

Appendix C

The possible costs and returns from varying sizes of investment packages over a 5 year period

	5 Year Investment Package				
Number of market rented homes built per annum	30	40	50	60	70
Number of market rented homes built over 5 years	150	200	250	300	350
Total cost of market rented home (£200k per unit land, works & on costs)	£ 30,000,000	£ 40,000,000	£ 50,000,000	£ 60,000,000	£ 70,000,000
Gross rental yield	6%	6%	6%	6%	6%
Net yield (after management, maintenance, voids & bad debt)	4.5%	4.5%	4.5%	4.5%	4.5%
Long term cost of funds / debt (Interest)	3%	3%	3%	3%	3%
Net rental income per annum	£ 1,350,000	£ 1,800,000	£ 2,250,000	£ 2,700,000	£ 3,150,000
Interest costs per annum	£ 900,000	£ 1,200,000	£ 1,500,000	£ 1,800,000	£ 2,100,000
Net cash flow per annum	£ 450,000	£ 600,000	£ 750,000	£ 900,000	£ 1,050,000
NB1. Once modelled within a discounted cash flow, rental income would rise annually versus static interest costs, so as to enable repayment of the capital invested.					
NB2. Capital growth occur over the medium to long term, and so this could be realised through sale of the assets in the long term, to boost returns further.					
NB3. Borrowing could be reduced by utilising New Homes Bonus, so net cash flows per annum could increase.					