| Infrastructure costs | 28,100,000 | 33 | | 28,100,000 |
| Infrastructure Contingency | 5.0% | | | |
| S106 / CIL | 39,411 | 41 | | 39,411,000 |
| Archaeology excavation | | | | 1,000,000 |
| Total infrastructure & servicing costs | | | | 69,916,000 |
| Development management fees | 3.5% | 37 | | 983,500 |
| Net Cash Flow | | | | 24,889,519 |
| Cumulative Cash Flow | | | | |
| MV with planning | 8.0% | 43 | MV | 15,762,788 |
| | | | per plot | 15,763 |
| | | | per acre | 169,675 |

| Tangmere Viability Assessment | | Index | Sparkline | Line total |
|---|------------|-------|-------------|-------------|
| FINANCIAL APPRAISAL - MASTER DEVELOPER FOR 1,300 UNITS | | | | |
| RESIDUAL APPRAISAL | | | | |
| Accommodation | | | | |
| Private units | | | | 910 |
| Private floor area (NSA) | 1,029.0 | 19 | | 936,390 |
| Private floor area (GIA) | 1,029.0 | 20 | | 936,390 |
| Affordable units | 30% | 11 | | 390 |
| Affordable floor area (NSA) | 833.0 | 21 | | 324,870 |
| Affordable floor area (GIA) | 833.0 | 22 | | 324,870 |
| Revenues | | | | 1,261,260 |
| Private sales | 350 | 25 | | 327,736,500 |
| Affordable sales | 225 | 26 | | 73,095,750 |
| Total revenues | | | | 400,832,250 |
| Costs | | | | |
| Private construction | 120 | 29 | | 112,366,800 |
| Affordable construction | 110 | 30 | | 35,735,700 |
| Total base construction costs | | | | 148,102,500 |
| Professional fees | 10% | 31 | | 14,810,250 |
| Contingency | 5% | 32 | | 7,405,125 |
| Total all-in construction costs | | | | 170,317,875 |
| On-plot infrastructure costs | 10% | 35 | | 14,810,250 |
| Sales and marketing costs | 3.5% | 38 | | 14,029,129 |
| Total on-plot development costs | | | | 199,157,254 |
| Finance | | | | 158 |
| On-plot finance costs | 5.0% | 36 | | |
| Profit | | | | |
| Profit on GDV | 17% | 42 | | 68,141,483 |
| Residual value | | | | |
| Gross land value | | | | 123,575,651 |
| Net land value | 6.8% | 40 | Serviced MV | 115,707,538 |
| Value per unit | | | per plot | 89,006 |
| Value per acre (gross) | | | per acre | 1,245,506 |
| MASTER DEVELOPER CASHFLOW | | | | |
| Land Sales Proceeds | | | | |
| Residential land | | | | 115,707,538 |
| Village Centre | | 27 | | 360,000 |
| Total Net Revenue | | | | 116,067,538 |
| Cost of sales | | | | |
| | 1.5% | 39 | | 1,741,013 |
| Infrastructure costs | 36,530,000 | 33 | | 36,530,000 |
| Infrastructure Contingency | 5.0% | | | |
| S106 / CIL | 33,300 | 41 | | 43,290,000 |
| Archaeology excavation | | | | 1,000,000 |
| Total infrastructure & servicing costs | | | | 82,646,500 |
| Development management fees | 3.5% | 37 | | 1,278,550 |
| Net Cash Flow | | | | |
| Cumulative Cash Flow | | | | 30,401,475 |
| MV with planning | 8.0% | 43 | MV | 16,680,753 |
| | | | per plot | 12,831 |
| | | | per acre | 179,556 |