



# Viability Assessment: Local Development Plan

Prepared for Merthyr Tydfil County Borough Council

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# 1. Instructions

Instructions were received in October 2017 to undertake a viability assessment for a range of sites across Merthyr Tydfil County Borough. 11 sites have been assessed and we have been instructed to comment on whether or not each site is likely to be financially viable for residential development having regard to current planning policy, including Planning Policy Wales, Technical Advice Notes, the current Local Development Plan for the Authority, Supplementary Planning Guidance Notes and the current state of economic and residential market.

Our assessment of viability specifically focuses on current affordable housing requirements, CIL liabilities and other financial requirements specifically required under S106. The report will determine whether or not the levels of affordable housing and CIL should be amended from current quantities.

Our valuations have been undertaken in accordance with your instruction letter and our Letter of Appointment, which have been prepared in accordance with the RICS Valuation – Global Standards 2017 (the Red Book).

A copy of our instruction letter is included in Appendix 2.

## Conflicts of Interest

In assessing any potential conflicts, we have adhered to the RICS Professional Statement – Conflicts of Interest, (1<sup>st</sup> Edition, March 2017) and the RICS Rules of Conduct.

As far as we are aware, we have no conflict of interest in relation to the provision of valuation advice in respect of this instruction. We are providing our advice as External Valuers in accordance with the provisions of the Red Book. GVA is a regulated firm.

In February 2016 GVA provided valuation advice and a supporting report for Merthyr Tydfil County Borough Council. We were instructed to appraise potential residential development sites held under the ownership of the Authority to help identify opportunities to invest and bring forward the sites under the Welsh Government's Vibrant and Viable Places Programme.

## Limitation of Liability and Professional Indemnity Insurance

Our total liability in connection with this instruction and this Valuation Report is £5 million, as set out in the terms of appointment we provided to you. We confirm that we hold professional indemnity insurance to cover our liabilities arising in connection with this instruction and this Valuation Report.

## Nature and Source of the Information Relied Upon

In preparing our valuations, we have been provided with information by Merthyr Tydfil County Borough Council. The extent to which this has been relied upon, and verified, by us in arriving at our opinion of value, is referred to in our report.

## Date and Extent of Inspection

The sites were inspected on 3<sup>rd</sup> and 8<sup>th</sup> January 2018 by Carys Chandler MRICS and Steve Gibbon FRICS, both RICS Registered Valuers within the Valuation Consultancy Department of our Cardiff office. Access was generally available to all parts of the sites.

## 2. Introduction

We have undertaken a viability assessment of 11 development sites. The sites are located throughout the County Borough and comprise a mixture of residential development sites, contained within Primary and Other Growth Areas. Some of the sites are held freehold by Merthyr Tydfil County Borough Council and others are held by private individuals and organisations.

We have assumed for the purpose of this valuation that there are no unduly onerous or restrictive covenants affecting Title which would have an adverse effect on value unless otherwise referred to in the individual pro-forma reports. This assumption should be verified by your solicitors. We have also assumed that appropriate access is, or can be made available.

An example of an individual site pro-forma report is appended to this report.

The sites we have valued are summarised below:

Site Ref	Site Description
1	Large Reclaimed Brownfield site, edge of Merthyr Tydfil settlement
2	Medium Greenfield site, edge of Merthyr Tydfil Town Centre
3	Large Brownfield site, edge of Merthyr Tydfil settlement
4	Medium Reclaimed Brownfield site, edge of Merthyr Tydfil settlement
5	Medium brownfield site, edge of Merthyr Tydfil Town Centre
6	Small greenfield site, edge of Merthyr Tydfil settlement
7	Medium brownfield site, edge of Merthyr Tydfil Town Centre
8	Medium brownfield site, Merthyr Tydfil Town Centre
9	Large reclaimed brownfield site, South of County Borough
10	Small urban greenfield site, South of County Borough
11	Medium greenfield site, South of County Borough

## 3. Methodology

As part of this process we have engaged with officers and staff at Merthyr Tydfil County Borough Council, attended client meetings and discussed the opportunities and constraints with a number of national and regional house builders.

We have appraised all 11 sites using the residual method of Valuation. This approach involves valuing the completed residential development by comparing sales of similar new build properties in the area. From the resulting gross development value are deducted construction costs, including professional fees, finance fees, sale and legal fees, developer's contingency and developer's profit. In most cases (unless specified within the individual site report) we have taken a blended profit on costs of 23% to reflect the scale of the developments and to reflect the quantum of affordable and market housing on each site. The amount by which the gross development value exceeds the total costs, including developer's profit, provides the residual current day value of the property.

## 4. General Assumptions

The following general assumptions have been made (unless otherwise specified within the individual pro-forma report) on all site appraisals:-

- The site is held freehold and is free from any encumbrances and is to be valued with vacant possession.
- No Title issues exist.
- No wayleaves, rights of way or other adverse problems affect the site.
- No access issues or ransom strips exist to affect development and that all services will be available to the site boundary.
- The site boundaries indicated on the individual pro-forma site plans are in accordance with those held at the Land Registry.
- The subject site benefits from unrestricted access to the local road network.
- No planned highway proposals are likely to impact on the subject property.
- The property is free from any onerous environmental liabilities that may affect its value (except those referred to on the individual pro-forma reports).
- There is no significant contamination or adverse ground conditions (except those referred to on the individual pro-forma reports).
- Services are readily available or can be made readily available to each site (except those referred to on the individual pro-forma reports).
- Planning permission for the outlined schemes would be forthcoming.
- We have assumed the units will be constructed of traditional cavity brick/block construction under concrete/slate tile roofs and a vernacular exterior.
- All units will be covered by a NHBC certificate or similar upon satisfactory completion. All warranties should be assignable to future purchasers.
- Each unit will be heated by gas fired central heating and served by mains electricity, water and drainage.

The value of the property, being development sites, is likely to be far more volatile than a traditional property investment let for 25 years. The equity (and thus our valuation) in the site is susceptible to changes in economic conditions including the main development variables affecting development value such as sales values, construction costs, interest rates and development/sales periods.

### Development Variables

The following generic build / valuation inputs have been used (unless specified within the individual pro-forma report) on all site appraisals:-

- The Affordable housing requirement has had regard to The Merthyr Tydfil Local Development Plan 2006 – 2021 Supplementary Planning Guidance Note No1. Affordable Housing (March 2012). The delivery of the affordable housing through the planning system is facilitated by two policies contained within the LDP.
- Policy AS22 seeks an affordable housing contribution on sites of 10 or more units with the indicative provision of 10% affordable housing in Primary Growth Areas and a 5% contribution in the Other Growth Areas.
- Policy TB13 deals with exception sites for affordable housing in the countryside and states that development proposals for the provision of affordable housing adjoining settlement boundaries identified within the LDP will be permitted where it can be demonstrated that:
  - The proposed development cannot be accommodated within the defined settlement boundaries;
  - The site does not exceed 10 dwellings or 0.5 hectares;
  - The proposed development is solely for the provision of affordable housing to meet an identified local need within Other Growth Areas;
- The development is compatible with other plan policies and material planning considerations.
- Affordable housing provision has been split on an 80% / 20% basis between Social Rented Units and Low Cost Home Ownership (LCHO) units.

- Social Rented units have been inputted and valued in accordance with the latest 'Acceptable Cost Guidance / On-Costs for use with Social Housing Grant Funded Housing in Wales' document produced by Welsh Government – (January 2018) at 42% of ACG.
- LCHO units have been valued at 70% of the anticipated Open Market Value (OMV).
- The estimated sales rates for open market units (GDV) have had regard to comparable evidence of recent or on-going residential development schemes and re-sales of comparable properties within the area. A schedule of comparable evidence is detailed in this report.
- All 4 bedroom Open Market units have been inputted at an average size of 1,100 sq ft.
- All 3 bedroom Open Market units have been inputted at an average size of 900 sq ft.
- All 2 bedroom Open Market units have been inputted at an average size of 700 sq ft.
- All LCHO units have been inputted at the same size (sq ft) as the Open Market Units.
- The floor areas for all Social Rented units have been inputted in accordance with the notional floor areas stated in the Welsh Government Acceptable Cost Guidance document.
- Welsh Government has implemented legislation for the mandatory installation of fire sprinkler systems for all new domestic properties built in Wales after 1<sup>st</sup> January 2016. Sprinkler systems have been inputted into all appraisals at a cost of £2,500 per property.
- A general build cost of £104 per sq ft has been used for all house types and £120 per sq ft has been used for all flats for all appraisals. These figures include:

Cost Type	Houses	Flats
Basebuild	@ £65 psf	@ £87 psf
Preliminaries	@ £15.50 psf	@ £15.50 psf
Plot externals	@ £3.50 psf	@ £3.50 psf
Site works	@ £14.00 psf	@ £14.00 psf
Garages	@ £6.00 psf	-
<b>TOTAL</b>	<b>£104 psf</b>	<b>£120 psf</b>

- A 3% contingency has been used within all appraisals (unless stated otherwise).
- CIL has been inputted in accordance with the 'Merthyr Tydfil County Borough Councils Community Infrastructure Levy Charging Schedule – 2<sup>nd</sup> June 2014'. The document outlines the applicable CIL rate over different residential zones at two separate charging rates. The relevant CIL rate has been applied to open market units only on a site by site basis. (Northern area sites inputted at £25 psm. Other Growth area sites inputted at £0 psf).
- Marketing costs for open market units have been inputted at 2.5% of the anticipated GDV for the open market units only.
- Transfer costs for affordable units (LCHO and social rented) have been inputted at 1% of the anticipated GDV for affordable housing units.
- Finance costs have been calculated at 6%
- Professional fees have been calculated at 8%.
- Legal fees have been calculated at 0.8%
- Build rates have been calculated at an average of between 1.5 - 2 units per month (unless stated otherwise).
- Sales rates have been calculated at an average of between 1.5 - 2 units per month (unless stated otherwise).
- All appraisals with a positive land value have been calculated with a blended developers profit on cost of 23% (equating to approximately 18.70% profit on GDV).

## 5. Location

Merthyr Tydfil is bounded by Blaenau Gwent to the east, Rhondda Cynon Taf and the Vale of Glamorgan to the south west, Caerphilly and Newport to the south east, Powys to the north and Cardiff to the South.

The A470 dual carriageway connecting Merthyr to the M4 motorway and Cardiff is located to the west of the county borough. Junction 32 of the M4 Motorway is located approximately 21 miles to the south east of Merthyr Tydfil, connecting Swansea to the west and London to the east. The A465 Heads of the Valleys dual carriageway is located to the north.

Merthyr Tydfil is well served by public transport links. The Merthyr/Aberdare line runs between Cardiff and Merthyr. High speed rail links are available from Cardiff Central to London Paddington with an estimated travel time of 2 hours 10 minutes.

The County Borough is ranked the 14<sup>th</sup> largest urban area in Wales. It is located in the heart of the South Wales valleys with development owing much to the coal and steel industries. Both industries have been in decline over much of the last 100 years. Employment in manufacturing and public administration is becoming increasingly important. The development of the regional Welsh Government office in 2005 was key in this respect.

We have provided plans below showing the location of Merthyr Tydfil County Borough within the context of the surrounding area.



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## 6. National Housing Market Commentary

House price growth is estimated to remain steady in 2018. 2017 was a sluggish year for house prices. Nationwide and Halifax figures showed the price of the average home rose by just over 2.5% in the year to December.

According to Rightmove on average sellers have cut prices by 1.4% so far in January and the average length of time taken to sell is now the longest since January 2012.

The prevailing view, which we agree with, is that there is likely to be little change in the rate of house price growth this year. At the headline level, we expect prices to rise by 2.8% in 2018 and by 3.7% in 2019. This subdued picture reflects a number of factors:

- Rising rates will keep a check on buyers' willingness/ability to keep bidding prices up faster than incomes.
- Stress testing requirements inhibit lenders' ability to provide higher LTI's, so a demand boost and resultant pressure on prices will not come as a result of looser lending practices.
- Historically high house prices relative to earnings, and an uncertain economic outlook will constrain buyer activity.

More positively, we view the risk of a sharp correction in house prices to be slim:

- While active demand is low, so too is the number of willing sellers. As a result, even at current, low sales rates, it would only take 8.5 months to sell all the homes currently on the market.
- A figure that is comparable to those seen during the mid 2000s boom.
- The vast majority of buyers have opted for fixed rate loans in recent times, meaning that changes in interest rates take longer to affect the market than in the past.
- Even with interest rate rises, they remain ultra-low and we also have record low unemployment, reducing the chance of people being forced to sell or dramatically reduce asking prices.

In order to generate a major correction in prices, we would probably either need to see much larger rate rises than are currently expected, perhaps in response to an inflation shock, or to see a spike in forced sales driven by rising unemployment. For now, the number of mortgages in arrears and the number of possessions appear stable at very low levels.

### House Building

Housing starts have plateaued. The recent upward trajectory in housing starts eased off in Q3 (latest data available). On a four quarter rolling basis, total housing starts held broadly steady at 166,700. Similarly, the pace of growth in completions also eased off.

The key constraint to growth in house building appears to be from the supply side. With starts at their highest level since the crisis, the proportion of builders reporting construction constraints arising from labour and materials availability has once again risen sharply. This situation could further deteriorate, as the sector is heavily reliant on migrant labour and construction material imports from the EU. Our looming Brexit is already serving to discourage migrant workers. Looking further forward, post Brexit it is likely that both our ability to recruit from the EU and the cost of materials will be less favourable.

But the recent RICS construction market survey reported that few builders cite constraints on demand arising from credit availability or house prices. And a majority of builders believe that demand for their homes exceeds supply.



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### The Lettings Market

Rental yields are expected to hold firm. There has been a slowdown in rental market conditions over the last 12 months, with rental value growth falling to its lowest rate since the financial crisis. What's more, average earnings growth now sits ahead of rent inflation. As a result, rental affordability actually improved over the course of the year.

We expect rental growth rates to pick up slightly in both London and elsewhere as:

- Growth in new rental supply will remain low due to the impact of the SDLT surcharge.
- Earnings growth is healthy and we expect it to continue to improve.
- Landlords are likely to try to pass on some of the additional costs they incur as a result of taxation reform.

## 7. Local Market Commentary

### South Wales Residential Market

The past year has continued to see the Welsh economy strengthen, leading to improved sentiment in most property markets.

Major house builders, Redrow, Persimmon, Barratt, Taylor Wimpey, as well as regional builders, Llanmoor Homes, Lewis Homes and Davies Homes have a strong presence and are expanding their search radius from the prime M4 corridor locations and areas such as Monmouthshire and the Vale of Glamorgan with proximity to Cardiff being the focal point. As a result, secondary locations are now experiencing strengthened residential development activity with volume house builders favourably developing north of the M4 corridor and beyond.

House builders are seeing strong performances on recent schemes and where a number of schemes were shelved during and following the recessionary period, work has now restarted onsite to complete schemes.

Data reveals that 19 of the Local Authority areas in Wales have seen an average rise in annual growth over the last year, while 8 of the 22 Local Authorities have seen a fall over the last 3 months.

The bounce-back in the housing market is seen to be down to people taking advantage of favourably low interest rates and high employment.

Several national house builders are launching developments and are seen to be targeting buyers from over the border with the Severn Bridge toll reduction which came in to effect in January 2018 aiding this enticement, especially for first time buyers and lower income families priced out of the Bristol and South West markets.

There is a continued need to build new homes throughout the borough and South Wales generally, to increase supply and meet current demand in an integrated manner. Building new homes helps reverse economic, social, environmental and physical decline in areas where market forces will not do this alone.

According to Rightmove house prices in Merthyr over the last year were generally similar to the year before and 3% up on 2007. The average house price in Merthyr is £118,351. The priciest area within Merthyr Tydfil was Pontsticill (£228,600) and the least expensive was Gurnos (£67,254).

At the time of the Census (2011), owner occupation was the main tenure locally, accounting for 65% of households.

Sites located within high priority areas in the Other Growth Areas is where the housing market is weaker, leading to it being less attractive to housing developers regardless of the 5% affordable housing and £0 CIL contributions. It is considered bringing forward housing development within these areas will provide a greater choice of housing and help attract economic investment.

According to Rightmove, there are currently 301 houses on the market for sale in Merthyr ranging between £695,000 - £445,000. There are a further 158 houses sold subject to contract or under offer.

There are currently 9 flats available for sale with asking prices of between £92,500 - £47,550 with a further 4 flats sold subject to contract or under offer.

There are currently 11 bungalows available for sale ranging from £310,000 - £102,995, with a further 10 sold subject to contract or under offer.

According to Rightmove there are currently only 7 new homes available for sale across Merthyr (including units sold subject to contract and under offer) with asking prices of between £172,000 - £157,000.

## 8. Comparable Evidence – New Build

There are currently no large scale residential developments taking place in Merthyr. We are aware of the following on-going developments:

### Merthyr Tydfil

#### **Winchfawr Road, Merthyr - Local Developer**

House Type	Description	Sq Ft	Status	Asking Price	£ / Sq Ft
plot 2	3 bed semi	-	For Sale	£159,995	-
plot 7	3 bed semi	-	For Sale	£159,995	-
plot 8	3 bed semi	-	For Sale	£159,995	-
plot 1	3 bed semi	-	SSTC	£157,500	-
plot 5	3 bed semi	-	For Sale	£159,995	-
plot 6	3 bed semi	-	Under offer	£157,500	-
plot 4	3 bed semi	-	Under offer	£157,500	-

Development of 8 semi-detached units. The units were listed for sale in October 2016. The units have been completed but the roads and show home remain unfinished. 3 units currently under offer with deposits paid. Good levels of interest reported but people appear reluctant to commit to a purchase without seeing a show home. No incentives offered.

#### **Bontnewydd Terrace, Trelewis - Local developer**

House Type	Description	Sq Ft	Status	Asking Price	£ / Sq Ft
Cottage 1	3 bed terrace	-	for sale	£146,950	-
Cottage 2	3 bed terrace	-	for sale	£146,950	-
Cottage 3	3 bed terrace	-	for sale	£144,950	-

A small development of three terrace units constructed by a local developer. Development commenced in January 2017 and were listed for sale in July 2017. No incentives offered.

## Rhondda Cynon Taff

### Phase 2 Highfields, Tonyrefail – Lewis Homes

House Type	Description	Sq Ft	Status	Asking Price	£ / Sq Ft
Camara	2 bed terrace	668	For Sale	£139,950	£209.51
Hyatt	3 bed semi-detached	927	For Sale	£182,950	£197.36
Burnbury	3 bed detached	944	For Sale	£204,950	£217.11
Shelby	4 bed detached	1192	For Sale	£219,950	£184.52
Roxbury v1	4 bed detached	1354	For Sale	£252,950	£186.82
Roxbury v2	4 bed detached	1354	For Sale	£252,950	£186.82
Thornbury	4 bed detached	1412	For Sale	£271,950	£192.60
Thornbury	4 bed detached	1412	For Sale	£275,950	£195.43

Phase 2 of the development comprises 76 two, three and four bedroom homes. Marketing commenced in November 2017 and to date two units have completed, 25 units are currently under offer and the remainder of the current batch are held under early bird offers. Good levels of interest received with no incentives offered. Development is due to complete on site during summer 2019.

### Golwg Y Mynydd, Mountain Ash – Persimmon

House Type	Description	Sq Ft	Status	Asking Price	£ / Sq Ft
Alnwick	2 bed terrace	638	For Sale	£124,995	£195.92
Hanbury	3 bed terrace	761	For Sale	£155,995	£204.99
Moseley	3 bed 2.5 storey terrace	762	For Sale	£132,995	£174.53
Rufford	3 bed detached/semi	870	For Sale	£147,500	£169.54
Hatfield	3 bed detached	969	For Sale	£157,500	£162.54
Clayton	3 bed detached	969	For Sale	£164,500	£169.76
Chedsworth DS	4 bed detached	1222	For Sale	£228,995	£187.39
Bickleigh	3 bed 2.5 storey semi/terrace	911	For Sale	£159,995	£175.63
Longthorpe	4 bed detached	1153	For Sale	£204,995	£177.79

A development of 110 two, three and four bedroom homes. Good levels of interest received to date.

## Torfaen

### Parc Celyn, Greenmeadow Way, Cwmbran - Taylor Wimpey

House Type	Description	Sq Ft	Status	Asking Price	£ / Sq Ft
Beckford	2 bed semi	680	For Sale	£154,995	227.93
Whitford	4 bed detached	1204	For Sale	£269,995	224.25
Downham	4 bed detached	1244	For Sale	£274,995	221.06
Fakenham	4 bed detached	1385	For Sale	£279,995	203.16
Midford	4 bed detached	1170	For Sale	£249,995	£213.67

219 homes planned under Phase 1. Phase 2 of the development is currently in for planning. Development commenced in June 2016 with planned completion over 4 years. 102 units have completed to date with a further 25

currently under offer. Strong levels of interest received with no incentives offered other than Help to Buy and Part Exchange.

#### Edlogan Wharf, Cilgant Ceinwen, Pontrhydyrun, Cwmbran - Taylor Wimpey

House Type	Description	Sq Ft	Status	Asking Price	£ / Sq Ft
Wilton	5 bed detached	1759	For Sale	£379,995	£216.04
Shelford	4 bed detached	1369	For Sale	£298,995	£218.40
Whitford	4 bed detached	1248	For Sale	£280,000	£215.48
Eskdale	4 bed detached	1222	For Sale	£274,995	£225.04
Kentdale	4 bed semi-detached	1222	For Sale	£262,995	£215.22
Kentdale	4 bed detached	1222	For Sale	£272,995	£223.40
Midford	4 bed semi-detached	1170	For Sale	£257,995	£220.51
Dovedale	2 bed coach house	653	Sold	£150,000	£229.71
Beckford	2 bed terrace	602	For Sale	£162,995	£270.76
Langdale	4 bed detached	1530	Coming soon	£364,995	£238.56

Development of 101 two, three, four and five bedroom homes completed under one phase. Total development will be completed over 10-12 years. No incentives being offered other than Help to Buy and part exchange. Development commenced on site in June 2017 and 50 units have sold or are currently under offer to date. The developer reports strong levels of interest. The asking prices are open to some negotiation.

#### Hanbury Village, Cwmbran – Barratt

House Type	Description	Sq Ft	Status	Asking Price	£ / Sq Ft
Newton	2 bed house	677	For Sale	£141,000	£208.28
Finchley ter	3 bed terrace/semi	831	For Sale	£199,995	£240.67
Dartmouth	3 bed house	901	For Sale	£224,500	£249.17
Morpeth	3 bed house	956	For Sale	£233,500	£244.25
Alston	3 bed house	1001	For Sale	£238,000	£237.76
Thornbury	4 bed house	1203	For Sale	£268,000	£222.78
Lincoln	4 bed house	1243	For Sale	£280,000	£225.26
Thame	4 bed house	1375	For Sale	£304,500	£221.45
Cambridge	4 bed house	1424	For Sale	£313,000	£219.80
Harrogate	4 bed house	1538	For Sale	£316,500	£205.79
Oakhampton	4 bed house double garage	1550	For Sale	£341,995	£220.64
Stratford	5 bed 2/.5 storey house double garage	1992	For Sale	£424,000	£212.85

Development of 108 two, three, four and five bed units including 11 affordable units. The units will be covered by a NHBC on completion. A large amount of interest received to date with circa 50% of units sold or under offer. A small amount of incentives are being offered including carpets and discount on larger units.

### Oakfield Grange, Cwmbra - Lovell

House Type	Description	Sq Ft	Status	Asking Price	£ / Sq Ft
Austen	2 bed semi-detached	680	Available	£162,500	£238.97
Chaucer	3 bed detached	914	Available	£235,000	£257.11
Keats	3 bed detached	866	Available	£226,000	£260.97
Dryder	3 bed detached	TBC	Coming soon	TBC	-
Atwood	4 bed detached	TBC	Coming soon	TBC	-
Hardy	4 bed detached	TBC	Available	£299,950	-
Gastal	4 bed detached	TBC	Available	£289,950	-

78 two, three and four bed units to be developed over one phase. Development started on site in October 2017, with expected completion over 18-24months. Moderate interest received. No incentives given.

### Bevans Lane, South Sebastopol - Lewis Homes

House Type	Description	Sq Ft	Status	Asking Price	£ / Sq Ft
Camara	2 bed terrace	668	Coming Soon	£164,995	£247.00
Hyatt	3 bed semi-detached	927	Coming Soon	£194,950	£210.30
Burnbury v1	3 bed detached	944	Coming Soon	£209,000	£221.40
Burnbury v2	3 bed semi-detached	1016	Coming Soon	£214,950	£211.57
Shelby	4 bed detached	1192	Coming Soon	£265,000	£222.32
Roxbury v1	4 bed detached	1354	Coming Soon	£287,950	£212.67
Roxbury v2	4 bed detached	1354	Coming Soon	£287,950	£212.67
Thornbury v1	4 bed detached	1412	Coming Soon	£295,950	£209.59
Thornbury v2	5/6 bed 2.5 storey detached	1835	Coming Soon	£370,000	£201.63
Richmond	4 bed detached	2062	Coming Soon	£420,000	£203.69
Richmond	4 bed detached	2097	TBC	TBC	

A development of 46 two, three, four and five bedroom homes to be developed over one phase. Development is expected to commence in March 2018 with a 2 year build period. Marketing has not officially commenced but 15 early bird reservations have already been placed which are all expected to result in full reservations. No incentives being offered.

## 9. Comparable Evidence – Re-sales

Date	Address	Description	Sale Price	Notes
08/12/2017	43 Penybryn View, Merthyr, CF47 0GB	4 bed detached house	£236,000	New build 2003
01/12/2017	22 Penybryn View, Merthyr, CF47 0GB	3 bed detached house	£176,000	New build 2002
27/10/2017	17 Dan Y Parc View, Merthyr, CF47 0GF	3 bed detached house	£151,000	New build 2003
06/10/2017	28 Dan Y Parc View, Merthyr, CF47 0GF	4 bed detached house	£205,000	New build 2004
29/07/2017	63 Clos Cwm Golau, Merthyr Tydfil, CF47 0JA	2 bed flat	£71,000	New build 2009
28/09/2017	7 Blaenau'r Cwm, Merthyr Tydfil, CF47 0JD	4 bed 2 storey semi	£148,000	new build 2007
27/07/2017	1 Clos Cwm Golau, Merthyr Tydfil, CF47 0JA	3 bed end terrace	£149,950	New build 2007
10/07/2017	18 Blaenau'r Cwm, Merthyr Tydfil	4 bed detached house	£215,000	New build 2007
19/04/2017	13 Penybryn View, Merthyr Tydfil, CF47 0GB	4 bed detached house	£215,000	New build 2002
19/04/2017	27 Llwyn Yr Eos Grove, Merthyr Tydfil, CF47 0GD	4 bed detached house	£195,000	New build 2003
25/01/2017	2 Cae Pencae, Merthyr Tydfil, CF47 0JH	4 bed detached house	£230,000	New build 2009
09/01/2017	41 Penybryn View, Merthyr Tydfil, CF47 0GB	4 bed detached house	£208,000	New build 2003
03/01/2017	16 Bradley Gardens, Merthyr Tydfil, CF47 0GA	3 bed detached house	£175,000	New build 2003

Date	Address	Description	Sale Price	Notes
31/10/2017	39 Parc Cwm Pant Bach, Merthyr Tydfil, CF48 1TQ	4 bed detached house	£233,000	New build 2013
18/08/2017	30 Parc Cwm Pant Bach, Merthyr Tydfil, CF48 1TQ	4 bed detached house	£215,000	New build 2013
07/04/2017	19 Parc Cwm Pant Bach, Merthyr Tydfil, CF48 1TQ	4 bed detached house	£262,000	New build 2013
11/03/2017	50 Parc Cwm Pant Bach, Merthyr Tydfil, CF48 1TQ	4 bed detached house	£222,500	New build 2013
09/02/2017	47 Parc Cwm Pant Bach, Merthyr Tydfil, CF48 1TQ	4 bed detached house	£225,000	New build 2013
21/12/2016	43 Parc Cwm Pant Bach, Merthyr Tydfil, CF48 1TQ	3 bed detached house	£193,500	New build 2013

Date	Address	Description	Sale Price	Notes
20/12/2017	7 Oak Tree Rise, Merthyr Tydfil, CF47 0SN	4 bed detached house	£205,000	New build 2005
31/10/2017	5 Oak Tree Rise, Merthyr Tydfil, CF47 0SN	3 bed detached house	£174,500	New build 2005
12/10/2017	4 Clos Pwll Glo, Merthyr Tydfil, CF7 0JF	3 bed semi detached	£157,000	New build 2010
08/09/2017	12 Glyn Teg, Merthyr Tydfil, CF47 0JE	1 bed flat	£62,250	New build 2008
01/09/2017	8 Hawthorne Drive, Merthyr Tydfil, CF47 0LZ	3 bed detached house	£160,000	New build 2006
29/06/2017	13 Oak Tree Rise, Merthyr Tydfil, CF47 0SN	4 bed detached house	£195,000	New build 2007
07/04/2017	1 Glyn Teg, Merthyr Tydfil, CF47 0JE	3 bed semi detached	£154,950	New build 2011
17/02/2017	2 Cedar Close, Merthyr Tydfil, CF47 0LX	4 bed detached house	£170,000	New build 2006
07/02/2017	13 Oak Tree Rise, Merthyr Tydfil, CF47 0SN	4 bed detached house	£194,000	New build 2007
27/01/2017	3 Cedar Close, Merthyr Tydfil, CF47 0LX	4 bed detached house	£220,000	New build 2006
20/01/2017	17 Oak Tree Rise, Merthyr Tydfil, CF47 0SN	3 bed detached house	£154,000	New build 2005

Date	Address	Description	Sale Price	Notes
18/08/2017	63 The Hawthorns, Pant, Merthyr Tydfil, CF48 2EJ	4 bed detached house	£249,500	-
16/05/2017	11 The Hawthorns, Pant, Merthyr Tydfil, CF48 2EJ	4 bed detached house	£235,000	-
18/11/2016	30 The Hawthorns, Pant, Merthyr Tydfil, CF48 2EJ	3 bed detached house	£210,000	-

Date	Address	Description	Sale Price	Notes
18/12/2017	5 Penderyn Close, Merthyr Tydfil, CF48 1AS	4 bed detached house	£156,500	New build 2008
15/08/2017	3 Penderyn Close, Merthyr Tydfil, CF48 1AS	3 bed semi-detached	£163,000	New build 2008
12/04/2017	40 Penderyn Close, Merthyr Tydfil, CF48 1AS	2 bed flat	£86,000	New build 2009
17/03/2017	39 Penderyn Close, Merthyr Tydfil, CF48 1AS	2 bed semi detached	£102,000	New build 2010
16/09/2016	10 Penderyn Close, Merthyr Tydfil, CF48 1AS	3 bed detached	£114,000	New build 2008
01/08/2016	8 Penderyn Close, Merthyr Tydfil, CF48 1AS	2 bed terrace	£115,500	New build 2008
09/06/2016	34 Penderyn Close, Merthyr Tydfil, CF48 1AS	3 bed terrace	£118,500	New build 2008

Date	Address	Description	Sale Price	Notes
May 2017	10 Cwrt Bevan, Merthyr Tydfil, CF47 0AQ	4 bed detached house	£207,500	New build 2017
March 2017	11 Cwrt Bevan, Merthyr Tydfil, CF47 0AQ	4 bed detached house	£217,995	New build 2017
March 2017	13 Cwrt Bevan, Merthyr Tydfil, CF47 0AQ	4 bed detached house	£272,995	New build 2017
Dec 2017	18 Cwrt Bevan, Merthyr Tydfil, CF47 0AQ	4 bed detached house	£205,000	New build 2017
Dec 2017	19 Cwrt Bevan, Merthyr Tydfil, CF47 0AQ	4 bed detached house	£210,000	New build 2017
Nov 2017	23 Cwrt Bevan, Merthyr Tydfil, CF47 0AQ	4 bed detached house	£200,000	New build 2017
Nov 2017	24 Cwrt Bevan, Merthyr Tydfil, CF47 0AQ	4 bed detached house	£211,000	New build 2017
June 2017	31 Cwrt Bevan, Merthyr Tydfil, CF47 0AQ	4 bed detached house	£215,000	New build 2017
July 2017	32 Cwrt Bevan, Merthyr Tydfil, CF47 0AQ	4 bed detached house	£214,000	New build 2017
August 2017	34 Cwrt Bevan, Merthyr Tydfil, CF47 0AQ	4 bed detached house	£210,000	New build 2017
June 2017	35 Cwrt Bevan, Merthyr Tydfil, CF47 0AQ	4 bed detached house	£235,000	New build 2017
Sept 2017	37 Cwrt Bevan, Merthyr Tydfil, CF47 0AQ	3 bed semi detached	£165,000	New build 2017
July 2017	38 Cwrt Bevan, Merthyr Tydfil, CF47 0AQ	4 bed detached house	£200,000	New build 2017
August 2017	39 Cwrt Bevan, Merthyr Tydfil, CF47 0AQ	3 bed detached house	£212,000	New build 2017
June 2017	40 Cwrt Bevan, Merthyr Tydfil, CF47 0AQ	3 bed detached house	£196,000	New build 2017
July 2017	42 Cwrt Bevan, Merthyr Tydfil, CF47 0AQ	4 bed detached house	£214,995	New build 2017
July 2017	44 Cwrt Bevan, Merthyr Tydfil, CF47 0AQ	3 bed detached house	£193,500	New build 2017
May 2017	45 Cwrt Bevan, Merthyr Tydfil, CF47 0AQ	3 bed detached house	£169,000	New build 2017
June 2017	68 Cwrt Bevan, Merthyr Tydfil, CF47 0AQ	5 bed detached house	£275,000	New build 2017

Date	Address	Description	Sale Price	Notes
04/01/2018	15 Ivy Close, Trelewis, Merthyr Tydfil, CF46 6ET	4 bed detached house	£227,000	New build 2015
02/12/2017	3 Foxglove Close, Trelewis, Merthyr Tydfil, CF46 6A	4 bed detached house	£256,000	New build 2017
02/12/2017	4 Highfield Rise, Trelewis, Merthyr Tydfil, CF46 6EQ	4 bed detached house	£276,000	New build 2014
27/10/2017	30 River Avenue, Trelewis, Merthyr Tydfil, CF46 6EF	4 bed detached house	£225,000	New build 2015
23/06/2017	8 Manor View, Trelewis, Merthyr Tydfil, CF46 6EF	3 bed terrace house	£155,000	New build 2014
16/06/2017	9 Tudor Court, Trelewis, Merthyr Tydfil, CF46 6EG	3 bed semi detached	£167,000	New build 2015
08/06/2017	3 Highfield Rise, Trelewis, Merthyr Tydfil, CF46 6EQ	4 bed detached house	£240,000	New Build 2013
26/05/2017	11 Highfield Rise, Trelewis, Merthyr Tydfil, CF46 6EQ	3 bed detached house	£199,995	New Build 2017
26/05/2017	12 Highfield Rise, Trelewis, Merthyr Tydfil, CF46 6EQ	4 bed detached house	£247,995	New Build 2017
19/05/2017	13 Highfield Rise, Trelewis, Merthyr Tydfil, CF46 6EQ	4 bed detached house	£249,995	New Build 2017
19/05/2017	10 Highfield Rise, Trelewis, Merthyr Tydfil, CF46 6EQ	4 bed detached house	£214,995	New Build 2017
07/04/2017	12 Foxglove Close, Trelewis, Merthyr, CF46 6EQ	4 bed detached house	£214,995	New Build 2017
31/03/2017	8 Highfield Rise, Trelewis, Merthyr Tydfil, CF46 6EQ	4 bed detached house	£239,995	New Build 2017
31/03/2017	9 Highfield Rise, Trelewis, Merthyr Tydfil, CF46 6EQ	4 bed detached house	£239,995	New Build 2017
24/03/2017	7 Highfield Rise, Trelewis, Merthyr Tydfil, CF46 6EQ	4 bed detached house	£247,995	New Build 2017
24/03/2017	6 Highfield Rise, Trelewis, Merthyr Tydfil, CF46 6EQ	4 bed detached house	£249,995	New Build 2017

17/03/2017	10 Foxglove Close, Trelewis, Merthyr , CF46 6FA	3 bed detached house	£199,995	New Build 2017
03/03/2017	11 Foxglove Close, Trelewis, Merthyr, CF46 6FA	3 bed detached house	£199,995	New Build 2017
24/02/2017	9 Foxglove Close, Trelewis, Merthyr Tydfil, CF46 6FA	4 bed detached house	£249,995	New Build 2017
17/02/2017	5 Highfield Close, Trelewis, Merthyr Tydfil, CF46 6EQ	4 bed detached house	£259,995	New Build 2017

## 10. Considerations

In arriving at our opinion of Market Value for the sites, we have had regard to the following factors:-

### Location

- All sites are within commuting distance of Cardiff, Newport and Swansea and are served by frequent public transport links.
- Development of these sites could create medium - large scale urban expansion within the county borough. Development would create new homes, community development, recreational space and strategic landscaping.
- Accessibility to local and regional infrastructure. The Severn Bridge tolls were reduced in January 2018 net of VAT. There are plans to completely abolish the toll fees by the end of the year. This would create stronger links between South Wales and England.
- Local amenities and facilities can be found throughout the borough within close proximity to the sites. More extensive facilities and amenities can be found in Merthyr Tydfil town centre.

### Local market considerations

- The residential market in Merthyr is considered relatively strong as evidenced by recently completed development schemes. The re-sales market is also achieving good sales rates and values.
- There is currently no on-going large scale development taking place within Merthyr. At present it is unlikely that any demand for new build properties is being fully satisfied. Aberfan Colliery and Goatmill Road have both recently been subject to offers from national volume house builders.

### Building

- The likely cost of construction and sales values of the proposed units once complete.
- The size and topography of the sites. We have considered the likely net developable area of each site.
- We have assumed all new units will be covered by a NHBC or similar upon satisfactory completion.

### Tenure

- We understand that the interest to be valued for each site is the unencumbered freehold interest. We have assumed that there are no unduly onerous or restrictive covenants affecting Title.
- We have assumed the freehold interest of each unit in the development will be sold.

### Lettable/saleability

- The development sites will all provide social housing of mixed tenure as set out in the Local Development Plan (unless stated otherwise on the individual pro forma report).
- May provide an opportunity to let remaining units on short term Assured Shorthold Tenancies to cover holding costs.
- Smaller sites could lend themselves to self-build development schemes.



## 11. Appraisal Results & Conclusions

The appraisals of the sites that have been assessed can be summarised as follows:

Site Ref	Market Value	Viable in terms of affordable housing requirement and CIL
1.	£1,025,000	Yes – 10% affordable housing & CIL
2.	£550,000	Yes – 10% affordable housing & CIL
3.	£1,100,000	Yes – 10% affordable housing & CIL
4.	£500,000	Yes – 10% affordable housing & CIL
5.	£250,000	Yes – 10% affordable housing & CIL
6.	£250,000	Yes – 10% affordable housing & CIL
7.	£250,000	Yes – 10% affordable housing & CIL
8.	£500,000	Yes – 10% affordable housing & CIL
9.	£1,250,000	Yes – 5% affordable housing, £0 CIL
10.	£200,000	Yes – 5% affordable housing, £0 CIL
11.	£2,000,000	Yes – 5% affordable housing, £0 CIL

The sites are all viable having regard to current market conditions and current planning policies. The level of affordable housing & the level of CIL should be achievable on most sites, and accordingly it is recommended that the levels of affordable housing and CIL contributions contained in current policy and the current charging schedule should be retained.

This is however, dependant on the cost of dealing with site abnormalities. We would recommend that all sites be subject to further appraisals following detailed site investigations. If it can be shown that the cost of dealing with adverse ground conditions, contamination, drainage & service infrastructure and access etc is generally greater than the costs inputted into our appraisals then adjustments to the affordable housing requirement may be needed.

Site Ref	Current Land Value @ 23% Profit on Cost	£ / Net Developable Acre
1	£1,025,000	£130,500
2	£550,000	£150,000
3	£1,100,000	£145,500
4	£500,000	£81,967
5	£250,000	£131,000
6	£250,000	£110,000
7	£250,000	£167,750
8	£500,000	£111,000
9	£1,250,000	£98,250
10	£200,000	£106,500
11	£2,000,000	£391,500

It is reasonable for land values to be in the order £100,000 - £150,000 per net developable acre in order to persuade a land owner to sell for residential development. It should be noted however that these values are towards the lower end of the range of values that a landowner would expect.

## 12. Sensitivity Analysis

We have carried out the following sensitivity analyses for each development site in order to clarify whether there is any scope to increase the level of affordable housing or CIL contributions sought:

- CIL at £35/m<sup>2</sup> in Primary Growth Areas and CIL at £10/m<sup>2</sup> in Other Growth Areas (an increase of £10/m<sup>2</sup> of CIL in each Growth Area).
- 15% affordable housing in Primary Growth Areas and 10% affordable housing in Other Growth Areas (a 5% increase in the level of affordable housing provided in each Growth Area).

Site Ref	Current Land Value @ 23% Profit on Cost	£ / Net Developable Acre	15% affordable housing in Primary Growth Areas 10% affordable housing in Other Growth Area	£ / Net Developable Acre	CIL £35/m <sup>2</sup> in Primary Growth Areas CIL £10/m <sup>2</sup> in Other Growth Areas	£ / Net Developable Acre
1	£1,025,000	£130,500	£750,000	£95,541	£950,000	£121,019
2	£550,000	£150,000	£475,000	£132,682	£500,000	£139,665
3	£1,100,000	£145,500	£870,000	£115,079	£1,050,000	£138,889
4	£500,000	£81,967	£315,000	£51,639	£430,000	£70,492
5	£250,000	£131,000	£220,000	£115,183	£225,000	£117,801
6	£250,000	£110,000	£180,000	£78,947	£230,000	£100,877
7	£250,000	£167,750	£215,000	£144,295	£225,000	£151,007
8	£500,000	£111,000	£325,000	£72,222	£450,000	£100,000
9	£1,250,000	£98,250	£1,030,000	£80,911	£1,110,000	£87,196
10	£200,000	£106,500	£135,000	£71,809	£190,000	£101,064
11	£2,000,000	£391,500	£1,880,000	£367,906	£1,950,000	£381,605

As can be seen from the results of the sensitivity testing, increasing the amount of affordable housing by 5 % on any of the sites has a significant effect on the land values, with 6 of the 11 sites having land values below £100,000 per acre. Increasing the level of CIL by £10/m<sup>2</sup> has a similar effect, although the reductions in land value are much smaller. These results highlight that the current levels of affordable housing and CIL remain appropriate.

Whilst recognising the need to maximise affordable housing delivery, it is clear that raising the targets contained in the LDP policy would have a negative effect in terms of bringing housing sites forward in the County Borough. Taking development viability into consideration, targets of 10% and 5%, coupled with present levels of CIL, in the corresponding Growth Areas are both challenging and deliverable. Lowering the level of affordable housing and CIL is an option that the Council could consider as this would have a positive effect on land values. However given the importance of delivering appropriate infrastructure, and maximising affordable housing delivery in particular, the recommendation remains for retaining current affordable housing targets and levels of CIL.

Further information relating to the sensitivities can be found on the individual property pro-forma.

A number of risks inherent in the viability assessments are listed in the pro-formas. These include:-

- Land ownership and access issues
- Refusal of Planning Permission
- Identification of insurmountable site constraints including abnormals and inadequate service infrastructure.

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## 13. General Comments

We confirm that we meet the requirements as to competence and the definitions of an External Valuer within the RICS Valuation – Global Standards 2017

The Valuation Report has been prepared by Carys Chandler MRICS, an RICS Registered Valuer within the Valuation Consultancy Department.

The valuation has been discussed with and approved by Steve Gibbon FRICS, an RICS Registered Valuer and Director in the same department.

All valuations are reported exclusive of VAT.

We draw your attention to the accompanying Individual Property Reports, the Definitions and Reservations for Valuations to which our advice is subject and to the Letter of Appointment agreed between us.

Yours faithfully



D S Gibbon FRICS  
RICS Registered Valuer  
Director  
Steve.gibbon@gva.co.uk  
029 2024 8907  
Valuation Consultancy  
For and on behalf of GVA Grimley Limited



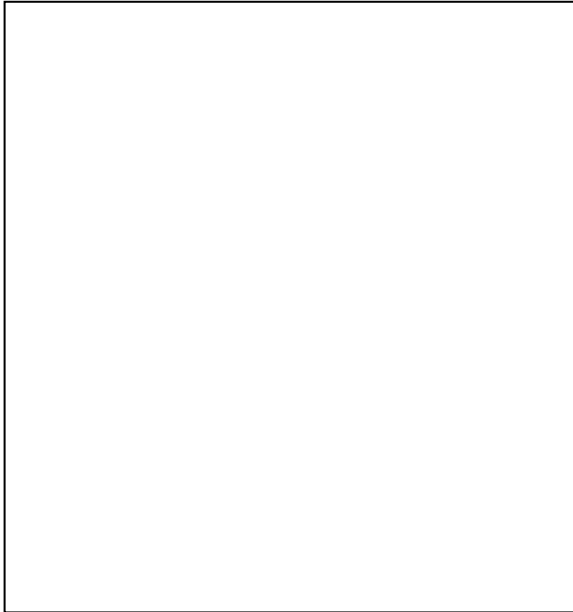
Carys Chandler MRICS  
RICS Registered Valuer  
Surveyor  
Carys.chandler@gva.co.uk  
029 2024 8909  
Valuation Consultancy  
For and on behalf of GVA Grimley Limited

# Appendix 1

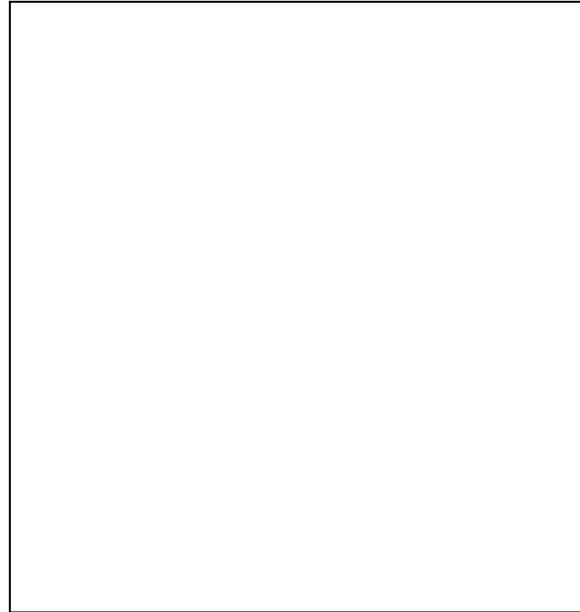
## Individual Property Pro-forma Reports

**Date of Inspection:** 03 January 2018

**Boundary Plan**



**Situation**



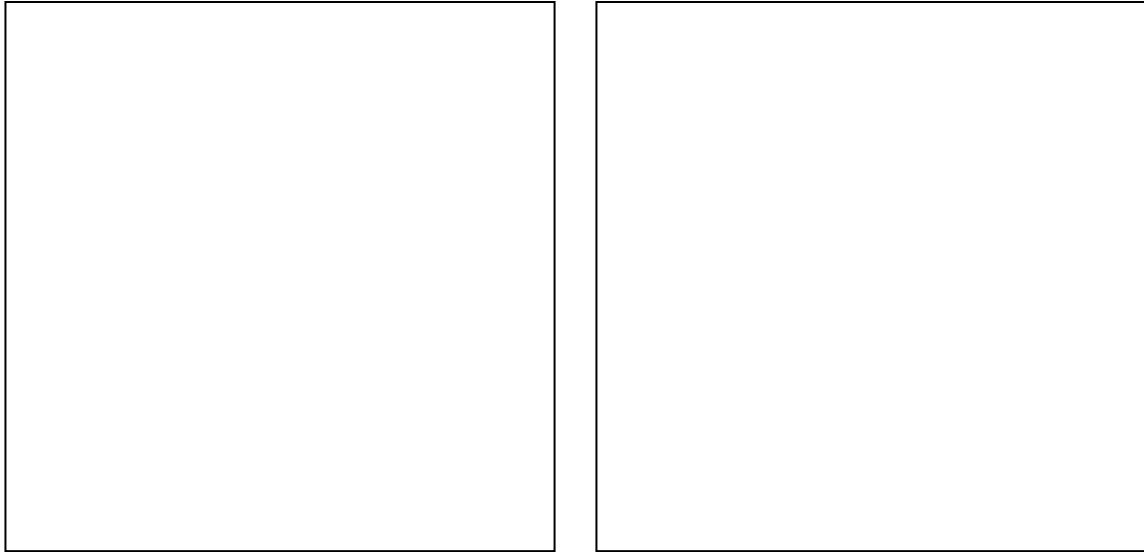
*The approximate location of the subject site is denoted by a red circle*

**Location**

**Situation**

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## Photographs



## Description

### Size

The above boundary plan has been provided to us by Merthyr Tydfil County Borough Council. We have measured the site using Promap Ordinance Survey mapping software. The site as outlined in red on the above plan has a gross area of approximately xxx ac (x.xx ha). Our understanding of the site boundary should be confirmed by your legal advisors. The net developable area is approximately xxx acres.

### Tenure

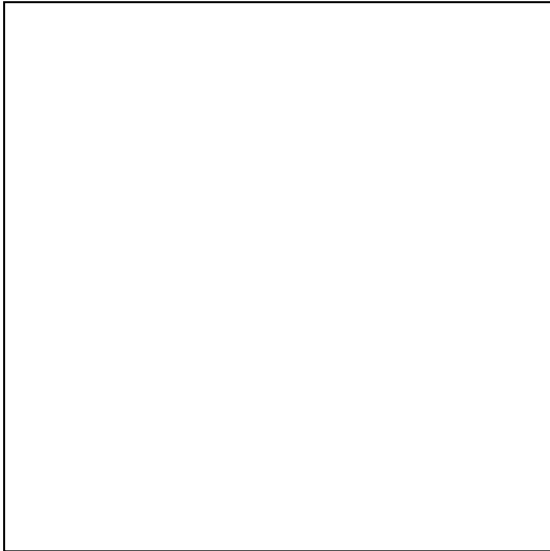
We have not had sight of the Report on Title. We are informed that the site is held freehold. For the purpose of this exercise, we have assumed there are no public rights of way, leases, easements, restrictive covenants or potential ransom strips affecting Title other than those referred to in this report. This assumption should be verified by solicitors.

### Enquiries

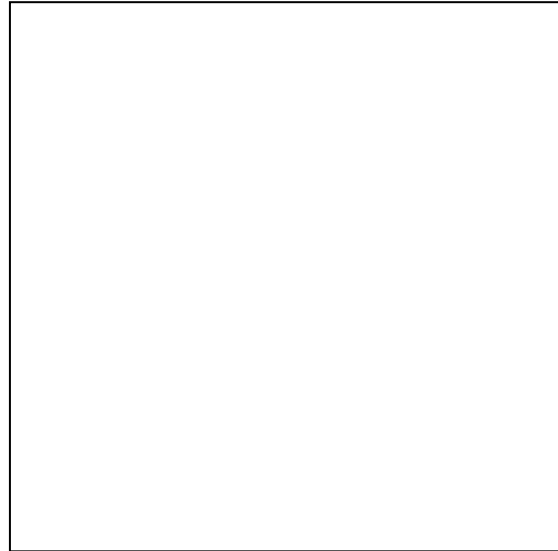
*Local Development Plan* – The current development plan comprises the Merthyr Tydfil Local Development Plan (adopted 25 May 2011). The site lies within the settlement boundary for Merthyr and is coloured brown with an allocation as a new housing site under policies BW13, AS1, AS2, AS3 and AS22.

Within the Merthyr Tydfil County Borough Councils Local Development Plan 2006 – 2021, the site is classified within the 'Primary Growth Area.'

*Planning* – As shown on the planning proposals map below, the subject site is allocated for residential use and the land immediately to the east is allocated as open space / amenity land.



LDP Planning Allocation – Proposals Map



Planning Application Proposals Map

CIL will be liable at £25 per sq m of open market units with any social housing qualifying for relief. All new residential units will require a fire sprinkler system.

*Flood Risk*

*Highways*

*Environmental Issues*

### Opportunities

The site is well suited for residential development given the neighbouring uses.

Under the LDP policy the site is subject to a 10% on-site affordable housing provision (80:20 - Social Rented:Low Cost Home Ownership).

Design issues will include replanting of trees that are removed and treatment of wildlife habitats on or near the site. Consideration will also need to be given to the ground conditions given the site has historically been tipped and to the drainage ditch running through the site.

### Risks

- Refusal of planning permission
- Identification of insurmountable site constraints
- Change in the residential market/economic conditions associated with residential development.

### Valuation Considerations and Assumptions

The site is well located and would be of interest to local house builders and affordable housing providers/housing associations. The site could potentially accommodate 114 two, three and four bedroom houses (including 11 affordable units). Based on the comparable evidence scheduled and appended to this report, we are of the opinion that sales rates for the open market units could be in the order of £195 - £207 per sq ft, ie, circa £145,000 (2 bed house), £185,000 (3 bed house) and £215,000 (4 bed house) per unit. The gross development value for the site is in the order of £19,027,420.

The estimated Gross Development Value for the social rented units has been inputted in to the appraisal in accordance with the latest Acceptable Cost Guidance published by Welsh Government (January 2018). The Low Cost Home Ownership units have been valued at 70% of the anticipated open market value.

The following build costs have been included:

- Build costs of £104 per sq ft, comprising base build costs, preliminaries, NHBC fees, plot externals and garages.
- Sprinkler systems at £2,500 per unit
- CIL contribution at £25 per sq m of open market units
- Raft foundations at £6,000 per plot
- Other abnormals including gas protection, treatment of Japanese Knotweed, S106 – LEAP, attenuation and import of topsoil
- Contingency of 3%
- Professional fees of 8%
- Finance at 6%

Japanese Knotweed is located throughout the site. We have allowed a 2 year period for eradication and treatment prior to development commencing. We have adopted a xx month build period. We have assumed that sales will commence in month xx, completing after xx months.



### Valuation

Our valuation has been prepared adopting the residual method of valuation. This approach is to value the completed residential development. From the resulting gross development value are deducted construction costs, including professional fees, finance fees, sale and legal fees, developer's contingency and developer's profit. In this case we have taken a blended profit on costs of 23% to reflect the scale of the development as described above. The amount by which the gross development value exceeds the total costs, including developer's profit, provides the residual current day value of the property.

We have assumed the site can be developed in the manner described above without incurring other significant abnormal costs.

**Our estimate of value based on the above information is in the order of £xxxxx.**

### Sensitivity Analysis

The residual method of valuation is highly sensitive to variations in input data. It is important to ensure the inputs are as accurate or justifiable as possible. A sensitivity analysis is a critical element of viability testing work. If too many sensitivities are assessed individually then the outputs become unmanageable. We have used a two way sensitivity analysis to demonstrate the risk to the site value and profitability from changes to build costs and GDV. We have varied the inputs by multiples of 5%. This demonstrates a 5% decrease in sales proceeds results in a 59% decrease in site value. Also, a 5% increase in build costs results in a 46% decrease in land value. Equally an increase to sales values or decrease to development costs could result in a higher land value.

### Conclusions

We have appraised the site in accordance with current planning policy as set out within the Local Development Plan. Our valuation is based on current unit numbers as set out in the Local Development Plan. The unit mix and house types have been discussed and agreed with the planning department of Merthyr Tydfil County Borough Council.

Our valuation is on the basis of a 10% affordable housing contribution, split 80:20 between social rented units:low cost home ownership units.

We have also included the current CIL requirement at £25 per sq m for open market units.

**Our appraisal provides a residual land value of £xxxxxxx (£xxxxxx per net developable acre).**

**Based on the above, this site is currently viable in line with current planning policy requirements.**

# Appendix 2

## Instruction Letter

## **Chandler, Carys (GVA)**

---

**From:** Booth, Sam (GVA)  
**Sent:** 16 October 2017 16:13  
**To:** Gibbon, Steven (GVA); Chandler, Carys (GVA)  
**Subject:** FW: MTCBC VA

**Samantha Booth MRICS** Registered Valuer  
Associate, Valuation Services

### **GVA**

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[sam.booth@gva.co.uk](mailto:sam.booth@gva.co.uk) | [www.gva.co.uk](http://www.gva.co.uk)

One Kingsway, Cardiff CF10 3AN

We have been appointed to the NPS framework on behalf of the Welsh Government, for more information, click [here](#)

---

**From:** Watkins, Craig [<mailto:Craig.Watkins@merthyr.gov.uk>]  
**Sent:** 16 October 2017 16:01  
**To:** Booth, Sam (GVA)  
**Subject:** RE: MTCBC VA

Hi Samantha,

I am pleased to inform you that GVA have been successful in bidding for this piece of work. I shall place an order to formally start the process, and I shall be in touch this week to arrange the initial meeting.

Regards

Craig

---

**From:** Booth, Sam (GVA) [<mailto:Sam.Booth@gva.co.uk>]  
**Sent:** 28 September 2017 09:51  
**To:** Watkins, Craig  
**Cc:** James, David (Planning)  
**Subject:** Ref: MTCBC VA

### **SENT ON BEHALF OF STEVE GIBBON**

Further to your Request for Quotation document with regards to Viability Assessment: LDP/CIL.

Please now find attached our tender response. If you have any queries then please do not hesitate to make contact.

Many thanks for this opportunity to quote. I look forward to hearing from you.

**Samantha Booth MRICS** Registered Valuer  
Associate, Valuation Services

**GVA**

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[sam.booth@gva.co.uk](mailto:sam.booth@gva.co.uk) | [www.gva.co.uk](http://www.gva.co.uk)

One Kingsway, Cardiff CF10 3AN

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Croesawn ohebu yn Gymraeg a fydd hyn ddim yn arwain at oedi.

We welcome correspondence in Welsh and this will not lead to a delay.

Mae'r e-bost hwn ac unrhyw ffeiliau a drosglwyddir gydag ef yn gyfrinachol ac wedi'u bwriadu ar gyfer pwy bynnag y cyfeirir ef ato neu atynt. Mae cynnwys yr e-bost hwn cynrychioli barn y sawl a enwir uchod, felly nid ydyw'n dilyn ei fod yn cynrychioli barn Cyngor Bwrdeistref Sirol Merthyr Tudful.

Cyngor Bwrdeistref Sirol Merthyr Tudful  
Canolfan Dinesig  
Stryd Y Castell  
Merthyr Tudful  
CF47 8AN

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Merthyr Tydfil County Borough Council  
Civic Centre  
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# Appendix 3

## Definitions and Reservations for Valuations

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### Information

All information supplied by the Client, the Client's staff and professional advisers, local authorities, other statutory bodies, investigation agencies and other stated sources is accepted as being correct unless otherwise specified.

### Tenure

Title Deeds and Leases are not inspected (unless specifically stated) and, unless we are informed to the contrary, it is assumed that a property is free of any onerous covenants, easements, other restrictions or liabilities including mortgages, grants and capital allowances which may affect the value.

No responsibility or liability will be accepted for the true interpretation of the legal position of the client or other parties.

### Tenants

Tenants' status is investigated only where we are so instructed and so specified in the valuation.

### Plans

Any plans supplied are for identification purposes only unless otherwise stated. The valuation assumes site boundaries are as indicated to us. The reproduction of Ordnance Survey sheets has been sanctioned by the Controller of Her Majesty's Stationery Office, Crown Copyright reserved.

### Site Areas

Site areas are normally computed from plans or the Ordnance Survey and not from a physical site survey. They are approximate unless otherwise indicated.

### Floor Areas and Dimensions

Floor areas and dimensions are taken from inspection unless otherwise specified but are nevertheless approximate. Where provided by us, areas quoted are calculated in accordance with the RICS Professional Statement – RICS Property Measurement 1<sup>st</sup> edition, May 2015 on the basis agreed with the Client, i.e. adopting either (1) The Code of Measuring Practice, 6th edition published by the Royal Institution of Chartered Surveyors, or (2) The International Property Measurement Standards (IPMS): Office Buildings.

The following bases are those most frequently used under the Code of Measuring Practice, 6th edition:

*Net Internal Area* - Measured to the internal faces of external walls, excluding toilets, permanent corridors, internal walls and partitions, stairwells, plant rooms etc.

*Gross Internal Area* - Measured to the internal faces of external walls, including toilets, permanent corridors, internal walls and partitions, stairwells, plant rooms etc.

*Gross External Area* - Measured to the external faces of external walls, including toilets, permanent corridors, internal walls and partitions, stairwells, plant rooms etc.

The following bases are those used under The International Property Measurement Standards (IPMS): Office Buildings:

*IPMS1* - The sum of the areas of each floor level of a building measured to the outer perimeter of external construction features and reported on a floor by floor basis.

*IPMS 2 - Office* - The sum of the areas of each floor level of an office building measured to the internal dominant face and reported on a component by component basis for each floor of a building.

*IPMS 3 - Office* - The floor area available on an exclusive basis to an occupier, but excluding standard facilities and calculated on an occupier-by-occupier or floor-by-floor basis for each building.

### Ground Conditions

Soil stability, mining and geological reports are not undertaken by us or normally inspected. Unless we are instructed to the contrary, we assume that the ground and any adjoining or nearby areas are not contaminated, that there are no dangerous materials in the vicinity and that it is capable of development without the need for abnormal costs on foundations and services.

### Condition of Buildings, Plant Etc

Our inspection of a property does not constitute a structural survey. When preparing our valuation we have regard to apparent defects and wants of repair and take into account the age of the property. We do not however carry out the detailed search for defects which is undertaken as part of the structural survey neither do we necessarily set out the various defects when making the report. We do not inspect woodwork or other parts of the structure which are covered, unexposed or inaccessible. We do not arrange for any investigation to be carried out to determine whether or not high alumina cement concrete or calcium chloride additive or any other deleterious materials or permanent woodwool shuttering or composite panelling has been used in the construction.

Unless so instructed we do not arrange for any investigations to be carried out to determine whether or not any deleterious or hazardous material or techniques have been used in the construction of the property or has since been incorporated and the services are not tested.

We are therefore unable to report that the property is free from defect in these respects.

For valuation purposes we assume unless otherwise stated that the property (including associated plant and machinery, fixtures and fittings) is in serviceable order and will remain so for the foreseeable future. It will be assumed that the building/s is/are in good repair, except for defects specifically noted.

### **Asbestos Regulations**

The Control of Asbestos Regulations 2012 came into force on 6 April 2012, updating previous asbestos regulations to take account of the European Commission's view that the UK had not fully implemented the EU Directive on exposure to asbestos (Directive 2009/148/EC). Your legal advisers should enquire as to compliance with these regulations and property owners will need to be able to provide confirmation as to the existence and condition of asbestos.

### **Fire Safety**

The Regulatory Reform (Fire Safety) Order 2005 (The Order) replaces previous fire safety legislation including both the Fire Precautions Act 1971 and the Fire Precautions (workplace) Regulation 1997. Consequently any fire certificate issued under the Fire Precautions Act 1971 will cease to have any effect. The Order came into force completely on the 1st April 2006.

The Order applies to the majority of premises and workplaces in England and Wales although does not include people's private homes. It covers general fire precautions and other fire safety duties, which are needed to protect 'relevant persons' in case of fire in and around most 'premises'.

Under the order, anyone who has control in a premises or anyone who has a degree of control over certain areas may be classified as a 'responsible person'. It is thus the duty of such individual to comply with the requirements of the Order and make certain that all measures are taken to ensure the safety of all the people he or she is directly or indirectly responsible for.

The responsible person must then carry out a Fire Risk Assessment. In short this is a five-point process whereby fire hazards must be identified, relevant persons at risk recognised, potential risks reduced, staff training implemented and the whole assessment regularly reviewed. The assessment must pay particular attention to those at special risk such as disabled people, those who have special needs and young persons. Furthermore the responsible person must provide and maintain clear Means of Escape, Signs, Notices, Emergency Lighting, Fire Detection & Alarm and Extinguishers.

This approach is different from previous legislation, as it is now necessary to consider everyone who might be on your premises, whether they are employees, visitors or members of the public.

The Risk Assessment must be regularly reviewed and if necessary amended. Finally if the responsible person employs five or more people, the premises are licensed or the Inspector requires it then the Risk Assessment must be formally recorded.

The Smoke and Carbon Monoxide Alarm (England) Regulations 2015 effective 1 October 2015 require that landlords of residential property must provide (1) a smoke alarm on each storey of the premises on which there is a room used wholly or partly as living accommodation and (2) a carbon monoxide alarm in any room of the premises which is used wholly or partly

as living accommodation and contains a solid fuel burning combustion appliance. The landlord has a responsibility to ensure that the detectors are checked and in proper working order.

It is assumed that the property is compliant in regard to the above regulations.

### **Accessibility**

From 1 October 2010, the Equality Act 2010 replaced previous anti-discrimination laws, including the Disability Discrimination Act, with a single Act to make the law simpler and to remove inconsistencies. The Equality Act protects the important rights of disabled people to access everyday facilities and services and to ensure that disabled workers are not disadvantaged.

Our report will contain observations of a general nature on the extent to which we consider that the building would be regarded by the market as complying with the accessibility requirements of the Equality Act. We have not, however, carried out an in-depth study which would be required to reach a formal view.

### **Energy Performance Certificates**

From 2008 Energy Performance Certificates (EPCs) are required for the sale, rental or construction of commercial buildings. The requirement was phased in over 6 months between 6 April and 1 October 2008. Commercial properties with a useful floor area of more than 10,000 sq m were affected from 6 April 2008, those exceeding 2,500 sq m had to comply from 1 July 2008 and the remaining properties had to comply from 1 October 2008. An EPC must be provided on the sale, rental or construction (or in some cases modification) subject to transitional arrangements. Non-compliance may lead to sanction under civil legislation, involving a financial penalty.

Unless stated to the contrary, our valuation assumes that the property has an Energy Performance Certificate (if required under the Energy Performance of Buildings (Certificates and Inspections) (England and Wales) Regulations 2007) and that the Certificate will be maintained as required.

### **Services**

It is assumed that the services and any associated controls or software, are in working order and free from defect.

### **Composite Panels and Insurance**

We will not test any panels within the property to see whether there are any polystyrene insulated composite panels. The presence of such panels may result in the property being uninsurable, which would have an adverse impact on value.

### **Defective Premises Act 1972**

Obligations or liabilities or any rights thereunder, whether prospective or accrued, are not reflected in valuations unless actually specified.

### **Environmental Issues**

Our Valuation Report does not constitute an Environmental Audit or survey and nothing contained in it should be treated as a statement that there are no contamination or pollution problems relating to the property or confirmation that the property, or any process carried on therein, complies with existing or proposed legislation on environmental matters. If we have been provided with third party reports, we have accepted their contents as being correct.

## Enquiries

Enquiries of local authorities and statutory undertakers are made verbally in respect of contingent liabilities such as road widening, road charges, redevelopment proposals and the possible effect of any town planning restrictions, and on occasion in respect of rating assessments. Local searches are not undertaken. No responsibility is accepted for any inaccurate information provided.

Generally it is assumed that buildings are constructed and used in accordance with valid Town Planning Consents, Permits, Licences and Building Regulation Approval, with direct access from a publicly maintained highway, that Town Planning Consents do not contain restrictions which may adversely affect the use of a property and that there are no outstanding statutory or other notices in connection with a property or its present or intended use.

It is further assumed unless otherwise stated that all necessary licences, permits etc either run with the property or are transferable to a new occupier as appropriate.

## Flooding Risk

The valuer will make enquiries concerning flooding risk where it is perceived to be of relevance as published by the Environmental Agency. However we are not qualified to definitively assess the risk of flooding and our valuation will assume no difficulties in this regard. Further, GVA shall not undertake any additional enquiries to confirm this information.

## Plant, Machinery, Fixtures and Fitting

Unless otherwise specified, all items normally associated with the valuation of land and buildings are included in our valuations and reinstatement cost assessments, including:-

Fixed space heating, domestic hot water systems, lighting and mains services supplying these, sprinkler systems and associated equipment, water, electricity, gas and steam circuits not serving industrial or commercial processes, sub-station buildings, lifts and permanent structures including crane rails where forming an integral part of the building structure, fixed demountable partitions, suspended ceilings, carpets, drains, sewers and sewerage plants not primarily concerned with treating trade effluent, air conditioning except where part of a computer installation or primarily serving plant and machinery.

Unless otherwise specified, the following items are excluded:-

All items of process plant and machinery, tooling and other equipment not primarily serving the building, cranes, hoists, conveyors, elevators, structures which are ancillary to, or form part of an item of process plant and machinery, sewerage plants primarily concerned with treating trade effluent, air conditioning where part of a computer installation or primarily serving plant and machinery, and water, electricity, gas, steam and compressed air supplies and circuits serving industrial and commercial processes.

Unless otherwise specified, no allowance is made for the cost of repairing any damage caused by the removal from the premises of items of plant, machinery, fixtures and fittings.

In the case of filling stations, hotels and other properties normally sold and valued as operational entities, all items

of equipment normally associated with such a property are assumed to be owned and are included within the valuation unless otherwise specified.

## Taxation and Grants

Value Added Tax, taxation, grants and allowances are not included in capital and rental values as, unless otherwise specified in the report, these are always stated on a basis exclusive of any VAT liability even though VAT will in certain cases be payable.

It is assumed for the purposes of valuation that any potential purchaser is able to reclaim VAT, unless otherwise stated. In particular it should be noted that where a valuation has been made on a Depreciated Replacement Cost basis the Replacement Cost adopted is net of VAT unless otherwise stated.

Unless otherwise specified GVA will not take into account of any existing or potential liabilities arising for capital gains or other taxation or tax reliefs as a result of grants or capital allowances, available to a purchaser of the property.

## Market Value (MV)

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.

Market Value provides the same basis as the OMV basis of value supported by the first four editions of the Red Book, but no longer used as a defined term.

## Fair Value

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 (IVS 2013).
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 (IFRS 13).

## Depreciated Replacement Cost

The current cost of replacing an asset with its modern equivalent asset less deductions for physical deterioration and all relevant forms of obsolescence and optimisation. Note that this basis of valuation may not reflect the price achievable for the property on the open market.

## Operational Entities

The RICS advises that the most appropriate basis of valuation of properties normally sold as operational entities is Market Value as defined above. Such properties include public houses, hotels and other leisure uses, together with nursing homes, residential care homes, private hospital and petrol filling stations.

Our valuations reflect the following:-

- a. The market's perception of trading potential with an assumed ability on the part of the purchaser to renew existing licenses, consents, registrations and permits;
- b. That the property is offered with vacant possession throughout, although in the case of nursing and residential care homes, subject to the contractual rights of the patients/residents occupying the home from time to time;



c. That trade fixtures, fittings, furniture, furnishings and equipment are included.

Our valuations also specifically assume, unless otherwise specified that the business will continue to operate at a level not significantly worse than that indicated to us.

#### **Existing Use Value**

The estimated amount for which a property should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing wherein the parties had acted knowledgeably, prudently and without compulsion, assuming that the buyer is granted vacant possession of all parts of the property required by the business and disregarding potential alternative uses and any other characteristics of the property that would cause its Market Value to differ from that needed to replace the remaining service potential at least cost.

#### **Market Rent**

The estimated amount for which an interest in real property should be leased on the valuation date between a willing lessor and a willing lessee on appropriate lease terms in an arm's-length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion.

#### **Insurance**

Insurance is usually arranged by clients (or their brokers) based on reinstatement cost assessments or occasionally on an indemnity basis and other methods of valuation are not appropriate.

#### **Reinstatement Cost Assessment**

A Reinstatement cost assessment is our opinion of the likely cost of reinstating all the buildings, normally for insurance purposes, on the basis that:-

- a. the accommodation provided will be similar in construction, design and area to the existing buildings;
- b. the works will be in compliance with conditions imposed by local Authorities in connection with the construction of the building;
- c. unless reported separately, allowances are made to cover the cost of necessary demolition and site clearance prior to rebuilding, external works such as hardstandings, private roadways and fences and professional fees which would normally be incurred.

Unless otherwise stated, the reinstatement cost does not include any allowance for:-

- a. any loss of rent incurred during rebuilding;
- b. planning restrictions which a planning authority might impose;
- c. special foundations required for plant and machinery or due to adverse ground conditions;
- d. any plant, machinery, equipment, tanks, loose tools, office furniture and equipment (refer to the heading "Plant, Machinery, Fixtures and Fittings" for details of items normally included);
- e. any effect of inflation on building costs occurring after the valuation date;
- f. VAT (except on professional fees) which will normally be payable in addition.

Note - A reinstatement cost assessment is not a valuation. The valuer's assessment of the reinstatement Definitions and Reservations for Valuations

cost assessment should be regarded as an informal estimate and should not be used to arrange insurance cover.

#### **Apportionment of Values**

Apportionments provided between buildings, land and plant and machinery are normally for depreciation purposes only. In normal circumstances apportionments are not valuations and they should not be used for any other purpose unless specified in our report.

#### **Future Useful Economic Life**

Future useful economic life of buildings is normally assessed in bands of years, most frequently subject to a maximum of fifty years. This applies to freehold properties and to leasehold properties where the future life is less than the unexpired term of the lease. An average figure is usually provided for groups of buildings forming a single asset. The figures are appropriate for depreciation purposes only.

#### **Compliance with Valuation Standards**

Where applicable our valuations are in accordance with the RICS Valuation – Global Standard 2017, published by the Royal Institution of Chartered Surveyors ("RICS"), the Insurance Companies (Valuation of Assets) Regulations 1981, the Financial Conduct Authority (FCA) "Listing Rules" ("Source Book") and "City Code on Takeovers and Mergers" ("Blue Book") as amended and revised from time to time. A copy is available for inspection.

#### **RICS investigations**

The valuation may be investigated by the RICS for the purposes of the administration of the Institutions conduct and disciplinary regulations. Guidance on the operation of the RICS monitoring scheme including matters relating to confidentiality is available from [www.rics.org](http://www.rics.org).

#### **Total Valuation**

Where provided this is the aggregate of the value of each individual property. It is envisaged that properties would be marketed singly or in groups over an appropriate period of time. If all properties were to be sold as a single lot, the realisation would not necessarily be the same as the total of the valuations. This assumption is not applicable to valuations made for taxation purposes.

#### **Legal Issues**

Any interpretation of leases and other legal documents and legal assumptions is given in our capacity as Property Consultants (including Chartered Surveyors and Chartered Town Planners) and must be verified by a suitability qualified lawyer if it is to be relied upon. No responsibility or liability is accepted for the true interpretation of the legal position of the client or other parties.

#### **Date, Market Conditions and Validity of Valuation**

Valuations may be relied upon for the stated purpose as at the date specified. In normal market conditions the value may not change materially in the short term. However the property market is constantly changing and is susceptible to many external facets which can affect business confidence. If any reliance is to be placed on the valuation following any changes which could affect business confidence, then further consultation is strongly recommended. In any event, the valuation should not be considered valid after a period of three months.

#### **Valuations and Reports**

Valuations and Reports are only for the use of the party to whom they are addressed. They may be disclosed only to other professional advisors assisting in respect of that purpose. No responsibility is accepted to any third party for the whole or any part of the contents.

Reports should be considered in their entirety and should only be used within the context of the instructions under which they are prepared.

Neither the whole nor any part of a valuation, report or other document or any reference thereto may be included in any published article, document, circular or statement or published in any way without prior written approval of GVA of the form and context in which it may appear.

#### **Warranties**

The client warrants and represents that, to the best of its knowledge, information and belief, the information supplied by and on its behalf to GVA is true and accurate and that it will advise and instruct its third party advisers to advise GVA in the event that it and/they receive notice that any such information is either misleading or inaccurate.

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# Contact Details

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## Enquiries

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## Visit us online

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## GVA

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GVA is the trading name of GVA Grimley Limited

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## Our offices

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