

Rudolf Wolff Residential Parks Fund



Due Diligence Questions

WHY THIS SECTOR?

The profits that are able to be generated in the Luxury Residential Parks sector are unrivaled when compared with traditional real estate as a result of a number of factors. The speed of development thanks to Modular Construction, the high margins available, and taking advantage of existing planning which is often only used for Static Caravans, whereas our developers maximise it to create Luxury Gated Residential Communities. Once all Units have been sold on the sites, they still have huge amount of value due to the monthly pitch fees paid by residents. This mean sites can be sold generating significant revenue, alternatively can be used as an Asset for Refinancing.

HOW DOES THE FUND PROVIDE SECURITY FOR INVESTORS?

The Fund will only make a loan to a developer when there is suitable security in place over property assets. If in the event of Default Assets can then be liquidated to recoup Capital. In addition there is a robust set of criteria that must be met before any lending takes place.

WHAT ARE THE BENEFITS OF THE FUND BEING AUDITED? *

Auditing provides verification, accountability, and oversight. The fund Auditors will look at the fund Loan Book and assess the NAV on that basis.

WHAT IS THE FUND'S LENDING CRITERIA AND PROCESSES?

Rudolf Wolff' and our in house sector specialist Fund Manager Paul Chadney, have a detailed and robust approval process for signing off on any Secured Development Loans. Rudolf Wolff, and as such the Fund Manager, are FCA regulated. All target sites will have a detailed Due Diligence pack compiled and reviewed by the Fund Manager prior to sign off. That due diligence pack will include detailed financial modeling for each proposed acquisition, an independent valuation from a sector specialist and where appropriate third party validation of any planning matters again from a sector planning specialist. We only lend to Developers with a strong track record.

WHO ARE THE PRIMARY DEVELOPMENT PARTNER?

Founded in 2016, Serenity Parks Limited ("Serenity Parks") is a UK developer and operator of high-end residential parks. Prospective residents can easily identify a Serenity Parks site based on the stunning surroundings and extremely well maintained landscaping and built environment. Our sites are typically located in semi-rural settings, where residents can enjoy the best of an outdoor lifestyle, and a vibrant local community, but are still located near towns and city centres with access to excellent amenities such as transport. The Serenity Parks brand has proven highly attractive to people 55+ (their average resident is 71), who are retired or semi-retired, and typically from the C1 lower middle class demographic. **Please note that the Serenity Parks website is an Operator website not a Developers website. This is because if sellers are aware they are selling to developers- pricing will increase.**

HOW DO THE DEVELOPMENT PARTNERS GENERATE REVENUE?

Unit Sales makes up an important part of this, however please see below full breakdown.

1. **Development profit from sale of park homes:** Typically 50% gross margin on sales of park homes, with fixed building costs and market rates for sales ranging from £250k - £450k, (with our average sale generating £125k in gross profit).
2. **Pitch fees:** Each resident pays recurring pitch fees, which cover the cost of maintenance and staffing at the park.
3. **Selling Site:** Due to the recurring income, sites can be sold for significant value, even when all of the Units have already been sold.
4. **Resale commissions:** Any sale of a park home by a resident on a site will generate a 10% commission to the Park Operator, which would typically amount to £20k.
5. **Purchase of older units from residents:** Repurchase units nearing the end of their lives when a resident leaves the park, to redevelop the lot and sell a new park home.
6. **Planning gains:** Acquire sites where developers generate significant value through new or improved planning consent, reflected on the balance sheet.
7. **Site acquisition & dispersal:** When a piece of land or an existing park is not consistent with the Operator brand, we sell it on to a new developer at a profit.
8. **Assisted sales:** About 70% of our Primary Development Partner's residents use their assisted sale service to sell their current home before moving. Typically, generating an additional £8k - £12k /unit.
9. **Services:** generate further revenue from the provision of on-site services, such as electricity, car charging points etc.

*Please note that all of the above information is only in reference to the Rudolf Wolff Residential Parks Fund. As a result, some of this information is **Non-Applicable** to Rudolf Wolff Residential Funding Loan Notes*

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WHAT ARE THE ADVANTAGES OF MODULAR CONSTRUCTION?

Utilising Modular Construction significantly reduces the time it takes to build. Construction takes place in a factory and only very minimal installation works need to take place on site. Our developers of course carry out Landscaping work on the sites to bring them up to a luxury standard, however outsourcing the Unit building significantly reduces the timeline. Risk is also significantly reduced as all Units come with a 10 Year warranty and the Factory can take care of any issues NOT the Developer. From a sales point of view residents can also customise their units which increases adaptability for all.

WHO ARE THE MODULAR CONSTRUCTION MANUFACTURERS?

Our Park Homes are built by industry leading firms with extensive track records producing, to the highest standards, luxurious living spaces. More information available upon request.

WHAT IS THE MARKET OPPORTUNITY?

Across the UK, 3 million retirees are looking for a way to downsize – but struggling. The problem will grow as the population ages and the number of over 65s hits 17.5m by 2026, accounting for nearly 21% of the entire UK population.[1] Those at, or close to retirement, wishing to downsize face a number of barriers:

1. **Cost:** If stamp duty is included, the cost of a successful move averages more than £8,000 in the UK,[2] a massive sum for most pensioners.
2. **Availability:** The UK government estimates at least 30,000 new bungalow style homes must be constructed each year to meet demand from older people. [3]
3. **Practicality:** the challenges of physically moving home as well as the emotions involved in moving can be challenging for older residents.[4]
4. **Quality of life while downsizing:** Fostering a strong community spirit in our parks helps prospective residents who are concerned about moving feel right at home. Our bungalow style homes help residents stay in their homes longer.
5. **Reducing the cost of care:** There is a direct correlation among those able to remain independent for longer versus meeting the cost of care. [5]
6. **Unlocking equity in their house:** Homeowners above the age of 55 have benefited from significant growth in house prices over their lifetime. Downsizing to a park home can free up capital, as well as reduce costs through lower operating costs. Park homes are also exempt from stamp duty.

[1] ONS [2] UK Parliament, 2018 [3] UK Parliament, 2018 [4] UK Parliament, 2018 [5] UK Parliament, 2018

DOES THE FUND HAVE ANY SUSTAINABILITY AND ENVIRONMENTAL CREDENTIALS?

1. **Energy Efficient** - Park homes are constructed to be as energy efficient as possible with the use of insulated timber frame construction, low emission glass for windows and doors, amongst other energy efficient construction methods and materials.
2. **Limited Disturbance to Ground Conditions** – Development works at park home sites that impact ground conditions are generally limited to building the internal park roads, which are usually relatively narrow because they are one-way in nature, and laying the bases on which individual homes will be stationed on.
3. **Limited Landscape Impacts** - Park homes sites are traditionally found at the edge of settlements where their low intensity single storey nature provides an acceptable transition between town and country. The fact park home sites often have landscaped grounds and well maintained private gardens and individual park homes can be sensitively sited to avoid features that contribute to a locality's landscape character means such developments can have limited landscape impacts.
4. **Assimilate into Surroundings** - On the other hand, natural or modern materials such as composite timber can be used to clad park homes to help developments to assimilate into rural landscapes. On suburban and edge of settlement sites, the external appearance of park homes resembles conventional houses by using similar materials and incorporating common and domestic architectural features, such as bay windows and outward projecting porches. Accordingly, park home developments blend in with neighbouring bricks and mortar houses.
5. **Easily Screened** – The low heights of the park homes also means they can be easily screened by trees and hedgerows.
6. **Rapid Installation Process** – Given that park homes are constructed off-site and they are transported to their final destinations fully furnished and decorated, the only physical works that occur at the site following the laying of individual bases and completion of internal roads is the siting of the individual park homes onto their bases. This can be completed quickly therefore on-site construction activities that impact the environment such as noise, dust and vibrations are less than a conventional bricks and mortar housing development.

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