

# Wiltshire Employment Land Review

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*Appendix 8: Site Viability*

Prepared for Wiltshire Council

January 2018

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Job Number:	17 06 03
Version Number:	2.0
Approved by:	Stephen Pritchard, BBP
Date:	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
<b>'Notional' scheme</b>	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)
<b>Rent (psf)</b>	£15 psf office £6.50 psf industrial	£15.50 psf offices speculative £7-£7.75 psf light industrial & warehousing (pre-let)	<b>Cap values</b> 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 Review<sup>1</sup>.

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

<sup>1</sup> 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 <sup>2</sup>	Rate ft <sup>2</sup>	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 <sup>2</sup>	Rate ft <sup>2</sup>	Cost			
Office	50,588 ft <sup>2</sup>	105.00 pf <sup>2</sup>	5,311,765	5,311,765		
Contingency		5.00%	265,588			265,588
<b>Other Construction</b>						
External Works		10.00%	531,176			531,176

##### PROFESSIONAL FEES

Architect		8.00%	424,941			424,941
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##### 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 <sup>2</sup>	Rate ft <sup>2</sup>	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

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

#### PROFESSIONAL FEES

Architect		8.00%	424,941		424,941
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#### 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 <sup>2</sup>	Rate ft <sup>2</sup>	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 <sup>2</sup>	Rate ft <sup>2</sup>	Cost	
Office	50,588 ft <sup>2</sup>	105.00 pf <sup>2</sup>	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 <sup>2</sup>	Rate ft <sup>2</sup>	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 (3mths Rent Free)	344,000	YP @	6.75%	14.8148		
		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

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### **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**

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

#### **PROFESSIONAL FEES**

Architect		8.00%	217,867			217,867
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#### **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 <sup>2</sup>	Rate ft <sup>2</sup>	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 <sup>2</sup>	Rate ft <sup>2</sup>	Cost	
Office	47,778 ft <sup>2</sup>	57.00 pf <sup>2</sup>	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 <sup>2</sup>	Rate ft <sup>2</sup>	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 <sup>2</sup>	Rate ft <sup>2</sup>	Cost	
Office	50,588 ft <sup>2</sup>	105.00 pf <sup>2</sup>	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 <sup>2</sup>	Rate ft <sup>2</sup>	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 <sup>2</sup>	Rate ft <sup>2</sup>	Cost	
Office	50,588 ft <sup>2</sup>	105.00 pf <sup>2</sup>	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 <sup>2</sup>	Rate ft <sup>2</sup>	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 <sup>2</sup>	Rate ft <sup>2</sup>	Cost	
Office	50,588 ft <sup>2</sup>	105.00 pf <sup>2</sup>	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 <sup>2</sup>	Rate ft <sup>2</sup>	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 (3mths Rent Free)	344,000	YP @	7.75%	12.9032		
		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 <sup>2</sup>	Rate ft <sup>2</sup>	Cost	
Industrial	47,778 ft <sup>2</sup>	57.00 pf <sup>2</sup>	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%

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## Summary Appraisal for Speculative Industrial Scheme in Salisbury FEMA

Currency in £

### REVENUE

#### Rental Area Summary

	Units	ft <sup>2</sup>	Rate ft <sup>2</sup>	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 (3mths Rent Free)	279,500	YP @ PV 3mths @	6.75% 6.75%	14.8148 0.9838	4,073,672	
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#### 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 <sup>2</sup>	Rate ft <sup>2</sup>	Cost	
Industrial	47,778 ft <sup>2</sup>	57.00 pf <sup>2</sup>	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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