

# Intali Property Strategy

## Development Appraisal

### Example Appraisal

Report Date 16/1/2008

Prepared by ab

## TIMESCALE & ASSUMPTIONS

## INTALI PROPERTY STRATEGY

### Example Appraisal

#### Timescale (Duration in months)

Project commences Jul 2006

Phase 1: Residential Development

Stage Name	Duration	Start Date	End Date	Anchored To	Aligned	Offset
Phase Start		Jul 2006				
Purchase	2	Jul 2006	Aug 2006	Phase Start	Start	0
Pre-Construction	4	Sep 2006	Dec 2006	Purchase	End	0
Construction	42	Jan 2007	Jun 2010	Pre-Construction	End	0
Post Development	3	Jul 2010	Sep 2010	Construction	End	0
Income Flow	9	Oct 2010	Jun 2011	Letting	End	0
Phase End		Jul 2011				
<b>Phase Length</b>	<b>60</b>					

**Project Length 61 (Includes Exit Period)**

#### Assumptions

##### Expenditure

- Professional Fees are based on Construction
- Purchaser's Costs are based on Gross Capitalisation
- Purchaser's Costs Deducted from Sale (Not added to Cost)
- Sales Fees are based on Gross 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
  
- 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
- 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 Advance
- Receipts In Advance

## TIMESCALE & ASSUMPTIONS

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#### Assumptions

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	MRV at Sale Date(s)
Net of Non-Recoverable costs	On
Net of Ground Rent deductions	On

#### Value Added Tax

Global VAT Rate	0.00%
Global Recovery Rate	0.00%
Recovery Cycle every	2 months
1st Recovery Month	2 (Aug 2006)
VAT Calculations in Cash Flow	On

#### Residual

Land Cost Mode	Fixed Land Value
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#### Distribution

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

#### Interest Sets

##### Interest Set 1

Debit Rate	Credit Rate	Months	Start Date
5.50%	0.00%	Perpetuity	Jul 2006

#### Inflation and Growth

##### Growth Sets

##### Growth Set 1

Inflation/Growth for this set is calculated in advance  
Is Not stepped

Rate	Months	Start Date
0.00%	Perpetuity	Jul 2006

##### Inflation Sets

##### Inflation Set 1

Inflation/Growth for this set is calculated in advance  
Is Not stepped

Rate	Months	Start Date
0.00%	Perpetuity	Jul 2006

## APPRAISAL SUMMARY

## INTALI PROPERTY STRATEGY

### Example Appraisal

#### Appraisal Summary for Phase 1 Residential Development

#### REVENUE

Sales Valuation	ft <sup>2</sup>	Rate ft <sup>2</sup>	Gross Sales	
OM Houses	84,490	£190.69	16,111,225	
Shared Ownership Houses	7,952	£120.00	954,240	
Social Rented Houses	5,964	£70.00	417,480	
OM Flats	40,950	£190.69	7,808,756	
Shared Ownership Flats	4,725	£120.00	567,000	
Social Rented Flats	2,625	£70.00	183,750	
<b>Totals</b>	<b>146,706</b>		<b>26,042,450</b>	<b>26,042,450</b>

#### NET REALISATION

**26,042,450**

#### OUTLAY

#### ACQUISITION COSTS

Fixed Price (5.23 Acres £146,271.51 pAcre)			765,000	
Stamp Duty		4.00%	30,600	
Acq Agent/Legals		1.50%	11,475	
Planning/NHBC			42,650	
Survey			6,000	
				<b>855,725</b>

#### CONSTRUCTION COSTS

Construction	ft <sup>2</sup>	Rate ft <sup>2</sup>	Cost	
OM Houses	84,490	£71.00	5,998,790	
Shared Ownership Houses	7,952	£70.00	556,640	
Social Rented Houses	5,964	£68.00	405,552	
OM Flats	40,950	£68.00	2,784,600	
Shared Ownership Flats	4,725	£71.00	335,475	
Social Rented Flats	2,625	£75.00	196,875	
<b>Totals</b>	<b>146,706</b>		<b>10,277,932</b>	<b>10,277,932</b>

Remediation			840,000	
Services			483,700	
Demo/Asbestos/Site Works			925,000	
Roads/Footpaths/Sewers			1,250,000	
				<b>3,498,700</b>

#### Other Construction

Streetlights			33,550	
Nameplates			1,600	
Landscape			95,000	
Walls & Fencing			35,000	
Red Ocre Mine Water Treatment			50,000	
Works to Existing Retaining Wall			55,000	
Earthworks			320,000	
Japanese Knotweed			198,000	
Terrace Gardens			180,000	
Sustainable Energy			100,000	
Drilling/Grouting Shallow Mine Work			650,000	
Artesian Water Cap			20,000	
Decommission Water Abstraction Unit			50,000	
Plot Abnormals (Piling etc)			625,000	
Abnormal Road Cost to Thornfield			45,000	
				<b>2,458,150</b>

#### Section 278 Costs

Feeder Road Contribution			75,000	
				<b>75,000</b>

#### PROFESSIONAL FEES

Survey & Design			675,000	
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Management Co Allowance		15,000	
Consultant Fees/Consultancy Superv		125,000	
Planning Consultancy Fees		25,000	
			840,000
<b>MARKETING &amp; LETTING</b>			
Marketing		250,000	
			250,000
<b>DISPOSAL FEES</b>			
Sales Legal Fee	0.50%	130,212	
			130,212
<b>Additional Costs</b>			
Site Overheads		1,052,250	
On Site Security		179,000	
			1,231,250
<b>MISCELLANEOUS FEES</b>			
External & Abnormals Cont.	5.00%	230,775	
			230,775
<b>FINANCE</b>			
<b>Timescale</b>	<b>Duration</b>	<b>Commences</b>	
Purchase	2	Jul 2006	
Pre-Construction	4	Sep 2006	
Construction	42	Jan 2007	
Post Development	3	Jul 2010	
Income Flow	9	Oct 2010	
Total Duration	60		
Debit Rate 5.50% Credit Rate 0.00% (Nominal)			
Land		206,301	
Construction		2,084,514	
Other		316,163	
Total Finance Cost			2,606,978
<b>TOTAL COSTS</b>			<b>22,454,722</b>
<b>PROFIT</b>			<b>3,587,728</b>
<b>Performance Measures</b>			
Profit on Cost%		15.98%	
Profit on GDV%		13.78%	
Profit on NDV%		13.78%	
IRR		11.69%	
Profit Erosion (finance rate 5.500%)		2 yrs 9 mths	