REBUTTAL PROOF OF EVIDENCE – VIABILITY IN PLANNING

APPELLANT – McCarthy and Stone Retirement Lifestyles Ltd

35 Oakfield
SALE
M33 6NB

PLANNING INSPECTORATE REFERENCE: APP/Q4245/W/23/3325034

LOCAL PLANNING AUTHORITY: TRAFFORD COUNCIL

PLANNING REFERENCE: 109745/FUL/22

R JAMES MACKAY BSc (HONS) MRICS (RICS REGISTERED VALUER)

ALDER KING LLP

CONTENTS

1.0 INTRODUCTION

1.1 This rebuttal Proof of Evidence has been prepared by R James Mackay BSc MRICS. Full details of my qualifications and experience are contained within my main Proof of Evidence.

1.2 This rebuttal has been prepared in response to the evidence of Mr Murray Lloyd.

1.3 This rebuttal is not intended to be exhaustive and only deals with certain points where it is considered appropriate or helpful to respond in writing. Where a specific point has not been dealt with, this does not mean that these points are accepted.

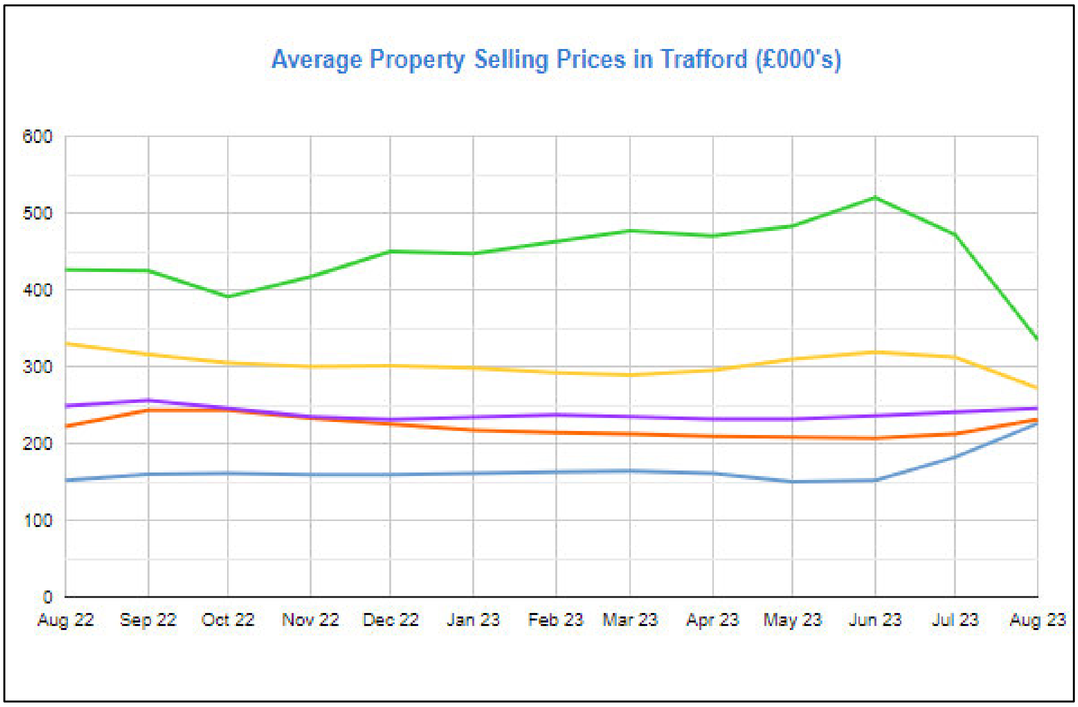
2.0 SALES & MARKETING COSTS

2.1 For ease of reference, I repeat the paragraph numbering in Mr Lloyd's Proof. The difference between the parties is 3% of GDV (Mr Lloyd) and 5% of GDV (Mr Mackay).

2.2 At paragraphs 5.1.2 through to 5.1.13 Mr Lloyd makes the point that there is considerable demand for over 55+ accommodation in Sale and Trafford. At 5.1.5, Mr Murray States:

Thus, the comment that the market for retirement living is more limited than others, a well-rehearsed argument, does not appear to be supported by data. As shown throughout this report the demand in Greater Manchester and more locally in Sale, is significantly high for this type of product, with very limited supply.

2.3 The private retirement market is still a niche market and purchasers are reliant on the operation and performance of the wider housing market in order to fund the purchase. The current housing market, predicted to continue into 2024, is slowing. From August 2022 to August 2023 the average semi-detached house in Trafford has fallen by 18% [Source: home.co.uk], as detailed in the graph below:



2.4 The average semi-detached house price has fallen from £330,158 to £271,997. The vast majority of retirement home purchasers need to sell their own home to fund the purchase of a retirement apartment. The declining housing market impacts on the available funds for purchasers of private retirement apartments.

2.5 At 5.1.7, Mr Lloyd states:

It is not understood how the localised target marketing of a small retirement scheme (25 units) would be any greater than a small market apartment scheme. For larger apartment schemes (non-retirement), particularly in Trafford / Greater Manchester, sale consultants are required to travel abroad to market schemes to overseas investors at a significant expense. For these large apartment schemes where a large majority of units are presold to overseas investors, consultants in Greater Manchester argue sales and marketing costs of 2.5% of GDV. (see B&Q Appeal APP/Q4245/W/20/3258552 as an example (CD-F21)).

2.6 Mr Lloyd fundamentally misunderstands the retirement market. The purchase of a retirement apartment is a lifestyle change and needs based. The purchase is a discretionary choice often requiring consultation with extended family. The time taken from first interest to completion on each individual sale, is significantly longer and generally requires multiple viewings and frequently involves overnight stays. This process requires highly skilled sales agents who are employed on a fulltime basis 7 days a week. As stated at 2.4 the purchase of a retirement apartment is predominantly funded by the sale of a dwelling, this takes time and a significantly longer period than an investor raising money (investment sale) or a market purchaser securing a mortgage (leasehold sale). Mr Lloyd references anecdotal evidence of sale consultants travelling abroad to market schemes and that a large majority of units are sold to overseas investors. No evidence is actually presented. Even if this were the case the retirement market is local and is not sold as an investment block.

2.7 The marketing of retirement schemes is highly targeted. The vast majority of purchasers for suburban retirement developments are sourced from a 5-10 mile radius of the scheme. The sale of the adjacent retirement scheme, St Michaels Court, shows that 85% of the units were sold to occupiers within 10 miles of the scheme (**Appendix 1**).

2.8 Finally, Mr Lloyd states at 5.1.13 that head office marketing costs are reflected in overheads within the gross profit margin. However, the residual appraisal run by both Mr Lloyd and I follows the methodology as outlined by the RICS. The Residual Land Value (RLV) is derived from the value of the completed development (net) minus the development costs, including developer's profit. A proportion of marketing costs for each development is allocated from central marketing costs. This was accepted at the Redditch Appeal (Appendix 9 of my Proof of Evidence). This was the last case where a reviewer challenged the marketing expenditure for a retirement scheme. In all assessments since a higher marketing/sales allowance has been accepted by independent experts acting for LPA's.

2.9 I enclose a summary of marketing costs for the Northern Division of McCarthy Stone for schemes sold out in the last 5 years. The average marketing costs over these 19 schemes is a marketing cost of 6.2% **(Appendix 2)**.

3.0 SALES PERIOD

3.1 Mr Lloyd argues that for a 100% scheme the sales period would be 7 months, equating to 3.57 per month. There is no evidence put to this inquiry over the last 5 years that is equal to this assumption. The sales rates detailed at appendix 3 of Mr Lloyds proof show that since 2019 overall sales rates have fallen to between 1.4 sales overall per month to 2.05 sales per month overall.

3.2 At 5.2.4 of Mr Lloyd's proof he references two schemes that have recently achieved planning in Greater Manchester. I was directly involved in both schemes. Sydney Grange, Failsworth is a significantly lower value location than Sale. The viability assessment concluded that the proposed scheme was unviable and could not provide any affordable housing contributions. The assessment was independently assessed for Oldham Council with the assessor agreeing marketing costs at 5%, sales rate at 1.38 per month and profit at 20% of GDV. Jessiefield Court, Didsbury was granted consent following a reduced scheme (original scheme was refused). The viability of the original, larger scheme, was assessed by Cushman & Wakefield, on behalf of Manchester City Council, with marketing costs agreed at 5% and profit agreed at 20% of GDV. The revised scheme (26 units) was consented with no affordable housing contribution with the original inputs not disputed.

3.3 The sales profile adopted in my assessment assumed 30% sold at practical completion and the remaining 70% sold over the next 17 months. The overall sales rate is therefore 1.38 per month and reflects the difficult residential market conditions now apparent in the wider market.

3.4 In reviewing the evidence I noted that the cashflow was not correctly calculating the finance costs based on my assumptions. The lead-in period was reduced by 2 months in negotiations with Mr Lloyd. The appraisal was updated to reflect this position but the cashflow did not update meaning there was a 2 month void at PC and an extended period beyond the sales period end date (by 2 months). The appraisal has been updated and a copy sent to Mr Lloyd. I enclose the corrected appraisal summary and cashflow **(Appendix 3)**. The result of this correction reduced the finance costs and therefore increased the residual land value of the proposed scheme. In turn this means a higher surplus is available as the RLV is compared against the fixed BLV. The UU has been amended to reflect this update.

4.0 EMPTY PROPERTY COSTS

4.1 At 5.3.5 Mr Lloyd states:

In terms of the service charges, I would not expect 100% of the service charges to be payable to the development at day 1, as they would expect the business to be slowly geared up and further staff hired as more units are sold. I believe the initial 50% would be able to cover the initial costs associated with the service charges and based on the sale period the building is fully occupied within 7 months.

4.2 Mr Lloyd misunderstands retirement development. There is no build up or staff hired during the sales period. The service charge is set at completion on the basis that the whole scheme is sold. A lodge manager is appointed from day 1. The costs are set in order to provide certainty to purchasers. If this was not the case, purchasers would pay a higher service charge to cover the costs. I enclose a letter from the Managing Director of Your McCarthy Stone, the services division of McCarthy and Stone explaining the reason why EPC's are charged **(Appendix 4)**.

4.3 At 5.3.4 Mr Lloyd states:

In terms of Council Tax, advice has been sought from Trafford's Council Tax department with regard to how the proposed scheme would be considered. On the basis of the development profile adopted by myself, it is not considered appropriate to adopt an allowance for Council Tax payments.

4.4 Trafford Council does not state that new build housing is except from Council Tax. In the 40% on-site appraisal, Mr Lloyd assumes that the 15 market units are sold within 3 months of practical completion (April 2024-June 2024). For the 100% market scheme, Mr Lloyd assumed that the 25 market units will be sold in 7 months, with 50% sold at practical completion. In my experience it is highly unlikely that Council Tax will be suspended for this scheme for over 7 months. EPC's are linked to the sales curve of the proposed scheme. In my assessment the sales period is 18 months and it would be highly unusual for a Local Authority to suspend Council Tax for this period.

5.0 PROFIT

5.1 At 5.4.7 Mr Murray details a commentary on the risk based approach I adopted in my original viability assessment. In all cases Mr Murray views retirement development as no different to standard market apartment development. Mr Murray's view on risk has changed since April 2023 when Continuum confirmed that there was an increased risk of 1% above the 'established benchmark' for flatted schemes in Trafford. In April 2023 this was stated as 17.5% on GDV and thus the retirement profit was raised to 18.5% on GDV. In his Proof, Mr Murray now argues there is no additional risk and that the 1% increase is now applicable to all flatted schemes due to market changes, rather than any specific increased risk for retirement development.

5.2 Mr Murray's view on profit for retirement development are at odds with the consensus of informed expert opinion on the viability of retirement schemes across the country, as documented at Appendix 12 of my Proof of Evidence. In my opinion no reasonable retirement developer would invest in Trafford for a return of 18.5% of GDV when it can expect a higher return in all other parts of the country.

5.3 At 5.4.12 Mr Murray states:

It should also be noted that retirement accommodation can generate return from four different revenue streams. These are:

- ***Profit generated by selling the units.***
- ***Profit generated from the service charge.***
- ***Profit generated from the guest suite income and hairdressers/salon space rents.***
- ***Profit generated via the agent fee for the re-sale of retirement apartments (through their in house agent).***

5.4 I deal with each point in turn:

1. Profit generated by selling the units – Agreed.

2. Profit generated from the service charge – Incorrect. The service charge is operated on a not for profit, not for loss basis. There is no profit derived from the service charge.

3. Profit generated through the guest suite income and hairdressers/Salon space – Incorrect. The Guest suite is available to family members and occupiers. There is a nominal charge for the use of this room and any profit (after allowance for cleaning) is reinvested into the development operating costs and reduces the service charge budget. There is no hairdressing salon at this scheme.

4. Profit generated via the agent fee for the re-sale of retirement apartments – Incorrect. The assessment considers the disposal of new build apartments with the profit return a measure of the GDV. The proposed scheme is not an operator model as would be found in retirement villages. The profit of the proposed scheme is derived directly from the sale of the apartments.

6.0 BENCHMARK LAND VALUE & PREMIUM

6.1 Matters relating to the Existing Use Value (EUV) are being dealt with separately by Mr Phil Winckles MRICS.

6.2 At 5.5.26 Mr Murray states:

The PPG is clear that the premium is the amount over and above the EUV. As no change of use occurs, this means that there is no amount over and above EUV and therefore no premium should be applied.

6.3 At 5.5.27, Mr Murray highlights an Appeal case that he uses to assert that no premium should apply to the EUV. The facts of this Appeal decision are materially different to this Appeal. The site already had planning permission for redevelopment, the application was to vary this consent. The argument between the Appellant and LPA centered on the Benchmark Land Value (BLV) of the scheme. The Appellant (represented by JLL) argued that the BLV should be the purchase price at £29M (2015) pro-rata to the appeal site arriving at a BLV at £21.29M. This was the value of the site with the benefit of planning permission. The Council (represented by Cushman & Wakefield) adopted the EUV at £12.59M, taken from the residual outcome of the extant scheme provided by JLL, allowing for market changes in value and cost. To back up this position JLL developed an argument that even if the EUV was £12.59M it did not incentivise the landlowner as it was below the market price for comparable land. Although not explicit in the documentation it appears an argument of EUV plus an approximately 70% premium was put forward by the appellants.

6.4 The Council's case was that as the RLV was the EUV (i.e. it represented the value of the land based on the delivery of the extant consent) and that as the site already benefited from a residential consent i.e. the value already included a premium and therefore there was no need to include a premium to incentivise the landowner.

6.5 The Inspector concluded that as there was no material change between the extant consent (planning permission for residential use) and the proposed scheme (based on the updated assessment of the extant consent) there was no need to include a premium as the land value already reflected the uplift.

6.6 This Appeal is clearly significantly different to the current case. In this case both parties agree that the value of the Property is its existing use (as a residential flatted property). The values vary but the basis of EUV does not. The landowner, acting knowledgeably and reasonably will know that there is a higher value achievable for the site if it were to be redeveloped. Mr Lloyd acknowledges this. He applies a range of EUV between £600,000 - £1,000,000 and a RLV of the proposed scheme between £1,850,752 and £2,533,990.

6.7 Whilst the outcome of these appraisals are disputed it is clear there is a substantial uplift in land value. Why would a landowner release the land at EUV, knowing there is a significant uplift in land value? The reality is that any landowner will require an incentive/premium to release the land for development, otherwise they will simply continue to receive income from the existing use.

6.8 In my assessment the RLV of the proposed scheme is £2,008,186. The EUV is assessed at £1,500,000 and a premium of 20% has been applied (£300,000) to incentivise the landowner to release the land. The BLV is therefore £1,800,000 and provides a contribution towards affordable housing of £208,186. In my view this provides a reasonable incentive for a landowner to bring forward land for development while allowing a sufficient contribution to fully comply with policy requirements, in line with PPG.

Appendix 1

Apartment No.	Postcode	Distance (Kilometres)	Distance (Miles)
1	S40	61.77	38.36
2	M33	0.32	0.20
3	M33	0.34	0.21
4	M33	1.46	0.91
5	M33	0.77	0.48
6	WR4	136.89	85.01
7	WA3	17.24	10.71
8	M33	0.61	0.38
9	SK3	11.99	7.45
10	M33	1.62	1.01
11	SK9	11.87	7.37
12	M33	1.07	0.66
13			
14	M33	1.86	1.16
15	CW1	34.89	21.67
16	M33	1.24	0.77
17	M33	1.66	1.03
18	SK8	8.49	5.27
19	M33	1.29	0.80
20	M33	3.12	1.94
21	M33	2.03	1.26
22	M33	0.58	0.36
23	SK8	12.00	7.45
24	M41	5.57	3.46
25	M33	2.14	1.33
26	CO13	298.69	185.49
27	M33	0.90	0.56
28	M33	0.49	0.30
29	M33	0.40	0.25
30	WA15	6.86	4.26
31	SK7	13.56	8.42
32	WA13	9.61	5.97
33	M33	0.34	0.21
34			
35	WA15	4.02	2.50
36	M33	0.77	0.48
37	M33	0.63	0.39

Appendix 2

NORTHERN DIVISION - SOLD OUT SITES IN LAST 5 YEARS

Site	Product	Units	Handover	GDV - Total Revenue for Site	Total Sales & Marketing Costs	Total S&M as % of GDV
2256 Bawtry RL	RL	34	28/06/2018	6,775,336	598,302	8.8%
2217 Pocklington RL	RL	34	06/07/2018	8,369,773	620,482	7.4%
2102 Ilkley 2 RL	RL	44	10/08/2018	12,262,765	530,634	4.3%
1952 Settle RL	RL	22	17/08/2018	5,900,110	462,966	7.8%
2147 Brough RL	RL	35	29/03/2019	7,199,558	686,731	9.5%
2106 Cleckheaton RL	RL	43	24/05/2019	7,739,070	420,905	5.4%
2095 Penwortham RL	RL	51	24/05/2019	10,661,184	652,113	6.1%
2215 Audlem RL	RL	25	24/05/2019	7,046,991	621,332	8.8%
2408 Bamford RL	RL	30	22/07/2019	6,608,267	404,179	6.1%
2416 Leek (RL)	RL	49	09/08/2019	9,788,041	783,322	8.0%
2349 Stafford (NW) RP	RP	64	21/10/2019	14,418,118	799,400	5.5%
2461 Alsager RL	RL	44	04/12/2019	10,036,131	517,292	5.2%
2307 Chorley RL	RL	41	20/03/2020	8,289,985	435,425	5.3%
1953 Ripon RL	RL	28	17/07/2020	8,009,641	530,943	6.6%
2479 Hazel Grove RL	RL	41	18/09/2020	9,416,000	456,653	4.8%
2432 Cockermouth RL	RL	40	22/10/2020	10,453,128	503,064	4.8%
2263 Malpas RL	RL	23	17/03/2021	6,057,973	491,809	8.1%
2592 Hexham Hospital RL	RL	43	20/09/2021	11,326,057	483,663	4.3%
2473 Barnsley RL	RL	49	15/04/2022	9,146,618	431,862	4.7%
				169,504,747	**10,431,077**	**6.2%**

Appendix 3

APPRAISAL SUMMARY — ALDER KING LLP

SALE - 35 Oakfield (Appeal - November 2023)
McCS Proposal (RL 25 Apartments)
Alder King LLP - 2023

Appraisal Summary for Phase 1

Currency in £

REVENUE

Sales Valuation	Units	m²	Sales Rate m²	Unit Price	Gross Sales
RL - 1 Bed	14	740.19	6,619.92	350,000	4,900,000
RL - 2 Bed	11	819.50	6,442.95	480,000	5,280,000
Totals	**25**	**1,559.69**			**10,180,000**

NET REALISATION				**10,180,000**
OUTLAY				
ACQUISITION COSTS				
Residualised Price			2,087,104	
				2,087,104
Stamp Duty			93,855	
Effective Stamp Duty Rate		4.50%		
Agent Fee - 1%		1.00%	20,871	
Legal Fee - 0.8%		0.80%	16,697	
				131,423
CONSTRUCTION COSTS				
Construction	**m²**	**Build Rate m²**	**Cost**	
RL - 1 Bed	1,104.76	1,671.00	1,846,056	
RL - 2 Bed	1,223.13	1,671.00	2,043,857	
Totals	**2,327.90 m²**		**3,889,913**	
Contingency		3.00%	127,908	
Demolition			98,670	
				4,116,492
Other Construction Costs				
External Costs		8.00%	311,193	
Part L	25.00 un	2,500.00 /un	62,500	
				373,693
PROFESSIONAL FEES				
Other Professional Fees		8.00%	348,982	
				348,982
DISPOSAL FEES				
Sales & Marketing		5.00%	509,000	
Sales Legal Fee	25.00 un	650.00 /un	16,250	
				525,250
Additional Costs				
Additional Costs - EPC			59,119	
				59,119
TOTAL COSTS BEFORE FINANCE				**7,642,063**

FINANCE

Timescale	**Duration**	**Commences**
Pre-Construction	4	Sep 2023
Construction	12	Jan 2024
Sale	18	Jan 2025
Total Duration	34	

Debit Rate 7.000%, Credit Rate 1.000% (Nominal)

Land	201,197
Construction	152,464
Other	148,276

APPRAISAL SUMMARY **ALDER KING LLP**

SALE - 35 Oakfield (Appeal - November 2023)
McCS Proposal (RL 25 Apartments)
Alder King LLP - 2023

Total Finance Cost		501,937
TOTAL COSTS		**8,144,000**
PROFIT		
		2,036,000
Performance Measures		
Profit on Cost%	25.00%	
Profit on GDV%	20.00%	
Profit on NDV%	20.00%	
IRR% (without Interest)	27.38%	
Floor Area Ratio	0.00%	

DETAILED CASH FLOW — ALDER KING LLP

SALE - 35 Oakfield (Appeal - November 2023) (1)
McCS Proposal (RL 25 Apartments)
Alder King LLP - 2023

Detailed Cash flow Phase 1 — **Page A 1**

	001:Nov 2023	002:Dec 2023	003:Jan 2024	004:Feb 2024	005:Mar 2024	006:Apr 2024	007:May 2024	008:Jun 2024	009:Jul 2024
Monthly B/F	0	(2,218,527)	(2,231,468)	(2,244,410)	(2,257,502)	(2,479,473)	(2,735,690)	(3,107,199)	(3,568,480)
Revenue									
Sale - RL - 1 Bed	0	0	0	0	0	0	0	0	0
Sale - RL - 2 Bed	0	0	0	0	0	0	0	0	0
Disposal Costs									
Sales & Marketing	0	0	0	0	0	0	0	0	0
Sales Legal Fee	0	0	0	0	0	0	0	0	0
Unit Information									
RL - 1 Bed									
RL - 2 Bed									
Acquisition Costs									
Residualised Price	(2,087,104)	0	0	0	0	0	0	0	0
Stamp Duty	(93,855)	0	0	0	0	0	0	0	0
Agent Fee - 1%	(20,871)	0	0	0	0	0	0	0	0
Legal Fee - 0.8%	(16,697)	0	0	0	0	0	0	0	0
Construction Costs									
Demolition	0	0	0	0	(98,670)	0	0	0	0
Con. - RL - 1 Bed	0	0	0	0	(39,910)	(94,361)	(138,690)	(172,899)	(196,987)
Con. - RL - 2 Bed	0	0	0	0	(44,186)	(104,471)	(153,551)	(191,425)	(218,094)
External Costs	0	0	0	0	(6,728)	(15,907)	(23,379)	(29,146)	(33,206)
Part L	0	0	0	0	(1,351)	(3,195)	(4,695)	(5,854)	(6,669)
Contingency	0	0	0	0	(2,765)	(6,538)	(9,609)	(11,980)	(13,649)
Professional Fees									
Other Professional Fees	0	0	0	0	(15,268)	(17,435)	(25,625)	(31,946)	(36,396)
Miscellaneous Costs									
Additional Costs - EPC	0	0	0	0	0	0	0	0	0
Net Cash Flow Before Finance	**(2,218,527)**	**0**	**0**	**0**	**(208,878)**	**(241,906)**	**(355,551)**	**(443,249)**	**(505,001)**
Debit Rate 7.000%	7.000%	7.000%	7.000%	7.000%	7.000%	7.000%	7.000%	7.000%	7.000%
Credit Rate 1.000%	1.000%	1.000%	1.000%	1.000%	1.000%	1.000%	1.000%	1.000%	1.000%
Finance Costs (All Sets)	0	(12,941)	(12,941)	(13,092)	(13,092)	(14,311)	(15,958)	(18,032)	(20,618)
Net Cash Flow After Finance	**(2,218,527)**	**(12,941)**	**(12,941)**	**(13,092)**	**(221,971)**	**(256,217)**	**(371,509)**	**(461,281)**	**(525,619)**
Cumulative Net Cash Flow Monthly	(2,218,527)	(2,231,468)	(2,244,410)	(2,257,502)	(2,479,473)	(2,735,690)	(3,107,199)	(3,568,480)	(4,094,099)

DETAILED CASH FLOW **ALDER KING LLP**

SALE - 35 Oakfield (Appeal - November 2023) (1)
McCS Proposal (RL 25 Apartments)
Alder King LLP - 2023

Detailed Cash flow Phase 1

010:Aug 2024	011:Sep 2024	012:Oct 2024	013:Nov 2024	014:Dec 2024	015:Jan 2025	016:Feb 2025	017:Mar 2025	018:Apr 2025	019:May 2025	020:Jun 2025
(4,094,099)	(4,658,788)	(5,236,492)	(5,801,321)	(6,327,709)	(6,788,991)	(7,158,825)	(7,411,355)	(4,543,875)	(4,135,442)	(3,723,641)
0	0	0	0	0	0	0	1,471,100	222,626	222,626	222,626
0	0	0	0	0	0	0	1,583,910	240,020	240,807	240,022
0	0	0	0	0	0	0	(152,751)	(23,132)	(23,172)	(23,132)
0	0	0	0	0	0	0	(4,876)	(739)	(739)	(739)
0	0	0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0	0	0
(210,954)	(214,800)	(208,525)	(192,129)	(165,612)	(128,974)	(82,216)	0	0	0	0
(233,557)	(237,815)	(230,868)	(212,715)	(183,357)	(142,794)	(91,025)	0	0	0	0
(35,561)	(36,209)	(35,151)	(32,388)	(27,918)	(21,741)	(13,859)	0	0	0	0
(7,142)	(7,272)	(7,060)	(6,505)	(5,607)	(4,367)	(2,783)	0	0	0	0
(14,616)	(14,883)	(14,448)	(13,312)	(11,475)	(8,936)	(5,696)	0	0	0	0
(38,977)	(39,688)	(38,528)	(35,499)	(30,599)	(23,830)	(15,191)	0	0	0	0
0	0	0	0	0	0	0	(4,736)	(6,926)	(6,302)	(5,838)
(540,807)	**(550,667)**	**(534,580)**	**(492,547)**	**(424,568)**	**(330,642)**	**(210,770)**	**2,892,648**	**431,850**	**433,221**	**432,940**
7.000%	7.000%	7.000%	7.000%	7.000%	7.000%	7.000%	7.000%	7.000%	7.000%	7.000%
1.000%	1.000%	1.000%	1.000%	1.000%	1.000%	1.000%	1.000%	1.000%	1.000%	1.000%
(23,882)	(27,037)	(30,249)	(33,841)	(36,714)	(39,191)	(41,760)	(25,168)	(23,417)	(21,420)	(18,898)
(564,689)	**(577,704)**	**(564,829)**	**(526,388)**	**(461,282)**	**(369,833)**	**(252,530)**	**2,867,479**	**408,433**	**411,801**	**414,042**
(4,658,788)	(5,236,492)	(5,801,321)	(6,327,709)	(6,788,991)	(7,158,825)	(7,411,355)	(4,543,875)	(4,135,442)	(3,723,641)	(3,309,599)

DETAILED CASH FLOW **ALDER KING LLP**

SALE - 35 Oakfield (Appeal - November 2023) (1)
McCS Proposal (RL 25 Apartments)
Alder King LLP - 2023

Detailed Cash flow Phase 1

021:Jul 2025	022:Aug 2025	023:Sep 2025	024:Oct 2025	025:Nov 2025	026:Dec 2025	027:Jan 2026	028:Feb 2026	029:Mar 2026	030:Apr 2026	031:May 2026
(3,309,599)	(2,892,567)	(2,472,874)	(2,050,186)	(1,624,500)	(1,196,018)	(764,533)	(330,042)	106,720	426,944	747,788
222,626	222,626	222,626	222,626	222,626	222,626	222,626	222,626	163,308	163,308	163,348
240,022	240,022	240,022	240,022	240,022	240,022	240,022	240,022	175,814	175,814	175,858
(23,132)	(23,132)	(23,132)	(23,132)	(23,132)	(23,132)	(23,132)	(23,132)	(16,956)	(16,956)	(16,960)
(739)	(739)	(739)	(739)	(739)	(739)	(739)	(739)	(541)	(541)	(541)
0	0	0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0	0	0
(5,374)	(4,910)	(4,446)	(3,982)	(3,518)	(3,054)	(2,590)	(2,126)	(1,772)	(1,418)	(1,063)
433,404	**433,868**	**434,332**	**434,796**	**435,260**	**435,724**	**436,188**	**436,652**	**319,852**	**320,206**	**320,642**
7.000%	7.000%	7.000%	7.000%	7.000%	7.000%	7.000%	7.000%	7.000%	7.000%	7.000%
1.000%	1.000%	1.000%	1.000%	1.000%	1.000%	1.000%	1.000%	1.000%	1.000%	1.000%
(16,372)	(14,175)	(11,644)	(9,110)	(6,777)	(4,238)	(1,697)	111	371	638	906
417,032	**419,693**	**422,688**	**425,686**	**428,482**	**431,485**	**434,491**	**436,762**	**320,224**	**320,844**	**321,548**
(2,892,567)	(2,472,874)	(2,050,186)	(1,624,500)	(1,196,018)	(764,533)	(330,042)	106,720	426,944	747,788	1,069,336

DETAILED CASH FLOW ALDER KING LLP

SALE - 35 Oakfield (Appeal - November 2023) (1)
McCS Proposal (RL 25 Apartments)
Alder King LLP - 2023

Detailed Cash flow Phase 1

032:Jun 2026	033:Jul 2026	034:Aug 2026
1,069,336	1,391,505	1,714,296
163,348	163,348	163,348
175,858	175,858	175,858
(16,960)	(16,960)	(16,960)
(541)	(541)	(541)
0	0	0
0	0	0
0	0	0
0	0	0
0	0	0
0	0	0
0	0	0
0	0	0
0	0	0
0	0	0
0	0	0
(709)	(354)	(1)
320,996	**321,351**	**321,704**
7.000%	7.000%	7.000%
1.000%	1.000%	1.000%
1,173	1,441	0
322,169	**322,791**	**321,704**
1,391,505	1,714,296	2,036,000

Appendix 4

[redacted]

James Mackay
Alder King LLP
12 Pine Court
Kembrey Park
Swindon
SN2 8AD

BY EMAIL: [redacted]

6th November 2023

Dear James,

You have requested some information on the Empty Property Costs associated with Your McCarthy Stone developments. By way of introduction, I am Managing Director of Your McCarthy Stone, the Services Division of McCarthy Stone. Your McCarthy Stone provides management, support, maintenance, communal and care services to over 23,500 customers, maintaining 530 developments and supporting vibrant communities across the UK. The Your McCarthy Stone team employs c.2,100 people, including its House Managers and CQC-registered care teams who manage McCarthy Stone's Retirement Living PLUS (Extra Care) developments. Each one of our developments is managed by the Your McCarthy Stone Management Services team.

McCarthy Stone schemes differentiate from the general housebuilding market in a number of ways. Most prospective purchasers of retirement housing (both the older person/persons who will live in the accommodation and/or the family member of that person/persons) will want to see the completed development, in particular the various communal facilities, and meet with the appointed management team, before they commit to purchase. Due to the nature of our developments, each development needs to be fully operational, not just from the moment the first resident moves into the development but prior to this to ensure the scheme is ready for the new resident.

Off Plan sales are limited on this basis. The decision to downsize to retirement accommodation is also very much a significant lifestyle and financial decision in older age. Coupled with potential purchasers typically being at the top of a housing chain and therefore reliant on the sale of their own property, possibly in a long chain, sales and final occupancy also take a significant amount of time, as I understand reflected in your own representations. The construction, marketing, and disposal of retirement housing (as distinct from mainstream housing) results in the majority of the apartments and the associated common areas being fully build-complete, but typically with a low level of committed legal occupations at build completion stage.

Logically those unsold, vacant, but fully built complete developments, with their more extensive communal spaces and unsold apartments need to not only be maintained and staff in place to do this , but also be lighted and heated in the winter months, together with any void council tax liability which may arise. As occupants move into the units, it follows that the cost burden of the empty units will continue over the marketing void period. It is iniquitous to expect those purchasers who move in, before other purchasers, to subsidise all of the services within a building. As a result, the empty property expenditure is a genuine cost item which the developer has to bear until the last of the purchasers has moved in This is an expenditure item that is specific to the Retirement sector as a whole and is not unique to McCarthy Stone developments.

I trust that this is clear but do let me know if you require any further information.

Yours sincerely,

[redacted]

Fiona Carleton

Managing Director

Your McCarthy Stone