

# PROPERTY VALUATION MODEL

## 51 ARTHUR STREET, CHILTON, FERRYHILL, DL17 0PZ

Click for updating WACC, after adjusting the inputs

### WACC

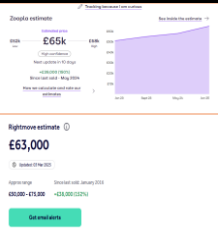
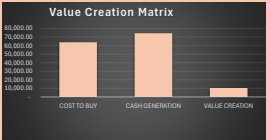
### 5.52%

### INPUTS

Purchase Price	39000
SDLT	0
Fees	7000
Repair	28000
Legal Cost	2000
Other Cost	2000
Equity Investment	78000
Refinance	48000
Rental Yield	9%
Tax Rate	25%
Growth Rate	2%
Beta	1
10 year Gilt Bond yield	5%
Market Return (REIT)	6%
Cost of Debt	5%

### Discounted Cashflow

74,454.55



IRR	7%
CAGR	6%

### CURRENT MARKET VALUE

ZOOPLA	65,000.00
RIGHTMOVE	63,000.00
AVERAGE	64,000.00

600 Per month rental income matrix. Can be altered for sensitivity check

Year 1	Year 2	Year 3	Year 4	Year 5
7,200	7,344	7,491	7,641	7,794

### PROPERTY VALUATION SUMMARY

- OVERVIEW**  
51 Arthur Street is a 3 - bedroom freehold property currently available for sale at a price below market value.
- Reason for below market pricing**  
The property requires substantial refurbishment to reach a livable condition, which justifies its reduced price.
- Repair and Acquisition cost**  
The estimated cost of repairs is £28,000, bringing the total acquisition cost (including purchase and renovation) to £78,000.
- Valuation Methodology**  
The discounted cashflow (DCF) method has been used to estimate the intrinsic value of the property.
- Cost of Equity - CAPM Assumptions**  
To calculate the cost of equity Capital Asset Pricing Model (CAPM) was applied: to calculate Beta, below benchmarks were used.  
--> Rm(Market return): Average return from Real Estate Investment Trusts (REITs)  
--> Rf(Risk free return): UK 10 year government bond yield
- Cost of Debt**  
The cost of debt was based on the current But to Let mortgage rate, estimated at approximately 5%.
- Rental income forecast and market value (MV) benchmark**  
Rental income has been projected over a 5-year period, based on local market insights obtained from estate agents. The current MV has been estimated as an average of property listings on Zoopla and Rightmove, approximated at £64,000.
- Valuation Outcome**  
The total DCF value of the property is estimated at £72,000, indicating an intrinsic value above current market estimates.
- Conclusion**  
The current market value of £64k appears to align with a benchmark monthly rental of £540. However, our research suggests that the achievable rent is more likely to be £600 p.m., supported by recent listings and conversations with local agents. At forecasted rental level, the DCF valuation rises to approximately £74,000, indicating the intrinsic value of property is significantly higher than current MV. This £60 p.m. rental headroom offers an additional buffer, helping to mitigate potential increase in cost of debt, such as raising mortgage interest rates. Additionally, if we opt to list the property on Airbnb, the rental potential could be significantly higher. Despite the need for upfront renovation, the property demonstrates strong income fundamentals and presents a compelling opportunity for value driven investors seeking long term returns. However, CAGR is only 6% which is lower as compared to FTSE250 index returns over 5 years.

### VALUE CREATION MATRIX

COST TO BUY	64,000.00
CASH GENERATION	74,454.55
VALUE CREATION	10,454.55