

Development Appraisal July 2017

Enabling Infrastructure

85 Houses

Neighbourhood Commercial Centre

451 House Plots

at

Trump International, Menie, Aberdeenshire



14 July 2017

Ryden

PX-1450

Index No. 452564/2022 (AFE)

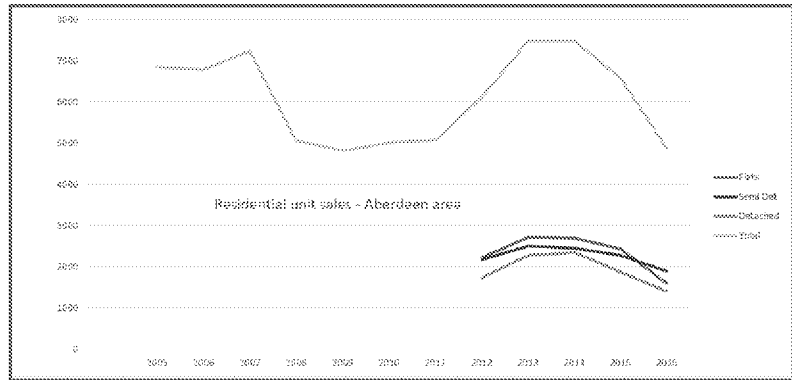
1.0 Summary

- 1.1 Trump International Golf Links Scotland has outline planning permission to develop a golf course and resort at Menie Estate near Aberdeen. An Estate Masterplan is approved subject to conditions and includes a 70 ha (173 acres) residential area, a 70 ha resort area and a 20 ha (49 acres) golf villa area.
- 1.2 Covell Matthews Architects have prepared plans and drawings that illustrate the potential residential development. These include:
1. An Economic Assessment Masterplan dated May 2017;
 2. Drawings of eight potential house types and four potential detached garage options prepared between January and April 2017.
- 1.3 The proposed house sizes and types follow recent research into demand for housing in the Aberdeen area. Aligned to the Trump brand the proposed house designs are to very high standards that exceed what mainstream builders provide in the Aberdeen area.
- 1.4 Ryden LLP have undertaken development appraisals of the proposed residential development. As agreed with Sarah Malone of Trump International, we have prepared appraisals that reflect a development scenario where:
- a. The road and mains utility infrastructure essential for the residential development to take place is extended into the Trump Estate;
 - b. Chapter 1A of 85 dwellings is developed by Trump International. Roads and mains services are brought to each plot and the 85 houses are built by Trump International to its high standards;
 - c. Chapter 1B, a Resort Centre, is developed by Trump International. It is to include a village hall, local retail units, and 21 apartments for occupation by key workers.
 - d. Chapters 2 to 8 as shown on the Masterplan have roads and mains services extended to their boundaries by Trump International but are sold to other developers as residential development land. 451 house plots are provided by Chapters 2 to 8.
- 1.5 Compared with a different scenario where all 557 houses and apartments are built by Trump International, the scenario we have selected significantly reduces the developer risk for Trump International. Over the timeline of the development this approach requires less than 40% of the capital investment that building 557 houses would require, and the likely timescale for achieving over 500 residential properties on the Trump Estate would reduce from around 20 years to around 8 years.
- 1.6 We estimate that developer profit for Trump International should reflect around 30% of sales income and over 40% on the capital invested.

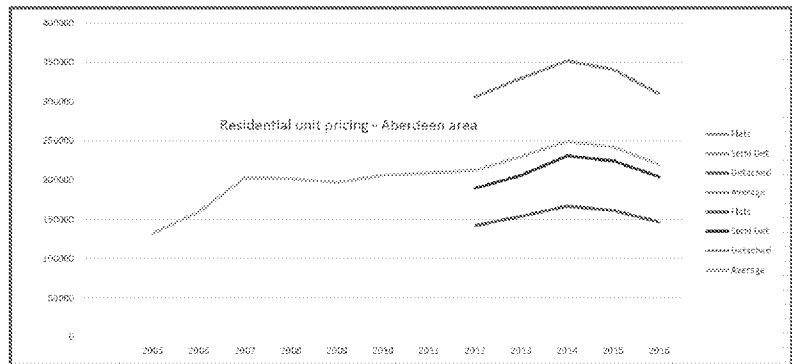
2.0 Aberdeen Housing Market Overview

2.1 During the past two years the residential market in the Aberdeen area has proved to be difficult. The supply of new and second hand housing has exceeded demand. Property prices accordingly dropped, in some instances by 25%. Sales have continued to take place, but at a slower rate and at lower prices than during 2014/15.

2.2 The chart on the right illustrates (in yellow) the year on year change in the total number of houses and flats sold in the Aberdeen area between 2005 and 2016.



2.3 Plotted on the right in yellow is the average price achieved for all residential property in the Aberdeen housing market between 2005 and 2016. The average price of detached (orange), semi-detached (blue) and flats (grey) over the period 2012 to 2016 is also plotted.



2.4 The Aberdeen residential market has been challenging for developers but they continue to build new houses in the Aberdeen area and continue to look for new development sites. They feel they can still attract buyers with the right product in what has become a more discerning marketplace. Ongoing house construction and the purchase of new housing sites by local and national builders would not be taking place if they were not confident of achieving a reasonable level of future sales.

2.5 The plans for most developments have been amended to provide a mix of smaller detached and semi-detached dwellings including bungalows. Very few single storey houses have been built during the past 20 years because the reduced floor area on each house plot made them unpopular with builders. However, these properties have always been popular with buyers. Several builders have recently started to construct them again to achieve better rates of sale than two storey properties have been giving them.

2.6 Currently, the best performing “prime” housing sites in the Aberdeen area are being developed by Cala Homes in the Lower Deeside suburbs of Cults and Milltimber. Cala are continuing to focus on building good sized detached family houses of 1,800 to 3,000 sq ft (167 to 280 sq m) and achieve comparatively high prices. However, even they have

been using part exchange to maintain sales at around 2 sales per month. The net sale prices they have been achieving recently reflect £235 to £295 per sq ft (£2,530 to £3,200 per sq m). These developments have proved the exception because the Lower Deeside location continues to be the most attractive one for local buyers able to spend over £500,000 on a new house.

2.7 The proposed houses in Chapter 1A of the Trump Estate correctly focus on a wider market for two and three bedroom dwellings but also include 4 different styles of four bedroom house, and 7 exclusive luxury mansion houses for the largest plots.

3.0 House Plots in Chapters 2 to 8

3.1 The Masterplan illustrates housing Chapters 2 – 8 with between 35 house plots and 74 house plots in each of these Chapters.

3.2 The Masterplan is indicative only but by scaling from it the proposed house plot sizes in Chapters 2 to 8 are each approximately as follows:

Large detached plots	520 to 550 sq m (5,600 to 5,920 sq ft)
Small Detached plots	387 to 440 sq m (4,165 to 4,735 sq ft)
Semi-detached & townhouse plots	320 to 340 sq m (3,445 to 3,660 sq ft)

3.3 Our appraisal assumes that each house plot achieves an average sale price of £50,000. This is based on comparable land sales we are aware of and assumes normal ground conditions and also that developer obligations have already been met by Trump International (see development costs below). It also assumes that responsibility to provide affordable housing rests with the purchaser of each Chapter.

4.0 Proposed Housing in Chapter 1A

4.1 The Chapter 1A housing mix which we have appraised is illustrated in the drawings prepared by Covell Matthews and is as follows:

House Type	Bedrooms	Sq Ft	Sq M	No.
Blairton	2	934	87	24
Formartine	3	1,432	133	8
Ythan	3	1,367	127	20
Gordon	4	1,776	165	4
Fyvie	4	1,830	170	4
Eagleden	4	1,895	176	10
Turnberry	4	1,722	160	8
Balmoral	5	3,972	369	7
				85

4.2 The above floor areas exclude any garages. The houses have been designed with detached garages that would be ordered as an extra. It is important to note that analysis

of other house sales on a rate per sq ft or sq m basis excludes any garage area. However, the vast majority of the comparable houses on other developments include a single or double garage. Any comparison of other construction costs or sale prices with the Chapter 1A houses must take this into account.

4.3 We have obtained price estimates from two contractors for the construction of each proposed house type. These costs are approximate only at this stage but are extremely helpful for the purposes of the development appraisal. The house construction costs we have used are as follows:

House Type	Bedrooms	Sq Ft	Cost	Per Sq Ft
Blairton	2	934	£147,489	£157.91
Formartine	3	1,432	£187,822	£131.16
Ythan	3	1,367	£148,428	£108.58
Gordon	4	1,776	£226,757	£127.68
Fyvie	4	1,830	£234,207	£127.98
Eagleden	4	1,895	£244,658	£129.11
Tumberry	4	1,722	£205,226	£119.18
Balmoral	5	3,972	£455,716	£114.73
Single Garage		450	£37,868	£84.15
Single + Car Port		592	£43,932	£74.21
Single + Car Port + Upper Room		657	£51,233	£77.98
Double + Upper Room		829	£62,905	£75.88

4.4 Our estimated sale prices take account of the high quality appearance and expected excellent internal specification of each house. We have looked at prices obtained by other housing developments in the Aberdeen area and sought to adjust these to take account of the location and proposed house sizes and designs.

4.5 We have also considered the potential sale price for each house type with the benefit of premium Trump branding and international marketing. These estimated sale prices align sale rates with the best new build housing available in the Aberdeen Housing Market Area. The largest £1 million plus Balmoral mansions will require targeted branding and international marketing in any event because to the north of Aberdeen no house on a development has yet achieved in the region of £1 million. Of the other house types proposed we believe that the detached 3 and 4 bedroom single storey houses in particular have the potential to achieve prices over 10% higher with the benefit of Trump branding and marketing.

4.6 The house sale prices we have assumed are summarised below:

House Type	Bedrooms	Sq Ft	Sale Price Excl Garage	Per Sq Ft	Price Trump Branding	Premium
Blairton	2	934	£265,000	£284	£275,000	3.8%
Formartine	3	1,432	£330,000	£230	£385,000	16.7%
Ythan	3	1,367	£315,000	£230	£320,000	1.6%
Gordon	4	1,776	£425,000	£239	£475,000	11.8%
Fyvie	4	1,830	£430,000	£235	£490,000	14.0%
Eagleden	4	1,895	£440,000	£232	£470,000	6.8%
Tumberry	4	1,722	£400,000	£232	£410,000	2.5%
Balmoral	5	3,972	£1,000,000	£252	£1,070,000	7.0%

5.0 Development Costs

5.1 The estimated contractor cost of building each house type proposed in Chapter 1A is outlined in Section 3.3 above. We have added a 3% contingency to the cost estimates giving an aggregate house construction cost in Chapter 1A of £17,687,736 (average £208,091 per house). This estimate does not include any garages with the houses. For the appraisal we have assumed that garages will be built to order and sold at cost plus a modest profit.

5.2 Large scale housing development always requires significant up front cost to install the necessary infrastructure. At Menie, a new road access is needed. New links into utilities are also needed. An increase in the capacity of mains utilities may also be necessary. We have obtained input from Fairhursts Civil Engineers on budget road, utility and site servicing costs. Further detailed surveys on the precise location and capacity of existing utilities are necessary for there to be a high level of confidence about the utility and site servicing costs we have adopted. The cost estimates we have adopted are however based on Fairhursts experience of other projects of a comparable scale in the Aberdeen area.

Main Infrastructure

5.3 We have estimated that the main infrastructure investment that is necessary for the development will cost in the region of £4,253,075. This includes a contingency of 3% on most of the costs. The vast majority of this cost must be incurred near the start of the development. The second electricity sub-station and second SUDS pond are however not likely to be required until after approximately 300 houses have been built on the Estate. This cost estimate is made up as follows:

Item	Cost Estimate	Comment
Main Access Road	£1,640,275	910m @ £1,750 per m + 3%
Off Site Traffic Calming	£257,500	£250,000 + 3%
Main Sewer	£772,500	£750,000 + 3%
Mains Water	£381,100	£370,000 + 3%
2 Electricity sub-stations	£144,200	£70,000 each + 3%
2 SUDS Ponds	£257,500	No. 1 @ £150,000, No. 2 @ £100,000 + 3% contingency
Prelims on site servicing	£800,000	

Phased Utilities & Roads

5.4 A significant length of distribution road is planned to optimise road access to each proposed phase of housing. Mains services will normally run beneath these roads and it is now normal for housing developers to sell parcels of land to each other with road access and mains services at the edge of the parcel and an outline planning consent for a specific number of residential units within the parcel. Our appraisal assumes that Chapters 2 to 8 are serviced, marketed and sold on that basis.

5.5 We have been advised by Fairhursts that a realistic cost estimate for the main distributor roads is currently £1,250 per linear metre. We have adopted this cost. The table below illustrates the estimated cost of providing these roads. This work, and cost, would normally be phased throughout the duration of the development to reduce the impact on cash flow.

Phase	Units	Main Roads	
		Metres	Cost
1A	85	1,200	£1,500,000
1B	21		
2&3	132	1,700	£2,125,000
4	74	500	£625,000
5	74	500	£625,000
6	67	950	£1,187,500
7	35	1,200	£1,500,000
8	69	285	£356,250
Total	557	6,335	£7,918,750

5.6 The remaining cost for roads and utilities relates only to Chapter 1 of the development. The sale of Chapters 2 to 8 as serviced land means that only in Chapter 1A and Chapter 1B will it be necessary for Trump International to construct Estate roads and paths, connect houses to utilities, carry out landscaping work and abnormal earthworks associated with house construction.

5.7 Chapter 1B is relatively small and is designated for a Village Hall, three or four neighbourhood retail units and 21 apartments for key workers. We do not have any further information about Chapter 1B. For appraisal purposes we have assumed a cost of £1,236,000 for construction of the hall and a cost of £216,300 for construction of the

retail units. We have assumed that the cost of providing the hall can be offset against the developer contribution required for the Estate. We have assumed that the retail units have an aggregate Market Value on completion of £300,000. We have assumed that the cost of providing the key worker accommodation is approximately the same as its market value on the special assumption that it must be maintained as “affordable” accommodation.

5.8 In the development of Chapter 1A, we were advised by Fairhursts to allow £920 per linear metre for estate roads and £175 per linear metre for footpaths. The cost estimates below for Chapter 1A exclude a contingency.

Estate Roads		Pathways		Utility		
Metres	Cost	Metres	Cost	Connections	Landscaping	Earthworks
860	£791,200	725	£126,875	£81,600	£199,750	£97,500

5.9 The aggregate estimated cost of distributor roads, and Chapter 1A plot servicing is £9,492,144 including a 3% contingency.

Developer Obligation

5.10 Indications from Aberdeenshire Council to Sarah Malone are that Developer Obligations from a development of 500 mainstream plus 50 holiday let properties at Menie Estate, excluding any commuted sum for affordable housing, will be no more than £3.6 to £3.8 million. This is due to an offset against the cost of providing a village hall. A court ruling on the enforceability of the Sustainable Transport Fund contributions could lead to the figure being reduced. In our appraisal we have adopted a developer obligation of £3,730,165. We have assumed that payment of this is phased to correspond with the development of the various Chapters of the Estate.

Professional Fees, Planning Costs & Development Marketing

5.11 We have allowed for professional and planning fees at 4.5% of development costs which is approximately £1.65 million. We have estimated that a marketing budget of approximately £1 million will be necessary to sell the development in Chapter 1 and market the remaining Chapters of the Estate as development land.

Interest Charges

5.12 We have no information about the nature of any borrowing arrangements for the proposed development. We have applied an interest rate of 5% to all capital invested. We have assumed that with the phased nature of the development, receipts from house and land sales will be used to reduce debt.

6.0 Profit

- 6.1 We understand the land designated for the residential development was acquired for a relatively modest amount. If it is not developed for housing, in line with the Masterplan for the Estate, the land would have a low value as amenity or agricultural land. The surplus generated from the proposed development can therefore be considered to be profit.
- 6.2 Our appraisal based on comparable sales shows an estimated profit of £16,525,000 representing 29.3% profit compared with GDV (Gross Development Value) and 41.5% profit on the estimated cost of the development to Trump International.
- 6.3 Our appraisal based on premier sale prices with the benefit of Trump branding and international marketing shows an estimated profit of £18,546,000 representing 31.8% profit compared with GDV (Gross Development Value) and 46.5% profit on the estimated cost of the development to Trump International.
- 6.4 A summary of our development appraisals is on page 11.
- 6.5 The normal developer's profit sought in the current Aberdeen housing market is around 20% of GDV with up to 25% of GDV sought where the development risk is considered to be significant.
- 6.6 A cash flow of the proposed development shows the break-even point being reached approximately 33 months after the start of the project. The peak capital requirement is approximately £9 million and occurs around 18 months into the project.
- 6.7 We would expect the residential development to take less than 10 years if undertaken in the way outlined in our appraisal. In the region of 12 to 18 months would be required to install the main road and utilities and open up the Estate for residential development.
- 6.8 We would expect Phases 1A and 1B to take 3 to 4 years to be fully developed from the start of construction work in Chapter 1. Residential development land sales of individual Chapters 2 to 8 could be concluded as soon as road access and mains services have been installed to the edge of a Chapter but we would expect these sales to be phased. In our appraisal we have assumed the sale of one Chapter per year, giving an overall development timescale of around 8 years.
- 6.9 We trust the above summary of assumptions made and summary of our development appraisal, which is on page 11, are of assistance. Please contact our Richard Lang if you have any queries or wish further assistance.

- 6.10 The development appraisals we have undertaken are based on our opinion of achievable house prices given the location of the land and plans and drawings we have been provided with that illustrate the proposed development. Our findings reflect information we have been provided with relating to normal site servicing costs and estimated house construction costs based on architects sketch drawings. The profit calculation in a development appraisal is sensitive to changes in assumed sale prices and costs. Any change to these variables is likely to result in a change to the calculated profit.

Richard Lang BLE (Hons) MRICS ACI Arb
Partner
For and on behalf of Ryden LLP

14 July 2017

Summary of Development Appraisals
Trump International, Balmedie, Aberdeenshire

Phased development of 85 Houses + commercial centre with 21 "affordable" dwellings + 451 house plots

Chapter 1 House Sale Prices - adjusted for Balmedie / Menie location. House Plots in Charters 2 to 8 @ £50,000 per plot average.

Phase	No. Houses	GDV (Sales Income)	Main Infrastructure	Houses Build Cost	Phase Utilities & Roads	Developer Obligation	Fees & Marketing	Interest Charges	Land Value + Profit	Profit on Sales	Profit on Costs	Year No.	
ALL	557	£56,360,000	£4,253,075	£19,140,036	£9,492,144	£3,730,165	£2,648,252	£570,374	£16,525,954	29.3%	41.5%		
1A	85	£33,360,000	£4,077,975	£17,687,736	£2,880,831	£3,730,165						1 - 3	
1B	21	£300,000		£1,452,300									2
2	62	£3,100,000			£2,188,750								1
3	70	£3,500,000											3
4	74	£3,700,000			£643,750								2
5	74	£3,700,000			£643,750								6
6	67	£3,500,000	£175,100				£1,223,125						4
7	35	£1,750,000					£1,545,000						7
8	69	£3,450,000					£366,938						5

Chapter 1 House Sale Prices - Prices aligned with suburban Aberdeen best comparable new builds in class. House Plots in Charters 2 to 8 @ £50,000 per plot average.

Phase	No. Houses	GDV (Sales Income)	Main Infrastructure	Houses Build Cost	Phase Utilities & Roads	Developer Obligation	Fees & Marketing	Interest Charges	Land Value + Profit	Profit on Sales	Profit on Costs	Year No.	
ALL	557	£58,410,000	£4,253,075	£19,140,036	£9,492,144	£3,730,165	£2,711,642	£536,408	£18,546,530	31.8%	46.5%		
1A	85	£35,410,000	£4,077,975	£17,687,736	£2,880,831	£3,730,165						1 - 3	
1B	21	£300,000		£1,452,300									2
2	62	£3,100,000			£2,188,750								1
3	70	£3,500,000											3
4	74	£3,700,000			£643,750								2
5	74	£3,700,000			£643,750								6
6	67	£3,500,000	£175,100				£1,223,125						4
7	35	£1,750,000					£1,545,000						7
8	69	£3,450,000					£366,938						5

www.ryden.co.uk

Aberdeen
25 Albyn Place
AB10 1YL
Tel: 01224 588866
Fax: 01224 589669

Edinburgh
Tel: 0131 225 6612

Glasgow
Tel: 0141 204 3838

Leeds
Tel: 0113 243 6777

Dundee
Tel: 01382 277900

London
Tel: 020 7436 1212