
MARKET VALUATION

ON

**GROUND FLOOR OF
32-36 SOUTH ROAD,
HAYWARDS HEATH,
RH16 4LA.**

Prepared for:

**Proplend Security Limited
20-22 Wenlock Road
LONDON
N1 7GU**

Attention: Brian Bartaby

Borrower: Comcap 10 Limited

- 1 Date of inspection and valuation:** The property was inspected from the street on 28 November 2017.
- 2 Instructions:** In accordance with your instructions an inspection has been carried out on the above property to provide you with a valuation for lending purposes.
- 3 Assumptions:** In preparing and submitting this valuation, it is assumed that:
- 1 The property is sold subject to the lease outlined in section 12;
 - 2 All required valid planning permission and statutory approvals for the buildings and for their use including any extensions or alterations have been obtained and complied with;
 - 3 No deleterious or hazardous materials or techniques have been used;
 - 4 The property is not subject to any unusual or especially onerous constrictions, encumbrances or outgoing and that good title can be shown;
 - 5 The property and its value are unaffected by any matters which would be revealed by a local search and replies to usual enquiries or by Statutory Notice and that neither the property nor its condition, its use or intended use is or will be unlawful;
 - 6 An inspection of those parts to which access has not been gained would reveal no material defects that would cause the Valuer to alter the valuation materially;
 - 7 The property is connected to and that there is the right to use the reported mains services on normal terms;
 - 8 Sewers, main services and the roads giving access to the property have been adopted and that any lease provides rights of access and egress over all communal estate roadways, pathways, corridors, stairways and to use communal grounds, parking areas and other facilities unless otherwise specifically stated in the report;



- 9 In the case of any property whose construction has not been completed, that the construction will be satisfactorily completed;
- 10 In the case of newly constructed property, the builder is a registered member of the NHBC , the Zurich Municipal Mutual or equivalent and will construct the property to obtain its cover;
- 11 Where the property is part of a building comprising flats or maisonettes (unless instructed otherwise) the costs of repairs and maintenance to the building and grounds are shared equitably between the flats and maisonettes forming part of the block, that those liable will pay them, that there are suitable mutually enforceable covenants between all leaseholders (who are assumed to be jointly responsible) and the freeholder, that there are no onerous liabilities outstanding and that there are no substantial defects or other matters requiring expenditure (in excess of the usual level of service charge) during the next 5 years equivalent to 10% or more of the Market Value being reported.

- 4 Situation**
 Locality, suitability to district, travelling and shopping facilities, amenities

The property is located in the centre of Haywards Heath with most neighbouring properties comprising offices and retail stores. All commercial services are within less than a mile of the property with the road outside a busy route also known as the B2272.
- 5 Description**
 Age, type, construction - roof, walls etc. Garage, outbuildings

The property comprises a four storey building thought to have been built in the 1960's of conventional methods and materials with the top floor recently added. Construction comprises a solid concrete frame with brick faced cavity walls to the sides, beneath an unseen flat roof.
- 6 Accommodation**
 Number/type of rooms, special features, layout/design

The accommodation is understood to comprise around 1,900 square feet of retail/office accommodation.
- 7 Site**
 Nature of site, flooding etc

The site is level and a regular shape with no signs of flooding noted during our inspection.
- 8 Services**
 Drainage, electricity, gas, water, hot water systems, central heating

All usual mains services are available in the area and appear to be supplied to the property.
- 9 Planning/Highways**
 Zoning, easements, rights or way, roads made/unmade, adopted/unadopted

Whilst no specific searches have been made, we are unaware of any town planning, environmental or highway proposals likely to affect the property adversely.

South Road is made up and adopted by the local authority.

The ground floor is understood to have an existing use class of A2: Financial and Professional Services.
- 10 Condition**
 General observations on repair/condition, recommendations
NB We emphasise we have not carried out a structural survey and therefore are unable to report that the property is free from defect (other than those noted)

We have inspected the property for the purpose of providing a market valuation and we have not carried out a building survey or inspected covered, inaccessible or unexposed areas or carried out any tests on services.

From our external inspection the general condition of the property appears consistent with its age and type of construction.



11 Tenure

Freehold/Leasehold (years unexpired, ground rent, maintenance charges etc)

We have valued the property on the basis of a new 999 year lease being granted with a ground rental of £250 per annum being payable.

The proposed lease has not been seen and no doubt legal advisers will check the exact terms together with any onerous or restrictive covenants and all repairing liabilities. It is assumed there are properly constituted management arrangements in place.

12 Tenancies

The ground floor is currently let under a lease dated 26 January 1999 with the following provisions noted from the supplied lease:

Tenant: Halifax plc
 Commenced: 26 January 1999
 Term: 20 years (approx. 2 years remain)
 Commencing rent: £59,000 (understood to be the passing rental)
 Rent reviews: every five years
 Lessee obligations: maintain the interior of the premises and pay 28.58% towards the lessor's obligation to maintain the exterior of the whole building.

13 General Comments

The property is a well located commercial investment opportunity.

To value the property we have adopted the Investment Method. This involves confirming the existing rental is sustainable and then analysing sales of other investment properties in the area to arrive at a return or yield, to apply to the Market Rental of the premises and arrive at a value.

To confirm the current rental is sustainable we have noted how the ground floor premises are approximately 1,900 square feet. The current rental of £59,000 indicates a rental of around £30 per square foot. This is considered reasonable when compared to other similar size premises in South Road let at around £33-34 per square foot. We also note other smaller premises, which usually let at a higher rate, are available to rent at around £35-36 per square foot. With these comparable rents in mind the current rental is considered sustainable.

To arrive at a yield to adopt, we note that a similar property at 89 South Road, let to a comparable tenant (Specsavers), sold at auction on 10 October 2016 for £755,000. This property was let at £45,000 per annum with approximately 3 years remaining on the lease. This sale price and rental indicate a gross yield of 6%. We also note a property in Park Parade, which is part of South Road, sold at auction on 16 May 2016 for £282,000. This property was let to a local business at a rental of £18,350 indicating a gross yield of 6.5%. We also note another property in Park Parade, sold at auction on 16 May 2016 for £285,000. This property was let to another local business at a rental of £19,200 indicating a gross yield of 6.7%. Yields have been stable now for many years, so these comparables are still considered useful indicators of investment buyer requirements. Finally we have noted a sale of an investment property in Bridge Road, Haywards Heath has recently been agreed at £885,000. This property has a current rent of £55,296, indicating a yield of 6.25%, along with an estimated rent of £80,000, indicating a possible yield of 9%.

With the above in mind we are of the opinion that a yield of 6% should be adopted to value the property, subject to the current lease. **Applying this yield to the current rental of £59,000 indicates a value of around £980,000 (nine hundred and eighty thousand pounds only). It is expected that this figure should be achievable within a three month period.**



To value the property with vacant possession we have noted how a vacant investment property, in nearby Burgess Hill is currently on the market at an asking price of £170,000. This property is also available to rent at an asking rental of £13,200 per annum, indicating a yield of 7.8%. With this and the other above-mentioned properties in mind, we are of the opinion that a yield of 7.5% should be adopted, if the property is to be valued with vacant possession. Applying a yield of 7.5% to the current rental of £59,000 **indicates a value of around £790,000 (seven hundred and ninety thousand pounds only).**

The property is considered to be suitable for lending purposes as it is in an area with strong demand from investors and possible tenants alike.

For the record we confirm that we satisfy the requirements as to competence in practice statement 5.1 and the definition of an Independent Valuer in practice statement 5.3.3 of the RICS Appraisal and Valuation Manual.

We confirm that we hold RICS compliant professional indemnity insurance and that as far as we are aware there are no conflicts of interest either personal or in relation to Sussex Surveyors in carrying out your valuation instructions.

14 Reinstatement Cost Assessment

Main Buildings, Garage, Outbuildings

We calculate the reinstatement value for insurance purposes, on the ground floor only to be **£500,000**

15 Valuation

This report is confidential and produced for the sole use of the named Client. It should not be relied upon by any third party for any purposes whatsoever

In arriving at our valuation we have assumed that there are no onerous or hampering restrictions, wayleaves, rights of way or similar restrictions affecting the property.

We have not carried out a building survey or tested services and we cannot state that the property is free from defect. We have assumed for the purposes of this valuation that the property is structurally sound and free from any defects, apart from any outlined in this report, and that high alumina cement, blue asbestos and other deleterious materials are not included. We have assumed that neither the land nor buildings of the subject property or the surrounding properties are, or ever have been, contaminated.

DEFINITION OF MARKET VALUE (MV)

The following is an interpretative commentary as published in International Valuation Standard (VS. 3.2.).

“The estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm’s length transaction after proper marketing where the parties had acted knowledgeably, prudently and without compulsion”.

“The estimated amount”

Market value is measured as the most probable price reasonably obtainable in the market at the date of valuation in keeping with the Market Value definition. It is the best price reasonably obtainable by the seller and the most advantageous price reasonably obtainable by the buyer. This estimate specifically excludes an estimated price inflated or deflated by special terms or circumstances such as a typical finance income or sale and lease back arrangements, special considerations or concessions granted by anyone associated with the sale or any element of the Special Value.



“....An asset or liability should exchange....”

Refers to the fact that the value of a property is an estimated amount, rather than a predetermined or actual sale price. It is the price at which the market expects a transaction that meets all the other elements of its Market Value definition should be completed on the date of the valuation.

“...On the valuation date....”

The valuation amount will reflect the actual market state and circumstances as of the effective valuation date, not as of either a past or future date. The definition also assumes simultaneous exchange and completion of the contract of sale without any variation in the price that might otherwise be made.

“... Between a willing buyer....”

This buyer is neither over eager nor determined to buy at any price but one who purchases in accordance with the realities of the current market and with current market expectations rather than on an imaginary or hypothetical market which cannot be demonstrated to exist. The assumed buyer would not pay a higher price than the market requires.

“....A willing seller”

Is one that is neither over-eager nor a forced seller nor one that is prepared to hold out for an unreasonable price in the current market. The willing seller is motivated to sell at market terms for the best price obtainable after proper marketing.

“....In an arm’s length transaction....”

This is one between parties who do not have a special or particular relationship (for example parents and subsidiary companies or Landlord and Tenant) which may make the price level uncharacteristic at the market or inflated because of the elements of Special Value.

“...After proper marketing....”

This means the property would be exposed to the market in the most appropriate manner to effect its disposal at the best price reasonably obtainable in accordance with Market Value Definition.

“...Where the parties had acted knowledgeably, prudently....”

This presumes that both a willing buyer and willing seller are reasonably informed about the nature and characteristics of the property, acting upon potential uses and the state of the market as at the date of the valuation. Each further is presumed active for self interest and with that knowledge and prudently to seek the best price for their respective positions in that transactions. It is not necessarily imprudent for a seller to sell property in a market with falling prices at a price which is lower than previous market value.

“....And without compulsion”

Each party is motivated to undertake the transaction but neither is forced or unduly coerced to complete it.

In our opinion the property has a market valuation as a going concern with the existing tenancy, as at the date of this report, of

£980,000 (nine hundred and eighty thousand pounds only)

In our opinion the property has a market valuation with vacant possession, as at the date of this report, of

£790,000 (seven hundred and ninety thousand pounds only)

No allowance has been made in our valuation for a purchaser's costs of acquisition, nor has any allowance been made for expenses or realisation or any taxation that may arise from the sale of the property.

The valuation excludes any Value Added Tax that may be payable on the disposal.

In accordance with our usual practice, we confirm that this valuation is for the benefit of the party to whom it is addressed and no liability to any third party is accepted in respect of the whole of any part of its contents.

Neither the whole nor any part of this report, nor any reference therein, may be included in any document, circular or statement without written approval in the form and context in which it appears.

Signature of Surveyor

Date: 7 December 2017



Name of Surveyor (and professional qualifications)

TONY PEARSON MRICS
RICS REGISTERED VALUER

On behalf of:

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