

Wiltshire Employment Land Review

Appendix 8: Site Viability

Prepared for Wiltshire Council

January 2018

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1 Purpose

This annex explains the approach taken to consider the viability of new employment development (offices and industrial/warehousing) within Wiltshire.

NPPF guidance, states that pursuing sustainable development requires careful attention to viability and costs in plan-making and decision-taking. Guidance states that to ensure viability, the costs of any requirements likely to be applied to development, such as requirements for affordable housing, standards, infrastructure contributions or other requirements should, when taking account of the normal cost of development and mitigation, provide competitive returns to a willing land owner and willing developer to enable the development to be deliverable.

The underlying principles for understanding viability in planning include evidence based judgement informed by the relevant available facts. It requires a realistic understanding of the costs and the value of development in the local area and an understanding of the operation of the market.

The approach adopted for this study is proportionate to the purpose of the study. It is based on an assessment of typologies of development in the different market areas. It does not consider the viability of individual sites. As such, it is an indicative viability assessment and not a valuation prepared in accordance with RICS guidance for Red Book valuations.

The outputs of this work can be used as a high level guide to consider the relative financial performance of employment sites across Wiltshire. This helps build a picture of supply side constraints and it also informs the design of policy and other interventions designed to overcome these.

2 Viability Appraisal and Assumptions

In assessing viability we have prepared financial models using industry standard software, Argus Developer.

Input assumptions reflect the existing viability evidence base moderated through our own review demand and values based on evidence collated from online sources and supported by consultation with commercial property agents active in Wiltshire and input assumptions relating to costs based on BCIS data.

The assessment does not take into account site specific infrastructure mitigation that might be required, although this has been considered separately as part of the deliverability assessment. We have not made allowances for abnormal costs, considering the high level nature of these appraisals.

Financial appraisals have been prepared based on the following typologies:

- Market area/ FEMA and associated market values
- Brownfield/ Greenfield site (and associated existing land values)
- Industrial/ Warehouse use and Office use
- Speculative and Pre-let development – a pre-let development will improve the prospects of obtaining development finance and potentially the investment yield.

The table below presents a summary of the prevalent evidence base and identifies the key metrics and assumptions we have used in our appraisal work.

Figure 1 – Evidence base studies and assumptions

Study	BNP Pariba (2013) CIL Viability Study	Tym Rogers & Partners (2011) ELR	Wiltshire Local Plan Viability Study (2014)	BBP Assumptions and Sources
‘Notional’ scheme	30,000 sq ft office 30,000 sq ft industrial	25,500 sq ft offices speculative 32,000 sq ft light industrial & warehousing (pre-let)	Large offices: 5,000 sq ft (50% coverage) Small offices: 1,500 sq ft Large industrial: 15,000 sq ft (66% coverage) Small industrial: 2,000 sq ft	NIA: 43,000 sq ft office 43,000 sq ft industrial (based on a notional 1ha tile; 40% plot ratio consistent with methodology for estimating employment demand)
	Rent (psf)	£15 psf office £6.50 psf industrial	£15.50 psf offices speculative £7-£7.75 psf light industrial & warehousing (pre-let)	Cap values Large offices: £167 psf Small offices: 167 psf Large industrial: £72 psf Small industrial: £72 psf <i>A range of values has been tested as a result of different market dynamics within each FEMA:</i> Swindon FEMA (excl Swindon) Office: £8 – 11.00 psf Salisbury FEMA Office: £9.00 - £14.50 psf A350 FEMA Office: £10.00-£15.50 psf M4/Swindon FEMA (excl Swindon) Industrial: £8.00 psf Salisbury FEMA Industrial: £6.50 psf A350 FEMA Industrial: £8.00 psf

Study	BNP Pariba (2013) CIL Viability Study	Tym Rogers & Partners (2011) ELR	Wiltshire Local Plan Viability Study (2014)	BBP Assumptions and Sources
Rent free/ void (years)	2		0.25	Office: 0.75 Industrial: 0.25
Yield	8% office 8% industrial	7.25% offices speculative – also tested at 7.75% (7% profit) 7.75% light industrial & warehousing (pre-let)- also tested at 8.25% (marginal profit)		Speculative office: 7.50% Pre-let office (Chippenham & Salisbury): 6.50%; Pre-let (M4/ Swindon FEMA): 7% Speculative industrial: 7.75% Pre-let industrial: 6.75%
Gross to net (net as % of gross)	82% office 90% industrial			85% Office 90% Industrial
Purchaser's costs	5.75%	5.75%		5.75%
Base Build Costs (£/psf)	BCIS: £134 office ('generally' for air con with adjustment for quality) £56 industrial ('generally')	£112 psf office £55psf light industrial & warehousing	Office: £103 psf Small industrial: £84psf Large industrial: £62 psf	BCIS: Office (Lower Quartile, air-con 2 storey): £103 psf Industrial/ warehouse (Lower Quartile, 'generally'): £57 psf
External works (% of build costs)	10%		10% infrastructure	10%
Contingency (% of build costs)	5%	3%	2.5-5% (depending on type of site ie brownfield – higher)	5%
Abnormals			15% of build costs other normal development costs	Excluded
Agent's fees and legal	1.75%	1% (agent only)	1.5%	1.75%
Interest rate	7%		7%	6%
Prof fees (% of build costs)	10%	5.75%	8%	8%
Developer's profit	20% of development costs	22.28% offices speculative residual profit on costs 10.11% - residual (profit on cost) light industrial and warehousing pre-let	20% GDV	20% of Development Costs
Benchmark Land Value	£200k per ha	£250k per acre	£230k per ha Greenfield	£230k/ ha Greenfield

Study	BNP Pariba (2013) CIL Viability Study	Tym Rogers & Partners (2011) ELR	Wiltshire Local Plan Viability Study (2014)	BBP Assumptions and Sources
(BLV)			(£25k per ha agri land + £200k uplift + 20% premium) £480 per ha brownfield (£400k existing + 20% premium)	£480k/ha Brownfield

Source: Various – outlined above

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3 Findings

Our findings are that viability of development, in all but the highest value areas and best located areas, is very challenging. In most areas the cost of the land and construction plus associated fees is in excess of market value of the completed development. Even where there is sufficient margin and demonstrable evidence of occupier demand it is difficult for developers to raise finance for speculative development on a large scale. These findings are consistent with those in the previous Employment Land Review¹.

The table below summarises the findings of our appraisal work, showing the Residual Land Value for each FEMA and use and compares it against the Benchmark Land Values for Greenfield (£230k per ha) and Brownfield land (£480k per ha).

Table 2 Appraisal summary

	Development type	Office				Industrial			
		Pre-let		Speculative		Pre-let		Speculative	
		RLV	BLV	RLV	BLV	RLV	BLV	RLV	BLV
FEMA	A350	£600,229	Exceeding both Greenfield and Brownfield land values - viable	-£3,221,969	Not viable	£304,486	Exceeding Greenfield LV; only marginally viable on Brownfield land for the right owner-occupier	-£221,778	Not viable
	M4/Swindon	-£2,311,417	Not viable	-£4,211,738	Not viable	£304,486	Exceeding Greenfield LV; only marginally viable on Brownfield land for the right owner-occupier	-£221,778	Not viable
	Salisbury/A303	£146,101	Marginally viable on Greenfield land for the right owner/ occupier	-£ 3,716,854	Not viable	-£472,071	Not viable	-£966,211	Not viable

¹ Tym Rogers & Partners (2011) Employment land review

The appraisals illustrate that speculative office and industrial space is likely to be unviable because developers are unable to achieve a positive residual land value (RLV), assuming a standard target return of 20% of the scheme's Gross Development Value. Generally speaking, RLV should be in excess of the existing use value (Greenfield/ Brownfield) in order to incentivise a landowner to sell their land for (re)development.

The approach that we have taken is high level and is intended to indicate the general characteristics of the development market for employment land in Wiltshire. There will no doubt be examples of where local circumstances incentivise developers to bring forward speculative development, for instance, if land is available at very low cost and contractors accept development at lower margins.

The analysis takes no account of the potential on mixed use projects for a more valuable land use, e.g. residential to cross subsidise a lower value land use, by plugging a viability gap.

The analysis undertaken does not preclude owner occupier led development taking place where specific local business objectives are best served by an owner occupier undertaking their own development, which may be viable from wider business perspective not from development viability position.

In respect of pre-let accommodation in both sectors, our findings show that established office locations such as Chippenham and Salisbury with good infrastructure provision and anticipated rental growth will attract owner occupiers, producing the target return for a developer. Although the industrial scheme in A350 and M4/Swindon FEMAs tested in our appraisal returns a positive RLV (c. £300k), this residual value is below the Brownfield benchmark value, hence such development will only be viable on Greenfield land. However, we anticipate that a pre-let industrial scheme can be delivered on Brownfield land for the right owner occupier with good covenant strength at a lower developer margin, accounting for the security of income.

By way of indication, developers would expect to achieve rental levels of more in the region of £18 per sq ft for office space and £10 per sq ft for industrial/ warehouse space in order to justify up front speculative investment. These rental levels are generally lower than those currently being achieved across the County as discussed in the Property Market section, particularly in more rural areas away from the main transport corridors.

The implications on future supply in the short to medium term (3-5 years) is that the supply of speculative industrial and warehousing accommodation is likely to be severely restricted because of problems with private sector viability, resulting in an owner-occupier driven market. Office development is likely to occur on pre-let basis in key locations such as Chippenham and Salisbury, however, we expect most of the development in the County to delivery industrial/ warehousing schemes, with demand for such uses being much higher than offices.

3.1.1 Viability Appraisals

Summary Appraisal for Pre-let office Scheme in A350 FEMA (Chippenham)

Currency in £

REVENUE

Rental Area Summary

	Units	ft ²	Rate ft ²	Initial MRV/Unit	Net Rent at Sale	Initial MRV
Office	1	43,000	15.5	666,500	666,500	666,500

Investment Valuation

Office						
Market Rent	666,500	YP @	6.50%	15.3846		
(9mths Rent Free)		PV 9mths @	6.50%	0.9539	9,780,805	

GROSS DEVELOPMENT VALUE

9,780,805

Purchaser's Costs

-562,396

-562,396

NET DEVELOPMENT VALUE

9,218,409

NET REALISATION

9,218,409

OUTLAY

ACQUISITION COSTS

Residualised Price			600,229	
				600,229
Stamp Duty		4.00%	24,009	
Agent Fee		1.00%	6,002	
Legal Fee		0.75%	4,502	
				34,513

CONSTRUCTION COSTS

Construction

	ft ²	Rate ft ²	Cost	
Office	50,588 ft ²	105.00 pf ²	5,311,765	5,311,765
Contingency		5.00%	265,588	
				265,588

Other Construction

External Works		10.00%	531,176	
				531,176

PROFESSIONAL FEES

Architect		8.00%	424,941	
				424,941

MARKETING & LETTING

Marketing			5,000	
Letting Agent Fee		10.00%	66,650	
Letting Legal Fee		5.00%	33,325	
				104,975

DISPOSAL FEES

Sales Agent Fee		1.00%	92,184	
Sales Legal Fee		0.50%	46,092	
				138,276

FINANCE

Multiple Finance Rates Used (See Assumptions)				
Other			270,542	
Total Finance Cost				270,542

TOTAL COSTS

7,682,005

PROFIT

1,536,403

Performance Measures

Profit on Cost%	20.00%
Profit on GDV%	15.71%
Profit on NDV%	16.67%
Development Yield% (on Rent)	8.68%
Equivalent Yield% (Nominal)	6.50%
Equivalent Yield% (True)	6.77%

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Summary Appraisal for Pre-let Office Scheme in Salisbury

Currency in £

REVENUE

Rental Area Summary

	Units	ft ²	Rate ft ²	Initial MRV/Unit	Net Rent at Sale
Office	1	43,000	14.5	623,500	623,500

Investment Valuation

Office					
Market Rent	623,500	YP @	6.50%	15.3846	
(9mths Rent Free)		PV 9mths @	6.50%	0.9539	9,149,785

GROSS DEVELOPMENT VALUE

9,149,785

Purchaser's Costs

-526,113

-526,113

NET DEVELOPMENT VALUE

8,623,672

NET REALISATION

8,623,672

OUTLAY

ACQUISITION COSTS

Residualised Price			146,101	
				146,101
Stamp Duty		4.00%	5,844	
Agent Fee		1.00%	1,461	
Legal Fee		0.75%	1,096	
				8,401

CONSTRUCTION COSTS

Construction	ft ²	Rate ft ²	Cost	
Office	50,588 ft ²	105.00 pf ²	5,311,765	5,311,765
Contingency		5.00%	265,588	
				265,588
Other Construction				
External Works		10.00%	531,176	
				531,176

PROFESSIONAL FEES

Architect	8.00%	424,941	
			424,941

MARKETING & LETTING

Marketing		5,000	
Letting Agent Fee	10.00%	62,350	
Letting Legal Fee	5.00%	31,175	
			98,525

DISPOSAL FEES

Sales Agent Fee	1.00%	86,237	
Sales Legal Fee	0.50%	43,118	
			129,355

FINANCE

Multiple Finance Rates Used (See Assumptions)			
Other		270,542	
Total Finance Cost			270,542

TOTAL COSTS

7,186,394

PROFIT

1,437,279

Performance Measures

Profit on Cost%	20.00%
Profit on GDV%	15.71%
Profit on NDV%	16.67%
Development Yield% (on Rent)	8.68%
Equivalent Yield% (Nominal)	6.50%
Equivalent Yield% (True)	6.77%

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Summary Appraisal for Pre-let Office Scheme in M4/Swindon FEMA

Currency in £

REVENUE

Rental Area Summary

	Units	ft ²	Rate ft ²	Initial MRV/Unit	Net Rent at Sale	Initial MRV
Office	1	43,000	11	473,000	473,000	473,000

Investment Valuation

Office						
Market Rent	473,000	YP @	7.00%	14.2857		
(9mths Rent Free)		PV 9mths @	7.00%	0.9505	6,422,813	

GROSS DEVELOPMENT VALUE

6,422,813

Purchaser's Costs

-369,312

-369,312

NET DEVELOPMENT VALUE

6,053,501

NEGATIVE LAND ALLOWANCE

Residualised Price

2,311,417

2,311,417

NET REALISATION

8,364,918

OUTLAY

ACQUISITION COSTS

Negative Land Allowance

-2,311,417

CONSTRUCTION COSTS

Construction

	ft ²	Rate ft ²	Cost	
Office	50,588 ft ²	105.00 pf ²	5,311,765	5,311,765

Contingency

5.00%

265,588

265,588

Other Construction

External Works

10.00%

531,176

531,176

PROFESSIONAL FEES

Architect

8.00%

424,941

424,941

MARKETING & LETTING

Marketing

5,000

Letting Agent Fee

10.00%

47,300

Letting Legal Fee

5.00%

23,650

75,950

DISPOSAL FEES

Sales Agent Fee

1.00%

60,535

Sales Legal Fee

0.50%

30,268

90,803

FINANCE

Multiple Finance Rates Used (See Assumptions)

Other

270,542

Total Finance Cost

270,542

TOTAL COSTS

6,970,765

PROFIT

1,394,153

Performance Measures

Profit on Cost%	20.00%
Profit on GDV%	21.71%
Profit on NDV%	23.03%
Development Yield% (on Rent)	6.79%
Equivalent Yield% (Nominal)	7.00%
Equivalent Yield% (True)	7.32%

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Summary Appraisal for Pre-let Industrial Scheme in M4/Swindon and A350 FEMAs

Currency in £

REVENUE

Rental Area Summary

	Units	ft ²	Rate ft ²	Initial MRV/Unit	Net Rent at Sale	Initial MRV
Industrial	1	43,000	8	344,000	344,000	344,000

Investment Valuation

Industrial						
Market Rent	344,000	YP @	6.75%	14.8148		
(3mths Rent Free)		PV 3mths @	6.75%	0.9838	5,013,750	

GROSS DEVELOPMENT VALUE

5,013,750

Purchaser's Costs

-288,291

-288,291

NET DEVELOPMENT VALUE

4,725,460

NET REALISATION

4,725,460

OUTLAY

ACQUISITION COSTS

Residualised Price			304,486	
				304,486
Stamp Duty		4.00%	12,179	
Agent Fee		1.00%	3,045	
Legal Fee		0.75%	2,284	
				17,508

CONSTRUCTION COSTS

Construction	ft ²	Rate ft ²	Cost	
Industrial	47,778 ft ²	57.00 pf ²	2,723,333	2,723,333
Contingency		5.00%	136,167	
				136,167
Other Construction				
External Works		10.00%	272,333	
				272,333

PROFESSIONAL FEES

Architect		8.00%	217,867	
				217,867

MARKETING & LETTING

Marketing			5,000	
Letting Agent Fee		10.00%	34,400	
Letting Legal Fee		5.00%	17,200	
				56,600

DISPOSAL FEES

Sales Agent Fee		1.00%	47,255	
Sales Legal Fee		0.50%	23,627	
				70,882

FINANCE

Multiple Finance Rates Used (See Assumptions)				
Other			138,706	
Total Finance Cost				138,706

TOTAL COSTS

3,937,882

PROFIT

787,577

Performance Measures

Profit on Cost%	20.00%
Profit on GDV%	15.71%
Profit on NDV%	16.67%
Development Yield% (on Rent)	8.74%
Equivalent Yield% (Nominal)	6.75%
Equivalent Yield% (True)	7.04%

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Summary Appraisal for Pre-let Industrial Scheme in Salisbury FEMA

Currency in £

REVENUE

Rental Area Summary

	Units	ft ²	Rate ft ²	Initial MRV/Unit	Net Rent at Sale	Initial MRV
Office	1	43,000	6.5	279,500	279,500	279,500

Investment Valuation

Office						
Market Rent	279,500	YP @	6.75%	14.8148		
(3mths Rent Free)		PV 3mths @	6.75%	0.9838	4,073,672	

GROSS DEVELOPMENT VALUE

4,073,672

Purchaser's Costs

-234,236

-234,236

NET DEVELOPMENT VALUE

3,839,436

NEGATIVE LAND ALLOWANCE

Residualised Price

472,071

472,071

NET REALISATION

4,311,507

OUTLAY

ACQUISITION COSTS

Negative Land Allowance

-472,071

CONSTRUCTION COSTS

Construction

	ft ²	Rate ft ²	Cost	
Office	47,778 ft ²	57.00 pf ²	2,723,333	2,723,333

Contingency

5.00%

136,167

136,167

Other Construction

External Works

10.00%

272,333

272,333

PROFESSIONAL FEES

Architect

8.00%

217,867

217,867

MARKETING & LETTING

Marketing

5,000

Letting Agent Fee

10.00%

27,950

Letting Legal Fee

5.00%

13,975

46,925

DISPOSAL FEES

Sales Agent Fee

1.00%

38,394

Sales Legal Fee

0.50%

19,197

57,592

FINANCE

Multiple Finance Rates Used (See Assumptions)

Other

138,706

Total Finance Cost

138,706

TOTAL COSTS

3,592,923

PROFIT

718,585

Performance Measures

Profit on Cost%	20.00%
Profit on GDV%	17.64%
Profit on NDV%	18.72%
Development Yield% (on Rent)	7.78%
Equivalent Yield% (Nominal)	6.75%
Equivalent Yield% (True)	7.04%

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Summary Appraisal for Speculative Office Scheme in A350

Currency in £

REVENUE

Rental Area Summary

	Units	ft ²	Rate ft ²	Initial MRV/Unit	Net Rent at Sale	Initial MRV
Office	1	43,000	10	430,000	430,000	430,000

Investment Valuation

Office						
Market Rent	430,000	YP @	6.50%	15.3846		
(9mths Rent Free)		PV 9mths @	6.50%	0.9539	6,310,197	

GROSS DEVELOPMENT VALUE

6,310,197

Purchaser's Costs

-362,836

-362,836

NET DEVELOPMENT VALUE

5,947,360

NEGATIVE LAND ALLOWANCE

Residualised Price

2,407,907

2,407,907

NET REALISATION

8,355,267

OUTLAY

ACQUISITION COSTS

Negative Land Allowance

-2,407,907

CONSTRUCTION COSTS

Construction

	ft ²	Rate ft ²	Cost	
Office	50,588 ft ²	105.00 pf ²	5,311,765	5,311,765

Contingency

5.00%

265,588

265,588

Other Construction

External Works

10.00%

531,176

531,176

PROFESSIONAL FEES

Architect

8.00%

424,941

424,941

MARKETING & LETTING

Marketing

5,000

Letting Agent Fee

10.00%

43,000

Letting Legal Fee

5.00%

21,500

69,500

DISPOSAL FEES

Sales Agent Fee

1.00%

59,474

Sales Legal Fee

0.50%

29,737

89,210

FINANCE

Multiple Finance Rates Used (See Assumptions)

Other

270,542

Total Finance Cost

270,542

TOTAL COSTS

6,962,723

PROFIT

1,392,545

Performance Measures

Profit on Cost%	20.00%
Profit on GDV%	22.07%
Profit on NDV%	23.41%
Development Yield% (on Rent)	6.18%
Equivalent Yield% (Nominal)	6.50%
Equivalent Yield% (True)	6.77%

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Summary Appraisal for Speculative Office Scheme in M4/ Swindon

Currency in £

REVENUE

Rental Area Summary

	Units	ft ²	Rate ft ²	Initial MRV/Unit	Net Rent at Sale	Initial MRV
Office	1	43,000	8	344,000	344,000	344,000

Investment Valuation

Office						
Market Rent	344,000	YP @	7.50%	13.3333		
(9mths Rent Free)		PV 9mths @	7.50%	0.9472	4,344,510	

GROSS DEVELOPMENT VALUE

4,344,510

Purchaser's Costs

-249,809

-249,809

NET DEVELOPMENT VALUE

4,094,701

NEGATIVE LAND ALLOWANCE

Residualised Price

4,211,738

4,211,738

NET REALISATION

8,306,439

OUTLAY

ACQUISITION COSTS

Negative Land Allowance

-4,211,738

CONSTRUCTION COSTS

Construction

	ft ²	Rate ft ²	Cost	
Office	50,588 ft ²	105.00 pf ²	5,311,765	5,311,765

Contingency

5.00%

265,588

265,588

Other Construction

External Works

10.00%

531,176

531,176

PROFESSIONAL FEES

Architect

8.00%

424,941

424,941

MARKETING & LETTING

Marketing

5,000

Letting Agent Fee

10.00%

34,400

Letting Legal Fee

5.00%

17,200

56,600

DISPOSAL FEES

Sales Agent Fee

1.00%

40,947

Sales Legal Fee

0.50%

20,474

61,421

FINANCE

Multiple Finance Rates Used (See Assumptions)

Other

270,542

Total Finance Cost

270,542

TOTAL COSTS

6,922,033

PROFIT

1,384,407

Performance Measures

Profit on Cost%	20.00%
Profit on GDV%	31.87%
Profit on NDV%	33.81%
Development Yield% (on Rent)	4.97%
Equivalent Yield% (Nominal)	7.50%
Equivalent Yield% (True)	7.87%

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Summary Appraisal for Speculative Office Scheme in Salisbury/ A303 FEMA

Currency in £

REVENUE

Rental Area Summary

	Units	ft ²	Rate ft ²	Initial MRV/Unit	Net Rent at Sale	Initial MRV
Office	1	43,000	9	387,000	387,000	387,000

Investment Valuation

Office						
Market Rent	387,000	YP @	7.50%	13.3333		
(9mths Rent Free)		PV 9mths @	7.50%	0.9472	4,887,574	

GROSS DEVELOPMENT VALUE

4,887,574

Purchaser's Costs

-281,036

-281,036

NET DEVELOPMENT VALUE

4,606,539

NEGATIVE LAND ALLOWANCE

Residualised Price

3,716,854

3,716,854

NET REALISATION

8,323,392

OUTLAY

ACQUISITION COSTS

Negative Land Allowance

-3,716,854

CONSTRUCTION COSTS

Construction

	ft ²	Rate ft ²	Cost	
Office	50,588 ft ²	105.00 pf ²	5,311,765	5,311,765

Contingency

5.00%

265,588

265,588

Other Construction

External Works

10.00%

531,176

531,176

PROFESSIONAL FEES

Architect

8.00%

424,941

424,941

MARKETING & LETTING

Marketing

5,000

Letting Agent Fee

10.00%

38,700

Letting Legal Fee

5.00%

19,350

63,050

DISPOSAL FEES

Sales Agent Fee

1.00%

46,065

Sales Legal Fee

0.50%

23,033

69,098

FINANCE

Multiple Finance Rates Used (See Assumptions)

Other

270,542

Total Finance Cost

270,542

TOTAL COSTS

6,936,160

PROFIT

1,387,232

Performance Measures

Profit on Cost%	20.00%
Profit on GDV%	28.38%
Profit on NDV%	30.11%
Development Yield% (on Rent)	5.58%
Equivalent Yield% (Nominal)	7.50%
Equivalent Yield% (True)	7.87%

DRAFT

Summary Appraisal for Speculative Industrial Scheme in M4/Swindon and A350 FEMAs

Currency in £

REVENUE

Rental Area Summary

	Units	ft ²	Rate ft ²	Initial MRV/Unit	Net Rent at Sale	Initial MRV
Industrial	1	43,000	8	344,000	344,000	344,000

Investment Valuation

Industrial						
Market Rent	344,000	YP @	7.75%	12.9032		
(3mths Rent Free)		PV 3mths @	7.75%	0.9815	4,356,647	

GROSS DEVELOPMENT VALUE

4,356,647

Purchaser's Costs

-250,507

-250,507

NET DEVELOPMENT VALUE

4,106,140

NEGATIVE LAND ALLOWANCE

Residualised Price

221,778

221,778

NET REALISATION

4,327,918

OUTLAY

ACQUISITION COSTS

Negative Land Allowance

-221,778

CONSTRUCTION COSTS

Construction

	ft ²	Rate ft ²	Cost	
Industrial	47,778 ft ²	57.00 pf ²	2,723,333	2,723,333

Contingency

5.00%

136,167

136,167

Other Construction

External Works

10.00%

272,333

272,333

PROFESSIONAL FEES

Architect

8.00%

217,867

217,867

MARKETING & LETTING

Marketing

5,000

Letting Agent Fee

10.00%

34,400

Letting Legal Fee

5.00%

17,200

56,600

DISPOSAL FEES

Sales Agent Fee

1.00%

41,061

Sales Legal Fee

0.50%

20,531

61,592

FINANCE

Multiple Finance Rates Used (See Assumptions)

Other

138,706

Total Finance Cost

138,706

TOTAL COSTS

3,606,598

PROFIT

721,320

Performance Measures

Profit on Cost%	20.00%
Profit on GDV%	16.56%
Profit on NDV%	17.57%
Development Yield% (on Rent)	9.54%
Equivalent Yield% (Nominal)	7.75%
Equivalent Yield% (True)	8.14%

DRAFT

Summary Appraisal for Speculative Industrial Scheme in Salisbury FEMA

Currency in £

REVENUE

Rental Area Summary

	Units	ft ²	Rate ft ²	Initial MRV/Unit	Net Rent at Sale	Initial MRV
Industrial	1	43,000	6.5	279,500	279,500	279,500

Investment Valuation

Industrial						
Market Rent	279,500	YP @	6.75%	14.8148		
(3mths Rent Free)		PV 3mths @	6.75%	0.9838	4,073,672	

GROSS DEVELOPMENT VALUE

4,073,672

Purchaser's Costs

-234,236

-234,236

NET DEVELOPMENT VALUE

3,839,436

NEGATIVE LAND ALLOWANCE

Residualised Price

472,071

472,071

NET REALISATION

4,311,507

OUTLAY

ACQUISITION COSTS

Negative Land Allowance

-472,071

CONSTRUCTION COSTS

Construction

	ft ²	Rate ft ²	Cost	
Industrial	47,778 ft ²	57.00 pf ²	2,723,333	2,723,333

Contingency

5.00%

136,167

136,167

Other Construction

External Works

10.00%

272,333

272,333

PROFESSIONAL FEES

Architect

8.00%

217,867

217,867

MARKETING & LETTING

Marketing

5,000

Letting Agent Fee

10.00%

27,950

Letting Legal Fee

5.00%

13,975

46,925

DISPOSAL FEES

Sales Agent Fee

1.00%

38,394

Sales Legal Fee

0.50%

19,197

57,592

FINANCE

Multiple Finance Rates Used (See Assumptions)

Other

138,706

Total Finance Cost

138,706

TOTAL COSTS

3,592,923

PROFIT

718,585

Performance Measures

Profit on Cost%	20.00%
Profit on GDV%	17.64%
Profit on NDV%	18.72%
Development Yield% (on Rent)	7.78%
Equivalent Yield% (Nominal)	6.75%
Equivalent Yield% (True)	7.04%

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