



Swan Group

Progress Report: 4th Quarter 2024 (October – December 2024)

Swan Group continues its dedicated focus on advancing current projects and pursuing new opportunities within a dynamic economic environment. Despite delays, caused by several factors including local authority and resource constraints, funding pressures, and a reluctance by funders to deploy capital in Scotland due to rent caps, the Group has remained resilient. These factors have also impacted exit buyers. However, we believe these challenges will ease in 2025 as funders gain more certainty and remain keen to deploy capital once conditions stabilize.

Newhall Street (Recently Delivered):

The Newhall Street development was successfully completed and handed over to our client in August 2024. Swan Group delivered all 151 apartments on time and without delays. The positive feedback from both tenants and partners underscores the project's success and its value to the community. We are proud of the collaborative effort that brought this development to fruition and look forward to continuing our work on future projects with the same dedication and excellence. Additionally, the team are pleased to announce that the Newhall Street development has been shortlisted for the Scottish Property Awards 2025 in the Build to Rent Development of the Year category.

Royston Road:

Progress on the Royston Road development continues to advance swiftly, with the project on track for completion in the fourth quarter of 2025. The completion of crucial infrastructure works has paved the way for the construction of the initial units, with the remainder set to follow soon. The Group are focused on maintaining the momentum and delivering another successful project for the community and stakeholders.

Edinburgh Road:

The Edinburgh Road project, which has been stalled, is now hopefully set to begin construction in the second quarter of the new year. Our original exit strategy involving a Housing Association purchase we work closely with is no longer viable due to their fund capital applying capped rents and being unable to meet yield expectations, therefore we are adapting our approach. Development finance has been secured, and now we are in the process of finalising discussions with potential equity partners to complete the funding requirement. Once completed, we plan to stabilize the rents and then either rent or sell the site as a yielding asset. This new strategy reflects our commitment to maximizing the long-term value of the project, despite the previous delays. Although the project has been impacted by extended planning processes and other departmental issues, we are now securing external equity partners. We are in discussions with two potential partners and need further clarity around the exit strategy once tenanted. We expect terms to be finalized at the start of 2025. Despite these hurdles, the project remains a valuable asset for the

Group. The construction phase is planned to take 30 months, with a rigorous schedule in place to ensure timely delivery and a strong return on investment.

Exchequer House:

Swan Group continues to diligently work towards securing viable tender offers for the Exchequer House project. While no significant updates have occurred, we remain focused on optimizing the project's feasibility through ongoing reviews and discussions. Our efforts to move the initiative forward are steadfast, and we continue to explore alternative approaches. For example, following conversations with agents in the area, it has been noted that there is still a strong demand for student accommodation in the city centre. As a result, the team is still considering the potential for a full student accommodation scheme, but continue to monitor market rents for the existing 37 unit scheme and potential to develop and tenant as a private rental product. Swan Group are in continued dialogue with local contractors to assess estimated development costs.

Corton:

Corton is the groups largest project to date by far, while planning has been minded to grant, unfortunately we are still experiencing delays with local authorities over the section 75, funding the common infrastructure works. The project is currently approx. 2 years behind schedule. The site is part of a master plan for 2,700 houses in total, with our site consented for 850 houses, a large retail park, along with a 3 stream school the group have considerable means tied up within the project. The Group expect meaningful discussions through February and March in order to come to an agreeable way forward. Once the team are on site, the initial infrastructure is estimated to be 24 months with house builders then able to commence on site.

Avon House:

We are currently in negotiations with the council to agree on a final figure for Avon House. While discussions have been re-engaged, the price discussed still falls well short of the funds spent to date. The board continues to negotiate to minimize the loss on this site, and we hope to resolve this matter within the first half of 2025.

Bond Sites (Secured CSE Bond Debt/Unsecured IOM Investment)

Due to recent developments and delays in various projects, the Group has faced significant setbacks, resulting in substantial delays to build programs. The bond projects remain pending security amendments, as we are still awaiting the majority vote to amend the bond trust document to apply the senior debt. This delay continued to slow site progress with constant cash flow constraints preventing injection into these projects. If the majority vote from bondholders is not obtained, surplus cash flow that comes available will need to support these projects. While this will keep projects moving forward, it will extend the timeline and delay liquidity more than originally anticipated.

Summary

- The Group have a substantial pipeline, a solid operating structure, and strong partnerships, with clear exit strategies for housing delivery. We are actively progressing affordable housing developments, many of which are already being tenanted, and the Group have a strong track record with housing associations.

Regarding Specific Projects:

- Planning applications are progressing for Garscube Road, with a submission for the student scheme expected at the end of the 1st quarter 2025. For Bowling, a revised planning application is anticipated in early 2025. Lochore and Catrine are set to be revisited later in 2025 for planning submissions.
- Regarding the bond vote, the Group are still awaiting a very small percentage of "yes" votes for the majority. Many investors remain outstanding, and several nominees are in liquidation, accounting for a significant percentage of the bonds in circulation. Unfortunately, these liquidators have stated they cannot make the necessary decisions, and securing new nominees to push for the remaining votes has been very challenging.

As a result, the team continue to push these developments forward at a slower pace, without third-party funding. Unfortunately, the Group have no option but to ask investors in secured bonds and unsecured IOM loan note investments to be patient while we overcome these challenges.