Property Development

Appraisal and Finance

David Isaac

Professor of Real Estate Management Head of Property and Land Management University of Greenwich



Contents

Prefa	ace		х
Acknowledgements			
List of Statutes, Cases and Regulations			xiii
ist	of Abbi	reviations	xiv
1	The F	Property Development Process	1
	1.1	Introduction	1
	1.2	The economic context of property development	8
	1.3	Development activity	15
	1.4	The UK construction industry	18
2	Project Managing the Development Process		
	2.1	Total project management	24
	2.2	The role of the project manager	26
	2.3	The future	31
3	The Development Appraisal		35
	3.1	Introduction	35
	3.2	Site finding	36
	3.3	Site appraisal	38
	3.4	Planning considerations	45
	3.5	Economic and market analysis	50
4	The Residual Valuation		
	4.1	Introduction: residual valuation	56
	4.2	Detailed residual valuation	65
	4.3	Sensitivity and risk	68
	4.4	Calculation of the development profit	74
	4.5	Alternative approaches	76
	4.6	The investment method used to calculate value	77
5	Ground Rents and Partnership Schemes		85
	5.1	Calculation of ground rents	85
	5.2	Equity sharing and partnerships	88
	5.3	Advantages of partnerships	92

6	Cash	Flow Approaches and Computing	98
	6.1	Use of cash flow methods	98
	6.2	Computer spreadsheets	111
	6.3	Sensitivity analysis and risk	114
7	Financing Property Development		
	7.1	Introduction	133
	7.2	Methods of finance, history and development	135
	7.3	Sources of finance	141
	7.4	Lending criteria	145
	7.5	Glossary of financial terms	147
	7.6	Case study: finance for the smaller development/	
		building company and contractor	148
8	Classification of Development Finance		
	8.1	Introduction	156
	8.2	Categories of finance	159
	8.3	Project based funding	163
	8.4	Case study: Property Lending Survey 1994	167
	8.5	Corporate finance	173
	8.6	Corporate finance instruments: a summary	178
9	Structure of Property Finance		185
	9.1	Institutional investment	185
	9.2	Joint ventures	190
	9.3	Property companies	192
	9.4	Securitisation and unitisation	200
	9.5	Case study: Research study into the unitisation of	
		property in Hong Kong	206
10		icial Management in Property Development	213
	10.1	Financial structures	213
	10.2	Property accounts	217
11	Design and Construction		228
	11.1	Design implications and cost	228
	11.2	Cost of construction	234
	11.3	Managing the construction phase	237
	11.4	Case study: selection of the building contract	241
12	Marketing and Disposal		
	12.1	Introduction	252
	12.2	Market research	257

		Contents	ix
12.3	The marketing of property		259
12.4	The marketing plan		267
12.5	Disposal and warranties		269
Bibliography			272
Index			280