

# REPORT AND VALUATION

**Subject Premises:** Unit 2, Witham House, Osiers Gate, 1-20 Enterprise Way Wandsworth SW18 1EJ

**Date of Valuation:** 23<sup>rd</sup> March 2015

**Client:** Proplend Security Limited

**Chartered Surveyors**

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FRONT ELEVATION



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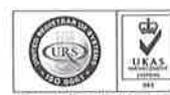
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<b>1.0</b>	<b>Instruction</b>
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- 1.1 To provide client with our opinion as to the market Value of the Long leasehold interest of the subject premises as at the date of valuation subject to the existing tenancy. In addition to provide the market value of the subject premises with vacant possession. Finally the current market rental value.

<b>2.0</b>	<b>Subject Premises</b>
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- 2.1 Unit 2, Witham House, Osiers Gate, 1-20 Enterprise Way Wandsworth SW18 1EJ

<b>3.0</b>	<b>Basis Of Valuation</b>
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- 3.1 The premises have been valued on the basis of "Market Value" (MV). This is defined as:

*The amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arms length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.*

<b>4.0</b>	<b>Report and Valuation Date</b>
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- 4.1 23<sup>rd</sup> March 2015

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<b>5.0</b>	<b>Purpose of Valuation</b>
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5.1 We understand that the report and valuation is for purely for Mortgage Finance purposes only. This report and valuation must not be relied upon by any other party other than the stated client without the prior written consent of the writer. The report is prepared and offered purely on this basis.

<b>6.0</b>	<b>General Caveats</b>
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6.1 In arriving at the views expressed in this report we have assumed that the parties concerned have made full disclosure of all matters which would affect our valuation which are based upon the information supplied.

6.2 All values contained within this report are quoted exclusive of Vat.

6.3 This report is limited by the terms of our instruction. The non-disclosure or inaccuracy of relevant information provided to us may have a material effect upon the views, given in this report which may well be invalidated.

6.4 This report is for the use of the client to whom it is addressed and no responsibility can be accepted if used or relied upon by a third party for either the whole or part of its contents. Neither the whole nor any part of this report and valuation or any reference thereto may be included in any published document, circular or settlement nor published in any way without our written approval or the form and context in which it may appear.

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6.5 We have not inspected the title deeds and no Local Authority searches have been undertaken, nor have we been advised of any outstanding notices, disputes, or encumbrance's which would affect the property. Unless otherwise stated it is assumed that there is a good and unrestricted clear title to the property. Similarly we have not seen a copy of the long leasehold interest and therefore assume for the purposes of this report and valuation that the lease is un restricted and drawn on a modern basis without any usual covenants or outgoing.

6.6 We have not undertaken a structural survey or arranged any tests of any of the services and are not therefore able to report that the property is free from any structural faults or other forms of defect.

We have not inspected those parts of the property which are covered, unexposed or in accessible. Further we have not been advised of nor have we carried out any investigations regarding the possible use of deleterious or hazardous materials or techniques in the construction and are unable to accept any liability for these should they be present in the structure.

6.7 We have not been able to carryout full planning enquiries and we have arrived at our views upon the basis that the buildings described in this report complies with all Local Authority Town Planning, Bylaw, and Statutory requirements and the appropriate planning consent has been granted where necessary.

6.8 No account has been taken in our valuation of any taxes, grants, costs of realization or other liabilities which may arise or be due for repayment on the disposal of the property. Any such amounts should be confirmed by your professional advisers.

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6.9 Our views are expressed on the basis of the economic conditions and legislation appertaining at the time of this Report and Valuation. Any variation to such in the future could have an affect upon the value of the property.

6.10 Our valuation disregards the possibility of a sale to a special purchaser i.e. the existing tenant or an adjoining owner. Accordingly, where appropriate, further careful consideration should be given to the asking price as it is possible that a purchaser with special needs may be prepared to pay a figure in excess of our stated valuation figure.

6.11 In view of the limited time to prepare this report and valuation we have only had a brief opportunity to inspect the premises.

<b>7.0</b>	<b>Location</b>
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7.1 Wandsworth is located approximately 6 miles south west of central London.

7.2 Nearby towns include Wimbledon, Putney, and Battersea.

7.3 Wandsworth has over recent year’s undergone redevelopment in terms of refurbishment of the shopping centre and a number of major residential developments both within the town centre and along the river. Further developments are proposed on the Ram brewery site which will continue to enhance this location both commercially and residentially.

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- 7.4 Nearby travel services include Wandsworth Town railway station which provides services to London Waterloo/Vauxhall and Richmond/Brentford (approximately 11 minutes' walk). East Putney London Underground (District line) is approximately 15 minutes' walk. There is a river Bus which from Wandsworth RQ linking London at Cadogan Pier (8 mins) /Embankment (27 mins)/ Blackfriars (32 mins).
- 7.5 The subject property forms part of the Osiers development undertaken by Barratts. The development includes 275 contemporary apartments and 25,000 sq ft of commercial accommodation for restaurants, bars, art gallery, leisure, and office occupiers.
- 7.6 The development is located at the junction of Osiers Road and Enterprise Way in the Wandsworth Riverside Quarter between Putney and Wandsworth. Vehicle access is off Putney Bridge Road and Point Pleasant. Pedestrian /bicycle access from Smugglers Way.

<b>8.0</b>	<b>Description</b>
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- 8.1 The premises form the end ground floor unit to Witham House fronting directly onto Enterprise way.
- 8.2 The premises are self-contained having glazed external elevations
- 8.3 The original unit was provided ground floor space offered in a shell condition.

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- 8.4 The premises are at the time of this report being fitted out to the proposed tenant's specification. This includes the installation of a mezzanine floor and series of ground floor rooms created by demountable partitioning.
- 8.5 In addition there will be a fitted kitchen, two wc's and a shower.
- 8.6 We understand that the specification will include wooden flooring to ground and carpet tiles to mezzanine, fitted kitchen, lighting, air extraction and electrical heating. The ceilings/walls will be plastered.
- 8.7 We similarly understand that all mains services will be provided and the tenants are proposing to increase the power supply to the unit.
- 8.8 There is no car parking with the premises
- 8.9 The current fit out will be customized to the proposed tenants needs. We would be of the opinion that any subsequent occupant would probably require a more open plan office arrangement on the ground floor. The mezzanine floor is quite large, potentially reducing light to the rear ground floor and again we feel a new occupant may feel this is somewhat greater than they need. The ground to ceiling height on the mezzanine floor is approx. 2.1 m which is less than the traditional accepted height for office accommodation which is usually a minimum of 2.4 metres. Also above the mezzanine floor there is pipework suspended from the ceiling which reduces headroom further in places. This combination may raise concerns with some occupants assuming they use this space for office accommodation. The mezzanine floor will be boxed in on the side elevation. We feel that a more open appearance would be more appropriate for occupiers to create more light to this level. We understand that the proposed tenants may use this area for storage.

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<b>9.0</b>	<b>Area</b>
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9.1 The net internal areas (in accordance with RICS measuring code for office accommodation) of the premises are as follows:

	Sq M	Sq Ft
Ground Floor	81.41	875
Mezzanine Floor	49.26	530
<b>TOTAL</b>	<b>130.67</b>	<b>1,405</b>

9.2 All areas are calculated on a net internal basis and are approximate

<b>10.0</b>	<b>Ground Conditions</b>
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10.1 We have not been advised as to any unusual ground conditions that may affect the building or its future marketability.

<b>11.0</b>	<b>Environmental Issues</b>
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11.1 For the purpose of our report and valuation we have assumed that the property is free from contamination and no allowance has been made for any remedial works that may be required. However, should it be established subsequently that contamination, seepage, or pollution exists at the property or any neighboring land, or that the premises have been or are being put to a contaminative use, this may reduce the values now reported and we would require the opportunity to reconsider our report and valuation.

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<b>12.0</b>	<b>Tenure and Occupational Leases</b>
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12.1 We understand that the property is held on a long leasehold basis. We have not had sight of the lease document and therefore we assume for the purposes of this report and valuation that the lease is drawn on modern terms which are not unusually restrictive or have any unusual outgoings other than specified in this report. We have not been advised of any outstanding notices or disputes affecting the premises.

12.2 We understand that the Long leasehold interest is approximately 999 years and the annual ground rent is £150. There is a current annual service charge of £950.

12.3 The premises are to be let and we understand that a lease is still in draft format. We have been provided with a copy of the proposed lease and for the purposes of this report we assume that this will signed and will form the basis of the letting to which we are valuing subject to the amendments which we outline. Should the letting not proceed or be varied in any way this could affect the valuation of the property.

The principle lease terms are as follows:

- |      |           |   |
|------|-----------|---|
| 12.4 | Landlord: | Am Kainth   |
|      | Tenant    | Tillman Domotics LLP  |
| 12.5 | Demise    | Ground and mezzanine floors 11 Enterprise way<br>Wandsworth London SW18 1FZ |
| 12.6 | Term      | 5 years with effect from 1 <sup>st</sup> April 2015.                        |

The lease is to be outside the landlord and Tenant Act 1954 in regards security of tenure and compensation provisions

- |      |                |                                   |
|------|----------------|-----------------------------------|
| 12.7 | Rental Deposit | £9,000. Being one quarters rental |
|------|----------------|-----------------------------------|

- |      |     |         |
|------|-----|---------|
| 12.8 | Use | Offices |
|------|-----|---------|

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- 12.9 Break Clause** Either party may terminate the lease from the 1<sup>st</sup> of September 2019. Six months' notice required by either party.
- Tenant may only exercise the break clause on the following conditions:
- a) Payment of rent and performance of lease covenants.
  - b) On determination of lease to give vacant possession in accordance with lease terms.
- 12.10 Rent** £36,000 per annum exclusive plus vat
- 12.11 Payable** Quarterly in advance with effect from 1<sup>st</sup> April 2015
- 12.12 Rent Review** Rent subject to review on the 1<sup>st</sup> April 2018
- Upwards only.
- Open market rent.
- 12.13 Outgoings** Tenant to pay all utility bills along with business and water rates.
- 12.14 Repair** Tenant to keep property in a good and clean condition.  
Tenant to clean glass inside once atleast every 3 months.
- 12.15 Alterations** Tenant not to alter or add to premises with the exception of internal non structural alterations subject to the obligations of the tenant to reinstate at the end of the lease if so required by the landlord.
- 12.16 Assignment  
Subletting** Not without the landlords prior written consent

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- 12.17 Lease end Tenant to return possession of the property to the landlord leaving the property in the state in which the lease requires the tenant to keep it.
- 12.18 Building insurance Landlord arranges and charges back to tenant

<b>13.0</b>	<b>General Lease Comments</b>
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13.1 The provided lease appears to me a slim down version of what we would have expected of a more institutional accepted drafted lease. Some of the clauses could result in ambiguity. We would have liked to have seen clearer reinstatement provisions as the premises are going to be customized to the tenant’s use which we feel would not be warranted by more traditional office tenants. Usually the service charge provisions are clearer. The rent review clause is very basic and not very clear on the calculus or exemptions on review. In addition there is no provision for 3<sup>rd</sup> party determination if the agreement cannot be reached on review. The break clause appears to allow a rolling break by either party after the 1<sup>st</sup> of September 2019 however we subsequently understand that the clause should only allow one break date rather than a rolling arrangement.

13.2 We have subsequently spoken to the landlord on the lease points as well as the reinstatement provisions and understand they will be trying to address these within the lease document. We assume for the purposes of this report that these amendments are incorporated within the completed lease document.

<b>14.0</b>	<b>Market Trends and General Comments</b>
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14.1 The premises are to be let and hence any subsequent sale could only be to an investor or the tenant. In this instance we must ignore the tenant’s involvement in any valuation. Investors tend to pay a lesser price to that of an owner occupier as they are merely looking at rent and risk.

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- 14.2 Wandsworth is a growing town and prospects should be further enhanced with continuing expected redevelopment within the town centre. In the past the town from an office perspective has always been secondary in demand to nearby towns such as Wimbledon and Putney. Hence rents have been at a discount. The continual improvement can only enhance Wandsworth as a commercial location.
- 14.3 The premises are located on the outskirts of the town centre in a more residential environment. As a result of this we feel that rental and tenant demand will be more sensitive to economic and market changes compared to nearby town centre locations for office occupiers. At the present time rents and demand are rising due to both economic conditions as well as reducing office stock resulting from legislation allowing offices to convert to residential. However changes in the economy or rising supply could affect rental levels in this location. The review clause is upwards only which does not allow the rent to go down. But should the tenant vacate for whatever reason and economic conditions become depressed then rental levels for this unit may become reduced as a result
- 14.4 The investment market is strong at present again reflective of economic conditions at the present time. Investors would consider this a dry investment due to the fact that there is no potential to enhance value in the near future. Hence investors are purely buying income. The investment will not be considered suitable for some investors as there is no potential for uplift in the near future other than possibly via the rent review..
- 14.5 Investors for dry investments of this sort type tend to look for strong financial covenant of the tenant. I have not seen the financial status of the tenant so cannot comment in this regard. We have therefore assumed that the financial strength is institutionally acceptable for the purposes of this report.

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- 14.6 The lease is in our experience non institutional. As referred previously the document is a slim down version of a traditional institutional lease. Some of the clauses are not as expansive as institutional documents. The document appears to cover most of the main areas of the landlord and tenants obligations but because of the reduced nature in parts could possibly allow some ambiguity of interpretation.
- 14.7 The premises are being very much customized to the proposed tenants needs. However should they vacate it would be our recommendation that the premises are reinstated to a more open plan appearance. Unfortunately, the reinstatement provisions of the lease in our estimation are not clear enough on this point.
- 14.8 We have subsequently spoken to the landlord on the lease points as well as the reinstatement provisions and understand they will be trying to address these within the lease document. We assume for the purposes of this report that these amendments are incorporated within the completed lease document.

<b>15.0</b>	<b>Comparable Evidence</b>
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- 15.1 **6 Compass House 12 Riverside west Wandsworth.** Nearby Office which is fully fitted is on the market at a quoting sale price of £416 psf. Approx. 1442 sq ft.
- 15.2 **One and Three Eastfields Wandsworth.** Nearby Office in Shell condition is on the market at £400 psf. Approx. 1121 sq ft.
- 15.3 **Tay and Plym House Osiers Road Wandsworth.** Nearby office in shell condition is on the market at £231psf. Approx. 3234 sq ft. I understand this is now under offer but agent won't reveal agreed price,

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- 15.4 **Unit 1 Kennet House 10-12 Enterprise way Wandsworth.** Nearby office in fitted condition on the market at £350 psf. Approx.
- 15.5 **Unit 2 Printers Yard 90A The Broadway Wimbledon SW19.** Office Investment. Approx. 1691 Sq ft. Annual income £51,000 pa Inc. Purchased as an investment around £475,000. Analyses to approx. 10.75% before costs. However the rent includes business rates which would normally be excluded. If this was the case the yield would change to around 8% before acquisition costs

<b>16.0</b>	<b>General Comments</b>
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- 16.1 It has been very difficult to find any comparable investment evidence in this location. Evidence is more related to owner occupiers. This probably underlines this location as more of interest to owner occupiers than investors.
- 16.2 We feel this is possibly due to the secondary nature of this location for offices. It is more owner occupier than dry investment territory.
- 16.3 The market although currently strong we believe that this location could be affected more if and when market changes occur due to the secondary nature of the location. Values are high at the moment reflecting good market conditions but we would be concerned as to how these values would change should there be a down turn in market conditions.
- 16.4 In valuing the premises with vacant possession we are concerned as to both the extent of the mezzanine and the restrictive headroom. As a result we feel that the value of this level will be at a discount to the ground floor.

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- 16.5** We have assumed that the proposed lease has been amended to take account of the comments we have raised in this report.

<b>17.0</b>	<b>Valuations</b>
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**17.1 Market value with vacant possession.**

- 17.2** Based on the above comments and conditions as at the date of this report and valuation we are of the opinion that the market value of the property with vacant possession would be in the region of:

- 17.3** **£456,000 (four hundred and fifty six thousand pounds)**

**17.4 Market value subject to the existing lease.**

- 17.5** Based on the above comments and conditions as at the date of this report and valuation we are of the opinion that the market value of the property subject to the existing lease would be in the region of:

- 17.6** **£376,800 (Three hundred and six thousand eight hundred pounds)**

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17.7 **Market Rental Value**

17.8 Based on the above comments and conditions as at the date of this report and valuation we are of the opinion that the market rental value of the property would be in the region of:

17.9 **£36,000 (thirty six thousand pounds) per annum exclusive**

17.10 The above figures are based on the comments and recommendations together with market conditions appertaining at the time of this report. Any changes to any of these conditions will have an effect on the values stated.

Signed

R. Sayer BSc MRICS

On behalf of Kinleigh Folkard and Hayward Ltd

Dated..... 20/4/15 .....

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