VAS PANEL

Valuation Report

Address	Flats 5,6,17,20,26,30&37 Heathside, 562 Finchley Road, London, NW11 7SB
Lender	Proplend Security Limited
Lender Address	20-22 Wenlock Road, London, N1 7GU
Applicant Name	K&C (Osprey) Limited
Date	27th March 2018
Valuation Company	Lambert Smith Hampton
Valuer	Ben Thompson

PROPERTY DETAILS:			
Property Address:	Flats 5,6,17,20,26,30&37 Heathside, 562 Finchley Road, London, N111 7SB		
Lender:	Proplend Security Limited	**Date of Valuation:**	14th March 2018
Purpose of Valuation:	Loan Security	**Valuation Method:**	Comparison

VALUATION: *(please carefully read the lenders instruction letter and make sure that valuations are provided on the required basis)*	
Market Value	£4,250,000
Market Value Vacant Possession	£4,250,000
Market Rent (MR)	£119,400
Insurance Reinstatement Estimate:	£770,000

VALUATION ISSUES: None	**Estimated Sales period:**	6 to 12 months

LOCATION / DESCRIPTION:			
Location Summary:	The property is located 0.4 miles to the South West of Golders Green underground station (Northern Line) and provides a direct route to the Kings Cross St Pancras with a` journey time of approximately 18 minutes. The property is located just on the fringe of Golders Green. London's West End is also easily accessible by car via Finchley Road with a journey time to Oxford Street of approximately 20 minutes.		
Description Summary:	Heathside is 60 plus block of 37 Flat in totals, staff areas, communal lounge area and landscaped gardens. There is a guest suite and hairdressing facilities available for the residents and their family members. There are currently 7 flats owned freehold within the building.		
Condition Summary:	The subject property is in an average condition.		
Floor Area:	363.7 sq m / 3,914 sq ft GIA	**Site Area:**	0.248 acres / 0.612 hectares

TENURE / TENANCY:			
Tenure:	Freehold	**Tenancy:**	
Passing Rent:	£2,935 per annum	**Market Rent:**	£119,400 per annum

SWOT ANALYSIS:	
Strengths:	**Weaknesses:**

• Strong location a few minutes' walk from Golders Green Station and shops • Popular market due to ageing population.	• The common areas are currently dated • Expensive service charge which may put some purchasers off
Opportunities: • Refurbishment programme soon to be rolled out • [Freetext]	**Threats:** • Slow down in residential market • Wider economic and political environment

DEFECTS & SPECIALIST REPORTS:

(Please identify any structural, legal or environmental issues from the drop-down lists. Please confirm the status of the defect and provide further commentary below if you have recommended that a specialist report is required)

Legal Issues	Report Required / Issue Identified	Structural Issues	Report Required / Issue Identified	Environmental Issues	Report Required / Issue Identified
Choose an item.	N/A	Choose an item.	N/A	Choose an item.	N/A
Choose an item.	N/A	Choose an item.	N/A	Choose an item.	N/A
Comments:					

RECOMMENDED ACTION POINTS / SUITABILITY FOR LOAN SECURITY:

We would recommend the following action points:	None
Is the property suitable for loan security?	Yes

Please note that this Executive Summary is merely a summary of the valuation report and should not be read in isolation to the full valuation report provided overleaf.

Lambert Smith Hampton

www.lsh.co.uk

Valuation Report

On

Flats 5,6,17,20,26,30 &37
Heathside
562 Finchley Road
London
NW11 7SB

on behalf of

Proplend Security Limited
20-22 Wenlock Road
London
N1 7GU

Prepared by

Lambert Smith Hampton
UK House
180 Oxford Street
London
W1D 1NN

Tel: +44 (0)20 7198 2000
Fax: +44 (0)20 7198 2001

Date: 27th March 2018
Ref: 0130474/24765/BT

Lambert Smith Hampton

FLATS 5,6,17,20,26,30 & 37 HEATHSIDE, 562 FINCHLEY ROAD, NW11 7SB

CONTENTS

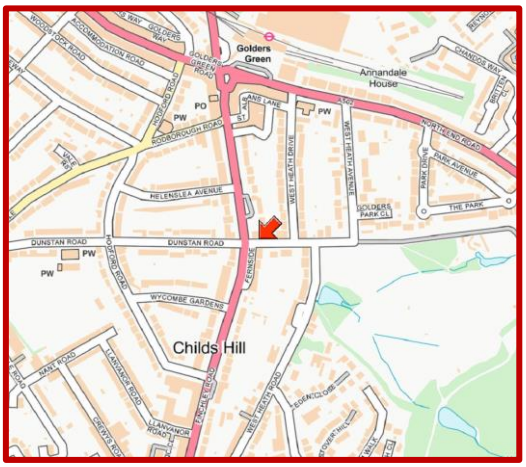
FLATS 5,6,17,20,26,30 & 37 HEATHSIDE, 562 FINCHLEY ROAD, NW11 7SB

Front Elevation

Street Scene

Rear Elevation

Interior



Street Map Extract

Site Plan from OS Extract

1. EXECUTIVE SUMMARY

Property Address	Flats 5, 6, 17, 20, 26, 30 & 37Heathside, 562 Finchley Road, NW11 7SB	
Purpose of Valuation	Loan Security	
Valuation Date	16th March 2018	
Location	The property is located 0.4 miles to the South West of Golders Green underground station (Northern Line) and provides a direct route to the Kings Cross St Pancras with a` journey time of approximately 18 minutes. The property is located just on the fringe of Golders Green. London's West End is also easily accessible by car via Finchley Road with a journey time to Oxford Street of approximately 20 minutes.	
Situation	Heathside is located on the corner of Finchley Road and West Heath Avenue and is 0.3 miles (0.5 km) to the south of Golders Green (Northern Line) underground station which provides 15 minute access to Central London. In addition there is a Nation Express bus terminal with links across the UK and Europe.	
Description	Type: Floor Area: Accommodation: Car Parking: Site Area: Condition:	Purpose build retirement block for over 60's 363.70 sq m (3,914 sq ft) GIA 7 vacant flats; 37 flats in total 18 spaces 0.248 hectares (0.612 acres) Average/Under refurbishment
Planning Use	Use Class: Listed: Conservation Area:	C3 No No
Tenure	Freehold	
Tenancies	Seven flats are held on vacant possession, the remaining flats are held on varying long leases between 67 years and 115 years unexpired.	
Valuations	**Market Value (MV):** **MV SA VP:** **MV SA 180 day marketing:**	**£4,250,000** **£4,250,000** **£3,825,000**
Rental Profile	**Passing Rent:** **Market Rent of the vacant flats:**	**£0 per annum** **£119,400 per annum**
Sales Profile	Sales targets: private individuals Selling timescale: 6-12 months Letting timescale: 6-12 months	
Valuation Issues	None	
Strengths	Strong location a few minutes' walk from Golders Green Station and shops Popular market due to ageing population Refurbishment programme soon to be rolled out	
Weakenesses	The common areas are currently dated Expensive service charge which may put some purchasers off	
Suitable as Mortgage Security	**Yes –** subject to the specific assumptions, comments and recommendations detailed within this Report.	
Personnel	Ben Thompson, MRICS, Associate Director	

2. TERMS OF INSTRUCTION

26th March 2018

T +44 (0)20 7198 2000
F +44 (0)20 7198 2001
www.lsh.co.uk

The Directors
Proplend Security Limited
20-22 Wenlock Road
London
N1 7GU

Lambert Smith Hampton
UK House
180 Oxford Street
London
W1D 1NN

For the attention of: Brian Bartaby

Our Ref: 0130474 / 24765 / BT

APPLICANT:	**K&C (OSPREY) LIMITED**
PROPERTY:	**HEATHSIDE, 562 FINCHLEY ROAD, LONDON, NW11 7SB (THE "PROPERTY")**
REFERENCE:	**SB/PG**

Appointment	We refer to your instruction letter dated 21st March 2018, acknowledged on 22nd March 2018 (copies at Appendix 1), to provide you with a Valuation Report in respect of the freehold interest in the above part investment part vacant possession retirement property, for loan security purposes. We have inspected the property, made relevant enquiries and now have pleasure in reporting to you. The basis upon which we usually prepare our Valuations and Reports is set out in the Terms of Engagement (copy at Appendix 1). Unless and except where here specifically stated otherwise, this Report has been prepared in accordance with these Terms of Engagement.
RICS Compliance	We confirm that this report and valuation has been prepared in accordance with the Royal Institution of Chartered Surveyors Valuation – Professional Standards UK January 2014 (revised April 2015 (the 'Red Book'). Lambert Smith Hampton acts in the capacity of External Valuer in connection with this instruction. We confirm that the Valuation Division of Lambert Smith Hampton has a Quality Management System which complies with BD EN ISO 9001:2008. Lambert Smith Hampton holds appropriate professional indemnity insurance for this valuation instruction.
Valuation Date	The Valuation Date is 15th March 2018.

Conflict of Interest	We have confirmed to you that over the last two years we have had no involvement with the property, the Applicant, a prospective borrower or with any party connected with a transaction for which lending is required.
Reliance upon Provided Information	We have previously agreed that we shall rely upon the following information for the purpose of reporting to you: • Floor plans provided by the applicant Benjamin James on 20th March 2018 • Freehold income total provided by the applicant Benjamin James on 20th March 2018
Valuer	This Report and Valuation has been prepared by Benjamin Thompson, a member of the RICS Valuer Registration Scheme, Associate Director, who has acted with independence, integrity and objectivity, and has sufficient current local and national knowledge of the particular market as well as appropriate skills, qualifications, experience and understanding for the purposes of this instruction.
Inspection	The property was inspected on 15th March 2018 by Ben Thompson, a member of the RICS Valuer Registration Scheme, Associate Director.
Basis of Valuation	We have prepared our valuation on the basis of **Market Value** (MV) which is defined in the RICS Valuation – Professional Standards UK January 2014 (revised April 2015), as: "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 and where the parties had each acted knowledgeably, prudently and without compulsion." We have prepared an additional valuation on the basis of **Market Rent** (MR) which is defined in the RICS Valuation – Professional Standards UK January 2014 (revised April 2015), as: "The estimated amount for which an interest in *real property* should be leased on the *Valuation Date* between a willing lessor and willing lessee on appropriate lease terms in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion." Further, no allowance is made for any costs of sale or any liability for taxation, including VAT, which may arise on disposal.
VAT	Our valuation is exclusive of VAT unless otherwise stated.
Purchaser's Costs	Our valuation is produced net of purchaser's costs at the appropriate rate.

3. PROPERTY DETAILS AND VALUATION METHODOLOGY

LOCATION

The location of the site is shown on the location plans attached at Appendix 2.

Macro Location

The property is located 0.4 miles to the South West of Golders Green underground station (Northern Line) and provides a direct route to the Kings Cross St Pancras with a` journey time of approximately 18 minutes. The property is located just on the fringe of Golders Green. London's West End is also easily accessible by car via Finchley Road with a journey time to Oxford Street of approximately 20 minutes.

The property is within an 8 minute walk from Golders Green Road, which offers a varied covenant mix with operators such as Sainsburys, Costa Coffee, Starbucks, Rymans Stationer, Specsavers and Boots the Chemist.

Demographics

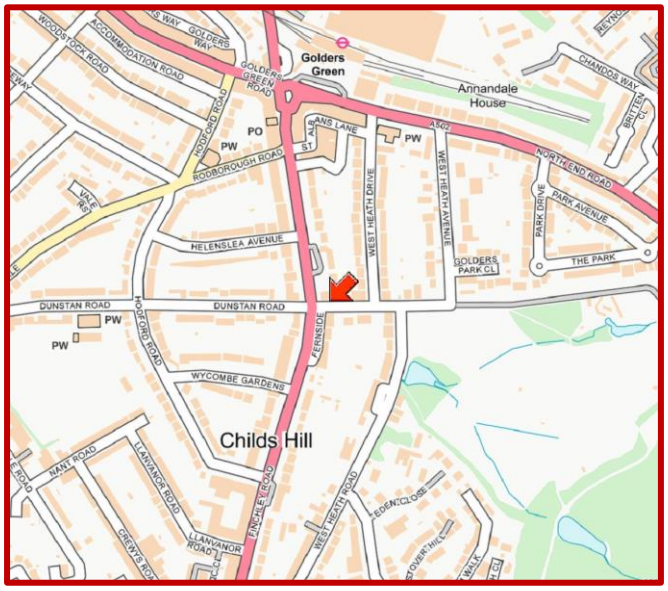
The property lies towards the southern end of the London Borough of Barnet, a typical Outer London borough. Barnet has an estimated population of some 386,100 (ONS estimate 2016) and is relatively affluent, with 59.1% of the population within the upper three socio-economic groups (GB average 45.5%) and only 7.4% in the lower two socio-economic groups (GB average 17%). The average gross weekly pay is £690 (GB average £553) with only 1.0% of the population claiming Job Seekers Allowance in October 2017 (GB average 1.1%).

78% of Barnet households own a car, which is higher than the average for London Boroughs and higher than the UK average. Car ownership is highest among home owners of whom 90% own a car and 50% own two or more cars.

Situation

Heathside is located on the corner of Finchley Road and West Heath Avenue and is 0.3 miles (0.5 km) to the south of Golders Green (Northern Line) underground station which provides 15 minute access to Central London. In addition there is a Nation Express bus terminal with links across the UK and Europe.

There are numerous bus routes nearby and Brent Cross Shopping centre is located 1.6 miles to the west of the subject site.



Transport and Communications

Temple Fortune lies on the A598 (Finchley Road), with the subject property being close to its intersection with both the North Circular Road (A406) and the Great North Way (A1). This is a major North London interchange, leaving the area readily accessible with good vehicular access to the national motorway network and to Central London. This gives a high volume of traffic passing the subject site.

Although Finchley Road has a number of bus routes running along its length, there are few underground stations in the vicinity, the closest being at Finchley around a mile to the north or Golders Green, 1½ miles to the south. Brent Cross is slightly closer to the south west.

DESCRIPTION AND CONSTRUCTION

The boundaries of the Property, as we understand them to be, are outlined in red on the copy extract from the Ordnance Survey Plan shown below and enclosed at Appendix 2.

Site

Approximate dimensions and area, as scaled from the Ordnance Survey Plan		
Frontage to Finchley Road:	46.01 m	(151 ft)
Site Depth:	51.69 m	(170 ft)
Site Area:	0.248 hectares	(0.612 acres)

The site is broadly square and the level. The building occupiers circa 33% of the total site area and is a L-shaped.

Description

External

Internal

Internal

Refurbished Bathroom

Heathside is a well is a purpose built retirement block for the over 60's age group under the supervision of a residential house manager and her team. There are 37 Flat in totals, staff areas, communal lounge area and landscaped gardens. There is a guest suite and hairdressing facilities available for the residents and their family members.

Each of the flats has a reception/dining room area, bedroom, kitchen and separate bathroom (with the exception of Flat 6 which has an additional bedroom. In addition Flat 6, 20 & 30 benefit from a small balcony area for outside space.

Age and Construction

The property was built in 1985 and is constructed of brick elevations and a tiled roof, in total there are four storeys.

Internal Finishes

The property is finished to a good but dated standard through the common areas and flats outside of the borrowers leasehold ownership. The walls are wall papered and the floors are carpeted.

We understand there are plans to refurbish the common parts to refresh the feel of the building. These will begin in circa six months' time.

External Areas

Parking is provided for each of residential units on a first come first serve basis however given that many of the tenants do not drive there is amble parking available.

Services

There are two lifts within the subject property which provide access to the upper floors.

Appendix 3 contains a series of photographs illustrating the exterior and interior of the Property, as well as its surrounds.

Accommodation

You have instructed us to measure the property in accordance with the RICS Code of Measuring Practice, 6th edition.

From floor plans provided and check measurements taken on site we calculate that the property provides the following approximate accommodation:

Floor	Unit	No. of Bedrooms	Sq Metres	Sq Feet
Ground	Flat 5	1 Bed	50.1	539
Ground	Flat 6	2 Bed	66.6	717
Ground	Flat 17	1 Bed	50.1	539
Second	Flat 20	1 Bed	49.0	527
Second	Flat 26	1 Bed	49.5	533
Third	Flat 37	1 Bed	49.9	537
Third	Flat 30	1 Bed	48.5	522
		Total Gross internal area:	**363.7**	**3,914**

Repair and Condition

The property appeared to be in good condition considering its age, specification and use, with no major defects noted. .

We estimate the building has a remaining economic life of at least 25 years, provided an adequate and suitable programme of maintenance and repair is followed.

Hazardous and Deleterious Materials

We refer you to Appendix 2 of this report.

Asbestos

Control of Asbestos Regulations 2012

Under the terms of these Regulations a Dutyholder is required to manage asbestos in nondomestic premises. Typically, this encompasses a positive obligation to assess the likelihood of asbestos containing materials (ACMs) being present at the premises. This can be achieved either by reference to bone fide statements confirming that ACMs were not incorporated into the construction of the building, or by commissioning an asbestos survey. The results of that survey would then be interpreted, acted upon and recorded in an Asbestos Management Plan.

We have not had sight of management asbestos survey.

For the purpose of this report, we have assumed that, unless indicated to the contrary, a survey would not disclose any evidence of asbestos or deleterious materials in the construction of the subject, in circumstances where it is likely to have an effect on health or safety.

Confirmation should be sought from the conveyancer that an asbestos survey has been obtained and that any management plan required has been implemented.

CONTAMINATION AND ENVIRONMENTAL MATTERS

Contamination

Were any obvious contaminative uses noted above ground upon inspection which would be likely to result in contamination?	No
Did any of the immediately surrounding property appear to be put to a current use which would be likely to result in contamination?	No

Contaminative Species

Was the presence of Japanese Knotweed or other contaminative species noted during the course of our inspection?	No
Have we been advised of the presence of Japanese Knotweed or other contaminative species being present at the subject?	No

Masts and Lines

Does the subject include telecommunications base stations, masts or high voltage overhead transmission lines?	No
Is the subject adjacent to telecommunications base stations, masts or high voltage overhead transmission lines?	No

Flooding

Flood Risk from Rivers or the Sea

The Environment Agency website identifies the subject as being within an area classed as having a '**very low'** risk of flooding from rivers or the sea, suggesting it is unlikely to flood except in extreme conditions. The chance of flooding each year is 0.1% (1 in 1000) or less.

Flood Risk from Surface Water

We have made enquiries of the Environment Agency website, which identifies the subject as being within an area that is classed as having a **'very low'** chance of flooding from surface water, which means that each year, this area has a chance of flooding of less than 1 in 1000 (0.1%). This type of flooding can be difficult to predict, much more so than river or sea flooding as it is hard to forecast exactly where or how much rain will fall in any storm.

Drainage

For the purpose of this report, we have assumed that, unless indicated to the contrary, enquiries would not disclose any evidence of historic pluvial flooding, relating to the drainage of surface water or groundwater flooding.

Sustainability

We refer you to Section 4 of this report.

Energy Performance Certificate

In undertaking this valuation we have not been provided with a copy of an Energy Performance Certificate (EPC) for the premises by the Applicant.

We have therefore searched the web based database of EPCs provided by Landmark and this has no record of an EPC having been issued.

Our valuation assumes that an EPC would be provided on sale in accordance with current legislation and we would recommend that this is clarified by your legal advisors.

Fire, Health & Safety

Fire Risk Assessment

We were unable to ascertain whether a Risk Assessment has been undertaken hence without evidence to the contrary we have assumed that it has and that the Property complies with current regulations and that there are no outstanding issues.

We have assumed that this assessment will continue to be reviewed and updated if there are any alterations to the premises or changes to work practices or use of the premises. We recommend that your solicitors be instructed to verify the position.

TENURE AND TENANCIES

Tenure: **Freehold**

We confirm that we have not yet had sight of your Solicitor's report on title however, upon receipt of a copy, would be pleased to separately confirm whether the content of this has an impact on the advice provided within this appraisal report.

We understand that the flats will be sold on a new 125 year leases at a ground rent of £150 per annum each.

Tenancies

There are 37 flats in totals; of these 37 seven are held on full vacant possession. Of the remaining 30 flats there are 25 which have 67 years remaining on their long leaseholds. Three of the remaining flats have 110 years remaining while the remaining 2 flats have 157 years unexpired.

Contracted Leasehold Income

Ground Rent: £2,935 per annum gross.

There is an additional commission received from the sale of each flat within the year, we have been provided with the last three years totals:

Year	Commission received
2017	c. £45,000
2016	£30,936
2015	£19,250

In addition there is a commission of 2.50% for each sale that occurs within the property.

TOWN PLANNING

The property lies within an area administered by Barnet Council whose Local Plan provides the framework for guiding, controlling and facilitating development.

The Proposals Map annexed to the Local Plan identifies the subject as lying no planning zones.

We understand from planning history obtained from the Council's website that there are no associated planning applications save from several tree preservation order requests.

We understand the property is Grade not Listed, and is not within a Conservation Area.

COUNCIL TAX

Council Tax

Our enquiries reveal that the residential parts of the property are listed for Council Tax purposes as follows:

Address	Band	Annual Charge
Flat 5	F	£2,072.37
Flat 6	F	£2,072.37
Flat 17	F	£2,072.37
Flat 20	F	£2,072.37
Flat 26	F	£2,072.37
Flat 37	F	£2,072.37
Flat 30	F	£2,072.37

OTHER LEGISLATION

Regulated Mortgages

We confirm that at least 40% of the total of the land to be given as security is used as, or in connection with, a dwelling.

MARKET CONDITIONS

Macro-Market Commentary

Please refer to Appendix 4.

Micro Market Commentary

Retired people form the country's fastest growing demographic group, which presents a significant business opportunity for developers and house-builders.

Significant shifts in housing tenure since the 1980s mean that the vast majority of newly retired people are owner-occupiers in mainstream housing. The growth in housing wealth held by the expanding older age group offers a significant opportunity for developers of retirement housing. The majority of over 65s (89%) live in "mainstream housing", the remainder in specialist retirement housing (6%, some 500,000 households) and residential care or nursing care accommodation (5%, some 400,000 units).

In terms of tenure, 70% of over-65s are outright homeowners, while just 4% still have a mortgage. The remainder rent social housing (21%) or privately (5%). Thus many older people own a home they can sell to 'downsize' and release equity. The proportion of the over-65s who live in sheltered housing rises from 4% for those aged 65-69 to 19% for those aged over-85. Demographic trends mean there will be a large increase in the number of older owner occupiers in the future. However an analysis of recent developments in home ownership by age group shows that sharp increases in ownership rates have occurred in most middle to older age groups over the last 20 years. The age groups that currently have the highest proportion of owner occupiers are those in their 40s, 50s and 60s – which will feed through into a further 2.5m owner-occupiers aged over 65 during the next 20 years. The expectation is that the higher rates of home ownership associated with these groups of households will persist as they get older. Substantial increases in the absolute numbers of older homeowners in England in the next two decades are inevitable whatever happens to ownership trends in the housing market as a whole.

Future opportunities in the retirement housing sector, why do people enter this market?

Most people who retire do so as owner occupiers in mainstream housing. Various recent studies have repeatedly confirmed that the decision to move to retirement housing is almost always due to bereavement, frailty or the desire for close proximity to relations. A general definition of retirement housing would refer to purpose-built or converted accommodation for sale or rent to old people – with a range of housing and care, social or recreational services provided. There are many options, but in this section we focus on purpose-built retirement housing, especially the retirement village concept.

Conclusions

Ageing will create significant costs to individuals and society, and we ought to expect considerable upheaval to taxation, working patterns and our lifestyles.

Old people will be more numerous and more powerful politically and economically. They already punch above their weight politically because they vote in greater numbers than younger people, and we expect the old to win most of the coming political conflicts over public support for their care and housing costs.

Older households will represent half of all household growth to 2026 and it is important that the development, construction and care industries recognise this as an opportunity which they can benefit from.

Retirees increasingly do not regard themselves as old, understanding this means that the developers who succeed in the future will be those that can master the trick of creating and selling a product that meets older people's needs, without comprises the need of those that have recently retired.

VALUATION CONSIDERATIONS

Location	The property is in a strong location being six minutes' walk to Golders Green underground station. The northern line provides quick access into the centre of the London within 15 minutes. The property is also within walking distance to local shops where there is a range of national and local retailers.
Building	The property is in a reasonable condition for an over 60s residential block but would be improved for the planned refurbishment of the common areas. In addition there is potential to expand the property either to the rear (a single storey extension could provide and extra flat) or up into the roof space. An additional room could be added to the top floor flats providing a mezzanine level.
Estate Management	The property has a number of services that require management including a house manager, 24 hour wireless emergency care line system, treatment room and communal gardens. The costs for these services are recovered through a service charge payable by the residents monthly. There is a service charge in place for all of the tenants which currently stands at circa £4,000 per annum.
Assessment of Market Rent	Our opinion of Market Rent of the residential parts assumes that any items of furniture or appliances provided by the landlord by virtue of the occupational tenancies, or equivalent thereto, remain in place. **Below we have set out those rental market transactions to which we have had regard when calculating our opinion of Market Rent**. **526b Finchley Road, London, NW11 8DD** A one bedroom flat that is within a converted house, the flat is in a reasonable condition and totals 499 sq ft. The flat is located on the second floor and has let on an AST for £1,400 per month (£16,800 per annum) from August 2017. The property is located just to the south of the subject property but does not benefit from the communal services of the subject property. **Flat 21, West heath Court, North End Road, London, NW11 7RG** A one bedroom flat that is within a purpose built residential block. The flat totals 594 sq ft and is finished to a good standard. The property is located a similar distance from Golders Green shops and underground station. The flat let in January 2018 for £1,560 per month (£18,720 per annum). **622c Finchley Road, Golders Green, NW11 7RR** A one bedroom flat that is located on the same road as the subject property and tis finished to a good condition. The flats totals 420 sq ft and has let on an AST from November 2017 at a rent of £1,551 per month (£18,612 per annum). The flat provides good evidence although it doesn't benefit from the communal services that the subject does. **871a Finchley Road, London, NW11 8RR** A two bedroom flat that is situated within a converted residential house. The property totals 736 sq ft and is finished to an average standard. The property

	has let on a new AST from October 2017 at a rent of £1,452 per month (£17,424 per annum). The property provides good evidence of a two bedroom flat however this property is inferior to the subject property. There is rarely any rental evidence for this type of retirement home, as the properties are always purchased. The rental market is more for full care elderly people who require a car home which is paid for monthly rather than an assisted living development.
Capital Values	**Springhill House, Willesden Lane, Willesden Green, London, NW2** A two bedroom retirement flat situated to the south of the subject property but a similar distance to a London Underground station. The property is currently on the market for £599,950 and totals 812 sq ft (£738.85 per sq ft). The master bedroom benefits from a en-suite, there is a club lounge for residents. Generally the property is off a higher standard than the subject property. There are one bedroom apartments available within this development for £399,950. **Woodside Square, Muswell Hill, London N10** A one bedroom retirement home available that totals circa 602 sq ft. The property is part of a new build development scheme. The property is currently on the market for £549,950 (£913.53 per sq ft). The property is finished to a high standard and there is a community room and concierge. **33 North End Road, Golders Green, NW11 7RJ** A one bedroom top floor flat that has been redeveloped. The property totals 476 sq ft and is finished to a good standard but is much smaller than the subject properties and only has walk up access. The property sold in September 2017 for £365,000 which equates to £766.80 per sq ft. **Allmand Place, Golders Green, NW2** This a new build development of open market residential units which launched on the 17th March. There is one one bedroom flat located on the top floors with a marketing price of £499,000 which equates to £961.03 per sq ft and a two bedroom flat on the market at £755,000 which equates to £831 per sq ft. This new build development superior to the subject properties and provides an upper limit for the Golders Green market. **Flat 26, Heathside, 562 Finchley Road, London** This flat was purchased by the borrower in September 2017 at £250,000 and is now being refurbished to re sell. This comparable gives us a good idea of the values that the remaining flats with 67 years unexpired could be purchased for by the borrower. Over 60s apartments sit in an interesting place within the market. On one hand they benefit from additional services (paid for through the service charge) and a community feel which would suit many perspective buys. With an ageing population and a relatively short supply of 60 + living blocks there may be occasions where the flats sell at a premium to an open market flat. On the other side there is the thought that these flats can be expensive to keep up with a service charge of circa £4,000 per annum and additional sales fees needing to be paid when a flat is sold. In balance it is fair to assume that on the whole these properties will sell at similar levels to an open market flat. Given the above evidence there is a

range of between £700 per sq ft and £950 per sq ft.

VALUATIONS

Market Rent

£119,400 per annum for the rent of the seven vacant possession flats.

Element	Rental Income	Market Rent
Flat 5 – 1 Bed	£0 per annum	£16,800 per annum
Flat 6 – 2 Bed	£0 per annum	£18,600 per annum
Flat 17 – 1 Bed	£0 per annum	£16,800 per annum
Flat 20 – 1 Bed	£0 per annum	£16,800 per annum
Flat 26 – 1 Bed	£0 per annum	£16,800 per annum
Flat 37 – 1 Bed	£0 per annum	£16,800 per annum
Flat 30 – 1 Bed	£0 per annum	£16,800 per annum
Aggregate:	**£0 per annum**	**£119,400 per annum**

Valuation Methodology

In assessing Market Rent we have adopted the comparable method of valuation which provides an indication of value by comparing the Property with other similar properties for which price information is available. We have adjusted these comparables to reflect differences in age, size, condition, location and any other relevant factors.

Market Value

We are of the opinion that the current **Market Value** of the **freehold** interest of Flats 5,6,17,20,26,30 & 37 Heathside, 562 Finchley Road, London, NW11 7SB, as at 15th March 2018, effective vacant possession, save those that are sold off on long leases, for loan security purposes, is:

£4,250,000
(Four Million and Two Hundred and Fifty Thousand Pounds)

We consider 3 – 9 months to exchange of contracts is a realistic period required to achieve this value.

Valuation Methodology

Taking into account the transactions set out within this report, for valuation purposes we have adopted the market approach or comparable method of valuation which provides an indication of value by comparing the Property with other similar properties for which price information is available. We have adjusted these comparables to reflect differences in age, size, condition, location and any other relevant factors.

Floor	Unit	Sq ft	£ per sq ft	Market Value
Ground	Flat 5 – 1 Bed	539	£807.05	£435,000
Ground	Flat 6 – 2 Bed	717	£788.01	£565,000
Ground	Flat 17 – 1 Bed	539	£807.05	£435,000
Second	Flat 20 – 1 Bed	527	£844.40	£445,000
Second	Flat 26 – 1 Bed	533	£834.90	£445,000
Third	Flat 37 – 1 Bed	537	£865.92	£465,000
Third	Flat 30 – 1 Bed	522	£881.23	£460,000
	New ground rent at £150 per flat per annum:			£26,250
		Total Market Value:		**£3,276,250**

For the flats with 110 years unexpired and 157 years unexpired we have capitalised the ground rent received by these at 4.00%. The total income from these flats is £750 per annum which provides a value of £18,750 for this element.

Given the position of the applicant and the past results in purchasing flats as and when they become available; refurbishing and then selling off provides a further income potential. There are 25 flats which may come up for sale over before their unexpired term is up. We have assumed that 20% (5 flats) of these will be available to purchase and re sale over the next ten years. Assuming that on average these flats are purchased for £365,000 refurbished and sold for £465,000 this provides a profit of £90,000 once costs of £10,000 have been taken into account. Spreading these incomes over the next ten years provides a present value of £372,147.

For the 25 flats with an unexpired term of 67 years we have "present valued" the freehold value of receiving these flats back in 67 years. We have applied a value of £365,000 per flat for the 25 flats (minus the five we have assumed will be purchased) currently held on 67 years unexpired, we have then present valued this back at 4.00% which equate to £527,388; say £530,000. We understand that there is £2,935 per annum received from ground rents, we have removed the ground rent of the 157 and 110 leases and capitalised the remaining income at 4.00% into perpetuity. This provides an additional value of £54,625.

In addition to the above the borrower as freeholder benefits from a 2.5% commission on any sale that is made on the other flats within the property.

Special Assumption Valuations

We are of the opinion that the current **Market Value** of the **freehold** interest of Flats 5,6,17,20,26,30 & 37 Heathside, 562 Finchley Road, London, NW11 7SB, as at 15th March 2018, with the **Special Assumption** of full and effective **Vacant Possession and that the subject is unlet**, save those flats that are sold off on long leases, for loan security purposes, is:

£4,250,000
(Four Million and Two Hundred and Fifty Thousand Pounds)

Marketing Programme

Four flats are currently on the market with Savills.

Proposed Purchase Price

No sale price is available in this case as we understand the property to be subject to refinance.

Estimate of Reinstatement

We refer you to Appendix 2 of this Report.

We estimate the reinstatement cost on an informal basis of the premises in the sum of:

£770,000
(Seven Hundred and Seventy Thousand Pounds)

Please note that the subject will be insured as part of a larger block policy. The estimate provided is an opinion of that proportion attributable to the subject forming part of the aggregate reinstatement cost.

If a formal valuation for fire insurance purposes is required our Building Consultancy department will be able to undertake this on your behalf as a separate instruction.

SUITABILITY AS MORTGAGE SECURITY

We are of the opinion that, subject to comment within this report, the property offers security suited to your purpose and intended loan facility.

We consider strengths and weaknesses of the property at the date of valuation to be:

Strengths	Strong location a few minutes' walk from Golders Green Station and shops
	Popular market due to ageing population.
	Refurbishment programme soon to be rolled out
Weaknesses	The common areas are currently dated
	Expensive service charge which may put some purchasers off

LIMITATION OF LIABILITY/PUBLICATION

This Valuation Report is provided for the stated purpose and for the sole use of the named client. It is confidential to the client and his professional advisers and the Valuer accepts no responsibility whatsoever to any other person.

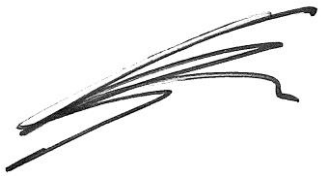
Neither the whole nor any part of this Valuation Report nor any reference hereto may be included in any published document, circular, or statement, or published in any way, without the Valuer's written approval of the form and context in which it may appear.

Such publication of, or reference to this valuation report may not be made unless it contains a sufficient contemporaneous reference to the Special Assumptions or departure(s) from the RICS Valuation – Professional Standards UK January 2014 (revised April 2015).

Valuer:

Ben Thompson MRICS
RICS Registered Valuer
Associate Director
For and on behalf of
LAMBERT SMITH HAMPTON

Checked by:



Simon Jones
RICS Registered Valuer
Head of Valuation
For and on behalf of
LAMBERT SMITH HAMPTON

26th March 2018

4. ASSUMPTIONS, LIMITATIONS AND REGULATORY INFORMATION

Development Proposals

For the purpose of this Report and Valuation we have assumed that any proposed works will be completed in accordance with the details provided, to a reasonable standard of workmanship and in accordance with relevant regulations.

Services

We understand that all mains services are available to the property, including electricity, gas, water and mains drainage, although we have not made any enquiries of the respective service supply companies.

Condition

We have not carried out a building survey of the property as this was not within the scope of our instructions, nor have we inspected those parts of the property which are covered, unexposed or inaccessible, and for the purpose of this report, such parts have been assumed to be in good repair and condition.

We cannot express an opinion about, or advise upon the condition of un-inspected parts and this report should not be taken as making any implied representation or statement about such parts.

Further, we have not tested any of the drains or other services, and for the purpose of this valuation we have assumed that they are all operating satisfactorily and no allowances have been made for replacement or repair.

We have not arranged for any investigation to be carried out to determine whether or not any deleterious materials have been used in the construction of the property, or have since been incorporated and we are, therefore, unable to report that the property is free from risk in this respect. For the purpose of this valuation we have assumed that such investigation would not disclose the presence of any such material to any significant extent.

The property has been valued with due regard to its appropriate existing state of repair and condition, including reference to its age, nature of construction and functional obsolescence. We believe we have formed a general opinion of the state of repair of the property in so far as it is likely to affect our valuation.

It is assumed that normal periodic maintenance will be carried out to maintain the property in a state of repair fit for its present use.

It is assumed that the condition of the property at the date of valuation is identical to that found at the date of our inspection.

Asbestos

This material was regularly used from 1960s to 1980s. The cost of maintenance, alteration and repair of any building where asbestos is present can be significantly increased because of the need to take appropriate precautions under The Control of Asbestos Regulations 2012. This in turn may impact value.

Under the terms of these Regulations a Dutyholder is required to manage asbestos in nondomestic premises. Typically, this encompasses a positive obligation to assess the likelihood of asbestos

containing materials (ACMs) being present at the premises. This can be achieved either by reference to bone fide statements confirming that ACMs were not incorporated into the construction of the building, or by commissioning an asbestos survey. The results of that survey would then be interpreted, acted upon and recorded in an Asbestos Management Plan. Further guidance can be found at http://www.hse.gov.uk/pubns/indg223.pdf.

Composite Panel Cladding

If the property has composite panel cladding, this may have implications for insurance and valuation purposes and our understanding of the position is set out below.

Building insurers are currently taking a pessimistic view of the use of composite cladding panels in construction. This is due to the nature of some of the composite panels, particularly those involving polystyrene which are highly combustible and can become unstable in the event of a fire; additionally fire may spread through these panels extremely quickly. This has led to fire fighters becoming reluctant to tackle buildings made of any composite panels other than from the outside unless there is a danger to life – this can result in total loss to the insurer.

Many insurance companies are now requesting confirmation from the building owner/insured as to whether composite panels have been used and if so what make they are and whether they are approved for use by the Loss Prevention Council (LPC), it being virtually impossible to tell from external inspection only. This may lead to the insurer charging considerably higher premiums for buildings with composite panels used in their construction, or requiring replacement of the panels.

Contamination

Unless otherwise stated herein, we have not been instructed to commission a formal audit in respect of the subject site in relation to the potential presence of contamination. Our brief enquiries have provided no evidence that there is a significant risk of contamination affecting the property or neighbouring property which would affect our valuation.

We have not carried out, nor are we qualified to carry out an Environmental Audit. Our comments herein are therefore merely a guide and should not be relied upon. If you require confirmation of the position, we strongly recommend that an initial Environmental Audit is carried out.

We have assumed that any/all necessary decontamination works have been undertaken at the subject in its current and/or permitted use to be legally undertaken without contravention of any existing contamination related statute.

A purchaser in the market might, in practice, undertake further investigations than those undertaken by us. If those further investigations were to reveal contamination then this might reduce the value/s now reported.

Where property has been redeveloped we have assumed that any necessary de-contamination works required for the proposed redevelopment of the subject have been undertaken.

Contaminative Invasive Species

The three main non-native invasive plant species in the UK are Japanese Knotweed (*Fallopia japonica*), Himalayan (Indian) Balsam or purple sticky (*Impatiens glandulifera*) and New Zealand Pygmyweed (*Crassula Helmsii*). Other notifiable plants and weeds include giant hogweed, ragwort and azolla.

Japanese knotweed in particular is a rampant non-native invasive species which can cause physical damage to buildings and hard surfaces. Under s.14(2) of the Countryside and Wildlife Act 1981 it is an offence to cause this plant to grow in the wild and failure to dispose of any material

containing Japanese knotweed may also result in prosecution under this Act and under ss.33 and 34 of the Environmental Protection Act 1990.

Ground Conditions

We have not carried out or commissioned a site investigation or geographical or geophysical survey and we can give no assurance that the ground has sufficient load bearing strength to support either existing structures or any other structure which may be erected in the future. In addition, we cannot provide any assurance that there are no underground mineral or other workings beneath the site or in its vicinity.

We have not been provided with any information in respect of ground conditions nor have we carried out any investigations into these or the servicing of the site. We assume the site can be developed without incurring any abnormal costs in respect of foundations.

For the purpose of this advice we have assumed that the ground conditions are satisfactory for a traditional method of construction. We have also assumed that there are no contaminating or other deleterious materials present which may prevent the development of the site in a traditional method or at normal cost levels. Furthermore, we have assumed that the site is capable of being serviced at a reasonable cost level, and that there would be no exorbitant or excessive off site costs relating to matters such as drainage, road widening etc.

If we have confirmed herein that the subject is located in an area of past mining activity, we recommend your solicitors instigate a mining search to comment upon the incidence of mining related settlement and location of mine shafts.

Flooding

Flood Risk - the Environment Agency website uses indicative Flood Plain maps to provide a general overview of areas of land in natural flood plains and therefore potentially at risk of flooding from rivers or sea. The maps use the best information currently available, based on historical flood records and geographical models and indicate where flooding from rivers, streams, water courses or the sea is possible.

The information relating to the likelihood of flooding is the Environment Agency's assessment of the likelihood of flooding from rivers and the sea at any particular location, based on the presence and effect of all flood defences, predicted floor levels, and ground levels. The probability or likelihood of flooding is described as the chance that a location will flood in any one year. Further information regarding flood maps and their accuracy can be obtained from www.environment-agency.gov.uk.

Of note, research undertaken on 'Flooding and Property Values', published by the RICS during 2009, found that flooding has only a temporary impact on property values, and within three years after flooding, property prices generally return to their normal market level. Furthermore, flood events in low risk areas are found to have no impact on property prices whilst being designated at high risk of flooding has no effect on values in areas with no flood events.

This takes into account the effect of any flood defences that may be in this area, whether or not these are currently illustrated on the Flood Map. Flood defences reduce but do not completely remove the likelihood of flooding and can be over topped or fail in extreme weather conditions.

Drainage – surface water run off flooding, known as 'pluvial' flooding, at times of prolonged, exceptionally heavy downpours of rain, is becoming increasingly frequent given surrounding drains and sewers are not always able to cope. It can be made worse in urban areas where the ground consists mostly of hard surfaces, such that the rain flows straight off rather than soaking away. Rising groundwater levels resulting from heavier rainfall and reduces abstractions can also present problems.

Detailed Flood Risk Surveys do not currently form one of the mandatory searches undertaken by solicitors at the time of property purchase.

Further information can be found within the RICS publication “A Clear Guide to Flooding for Property Owners.

Town Planning

We have made informal enquiries of the local planning and highway authorities and the information provided is assumed to be correct.

Unless otherwise stated, all planning information has been given verbally and we have not examined any entries in the planning register. In the absence of further information, we have assumed that the uses being carried out in each of the properties is an authorised planning use and that the buildings have been erected with full planning permission.

No formal search has been instigated and if reassurance is required we recommend that verification be obtained from your solicitors that the position is correctly stated in our report, that the property is not adversely affected by local authority proposals or requirements and that there are no outstanding statutory notices.

We have assumed that the properties and their value are unaffected by any matters which will be revealed by a local search and replies to the usual enquiries or by any statutory notice and that neither the properties nor their condition nor their present or intended uses are or will be unlawful.

We trust that your solicitors will check this information by taking out a local search and again, we would be pleased to advise further upon receipt of the confirmation of these details.

We have assumed that each property has full unconditional consent for the stated use and development described within.

Following the Planning and Compulsory Purchase Act 2004, the old plan-making system is to be replaced by Local Development Frameworks (LDF). The LDF is not a single document or plan; rather, it is a suite of documents that combine to form the development plan for the area. The principal document is the Core Strategy, which sets the overall planning policy approach, which is supported by various Development Plan Documents (DPDs) for specific issues, such as site allocation

Health and Safety Legislation

Our valuation assumes that, in so far as is relevant to the subject, the property complies with the requirements of the Office Shops and Railway Premises Act 1963 as well as any superseding statute. The Act provides for securing the health, safety and welfare of persons employed to work in office or shop premises and those employed to work in certain railway premises.

Fire Legislation

As from 1 October 2006 the Regulatory Reform (Fire Safety) Order 2005 came into force in England and Wales. Under this Order, fire certificates are no longer issued and existing certificates have been superseded by Risk Assessments. A Risk Assessment is required for all non-domestic properties, as well as tenanted domestic properties, and is to be carried out by a 'Responsible Person' as defined within the Order. The findings of any risk assessment must be recorded in writing where more than five or more persons are employed or the premises are licensed or there is an alterations notice.

Further information on the regulations may be found at www.fire.org.uk.

General Legislation

For the purpose of this report, we have assumed that the property complies with current fire regulations, building regulation controls, employment regulations, defective premises and health and safety legislation.

Discrimination

The Equality Act 2010 makes it unlawful for service providers to treat disabled people less favourably because they are disabled (unless there is a clear and fair reason) in relation to their access to their place of employment or education; their access to goods, services and facilities (although note that where private clubs are concerned, only those with 25 or more members are required to be compliant with the Act) and their access to the functions of public bodies.

Employers, educators and service providers must all make *reasonable* adjustments for disabled people to be able to access and use property they have a right or need to visit; this is not restricted to physical access.

Where a temporary or permanent physical feature makes it impossible, or unreasonably difficult, for disabled customers to make use of a service or place of education or work, the provider has to take reasonable measures to remove the feature; alter it so that it no longer has that effect; provide a reasonable means of avoiding the feature; or, provide a reasonable alternative method of making the service available to disabled people.

The test of reasonableness is about what is practical in the service provider's individual situation; what resources they might have (and the amount of any resources already spent on making adjustments); whether taking any particular measures would be effective in overcoming a particular difficulty; the extent to which it is practicable for the service provider to take the measures; the extent of any disruption which taking the measures would cause.

For the purpose of this report and valuation we have assumed that the property complies with the relevant requirements of the Equality Act 2010 ('the Act').

Sustainability

Investor and occupational decisions are increasingly being informed by a range of sustainability related metrics that are beginning to be developed and that can provide measures of some aspects of a property's sustainability characteristics, for example Energy Performance Certificates (EPCs) and BREEAM. Furthermore industry benchmarking of sustainability performance is becoming more common place.

Characteristics that may be considered are land use, design and configuration, construction materials and services, location and accessibility, fiscal and legislative considerations and management and leasing issues. If, at the date of valuation, the market does not differentiate (in terms of demand), between a building that displays strong sustainability credentials and one that does not, there will be no impact on value.

Sustainability is not yet considered a direct driver of property values however this may change during the coming years as energy costs rise; less 'green' buildings, where it is not economically viable to achieve modern standards of sustainability, may become cheaper or obsolete and the most 'green' buildings may potentially command premiums.

Energy Performance Certificates

EPCs contain information about the energy performance of a building.

To meet the EU Energy Performance of Buildings Directive, EPCs must be produced by the 'relevant person' prior to marketing for property transactions including the sale, rent or construction of all buildings, whether residential or commercial, with the exception of places of worship, buildings less than 50 sq m, industrial sites, workshops and non-residential agricultural buildings that do not use a lot of energy, and temporary buildings.

The 'relevant person' will be the vendor or prospective landlord as appropriate; where a tenant wishes to assign or sub-let its interest and the premises have common heating or air-conditioning services, the landlord of those constituent parts becomes the 'relevant person'.

Local Authority Trading Standards Officers have powers to levy fines for non-compliance. EPCs are valid for 10 years from the date of production and can be reused as many times as required within that period, provided that changes have not occurred to the property relating to, for example, layout or refurbishment.

Rental properties – when renting a property (including sub-letting and assignment, but excluding lease renewals, extensions or surrenders) to a new tenant, landlords are required to produce an EPC to the tenant and a tenant cannot legally move into the property until an EPC has been produced. Landlords are not required to produce an EPC to an existing tenant or if an existing lease is renewed or for dwellings in multiple occupation.

Properties for sale - sellers must obtain an EPC prior to marketing and provide a hard copy to the purchaser on completion.

Any commercial building over 50 sq m, marketed before 1 October 2008 but remaining on the market, needs a Commercial EPC. If it has been sold or rented out since 1 October 2008, a CEPC must have been commissioned and then handed over as soon as was practicable.

Our valuations assume that EPCs would be provided on sale in accordance with the aforementioned legislation however **we recommend that this is clarified by your legal advisors**.

Tenure

We have not inspected any documents of title and for the purposes of this valuation we have assumed that the subject interest is unencumbered and free from any unduly onerous or unusual easements, restrictions, outgoings, covenants or rights of way and that it is not affected by any local authority proposals. We recommend that your solicitors be instructed to verify the position.

Tenant Status

We have assumed that there are no arrears of rent, service charge or other relevant payments, or undisclosed breaches of covenant.

Unless otherwise confirmed herein, we have not made status enquiries of the tenant company/ies and have assumed that all financially sound and capable of meeting their rental and other responsibilities under the lease terms.

Disclosure of New Build Incentives

Following an agreement between the Council of Mortgage Lenders (CML), the Home Builders Federation (HBF) and Homes in Scotland, from 1 September 2008 the developer/builder or selling agent is required to complete a 'CML Disclosure of Incentives Form' for each sale of a newly built home, including newly converted property yet to be occupied for the first time. The form includes all details of the sale price and incentives included in the selling package, and is to be supplied to the Valuer on request.

5 APPENDICES

APPENDIX 1 LSH TERMS OF ENGAGEMENT, LETTER OF INSTRUCTION AND LETTER OF ACKNOWLEDGEMENT

Proplend Security Limited
20-22 Wenlock Road
London
N1 7GU

Ref: SB/PG

VAS Panel,
The Palace Hub,
28-29, Esplanade,
Redcar,
TS10 3AE

Dear Sirs,

Please accept this letter as our formal instruction to your firm to carry out a valuation, for mortgage purposes, on the addresses indicated below upon which we, Proplend Security Limited shall rely. The valuation may be shown to any third parties in connection with the financing of the property albeit it cannot be relied on by those parties directly. **Please advise us immediately if you are unable to give prompt attention to this matter.**

Borrower:	K&C (Osprey) Limited
Properties:	Flats 5, 6, 17, 20, 26, 30, & 37, Heathside, 562 Finchley Road, Golders Green, London, NW11 7SB.
Tenure:	Freehold
Use:	Retirement Housing
Tenancies:	Assured Shorthold Tenancy agreements
Access:	via Ben James - benjamin.james@kcrreit.com

Instruction

The report should be addressed to Proplend Security Limited which must clearly state that it can be relied upon for lending purposes by the parties named herein. Please ensure that the report accords with the current RICS Appraisal and Valuation Manual.

Please indicate in your report if the valuer or your firm have had any previous involvement with the property forming the subject of the valuation. If so, please indicate the nature and extent of that involvement and confirm specifically that you consider there is no conflict of interest on the part of the valuer or your firm.

The report must be signed by a partner or director of the firm who is a member of the Royal Institute of Chartered Surveyors.

Whilst your report will be addressed to Proplend Security Ltd, it will need to be viewed by its Lending members on the understanding that only Proplend Security Ltd may rely on the report for mortgage purposes. Can you please confirm within your report that this is understood and accepted?

Valuation and Report

The Market Valuation referred to below should be based on current values and should reflect market conditions prevailing at the date of the report, and changes in market conditions that you are able to predict, and should include:

1. The Market Valuation for loan security purposes of the Property in its current condition at the date of your inspection, subject to any current tenancies in place and sold as a going concern. Please indicate the period of marketing you have assumed in arriving at your valuation.
2. A valuation of the Property on the assumption that the Property was being sold without the benefit of a going concern.
3. Please provide comparable evidence to support your assumptions on values.
4. Please provide an estimated rental value for the Subject Properties.
5. Please provide commentary on continued likely market demand for properties of this size and nature, in this location, for sale and to let.

6. Please provide an estimated reinstatement cost of the buildings for insurance purposes.
7. Please provide a full description of the Property to include its accommodation, its size, its construction, location and general state of repair. These details should be supported with photos of the Properties. Whilst you are not instructed to carry out a structural survey on each Property, please comment of any noticeable defects that might warrant further investigation and which might affect the marketability of the Property.
8. Please certify that the Property is acceptable for secured lending purposes.

Report on Title
A copy of the solicitors Report on Title will be sent to you so that you can cross check your assumptions with the facts contained within the said report and comment on specific items which may affect your valuation.

Fees

Please invoice VAS

Yours Sincerely,

Stewart Bruce

Brian Bartaby
Director
Proplend Security Ltd

Signature Certificate

Document Ref.: XCHKC-JUZUT-MW2HS-AYBIC

Document signed by:

Stewart Bruce

Verified E-mail:
sbruce@proplend.com

IP: 194.74.179.100 Date: 08 Mar 2018 15:42:27 UTC

Stewart Bruce

Document completed by all parties on:
08 Mar 2018 15:42:27 UTC

26th March 2018

T +44 (0)20 7198 2000
www.lsh.co.uk

THE DIRECTORS
Proplend Security Limited
20-22 Wenlock Road
London
N1 7GU

Lambert Smith Hampton
UK House
180 Oxford Street
London
W1D 1NN

For the attention of: Brian Bartaby

Our Ref: 0130474/24765/BT

Dear Sirs

Subject of Valuation:	**Flats 5, 6, 17, 20, 26, 30, & 37, Heathside, 562 Finchley Road, Golders Green, London, NW11 7SB**
Applicant:	**K&C (Osprey) Limited**

Thank you for your instruction letter dated 26th March 2018 to provide valuation advice in respect of the above retirement home property. Our valuation will be carried out in accordance with the Royal Institution of Chartered Surveyors Valuation – Professional Standards UK January 2014 (revised April 2015 (the 'Red Book').
We set out the basis of our instruction as follows:

1. You have instructed us to value the property for loan security purposes.

2. We must draw to your attention our enclosed Terms of Engagement for Valuation Services which, together with this Engagement Letter, form the Agreement between us regarding the work we are to undertake, the circumstances in which fees and expenses will be payable and details of our respective duties.

3. We maintain adequate insurance cover for the purpose of this instruction.

4. The valuation is to be of the freehold interest and on the bases of Market Value and Market Rent (the definitions of which are attached). All values will be stated in £GBP.

5. You require a valuation on the basis that the property is subject to existing tenancies.

6. The valuation is required by 29th March 2018. The valuation date will be the date of our report. The Valuation will be carried out by Ben Thompson, Associate Director, a RICS Registered Valuer who will be acting as an external valuer. We confirm this Valuer will act with independence, integrity and objectivity, and has sufficient current local and national knowledge of the particular asset type at its particular market as well as the skills, qualifications, experience and understanding necessary to undertake the valuation competently. He will sign the report on behalf of Lambert Smith Hampton.

7. We confirm that over the last two years we have had no involvement with the property, the borrower or a prospective borrower, or with any party connected with a transaction for which lending is required.

8. Our agreed fee for providing you with our valuation report is £3,250, plus VAT and disbursements and will be paid by the Applicant. We confirm that this arrangement has no effect on the contractual obligations between ourselves. We shall charge VAT at the statutory rate on all fees. VAT will be calculated with reference to the level prevailing at the date of our invoice.

   Our fees will be payable on issue of our valuation report.

9. So that our site inspection may be undertaken as safely as possible please provide the Valuer, by return, any information on known or potential hazards at the subject site as well as any existing requirements for safe access on site. For example, are you aware of whether any damaged or hazardous asbestos is present, whether there are any stability, structural, access to heights, lighting, gas or electrical safety issues? Are you aware of any equipment or substances on site which may create a risk?

10. In the event that your bank intends to syndicate the whole or any part of the loan we draw to your attention clause 9 of the attached 'Terms of Engagement for Valuation Services' which operate to the exclusion of any other terms or conditions which you may seek to apply to this instruction.

11. Please note that any reproduction or public reference to the valuation or report will require our prior written consent.

12. We must draw to your attention that our compliance with the RICS Valuation - Professional Standards January 2014 may be subject to monitoring under the Royal Institution of Chartered Surveyors conduct and disciplinary regulations.

13. We confirm that the Valuation Division of Lambert Smith Hampton has a Quality Management System which complies with ISO 9001:2015.

14. In the event of any ambiguity or conflict between any of the documents comprising the Agreement, this Engagement Letter shall take precedence over any of the other Terms.

15. We are happy to consider your Solicitor's Report on Title prepared in connection with the proposed facility as part of this instruction. If however the Report on Title is delayed and is received in excess of 3 months from the date of our valuation report we will charge an additional fee on a time spent basis.

16. Our Valuation Report will be provided for the above-stated purpose and for the sole use of the named Client. It will remain confidential to the Client and his professional advisers and the Valuer accepts no responsibility whatsoever to any other person. Neither the whole nor any part of the Valuation Report nor any reference thereto may be included in any published document, circular, or statement, or published in any way, without the Valuer's written approval of the form and context in which it may appear. Such publication of, or reference to the valuation report may not be made unless it contains a sufficient contemporaneous reference to any Special Assumptions or departures from the Red Book confirmed therein. We refer you to Condition 9 of the attached Terms of Engagement for Valuation Services.

17. This instruction may be terminated by either party upon 30 days notice to the other. If the instruction is terminated by either party we will be entitled to fees and expenses on the basis set out in the Terms of Engagement.

18. We are committed to providing a high level of service. In the event that you have any concerns about any aspect of our work please do not hesitate to contact me. Details of our complaints procedure are available on request.

If this letter does not correctly set out your instructions to us please advise me by return. Please note that in the event either party notifies in writing of any subsequent amendments to these instructions, the other party's continued involvement will be deemed as having accepted those amendments.

Please acknowledge your agreement to the content of this Letter of Engagement and the enclosed Terms of Engagement for Valuation Services by signing, dating and returning to us the duplicate copy enclosed.

In the event that we do not receive your written confirmation of your instruction, your continuing instructions in this matter in the absence of any written objection will amount to your acceptance of the Terms of Engagement for Valuation Services.

In the event either party notifies in writing of any subsequent amendments to these instructions, the other party's continued involvement will be deemed as having accepted those amendments.

If this letter does not correctly set out your instructions to us please advise me by return. Please note that in the event either party notifies in writing of any subsequent amendments to these instructions, the other party's continued involvement will be deemed as having accepted those amendments.

Yours sincerely

Ben Thompson MRICS
RICS Registered Valuer
Associate Director
For and on behalf of
LAMBERT SMITH HAMPTON

DDI 020 7198 2000
Email bthompson@lsh.co.uk

encl. Terms of Engagement for Valuation Services

Royal Institution of Chartered Surveyors Valuation – Professional Standards Global and UK Edition

Incorporating the IVSC International Valuation Standards (January 2014)

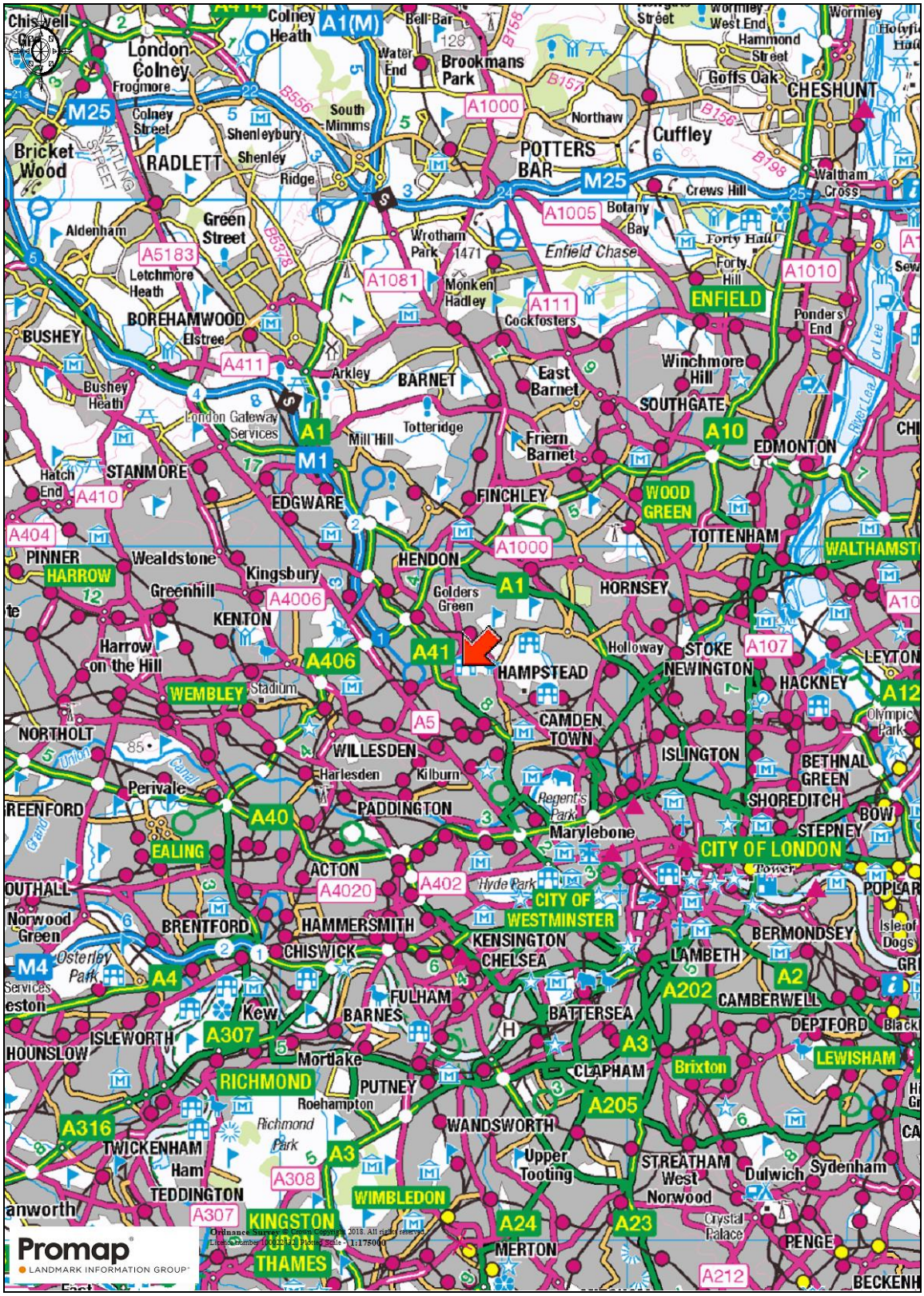
Bases of Value

Market Value (MV)
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 and where the parties had each acted knowledgeably, prudently and without compulsion.

Market Rent (MR)
The estimated amount for which an interest in *real property* should be leased on the *valuation date* between a willing lessor and willing lessee on appropriate lease terms in an arm's length transaction, after proper marketing and where the parties had each acted knowledgably, prudently and without compulsion.

APPENDIX 2 LOCATION PLANS, ORDNANCE SURVEY EXTRACT

HEATHSIDE
562 FINCHLEY ROAD
LONDON
NW11 7SB



HEATHSIDE
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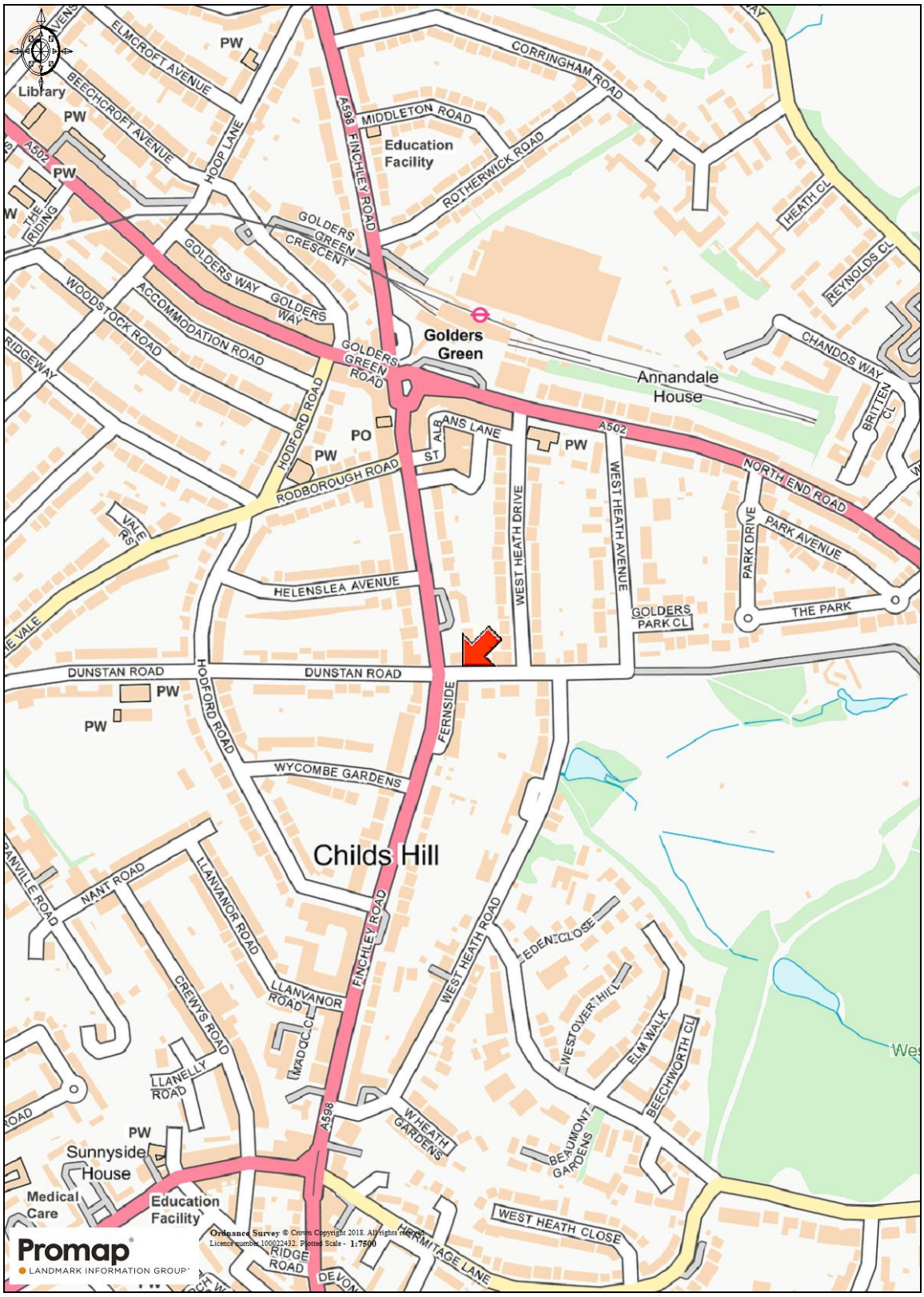

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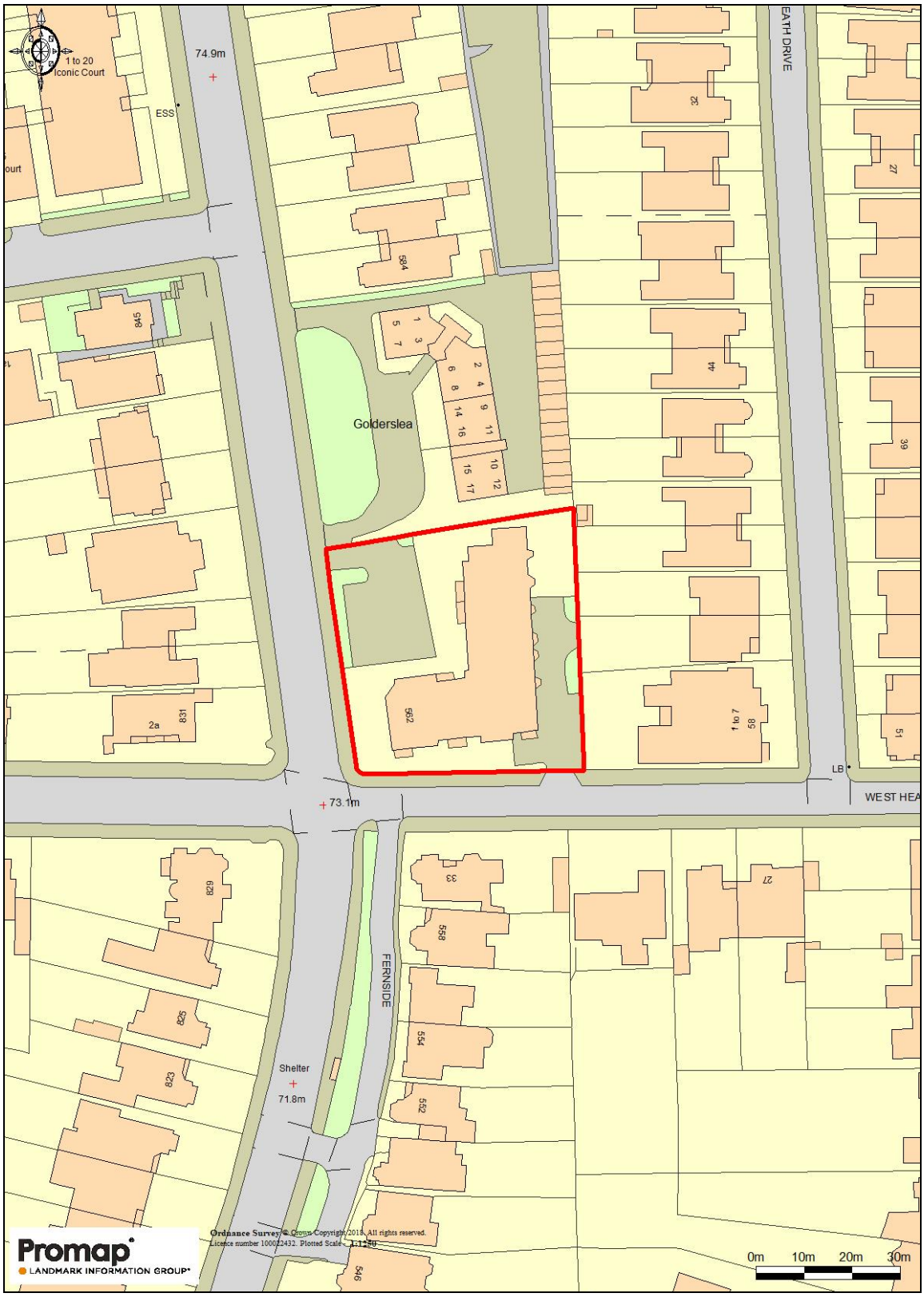

APPENDIX 3 PHOTOGRAPHS

HEATHSIDE
562 FINCHLEY ROAD
LONDON
NW11 7SB

Front Elevation

Side Elevation

HEATHSIDE
562 FINCHLEY ROAD
LONDON
NW11 7SB

Typical Vacant Flat

Refurbished Bathroom Suite

HEATHSIDE
562 FINCHLEY ROAD
LONDON
NW11 7SB

Flat undergoing refurbishment

Kitchen

HEATHSIDE
562 FINCHLEY ROAD
LONDON
NW11 7SB

Hairdressing Salon

APPENDIX 4 MACRO MARKET COMMENTARY

Lambert Smith Hampton

ECONOMIC UPDATE Q1 2018	
Inflation and the fall in the pound	Inflation is currently above the 2% target, owing to the fall in the pound following the Brexit vote. The lower pound has meant that things businesses get from abroad cost more. Those increased costs have been passed onto the consumer, resulting in higher prices in the shops. The fall in the pound occurred 18 months ago. Its effect on inflation will not last forever, and it is likely that over the next 6 months the figure will fall back towards the target.
The Band of England's Monetary Policy Committee (MPC) increase Bank Rate	The Bank of England's Monetary Policy Committee (MPC) sets monetary policy to meet the 2% inflation target, and in a way that helps to sustain growth and employment. At its meeting ending on 7 February 2018, the MPC voted unanimously to maintain Bank Rate at 0.5%. The Committee voted unanimously to maintain the stock of sterling non-financial investment-grade corporate bond purchases, financed by the issuance of central bank reserves, at £10 billion. The Committee also voted unanimously to maintain the stock of UK government bond purchases, financed by the issuance of central bank reserves, at £435 billion.
Strong Global Economy	The global economy is growing at its fastest pace in seven years. The expansion is becoming increasingly broad-based and investment driven. Notwithstanding recent volatility in financial markets, global financial conditions remain supportive. UK net trade is benefiting from robust global demand and the past depreciation of sterling. Along with high rates of profitability, the low cost of capital and limited spare capacity, strong global activity is supporting business investment, although it remains restrained by Brexit-related uncertainties. Household consumption growth is expected to remain relatively subdued, reflecting weak real income growth.
GDP Growth	GDP growth is expected to average around 1¾% over the forecast, a slightly faster pace than was projected in November despite the updated projections being conditioned on the higher market-implied path for interest rates and stronger exchange rate prevailing in financial markets at the time of the forecast.
Consumer Price Index Rises	CPI inflation fell from 3.1% in November to 3.0% in December. Inflation is expected to remain around 3% in the short term, reflecting recent higher oil prices. More generally, sustained above-target inflation remains almost entirely due to the effects of higher import prices following sterling's past depreciation. These external forces slowly dissipate over the forecast, while domestic inflationary pressures are expected to rise. The firming of shorter-term measures of wage growth in recent quarters, and a range of survey indicators that suggests pay growth will rise further in response to the tightening labour market, give increasing confidence that growth in wages and unit labour costs will pick up to target-consistent rates. On balance, CPI inflation is projected to fall back gradually over the forecast but remain above the 2% target in the second and third years of the MPC's central projection.
Brexit Weighs Heavily	Developments regarding the United Kingdom's withdrawal from the European Union – and in particular the reaction of households, businesses and asset prices to them – remain the most significant influence on, and source of uncertainty about, the economic outlook.
Value of Sterling	Sterling depreciated sharply following the EU referendum and since then, has remained 15%–20% below its late-2015 peak.

Net Trade and the Current Account	The strength in global growth, alongside the depreciation of sterling, will support demand partly by boosting net trade. Greater export demand, combined with the rise in profit margins on exports in sterling terms should encourage new and existing exporters to expand their production. In addition, higher import prices should encourage UK households and companies to substitute towards domestically produced goods and services. Net trade will also depend, however, on how companies here and abroad begin to adjust trading relationships in light of the United Kingdom's prospective withdrawal from the European Union.
Household Spending	Consumption growth slowed at the start of 2017, with average quarterly growth over the year expected to have been around 0.3%, down from 0.7% in 2016. Within that, there has been some quarter-to-quarter volatility, partly reflecting moves in specific components of consumption, such as vehicles and energy. Although consumption growth has slowed, it has outpaced growth in real income. Real post-tax income growth has slowed since the end of 2015, and income fell 0.8% in the year to 2017 Q3. Households' real income has been squeezed by rises in import prices following the depreciation of sterling. In recent quarters, nominal income growth has also been depressed by a fall in non-labour income, such as investment income earned on households' pension schemes.
Exports	Export growth increased to 8.4% in the year to 2017 Q3. Much of that growth reflected higher goods exports over the past year, although services exports also picked up slightly in Q3. The depreciation of sterling, alongside the strength of global demand, is likely to be supporting growth in export volumes. Between 2015 Q4 and 2017 Q3 export prices fell 7% in foreign currency terms, suggesting some increase in competitiveness. In addition, export prices rose by 12% in sterling terms, which suggests that the depreciation has also allowed exporters to increase their profit margins. The rise in margins should support an expansion in export volumes for those firms with spare capacity. Indicators from the CBI, BCC and the Bank's Agents all suggest that spare capacity in the manufacturing sector overall has been reduced over the past year. As spare capacity dwindles, further expansion by exporters will require investment in additional capacity.
Business Investment	Business investment growth has been steady in the year to 2017 Q3. It is likely to have been supported by a number of factors over the past year. Those include supportive financial conditions, high rates of return on capital and the strengthening in global demand growth. However other factors, such as uncertainty about future UK trading arrangements, appear to be weighing on investment. As a result, investment growth remains notably weaker than in previous expansions. Although the increase in Bank Rate has pushed up interest rates facing companies, the overall cost of borrowing remains low. UK companies have benefited from favourable financing conditions in global capital markets, which have been supported by the global growth outlook. The volume of external finance raised fell slightly in Q4, largely driven by net corporate bond and equity issuance. Banks responding to the Credit Conditions Survey also reported a fall in demand for lending across corporates of all sizes over 2017 H2.

RESIDENTIAL SECTOR UPDATE Q1 2018

Interest rate predictions	Following the November 2017 interest rate rise to 0.5%, there are predictions of a further one or two interest rate rises in 2018. Suggestions are that interest rates will increase by a minimum of 0.25% which will increase the Bank of England base rate to 0.75%. As was the case in November 2017, this would add an average of £22 per month to the typical UK mortgage. While this is a minimal increase and more than half of property owners are on fixed

	mortgage rates, inflation is likely to continue outpacing wage rises and so will add a further squeeze to household spending.
Mortgages	The UK mortgage market dipped slightly in November 2017 due to a fall in house purchases however experts predict 2018 to be relatively buoyant. The interest rate rise of 0.25% hasn't made a significant impact on the availability of low rate deals on the high street and there is increased momentum in remortgaging activity. Fixed rate mortgages have been rising since before the base rate increased and standard variable rates (SVRs) have followed suit. Historically, rising SVRs have resulted in more borrowers remortgaging as they come to the end of their fixed terms. Borrowers coming out of a 2016 average fixed rate of 2.56%, to a SVR of 4.74%, are likely to be keen to move to a two-year fixed rate offer at an average of 2.35%.
First-time buyers vs home movers	Affordability pressures for both first-time buyers and home movers remain and high transaction costs associated with moving have dampened home mover activity. First-time buyers on the other hand are being benefitted by various government schemes including the recent abolishment of stamp duty on properties up to a value of £300,000 (with this changing to the first £300,000 of any property in London up to a value of £500,000) and the help to buy equity loan scheme. These changes are expected to continue the recovery in first-time buyer numbers and a continuation of low mortgage rates will benefit first-time buyers further. Money Facts data shows that average rates for buyers with deposits of 5% or 10% have mainly fallen over the past year and were unaffected by the base rate increase in November. Furthermore, both Yorkshire Building Society and Virgin Money have cut their rates which further improves the opportunities for first-timers to get on the property ladder. Weakness in housing transactions has largely originated from home movers, who have benefitted far less from government schemes and whose numbers have been flat for the last four years. On an annual basis, home mover numbers have increased 42% since the post-crisis low in mid-2009. By contrast, first-time buyer numbers have increased 130%.
Mortgage arrears	UK finance's mortgage arrears publication in November 2017 showed the lowest levels of arrears since data recording began in 1994. The number of mortgages in arrears of 2.5% or more against the total debt fell again in the third quarter. The split between owner-occupiers and buy-to-let mortgages was 83,300 and 5,000 respectively. While re-possessions have continued to remain at their lowest since records began in 1993, household finances since December 2016 have started to come under more pressure as earnings growth has failed to keep up with inflation. As a result, UK Finance predict a slight deterioration towards the end of 2018 as unemployment rises and real earnings come under further pressure.
House Price Growth	After a decade of considerable house price appreciation, predictions of further growth have become downbeat. The London housing market stuttered in 2017, after an extended period of growth in house prices. Nationwide's house price index recorded a 0.5 per cent drop in prices over the year in the capital, compared to a 2.6 per cent increase across the UK as a whole. A number of leading figures and organisations have predicted a subdued 2018 with prices largely remaining flat or rising by nominal amounts. Of the two lenders that operate well-known price indices, Nationwide said it expected property values to be "broadly flat in

	2018, with perhaps a marginal gain of around 1%", while Halifax provided a slightly more optimistic outlook with UK growth in the range of 0% to 3%. The South and in particular London has experienced significant growth over the past decade with London recording a 70% increase since 2008. While UK house prices as a whole are predicted to remain largely flat, predictions for London are more downbeat with many predicting house price falls. Both Savills and Rightmove have predicted a 2% fall with Rightmove increasing this to 4% for properties in excess of £1m.
Leasehold Practices	The government has announced intentions to cut out "unfair and abusive practices" within the leasehold system. This will include a ban on leaseholds for almost all new build houses and ground rents on new build flats and houses being reduced to zero. The government also intends to make it cheaper and easier for existing leaseholders to buy out their freehold and making sure freeholders have equivalent rights to leaseholders in challenging unfair service charges. These measures are in response to a specific government consultation on unfair practices within the leasehold market and also the government's white paper which aims to fix the "broken housing market". There is as yet however, no set timeframe for implementation of the proposed changes.
Buy-to-let market	While there has been little good news for landlords recently, the buy-to-let mortgage market is offering some consolation. Five-year buy-to-let mortgages are at the cheapest they have ever been, with Barclays and Virgin both offering fixes at 2.17%. Despite better value products available for buy-to-let Landlords, lending is in retreat with the Council of Mortgage Lenders expecting lending to fall below 80,000 in 2018 from the 120,000 recorded in 2015. Rising taxes and tougher lending criteria are slowly tipping the balance in favour of homebuyers rather than property investors.
Property Transactions	The most recent data from HMRC has shown that residential property transactions in the UK decreased by 3.9% between November 2017 and December 2017. The figures reported for December 2017 also show a slight reduction of 0.1% compared to the number of transactions in December 2016. The number of completed transactions in December 2017 was 99,100. The total number of transactions in 2017 was recorded as 1,223,400, the lowest number since 2014.
Future predictions	Future house price increases are predicted to align more closely with inflation which means far less rapid house price growth over the next 5 – 10 years. The uncertainty associated with Brexit negotiations is predicted to put a short-term drag on the housing market. Over the longer term, Brexit's potential to reduce net migration levels teamed with slowing population growth will also weaken the under-supply pressures. These pressures have in part, contributed to the rapid increase in house prices seen over the past decade. In addition to reduced supply pressures, is the prediction of further interest rate rises over the following four to five years. It is estimated that interest rates will rise to 2.25% by 2022, ending the record low rates enjoyed by Borrowers over recent years. Increased rates of borrowing will have a direct impact on households and puts an end to the loose monetary policy which was another contributing factor to rapid house price growth.

APPENDIX 5 SCHEDULE OF RENTAL MARKET TRANSACTIONS - RESIDENTIAL

SCHEDULE OF RENTAL MARKET TRANSACTIONS – RESIDENTIAL

HEATHSIDE, 562 FINCHLEY ROAD, LONDON, NW11 7SB

	ADDRESS	DESCRIPTION	LETTING TERMS	RENT PA	RENT PER MONTH	COMMENTS
1.	526b Finchley Road London NW11 8DD	A one bedroom flat that is within a converted house, the flat is in a reasonable condition and totals 499 sq ft. The flat is located on the second floor	Let on an AST from August 2017.	£16,800 per annum	£1,400 per month	The property is located just to the south of the subject property but does not benefit from the communal services of the subject property.
2.	Flat 21 West heath Court North End Road London NW11 7RG	A one bedroom flat that is within a purpose built residential block. The flat totals 594 sq ft and is finished to a good standard.	Let on an AST from January 2018	£18,720 per annum	£1,560 per month	The property is located a similar distance from Golders Green shops and underground station.
3.	622c Finchley Road Golders Green NW11 7RR	A one bedroom flat that is located on the same road as the subject property and tis finished to a good condition. The flats totals 420 sq ft	Let on an AST from November 2017	£18,612 per annum	£1,551 per month	The flat provides good evidence although it doesn't benefit from the communal services that the subject does.
4.	871a Finchley Road London NW11 8RR	A two bedroom flat that is situated within a converted residential house. The property totals 736 sq ft and is finished to an average standard.	Let on an AST from October 2017	£17,424 per annum	£1,452 per month	The property provides good evidence of a two bedroom flat however this property is inferior to the subject property.

SCHEDULE OF CAPITAL VALUE MARKET TRANSACTIONS – RESIDENTIAL

HEATHSIDE, 562 FINCHLEY ROAD, LONDON, NW11 7SB

	ADDRESS	DESCRIPTION	DATE COMPLETED	PRICE	SALES RATE £ PER SQ FT	COMMENTS
1.	Woodside Square Muswell Hill London N10	A one bedroom retirement home available that totals circa 602 sq ft. The property is part of a new build development scheme.	currently on the market for	£549,950	£913.53 per sq ft	The property is finished to a high standard and there is a community room and concierge.
2.	33 North End Road Golders Green NW11 7RJ	A one bedroom top floor flat that has been redeveloped. The property totals 476 sq ft	September 2017	£365,000	£766.80 per sq ft.	Finished to a good standard but is much smaller than the subject properties and only has walk up access.
3.	Allmand Place Golders Green NW2	This a new build development of open market residential units which launched on the 17th March.	Marketing price	£499,000	£961.03 per sq ft	A two bedroom flat on the market at £755,000 which equates to £831 per sq ft. This new build development superior to the subject properties and provides an upper limit for the Golders Green market.
4.	Flat 26 Heathside 562 Finchley Road London	A flat within the subject property.	September 2017	£250,000	£469.04 per sq ft	This comparable gives us a good idea of the values that the remaining flats with 67 years unexpired could be purchased for by the borrower.