

ASSESSMENT OF MARKETING & VIABILITY

**Prepared by G M Harford FRICS
Consultant: Chesterton Humberts**

20th May 2014

**Oaksey Park Cottages
Oaksey
Malmesbury
Wiltshire SN16 9SB**

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1. Introduction:

- 1.1 Chesterton Humberts has been instructed by Wiltshire Council to assess the marketing and viability reports submitted to support the revised application for planning permission which has been submitted on behalf of Oaksey Park Limited for the removal and variation of conditions contained in the previous planning applications relating to residential occupancy in respect of 8 of the holiday cottages forming part of the development known as Oaksey Park Cottages.
- 1.2 The properties were inspected on Friday 13th September 2013 by Gerald Harford FRICS.
- 1.3 The conclusions reached in respect of this assessment will be on the basis that it is prepared by an independent expert.
- 1.4 This report will comply with the requirements of the Royal Institution of Chartered Surveyors as set out in "Surveyors Acting as Expert Witness – Practice Statement".

2. Statement of Truth and Qualifications:

- 2.1 I confirm that this assessment has been prepared in accordance with the relevant practice statements published by the Royal Institution of Chartered Surveyors (RICS). I confirm that Chesterton Humberts have the necessary experience to provide an opinion on the subject matter and that the evidence is produced in accordance with the rules of the RICS.
- 2.2 I am Gerald Mark Harford, a Consultant Surveyor to Chesterton Humberts, Chartered Surveyors based at their Chippenham Office at Kings Head House, 35 Market Place, Chippenham, Wiltshire SN15 3HT. I am a Fellow of the Royal Institution of Chartered Surveyors (1986).
- 2.3 Chesterton Humberts was formed by the merger of the long established chartered surveying firms of Chesterton and Humberts in January 2009 with both firms having origins in the first part of the 19th century. The merged firm offers a wide range of property expertise being a multi-disciplined practice with integrated expertise in the rural, commercial, residential, leisure and professional services sector.

2.4 I have been based at the Chippenham Office, formerly Humberts now Chesterton Humberts, since 1987 and have specialised in professional work relating to commercial, development and leisure properties in the Wiltshire area.

2.5 The firm is a panel valuer for Royal Bank of Scotland/National Westminster, Barclays, Lloyds TSB, Handelsbanken and other banks active in the UK commercial property market and has handled a number of valuation instructions relating to the acquisition and disposal of leisure and holiday letting premises in the South West of England. The firm has also been involved in the disposal and acquisition of leisure and holiday letting premises with a specialist department based in the Taunton Office.

3. Instructions:

3.1 I have been instructed by Wiltshire Council (The Council) to prepare an assessment of the holiday lettings business and the marketing programme for the sale of Nos. 12-19 Oaksey Park Cottages as set out in the supporting reports prepared by Strutt & Parker, Accounting by Design and LPC Town & Country Planning Development Consultants. My instructions are extended to look at further information forwarded by the applicant in addition to that supporting the planning application which includes, inter alia, an update to the Market Viability Report prepared by Strutt & Parker. I have also been instructed to consider the submissions of various individuals who oppose the planning application together with the "Market Overview – Oaksey Property Ltd" submitted by Equimedia.

4. The Property:

4.1 Location & Situation

Oaksey is a popular and attractive Wiltshire village situated some 5 miles (8 kms) to the north east of Malmesbury and 6 miles to the south west of Cirencester.

The village lies in open, fairly level countryside accessed by small country roads and is a sought after residential location.

Oaksey Park Cottages forms part of the leisure development consisting of a nine hole golf course, club house, the holiday cottage complex and six converted one bed units (the Cowsheds) known as Oaksey Park developed at Lowfield Farm which lies on the eastern edge of the village.

The development is accessed by a long drive made of compacted hardcore running through the golf course to the Club House, Lowfield Farmhouse, the Cowshed units and the holiday letting complex (the subject of this report) which lies beyond.

The whole site is clearly in need of further investment and has an appearance which could, at best, be described as 'tired'.

4.2 Description & Site History

The holiday cottage complex is a development intended to be of 37 two and three bedroom holiday lodges for which planning consent was granted on appeal in 2004 with construction being commenced in 2005. The first eleven cottages (Unit nos. 1 - 11) were constructed and five (nos. 1, 2, 4, 7 and 9) were sold with the sales being completed between February 2005 and February 2007 (see attached Appendix I).

The construction of the cottages continued with fourteen further units (Units 12-25) being completed but with the economic downturn becoming apparent in the autumn of 2007 sales did not proceed. In the meantime the twenty unsold units have been managed as a holiday letting portfolio which in the year to 2008 appeared from the accounts prepared by Accountancy by Design to generate a turnover of £265,750. This enterprise was not able to cover costs, largely due to the cost of servicing debt. As a result maintenance appears to have been minimal and all 20 units would benefit from further investment.

In the autumn of 2011 Strutt & Parker marketed the whole golf course and cottage letting business as a single leisure investment opportunity at a guide price of £3,000,000. This appears to have been unsuccessful.

This was followed by a renewed bout of marketing of some of the properties on an individual basis at substantially reduced asking prices towards the end of 2012 which resulted in offers being received through Rycal Investment Group acting as agents for the applicant for eight properties (Units 12-19) at prices varying from £134,200 up to £154,650. The lowest of these refers to the 2 bed cottage type 'Kemble' (which had achieved a sale price of £206,000 in April 2006) up to the 3 bed 'Marlborough'.

These figures indicate the dramatic reduction in value for these properties, about 34% for the cheaper 2 bedroom units, the 'Kemble' and more for the three bedroom units.

More to the point is the fact that all of the sales agreed in January 2013 for the disposal of units 12-19 failed to proceed because it appears that the purchasers were unable to achieve funding for the purchase of the properties.

4.3 **Tenure**

I understand that all of the transactions referred to above were proposed to be done on the basis of a 999 year lease at a low ground rent.

5. **Planning**

The original planning application (02/01841/FUL) for a complex of the 37 holiday cottages was approved in 2004 which set out a number of restrictions on the use of the units. This consent was subsequently varied in a series of applications, most importantly by the Notification of Planning Decision in respect of Application Ref. No. 10/03612 on 2nd February 2011. Although restrictions were reduced, the central element of this decision contained in conditions 8, 9 & 10 was that the buildings should be used for holiday accommodation only and for no other purpose and that they should not be occupied as a person's sole or main place of residence.

6. **Proposal**

The planning application, which is the subject of this assessment, has been varied and now seeks the removal of these planning restrictions (conditions 8, 9 & 10 of permission no. 10/03612 and condition 7 of 02/01841/FUL) with the effect that Unit

Nos. 12, 13, 14, 15, 16, 17, 18 and 19 will have an unrestricted residential use (Use Class C3 – Dwelling House). The other completed units, being the five sold units (nos. 1, 2, 4, 7 & 9) and the other retained units (nos. 5, 6, 8, 10 & 11 and 20, 21, 22, 23, 24 & 25) are not covered by the application.

7. Considerations in Assessing the Viability and Appropriate Marketing of the Units

History and Background to the application

The planning application No. N/13/00958, application registered 9th April 2013, originally sought the removal of conditions 8, 9 and 10 imposed on application ref. 10/03612/S73A which varied condition no. 7 of 02/01841/FUL and APP/J3910/A/04/1145607 allowing the unrestricted residential occupancy of the units. The first Assessment of Marketing and Viability carried out by myself and dated 4th October 2013 only dealt with Unit Nos 12-19 (8 in total). The reason for this was that these were the only units which were the subject of marketing by Rycal Investment Group and the application was not specific as to which units were covered and whether or not the units that had already been sold were to be included.

Once the situation was clarified with the effect that the 20 units still in the ownership of Cotswold Property Ltd and being run as a holiday letting business were included in the application a further Assessment of Marketing and Viability was prepared dated 16th December 2013.

The planning application has subsequently been varied and is now limited to Units 12-19 (8 in total).

General Considerations

Viability and marketing assessments and the differences of opinion surrounding them will often to a considerable extent be subjective. It is often argued by those who oppose applications for a change of use that if the value of the property in question, capital or rental, was dramatically reduced then many businesses, whether they be retail, public house or holiday lettings, would have a much better chance of being viable. Accordingly assessing the value of the property as the basis for a viability or marketing assessment is difficult and it is unusual that a figure would be acceptable to both the applicants proposing the change of use and those who seek to oppose it.

In this particular case the applicants have argued that the value of the property should reflect the construction costs. I do not accept this since the whole of the Oaksey Park scheme appears to have been a serious commercial misjudgement for which those responsible have to accept the consequences.

On the other hand I do not believe that lowering the property value to a diminutive amount to reduce funding costs and overheads is reasonable and I would like to think that by following reasonable assumptions as to values with appropriate discounts based on what comparable evidence is available to arrive at figures that would be equitable in the light of the arguments from opposing points of view.

Viability of the Holiday Letting Business

It would appear that for some considerable time the holiday letting business (Cotswold Property Ltd) has consisted of all 20 units and it is on that basis that the accounts which have been submitted in connection with the Viability Assessment have been prepared. The original Viability Assessment dealt with the accounts for the year ending 31st December 2008 which showed a turnover of £265,750 which was the highest level achieved for some years. Although not part of the planning application, further figures have been provided to me by Mr Mark Crocker in the form of the Strutt & Parker accounts summary – Cotswold Property Ltd – Profit and Loss Summary which was contained in their marketing material when attempting to sell the business in 2011. My instructions have now been extended to include consideration of these figures in my assessment. These figures show in addition to the turnover of £265,750 for the year ending 31st December 2008 a turnover of £317,134 for the year ending 31st December 2009 and a figure of £372,308 for the year ending 31st December 2010. See Appendix I.

These figures broadly support my original view as set out in my report of December 2013 suggesting that there could be a modest 19% improvement in turnover with a reduction in administrative costs and this is exactly what the figures for 2009 show. The key factor in this was the reduction in the figure for 'other interest' of £222,375 for the year ending 31st December 2008 to £118,057 for the year ending 31st December 2009 with loan interest again at only £116,161 for the year ending 31st December 2010.

The management accounts for the first four months of 2011 showing turnover of £108,287 which indicate that with the high season yet to come, in all probability the turnover achieved the previous year was likely to be sustained or possibly bettered.

The management accounts show a loss for the year ended 31st December 2009 of £28,677, even with a dramatic reduction in interest payable and a net profit of £50,662 for the year ended 31st December 2010.

I note that this relatively small profit was achieved to some extent as a result of there being a reduction in repairs and maintenance and wages which, at only £24,325 do not appear to contain any element of management or Director's fees. The lack of investment in the units will, in my view, create a problem in the future which will impact on future profitability.

To my mind a key element in assessing the viability is the question of funding. This can be done on an assessment of interest payable, as in the Strutt & Parker accounts summary, the application of a rental value as a return on capital, or by a recognition of opportunity costs.

In arriving at a reasonable allowance one has to consider what a purchaser of the property might pay for the 20 unit holiday lettings business. At an average of only £90,000 per unit, this would show a total property value of £1.8million and on the basis of an interest or opportunity cost charge of 6.5% would produce an annual funding cost of £117,000. This is more or less exactly what the figures for 2009 and 2010 show.

As I pointed out above, the figures for the year ending 2010 and the figures for the first four months of 2011 show that both wages and expenditure on repairs and maintenance are possibly unrealistic and unsustainably low and that anybody looking to purchase this business would have to substantially increase this allowance. I suggest that this increase in costs would eliminate the bulk of the small net profit being shown for the year ending 31st December 2010.

I suggest that the figures shown in Appendix I are not sufficient to encourage someone to purchase this business as even the accounts submitted by Strutt & Parker suggest that the net profit of £50,000 shows only a 15% return on

expenditure. I do not doubt that Strutt & Parker's marketing of the business in 2011 was comprehensive and their failure to find a purchaser confirms this view. I understand that an offer for just the holiday letting complex would have been entertained.

I do not dispute that were the 20 units to be valued at £1million, as suggested in Equimedia's representations, the reduction in interest or opportunity costs could lead to a more sustainable net profit but to value the cottages at an average of £50,000 each, less than a quarter of the sale price achieved in 2006 and barely half the construction cost, may not be considered reasonable.

I have had sight of the Market Overview – Oaksey Property Ltd prepared by Equimedia which argues that the business has potential to be profitable and therefore viable. Put simply, the main basis of this argument is that the company, Cotswold Property Ltd (as opposed to Oaksey Property Ltd) could achieve annual average occupancy at 60% with interest based upon a £1million value at 6.5% interest per annum. These figures, which generate the £143,000 profit suggested, require a gross turnover of in the order of £465,000.

I have to accept that the management of Cotswold Property Ltd used their best reasonable endeavours to maximise turnover and hold down administrative costs. I believe that the optimism of the Equimedia figures cannot be supported and that to obtain a 60% occupancy as suggested is unrealistic as there appear to be so few "leisure" attractions. Apart from the nine hole golf course and the uninspiring club house there appear to be no other facilities or nearby visitor amenities, the countryside is undramatic and not interesting for walkers or bird watchers, there is no proximity to water as at the Cotswold Water Park with the associated sporting possibilities or wildlife interest and no linkage to any cultural, tourist or retail attractions.

Finally one has to recognise that the property was marketed by Strutt & Parker with the accounts summary showing the £50,000 net as operating profit for the year ending December 2010 and no offer was received. The asking price to include the golf course, club house, the holiday lettings complex, the 12 undeveloped plots and 6 cow shed units was in the order of £3million. Bearing in mind my suggested value of the 20 holiday cottages of £1.8million I consider this asking price to have been not

overly ambitious and the possibility of a bid for just the Oaksey Park Cottages was not precluded.

It should be noted that all of the above figures relate to the 20 holiday letting units (rather than the 8 which are the subject of the current planning application). In my report of October 2013 I stated that in the market's general experience the minimum practical size for management purposes of the holiday letting business (as opposed to a farmer or householder who happens to have developed a few on their property), about 15 units is the minimum size to be viable, less than this tends to attract a disproportionately high level of management costs and other overheads.

Were the planning application to be granted and the user clause extended to C3 dwelling house and the 8 units, which are subject to the application, sold to homeowners then the number of units involved in the holiday letting business would fall to 12. In my view this would seriously further prejudice the potential viability of that business.

I would stress that the above comments refer to the Strutt & Parker accounts – Cotswold Property Ltd Profit and Loss Account Summary. I did request the applicant's own accounts and have only been in receipt of the Oaksey Park Ltd – Profit and Loss Accounts to year end 31/12/2010 – which refer to the golf course and club house and therefore do not form part of this assessment. Likewise the accounts submitted by Oaksey Parish Council (PWC – Oaksey Park Limited – in administration) are not relevant as they refer to the golf course and club house business.

Assessment of Marketing

Assessing the viability of the marketing of the individual cottages restricted to holiday use as set out above (see para 5) to demonstrate that a change of use should be permitted one is dealing with a hybrid situation which is not specifically covered in the Council's Core Strategy Pre-Submission Document. Nevertheless Core Policy 39 – Tourist Development – has a target to "increase and improve facilities for sustainable tourism" and one must therefore presume that the application would run contrary to this policy.

Nevertheless the Pre-Submission Document does deal with other circumstances where applications are submitted for a change of use on grounds of viability. These are Core Policy 35 (Existing Employment Sites) and Core Policy 49 (Protection of Services & Community Facilities) both of which clearly require comprehensive marketing for a period of at least 6 months for the current use. This would therefore appear to be a reasonable template against which to assess the viability of selling the subject holiday cottages.

With regard to the marketing of the cottages individually I have been advised that Oaksey Park Ltd have on a number of occasions attempted to pursue this course of action in respect of the eight units which are the subject of the current planning application.

The most recent and complete picture of this is provided by the efforts of Rycal Investment Group who marketed the units toward the end of 2012 and were during the course of January 2013 able to find purchasers for Nos. 12-19 on the following basis:

Unit 12 Kemble	2 bed	£134,200
Unit 13 Kemble	2 bed	£134,200
Unit 14 Kemble	2 bed	£134,200
Unit 15 Kemble	2 bed	£134,200
Unit 16 Kemble	2 bed	£141,400
Unit 17 Marlborough	3 bed	£154,650
Unit 18 Marlborough	3 bed	£154,650
Unit 19 Charlton	3 bed	<u>£147,850</u>
Total		£1,135,350

It was agreed that all eight cottages were to be sold on 999 year leases fully equipped and fully furnished. All of which would be supplied by the John Lewis Partnership.

These figures show a discount in the order of 30% from unrestricted C3 units to the cottages subject to the restrictions currently contained in the planning consent. Notwithstanding we have been advised that all eight of these transactions failed to proceed because of the inability of purchasers to obtain funding.

From Chesterton Humberts' experience in marketing holiday lodges in the current climate it is apparent that it would be difficult to obtain any substantial level of mortgage funding for the acquisition of these cottages subject to the restriction that they should be used for holiday accommodation only and for no other purpose and that they should not be occupied as a person's sole or main place of residence.

These restrictions, inter alia, would result in the owners not having access to a number of local services such as children's education.

I believe that these restrictions would be sufficient for many mortgage lenders or banks to decline an application. In general over the past year funding has become easier for house purchase but as matters stand this improvement in the availability of mortgage lending has not extended to properties where there are any difficulties in justifying a value by onward sales. Accordingly any potential buyer would have to be a cash purchaser.

In their addendum to their Market Viability report Strutt & Parker conceded that Rycal's marketing "was not a normal marketing approach" and relied on "tapping into their client portfolio". Notwithstanding they succeeded in producing potential purchasers at what appear to have been roughly realistic prices. In my view the marketing of the 8 units appear to have been very limited both in terms of advertising (of which I have seen no information) and in time scale, which seems to have been restricted. Likewise I have never seen any sales particulars and accordingly one has to question Strutt & Parker's assertion that the marketing "was an attempt by Oaksey Park Ltd to leave no stone unturned".

In my report of December 2013, bearing in mind the failure of the Rycal marketing, I suggested that it might have been possible to find cash purchasers who were prepared to complete acquisitions had the 8 units been marketed with local and national advertising using a recognised estate agent and at asking prices varying from £90,000 for the smallest 2 bedroom unit to £130,000 for the largest 3 bedroom

units. At the time this was written some of the units which had originally been sold were back on the market and a 2 bedroom units was being marketed by R A Bennett of Cirencester for a considerable period quoting a guide price of £190,000 without success.

More importantly, since the last report there has been a more serious effort to dispose of a property, Unit 1, Oaksey Park Cottages by auction.

No. 1, a 2 bedroom bungalow unit (Kemble) with a gross internal area of 947 sq ft was initially offered by Auction House, Gloucestershire in their sale at Thornbury Castle on 19th February quoting a guide price of £150,000 but failed to sell. The same unit was offered again at auction on 16th April by the same auctioneer with a guide price of £125,000 and again failed to reach its reserve. Contrary to the opinions of Mr Kavanagh and Mr Crocker I believe that the efforts to dispose of Unit 1 offer an extremely useful indication of the value of the 8 subject properties. In fact Unit 16 is a very similar 2 bedroom bungalow and I believe this supports the contention in my earlier report that the value of the 2 bedroom units, with the planning restrictions, could probably be below £100,000 for the long leasehold interest. Rycal claim to have agreed terms for the sale of Unit 16 at £141,400 in January 2013 and while this is far in excess of my own opinion of value the fact that Unit 1 had been acquired in April 2006 at £205,000 demonstrates that Rycal and their clients appreciated the dramatic fall in value.

I have to say that I have no knowledge of Rycal Investment Group and was not aware that they acted as property agents either nationally or locally in the leisure market. Notwithstanding they apparently succeeded in producing potential purchasers at what appear to have been prices sharply reduced from 2006/2007 achieved prices and therefore possibly realistic at the time of their marketing exercise in December 2012 and January 2013. By way of additional information as to the Rycal marketing I attach at Appendix II Strutt & Parker's updated report dated 9th May 2014 which gives a fuller picture of the marketing by Rycal Investment Group with the problems associated with the restrictions.

I am in no doubt that were the prices to be reduced below those of the Rycal marketing at some level purchasers would be found to acquire the properties with the restrictions in place. Bearing in mind that there are 8 properties which are the subject of this assessment this over supply on the market would undoubtedly have a further detrimental effect on value. When considering viability I believe it is necessary to recognise that there is a point below which the values would not be considered reasonable for the purposes of a viability assessment of this sort and requiring a valuation at figures much lower than those that I am proposing would be considered inequitable not just to the applicant but also to the owners of those properties that have been sold off. Furthermore to market these units at extremely low levels might in the absence of genuine purchasers of holiday cottages invite an opportunistic buyer who would take the risk of ignoring the restrictions and simply create an isolated ghetto of poorly maintained low cost accommodation in an inappropriate location.

It should be borne in mind that the local planning authority originally opposed the planning application for the development largely because they were sceptical about the scheme's viability and consent was only achieved on appeal. In my view time has proved that now, as then, the concept of holiday homes in this location whether as a letting business or as units for sale to owner occupiers is an unviable proposition largely due to the lack of on site facilities and other attractions in the neighbourhood that would make it successful.

8. Conclusion

It is my opinion that under current market conditions the lettings business, consisting of 20 cottages, of which 8 are the subject of the planning application, does not represent a viable business as it has not shown an adequate return for an investor.

With regard to the viability of selling the individual properties, while the marketing of the 8 units by Rycal was unconventional and not employing the usual marketing tools, they did apparently identify purchasers for the property who agreed prices acceptable to the applicant and would have been prepared to proceed with the purchase had reasonable funding been available.

The difficulty of both arriving at a suitable value and achieving a sale of one of a restricted property has been highlighted by the double failure of the offering of Unit 1 at auction in February and April of this year.

Accordingly I am of the opinion that the proposition of disposing of the 8 units to individuals genuinely seeking holiday homes is unviable in this location.

Signed



Gerald Harford FRICS
Consultant, Chesterton Humberts

Strutt & Parker Accounts Summary - Cotswold Property Ltd

Profit and Loss Account Summary

Year Ended 31 December	2008 £	2009 £	Management Accounts 2010 £	Management Accounts to 30/04/11 £
<u>Sales</u>				
Holiday Cottage Lettings			361,309	104,620
Service Charges			8,500	2,833
Ground Rent			2,499	833
Gross Interest Received			0	0
			0	0
	265,750	317,134	372,308	108,287
<u>Cost of Sales</u>				
Lettings Commission	50,069	51,352	53,949	17,108
Lettings - Light and heat	27,954	35,277		
Lettings - Repairs and Maintenance	12,442	12,001		
Letting - Cleaning of Premises	22,255	2,091	2,571	200
Sundry Expenses	1,766			
Glasses, Plates and Utensils for Houses			6	0
Linen, Towels and Laundry			0	0
Room Extras			0	0
Materials Purchased			34	0
Newspapers			0	0
Holidays Lettings Expenses - Cleaning			110	0
Holidays Lettings Expenses - TV Licences			291	0
Carriage			50	0
	114,486	100,721	57,011	17,308
<u>Other Direct Costs</u>				
Advertising	6,939	1,625	0	0
	6,939	1,625	0	0
Gross Profit	144,325	214,788	315,297	90,979
<u>Overheads</u>				
Gross Wages	49,361	40,054	24,325	3,238
National Insurance	4,201	2,237		
Rent and Rates	20,833	24,409	17,837	6,834
Heat, Light and Power			24,704	14,685
Motor Expenses	3,162		1,642	621
Telephone	2,871	2,060	1,649	494
Post & Stationery	550	417	589	112
Audit and Accountancy	8,905	9,689	6,745	1,840
Professional Fees	5,189	165	8,000	1,400
Repairs and Renewals			5,993	346
Laundry and Cleaning	5,995	9,686	11,626	6,214
Waste Disposal			3,925	1,486
Bank Charges	262	1,603	1,705	871
Bank Interest	10,045	1,734	2,708	1,197
Other Interest payable	222,375	118,057		
Loan Interest			116,161	38,267
Tax Interest & Fines			1,287	0

Depreciation			27,250	9,108
Depreciation on plant and machinery	2,688	2,688		
Depreciation on fixtures and fittings	24,460	24,460		
Insurance	4,328	5,985	8,489	2,489
Donations			0	0
Suspense & Mispostings			0	0
Entertaining		60		
Sundry Expenses		161		
	365,225	243,465	264,635	89,203
Net Profit	(220,900)	(28,677)	50,662	1,776
Bank interest received	427			
<u>Sales</u>				
Ground Rent Receivable	2,500	3,571	0	0
Operating Profit	(217,973)	(25,106)	50,662	1,776
<u>Add Back:</u>				
Bank Interest	10,045	1,734	2,708	1,197
Other Interest payable	222,375	118,057		
Loan Interest			116,161	38,267
Tax Interest & Fines			1,287	0
Depreciation			27,250	9,108
Depreciation on plant and machinery	2,688	2,688		
Depreciation on fixtures and fittings	24,460	24,460		
	259,568	146,939	147,407	48,572
EBITDA	41,595	121,833	198,069	50,348



UPDATE
to
MARKET VIABILITY REPORT
dated April 2013
and
ADDENDUM TO MARKET VIABILITY REPORT
dated October 2013

**Units 12-19
Oaksey Park Cottages
Oaksey
Malmesbury
Wiltshire
SN16 9SB**

Prepared for:
Oaksey Park Limited
May 2014

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1. Instructions
2. Comments on Market Viability Report, April 2013.
3. Comments on Addendum to Market Viability Report, October 2013.
4. Summary at 9th May 2014.

1.0 INSTRUCTIONS

1.1 We are instructed by Oaksey Park Limited to provide supporting information relating to the current planning application at Oaksey Park. This report is supplemental to our earlier Market Viability Report dated April 2013 and Addendum dated October 2013.

2.0 MARKET VIABILITY REPORT dated April 2013

2.1 As a result of the subsequent revised planning application Paragraph 2.1 should now, due to the revised planning submission, refer to 8 holiday cottages (not 20) namely Unit No's 12, 13, 14, 15, 16, 17, 18 and 19.

2.2 Paragraphs 2.2 through to 7.3 (end of report) – remain unchanged.

3.0 ADDENDUM TO MARKET VIABILITY REPORT dated October 2013

3.1 Paragraphs 1.0 and 2.0 – remain unchanged.

3.2 Paragraph 3.1 – The marketing of Units 12-19 carried out by Rycal Investment Group was targeted at their client portfolio. It produced seven expressions of interest for the eight properties. Each expression of interest was dependent upon commercial funding being available. We understand from the e-mail between Rycal and Mr Crocker dated 22nd April 2014 that with some difficulty Rycal found three lenders who showed an interest in lending against the properties on this site but, because of the restrictions these lenders felt the values were “way below” what the properties were worth. The purchase prices which Rycal believed could be achieved and that they could fund were reduced by almost 50% from the headline prices at the request of Rycal to levels well below the build cost and more significantly did not cover the existing secured funding arrangements. The reduced prices points suggested as fundable ranged from £136,000 to £148,000.

Rycal stated that there were also restrictions, being the constraints on the usage for of the properties, causing each of the potential lenders issues on funding all eight properties such that the proposal could not be progressed.

A communication from Mr Henry, the Accountant acting for Oaksey Park Limited and Cotswold Properties Limited states that he was uncomfortable with the final arrangements proposed by Rycal as this involved a piecemeal arrangement reliant upon a rotation of a £60,000 investment purse provided by Rycal. This figure would act as form of deposit within each of eight progressive transactions but would be returned to Rycal following each sale. In Mr Henry's view this over inflated both the sale value and the deposit element of each unit, with this element being returned to the broker after completion of each sale. He further advised that even with this proposal in place Rycal were unable to secure funding and Oaksey Park Group were asked to provide a tranche of unsecured, interest free, time unlimited secondary funding approximating to £24,000 per unit in order to make the arrangement work. This meant that the funds that would actually be received by Oaksey Park would range from £112,000 to £124,000. They could not accept this variation for a number of reasons, the most compelling being that it would not pay off the existing borrowing.

3.3 Paragraphs 3.6 to 3.13 refer to the individual sales arranged by Rycal on Units 12-19. The sale prices quoted differ (are higher) than the figures shown in Mr Harford's report dated 16th December 2013 (Page 6, para. 7(b)). We understand that these headline sale figures were proposed by Rycal but were subsequently reduced by up to 50% in an attempt to get the sales through. The arrangement proposed by Rycal further reduced the return on each sale by £60,000 and was later reduced by an additional sum of c£24,000 by way of an in-house mortgage in order to make the proposal acceptable to the funding market. We therefore understand that the lower figures quoted in Mr Harford's report would have been the sums finally received by Oaksey Park Ltd and Cotswold Properties Limited.

3.3 Paragraphs 4.1 and 4.2 –remain unchanged.

3.4 Paragraph 4.3 – the “inability to raise a mortgage” is, in all material respects, correct in that the lenders expressing interest could not find security at sales values sufficient enough to settle the borrowings secured against these units. We understand that a loan may have been available against these properties but these were clearly not available at an appropriate level to satisfy Rycal or on terms that were acceptable to the existing funders, the freeholder or their advisors. It was Rycal which formally withdrew from the arrangement as they “ ... could not get near to what was required on these properties the deal did not transpire.”

3.5 Paragraphs 4.4 through to 5.3 (end of report) –remain unchanged.

4.0 SUMMARY at 8th May 2014

4.1 Oaksey Park Limited had been in Administration for twenty two of the past thirty five months. During that period the Administrators PwC sought (and failed) to find a buyer for the entire site. Whilst in Administration Oaksey Park Limited were not able to market these eight units either individually or as a package. Immediately post Administration Oaksey Park Limited marketed these eight properties through Rycal but was unable to achieve sales on either an individual or group basis.

4.2 It is normally a requirement that properties are fully marketed for a period of between six to twelve months. In this instance the overall marketing carried out combined with the exceptional actions of Rycal and the comparable marketing of identical properties in the same location is believed to provide a realistic and robust assessment of the true market, sufficient for the purposes of the current application's assessment. We have already provided full details of the marketing of Unit No's 1, 2 and 9 (all not owned) by various local estate agents on behalf of the respective owners. All three properties are on the same development and of a similar construction. All three properties had an identical holiday use

restriction and all three have failed to sell, the holiday cottage restriction being cited as one of the main reasons.

- 4.3 Unit 1, which came on the market in 2010 failed to sell for the second time at Public Auction on the 16th April this year, despite a price guide of £125,000; 35% less than it would cost to build. It had a holiday restriction.

Signed Date

PAUL GROVE
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9th May 2014