Valuation Office Agency
District Valuer Services

CONFIDENTIAL

Client Ref: [redacted]
VOA Ref: 859015/[redacted]
Date: 19 January 2005

[redacted]
District Valuer Scotland South West

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Glasgow City Council
Development & Regeneration Services
229 George Street
GLASGOW
G1 1QU

Date: 19 January 2005

Dear [redacted]

GLASGOW CITY COUNCIL
VALUATION OF VARIOUS SITES AT LONDON ROAD, GLASGOW

INSTRUCTIONS

I refer to your letter of 26 November 2004 requesting a market valuation of various areas of ground owned by Glasgow City Council in and around London Road, Dalmarnock and to provide comment on the proposed terms for the Westthorn Site.

I also refer to my letter of 10 December 2004 confirming the instructions, and to our meeting this morning.

This report provides a valuation of (a) the five sites at London Road, often referred to as "Celtic Triangle" for potential disposal to Celtic plc and (b) also provides comment on the valuation of the Westthorn Site also for potential disposal to Celtic plc.

DATE/EXTENT OF INSPECTION

External inspections only of the properties were carried out on 20 and 29 December 2004.

LOCATION/ BACKGROUND

The subjects are located within the Dalmarnock area of the East End of Glasgow, in a mixed land use area where the dominant presence is Parkhead, the home of Glasgow Celtic Football Club.

Thus far, regeneration of the East End has only been a gradual process reflecting the area's mixed residential/industrial character and the complex nature of land assembly, ground conditions and infrastructure problems.

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The economic position of the East End remains poor despite the considerable efforts and investment over recent years and the area continues to have high levels and concentrations of poverty and low levels of economic activity. Many of its residents suffer from poor health, significantly affecting the economic potential.

The area still houses some of the poorest communities in the country and contains high levels of derelict and contaminated land. It is significant that the level of demand for social rented housing, taken from Glasgow Housing Association's waiting list information, shows a lower proportion of demand than stock in Dalmarnock, which is evidence that this area of the city is unpopular, although the picture is perhaps exaggerated due to the fact that landlords have already started to respond to the unpopular housing by suspending waiting lists in preparation for large scale demolition and redevelopment.

The Glasgow and Clyde Valley Joint Structure Plan 2000 became operative in May 2002 and identified the Clyde Waterfront and the "Clyde Gateway" area as priorities for regeneration and renewal.

The Joint Structure Plan sets out the broad planning framework for the conurbation and provides the strategic context for the Glasgow City Plan. The structure plan sets the land use framework for sustainable development in the area and aims to encourage physical economic and social regeneration. It identifies Glasgow's East End as a priority renewal area, particularly due to the amount of vacant and derelict land found there. The City Plan provides much more local details about how the structure plan would be put into practice and details a preferred land use strategy for the city's priority regeneration areas, including the East End.

The 2002 Strategic Plan for the East End Partnership provides a framework for a 5-year plan (to be reviewed after 3 years), the purpose of which is to stimulate the economic growth of the East End of Glasgow, and to ensure that all residents of the area can benefit from this growth.

The plan covers an area of over 3,400 hectares of which circa 10% is currently vacant or derelict. The highest concentration of derelict land can be found in those wards, like the subjects, which have suffered most from protracted industrial decline.

The South Lanarkshire local plan along with the Glasgow and Clyde Valley Joint Structure Plan for the area has 4 main aims:

- To increase economic competitiveness.
- To promote greater social inclusion and integration.
- To sustain and enhance the natural and built environment and;
- To integrate land uses and transportation.

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Urban renewal in Glasgow-Dalmarnock, Cambuslang and Rutherglen, as part of the Clyde Gateway area aims to bring a long-term economic and social benefit to the East End of the city and the west of Scotland in general.

The City Plan identifies the retention and creation of jobs in Glasgow, particularly for Glasgow residents, to be a priority for the city. Both the Glasgow Alliance and the Joint Economic Strategy highlight that positive intervention to improve economic competitiveness is required if Glasgow residents are to benefit from the projected growth in employment opportunities.

The Joint Structure Plan sets out the strategic development plan context for industrial and business development in Glasgow. It seeks to improve the economic competitiveness of the structure plan area through:

- Safeguarding and enhancing Strategy Employment Locations for industrial and business use; and
- Maintaining a minimum ten-year supply of potentially marketable and serviceable land for industry and business, of which five years supply, should be readily available and marketable.

In addition to this land supply the Joint Structure Plan identifies Shared Targets for Economic Growth. These have been developed in partnership with Scottish Enterprise and relate to the whole Joint Structure Plan area. The plan identifies Core Economic Development Areas as the focus for much of the additional land required for industrial and business development. These areas generally reflect traditional concentrations of industrial and business activity within the city. Glasgow East End is one of the Core Economic Development Areas and the Council is committed to realising the great economic, residential and commercial development potential of the East End, as demonstrated by its commitment to the construction of the East End Regeneration Route as a high quality road corridor linking the M8 and the proposed M74 Completion.

Glasgow has received an allocation of £40,000,000 over 3 years from the Scottish Executive, but as a City–Region partnership additional support has been sourced from other funding bodies such as the Strathclyde European Partnership, and Scottish Enterprise, which could produce a further £30,000,000 for economic regeneration in the west of Scotland has a whole.

The £40,000,000 Growth Fund money secured by Glasgow will be spent on the following areas:

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Nearly £10,000,000 has been earmarked for vocational training programmes, including the construction of new training facilities at Queenslie Industrial Estate.

£6,000,000 is proposed for the River Clyde Regeneration, including the development of the International Financial Services District and to implement the Tradeston development strategy.

£9,000,000 is to be spent on the Clyde Gateway Industrial development to assist the regeneration of the East End.

£5,400,000 has been set aside for business and training centres in areas such as Drumchapel, Easterhouse, Govan, Maryhill and Springburn.

Scottish Enterprise are partners on a development framework and action plan for the Clyde Gateway (M74/East End) and a number of road and other physical developments are already proposed for the area. The East End Regeneration Route will have major economic benefits, including accelerating the pace of the physical regeneration of the area and improving transport links between East End communities and the rest of the city.

Similarly the M74 Completion will greatly improve the accessibility of large areas, providing major opportunities for urban regeneration and new development and by improving transport accessibility between Glasgow and the rest of the conurbation it will bring economic and other benefits to the Clyde Corridor in general, an area which Scottish Enterprise has identified the as a strategic economic development zone

The area of course received a huge boost in August 2004 when it was confirmed that the proposed National Indoor Arena would be built on a site opposite Celtic Park. It is hoped that the arena will help Glasgow's bid to host the 2014 Commonwealth Games. This 5,000-seat arena will receive £9.5m and cost £30m and is the biggest single project in a package designed to revolutionise grassroots participation and elite spot. Construction is scheduled to start in 2007.

There is already evidence to suggest that the arena, particularly when considered in tandem with the infrastructure improvements, has already kick-started the renaissance of the area.

Speculators and investors are now beginning to move into an area, which had previously been viewed unfavourably by the market. For example, in November 2004 Imagine Developments submitted plans for the construction of 82 flats on a site at Millerfield Road and at the same time Robert Turley Associates submitted an application for the erection of housing (400-700 units) on the site of the former Belvedere Hospital, at 1432 London Road.

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Residential property prices are generally less expensive in the inner-east than across the city as a whole. More recent house building, for example in the Calton Ward, has however been targeted towards the higher end of the property market. This example demonstrates that two very different types of market exist, serving demand from two different client groups.

On the one hand there is demand for cheaper, more affordable housing and on the other is there is demand for more expensive properties. The Clyde Gateway site offers the potential to provide both affordable housing and more expensive housing, particularly on the site of the former Belvedere Hospital.

The trend towards owner-occupation has happened more gradually in the Inner East than in the rest of Glasgow and the majority of houses in the Inner East are still in a social rented sector (57%). The level of owner occupation in the Inner East East Area Housing Partnership (AHP) area is lower than Glasgow average (36% compared with 48%).

Dalmarnock is located on the southern edge of the AHP and is bordered by the Clyde to the south and east and by significant amounts of vacant and derelict land to the north. Whilst the residential neighbourhood is therefore presently very isolated from neighbouring communities it is somewhat ironic that it is the amount of derelict land and the area's isolation, which now combine to offer a opportunity to create a large and sustainable New Neighbourhood, which can make the most of its locational advantages, such as its proximity to the river and the city centre.

Similarly, the amount of vacant and available (derelict) land has created the opportunity to create a quality business park adjacent to the proposed National Indoor Arena.

Other proposed developments in Dalmarnock will not only bring economic growth and future investment, but will bring new opportunities for employment and training, especially in the construction industry will hopefully provide an opportunity to take an integrated approach to tackling long term and ingrained problems by maximizing the potential of the area's proximity to Glasgow city centre, the proximity of which gives the East End and its residents a locational advantage that is not shared by many other parts of the city.

The significant infrastructure improvements proposed (EERR and M74 Completion) offer a major opportunity for both residential and industrial development.

Both Glasgow City Council and Scottish Enterprise recognise the constraints of the city's current business areas, and the Clyde Gateway master plan has clearly set out a programme of action that seeks to ensure that Glasgow has an adequate supply of well located and serviced industrial and business sites and premises, which are located in an environment that can accommodate both relocating Glasgow companies and potential inward investors.

There are presently real concerns about the future availability of industrial land within the city boundaries, and in particular there is only a limited supply of industrial land currently within the control of the public sector. As a result it is vital that an additional industrial land supply is identified to accommodate future demand. After the infrastructure improvements, Dalmarnock will be able to offer a quality business location, and will help accommodate this demand.

Glasgow City centre offices are presently highly priced and there are immediate opportunities for the development of urban business parks where occupiers can find cheaper, more flexible premises with good car parking, access to public transport and indeed to the motorway network. Diminishing levels of available quality modern space have attracted increased rental levels of bespoke developments within the city boundaries within last number of years. Nevertheless, the city's economy has suffered from inadequate provision of high quality business locations over the last two or three decades, and consequently many major inward investment projects have historically tended to be located out with the city's boundaries. This shortfall is identified in the City Plan, which notes the growth in the service sector, but also acknowledges the city's legacy of vacant industrial/business sites, and properties (or large areas of derelict land such as Dalmarnock at present) that blight the environment and which have a negative impact on the perception of the city as an industrial/business location.

At the moment the city's available land supply is dominated by small sites that often lack the flexibility to attract industrial and business investment. Dalmarnock contains a significant Brownfield opportunity to accommodate the demand for well located business locations with ready access to modern transport infrastructure and with opportunity for expansion.

Business parks allow the possibility of custom designed buildings developed to meet specialist requirements, with the added advantage of the potential for high profile occupation by having the companies identities stamped firmly on individual buildings.

With the National Indoor Arena at its centre, Dalmarnock could satisfy part of this market demand and could help ensure that interest is not diverted to rival sites if a shortage of supply exists. Potentially Dalmarnock will allow the public and private sector to provide the quality units which Glasgow's industrial base requires in order to compete equally with other parts of Scotland in offering potential inward investors and existing companies the quality and type of sites they require for their individual needs.

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It is those parks, which have the best location and quality of environment, which are likely to be the most successful in a fiercely competitive market. Although there are other business parks within Glasgow, such as Arlington's Glasgow Business Park at Springhill, many companies prefer to work with the public, rather than private, sector.

The successful flagship Crown Street regeneration project in the Gorbals and its recent success to stimulate further high quality new housing in the area with limited public sector grant support, and the less heralded, but still successful regeneration of Ruchill, are models upon which to base a real opportunity for the complementary residential redevelopment of Dalmarnock.

DESCRIPTION

London Road/Celtic Park

Any redevelopment of Celtic Park would create a number of transportation and land use issues that require resolution. Visitor parking on match days adversely affects the amenity of existing residential areas and presents a constraint to new residential proposals in the vicinity of the stadium. The lack of rail stations, park and ride facilities and walkway links to the stadium exacerbate the problems.

However, the major difficulty for any planned redevelopment of Celtic Park is the simple fact that Celtic plc do not own significant areas of ground immediately adjacent to the stadium. These areas are of strategic importance for any future redevelopment by Celtic plc, and are owned by Glasgow City Council.

The subjects comprise four plots of land and one building, all of which lie in close proximity to Celtic Park and which are commonly referred to as land in the "Celtic Triangle". I have been provided with two plans of the various sites involved. One is an undated plan prepared by WSP (Drawing No.C0001 REV.P3) and the second is prepared by GCC Development and Regeneration Services and is dated 29 October 2004. There are material differences between the drawings and for the purposes of this exercise I have relied on the plot sizes as indicated on the Council's drawing of October 2004.

Site A

Site A comprises the former London Road Primary School, a substantial three storey detached sandstone building under a pitched and tiled roof built circa 1930. The subjects occupy a prominent site of circa 1.12 acres fronting London Road and located towards the south-western boundary there is a two-storey sandstone residential property, which I imagine may have been the original school janitor's house. The latter building is boarded up and appears to be semi derelict but the school is apparently presently leased on a short-term basis to Celtic plc.

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I have been advised that the gross internal area of the school building is as follows:

Ground Floor	9,728 square feet
First Floor	7,962 square feet
Second Floor	7,962 square feet
Total	25,652 square feet

During my inspection it was noted that part of the ticket office of Celtic (18-20 Kerrydale Street) appears to be constructed on the subject site.

Site B

Site B extends to approximately 0.41 acres, as outlined in green on the attached plan, and is presently used as a temporary/short-term car park. As such it is relatively flat and is covered in blaes with its boundaries enclosed by palisade fencing for security purposes.

Site C

Site C, as outlined in blue on the attached plan, extends to approximately 1.56 acres and consists of a largely level landscaped area of grass with an earth bund towards its southern boundary. The site lies to the immediate west of the Jock Stein Stand and also forms part of the current (tarmacadamed) car parking division at this point.

Site D

Site D extends to 1.89 acres or thereby, as shown outlined in orange on the attached plan. The site is grassed and largely level and backs onto the Eastern Necropolis. The site is situated on the northern side of Janefield Street and us most easily accessed via Gallowgate/Holywell Street.

Site E

Site E extends to 2.98 acres or thereby, as outlined in yellow on the attached plan. The site is irregularly shaped and lies behind 1243-1281 London Road. The site is presently accessed off Springfield Road from Janefield Street, which is a one-way street at this location.

Westthorn Recreation Ground

The subjects, as outlined in red on the second plan attached hereto, comprise a site extending to approximately 5.38 hectares (13.29 acres).

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Celtic plc entered into a lease with Glasgow City Council for the Westthorn Recreation Ground in June 2000 at a rental of £26,000 per annum for use of the site as playing fields and as a training ground for Celtic plc. Celtic plc has apparently invested circa £500,000 in this site to provide training facilities for the football club but the lease only subsists for a period of 5 years ending in only 6 months time. At the end of the 5 year term Celtic plc will be obliged either to acquire the site at its unrestricted (residential) value or alternatively the site will be jointly marketed by the Council and Celtic plc in order to obtain the highest value.

If the site is to be purchased by Celtic plc, the club will be obliged to purchase the leased land at its unrestricted value on the open market as assessed by the District Valuer or another independent party, as agreed by both parties. The Council's land is to be valued on the assumption that it has appropriate access direct from London Road, which is of sufficient capacity to fully service site and to satisfy all statutory requirements, including those for a quality residential development. *

Over the last five years, residential land valuations in particular have increased quite dramatically throughout the city, and the promotion of Clyde Gateway and the recent renaissance of the River Clyde Corridor, together with the proposed infrastructure improvements, have dramatically affected land valuations in the area.

Westthorn lies adjacent to the site of the former Belvedere Hospital, which could be marketed as an opportunity for the creation of a high quality residential development to complement its riverside setting.

I understand the present owners, Glasgow Health Board are in discussions with Keir Homes, and as aforementioned, Robert Turley Associates have recently submitted an application for the erection of housing (400-700 units) on the site of the former hospital.

I understand that it is expected that Keir Homes could construct approximately 500 quality housing units on the hospital site, which reflects the density of only 40 units per hectare. The Westthorn site lies adjacent to the former Belvedere Hospital and the final density achieved on the hospital site will possibly be the best evidence upon which to base any valuation of the Westthorn site, in the absence of any agreement being reached between the parties in the interim.

On this basis I estimate that the Westthorn site could accommodate a high quality residential development with up to 216 residential units.

This density is considered to be low for a site occupying a prominent riverside location but reflects the anticipated density for the site of the former hospital site based on information you provided during our meeting on 17 October 2004. By way of comparison, Imagine Developments' plans for Millerfield Road show a density of ~~80~~ 152 (flatted) units per hectare.

I would reserve my right to reconsider my opinion of value should the anticipated density for the hospital site change.

THE MARKET

Historically the commercial and residential market was very limited in the Parkhead-Dalmarnock area, unless public sector subsidy was available, and most housing developments in the immediate locality have been carried out by the public sector.

Whilst the area has been blighted for so long by the presence of a large number of derelict former industrial sites, it is, however fair to say the area will be transformed once the National Indoor Arena is constructed and the infrastructure improvements implemented (EERR and the M74 Completion).

Much of the land in the area is already in the ownership of the Public Sector and much of the comparable sales evidence is considered to be somewhat historic, and will therefore not reflect the benefit of the recent sports arena and infrastructure announcements.

In determining the valuation of the sites within the "Celtic Triangle" (ignoring the special suitability of the sites for acquisition by Celtic plc) I have considered the levels of value, which I would now expect industrial sites to realise within the Clyde Gateway Master Plan area, to the south of London Road immediately opposite Celtic Park. In many ways the subjects are very similar to the Helen Street 'Corridor' where valuations increased dramatically in the early 1990s, once the public sector partners had prepared a master plan and vision for the redevelopment of the area. For example, in the early 1990s speculators were willing to pay £100,000-£150,000 per acre for Brownfield sites (unremediated) within Helen Street.

However, Sites A, B and E undoubtedly have the potential for alternative and higher end uses such as leisure, and I therefore recommend that a suitable Clawback condition be inserted into any agreement whereby Glasgow City Council will receive an uplift in the event that any part of Sites B or E is developed on a leisure or retail basis.

It would be preferable if the area hatched in red on the attached plan (Appendix 1), could be incorporated into Site E, but the ownership of this site is fractured and the site assembly may be difficult unless compulsory purchase powers were considered. Nevertheless there is now a real opportunity for Celtic plc to rationalise the land ownership adjacent to the club in order to maximise the market potential of the stadium and surrounding sites. With the construction of the National Indoor Arena, the major infrastructure improvements, and the Clyde Gateway Master Plan, the amenity of the area will change dramatically and there will be real opportunities for leisure related industries in the area.

COMMENT

Existing coach and car parking arrangements on match days are at best haphazard and I am advised that there is presently no regulation of the rents for the existing car parking, much of which only has a temporary consent due to expire in 2006.

The reported figures also make no allowance for any buildings or parts of buildings that may presently be erected on land in the ownership of Glasgow City Council by Celtic plc. This ground is crucial to the needs of the club in terms of operational requirements and compliance with safety needs, as for example, I understand that one of the emergency exits from the newly constructed stands may sit on Council ground.

The Council could therefore seek to exploit these advantages during negotiations, but it is accepted that any such approach would not be helpful in fostering good relations with the Club.

Celtic plc is nevertheless a profit making entity and although it obviously has strong links with the local community and promotes community-based initiatives, the club undoubtedly reaps the reward of these initiatives by having the continued custom of its supporters and the potential to attract talented (and valuable) young players to its books.

WESTTHORN SALE AGREEMENT 2000

As you are aware, Celtic plc and Glasgow City Council entered into a Sale Agreement for the Westthorn site and under the agreement Celtic plc leased the site for a term of 5 years, expiring on 9 November 2005 upon payment of an annual rent of £26,000. However, the club is also required to acquire the site on termination of the lease for market value, subject to deductions for adverse ground conditions.

Celtic plc are now wishing to set aside the existing sale agreement citing the club's present financial position as the reason.

Celtic plc would now prefer to enter into a new long-term lease for a period of say 35 years with rent reviews occurring on a 5 yearly basis at a fixed compound interest growth rate of 2.5% per annum. The lease would restrict the use of the playing fields throughout the full term of the lease for recreational facilities.

On calculating the rent at commencement, the rent would be assessed in the grounds on improved condition prior to the existing and proposed investment by Celtic plc. In return the club will provide agreed access levels for the local community to all of the sports facilities at the new training ground at Westthorn/Barrowfield.

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Public access would be provided to the artificial playing surfaces, indoor sports hall, changing rooms, sports injury clinic, physiotherapy, rehabilitation theatre, dietary assessment, planning centre and homework room.

Montagu Evans on behalf of Celtic plc have estimated that access to the above facility could have a value to Glasgow City Council of over £300,000 per annum, and Celtic plc estimates that the new training facility would create 18 additional full time/part time employment opportunities.

I cannot comment meaningfully on the estimate of the benefit of £300,000 per annum to the Council. But would your Council wish to have public access to these facilities (and perhaps inherit some liabilities as a result) whenever the area would be served with the new National Indoor Arena and other state of the art leisure facilities are also in reasonably close proximity at Glasgow Green, Gorbals and Tollcross, amongst others?

The Westthorn site is a prime residential development opportunity and there would be a strong demand for this site, were it to be placed on the open market. Celtic plc negotiated a deal in 2000 whereby the club can purchase the site off the market.

It seems clear that the Council, whenever entering into the lease and Sale Agreement, specifically took into account the residential potential of the site in the terms, which were agreed with Celtic plc and their agents. Accordingly, although Celtic plc has advised your Council of its present poor financial status and has talked up the benefit to the community in terms of the facilities and their potential use by the community, the Council has a binding agreement with the a profit making enterprise which was professional advised in 2000 when entering into the Sale Agreement.

By allowing the Sale Agreement to be set aside, the Council will be significantly disadvantaged financially and Celtic plc will receive an unexpected windfall.

Your letter of instruction confirmed that the Council "requires to ensure that it is acting impartially and with probity and integrity in its dealings with Celtic. It is therefore crucial to ensure that any transaction entered into with Celtic is beyond reproach".

The committee report from the sale agreement and lease in 2000 is already in the public domain and any sudden change in the terms could raise accusations that Celtic plc is being treated differently and more favourably than other businesses in the city which are obliged to acquire "and lease" interests from your Council at market value.

I therefore, consider that the terms of the Sale Agreement should be honoured.

ABNORMAL COSTS

In terms of the Sale Agreement the valuation to be paid by Celtic plc should reflect the prevailing ground conditions. I have been provided with a desktop site investigation report undertaken by URS dated 22 October 2004.

Whilst this report is a "desktop" study, it does refer to site investigations, which have previously been undertaken, and appears to be somewhat contradictory in its conclusions.

On the one hand a figure of £950,000 has been estimated for dealing with contamination on site yet the report states that "the investigation identified relatively low levels of likely contamination impact on the proposed development at the site in terms of its proposed end use for housing and for soft landscaping".

A waterworks with two associated reservoirs and a well and brickworks with an associated clay pit and a well apparently occupied the site. The clay pit excavation and the reservoirs are likely to have been in filled prior to the site being adapted as recreational ground from 1955 until the present day.

Geological maps showed the northern portion of the site to be underlain by fill with the underlying drift material shown as clay silt. Solid geology consists of strata of Middle Coal Measures. Shallow mineworkings are recorded beneath the site and a single abandoned mineshaft is located towards the northeastern corner.

Mine abandonment plans have indicated longwall extraction of the Ell and Main Coal proceeding northwards towards the site, encountering old stoop and room workings.

Made ground has also been identified on site up to a depth of 2.5 metres below ground level, containing mixed clay, ash, stones and rubble fill.

However, the costs estimated by URS associated with the abnormal works based on the depths of the study report are as follows:

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Abnormal Work Discipline	Estimated Cost
Consolidation of mineral workings	£2.5 million
Dealing with contamination	
Removal	£150,000
Capping layer/break layer	£800,000
Special foundations	
Ground treatment/piled foundations	£1.1 million
Access roads and junction improvements	£300,000
Drainage attenuation	£200,000
Utilities provision	£250,000
Preliminaries	£500,000
Total	£5.3 million
Contingencies	£200,000
Total	£5.5 million
Professional fees on abnormal works	£500,000
Subtotal	£6 million

I would not expect or recommend your Council to accept these costs in full as they are based on a desk study only and obviously require further comment from your own Geotechnical Services. In any case I do not necessarily consider that all of the costs are abnormal costs.

Whilst I would not ordinarily expect 100% of abnormal costs to be deducted from the headline price, the Sale Agreement states:

"The price shall be calculated on the basis of a sum representing the open market value (as hereinafter defined) less the Abnormal Costs (as hereinafter defined)".

The definition of open market value is relatively straightforward but "abnormal costs" means all costs and expenses including and expenses estimated by the Purchasers (acting reasonably). As a result, Celtic plc could effectively be able to deduct more costs from the headline price than would ordinarily occur in the market.

The abnormal costs prepared by URS also appear to be based by comparison with costs upon a Greenfield site. The Sale Agreement makes no reference to a comparable Greenfield site in considering the abnormal costs relating to the subject site. I consider that the subjects, as a Brownfield site, should be valued as a Brownfield site with the allowable abnormal costs reflecting extraordinary abnormal costs that would ordinarily not be encountered in the redevelopment of a comparable Brownfield site.

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Furthermore, even if one assumes that the abnormal costs were fairly stated in the sum of £6 million, any prudent owner of the subject site would investigate the potential of increasing the density of development or changing the layout.

The assumed density of 216 units reflects the expected density for the adjacent hospital site - but it is very low @ 40 units per hectare. By increasing the number of flats on the site the density could increase dramatically and this is an avenue worth further investigation, particularly if URS are seriously suggesting the abnormal costs are circa £6 million.

It is also noted that the costs prepared by URS relate to a site of 6 hectares whereas the site is only 5.38 hectares. URS should therefore be asked to adjust the schedule of abnormal costs to reflect the actual size of the subject site and your colleagues in Geotechnical Services will no doubt require a more detailed breakdown of how the costs have been arrived at.

Due to the discrepancies in the costs and the requirement for a much fuller breakdown of the costs, I propose at the moment to provide my valuation on a *gross of abnormal costs basis.*

I will be pleased to reconsider the matter whenever more detailed information has been provided by URS and I have had the opportunity to discuss the matter with Geotechnical Services, if appropriate.

PLANNING

No enquiries have been made and no information provided on the property's planning status and potential and it is assumed that there are no planning proposals, which adversely affect the property.

INTEREST VALUED

The interest valued is freehold with vacant possession.

VAT

It is understood that this transaction is not one to which VAT is applicable and the stated opinion of value has due regard to this fact. In the event that this understanding is found not to be accurate, the valuation should be referred back for reconsideration.

DATE OF VALUATION

The date of valuation is the date of this report, 19 January 2005.

I would draw your attention to the fact that values change over time and that a valuation given on a particular date may not be valid on an earlier or later date.

BASES OF VALUATION

The basis (*bases*) of valuation is (*are*) as defined in the Royal Institution of Chartered Surveyors Appraisal and Valuation Standards, 5th Edition as follows:

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Market Value

Market Value is defined as the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

Special Purchaser

The definition of Market Value does not necessarily require the valuer to ignore the existence of the 'Special Purchaser'. I have therefore chosen to provide a second value for each site (with the exception of Westthorn), which is 'in excess of the Market Value' to include the additional bid of a purchaser with a special interest. I consider that Celtic Plc would be prepared to bid at a higher level than the rest of the market.

Even if Celtic Plc are not convinced by this assumption and were not in the market at the present time, the value will still be what the market (excluding the special purchaser) will pay, taking into account any realistic hope value of reselling to a special purchaser in the future.

VALUATION CONSIDERATIONS

All the sites within the 'Celtic Triangle' are of particular interest to Celtic Plc due to their proximity to the club, and their suitability for consolidating the club's land ownership in the area. As a result Celtic Plc are considered to be a 'Special Purchaser'.

A "Special Purchaser" is a person generally known or assumed to be in the market for a property because of its special value to that purchaser, who therefore is likely to pay more for an interest than its "normal value". In IRC V Clay (1914) 3KB 466 ("The Plymouth Nurses' Home Case") a house, which was only worth £750 as a private residence, was sold for £1,000 to the trustees of an adjoining nurses' home, who were prepared to give £1,100. The Court of Appeal heard that £1,000 was the market value, not withstanding that the sale was to a Special Buyer.

The facts in the Clay case were that an owner of a property in Plymouth acquired it in 1902 for £700. In September 1910 she sold it to Clay and others for £1,000. The purchasers were trustees of a nurses' home who wanted the house for the purposes of extending their home. The Trustees would have been prepared to give up to £1,100 for the property but if it had been acquired for the sole purposes of a residence for private occupation, its market value was agreed to be not more than £750.

The question to be decided in the case was whether £1,000 was the gross value of the house for the purposes of Section 25 (1) of the Finance (1909-10) Act 1910: "For the purposes of this Part of this Act the gross value of land means the amount which the fee simple of the land, if sold at the time on the open market by a willing seller in its then condition, free of encumbrances, and from any burden, charge or restriction (other than rates or taxes) might be expected to realise".

It was held in the Court of Appeal (1914) 3 KB 466, (1) that in calculating the gross value of the land, the Revenue was entitled to take into consideration the fact that the nurses' home would be likely to offer more for it than it would be worth to anybody else, and that it could not be assumed that the nurses' home would only have to make one bid beyond £750 and (2) that a "willing seller" is a person who is a free agent and cannot be required by virtue of compulsory powers to sell, but that, even if this was not so and the vendor was not in fact a "willing seller", the existence of a "willing seller" must be assumed for the purposes of the Section in question.

In Clay, Swinfen Eday LJ said, " When the fact becomes known that one probable buyer desires to obtain any property, that raises the general price of value of the thing in the market. Not only is the probable buyer a competitor in the market, but other persons, such as property brokers, compete in the market for what they know another person wants, with a view to re-sale to him at an enhanced price, so as to realise a profit".

The sites are of special value to Celtic Plc, as owners of the adjacent stadium, who may for example be able to realise a substantial marriage value in the future. The Clay case established that the special value to a particular purchaser could be taken into account in the valuation exercise, provided that the Special Purchaser can be shown to be willing and able to purchase at the valuation date.

The Clay case effectively established that where there is a purchaser willing to buy at a higher price than anyone else and the buyer's presence in the market is known, thereby enabling a vendor to rely on negotiating that price from him, then the value is represented by the higher price or a close approximation thereto.

OPINION OF VALUE

London Road Sites/ The 'Celtic Triangle'

Having considered the matter I am of the opinion that the current Market Value of Sites A-E inclusive, referred to as the "Celtic Triangle" is fairly stated in the sum of **£1,600,000 (ONE MILLION SIX HUNDRED THOUSAND POUNDS)** with vacant possession.

However, allowing for the special suitability for the acquisition by Celtic plc I consider that Celtic plc should purchase the site for **£2,250,000 (TWO MILLION TWO HUNDRED AND FIFTY THOUSAND POUNDS)** with vacant possession.

Client Ref: [redacted]
VOA Ref: 859015/[redacted]
Date: 19 January 2005

Westthorn Recreation Ground

I am also of the opinion that the current Market Value of the Westthorn Recreation Ground extending to 5.38 hectares or thereby would be fairly stated in the region of **£7,500,000 (SEVEN MILLION FIVE HUNDRED THOUSAND POUNDS)** *on a gross of abnormal costs basis* reflecting its residential value in terms of the Sale Agreement between Glasgow City Council and Celtic plc.

These figures may be summarised, as follows (See also Appendix 3):

Subjects	**Area**	**Address**	**MV**	**MV (special purchaser)**	**Clawback**
Site A	1.12 acres	London Road school	£721,500	£830,000	No
Site B	0.44 acres	London Road	£55,000	£110,000	Yes
Site C	1.56 acres	Janefield Street	£195,000	£292,500	No
Site D	1.89 acres	Janefield Street	£236,250	£354,500	No
Site E	2.98 acres	Dalriada Street	£372,500	£652,000	Yes
Total			£1,580,250	£2,239,000	
		But say	**£1,600,000**	**£2,250,000**	
Subjects	**Area**	**Address**	**MV**	**MV (special purchaser)**	**Clawback**
Westthorn	13.29 acres	London Road	**£7,500,000**		Yes

CONDITIONS/ CLAWBACK

The above valuations are subject to the following terms and conditions.

1. There will be a Clawback condition in favour of Glasgow City Council in respect of Sites B and E within the Celtic Triangle in the event that either or both of these sites is ever developed on a leisure/hotel or retail basis. The reported valuation reflects industrial land use valuations and the clawback should relate to a rate of £750,000 per acre for each of the sites, less the actual acquisition cost.

2. Should the Council accept that the hypothetical density for the Westthorn site should reflect the actual density achieved on the adjacent former Belvedere Hospital site, the valuation of the Westthorn site should be adjusted (up or down) to reflect a rate of £35,000 on a gross of abnormals basis.

?

Client Ref: [redacted]
VOA Ref: 859015/[redacted]
Date: 19 January 2005

ASSUMPTIONS ETC

The opinion of value has been arrived at having regard to the following Assumptions, Special Assumptions, reservations and special instructions or Departures:

a. no information has been provided on the title to the property and it is assumed that good title can be shown and the property is not subject to any unusual or onerous restrictions, encumbrances or outgoings;

b. the property has the necessary statutory consents for the current buildings and use and there are no policies or proposals by statutory authorities that could impact positively or adversely on the value;

c. the property and its value are unaffected by any matters which would be revealed by a local search and replies to the usual enquiries or by any statutory notice, and neither the construction of the property nor its condition, use or intended use was, is or will be unlawful or in breach of any condition;

d. it is assumed that the property is in good repair except for any defects specifically mentioned in this report;

e. no detailed site survey, building survey or inspection of covered, unexposed or inaccessible parts of the property has been undertaken and no responsibility can be accepted for identification or notification of those defects which would only be apparent following such surveys or inspection. It is assumed that the inspection of those parts that have not been inspected would neither reveal defects nor cause me to alter my valuation materially;

f. no information has been provided regarding the building services and associated Plant & Machinery and no investigation or testing has been undertaken. It is assumed that the services and any associated controls and software are in working order and free from defect;

g. no investigation has been undertaken or information provided regarding the use of deleterious or hazardous materials or techniques in the construction of the property. It is assumed that no such materials or techniques have been used;

h. no investigation has been undertaken or information provided regarding the presence of contamination or hazardous substances in the property or any costs involved with their removal. It is assumed that there is no contamination or hazardous substances in the property (including its site) and neighbouring properties;

i. no environmental assessment has been carried out and no information provided on environmental issues. It is assumed that the property is unaffected by environmental factors that are either an inherent feature of the property itself or the surrounding area which could impact on its value;

j. no investigation has been carried out and no information provided into the presence of naturally occurring radon gas. It is assumed that no radon gas is present in the property;

k. where there is high voltage electrical supply equipment close to or at the property which may effect its marketability if appropriate this has been reflected in my valuation;

l. any information supplied by you or on your behalf by a third party, material to the valuation of the property, is complete and correct. I have relied on this information and should it prove to be incorrect or inadequate the accuracy of my valuation may be affected;

m. no responsibility or liability will be accepted for the true interpretation on the legal position of the client or other parties;

n. no allowance has been made for liability for taxation which may arise on disposal, whether actual or notional, and the valuation does not reflect the costs of acquisition or realisation;

o. no extraordinary costs will be incurred in providing mains services to the site, due to poor sub soil conditions and in the development of the site for the proposed use;

p. maintenance of roads and footpaths ex adverso the property is the responsibility of the local authority;

RICS APPRAISAL AND VALUATION STANDARDS

The valuation has been prepared in accordance with the RICS Appraisal and Valuation Standards, Fifth Edition except where agreed departures have been made (detailed above) in accordance with your instructions.

STATUS OF VALUER

The valuation has been carried out by me in the capacity of an External Valuer who conforms to the requirements of the RICS Appraisal and Valuation Standards, Fifth Edition.

VALIDITY

This report may be considered valid for a period not exceeding six months from today's date or until there is any material change in circumstances, if earlier. In the event of any doubt the matter should be referred back to this office for further consideration.

CONFIDENTIAL

Client Ref: [redacted]
VOA Ref: 859015/[redacted]
Date: 19 January 2005

RESPONSIBILITY	This valuation should only be used for the purpose stated therein, and no responsibility whatsoever is accepted to any Third Party who may seek to rely on the content of this report.
PUBLICATION	My prior written consent will be required for any reproduction or public reference to this valuation and report.
EXEMPT INFORMATION	This report is considered Exempt Information within the terms of Paragraph 9 of Schedule 7A to the Local Government (Scotland) Act 1973 (see Section 2 and Part II of Schedule 1 to the Local Government (Access to Information) Act 1985) and your Council is recommended to treat it accordingly.

I trust that this report is sufficient for your purposes at the present time. However, should you require any further assistance, or should you have any questions, please do not hesitate to contact me.

Yours sincerely

[redacted]

DISTRICT VALUER SERVICES