Appendix C

HAMMERSMITH AND FULHAM

ON MARKET VALUES

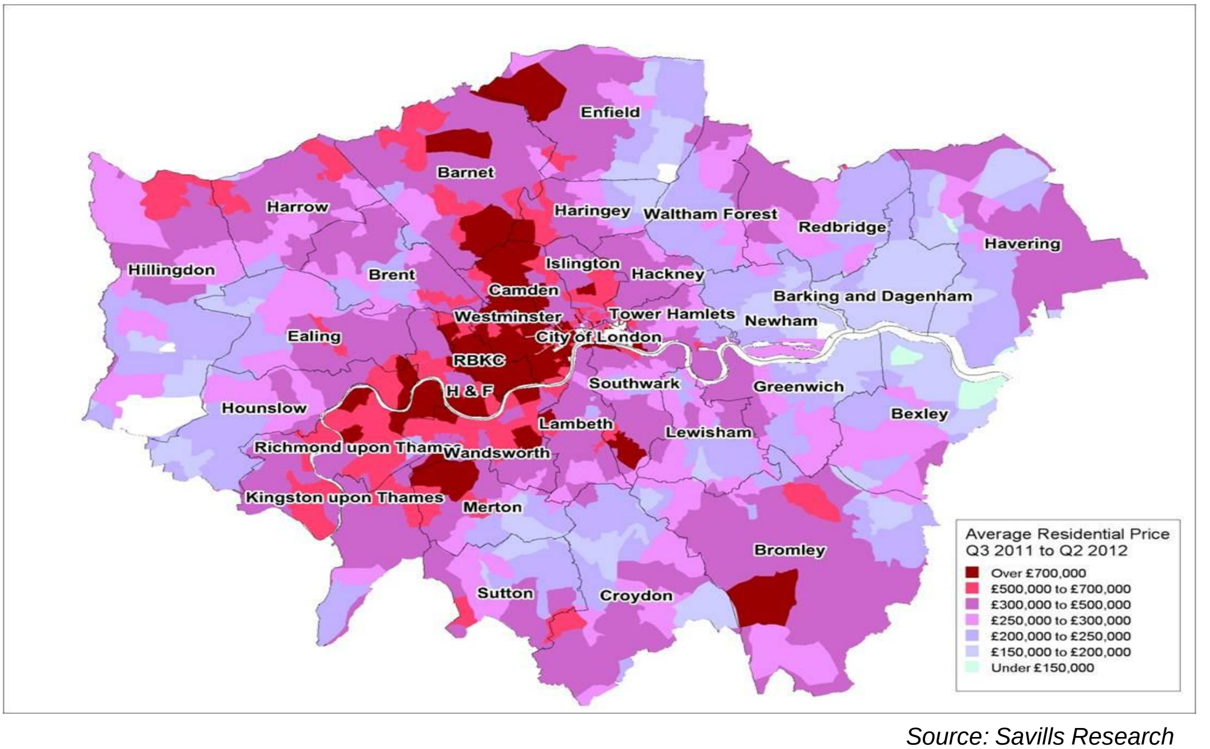
MARCH 2013

RATIONAL HOUSE – HAMMERSMITH AND FULHAM

INTRODUCTION

Savills have been instructed by Rational House to provide On Market Values (OMV) for their forthcoming schemes in Hammersmith and Fulham, situated on Spring Value, Basuto Road, Barclay Close and Becklow Gardens. This report analyses OMV ranges for these schemes, whilst further reporting current regional and London wide market trends.

LONDON MARKET COMMENTRY



Source: Savills Research

Mainstream London Residential Market

The London residential market has outperformed the rest of the UK signifacantly since the downturn. Prices in London now stand some 2.8% above the previous 2007 peak, compared England and Wales as a whole which remains 13% below peak values.

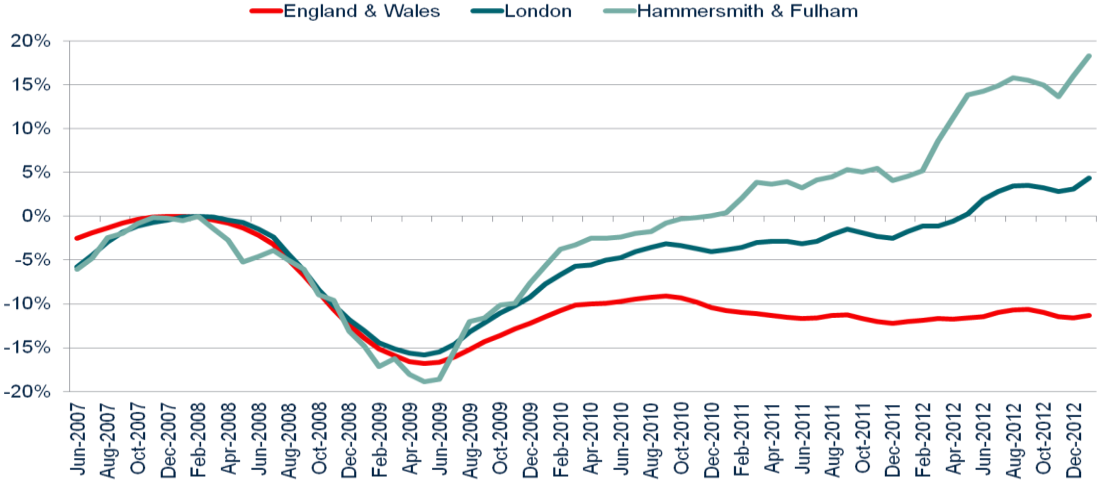
There is a variation in performance across the London boroughs. Boroughs more dependent on equity rich cash buyers are performing best, with most Inner London boroughs now well above peak in price terms. More periphery, equity poor boroughs are performing more in line with the national norm. The concentration of equity in the London housing market has started to create divisions within the London market. At one extreme, the value of housing stock in Kensington and Chelsea has risen by over 40% to £65 billion over 5 years, while that of Barking and Dagenham has fallen by 2% to just under £7.5 billion.

The impact of equity purchasers, particularly from overseas, has served to sustain the market at a time of restricted debt finance and affordability constraints. Funding is still heavily constrained with the deposit requirement for first time buyers to enter the owner occupier market reaching levels in excess of100% of annual incomes.

LOCAL MARKET COMMENTRY

London's prime residential values rose by an average of 0.9% to the thirdquarter of 2012, and annual price growth slowed to 6.0%, as some of the heat came out of the market in the early summer. Price growth in Prime Central London slowed to just 0.4%. That headline figure masks a divergence between areas. Prices in Chelsea, Mayfair, Belgravia and Knightsbridge rose by over 1%. This reflects how different parts of the market have reacted differently to key market drivers. Overseas buyers remained committed to the very best central locations, accounting for 58% of buyers in the first half of 2012. Here buyers looking for safe haven investments have underpinned demand.

By contrast, there has been a general lack of urgency among other buyers because of uncertainty over both the global economic outlook and the effect of the stamp duty and associated tax changes introduced in the budget. In higher price bands the effect of this increased tax burden has had less of an effect. There were more than 100 sales of £5million+ residential properties in the three months to the end of June 2012, the total value of which exceeded £1billion in a quarter, for only the fourth time in the past five years. International demand is less of a market driver in other prime locations and this has resulted in a slower, but less volatile recovery to date.

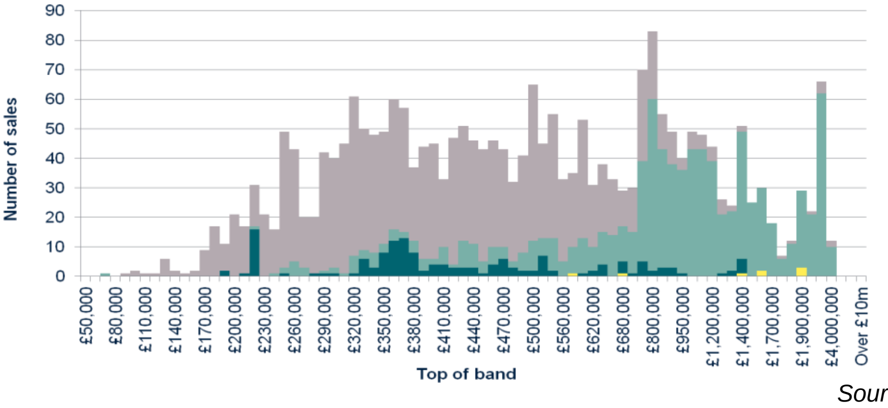


Source: Land Registry

Hammersmith and Fulham has been one of the strongest performing London boroughs and was one of the first to return to peak values following the credit crunch, led by demand both internationally and domestically. Prices in Hammersmith and Fulham now stand some 17% above their previous 2007 peak.

Depth of the Hammersmith and Fulham Market ,March 2013

- 2,559 sales were recorded by the Land Registry from Q4 2011 to Q3 2012.
- 6.6% of sales (168 sales) were new build properties, all but 8 of which were flats, spread in value between £190k and £1.4m.
- The second hand market was dominated by flats, at 59.9% of all sales.
- 19.8% of all market sales recorded were over £1m.



Source: Land Registry

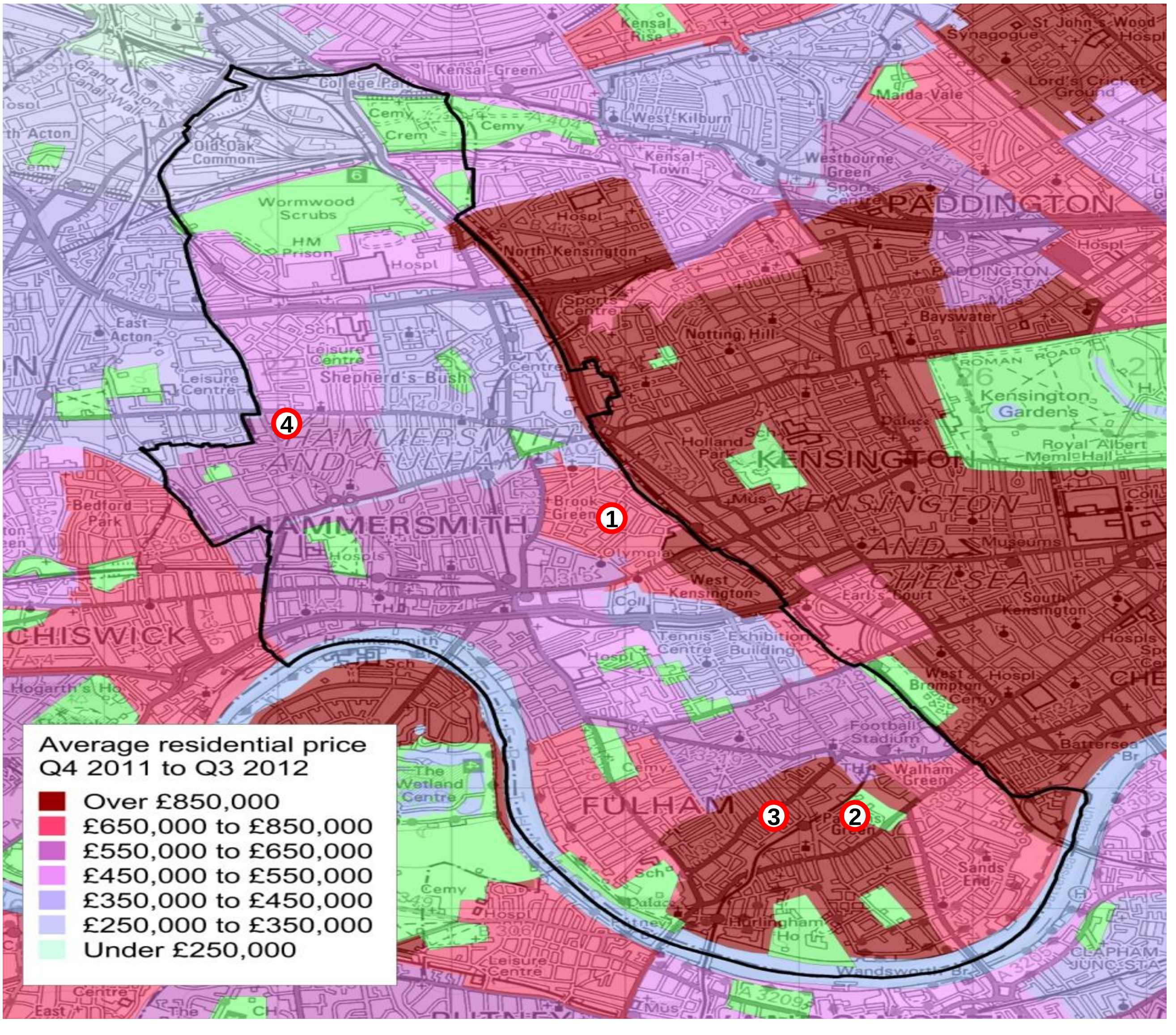
RATIONAL HOUSE – HAMMERSMITH AND FULHAM

LOCAL MARKET COMMENTRY

Hammersmith and Fulham lies adjacent to prime central London, with values falling off from neighbouring Kensington and Chelsea, although areas surrounding Parsons Green show values significantly above those in the immediate area.

The hot spot map below shows average property values in 2012 by post code. The sites are situated in areas of areas of with varying average values:

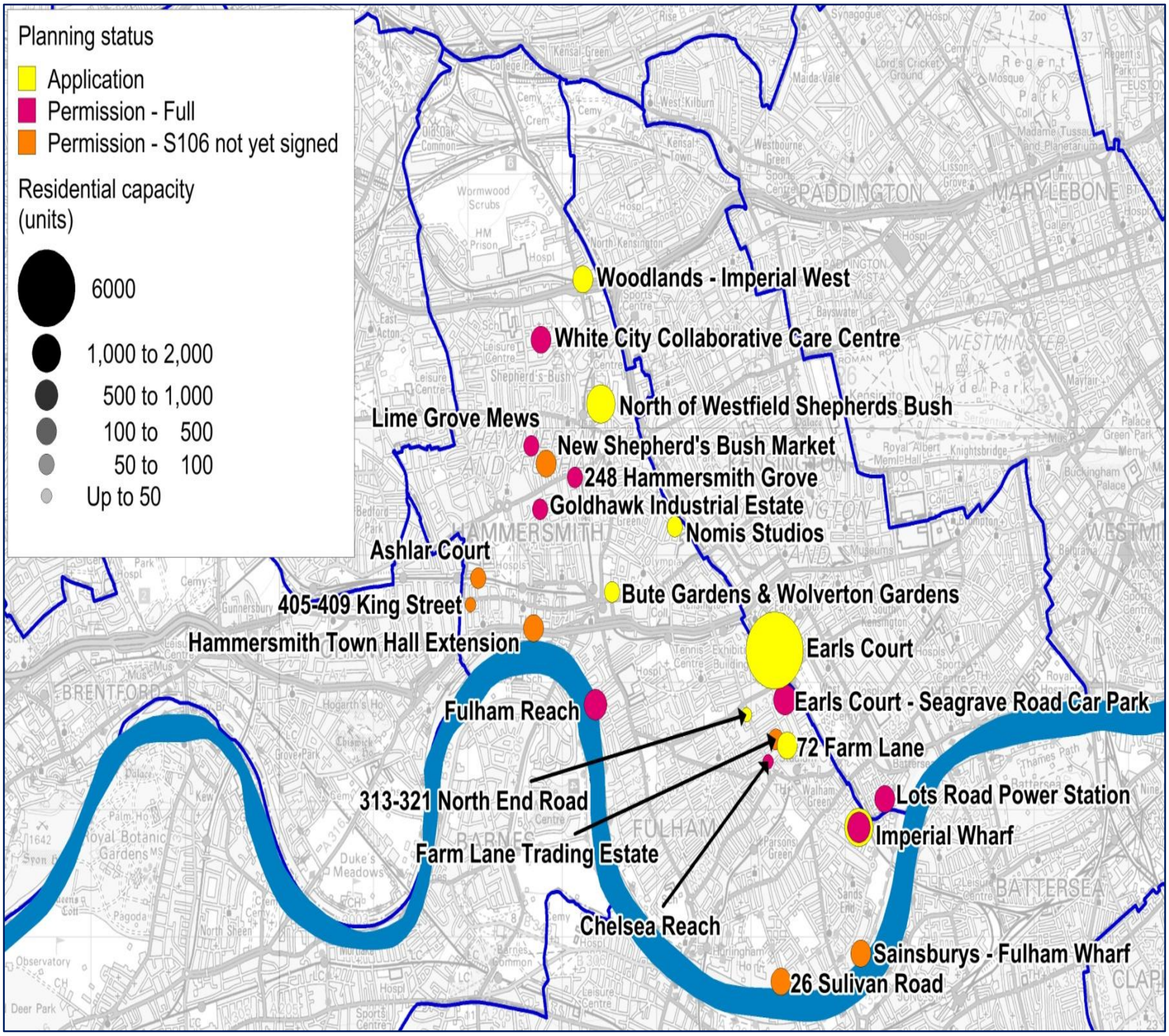
1. Spring Vale - £650,000 - £850,000
2. Basuto Road - Over £850,000
3. Barclay Close - Over £850,000
4. Becklow Gardens - £550,000 - £650,000



Source: Land Registry

LOCAL PLANNING PIPELINE

Hammersmith and Fulham shows relatively modest levels of consented future residential supply, although an application was submitted for circa 7500 new homes as part of the Earls court regeneration in August 2011. There are also a number of other developments at application stage. Berkeley Groups (St. George) 744 unit Fulham Reach represents the largest consented scheme in the area.



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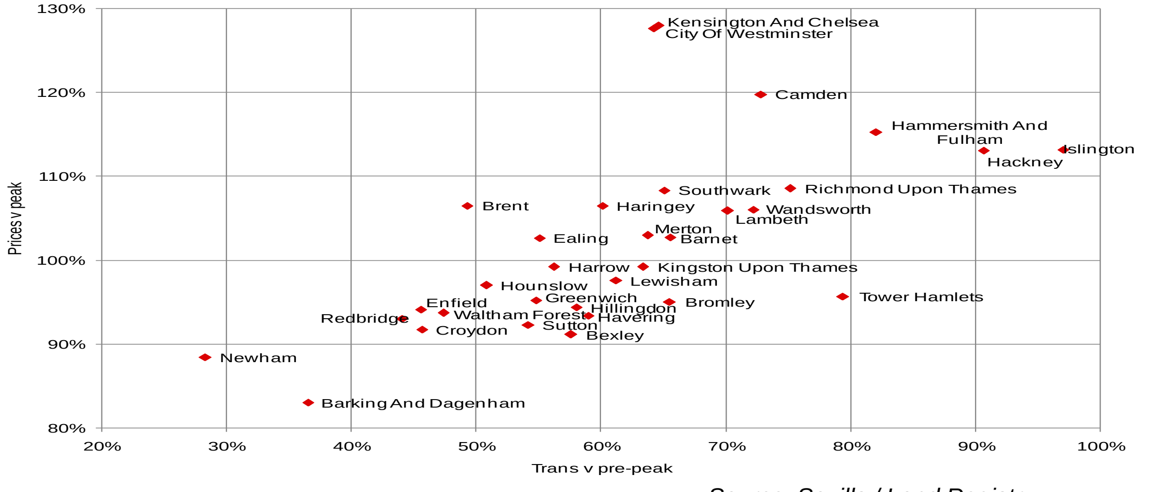
MARKET FORECASTS, MARCH 2013

It is now over four years since the markets bottomed out. On average prices currently exceed their September 2007 levels in central London. This has been delivered on the back of a strong rebound in prices over a three year period. The continuing relatively weak economic outlook, both domestically and globally is likely to prevent a repeat in the short to medium term. Within central London we expect to see relatively static prices, though this is dependent on a continued inflow of international wealth. With low interest rates we expect the supply of property within central London to be kept in check. This is expected to support current pricing, though without city bonus money to bolster demand, there seems little capacity for significant price growth over the next 12 months.



Source: Savills / Land Registry.

That leaves less capacity for further price growth in the short term. Stamp duty changes over £2million, means buyers are finding it more difficult to structure transactions in a way that protects their wider tax position. Additionally, the currency play that acted as a catalyst for price growth has been eroded. However, the longer term fundamentals for the central London market, constrained stock and global wealth generation, look sound. Whilst we therefore expect the market to plateau for a period, five year growth is forecast to be around 21%. The lull in price growth in central London is likely to affect the other prime markets and contribute to weaker buyer sentiment that flows from the wider economic outlook.

	2012 actual	2013	2014	2015	2016	2017	2013-2017
London	0.8%	1.5%	4.0%	4.5%	5.0%	4.5%	21.0%
UK	-1.1%	0.5%	1.5%	2.0%	3.5%	3.5%	11.5%

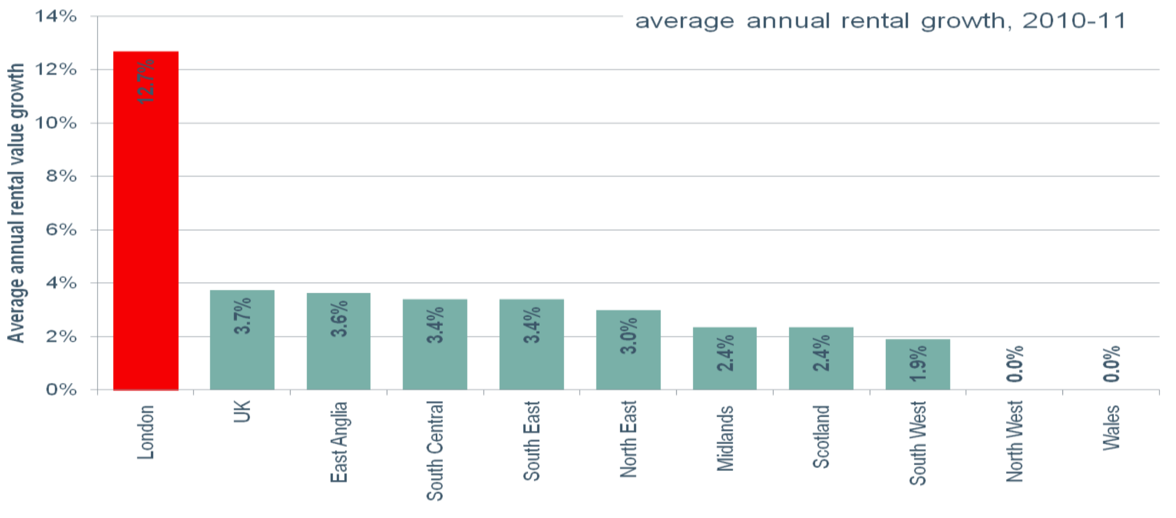
Residential forecasts. Source: Savills.

The availability of debt shows little sign of improving in 2013 with the CML forecasting that gross mortgage lending will fall remain static this year. Wealthy individuals are likely to continue investing in overseas assets, such as London property, to safeguard their cash and provide themselves with an alternative living option. In the long term, the status property ownership in the most sought-after addresses will continue to be important among individuals from emerging / newly industrialised economies. Chinese and Pacific Asian investment will continue, though probably at a lower level than previously seen.

The government has recently released details of the Help to Buy purchasing scheme. Although the new initiative is not aimed exclusively at first-time buyers, Savills calculates that the £3.5 billion Equity Loan part of the deal, which comes into play on 1st April, will help 25,000 purchasers a year over the next three years. The Mortgage Guarantee part of the scheme could support a further 190,000 sales a year once it is launched in 2014, assuming mortgage lenders play ball. The main impact will be to increase transaction levels and there may be a nudge up in house prices. However, the increased activity is likely to instigate more house building which will keep prices rises in check. The Equity Loan component of Help to Buy has wider appeal than the existing FirstBuy as it is not means tested and is available on purchases up to £600,000. It is also more generous to home builders as it removes the need for builder's contribution. The fact it runs for three years will also give developers a chance to plan ahead and increase construction which could help alleviate some of the housing shortfall.

RENTAL MARKET

With restricted mortgage finance, larger deposits required for first time buyers and continuing economic uncertainty, rental values across London have grown strongly by some 32.3% in the last five years. From 2010 to 2011 the average London rental showed exceptionally strong growth 12.7% as demand continued to vastly outstrip supply.



Source: Savills / Rightmove.

There has been significant growth in the private rented sector, fuelled by lack of accessibility for first time buyers to home ownership where the average FTB deposit in London now stands at £56k, up from just £19k in 2007, and the subsequent creation of 'Generation Rent'.

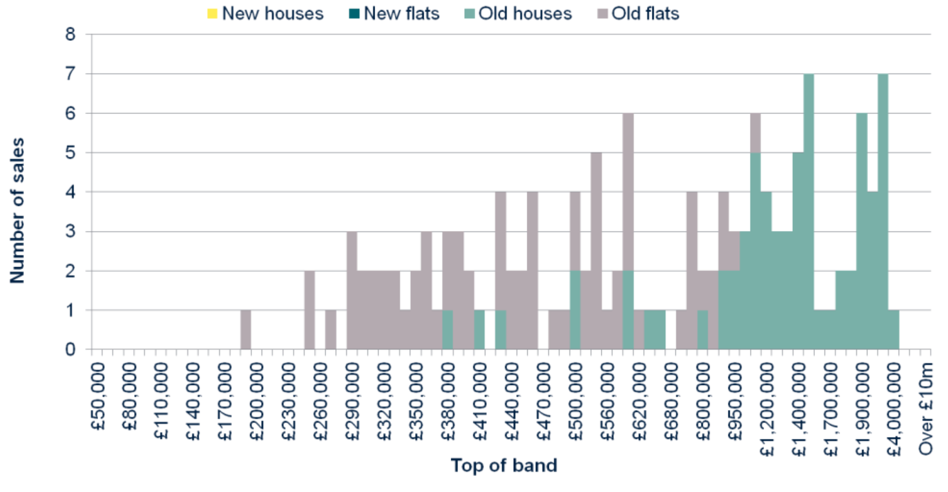
Build to let has long been vaunted as a major part of the solution to meeting the housing requirements of 'Generation Rent' and increasing levels of house building to deliver economic growth from the construction sector. Part of the challenge for developers will be to deliver products tailored to the investment market. Those that are weighted towards the requirements of both 'Generation Rent' and the bulk investment market. Providing more, smaller units at a higher density could have the additional benefit of limiting the trade off with affordable and private housing. Reducing lifecycle repair costs could improve net yields. Providing electricity, insurance, service charges, ground rents and telephone and internet packages could generate additional income streams from letting. This tends to be the approach used in more mature international markets that have been highly successfully at securing private investment into the residential sector. Although there are already some institutional landlords operating in a similar vein in the UK, such as Grainger and Evenbrook, this situation raises the prospect of more investment from landlords willing to provide a service that benefits from scale rather than the approach used by buy to let landlords.

Rental Growth	2013	2014	2015	2016	2017	5 years to end 2017
London	3.0%	4.0%	4.5%	6.0%	6.5%	26.4%
UK Mainstream	2.5%	2.5%	3.0%	4.5%	4.5%	18.2%

BARCLAY CLOSE – SW6 4

Depth of SW6 4 Market, March 2013

- 139 sales were recorded by the Land Registry in SW6 4 from Q4 2011 to Q3 2012.
- Second hand flat sales accounted for 51.1% of the sales, whilst house sales accounted for the remainder of all sales at 48.9%.
- 39.6% of all market sales recorded (55 sales) were £1m+.



Barclay Close OMV's:

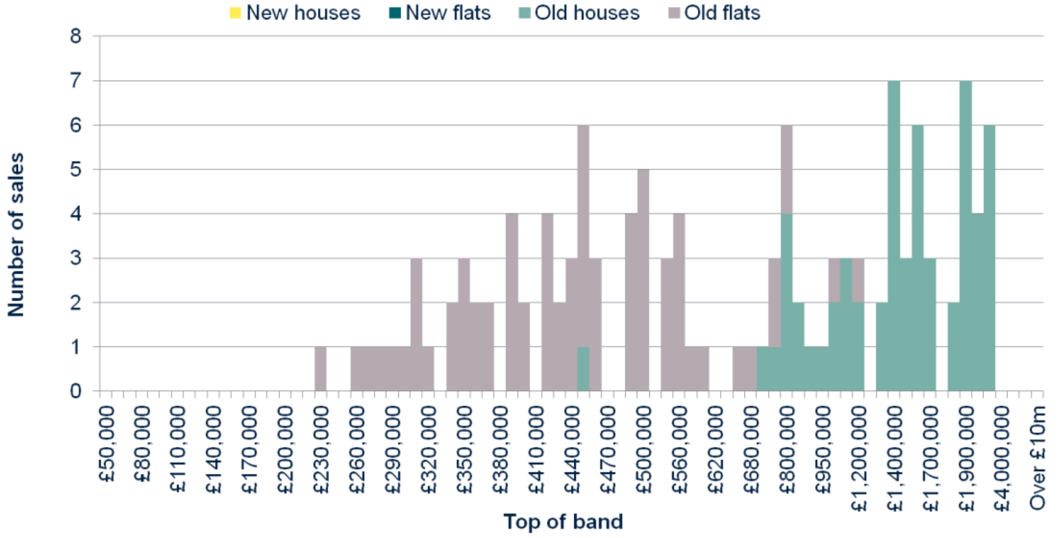
				OMV (£ / Property)			OMV (£/m2)			OMV (£ / ft2)		
Property Type	No	Size (m2)	Size (ft2)	Low	Mid	High	Low	Mid	High	Low	Mid	High
Flat (1b2p)	2	50	538	£345,000	£370,000	£395,000	£6,900	£7,400	£7,900	£641	£687	£734
Mais (2b4p)	2	65	700	£440,000	£470,000	£500,000	£6,846	£7,308	£7,692	£636	£679	£715
House (3/4b6p)	1	125	1345	£675,000	£750,000	£825,000	£5,400	£6,000	£6,600	£502	£557	£613

Although in a high value surrounding area, with excellent amenities and transport links, OMV's would be restricted due to the adjoining adjacent housing estate. Market sale houses would not be suitable on this site, where flats would be more appropriate although the current size of 125 sqm is appropriate should houses be preferred. The current flat sizes are well sized, although 65 sqm is small for a maisonette.

BASUTO ROAD – SW6 5

Depth of SW6 5 Market, March 2013

- 126 sales were recorded by the Land Registry in SW6 5 from Q4 2011 to Q3 2012.
- Second hand flat sales accounted for 54.0% of the sales, whilst house sales accounted for the remainder of all sales at 46.0%.
- 38.9% of all market sales recorded (49 sales) were £1m+.



Bastuto Road OMV's:

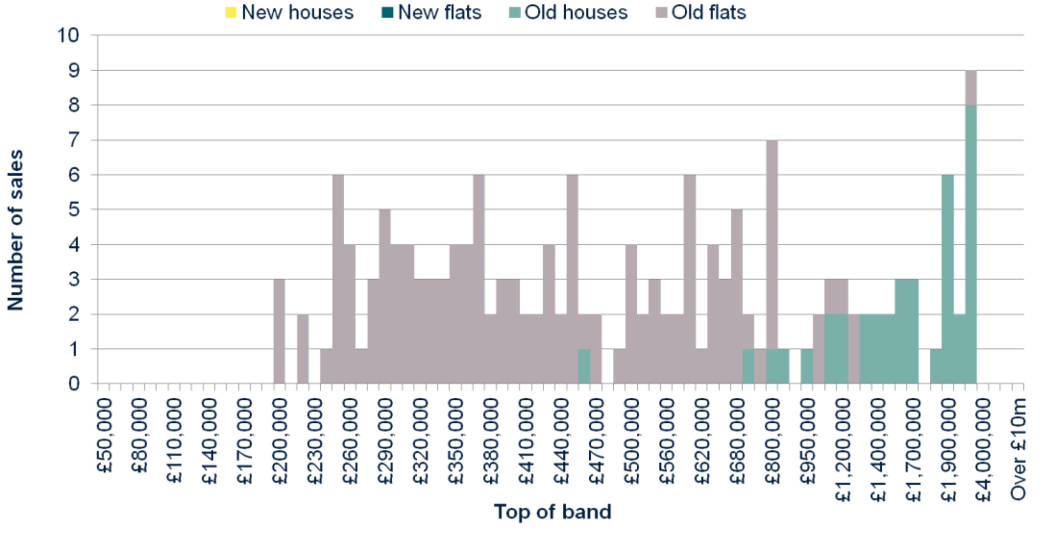
				OMV (£ / Property)			OMV (£/m2)			OMV (£ / ft2)		
Property Type	No	Size (m2)	Size (ft2)	Low	Mid	High	Low	Mid	High	Low	Mid	High
Grd & Basement flr Mais (3b5p)	1	90	969	£800,000	£850,000	£900,000	£8,889	£9,444	£10,000	£826	£877	£929
First flr flat (1b2p)	1	50	538	£475,000	£500,000	£525,000	£9,500	£10,000	£10,500	£883	£929	£975
Second & Third flr flat (2b4p)	1	83	893	£825,000	£875,000	£925,000	£9,940	£10,542	£11,145	£923	£979	£1,035
House (3/4b6p)	1	200	2153	£1,800,000	£1,950,000	£2,100,000	£9,000	£9,750	£10,500	£836	£906	£975

Basuto Road is an exceptional site, with the area showing both of high demand and values, arguably now peaking above £1,000 psf. Sales on this road are relatively rare and the scheme is very well placed to succeed should market sale be desirable. Sizes are appropriate and well tailored , although the value of the house could be increased significantly should it be facing the green. Internal specification levels for open market sales would need to be exceptionally high.

SPRING VALE – W14 0

Depth of W14 0 Market, March 2013

- 169 sales were recorded by the Land Registry in W14 0 from Q4 2011 to Q3 2012.
- Second hand flat sales accounted for 77.5% of the sales, whilst house sales accounted for the remainder of all sales at 22.5%.
- 23.7% of all market sales recorded (40 sales) were £1m+.



Spring Vale OMV:

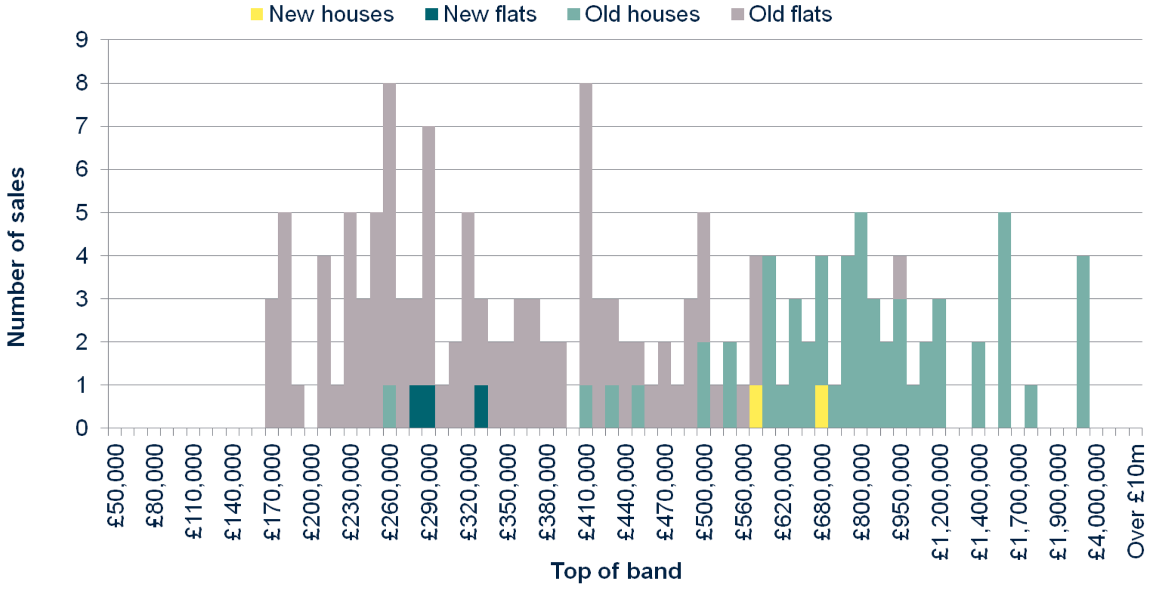
Property Type	No	Size (m2)	Size (ft2)	OMV (£ / Property) Low	OMV (£ / Property) Mid	OMV (£ / Property) High	OMV (£/m2) Low	OMV (£/m2) Mid	OMV (£/m2) High	OMV (£ / ft2) Low	OMV (£ / ft2) Mid	OMV (£ / ft2) High
Grd flr flat (1b2p)	2	52	560	£345,000	£370,000	£390,000	£6,635	£7,115	£7,500	£616	£661	£697
First flr lat (2b4p)	2	61	657	£390,000	£420,000	£450,000	£6,393	£6,885	£7,377	£594	£640	£685
Second flr flat (2b4p)	2	61	657	£400,000	£430,000	£460,000	£6,557	£7,049	£7,541	£609	£655	£701
Top flr mais (2b4p)	2	87	936	£500,000	£550,000	£585,000	£5,747	£6,322	£6,724	£534	£587	£625
House (3/4b6p)	2	142	1528	£1,000,000	£1,100,000	£1,200,000	£7,042	£7,746	£8,451	£654	£720	£785

Brook Green has risen in value significantly following the initial downturn. Both houses and flats on the proposed scheme are well placed to do be received well on the open market and houses should achieve in line with those if a comparable size on neighbouring Ceylon Road, at c £1m+.Sizes are appropriate, although the 2b4p flats on the first and second floors are small and would be better positioned at c 65 – 70 sqm.

BECKLOW GARDENS– W12 9

Depth of W12 9 Market, March 2013

- 162 sales were recorded by the Land Registry in W12 9 from Q4 2011 to Q3 2012.
- 3.1% of sales (5 sales) were new build sales, 3 of which were flats, with prices spread from £280k to £680k.
- Second hand flat sales accounted for 61.7% of the sales, with house sales accounting for 35.2% (57 sales).
- 11.1% of all market sales recorded 18sales) were £1m+.



Becklow Gardens OMV's:

				OMV (£ / Property)			OMV (£/m2)			OMV (£ / ft2)		
Property Type	No	Size (m2)	Size (ft2)	Low	Mid	High	Low	Mid	High	Low	Mid	High
Grd flr flat (1b2p)	4	61	657	£275,000	£295,000	£315,000	£4,508	£4,836	£5,164	£419	£449	£480
Flat (2bed)	2	65	700	£350,000	£375,000	£400,000	£5,385	£5,769	£6,154	£500	£536	£572
Top flr mais (2b4p)	4	87	936	£375,000	£400,000	£425,000	£4,310	£4,598	£4,885	£400	£427	£454

As with Barclay Close, the position of Becklow Gardens will prove restricting factor to OMV's. Large units, both flats and houses, would not be exceptionally saleable and further would not realise full value. Should market sale units be desired, the scheme should consist solely of flats, predominantly 1 bedroom apartments. A small proportion of 2b3p and 2b4p units would also be well received. The scheme above is of appropriate sizes for the market.