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# Report & Valuation

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Former RAFA Club and Nursing Home, Ffynone  
Road, Swansea, SA1 6DE



19 October 2017

Ref: CFDV384089

Proplend Security Limited  
20-22 Wenlock Road  
London  
N1 7GU

For the attention of Richard Berkley

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Dear Sirs,

**BORROWER: MR COLIN MOLONEY**

**PROPERTY: FORMER RAFA CLUB AND NURSING HOME, FFYNONE ROAD, SWANSEA, SA1 6DE**

In accordance with the instructions contained in your letter to us dated 26 September 2017 as confirmed in our letter to you dated 11 October 2017 we have inspected the property and made such enquiries as are sufficient to provide you with our opinion of value on the bases stated below. Copies of your instruction letter and of our letter of confirmation are enclosed at **Appendix 1**.

We draw your attention to our accompanying Report together with the General Assumptions and Conditions upon which our Valuation has been prepared, details of which are provided at the rear of our report.

We trust that our report meets your requirements, however should you have any queries, please do not hesitate to contact us.

Yours faithfully

For and on behalf of Savills (UK) Limited

A handwritten signature in blue ink, appearing to read "A Weeks".

Andrew Weeks MRICS  
RICS Registered Valuer  
Associate Director

A handwritten signature in blue ink, appearing to read "S Caldwell".

Scott Caldwell MRICS  
RICS Registered Valuer  
Director



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## Executive Summary

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## Background and Proposal

Our valuation is required for loan security purposes.

## Property Overview

The property comprises a site of 0.84 acres with derelict buildings proposed for redevelopment to a scheme of 32 apartments.

## Tenure

Freehold subject to full vacant possession.

## Principal Valuation Considerations

Location and Situation - The property is located in Swansea, where the property market has not recovered as strongly as it has in the capital, Cardiff. However, it is situated in one of the most desirable suburbs of Swansea on a street where property values are high relative to other surrounding areas.

Site Condition - The existing buildings are derelict, but the facades are to be retained, which is likely to be more costly than simply demolishing them. The site requires expenditure on a number of external elements including repairs to the boundary walls, removal of trees and construction of retaining walls to allow development to take place. We have allowed for these costs within our appraisal.

Proposed Accommodation - The proposed accommodation as described in the current design and access statement submitted with the application appears to be of good quality and to be appropriate for the market in this location. It benefits from a natural stone finish, with frontage on to Ffynone Road and ample car parking provided within a lower ground floor car park and at surface level, and within garages to the mews units to the rear. We consider the mews units could benefit from re-planning to provide eight 2-bedroom apartments, or alternatively four townhouses.

Town Planning - The site benefits from planning permission for a redevelopment scheme to provide 32 residential units.

Planning Obligations - No affordable housing or other Section 106 obligations are required under the current planning permission. This is considered to be attractive to a developer.

Strength of the Occupational Market - We consider that the finished product will appeal mainly to downsizers, retirees and those wanting a second home close to the city centre.

Strength of the Development Land Market - There is increasing developer appetite for Swansea but a limited pool of purchasers for this type of opportunity.

## Approach to Valuation

We have adopted the residual method of valuation, establishing the value of the completed development before deducting costs and allowing for an appropriate profit margin to a developer. We have cross-checked our residual appraisal against comparable sales of residential development sites in Swansea.

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## Suitability as Loan Security

Overall we consider that the property provides reasonable security for prudent lending purposes at the level of our valuation.

## Valuations

Current Market Value - £1,000,000

Restricted Sale Value (120 days) - £700,000

Current Market Rent - £0 per annum

Market Rent (Special Assumption) - £261,000 per annum

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## 1. Instructions and Terms of Reference

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## 1.1. Instructions

## 1.2. Instructions and Bases Of Valuation

You have instructed us to provide our opinions of value on the following bases:

- The current Market Value of the freehold interest, subject to vacant possession and with the benefit of planning permission under application ref no 2015/1938 (“Market Value”);
- The current Market Value of the freehold interest, subject to vacant possession and with the benefit of planning permission under application ref no 2015/1938 and on the Special Assumption that a sale of the property is to be completed within a period of 120 days (“Restricted Sale Value”);
- The current Market Rent;
- The current Market Rent on the Special Assumption that the development has been completed;
- An indication of Reinstatement Cost.

### 1.2.1. General Assumptions and Conditions

All our valuations have been carried out on the basis of the General Assumptions and Conditions set out in the relevant section towards the rear of this report.

### 1.2.2. Date of Valuation

Our opinions of value are as at 19 October 2017, being the date of this report. The importance of the date of valuation must be stressed as property values can change over a relatively short period.

### 1.2.3. Definitions of Market Value and Market Rent

In undertaking our valuations, we have adopted the RICS definitions of Market Value and Market Rent, as detailed below:

Valuation Standard VPS 4 1.2 of the Red Book defines Market Value (MV) as:

“The estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm’s length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion.”

Valuation Standard VPS 4 1.3 of the Red Book defines Market Rent (MR) as:

“The estimated amount for which an interest in real property should be leased on the valuation date between a willing lessor and a willing lessee on appropriate lease terms in an arm’s length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion.”

### 1.2.4. Purpose of Valuations

You instruct us that our valuations are required for loan security purposes in connection with an existing facility granted to the borrower who is proposing to develop the property.

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## 1.2.5. Proposed Loan Terms

You have not informed us of the proposed loan terms.

Although we comment on the suitability of the property as loan security, we do so generally and not in the context of any specific loan terms as we are not qualified to do so.

## 1.2.6. Conflicts of Interest

You are aware that we have previously valued the property on your behalf.

We are not aware of any conflict of interest, either with the property or with the borrower, preventing us from providing you with an independent valuation of the property in accordance with the RICS Red Book. We will be acting as External Valuers, as defined in the Red Book.

## 1.2.7. Valuer Details and Inspection

The due diligence enquiries referred to below were undertaken by Andrew Weeks MRICS. The valuations have also been reviewed by Scott Caldwell MRICS and Gareth Carter, both Directors in Savills' development team.

We first inspected the property in October 2015. The property was re-inspected on 12 January 2017 by Andrew Weeks MRICS. We were able to inspect the whole of the property, but limited to those areas that were easily accessible or visible. The weather on the date of our inspection was rain. In accordance with your instructions we have not re-inspected the property and you inform us there have been no material changes to the property since our most recent inspection.

All those above with MRICS qualifications are also RICS Registered Valuers. Furthermore, in accordance with VPS 3.7, we confirm that the aforementioned individuals have sufficient current local, national and international (as appropriate) knowledge of the particular market and the skills and understanding to undertake the valuation competently.

## 1.2.8. Extent of Due Diligence Enquiries and Information Sources

The extent of the due diligence enquiries we have undertaken and the sources of the information we have relied upon for the purpose of our valuation are stated in the relevant sections of our report below.

Where reports and other information have been provided, we summarise the relevant details in this report. We do not accept responsibility for any errors or omissions in the information and documentation provided to us, nor for any consequences that may flow from such errors and omissions.

## 1.2.9. Liability Cap

Our letter confirming instructions at **Appendix 1** includes details of any liability cap.

## 1.2.10. RICS Compliance

This report has been prepared in accordance with the RICS Valuation – Global Standards 2017 incorporating the IVSC International Valuation Standards issued June 2017 and effective from 1 July 2017 (the "Red Book"). Our report in accordance with those requirements is set out below.

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Our report in accordance with those requirements is set out below.

## 1.2.11. Verification

This report contains many assumptions, some of a general and some of a specific nature. Our valuations are based upon certain information supplied to us by others. Some information we consider material may not have been provided to us. All of these matters are referred to in the relevant sections of this report.

We recommend that you satisfy yourself on all these points, either by verification of individual points or by judgement of the relevance of each particular point in the context of the purpose of our valuations. Our valuations should not be relied upon pending this verification process.

## 1.2.12. Confidentiality and Responsibility

Finally, in accordance with the recommendations of the RICS, we would state that this report is provided solely for the purpose stated above. It is confidential to and for the use only of the party to whom it is addressed, and no responsibility is accepted to any third party for the whole or any part of its contents. Any such parties rely upon this report at their own risk. Neither the whole nor any part of this report or any reference to it may be included now, or at any time in the future, in any published document, circular or statement, nor published, referred to or used in any way without our written approval of the form and context in which it may appear.

## 1.3. Background

The property has been the subject of planning permission for numerous redevelopment proposals over a number of years, but physical development has not yet progressed on site. The borrower now intends to either sell the site or build out the proposed scheme. Our valuation is required for loan security purposes.

### 1.3.1. Historic Purchase Price

We have investigated the Title Register held with the Land Registry and have established that the western half of the property was last sold in March 2002 at a price of £162,000. There is no price data available for the eastern half of the property.

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## 2. The Property, Statutory & Legal Aspects

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## 2.1. Location

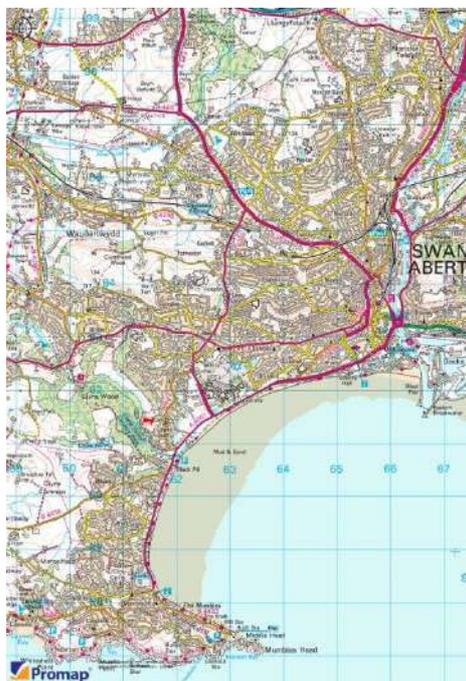
Swansea is a coastal city in the historic county boundaries of Glamorgan. Swansea is the second largest city in Wales and has a resident population of 240,300, with a further 580,000 people (estimate) living within a 30 minute radius drive time. It is located 42 miles west of Cardiff and has good access to the national motorway network via Junction 42 through to Junction 47 of the M4. Main routes into the city from the M4 include the A483 from Junction 43, the A4067 from Junction 45 to the north and the A483 from Junction 47 to the north-west.

Swansea which acts as the administrative and commercial centre for West Wales due to the transport links by road and rail, with estimated travel times of 3 hours to London Paddington. Employers within the city include the Inland Revenue, DVLA, NHS Trust, Land Registry and private companies such as NTL, EDS, HSBC and Admiral Insurance.

Swansea University has around 12,600 undergraduates and 2,200 postgraduates. Swansea Metropolitan University merged with University of Wales Trinity St David (UWTSD) in 2013 and has around 6,000 students.

There are promising signs for Wales' second city. A transformative masterplan proposes new retail, leisure and residential developments to the central, civic and seafront districts, Swansea University's new Bay Campus has been established and UWTSD's new campus building is currently under construction at SA1. Swansea Bay is also proposed for a £1.3bn tidal lagoon that would generate 320MW of renewable energy and around 200 jobs. The scheme is currently awaiting UK government approval.

We enclose below a General Location Map showing the location of Swansea in its regional context.



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## 2.2. Situation

The property is situated in the Uplands area of Swansea, approximately 0.8 miles west of the city centre. Uplands is a popular West Swansea suburb offering a good range of local amenities. The property is located in the Ffynone area, which is the most sought-after part of Uplands, offering a range of traditional town houses and villas. The area is home to the Mansion House, the official residence of the Lord Mayor of Swansea, and two private schools, Oakleigh House (primary) and Ffynone Road (secondary).

The property is positioned to the south of Ffynone Road and fronts on to Ffynone Road and Bullin's Lane, a one-way street leading from the A4118 providing access to the city centre.

Immediately adjoining the property is the Lifepoint Church, a place of worship which is currently being extended. A small park, St James Gardens is situated a short distance to the west.

Ffynone Road is an attractive, leafy street characterised by large, detached Victorian buildings including the Sancta Maria Private Hospital at its far end, which is due for closure following the development of a new facility and the existing site will likely be the subject of redevelopment thereafter.

We have provided a Local Street Map below.



## 2.3. Description

The property comprises the site of two former villas, which are now derelict. They were more recently used as the Ffynone Nursing Home and the RAFA Club but have been vacant for a number of years.

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The site slopes down in a southerly direction from Ffynone Road such that the buildings on site are two-storey where they front Ffynone Road and three-storey to the rear where they overlook the site.

The rear part of the site is on a lower level and there is a retaining wall running the width of the site to the rear of the two buildings.

The boundaries are marked by stone walls and iron railings on all sides, and there a number of mature trees on the site and along the boundaries. A large tree in the centre of the site has been topped completely, with only the trunk remaining.

Photographs of the property taken on the date of our most recent inspection are provided below.



**EXISTING BUILDING**



**EXISTING BUILDINGS**



**SITE LOOKING EAST**



**SITE LOOKING WEST**

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SITE LOOKING SOUTHEAST



SITE ENTRANCE FROM BULLIN'S LANE

## 2.3.1. Site Area

The site of the property is roughly rectangular in shape and is bounded by Ffynone Road, Bullin's Lane, Hanover Lane and the Lifepoint Church. It has a frontage of approximately 70m to Ffynone Road. By reference to the Ordnance Survey Extract, we calculate that the property has an area of 0.341 hectares (0.84 acres). This area and the precise site boundaries should be confirmed by your legal advisers.

We attach an extract from the Ordnance Survey sheet at **Appendix 2** showing the property edged in red and its immediate vicinity.



## 2.4. Accommodation

The existing buildings at the property are derelict and we were unable to access them internally. We have not measured them as they are proposed for redevelopment. It appears that a rear extension to the westernmost building shown on the Ordnance Survey extract has been demolished.

## 2.5. Condition

As instructed, we have not carried out a structural survey, nor have we tested any of the services. However, we would comment, without liability, that during the course of our inspection for valuation purposes, we observed that the property is currently derelict.

## 2.6. Environmental Considerations

### 2.6.1. Informal Enquiries

As instructed, we have not carried out a soil test or an environmental audit. Following informal enquiries, we understand that the property was previously used as a nursing home and Royal Air Force Association club, and, prior to that, residential use. On the basis of these informal enquiries, it would appear unlikely that land contamination exists. This comment is made without liability.

### 2.6.2. Assumption

As our informal enquiries have suggested that land contamination is unlikely, we have valued the property on the basis that it has not suffered any land contamination in the past, nor is it likely to become so contaminated in the foreseeable future. However, should it subsequently be established that contamination exists at the property, or on any neighbouring land, then we may wish to review our valuation advice.

### 2.6.3. Flooding

We have made enquiries with regard to potential flooding at the Natural Resources Wales website, [www.naturalresources.wales](http://www.naturalresources.wales) and note that the property is not within an area considered to be at risk from flooding.

## 2.7. Town Planning

### 2.7.1. Statutory Background

We have made informal enquiries of the local planning authority, Swansea Council, who inform us that the statutory plan covering planning policy and development control for the area is the City and County of Swansea Unitary Development Plan (UDP), which was adopted in November 2008. In accordance with changes to planning legislation, the UDP will be replaced by a Local Development Plan (LDP). Swansea Council's LDP was submitted to Ministers for examination in July 2017.

The property is identified within the UDP as an allocated site for residential development of 30 units and the relevant policy is HC1(73).

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The property is not a Listed Building but is within a Conservation Area. We are not aware that it is directly affected by any highway, town planning or other schemes or proposals.

## 2.7.2. Planning History

Planning decisions of note revealed by our enquiries are as follows:

Date of Decision	Description of Development	Ref No	Decisions
15 Jun 2016	Demolition of sections of existing buildings to facilitate side extension, link extension and conversion of existing buildings to provide 24 apartments, construction of a pair of detached two storey coach houses to provide a total of 8 apartments	2015/1938	Granted
10 Dec 2014	Variation of condition 1 of planning permission 2005/1438 granted on 30th May 2008 and 2013/0834 granted on 21st October 2013 to extend the period of time to commence works for a period of two years	2014/1535	Granted
21 Oct 2013	Variation of condition 1 of planning permission 2005/1438 granted on 30th May 2008 to extend the period of time to commence works for a period of two years	2013/0834	Granted
30 May 2008	Construction of a three storey side extension, three storey link extension to existing nursing home/ RAFA club, conversion of existing building as extended to form 24 self contained apartments, construction of two detached coach houses to accommodate eight self contained apartments together with parking and landscaping (amendment to planning permission 2003/2060)	2005/1438	Granted
6 July 2004	Construction of a three storey side extension, three storey link extension to existing Nursing Home/ RAFA Club, conversion of existing building as extended to form twenty four self contained apartments, construction of two detached coach houses[...]	2003/2060	Granted

## 2.7.3. Summary

During the course of our inspection of the property, it was evident that the above applications have not been implemented. We assume that the property is not subject to enforcement action.

## 2.8. Taxation

The property does not appear to be currently registered for either Business Rates or Council Tax. We assume the completed units will be banded for Council Tax purposes appropriately.

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## 2.8.1. VAT

Our valuation is exclusive of VAT.

## 2.9. Tenure

We have valued the freehold interest in the property as outlined in red on the Ordnance Survey Extract at **Appendix 2**.

We assume that full rights of access are enjoyed, and that no third parties enjoy any rights over the subject property. Your solicitors should confirm that there are no onerous restrictions or obligations as part of the due diligence process.

### 2.9.1. Occupational Leases

There are stated to be no leases in existence, and therefore we have valued the property with the benefit of full vacant possession.

### 2.9.2. Occupation

At the date of our inspection, the property was vacant.

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## 3. Development Proposals

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## 3.1. Development Summary

The proposed development will comprise a scheme of 32 apartments.

Twenty-four of the apartments will be contained within a new-build block that will retain the facade of the existing buildings. The remaining eight will be contained within two newly constructed mews buildings to the rear of the site.

The main block will comprise three cores, with undercroft parking at lower ground floor level. A total of 38 parking spaces will be provided on site. The ground floor level will provide common areas. Above this will be the apartments. The central core will have four floors of apartments above the ground floor including a flat-roof penthouse unit, while the cores to either side will each have three floors of apartments.

The central core will benefit from a lift and units on the top floors may have distant sea views.

## 3.2. Town Planning – Proposed Development

A planning application (ref 2003/2060) for 32 units was granted permission in July 2004. The permission has subsequently been extended and amended by further applications.

A new application (ref 2015/1938) was granted permission in June 2016. This application is for the same number of units but requires additional demolition of the existing buildings, with only the facades being retained. We attach a copy of the Design & Access Statement at **Appendix 3**.

### 3.2.1. Section 106 Agreement

We are not aware of the existence of a Section 106 agreement in respect of the property. The most recent permission, which forms the basis of our valuation, is not subject to a Section 106 agreement.

### 3.2.2. Community Infrastructure Levy (CIL)

The Community Infrastructure Levy (CIL) is a planning charge introduced by the Planning Act 2008 as a tool for local authorities in England and Wales to help deliver infrastructure to support the development of their area. It was adopted on 6 April 2010. CIL is chargeable on the net additional floorspace of all new development of more than 100 sq m GIA, or more than one dwelling.

CIL is not currently in force in Swansea and we have therefore disregarded it in our appraisal of the property.

## 3.3. Proposed Specification

We have not been provided with a specification and therefore we have assumed the following specification (or equivalent):

### General

- Branded units and appliances used in all elements of the property.
- Top grade workmanship and joinery.

### Kitchen Fittings

- LCD TV/Internet Link.

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- Branded fitted kitchens.
- Solid worktops and tiled splash backs.
- Appliances by Neff or similar including oven, integrated microwave, hob, dishwasher and hood.
- Concealed task lighting below wall units.
- Worktop level chrome MK double sockets and switched spurs.
- Chrome GU10 eyeball inset lighting.
- Solid granite (or similar) floor tiles.

## Bathroom Fittings

- Contemporary style bathroom units.
- Chrome heated towel rail (water/electric).
- Floor to ceiling tiling.
- Contemporary style screened bath with power shower/steam shower.
- Wall hung basin and WC (push button).
- Concealed cabinets.
- Under and over lighting.
- Extractor fan.
- Shaving points.
- Steam free mirrors.

## Bedrooms

- Contemporary fitted wardrobes with a range of fitted shelving and hanging rails.
- LCD TV and Internet Link.
- Timber flooring.

## Home Entertainment and Communications

- IT cabling installed throughout.
- BT points in living area and all bedrooms allowing for future internet and networking facilities.

## Security

- Video entry phone.
- Intruder detector and alarm system.
- Windows fitted with security locks and toughened glass – ground/lower ground floor.
- Double security locks to front doors.

## Heating

- Full gas or electric heating and hot water system.
- Thermostat/smart meter control system.

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## Doors and Internal Joinery

- Solid wood doors and architraves.
- Chrome or brass handles and fittings.

## Electrical and Lighting

- GU10 240 volt spotlights with chrome finish and fire hoods.
- Chrome MK double sockets and switches to be installed throughout.
- Minimum 3 double sockets to be fitted to bedrooms and reception room.
- Matching chrome MK TV, telephone and data sockets to be installed.

## Guarantees

- Contractor to provide 12 month defects liability period following completion of the works.
- All guarantees, warranties, instruction manuals and other documentation for all appliances to be provided.
- All guarantees for specialist building work and treatments to be provided.
- All statutory certification to be provided.

We consider that this specification or equivalent is suitable for the property and marketplace and we assume these works will incorporate a suitably high stand of workmanship, finish and presentation. We emphasise that the specification and finish of a new development is crucial to achieving a premium. The execution and quality of the workmanship is of equal importance to the specification and again is crucial to achieving the GDV reported herein.

This list is not exhaustive.

## 3.4. Accommodation

We understand that the property will offer the following accommodation:

- 24 x apartments – 21,237 sq ft net sales area
- 4 x 1-bedroom mews apartments – 1,904 sq ft net sales area
- 4 x 2-bedroom mews apartments – 2,856 sq ft net sales area
- 4 x mews garages – 953 sq ft GIA
- Ground floor common areas and circulation – 3,132 sq ft
- **Total GIA – 30,082 sq ft**

The gross to net ratio is 86%, which is in line with our expectations for a scheme of this nature.

A complete table of accommodation is attached at **Appendix 4**.

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## 3.5. Construction Costing

We have been provided with a full schedule of costings by the borrower, prepared by DCMS, a firm of cost consultants, dated July 2015. The borrower informs us this is the most up to date cost information available. We attach a copy of this at **Appendix 5**.

We summarise the borrower's estimated costs in the table below:

Type	Cost per sq ft	GIA	Total Cost
Construction cost	£79.12	30,082	£2,380,000
Demolition and site clearance			£215,000
Construction of basement			£155,000
Retaining walls			£90,000
Pool and gym facilities			£170,000
External site works			£268,500
<b>Total</b>			<b>£3,278,500</b>

The borrower informs us that the pool and gym facilities are no longer being provided and that the actual total costs will therefore be reduced by £170,000.

The BCIS Median All-In Tender Price Index cost for apartments (3-5 storeys) regionally adjusted to Swansea is currently £1,102 per sq m (£102 per sq ft), having fallen slightly from £105 per sq ft since our previous valuation. The lower quartile figure is £970 per sq m (£90 per sq ft).

We consider that the borrower's construction costs are now quite historic and at £79 per sq ft are too low; we have therefore adopted a construction cost rate of £96 per sq ft, which is 21% higher than the borrower's estimate and lies between the BCIS lower quartile and median costs. We have applied this cost to the GIA of 30,082 sq ft which includes the common areas as well as the residential apartments themselves. We have adopted the borrower's costs for demolition and site clearance, construction of the basement, retaining walls and external site works. Some elements of external site works we would expect to be included within the BCIS costs, but as we have adopted a rate slightly lower than the BCIS median, we consider this will remove any effect of "double counting".

We have allowed an additional contingency of 5% on demolition, external works, retaining walls and construction of the basement to reflect the fact these cost estimates are now quite historic.

As the borrower informs us the pool and gym will no longer be provided we have not made additional cost allowance for these, although we have assumed that the floor area housing them will still be constructed in accordance with the submitted plans.

Our total construction costs (excluding fees) are £3,825,985.

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## 3.6. Leases

We have valued the completed apartments on the assumption that they will be sold on standard leases of not less than 125 years at a ground rent of 0.1% of GDV per annum, and a moderate service charge appropriate to the market.

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## 4. Market Commentary

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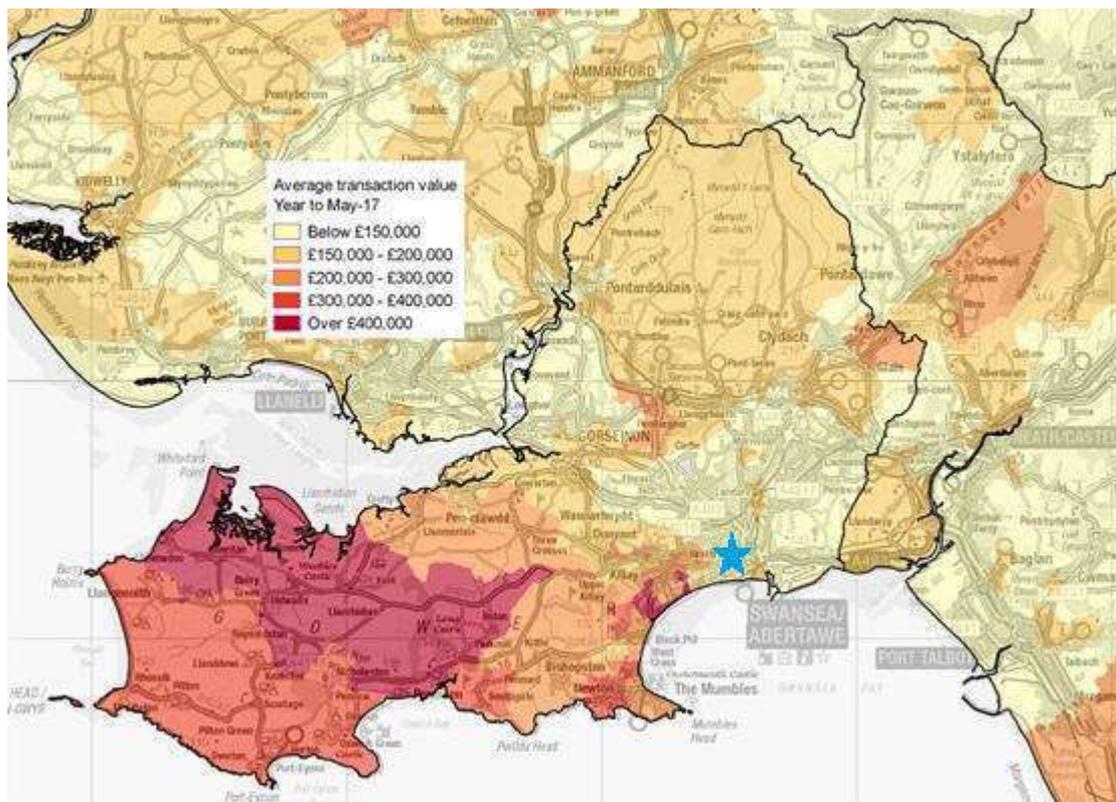
## 4.1. Property Market Overview

We enclose a Property Market Overview at **Appendix 6**.

The average house price in Swansea according to the most recent Land Registry data rose 2.27% in July 2017 and is currently 6% higher than in July 2016. Savills research suggest house prices in Wales have risen 3.7% on an annual basis and forecasts growth of 1.5% in 2018.

Generally, there has been limited house price growth within Swansea over the last few years, and prices remain just below their 2007 peak. However, this disguises the varied pattern across the local authority area, and also reflects a limited amount of new build activity in recent times as a result of a constrained land supply.

Uplands is considered to be one of the most desirable suburbs of Swansea, being close to the city centre and providing a range of Victorian and 20<sup>th</sup>-Century housing stock, which caters for a mix of university students, affluent families, retirees and the elderly. The area has literary connections, with the birthplace of Dylan Thomas at Cwmdonkin Drive approximately 400m to the east. We include a house price heat map for Swansea, based on Land Registry data, below:



## 4.2. Residential Land Market in Swansea

At the current time, Swansea remains a target for the major housebuilders as there are only a very limited number of ongoing developments. However, this demand is focused on traditional family housing in the more affluent and saleable parts of the city such as West Swansea, and interest diminishes rapidly further north from the city. Although there are some popular residential suburbs that remain as target areas, there has been very little in the way of apartment schemes since the market crash.

Although at a national level there has been an increase in new build supply from 'second tier' house builders and regional developers, there are still only a small number of regional developers active in South Wales and housing associations have played a more significant role in the development of smaller schemes. Funding for housing associations via the Wales Housing Finance Grant has been renewed and we are aware that some HAs are also pursuing open market opportunities. Most open market schemes have been aimed at large, executive housing rather than apartments.

The city centre has long been neglected, but an outline planning application for a significant mixed use regeneration project, Swansea Central, was finally granted in June 2017 and delivery of this project should help stimulate the market in this part of South West Wales.

In the city centre, two housing associations, Coastal and Pobl have been the only real active developers over recent years, fuelled generally by a lack of commercial development appetite within the heart of the city centre, albeit the waterfront (SA1) development was the subject to intense developer activity prior to the market crash, providing high density apartment development, but since that time only limited residential development has taking place in the form of medium rise townhouses and apartments.

More recently, the University of Wales Trinity St David (UWTSD) has acquired the remaining 23 acres of land at SA1 from the Welsh Government part of which is required for a new £300 million campus, which is currently under construction. The University are also currently in the process of finding a development partner to take forward the remainder of the land for a residential led mixed use scheme.

In the more traditional, suburban areas, Swansea is on all of the major housebuilders target list, but site criteria is very selective. There are areas in the north and east that have been rejected and a lack of house price growth has resulted in subdued bidding. Notwithstanding that, prime sites in West Swansea and the Gower have been subject to very aggressive bidding in recent years.

Overall, the market for this type of niche opportunity is thin and we consider a period of 12-18 months would be required to achieve a sale.

### 4.2.1. Land Sales Comparables

Coastal Housing Association, and latterly their open market housing arm Pennant Homes, have been one of the most acquisitive developers of smaller scale opportunities in Swansea over the last few years and have made the following acquisitions:

- **Sketty Primary School**, a site of 1.01 acres, in June 2010 for £1.2m for the development of 45 affordable housing flats. This reflects £26,000 per plot and £1.19m per acre.
- Car park at the **Bush Inn, Sketty** in 2009 for £750,000 for development of 17 flats (£44,118 per plot).
- Land for development of **Castle Quarter** to 30 flats (4 open market and 26 affordable) and ground floor commercial space for £900,000 in 2009. The price paid reflects £30,000 per plot excluding the commercial element.

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- A 1.48 acre parcel of land at **SA1** Swansea Waterfront for £720,000. The site is proposed for 22 open market townhouses and 27 social rented apartments. The price paid reflects £486,000 per acre and £15,000 per plot.
- The long leasehold interest in the **Potter's Wheel pub** in Swansea City Centre for £1,400,000 in October 2013 for development of 26 flats (£53,846 per plot), however we are not aware of the full details of this transaction.

Although these sales are useful, several of them are historic and therefore we attach limited weight to them. Coastal are increasing their land buying activity for sites of 5 – 100 units.

Other land sales include:

Bellway Homes acquired **Lon Masarn**, the second phase of the redevelopment of Cefn Coed Hospital, Swansea in June 2017 for £2 million. The site extended to 6.89 acres (5.4 acres net developable) and was sold with outline planning permission for up to 78 dwellings (30% affordable) and other contributions of around £218,000. The headline value reflected £43,500 per open market plot.

McCarthy & Stone acquired a site in **Gower Road** for £2m in the summer of 2015. The site, which contained existing buildings, extends to 1.69 acres and is proposed for 47 units. The price paid reflects £42,500 per apartment and £1.18m per acre.

**Heol Eifion**, a 2-acre site in Gorseinon, is currently under offer subject to planning permission at a headline price reflecting circa £330,000 per acre. This is a relatively unconstrained site located in an area of lower house prices.

The former **Cartref Residential Home** in Morriston, a less desirable northern suburb of Swansea, sold at auction in October 2014 for £242,500. It comprises 0.32 acres with existing 1970s buildings on site. The price paid reflected £760,000 per acre.

Savills acquired **Sun Alliance House**, a 24,000 sq ft building in the city centre for £735,000 in 2016 on behalf of a private individual, for conversion to 78 student beds. The price paid reflected £9,000 per proposed bedroom.

In terms of “executive” housing schemes, Clews Homes acquired a site in 2012 of 1.11 acres in **St. Anne's Close, Langland** for a development of 5 large executive homes for £2m. At a similar time, Redrow acquired a 2.36 acre site on **Mary Twill Lane** in the same village for a scheme of 11 detached executive homes paying in the order of £3.2m (after deduction of the off site affordable housing contribution of £433,000) with clean land values equating to circa £1.5 - £2m per net acre.

In the mainstream development market, Savills have been involved in four of the most recent sites in West Swansea including **White Knight Gardens, Bishopston; Land at Pant-Yr-Odyn, Ty Coch; Hendrefoilan Student Village, Sketty and Derwen Fawr Road, Sketty**. Whilst the details of the majority of these transactions remain confidential, the payable prices range between £760,000 to £870,000 per acre with a clear distinction of the larger volume sites sitting at the lower end of that range and the smaller, lower density schemes at the higher of the range. The “clean” land value range is between £800,000 and £1m per acre with the same distinction as above.

The subject property is a smaller, flatted scheme which appeals to a different type of developer. Currently we consider there to be a limited pool of active buyers in the region for the property as a development opportunity.

## 4.3. Apartments - Sales Transactions

In reaching our opinion of value for the property we have had regard to a number of sales of comparable properties both in the vicinity and in Swansea generally, and discussions with both our own agents and local agents.

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We have highlighted comparable sales and made adjustments to the comparable evidence to reflect the individual characteristics of each property, including: location, size, outside space and condition.

Our valuations are based on market evidence which has come into our possession from numerous sources. That from other agents and valuers is given in good faith but without liability. It is often provided in verbal form. Some comes from databases such as the Land Registry or computer databases to which Savills subscribes. In all cases, other than where we have had a direct involvement with the transactions, we are unable to warrant that the information on which we have relied is correct although we believe it to be so.

We would highlight the following transactions, which we consider to be particularly relevant to our valuation of the property:

## Castle Quarter, Swansea City Centre

- Plot 1, a new build 2-bedroom duplex extending to 950 sq ft sold in January 2017 for £175,000 (£184 per sq ft).
- Plot 2, a new build 2-bedroom duplex extending to 949 sq ft with parking sold in August 2016 for £200,000 (£221 per sq ft).
- Plot 3, a new build 2-bedroom duplex extending to 980 sq ft with parking and balcony sold in May 2016 for £210,000 (£214 per sq ft).
- Plot 4, a new build 2-bedroom penthouse extending to 1,485 sq ft with parking and balcony sold in May 2016 for £265,000 (£178 per sq ft).

The sales at Castle Quarter are the most recent new build evidence we have; however, they were developed by a housing association as part of a scheme with a high proportion of affordable housing and are considered less attractive than the subject development for this reason. They are also aimed at a different target market, being more appropriate for younger buyers whereas the subject scheme may appeal more to an older demographic.

## Meridian Bay, Trawler Road, Swansea Marina

- Apartment 46 extending to 990 sq ft sold in November 2016 for £400,000 (£404 per sq ft).
- Apartment 79 extending to 463 sq ft sold in February 2016 for £215,000 (£465 per sq ft).
- Apartment 39 extending to 1,410 sq ft sold in March 2016 for £348,500 (£247 per sq ft).

## St Margaret's Court, Maritime Quarter, Swansea Marina

- Apartment 120 extending to 764 sq ft sold in June 2017 for £235,000 (£307 per sq ft).
- Apartment 74 extending to 807 sq ft sold in April 2017 for £238,000 (£295 per sq ft).
- Apartment 72 extending to 753 sq ft sold in January 2017 for £225,000 (£299 per sq ft).

## Aurora, Trawler Road, Swansea Marina

- Apartment 30, a 1-bed extending to 592 sq ft sold in July 2017 for £123,000 (£208 per sq ft).
- Apartment 43, a 2-bed extending to 764 sq ft sold in June 2017 for £227,500 (£298 per sq ft).

Swansea Marina represents the main competition for buyers looking for a good quality, low maintenance home with parking close to Swansea city centre. The sales of apartments in Swansea Marina range from around £200,000 to £400,000. There is a wide range of apartment types in this location and £ per sq ft rates range considerably. We consider this is because of a wide range of unit sizes and the fact that water-facing units at this location are likely to command a premium.

The units at the subject property are generally larger and potentially offer buyers more parking but they do not benefit from water views. We consider the subject apartments should command sale prices in a similar range to those at Swansea Marina.

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## Gower, West Swansea

Sales of apartments in the Gower area, to the west of Swansea, which benefit from a coastal position and direct sea views include:

- Plot 2 Mumbles Reach, a new 2-bedroom ground floor apartment extending to 978 sq ft sold in May 2016 for £315,000 (£337 per sq ft).
- Plot 8 Mumbles Reach, a new 2-bedroom second floor apartment extending to 1,004 sq ft sold in April 2016 for £340,000 (£339 per sq ft).
- Flat 11 Caswell Bay Court – a 2-bed apartment of 689 sq ft sold in August 2016 for £320,000 (£465 per sq ft).
- Apartment 22 Langland Bay Manor – a luxury apartment sold in July 2017 for £535,000.
- Apartment 9 Langland Bay Manor – a luxury apartment of 969 sq ft sold in June 2017 for £381,150 (£393 per sq ft).

Sales of apartments in the Gower without the benefit of sea views include:

- Flat 9A Callencroft Court, Newton – a 2-bedroom top floor unit of 882 sq ft sold in July 2016 for £275,000 (£312 per sq ft). It had previously sold in July 2014 for £233,000 (18% price growth in two years).
- Flat 5A Callencroft Court, Newton – extending to 904 sq ft this flat sold in July 2017 for £214,000 (£237 per sq ft).

## Uplands (immediate vicinity)

We have also considered other property values close to the subject site in Uplands, in order to gauge the general tone of the area. There is a wide range of values within a small radius, with property values decreasing rapidly as you move south from the site closer to the city centre. However, given the site's frontage to Ffynone Road we consider it would be viewed by purchasers in the context of the much higher value properties along Ffynone Road and to the north and west of the site, which include:

- 21 Hillside Crescent – a 4-bedroom detached house sold for £465,000 in January 2016.
- 5 Richmond Villas – this Grade II Listed 7-bedroom house extending to 4,725 sq ft sold in December 2016 for £520,000.
- 72-73 Walter Road – this Victorian block converted to 18 student bedrooms sold at auction in May 2017 for £550,000 (9.1% GIY). It is an inferior position and the property was in poor condition, and in receivership.

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## 5. Valuation Advice

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## 5.1. Principal Valuation Considerations

The principal matters that impact on the value of the property are as follows:

### 5.1.1. Location and Situation

The property is located in Swansea, where the property market has not recovered as strongly as it has in the capital, Cardiff. However, it is situated in one of the most desirable suburbs of Swansea on a street where property values are high relative to other surrounding areas.

### 5.1.2. Site Condition

The existing buildings are derelict, but the facades are to be retained, which is likely to be more costly than simply demolishing them. The site requires expenditure on a number of external elements including repairs to the boundary walls, removal of trees and construction of retaining walls to allow development to take place. We have allowed for these costs within our appraisal.

### 5.1.3. Proposed Accommodation

The proposed accommodation as described in the current design and access statement submitted with the application appears to be of good quality and to be appropriate for the market in this location. It benefits from a natural stone finish, with frontage on to Ffynone Road and ample car parking provided within a basement car park and at surface level, and within garages to the mews units to the rear. We consider the mews units could benefit from re-planning to provide eight 2-bedroom apartments, or alternatively four townhouses.

### 5.1.4. Town Planning

We have valued the property with the benefit of the current planning permission, granted under reference no 2015/1938.

### 5.1.5. Planning Obligations

No affordable housing or other Section 106 obligations are required under the current planning permission. This is considered to be attractive to a developer.

### 5.1.6. Strength of the Occupational Market

We consider that the finished product will appeal mainly to downsizers, retirees and those wanting a second home close to the city centre.

### 5.1.7. Strength of the Development Land Market

There is developer appetite for land in Swansea; however there is a limited pool of purchasers for this type of opportunity. Redevelopment of the city centre and the new university campus at SA1 is expected to boost appetite and stimulate the market in Swansea.

## 5.2. Approach To Valuation

You have instructed us to provide our opinions of value on the following bases:

- The current Market Value of the freehold interest, subject to vacant possession and with the benefit of planning permission under application ref no 2015/1938 ("Market Value");
- The current Market Value of the freehold interest, subject to vacant possession and with the benefit of planning permission under application ref no 2015/1938 and on the Special Assumption that a sale of the property is to be completed within a period of 120 days ("Restricted Sale Value");
- The current Market Rent;
- The current Market Rent on the Special Assumption that the development has been completed;
- An indication of Reinstatement Cost.

### 5.2.1. Current Market Value

We have undertaken a residual valuation. This method is the accepted method used to value property which has potential for redevelopment or refurbishment. It involves assessing of the value of the completed development and deducting the estimated cost of the work, including professional fees, finance (on land and work), and developer's profit, to arrive at the value of the property.

The calculation comprises many variables, most of which are based on estimates of cost or value. A residual valuation is therefore significantly affected by small changes in its elements, such as construction costs or costs of finance or the percentage deducted for developer's profit. For example, a relatively small adjustment to one of the inputs can have a disproportional impact on the value of the site. The residual method of valuation should as a result be viewed with caution, although it is the method which is generally accepted in the market place. In addition, residual appraisals tend to be conservative, especially when based on robust assumptions and 100% LTV, which is in itself unrealistic.

We have used an automated valuation model called Circle (Argus) Developer in order to undertake the calculations. Circle Developer is an industry wide model and is used commonly used by valuers when assessing properties with development potential.

We provide details of the various elements adopted within our approach to the residual valuation:

#### Gross Development Value (GDV)

To arrive at our opinion of the end value of the completed scheme we have made enquiries of our own and public databases, local sales offices and our own local sales office and have had regard to recent transactions, as set out above.

We have assumed that the standard of finish and specification will be very good, and we comment that this is crucial to achieving the values reported herein.

We have analysed the sales evidence as outlined above paying particular regard to the size of the units, location and aspect of individual units and the capital values achieved. We have had regard to the rate (on a £ per sq ft basis) achieved, but whilst this is a useful tool of analysis we have not relied on it as a single approach to value the property.

Our opinion of the total end value of the apartments is £7,130,000 which equates to £274 per sq ft blended average.

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There are 38 proposed car parking spaces. We assume that at least one car parking space will be provided with each unit, and that larger units will be allocated a second space. We consider that on-site parking is crucial to achieving the values above, as parking in the immediate area is restrictive. We assume that the garages within the mews blocks will be demised to the 2-bedroom mews units.

We have also reflected the value of the freehold ground rent investment once all the units have been sold on long leases. We have assumed ground rents of 0.1% of GDV per annum; this equates to a total of £7,130 per annum and to this we have applied a gross yield of 4%, which equates to an investment value of £178,250.

Our opinion of GDV is therefore £7,308,250.

## Development Costs

Having established the GDV, we have then deducted the costs of development.

### Purchase Costs

- We have calculated Stamp Duty at £39,500.
- We have assumed legal costs of 0.5% of purchase price.
- We have allowed 1% of purchase price for agent's fees on acquisition.

### Construction Costs & Professional Fees

We have adopted construction costs of £96 per sq ft. To this we have added a developer's contingency @ 5% and professional fees @ 7%. The borrower informs us that professional fees of £53,500 have been paid to date and we assume this work would be assigned to an incoming purchaser with appropriate warranties.

We have adopted the borrower's cost estimates for demolition and site clearance, externals, basement construction and retaining walls plus we have allowed a 5% contingency on these items.

We have allowed for fire sprinklers at £900 per unit in line with Welsh Government cost guidance.

### Section 106 / CIL

We have assumed no affordable housing or other financial contributions are required.

### Finance and Timescales

The cost of finance has been allowed for at 6%. We have made the assumption that the scheme is 100% debt financed.

We have adopted the following timescales for the purposes of our valuation:

Activity	Start Date	Completion Date	Duration
Pre construction	Oct 2017	Dec 2017	3 months
Construction	Jan 2018	Jun 2019	18 months
Sales	Jul 2019	Sep 2020	15 months
<b>Total</b>	<b>Oct 2017</b>	<b>Sep 2020</b>	<b>36 months</b>

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We have assumed that six apartments and three mews units will be sold off-plan, completing on day 1 of the sales period. We have assumed an orderly rate of sale thereafter of 1.5 units per month.

Additionally, we have made the following assumptions with regard to cost and revenue timings:

- An S-Curve distribution of the various build in fit out costs through appropriate periods of the development.
- Fees payable at the time of provision.

## Disposal Costs

- We have made an allowance of 2% of GDV for marketing costs and agency fees.
- We have assumed legal costs of £750 per unit.

## Developer's Profit

The level of profitability likely to be required by a developer is dependent on how they perceive the risks in undertaking the development. In this instance, we have adopted a profit equal to 22.5% of GDV which amounts to £1,644,356. It is our opinion that the market would see this as appropriate given the risk profile of the development and the relatively limited pool of potential purchasers for the property in its current form as a development site.

## Residual Value

Our residual site value on this basis is £1,009,034, say £1 million. This equates to £31,250 per plot and £1.19m per acre and having cross checked this against the comparable evidence above, we are content that it sits broadly within the tone of other local developments. Our valuation calculations have been assisted by Circle Developer software, and a printout of those calculations is enclosed at **Appendix 7**.

## Sensitivity Analysis

The value of a property with development potential, by nature, can be highly volatile and the residual approach adopted is sensitive to changes in key variables. This being so, it is useful to provide a sensitivity analysis, giving context to the inter-relationship between key variables.

We have considered the effect on residual value in the event the construction stage is delayed by more than 15 months. We show below the effect on residual value (top line) and interest costs (bottom line) as the construction is delayed by 15-month increments:

**Table of Land Cost and Total Interest**

Construction				
0 Month(s)	+15 Month(s)	+30 Month(s)	+45 Month(s)	+60 Month(s)
18 Month(s)	33 Month(s)	48 Month(s)	63 Month(s)	78 Month(s)
(£1,009,034)	(£796,098)	(£601,580)	(£424,047)	(£262,169)
(£399,029)	(£623,570)	(£828,689)	(£1,015,898)	(£1,186,598)

It should be noted, however, that the market value of the property does not decrease in line with the figures in this analysis; rather, the analysis indicates the worth of the land to the current owner at that time in the light of increasing finance costs.

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We recommend that the progress of construction of the development is adequately monitored and funds drawn down in stages over the development period.

## 5.2.2. Restricted Sale Value

In order to achieve a sale within 120 days (4 months) we consider the only feasible method of disposal to be via auction. At auction it is inherently more difficult to predict purchase prices as much will depend on the skill of the auctioneer and the whims of the bidders on the day. We consider that a discount of 30% would be required to attract interest in the property on this basis.

## 5.3. Valuations

### 5.3.1. Current Market Value

Having carefully considered the property, as described in this report, we are of the opinion that the current Market Value of the freehold interest, subject to vacant possession and with the benefit of planning permission under application ref no 2015/1938, is in the order of:

**£1,000,000**  
**(ONE MILLION POUNDS)**

We consider that a period of up to 12 months is a reasonable period within which to negotiate completion of a sale by private treaty of the property at the level of our valuation, taking into account the nature of the property and the state of the market.

### 5.3.2. Restricted Sale Value

Having carefully considered the property, as described in this report, we are of the opinion that the current Market Value of the freehold interest, subject to vacant possession and with the benefit of planning permission under application ref no 2015/1938, and on the Special Assumption that a sale of the property is to be completed within a period of 120 days, is in the order of:

**£700,000**  
**(SEVEN HUNDRED THOUSAND POUNDS)**

We consider that a period of up to 12 months is a reasonable period within which to negotiate completion of a sale by private treaty of the property at the level of our valuation, taking into account the nature of the property and the state of the market.

### 5.3.3. Current Market Rent

As stated above and on the basis outlined above, in our opinion the current Market Rent of the property is:

**£0**  
**(NIL)**

The property is not current in any beneficial use.

### 5.3.4. Market Rent - Special Assumption

As stated above and on the basis outlined above, in our opinion the current Market Rent of the property, on the Special Assumption that it has been completed in line with the current planning permission as at the date of valuation, is:

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**£261,000 per annum**  
**(TWO HUNDRED AND SIXTY ONE THOUSAND POUNDS PER ANNUM)**

The Market Rent for each individual unit is attached in the table at **Appendix 4**.

We have assumed a 12-month letting of each unit on an Assured Shorthold Tenancy agreement (AST). The Market Rent figure assumes the property is fully let. We would expect to allow a running void of 4 units (12.5%) at any one time and therefore the actual rent receivable over the course of a given 12 month period is likely to be in the region of £232,000.

## **5.4. Indication of Reinstatement Costs**

You have sought from us an indication for insurance purposes of the current reinstatement cost of the property both in its present form and on completion of the proposed development. This we are pleased to provide below but it is given solely as a guide, as a formal estimate for insurance purposes can only be given by a quantity surveyor or other person with sufficient current experience of replacement costs. We confirm that the property has not been inspected by such a person, and therefore the cost estimate below is provided without liability.

On this basis, therefore, we would estimate the reinstatement cost on a day-one basis as follows:

<b>Estimated Gross Internal Area (existing buildings)</b>	<b>540 sq m</b>
<b>Building Reinstatement Cost (to shell condition only, lowest)</b>	<b>£608,175</b>
<b>Demolition and Site Clearance Costs</b>	<b>£215,000</b>
<b>Fees @ 8%</b>	<b>£48,654</b>
<b>Total Estimate Reinstatement Cost (Exc VAT)</b>	<b>£871,829</b>
<b>Say</b>	<b>£875,000</b>

The indicative reinstatement cost of the completed scheme is equivalent to the construction cost figure within our residual valuation i.e. £3,825,985.

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## 6. Loan Security

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## 6.1. Suitability As Loan Security

### 6.1.1. Lender's Responsibility

It is usual for a valuer to be asked to express an opinion as to the suitability of a property as security for a loan, debenture or mortgage. However, it is a matter for the lender to assess the risks involved and make its own assessment in fixing the terms of the loan, such as the percentage of value to be advanced, the provision for repayment of the capital, and the interest rate.

In this report we refer to all matters that are within our knowledge and which may assist you in your assessment of the risk.

### 6.1.2. SWOT Analysis

Strengths	Opportunities
<ul style="list-style-type: none"> <li>▪ The property is in one of the most desirable suburbs of Swansea, close to the city centre.</li> <li>▪ The proposed scheme is appropriate for the market and should generate good demand for the end product.</li> <li>▪ Planning permission with no affordable housing or S106 required.</li> </ul>	<ul style="list-style-type: none"> <li>▪ We consider that there may be an opportunity to increase the end value by re-planning the mews units to replace the 1-bed units with 2-bed units, or alternatively a scheme of townhouses.</li> <li>▪ Buyers of either the site or the completed units at the levels of our valuations will pay marginally less tax under changes to SDLT in Wales from April 2018.</li> <li>▪ Potential for market improvement as the city centre regeneration plans progress.</li> </ul>
Weaknesses	Threats
<ul style="list-style-type: none"> <li>▪ The site is sloping and requires retaining walls.</li> <li>▪ The existing buildings are derelict.</li> <li>▪ Need to retain existing facades.</li> </ul>	<ul style="list-style-type: none"> <li>▪ There is a limited pool of purchasers for the property as a development site.</li> <li>▪ Risk of cost over-runs.</li> </ul>

### 6.1.3. Property Market and Property Specific Risks

Due to the nature and individuality of the subject property, direct comparable evidence within the local area is sparse. In order to reach out valuation we have had to look further afield for comparable evidence. We would also comment that as a consequence, our opinion is more subjective and is subject to a greater degree of valuation tolerance.

#### i. Performance of Developments in the Short to Medium Term

It is our understanding that the borrower intends to carry the development through to completion. On this basis, and from an accounting viewpoint, value is added to the site as the construction budget is deployed. However, if the property is unexpectedly brought to the market midway through construction, the value added by the developer will not necessarily translate through to Market Value.

Issues that would be considered by potential purchasers should a commenced development come to the market include:

- The flexibility of fine tuning the proposed scheme is reduced.

- Doubt could be cast over the quality of the work completed and expensive and time consuming verification of quality, or negating works and starting again could be considered necessary.
- Concern over why the scheme has been abandoned may exert a negative force on achievable values.

Whilst these issues apply to all developments, some sites are more vulnerable than others to falling Market Value over the development period. We consider, therefore, that so long as the works are progressed in a professional workmanlike manner, works are appropriately monitored and certification obtained we would not consider a significant material fall in the Market Value when works are commenced.

## ii. Market Risk

We consider that there will be a good level of demand for the completed property, although demand will be subject to the quality of finish and the final presentation of the completed apartments.

There is a market risk in respect of the sales value adopted in the calculation of the GDV. It is possible that these may fall. Any movement is likely to be in line with wider macro trends and the effect that recent and future rises in interest rates may have on the housing market and consumer demand. This risk is inherent in residential development. Our opinions of value are given having regard to the reasonably stable long term outlook for the residential market at this level and reflecting the location. Barring any external shocks, we do not perceive a fundamental shift in sales values during the construction period.

## iii. Specification

The standard of specification and quality of finish is of paramount importance. Purchasers will have high expectations, which will have to be met in order to achieve the value of the completed development.

It is important that the specification is right for its target market. We assume that the end product would have a specification in line with that which we have stated above. We would comment that the features and amenities expected at this level in the market will need to be incorporated with a good standard of workmanship, design and presentation.

### 6.1.4. Suitability as Security

In conclusion, most of the market and property specific risks in this instance are capable of identification and measurement and/or may be considered acceptable in the context of the property sector.

We would comment that we have considered each of the principal risks associated with this property within the context of the wider investment market and that they are reflected in our valuation calculations and reported figures as appropriate.

Overall, we consider that the property provides reasonable security for a loan secured upon it, which reflects the nature of the property, our reported opinions of value and the risks involved.



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## 7. General Assumptions & Conditions to Valuations

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# Report & Valuation

Former RAFA Club and Nursing Home, Ffynone Road, Swansea, SA1 6DE

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## 7.1. General Assumptions and Conditions

### 7.1.1. General Assumptions

Unless otherwise stated in this report, our valuation has been carried out on the basis of the following General Assumptions. If any of them are subsequently found not to be valid, we may wish to review our valuation, as there may be an impact on it.

1. That the property is not subject to any unusual or especially onerous restrictions, encumbrances or outgoing contained in the Freehold Title. Should there be any mortgages or charges, we have assumed that the property would be sold free of them. We have not inspected the Title Deeds or Land Registry Certificate.
2. That we have been supplied with all information likely to have an effect on the value of the property, and that the information supplied to us and summarised in this report is both complete and correct.
3. That the building has been constructed and is used in accordance with all statutory and bye-law requirements, and that there are no breaches of planning control. Likewise, that any future construction or use will be lawful (other than those points referred to above).
4. That the property is not adversely affected, nor is likely to become adversely affected, by any highway, town planning or other schemes or proposals, and that there are no matters adversely affecting value that might be revealed by a local search, replies to usual enquiries, or by any statutory notice (other than those points referred to above).
5. That the building is structurally sound, and that there are no structural, latent or other material defects, including rot and inherently dangerous or unsuitable materials or techniques, whether in parts of the building we have inspected or not, that would cause us to make allowance by way of capital repair (other than those points referred to above). Our inspection of the property and this report do not constitute a building survey.
6. That the property is connected, or capable of being connected without undue expense, to the public services of gas, electricity, water, telephones and sewerage.
7. That in the construction or alteration of the building no use was made of any deleterious or hazardous materials or techniques, such as high alumina cement, calcium chloride additives, woodwool slabs used as permanent shuttering and the like (other than those points referred to above). We have not carried out any investigations into these matters.
8. That the property has not suffered any land contamination in the past, nor is it likely to become so contaminated in the foreseeable future. We have not carried out any soil tests or made any other investigations in this respect, and we cannot assess the likelihood of any such contamination.
9. That the property does not suffer from any risk of flooding. We have not carried out any investigation into this matter.
10. That the property either complies with the Disability Discrimination Acts and all other Acts relating to occupation, or if there is any such non-compliance, it is not of a substantive nature.
11. That the property does not suffer from any ill effects of Radon Gas, high voltage electrical supply apparatus and other environmental detriment.

# Report & Valuation

Former RAFA Club and Nursing Home, Ffynone Road, Swansea, SA1 6DE

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12. That the tenant is capable of meeting its obligations, and that there are no arrears of rent or undisclosed breaches of covenant.
13. That there are no adverse site or soil conditions, that the property is not adversely affected by the Town and Country Planning (Assessment of Environmental Effects) Regulations 1988, that the ground does not contain any archaeological remains, nor that there is any other matter that would cause us to make any allowance for exceptional delay or site or construction costs in our valuation.

## 7.1.2. General Conditions

Our valuation has been carried out on the basis of the following general conditions:

1. We have made no allowance for any Capital Gains Tax or other taxation liability that might arise upon a sale of the property.
2. Our valuation is exclusive of VAT (if applicable).
3. No allowance has been made for any expenses of realisation.
4. Excluded from our valuation is any additional value attributable to goodwill, or to fixtures and fittings which are only of value in situ to the present occupier.
5. Energy Performance Certificates (EPCs) are required for the sale, letting, construction or alteration of all residential buildings on non-domestic residential buildings over 538 sq ft (50 sq m) in England and Wales and on all buildings in Scotland. The effect of EPCs on value is as yet unknown, given that the market has yet to respond to their introduction. Therefore, we have not considered the property's EPC rating in forming our opinion of value. However, should this position alter, we reserve the right to reconsider our opinion of value.
6. Our valuation is based on market evidence which has come into our possession from numerous sources. That from other agents and valuers is given in good faith but without liability. It is often provided in verbal form. Some comes from databases such as the Land Registry or computer databases to which Savills subscribes. In all cases, other than where we have had a direct involvement with the transactions, we are unable to warrant that the information on which we have relied is correct although we believe it to be so.