# Development Viability Appraisal

Croft Farm Holiday Park
Luxulyan, Bodmin
Cornwall  PL30 5EH

On Behalf of:  Mr E Ager
Our Ref: AB/210326/E6/VEY

27 April 2021

Sanderson
Weatherall

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# Contents

# 1. Instructions

### 1.1. Instructions

Received from Mr E Ager to provide a development viability appraisal of the property known as Croft Farm Holiday Park, Luxulyan, Bodmin, Cornwall PL30 5EH.

The purpose of the report is to provide our opinion of profit once the redevelopment of land from 13 static caravan, 4 tent and 11 hardstanding touring pitches to 15 residential homes in the central area of the park has been undertaken.

We confirm that we are not aware of any conflicts of interest either personal or in relation to Sanderson Weatherall which prevent us from providing this advice to Mr E Ager other than our current agency instructions or planning application undertaken by my colleague Owen Pike.

# 2. Location

### 2.1. Location

The application site is in the countryside but wholly inside the operational boundary of Croft Farm Holiday Park.

The holiday park is located north of a concrete mixing and aggregate processing site (Fahey's Concrete Ltd) approximately 3 miles to the north of St Austell, 1.5 miles from the Eden Project visitor centre and 0.6 miles south of Luxulyan.

The holiday park is approached via an unclassified country road which runs from the A391 road, through Luxulyan to join with the A390. The holiday park is set back from the main road behind Croft Farm Residential Park, which is a separate park home site within the same ownership.

The holiday park is accessed via a right of way over the entrance drive to the adjoining residential park.

The whole park lies outside of the Cornwall and West Devon Mining Landscape World Heritage Site (WHS), the Cornwall and Tamar Valley Area of Outstanding Natural Beauty (AONB), the Area of Great Landscape Value (AGLV), which exists to the east of the fields on the other side of the main road, and Flood Zones 2, 3a and 3b.

Park homes within Croft Farm Residential Park (contains 59 no. dwellings in total) bound the application site to the east and south. Static holiday caravans within the wider holiday park bound the application site to the south-west whilst grazing fields in third party ownership(s) bound the site to north and west.

Hedgerows run along the length of the site's east, north and west boundaries. A County Wildlife Site (CWS) adjoins the southern end of the holiday park on its west side.

# 3. Description

### 3.1. Description

Croft Farm Holiday Park is a caravan and camping site that was established in the 1960s.

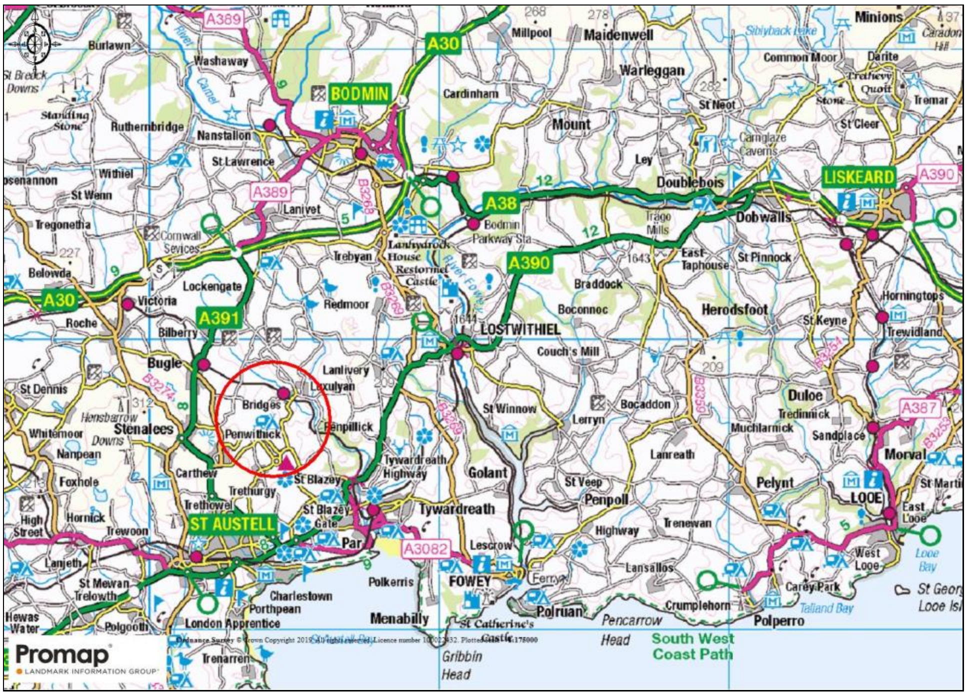
It comprises approximately 4.25 hectares (10.5 acres) of land and contains 62 no. static holiday caravans and 22 no. touring pitches being a mixture of grass and hard-standing pitches suitable for touring caravans, motorhomes and tents.
The static holiday caravans can be used for 10 months of the year (Condition Nos. 4 and 5 attached to planning permissions 01/12/01756 and 98/12/01496, respectively).

The holiday park also contains a reception office/shop, tourist information room, a games room, recreation field extending to approximately 2 acres and a woodland and dog walking area extending to approximately 5 acres.  The latter is available as amenity space for visitors.

There is a bus stop close to the south of the parks' main entrance which provides a daily service (No.101) to St Austell (the largest town in Cornwall) as well as to Luxulyan.

The proposal is for a change of use from 13 static caravan, 4 tent and 11 hardstanding touring pitches to 15 residential homes in a central area of the park plan attached.

The general location of the property is illustrated on the following Ordnance Survey extract.



Not to Scale

Views of the holiday park

Entrance to residential park


Holiday park layout

# 4. Planning

### 4.1. Relevant Planning History

A review of the site's planning history has revealed that caravans at Croft Farm were established in the 1960s. The planning applications that are of most relevance to the current case are discussed below; these include the most recent planning permission at Croft Farm Holiday Park and earlier permissions that are referred to in the current site licences at the holiday park.

Planning permission 08/01707 in the south-east corner of the holiday park was granted on 15 January 2009 for 'Use of land for siting of 40 static caravans (following on from approval of 20 static caravans under planning permission 01/12/01756), one of which is for the purposes of residential warden's accommodation, as approved under 07/01760'.

There are no planning conditions attached to the planning permission that restrict either the number of caravans, the type of caravan or the length of occupancy.

Planning permission 01/12/01756 in the south-east corner of the holiday park was granted on 11 March 2002 for 'Stationing of 20 static caravans from 21st March to 21st January the following year'.

There were no planning conditions restricting either the number of caravans or the type of caravan.

Planning permission 99/12/01154 in the south-east corner of the holiday park was granted on 3 November 1999 for 'Use of land for additional touring caravans and tents'.

Planning permission 98/12/01496, which relates to land to the south of the former farm buildings and a narrow strip of land to the west of the residential park was granted on 3 February 1999 for 'Stationing of 26 static caravans and 27 touring caravans from 21st March to 21st January the following year'.

Condition 2 attached to the permission restricts the static holiday letting caravans to 3 parcels. Significantly, there are no restrictions on the number of caravans.

Planning permission (PA18/05947) was granted for a "Change of use of land from the stationing of 6 no. static holiday caravans and 7 no. seasonal pitches to the stationing of 9 no. park homes"

### 4.2. Planning Application

PA20/01577/PREAPP Pre-application advice was sought for a change of use of land from stationing of 18 static holiday caravans and 15 seasonal pitches to the stationing of 20 residential park homes.

A planning application has been submitted with the following description of development:

*"The proposal is for a change of use from 13 static caravan, 4 tent and 11 hardstanding touring pitches to 15 residential homes in the central area of the park plan attached".*

Occupation of the park homes would be limited to people aged 55 or over.

Elevation drawings of the proposed park homes have not been submitted because they fall under the statutory definition of a caravan as laid down on the Caravan Sites and Control of Development Act 1960 as supplemented by Section 13 of Caravan Site Act 1968. The exact style and type of park home sited on each pitch will depend on future demand; the manufacturer chosen and customer preference.

### 4.3. Planning officer recommendation

None received at present.

# 5. Proposed Development Layout

### 5.1. Proposed Development Layout

The proposed development site is situated on a holiday park adjacent to a residential mobile home park.

The positioning of each park home within the pitch, as shown on the submitted Proposed Park Layout Plan, is in accordance with the site licensing Model Standards 2008 for Caravan Sites in England.

The proposed layout for 15 residential park homes has been informed by advice from professional landscape architects, Sightline Landscape Ltd, to accommodate a different type of caravan in a sensitive layout that reflects the character of both the wider park and neighbouring residential park home site, ensures the appropriate screening and minimisation of views, enhances its ecological value, and avoids the loss of trees.

The proposal is to install the necessary infrastructure with services to individual pitches which will be prepared with concrete bases and landscaping to accept bespoke homes manufactured to a purchaser's individual requirements off site.

The homes will be sold on standard Mobile Home Act agreements subject to an annual pitch fee of £1,825 for 2021, in line with the other private owners on the park that will cover the costs of communal facilities including access roads / footpaths open spaces /landscaping community facilities and drainage systems.

### 5.2. Drainage Details

The existing foul drainage network will need to be modified to receive flows from the additional park homes. The method of surface water drainage at the site will be altered i.e. surface water from the park homes will be discharged directly to the ground and permeable gravel parking spaces adjacent to each unit will be installed.

### 5.3. Access

The main entrance off the unclassified road will be unaltered; accordingly, the established vehicular access arrangements will continue at the site.

### 5.4. Planning Obligations

The siting of park homes, as caravans, is a 'sui generis' use for which the Community Infrastructure Levy (CIL) charge is Nil.

However, you have agreed to a section 106 agreement / planning obligation to provide a sum towards affordable housing which was incorporated in the planning application as follows:-

- **"Affordable Housing"** The applicant covenants with Cornwall Council to pay a sum towards off-site provision of affordable housing,
- prior to the occupation of the fifth park home ???? Owen ?.

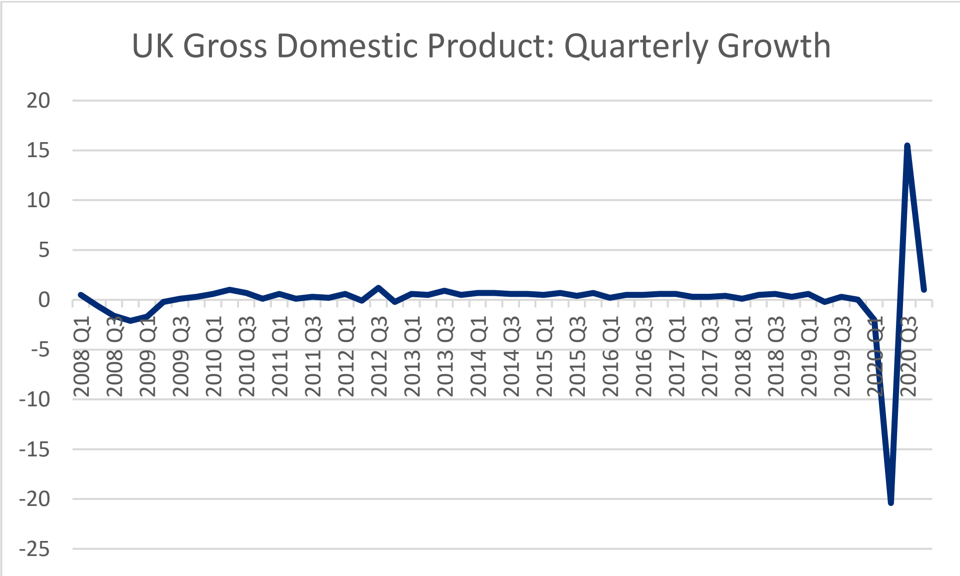
# 6. The Market

### General Market Commentary

The entire global economy is currently in the middle of a severe economic crisis caused by the sudden and rapid spread of the COVID-19 coronavirus which has resulted in a widespread shutdown of large parts of the global economy, due to lockdown measures which were introduced across the world to limit the spread of the disease. It is therefore not an exaggeration to state that the world economy has faced one of the most severe shocks in living memory with significant economic consequences. In the UK a quarter of the economy's output was lost during the strict lockdown measures which were in place during March and April 2020 and, whilst the economy was slowly reopened in June 2020, the Q2 2020 GDP data indicated a record contraction of 20.4%, plunging the economy into recession. The GDP data released for Q3 2020 indicates a record recovery of 15.5%, reflecting the opening up of the economy following the severe lockdown restrictions earlier in the year and more modest growth of 1% was recorded in Q4 2020. Despite this recovery, GDP fell 9.9% in 2020 but with a recovery expected in the region of circa 4-6% in 2021. In this regard, a full resumption of economic activity is not going to be possible until widespread vaccinations have been completed and infection rates materially reduce. The UK has been one of the world leaders in rolling out vaccinations and current expectations are that the majority of the adult population will have been vaccinated by Autumn 2021 which provides some hope for an increase in economic activity and return to some normality by the end of the year.

To provide some context as to the health of the UK economy prior to the onset of the COVID-19 pandemic, macro-economic conditions have, in recent years, generally continued to improve following the severe economic turbulence experienced during the 'Credit Crunch' which statistically was the worst recession since the end of World War II. The UK economy has gradually expanded following the exit from recession in Q2 2009 with generally consistent GDP growth experienced during the last 10 years. Although the economic and political landscape changed considerably following the referendum held on 23 June 2016 concerning the UK's membership of the EU and the consequential decision taken to exit, the resultant uncertainty created arguably did not have a material impact on the UK's macro-economic performance (to date). Following the agreement with the EU of the post Brexit trade deal just days before the 31 December 2020 deadline, the deal has now been passed into law following an overwhelming majority vote in Parliament. It is still very early days to gauge how the impact of this trade deal will impact on the UK economy and, inevitably, there will be winners and losers under the new arrangements. As such, whilst the signing of the trade deal lifts a huge amount of uncertainty and the risk of a no-deal exit from the EU, there is still some uncertainty as to how the economy will respond to the new trading partnership.

The chart below outlines quarterly UK GDP growth since 2008 which highlights the unprecedented nature of the contraction in the economy experienced in the first half of the year followed by the recovery in Q3:-




Source – Office for National Statistics

The above chart demonstrates that, in recent quarters prior to the onset of the COVID-19 pandemic, the rate of GDP growth has been generally stable followed by the significant contraction experienced in Q1 and Q2 2020. More recent GDP data has indicated a recovery is underway, as evidenced by the Q3 GDP figures and the positive growth experienced in Q4 2020. However, the current GDP levels are approximately 7.8% below the levels seen before the impact of the COVID-19 pandemic.

With regards to unemployment levels, it is widely acknowledged that the furlough scheme introduced by the UK government prevented a tidal wave of redundancies as businesses struggled to survive during the lockdown period, with 9.4 million workers being furloughed. The unemployment rate in the three months to the end of December 2020 was 5.1%. Although the furlough scheme has now been extended to the end of September 2021, many analysts have predicted that the original extension to the end of April 2021 had come too late in the day to save some jobs which were cut in October 2020 (the original end date of the furlough scheme) and further substantial increases in the unemployment rate are possible in the coming months.

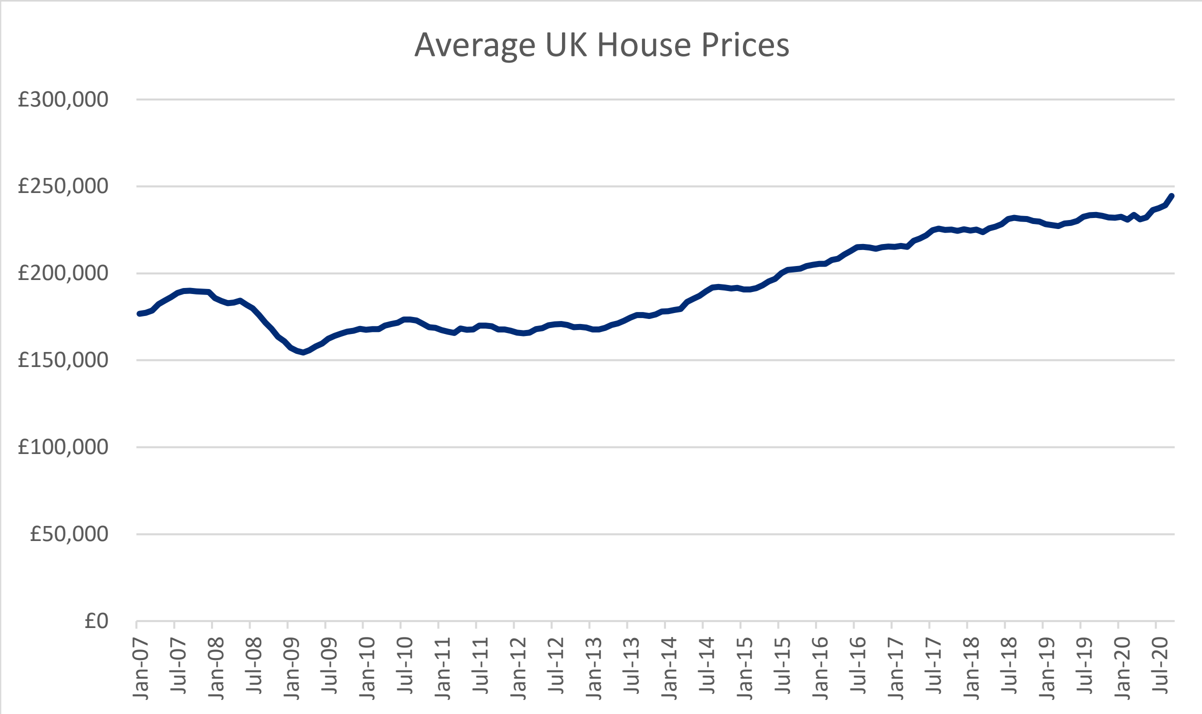
The view of most economists is that there is a path to recovery once the virus is brought under control and that a strong bounce in the economy will follow during 2021. Ultimately, the extent of any bounce will be dictated by the financial health of businesses and households when the dust settles and how quickly consumer confidence can recover. The Chancellor has repeatedly promised to do "*whatever it takes*" to provide financial support to households and businesses through the coming months. Measures taken to date include the availability of emergency government guaranteed loans and grants to businesses, business rates reductions and holidays, VAT deferrals and, in an unprecedented move, the introduction of a government funded furlough scheme for employees unable to work due to the lockdown. The impact of the pandemic has been particularly catastrophic for the retail, leisure and tourism industries in the UK and the government funded staff furlough scheme is providing a lifeline for businesses operating in this sector. However, it seems inevitable that there will be a large number of corporate insolvencies in these and all sectors of the economy in the coming months as those companies with weak balance sheets and elevated debt levels become exposed.

Residential Property Market Commentary

Due to the current unprecedented circumstances relating to the COVID-19 pandemic, as summarised above, transactional activity within the residential property market has been significantly reduced in recent months due to the lockdown measures which prevented many house sales from completing. However, with the gradual lifting of lockdown measures, there is now evidence to suggest that the market has rebounded strongly in recent weeks, aided by the recently introduced stamp holiday effective for the first £500k of a purchase in England and Northern Ireland up to 31 March 2021. Estate agents have reported an increase in buyer enquiries with Rightmove reporting an increase of 75% in new enquiries since the beginning of July (compared with the same statistics in 2019) and transactional activity has been generally robust since the introduction of the stamp duty cut. To some extent, a recovery in the short term was perhaps to be expected having regard to pent up demand created from the shutdown of the market during March and April.

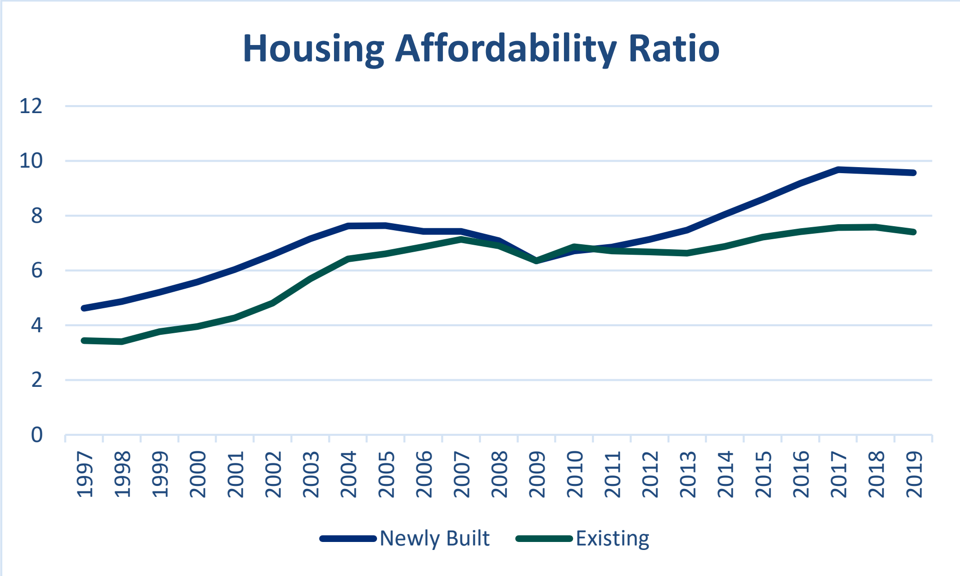
The above commentary provides a brief summary of the current significant challenges to the residential property market from the COVID-19 pandemic. To provide some context of the state of the market prior to the onset of the pandemic, in the last 5 years there has been a marked improvement in conditions within the residential property market, particularly within the residential development sector (which was arguably one of the worst hit during the previous recession). Generally, the transactional activity within this period has been strong across all sub sectors of the residential property market, including first time buyers, owner occupiers and investor markets. However, as outlined above within the general market commentary, the recent political and economic uncertainty weighed on residential property markets throughout 2019 and house price growth has been generally flat in the lead up to the COVID-19 pandemic. However, the market has been remarkably resilient during the pandemic and the statistics that are available for recent months indicate that residential values have rebounded strongly, aided by the temporary stamp duty cuts and the releasing of pent up demand. The most recent research published by Nationwide Building Society indicates that annual house price growth picked up to 5.8% during October, representing the highest rate of growth since January 2015.

The most recent data from the Land Registry House Price Index states the average price of a property within the UK in September 2020 was £244,513. The chart below illustrates the generally rising trend in house prices nationally since 2007:-




Source – Land Registry

We would comment that there have been some general concerns raised at the pace of house price growth when benchmarked against earnings growth and statistics indicate that house prices have grown 259% since 1997 compared with earnings growth of 68% across the same period. The average house price now costs 7.4 times average annual earnings for existing homes (9.57 times average annual earnings for new build homes), the highest level on record, compared to 3.6 times in 1997, although this dataset is skewed by the market in London where there the gulf between house prices and earnings is at its widest. The general increase in house prices and reduction in affordability in recent years has resulted in a slowing of home ownership and driven an increase in private renting. Data from the Office of National Statistics indicates that the home ownership rate has slumped to 63% compared with 73% a decade ago. The changing trend in housing affordability since 1997 is illustrated on the chart below comparing median prices of new build and existing homes to the median workplace-based gross annual earnings for full-time workers:-




Please note, we provide local market commentary within the property schedule reports relevant to the individual locations of the subject properties.

## General Information – Mobile Home Parks

Mobile home parks are a little known but well-established sector of the housing market. They are owned and operated as profit making going concern businesses and over the past 40 years or so a reputable business has developed based on mobile homes. Many parks are owned by individual businessmen but there are also some very big operators in the industry. The largest is Berkley Homes who have around 50 parks nation-wide.

There are approximately 1,200 residential caravan parks in the UK. With ever tighter planning controls it is almost impossible to start a new park. There is therefore a fairly fixed supply of both parks and mobile homes.

A modern mobile home park is essentially a private residential estate, usually with a warden or site manager, offering a community spirit not found elsewhere. They provide security and fall somewhere between sheltered housing and the open freehold market. Many buyers of mobile homes trade down from an unmortgaged house and buy for cash investing the balance of their funds for their retirement.
The most common method of operating a mobile home park is to sell each of the homes to the occupier, whilst the freehold of the plot remains in the ownership of the park owner. A pitch fee is then charged for the plot of land on which it is stationed.

The operation of a park where the homes are privately owned is governed to a large degree by the Mobile Homes Act 1983 and 2013. The Acts detail the form of written agreement between the park owner and the homeowner and gives the homeowner a high degree of security enabling him to occupy the pitch for his lifetime and pass on the value of the home to his estate on death. This, together with ever increasing standards of manufacture, has served to increase the attraction of mobile homes as a permanent form of accommodation.

The agreement also covers how the pitch fees may be reviewed with the legislation providing for annual pitch fee reviews in accordance with the Retail Prices Index.

The Mobile Homes Act 2013 contains extended provisions designed to safeguard residents. These provisions are intended to prevent un-scrupulous park owners from exercising control to such a degree that they are able to frustrate the sale of a privately owned park home. The 2013 Act also introduced a more rigid approach to pitch fee reviews that includes provision for residents to seek to reflect any deterioration in the condition or decrease in the amenity of the site when agreeing the pitch fee reviews.

The 2013 Act includes provisions for Local Authorities to charge for Site Licensing and introduces 'step in' rights for the Site Licensing Authority to undertake works in the event that a park owner fails to comply with the conditions of his Site Licence. Finally, Park Rules are to be agreed by residents, deposited with the Site Licensing Authority and will form part of the agreement between the park owner and homeowner.

There are three main sources of income generated by a residential park with privately owned homes. The first is the pitch fee paid by each homeowner. This is a regular and very safe form of income. Secondly, commission on the purchase of existing homes, which currently the Mobile Homes Act legislation provides may be charged at 10% of the purchase price. Thirdly, profit from the sale of new homes as and when a pitch becomes vacant. The income from commission and sales will vary from year to year.

As mentioned above, a residential park home operator can reasonably expect a proportion of their earnings to come from the gradual development of plots on the park, this is because residential park homes have a finite life (typically 30 to 40 years), and as they become older and deteriorate, their value starts to fall. Whilst the resident has the right to re-sell their home in the open market, there will come a point where either the condition or the value of the home will prompt the park operator to buy an old home when it comes up for sale. Once the old home has been purchased, the park operator can remove it and site a new home in its place. This new home is then marketed and sold to a new resident.

Generally speaking, the demand from the purchasers of park homes is for the larger type of home known as a 'twin unit'. These homes can be anything up to 20m long by 6.8m wide and 3.05m in height (measured internally from floor to ceiling at the highest point).

In recent years the general increase in the value of bricks and mortar property has had a knock-on effect on the value of residential park homes. This means that the sale of a new large park home can generate a substantial profit.

Alternatively, some park operators choose to rent park owned mobile homes on short term letting agreements. Such agreements are usually on Assured Shorthold Tenancies (AST's) and subject to a weekly or monthly rent.

# 7.

# 8. Market Conditions - Residential Parks

Residential Parks

Residential caravan parks offer a relatively safe rental income, known as pitch fees. These pitch fees are reviewed annually in accordance with the Retail Price Index and are usually paid in advance on a monthly basis. This income will continue through the ups and downs of the property market and the wider economy in general. Additional income is derived from the sale and re-sale of homes which will vary according to the state of the housing market.

In the past few years, there has been a considerable improvement in levels of activity, affecting the value and volume of park home sales. This is particularly true in higher value residential areas such as the south east of England where house prices have now exceeded values achieved at the height of the last property boom in 2007.

As a consequence, the sale price of large luxury twin units on parks in the Home Counties and prime south coast locations are now commonly in excess of £250,000 and in some cases over £300,000. Although the factory price of the park homes has also increased slightly, the profit margins for new park home sales can be very substantial on well-located parks.

There is now a strong demand for residential parks in all parts of the country, particularly in the south east of England and prime south coast locations. For this reason, prices of parks in these areas have risen significantly over the past 12 months, primarily driven by the higher levels of income from the sale of new park homes and commissions on secondhand park homes. The value of residential parks in other parts of the UK is more dependent on pitch fee income with parks with high fee parks achieving higher prices.

Changes brought about by the Mobile Homes Act 2013 have also reduced the control an operator of a residential park home estate may exert over homes that are already sited on the park which, when economic conditions are more favorable, has resulted in vacant and un-developed pitches being considered more attractive than was the case prior to the new legislation coming into force.

It is important to analyze the market using both the comparable and profits methods. Those parks that have achieved high pitch values have also had a correspondingly high level of pitch fee income. For parks with little or no development potential the yield based solely on pitch fees is currently in the range of 4% to 7%. In reality, the returns will be slightly higher when income from sales is added in.

# 9. Valuation Methodology

We have undertaken an appraisal of the proposed development in order to identify its economic viability.

The appraisal is a discounted cashflow that involves a calculation of Gross Development Value for the scheme, deducting all relevant costs including construction costs, fees and finance, in order to determine the residual land value or level of profit.

Given the nature of the development an on-site provision of affordable housing would not be appropriate. We have undertaken an appraisal of the scheme in order to consider what, if any, surplus profit can be achieved to enable an off-site financial contribution towards the provision of affordable housing.

# 10. Valuation Appraisal

For this valuation all the costings in this section have been provided by Mr Colin Moorfield the park manager at Croft Farm Park.

### 10.1. Gross Development Value

The business opportunity at Croft farm can be considered in two parts. Firstly, the development phase which will generate substantial 'one-off' profits from the sale of new park homes. As mentioned in section 7 each of the park homes will be sold with Mobile home Act Agreements the benefit of ongoing security which is best described as a 'lifetime licence'. The purchaser of the home will then be required to pay a pitch fee (ground rent) for the land on which the home is situated.

When all the homes have been sold the development will enter the second phase as a 'mature' investment type property, which can be valued and sold with reference to the ongoing rental income from pitch fees.

### 10.2. Development phase 1

Open market evidence of new park home sales is limited. Sales of homes on the adjacent Croft Farm Residential Park are achieving £100,000 for a single unit and up to £150,000 for a twin unit. There are a few second-hand homes currently available for sale privately on the park. Number 23 Croft Farm a single unit, currently is sold subject to contract, off a guide price of £80,000 via YOPA and number 11 is sold subject to contract off of a guide price of £100,000 with Your Move – Mandy (01726 431 025) and is about to exchange contracts. We have made enquiries of the selling agents in the area concerning other homes available for sale and are advised that there are currently no homes available.

Based upon previous sales levels achieved and comments from the local estate agent we have allocated sales values of £100,000 for the 1 x single park home and an average sale price of £145,000 for the 14 x double twin units, equating to a Gross Development Value of £2,130,000.

### 10.3. Mature Investment value phase 2

In assessing the value of this type of business property we use a combination of the 'comparable' method (market approach) and the 'investment' method (income approach) to look at both the value of land and assets employed together with the return on investment.

The comparable valuation will take into account the value of assets including the land with planning consent, infrastructure, buildings, caravans, fixtures and fittings. When looking at the caravan park in particular, we look at comparable 'pitch values' from our extensive records of the sale of similar properties.

When comparing the subject park with comparable evidence we will take five main factors into account. These are:-

1 The standard of the park, quality and scope of facilities.
2 The location of the park geographically in the country.
3 The setting of the park and the immediate surroundings.
4 The size of the park (small parks tend to sell at higher prices per pitch).
5 The earnings of the park.

The 'investment' valuation will take into consideration the yield from pitch fee income together with any potential for further development. The multiplication factor for the yield is arrived at from our knowledge of the marketplace, its trends and recent transactions that have taken place.

Therefore, assuming all the homes are sold and occupied, the private owners would pay a monthly or yearly pitch fee. Private owners of new homes on the neighbouring residential park currently pay a pitch fee of £152 per month which is reviewed on the 1st January each year in accordance with RPI. We understand that the pitch fee for the new pitches at Croft Farm will be set at £1,825 per annum in line with the pitch fees being achieved on the adjacent residential park. Therefore, when the development has been completed there will be 15 homes in private ownership paying £1,825 per annum, equating to a total of £27,375 per annum.

We are unaware of any recent sales of residential mobile home parks that have completed in Cornwall and therefore have had to draw comparable evidence from a wider area. We have had regard to recent sales in the marketplace over the last 12 months to arrive at this value.

In arriving at our Valuation we have taken the evidence from the following property sales into account:

| Date Sold | Property | Guide Price | Details | Pitch values | YP |
|---|---|---|---|---|---|
| Jan-21 | Tamar Park Gunnislake Cornwall | SSTC £,1,200,000 | Consent for 35 homes | £30,000 | 17.48 5.72% |
| Jan 21 | Riverside Drive Bristol | £900,000 | Consent for 18 homes | £38,000 | 20.61 4.78% |
| Mar 20 | Bronzerock Dawlish | £1,000,000 | Consent for 24 Homes | £35,000 | 15.13 6.6% |
| Jan 20 | West Bay Watchet | £600,000 | Consent for 16 Homes | £31,250 | 18.31 5.46% |
| May 19 | Planet Park Delabole Cornwall | £1,750,000 | Consent for 56 homes and 20 statics | £26,500 | 19 5.26% |
| Oct 19 | Rustic Park Bristol | £1,600,000 | Consent for 49 | £31,395 | 25 4% |
| Mar 18 | Berrynarbor Park, Ilfracombe, N Devon | £1,195,000 | Consent for 40 homes | £25,850 | 14.6 6.84% |
| Feb 18 | Ashburton Park, Ashburton, Devon | £1,275,000 | Consent for 46 homes | £26,666 | 15.26 6.55% |

We consider the park sales listed above provide a reasonable spread of comparable properties. The evidence shows a range of pitch values from £25,850 to £38,000 per pitch.

In valuing the new development at Croft Farm, we have adopted a pitch value of £36,500 per pitch.

**Yield Analysis** Analysis of evidence from recent sales of mobile home parks demonstrate values based upon a multiple (years purchase) of pitch fee income in the range of 21.8 to 14.6 (4.58% to 6.84% yield). In arriving at our opinion of value using the investment method, a multiple of the income from pitch fees of 20 (5% yield) has been adopted.

It is our opinion that once the 15 homes have been sold the mature investment value of this part of Croft Farm would be worth in the region of £547,500.

### 10.4. Existing use land Value

In arriving at our Valuation we have taken the evidence from the following property sales into account:

| Date Sold | Property | Guide Price | Details | Touring Pitch | Static Pitch | YP |
|---|---|---|---|---|---|---|
| Dec 20 | Quantock Orchard Somerset | £1,075,000 | Developed with 30 touring, 16 statics | £12,500 | £25,000 | 8.15 |
| Aug 20 | Cei Bach Park, New Quay, Wales | £1,600,000 Under offer | 83 developed pitches. 72 hard standing touring & 11 camping/motorhome pitches | £12,500 | | |
| July 20 | Bone Valley CP Penzance Cornwall | £375,000 | 18 touring pitches 3 hire fleet statics & 69 grass | £12.222 | £20,000 | |
| Jan 20 | Wheal Rose Caravan Park, Westway, Redruth | £815,000 | 5 acres, developed with 50 tourers, 3 hire fleet statics & 1 warden's unit. | £8,000 | £20,000 | |
| Sep 19 | Woodland Springs TP, Devon | £1,300,000 | 11 acres. Touring park, consent for 85 pitches and 20 pod pitches. 4 bed owners lodge (50 hardstanding) | £11,500 | | 9 |
| Aug 19 | Big Lemonford Caravan Park, Newton Abbot, Devon | £1,210,000 | 12 developed static caravan pitches , 84 touring caravan/camping pitches | £11,500 | £20,000 | 7.7 |
| Feb 19 | Eskdale Campsite, Cumbria | £1,650,000 | 8.5 acres with pp to accommodate 100 tents and 10 camping pods / motorhomes. 4 bedroom | M/homes £12,000 | | |

| | | | | | | |
|---|---|---|---|---|---|---|
| | | | farm house camping barn, shop and amenity block | | | |
| Nov 18 | Pen Y Bont Touring Park, Bala, Wales | £1,350,000 | 5.5 acres with pp for 59 touring caravans and 36 tents. Season 1 March to 31 October. 2 bed owner's bungalow, shop & 3 glamping units | £13,500<br>Tents £6,000<br>Glamping £12,500 | | 9.4 |
| May18 | Wayfarers Caravan Park, Penzance, Cornwall | £795,000 | 34 touring pitches, 3 developed static pitches, owners house, barns with development potential | £10,000 | £15,000 | 9.6 |

The current use of the subject land is for 13 static caravans, 4 tents and 11 hardstanding touring pitches being replaced with to 15 residential homes in the central area of the park plan attached". We have had to estimate the current use value of the park, a value at which a willing purchaser would pay in an open market in an arms-length transaction. We consider the park sales listed above provide a reasonable spread of comparable properties.

The evidence shows a range of pitch values from £15,000 to £20,000 per pitch for static caravan pitches and £8,000 to £13,500 for touring pitches.

In arriving at our valuation, we have attributed a value of £20,000 for the static caravan pitches x 13 equals £260,000, £12,500 per pitch for the seasonal touring caravan pitches x 11 equals £137,500 and £6,000 for the grass tent pitches x 4 equals £24,000. Therefore, the existing use value is **£421,500.**

### 10.5. Cost of acquisition

Stamp duty and an allowance of 2.75% of the purchase price for professional fees to acquire the site, including agents fee and legal cost.

### 10.6. Phasing

Within our appraisal, we have made provision for a single phase of development. We have assumed the construction works will take 6 months and that once the bases are completed, the sale of the 15 park homes would take place every other month thereafter. We have assumed the completed development would then be sold at the end of 2 years and 7 months. We are advised by local agents that the sales market is currently strong due to people wishing to move to the area.

### 10.7. Park Home Costs

The residential park homes are acquired direct from manufacturers. Park homes are manufactured by different companies, such as these two, who each offer a wide range of style, finish and size, it is therefore impossible to predict the exact sale price of a park home on any park as the buyer may want additional fixtures and fittings.

The base cost of the unit varies depending upon the size and manufacturer. It is usual for the park owners/developers to buy park homes at a substantial discount compared to the retail price, typically around

25% to 30%. We understand that both Tingdene and Stately Albion are currently offering homes to Croft farm after a discount at £55,000 for a single unit and £65,000 for a twin unit. These figures are as quoted in our previous viability assessment; however, we understand that due to the pandemic there is a limited supply of park homes available which will invariably mean delays in homes being acquired and price rises.

### 10.8. Construction costs including Services

The roadway will be update at a cost of £50,000. Drainage consultants have prepared designs for storm water attenuation and foul holding tank, which will require pumping up to the mains sewer due to the differing ground levels. Quotes for these costs have been received equating to £50,000.

The incorporation of a new bulk LPG gas tank will be required although there is likely to be a contribution from the service provider. However, there will be the cost of excavation and the incorporation of pipework and meters to each of the homes. Quotes have been obtained for this element of the development at £25,000.

The overall costs of connecting water is £15,000, electric £20,000 with landscaping estimated at £15,000 overall.

### 10.9. Pitch Set Up Costs

To include levelling, storm drainage, soak-away, base, car parking space and landscaping have been included at £10,000 per pitch. Service providers' connection charges have also been added.

### 10.10. Community Affordable Housing Contribution

This is an over 55 age group park home development and as such there will not be children on site and therefore there will be no education contribution requirement. We understand that Cornwall Council are suggesting a contribution of 30% of all units proposed (so 30% of 15 in this case = 4.5) with a new tariff charge of £102k per unit (so 4.5 * £102k = £459,000). This sum would not make the scheme financially viable and therefore we have explored a sensible contribution.

We have incorporated into our appraisal a contribution of £37,500 based upon our previous contribution to Cornwall Council for a similar scheme, of £2,500 per home for which we have made an allowance in our appraisal of the same.

### 10.11. Other Construction Costs

An allowance of £70,000 has been made for Plant Hire and labour.

### 10.12. Professional Fees

Project manager 2.5% of the overall construction costs.

### 10.13. Marketing costs

An allowance of £30,000 has been made for marketing – brochures, updating website and advertising.

### 10.14. Disposal Agency & Legal costs

An allowance of 3.0% to include estate agent fees and legal costs.

### 10.15. Finance Costs

Finance costs have been assumed to be 6% on debit balances and 1% on credit balances, which is compliant with the current market norms.

### 10.16. Developers Profit

Both developer and commercial funders have had to adopt a more cautious approach on residential schemes to deliver housing.

We have been in discussion with various active house builders in the South West who have confirmed that profit figures of between 18% to 20% of Gross Development Value is required as a minimum return if they are to take their schemes forward. This is also consistent with the position commercial funders are taking in approving loans.

The level of profit has been supported by several planning appeals. A development at The Manor, Shinfield, Reading was consented in January 2013. In making the appeal decision the inspector adopted a profit of 20% on Gross Development Value and provided comment that ‘A development, when taking into account the normal costs of development and mitigation, provides competitive returns to a willing landowner and willing developer to enable a development to be delivered’.

A further appeal was determined in November 2013 regarding Holsworthy Showground in Devon where the planning inspector felt that a blended profit of 18% would be reasonable in this instance.

The proposal suggests a Profit on Costs of **18.41%** and a profit on Gross Development Value of **15.55%** which are at return levels below those that would be acceptable to a developer in the marketplace.

## 11. Conclusions and Recommendations

Given the location, access constraints and site sensitivity we believe this to be an appropriate scheme and optimum proposal.

Given the nature of the development, the inclusion of affordable housing on site would not be appropriate. There is no need to contribute towards education as the site will not accommodate children and open space is already provided on site.

The development appraisal suggests there is an ability to make a community contribution towards affordable housing of £37,500 given that the homes that will be sited on site are in themselves affordable i.e. cost less than £150,000 to buy. The contribution that Croft Farm Park is proposing would appear to be reasonable given the fact that the development profit is £416,291 which is at a level of return on profit that we would consider to be the current market norm. As highlighted above in practice a developer would seek at least 18% return on profit to consider a scheme to be financially viable.

# 12. Limitation and Publication

### 12.1. Liability

Our valuation is provided for the stated purpose and is for the use of the addressee only and no responsibility is accepted to any other party for the whole or any part of its contents.

Neither the whole nor any part of this report, or any reference thereto, may be included in any document, circular, or statement nor our opinions of value disclosed without our prior written approval of the form and context in which they will appear.

# 13. Terms of Engagement and Guidance for Clients

### 13.1. Extent of Investigations Undertaken

We refer you to our “Terms of Engagement and Guidance for Clients” appended to this report. This document describes in detail the work which we have and have not undertaken in compiling this appraisal on your behalf.

| | |
|---|---|
| | |
| Andrew Bagnell BSc (Hons) MRICS<br>Partner, Valuation Services<br>RICS Registered Valuer | Lee Southan BA (Hons) MRICS<br>Associate Partner, Valuation Services<br>RICS Registered Valuer |

27 April 2021

Authorised to sign for and on behalf of Sanderson Weatherall LLP

# 14. Appendices

**Appendix 1** **Terms of Engagement and Guidance for Clients**

# Appendix 1

# Terms of Engagement and Guidance for Clients

# VALUATION PROCEDURES AND ASSUMPTIONS – PROPERTY APPRAISAL AND VALUATION

## SUPPLEMENTAL TERMS OF ENGAGEMENT AND GUIDANCE FOR CLIENTS

Our valuation work is carried out on the basis set out below unless specifically varied by our initial letter confirming our instructions ("our initial letter"), or our subsequent report, of which this document will form an integral part.

### 1. Reports and Valuations

1.1 Will be prepared in accordance with the current edition of the RICS Valuation – Global Standards, January 2020, published by the Royal Institution of Chartered Surveyors ("RICS") ("the Red Book"). Any departure from the Red Book will be recorded in our initial letter and confirmed in our report.

1.2 The valuers to be responsible for the work are external valuers as defined by the Red Book.

### 2. Disclosure

2.1 Our valuation will be provided for the stated purpose and will be for the use of the addressee only. No liability will be accepted to any other party without our specific prior written approval.

2.2 Publication of our report, or any reference thereto, in whole or part, in any document, circular or statement, in either hard copy or electronically (including any web site) will be permitted only with our prior approval, this to include the form and context in which it will appear.

### 3. Liability

3.1 Our valuation is confidential to the party to whom it is addressed for the stated purpose and no liability is accepted to any third party for the whole or any part of its contents, even if that third party pays all or any part of our fee. Liability will not subsequently be extended to any other party except on the basis of written and agreed instructions; this will include an additional fee. Except as set out in 3.2 below, the terms of the agreement between Sanderson Weatherall LLP and the client are not enforceable by any third party under the Contracts (Rights of Third Parties) Act 1999. Should we agree to extend liability (and reliance) to any third party, such party will be deemed to have accepted our 'Terms of Engagement and Guidance for Clients'.

3.2 No claim arising out of or in connection with this agreement may be brought against any member, employee, partner or consultant of Sanderson Weatherall LLP (each called a "SW person"). Those individuals will not have a personal duty of care to the client or any other party and any such claim for losses must be brought against Sanderson Weatherall LLP. Any SW person may enforce this clause under the Contracts (Rights of Third Parties) Act 1999 but the terms of our agreement may be varied by agreement between the client and Sanderson Weatherall LLP at any time without the need for any SW person to consent.

3.3 Subject to the provisions in this clause 3, if you suffer loss as a result of our breach of contract or negligence, our liability shall be limited to a just and equitable proportion of your loss having regard to the extent of responsibility of any other party. Our liability shall not increase by reason of a shortfall in recovery from any other party, whether that shortfall arises from an agreement between you and them, your difficulty in enforcement, or any other cause.

### 4. The Inspection and Subsequent Enquiries

4.1 Will be carried out by RICS Registered Valuers and general practice surveyors making appropriate investigations having regard to the purpose of the valuation and to any restrictions recorded within our initial letter and confirmed in our report.

4.2 No parts of the structure which are covered, unexposed or inaccessible will be opened up for inspection. The exterior will be inspected from ground floor level only, ie without the benefit of access equipment. We cannot express an opinion about or advise upon the condition of uninspected parts and the report should not be taken as making any implied representation or statement about such parts. Furthermore, the various services have not been tested. We are therefore unable to report that any such parts of the property are free from defect or that the services are in full working order.

4.3 Unless specifically agreed with you in writing, we shall have no responsibility for the identification of hydrochlorofluorocarbons (HCFCs) in refrigeration, air-conditioning, heat pump or other equipment at the property. We shall also, unless specifically notified, be entitled to assume that all equipment at the property complies with obligations under the EU ODS Regulation (Regulation (EC) No. 1005/2009) and other legal obligations.

### 5. Condition, Repair and Pollution Hazards

5.1 Unless specifically instructed to carry out a structural survey, test of service installations, site investigation or to facilitate an environmental survey, our valuations will assume:

i) That except for any defects specifically noted in our report, the property is in good condition;

ii) That no materials have been used in the construction of the buildings which are deleterious, hazardous or likely to give rise to structural defects, including inter alia high alumina cement or calcium chloride additive, asbestos or any other hazardous or deleterious material or permanent woodwool shuttering

iii) That no hazardous materials are present on site.

iv) That all relevant statutory requirements relating to use or construction have been complied with.

v) That the site is physically capable of development or redevelopment, when appropriate, and that no special or unusual costs will be incurred in site clearance or providing foundations and infrastructure.

vi) That the property is not adversely affected by any form of pollution, current or historic, either on or off site.

vii) That there are no archaeological remains on or under the land which could adversely impact on value.

viii) That there is no abnormal risk of flooding.

ix) That any building services are fully functioning to include any which incorporate essential electronic devices and the software which operates such devices.

5.2 We will, however, reflect the general condition of the premises as evident from our superficial inspection and any defects of which we are made aware as summarised in our report.

### 6. Statutory Matters

6.1 **Equality Act 2010**

6.1.1 Under the Equality Act 2010 all service providers to the general public are obliged to ensure that all disabled customers are treated, as far as it is reasonable to do so, the same as nondisabled customers. The legislation was operative from 1 October 2010 as amended. This legislation also extends to employees of Companies.

6.1.2 It should be noted that our inspection of the premises does not constitute an accessibility audit for Equality Act purposes.

6.2 **The Regulatory Reform (Fire Safety) Order 2005 & Fire Safety**

6.2.1 The Regulatory Reform (Fire Safety) Order affecting all non-domestic premises in England and Wales came into force on 1 October 2006. This legislation has removed the requirement of Fire Certificates for non-domestic property. Now the person responsible for the premises will be required to carry out their own risk assessment to identify the fire precautions which are required to be in place. To accompany the legislation the Government has developed specific information guides for each type of premises which sets out the guidance on the requirements and carrying out a Fire Risk Assessment.

6.2.2 Our inspection of the property does not constitute a Fire Risk Assessment and within the limitations of this report we cannot comment on any aspect of fire safety or fire performance of the subject property. Should there be any concerns regarding elements including inter alia cladding, façade and roofing materials, external or internal wall systems we recommend that the client seek independent advice from an appropriately qualified consultant.

6.2.3 In respect of Valuations for Secured Lending in respect of high rise residential property, in arriving at the valuation for mortgage purposes, your mortgage lender and the mortgage lender's appointed valuer (Sanderson Weatherall) have relied on the EWS1 form provided, in good faith, prepared by a professionally qualified third party. There is however, no liability to the lender, the valuer or to you, the borrower, for any losses or potential losses arising directly and solely from the valuation being provided in reliance upon the EWS1 form. If you require further information, then please seek independent advice prior to legal commitment to purchase

6.3 **Control of Asbestos Regulations 2012**

6.3.1 Under the Control of Asbestos Regulations 2012 all commercial property owners/occupiers are obliged by law to have completed a Register of all materials containing asbestos within their premises and either remove them or have a programme for managing them so that they do not become a danger to health.

6.3.2 Our inspection of the property does not constitute a survey in compliance with Government Directives and as such we will not comment in detail on any potential asbestos containing materials believed to be present in the property.

6.4 **Invasive Plant Species**

6.4.1 The three main non-native invasive plant species in the UK are Japanese knotweed, Himalayan (Indian) or purple stinky balsam and New Zealand pygmyweed. Other notifiable plants and weeds include inter alia giant hogweed, ragwort and azolla.

6.4.2 Japanese knotweed is a rampant non-native invasive species which can cause physical damage to buildings and hard surfaces. Under s. 14(2) of the Countryside and Wildlife Act 1981 it is an offence to cause this plant to grow in the wild. Failure to dispose of any material containing Japanese knotweed may also result in prosecution under this Act and under the Environmental Protection Act 1990.

6.4.3 The likely costs of eradication and removal of plants such as these can be high and time consuming and may impact on the ability to enjoy/develop/redevelop the site and consequently diminish the values reported.

6.5 **The Energy Performance of Buildings Directive (England and Wales) Regulations 2007**

6.5.1 The Energy Performance of Buildings Directive (England and Wales) Regulations 2007 affecting all non-domestic premises in England and Wales came into force on 6 April 2008. This legislation introduced new statutory requirements for commercial buildings offered for sale or to let to have an Energy Performance Certificate (EPC) and for certain buildings to have Display Energy Certificates (DEC). EPCs are required for any commercial building greater than $50m^2$ (538 sq ft).

6.5.2 Our inspection of the property does not constitute an Energy Assessment of the property.

## 7. Tenure and Tenancies

7.1 We will rely upon information supplied as to the property, tenure, tenancies, permitted uses and related matters. We will assume such information to be accurate, up-to-date and complete. We will assume that your solicitors are able to confirm the accuracy of these details as set out in our report, and that the interest being valued is in all respects good and marketable.

7.2 We would welcome the opportunity to consider your solicitor's report on title and to advise whether this affects our valuation.

7.3 We will not examine title documents and, therefore, assume that apart from any matters mentioned in our report, the interest is not subject to any onerous restrictions, to the payment of any unusual outgoings or to any charges, easements or rights of way. We will assume that any outstanding requirements of repairing covenants will be met.

## 8. Planning, Highway and Other Enquiries

8.1 We will make only informal, oral enquiries of the local planning, highway and other relevant authorities and the information obtained is assumed to be correct. No formal searches will be instigated. Except where stated to the contrary, we will have assumed that there are no local authority planning or highway proposals that might involve the use of compulsory purchase powers or otherwise directly affect the property.

8.2 Where limited only responses have been received to our enquiries which are material to our valuations, this will be confirmed in our report.

## 9. Floor, Site Areas and Plans

9.1 All measurements will be in accordance with RICS Property Measurement (2nd Ed). Unless stated to be otherwise, floor areas will be derived from measurements taken on site or scaled from drawings supplied and checked by sample measurements on site. Site areas will be computed from Ordnance Survey data and not from physical survey. Dimensions and areas should be regarded as being approximate only.

9.2 Where plans are included in our report, these are for identification purposes only.

## 10. Tenant Status

10.1 We will not make any specific enquiries as to the financial standing of actual or prospective tenants other than those a competent valuer would make when appraising and valuing the property. We will, however, reflect our general understanding of the tenants' financial status in our valuation and will have assumed, unless informed to the contrary, that the tenants are capable of meeting their financial obligations under the lease and that there are no arrears of rent or undisclosed breaches of covenant.

## 11. Plant and Machinery

11.1 We will include in our valuations only those items of plant and machinery normally considered to be part of the building service installations and which would pass with the property on a sale or letting. We will exclude all items of process plant and machinery and equipment, together with their special foundations and supports, furniture and furnishings, vehicles, stock and loose tools, and tenant's fixtures and fittings.

## 12. Capital Allowances

12.1 Under the Capital Allowances Act 2001, certain allowances (which may have the effect of providing a relief from corporation tax) may be claimed by a person where that person incurs 'qualifying expenditure' on particular pieces of 'plant' which are fixtures within a building, and which are used by that person for the purposes of a 'qualifying activity'. Relevant fixtures included within 'plant' may include, for example, furniture, machinery, lifts, air conditioning and so on.

12.2 Certain conditions must be satisfied in order to be eligible to claim these allowances. Changes to these conditions were introduced with effect from 1 April 2012, with further changes becoming effective from 1 April 2014. As a result of these changes, anyone contemplating the acquisition of a property must take action, before the acquisition, to preserve any right to claim available allowances, as well as to obtain sufficient information to put them in a position to make such a claim in the future. Failure to do so may mean that the ability to claim capital allowances, or the ability to put a future purchaser in the position to claim allowances, is lost. A seller of property may also wish to consider the position, before disposal, so that it can decide whether the purchase price of the property may be adjusted to reflect any steps it may take to preserve a buyer's entitlement to claim such allowances.

12.3 We have not made any investigations into the Capital Allowance position of the property in the preparation of our valuation.

## 13. Development Properties

13.1 For properties in course of development, we will reflect, unless otherwise stated, the stage reached in construction and the costs already incurred and those remaining to be spent at the date of valuation. We will have regard to the contractual liabilities of the parties involved in the development and any cost estimates which have been prepared by the professional advisers to the project.

13.2 For recently completed developments we will take no account of any retentions, nor will we make allowance for any outstanding development costs, fees, or other expenditure for which there may be a liability.

## 14 Valuation Date and Currency

14.1 The valuation date will be as at the date of our report unless varied by our initial letter and confirmed in our report. Valuations will be stated in GB pounds (£), unless stated otherwise. You should be aware that property values may change substantially over a relatively short period. If you wish to dispose of this property or part thereof, or to accept a charge over it as security for a loan after the valuation date, we strongly advise a further consultation with us.

## 15 Costs of Realisation

15.1 Unless stated to the contrary in our report, no allowance will be made in our valuations for the costs of realisation, any liability for tax which might arise in the event of disposal or for any mortgage or similar financial encumbrance over the property. Our valuations will exclude VAT.

## 16 Bases of Value

16.1 The bases of value will be specified in our initial letter or the client letter of instruction and will be one or more of the following; as defined in the Red Book:

16.2 ***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.'*

16.3 ***Market Rent (MR)***

*'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.'*

16.4 ***Investment Value (or Worth)***

*'The value of an asset to the owner or a prospective owner for individual investment or operational objectives.'*

16.5 ***Fair Value***

16.5.1 *'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.' (International Financial Reporting Standards (IFRS) adopted definition)*

16.6 ***Existing Use Value (EUV)***

*'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 acted knowledgeably, prudently and without compulsion - assuming that the buyer is granted vacant possession of all parts of the asset required by the business, and disregarding potential alternative uses and any other characteristics of the asset that would cause its Market Value to differ from that needed to replace the remaining service potential at least cost.*

16.7 ***Existing Use Value for Social Housing (EUV-SH) (for Housing Stock Held for Social Housing)***

*'Existing use value for social housing (EUV-SH) is an opinion of the best price at which the sale of an interest in a property would have been completed unconditionally for a cash consideration on the valuation date, assuming:*
*(a) a willing seller*
*(b) that prior to the valuation date there had been a reasonable period (having regard to the nature of the property and the state of the market) for the proper marketing of the interest for the agreement of the price and terms and for the completion of the sale*
*(c) that the state of the market, level of values and other circumstances were on any earlier assumed date of exchange of contracts, the same as on the date of valuation*
*(d) that no account is taken of any additional bid by a prospective purchaser with a special interest*
*(e) that both parties to the transaction had acted knowledgeably, prudently and without compulsion*
*(f) that the property will continue to be let by a body pursuant to delivery of a service for the existing use*
*(g) that at the valuation date any regulatory body in applying its criteria for approval would not unreasonably fetter the vendor's ability to dispose of a property to organisations intending to manage their housing stock in accordance with that regulatory body's requirements*
*(h) that properties temporarily vacant pending re-letting should be valued, if there is a letting demand, on the basis that the prospective purchaser intends to re-let them, rather than with vacant possession and*
*(i) that any subsequent sale would be subject to all the same assumptions above.*

## 17 Fully equipped operational entities valued having regard to trading potential

### 17.1 Fixtures and fittings

17.1.1 We will include in our valuations all items normally regarded as trade fixtures and fittings. Furthermore, unless advised to the contrary, we will assume that such items are owned outright and are not subject to any lease, hire purchase or third party charge. However, technical services equipment such as beer raising, cooling and dispensing equipment that can be conveniently or economically removed will be excluded from the valuation.

17.2 **Goodwill**

17.2.1 The valuation will ignore any value attributable to goodwill other than that which is reflected in the trading potential which attaches to and runs with the property.

17.3 **Stock etc**

17.3.1 Stock in trade, fuel, glassware etc will be excluded from the valuation.

17.4 **Valuation Apportionments**

17.4.1 Where given, they are an informal apportionment and do not represent the market value of the elements involved since the true valuation of a trading entity can only be the figure taken as a whole.

## 18 Valuation Assumptions

18.1 Any assumptions, Special Assumptions, reservations, special instructions or departures from the Red Book will be recorded in our initial letter or the client letter of instruction, and/or confirmed in our report.

## 19 Insurance Reinstatement Estimates

19.1 If requested, these will be provided, but should not be confused with a formal Insurance Cost Reinstatement Estimate undertaken by a building surveyor (this can be provided upon request and at an additional charge).

19.2 The estimate will be a guide only to the likely reinstatement cost of the buildings as existing, assuming cover on an indemnity basis with fully operative reinstatement clauses and no special conditions. An instantaneous basis of value will be adopted without regard to future inflation and without provision for loss of rent, any consequential loss or vat. The estimate will include allowances for demolition, site clearance and professional fees.

## 20 Monitoring

20.1 As a member firm of the RICS the valuations under this instruction, may be subject to monitoring for compliance with the RICS Valuation – Global Standards, January 2020. If subject to monitoring, we may be required to disclose our file and valuation to officers of the RICS.

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