

VALUATION REPORT

Land at Caesar's Way

September 2016

Shepway District Council

VALUATION



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Valuation

Private & confidential
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Our Ref: AF/TL/161484

Date 12 September 2016

Dear Sirs

LAND AT CAESARS WAY, FOLKESTONE, KENT: (THE "PROPERTY")

1 TERMS OF REFERENCE

1.1 Instructions

The Property comprises a development site located in Folkstone. We have been instructed by Shepway District Council (the "Council") to undertake a residual valuation of the Property on the assumption that the consented scheme is developed.

We understand that the Council is considering making an offer to acquire the Property and it is for this reason that our valuation has been produced. This valuation is prepared in accordance with your instructions of 8 August 2016, our response of 22 August 2016, and our standard Valuation Procedure and Assumptions. Copies of these documents are attached at Appendix 1.

The Property was inspected on 31 August 2016 by Andrew Fraser MRICS and Tom Loake MRICS.

The valuation date is as at the date of this report. The importance of the valuation date must be stressed as property values may change over a relatively short time period.

1.2 Standards

This advice has been prepared as a development appraisal for acquisition purposes and does not fully comply with the provisions of the RICS Valuation – Professional Standards, [the "Red Book"] as specifically agreed within our instructions.

1.3 Independence and Objectivity

We confirm that we have had no material involvement with the Property or the vendor, that we are acting objectively and that this report represents our independent opinion.

1.4 Valuer details

The report has been prepared by Andrew Fraser MRICS, assisted by Tom Loake MRICS with Anthony Lee MRTPI MRICS acting as second authorised signatory. They are all RICS Registered Valuers with the knowledge, skills and understanding necessary to undertake the valuation competently.

1.5 Indemnity

We have sufficient professional indemnity cover for this instruction and our overall workload.

2 EXTENT OF DUE DILIGENCE & INFORMATION SOURCES

2.1 Inspection

The Property was inspected 31 August 2016 by Andrew Fraser MRICS and Tom Loake MRICS.

2.2 Project specification and timescales

You have supplied us with documents detailing the planning consent for the Property (application ref. Y13/0024/SH). We have supplemented this information with documents acquired from the Local Authority's [planning website](#).

2.3 Project costs

We have had sight of Summary of Contamination document produced by Idom Merebrook Ltd (dated 27 March 2015, reference: L-17436-2.4.2-15-S132-RJG). This document sets out indicative costs for remediation of the Property. We have relied on the information in this document for the purpose of this valuation.

2.4 Site areas

You have provided us with the area of the site in your email accepting our instruction (dated 23 August 2016) which corresponds with the area included in the Design and Access Statement (dated April 2016). We have carried out our own measurement of the site area using the Ordnance Survey mapping software Promap which broadly corroborates the area in the Design and Access Statement.

2.5 Environmental investigation

We have relied upon the environmental reports produced to support the Property's planning application and the Summary of Contamination document produced by Idom Merebrook Ltd (dated 27 March 2015, reference: L-17436-2.4.2-15-S132-RJG).

2.6 Tenure, title and tenancies

We have not had sight of a report on title but have had sight of the title plans and registers relating to the Property. The commentary provided in this report is based on our understanding of the title and tenancy situation and this should be verified by your solicitors.

2.7 Town planning

We have relied upon local planning policies that are available in the public domain and the documents included in the consented application relating to the Property.

3 PROPERTY INFORMATION

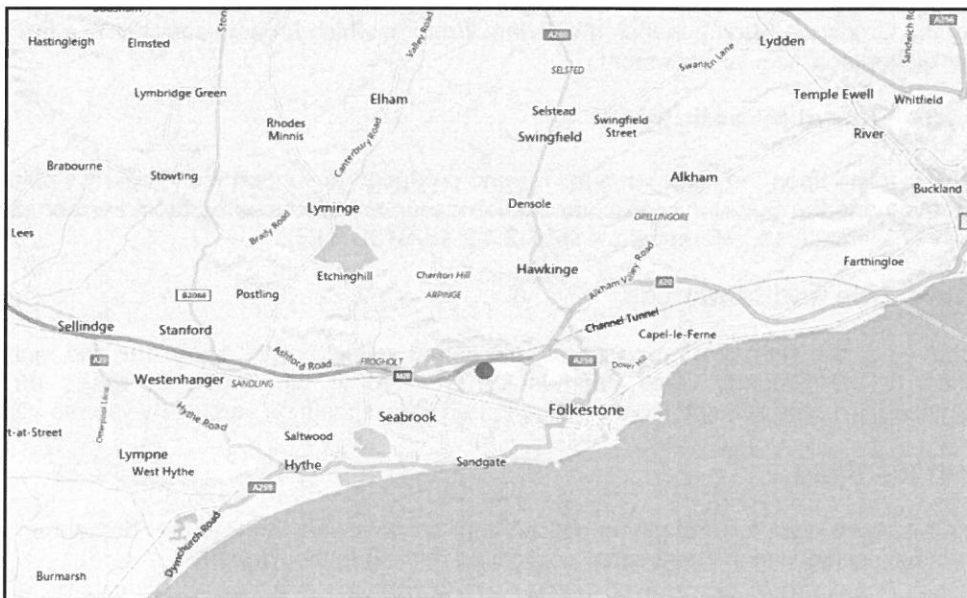
3.1 Location

The Property is located on the urban fringe of Folkestone, directly adjacent to junction 13 of the M20, opposite the Channel Tunnel terminal.

The Property is situated in a mixed use location with surrounding uses including residential and light industrial/distribution. The M20 motorway is situated to the north of the Property. Between the motorway and the Property is a densely planted area some of which is protected by Shepway District Council's planning policy. Beyond the motorway to the north of the Property is the Channel Tunnel 'Le Shuttle' terminus. This provides car and freight rail services to Calais, in France. To the east there is an older style industrial development and further east the more recent development Shearway Business Park. To the south of the Property is a residential area, comprising estate housing. Harcourt Primary School lies to the west of the Property.

The Property benefits from access to the M20 motorway which lies approximately 0.8 miles (1.3 km) to the east and provides connections to Dover, Maidstone and the wider national motorway network. Folkestone West railway station is situated approximately 1.2 miles (1.9 km) south of the Property and Folkestone Central railway station is located approximately 1.7 miles (2.7 km) south of the Property, both provide national rail services to London Charing Cross in approximately 1 hour 45 minutes. In addition, both stations are on the HS1 rail service, which provides a direct link to London St Pancras in approximately 54 minutes.

A location map of the Property is shown below (not to scale):



(Source: Bing Maps)

3.2 Current description

The Property comprises an approximately rectangular shaped site with broadly level topography. Historic ordnance survey data shows that from the late 19th century the Property was used as a brick works. This use intensified up to be late 1970s when the excavations that had been carried out during its use were backfilled. At the same time buildings which had been erected during that use were demolished and the Property was shown as unoccupied and vacant.

We understand that there is a WWII pillbox or air raid shelter located to the site's south eastern boundary which we were unable to reach during our inspection due to the thick undergrowth.

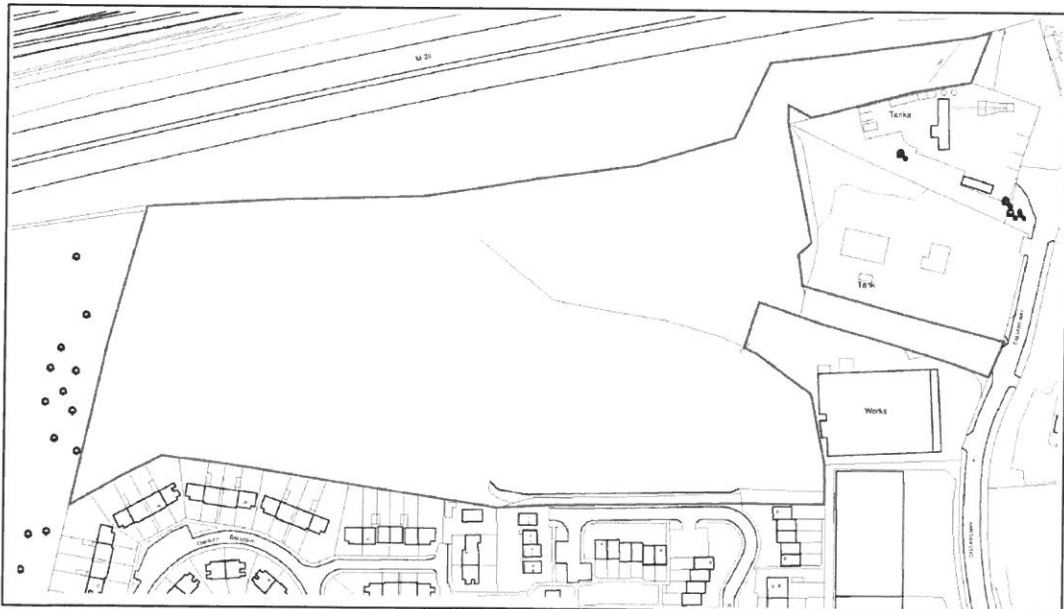
The Property was first allocated for commercial use under the 1997 Shepway District Council adopted Local Plan to 2001 and this allocation has continued to the present day.

Access to the Property is via a driveway between the neighbouring industrial units on **Caesar's Way**. This presents a relatively tight access arrangement given its relationship to the neighbouring properties and also supports an industrial feel, rather than a residential neighbourhood.

The Property itself is broadly flat with elevation changes at the edges of the site. In particular, the land falls away to the south, down into the housing estate beyond. Additionally, in the north east corner of the Property, there is a significant drop into an area we understand was used during the construction of the Channel Tunnel. The remainder of the Property is characterised by low level vegetation, with a treeline surrounding the Property. There are several clusters of trees scattered across the Property.

Although the site was dry on the date of inspection, the earth was cracked, which suggests it has the potential to hold water and maybe prone to flooding. Although there was no visual evidence of contamination, we understand that there is some low level, light industrial contamination on the site.

A schedule of photographs is included in Appendix 2.



(Source: Site Plan, planning application ref. Y13/0024/SH)

3.3 Site Areas

We have corroborated the stated site area of 4.35 ha (10.75 ac) using the Ordnance Survey mapping software Promap. We have calculated the site area to be 4.44 ha (10.96 ac) which is within a reasonable tolerance (+/- 10%). For the purpose of this report and valuation we have adopted the areas stated areas provided to us.

We understand that the individual areas of the site designated for employment use and residential have the following areas:

Employment land area: 2.08 ha (5.14 ac)

Residential land area: 2.35 ha (5.81 ac)

An OS plan to show the Property boundaries edged in red is attached for further information in Appendix 3.

4 INVESTIGATIONS AND ENQUIRIES

4.1 Planning

4.1.1 Planning Policy

The Local Planning Authority (LPA) is Shepway District Council.

We have reviewed the relevant planning documents which affect the Property online via the Council's [planning website](#). We have not undertaken a formal local search and the information obtained is assumed to be correct.

The key planning documents which affect the Property are set out below:

- The Shepway District Council 'Saved' Local Plan (adopted 2006)
- Shepway Core Strategy

4.1.2 Planning History

The property has the following material planning history:

Application no.	Proposal	Decision	Date
Y13/0024/SH	Outline application (matters relating to access only) for a mixed use development of commercial/office units (660 sqm) and industrial/storage units (5,142 sqm) (class B1, B8) as well as 77 residential dwellings together with associated car parking, open space, landscaping, pedestrian link and reconfiguration of vehicular access off Caesars Way.	Approved with conditions	04/08/14
Y16/0065/NMC	Non material amendment to application Y13/0024/SH - Outline application (matters relating to access only) for a mixed use development of commercial/office units (660 sqm) and industrial/storage units (5,142 sqm) (class B1, B8) as well as 77 residential dwellings together with associated car parking, open space, landscaping, pedestrian link and reconfiguration of vehicular access off Caesars Way.	Approved	25/07/16
Y16/0403/SH (reserved matters)	Erection of 77 dwellinghouses, construction of estate road and provision of open space, landscaping and parking being details pursuant to outline planning permission Y13/0024/SH (details relating to appearance, layout and scale).	Pending	n/a

Planning application ref. Y13/0024/SH is subject to 28 planning conditions which must be satisfied prior to implementation of the consent. In particular we would note the following site specific conditions:

Condition 14: relates to an initial desk top study to identify previous uses and potential contaminants. Where this shows that further investigation is necessary an investigation and risk assessment should be undertaken to identify the preferred remedial options and detailed remediation strategy. The approved remediation scheme must be completed prior to commencement of development and approved by the LPA.

Condition 18: relates to the translocation of reptiles to an agreed receptor site prior to the commencement of development including site clearance.

Condition 22: relates to the retention and restoration of the World War II Pillbox. The restoration and long term management plan is to be approved by the LPA prior to commencement of development.

Condition 28: relates to the relocation of the existing Stoddart Road bus stop in Ashley Avenue which is to be made available for use prior to the first occupation of the dwellings or use of the commercial buildings.

4.1.3 Proposed Development

The Property has planning permission (application ref. Y13/0024/SH) for a mixed development scheme to provide new residential and industrial/ business accommodation:

“outline application (matters relating to access only) for a mixed use development of commercial/office units (660 sqm) and industrial/ storage units (5,148 sqm) (class B1, B8) as well as 77 residential dwellings together with associated car parking, open space, landscaping, pedestrian link and reconfiguration of vehicular access off Caesars Way”.

The proposed residential dwellings will provide 46 no. 2 bedroom (4 person) houses and 31 no. 3 bedroom (5 person) houses.

A copy of the approved masterplan and accommodation schedule is attached at Appendix 4.

4.1.4 Section 106/ Affordable Housing

Planning application ref. Y13/0024/SH is subject to a signed Section 106 agreement dated 31 July 2014, between The Council for the District of Shepway and Rainstorm (Folkestone 1) Limited (the Owner) and Ravensbourne Holdings S.a.r.l (the Mortgagee).

The S106 agreement specifies that the total number of affordable housing units on the Property shall be 23 which represents 30% and should consist of a tenure mix providing 60% affordable rent and 40% shared ownership. The agreement restricts the number of private units that can be occupied to 50% until all of the affordable housing units have been completed and transferred to an affordable housing provider

The agreement specifies a number of financial contributions totalling £198,932 (subject to indexation) payable to Kent County Council in three instalments, as follows:

- 20% prior to the 1st occupation of a dwelling;
- A further 40% prior to occupation of more than 25 dwellings; and
- The remaining balance prior to the occupation of more than 50 dwellings.

The agreement specifies that serviced plots for the employment units shall be delivered in the following phases:

- Employment units 1 to 18 to be constructed before occupation of the 25th dwelling;
- Employment units 19 to 36 to be constructed before occupation of the 50th dwelling;
- The remaining employment units to be constructed before occupation of the 77th dwelling;

Servicing of the plots should include construction/preparation of the plots upon which the employment units are to be situated including any reasonably required access roads

landscaping and the provision of suitable connection points to utilities drainage, water, electricity and broadband.

Affordable residential values based on private residential values have been determined by BNPPRE's bespoke in-house affordable housing model, created specifically for this purpose.

Unit	Shared Ownership	Affordable Rent
Rate psf		

This equates to a blended affordable rate of £ . psf based on the consented affordable tenure mix (60% affordable rent / 40% shared ownership).

4.1.5 Community Infrastructure Levy (CIL)

The Shepway CIL charging schedule came into effect on 1st August 2016 and comprises:

- Four residential zones and CIL rates: Zone A (£0 per sq m); Zone B (£50 per sq m); Zone C (£100 per sq m); and Zone D (£125 per sq m)
- Two retail and related development zones: Folkestone Town Centre (£0 per sq m); and the rest of the District, for developments proposing over 280 sq m or more floorspace (£100 per sq m)
- All other development types are rated at £0 per sq m

The consented scheme (application ref. Y13/0024/SH) has no liability to pay CIL as planning permission was granted prior to the adoption of the CIL charging schedule. In the event that the consented scheme was not implemented and a new planning application was sought then the new scheme would be likely to incur a CIL charge.

4.2 Ground conditions

The Summary of Contamination document produced by Idom Merebrook Ltd (Mar 15) provides a summary of the salient information and likely remediation measures required and associated with abnormal development costs as identified by the following documents:

- Geotechnical and Contamination (Phase 1 and Phase 2) Assessment Report. Ashdown Site Investigation Limited (Oct 10)
- Enhanced Ground Contamination Risk Assessment, Remediation Strategy and Verification Plan. Ashdown Site Investigation Ltd (Sept 14)

The report identifies the following indicative costs to ensure clean cover in areas of soft landscaping, gas protection measures and upgraded water pipes:

- Remediation: £
- Enabling: £

The report identifies the need for piled foundations and the use of stabilised made ground in the formation of the piling mat and the need for attenuation tanks to be located in areas of little or no made ground.

We have allowed for the above stated remediation and enabling costs in our development appraisal. A copy of the Idom Merebrook Ltd summary letter is included in Appendix 5.

4.3 Environmental issues

We have reviewed the Waterman Preliminary Environmental Risk Assessment (Dec 15) which has been produced to support the Property's planning application, the report concluded that given the proposed end use the Property is considered to be a 'medium risk'. However, upon implementation of the recommendations below within the development, the residual risk is considered to be low. The following is recommended:

- Preparation of a Site Investigation Strategy for the additional Site investigation work to further quantify the risks to the proposed development.
- An updated Generic Environmental Risk Assessment detailing the findings of the additional investigation should be prepared
- A Remediation Strategy should be prepared which incorporates the findings of relevant previous Site investigations. The purpose of the Remediation Strategy document is to detail the measures required to be undertaken to ensure the identified contamination receptor linkages are broken as part of redeveloping the Property.

We would recommend that the Council makes enquiries with the Vendor to establish whether the recommended investigations and risk and remediation strategies have been undertaken.

4.4 Flood Risk

We have not undertaken or commissioned a formal flood risk assessment. We have checked the flood maps on the Environment Agency website which confirms:

Rivers and Sea

The Property is categorised as being of very low risk of flooding from rivers or sea which means the area has a chance of flooding of less than 1 in 1000 (0.1%).

Surface Water

The Property is categorised as having a very low risk of flooding from surface water which means the area has a chance of flooding of less than 1 in 1000 (0.1%).

4.5 Injurious Weeds and Invasive Plants

We did not notice any injurious or hazardous weeds or other invasive plants locate within the Property boundaries during our inspection. For the purposes of our valuation we have assumed that no such weeds or plants are present and that there would not be any material impact on our valuation.

4.6 Title

We have been provided with a Report on Title produced by the Council's solicitor and have reviewed copies of the Property's title documents TT27394 and K632247. Our understanding of the freehold interest is shown edged in red on the OS plan included at Appendix 6.

The Property's title contains a number of restrictive covenants and a right of way which may affect its development potential, as follows:

- "To use the property herby transferred for industrial purposes and no other use whatsoever", and
- "To use and occupy the property hereby transferred as a single commercial unit".



- In addition there is a right of way over part of the land to the Property's north east corner in respect of a drainage ditch.

The Report on Title produced by the Council's solicitor sets out the restrictive covenants and where these have been released or no longer affect the Property. However, there are a number of restrictive covenants which could still limit the Property's ability to be developed for residential use and we would recommend that the Council's solicitor looks at how these could be mitigated.

We have included copies of the Property's title registers, plans and Report on Title in Appendix 6.

5 MARKET CONDITIONS AND TRENDS

5.1 National Residential Market Overview

Despite growth in the UK economy, record low costs of borrowing and the ensuing consumer confidence, 2015 figures for annual house price growth fell short of expectations. Disparities in regional house prices are widening with the North East and Scotland showing the greatest weakness while London stabilises.

Although growth in house prices has reduced, house price inflation continues to outstrip income growth across large parts of the country meaning that house prices relative to earnings remain elevated.

Mortgage regulation restricting the amount of mortgage debt borrowers can use has held back the housing market impacting on aspiring home owner's ability to get on the housing ladder and the ability of existing home owners to climb the property ladder. In spite of government backed efforts to facilitate the entry of more young first time buyers into home ownership, with average mortgage deposits paid by first time buyers increasing on the figures from the previous year, the number of first time buyers is understandably falling.

The shortage of housing supply is a well reported topic which is exacerbating the affordability issue challenging aspiring homeowners and those with a view to climb the property ladder. Delivery of new homes to the market is stubbornly low with an average of 150,000 new homes per annum being built. This is 50,000 homes short of the government housing delivery targets. Developers have been criticised for holding large land banks which they are being slow to develop.

Weak new build activity and supply constraints, which have contributed to upward price pressures across much of the country, have intensified the affordability challenges and as such could discourage future activity. This is forecast to lead the UK residential market into a phase of sustainable growth where there is a lower level of transactions and slower price growth likely to ensue. However, following the UK's recent decision to exit the European Union, we are now in a period of uncertainty in relation to many factors that impact the residential market and it is likely to be some while before there is sufficient transactional evidence which clearly demonstrates the effect of this decision on market activity and values.

5.2 Local Residential Market

Land Registry data over the past year illustrates that capital values in Shepway District Council and Kent County Council have outperformed the UK national average. According to historic Land Registry data, the average house price within Shepway District Council has risen from £201,526 in June 2015, to £229,570 in June 2016 - an increase of 6.7% over the year. This is compared to Kent's average house price of £266,870 (June 2016), the average growth experienced across Kent was 13.21% from June 2015 to June 2016. The market within the County is therefore strong and has seen growth levels consistently exceeding that of the rest of the UK over the last few years.

Prior to the result of the referendum on the UK's membership of the EU, local agents reported that the market was performing well with most units going under offer at, or very near to, their asking prices.

The area immediately surrounding the Property is mixed in character, with an existing residential development along the whole of its southern boundary offering some comparable evidence. To the east of the Property are employment uses including a Kids Planet, Crosskeys Coach Depot and Harcourt Primary Court sits to the west.

We are aware of the following residential market evidence:

Scholars Village, Park Farm Road: a new Pentland Homes development located 0.6 miles North of Folkestone Central Station and 0.7 miles South East of Junction 13 of the M20. The development offers two, three and four bedroom properties. The agent disclosed that over 80 properties have sold in the development in the last year; with their new phase of houses just being released to the market. The Cheltenham and The Winchester models are examples of three bedroom properties that have just been released and have yet to have sold. Pentland Homes do not lower the headline value of the properties, but do offer incentives which were not disclosed by the agent. Two bedroom semi-detached houses sold in 2015 at sales prices in the region of £210,000; now towards the end of 2016 they are selling for up to £245,995 which equates to c. £290 psf. A number of three bedroom properties sold in July 2016 at sale prices of £290,000 which equates to c. £250 psf.

Bridgefield, Finn Farm Road: A new Taylor Wimpey development in Ashford Kent, approximately 20 minutes' drive from the subject Property. Three bedroom properties have sold in July/August 2016 for sale prices of £239,500 - £255,000 which equates to £239 psf – £256 psf. A two bedroom terraced house at the Crest Nicholson development in Avocet Way, located just three miles from the Bridgefield development was recently reserved at £245,000, £293 per sq ft. The developments themselves are much larger than the subject Property and are arguably in a better location closer to London and may demand a premium. However, the subject Property is very well connected with the HS1 and M20 motorway located moments away.

Shorncliffe Heights, The Stadium: Phase two of a new three phase development creating 1,200 new properties. The development offers two, three, four and five bedroom properties. The first phase sold out successfully with asking prices being achieved. The development is located a 10 minutes' walk from Folkestone West railway station, 1 mile equidistant from the subject Property and the waterfront. The semi-detached three bedroom houses are on the market for £235,995 which equates to c. £277 psf.

84 Firs Lane, Folkestone: This semi-detached 2 bedroom property is a good comparable to the subject Property due to its close proximity to the development, just a 6 minutes' walk. It is not a new build property and thus a premium may be added to the value per square foot for our Property, but it has recently been fully refurbished and is well presented in a good condition. The property achieved £179,995 in May 2016 which equates to c. £219 psf.

Based on the above, we have assumed a blended rate of £270 psf for the 2 bedroom private residential element of the proposed scheme and £250 psf for the three bedroom properties.

A schedule of comparable evidence for residential sales values is attached at Appendix 7.

5.3 National Commercial Market

Occupier demand in 2016 has remained remarkably robust and fundamentals driving this market remain largely unchanged by the referendum result. The big issues for the sector will be the outcome of the future trade talks with Europe and the rest of the world. This is a separate process from the negotiations to leave the EU, and has the potential to take much longer to finalise.

The sector's relatively high yielding profile, combined with the structural shift within the occupational market, set against acute undersupply and limited developments, has drawn a large and sustainable international following. In the second half of the year we therefore expect the logistics sector to rely upon these defensive characteristics.

Despite easing slightly, supply shortages have characterised the sector for some time and as a result are unlikely to pose a large threat to rental values declining, particularly as occupier

rents do not look that stretched and occupier affordability is not really a concern, although we are forecasting a slowdown in Rental Value Growth.

Even so, with less yield volatility than most other sectors and positive nominal rental value growth, at 6.5%p.a., total returns in the industrial sector are set to outperform. Over BNPPRE's five year forecast horizon, returns in the industrial sector will be strongest of all of the other traditional sectors.

5.4 Industrial Rental Market

We are aware of the following industrial rental market evidence:

Kengate Industrial Estate: situated 5 miles west of the subject Property, here a 4,199 sq ft industrial unit was let recently on a new 5 year lease at a rent of £4.47 psf. The subject Property would arguably demand a slight rental uplift due to its favourable position opposite the Channel Tunnel terminal and 0.8 miles from Junction 13 of the M20.

Otterpool Lane: situated 7 miles west of the subject Property, here a 1,202 sq ft industrial unit was let recently on a new 5 year lease at a rent of £4.76 per sq ft. The subject Property would arguably demand a slight rental uplift due to its favourable position opposite the Channel Tunnel terminal and 0.8 miles from Junction 13 of the M20.

White Cliffs Business Park, Dover: this 3,864 sq ft unit let in July 2016 on a 5 year lease term, no incentives were agreed. The unit may demand a slight premium due to its close proximity to Dover Port and with its quick access to the M20. The unit, built in 2001, is of steel portal frame construction with metal sheet cladding. The unit achieved a rental value of £7.10 per sq ft.

Fairwood Industrial Estate, Ashford: a 1,200 sq ft industrial unit let recently on a new 3 year lease at an agreed rent of £7.50 psf.

Vanguard Industrial Estate, Ashford: a 2,805 sqft industrial unit let recently on a new 5 year lease with an option to break in year 2 at an agreed rent of £6.25psf.

Unit 21, Shearway Business Park: a modern 1,175 sq ft industrial unit, comprising one of 24 high quality units. The unit let recently on flexible lease terms at an agreed rent of £8.29 psf.

In light of the above we are of the opinion that the new industrial space would achieve a rent in the region of £5.00 psf.

5.5 Industrial Investment Market

We are aware of the following industrial investment market evidence:

Unit 4, Caesars Way: is located just moments away from the subject Property and is also adjacent to the Channel Tunnel terminal and Junction 13 of the M20 Motorway. The unit is 5,425 sq ft in size and is one of five concrete portal frame constructed units in the terrace. The unit sold in November 2016 for £325,000 reflecting a net initial yield of 8.6%.

Unit 3, Orbital Park: completed in June 2016, is an end of terrace unit of steel portal frame construction and is conveniently located in Ashford, a much larger settlement than Folkestone, near Junction 10 of the M20, conveniently closer to the capital than our subject Property. The long-leasehold interest was purchased at the end of 2015 for £450,000, reflecting a net initial yield of 6.18%.

Lakesview International Business Park: here a 1,834 sq ft industrial unit has gone under offer in August 2016 for an agreed sale price of £120,000 reflecting a net initial yield of 5.70%. The unit is a new, end of terrace unit also comprising office space and a gated block paved yard. The property is located just off the A28, providing a direct link in to the centre of Canterbury. Being on the outskirts of the City of Canterbury, this industrial unit will arguably reflect a yield lower than that achieved at the subject Property.

Therefore, based on the above, we have assumed a net initial yield of 8.50% for a new industrial unit.

5.6 Industrial Land Market

We are aware of the following industrial land transaction evidence:

Land at Caesars Way: situated to the east of the subject Property this land is currently being marketed as a whole comprising 2.9 acres or as 6 individual plots. The land has been allocated in the Shepway District Local Plan for industrial and business uses and has an asking price of £125,000 for the smallest individual plot of 1,250 sq m, which equates to approximately £400,000 per acre as a serviced plot.

Our conversations with local agents including Smith Woolley revealed that there is limited demand for large parcels of industrial/ employment land in the current market. This has been demonstrated by the land at Caesars Way which received no interest as a single plot. However, this has subsequently been marketed as a series of smaller industrial parcels as outlined above and we understand all of the parcels are now under offer at sales prices which equate to £350,000 per acre as serviced plots.

We have not been provided with costs for servicing the industrial land and we are not able to derive a cost estimate from BCIS (as this information is not available) but we have consulted with our internal BNPPRE Building Consultancy team who are of the opinion that the cost of providing the serviced plots would lie in the region of c. £100 psm which would include providing the infrastructure and services as specified within the S106 agreement.

We would strongly suggest that the Council seeks additional advice as to the cost of servicing the employment land and we would be happy to update our appraisal if provided with this information.

For the purpose of our development appraisal we have applied a cost of £100 psm to the approximate net developable site area and applied a residual land value of approximately £100 psm per acre to reflect the comparable evidence.



5.7 Office Market

The Kent Property Market Review (March 2016) suggests that against an improving economic backdrop in 2015 the occupier market saw greater activity across Kent with greater tenant demand across many parts of the County and the first upturn in rental growth since 2008.

Accessible towns in the County offering a quality work environment are proving attractive to **relocating and expanding businesses seeking greater value for money with the County's main business parks** seeing a significant increase in lettings and sales.

We are aware of the following office market evidence:

15 Douglas Avenue, Hythe: 934 sq ft basement office accommodation let in January 2016 at a rent equating to £6.83 psf.

124 High Street, Hythe: 605 sq ft of office accommodation let on a flexible tenancy at will in September 2015 at a rent equating to £5.73psf

Castle House, Castel Hill Avenue, Folkestone: 4,113 sq ft of office accommodation let on a new 10 year lease in August 2015 at a rent equating to £10.00 psf. The lease is subject to a 5 year rent review.

Aspen House, Folkestone: 10,174 sq ft of first floor office accommodation with basement storage let in August 2015 at a rent equating to £6.83 psf.

Church House, 136 Sandgate Road, Folkestone: 705 sq ft of lower floor office space let in January 2015 on a new 5 year lease with an option to break in year 2 at an initial rent equating to £5.67 psf rising to £7.09 psf in year 2.

In light of the above we are of the opinion that the new industrial space would achieve a rent in the region of £7.09 psf.

6 DEVELOPMENT APPRAISAL

We have relied upon the following key appraisal inputs within our valuations:

Input	Value	Comment
Private Revenue	c. [redacted] psf	Rate per square foot
Affordable Revenue	c. [redacted] psf	Blended rate per square foot
Serviced Employment Land Value	C. [redacted] per acre	See 5.6
Private Residential Construction Cost	[redacted] psf	Applied to gross floor area source: BCIS
Affordable Residential Construction Cost	[redacted] psf	Applied to gross floor area
Serviced Employment Land Cost	[redacted] psm	Applied to site area. See 5.6
Section 106	[redacted]	Subject to indexation. See 4.1.4
Site Remediation Cost	[redacted]	Fixed cost. See 4.2
Site Enabling Works Cost	[redacted]	Fixed cost. See 4.2
Developers Contingency	[redacted] %	Applied to base construction costs
Professional Fees	[redacted] %	Applied to base construction costs
Marketing	[redacted] %	Applied to gross development value
Sales Agent Fee on Disposal	[redacted] %	Applied to gross development value
Sales Legal Fee on Disposal	[redacted] %	Applied to gross development value
Finance Rate	[redacted] %	Applied to total development cost
Profit on Private Residential	[redacted] %	Profit on cost
Profit on Affordable Residential	[redacted] %	Profit on cost
Profit on Commercial	[redacted] %	Profit on cost
Initial Sales prior to Practical Completion	[redacted] %	Private sales
Sales on Practical Completion	[redacted]	Units per month

Our development appraisal reflects the phasing between the residential and employment units as set out within the Section 106 agreement i.e.:

Phase 1: 25 no. private residential units, 18 no. commercial units

Phase 2: 23 no. affordable residential units, 18 n. commercial units

Phase 3: 29 no. private residential units, 18 no. commercial units

We have assumed that phases 1 and 2 are built out concurrently with the affordable housing sold to a registered provider or retained by the Council on completion.

A copy of our development appraisal is attached at Appendix 8.

7 VALUATION

7.1 Valuation Approach

In assessing the Property's value we have used the direct comparable and residual methods of valuation.

The direct comparable method – provides an indication of value by comparing the subject asset with similar assets for which price information is available.

The residual method - used to assess development site values, requires calculation of the value of the completed development which will be reached by comparison with market transactions, while the assessment of development costs will also require comparison to be made with build costs, fees, finance costs and many other elements in similar projects.

7.1.1 Residential Gross Development Value

We have reviewed the accommodation schedule in respect of planning application no. Y13/0024/SH and applied the following values to the private residential units:

Unit Type	No. of Units	Unit Area SqFt (NSA)	Capital Value	Value psf
2 Bed House	31	900		
3 Bed House	23	1,039		
Total	54	51,652		

7.1.2 Residual Land Value

We are of the opinion that the Market Value of the Property with the benefit of the consented scheme (planning ref. Y13/0024/SH), assuming a clean and developable title (i.e. no restrictive covenants), lies in the region of:

£1,200,000
(One Million Two Hundred Thousand Pounds)

8 CONCLUSION

This report and valuation has been prepared on the basis that there has been full disclosure of all relevant information and facts which may affect the appraisals that support the valuations. It has been prepared solely for the stated purpose and may not be appropriate for any other purpose.

This report is private and confidential to you. It may not be disclosed to any third party without our prior written consent, nor published in any document or circular, without our prior approval in writing as to the form and context in which it shall appear. In breach of this condition, no responsibility can be accepted to third parties for the comments or advice contained in this report.

Yours faithfully

Andrew Fraser MRICS
RICS Registered Valuer
Senior Surveyor



Anthony Lee MRTPI MRICS
RICS Registered Valuer
Senior Director



For and on behalf of
BNP Paribas Real Estate Limited

