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Director of Public Services  
Uttlesford District Council  
Council Offices  
London Road  
Saffron Walden  
CB11 4ER

Date: 22nd July 2015  
Email: maldis@wilks-head.co.uk

Dear Sirs,

**Land at Great Dunmow Depot - Valuation**

We write further to your instructions to prepare a valuation for a parcel of land within the Council Depot, Great Dunmow. We are pleased to report to you as follows:-

**1. Purpose of the Valuation**

This report provides independent valuation advice in respect of the proposal to dispose of a small parcel of land located to the rear of the Council Depot, Great Dunmow. The land is currently owned freehold by Uttlesford District Council (UDC).

We understand that UDC must obtain an independent valuation of the land before officers obtain Cabinet approval to dispose of the land. The Authority must satisfy the requirements of Section 123 of the Local Government Act 1972 to derive the 'Best Consideration' for disposal of the land.

This report has been prepared under the terms and definitions set out in the Royal Institution of Chartered Surveyors RICS Valuation – Professional Standards issued in January 2014 (The Red Book).

This valuation report does not constitute a formal valuation report but is prepared as advice to the Authority and the applicants in respect of these issues.

Our report is constrained only for the provision of advice in respect of valuation and specifically excludes any implied or direct decision making or determination in respect of estate management matters. These aspects are for consideration by the Authority and its officers (see Section 3 below).

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*Partners:*

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B Morle FCSD

## **2. Date of Valuation**

The date of valuation is the 15<sup>th</sup> July 2015.

## **3. Inspection**

We inspected the property on the 6<sup>th</sup> July 2015.

## **4. RICS Appraisal & Valuation Manual**

This valuation report has been provided under the provisions of the Royal Institution of Chartered Surveyors Professional Standards (Incorporating the International Valuation Standards) – January 2014.

This edition applies to all valuation reports with a valuation date on or after 6 January 2014 undertaken by Chartered Surveyors.

As mentioned within Section 1 above; within the guidance it is recognised that valuation advice provided expressly in preparation for, or during the course of negotiations may result in the mandatory application of VPS1 to VPS4 not being appropriate. This is the case for this report and is classified as an exception as opposed to a departure for these purposes.

## **5. Reporting Format**

This signed valuation report and advice is the ultimate result of this instruction and has been provided in an electronic format.

## **6. Valuers**

The valuation report has been prepared by:

- M S Aldis BSc MRICS IRRV (Hons) RICS Registered Valuer of Wilks Head & Eve LLP, Fairgate House, 78 New Oxford Street, London, WC1A 1HB.

The report was subject to the internal audit by our in house RICS qualified Partners:

- I R J Dewar FRICS FIRR V MCI Arb,
- R G Messenger BSc FRICS FIRR V MCI Arb REV,
- A M Williams Dip BSc (Hons) MRICS FIRR V REV.
- G S C Harbord MA MRICS IRRV (Hons)

We confirm that all surveyors involved in the instruction are RICS Registered Valuers and are suitable qualified and experienced for the purposes of the instruction and have the knowledge, skills and understanding to undertake the valuations competently.

All personnel involved with the instruction are employed by Wilks Head & Eve LLP of Fairgate House, 78 New Oxford Street, London, WC1A 1HB. Wilks Head & Eve LLP is a RICS Regulated Firm.

## **7. Sources of Information**

For the purposes of this report and valuation we have had to rely upon information provided to us by the UDC by way of an instruction letter, plan and accompanying documentation. We have also made independent enquiries in order to prepare this report.

## **8. Location**

The parcel of land is located towards the rear of the depot, neighbouring 72A High Street, Great Dunmow. The depot is located within the centre of the town and is accessed via New Street.

Great Dunmow is an old market town located within the Essex countryside. The town is predominantly residential with a commercial high street.

The town is located just off the A120 which provides access to the M11 and Stanstead Airport to the West. The closest rail links are Bishop Stortford to the West and Braintree to the East, both similar distances.

## **9. Description**

The parcel of land is mainly used as surfaced parking for the depot's commercial fleet vehicles. Currently the only access to the land is through the depot, located off New Street which links to the High Street.

On inspection part of the land was fenced off due to the debris from the collapsed wall following the impact from one of the commercial vehicles.

The parcel of land is approximately 60 square metres.

The depot also contains a workshop building with ancillary office/storage, vehicle wash and re-fuelling station.

At the entrance to the depot there is a public car park which was fully occupied at time of the inspection.

We have provided a plan of the site along with a google extract within **Appendix 1**.

## **10. Tenure**

We assume that UDC can prove Title and that there are no other unusual or onerous covenants restricting use or fragmentation.

## **11. Services**

No inspection or testing of the services has been undertaken and we have assumed that all necessary tests and regulations relating to health and safety as well as detailed regulations have been adhered to.

## **12. Contamination, Deleterious or Hazardous Substances**

We are not aware of the content of any environmental audit or any other environmental investigational soil survey, which may have been carried out on the land, which may have drawn attention to any contamination or possibility of any contamination. In undertaking our work, we have been instructed to assume that no contaminative or potentially contaminative uses have been carried out at the site. We have not carried out any investigation into the past or present uses either of the site or any neighbouring land to establish whether there is any potential for contamination from these sites to the subject site, and therefore assume that none exists.

## **13. Basis of Valuation**

The value of the land has been determined using the Market Value / Fair Value definition set out in The RICS Valuation – Professional Standards.

These definitions are set out in **Appendix 3**.

#### **14. Valuation Commentary**

We understand that the parcel of land is currently used as surfaced storage land and commercial vehicle parking within the Council Depot.

Whilst currently a depot, we have been informed by UDC that the site has alternative use potential for car parking, residential and business space.

As far as we are aware, there are currently no active planning proposals for the depot site.

In this area of Uttlesford the highest prevailing value use for development land is for residential uses.

Potential development sites such as this attract a great deal of interest and often outstrip value expectations whilst being in high demand.

Our research suggests that the land value that would be achieved for residential development, on a cleared site basis, would be in the region of £3,000,000 to £3,500,000 per hectare at the present time. This figure is likely to vary depending on the density of the development.

We are of the opinion that this parcel of land has three potential uses;

- 1) Existing surfaced storage land for commercial vehicles
- 2) Garden Land
- 3) Public Car Parking
- 4) Residential Development

It is fair to assume that options two and three would require for the whole site to be developed.

##### Existing Use as storage land for commercial vehicles

Our research suggests that surfaced storage land has a rental value between £4-£6/sq.m in this area of Essex, and we have adopted a yield of 9%.

Based on this use, we are of the opinion that the value of this parcel is in the region of **£3,300**.

##### Garden Land

On the basis that there is no current active planning permission for development of this site, we have attached a value to the land based on its potential use as garden land.

Evidence would suggest that capital values for this type of Open Space / Garden land in the locality can range from around £45 - £65 per square meter (i.e. £45,000 - £75,000 per hectare).

This range would appear to be in line with our findings from similar reports completed on your behalf.

We are of the opinion that the value of this site is in the region of **£2,700 to £4,500**.

##### Public Car Parking

As previously stated, there is a small public car park at the entrance of the depot site. The majority of the site is already surfaced reducing the amount of work that would be required to convert the depot into a public car park.

With the site being centrally located within Great Dunmow, close to the commercial centre, it would provide additional car park spaces for the high street. In addition to this, some parking spaces could be allocated to local residents by way of a permit.

Based on the approximate area of 60sq.m, we are of the opinion 3 car parking spaces (circa 18sq.m per space) would be attributable to this parcel of land.

Evidence suggests that the rental value of a car parking space in this location would be £275 to £325 per space, and we have adopted an estimated yield of 8%.

An allowance has then been made for uncertainty, lack of planning and associated costs.

We are of the opinion that the value of this site is in the region of **£9,000**.

### Residential Development

Although the Council study established that a potential use for the site could be business space, if the whole site was to be developed assuming planning would be granted for both, the highest value would be that of residential development. Therefore, we shall only be reporting the potential residential land value for this parcel of land.

Based on a residential land value of say, £3,250,000 for cleared sites, we are of the opinion the value of this parcel of land is in the region of **£13,500**.

## **15. Conclusion**

We have established the Fair Value for the site for the purposes of informing the Authority.

For the purposes of this report we have provided a range which we believe would be suitable for a negotiation process.

In our opinion the appropriate range for this site would be between £9,000 and £13,500 based on the potential market value.

This represents the Best Value consideration for the land under s.123 of the Local Government Act 1972.

As discussed we understand that the land will be transferred subject to a restrictive covenant limiting the use of the site to garden use only. We would recommend a claw back provision being inserted to cover any future changes of use.

In addition to the land titles being updated we would recommend that the site be fenced around the boundaries, in order to clarify the land ownership to ensure that this does not prove to be contentious in the future. We would recommend that this would be done at the purchaser's expense.

We also recommend that the purchaser bear all legal and survey costs of the transaction on behalf of UDC.

We are quite willing to discuss these valuations in more detail if this should be required but trust that the conclusions are as expected.

Yours Faithfully,

**WILKS HEAD & EVE**

**M. S. ALDIS BSc MRICS IRRV (Hons)**

This report was prepared by M S Aldis BSc MRICS IRRV (Hons), RICS Registered Valuer, subject to internal audit by our other valuation partners: I. R. J. Dewar FRICS FIRRV MCI Arb, R. G. Messenger BSc FRICS FIRRV MCI Arb, A. M. Williams Dip BSc (Hon) MRICS IRRV (Hons), G.S.C Harbord MA MRICS IRRV (Hons).

# **Appendix 1**

## **Plan & Google Extract**





## **Appendix 2**

### **Photographs**



# **Appendix 3**

## **Valuation Definitions**

## Definition of Fair Value (VS 3.5)

Valuations based on Fair Value shall adopt one of two definitions;

### Definition adopted by the IVSC:

1. 'The estimated price for the transfer of an asset or liability between identified knowledgeable and willing parties that reflects the respective interests of those parties'.

### Definition adopted by the International Accounting Standards Board (IASB):

2. 'The price that would be received to sell an asset, or paid to transfer a liability, in an orderly transaction between market participants at the measurement date'

### Commentary

1. It is important to recognize that the two definitions of Fair Value are not the same. When adopting the basis of Fair Value it is essential that the valuer establishes the correct definition for the purpose and sets it out in full in the Terms of Engagement and the report.
2. In applying the IVS definition, reference should be made to paragraphs 39-43 of the IVS Framework.
  - **IVS – 39** *Fair Value* is the estimated price for the transfer of an asset or liability between identified knowledgeable and willing parties that reflects the respective interests of those parties.
  - **IVS – 40** The definition of fair value in IFRS is different from the above. The IVSB considers that the definitions of fair value in IFRS are generally consistent with *market value*. The definition and application of fair value under IFRS are discussed in IVS 300 *Valuations for Financial Reporting*.
  - **IVS – 41** For purposes other than use in financial statements, *fair value* can be distinguished from *market value*. *Fair value* requires the assessment of the price that is fair between two identified parties taking into account the respective advantages or disadvantages that each will gain from the transaction. It is commonly applied in judicial contexts. In contrast, *market value* requires any advantages that would not be available to market participants generally to be disregarded.
  - **IVS – 42** *Fair Value* is a broader concept than *market value*. Although in many cases the price that is fair between two parties will equate to that obtainable in the market, there will be cases where the assessment of *fair value* will involve taking into account matters that have to be disregarded in the assessment of *market value*, such as any element of *special value* arising because of the combination of the interests.
  - **IVS – 43** Examples of the use of *fair value* include:
    - determination of a price that is fair for a shareholding in a non-quoted business, where the holdings of two specific parties may mean that the price that is fair between them is different from the price that might be obtainable in the market,
    - determination of a price that would be fair between a lessor and a lessee for either the permanent transfer of the leased asset or the cancellation of the lease liability.
3. The guidance in IFRS 13 includes a description of the Fair Value measurement approach:
  - B2. The objective of a fair value measurement is to estimate the price at which an orderly transaction to sell the asset or to transfer the liability would take place between market participants at the measurement date under current market conditions. A fair value measurement requires an entity to determine all the following:
    - The particular asset or liability that is the subject of the measurement (consistently with its unit of account)
    - For a non-financial asset, the valuation premise that is appropriate for the measurement (consistently with its highest and best use)

- The principal (or most advantageous) market for the asset or liability
  - The valuation technique(s) appropriate for the measurement, considering the availability of data with which to develop inputs that represent the assumptions that market participants would use when pricing the asset or liability and the level of fair value hierarchy within which the inputs are categorised.
4. The references in IFRS 13 to market participants and a sale make it clear that for most practical purposes, Fair Value is consistent with the concept of Market Value.

### Definition of Market Value (VS 3.2)

Valuations based on market value shall adopt the definition and the conceptual framework settled by the International Valuation Standards Council (IVSC):-

#### Definition

*“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.”*

#### Commentary

1. In applying market value, regard must also be had to the conceptual framework set out in paragraphs 31-35 of the IVS Framework, including the requirement that the valuation amount reflects the actual market state and circumstances as of the effective valuation date;
  - **IVS – 31A. “The Estimated Amount”**  
This refers to a price expressed in terms of money payable for the asset in an arm’s-length market transaction. Market Value is the most probable price reasonably obtainable in the market on the date of valuation in keeping with the Market Value definition. It is the best price reasonably obtainable by the seller and the most advantageous price reasonably obtainable by the buyer. This estimate specifically excludes an estimated price inflated or deflated by special terms or circumstances such as atypical financing, sale and leaseback arrangements, special considerations or concessions granted by anyone associated with the sale, or any element of Special Value.
  - **IVS – 31B. “A Property Should Exchange”**  
Refers to the fact that the value of an asset is an estimated amount rather than a predetermined amount or actual sale price. It is the price in a transaction that meets all other elements of the Market Value definition should at the valuation date.
  - **IVS – 31C. “On the Date of Valuation”**  
Requires that the value is time-specific as of a given date. Because markets and market conditions may change, the estimated value may be incorrect or inappropriate at another time. The valuation amount will reflect the actual market state and circumstances as of the effective valuation date, not as of either a past or future date. The definition also assumes simultaneous exchange and completion of the contract for sale without any variation in price that might otherwise be made.
  - **IVS – 31D. “Between a Willing Buyer”**  
This refers to one who is motivated, but not compelled to buy. This buyer is neither over-eager nor determined to buy at any price. This buyer is also one who purchases in accordance with the realities of the current market and with current market expectations, rather than in relation to an imaginary or hypothetical market that cannot be demonstrated or anticipated to exist. The assumed buyer would not pay a higher price than the market requires. The present owner is included amount those who constitute “the market”.
  - **IVS – 31E. “A Willing Seller”**  
Is neither an over-eager nor a forced seller prepared to sell at any price, nor one prepared to hold out for a price not considered reasonable in the current market. The willing seller is motivated to sell the asset at market terms for the best price attainable in the open market after proper marketing, whatever that price may be. The factual circumstances of the actual owner are not a part of this consideration because the ‘willing seller’ is a hypothetical owner.

- **IVS – 31F. “In An Arm’s-length Transaction”**  
Is one between parties who do not have a particular or special relationship (for example, parent and subsidiary companies or landlord and tenant) that may make the price level uncharacteristic of the market or inflated because of an element of Special Value (defined in paragraphs 44-47 of the IVS Framework). The Market Value transaction is presumed to be between unrelated parties each acting independently.
  - **IVS – 31G. “After Proper Marketing”**  
Means that the property would be exposed to the market in the most appropriate manner to effect its disposal at the best price reasonably obtainable in accordance with the Market Value definition. The method of sale is deemed to be that most appropriate to obtain the best price in the market to which the seller has access. The length of exposure time is not a fixed period but will vary according to the type of asset and market conditions. The only criterion is that there must have been sufficient time to allow the asset to be brought to the attention of an adequate number of market participants. The exposure period occurs prior to the valuation date.
  - **IVS – 31H. “Wherein The Parties Had Each Acted Knowledgeably, Prudently”**  
Presumes that both the willing buyer and the willing seller are reasonably informed about the nature and characteristics of the asset, its actual and potential uses and the state of the market as of the valuation date. Each is further presumed to use that knowledge prudently to seek the price that is most favourable for their respective positions in the transaction. Prudence is assessed by referring to the state of the market at the valuation date, not with benefit of hindsight at some later date. For example, it is not necessarily imprudent for a seller to sell assets in a market with falling prices at a price that is lower than previous market levels. In such cases, as is true for the other exchanges in markets with changing prices, the prudent buyer or seller will act in accordance with the best market information available at the time.
  - **IVS – 31H. “And Without Compulsion”**  
Establishes that each party is motivated to undertake the transaction, but neither is forced or unduly coerced to complete it.’
  - **IVS – 32** The concept of market value presumes a price negotiated in an open and competitive market where the participants are acting freely. The market for an asset could be an international market or a local market. The market could consist of numerous buyers and sellers, or could be one characterised by a limited number of market participants. The market in which the asset is exposed for sale is the one in which the asset being exchanged is normally exchanged.
  - **IVS – 33** The market value of an asset will reflect its highest and best use. The highest and best use is the use of an asset that maximises its productivity and that is possible, legally permissible and financially feasible. The highest and best use may be for continuation of an asset’s existing use or for some alternative use. This is determined by the use that a market participant would have in mind for the asset when formulating the price that it would be willing to bid.
  - **IVS – 34** The highest and best use of an asset valued on a stand-alone basis may be different from its highest and best use as part of a group, when its contribution to the overall value of the group must be considered.
  - **IVS – 35** The determination of the highest and best use involves consideration of the following:
    - To establish whether a use is possible, regard will be had to what would be considered reasonable by market participants,
    - To reflect the requirement to be legally permissible, any legal restrictions on the use of the asset, eg zoning designations, need to be taken into account
    - The requirement that the use be financially feasible takes into account whether an alternative use that is physically possible and legally permissible will generate sufficient return to a typical market participant, after taking into account the cost of conversion to that use, over and above the return on the existing use.
2. The basis of Market Value is an internationally recognised definition. It represents the figure that would appear in a hypothetical contract of sale at the valuation date. Valuers need to ensure that in all cases the basis is set out clearly in both the instructions and the report.
  3. Market Value ignores any existing mortgage, debenture or other charge over property.

4. Notwithstanding this general exclusion of special value where the price offered by prospective buyers generally in the market would reflect an expectation of a change in the circumstances of the property in the future, this element of 'hope value' is reflected in Market Value. Examples of where the hope of additional value being created or obtained in the future may impact on the Market Value include:
  - The prospect of development where there is no current permission for that development; and
  - The prospect of 'synergistic value' arising from merger with another property or interests within the same property at a future date.