

The first pass: is there a scheme here?

Chapter 2. Five questions before any appraisal, the obvious problem named in writing, and the walk-away number written down before the bidding starts.

Scheme		Development manager	
Site		Date	

First-pass question	Answer	Source / date
What can be built here? Designation, policy, precedent nearby, access, ground, services, flood, contamination, existing structures, protected features		
What would it be worth? Values for the likely uses, comparable evidence, today's levels		
Who would occupy or buy it? A named end user, or a bet on demand?		
What is the obvious problem? Access, ransom strip, covenant, contamination, objecting neighbour, services. Why is it still available?		
What is the timescale? Acquisition to income: consent, procurement, construction, letting, stabilisation		

Site source	Channel	Implication
Agent, openly marketed		
Off-market / direct approach		
Public or institutional disposal		
Existing owner: appraise at today's alternative-use value, never historic cost		

Control before commitment	Chosen?	Duration / trigger / price mechanism
Option agreement		
Conditional contract: satisfactory consent defined as		
Promotion agreement		
Price adjusted for the unknowns (remediation, consented units)		

Bidding discipline	Amount / answer
Our own residual (not the guide price)	
WALK-AWAY NUMBER, written before the process starts	
Guide price	
If we won by a wide margin: what did the underbidders assume?	

Chapter 2: winning a competitive land sale by a wide margin means everyone else's appraisal produced a lower number. Before exchanging, find the assumption they made that you did not.

Land diligence in five stages

Appendix A. Do the cheap items first and stop if any of them kills the scheme. The cost column keeps the sequence honest.

Scheme		Development manager	
Site		Date	

Item	Done / answer	Evidence / cost incurred
Stage 1 — desktop, days rather than weeks		
Planning designation and policy framework		
Planning history here and within 500 m: consents, refusals, grounds		
Title: covenants, easements, rights of way, ransom strips, height or use restrictions		
Environmental desktop: former uses, contamination indicators		
Flood risk and drainage designation		
Utilities capacity: power, water, drainage, telecoms		
Heritage designations, protected features and trees		
Site walk at two times of day, and the surrounding streets		
Stage 2 — the obvious problem, named in writing before appraising		
Access / ransom / covenant / contamination / services / neighbour / planning history / ground / market		
Stage 3 — intrusive and specialist, only after stage 1 clears		
Ground investigation (never deferred to save a modest fee)		
Measured survey; structural survey of any existing building		
Asbestos and hazardous materials		
Ecology and arboriculture		
Archaeology where indicated		
Transport assessment		
Daylight, sunlight and rights of light, while massing can change		
Party wall and neighbourly matters		
Stage 4 — the appraisal inputs		
Value from comparable evidence, dated and cited		
Construction cost with its design basis stated		
Statutory costs, obligations and infrastructure charges		
Programme: consent, conditions, procurement, construction, letting, stabilisation		
Finance on a cash flow, peak debt identified		
Profit reflecting this scheme's risk, not a house convention		
Stage 5 — before committing		
Walk-away land value written down		
Owned land appraised at today's alternative-use value		
Cost overrun and value decline that each eliminate the profit		
Option or conditional contract, satisfactory consent defined		
Won by a wide margin? What the underbidders assumed		

The residual, and the four tests

Chapter 3. Present the four tests beside the headline and state on the front page the overrun and the value decline that each eliminate the profit.

Scheme		Development manager	
Site		Date	

Appraisal line	Amount	Basis and date
Gross development value		
Construction		
Professional fees		
Statutory and planning costs		
Finance (from the cash flow, not a percentage)		
Required profit, % of cost excluding land — and why that level		
RESIDUAL LAND VALUE		
Price on the table		
Profit on cost including land / on value		

Test	Value	Construction	Finance	Land value	Fall
As appraised					
1. Construction +8%					
2. Programme +6 to 9 months (finance and inflation)					
3. Value -5%					
4. All three together					

The reverse question: for the price on the table to work	Required	Against ours	Movement
Gross development value			
Construction cost			
Finance			
Required profit			

FOR THE FRONT PAGE	Amount	Share
Cost overrun that eliminates the profit		
Value decline that eliminates the profit		
Peak debt, and the quarters it is held		
Cost of a six-month delay at the peak		

Test 4 carries all three stresses at once: the 8 per cent, the inflation of the delay, the higher finance and the lower value. In a downturn they arrive together.

Consent: four risks, not one

Chapter 4. Refusal, scope, conditions and time, the consentable scheme priced against the optimal one, and every consent mapped before the start date.

Scheme		Development manager	
Site		Date	

Risk	Probability	Money	Months	Response
Refusal				
Scope: consent for less than appraised				
Conditions and obligations not in the appraisal				
Time: longer than assumed				

Satisfactory consent is defined as	In the contract?	Clause
Minimum quantum (units / area)		
Acceptable use		
Cap on obligations and contributions		
No condition that materially affects viability		
Would a materially smaller scheme satisfy it?		

Consent or approval before start	Owner	Submitted	Determined	On programme?
Principal consent				
Discharge of pre-commencement conditions				
Statutory agreement securing obligations				
Highways agreement				
Drainage approval				
Building control				

Route A (optimal) against route B (consentable)	A	B
Units / margin per unit		
Probability of refusal		
Appeal: months, cost, chance of success		
Months by which an appeal outruns the option		
Expected profit		
Refusal probability at which the choice flips		

Case one on the same page works this comparison on Chapter 16's scheme.

The brief, and where cost concentrates

Chapter 5. A brief of requirements rather than solutions, the ratios set in the first weeks, and every proposed enhancement tested against the letting.

Scheme		Development manager	
Site		Date	

The brief states	Requirement (not solution)	Priority
Use and target occupier		
Quantum: area, units, storeys		
Specification: what the market expects, not technical detail		
Performance and any certification target		
Budget		
Programme		
Constraints: planning, site, statutory		
Priorities: what gives way first?		

Element	Allowance	Current estimate	Driver fixed when?	Watch
Substructure and groundworks				
Frame and upper floors				
External envelope				
Building services				
Fit-out and finishes				

Ratio	This scheme	Comparable buildings
Wall-to-floor ratio		
Efficiency ratio (lettable / gross)		

Proposed enhancement or saving	Cost	Would an agent cite it for a higher (or lower) rent?	Decision

Value engineering early, by function; protect what the occupier sees; attack what nobody sees and what recurs; beware savings that raise running cost.

Interrogating a cost plan, and the monthly report

Chapter 6 and Appendix B. Six questions every time; three contingencies kept apart; forecast final cost as the headline.

Scheme		Development manager	
Site		Date	

Question	Answer	Carried where / risk
1. What design information is it based on? (concept / developed / technical / tender)		
2. What is excluded, and where is each exclusion carried?		
3. What provisional and prime cost sums, and at the top of their range?		
4. What inflation, to what date, against the contract start?		
5. What contingency, and whose?		
6. What is the basis of the abnormals? Desktop figures are not estimates		

Contingency	Held	Drawn to date	Remaining	Should be at this stage
Design development (to nil as design completes)				
Construction (higher on refurbishment, difficult ground)				
Client (held by the client, invisible to the contractor)				

The four numbers, monthly	This month	Last month	Movement and cause
Certified to date			
Committed (contracted, unavoidable)			
FORECAST FINAL COST (the headline)			
Movement since last month, with causes			

Never let contingency fund enhancement: a saving found in month four reduces the risk of month twenty; it does not create budget.

Procurement and the terms that matter

Chapter 7. Who designs, how the price is set, who bears the unexpected. Price certainty comes from scope definition, not the contract's name.

Scheme		Development manager	
Site		Date	

Route	Design risk	Price certainty	Speed	Fit for this scheme?
Traditional				
Design and build (employer's requirements complete?)				
Management contracting / construction management				
Two-stage tendering				

Two-stage controls	In place?	Note
Overhead, profit and preliminaries fixed at stage one, under competition		
Open-book packages, minimum quotations each		
A credible right to go elsewhere at stage two		
Date by which the stage-two price must be agreed		
Value-driving elements fixed in the employer's requirements		

Term	Agreed	Commercial test
Liquidated damages rate and CAP		Weeks of delay the cap covers
Extension of time events		Time-only or time-and-money?
Retention		Released at completion and after the defects period
Payment terms		Nothing paid ahead of value
Collateral warranties / third-party rights		Agreed at contract, not at the end
Insurance and indemnity		Levels, basis, run-off
Contractor's balance sheet		Can it absorb a loss on this contract?

Funding: the facility and the cost-to-complete test

Chapter 8. The loan grows while the security is weakest; every control addresses completion. Negotiate the term to stabilisation.

Scheme		Development manager	
Site		Date	

Facility term	Agreed	Note
Land tranche / construction tranche		
Equity first: amount and timing		
Monitoring surveyor: named, cycle in working days		
Contingency within the facility, released by		
Collateral warranties and step-in rights		
Pre-let or pre-sale threshold		
Cost overrun guarantee: cap and exclusions		
Term: months after practical completion; extension option and its conditions		
Definition of practical completion = building contract?		

Cost-to-complete test, at each drawdown	Amount
Forecast final cost	
Spent to date	
Cost to complete	
Facility remaining	
Equity remaining	
SHORTFALL = equity call (cost to complete less both)	
Increase in forecast final cost that triggers a call	

Layers and incentive	Amount
Senior / mezzanine / preferred equity / sponsor equity	
Profit after all layers	
Overrun that eliminates the sponsor's profit	

Joint ventures: decision rights with response deadlines, funding obligations and dilution agreed in advance, and the exit.

Programme review and the site walk

Chapters 9 and 10. Re-identify the critical path monthly; carry the letting programme; count the labour on a Tuesday morning.

Scheme		Development manager	
Site		Date	

This month	Answer
Critical path now (and last month)	
Float consumed on near-critical activities	
Long-lead items: ordered by / needed by	
Discharge of conditions, utilities, statutory sign-offs	
Commissioning: separate activity, own duration?	
Delay events: cause (contractor / client / neutral), critical?, concurrent?	
Acceleration proposed: on the critical path? cost against the cost of delay	

Letting programme	Planned month	Status
Agent appointed; marketing material		
Marketing suite / show unit		
Marketing starts (never at practical completion)		
Pre-let agreed		
Occupier fit-out and rent commencement		

Site walk: five things	Seen	Action
Labour on site against what the programme implies		
Sequence: anything out of sequence?		
Materials on site and their protection		
Quality of what is about to be covered up		
Housekeeping and safety		
Subcontract chain: late payment, people leaving site		

The risk register

Chapter 12 and Appendix C. Five fields per risk. The trigger is the one usually missing, and the one that makes a register a management tool.

Scheme		Development manager	
Site		Date	

Risk (the mechanism)	Consequence: money and weeks	Mitigation, owner, date	TRIGGER: the observable event	Residual

Risk	On the register?	Trigger stated
The risks that recur — review every one monthly		
Ground and existing structures		
Consent: refusal, scope, conditions, time		
Discharge of pre-commencement conditions		
Statutory and utility lead times		
Contractor insolvency (watch the subcontract chain)		
Long-lead procurement items		
Inflation on unlet packages		
Neighbourly matters: party wall, rights of light, access		
Market: value at exit and letting at completion		
Commissioning duration at the end of the programme		
Stabilisation: fit-out period and rent commencement		

Review the register at the same meeting as the cost report and the programme. They are the same subject seen three ways.

Change control register

Chapter 11 and Appendix D. Register, price with the programme effect, approve through the delegation, instruct in writing, reconcile monthly.

Scheme		Development manager	
Site		Date	

No.	Change	Category	Cost	Weeks / critical?	Approved by	Instructed (date, by)	In FFC?

Category	Who normally bears it
Client-instructed	Client
Design development	Depends on scope definition and route
Unforeseen physical conditions	Depends on the ground risk allocation
Statutory	Usually client
Contractor-proposed	Genuine saving or specification reduction?

Claims	Open	Oldest (months)	Notice in time?
Entitlement established before quantum?			
Contemporaneous records held?			

The pre-let paper

Chapter 14 and Appendix H. Write the comparison down; price every concession at the exit yield; charge the floors not pre-let their void.

Scheme		Development manager	
Site		Date	

Line	Amount	Working
Rent concession a year		discount x pre-let rent
NPV over the term		what the appraisal shows
CAPITALISED at the exit yield		what a buyer deducts
Void of the floors the pre-let takes		holding, rent-free, fees on those floors
Each non-financial condition, capitalised		entrance, signage, parking, plant space
as a rent discount		capitalised / (pre-let rent / exit yield)

Outcome for the floors NOT pre-let	Probability	Pre-let profit	Speculative profit	Margin
Let within 6 months				
Let within 12 months				
Let at a discount, 24 months				
Part-let at maturity				
Expected				

Agreement for lease	Agreed	Risk
Completion date and remedies; LONG-STOP (generous?)		
Specification defined by document		
Practical completion mechanism and disputes		
Occupier variations		
Rent commencement and rent-free		
Covenant and security to completion		
Forward funding: who approves the letting terms?		

Discount at which the pre-let stops winning in every outcome: ____%. The occupier asks for ____% on rent plus ____% in configuration.

Completion, handover and stabilisation

Chapter 15 and Appendix E. Practical completion is a trigger, not an ending; model cash to rent commencement.

Scheme		Development manager	
Site		Date	

Item	Status	Owner / date
Before practical completion		
Snagging progressive, zone by zone		
Commissioning programmed separately, plan issued, independent validation		
Definition of practical completion confirmed		
Handover package a condition of completion or retention release		
The handover package — check it, do not receive it		
O&M; manuals		
As-built drawings and models		
Test certificates and commissioning records		
Statutory approvals for occupation		
Manufacturer warranties		
Collateral warranties / third-party rights		
Health and safety information		
Spares, keys, credentials, administrator rights		
Defects period		
Every defect logged, reported, tracked		
Inspection before expiry		
Covers a full cycle of seasons		
Stabilisation		
Marketing started well before completion		
Fit-out period modelled between lease and rent commencement		
Property manager, service contracts, compliance regime		
First service charge budget		
Handover to asset management as a live meeting		
At the facility's maturity		Amount
Balance at maturity		
Contracted rent, net of incentives: valuation		
Refinancing available / equity to find		