



EVENT FEE – DISCLOSURE DOCUMENT

Deferred Development Payment

When your property is sold, or re-assigned, a Deferred Development Payment (DDP), which is a percentage of the selling price or market value based on the length of time you owned the property, is paid. (Please see *What you receive for the fee* below.)

Our Sales Team at Mount Battenhall will fully explain the DDP.

The DDP is received by the freeholder, ERL (Worcester) Limited (ERLWL).

How and when is the DDP payable?

As mentioned above, the DDP is payable when the property is sold or re-assigned and is based upon a percentage (see below) of achieved sale price or the open market value at that time.

This is because we feel it would not be fair to charge the maximum fee to an Owner who will only benefit for a shorter term and have, therefore, introduced a gradual increase. The final percentage is capped at 16%, irrespective of the length of occupation after the six-year period.

You don't pay anything until you or your Executors sell or re-assign the lease of your property.

Any uplift in equity (increase in value) achieved from a sale of a property, after payment of the DDP, is retained by the vendor(s).

Similarly, any decrease in value is borne by the vendor(s).

How much is the DDP?

The DDP percentage is based on the length of ownership, as follows:

■ Up to 1 year	6%
■ 1 to 2 years	8%
■ 2 to 3 years	10%
■ 3 to 4 years	12%
■ 4 to 5 years	14%
■ 5 to 6 years	16%
■ 6 years and over	capped at 16%

How the DDP is calculated

As referred to above, the DDP is calculated as a percentage of achieved sale price or the open market value when the property is sold or re-assigned.

The table below shows examples of what the DDP might be if a property was purchased for £400,000 and was later sold (1) after its price had gone up by 3% per annum; (2) if the value remained static; and (3) if the price went down by 3% per annum.

It is not, of course, possible to show examples of all scenarios – all permutations of different rates of increase/decrease in value, the property value going up, down or remaining static some years and not others – but the table hopefully gives an understanding of how the DDP works.

		Annual Property Price Inflation					
		+ 3%*		0%*		- 3%*	
Length of Ownership	DDP Rate	Property Value**	DDP	Property Value**	DDP	Property Value**	DDP
Up to 1 year	6%	£412,000	£24,720	£400,000	£24,000	£388,000	£23,280
1 – 2 years	8%	£424,360	£33,949	£400,000	£32,000	£376,360	£30,109
2 – 3 years	10%	£437,091	£43,709	£400,000	£40,000	£365,069	£36,507
3 – 4 years	12%	£450,204	£54,024	£400,000	£48,000	£354,117	£42,494
4 – 5 years	14%	£463,710	£64,919	£400,000	£56,000	£343,494	£48,089
5 – 6 years	16%	£477,621	£76,419	£400,000	£64,000	£333,189	£53,310
8 years	16%	£506,708	£81,073	£400,000	£64,000	£313,497	£50,160
10 years	16%	£537,567	£86,011	£400,000	£64,000	£294,970	£47,195

What you receive for the fee

DDPs are normal practice in retirement villages. Their purpose is to ensure that all property owners, not just the original purchasers, contribute to the initial capital cost of the buildings (construction and/or renovation) and provision of the communal facilities, which together have been very expensive and which will benefit Owners/Occupiers over many years; leases have, therefore, been structured to take account of this. The alternative would be for the first purchasers to pay a very high initial price. They also ensure that the value of the landlord's investment is maintained, thus enabling the villages to be operated by the landlord to the high standard you would expect, which in turn can help improve the resale value of the individual properties.

They also cover the services of our dedicated Sales Team to re-sell the property. You are free to use external agents, but you would be liable for their charges.

* These rates of property price inflation are indicative only.

** Property prices may go up and down and vary from property to property.