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Dear Darren,

I write in respect of our ongoing role as advisor to Lincolnshire County Council and Mr R H Goodley & Mr A M Goodley in the above matter.

This letter focusses on the only outstanding area of disagreement between the two parties, being the adopted market values, which subsequently affects the number of affordable housing units that the Site can viably support. In his report dated May 2022, CPV adopted either asking prices or inflated historic values based on average house price growth. At the time, we contested this approach as it did not rely on real evidence.

Now that further time has passed, I have now obtained new actual sales evidence that allows us to check whether CPV's assumptions from May 2022 are reasonable and I set out my findings below.

For the avoidance of doubt, throughout this letter we make reference to the sales evidence and asking prices within CPV's response dated 3 February 2022 as it was subsequently agreed between both parties that the date of assessment should be February 2022 to ensure a consistent approach between responses.

Accepted Values

In their report dated 11 May 2022, CPV have confirmed that the following values have been agreed between the two parties when arriving at a Gross Development Value:

House Types	Bedrooms	Area (sq. m)	Price per sq. ft.	Value per unit
Terraced	2	67	£229	£165,000
Semi-Detached	2	67	£236	£170,000
Semi-Detached Bungalow	2	70	£259	£195,000
Semi-Detached Bungalow	3	80	£244	£210,000
Detached Bungalow	3	85	£251	£230,000

Outstanding Values to Agree

Based on the negotiations to date, it remains that the value of six of the eleven house types are still to be agreed. The latest Savills and CPV values are detailed in the table below:

House Types	Bedrooms	Area (sq. m)	CPV Value per Unit	Savills Value per unit	Difference
Detached Bungalow	2	75	£225,000	£205,000	£20,000
Semi-Detached	3	82	£195,000	£190,000	£5,000



Terraced	3	82	£190,000	£185,000	£5,000
Detached	3	119	£275,000	£255,000	£20,000
Detached	4	133	£310,000	£280,000	£30,000
Detached	5	160	£360,000	£330,000	£30,000

Savills Amended Values

Having revisited the transactional evidence available, much of which is obtained from the nearby Holbeach Meadows scheme, we are prepared to accept the following values proposed by CPV in their most recent letter dated 11 May 2022:

House Types	Bedrooms	Area (sq. m)	Value per Unit	Price per Sq. ft.
Detached Bungalow	2	75	£225,000	£279
Semi-Detached	3	82	£195,000	£221
Terraced	3	82	£190,000	£215
Detached	3	119	£275,000	£215
Detached	4	133	£310,000	£200

In fact, many of the comparable sales identified are recorded at levels above that adopted by CPV. In accepting these figures, this leaves the value of one remaining housetype in dispute. We provide more detailed due diligence in relation to this unit type below.

Five Bedroom Detached House – 160 sq. m.

We have received sales evidence from the Ashwood Homes scheme known as The Paddocks, located off Fen Road in Holbeach, within the wider Holbeach Meadow development. Of the housetypes included within the layout at the site, The Tay comprises a four bedroom detached unit, extending to 165 sq. m. In April 2022, a transaction was recorded of this housetype at a sales price of £355,000 which equates to just under £200 per sq. ft. When this basis is applied to the proposed unit, it generates a value of £345,000. Based on this evidence, we are happy to adjust our value of this unit from £330,000 to £345,000, but not accept CPV's figure of £360,000.

Savills Updated Appraisal

I have prepared a revised Appraisal that takes into consideration the adjusted sales values described above to try and get back to an acceptable profit margin.

Through a process of trial and error, we have adjusted the proportion of affordable homes and the scheme now includes the provision of 130 affordable units (being 20% of the total amount).

My updated appraisal shows a profit on GDV of 18.80%, which is within the Applicant's target range, and at a level that I am advised they are prepared to accept.

A copy of my Appraisal at **Appendix 1**.

Summary of Revised Position

In summary, my revised Appraisal is now able to offer 130 on-site affordable units delivered over a phased approach and representing just over 20% of the total. I have reviewed the GDV provided within my letter dated 25 March 2022 and have made appropriate adjustments to reflect additional transactional evidence that has been recorded in the market. I am of the opinion that this is a good reflection of the likely values achievable at the Site, as at the date of assessment, being 3rd February 2022.

Our phased approach is such that higher proportions of affordable housing units are delivered in later phases of development when infrastructure costs are lower. In our revised appraisal, for the first 300 private units, we

will provide just over 7% affordable housing (23 units). As this stage generates a profit on GDV of just over 14%, it is not appropriate to increase this percentage any further. In the second phase of delivery, of approximately 175 units, we have provided 25% affordable housing (44 units) and finally just over 41% (63 units) for the final phase. This is comparable with how affordable housing is delivered in other multi-phased Sustainable Urban Extensions.

I trust the contents of this report provide you with sufficient information to demonstrate my updated position in respect of the financial viability of the above property.

Disclaimer

In accordance with our normal practice, we would state that this report is for general informative purposes only and does not constitute a formal valuation, appraisal or recommendation. It is only for the use of the persons to whom it is addressed and no responsibility can be accepted to any third party for the whole or any part of its contents. It may not be published, reproduced or quoted in part or in whole, nor may it be used as a basis for any contract, prospectus, agreement or other document without prior consent, which will not be unreasonably withheld.

Our findings are based on the assumptions given. As is customary with market studies, our findings should be regarded as valid for a limited period of time and should be subject to examination at regular intervals. Whilst every effort has been made to ensure that the data contained in it is correct, no responsibility can be taken for omissions or erroneous data provided by a third party or due to information being unavailable or inaccessible during the research period. The estimates and conclusions contained in this report have been conscientiously prepared in the light of our experience in the property market and information that we were able to collect, but their accuracy is in no way guaranteed.

Yours sincerely

A handwritten signature in blue ink, appearing to read "Ben Glover", written in a cursive, flowing style.

Ben Glover BSc (Hons) MRICS
Director