

THE IMPORTANCE OF THE DUE-DILIGENCE, STRUCTURING & FINANCING OPTIONS

ABOUT MYSELF



Qualified actuary with 10 years of experience in Big 4 consultancy and global insurance and reinsurance groups



Specializing in capital management and asset-liability management of insurance groups and pension schemes



Property owner, landlord and experienced investor



Founder and director of Land Matters Sourcing & Development



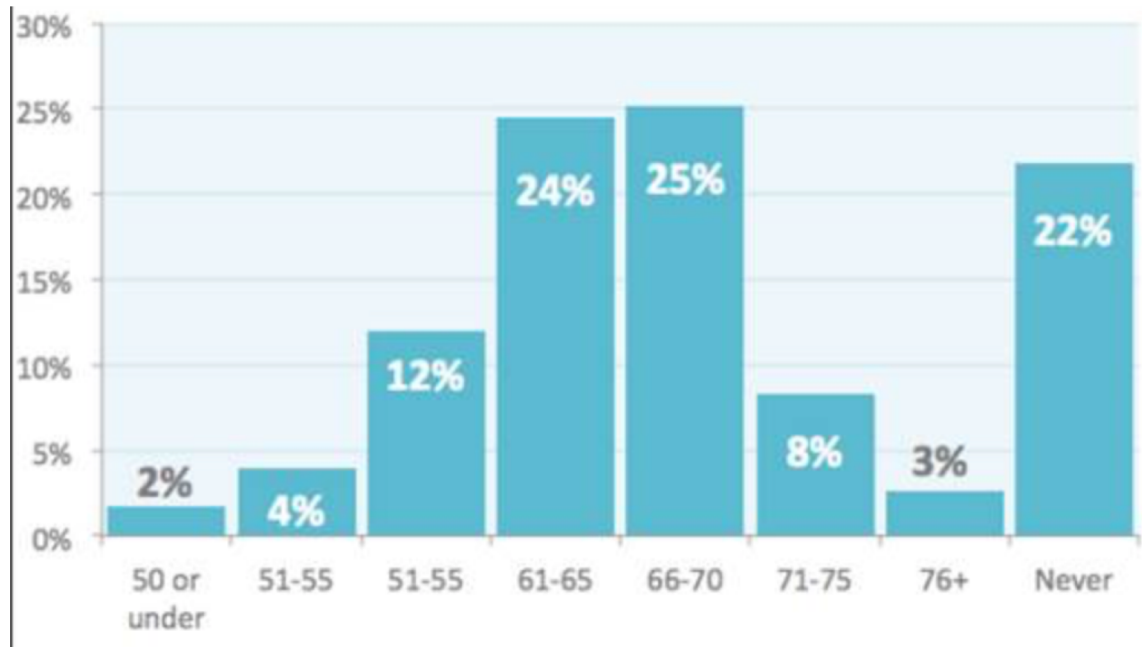
Strategy to pursue development opportunities, where value could be added through planning or prior approval



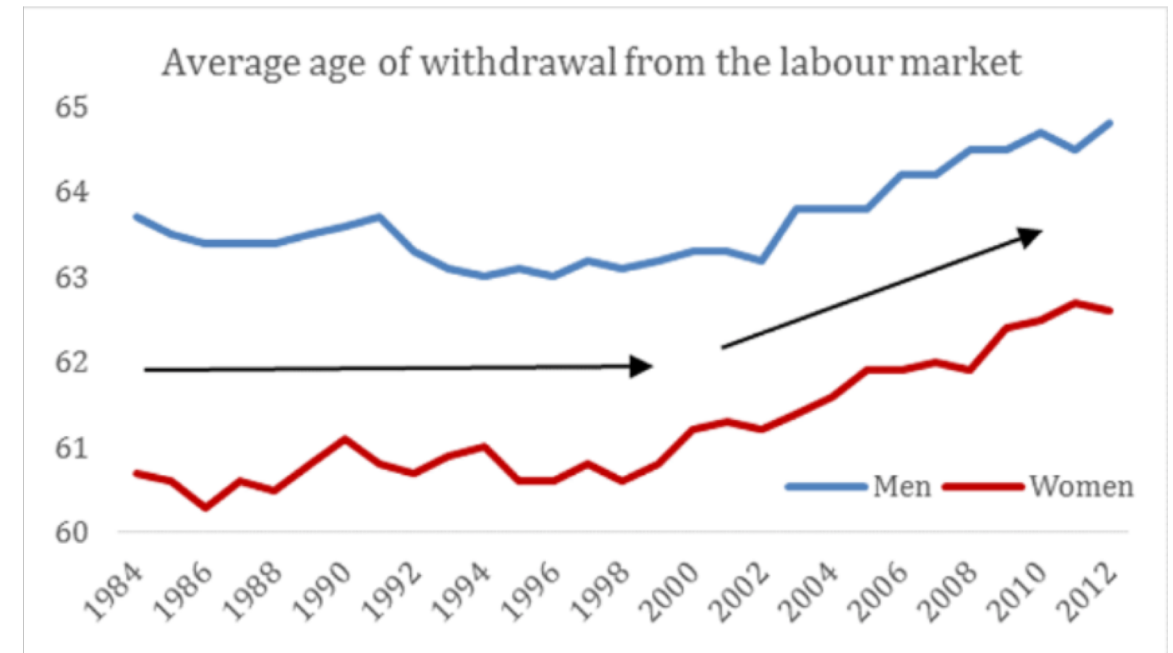
Mother of two 😊

ACTION CATALYST

DISTRIBUTION OF RETIREMENT AGE, UK (2016)



AVERAGE AGE OF RETIREMENT



WHY PROPERTY



ADDITIONAL
SOURCE OF INCOME



PROVIDES BOTH
PASSIVE INCOME
AND GROWTH



ABILITY TO LEVERAGE
THROUGH
PARTNETSHIPS



CREATING A SYSTEM



BEING PART OF A
COMMUNITY



INVOLVING MY
FAMILY & FRIENDS

KEY LEARNINGS

AGENTS	ESTABLISH GOOD RELATIONSHIPS WITH AGENTS & SOURCES
NETWORK	EXPAND YOUR NETWORK
OBJECTIVES	BE CLEAR ABOUT YOUR OBJECTIVES AND CRITERIA
VALUE	VALUE YOUR CONTRIBUTION
DUE-DILLIGENCE	DO YOUR DUE-DILLIGENCE
FUNDING	LOOK FOR FUNDING ALTERNATIVES

PROJECT SELECTION CRITERIA

- 20% PROFITABILITY
- TOTAL COSTS UNDER £1M
- HIGH PROFILE LOCATION
- COMPLETION WITHIN ONE YEAR



PROJECT SUMMARY

- LAND IN LONDON (NORTH ACTON) WITH PLANNING PERMISSION FOR 2 TERRACED PROPERTIES
- BOUGHT PRIOR TO AUCTION THROUGH ESTABLISHED RELATIONSHIPS WITH AN AGENT
- EXPECTED PROFITABILITY ON COST = 20%



DEVELOPMENT APPRAISAL

- 20% PROFITABILITY
- TOTAL COSTS UNDER £1M
- HIGH PROFILE LOCATION
- COMPLETION WITHIN ONE YEAR

Profitability Assessment	£	% of Dev.Costs
GDV	1,215,744	
Acquisition Costs	511,720	
Professional Costs	47,077	
Build Costs	391,660	
Other Costs	20,514	
Total Development Costs	970,971	
Profit Before Seles & Finance	244,773	25%
Interest Costs & Fees	38,366	
Sales Costs	13,950	
Total Project Costs	1,023,287	
Profit After Seles & Finance	192,457	20%

DEVELOPMENT ANALYSER

Development Analyser

Acton, NW10 6EJ

AGENT DETAILS	Initial	Deal#	Year	Status	
DEAL NUMBER:	NG	101	2018	Initial Review	Show Steps
AGENT:	[insert]				NO
CONTACT NAME:	[insert]				
CONTACT EMAIL:	[insert]				
CONTACT NUMBER:	[insert]				
VERSION / LAST UPDATE:	52	Excel 2016 Required (Office 365)			

AREA DATA	Conversion		New Build/Comm		Summary	
	m2	ft2	m2	ft2	m2	ft2
GROSS EXTERNAL AREA (GEA):	186	1,998	-	-	186	1,998
GROSS INTERNAL AREA (GIA):	158	1,698	-	-	158	1,698
NET INTERNAL AREA (NIA):	142	1,528	-	-	142	1,528
Car Parking / Ext Areas (GEA-GIA):	28	300	-	-	28	300
Internal Space Util'n:	90%		#DIV/0!		90%	

NG Comments 28-Jan-19 OVERALL NET PROFIT %

ESTOR ANNUALISED RETURNS (ROCE)

8
9
10

SUMMARY OF COSTS		INPUT CELL			
LAND PURCHASE		OVERALL NET PROFIT			
Asking Price	480,000	Low	Mid	High	Min Profit Set Point
Discount		17.9%	19.6%	21.3%	15%
Purchase Price (Land Value)	480,000				
VAT Payable	- No				
Total	480,000	Excl VAT			
BUILD COSTS		m2	ft2	£/m2	£/ft2
Conversion (GIA)	268,222	158	1,528	1,700	158
New Build (GIA)	-	-	-	1,000	93
Car parking / External Areas (GEA-GIA)	13,922	28	300	500	46
Exceptional Items	- New/Refurb Lift				
Exceptional Items	- Asbestos Removal				
Exceptional Items	- [insert]				
Exceptional Items	- [insert]				
Total	282,144				
Contingency (Build only)	28,214 10.0%				
PROFESSIONAL FEES & COSTS		UILD COST SUMMARY (incl Con			
SDLT	28,400 RESI	£/Unit	£/m2	£/ft2	
Pre-Exchange Costs		155,179	1,967	183	
Conveyancing Legals	2,160 4500 per £1ML				
Overage Agreement Legals	No				

GROSS DEVELOPMENT VALUE (GDV)		INPUT CELL				Unit Size		Sell Rate (low)		Sell Rate (High)		Totals	
Unit Ref:	Floor	Unit Type	Allocated Parking	Exterior Space Details	m2	ft2	£/m2	£/ft2	£/m2	£/ft2	Value (Low) Local Comps	Value (High) Local Agent	
1	House	2 Bed House			71.00	764	7,427	690	7,650	711	527,324	543,144	
2	House	2 Bed House			71.00	764	7,427	690	7,650	711	527,324	543,144	
							7,427	690	7,650	711	-	-	
							7,427	690	7,650	711	-	-	
							7,427	690	7,650	711	-	-	
							7,427	690	7,650	711	-	-	
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							7,427	690	7,650	711	-	-	
							7,427	690	7,650	711	-	-	
							7,427	690	7,650	711	-	-	
							7,427	690	7,650	711	-	-	

HEADLINES		Sensitivity (Low)	
		(+/-)	
Gross Development Value			
Development Cost (Cost vs GDV)			81%
GROSS PROFIT (Equity)			23%
Selling Cost	Selling Agents Fees		1.00%
	[insert]		
	Legal Fees (Unit Sale) - HTB %		50%
	Legal Fees (One Off - Set-up Fee)		
Cost of Funds	Developer Fees / Agent Exit fees		
	NET PROFIT (after Selling Costs)		21%
	Senior Debt (Interest + EXIT FEES)		
	Cost of Funds (VAT Bridge)		
[insert]			
Cost of Funds (Coupon / Private Capital)			
OVERALL NET PROFIT (EBITDA)			17.9%
SENIOR DEBT FUNDING			
Gross Development Value			

INITIAL APPRAISAL

- POTENTIAL ISSUES
- PARTY WALL AGREEMENTS / WEAK FOUNDATIONS
- PUBLIC PIPE UNDER THE GARAGE / BUILD OVER AGREEMENT
- HIGHLY SLOPING GARDEN / EXCAVATION REQUIRED
- ACCESS TO HIGHWAY MANHOLES REQUIRED
- BRIDGING FINANCE REQUIRED

	INITIAL APPRAISAL	
Profitability Assessment	£	% of Dev.Costs
GDV	1,016,144	
Acquisition Costs	511,720	
Professional Costs	50,677	
Build Costs	331,160	
Other Costs	20,514	
Total Development Costs	911,971	
Profit Before Seles & Finance	104,173	11%
Interest Costs & Fees	47,540	
Sales Costs	13,950	
Total Project Costs	973,461	
Profit After Seles & Finance	42,683	5%

REVISION I – PLANNING GAIN



REVISION I – PLANNING GAIN (CONT'D)

EXTRACTS FROM EALING MANAGEMENT PLAN FOR
NW10 CONSERVATION AREA STATES:

- VELUX WINDOWS CONSIDERED ACCEPTABLE ON REAR SLOPES
- DORNER WINDOWS ACCEPTABLE SUBJECT TO APPROPRIATE DESIGN
- FOR EXISTING PLANNING PERMISSION VELUX WINDOWS COULD BE ADDED AS NON-MATERIAL AMENDMENT (FREE OF CHARGE AND CONSIDERED WITHIN FOUR WEEKS)

PLANNING GAIN JUST UNDER £100K

- **Rooflights**

Rooflights will usually be acceptable on the rear roof slopes and on occasion on the sides. Any rooflight should be “conservation rooflight” which lie flat in the roof.

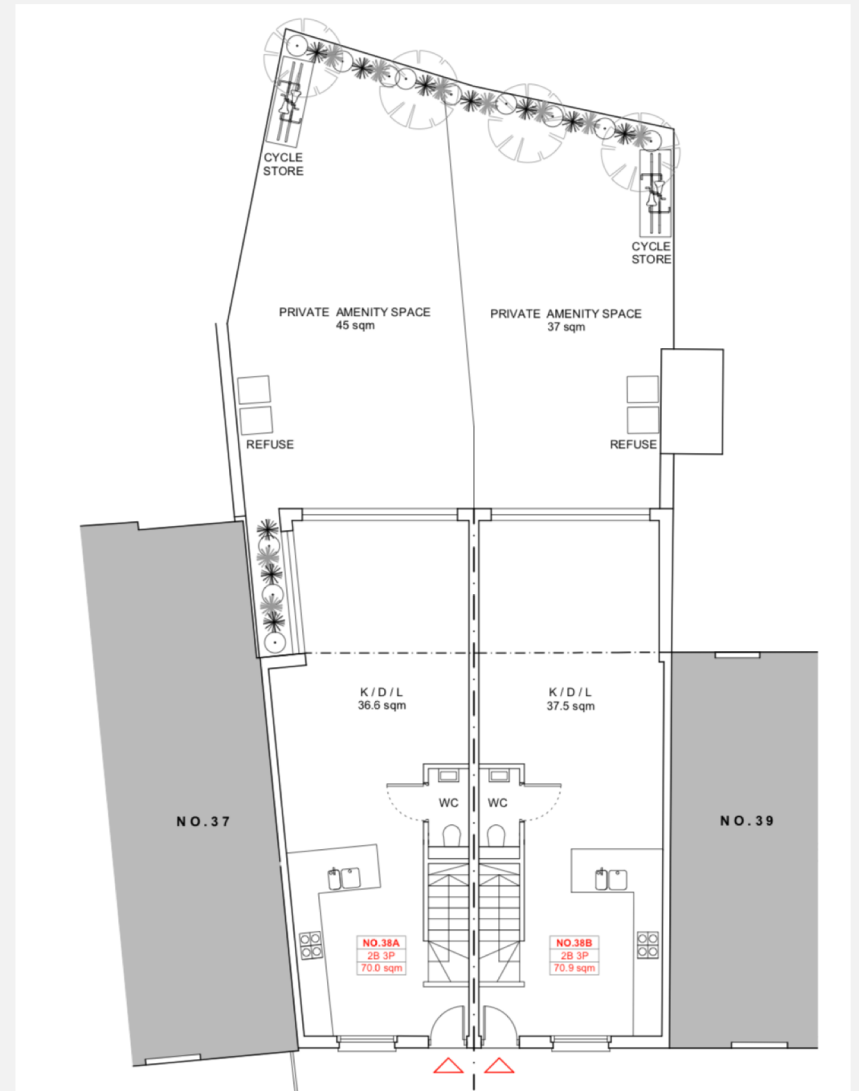
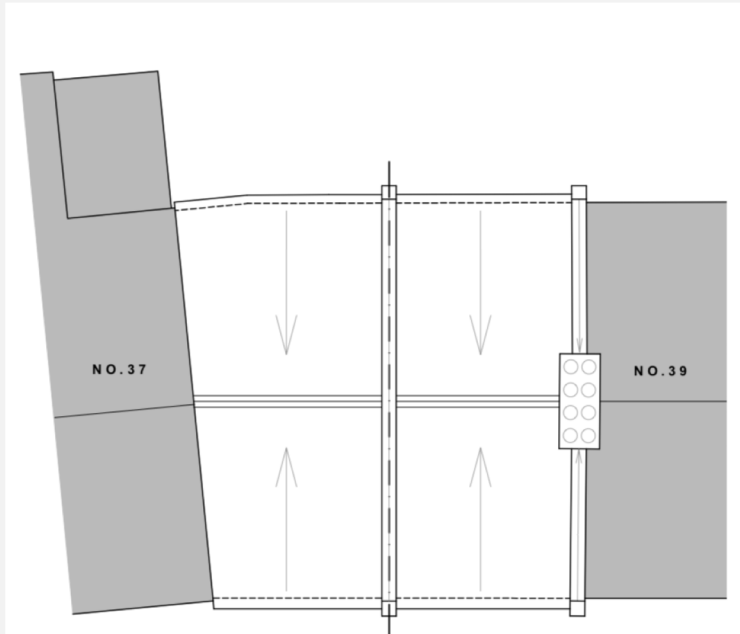
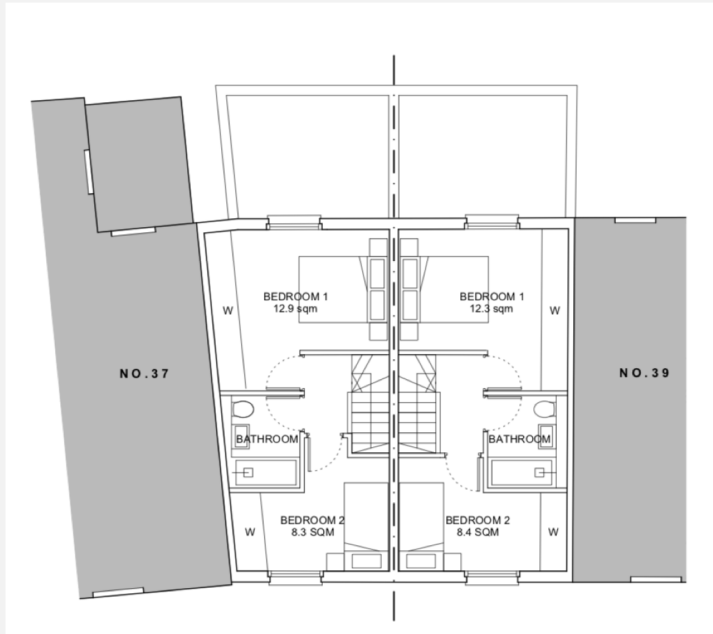
- **Dormer windows**

Inset dormer windows will usually be accepted on the rear roof slopes but only rarely on the front or the side. They should not dominate the roof slope.

Dormer windows should be of traditional design. A roof shape in keeping with the original profile is preferred but a flat roofed dormer may be necessary in smaller or shallower roofs, to allow 500mm to the ridge, valleys and hips. All dormer windows should be finished with moulded eaves, cornices and timber fascias. Where possible the window(s) of the dormer should align with the windows of the main house.

There should be no tiling on the front elevation

REVISION 2 – STRUCTURAL DESIGN



STRUCTURAL GAIN C. £35K

REVISION 3 – FUNDING STRUCTURE

BRIDGING COSTS	£
LTV	70%
AMOUNT BORROWED	358,204
ARRANGEMENT FEE @2%	7,164.08
INTEREST COSTS	6,089
RED BOOK VALUATION	1,800
LEGAL FEES	2,100
TOTAL COSTS	17,154
COSTS EXCLUDING INTEREST	11,064

**GAIN FROM REPLACING
BRIDGING FINANCE WITH
INVESTORS - £11K**

II. Assessment of Comparable Properties

We have undertaken desktop review of the properties sold in the last two years (as identified in Test 1) and discussed with the agents who were selling these properties to select the most relevant properties comparable for our development.

In addition, agents have shared with us information about most recently sold properties and prices achieved, which have not yet been updated in the Land Registry data.

Address	Postcode	Price paid	Square meter	Price per SQM	Comments	Comparable Rank
17 Goodhall Street, NW10 6TT	NW10 6TT	508,100	75	6,775	Average condition, moved kitchen to create open space, no bathroom on 1st floor, very close to development	3
63 Goodhall Street, NW10 6TT	NW10 6TT	510,000	76	6,711	Good condition, very small kitchen, no bathroom on 1st floor, very close to development	3
54 Old Oak Lane, NW10 6UB	NW10 6UB	550,000	77	7,143	Very good condition, moved kitchen to create open space, no bathroom on 1st floor, very close to development	2
64 Old Oak Lane	NW10 6UB	578,000	88	6,568	Good condition, very small kitchen, no bathroom on 1st floor, very close to development	3
88, Rucklidge Avenue	NW10 4PR	608,000	77	7,896	Very good condition, bay fronted, very small kitchen, en-suite added on 1st floor, further away from development	4
103, Rucklidge Avenue	NW10 4QB	625,000	78	8,013	Very good condition, bay fronted, very small kitchen, en-suite added on 1st floor, further away from development	4
106, Rucklidge Avenue	NW10 4PR	615,000	85	7,235	Very good condition, bay fronted, very small kitchen, en-suite added on 1st floor, further away from development	4

III. Independent Assessment by local estate agents

We have approached three estate agents asking for their views of the achievable sales price for our development. Responses received are provided in Appendix C.

- Robertson Smith & Kemson suggested a price range of £500,000 to £600,000 depending on quality of the finish.
- Foxtons suggested to market the property at £550,000
- Hart & Co suggested to market at £530,000, however indicated that if help to buy was available they would look for offers in excess of £550,000.

These responses were based on the original plans provided by the vendor stating the area of 70 sq.m. per house. Since we have now enhanced the scheme design and increased the area of each property to just under 84 sq.m., an adjustment has been applied to the responses initially provided by the agents.

	House Price		GDV		GDV Average
	Low	High	Low	High	
Robertson Smith & Kemson	598,214	717,857	1,196,429	1,435,714	1,316,071
Foxtons	625,134	658,036	1,250,268	1,316,071	1,283,170
Hart & Co	634,107	658,036	1,268,214	1,316,071	1,292,143
Min of Average	619,152	677,976	1,238,304	1,355,952	1,283,170
Average of Mins	598,214	658,036	1,196,429	1,316,071	1,256,250

For our assessment the proposed price set by the estate agents is c. £828K per dwelling leading to GDV of £1,256K

DEVELOPMENT APPRAISAL - GDV

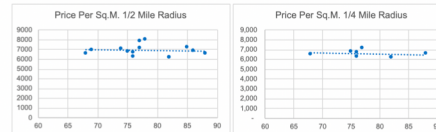
IV. Summary Of The Three Tests

	Price per SQM	House Price	GDV	Weight	Comments
Test 1	7,216	604,340	1,208,680	60%	Sold House Prices are the most reliable guide assuming they are corrected for the main differentiating aspects of the proposed scheme (help to buy, New Build etc.)
Test 2		598,214	1,196,429	20%	We could not find many comparable properties, hence the low weight allocated to the test.
Test 3		628,125	1,256,250	20%	Agents views are independent and take into consideration specifics of the scheme.
Selected Result			1,215,744		

I. Average Price Per Square Meter

We have collected pricing information from Land Registry including all houses sold within ¼ and ½ of a mile radius within the last two years – 29 and 11 properties were identified respectively. EPC register data was used to derive square meter information for each property. Price per square meter was then calculated. Please see full details in Appendix A.

In our analyses we target to include the most comparable properties. We therefore removed properties smaller than 60 sq.m. and larger than 100 sq.m.; we also removed outliers (top 10 % and bottom 10%) to avoid any distortion from non-market value transactions.



Depending on the radius, average sold price per square meter for comparable homes range between £3,560 and £8,895. After proposed 10% correction for New Build and Help To Buy scheme the price per square meter increases to £7,216 to £7,584, leading to a house price of £604K to £635K. We take the lower estimate for our GDV assessment of £1,208K.

3. ACQUISITION COST

Purchase Price for the freehold interest of 38 Old Oak Lane, London, NW10 6EJ is agreed at £480,000. Stamp duty of £28,400 and legal costs of £3,320 is payable leading to total acquisition costs of **£511,720**.

4. PROFESSIONAL FEES

Professional fees budget is set at **£48,577**, break-down is provided below:

Budget	£	Comments
Survey - Soil Investigation	3,200	Estimate provided by architect
Survey - Drainage Survey	180	Online estimate
Drainage Design	900	Estimate provided by Croft SE
Structural Engineer	5,000	Quote confirmed - Croft SE
Architect	25,000	Quote from R&W & GSF Architects
Party Wall Surveyor	5,000	Estimate provided by Croft SE
Approved BC Inspector	3,000	Online estimate
Warranty Provider	2,000	Online estimate
CIL Contribution	3,047	Local Search - confirmed
Thames Water Approval	250	Online estimate
Building insurance	1,000	Quote confirmed
Total	48,577	

5. BUILD COSTS

Precise assessment of build cost is not possible at this stage and is expected to be available by the end of March 2019 once the required investigations took place and building drawings are ready. Our initial discussions with several builders indicated a price per square meter (GIA) in the region of £1,700 to £1,900 per square meter.

In our development [analysis](#), we applied £2,000 cost per square meter and allowed for 10% contingency. In addition, £6,000 budget is allowed for utilities connection.

Based on the above, our assessment of build cost is £391,660.

BUILD COSTS	Sq.m.	Cost per Sq.m.	Cost
SQM	84	2000	167,500
External	20	400	7,800
Total w/o contingency			175,300
Contingency	10%		17,530
Total with contingency			192,830
Total for 2 dwellings			385,660
Utility Connections			6,000
Grand Total Build Cost			391,660

7. FINANCE COSTS

Total Development Costs

In order to assess Finance Cost we start by calculating Total Allowable Development Costs, which [include all](#) costs specified in Sections 3 – 6, but exclude interest and arrangement / exit fees, which are added to the balance of the loan.

Project Costs Assessment	£	Comments
Acquisition Costs	511,720	Please refer to Section 3
Professional Costs	48,577	Please refer to Section 4
Build Costs	391,660	Please refer to Section 5
Other Costs (excl. sales & finance)		
Broker Arrangement Fee	5,864	
Lender Valuation	1,200	
Lender Legals	1,500	
Costs of bridge	4,000	
Personal Guarantee	450	
Lender Monitoring	6,300	Allowable cost
Help To Buy	1,200	Allowable cost
Total Development Costs	972,471	Before sales & finance costs

Finance Costs (Interest, Arrangement & Exit Fees)

The following assumptions are applied to [assess](#) interest costs:

Required LTC	70%
Lender Arrangement Fee	1%
Exit Fee	1%
Monthly Interest	0.85%
Expected Duration, months	7.00

Development finance will be taken once the build process starts (no [mobilisation](#) period); once completed the units will be re-financed prior to sale (1 month allowed).

Development Finance	680,730	70% of Development Costs
Day One Advance	262,871	
Allowable Costs	11,347	Lender Monitoring, Warranties, CIL
Build Costs	391,660	Please refer to Section 3
Interest Costs & Fees	39,168	Assumes Build Costs are advanced at 20% per month

Interest Costs and Fees are assessed at £39,168.

6. SALES COSTS

Sales costs budget includes: 1% of GDV (C. £10,000) as agents' fees, additional costs of £5,150 are anticipated for help to buy scheme and legal support.

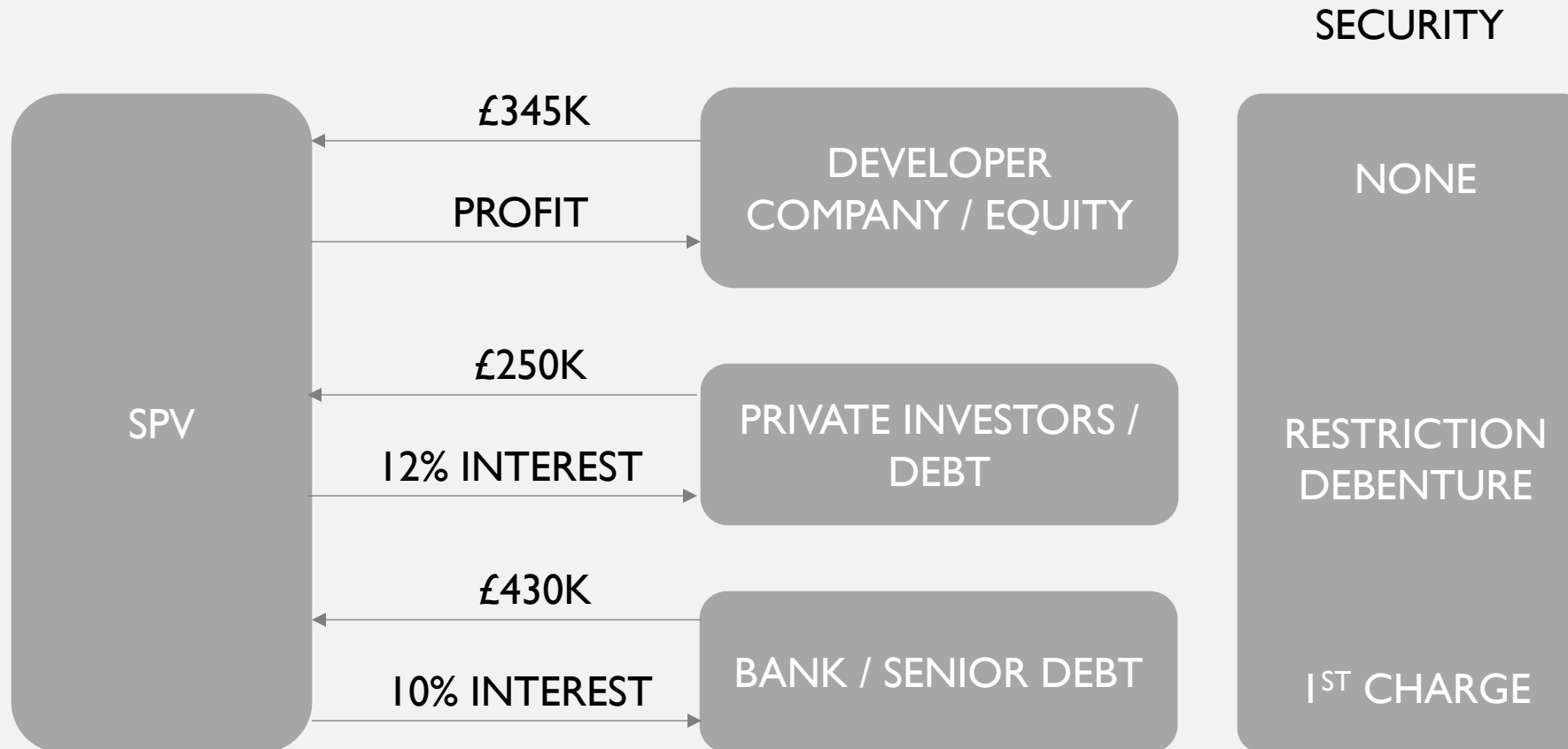
Sales Costs	£
Agents Fees	10,000
Legal Fees (HTB - 50%)	3,950
Help To Buy	1,200
Total	15,150

DEVELOPMENT APPRAISAL – PROJECT COSTS

STRESS TESTING AND EXIT STRATEGIES

		BASE CASE	5% SHOCK	10% SHOCK	20% SHOCK
GDV		1,215,744	1,154,957	1,094,169	972,595
SHOCK			(60,787)	(121,574)	(243,149)
PROFIT		192,457	131,669	70,882	(50,692)
PROJECT COSTS		1,023,287	1,023,287	1,023,287	1,023,287
CAPITAL STRUCTURE	INITIAL		REIMBURSEMENT		
EQUITY	343,607	536,064	475,277	414,490	292,915
INVESTORS	250,000	250,000	250,000	250,000	250,000
BANK	429,680	429,680	429,680	429,680	429,680
TOTAL DEBT	679,680	679,680	679,680	679,680	679,680
SUB-LETTING					
LTV		75%	75%	75%	75%
REMORTGAGE REPAYMENTS		911,808	866,217	820,627	729,446
BANK		429,680	429,680	429,680	429,680
INVESTORS		250,000	250,000	250,000	250,000
EQUITY		232,128	186,538	140,947	49,767
TRAPPED EQUITY		303,936	288,739	273,542	243,149

FUNDING STRUCTURE



IF DESIRED, PRIVATE INVESTORS COULD BE REIMBURSED POST MOBILISATION PHASE AND MORE FUNDS WILL BE RAISED FROM DEVELOPMENT FINANCE

FUNDING STRUCTURE OPTIMISATION

- 70% LTC
- High Fees
- Monitoring Costs
- First Charge

✓ Staggered advances

DEVELOPMENT

PRIVATE INVESTORS

- Day One Advance

- ✓ Lower Arrangement & Monitoring Costs
- ✓ Security Options
- ✓ Staggered advances

PRIVATE INVESTORS VS DEVELOPMENT FINANCE

DAY ONE ADVANCE	249,654
BUILD COSTS	391,660
TOTAL CAPITAL REQUIRED	641,314

PRIVATE INVESTOR COSTS	38,479
DEVELOPMENT FINANCE COSTS	38,366

EQUITY

Development Finance	679,680
Funds towards acquisition	207,624
Allowable Costs	42,030
Build Costs	391,660
Interest Costs & Fees	38,366

Day One Advance	249,654
Remaining Capital	329,657

APPRAISAL COMPARISON

	FINAL APPRAISAL		INITIAL APPRAISAL	
	£	% of Dev.Costs	£	% of Dev.Costs
Profitability Assessment				
GDV	1,215,744		1,016,144	
Acquisition Costs	511,720		511,720	
Professional Costs	47,077		50,677	
Build Costs	391,660		331,160	
Other Costs	20,514		20,514	
Total Development Costs	970,971		911,971	
Profit Before Seles & Finance	244,773	25%	104,173	11%
Interest Costs & Fees	38,366		47,540	
Sales Costs	13,950		13,950	
Total Project Costs	1,023,287		973,461	
Profit After Seles & Finance	192,457	20%	42,683	5%

PROJECT MANAGEMENT

38 Old Oak Lane, NW10 6EJ			18/03/19	25/03/19	01/04/19	08/04/19	15/04/19	22/04/19	29/04/19	06/05/19	13/05/19
Project Plan	Comments		6	7	8	9	10	11	12	13	14
3 Mobilisation											
3.1 Surveys											
Survey - Trial Pit	TP		█	█							
Survey - Drainage	TP		█	█							
Survey - Soil Investigation	TP		█	█							
3.2 Structural Calculations											
Engineer appointed	TP		█								
Calculations completed	TP		█	█	█						
3.3 Party Wall Award											
Party Walls Surveior Appr	SD		█								
Party Walls Inspector Appc	SD				█	█					
Agreement Signed	SD				█	█	█	█			
3.4 Building Drawings											
Architect Appointed	TP		█	█	█						
Drawings completed	TP										
3.5 QS Detailed schedule of works											
Detailed Schedule Prepar	TP				█	█					
3.6 Health & Safety											
TBC	SD										
3.7 Planning Conditions											
Identify Planning Conditor	SD				█	█	█	█			
Design / value engineering	SD					█	█	█	█	█	
Coordinate proposed exte	SD					█	█	█			



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