

VALUATION REPORT

For

**Proplend Security Ltd
145/157 St John Street
London
EC1V 4PW**

On the property
Known as

**Units 29, 31, 33 and 35 Mereside
Osprey Quay
Portland
Dorset
DT5 1SP**

Prepared by

Humphreys and Dancer

16th June 2014



**Valuation Report –
Units 29, 31, 33 and 35 Mereside Portland Dorset DT5**

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Our ref: CGD/SvW

16 June 2014

Proplend Security Ltd
145/157 St John Street
London
EC1V 4PW

For The Attention Of: Brian Bartaby

Dear Sirs

**Market Valuation of the Leasehold Interest in the Property known as:
Unit 29, 31, 33 and 35 Mereside Osprey Quay Portland Dorset DT5 1SP**

Your Applicant: Tidebank Pension Scheme

1. **INSTRUCTIONS**

- 1.1 You have requested us to provide our opinion of the market value of the leasehold interest in the premises as identified above at today's date in the light of current market conditions.
- 1.2 It is understood this valuation is required for Loan Security purposes. The valuation is intended solely for this and for no other purpose and should not be relied upon by any third party to whom it is not addressed who do so entirely at their own risk.
- 1.3 The property was inspected on 14th April 2014 by C Gareth Dop FRICS MCI.Arb, who also prepared this report, in the capacity as an independent external valuer. The date of valuation is 14th April 2014.
- 1.4 We are not aware of any conflicts of interest that preclude us from preparing this valuation.
- 1.5 We confirm that we have the necessary expertise and experience to advise you in relation to this property.

Simon P Dancer, FRICS, MCI Arb. Accredited Mediator, C Gareth Dop, FRICS, MCI.Arb.

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- 1.6 We confirm that we hold Professional Indemnity Insurance on a per claim basis which is adequate in respect of this property appraisal.
- 1.7 We have undertaken this instruction on the basis that our Standard Terms and Conditions of Engagement that have been agreed with you apply and any variances from them have been noted in the report. A copy of our Terms and Conditions are attached as an Appendix to this report.

2. **LOCATION**

- 2.1 The subject property is found within the Castletown area of Portland on the former HMS Osprey site. The subject property is found on the east side of the Portland Beach Road being situated in close proximity to Portland Marina and the National Sailing Academy.
- 2.2 The former HMS Osprey site is scheduled for significant development by up to half million square feet of business space including light industrial units, a marina with leisure facilities, including the National Sailing Academy which are already established.
- 2.3 Sunseeker Yachts have a major presence in this locality as does the Maritime Coastguard Agency. A rescue helicopter operates from a nearby site, although the future of the Portland search and rescue service remains doubtful.
- 2.4 The subject property is found on the west side of Mereside which effectively is an estate road situated on a broadly level piece of land that runs parallel to the Portland Beach Road.
- 2.5 There are many marine related users in the vicinity including boat storage and there is further tranches of land in close proximity to the subject property which are earmarked for future development.
- 2.6 Mereside itself, although not adopted, has been made up to adoption standards and we are advised that it is the intention of the local Highways Authority to adopt Mereside as a public highway.

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- 2.7 Portland used to be a significant Naval base although the Military pulled out of Portland some time ago. There are many defence related contractors including weapons research type facilities that are still located locally. The main demand for these units has been from marine related users particularly those requiring a waterfront or near water front presence. In addition, there is also demand for hi-tech often military related uses.
- 2.8 The location is indicated on the street plan extract at Appendix 1 in this report.

3. **DESCRIPTION/CONSTRUCTION**

- 3.1 The subject property comprises of four adjoining light industrial units that are brand new and were in the course of construction at the date of inspection. The four units are contained within a detached building and essentially the detached building provides four near identical units.
- 3.2 The left hand unit is number 29, the middle units are numbered 31 and 33 and the end of terraced unit is number 35.
- 3.3 The building is constructed of steel framework construction off a power floated slab with the external elevations being finished in vertically hung and insulated profile sheet steelwork.
- 3.4 The roof of the property is pitched with a central ridge and sheeted in insulated metal panels with inset skylights. The gabling detailing to the building give the impression that the roof is curved. This is not the case.
- 3.5 To the front elevation of each unit, there is a vehicular access door together with a personal door. There is also an emergency access and egress door situated in the rear elevation of each unit.
- 3.6 The building is high-tech in appearance and these units are of a height that would lend themselves to a retrospective full or partial mezzanine installation.

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3.7 The buildings themselves are ostensibly complete, except for some minor snagging as set out in the first schedule of the draft lease.

3.8 Our valuation assumes that the building is complete although we have not re-inspected the property to confirm this.

4. **ACCOMMODATION**

4.1 The accommodation will be completed to a shell fit out. In other words the developer will provide terminated services within the shell of the building and the distribution of electric power and lighting, the installation of WC facilities, essentially will fall to the occupier as part of their fit out. It is not unusual for light industrial buildings to be completed to this standard only.

4.2 Each unit will provide broadly rectangular accommodation with a maximum eaves height of around 7.5 metres and a minimum eaves height of around six metres with the vehicular access doors giving around 4.3 metres clear height.

5. **FLOOR AREAS**

5.1 We have measured the accommodation in accordance with the RICS code of measuring practice and set out below in schedule form is a note of the approximate gross internal area of each unit.

	Metres ²	Square Feet
Unit 29	198.12	2132
Unit 31	195.36	2103
Unit 33	194.71	2096
Unit 35	195.36	2103

6. **CONDITION**

6.1 This valuation has been prepared on the basis that the property has been completed.

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- 6.2 We have made a visual internal and external inspection of the property, the external inspection being from ground level only on the date of inspection prior to preparing this valuation. We have not inspected those parts of the property that are covered unexposed or inaccessible, and such parts have been assumed to be in good repair and condition.
- 6.3 At that time of our inspection, the property was found to be generally in a good state of repair and entirely consistent with the speculative industrial building of this age and character.
- 6.4 We are advised that there is a collateral warranty to be put in place effectively guaranteeing the building for a period of 12 years although this documentation should be examined by the Pension Trustees as part of their due diligence.
- 6.5 Our valuation of the property is on the basis that the property has been completed also is on the assumption that building regulation sign off has been achieved.
- 6.6 Once completed and provided the building is subjected to a routine of maintenance, repair and renewal, there is no reason to anticipate that it will not have a useful economic life of 25 years.
- 6.7 We have not been instructed to undertake any structural surveys or building surveys, test the services or arrange for any investigations to be carried out to determine whether any deleterious materials have been used in the construction of the subject premises or subsequent additions. In the event that a subsequent survey reveals defects in the subject premises, then we reserve the right to reconsider our valuation in light of the revised facts.

7. **SERVICES**

- 7.1 The property has the benefit of mains gas, water, electricity and drainage. The property has the benefit of a three phase electrical supply.

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7.2 Service connections have been brought into the building although there is no distribution of lighting and power within the building nor is there any distribution of water services, all of which will have to be undertaken by the occupiers.

8. STATUTORY ENQUIRIES AND RATING

8.1 We note that planning consent was granted for the erection of the terrace under Weymouth and Portland Council's reference WP/13/00587/FUL which is in respect of Units 29 – 35 Mereside and I note that consent is given for Class B1, B2 and B8 uses. In preparing our valuation, we have assumed that the property has lawful planning consent for B1, B2 and B8 uses although it is important that the Bank's solicitors identify and confirm the existence of a valid planning consent for the subject property and also confirm that the planning consent is not subject to any onerous terms or conditions.

8.2 We are advised that the property is not Listed.

8.3 We are advised that the property is not situated in a Conservation area or National Park.

8.4 There are duties under the Provisions of the Equalities Act 2010 to make reasonable changes to practices and procedures within the workplace to enable disabled people to do their jobs. Clients should be aware of the potential liability on building owners or occupiers for work to comply with the Equalities Act 2010, especially where the property is used for the provision of goods or services to the public (for example, shops, leisure property and some offices). In providing our valuation we have assumed that the Equalities Act 2010 provisions will not materially affect our valuation.

8.5 The Fire Regulatory Reform (Fire Safety) Order 2005 came into effect on the 1 October 2006 and replaces most fire safety legislation. Fire Authorities no longer issue fire certificates and those previously in force now have no legal status. Under this legislation, the 'responsible person' must now carry out a 'fire risk assessment' (or more particularly ensure

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one is carried out by a suitably qualified person). Unlike the old Fire Certificates, the Fire Risk Assessment is in respect of the way the premises are used and thus this is not something which runs with the property or is transferred to a new occupier. You are advised to ensure that occupiers are required to obtain a Fire Risk Safety Assessment which should be kept under review. We recommend that the need to commission a fire risk safety assessment and the implementation of its recommendation should be drawn to the attention of the occupier. The building will be subject to an assessment when it is occupied.

- 8.6 Many modern industrial buildings have been constructed with composite external panels which sandwich insulating material between inner and outer plastic coated steel sheeting. Panels containing polystyrene (EPS and XPS) have been shown to increase the risk of fire spreading whilst giving toxic black smoke. Similar panels containing polyurethane type products (PUR and PIR) sometimes do not perform well either. Because of the health risk to fire fighters, brigades have to be careful in dealing with fires in such buildings and thus some insurers state that these structures are more vulnerable to serious damage. Consequently, some insurance underwriters require high insurance premiums whilst others refuse to quote or even demand the replacement of such panels. In the event of difficulty being encountered in insuring premises significant expenditure could be necessary which could in turn impact on the Market Value of the property.
- 8.7 We have not been provided with an E.P.C. for this property. An E.P.C. is now a Statutory requirement for a property being sold or let. It is important that solicitors establish the existence or otherwise of an E.P.C.
- 8.8 All occupiers should be aware that health and safety requirements differ greatly according to how the premises are used. We have not made enquiries to ascertain the appropriateness of the premises for their proposed use or to confirm compliance with regulations.
- 8.9 We have made enquiries of www.voa.gov.uk and note that the property is entered into the rating list as follows:

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<u>Description</u>	<u>Rateable Value</u>
Not yet assessed	

9. VALUATION FOR INSURANCE PURPOSES

- 9.1 We estimate that the cost of reinstating the subject property allowing for site clearance and fees is £500,000 (five hundred thousand pounds). In accordance with our standard Terms and Conditions of Engagement, this figure is given solely as a guide as a formal estimate for Insurance purposes should only be given by a Quantity Surveyor or other suitably qualified person.
- 9.2 For the avoidance of doubt this figure can be divided equally between the three units. In essence each unit should be insured for £125,000.

10. SITE AND GROUND CONDITIONS

- 10.1 We have previously spoken at length with the developer of this property who advises me that a flood risk assessment has been carried out in respect of this site. There is a significant bund running between the subject property and the Portland Beach Road with an alleviation channel between the bund and the subject property.
- 10.2 Portland Harbour which has a significant breakwater is situated just to the east of the subject property and it is likely that this breakwater will provide adequate protection from surge waters in the Portland Harbour.
- 10.3 Interestingly we are advised that the subject property did not flood during the storms of last month although airborne spray was pushed across the entire site.
- 10.4 I would recommend that the flood risk assessment is made available to the Pension Trustees.
- 10.5 The Developer advises me that there was contamination on this site but a full programme of remediation was carried out by the original vendor and

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that since your applicant acquired this site, trial holes have been dug and no contamination was identified at the subject property. We would further recommend that an environmental assessment is made available to the Pension Trustees.

- 10.6 There were no obvious signs of any Japanese Knot Weed or other invasive species identified in the property.

11. **ENVIRONMENTAL ISSUES**

- 11.1 Our valuation assumes that no contamination exists on the site.
- 11.2 The subject property is not situated in an area known to be at risk from Radon. We therefore consider the risk of adverse levels of Radon to be remote although this can only be confirmed by Radon testing on site.
- 11.3 The subject property is not located in a known mining area. We therefore conclude that the risk from mining works collapse is remote. A specialist report is not considered necessary.
- 11.4 We are not aware of any road widening or other Highways or similar proposals affecting the property and it is assumed to be free of any compulsory purchase or similar orders for the purposes of arriving at our valuation.
- 11.5 We are not aware of the content of any environmental audit or other environmental investigation or soil survey which may have been carried out on the property and which may draw attention to any contamination or the possibility of any such contamination. In undertaking our work, we have been instructed to assume that no contaminative or potentially contaminative uses have ever been carried out at the property.
- 11.6 We have not carried out any investigation into past or present uses either at the property or of any neighbouring land to establish whether there is any potential for contamination from these uses or sites to the subject property and have, therefore, assumed that none exists. Should it, however, be established subsequently that contamination exists at the

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property or on any neighbouring land or that the premises have been or are being put to a contaminative use this might reduce the values now reported. Accordingly, we would reserve the right to review our valuation in the event that such matters come to light.

12. **TENURE**

- 12.1 We are advised that The Pension Trustees hold a long leasehold interest in this property. The lease is for a term of 999 years that commenced in around 2014 and the rent reserved under the terms of the lease is £1 per annum if demanded. In preparing our valuation we have assumed that this constitutes good leasehold title and is effectively a freehold although this should be confirmed by the bank's solicitors during the course of usual pre-contract due diligence.
- 12.2 Our valuation of the long leasehold interest is given firstly on the basis of vacant possession and secondly on the basis that the long leasehold interest is subject to the proposed lease to Vincent Bootes Esq.
- 12.3 We have not had sight of any statutory enquiries or Land Registry entries and, therefore, assume that the interest is not subject to any onerous or unusual covenants or restrictions or leases, licences, etc which we have not drawn to your attention above. Accordingly we would reserve the right to review our valuation in the event that such matters come to light.

13. **HIGHWAYS AND RIGHTS OF ACCESS**

- 13.1 We are advised that at the present time Mereside is a private roadway but it is the local authority's intention to adopt Mereside. Mereside appears to be made up to adoption standards although it is important that a developer's bond is in-situ to protect the Bank against any road charges that may be levied against the freeholder if the road works are not up to adoption standard. In preparing our valuation we have seen that there will be uninterrupted access to and from Mereside from the subject property.

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- 13.2 To the rear of the site there is a four metre easement which is to be used for maintenance purposes although we do not consider that this will impugn the use of the site.
- 13.3 We are not aware of any other rights of way, easements or restrictive covenants which affect the property, however we would recommend that conveyancers investigate the title in order to ensure this is correct.

14. **OCCUPATIONAL LEASES AND OTHER AGREEMENTS**

- 14.1 It is understood that all four units in other words the entirety of this security will be underlet to Vincent Bootes Esq by way of a new 7 year lease that will commence on the 1st May 2014 at an initial rent of £50,000 per annum.
- 14.2 The lease will be held effectively on a full repairing and insuring terms by way of a service charge and that the amount of rent will be subject to an RPI review at the 3rd anniversary of the term.
- 14.3 In addition, there will be a tenants only break clause which can be exercised on 6 months notice at the first rent review.
- 14.4 We have only been provided with a copy of the travelling draft lease and once this has reached the stage of engrossment, if the bank are mindful of providing me with a copy of the engross lease, I would be more than happy to confirm that it accords with the assumptions made in this report.
- 14.5 We have not been able to carry out any due diligence in respect of the tenant but anecdotally we understand that he is a wealthy individual involved in the aerospace industry and has considerable assets. I would recommend that the bank carry out the usual financial checks on the tenant to satisfy themselves that he will be able to perform his obligations under the terms of the lease. Our valuation assumes that this is the case.

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15. RENTAL VALUE

15.1 We consider that the market rental value of the various units if let out on the basis of a full repairing and insuring lease and made subject to periodic rent review would be fairly approximated as set out below:

Unit 29	£13,250 per annum
Unit 31	£13,000 per annum
Unit 33	£13,000 per annum
Unit 35	£13,250 per annum

15.2 In order to achieve a letting at this level in the present market it would be necessary to offer an incoming tenant a short rent free period as an inducement to sign the lease.

15.3 I would confirm that the letting of all 4 units at a rent of £50,000 represents the market rental value of these units if let as a whole.

16. TRADING PERFORMANCE AND GENERAL COMMENTS

16.1 Not applicable.

17. DEVELOPMENT AND PLANNING ISSUES

17.1 The buildings themselves are ostensibly complete. The landscaping and preparing of the forecourt is essentially the principal extent of the outstanding works at the date of our inspection. We understand that the building works are complete except for some minor snagging.

18. MARKET TRENDS AND GENERAL COMMENTS

18.1 In arriving at our valuation we have adopted both the investment and comparable method of valuation.

18.2 The subject property comprises of a newly constructed terrace totalling four units. The units are ostensibly complete although the apron area and

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estate access roads have yet to be formed. I would anticipate that works will be completed within a two to three week period.

18.3 This area of Dorset has in effect become a little bubble with its own market. Capital and rental values in this area of Dorset significantly exceed those found within the normal hinterlands of Weymouth and Dorchester and capital values in this area are more akin to those found within the Poole and Bournemouth areas.

18.4 The Developer has carried out a considerable amount of development in this area. One of the first phases of the development was the development of the Maritime Business Park. These units were sold in 2010 and 2011. The majority of these units were sold off plan for capital value of between £90 per square foot and £99 per square foot.

18.5 Set out below is a note of the capital values in respect of this development:

Unit 1	1663 square feet	£99 per square foot
Unit 4	1262 square feet	£99 per square foot
Units 9 and 10	1263 x 2 sold together at	£91 per square foot
Unit 13	1280 square feet	£90 per square foot

18.6 These units are smaller than the subject property and therefore, it is considered appropriate to apply a quantum adjustment to these units. The market since 2010 and 2011 has, in all fairness, improved.

18.7 Your applicant has recently sold Unit 21 Mereside for £164,800 and this unit is near identical to the individual units on the subject property. The sale equates to £95 per square foot.

18.8 Around six months ago your applicant sold Unit M425 Osprey Quay Portland which is of the same specification as the subject property but considerably larger totally 4,806 square feet. The property was sold for £475,000 which equates to £98.83 per square foot although this unit did have the benefit of a large secure yard area to it.

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- 18.9 Brand new small industrial units on the Parkway Farm Development are currently letting at £7 per square foot and are currently selling for £110 per square foot which is showing a yield below 6½%. These are modern purpose built brand new units situated in the Dorchester area which generally command higher capital values and rents than the Portland area.
- 18.10 Within Poole and Bournemouth the market is now differentiating between secondary space and prime industrial space. On the Nuffield Industrial Estate in Poole generally capital values are around £80 to £90 per square foot.
- 18.11 A new development known as Brixey Business Park in Fancy Road Poole has been sold off plan in two phases, the first phase selling for around £120 per square foot and the second phase selling for around £127 per square foot. This demonstrates that there is significant demand for small new builds in the Poole and Bournemouth area and the market is prepared to pay a premium.
- 18.12 On the adjoining Terrace in a years time, it would not be in new condition and there is, therefore, a strong probability that in a resale, the properties would not achieve their current valuation. The Developer has also recently let one of the units for £11,940 which is £6.87 per square foot.
- 18.13 In the Swanage area there is a new business park known as the Prospect Business Park which is currently being constructed. Unit 24 on this estate is currently under offer at £122,250. The unit is 978 square feet and this devalues to £125 per square foot.
- 18.14 Unit 21 on this estate has also been reserved at £115,000 this unit is 794 square feet and this devalues to £145 per square foot.
- 18.15 These units down in Swanage are again situated in an area not known for its industrial location. The units are owned primarily at the local market where there is a lack of available stock.
- 18.16 Essentially the values now reported are justified by comparable sales in this micro locality. To some extent the market has been driven by a need

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for some occupiers to be close to a waterside location. In other cases, the demand has come from hi tech companies based around the Portland area that previously serviced the Navy.

18.17 Anecdotally the Developer advised me that they have are anticipating an offer on Unit 31 of £200,00 and on Unit 33 of £200,000 subject to the purchaser sub letting their existing unit. The original development in this locality known as The Maritime Business Park essentially was of small units of typically below 1,000 square feet. Some of these companies will be expanding and we suspect that demand will come from this quarter.

19. **CAPITAL VALUE**

19.1 We have been requested to provide our opinion of the market value on the stated basis, of the long leasehold interest of the subject premises as at today's date for the purpose requested.

19.2 "**market value**" is taken, in this report, to be the estimated amount for which an asset should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

19.3 The use of the expression "market value", not qualified by a reference to Existing Use or Alternative Use implies the value for any use to the extent to which that value is reflected in the price obtainable in the open market.

19.4 Our valuation has been made in the light of the RICS Valuation Professional Standards 2014 as amended, and any particular assumptions which have been made have been drawn to your attention in this report.

19.5 The premises have been valued on an unencumbered basis, no account being taken of any outstanding mortgages or loans that may have existed at the time of valuation. No deductions have been made for any costs involved in the sale of the property and no allowances have been made for VAT or any other taxes.

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19.6 In our opinion the Leasehold interest in the property known as Units 29, 31, 33 and 35 Mereside Portland Dorset DT5 1SP has a value of:

Unit 29	£192,000
Unit 31	£189,500
Unit 33	£189,500
Unit 35	£192,000
Total	£763,000

**MARKET VALUE OF LONG LEASEHOLD INTEREST OF THE UNITS WITH
VACANT POSSESSION ON THE BASIS THAT THE UNITS HAVE BEEN
COMPLETED AND SOLD OFF INDIVIDUALLY**

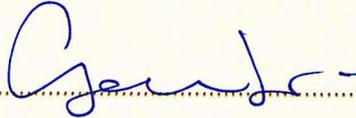
**£675,000 (SIX HUNDRED AND SEVENTY FIVE THOUSAND POUNDS)
MARKET VALUE OF THE LONG LEASEHOLD INTEREST BEING SUBJECT TO
THE PROPOSED LEASE REFERRED TO**

20. **LIMITATION AND PUBLICATION**

- 20.1 This valuation is prepared solely for the use of the addressee and no responsibility is accepted to any other party for the whole or any part of its contents. It may be disclosed to other professional advisors assisting in respect of the purpose for which the valuation is prepared.
- 20.2 Neither the whole nor any part of this valuation certificate nor any reference thereto may be included in any published document, circular or statement nor published in any way without the valuer's written approval of the form and context in which it may appear.

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Signed

A handwritten signature in blue ink, appearing to read 'Gareth', is written over a horizontal dotted line.

**C Gareth Dop FRICS MCI Arb
Chartered Surveyor and
Company Director:**

RICS Registered Valuer No 1126259

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