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4 & 5 Muira Industrial Estate, William Street, Southampton, SO14 5QH

1.0 INSTRUCTIONS

- 1.1 You have asked us to provide our opinion of the rental value and market value of the freehold interest in the premises as identified as 4 & 5 Muira Industrial Estate, William Street, Southampton, SO14 5QH
- 1.2 It is understood that this valuation is for mortgage/lending 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 6 July 2017 by S Reynolds AssocRICS, who also prepared this report, in the capacity as an independent external valuer.
- 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.
- 1.5 We confirm that hold Professional Indemnity Insurance on a per claim basis, which is adequate in respect of this property appraisal.
- 1.6 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 the Terms and Conditions of Engagement are contained within Appendix 2 of this report.

2.0 LOCATION

- 2.1. The subject property is located in the Northam area of Southampton in the City of Southampton. It is close to Northam Bridge and the St Mary's Stadium
- 2.2 The property is located in an industrial street surrounded by warehouses and commercial business units.
- 2.3 The area is commercial in nature.

4 & 5 Muira Industrial Estate, William Street, Southampton, SO14 5QH**3.0 DESCRIPTION/CONSTRUCTION**

- 3.1 The subject property comprises a one-storey industrial unit. The property was built in 1960. The walls are of traditional block construction. The roof is pitched with corrugated covering.
- 3.2 There is parking at the front of the property.

4.0 ACCOMMODATION

- 4.1 The accommodation is approached from the front elevation.
- 4.2 From the front a doorway gives access to property.

5.0 FLOOR AREAS

- 5.1 We have measured the accommodation in accordance with the RICS Code of Measuring Practice and set out below in the schedule form is a note of the approximate gross internal floor areas.
- 5.2 Due to the limited head height the small office on the mezzanine floor above the main office has not been included in the valuation.

	M²	Ft²
Warehouse area	402.45	4,332
Total GIA	402.45	4,332

6.0 CONDITION

- 6.1 This valuation has been prepared on the basis that the property is in the condition observed at the date of inspection. We have made visual internal and external inspection of the premises, 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 which are covered, unexposed or inaccessible and such parts have been assumed to be in good repair and condition.
- 6.2 At the time of our inspection the property was found to be generally in a fair state of repair having regard to its age and type.

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- 6.3 Regulation 4 of the Control of Asbestos At Work Regulations 2006 (CAW), places a duty on the building owners, tenants and any other parties who have a legal responsibility for the premises. In brief, Regulation 4 requires duty holders to:
- a. Take reasonable steps to find materials in premises which are likely to contain asbestos and to check their condition.
 - b. Presume that materials contain asbestos unless there is strong evidence to suppose they do not.
 - c. Produce a written record of the location and condition of asbestos and presumed asbestos-containing materials (AMCs), and to keep the record up to date; (a, b and c should have been done by the owners of the building, the management plan).
 - d. In preparing this report we have assumed that the owner is aware of the responsibilities and that a management plan is supplied if deemed necessary.

7.0 SERVICES

- 7.1 The property has the benefit of mains water, electricity and drainage. Heating is provided by a electric boiler.
- 7.2 Hot water to property is heated via an electric heating system.
- 7.3 The services have not been tested and we have assumed, for the purposes of our valuation that the services are in adequate order and comply with service provider requirements.

8.0 STATUTORY ENQUIRIES AND RATING

- 8.1 The subject property is a purpose built industrial unit on a trading estate. In view of this we have assumed that the property has a valid planning consent for B2 general industrial use, although we would reserve the right to review our valuation on the basis of any alternative facts should they come to light.
- 8.2 We were advised that the property not is Listed.
- 8.3 We are advised that the property is not situated within a Conservation Area.

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- 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 Equalities Act 2010, especially where the property is used for the provision of goods and 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 1 October 2006 and replaced 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 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 thus 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. We have not been provided with a copy of the Fire Risk Assessment.
- 8.6 We have not been provided an EPC for the property. An EPC is now a statutory requirement for a property being sold or let. It is important that legal advisers establish the existence or otherwise of an EPC.
- 8.7 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 current/proposed use or to confirm compliance with regulations.
- 8.8 We have made enquiries of www.voa.gov.uk and note that the property is entered into the rating list as follows:-

Business Rates – £14,750

9.0 VALUATION FOR INSURANCE PURPOSES

- 9.1 We estimate that the cost of reinstating the subject property allowing for site clearance and fee is £625,000 (six hundred and twenty-five 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.

4 & 5 Muira Industrial Estate, William Street, Southampton, SO14 5QH**10.0 SITE AND GROUND CONDITIONS**

- 10.1 We have carried out a line search of the Environment Agency Flood Map Risk Service and note that the property is not identified as being located in an area where there is a severe risk of flooding.
- 10.2 We have walked the site and there are no reasons to suggest or anticipate that the land upon which the property has been constructed has ever been put to any significant industrial use and we therefore consider the prospects of there being significant contaminants within the ground is very remote, although we have not undertaken any soil sampling to verify these assumptions.
- 10.3 There were no obvious signs of any Japanese Knot Weed or other invasive species identified in the property.

11.0 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 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 at 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 site to the subject property and have therefore assumed that none exist. Should it, however, be established that subsequently contamination exists at the property or on any neighbouring land or that the

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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.

12.0 TENURE

12.1 We are advised this is a freehold

12.2 Our valuation is for the freehold interest only and for a market rent.

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 restricts or leases, licenses, etc., which we have not drawn to your attention above. Accordingly, we reserve the right to review our valuation in the event that such matters come to light.

13.0 HIGHWAYS AND RIGHTS OF ACCESS

13.1 We are not aware of any evidence to suggest that William Street is not an adopted highway maintainable at public expense but we have not carried out any due diligence to verify this. In preparing our valuation we have also assumed that there is an uninterrupted access from the adopted highway to and from the rear yard area by pedestrians. Access to the residential accommodation to the upper parts of the building is by way of its own independent access situated to the rear of the property.

13.2 We are not aware of any other rights of way, easements or restrictive covenants which affect the property however we would recommend that legal advisers investigate the title in order to ensure this is correct.

14.0 OCCUPATIONAL LEASES AND OTHER AGREEMENTS

14.1 In preparing this valuation, we have assumed that there is currently no lease in place for this property.

15.0 RENTAL VALUE

15.1 We consider that the open market rental value of this property if let on the basis of a warehouse with appropriate planning permission and licencing would be fairly expressed in the sum of £26,000 (twenty-six thousand pounds) per annum.

4 & 5 Muira Industrial Estate, William Street, Southampton, SO14 5QH**16.0 TRADING PERFORMANCE AND GENERAL COMMENTS**

16.1 Not applicable.

17.0 DEVELOPMENT AND PLANNING ISSUES

17.1 We are not aware of any development or planning issue that might adversely impact upon the bank's security in this property.

18.0 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 **Overview:** 4 & 5 Muira Industrial Estate is a warehouse property and has been valued as a commercial premises in accordance with the information provided.

18.3 **Comparable:** We are aware that a unit at Lower William Street, Southampton, SO14 5QE, was sold on 15th November 2016 for £4,150,000.00. The property is a large industrial unit producing a rental income of £290,000 per annum which equates to a yield of 7%. This property is a larger premises so the yield will be lower.

18.4 **Comparable:** Unit 6 Muira Industrial Estate was sold on 12th January 2017 for £630,000.00. This property adjacent to the subject property.

18.5 **Comparable:** Unit 1 Muira Industrial Estate was sold on 4th August 2016 for £150,000.00. The passing rent of £9,000 equates to a yield of 6%. This property adjacent to the subject property.

18.6 **Comparable:** Unit 14 City Commerce Centre, Marsh Lane, Southampton, SO14 3EW was sold on 18th October 2015 for £170,000.00. The passing rent of £14,000 per annum equated to a yield of 8.23%.

18.7 **Comparable:** Unit 5 The Glenmore Centre, Cable Street, Southampton, SO14 5AE was let on 4th November 2016 on a 10-year lease at a rent of £39,500 per annum which equates to a rate of £6.40 per square foot. The property was on the market to be sold at £620,000 which equates to a yield of 6.37%.

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- 18.8 **Comparable:** Unit 2c Imperial Park, Empress Road, Southampton, SO14 0JW was let on 4th July 2016 on a 20-year lease at a rent of £9,000 per annum which equates to a rate of £7.92 per square foot.
- 18.9 The property is an older business unit and could expect to be let at a rate of £5.50 per square foot equating to a rental value of £23,800 per annum.

Given the property's location we have applied a yield of 9%.

19.0 CAPITAL VALUE

- 19.1 We have been requested to provide our opinion of the market value on the stated basis of the leasehold interest of the subject premises as at today's date for the purposes requested.
- 19.2 **Market Value** is defined as the estimated amount for which a property 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 and without compulsion. This definition is derived from the conceptual framework as published in the International Valuation Standards.
- 19.3 The use of the expression "market value" not qualified by a reference to Existing Use of Alternative Use implies the value for any use to the extent to which the value is reflected in the price obtainable in the open market.
- 19.4 Our valuation has been made in the light of 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 the valuation. No deductions have been made for any costs involved in the sale of the property and no allowance have been made for VAT or any other taxes.
- 19.6 In our opinion, the freehold interest in the property known as 4 & 5 Muira Industrial Estate, Southampton, SO14 5QH has a value of:

MARKET VALUE OF THE FREEHOLD INTEREST WITH VACANT POSSESSION OF THE UNIT

£264,500.00

(two hundred and sixty-four thousand five hundred pounds)

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**MARKET VALUE OF THE LEASEHOLD INTEREST ON THE BASIS THAT THE
PROPERTY IS LET AT £23,800 (TWENTY-THREE THOUSAND EIGHT
HUNDRED POUNDS) PER ANNUM AS A WAREHOUSE.**

£264,500.00

(two hundred and sixty-four thousand five hundred pounds)

19.7 Based on the assumptions, statements or facts as set out above within the body of the report.

20.0 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 advisers, assisting in respect of the purpose for which the valuation is prepared

20.2 Either the whole or 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.

**Steven Reynolds, AssocRICS
RICS Registration Valuer No. 1277533**



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Signed for and on behalf of Now Chartered Surveyors

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APPENDIX 1 – PHOTOGRAPHS



Front elevation

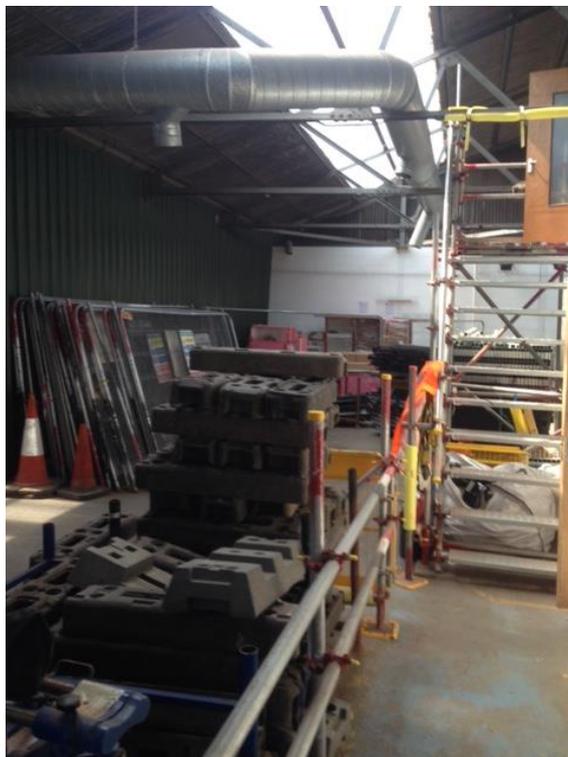


Internal office and mezzanine

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Corrugated roof and skylights



Internal view of property