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Development Appraisal

Neptune Wharf - Fish Island

Base Appraisal for Planning Purposes

Report Date: 13 November 2012

Prepared by GL Hearn

TIMESCALE & ASSUMPTIONS

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Neptune Wharf - Fish Island Base Appraisal for Planning Purposes

Timescale (Duration in months)

Project commences Oct 2012

Phase 1: Block A

Stage Name	Duration	Start Date	End Date	Anchored To	Aligned	Offset
Phase Start		Oct 2012				
Pre-Construction	9	Oct 2012	Jun 2013	Purchase	End	0
Construction	24	Jul 2013	Jun 2015	Pre-Construction	End	0
Sale	30	Jul 2014	Dec 2016	Income Flow	End	-12
Phase End		Dec 2016				
Phase Length	51					

Phase 2: Block B

Stage Name	Duration	Start Date	End Date	Anchored To	Aligned	Offset
Phase Start		Oct 2012				
Pre-Construction	9	Oct 2012	Jun 2013	Purchase	End	0
Construction	24	Jul 2013	Jun 2015	Pre-Construction	End	0
Sale	30	Jul 2014	Dec 2016	Income Flow	End	-12
Phase End		Dec 2016				
Phase Length	51					

Phase 3: Block C

Stage Name	Duration	Start Date	End Date	Anchored To	Aligned	Offset
Phase Start		Oct 2012				
Pre-Construction	9	Oct 2012	Jun 2013	Purchase	End	0
Construction	24	Jul 2013	Jun 2015	Pre-Construction	End	0
Sale	30	Jul 2014	Dec 2016	Income Flow	End	-12
Phase End		Dec 2016				
Phase Length	51					

Phase 4: Block D

Stage Name	Duration	Start Date	End Date	Anchored To	Aligned	Offset
Phase Start		Oct 2012				
Pre-Construction	9	Oct 2012	Jun 2013	Purchase	End	0
Construction	24	Jul 2013	Jun 2015	Pre-Construction	End	0
Sale	30	Jul 2014	Dec 2016	Income Flow	End	-12
Phase End		Dec 2016				
Phase Length	51					

Phase 5: Block E

Stage Name	Duration	Start Date	End Date	Anchored To	Aligned	Offset
Phase Start		Oct 2012				
Pre-Construction	9	Oct 2012	Jun 2013	Purchase	End	0
Construction	24	Jul 2013	Jun 2015	Pre-Construction	End	0
Sale	30	Jul 2014	Dec 2016	Income Flow	End	-12
Phase End		Dec 2016				
Phase Length	51					

Phase 6: Block F

Stage Name	Duration	Start Date	End Date	Anchored To	Aligned	Offset
Phase Start		Oct 2012				
Pre-Construction	9	Oct 2012	Jun 2013	Purchase	End	0
Construction	24	Jul 2013	Jun 2015	Pre-Construction	End	0
Sale	30	Jul 2014	Dec 2016	Income Flow	End	-12
Phase End		Dec 2016				
Phase Length	51					

Phase 7: Block G

Stage Name	Duration	Start Date	End Date	Anchored To	Aligned	Offset
Phase Start		Oct 2012				
Pre-Construction	33	Oct 2012	Jun 2015	Purchase	End	0
Construction	24	Jul 2015	Jun 2017	Pre-Construction	End	0
Sale	33	Jul 2016	Mar 2019	Income Flow	End	-12
Phase End		Mar 2019				
Phase Length	78					

Phase 8: Block H

Stage Name	Duration	Start Date	End Date	Anchored To	Aligned	Offset
Phase Start		Oct 2012				
Pre-Construction	33	Oct 2012	Jun 2015	Purchase	End	0
Construction	24	Jul 2015	Jun 2017	Pre-Construction	End	0
Sale	33	Jul 2016	Mar 2019	Income Flow	End	-12
Phase End		Mar 2019				
Phase Length	78					

Phase 9: Block I

Stage Name	Duration	Start Date	End Date	Anchored To	Aligned	Offset
Phase Start		Oct 2012				
Pre-Construction	33	Oct 2012	Jun 2015	Purchase	End	0
Construction	24	Jul 2015	Jun 2017	Pre-Construction	End	0
Sale	33	Jul 2016	Mar 2019	Income Flow	End	-12
Phase End		Mar 2019				
Phase Length	78					

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Timescale (Duration in months)

Phase 10: Block J						
Stage Name	Duration	Start Date	End Date	Anchored To	Aligned	Offset
Phase Start		Oct 2012				
Pre-Construction	33	Oct 2012	Jun 2015	Purchase	End	0
Construction	24	Jul 2015	Jun 2017	Pre-Construction	End	0
Sale	33	Jul 2016	Mar 2019	Income Flow	End	-12
Phase End		Mar 2019				
Phase Length	78					
Phase 11: Block K						
Stage Name	Duration	Start Date	End Date	Anchored To	Aligned	Offset
Phase Start		Oct 2012				
Pre-Construction	33	Oct 2012	Jun 2015	Purchase	End	0
Construction	24	Jul 2015	Jun 2017	Pre-Construction	End	0
Sale	33	Jul 2016	Mar 2019	Income Flow	End	-12
Phase End		Mar 2019				
Phase Length	78					
Phase 12: Block L						
Stage Name	Duration	Start Date	End Date	Anchored To	Aligned	Offset
Phase Start		Oct 2012				
Pre-Construction	33	Oct 2012	Jun 2015	Purchase	End	0
Construction	24	Jul 2015	Jun 2017	Pre-Construction	End	0
Sale	33	Jul 2016	Mar 2019	Income Flow	End	-12
Phase End		Mar 2019				
Phase Length	78					
Phase 13: Block M						
Stage Name	Duration	Start Date	End Date	Anchored To	Aligned	Offset
Phase Start		Oct 2012				
Pre-Construction	33	Oct 2012	Jun 2015	Purchase	End	0
Construction	24	Jul 2015	Jun 2017	Pre-Construction	End	0
Sale	33	Jul 2016	Mar 2019	Income Flow	End	-12
Phase End		Mar 2019				
Phase Length	78					
Phase 14: Block N						
Stage Name	Duration	Start Date	End Date	Anchored To	Aligned	Offset
Phase Start		Oct 2012				
Pre-Construction	33	Oct 2012	Jun 2015	Purchase	End	0
Construction	24	Jul 2015	Jun 2017	Pre-Construction	End	0
Sale	33	Jul 2016	Mar 2019	Income Flow	End	-12
Phase End		Mar 2019				
Phase Length	78					
Phase 15: Block O						
Stage Name	Duration	Start Date	End Date	Anchored To	Aligned	Offset
Phase Start		Oct 2012				
Pre-Construction	57	Oct 2012	Jun 2017	Purchase	End	0
Construction	18	Jul 2017	Dec 2018	Pre-Construction	End	0
Sale	18	Jan 2019	Jun 2020	Income Flow	End	0
Phase End		Jun 2020				
Phase Length	93					
Phase 16: Block P						
Stage Name	Duration	Start Date	End Date	Anchored To	Aligned	Offset
Phase Start		Oct 2012				
Pre-Construction	57	Oct 2012	Jun 2017	Purchase	End	0
Construction	18	Jul 2017	Dec 2018	Pre-Construction	End	0
Sale	18	Jan 2019	Jun 2020	Income Flow	End	0
Phase End		Jun 2020				
Phase Length	93					
Phase 17: Block Q						
Stage Name	Duration	Start Date	End Date	Anchored To	Aligned	Offset
Phase Start		Oct 2012				
Pre-Construction	57	Oct 2012	Jun 2017	Purchase	End	0
Construction	18	Jul 2017	Dec 2018	Pre-Construction	End	0
Sale	18	Jan 2019	Jun 2020	Income Flow	End	0
Phase End		Jun 2020				
Phase Length	93					
Phase 18: Phase 1 - Affordable Workspace						
Stage Name	Duration	Start Date	End Date	Anchored To	Aligned	Offset
Phase Start		Oct 2012				
Pre-Construction	9	Oct 2012	Jun 2013	Purchase	End	0
Construction	24	Jul 2013	Jun 2015	Pre-Construction	End	0
Phase End		Jul 2015				
Phase Length	33					
Phase 19: Phase 1 - Commercial						
Stage Name	Duration	Start Date	End Date	Anchored To	Aligned	Offset
Phase Start		Oct 2012				
Pre-Construction	9	Oct 2012	Jun 2013	Purchase	End	0
Construction	24	Jul 2013	Jun 2015	Pre-Construction	End	0
Letting	12	Jul 2015	Jun 2016	Post Development	End	0
Phase End		Jul 2016				
Phase Length	45					

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Timescale (Duration in months)

Phase Name	Duration	Start Date	End Date	Anchored To	Aligned	Offset
Phase 20: Phase 2 - Affordable Workspace						
Phase Start		Oct 2012				
Pre-Construction	33	Oct 2012	Jun 2015	Purchase	End	0
Construction	12	Jul 2015	Jun 2016	Pre-Construction	End	0
Phase End		Jul 2016				
Phase Length	45					
Phase 21: Phase 2 - Commercial						
Phase Start		Oct 2012				
Pre-Construction	33	Oct 2012	Jun 2015	Purchase	End	0
Construction	12	Jul 2015	Jun 2016	Pre-Construction	End	0
Letting	12	Jul 2016	Jun 2017	Post Development	End	0
Phase End		Jul 2017				
Phase Length	57					
Phase 22: Phase 3 - Affordable Workspace						
Phase Start		Oct 2012				
Pre-Construction	57	Oct 2012	Jun 2017	Purchase	End	0
Construction	18	Jul 2017	Dec 2018	Pre-Construction	End	0
Phase End		Jan 2019				
Phase Length	75					
Phase 23: Phase 3 - Commercial						
Phase Start		Oct 2012				
Pre-Construction	57	Oct 2012	Jun 2017	Purchase	End	0
Construction	18	Jul 2017	Dec 2018	Pre-Construction	End	0
Letting	12	Jan 2019	Dec 2019	Post Development	End	0
Phase End		Jan 2020				
Phase Length	87					
Project Length	93	(Merged Phases - Includes Exit Period)				

Assumptions

Expenditure

Professional Fees are based on Construction
 (Manual relations applied to some Professional Fees)
 Purchaser's Costs are based on Net 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 Monthly
 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

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Assumptions

Letting and Rent Review Fees are calculated on
Development Yield and Rent Cover are calculated on
Include Tenants with no Capital Value
Include Turnover Rent
Net of Non-Recoverable costs
Net of Ground Rent deductions
Net of Rent Additions/Costs
Leasing Commissions are calculated

Net of Deductions
Rent at Sale Date(s)
On
Off
On
On
On
After Non-Recoverable cost deductions
For the First Term of the lease only

Value Added Tax

Global VAT Rate
Global Recovery Rate
Recovery Cycle every
1st Recovery Month
VAT Calculations in Cash Flow

0.00%
0.00%
2 months
2 (Nov 2012)
On

Residual

Land Cost Mode
Multi-Phasing
Target Type
Target Value

Residualised Land Value
Single Land Residual at project start
Profit on GDV
20.00%

Distribution

Construction Payments are paid on
Sales Receipts are paid on
Sales Deposits are paid on

S-Curve
Single curve
Monthly curve

Interest Sets

Interest Set 1

Debit Rate	Credit Rate	Months	Start Date
7.00%	1.00%	Perpetuity	Oct 2012

Loan Set 1

Debit Rate	Credit Rate	Months	Start Date
0.00%	0.00%	Perpetuity	Oct 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
0.00%	Perpetuity	Oct 2012

Inflation Sets

Inflation Set 1

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

Rate	Months	Start Date
0.00%	Perpetuity	Oct 2012

APPRAISAL SUMMARY

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Summary Appraisal for Merged Phases 1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23

REVENUE

Sales Valuation	Units	ft ²	Rate ft ²	Unit Price	Gross Sales
Block A - Private Residential	40	28,589			
Phase 1 Car Parking 101 Bsm Spaces	101	45,360			
Block B - Private Residential	48	36,113	£		
Block C - Private Residential	20	19,838	£		
Block D - Private Residential	63	43,174	£		
Block E - Private Residential	28	19,666	£		
Block F - Private Residential	48	36,931	£		
Block G - Private Residential	28	22,830	£		
Phase 2 - Parking 39 Bsm Spaces	39	18,191			
Block H - Private Residential	36	28,804	£		
Block I - Private Residential	11	11,776	£		
Block J - Private Residential	36	24,929	£		
Block K - Private Residential	49	34,229	£		
Block L - Private Residential	18	13,326			
Block M - Private Residential	47	36,468			
Block N - Private Residential	42	31,269			
Block O - Private Residential	21	15,220			
Phase 3 - Parking 58 Undercroft Spaces	58	24,703			
Block P - Private Residential	56	40,085			
Block Q - Private Residential	65	42,399			
Totals	854	573,900			7

Rental Area Summary

	Units	ft ²	Rate ft ²	Initial MRV/Unit	Net Rent at Sale	Initial MRV
Block A - Ground Rents	40			£250	10,000	10,000
Block B - Ground Rents	48			£250	12,000	12,000
Block C - Ground Rents	20			£250	5,000	5,000
Block D - Ground Rents	63			£250	15,750	15,750
Block E - Ground Rents	28			£250	7,000	7,000
Block F - Ground Rents	48			£250	12,000	12,000
Block G - Ground Rents	28			£250	7,000	7,000
Block H - Ground Rents	36			£250	9,000	9,000
Block I - Ground Rents	11			£250	2,750	2,750
Block J - Ground Rents	36			£250	9,000	9,000
Block K - Ground Rents	49			£250	12,250	12,250
Block L - Ground Rents	18			£250	4,500	4,500
Block M - Ground Rents	47			£250	11,750	11,750
Block N - Ground Rents	42			£250	10,500	10,500
Block O - Ground Rents	21			£250	5,250	5,250
Block P - Ground Rents	56			£250	14,000	14,000
Block Q - Ground Rents	65			£250	16,250	16,250
Phase 1 - A1 -4	1	8,547	£			
Phase 1 - B1	1	26,285	£			
Phase 2 - A1-4	1	7,588	£			
Phase 1 - B1	1	14,607	£			
Phase 3 - A1-4	1	7,104	£			
Phase 3 - B1	1	7,481	£			
Totals	662	71,612				

Investment Valuation

Block A - Ground Rents					
Current Rent	10,000	YP @			
Block B - Ground Rents					
Current Rent	12,000	YP @			
Block C - Ground Rents					
Current Rent	5,000	YP @			
Block D - Ground Rents					
Current Rent	15,750	YP @			
Block E - Ground Rents					
Current Rent	7,000	YP @			
Block F - Ground Rents					
Current Rent	12,000	YP @			
Block G - Ground Rents					
Current Rent	7,000	YP @			
Block H - Ground Rents					
Current Rent	9,000	YP @			
Block I - Ground Rents					
Current Rent	2,750	YP @			
Block J - Ground Rents					
Current Rent	9,000	YP @			
Block K - Ground Rents					
Current Rent	12,250	YP @			
Block L - Ground Rents					
Current Rent	4,500	YP @			
Block M - Ground Rents					
Current Rent	11,750	YP @			
Block N - Ground Rents					
Current Rent	10,500	YP @			
Block O - Ground Rents					
Current Rent	5,250	YP @			
Block P - Ground Rents					
Current Rent	14,000	YP @			
Block Q - Ground Rents					
Current Rent	16,250	YP @			
Phase 1 - A1 -4					
Market Rent	106,838	YP @			

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(2yrs Rent Free)		
Phase 1 - B1		
Market Rent	328,563	
(1yr Rent Free)		
Phase 2 - A1-4		
Market Rent	94,850	
(2yrs Rent Free)		
Phase 1 - B1		
Market Rent	182,588	
(1yr Rent Free)		
Phase 3 - A1-4		
Market Rent	88,800	
(2yrs Rent Free)		
Phase 3 - B1		
Market Rent	93,513	
(1yr Rent Free)		

GROSS DEVELOPMENT VALUE

Purchaser's Costs	5.80%	
NET DEVELOPMENT VALUE		

NET REALISATION

OUTLAY

ACQUISITION COSTS

Residualised Price (5.70 Acres	£		pAcre)	
Stamp Duty	4.00%			
Agent Fee	1.00%			
Legal Fee	0.50%			
Town Planning		1,200,000		

CONSTRUCTION COSTS

Construction	Units	Unit Amount	Cost	
Car Parking Controls	1 un	£20,000	20,000	
Parking Barriers	1 un	£20,000	20,000	
Parking Barrier	1 un	£20,000	20,000	
Totals			60,000	
	ft²	Rate ft²	Cost	
Phase 1 - A1 -4	8,547	£69.71	595,776	
Phase 1 - B1	26,285	£88.26	2,319,900	
Phase 2 - A1-4	7,588	£69.71	528,995	
Phase 1 - B1	14,607	£88.26	1,289,150	
Phase 3 - A1-4	7,104	£69.71	495,229	
Phase 3 - B1	7,481	£88.26	660,250	
Block A - Private Residential	38,190	£144.93	5,534,877	
Phase 1 Car Parking 101 Bsm Spaces	45,360	£81.29	3,687,271	
Block B - Private Residential	45,585	£144.93	6,606,634	
Block C - Private Residential	24,111	£144.93	3,494,407	
Block D - Private Residential	53,680	£144.93	7,779,842	
Block E - Private Residential	25,274	£144.93	3,662,961	
Block F - Private Residential	46,489	£144.93	6,737,651	
Block G - Private Residential	28,976	£144.93	4,199,492	
Phase 2 - Parking 39 Bsm Spaces	18,191	£81.29	1,478,729	
Block H - Private Residential	36,382	£144.93	5,272,843	
Block I - Private Residential	14,639	£144.93	2,121,630	
Block J - Private Residential	33,110	£144.93	4,798,632	
Block K - Private Residential	43,981	£144.93	6,374,166	
Block L - Private Residential	14,811	£144.93	2,146,558	
Block M - Private Residential	45,424	£144.93	6,583,300	
Block N - Private Residential	38,535	£144.93	5,584,878	
Block O - Private Residential	17,029	£154.22	2,626,212	
Phase 3 - Parking 58 Undercroft Spaces	24,703	£32.52	803,250	
Block P - Private Residential	51,505	£154.22	7,943,101	
Block Q - Private Residential	54,724	£154.22	8,439,535	
Totals	772,311		101,765,271	101,825,271
Contingency		5.00%	6,037,685	
Phase 1 - s106			1	
CIL			2,182,810	
Phase 2 - s106			1	
Phase 3 - s106			1	
				8,220,498
Other Construction				
Demolition & Remediation			850,000	
Site Preperation			712,500	
External Works			3,745,675	
Off Site Infrastructure			770,000	
River Wall Works			750,700	
Pedestrian Bridge -Contribution			250,000	
Abnormal Costs			1,311,550	
Park Amenity Play areas			1,800,000	
Highways / Off site stats			420,000	
Resi Abnormals - Phase 1			2,927,722	
Enhanced Retaining Walls - Canal			175,000	
Servicing to School Site			250,000	
Resi Abnormals - Phase 2			3,164,784	
Resi Abnormals - Phase 3			1,683,144	

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Commercial Abnormals		542,362	
Commercial Abnormals		345,597	
Commercial Abnormals		227,101	
			19,926,135
PROFESSIONAL FEES			
Professional Fees	11.00%	13,509,584	
			13,509,584
MARKETING & LETTING			
Marketing	2.50%		
Letting Agent Fee	10.00%		
Letting Legal Fee	5.00%		
DISPOSAL FEES			
Sales Agent Fee	3.50%		
Sales Agent Fee	1.50%		
Sales Agent Fee	1.00%		
Sales Legal Fee	0.50%		
FINANCE			
Debit Rate 7.00% Credit Rate 1.00% (Nominal)			
Total Finance Cost			9,565,231
TOTAL COSTS			165,214,206
PROFIT			
Performance Measures			
Profit on Cost%	25.06%		
Profit on GDV%	20.00%		
Profit on NDV%	20.04%		
Development Yield% (on Rent)	0.64%		
Equivalent Yield% (Nominal)	8.53%		
Equivalent Yield% (True)	9.01%		
IRR	20.72%		
Rent Cover	39 yrs 1 mth		
Profit Erosion (finance rate 7.000%)	3 yrs 3 mths		