

## Appendix B: Financial Sensitivity Analysis

Sensitivity tables (IRR and NPV) for each of the 4 options as covered in the paper. A combination of gross rent, rental annual uplift and capital growth assumptions have been used to assess NPV and IRR.

**Option 1** Develop the entire site including the Drive Thru units and the Light Industrial Units. This would require a capital contribution of approximately £7.95m.

**Table 1: Sensitivity IRR 15 yrs: initial gross rent and rent increases**

		Rent increase % pa					
		1.50%	2.00%	2.50%	3.00%	3.50%	4.00%
Initial gross rent	550,613	4.5%	<b>4.8%</b>	5.0%	5.3%	5.5%	5.8%
	570,613	4.8%	<b>5.1%</b>	5.3%	5.6%	5.9%	6.1%
	590,613	5.1%	<b>5.4%</b>	5.6%	5.9%	6.2%	6.4%
	<b>610,613</b>	<b>5.4%</b>	<b>5.7%</b>	<b>5.9%</b>	<b>6.2%</b>	<b>6.5%</b>	<b>6.7%</b>
	630,613	5.7%	<b>6.0%</b>	6.2%	6.5%	6.8%	7.0%
	650,613	6.0%	<b>6.2%</b>	6.5%	6.8%	7.1%	7.3%
	670,613	6.3%	<b>6.5%</b>	6.8%	7.1%	7.4%	7.6%

**Table 2: Sensitivity NPV 15 yrs: initial gross rent and rent increases**

		Rent increase % pa					
		1.50%	2.00%	2.50%	3.00%	3.50%	4.00%
Initial gross rent	550,613	£(1051) k	£(894) k	£(731) k	£(562) k	£(387) k	£(205) k
	570,613	£(854) k	£(692) k	£(523) k	£(348) k	£(166) k	£22 k
	590,613	£(658) k	£(490) k	£(315) k	£(134) k	£54 k	£249 k
	<b>610,613</b>	<b>£(462) k</b>	<b>£(288) k</b>	<b>£(108) k</b>	<b>£80 k</b>	<b>£274 k</b>	<b>£476 k</b>
	630,613	£(266) k	£(86) k	£100 k	£294 k	£494 k	£703 k
	650,613	£(70) k	£115 k	£308 k	£507 k	£715 k	£930 k
	670,613	£126 k	£317 k	£516 k	£721 k	£935 k	£1157 k

**Table 3: Sensitivity IRR 15 yrs: initial gross rent and capital growth**

		Rent increase % pa					
		1.50%	2.00%	2.50%	3.00%	3.50%	4.00%
Capital growth % pa	3.38%	4.8%	<b>5.1%</b>	5.3%	5.6%	5.9%	6.2%
	3.48%	5.0%	<b>5.3%</b>	5.5%	5.8%	6.1%	6.4%
	3.58%	5.2%	<b>5.5%</b>	5.7%	6.0%	6.3%	6.5%
	<b>3.68%</b>	<b>5.4%</b>	<b>5.7%</b>	<b>5.9%</b>	<b>6.2%</b>	<b>6.5%</b>	<b>6.7%</b>
	3.78%	5.6%	<b>5.9%</b>	6.1%	6.4%	6.7%	6.9%
	3.88%	5.8%	<b>6.1%</b>	6.3%	6.6%	6.9%	7.1%
	3.98%	6.0%	<b>6.3%</b>	6.5%	6.8%	7.0%	7.3%

**Table 4: Sensitivity NPV 15 yrs: initial gross rent and capital growth**

		Rent increase % pa					
		1.50%	2.00%	2.50%	3.00%	3.50%	4.00%
Capital growth % pa	3.4%	£(883) k	£(709) k	£(529) k	£(341) k	£(147) k	£55 k
	3.5%	£(744) k	£(570) k	£(390) k	£(203) k	£(8) k	£194 k
	3.6%	£(604) k	£(430) k	£(250) k	£(62) k	£132 k	£334 k
	<b>3.7%</b>	<b>£(462) k</b>	<b>£(288) k</b>	<b>£(108) k</b>	<b>£80 k</b>	<b>£274 k</b>	<b>£476 k</b>
	3.8%	£(319) k	£(145) k	£36 k	£223 k	£418 k	£620 k
	3.9%	£(174) k	£ k	£181 k	£368 k	£563 k	£765 k
	4.0%	£(27) k	£147 k	£327 k	£515 k	£709 k	£911 k

**Option 2** Develop the site with the Drive Thru units, the unit for the potential occupier and the remaining site with light industrial units. This would require a capital contribution of approximately £8.2m but would be offset by a £6m capital receipt from the occupier's unit sale.

**Table 1: Sensitivity IRR 15 yrs: initial gross rent and rent increases**

		Rent increase % pa					
		1.50%	2.00%	2.50%	3.00%	3.50%	4.00%
Initial gross rent	315,821	8.6%	8.8%	9.0%	9.2%	9.4%	9.6%
	335,821	9.0%	9.2%	9.4%	9.7%	9.9%	10.1%
	355,821	9.5%	9.7%	9.9%	10.1%	10.4%	10.6%
	<b>375,821</b>	<b>9.9%</b>	<b>10.2%</b>	<b>10.4%</b>	<b>10.6%</b>	<b>10.8%</b>	<b>11.1%</b>
	395,821	10.4%	10.6%	10.8%	11.1%	11.3%	11.5%
	415,821	10.8%	11.1%	11.3%	11.5%	11.8%	12.0%
	435,821	11.3%	11.5%	11.7%	12.0%	12.2%	12.5%

**Table 2: Sensitivity NPV 15 yrs: initial gross rent and rent increases**

		Rent increase % pa					
		1.50%	2.00%	2.50%	3.00%	3.50%	4.00%
Initial gross rent	315,821	£993 k	<b>£1083 k</b>	£1177 k	£1273 k	£1374 k	£1478 k
	335,821	£1189 k	<b>£1285 k</b>	£1384 k	£1487 k	£1594 k	£1705 k
	355,821	£1386 k	<b>£1487 k</b>	£1592 k	£1701 k	£1815 k	£1932 k
	<b>375,821</b>	<b>£1582 k</b>	<b>£1689 k</b>	<b>£1800 k</b>	<b>£1915 k</b>	<b>£2035 k</b>	<b>£2159 k</b>
	395,821	£1778 k	<b>£1891 k</b>	£2008 k	£2129 k	£2255 k	£2386 k
	415,821	£1974 k	<b>£2092 k</b>	£2215 k	£2343 k	£2475 k	£2613 k
	435,821	£2170 k	<b>£2294 k</b>	£2423 k	£2557 k	£2696 k	£2840 k

**Table 3: Sensitivity IRR 15 yrs: initial gross rent and capital growth**

		Rent increase % pa					
		1.50%	2.00%	2.50%	3.00%	3.50%	4.00%
Capital growth % pa	3.38%	9.3%	9.5%	9.7%	10.0%	10.2%	10.4%
	3.48%	9.5%	9.7%	9.9%	10.2%	10.4%	10.7%
	3.58%	9.7%	9.9%	10.2%	10.4%	10.6%	10.9%
	<b>3.68%</b>	<b>9.9%</b>	<b>10.2%</b>	<b>10.4%</b>	<b>10.6%</b>	<b>10.8%</b>	<b>11.1%</b>
	3.78%	10.2%	10.4%	10.6%	10.8%	11.0%	11.3%
	3.88%	10.4%	10.6%	10.8%	11.0%	11.3%	11.5%
	3.98%	10.6%	10.8%	11.0%	11.3%	11.5%	11.7%

**Table 4: Sensitivity NPV 15 yrs: initial gross rent and capital growth**

		Rent increase % pa					
		1.50%	2.00%	2.50%	3.00%	3.50%	4.00%
Capital growth % pa	3.38%	£1283 k	<b>£1390 k</b>	£1501 k	£1616 k	£1736 k	£1860 k
	3.48%	£1381 k	<b>£1488 k</b>	£1599 k	£1715 k	£1834 k	£1959 k
	3.58%	£1481 k	<b>£1588 k</b>	£1699 k	£1814 k	£1934 k	£2058 k
	<b>3.68%</b>	<b>£1582 k</b>	<b>£1689 k</b>	<b>£1800 k</b>	<b>£1915 k</b>	<b>£2035 k</b>	<b>£2159 k</b>
	3.78%	£1684 k	<b>£1791 k</b>	£1902 k	£2017 k	£2137 k	£2261 k
	3.88%	£1787 k	<b>£1894 k</b>	£2005 k	£2120 k	£2240 k	£2364 k
	3.98%	£1891 k	<b>£1998 k</b>	£2109 k	£2224 k	£2344 k	£2468 k

**Option 3** Develop the site with the Drive Thru units, the unit for the potential occupier and dispose of the remaining land. This would require a capital investment of approximately £6.44m m but would be offset by a £6m capital receipt from the occupier and possibly £750,000 capital receipt from the sale of the land.

**Table 1: Sensitivity IRR 15 yrs: initial gross rent and rent increases**

		Rent increase % pa					
		1.50%	2.00%	2.50%	3.00%	3.50%	4.00%
Initial gross rent	130,325	11.2%	<b>11.3%</b>	11.4%	11.6%	11.7%	11.8%
	140,325	11.6%	<b>11.7%</b>	11.8%	12.0%	12.1%	12.3%
	150,325	11.9%	<b>12.1%</b>	12.2%	12.4%	12.5%	12.7%
	<b>160,325</b>	<b>12.3%</b>	<b>12.5%</b>	<b>12.6%</b>	<b>12.8%</b>	<b>12.9%</b>	<b>13.1%</b>
	170,325	12.7%	<b>12.8%</b>	13.0%	13.1%	13.3%	13.5%
	180,325	13.0%	<b>13.2%</b>	13.4%	13.5%	13.7%	13.8%
	190,325	13.4%	<b>13.6%</b>	13.7%	13.9%	14.1%	14.2%

**Table 2: Sensitivity NPV 15 yrs: initial gross rent and rent increases**

		Rent increase % pa					
		1.50%	2.00%	2.50%	3.00%	3.50%	4.00%
Initial gross rent	130,325	£1176 k	<b>£1213 k</b>	£1251 k	£1291 k	£1333 k	£1376 k
	140,325	£1274 k	<b>£1314 k</b>	£1355 k	£1398 k	£1443 k	£1489 k
	150,325	£1372 k	<b>£1415 k</b>	£1459 k	£1505 k	£1553 k	£1603 k
	<b>160,325</b>	<b>£1470 k</b>	<b>£1516 k</b>	<b>£1563 k</b>	<b>£1612 k</b>	<b>£1663 k</b>	<b>£1716 k</b>
	170,325	£1568 k	<b>£1617 k</b>	£1667 k	£1719 k	£1773 k	£1830 k
	180,325	£1666 k	<b>£1718 k</b>	£1771 k	£1826 k	£1884 k	£1943 k
	190,325	£1764 k	<b>£1818 k</b>	£1875 k	£1933 k	£1994 k	£2057 k

**Table 3: Sensitivity IRR 15 yrs: initial gross rent and capital growth**

		Rent increase % pa					
		1.50%	2.00%	2.50%	3.00%	3.50%	4.00%
Capital growth % pa	3.38%	11.5%	<b>11.7%</b>	11.8%	12.0%	12.1%	12.3%
	3.48%	11.8%	<b>11.9%</b>	12.1%	12.2%	12.4%	12.6%
	3.58%	12.1%	<b>12.2%</b>	12.3%	12.5%	12.7%	12.8%
	<b>3.68%</b>	<b>12.3%</b>	<b>12.5%</b>	<b>12.6%</b>	<b>12.8%</b>	<b>12.9%</b>	<b>13.1%</b>
	3.78%	12.6%	<b>12.7%</b>	12.9%	13.0%	13.2%	13.3%
	3.88%	12.8%	<b>13.0%</b>	13.1%	13.3%	13.4%	13.6%
	3.98%	13.1%	<b>13.2%</b>	13.4%	13.5%	13.7%	13.8%

**Table 4: Sensitivity NPV 15 yrs: initial gross rent and capital growth**

		Rent increase % pa					
		1.50%	2.00%	2.50%	3.00%	3.50%	4.00%
Capital growth % pa	3.38%	£1253 k	<b>£1298 k</b>	£1346 k	£1395 k	£1446 k	£1499 k
	3.48%	£1324 k	<b>£1370 k</b>	£1417 k	£1467 k	£1518 k	£1571 k
	3.58%	£1397 k	<b>£1442 k</b>	£1490 k	£1539 k	£1590 k	£1643 k
	<b>3.68%</b>	<b>£1470 k</b>	<b>£1516 k</b>	<b>£1563 k</b>	<b>£1612 k</b>	<b>£1663 k</b>	<b>£1716 k</b>
	3.78%	£1544 k	<b>£1590 k</b>	£1637 k	£1686 k	£1737 k	£1790 k
	3.88%	£1619 k	<b>£1665 k</b>	£1712 k	£1761 k	£1812 k	£1865 k
	3.98%	£1695 k	<b>£1740 k</b>	£1788 k	£1837 k	£1888 k	£1941 k

**Option 4** In the event the occupier interest does not come to fruition the Council could develop the Drive Thru units and dispose of the remaining land. This would require a capital contribution of approximately £3m offset by a land sale of potentially £1.75m.

**Table 1: Sensitivity IRR 15 yrs: initial gross rent and rent increases**

		Rent increase % pa					
		1.50%	2.00%	2.50%	3.00%	3.50%	4.00%
Initial gross rent	130,325	4.6%	4.7%	4.9%	5.0%	5.2%	5.4%
	140,325	5.0%	5.1%	5.3%	5.4%	5.6%	5.8%
	150,325	5.3%	5.5%	5.7%	5.8%	6.0%	6.2%
	<b>160,325</b>	<b>5.7%</b>	<b>5.9%</b>	<b>6.1%</b>	<b>6.2%</b>	<b>6.4%</b>	<b>6.6%</b>
	170,325	6.1%	6.3%	6.4%	6.6%	6.8%	7.0%
	180,325	6.4%	6.6%	6.8%	7.0%	7.2%	7.4%
	190,325	6.8%	7.0%	7.2%	7.4%	7.6%	7.8%

**Table 2: Sensitivity NPV 15 yrs: initial gross rent and rent increases**

		Rent increase % pa					
		1.50%	2.00%	2.50%	3.00%	3.50%	4.00%
Initial gross rent	130,325	£(394) k	£(357) k	£(318) k	£(278) k	£(237) k	£(194) k
	140,325	£(296) k	£(256) k	£(215) k	£(172) k	£(127) k	£(80) k
	150,325	£(198) k	£(155) k	£(111) k	£(65) k	£(17) k	£33 k
	<b>160,325</b>	<b>£(100) k</b>	<b>£(54) k</b>	<b>£(7) k</b>	<b>£42 k</b>	<b>£93 k</b>	<b>£146 k</b>
	170,325	£(2) k	£47 k	£97 k	£149 k	£204 k	£260 k
	180,325	£96 k	£148 k	£201 k	£256 k	£314 k	£373 k
	190,325	£194 k	£249 k	£305 k	£363 k	£424 k	£487 k

**Table 3: Sensitivity IRR 15 yrs: initial gross rent and capital growth**

		Rent increase % pa					
		1.50%	2.00%	2.50%	3.00%	3.50%	4.00%
Capital growth % pa	3.38%	4.8%	5.0%	5.2%	5.4%	5.6%	5.8%
	3.48%	5.1%	5.3%	5.5%	5.7%	5.9%	6.1%
	3.58%	5.4%	5.6%	5.8%	6.0%	6.1%	6.3%
	<b>3.68%</b>	<b>5.7%</b>	<b>5.9%</b>	<b>6.1%</b>	<b>6.2%</b>	<b>6.4%</b>	<b>6.6%</b>
	3.78%	6.0%	6.2%	6.3%	6.5%	6.7%	6.9%
	3.88%	6.3%	6.5%	6.6%	6.8%	7.0%	7.2%
	3.98%	6.6%	6.7%	6.9%	7.1%	7.3%	7.4%

**Table 4: Sensitivity NPV 15 yrs: initial gross rent and capital growth**

		Rent increase % pa					
		1.50%	2.00%	2.50%	3.00%	3.50%	4.00%
Capital growth % pa	3.38%	£(329) k	£(283) k	£(236) k	£(187) k	£(136) k	£(83) k
	3.48%	£(253) k	£(208) k	£(160) k	£(111) k	£(60) k	£(7) k
	3.58%	£(177) k	£(131) k	£(84) k	£(35) k	£16 k	£69 k
	<b>3.68%</b>	<b>£(100) k</b>	<b>£(54) k</b>	<b>£(7) k</b>	<b>£42 k</b>	<b>£93 k</b>	<b>£146 k</b>
	3.78%	£(22) k	£24 k	£71 k	£120 k	£171 k	£225 k
	3.88%	£57 k	£103 k	£150 k	£199 k	£250 k	£303 k
	3.98%	£137 k	£183 k	£230 k	£279 k	£330 k	£383 k