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PRIVATE & CONFIDENTIAL

Financial Viability Assessment (‘FVA’)

LAND AT STATUS PARK, NOBEL DRIVE, LONDON BOROUGH OF HILLINGDON, UB3 5EY

June 2024

James R Brown & Company Ltd

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Important Notice
This report has been prepared for planning input purposes.

JAMES.R.BROWN AND CO LTD
DEVELOPMENT VIABILITY & AFFORDABLE HOUSING

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BMR Property Group,
c/o Chris Brady,
Savills,
33 Margaret Street,
London,
W1G 0JD.

20/6/24

Dear Sirs,

LAND AT STATUS PARK, NOBEL DRIVE, LONDON BOROUGH OF HILLINGDON, UB3 5EY. FINANCIAL VIABILITY ASSESSMENT ('FVA').

1.0 EXECUTIVE SUMMARY

1.1 We understand that you are proposing a scheme comprising:-

1.2 We have assessed the financial viability of the proposed scheme to identify the maximum reasonable affordable housing provision.

1.3 Having done so, we conclude that it cannot viably sustain any affordable housing provision.

Company Number 09479391 (Companies Act 2006).
VAT Registration Number 211 3469 43.
Regulated by RICS.

2.0 BACKGROUND

2.1 We provided a FVA for a previous version of the proposed scheme (comprising 67 flats) on 2/4/23 within which we concluded the proposed scheme could not viably sustain any affordable housing provision.

2.2 It then took until December 2023 for the London Borough of Hillingdon to provide a copy of a viability review report by BNP Paribas ('BNPP') dated June 2023.

2.3 In their report dated June 2023, BNPP concluded the scheme generated a viability surplus of £1,300,701 based upon a 100% private residential scheme. In arriving at this conclusion, BNPP assumed a Benchmark Land Value ('BLV') of £1 (One Pound).

2.4 We did not provide a rebuttal letter in response to the BNPP report because we understood the scheme was going to be revised. However, had we done so, we would have asserted that BNPP's BLV assumption of £1 was clearly unreasonable as no hypothetical land-owner would be incentivised to sell the subject site for £1.

2.5 The scheme has now been revised (and now comprises 51 flats) which is what we have appraised herein.

2.6 We make some references to BNPP's viability review report dated June 2023 herein.

3.0 INSTRUCTIONS

3.1 We have been instructed to provide a FVA of your current/proposed scheme to identify the maximum reasonable affordable housing provision.

3.2 We have agreed a fixed fee for this piece of work split between viability report and further discussions with the London Borough of Hillingdon ('LBH') and their advisors. No performance related or contingent fees have been agreed.

3.3 In preparing this report we can confirm that we have no conflicts of interest.

3.4 Our opinion is also:-

- Objective, and;
- Impartial, and;
- Without interference (notwithstanding NPPG and Mayoral guidance), and;
- With reference to all appropriate sources of information (but limited to what NPPG and/or Mayoral guidance says is appropriate).

4.0 BASIS OF APPRAISALS HEREIN

4.1 This report is to assist planning discussions with LBH.

4.2 It is not an RICS (Royal Institution of Chartered Surveyors) “Red Book” compliant valuation report and the figures referred to herein are not formal valuations. However, detailed justification for the indicative values and/or component valuation inputs we have used are provided herein.

5.0 VIABILITY AND PLANNING

5.1 Scheme viability is assessed using residual valuation methodology.

5.2 A summary of the residual process is:-

Built Value of proposed private residential and other uses

+

Built Value of affordable housing

-

Build Costs, finance costs, other section 106 costs, sales fees, developers’ profit etc

=

Residual Land Value **(“RLV”)**

Residual Value is then compared to a **Benchmark Land Value (‘BLV’)**. If RLV is lower and/or not sufficiently higher than the BLV – project is not technically viable

5.3 If the RLV driven by a proposed scheme is reduced to significantly below an appropriate BLV, it follows that it is commercially unviable to pursue such a scheme, and the scheme is unlikely to proceed.

5.4 The ‘land residual’ approach (as summarised above) can be inverted so that it becomes a 'profit residual' based upon the insertion of a specific land cost/value (equivalent to the BLV) at the top. By doing this, the focus is moved onto the level of ‘residual profit’ driven by a scheme which can be compared to a reasonably necessary profit/rate. This is a purely presentational alternative and is how we have presented our appraisal herein.

6.0 APPROACH TO BENCHMARK LAND VALUE ('BLV')

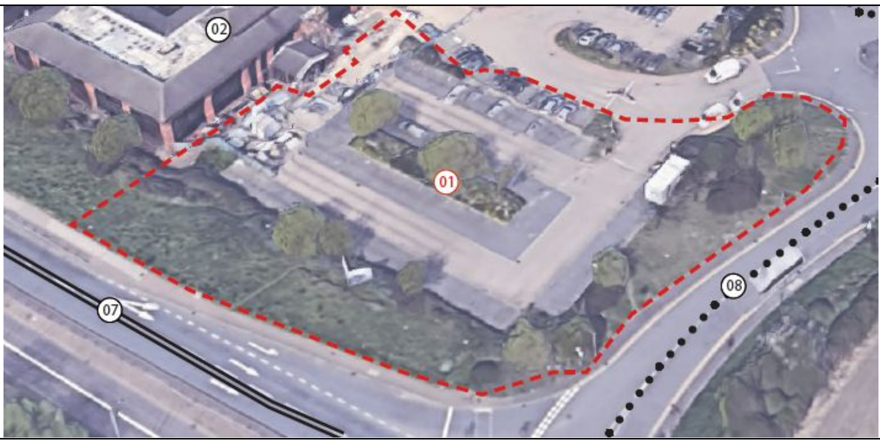
6.1 We have accounted for the guidance provided by:-

- National Planning Policy Framework (2023), and;
- National Planning Policy Guidance on Viability (September 2019), and;
- The RICS's 'Guidance Note GN 94/2012 (1st edition)', and;
- The RICS's Professional Standard – 'Financial Viability in Planning: Conduct & Reporting (1st Edition – May 2019)', and;
- The RICS's Professional Standard - 'Assessing viability in planning under the National Planning Policy Framework 2019 for England – March 2021 – 1st edition', and;
- The London Plan, and;
- London Plan Guidance (Large-scale purpose-built shared living) – February 2024, and;
- Recent Appeal cases, and;
- Our own professionally qualified judgement and obligation to provide an opinion that is: objective, impartial, without interference and with reference to all appropriate sources of information.

6.2 Without prejudice, we have considered the value of the existing site/property on a 'Existing Use Value plus land-owner's premium' ('EUV Plus') basis and a 'Alternative Use Value' basis.

7.0 THE SITE

7.1 Please see the photographs below:-



7.2 The site currently accommodates a car park comprising 85 spaces.

7.3 It comprises 0.2 hectares (0.49 acres).

7.4 Planning consent for a 140 bed hotel previously existed via 74423/APP/2018/4437 and we assume this has not been legally implemented.

7.5 We are not planning consultants but we are not aware of adopted planning policies that would prohibit being able to regain a hotel planning consent although we note that BNPP said that LBH had said that it is not likely that a hotel use would be granted planning permission going forwards on the subject site. We would ask LBH to justify this as this does not seem logical or reasonable unless new planning policies have changed the situation.

8.0 BLV

8.1 As well as indicating that LBH do not consider it likely that a hotel use on the subject site would be granted planning permission going forward (which we would ask LBH to explain/justify) in their viability review report dated June 2023, BNPP also discounted potential use as open storage because, again, they said LBH said that this would not be considered acceptable in planning terms. We would ask LBH to justify this as we are not aware of any planning policies that would obstruct use as open storage even if on a rolling temporary consent basis.

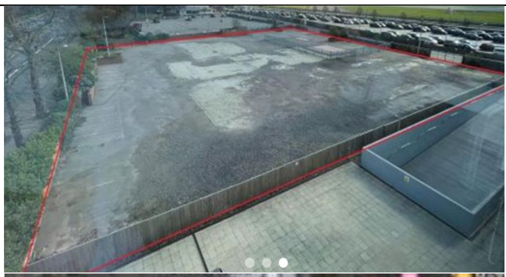
8.2 We do not believe it would be reasonable for LBH to say that the subject site has no other potential use that they would grant planning permission for other than the proposed scheme and, even if they did and such scheme (with a maximum affordable housing provision) drove a RLV of £1, this would still not mean that a reasonable BLV is £1 because no hypothetical land-owner would be incentivised to sell the site for a £1 as they could/would just retain the site until a more reasonable planning policy environment emerges in the medium to long term. If the current planning policy environment is such that the subject site is only worth £1 then there is surely something wrong with that environment as it would be causing total blight.

8.3 At the very least, we assume the existing car spaces could be individually let which would rive significant value.

8.4 We are not aware of any planning policies that would stop an applicant being able to secure planning consent (if/where needed) for any of the following (individually and/or in some combinations):-

- Car parking, and;
- Hotel (pending any clarification from LBH),and;
- Open-storage, and;
- Advertising hoardings, and;
- Mobile phone mast(s), and;
- Offices, and;
- Electric vehicle charging garage, and;
- Nursery/creche, and;
- Clinic/health centre, and;
- Community centre/facility, and;
- Gym.

8.5 We have considered the following comparables/evidence (including hotel and open storage comparables until such time that LBH explain in reasonable detail as to why consent for these uses could not be obtained which would of course be potentially a matter for PINS to determine beyond LBH):-

	<u>Tavistock Road, UB7 7QE:-</u> 0.34 hectare site known as COMAG. Cleared site last used as surface storage. Avison Young (acting for LBH) assumed a BLV of £2.025m for this site in Q1 2023. This points to a BLV of at least £1.2m for the subject site albeit we think AY's BLV for COMAG was/is too low (as we have explicitly stated in other formal discussions).
 	<u>Site adjacent to Airport, Cardinal Point, Newall Road, Heathrow, TW6 2BP:-</u> 50,520 sq.ft. of hardstanding. Recently let by De Souza in Q1 2023 for £293,016 p.a. Suitable for a variety of uses (including parking) The subject site comprises 21,528 sq.ft. and so we consider it reasonable to assume that it would let for around £125,000 p.a. Capitalised at 7% and less purchaser costs = a value of <u>at least</u> £1.67m.

<u>The Yard, 21 Willow Road, Poyle, SL3 0BS:-</u>

Hardstanding secure yard - 1,861 sq.ft.

Recently let via De Souza for around £15,000 p.a. = £8.06 p.s.f.
The subject site 21,528 sq.ft. and so we consider it reasonable to assume that it would let for at least £125,000 p.a. Capitalised at 8% and less purchaser costs = a value of <u>at least</u> £1.46m.

<u>2 Green Man Lane, Feltham:-</u>

0.19 acres.
Secure hard-standing.

Site for sale via Vokins Chartered Surveyors.
Freehold. Asking price = £950,000 = £5m per acre equivalent.
Points to at least £2.47m for the subject site allowing for size differential.
Current lease to SixT Rent a Car holding over following lease expiry in December 2021 @ £42,000 p.a.
RV = £18,837.25.

<u>Open storage site, Willow Avenue, New Denham, UB9 4AF:-</u>

7,000 sq.ft. or 0.065 hectares or 0.16 acres.
Available to let via David Charles.
Asking rent = £38,000 p.a.

Subject site is 3x bigger.

<u>Arora Park Hotel, Bath Road, Colnbrook, Slough, SL3 0PH:-</u>

Based upon the potential use of the site for hotel use, we note that the Arora Park Hotel (Bath Road, Colnbrook, Slough, SL3 0PH) which comprises 199 rooms sold for £12.5m on 3/7/20 which equates to £105,042 per key. We do not have drawings and/or costing for a new hotel proposal but, based upon the previous hotel consent, we assume that a hotel with a GDV of circa £14.7m could be pursued and that the land value driven by such a scheme would be circa 25% of this sum = £3.68m which more than under-pins our assumed BLV (see below) even if discounted to reflect planning risk.

<u>Childrens Nursery, 4 Admiralty Close, West Drayton, UB7 9NG:-</u>

3,703 sq.ft. built space on 9,000 sq.ft. site.
Asking price = £1.6m.
We would expect the residual land value driven by this property, (which has a low building to site area ratio) to be no less than 25% of its headline value – approximately.
Subject site is more than twice the size.

	87 Sunnyside Road, N19:- APP/V5570/W/21/3267951. The Inspector ultimately considered a BLV of £1m to be reasonable for a 0.15 ha commercial site accommodating a hand car wash, some surface storage, a derelict building that had been part crushed by a tree, a very small recording studio (let at £12,000 p.a.) and a derelict locally listed but derelict heritage asset. This comparable indicates that even sites in reasonable London areas that are contaminated (including underground petrol tanks requiring removal) and only occupied (in part) and are of the poorest quality in every respect reasonably attract significant BLVs.
	Ickenham Station Car Park:- Bought by TfL for £1.25m on 31/3/20. 160 spaces.
 	208 Cowley Road, Uxbridge, UB8 2LZ:- Second hand car lot. 0.25 acres with 2,500 sq.ft. sales office. Sold for £1.45m on 1/7/21. Equates to £5.8m per acre. Subject site is on corner with good visibility and would lend itself well to such a use.

8.6 Considering the above, we have assumed a conservative BLV of £1.5m.

9.0 PROPOSED SCHEME

9.1 Please refer to the proposed scheme plans in **Appendix 1**.

9.2 The proposed scheme (which contains 3 cores) comprises:-

Count	Floor	Type	Nos Bedrooms	Area (sq.m.)	Area (sq.ft.)	Assumed Tenure
1	Ground	3b4p	3	90	969	Private
2	Ground	1b2p	1	54	581	Private
3	Ground	2b3p	2	80	861	Private
4	Ground	3b5p	3	90	969	Private
5	Ground	2b4p	2	80	861	Private
6	Ground	2b4p	2	85	915	Private
7	Ground	1b2p	1	68	732	Private
8	First	2b4p	2	70	753	Private
9	First	1b2p	1	52	560	Private
10	First	1b2p	1	50	538	Private
11	First	2b4p	2	73	786	Private
12	First	3b4p	3	83	893	Private
13	First	2b4p	2	70	753	Private
14	First	3b6p	3	92	990	Private
15	First	1b2p	1	51	549	Private
16	First	2b4p	2	74	797	Private
17	First	1b2p	1	50	538	Private
18	First	1b2p	1	52	560	Private
19	First	3b4p	3	81	872	Private
20	Second	2b4p	2	70	753	Private
21	Second	1b2p	1	52	560	Private
22	Second	1b2p	1	50	538	Private
23	Second	2b4p	2	73	786	Private
24	Second	3b4p	3	83	893	Private
25	Second	2b4p	2	70	753	Private
26	Second	3b6p	3	92	990	Private
27	Second	1b2p	1	51	549	Private
28	Second	2b4p	2	74	797	Private
29	Second	1b2p	1	50	538	Private
30	Second	1b2p	1	52	560	Private
31	Second	3b4p	3	81	872	Private
32	Third	2b4p	2	70	753	Private
33	Third	1b2p	1	52	560	Private
34	Third	1b2p	1	50	538	Private
35	Third	2b4p	2	73	786	Private
36	Third	3b4p	3	83	893	Private
37	Third	2b4p	2	70	753	Private
38	Third	3b6p	3	92	990	Private
39	Third	1b2p	1	51	549	Private
40	Third	2b4p	2	74	797	Private
41	Third	1b2p	1	50	538	Private
42	Third	1b2p	1	52	560	Private
43	Third	3b4p	3	81	872	Private
44	Fourth	1b2p	1	52	560	Private
45	Fourth	2b3p	2	61	657	Private
46	Fourth	2b3p	2	64	689	Private
47	Fourth	3b6p	3	92	990	Private
48	Fourth	1b2p	1	52	560	Private
49	Fourth	2b4p	2	70	753	Private
50	Fourth	3b4p	3	86	926	Private
51	Fourth	2b3p	2	61	657	Private
Totals				**3,479**	**37,448**	

9.3 The total scheme GIA is 4,322 sq.m. (excluding balconies) and/or 46,522 sq.ft.

10.0 APPROACH TO VIABILITY ASSESSMENT

10.1 We have financially appraised the proposed scheme using ARGUS, a widely used proprietary software package. We have used current day values and costs.

10.2 We consider that the residual profit from the proposed scheme needs to be at least 25% on cost for it to be considered viable by normal measures. This is based upon a hypothetical land cost input (equivalent to our assumed BLV of £1.5m).

10.3 We have initially appraised the scheme without any affordable housing provision based upon our local and recent experience of the likely outcome. Bearing in mind the result (i.e. a viability shortfall), we have not gone on to appraise the scheme with any affordable housing provision.

11.0 MAYORAL CIL 2, CIL, S.106 & S.278

11.1 We have assumed a combined cost in this regard of £750,000.

11.2 We reserve the right to review our viability conclusion herein once these costs have been agreed with LBH.

12.0 BUILD COSTS

12.1 You provided us with a build cost assessment for the previous version of the proposed scheme which indicated a total build cost as at Q2 2023 of £16,115,444 (£258.31 per sq.ft. on GIA) excluding a contingency and professional fees.

12.2 As at June 2023, Johnson Associates (acting for LBH) reviewed that build cost and reduced it to £15,815,444 but were within 2% of our assumption.

12.3 We consider it likely that a smaller scheme (predominantly one storey lower) will cost slightly more in terms of build cost rate per sq.ft. due to lost economies of scale. The BCIS All-In tender price index also indicates some cost growth since Q2 2023.

12.4 Considering the above, we consider it reasonable to assume a total build cost equivalent to £265 p.s.f. on the reduced GIA of 46,522 sq.ft. = £12,328,330.

12.5 We have added a 5% contingency and professional fees at 10%.

13.0 PRIVATE RESIDENTIAL GDV

13.1 The new homes market (in particular) is currently weak due to the continuation of high mortgage rates and wider economic concerns.

13.2 We note that the site/proposed scheme is close to the runways of Heathrow airport and air-craft noise will be detrimental to value.

13.3 There is a dearth of comparable evidence near Heathrow but we have considered the following:-

Hayes Village:-

The most recent asking prices are:-

Plot ref	Floor	Bed	Sq Ft	Most recent price	£PSF	Date of price
365	7	2	719	£466,000	£648	Mar 2024
366	7	2	721	£471,000	£653	Mar 2024
368	8	Studio	407	£329,000	£808	Mar 2024
422	4	3	838	£569,000	£679	Mar 2024
453	6	1	550	£386,000	£702	Mar 2024
473	8	1	550	£392,000	£713	Mar 2024
252	6	3	767	£509,000	£664	Dec 2023
270	10	3	857	£529,000	£617	Dec 2023
345	5	2	723	£449,000	£621	Dec 2023
357	5	3	845	£535,000	£633	Dec 2023
358	5	3	890	£539,000	£606	Dec 2023

We would expect flats at the subject scheme to achieve significantly less than Hayes Village as the latter lends itself to being marketed abroad (as it has been and is being). It also benefits from various on-site amenities and is in a better Hayes Town location very close to Hayes & Harlington Station (Elizabeth Line and overground) and is further away from the runways of Heathrow airport.

The Old Vinyl Factory, UB3 1BB:-

More comparable in size an non-international marketability compared to subject scheme albeit

The most recent asking prices are:-

Plot ref	Floor	Bed	Sq Ft	Most recent price	£PSF	Date of price
006	2	1	537	£295,000	£549	Jun 2024
007	2	1	544	£319,995	£588	Jun 2024
017	3	1	539	£335,000	£622	Jun 2024
030	4	1	540	£342,500	£634	Jun 2024
042	5	1	541	£345,000	£638	Jun 2024
059	6	1	541	£340,000	£628	Jun 2024
069	7	1	539	£342,500	£635	Jun 2024
004	2	1	538	£329,995	£613	Dec 2023

These asking prices suggest that even assuming a net (of incentives) average achievable value of £585 p.s.f. for units of around 540 sq.ft. would be optimistic. As such, we would not expect the flats at the subject scheme (average size of 734 sq.ft.) to achieve more than circa £525 p.s.f. (max) – also bearing in mind the inferior location (see below).

The most recent achieved sales data is:-

Unit	Address	Postcode	Unit Type	Tenure	Price Paid First Sale	Sale Completed	EPC Sq M	Sq Ft	£PSF
FLAT 51	7 GRAMOPHONE LANE	UB3 1FP	Flat	Leasehold	£455,000	20/02/2023	74.00	797	£571
FLAT 38	7 GRAMOPHONE LANE	UB3 1FP	Flat	Leasehold	£454,000	06/02/2023	74.00	797	£569
FLAT 12	7 GRAMOPHONE LANE	UB3 1FP	Flat	Leasehold	£448,000	02/02/2023	74.00	797	£562
FLAT 43	7 GRAMOPHONE LANE	UB3 1FP	Flat	Leasehold	£464,000	02/02/2023	78.00	840	£552
FLAT 32	7 GRAMOPHONE LANE	UB3 1FP	Flat	Leasehold	£445,000	01/02/2023	72.00	775	£574
FLAT 6	7 GRAMOPHONE LANE	UB3 1FP	Flat	Leasehold	£520,000	30/01/2023	93.00	1,001	£519
FLAT 45	7 GRAMOPHONE LANE	UB3 1FP	Flat	Leasehold	£444,000	30/01/2023	72.00	775	£572
FLAT 59	7 GRAMOPHONE LANE	UB3 1FP	Flat	Leasehold	£545,000	30/01/2023	88.00	947	£575
7	FLAT 33 GRAMOPHONE LANE	UB3 1FP	Flat	Leasehold	£527,000	30/01/2023	88.00	947	£556

We would expect flats at the subject scheme to achieve less than The Old Vinyl Factory as is in a better Hayes Town location very close to Hayes & Harlington Station (Elizabeth Line and overground) and is further away from the runways of Heathrow airport.

Source: MOLIOR, Rightmove & Land Registry

13.4 Based upon the comparables above, we have assumed the following proposed residential values:-

Count	Floor	Type	Nos Bedrooms	Area (sq.m.)	Area (sq.ft.)	Assumed Tenure	Value	Value p.s.f.
1	Ground	3b4p	3	90	969	Private	£455,000	£469.68
2	Ground	1b2p	1	54	581	Private	£321,000	£552.26
3	Ground	2b3p	2	80	861	Private	£448,000	£520.26
4	Ground	3b5p	3	90	969	Private	£455,000	£469.68
5	Ground	2b4p	2	80	861	Private	£448,000	£520.26
6	Ground	2b4p	2	85	915	Private	£476,000	£520.26
7	Ground	1b2p	1	68	732	Private	£403,000	£550.59
8	First	2b4p	2	70	753	Private	£400,000	£530.88
9	First	1b2p	1	52	560	Private	£314,000	£560.99
10	First	1b2p	1	50	538	Private	£302,000	£561.13
11	First	2b4p	2	73	786	Private	£418,000	£531.97
12	First	3b4p	3	83	893	Private	£429,000	£480.19
13	First	2b4p	2	70	753	Private	£400,000	£530.88
14	First	3b6p	3	92	990	Private	£475,000	£479.66
15	First	1b2p	1	51	549	Private	£308,000	£561.06
16	First	2b4p	2	74	797	Private	£423,000	£531.05
17	First	1b2p	1	50	538	Private	£302,000	£561.13
18	First	1b2p	1	52	560	Private	£314,000	£560.99
19	First	3b4p	3	81	872	Private	£419,000	£480.57
20	Second	2b4p	2	70	753	Private	£400,000	£530.88
21	Second	1b2p	1	52	560	Private	£314,000	£560.99
22	Second	1b2p	1	50	538	Private	£302,000	£561.13
23	Second	2b4p	2	73	786	Private	£418,000	£531.97
24	Second	3b4p	3	83	893	Private	£429,000	£480.19
25	Second	2b4p	2	70	753	Private	£400,000	£530.88
26	Second	3b6p	3	92	990	Private	£475,000	£479.66
27	Second	1b2p	1	51	549	Private	£308,000	£561.06
28	Second	2b4p	2	74	797	Private	£423,000	£531.05
29	Second	1b2p	1	50	538	Private	£302,000	£561.13
30	Second	1b2p	1	52	560	Private	£314,000	£560.99
31	Second	3b4p	3	81	872	Private	£419,000	£480.57
32	Third	2b4p	2	70	753	Private	£400,000	£530.88
33	Third	1b2p	1	52	560	Private	£314,000	£560.99
34	Third	1b2p	1	50	538	Private	£302,000	£561.13
35	Third	2b4p	2	73	786	Private	£418,000	£531.97
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37	Third	2b4p	2	70	753	Private	£400,000	£530.88
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39	Third	1b2p	1	51	549	Private	£308,000	£561.06
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41	Third	1b2p	1	50	538	Private	£302,000	£561.13
42	Third	1b2p	1	52	560	Private	£314,000	£560.99
43	Third	3b4p	3	81	872	Private	£419,000	£480.57
44	Fourth	1b2p	1	52	560	Private	£324,000	£578.86
45	Fourth	2b3p	2	61	657	Private	£358,000	£545.23
46	Fourth	2b3p	2	64	689	Private	£377,000	£547.26
47	Fourth	3b6p	3	92	990	Private	£489,000	£493.80
48	Fourth	1b2p	1	52	560	Private	£324,000	£578.86
49	Fourth	2b4p	2	70	753	Private	£412,000	£546.80
50	Fourth	3b4p	3	86	926	Private	£457,000	£493.68
51	Fourth	2b3p	2	61	657	Private	£358,000	£545.23
Totals				**3,479**	**37,448**		**£19,617,000**	**£523.85**

14.0 PROFIT AND FINANCE COSTS

14.1 With regard to profit, NPPG said the following in 2019:-

> **How should a return to developers be defined for the purpose of viability assessment?**
>
> Potential risk is accounted for in the assumed return for developers at the plan making stage. It is the role of developers, not plan makers or decision makers, to mitigate these risks. The cost of fully complying with policy requirements should be accounted for in benchmark land value. Under no circumstances will the price paid for land be relevant justification for failing to accord with relevant policies in the plan.
>
> For the purpose of plan making an assumption of 15-20% of gross development value (GDV) may be considered a suitable return to developers in order to establish the viability of plan policies. Plan makers may choose to apply alternative figures where there is evidence to support this according to the type, scale and risk profile of planned development. A lower figure may be more appropriate in consideration of delivery of affordable housing in circumstances where this guarantees an end sale at a known value and reduces risk. Alternative figures may also be appropriate for different development types.
>
> See related policy: National Planning Policy Framework paragraph 57
>
> Paragraph: 018 Reference ID: 10-018-20190509
>
> Revision date: 09 05 2019 See previous version

14.2 In our opinion, this could and should be read to mean that an overall blended return of between 15-20% is reasonable which would then reconcile with a much more detailed RICS study (written in the main by the University of Reading) dated September 2019 where they said:-

RICS:-

Research RICS September 2019 Performance metrics, required returns and achieved returns for UK real estate development	The review of published development appraisals and associated literature suggests that residential developers favour the use of cash-based target returns. From the survey, a figure of 20% profit on costs was mentioned regularly for sites without significant risks (for example, risks relating to planning permission), and 25% for those sites with higher levels of perceived risk. These levels of profit on cost imply a profit on gross development value (GDV) of around 15 to 20%. The larger developers, utilising cash-flow techniques and developing longer schemes, quoted target rates of return of around 10 to 12%, and this reconciles with higher cash returns that are typically required for longer projects. Inclusion of finance within development appraisals is common.

14.3 Neither NPPG (viability) from 2019 or any other 'viability in planning' guidance states what must be used as a profit target and/or how profit targets must be geared and/or measured (i.e. whether geared to GDV, cost, IRR, return on capital employed etc) when preparing site/scheme specific FVAs.

14.4 Some viability consultants (mostly those acting for Councils) appear to have got into the habit of splitting profit targets between different uses within proposed schemes and keep using the same percentages per use type within all of the FVA reviews each time.

14.5 We believe the splitting of profit targets between different uses within proposed scheme emanates from what NPPG (viability) said in 2019 (which, in our opinion, was not clear or aligned with market evidence – and certainly is not now) and what the Three Dragons Toolkit said many years ago (which was professionally criticized at the time).

14.6 For example, 6% <u>on cost</u> was a separate default profit target assumption for affordable housing (often grant funded and considerably more valuable at the time as a result) in the Three Dragons Toolkit which we assume was related to the cost of borrowing at the time - whereas finance costs are now much higher. It should be noted that 6% on cost is substantially more than 6% on GDV with respect to <u>non-grant funded</u> affordable housing so the migration from 6% on cost to 6% on GDV (which some consultants appear to apply rigidly from scheme to scheme regardless of different risk profiles and effect) is not reasonable.

14.7 It is recognized that developers need to make a profit on the delivery of affordable housing whereas a target profit of 6% on GDV is not a profit at all because it costs significantly more than GDV to deliver. This means that a profit target of 6% on affordable housing GDV erodes the profit from any other uses <u>which is not advocated by any guidance</u>.

14.8 Also, there are of course many different tenure types and affordability levels related to affordable housing which present substantially different risk profiles. As such, a rigid profit target assumption of 6% on affordable GDV makes no logical sense whatsoever.

14.9 Similarly, risk profiles relating to private residential varies from scheme to scheme and so using the same profit targets between schemes with very different risks profiles is illogical.

14.10 Going back to what NPPG said in 2019 (see S.14.1 above), that relates/related to 'plan-making' which site/scheme specific FVA are not.

14.11 Whether one focusses on 'guidance' within NPPG (viability) and/or the RICS research report, both of these emanate from 2019 at which time general development risk was substantially lower. It cannot logically be the case now that reasonable and necessary profit targets now are the same as they were in 2019 in connection with:-.

- Substantially higher mortgage rates.
- Higher development finance costs.
- The end of Help to Buy.
- High build costs after substantial inflation in 2022/23.
- Cost of living issues.
- A weak economy (having recently been officially in recession).
- Increased Corporation Tax for developers since April 2023.
- Gloomy house price predictions.
- Net Zero Carbon requirements (higher build costs over and above inflation).
- Building Safety Act implications.

14.12 Profit targets are substantially influenced by risk profiles and how prospective development funders see those risk profiles as an influence on conditions precedent to providing development finance. Most developers target profit as a single weighted percentage geared to cost in various ways (e.g. profit on cost, return on capital employed or IRR). A return on cost makes logical sense as the primary gearing mechanism as this is how most investments are measured and, as evident from a 6% on cost versus 6% on GDV gearing with regard to affordable housing (discussed above), these are very different targets in £s and where 6% on GDV is usually a loss in effect.

14.13 We note from a planning inquiry we were involved in (APP/V5570/W/21/3267951) that the Inspector was of the following opinion even as at 15/12/21:-

> *Overall Residual Profit*
>
> 77. Using the Council's figures, the overall residual profit would be £2,293,791 which, on applying a 17% private residential gross development value (GDV) and 15% GDV on commercial, would result in a surplus of £500,493. The appellant's calculations would be £977,908 residual profit, and in applying an 18% allowance on overall GDV and/or 20% on costs, this would result in a shortfall of £834,403. This represents some £1.3 million difference between parties.
>
> 78. Profit target values supported by both parties fall within the advice of the PPG which specifies 15-20%. In general, 18-20% margin is standard. The Council's figures, which given the current risk factors around the economy, do seem to be overly low.

14.14 As the Inspector was of the opinion that a standard profit rate was 18-20% on GDV in that case (circa 22.5% on cost), a reasonable profit in a substantially higher risk market must now be higher.

14.15 We target profit <u>on cost</u> as most investments are measured this way. However, this can be translated into a return on GDV.

14.16 After considering all of the above, we have assumed reasonable profit requirements to be 25% on cost without any affordable housing provision.

14.17 The UK Base Rate and SONIA (Sterling Overnight Index Average) have both increased substantially over the last 2 years:-

	UK Base Rate	SONIA
March 2022	5.25%	5.18%
March 2024	0.75%	0.69%

14.18 Although the UK Base Rate and SONIA do not 'absolutely' affect 'all-in' development finance rates, they strongly influence them.

14.19 Hypothetical finance costs now typically break down as follows:-

60% Bank finance at 6% =	3.6%
20% equity finance at 14% =	2.8%
20% mezzanine finance at 18% =	3.6%

	10% **<u>plus a fixed 1.5% 'in/out' finance facility fee</u>** on bank finance (and possibly the whole finance package if arranged via an Intermediary)

14.20 For example, please refer to the letters in **Appendices 2 & 3** which indicate recent bank finance offer terms for two relatively small/simple residential developments. These only relates to the bank finance element of complete finance packages (i.e. circa 60% of required debt in each case) and equity and mezzanine finance would be more expensive. Both letters indicate an all-in rate (i.e. include finance facility in/out fees or arrangement fees) of over 10%. The letter in **Appendix 3** also talks about necessary profit requirements as a condition precedent of lending at 20% on cost albeit the scheme to which the letter relates is significantly lower risk than the subject scheme.

14.21 Considering the above, we have assumed an -all-in' finance rate of 9%.

15.0 OTHER ASSUMPTIONS

15.1 Our other viability assumptions are explicitly evident from our residual profit appraisal in **Appendix 4**.

16.0 CONCLUSION

16.1 The appraisal in **Appendix 4** drives a profit of £543,001 which only equates to 2.85% on cost.

16.2 As this falls below our target profit rate, we conclude that there is a viability shortfall without any affordable housing provision and that, as a consequence, the scheme cannot sustain any affordable housing provision.

17.0 SENSITIVITY TEST

17.1 Some sensitivity tests include:-

Table of Profit Amount and Profit on Cost%

	Sales: Gross Sales				
Construction: Gross Cost	-10.000%	-5.000%	0.000%	+5.000%	+10.000%
	17,655,300	18,636,150	19,617,000	20,597,850	21,578,700
-10.000% 11,095,497	£178,218 1.020%	£1,177,158 6.742%	£2,176,099 12.477%	£3,173,995 18.216%	£4,168,362 23.942%
-5.000% 11,711,914	-£638,332 -3.489%	£360,609 1.973%	£1,359,550 7.447%	£2,358,491 12.931%	£3,356,171 18.418%
0.000% 12,328,330	-£1,454,881 -7.613%	-£455,940 -2.388%	£543,001 2.847%	£1,541,942 8.092%	£2,540,883 13.347%
+5.000% 12,944,747	-£2,271,430 -11.399%	-£1,272,489 -6.392%	-£273,548 -1.375%	£725,393 3.650%	£1,724,334 8.685%
+10.000% 13,561,163	-£3,087,979 -14.887%	-£2,089,038 -10.080%	-£1,090,097 -5.264%	-£91,156 -0.441%	£907,785 4.392%

17.2 However, these do not change our headline FVA conclusion.

18.0 DISCLOSURE AND STATUS OF REPORT

18.1 We understand that you may provide a copy of this report to LBH and their advisors but we do not owe or offer them any duty of care.

Yours faithfully,

James Brown BSc (Hons) MRICS
RICS Registered Valuer
Director

APPENDIX 1

THE CONTRACTOR MUST VERIFY ALL DIMENSIONS ON SITE BEFORE MAKING SHOP DRAWINGS OR COMMENCING WORK OF ANY KIND.
NO DIMENSIONS TO BE SCALED FROM THIS DRAWING.

REV.	DATE	REVISION
P1	06.09.23	General scheme revisions: reduced massing, revised materials and facade treatment, additional info on M4 (3) units
P2	28.05.24	Planning refusal response
P3	06.06.24	Minor adjustments

Drawing Legend

1B 2P		2 no.
2B 3P		1 no.
2B 4P		2 no.
3B 4P		1 no.
3B 5P		1 no.
Total		7 Units

PLANNING

Osel architecture

PROJECT:
STATUS PARK

CLIENT:
MBH HEATHROW LTD.

DRAWING:
PROPOSED PLAN
GROUND FLOOR

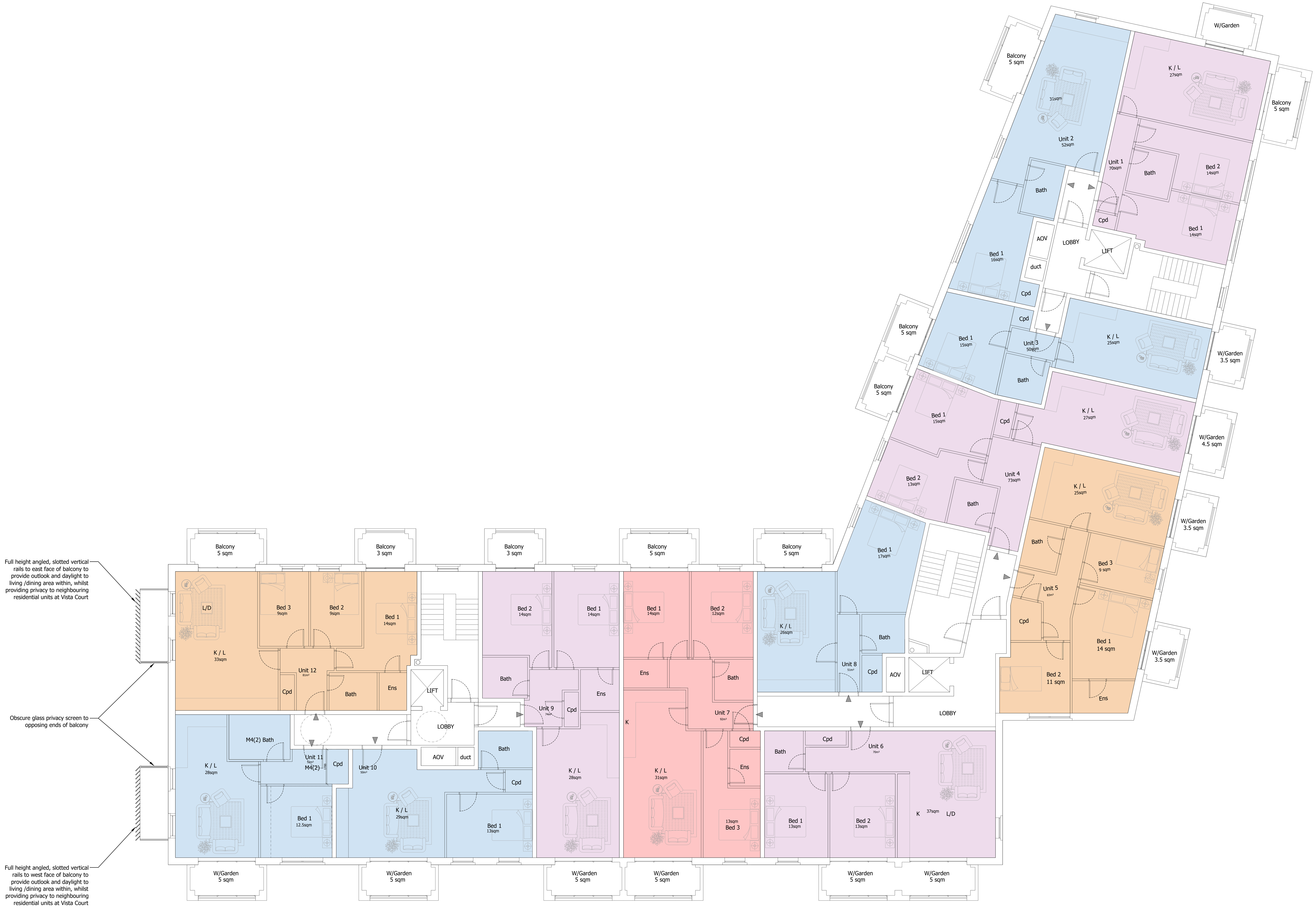
DRAWING No.: E21-038/PRP00G
REV: P3

SCALE: 1:100@A1 AND 1:200@A3

DRAWN: DW DATE: 28.05.24

CHECKED: TM DATE:

G.04 | The Record Hall | 16-16A Baldwin's Gardens | London | EC1N 7RJ
Tel: 020 7224 2447
E-mail: admin@oselarch.co.uk Web: www.oselarchitecture.co.uk



01 Proposed First Floor Plan
Scale 1:100

SCALE 1:100
SCALE 1:1

N

THE CONTRACTOR MUST VERIFY ALL DIMENSIONS ON SITE BEFORE MAKING SHOP DRAWINGS OR COMMENCING WORK OF ANY KIND.
NO DIMENSIONS TO BE SCALED FROM THIS DRAWING.

REV.	DATE	REVISION
P1	06.09.23	General scheme revisions: reduced massing, revised materials and facade treatment, additional info on M4 (3) units
P2	28.05.24	Planning refusal response
P3	03.06.24	Minor corrections
P4	06.06.24	Minor adjustments

Drawing Legend

1B 2P	5 no.
2B 3P	0 no.
2B 4P	4 no.
3B 4P	2 no.
3B 6P	1 no.
Total	12 Units

PLANNING

Osel architecture

PROJECT:
STATUS PARK

CLIENT:
MBH HEATHROW LTD.

DRAWING:
PROPOSED PLAN
FIRST FLOOR

DRAWING No.: E21-038/PRP001
REV: P4

SCALE: 1:100@A1 AND 1:200@A3

DRAWN: DW DATE: 28.05.24

CHECKED: TM DATE:

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NO DIMENSIONS TO BE SCALED FROM THIS DRAWING.

REV.	DATE	REVISION
P1	06.09.23	General scheme revisions: reduced massing, revised materials and facade treatment, additional info on M4 (3) units
P2	28.05.24	Planning refusal response
P3	03.06.24	Minor corrections
P4	06.06.24	Minor adjustments

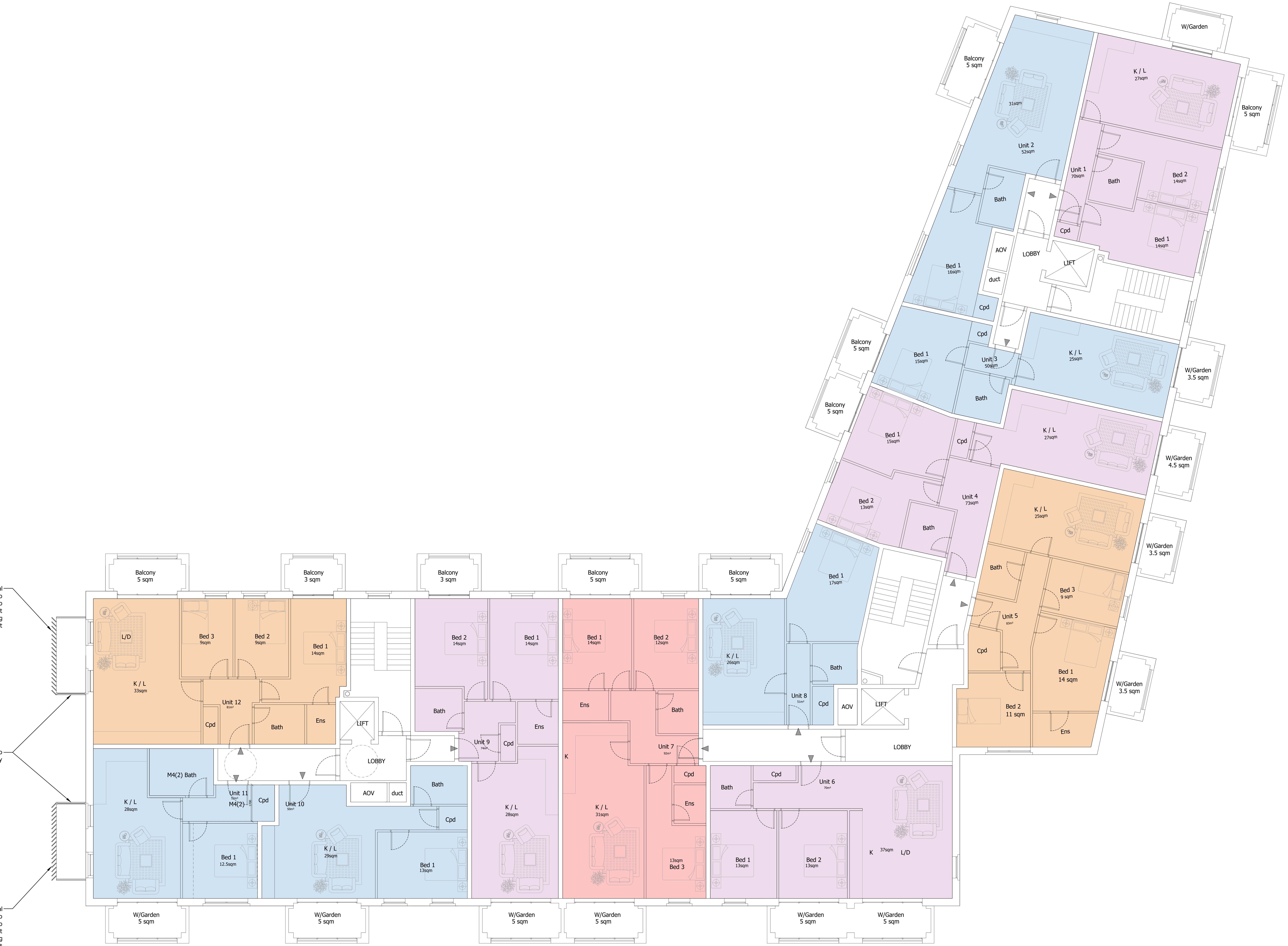
SCALE 1:100 0m 1m 2m 4m 6m 8m 10m
SCALE 1:1 0m 10mm 20mm 40mm 60mm 80mm 100mm

N

Full height angled, slotted vertical rails to east face of balcony to provide outlook and daylight to living /dining area within, whilst providing privacy to neighbouring residential units at Vista Court

Obscure glass privacy screen to opposing ends of balcony

Full height angled, slotted vertical rails to west face of balcony to provide outlook and daylight to living /dining area within, whilst providing privacy to neighbouring residential units at Vista Court



Drawing Legend

1B 2P		5 no.
2B 3P		0 no.
2B 4P		4 no.
3B 4P		2 no.
3B 6P		1 no.
	Total	12 Units

PLANNING

01 Proposed Second Floor Plan
Scale 1:100

Osel architecture

PROJECT: STATUS PARK

CLIENT: MBH HEATHROW LTD.

DRAWING: PROPOSED PLAN SECOND FLOOR

DRAWING No.: E21-038/PRP002
REV: P4

SCALE: 1:100@A1 AND 1:200@A3

DRAWN: DW
DATE: 28.05.24

CHECKED: TM
DATE:

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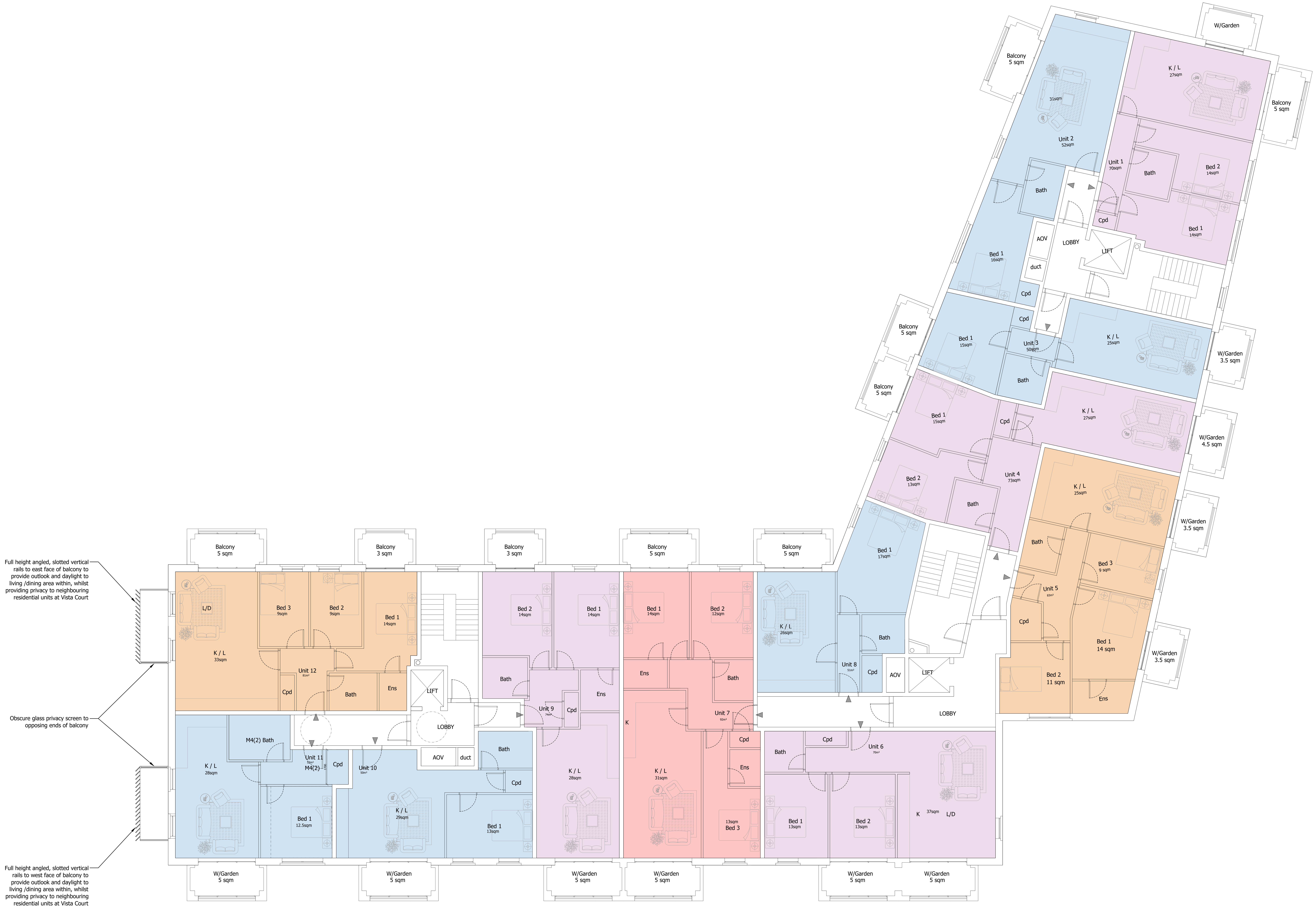
Tel: 020 7224 2447
E-mail: admin@oselarch.co.uk Web: www.oselarchitecture.co.uk

THE CONTRACTOR MUST VERIFY ALL DIMENSIONS ON SITE BEFORE MAKING SHOP DRAWINGS OR COMMENCING WORK OF ANY KIND.
NO DIMENSIONS TO BE SCALED FROM THIS DRAWING.

REV.	DATE	REVISION
P1	06.09.23	General scheme revisions: reduced massing, revised materials and facade treatment, additional info on M4 (3) units
P2	28.05.24	Planning refusal response
P3	03.06.24	Minor corrections
P4	06.06.24	Minor adjustments

SCALE 1:100
SCALE 1:1



01 Proposed Third Floor Plan
Scale 1:100

Drawing Legend

1B 2P		5 no.
2B 3P		0 no.
2B 4P		4 no.
3B 4P		2 no.
3B 6P		1 no.
	Total	12 Units

PLANNING

Osel architecture

PROJECT:
STATUS PARK

CLIENT:
MBH HEATHROW LTD.

DRAWING:
PROPOSED PLAN
THIRD FLOOR

DRAWING No.: E21-038/PRP003
REV: P4

SCALE: 1:100@A1 AND 1:200@A3

DRAWN: DW DATE: 28.05.24

CHECKED: TM DATE:

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Tel: 020 7224 2447
E-mail: admin@oselarch.co.uk Web: www.oselarchitecture.co.uk

THE CONTRACTOR MUST VERIFY ALL DIMENSIONS ON SITE BEFORE MAKING SHOP DRAWINGS OR COMMENCING WORK OF ANY KIND.
NO DIMENSIONS TO BE SCALED FROM THIS DRAWING.

REV.	DATE	REVISION
P1	06.09.23	General scheme revisions: reduced massing, revised materials and facade treatment, additional info on M4 (3) units
P2	28.05.24	Planning refusal response
P3	03.06.24	Minor corrections
P4	06.06.24	Minor adjustments

SCALE 1:100 0m 1m 2m 4m 6m 8m 10m
SCALE 1:1 0m 10mm 20mm 40mm 60mm 80mm 100mm

N

01 Proposed Fourth Floor Plan
Scale 1:100

Drawing Legend

1B 2P	2 no.
2B 3P	3 no.
2B 4P	1 no.
3B 4P	1 no.
3B 6P	1 no.
Total	8 Units

PLANNING

Osel architecture

PROJECT:
STATUS PARK

CLIENT:
MBH HEATHROW LTD.

DRAWING:
PROPOSED PLAN
FOURTH FLOOR

DRAWING No.: E21-038/PRP004
REV: P4

SCALE: 1:100@A1 AND 1:200@A3

DRAWN: DW DATE: 28.05.24

CHECKED: TM DATE:

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Tel: 020 7224 2447

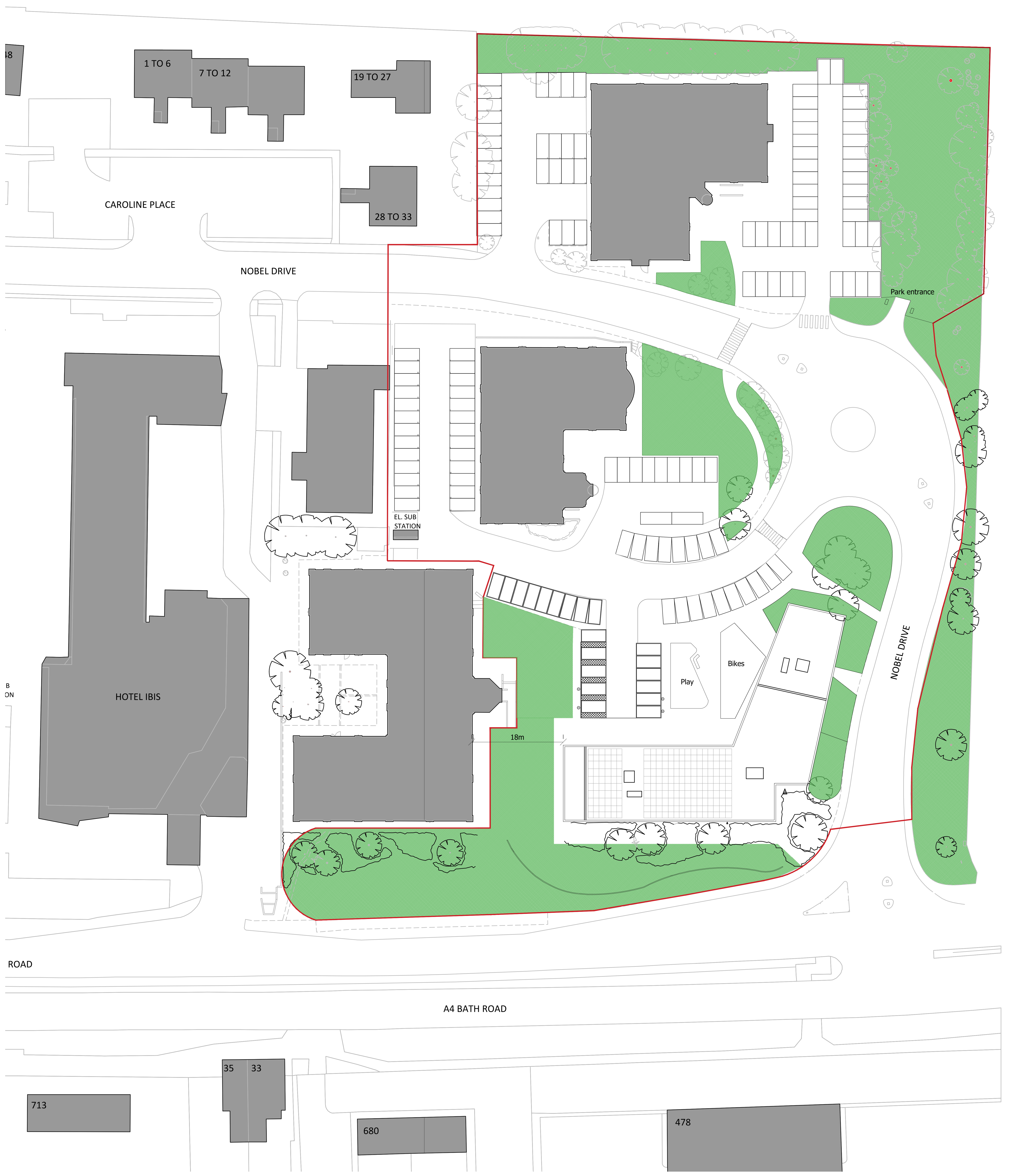
E-mail: admin@oselarch.co.uk Web: www.oselarchitecture.co.uk

THE CONTRACTOR MUST VERIFY ALL DIMENSIONS ON SITE BEFORE MAKING SHOP DRAWINGS OR COMMENCING WORK OF ANY KIND.
NO DIMENSIONS TO BE SCALED FROM THIS DRAWING.

REV.	DATE	REVISION
B	06.10.23	Response to planning comments
C	28.05.24	Planning refusal response

SCALE 1:500 — 0m 5m 10m 20m 30m 40m 50m
SCALE 1:1 — 0m 10mm 20mm 40mm 60mm 80mm 100mm

N



01 SITE ESTATE PLAN
Scale 1:500

Key

Soft landscaping/ Usable amenity space. For detail refer to Landscape proposal

PLANNING

Osel architecture

PROJECT:
STATUS PARK
BATH ROAD
HEATHROW

CLIENT:
BMR HEATHROW

DRAWING:
ESTATE MASTER PLAN

DRAWING No.: E21-038/SIT100

REV: C

SCALE: 1:500@A1

DRAWN: WTM

DATE: 12/12/2022

CHECKED:

DATE:

G.04 | The Record Hall | 16-16A Baldwin's Gardens | London | EC1N 7RJ
Tel: 020 7224 2447
E-mail: admin@oselarch.co.uk Web: www.oselarchitecture.co.uk

APPENDIX 2

Alex Macdonald

Macar Developments Limited

12 July 2023

Dear Alex,

Applicant: Macar Developments Limited
Property: 16-18 Park Road, Kenley

We refer to your recent application and are pleased to confirm our willingness to progress matters subject to the following terms and conditions.

These terms are valid for 21 days from the date of issue.

1. Loan Amount		
		£3,350,000

2. Facility	It is proposed that the facility is drawn down as follows:	
(a)	An initial advance to cover the Commitment Fee:	£ 33,500
(b)	Advances to assist with the cost of works to include Contingency (£168,000), Macar Consultancy (£324,000) and CIL (£250,000) to be released in stages equivalent to 100% of our surveyor's certification:	£2,985,000
(c)	A provision to cover professional fees incurred in relation to the facility:	£ 15,000
(d)	A provision to cover interest for the agreed period of the loan:	£ 316,500

At no time will the facility exceed 50% of our surveyor's opinion of the Gross Development Value ('GDV').

3. Loan Type	
	Interest Rolled

Part of Close Brothers Group

Frank D Pennal, Director
Richard A Murkin, Director
Daniel A Hertz, Director
Rob P Harris, Director

Commercial Acceptances Ltd
8th Floor, 101 Wigmore Street
London W1U 1QU
020 3857 6350
info@acceptances.co.uk
acceptances.co.uk

4. Loan Term

18 months

5. Interest

Interest on each advance at the rate of 4.75% per annum above Bank of England base rate subject always of a minimum rate of 9.75% per annum.

Interest will be calculated daily and will accrue as part of the interest provision outlined under clause 2d.

6. Security

If we are to lend to a company, then in addition to a first legal charge over the property being offered as security, we will require the personal guarantees of the shareholding directors. A first fixed and floating charge will also be taken over the company.

7. Lending Fees

Commitment Fee	Equivalent to 1% of the loan amount. The balance will be deducted from the initial advance on completion of the loan.
Redemption Fee	On the repayment date the applicant shall pay the lender a Redemption Fee equivalent to **1.25%** of the aggregate of all advances subject to a minimum of £55,122. If the loan is not repaid on the repayment date the Redemption Fee will be payable on demand or may at the option of the lender be added to the principal amount of the loan.
Completion Fee	A finance set up charge of £250 is payable on completion.

8. Special Conditions

The Heads of Terms for this application are provided subject to the following:

1. **Receipt of a satisfactory valuation from one of our panel valuers.**
2. **Satisfactory due diligence on all parties to the loan.**
3. **In the event of default, an increased rate of Interest shall be charged of up to 2% per annum above the rate referred to in paragraph 5 above, subject always to a minimum rate of 9.75% per annum.**

9. Professional Fees

Valuation Fee	We will obtain a quotation prior to the appointment of the valuer and will advise accordingly. We will require payment of the Valuation Fee prior to the issue of the formal letter of offer.
PMS Fee	We will require our PMS to certify the cost of works before additional funds outlined under clause 2b are to be released. The applicant will be responsible for the costs of site visits by the appointed surveyor. We will obtain a quotation prior to the appointment of the PMS and will advise accordingly. This will be deducted from the provision outlined under clause 2c.

	A feasibility report is also to be undertaken prior to the release of the advances outlined under clause 2b. The cost is payable prior to the issue of the formal letter of offer. We will obtain a quotation prior to the appointment of the PMS and will advise accordingly.
Legal Fees	The applicant will be responsible for our solicitor's charges which will be approximately 0.35% of the loan amount plus VAT and disbursements, but subject to a minimum of £950 plus VAT & disbursements per property. Please note that our solicitor's charges may increase depending on the complexity of the transaction.

10. Additional Information

To issue a formal facility letter we will require the following where appropriate and if not already supplied:

(a)	The full name and address of the applicant / borrowing company.
(b)	Where appropriate, the full names and addresses of the directors, shareholding officers owning 25% or more of the borrowing company and the registered company number.
(c)	We will require each applicant, or director / shareholder owning 25% or more of the borrowing company, to provide one valid document confirming identity, and two valid documents confirming residential address. Verification of identity (Passport, Driving Licence). Verification of address, dated in the last 3 months (bank or building society statement, utility bill, mortgage, or credit card statement). During the course of our legal enquiries your solicitors will be called upon to provide a full set of certified documentation.
(d)	The full name, address and contact details of the solicitors who will be acting on behalf of the applicant in this matter.
(e)	Return of the attached, properly executed, Fax / E-Mail Indemnity Form.
(f)	Return of the attached, properly executed, Company Mandate Form.
(g)	Brief details of the source of funds the applicant will be utilising for this transaction (i.e., an inheritance or profits from a previous deal).
(h)	Payment of the Feasibility Fee and Valuation Fee.
(i)	A completed Statement of Assets and Liabilities in the form attached.
(j)	Details of any county court judgements recorded against the applicant at any time, details of any bankruptcy or other insolvency proceedings issued against the applicant or the borrowing company, its directors and shareholders at any time and details of any existing or past criminal convictions.
(k)	A copy of the planning consent.
(l)	Site plans and elevations.
(m)	A detailed breakdown of costs.
(n)	Confirmation that the site will benefit from NHBC warranty or suitable equivalent.

(o)	The name of the professional team to include the Architect and Structural Engineer who may/will be called upon to provide Collateral Warranties.
(p)	A CV detailing the applicant's previous property-related experience.

Should the applicant wish to pursue this enquiry, please ensure that the applicant has read the attached Privacy Notice. Where we are provided with personal information belonging to a third party, the necessary consents must be obtained to disclose their information, and it must be ensured that they have been provided with a copy of our data protection notice.

A Tariff detailing full costs and charges is enclosed.

Should you wish to discuss any aspect of this letter please do not hesitate to contact us.

This letter should not be construed as an offer or a binding commitment, but merely sets out the basis upon which we are prepared to progress this application further.

Yours sincerely,

Rob Harris

Director

APPENDIX 3

LDN Finance Limited
2nd Floor
8-9 Well Court
London
EC4M 9DN
T: 020 3903 9875

18th May 2024

Heads of Terms

Dear Mr Chadda,

Site off Turners Mill Road, Haywards Heath, RH16 1NH.
Indicative Development Finance Request – Eastwood Investment Group.

We understand that, subject to securing planning permission, you wish to bank finance a residential property development comprising the following:-

House	Type	Nos Bedrooms	Area (sq.m.)	Area (sq.ft.)	Tenure
5	Detached	4	127.6	1,373	Private
6	Detached	4	127.6	1,373	Private
7	Detached	4	127.6	1,373	Private
8	Detached	4	127.6	1,373	Private
9	Detached	4	127.6	1,373	Private
10	Semi-Detached	3	95	1,023	Private
11	Semi-Detached	3	95	1,023	Private
12	Semi-Detached	3	95	1,023	Private
13	Semi-Detached	3	95	1,023	Private
14	Semi-Detached	3	95	1,023	Private
15	Semi-Detached	3	95	1,023	Private
16	Semi-Detached	3	95	1,023	Private
Totals				**14,025**	

Unit	Type	Nos Bedrooms	Area (sq.m.)	Area (sq.ft.)	Tenure
1	Maisonette	1	52.1	561	First Homes/Shared Ownership
2	Maisonette	1	58.6	631	First Homes/Shared Ownership
3	Semi-Detached	2	84.7	912	First Homes/Shared Ownership
4	Semi-Detached	2	84.7	912	First Homes/Shared Ownership
Totals				**3,015**	

LDN FINANCE

The anticipated total borrowing cost is £4.56m which is 60% of total cost estimated at £7.6m.

As a condition precedent, the banks we envisage being willing to lend in principle would need to know how you would be financing the other 40% of total cost. The likely terms that we could secure for you as finance intermediary in the prevailing market would be:-

Gross Loan Amount	£4,560,000
Arrangement fee	2%
Interest Rate	10.5% p.a. which is BoE BR (variable) currently 5.25% p.a. (floor 0.75%) + 5.25% p.a.
Exit Fee	1%
PGs	20% on cost
Term	TBC
Timeframe to complete finance arrangement	6-8 weeks

Our lenders would typically impose the following conditions:-

- Monitoring – a QS nominated by the lender will need to prepare initial and regular reports at the expense of the borrower and to be funded by the Facility.
- Loan subject to RICS valuation of site and GDV.
- A projected minimum development profit on cost of 20%.
- Loan to Value ('LTV') ratio check – to be determined.
- Guarantee – the lender may require a personal guarantee from the individual directors of the Borrower.
- Report on Title – the Borrower is to be responsible for the Lender's legal costs.

- Security:-

    i. A first legal charge over the Property;
    ii. A debenture over the assets and undertakings of the Borrower;
    iii. Evidence of suitable insurance including confirmation that the Lender's interest is noted,;
    iv. A charge over the share capital of the Borrower.

Please note the information given is supplied to you as an indication only and should not be relied upon for any transactions you might wish to undertake. Any information given should not be treated as, a definitive statement, offer, promise or investment advice. It is important to also note that the information is not a legal mortgage offer and it does not oblige LDN Finance to provide you with finance as described.

I look forward to hearing from you in due course and if you have any questions please do not hesitate to contact me.

Yours sincerely,

Chris Oatway, CEO

APPENDIX 4

Status Park on 20/6/24

Development Appraisal
Prepared by JRB
James R Brown & Company Ltd
20 June 2024

APPRAISAL SUMMARY — JAMES R BROWN & COMPANY LTD

Status Park on 20/6/24

Appraisal Summary for Phase 1

Currency in £

REVENUE

Sales Valuation	**Units**	**ft²**	**Sales Rate ft²**	**Unit Price**	**Gross Sales**
Private Residential	51	37,448	523.85	384,647	19,617,000

NET REALISATION				**19,617,000**
OUTLAY				
ACQUISITION COSTS				
Fixed Price		1,500,000		
Fixed Price			1,500,000	
				1,500,000
Stamp Duty		5.00%	75,000	
Agent Fee		1.00%	15,000	
Legal Fee		0.80%	12,000	
				102,000
CONSTRUCTION COSTS				
Construction	**ft²**	**Build Rate ft²**	**Cost**	
Private Residential	46,522	265.00	12,328,330	
Contingency		5.00%	616,417	
MCIL2/CIL/S.106/Carbon			750,000	
				13,694,746
PROFESSIONAL FEES				
Professionals		10.00%	1,232,833	
				1,232,833
MARKETING & LETTING				
Marketing		1.25%	245,213	
				245,213
DISPOSAL FEES				
Sales Agent Fee		1.25%	245,213	
Sales Legal Fee			100,000	
				345,213
TOTAL COSTS BEFORE FINANCE				**17,120,005**
FINANCE				
Debit Rate 9.000%, Credit Rate 2.500% (Nominal)				
Land			326,581	
Construction			1,225,313	
Other			402,100	
Total Finance Cost				1,953,994
TOTAL COSTS				**19,073,999**
PROFIT				
				543,001

Performance Measures

Profit on Cost%	2.85%
Profit on GDV%	2.77%
Profit on NDV%	2.77%
IRR% (without Interest)	10.93%
Profit Erosion (finance rate 9.000)	4 mths

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Status Park on 20/6/24

Project Timescale	
Project Start Date	Jun 2024
Project End Date	May 2027
Project Duration (Inc Exit Period)	36 months

Phase 1

	Start Date	Duration	End Date	Jun 24	Dec 24	Jun 25	Dec 25	Jun 26	Dec 26
Project	Jun 2024	36	May 2027						
Purchase	Jun 2024	2 Month(s)	Jul 2024						
Pre-Construction	Aug 2024	2 Month(s)	Sep 2024						
Construction	Oct 2024	22	Jul 2026						
Post Development	Aug 2026	0 Month(s)							
Letting	Aug 2026	0 Month(s)							
Income Flow	Aug 2026	0 Month(s)							
Sale	Aug 2026	10	May 2027						
Cash Activity	Jun 2024	36	May 2027						
				1	7	13	19	25	31

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Status Park on 20/6/24

Detailed Cash flow Phase 1

	001:Jun 2024	002:Jul 2024	003:Aug 2024	004:Sep 2024	005:Oct 2024	006:Nov 2024	007:Dec 2024
Monthly B/F	0	(1,602,000)	(1,614,015)	(1,626,030)	(1,638,225)	(2,511,094)	(2,775,346)
Revenue							
Sale - Private Residential	0	0	0	0	0	0	0
Disposal Costs							
Sales Agent Fee	0	0	0	0	0	0	0
Sales Legal Fee	0	0	0	0	0	0	0
Unit Information							
Private Residential							
Acquisition Costs							
Fixed Price	(1,500,000)	0	0	0	0	0	0
Stamp Duty	(75,000)	0	0	0	0	0	0
Agent Fee	(15,000)	0	0	0	0	0	0
Legal Fee	(12,000)	0	0	0	0	0	0
Construction Costs							
MCIL2/CIL/S.106/Carbon	0	0	0	0	(750,000)	0	0
Con. - Private Residential	0	0	0	0	(96,238)	(213,567)	(319,926)
Contingency	0	0	0	0	(4,812)	(10,678)	(15,996)
Professional Fees							
Professionals	0	0	0	0	(9,624)	(21,357)	(31,993)
Marketing/Letting							
Marketing	0	0	0	0	0	0	0
Net Cash Flow Before Finance	**(1,602,000)**	**0**	**0**	**0**	**(860,674)**	**(245,602)**	**(367,915)**
Debit Rate 9.000%	9.000%	9.000%	9.000%	9.000%	9.000%	9.000%	9.000%
Credit Rate 2.500%	2.500%	2.500%	2.500%	2.500%	2.500%	2.500%	2.500%
Finance Costs (All Sets)	0	(12,015)	(12,015)	(12,195)	(12,195)	(18,650)	(20,815)
Net Cash Flow After Finance	**(1,602,000)**	**(12,015)**	**(12,015)**	**(12,195)**	**(872,869)**	**(264,252)**	**(388,731)**
Cumulative Net Cash Flow Monthly	(1,602,000)	(1,614,015)	(1,626,030)	(1,638,225)	(2,511,094)	(2,775,346)	(3,164,077)

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Status Park on 20/6/24

Detailed Cash flow Phase 1

008:Jan 2025	009:Feb 2025	010:Mar 2025	011:Apr 2025	012:May 2025	013:Jun 2025	014:Jul 2025	015:Aug 2025	016:Sep 2025
(3,164,077)	(3,665,266)	(4,267,124)	(4,958,300)	(5,726,278)	(6,558,982)	(7,445,079)	(8,371,468)	(9,325,791)
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
(415,318)	(499,740)	(573,194)	(635,679)	(687,195)	(727,743)	(757,322)	(775,932)	(783,573)
(20,766)	(24,987)	(28,660)	(31,784)	(34,360)	(36,387)	(37,866)	(38,797)	(39,179)
(41,532)	(49,974)	(57,319)	(63,568)	(68,720)	(72,774)	(75,732)	(77,593)	(78,357)
0	0	0	0	0	0	0	0	0
(477,615)	**(574,701)**	**(659,173)**	**(731,031)**	**(790,274)**	**(836,904)**	**(870,920)**	**(892,322)**	**(901,109)**
9.000%	9.000%	9.000%	9.000%	9.000%	9.000%	9.000%	9.000%	9.000%
2.500%	2.500%	2.500%	2.500%	2.500%	2.500%	2.500%	2.500%	2.500%
(23,574)	(27,157)	(32,003)	(36,947)	(42,430)	(49,192)	(55,469)	(62,001)	(69,943)
(501,190)	**(601,858)**	**(691,176)**	**(767,978)**	**(832,704)**	**(886,096)**	**(926,389)**	**(954,323)**	**(971,053)**
(3,665,266)	(4,267,124)	(4,958,300)	(5,726,278)	(6,558,982)	(7,445,079)	(8,371,468)	(9,325,791)	(10,296,843)

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Status Park on 20/6/24

Detailed Cash flow Phase 1

	017:Oct 2025	018:Nov 2025	019:Dec 2025	020:Jan 2026	021:Feb 2026	022:Mar 2026	023:Apr 2026	024:May 2026	025:Jun 2026
	(10,296,843)	(11,270,828)	(12,235,103)	(13,178,654)	(14,086,926)	(14,946,992)	(15,748,036)	(16,474,738)	(17,113,885)
	0	0	0	0	0	0	0	0	0
	0	0	0	0	0	0	0	0	0
	0	0	0	0	0	0	0	0	0
	0	0	0	0	0	0	0	0	0
	0	0	0	0	0	0	0	0	0
	0	0	0	0	0	0	0	0	0
	0	0	0	0	0	0	0	0	0
	0	0	0	0	0	0	0	0	0
	(780,246)	(765,950)	(740,686)	(704,452)	(657,251)	(599,080)	(529,940)	(449,832)	(358,756)
	(39,012)	(38,298)	(37,034)	(35,223)	(32,863)	(29,954)	(26,497)	(22,492)	(17,938)
	(78,025)	(76,595)	(74,069)	(70,445)	(65,725)	(59,908)	(52,994)	(44,983)	(35,876)
	0	0	0	0	0	0	0	0	0
	(897,283)	**(880,843)**	**(851,789)**	**(810,120)**	**(755,838)**	**(688,942)**	**(609,432)**	**(517,307)**	**(412,569)**
	9.000%	9.000%	9.000%	9.000%	9.000%	9.000%	9.000%	9.000%	9.000%
	2.500%	2.500%	2.500%	2.500%	2.500%	2.500%	2.500%	2.500%	2.500%
	(76,702)	(83,431)	(91,763)	(98,152)	(104,228)	(112,102)	(117,270)	(121,840)	(128,354)
	(973,985)	**(964,274)**	**(943,552)**	**(908,272)**	**(860,066)**	**(801,044)**	**(726,701)**	**(639,148)**	**(540,923)**
	(11,270,828)	(12,235,103)	(13,178,654)	(14,086,926)	(14,946,992)	(15,748,036)	(16,474,738)	(17,113,885)	(17,654,808)

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Status Park on 20/6/24

Detailed Cash flow Phase 1

026:Jul 2026	027:Aug 2026	028:Sep 2026	029:Oct 2026	030:Nov 2026	031:Dec 2026	032:Jan 2027	033:Feb 2027	034:Mar 2027
(17,654,808)	(18,081,473)	(10,605,655)	(8,757,827)	(7,859,339)	(6,953,679)	(6,042,147)	(5,123,442)	(4,197,564)
0	7,846,800	1,961,700	980,850	980,850	980,850	980,850	980,850	980,850
0	(98,085)	(24,521)	(12,261)	(12,261)	(12,261)	(12,261)	(12,261)	(12,261)
0	(100,000)	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
(256,710)	0	0	0	0	0	0	0	0
(12,836)	0	0	0	0	0	0	0	0
(25,671)	0	0	0	0	0	0	0	0
0	(98,085)	(24,521)	(12,261)	(12,261)	(12,261)	(12,261)	(12,261)	(12,261)
(295,217)	**7,550,630**	**1,912,658**	**956,329**	**956,329**	**956,329**	**956,329**	**956,329**	**956,329**
9.000%	9.000%	9.000%	9.000%	9.000%	9.000%	9.000%	9.000%	9.000%
2.500%	2.500%	2.500%	2.500%	2.500%	2.500%	2.500%	2.500%	2.500%
(131,448)	(74,812)	(64,830)	(57,841)	(50,669)	(44,796)	(37,624)	(30,451)	(24,125)
(426,665)	**7,475,818**	**1,847,828**	**898,488**	**905,660**	**911,533**	**918,705**	**925,877**	**932,203**
(18,081,473)	(10,605,655)	(8,757,827)	(7,859,339)	(6,953,679)	(6,042,147)	(5,123,442)	(4,197,564)	(3,265,361)

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Status Park on 20/6/24

Detailed Cash flow Phase 1

035:Apr 2027	036:May 2027
(3,265,361)	(2,325,985)
980,850	2,942,550
(12,261)	(36,782)
0	0
0	0
0	0
0	0
0	0
0	0
0	0
0	0
0	0
(12,261)	(36,782)
956,329	**2,868,986**
9.000%	9.000%
2.500%	2.500%
(16,953)	0
939,376	**2,868,986**
(2,325,985)	543,001

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