



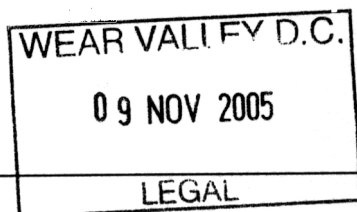
Valuation Office Agency
District Valuer Services

Roger Haworth BSc MRICS
District Valuer North

ANNEX 7.

Durham Valuation Office
Wycliffe House
Green Lane
Durham
DH1 3UW

Mrs C Prest
Head of Legal Services
Wear Valley District Council
Civic Centre
Crook
County Durham
DL15 9ES



Tel 0191 333 1024
Fax 0191 333 1099
E.mail keith.horn@voa.gsi.gov.uk

Your Reference : CP
Our Reference : 949881/BKH
Please ask for : Mr Horn

Date : 9 November 2005

Dear Mrs Prest

REGENERATION OF ST ANDREWS ESTATE

I refer to correspondence and our recent discussions. now set out my report for your information:

PROPOSAL

Your Council decided to offer part of St Andrews Estate for disposal to the private sector. The estate originally consisted of 100 dwelling houses and 20 bungalows of which 29 houses have been sold under the Right to Buy legislation. The houses were Drury system built properties and following a consultants report it was discovered that the houses needed significant repairs and had the added problem that many of the internal surfaces contain asbestos. The estimated costs of repairs were such that it was uneconomic.

Your Council has since demolished 31 dwellings and 16 bungalows but the remaining properties cannot be demolished as the blocks all contain houses sold under the Right to Buy.

One agent represented all the owner-occupiers on the estate and he made contact with Persimmon Homes and they approached your Council with a view to redeveloping the site without the necessity of making a Compulsory Purchase Order.

Following lengthy discussions Persimmon Homes have made an offer to the Council and you require my valuation to assist your Council in considering the offer received to ensure that the disposal represents best price in compliance with the terms of Section 32 of the Housing Act 1985.

DATE OF VALUATION

To be the date of this report.

District Valuer North East, Windsor House, Cornwall Road, Harrogate, North Yorkshire HG1 2PW
Tel No 01423 830800 - Fax No 01423 830899
Offices in Alnwick; Newcastle; Durham; Teesside; Sheffield; Grimsby; Hull; Leeds; Halifax; York.



BASIS OF VALUATION

This report has been made in accordance with the Practice Statements of the RICS Appraisal and Valuation Standards so far as they are consistent with your stated and agreed requirements. My basis of valuation is Market Value as defined at Appendix A attached.

ASSUMPTIONS AND CAVEATS

For general assumptions see details at Appendix B attached.

INSPECTION

The site has been inspected on various occasions but I have not inspected the owner occupied houses internally.

SITUATION AND DESCRIPTION

The St Andrew's Estate is situated near the by pass to the south east of the town centre which is within a mile of the site.

It is a generally level site, which would be of considerable interest to the market if it were fully remediate and all available with vacant possession. It is currently encumbered with the remaining Drury houses.

AREA

I understand that the total site area is 3.99 hectares (9.87 acres) or thereabouts as shown verged red on the attached Plan 1.

Within this total site there are 29 owner occupied properties – shown edged green on Plan 1. These owner-occupiers have negotiated their own deals with Persimmon. The total area occupied by these houses is 0.305 hectares (0.75 acres) or thereabouts. The Council therefore owns 3.685 hectares (9.12 acres) or thereabouts.

Within the total site an area of 0.268 hectares (0.66 acres) or thereabouts as shown verged blue on Plan 2 will be sold to a Housing Association and this area is therefore specifically excluded from this sale.

Persimmon is to build houses within the site to replace the owner-occupiers within the area hatched red on Plan 1 (Phase 1) and also to develop up to 84 units for sale on the remainder of site (Phase 2).

TENURE

For the purposes of this valuation I have assumed

1. That the Council owned properties will be transferred with vacant possession.
2. The purchasers will be responsible for demolition of the remaining houses and removal/diversion of all services to allow development to take place.
3. The purchaser will be responsible for making the arrangements to purchase the owner occupied properties within the site.
4. The remaining land will be sold freehold with vacant possession.

ACCESS

The site is accessed from St Andrew's Road, which is an adopted highway. The actual layout within the site is a matter for the developer and the appropriate Highways Authority/ Planning Authority but I assume that access will be available to the retained Council estate beyond the site and that free and unencumbered access will be available to the retained land in the Council's ownership or their successors in title.

SERVICES

I have assumed that all necessary services are available to the site and will be made freely available to the Councils retained land to allow future development.

PLANNING

I understand that planning permission for the proposed redevelopment has been granted but it is for the purchasers to ensure that they have all necessary permissions including access.

CONTAMINATION

Minerals, except coal, are assumed to be conveyed with the surface together with rights of support or compensation in lieu of those not owned.

No mining, geological or other investigations have been undertaken. You have not commissioned a Subsidence Report from this Agency's Mineral Valuer.

For the avoidance of doubt, in making my valuation report, I have assumed that no contamination or potentially contaminative uses have been carried out on or near the property other than the potential asbestos problems referred to elsewhere in this report. However, I have not carried out any investigation into the past or present uses, either of the land itself or of neighbouring land/buildings to establish whether there is potential for contamination from these uses or sites to the subject land and I have assumed, therefore, that none exist. Should it, however, be established subsequently that contamination does exist on the subject land, or on any neighbouring land or that past premises or structures have been put to a contaminative use, this might reduce my opinion(s) of value as reported below. Also see comments at Resubmission section below.

VAT, TAXATION, COSTS OF ACQUISITION AND REALISATION ETC

For general assumptions, again, see comments at Appendix B attached.

My valuation is carried out on the basis that VAT will not be chargeable on the Capital receipt.

I understand that each party will pay their own costs involved in this transfer.

VALUATION ASSUMPTIONS

Persimmon Homes are to purchase the whole of your Councils land within the site, excluding the land designated for Social Housing, carry out demolition works on all the remaining properties and then to develop the site as follows:

32,200 sq ft (G.I.A.) to relocate the existing owner occupiers (Phase 1)

98,060 sq ft (G.I.A.) for sale (Phase 2)

VALUATION

Persimmon Homes have offered £1,085,000 (one million and eighty five pounds) to purchase the site to be paid in three instalments – £108,500 on signing the contract, £325,500 on completion of the sale and £651,000 upon the completion of the last house in Phase 1 to re house the displaced owner occupiers.

I recommend that it be in your Council's interest to agree an end date by which the payment must be made and in all the circumstances I suggest 12 months from completion of the sale.

As your Council is aware, I have to consider my valuation in the context of the best price that can reasonably be obtained in compliance with the terms of Section 32 of the Housing Act 1985.

In the present climate the land would normally be offered for sale on the Open Market, however your Council decided that the best way to deal with the problems on this estate was to negotiate with Persimmon who had made their own arrangements with the owner-occupiers within the site.

On the basis that the scheme proceeds as set out above then I can confirm that the price offered is realistic for the proposed scheme on the information available and I can confirm that in my opinion it is not likely to be significantly exceeded by a disposal to any other purchaser. However in the absence of the land being offered for sale on the open market, it is not possible to state absolutely that the price is the best reasonably obtainable.

OVERAGE CLAUSE

In addition to the above price Persimmon are willing to enter into overage clauses whereby they will pay £41.50 per square foot for every square foot gross internal area exceeding 98,060 square feet which is to be sold on the open market – it does not include any area within Phase 1 which is sold to the displaced owner occupiers.

Selling Price Escalator

- 1 In the event of the price obtained under a contract for sale of a dwelling constructed on Phase 2 (the "Actual Sale Price") exceeding the under mentioned estimated sale prices (the "Proposed sale Price") the Buyer will pay to the Seller an overage payment (the "Additional Consideration") as calculated in accordance with clause 4

Column1	Column 2	Column 3	Column 4
Dwelling Code	Dwelling Type	Build Cost £	Proposed Sale Price £
A	Amberley	119,213	159,724
	Constable	130,720	175,058
D	Deleval	92,862	118,336
G	Gresham	105,538	138,638
H	Hamilton	113,706	144,026
HF	Harefield	122,382	164,574
	Harrington	153,864	201,534
	Westbury	166,739	222,390
	Guildford	118,525	139,614

- 2 In the event of the Additional Consideration being due the Buyer agrees to pay the overage for each dwelling within 42 days of the sale of each dwelling

3 On the disposal of any dwellings the Buyer will use its reasonable endeavours to market the dwelling in such a manner so as to obtain the best market value attainable monitor Persimmons Agents and Surveyors in relation to all aspects of the marketing and disposal of the dwellings

4 The Additional Consideration is to be calculated in accordance with the following formula:

$$AC = \frac{50}{100} ((ASP - PSP) - (IBC - BC))$$

Where:

AC = the Additional Consideration

ASP = the Actual Sale Price

BC = the Build Cost (as detailed at Column 3 of clause [6.2])

PSP = the Proposed Sale Price

IBC = the Indexed Building Cost

The Indexed Building Cost is to be calculated by reference to the following formula:

$$IBC = BC \times \frac{A}{B}$$

Where

A = the Index last published before the date of a disposal of a dwelling

B = the Index last published before the date of this Agreement

6 In calculating the Actual Sale Price the parties hereby agree that the cost to the Buyer of offering any sales incentives, extras, discounts, allowances, concessions, fixtures and fittings to a purchaser of a dwelling shall be deducted from the Actual Sale Price before calculating any Additional Consideration payable under clause 5.

7 If the reference base used to compile the Index changes after the date of this Agreement, the Index last published before the date of a disposal of a dwelling is to be adjusted to give the figure, which would have been shown as the Index if the reference base current at the date of this Agreement had been retained.

8 If the method of calculating the Index changes substantially after the date of this Agreement, the Index last published before the date of a disposal of a dwelling is to be adjusted to give the figure which would have been shown by the Index if the method for calculating the Index current at the date of this Agreement had not been changed.

9 If the Index ceases to be published, the Seller and the Buyer shall use all reasonable endeavours to agree an alternative index reflecting changes in building costs to use for the purposes of calculating the Indexed Building Cost under clause 5

Abnormal Works

If it is discovered that the properties that have been demolished by the Council have not had the foundations grubbed up the Buyer will provide to the Seller full written details of all expenditure incurred in undertaking such works then the Buyer shall be entitled to deduct the actual cost of additional works from the payment due under the Escalator Clause above.

VALIDITY

This report should not be considered as valid for a period in excess of 4 months from the date hereof, nor if there should be a material change of circumstances.

STATEMENT

The valuation has been carried out by an external valuer conforming to the requirements of the RICS Appraisal and Valuation Standards 5th edition.

RESUBMISSION

If any of the above assumptions are incorrect or require alteration you should resubmit this matter for further consideration and possible revaluation as necessary.

DISCLOSURE AND LIABILITY

This report has been provided for the use of your Council. It is confidential to you and your professional advisers and no responsibility is accepted whatsoever to any third party.

This report is considered Exempt Information within the terms of paragraph 9 of Schedule 12A of the Local Government Act 1972 (see Section 1 and Part 1 of Schedule 1 to the Local Government [Access to Information] Act 1985) and your Council is recommended to treat it accordingly.

I hope that the report is helpful but should you wish to query any points arising, please do not hesitate to contact me at the above telephone number.

Yours sincerely



B K Horn
District Valuer Services North

BASIS OF VALUATION

The basis of valuation adopted in this report is that described in the RICS Appraisal and Valuation Standards (5th Edition) as "Market Value" and may be defined as follows:-

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

VALUATION ASSUMPTIONS

Unless expressly stated otherwise in the report, the following assumptions will be made (which the Agency shall be under no duty to verify unless they are prima facie incorrect or unreasonable) in carrying out my valuation: -

1. That no deleterious or hazardous materials or techniques were used in the construction of the property or have since been incorporated;
2. That good title can be shown and that the property is not subject to any unusual or onerous restrictions, encumbrances or outgoings;
3. That the property and its value are unaffected by any matters which would be revealed by a local search and replies to the usual enquiries or by any statutory notice, and that neither the construction of the property nor its condition, use or intended use was, is or will be unlawful or in breach of any covenant;
4. That inspection of those parts that have not been inspected would neither reveal defects nor cause material alteration to any valuation;
5. That all information provided by you with regard to details of tenure, tenancies, planning consents and all other relevant information is correct. The advice will therefore be dependent on the accuracy of this information and should it prove to be incorrect or inadequate the accuracy of any valuation may be affected, and
6. That no environmental assessment of the property will be provided to or by the Agency, nor is the Agency instructed to arrange consultants to investigate any matters with regard to contamination. It will be assumed that the property (including its site) and neighbouring properties are not contaminated and no search of contaminated land registers will be made. However if an inspection is made and obvious signs of contamination are visible this will be reported to you and further instructions will be requested from you. In such circumstances it is recommended that further investigations are undertaken. *The Agency's Environmental Specialists are available to undertake assessments subject to a separate fee*
7. That no access audit will be undertaken to ascertain compliance with the Disability Discrimination Act 1995. *The Agency's Building Surveyors can undertake such audits subject to a separate fee.*