

Appendix 11 – EUV Appraisal

CONFIDENTIAL

Savills

Development Appraisal

Heygate Estate

Indicative EUV - Assuming Estate Refurbishment

This does not represent a formal Red Book Valuation, but is indicative only

Report Date: 09 May 2012

TIMESCALE & ASSUMPTIONS

SAVILLS

Heygate Estate Indicative EUV - Assuming Estate Refurbishment

Timescale (Duration in months)

Project commences Apr 2012

Phase 1

Stage Name	Duration	Start Date	End Date	Anchored To	Aligned	Offset
Phase Start		Apr 2012				
Pre-Construction	3	Apr 2012	Jun 2012	Purchase	End	0
Construction	36	Jul 2012	Jun 2015	Pre-Construction	End	0
Sale	36	Jul 2013	Jun 2016	Income Flow	End	-24
Phase End		Jun 2016				
Phase Length	51					

Project Length 51 (Includes Exit Period)

Assumptions

Expenditure

Professional Fees are based on Construction
(Manual relations applied to some Professional Fees)
Purchaser's Costs are based on Gross Capitalisation
Purchaser's Costs Deducted from Sale (Not added to Cost)
Sales Fees are based on Net Capitalisation
Sales Fees Added to Cost (Not deducted from Sale)

Receipts

Show tenant's true income stream On
Offset income against development costs Off
Rent payment cycle Quarterly (Adv)
Apply rent payment cycle to all tenants On
Renewal Void and Rent Free apply to first renewal only Off
Growth starts from lease start date Off
Deduct Ground Rent from Stepped Rent, On

Initial Yield Valuation Method Off
Default Capitalisation Yield 0.0000%
Apply Default Capitalisation to All Tenants Off
Default stage for Sale Date Off
Align end of income stream to Sale Date Off
Apply align end of income stream to all tenants On
When the Capital Value is modified in the cash flow Recalculate the Yield
Valuation Tables are Annually in Arrears
Deduct Post-Sale TI Costs & Lease Comm. from Cap. Value Off
Rent Free method Defer start of Tenant's Rent

Finance

Financing Method Basic (Interest Sets)
Interest Compounding Period Quarterly
Interest Charging Period Monthly
Nominal rates of interest used
Calculate interest on Payments/Receipts in final period Off
Include interest and Finance Fees in IRR Calculations Off
Automatic Inter-account transfers Off
Manual Finance Rate for Profit Erosion Off

Calculation

Site Payments In Arrears
Other Payments In Arrears
Negative Land In Arrears
Receipts In Advance

Initial IRR Guess Rate 8.00%
Minimum IRR -100%
Maximum IRR 99999%
Manual Discount Rate Off
IRR Tolerance 0.001000

Letting and Rent Review Fees are calculated on Net of Deductions
Development Yield and Rent Cover are calculated on Rent at Sale Date(s)
Include Tenants with no Capital Value On
Include Turnover Rent Off
Net of Non-Recoverable costs On
Net of Ground Rent deductions On
Net of Rent Additions/Costs On
Leasing Commissions are calculated After Non-Recoverable cost deductions
For the First Term of the lease only

**Heygate Estate
Indicative EUV - Assuming Estate Refurbishment**

Assumptions

Value Added Tax

Global VAT Rate	0.00%
Global Recovery Rate	0.00%
Recovery Cycle every	2 months
1st Recovery Month	2 (May 2012)
VAT Calculations In Cash Flow	On
GST Margin Calculations In Cash Flow	Off

Residual

Land Cost Mode	Residualised Land Value
Multi-Phasing	Separate Land Residual for each phase
Target Type	Profit on Cost

Phase Number	Target Value	Locked Value	Treat Neg Land as Revenue
Phase 1	16.50%	No	No

Distribution

Construction Payments are paid on	S-Curve
Sales Receipts are paid on	Single curve
Sales Deposits are paid on	Monthly curve

Interest Sets

Interest Set 1

Debit Rate	Credit Rate	Months	Start Date
7.000%	1.000%	Perpetuity	Apr 2012

Loan Set 1

Debit Rate	Credit Rate	Months	Start Date
0.000%	0.000%	Perpetuity	Apr 2012

Inflation and Growth

Growth Sets

Growth Set 1

Inflation/Growth for this set is calculated in arrears
This set is not stepped

Rate	Months	Start Date
0.000%	Perpetuity	Apr 2012

Inflation Sets

Inflation Set 1

Inflation/Growth for this set is calculated in arrears
This set is not stepped

Rate	Months	Start Date
0.000%	Perpetuity	Apr 2012

APPRAISAL SUMMARY

SAVILLS

Heygate Estate Indicative EUV - Assuming Estate Refurbishment

Summary Appraisal for Phase 1

REVENUE	Units	ft ²	Rate ft ²	Unit Price	Gross Sales
Sales Valuation					
Private	173	105,228	£328.52	£199,827	34,570,000
Affordable	934	567,968	£142.61	£86,724	81,000,000
Totals	1,107	673,196			115,570,000

Rental Area Summary	Units	ft ²	Rate ft ²	Initial MRV/Unit	Net Rent at Sale	Initial MRV
Retail Units	1	17,567	£13.50	£237,160	237,160	237,160
Petrol Station	1	808	£13.50	£10,901	10,901	10,901
Doctor's Surgery	1	6,168	£10.00	£61,680	61,680	61,680
Housing Office	1	6,395	£10.00	£63,954	63,954	63,954
Private 1 Bed Ground Rent	89			£200	17,800	17,800
Private 2 Bed Ground Rent	60			£250	15,000	15,000
Private 3 and 4 bed Ground Rent	24			£300	7,200	7,200
Garages	560			£585	327,600	327,600
Totals	737	30,938			741,295	741,295

Investment Valuation	Units	ft ²	Rate ft ²	Initial MRV/Unit	Net Rent at Sale	Initial MRV
Retail Units						
Market Rent	237,160		YP @ 8.0000%	12.5000		
			PV 0y 7m @ 8.0000%	0.9561	2,834,354	
Petrol Station						
Market Rent	10,901		YP @ 8.0000%	12.5000		
			PV 1y 1m @ 8.0000%	0.9200	125,365	
Doctor's Surgery						
Market Rent	61,680		YP @ 8.0000%	12.5000		
			PV 1y 1m @ 8.0000%	0.9200	709,325	
Housing Office						
Market Rent	63,954		YP @ 8.0000%	12.5000		
			PV 1y 1m @ 8.0000%	0.9200	735,476	
Private 1 Bed Ground Rent						
Current Rent	17,800		YP @ 6.0000%	16.6667	296,667	
Private 2 Bed Ground Rent						
Current Rent	15,000		YP @ 6.0000%	16.6667	250,000	
Private 3 and 4 bed Ground Rent						
Current Rent	7,200		YP @ 6.0000%	16.6667	120,000	
Garages						
Market Rent	327,600		YP @ 8.0000%	12.5000		
			PV 0y 1m @ 8.0000%	0.9936	4,068,821	
					9,140,008	

GROSS DEVELOPMENT VALUE 124,710,008

Income from Tenants		
Private 1 Bed Ground Rent		16,317
Private 2 Bed Ground Rent		13,750
Private 3 and 4 bed Ground Rent		6,600
		36,667

NET REALISATION 124,746,675

OUTLAY

ACQUISITION COSTS

Residualised Price		37,322,802
Stamp Duty	4.00%	1,492,912
Agent Fee	1.00%	373,228
Legal Fee	0.35%	130,630
		39,319,572

CONSTRUCTION COSTS

Construction	ft ²	Rate ft ²	Cost
Community Hall	6,168	£37.16	229,200
Retail Units	18,492	£37.16	687,200
Petrol Station	850	£37.18	31,600
Doctor's Surgery	6,168	£37.16	229,200
Housing Office	7,524	£37.16	279,600
Private	132,996	£40.69	5,411,144
Affordable	717,856	£40.68	29,202,399
Totals	890,056		36,070,343

Contingency		2,756,072
External Works		6,123,135
Boiler House		1,700,000
		10,579,207

APPRAISAL SUMMARY**SAVILLS****Heygate Estate****Indicative EUV - Assuming Estate Refurbishment****Other Construction**

Main Contractor's Preliminaries		6,584,022	
Main Contractor's Overheads and Pro		2,019,100	
Design Development Risk Allowance		2,624,830	
			11,227,952

PROFESSIONAL FEES

Professional Fees	6.00%	3,028,650	3,028,650
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MARKETING & LETTING

Marketing	1.00%	345,700	
Letting Agent Fee	10.00%	41,370	
Letting Legal Fee	5.00%	2,000	
			389,070

DISPOSAL FEES

Sales Agent Fee	1.50%	518,550	
Sales Legal Fee	0.25%	311,775	
			830,325

FINANCE

Debit Rate 7.000% Credit Rate 1.000% (Nominal)			
Total Finance Cost			5,633,559

TOTAL COSTS

107,078,678

PROFIT

17,667,997

Performance Measures

Profit on Cost%	16.50%
Profit on GDV%	14.17%
Profit on NDV%	14.17%
Development Yield% (on Rent)	0.69%
Equivalent Yield% (Nominal)	7.86%
Equivalent Yield% (True)	8.26%

IRR	20.89%
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Rent Cover	23 yrs 10 mths
Profit Erosion (finance rate 7.000%)	2 yrs 2 mths