

Event Fees

DISCLOSURE DOCUMENT

THE RED
HOUSE
LIVE WITH *Freedom*

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.) A Sales Administration Fee (SAF) is also payable.

Our Sales Team at The Red House will fully explain the DDP (and SAF).

The DDP and SAF are received by the freeholder, ERL (Red House Ripon) Limited (ERLRHRL).

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 10%, irrespective of the length of occupation after the two-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:

Length of ownership	Up to 1 Year	1 – 2 Years	Over 2 Years
Deferred Development Payment	6%	8%	10%

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.

Sales Administration Fee

The SAF of 1.8% (including VAT at 20%) of the achieved sale price is also payable to ERLRHRL. This is in addition to any other fees, including legal costs, which are the responsibility of the vendor(s). It covers 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.

For more information contact 01765 647312 or visit RedHouseRipon.co.uk

Examples of the DDP and SAF

The tables below show examples of what the DDP and SAF 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 tables hopefully give an understanding of how the DDP and SAF work.

Please note that the examples given are based on the current VAT rate of 20% (which is only payable on the SAF) and that the VAT rate may change in future years.

Annual Property Price Inflation of + 3%*							
Length of Ownership	Property Value**	Event Fee %			Amount Payable		
		DDP	SAF	Total	DDP	SAF	Total
Up to 1 year	£412,000	6%	1.8%	7.8%	£24,720	£7,416	£32,136
1 – 2 years	£424,360	8%	1.8%	9.8%	£33,949	£7,638	£41,587
2 – 3 years	£437,091	10%	1.8%	11.8%	£43,709	£7,868	£51,577
6 years	£477,621	10%	1.8%	11.8%	£47,762	£8,597	£56,359
10 years	£537,567	10%	1.8%	11.8%	£53,757	£9,676	£63,433

Annual Property Price Inflation of 0%*							
Length of Ownership	Property Value**	Event Fee %			Amount Payable		
		DDP	SAF	Total	DDP	SAF	Total
Up to 1 year	£400,000	6%	1.8%	7.8%	£24,000	£7,200	£31,200
1 – 2 years	£400,000	8%	1.8%	9.8%	£32,000	£7,200	£39,200
2 – 3 years	£400,000	10%	1.8%	11.8%	£40,000	£7,200	£47,200
6 years	£400,000	10%	1.8%	11.8%	£40,000	£7,200	£47,200
10 years	£400,000	10%	1.8%	11.8%	£40,000	£7,200	£47,200

Annual Property Price Inflation of - 3%*							
Length of Ownership	Property Value**	Event Fee %			Amount Payable		
		DDP	SAF	Total	DDP	SAF	Total
Up to 1 year	£388,000	6%	1.8%	7.8%	£23,280	£6,984	£30,264
1 – 2 years	£376,360	8%	1.8%	9.8%	£30,109	£6,774	£36,883
2 – 3 years	£365,069	10%	1.8%	11.8%	£36,507	£6,571	£43,078
6 years	£333,189	10%	1.8%	11.8%	£33,319	£5,997	£39,316
10 years	£294,970	10%	1.8%	11.8%	£29,497	£5,309	£34,806

* These rates of property price inflation are indicative only.

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

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.