

**Private & Confidential**

11<sup>th</sup> December 2006

Property Management Group  
County Hall  
Newport  
Isle of Wight  
PO30 1UD

Dear Mr Cooke

**Whippingham Land Offer**

Background

DTZ was instructed in June 2005 by Isle of Wight Council (the Council) to provide valuation advice with regard to a right of way access over a council property situated off Whippingham Road, East Cowes. Access across the Council's Property is required by Barratt Homes (the developer) in order to provide a right of way for vehicular traffic into and out of a large mixed-use development for which the Council have recently resolved to grant planning consent subject to a S.106 agreement. The current application will provide 563 new homes (140 of which will be Affordable units), approximately 10 hectares of employment land, landscaping, mitigation land, and public open space.

Between June and August 2005 DTZ advised the Council regarding the likely value of the access right required by the developer. Our instruction was to test the assumptions within an appraisal provided by Barratts, which proposed a value for the ransom strip of circa £900,000. Ultimately the role of DTZ was to determine if this offer is reasonable and the conclusion of our initial report confirmed that £900,000 was significantly below market value for the access strip that enabled a circa 550 homes development. In September 2005 DTZ was subsequently instructed by the Council to negotiate with the Developer to secure the best price for the access right from the developer.

We have met with the developers and their advisors on a number of occasions but the negotiations have been a drawn out process. DTZ initially looked at producing a 'full residual appraisal' to value the access strip. The problem with this approach was that the number of variables up for debate was large and several of the main costs proved impossible to agree on as the information provided by the developer was not sufficient enough for our cost consultant to be able to provide an accurate estimation and some of the figures up for debate were significant. In addition we were uneasy with the principle that the other parties with land owning interests should be paid first with the Council getting the money that is 'left over' in the appraisal. DTZ then moved on to adopting an 'enabling' methodology that is detailed below under the 'Valuation' heading.

In our opinion, the process proved long-winded primarily because the developer was not under any significant pressure to commit to a final payment until recent months as the land options that had been signed between the landowner and the developer are triggered by the receipt of planning consent.

### Valuation

The methodology that DTZ have used to establish Best Value is as follows. We adopted an approach where the end value of the serviced and accessed residential and employment land would be offset against the cost of 'enabling' and buying all the land. Once this residual figure was established, 30% was considered a 'reasonable' share of the uplift in land value which should be broken down between all the ransom strip holders. Once the price paid to the other ransom strip holders was established, the payment for the Council could be calculated.

### The Offer

The final offer, a copy of which is attached is as follows:

- **£2m** to be paid by Barratts to the Council in two payments. The first payment (50%) to be paid 10 days after the completion of the Section 106 Agreement or on the 15<sup>th</sup> of March 2007 – which ever is the earlier. The second payment to be made in 15<sup>th</sup> July 2008.
- **2 acres (net)** of employment land will be transferred to the Council, worth in the region of £300,000.
- An Overage clause will be included within the sale contract whereby if planning consent is granted for any additional residential units over 563, Barratts will make an additional payment to the Council on a pro rata basis (ie. £2m/563 x per extra consented plot).

### Recommendations

Based on the above analysis by DTZ and the subsequent offer made by Barratts, it is our opinion that the current offer of £2m plus 2 acres (net) of employment land represents Best value for the Council.

With Regards

**Stephen Jennings**  
**Director**