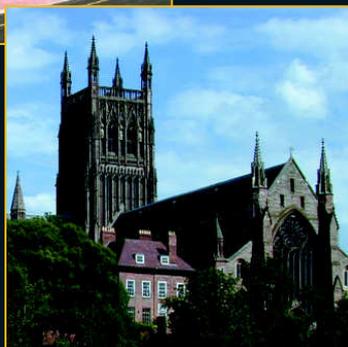


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**Valuation Of The Freehold
Interest in the property known
as:**

**Park Hotel
131 Aldridge Road
Perry Barr
Birmingham
B42 2ET**

On behalf of:

**Proplend Security Limited
20 – 22 Wenlock Road
London
N1 7GU**

**For the attention of
R Berkley Esq**

Prepared by:

GJS Dillon Limited
7 Roman Way Business Centre
Droitwich
Worcestershire WR9 9AJ

**Telephone: 01905 676169
Date: 19 July 2017
Ref: PS000324/JM**



www.gjsdillon.co.uk

EXECUTIVE SUMMARY AS AT 10 JULY 2017

Property Address:	Park Hotel, 131 Aldridge Road, Perry Barr, Birmingham B42 2ET
Description:	Substantial three storey property currently used as a hotel and benefitting from a HMO licence.
Tenure:	Freehold
Tenancy / Tenancies:	One
Proposed Income:	£90,000 per annum exclusive (ninety thousand pounds per annum exclusive)
Market Value: Subject to proposed lease	£830,000 (eight hundred and thirty thousand pounds)
Market Value: Vacant possession	£645,000 (six hundred and forty five thousand pounds)
Estimated Reinstatement Value:	£1,150,000 (one million, one hundred and fifty thousand pounds)
Suitable Security For Lending Purposes:	YES



Park Hotel 131 Aldridge Road Perry Barr Birmingham

- 10** **Situation and Description** Perry Barr is an inner city area to the north of Birmingham. The constituency includes the smaller Perry Barr ward and the wards of Handsworth Wood, Lozells and East Handsworth and Oscott.
- Major roads in the ward and constituency include the M6 and the A34.
- The property is conveniently situated in the A453, a short distance to the east of the A34 and slightly to the west of the M6, with Birmingham City Centre being a short distance to the south.
- The property is situated in an extremely prominent position with frontage on to Aldridge Road.
- The extent of the property is as approximately edged in red on the attached plan.
- The location of the property is shown on the attached plan.
- Photographs of the subject property are attached.
- 11** **Tenure** We understand that the property is freehold.
- We have not inspected any of the Title Deeds, but we would recommend that your solicitors make full enquiries prior to commitment.
- 12** **Tenancies** We understand that a special assumption for the valuation is that, upon completion of the purchase, Greencyc Ltd, Company No. 4849603, will take a 10 year full repairing and insuring business lease at an initial rent of £90,000 per annum, subject to upward only rent review at the expiration of year 5 without a break.
- We have been provided with the accounts for the years ending December 2014 and 2015, showing a turnover in 2014 of £23,570,121 and in the year ending 2015, a turnover of £23,553,419, showing gross profits for the year ending 2014 of £3,926,111 and 2015, gross profit of £3,248,820 and showing nett assets year ending 2014, of £2,184,196 and in the year ending 2015 nett assets of £2,163,830.
- 13** **Stability and Nature of Site** The property lies in an area with history of Coal Mining and we would recommend that a Coal Board Search be carried out.
- A search of the Environmental Agency Website reveals that this property is in an area 'very low risk of flooding'.
- 14** **Floor Areas** Unless otherwise specified all dimensions and areas are taken from inspections on site but are nevertheless approximate. Areas quoted are

in accordance with the Code of Measuring Practice 6th Edition of the RICS and are as follows:-

Gross Internal Area (GIA) – measured to the interior faces of external walls, including all permanent corridors, walls, partitions, stairwells, boiler and plant rooms, wcs

15	<u>Construction and Accommodation</u>	<u>Description</u>	<u>Area in sq m</u>	<u>Area in sq ft</u>
		Substantial period three storey detached property currently used as a hotel. Of solid wall construction with later cavity wall additions to the rear under a pitched tiled roof with large flat roof sections towards the rear.		
		UPVC double glazed windows, car parking towards the front elevation and enclosed rear garden.		
		The hotel comprises of 21 no en suite letting rooms, 3 no standard letting rooms and 3 no letting rooms with showers. On the ground floor there is a communal kitchen and dining room, commercial kitchen and office.		
		Total floor area	585 Sq m	6,297 Sq ft
		Note: All measurements have been taken on a gross internal basis, in accordance with the Code of Measuring Practice of the RICS, 6 th Edition.		
		<u>Outside</u> – Towards the front elevation there is tarmac off road parking for approximately 12 vehicles and a large enclosed garden towards the rear.		

16	<u>Condition</u>	<u>Description</u>
		<u>We have not carried out a Structural Survey Report.</u> Where defects were noticed these have been recorded for information and guidance only.
		We must stress that we have not carried out any investigation to determine whether High Alumina Cement or any other deleterious materials were used during the construction of the building and so we are unable to report that the building is free from risk in this respect. For the purposes of this valuation we have assumed that any such investigation would not disclose the presence of any such material in any adverse condition.

It was evident from our inspection that the property was a little run down, requiring certain upgrading works both internally and externally.

- 17** **Rating Assessments** We understand from enquiries of the Valuation Office Website that the property has the following assessment:-
- Hotel and Premises Rateable Value £13,500
- The Local Authority responsible for this property is Birmingham City Council.
- 18** **Town Planning and Redevelopment** We assume the property has a lawful use for its present use and occupation.
- We further assume the property to have the benefit of full planning and building regulations consent for the later extensions.
- However, we have not inspected any of the consents and would recommend that this be done.
- We have no reason to suspect that the Local Authority would wish to take any enforcement action against the current use.
- We are not aware of any planning proposals or redevelopment schemes likely to affect the property but this would no doubt be confirmed by means of a local search.
- 19** **Roads and Services** a) We have assumed that Aldridge Road is made up and is an adopted highway, maintainable at the public expense.
- We are not aware of any highway improvement schemes likely to affect the property but this would no doubt be confirmed by means of a local search.
- b) All mains services are available and connected. The property benefits from gas central heating.
- We have inspected those services normally associated with a building; i.e. gas supply, water supply, electricity supply to distribution boards, heating and lighting. We have not carried out any specific tests.
- 20** **Easements and Other Restrictions** We are not aware of any.
- 21** **Lending Security** The property provides suitable security for lending purposes.

Our assumption is that the 10 year full repairing and insuring business lease to Greencyc Limited is in place on the day of completion.

In the event of foreclosure, there would not be any undue difficulties in realising a sale of this property. We would anticipate a period of 6 to 12 months to achieve a sale.

22 **Market Conditions
and Trends**

Macro Market

The following is an extract from the RICS UK Property Market Survey Q1 2017:-

Sentiment continues to improve away from the capital

- Headline rental and capital value growth expected to accelerate once again
- Industrial sector continues to post strongest underlying results
- London office and retail occupier space likely to see further modest pullback

The Q1 2017 RICS UK Commercial Property Market Survey shows both rental and capital value growth projections strengthening at an aggregate level, with sentiment still strongest across the industrial sector. Meanwhile, the office and retail areas of the market appear a little flatter in comparison. Demand indicators remain mixed across the London occupier market, although activity on the investment side saw some improvement according to the latest results.

Nationally, tenant demand increased at the all-sector level for the third consecutive quarter, albeit the pace of growth remained only modest. The sector breakdown again shows office and retail demand struggling for momentum, posting net balances of -1% and +4%, respectively. Availability continues to decline sharply in the industrial sector, with 33% more respondents noting a fall (as opposed to an increase) during Q1. By way of contrast, space available for occupancy increased marginally in the retail segment (the first reported rise since 2013). Given these demand and supply dynamics, rents are expected to rise most firmly in the industrial sector, both over the near term and at the twelve month horizon. At the same time, offices are expected to see only modest growth, while rents are anticipated to hold steady in the retail segment.

Looking more closely at the twelve month view, prime and secondary industrial rents are projected to chalk up the strongest growth on a sectoral comparison. Prime office rents are expected to post some gains but the outlook is broadly flat for secondary locations. Projections remain negative across the secondary retail sector although respondents do envisage marginal growth in prime retail rents.

The regional breakdown again shows subdued trends in the London occupier market. Indeed, occupier demand fell in both the office and retail segments, although the industrial sector did see an increase. Consequently, rental expectations for the year ahead are negative in both the prime and secondary office sectors across the capital. Secondary retail rents are also anticipated to decline but prime retail space may prove more resilient. Across all other parts of the UK, headline rental expectations remain positive to a greater or lesser degree. The East and South East of England display the strongest twelve month projections, with prime office and industrial leading the way in each case.

On the investment side of the market, enquiries continue to increase across all sectors with a net balance of +18% of respondents reporting a pick-up in demand in Q1. Overseas investment demand grew at a similar pace in each market segment, although the overall demand indicator remains most elevated in the industrial sector. Alongside this, the supply of property for investment purposes fell significantly in the office and industrial sectors while the decline was more modest in the retail sector.

Capital value expectations rose noticeably in the industrial sector, with a net balance of 44% respondents anticipating prices to rise over the next three months (the firmest reading since Q4 2015). What's more, the twelve month view on capital values also strengthened across both prime and secondary areas of the industrial market. Near term projections across the office sector also ticked up slightly and the twelve month view for prime offices remained solid as a net balance of 42% of respondents anticipate capital value growth (43% previously). Prime retail assets are expected to see growth over the coming twelve months although projections are flat for properties in secondary locations.

Across the UK, the headline investment demand indicator has now turned positive, to a greater or lesser degree, in virtually all areas. Scotland is the sole exception, but even here investment enquiries reportedly stabilised (having fallen in the three previous quarters). Feedback continues to highlight uncertainty surrounding a second independence referendum as an impediment to momentum.

In central London, investment enquiries rose at the sharpest pace since the tail end of 2015, while demand from overseas buyers continued to increase across all sectors. Interestingly, Northern Ireland was the only part of the UK to see a fall in foreign investment enquiries, marking the fourth straight quarter of declining demand. It also recorded the highest proportion of respondents seeing enquiries from businesses looking to relocate because of uncertainty about the future relationship with the EU (42% against a headline UK figure of 16%).

All-property capital value expectations have moved into positive territory in London for the first time since Q1 2016, although respondents anticipate secondary retail assets may continue to come under slight downward pressure. Meanwhile, the East of England is now the area in which the strongest capital value gains are expected over the year ahead, with prime office and industrial units anticipated to outperform.

The vast majority of respondents continue to view commercial real estate prices to be either at or below fair at present (83%), with the proportion taking this view holding fairly constant over recent quarters. In London, around 50% of contributors' sense current valuations are somewhat stretched relative to fundamentals. Nevertheless, this is still noticeably less than 68% who were of this opinion at the start of 2016.

Micro Market

We understand that upon completion of the sale, a 10 year full repairing and insuring business lease will be put in place to Greencyc Limited; therefore this will be an investment transaction.

Based upon this covenant, one would anticipate that an investor would require a rate of return of up to 10%.

We understand that the property also benefits from HMO licence which would enable each room to be let off on an individual basis which would also increase the marketability of this property.

23

Valuation Methodology and Comparable Evidence

Our valuation approach has been the investment method, based upon the 10 year lease to Greencyc Limited at a rent of £90,000 per annum.

If one refers to the attached valuation based upon the 10 year FRI lease at £90,000 per annum, if one was to amortise the rental income, at a year's purchase in perpetuity of 10%, less cost of acquisition which will include stamp duty, legal fees and VAT, this would suggest an investment value of approximately £833,400 which we have rounded down to £830,000 or approximately £132.00 per square foot.

From a freehold vacant possession perspective, we have looked at a number of sales of hotels in Birmingham and have analysed the sales both in terms of £s per sq/ft and room rates, taking into consideration the location of the subject property and its condition.

As you will see from our valuation we consider the property would have a value of circa £125 per sq/ft less costs in order to bring the property into a better state of repair. On a room by room basis, we have allocated £25,000 per en-suite room, £20,000 for a room with a shower and £15,000 for a basic room.

These two valuations suggest vacant possession values of £645,000 and £630,000 respectively.

- 24** **Insurance Figure** We would recommend that the sum of £1,150,000 (one million, one hundred and fifty thousand pounds) be adopted for fire insurance purposes.

This sum includes the cost of clearance and professional fees but excludes VAT loss of rent and cost of alternative accommodation.

- 25** **Fire Safety** The Regulatory Reform (Fire Safety) Order affecting all non-domestic premises in England Wales came into force on 1 October 2006. This new legislation has removed the requirement of Fire Certificates for non-domestic property. Now the person responsible for the premises will be required to carry out their own risk assessment to identify the fire precautions which are required to be in place. To accompany the legislation the Government has developed specific information guides for each type of premises which sets out the guidance on the requirements and carrying out a Fire Risk Assessment.

We have not had sight of any Fire Safety Assessment for this property and we would therefore recommend that the occupiers take this in hand to ensure that they are in compliance with the legislation.

Our valuation assumes the findings of a Fire Safety Assessment would not be valuation significant.

- 26** **Environmental Considerations** (a) **Contamination**
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 in the property. We have not carried out any investigation into past or present uses, either of the property or of any neighbouring land, to establish whether there is any potential for contamination to the subject property from these uses or sites, and have therefore assumed that none exists.

However, should it be established subsequently that contamination exists at the 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.

- (b) A Radon Risk Assessment is not required for a property in this location.

(c) There was no visible evidence of Japanese Knotweed at the time of our inspection.

(d) Asbestos

We have not carried out any form of asbestos survey. It is entirely possible that some asbestos has been utilised in the construction of the building and provided that these are left in an inert position and not damaged, there is no reason why they should pose any danger to health or the environment.

However, should asbestos have to be removed, specialist contractors are required and costs can be high.

Under the Control of Asbestos at Work Regulations 2002 any commercial building is required to have an asbestos survey to identify the location of any asbestos within a building.

Enquiries should be made to ensure that a copy of this report is available.

27

Energy Performance Certificates

Energy Performance Certificates

The Energy Performance of Buildings Directive (England and Wales) Regulations 2007 affecting all non-domestic premises in England and Wales came into force on 6 April 2008. This legislation introduced new statutory requirements for commercial buildings offered for sale or to let to have an Energy Performance Certificate (EPC) and for certain buildings to have Display Energy Certificates (DEC). EPC's are required for any commercial building greater than 538 sq.ft. (50 sq.m)

The Energy Act 2011 contains prospective legislation relating to energy efficiency in buildings which threatens to have a major impact on the property market.

The Act provides that, from April 2018 at the latest, it will be unlawful to rent out residential or business premises which do not reach a minimum energy efficiency standard. Although the detailed regulations have not yet been issued, the Government has already indicated that the lowest acceptable energy rating is likely to be E. This means that landlords of F- and G-rated buildings will be unable to let them out after April 2018 unless they take active steps to improve the energy efficiency of those buildings. Depending on the precise wording of the regulations, some E-rated buildings may also fall into the "unlettable" category.

We have been provided with a copy of an EPC dated 15 May 2004, showing a rating of C (72) which we consider is entirely satisfactory for a property of this type.

- 28** **The Equality Act** The Equality Act (the Act) seeks to ensure that any person having a premises dealing does not discriminate in terms of race, religion or ability, against a person in occupation or who wishes to acquire the premises in some way, be it the title or in letting the premises or part of. The Act seeks to ensure that a disabled person is not precluded from acquiring premises by the owner/landlord not allowing physical changes to be made. Acquiring can be deemed to be acquisition, letting or working within. The Act also places a duty of care on owners/landlords to ensure that common parts are compliant. Therefore building owners and occupiers should be aware that it may be necessary to undertake physical changes to a building in order to comply with the Act.
- 29** **Offices, Shops and Railways Premises Act** There are no observations relating to the Offices, Shops and Railways Premises Act.
- 30** **Housing Act** We understand from the Agent's particulars that there is an HMO licence in place. Prior to commitment we would recommend obtaining a copy of this HMO certification.
- 31** **Licences** We are not aware of any Licences relating to the property.
- 32** **General Assumptions** We have made a general assumption that a local search would show no adverse entries against the property
- 33** **Special Assumptions** Upon completion of the transaction, Greencyc Limited, Company No. 4849603 will take a 10 year full repairing and insuring business lease in accordance with the Landlord and Tenant Act 1954 at a rent of £90,000 per annum subject to rent review at the end of year 5, without break.
- Our valuations is based upon this lease being in place.
- 34** **Comments on Transaction** We understand that the agreed purchase price is £795,000 (seven hundred and ninety five thousand pounds)
- 35** **Liability to Third Parties** As a result of the decision by the House of Lords in the case of Hedley Byrne and Co. Ltd., -v- Heller and Partners we advise that this valuation is solely for your personal use. Whilst it may be shown to other professional advisors acting on your behalf, the contents may not be disclosed to any third party without our express prior consent, without which we would accept no liability to any such third party.

- 36 **Reproduction** Neither the whole nor any part of this valuation may be included in any document, circular or statement or published in any way without the valuer's written approval as to the form and context in which it may appear.
- 37 **Taxation** No allowance has been made for liability to any taxation which may arise. The valuation does not reflect the costs of realisation.
- 38 **Plant and Machinery** We have not carried out any tests to plant, machinery or services, which are assumed to be in reasonable working order.
- 39 **Opinion of Value** We have carried out our valuation in accordance with the RICS Valuation – Professional Standards – dated January 2014.

We have inspected the property described above and, in our opinion, the valuation relating thereto is as follows:-

- 1 The market value of the freehold interest in the above property, subject to the proposed Lease, is adequately represented in the sum of £830,000 (eight hundred and thirty thousand pounds)
- 2 The market value of the freehold interest in the above property, on a vacant possession basis, is adequately represent in the sum of £645,000 (six hundred and forty five thousand pounds)

Our valuation analysis of this property is attached

J M outpod.

.....
J Mountford MRICS
Director/RICS Registered Valuer No: 1125048

For and on behalf of:
GJS Dillon Limited
7 Roman Way Business Centre
Droitwich
Worcestershire WR9 9AJ

H. M. LAND REGISTRY

NATIONAL GRID PLAN

SP 0791

SECTION A

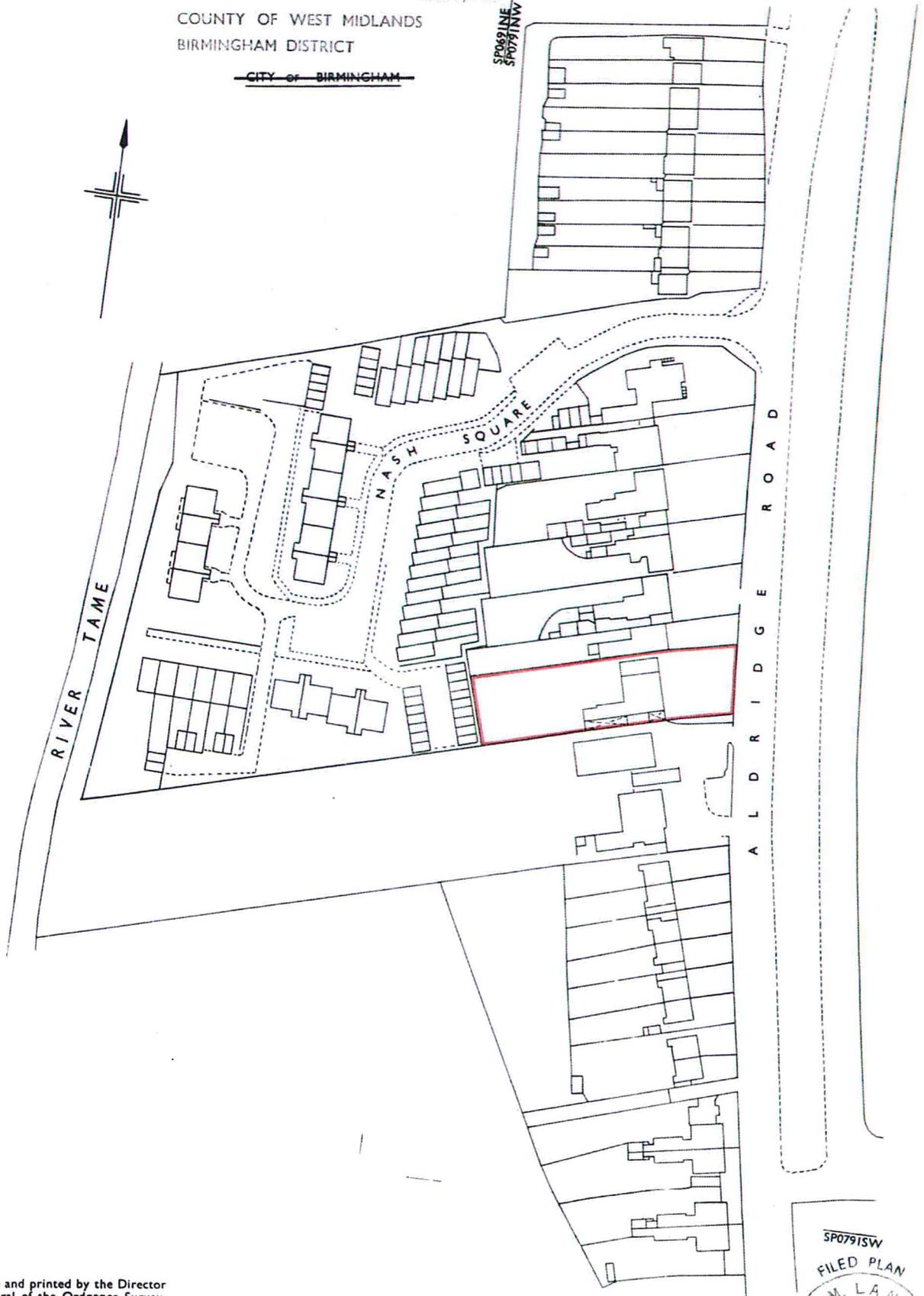
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Scale 1/1250

COUNTY OF WEST MIDLANDS
BIRMINGHAM DISTRICT

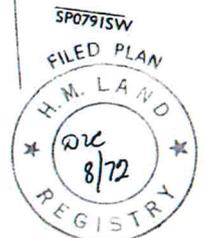
~~CITY OF BIRMINGHAM~~

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Title No. WK 192880





Comparables for 131 Aldridge Road, Birmingham



DATE 19-Jul-17

Address	Location	Condition	sq/m	sq/ft	@	£	Comments	Date	Source	Photo
Hotel La Tour, 85 Albert St, B5	Better	Better		136829	£226.56	£31,000,000	£178,161 per room	21/07/2017	CoStar	
Travelodge, Alcester Rd South, B14	Better	Better		17962	£339.61	£6,100,000	£101,667 per room. Net initial yield of 7.31%.	27/02/2017	CoStar	
Travelodge, 25/31 Carrs Lane, B4	Better	Better		33442	£247.29	£8,270,000	Net initial yield of 5.35%.	01/10/2016	CoStar	
Hyatt International, 2 Bridge St, B1	Better	Better		799104	£35.82	£28,627,605	£121,090 per room.	22/09/2016	CoStar	
Premier Inn, Castlegate Way, Dudley, DY1	Better	Better		24639	£180.73	£4,453,000	£70,683 per room.	01/07/2016	CoStar	
Premier Inn, Ashbrook Drive, B45	Better	Better		40000	£146.18	£5,847,000	£91,359 per room.	01/05/2016	CoStar	
Castle Bromwich Inn, Chester St, B35	Better	Better		59225	£38.83	£2,300,000	£20,909 per room.	26/09/2014	CoStar	
Paragon Hotel, 145 Alcester Rd, B12	Better	Better		136735	£43.88	£6,000,000	£24,000 per room.	20/05/2013	CoStar	
Maderia Hotel, 85 Bunbury Rd, B31	Better	Better		8112	£47.46	£385,000	£35,000 per room.	04/04/2013	CoStar	

Ramada Solihull, B91	Better	Better		147978	£50.68	£7,500,000	£51,724 per room.	10/12/2012	CoStar	
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NB Comparable floor areas taken from EPCs, agents particulars or VOA web site

FREEHOLD VALUATION

Vacant Possession



ADDRESS		131 Aldridge Road, Birmingham	
REF NO	PS000324		
DATE	19-Jul-17		
RATE PER SQ/FT	£125.00		

Description	Sq M	Sq Ft	@	£
Basement	34.00	365.8	£12.50	£4,573
GF	256.00	2754.6	£125.00	£344,320
FF	191.00	2055.2	£125.00	£256,895
SF	104.00	1119.0	£125.00	£139,880
				£745,668

Total Floor Area	585.00	6295		£745,668
	Sq M	Sq Ft		

REPAIRS NEEDED

Item	£
DPC	£0
Replaster	£5,000
Ext joinery	£2,500
Joinery	£1,500
Window repairs	£15,000
Kitchen	£5,000
Bathrooms	£15,000
Replumbing	£5,000
Rewiring	£5,000
Central Heating	£5,000
Roof Repairs	£5,000
RWG	£5,000
Brickwork	£0
Int Decs	£5,000
Ext Decs	£5,000
Garage	£0
Other	£0
Landscaping	£0
Contingency	£5,000
Subtotal	£84,000
VAT @ 20%	£16,800
Total	£100,800

FH VALUE	£644,868
Revised rate	£102.45

VALUATION ON ROOM RATES			
	No	Rate	Total
21 En-suit rooms	21	£25,000	£525,000
3 rooms with showers	3	£20,000	£60,000
3 basic rooms	3	£15,000	£45,000
			£630,000

**BUSINESS SPACE VALUATION
INVESTMENT**



ADDRESS	131 Aldridge Road, Birmingham	
REF NO	PS000324	
DATE	19-Jul-17	

Description	Sq M	Sq Ft	@	£
GIA	585.00	6294.6	£0.00	£90,000
				£90,000

Total Floor Area	585.00 Sq M	6295 Sq Ft		£90,000
Yard		0	£0.00	£0
Car Parking				£0
TOTAL RENTAL VALUE				£90,000

LESS				
Management		0%		£0
Insurance				£0
Repairs		0%		£0
Other				
		Subtotal of costs		£0
		NETT RENT		£90,000
		YP in Perpetuity	10%	9.96
		Gross Capital Value		£896,328

Less Costs	Stamp Duty	5.00%	£44,816.41	
	Legals	1.00%	£8,963.28	
	Agents Fees	1.00%	£8,963.28	
	Vat	20.00%	£3,585.31	£66,328

Less Repairs
Plus Additions

NETT CAPITAL VALUE	£830,000
RATE PER SQ/M	£1,418.80
RATE PER SQ/FT	£131.86

