

VALUATION REPORT



**1 CLIFTON MEWS, CLIFTON HILL,
BRIGHTON BN1 3HR**



YOUR CUSTOMER: TWO GB LIMITED
FOR
PROPLEND SECURITY LIMITED

**GRAVES JENKINS
COACH HOUSE
26 MARLBOROUGH PLACE
BRIGHTON
EAST SUSSEX
BN1 1UB**

13TH JUNE 2018



CONTENTS

PAGE NO

EXECUTIVE SUMMARY

INTRODUCTION

1.0	LOCATION	2
2.0	DESCRIPTION	3
3.0	CONSTRUCTION AND CONDITION	3
4.0	SERVICES	4
5.0	ACCOMMODATION, AREAS AND DIMENSIONS	5
6.0	TENURE	6
7.0	TENANCIES	7
8.0	PLANNING AND HIGHWAYS	7
9.0	NON-DOMESTIC RATES	8
10.0	FIRE REGULATIONS	8
11.0	EQUALITY ACT 2010	8
12.0	ENERGY PERFORMANCE CERTIFICATE (EPC)	9
13.0	FLOOD RISK	9
14.0	MARKET COMMENTARY	9
15.0	COMPARABLE EVIDENCE	11
16.0	VALUATION	13
17.0	INSURANCE REINSTATEMENT	14
18.0	GENERALLY	14

APPENDICES

I.	Land Registry Title & General Location Plans
II.	Photographs
III.	Schedule of Valuations
IV.	Assumptions and Caveats
V.	Instruction Detail
VI.	Contamination Site Checklist
VII.	Energy Performance Certificate



EXECUTIVE SUMMARY

1 CLIFTON MEWS, CLIFTON HILL, BRIGHTON BN1 3HR

- **LOCATION**

Situated in a mainly residential location just to the north of Brighton retail city centre.

- **DESCRIPTION**

A purpose-built 3-storey office building within a gated Mews style development with a mix of other similar office buildings and some residential accommodation.

The property is let on Licence agreements to 6 no. office occupiers with a degree of shared facilities.

- **BASIS OF VALUATION**

Freehold subject to the Licence agreements.

- **MARKET VALUE SUBJECT TO THE EXISTING LICENSES**

£900,000 (Nine Hundred Thousand Pounds)

- **MARKET VALUE WITH FULL VACANT POSSESSION**

£900,000 (Nine Hundred Thousand Pounds)

- **ESTIMATED CURRENT MARKET RENT**

£64,000 per annum (Sixty Four Thousand Pounds) per annum exclusive

- **CURRENT PASSING RENT**

£96,000 per annum (Ninety Six Thousand Pounds per annum) exclusive

- **SUITABILITY FOR BANK LENDING SECURITY**

The property will provide suitable lending security

GRAVES JENKINS

12th June 2018

This summary should only be read in conjunction with the remainder of our valuation report attached and must not be relied upon in isolation.

13th June 2018



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For the attention of Richard Berkley

Our Ref: CJH/slg

Dear Sir

PROPERTY: 1 CLIFTON MEWS, CLIFTON HILL, BRIGHTON BN1 3HR
CUSTOMER: TWO GB LIMITED

INTRODUCTION

In accordance with your instructions dated 16th May 2018 we have now inspected the aforementioned property comprising one freehold property with a view to advising of our opinion of the market value of the freehold interest in the same. The purpose of our valuation and appraisal is in connection with you considering secured lending on this property.

The date of valuation is the date of our inspection. Our valuation is subject to the commercial occupational licenses.

We confirm that our valuation has been carried out in accordance with the RICS Red Book. The inspection of the property and this report has been undertaken in accordance with your standard Panel Instructions and instructions specific to this valuation attached at Appendix V. This report should also be read in conjunction with the Assumptions and Caveats attached at Appendix IV.

Christopher J Halls FRICS inspected the property on 31st May 2018 and has completed the Valuation. He has relevant qualifications and experience in valuing properties of this type.

We confirm that Mr Halls is a Registered Valuer under the RICS Registered Valuers scheme.

Regulated by RICS

Directors: PR Graves, CJ Halls FRICS,
GF Dobson BSc (Hons) MRICS (Associate)
Consultants: DL Bessant MRICS, NW Cooper MRICS
Crawley: 01293 401040
Residential: 01273 601060

Graves Jenkins is a trading style of Graves Jenkins Ltd. Reg In England & Wales no: 4322789.
Reg Office: Coach House, 26 Marlborough Place, Brighton, East Sussex BN1 1UB



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We can confirm that as far as we are aware no conflicts of interest exist either personal or in relation to this Company in respect of the provision of this Report and that Professional Indemnity Insurance on a per claim basis is available in respect of the services provided.

We have accepted these instructions as External Valuers.

1.0 LOCATION

- 1.1 The property is situated in a mainly residential area comprising mostly period properties and just to the north of the main Brighton retail area.
- 1.2 The property is in a reasonably modern Mews development with a gated access off the north side of Clifton Hill and is situated to the rear of residential properties in Clifton Hill.
- 1.3 The main retail areas of Western Road and Churchill Square covered shopping centre is within walking distance to the south as is Queens Road which leads in turn to Brighton mainline railway station which is approximately ½ mile to the northeast.
- 1.4 There is good public transport links both from the station and with bus services from Western Road and Queens Road.
- 1.5 There is on-street parking within the surrounding roadways mainly controlled by resident parking permits and/or pay and display.
- 1.6 Road transport is the A259 east/west coast road and the A23 out of the city to the north which leads onto the M23 to London and Gatwick and then the M25 Orbital Motorway Network.
- 1.7 Train services from Brighton are to London/Victoria in approximately 1 hour and Gatwick Airport in 44 minutes and with services east and west along the coastway route.
- 1.8 The Brighton and Hove conurbation lies on the South Coast approximately 50 miles directly south from central London. The City of Brighton has a residential population of approximately 250,000 and has a catchment population of some 500,000 within 10 miles and boasts two universities, The Lanes, the Royal Pavilion, the i360 and the Brighton Palace Pier, which is the UK's second most popular free tourist attraction. The conurbation benefits from improved road communications with the A23, being dual carriageway to the M23 (18 miles to the north) and the motorway network beyond. Regular rail services run to London, Gatwick International Airport (approximately 28 miles to the north) and to London Victoria Railway Station in just under 1 hour.

Brighton and Hove is the South Coast's most popular leisure destination attracting in excess of 5 million people annually including tourists, conference delegates, day-trippers and foreign students.
- 1.9 A plan showing the general location of the subject property is attached at Appendix I.



2.0 DESCRIPTION

- 2.1 The property comprises a 3-storey end-of-terrace building constructed, we would anticipate, in the 1980's.
- 2.2 The property forms part of a terrace of 5 similar buildings all similarly sold on a Freehold basis and occupied as office accommodation.
- 2.3 To the first floor both front and rear there is access onto balcony areas via timber and glazed doors with asphalt covering to the rear and timber decking to the front. We noted the timber decking is broken in places and should be repaired/replaced.
- 2.4 The development is a Mews style one with a gated access and, as well as the office buildings on site, there is also a residential element. The development is situated to the rear of residential properties fronting onto Clifton Hill.
- 2.5 To the front of the development there is communal vehicular parking.
- 2.6 The property is occupied on a Licence arrangement with 6 No. occupiers with a degree of shared facilities.

There are two Licensees on each of the 3 floors. There is a degree of inter-connection and non-exclusive use/occupation and on the ground floor the rear occupiers have to pass through the front office unit for access although on the upper two floors the front and rear occupiers have their own secured and separately accessed accommodation.

- 2.7 The site is generally level.
- 2.8 A copy of the Land Registry Title Plan is attached at Appendix I showing outlined in red the extent of the subject freehold interest.

3.0 CONSTRUCTION AND CONDITION

- 3.1 The property is of brick construction under a mansard style roof with slate coverings to the slopes and a flat crown section which we assume is membrane covered.

The second floor projects slightly forwards over the ground and first floors and there is a timber balcony to the first floor level front, and an asphalt decked balcony/terrace to the first floor rear.

- 3.2 The rear elevation is of similar construction. There are velux style roof lights incorporated into the roof slopes to the front and rear.
- 3.3 Windows are stained softwood timber.



- 3.4 Internally, the floors are solid concrete to the ground floor and suspended timber to the upper floors with a mix of fitted carpet coverings with some tiled finishes and vinyl coverings to the kitchen and wc's.
- 3.5 Walls are plastered and emulsion paint decorated and there are internal lightweight partitions, some with glazed panels, dividing the floors into various rooms/areas. Ceilings are plastered with some texture coated finishes.

Lighting is mainly by way of surface mounted fluorescent strip style with diffusers. Heating is communal via a gas-fired boiler to hot water panel radiators with the boiler also supplying hot water.

Access to the upper floors is via internal staircase.

- 3.6 The communal facilities include wc's with small wash hand basins and wc's with hidden cisterns and electric water heaters.
- 3.7 There is a small shared kitchenette on the second floor with formica work surface, base and wall cupboards and with an inset stainless steel sink unit with single bowl and drainer and mixer tap.
- 3.8 To the outside there is a shared parking area and it is understood that there are two allocated parking spaces per property. The parking area is brick paved finished and there is an automatic entrance gate via the driveway leading out onto Clifton Hill. Boundaries to the site are of brick and rendered walls.
- 3.9 A Contamination Site Checklist is appended to this report at Appendix VI.
- 3.10 We will advise further should the monetary cost of dealing with any subsequently revealed contamination is quantified. From our inspection we are not aware of any potential environmental issues that may impact on the property's market value.

4.0 SERVICES

- 4.1 We believe the property is connected to mains water, drainage, gas and electricity.
- 4.2 None of the service systems have been tested and we are not qualified to comment on their condition. We have assumed that all services are in appropriate repair.

5.0 ACCOMMODATION, AREAS AND DIMENSIONS

- 5.1 From measurements taken on site we calculate the floor areas to various parts on a net internal area basis in accordance with the RICS Code of Measuring Practice (6th Edition). From January 2016 IPMS3 replaced net internal floor area (NIA) as the standard basis of measurement for office accommodation. That said, transactions significantly continue to be undertaken based on net internal floor area and consequently we have measured, devalued our comparisons, and valued on this basis.

We do not set out the individual dimensions of the various office suites but summarise the accommodation below as follows:

Ground Floor

Front Office Suite

Access direct from front of Mews at ground floor level direct into office with internal access to:

Stair Lobby with side access door and stairs to upper floors.

Shared ground floor wc and access to:

Side Storage Area/Communications room

Rear Office Suite

Access via side entrance to stair lobby but with access required through front office suite.

2 Lightweight Partitioned Office Areas

First Floor

Stair Lobby with stairs to ground floor and up to second floor.

Shared WC

Inner Lobby with individual access to:

Front Office Suite with access onto front balcony.

Rear office Suite

Separate access from Inner Lobby to two rear rooms (occupied under one licence). Access from both rooms onto rear balcony. There is an intercommunicating door from one of the rear rooms to the adjoining property which appears to have been sealed shut. We understand this was originally provided for fire escape purposes but has now become redundant.



Second Floor

Stair Lobby with stairs to first floor.

Inner Lobby area with access to:

Boiler Room with Potterton Kingfisher gas-fired boiler.

Access also to Communal Kitchen.

Front Office Suite.

This suite is divided by way of quite substantial internal partitioning in connection with the occupiers use of this suite as a Sound Recording Studio.

Rear Office Suite.

Partitioned into 2 office areas. It is noted that the original intercommunicating fire escape access way to the adjoining property has been left functioning on this floor due to the fact that the occupiers of this part also occupy a property in the adjoining building on the same level.

Net Internal Area

Ground Floor

Front Office Suite	46.01m ² (495sq ft)
Rear Office Suite	43.65m ² (470sq ft)

First Floor

Front Office Suite	39.44m ² (425sq ft)
Rear Office Suite	35.24m ² (379sq ft)

Second Floor

Front Office Suite	43.22m ² (465sq ft)
Rear Office Suite	31.92m ² (344sq ft)

Total NIA To All Floors	239.48m ² (2,578sq ft)
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6.0 TENURE

- 6.1 We have not been provided with any Report on Title. Our valuation is on the assumption that good freehold Title can be shown and that there are no restrictive covenants, conditions, encumbrances or rights of way that might otherwise impact detrimentally on the valuations reported herein. Unless otherwise stated we have assumed the interest to be in all respects good and marketable.
- 6.2 We can confirm that we will be prepared to comment on a Report on Title when available if this is relevant to the valuations provided and to provide a revised valuation if appropriate.



- 6.3 We understand that the property is owned Freehold. We further understand that the communal areas are owned by a Freehold Management Company owned by the owners of the individual units and we would assume the owners of the residential parts. We understand that there is some form of Rent Charge arrangement within the Title Deeds whereby the owners of the various units contribute a proportion of the Management Company's costs of maintaining the communal areas ie: the car parking and entrance gate.

7.0 TENANCIES

- 7.1 We have not been provided with copies of the individual Licence Agreements.

We were advised by the customer that each occupier is on an inclusive basis including Business Rates, heating, lighting, power and water but not telecommunications although there is a communal telecommunications server.

We further understand that 6 months' notice is required to vacate the premises and that deposits are taken in all cases.

- 7.2. We have, however, been provided with a schedule of the current Licence Fees and set these out as follows:

Wafer Audio	£1,125 pcm inclusive
Second Games Impact Limited	£1,300 pcm inclusive
Mayday	£800 pcm inclusive
Evermade Limited	£1,025 pcm inclusive
Moreover Limited	£750 pcm inclusive
Star Content Limited/Hakuna	£3,000 pcm inclusive
Total Income	£8,000 pcm (£96,000 per annum) inclusive

8.0 PLANNING AND HIGHWAYS

- 8.1 Our enquiries of the local Planning Authority, Brighton and Hove City Council, reveal that the property is not Listed but does lie within the Clifton Hill Conservation Area.

- 8.2 From our enquiries of the Local Authority website it reveals the following planning history:

<i>Application No.</i>	<i>Description</i>	<i>Decision</i>
BH2001/02019/FP	Unit 1 Clifton Mews - Change of use of existing office on three floors to single dwelling. Alterations to rear Elevation.	Refused



- 8.3 It will be noted from the above that the property has consent for its existing use and occupation.
- 8.4 From our enquiries, we are not aware of any Highway proposals likely to adversely affect the use and occupation of the subject property and we have valued on this assumption. We understand that replies to highway enquiries are only available subject to a charge. For the purposes of this report we have assumed that there are no proposals likely to adversely affect the use and occupation of the subject premises and we have valued on this assumption.

9.0 NON-DOMESTIC RATES

- 9.1 From online enquiries we understand the property is entered in the current Non-Domestic Rating List as follows:-

Office & Premises £33,500

10.0 FIRE REGULATIONS

- 10.1 We assume for the purpose of our valuation that the property complies in all respects so far as current fire safety legislation is concerned.

11.0 EQUALITY ACT 2010

- 11.1 The Equality Act 2010 places the responsibility on owners and occupiers to consider and not discriminate against disabled persons in recruitment, employment and the provision of goods, facilities and services. The effect of this legislation can impact on the value of a property interest and may, depending on the use of the premises and the physical and other constraints, require that the owner or occupiers take steps to ensure that the premises are fully compliant by such means as physical alterations to the premises.
- 11.2 The owners/occupiers/clients may require, if not already commissioned, their own access audit to consider such requirements and the implications therefrom. We are not specifically qualified to comment on the implications of The Equality Act and if it should be subsequently established that there are cost implications relating to requirements under the Act in respect of the subject property, this may alter the values reported.



12.0 ENERGY PERFORMANCE CERTIFICATE (EPC)

- 12.1 Properties within the UK require an EPC when bought, sold, built or rented. An EPC measures the asset rating of a building in relation to its energy performance.
- 12.2 The 2015 Energy Efficiency Regulations, passed in March 2015, set out minimum energy efficiency standards (MEES) for England and Wales. These Regulations make it unlawful for a landlord to grant a new lease/tenancy of a property that has an EPC rating below 'E' from 1 April 2018 unless all recommended Energy Efficiency measures raised in the Recommendation Report have been carried out.
- 12.3 With effective from 1 April 2020 the above provision will apply to all residential tenancies, both new and existing.
- 12.4 It is also proposed that from April 2023 this requirement will extend to all commercial premises including those where a lease is already in place and a tenant is already in occupation.
- 12.5 An EPC exists on the subject property dated 17th March 2015 confirming an Asset Rating of '81 (D)'. We attach a copy of the EPC and Recommendation Report at Appendix VII.

13.0 FLOOD RISK

- 13.1 From our online enquiries of the Government Flood Risk website, we note that the address is stated as being in an area at very low risk of flooding.

14.0 MARKET COMMENTARY

- 14.1 The subject property is located in a good reasonably central area for its existing use as office accommodation, although not an established office location.
- 14.2 This property is configured almost on a serviced office basis, on short-term lets on flexible terms. We would anticipate that there is a good demand for such office accommodation in this area.
- 14.3 We would generally advise that, at the present time, there is a high demand for office accommodation within the Brighton city area and rents have risen over the last 2 or 3 years to their current levels.
- 14.4 Although the accommodation is not to the highest standard in terms of office accommodation, compared with new offices, it does suit the particular market at which it is aimed.
- 14.5 We would anticipate that there will be a continuing demand to let the office accommodation on the same basis as existing.

We would also anticipate that if the property were to come to the market to let as a whole there would be a demand for this either as single floors/suites or possibly to a single occupier.



- 14.6 We would also anticipate that if the property were to come to the market for sale either with vacant possession or subject to the existing occupational basis there would be a good demand either as an investment purchase or possibly for owner occupation or for conversion into a single occupancy and then placed on the market to let either to a single occupier or as floors or as existing.
- 14.7 Market conditions within the UK remain relatively positive at the present time although in economic terms there has been some slowing down in both actual and predicted GDP growth and the rate of inflation has increased after being at an historically low figure for some time. That said there is undoubtedly uncertainty as to the economic conditions that will prevail going forward due to Brexit, including during the current period of negotiation leading up to formal exit. Additionally, the UK Government and Local/County Councils remain committed to spending cuts in order to reduce the Government's substantial financial deficit, although the previously targeted date for eliminating the same has been pushed back.
- 14.8 It is rarely possible to predict with confidence levels of demand in the foreseeable future and this is becoming more pronounced with Brexit. At the present time there is more uncertainty in relation to many factors that historically have acted as drivers of the property development, investment, owner occupier and letting markets. Such political and economic circumstances are unprecedented but do result in a reduced level of certainty that can be attached to valuation. As previously stated, the impact of Brexit will unfold over an extended period of time, including over the remaining period to formal exit.
- 14.9 In view of the above, we would advise you to have less confidence than usual in the probability that our opinion of value exactly coincides with the price achievable for the subject property. It is possible that levels of market value will alter and fall within the timescale of the UK exiting Europe.
- 14.10 Assuming there was no significant change in current economic conditions or further excessive increases in interest rates, subject to the impact of Brexit, the levels of demand identified above are not considered likely to alter significantly in the foreseeable future. On a similar basis and doing the best we can, we would anticipate similar future trends in demand for the subject property over the life of the proposed loan.
- 14.11 In respect of current timescales for the letting of the subject property, as individual units on the assumption of vacant possession and in their current condition, we would anticipate a period of up to 2 months maybe required to effect each new letting.

15.0 COMPARABLE EVIDENCE

- 15.1 We set out our comparable evidence as follows:
- i. **Lower Ground Floor, 44/46 Old Steine, Brighton.** This was a single floor let in October 2016 of 865ft² devaluing to £23.12 per ft² inclusive.
 - ii. **9 Marlborough Place, Brighton.** Again an office suite of 400ft² let in November 2016 at a rent devaluing to £26.25 per ft². This rent was inclusive of utility charges.
 - iii. **First Floor, Globe House, 3 Morley Street, Brighton.** Again an office suite of 449ft² let in January 2017 at £23.38 per ft² exclusive.
 - iv. **25 Old Steine, Brighton.** 2 office suites on the ground and first floors of 572ft² and 647ft² both currently in solicitors hands to let at a rent equating to £23.50 per ft² exclusive.
 - v. We would also comment that we, as a practice, were involved in the sale of an office building at **6 Marlborough Place, Brighton** which was a building on lower ground, ground and four upper floors comprising a total of 3,176ft². This was sold in September 2015 at £775,000. On an overall rental basis for all floors the sale price devalues to a capital figure of £224 per ft².
 - vi. **8/9 Old Steine, Brighton.** We have been made aware of the details of a sale and lease back in respect of this office building. The sale took place/around July 2016 and was on the basis of two separate transactions, at £862,100 and £957,900 respectively, making a total of £1,820,000. We understand the lease back arrangement to the vendors/current occupiers was at a rent equating to £19.16 per ft² overall in respect of No. 8 and £19.33 per ft² in respect of No. 9. The capital sale price agreed devalues overall to a rate of £260.00 per ft² in respect of No. 8 and £255.37 per ft² in respect of No. 9.
 - vii. Graves Jenkins have just acted on agreeing terms for a letting of a building which is currently under construction (due to be completed in March 2019) and known as **Brinell Building in Station Street** which is south of Trafalgar Place which is the office development around and to the east of Brighton railway station. Terms have been agreed for 2 floors totalling 17,000 ft² on a rent equating to £30 per ft².
 - viii. **Mocatta House, Trafalgar Place** – A serviced office provider “Spaces” took the whole 6 floors of this building at Trafalgar Place which is close to Brighton mainline railway station to refurbish and provide serviced office accommodation. We have been unable to ascertain the exact terms that were agreed but we note that it was being quoted at an asking rent of £30 per ft² for the entire 39,000 ft².
 - ix. **45 East Street and 9/12 Castle Square** – Graves Jenkins acted on a rent review of approximately 8,600 ft² of 1980’s style purpose-built offices above retail. The review date was 25th December 2016 and the rent was agreed at £170,000 per annum which equated to just under £20 per ft².



- x. **Second and Third Floor, 1 Air Street** – This was a letting in February 2017 on 7,112 ft². The building is 10 years old and has no parking but does feature air conditioning and a lift. The letting was for a 10 year term with a 5 year break at a rent equating to £24.95 per ft².
- xi. **19A Portland Street** – This was a new letting of third floor offices above retail within the city centre totalling 5,427 ft². The building features no parking but does have air conditioning. The rent agreed was £125,000 per annum which equated to £23 per ft².
- xii. **1 Gloucester Place** – This is a single floor of 4,271 ft² currently being marketed at an asking rent of £28 per ft². The building has a slightly unusual footprint. Two car parking spaces are included and the building has air conditioning.
- xiii. **City View, New England Quarter** – This is a development just to the east of Brighton railway station and is purpose-built office accommodation. Various lettings took place in 2016 on slightly differing terms but with floors equating to approximately 6,000 ft² and rents that varied between £25.50 - £27.50 per ft².
- xiv. **1-1A Jubilee Street** – This is modern purpose-built office accommodation above retail close to the subject property and forming part of the Jubilee Square development. A letting was agreed in November 2016 of the third floor totalling 2,701 ft² at a rent that equates to £26 per ft².
- xv. **Queens Road Quadrant** – This 1980's building, again with an awkward footprint, will provide refurbished accommodation of between 2,200 – 22,500 ft². The accommodation is likely to be available soon and asking rents are being quoted at £28.50 per ft².

We set out below comparable office investment sales evidence as follows:

- i. **One City Park, The Droveaway, Hove.** Freehold interest sold January 2018 at a price just in excess of £23,000,000 reflecting a Net Initial Yield of 6.5%.
- ii. **Queensbury House, 104-109 Queens Road, Brighton.** Freehold interest sold in March 2017 at a price of £12,600,000 reflecting a Net Initial Yield of 6%.
- iii. **City View, New England Quarter, Brighton.** Freehold interest is understood to have been sold on an off market deal in August 2016 at a price of £16,000,000. The sale price reflected a Net Initial Yield of approximately 5.1%.
- iv. **International House, Queens Road, Brighton.** Freehold interest sold January 2017 at a price of £11,200,000 reflecting a Net Initial Yield of 6%.
- v. **8 & 9 Old Steine, Brighton.** Freehold interest sold in August 2016 at a price of £1,820,000 representing a Net Initial Yield of 7.03%.

16.0 VALUATION

- 16.1 The property comprises a reasonably modern office building let on Licenses and owned as a commercial Investment.
- 16.2 Whilst the property is principally in a residential area it is close to city centre facilities and we consider there would be good demand for the property either to continue letting on a licence arrangement or let on standard commercial terms or for sale of the Freehold on a vacant possession or investment basis. We also consider there would be a reasonably good demand to dispose as an investment subject to the existing licence arrangement.
- 16.3 At the present time within Brighton there is a shortage of good quality office space and over the last couple of years rents have increased to reflect this.
- 16.4 Our approach to valuation has been to consider the property as a traditional commercial investment and to estimate the current market rental value both in its existing configuration as semi-serviced offices but also to consider the open market rental value on a more traditional commercial lease basis, either let as individual floors or as a complete building.

We have then capitalised the rental income at a yield appropriate for a property of this type and style in this location and having regard to the comparable evidence as referred to above.

- 16.5 We estimate that having regard to the existing basis of occupation the passing rents appear to reflect current market levels but we do note that the letting to Star Content Ltd/hakuna at £30,000 pa seems unusually high and quite considerably in excess of what we consider are the current open market rental levels.
- 16.6 Having regard to a more traditional approach and assuming the offices let on commercial leases either as a whole building or as floors or part of a floor, we estimate the current market rent at **£64,000** per annum exclusive, based on a rent per square foot of **£23.00**.
- 16.7 The yield that we have adopted in capitalising the rental value as above, and having regard to the evidence as referred to is 7.00%.

Having regard to the above we estimate the current market value at £913,920 which we have rounded down to **£900,000**.

- 16.8 Subject to the foregoing and the contents of this report, we are of the opinion that the **market value** of the Freehold interest held in the subject property, subject to the existing licence arrangements in place, can be assessed on values current as at **31st May 2018** in the total sum of **£900,000 (Nine Hundred Thousand Pounds)**.



- 16.9 Subject to the foregoing and the contents of this report, we are of the opinion that the market value of the Freehold interest held in the subject property, subject to full vacant possession, can be assessed on values current as at **31st May 2018** in the total sum of **£900,000 (Nine Hundred Thousand Pounds)**
- 16.10 Subject to the foregoing and the contents of this report, we are of the opinion that the current **market rental value** of the interest in the subject property can be assessed on values current as at **31st May 2018** in the total sum of **£64,000 (Sixty Four Thousand Pounds)** per annum.
- 16.11 Attached at Appendix III is a Schedule setting out the calculation of our opinions of market rent and value expressed above. Market value and market rent may change over a period of time and the opinions of these expressed within this report may not be valid on an earlier or later date. This is particularly the case at the present time given the uncertainty of the impact of the Brexit vote on the UK's and more global economic conditions and on the UK commercial property market.
- 16.12 The valuation excludes any Tax that may be payable on disposal or acquisition or any Tax that may or may not be payable on any passing rent. At the present time we would anticipate a reasonable marketing period to be circa 3 months within which to agree terms for the sale of the subject freehold interest.

17.0 INSURANCE REINSTATEMENT

- 17.1 For the purposes of insurance and given by way of a guide only, we would advise a current Reinstatement Cost of the subject properties, exclusive of VAT, loss of rent and/or the cost of alternative accommodation and inflation during the period of the policy and of re-building of **£650,000 (Six Hundred and Fifty Thousand Pounds)**
- 17.2 A formal estimate for insurance purposes can only be given by a Quantity Surveyor or a person with sufficient experience of replacement costs.

18.0 GENERALLY

- 18.1 We do not consider the property has any significant redevelopment or alternative use potential. We are not aware of any obvious "hope, marriage" or "special purchaser value" attached to the property at the present time or considered likely to arise in future. We are not aware of any significant development or change of use of properties in the locality which would materially affect our opinions of value. We would comment that we understand that the customer may seek planning permission to link and convert the rear external store building to provide additional letting units.



18.2 Subject to the uncertainty in relation to the impact of Brexit, the Bank's current lending criteria for a property of this type and otherwise current market conditions as apparent, we do consider the property forms suitable security for loan purposes. Assuming appropriate and reasonable maintenance of the property, we do consider it has a useful economic life of at least 25 years. Given the current uncertainty in relation to Brexit it is possible that the Bank could experience adverse difficulties if realisation by the Bank proved necessary in the foreseeable future.

Yours faithfully



CHRISTOPHER J HALLS FRICS (0058222)
for and on behalf of
GRAVES JENKINS

13th June 2018



NEIL W COOPER MRICS (0074958)
for and on behalf of
GRAVES JENKINS
(Countersigned)

13th June 2018



APPENDIX I

Land Registry Title & General Location Plans

1 Clifton Mews, Clifton Hill, Brighton BN1 3HR



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Licence number 100022432 Plotted Scale = 1:35000

These particulars are believed to be correct
but their accuracy is not guaranteed and
they do not form part of any contract
Graves Jenkins

These are the notes referred to on the following official copy

The electronic official copy of the title plan follows this message.

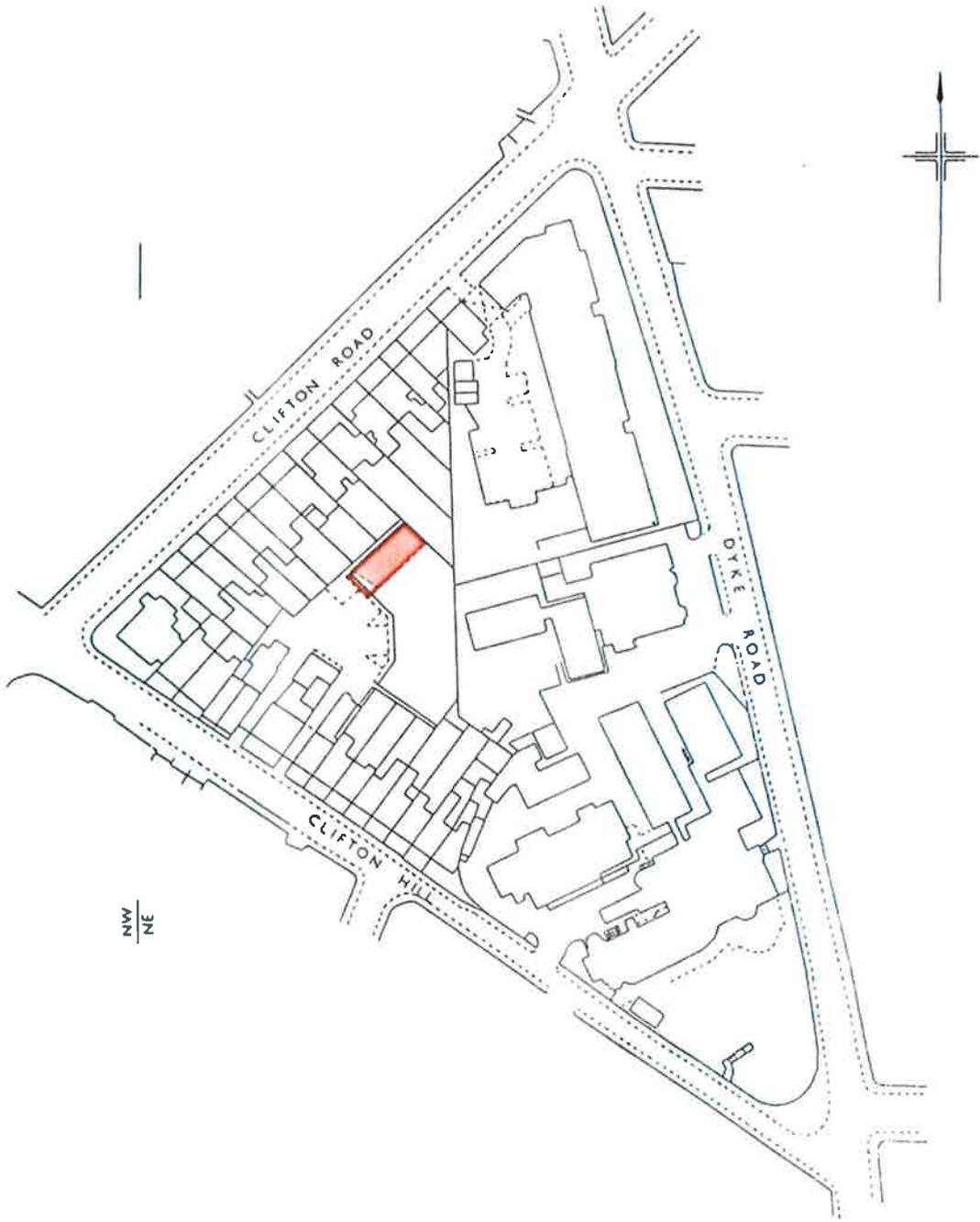
Please note that this is the only official copy we will issue. We will not issue a paper official copy.

This official copy was delivered electronically and when printed will not be to scale. You can obtain a paper official copy by ordering one from HM Land Registry.

This official copy is issued on 14 June 2018 shows the state of this title plan on 14 June 2018 at 15:26:52. It is admissible in evidence to the same extent as the original (s.67 Land Registration Act 2002). This title plan shows the general position, not the exact line, of the boundaries. It may be subject to distortions in scale. Measurements scaled from this plan may not match measurements between the same points on the ground. This title is dealt with by the HM Land Registry, Coventry Office .

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H.M. LAND REGISTRY		TITLE NUMBER	
		ES X 135390	
ORDNANCE SURVEY PLAN REFERENCE	TQ3004	SECTION E	Scale 1/1250
COUNTY	EAST SUSSEX	DISTRICT	BRIGHTON
			© Crown copyright 19





APPENDIX II

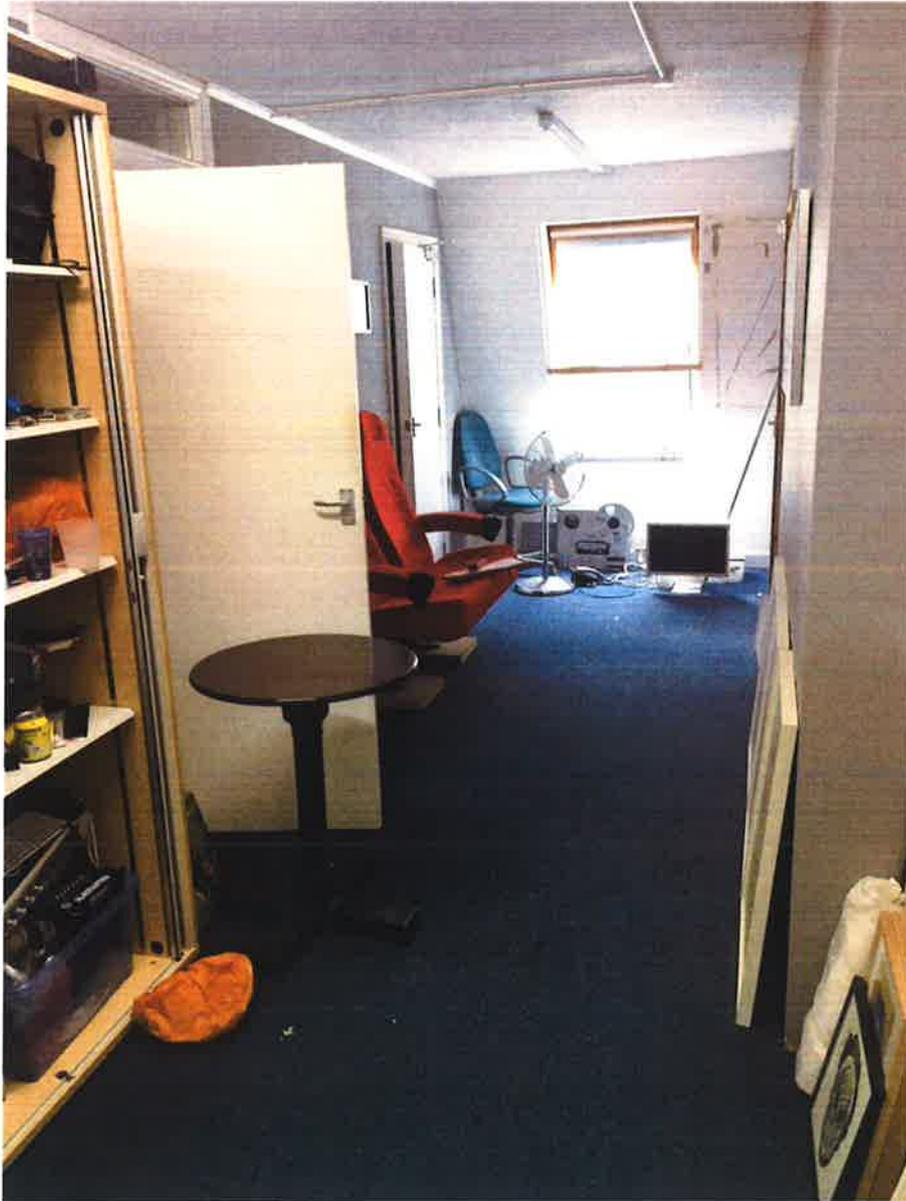
Photographs



Front Elevation



Gated Entrance from Clifton Hill



Second Floor Front Office



Communal Kitchen



Second Floor Rear Office



First Floor Front Office



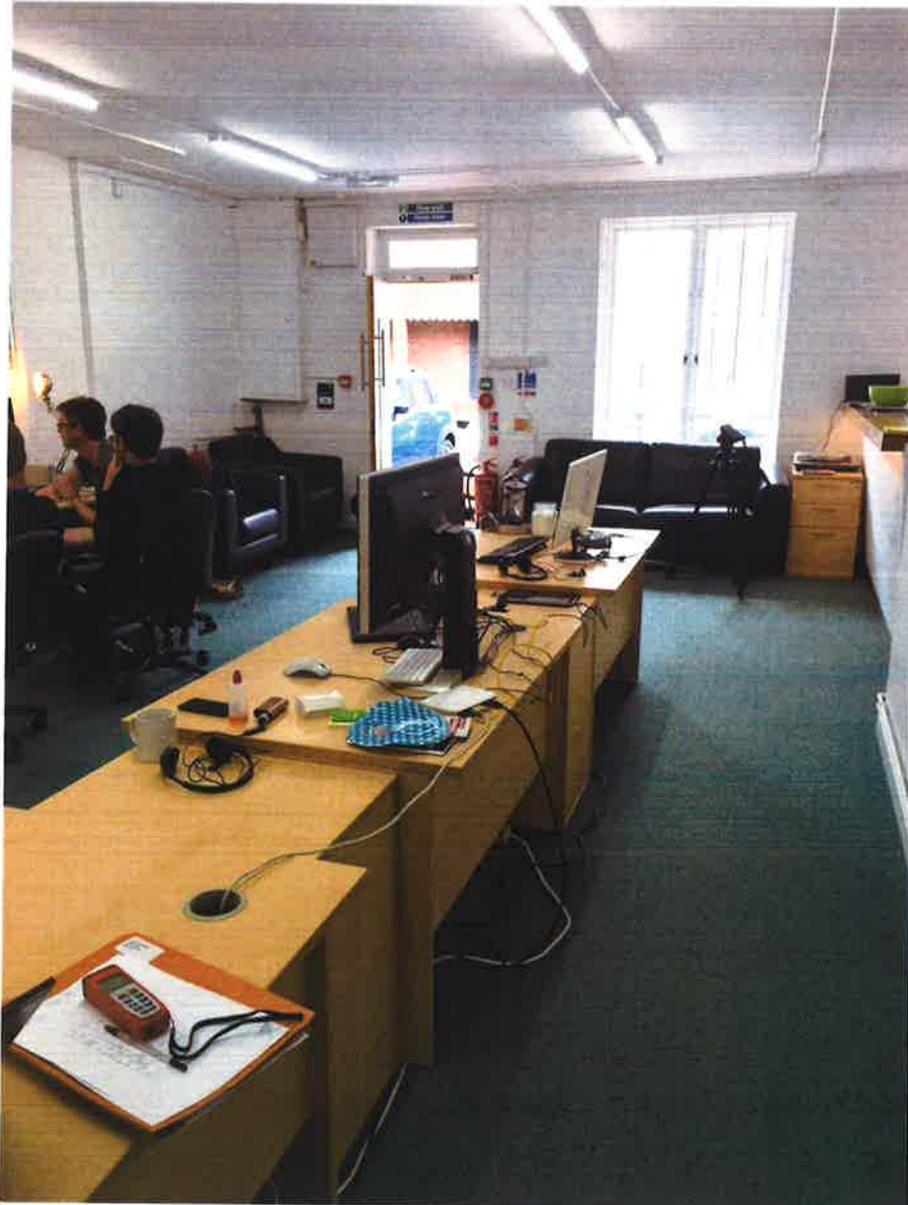
First Floor Rear office



First Floor Rear Balcony/Terrace



First Floor Rear Office



Ground Floor Front Office



Ground Floor Rear Office



APPENDIX III

Schedule of Valuations



VALUATION SCHEDULE

1 CLIFTON MEWS, CLIFTON HILL, BRIGHTON, EAST SUSSEX BN1 3HR

Valuation Summary

Market Rent

Net Internal Area (NIA) 2,773 sq ft @ 23.00 63,779

Market say £64,000 per annum exclusive

Market Value

Estimated Market Rent	64,000 pa	
YP in perpetuity @ 7.00%	<u>14.28</u>	
		£913,920

MARKET VALUE £900,000



APPENDIX IV

Assumptions and Caveats



- i. We have not had access to the Title Deeds and our valuation is on the basis of the information supplied to us as to tenure, tenancies, planning, statutory notices and other relevant information, and we have valued on the basis that this information is correct and that there are no undisclosed matters which would affect our Valuation. We have assumed that the Title Deeds and/or leases do not contain any unusually onerous restrictions, covenants or other encumbrances.
- ii. The basis of our Valuation of the interest held by the owner has been carried out in accordance with the RICS Valuation – Professional Standards, Global and UK Edition, published 2017 (The Red Book) issued by the Royal Institution of Chartered Surveyors.
- iii. The definition of Market Value used in this report is in accordance with that contained within the RICS Valuation – Professional Standards, Global and UK Edition, published 2017 (The Red Book) issued by the Royal Institution of Chartered Surveyors

“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.”

- iv. The definition of Market Rent used in this report is in accordance with that contained within the RICS Valuation – Professional Standards, Global and UK Edition, published 2017 (The Red Book) issued by the Royal Institution of Chartered Surveyors. and is as follows:

“The estimated amount for which an interest in real property should be leased on the valuation date between a willing lessor and a 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”.

In valuing this property we confirm that we have valued the premises on a market value basis for its commercial planning use.

- v. We have not carried out a building survey of the property, neither have the standard or mechanical services been tested. The property appears to have been adequately maintained and although not tested, the services appeared functioning satisfactorily at the time of our inspection.
- vi. In the preparation of this report, we inspected those parts of the property which are covered, unexposed or inaccessible, such parts have been assumed to be in good repair and condition. We cannot express an opinion about or advise upon the condition of uninspected parts and this report should not be taken as making any implied representation or statement about such parts.
- vii. Our enquiries have not revealed any contamination affecting the property or neighbouring property, which would affect our Valuation. However, should it be established subsequently that contamination exists at the property or on any neighbouring land or that the premises have been or are being put to any contaminative use, this might reduce the values now reported.



- viii. We accept no liability for seepage, contamination or pollution of the site.
- ix. We have not arranged for any investigation to be carried out to determine whether or not any deleterious or hazardous material has been used in the construction of this property, or has 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.
- x. Unless specifically requested, we do not arrange for an investigation to be carried out to determine whether or not high alumina cement, calcium chloride additive, fibrous asbestos, any other deleterious material or permanent wood shuttering has been used in the construction of this property. In addition, we have not carried out or arranged for tests to establish alkali silica reaction. We do not carry out any tests to assess whether anti-graffiti paint has been applied to any areas of the building, and specifically whether any polyurethane iso-cyanate product was a constituent of the paint.
- xi. We would comment specifically on the Control of Asbestos Regulations 2012 and advise that there is/will be a responsibility under this legislation on the owner/occupiers as "Duty Holders" to comply in all respects with this legislation. This will include assessing whether the premises contain asbestos, assessing the risk from the asbestos and taking action to minimise the risk of exposure to asbestos fibres. In this respect owners/occupiers or their advisors will need to collate all appropriate details, records, etc., into an asbestos record/register relating to the property.

We are not qualified to advise as to whether or not an asbestos audit or register has been compiled nor do we undertake any asbestos audit or register as part of our normal valuation inspection. We would usually report whether our limited inspection has or has not revealed any likelihood of asbestos related issues which would affect our valuation. Should it be established subsequently that there are cost implications relating to the presence of asbestos at the property and any implications therefrom, this may reduce the values reported.

If we suspect and/or have been advised that there may be issues relating to this property arising under the Control of Asbestos Regulations 2012, these will be referred to in the general commentary within the valuation section of our report, but we are not specifically qualified to advise on the extent of any such contamination, measures taken or needed to control the risk of contamination and the cost of implications relating thereto.

- xii. The Regulatory Reform (Fire Safety) Order 2005 took effect from 1 October 2006 and replaces all existing fire safety legislation in England and Wales. Fire certificates are no longer required and have no legal status. There is now a duty for the responsible person to carry out a Fire Risk Assessment and to implement its recommendations and to regularly review the same. For the purpose of this report and the opinions of values expressed herein, unless otherwise stated, we have assumed that such an assessment, if not already in place, would not identify the need to carry out works involving significant financial expenditure.



- xiii. The Equality Act 2010 places the responsibility on owners and occupiers to consider and not discriminate against disabled persons in both recruitment, employment and the provision of goods, facilities and services. The effect of this legislation can impact on the value of a property interest and may, depending on the use of the premises and the physical and other constraints, require that the owner or occupiers take steps to ensure that the premises are fully compliant by such means as physical alterations to the premises. In connection with our valuation report, we are not able to advise whether the property complies with the requirements as outlined in the Act and the owners/occupiers may require, if not already commissioned, their own access audit to consider such requirements and the implications therefrom.

The provisions of The Equality Act are wide-ranging and apply from 1 October 2010. This will cover the provision of goods, services and facilities especially directly to the public, and a service provider must take reasonable steps to remove, avoid or alter any physical feature that makes it impossible, or unreasonably difficult, for a disabled person to make use of services, or to make changes to practices or provide alternative methods, policies or procedures in the provision of such services.

We are not specifically qualified to comment on the implications of The Equality Act and if it should be subsequently established that there are cost implications relating to requirements under the Act in respect of the property, this may alter the values reported.

- xiv. We attach a descriptive report of the property inspected and valued and this should be read in conjunction with this letter. We also attach an Ordnance Survey extract drawn to a scale of 1:1250 indicating in red the approximate site boundaries and a general location plan.

The plans are provided for identification purposes only. They are intended to show the location of the building and not necessarily the extent of the formally demised areas, which can only be ascertained by reference to the Deeds.

- xv. No allowances have been made in the Valuation for expenses of realisation or any taxation liability that may arise from the sale or development of the property.
- xvi. This report is confidential to and for the sole use of the addressee and no liability to any third party is accepted in respect of the whole or any part of its contents. The report may be disclosed to professional advisors assisting in respect of the purpose of this report. Neither the whole nor any part of this report, nor any reference thereto, may be included in any document, circular or statement without our written approval of the form and context in which it appears.
- xvii. Such publication of, or reference to, this valuation report/certificate will not be permitted unless it contains a sufficient contemporaneous reference to the departure(s) from the RICS Valuation - Professional Standards, Global and UK Edition, published 2017 (The Red Book) issued by the Royal Institution of Chartered Surveyors.



- xviii. We assume for the purposes of this report that these premises comply in all respects with all statutory provisions (including the Factories Act 1961, the Offices Shops and Railway Premises Act 1963, the Fire Precautions Act 1971, the Defective Premises Act 1972, Health & Safety at Work Act 1974, the Disability Discrimination Act 1995, the Regulatory Reform (Fire Safety) Order 2005, The Equality Act 2010 and the Control of Asbestos Regulations 2012) or other appropriate Acts and that no notices are outstanding against the property at the present time.

We also assume that neither the condition of the property nor their use is in contravention of any statutory requirements.

- xiv. Informal verbal and internet planning and other enquiries have been made of the respective Local and Highway Authorities and we have assumed that the information given verbally by the representatives of those Authorities is correct. In making our Valuation we have assumed that neither the existence nor use of the property gives rise to any contravention of planning or statutory regulations.



APPENDIX V

Instruction Detail

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

16th May 2018

Graves Jenkins
Coach House
26 Marlborough Place
Brighton
East Sussex
BN1 1UB
Attn. Chris Halls

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 notify us if there will be any delay. **Please advise us immediately if you are unable to give prompt attention to this matter.**

Borrower: Two GB Ltd
Properties: 1 Clifton Mews, Clifton Hill, Brighton, BN1 3HR
Tenure: Freehold
Use: Office
Tenancies: 6 tenants on 3 or 6 month licences
Access: David Pounds - Director of Two GB Ltd email: davidpounds19@gmail.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.

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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

You have quoted and the Borrower has agreed to pay a fee of £???? + VAT for this undertaking. Whilst a receipted invoice for this service should be supplied with your report, and addressed to this company, we ask that you seek settlement of your fee from the proposed Borrowers whose contact details are supplied above. Proplend Security Limited cannot accept any responsibility for non-payment of your fees in this regard.

Contact Details

Please contact Philip Gould on 0203 397 8290 if you have any queries regarding this instruction.

Please send the Valuation Report to borrower@proplend.com, with hard copy to 15 Little Green, Richmond TW9. Draft reports are not acceptable. Following provision of the Valuation Report, you should be prepared to discuss its contents with the Lender.

Yours Sincerely,

Richard Berkeley

Proplend Security Ltd

Signature Certificate

Document Ref.: OBKW3-NPEAG-HKFAD-SCDDU

Document signed by:

	<p>Richard Berkley Verified E-mail: rberkley@proplend.com</p>	<p><i>Richard Berkley</i></p> 
<p>IP 109.147.67.2 Date 16 May 2018 15:56:47 UTC</p>		

Document completed by all parties on:
16 May 2018 15:56:47 UTC

Page 1 of 1



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APPENDIX VI

EPC Certificate

Energy Performance Certificate

Non-Domestic Building



1 Clifton Mews
Clifton Hill
BRIGHTON
BN1 3HR

Certificate Reference Number:
0070-8919-0335-3400-0014

This certificate shows the energy rating of this building. It indicates the energy efficiency of the building fabric and the heating, ventilation, cooling and lighting systems. The rating is compared to two benchmarks for this type of building: one appropriate for new buildings and one appropriate for existing buildings. There is more advice on how to interpret this information in the guidance document *Energy Performance Certificates for the construction, sale and let of non-dwellings* available on the Government's website at www.gov.uk/government/collections/energy-performance-certificates.

Energy Performance Asset Rating

More energy efficient



Net zero CO₂ emissions

A 0-25

B 26-50

C 51-75

D 76-100

◀ 81

This is how energy efficient the building is.

E 101-125

F 126-150

G Over 150

Less energy efficient

Technical Information

Main heating fuel:	Natural Gas
Building environment:	Heating and Natural Ventilation
Total useful floor area (m ²):	335
Assessment Level:	3
Building emission rate (kgCO ₂ /m ² per year):	54.94
Primary energy use (kWh/m ² per year):	Not available

Benchmarks

Buildings similar to this one could have ratings as follows:

25 If newly built

73 If typical of the existing stock

Administrative Information

This is an Energy Performance Certificate as defined in the Energy Performance of Buildings Regulations 2012 as amended.

Assessment Software:	DesignBuilder SBEM v4.2.0 using calculation engine SBEM v5.2.d.2
Property Reference:	813190030000
Assessor Name:	Laurence Powell
Assessor Number:	EES/011531
Accreditation Scheme:	Elmhurst Energy Systems Ltd
Employer/Trading Name:	Easy EPC
Employer/Trading Address:	12 Albion Street BN2 9NE
Issue Date:	17 Mar 2015
Valid Until:	16 Mar 2025 (unless superseded by a later certificate)
Related Party Disclosure:	Not related to the owner.

Recommendations for improving the energy performance of the building are contained in the associated Recommendation Report - 9831-4007-0153-0000-4905.

About this document and the data in it

This document has been produced following an energy assessment undertaken by a qualified Energy Assessor, accredited by Elmhurst Energy Systems Ltd. You can obtain contact details of the Accreditation Scheme at www.elmhurstenergy.co.uk.

A copy of this certificate has been lodged on a national register as a requirement under the Energy Performance of Buildings Regulations 2012 as amended. It will be made available via the online search function at www.ndepcregister.com. The certificate (including the building address) and other data about the building collected during the energy assessment but not shown on the certificate, for instance heating system data, will be made publicly available at www.opendatacommunities.org.

This certificate and other data about the building may be shared with other bodies (including government departments and enforcement agencies) for research, statistical and enforcement purposes. Any personal data it contains will be processed in accordance with the General Data Protection Regulation and all applicable laws and regulations relating to the processing of personal data and privacy. For further information about this and how data about the property are used, please visit www.ndepcregister.com. To opt out of having information about your building made publicly available, please visit www.ndepcregister.com/optout.

There is more information in the guidance document *Energy Performance Certificates for the construction, sale and let of non-dwellings* available on the Government website at:

www.gov.uk/government/collections/energy-performance-certificates. It explains the content and use of this document, advises on how to identify the authenticity of a certificate and how to make a complaint.

Opportunity to benefit from a Green Deal on this property

The Green Deal can help you cut your energy bills by making energy efficiency improvements at no upfront costs. Use the Green Deal to find trusted advisors who will come to your property, recommend measures that are right for you and help you access a range of accredited installers. Responsibility for repayments stays with the property – whoever pays the energy bills benefits so they are responsible for the payments.

To find out how you could use Green Deal finance to improve your property please call 0300 123 1234.



APPENDIX VII

Contamination Site Checklist



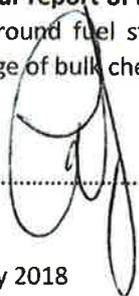
CONTAMINATION SITE CHECKLIST

PROPERTY: 1 Clifton Mews, Brighton. BN1 3HR

Record of the features observed during the course of our inspection of the property and the immediate surrounding area (where accessible).

ELEMENT	FEATURE									
	Present Y or N	Inspected Y or N	Asbestos, eg roof, lagging/ insulation	Waste/Fly Tipping/ Graffiti	Bulk Storage Tanks eg Fuel/ Chemicals Above/Below Ground	Chemicals present Storage? Secure? Bunded?	Oil/ Chemical staining present?	Irregular Topo- graphy	Vegetation Die Back	Electrical sub- station/ Pylons/ Mobile phone masts
Buildings: Occupied/ Vacant	Y	Y	N	N	N	N	N	N	N	N
Basement	N									
Hardstanding	Y	Y	N	N	N	N	N	N	N	N
Derelict rough or open ground	N									
Agricultural Land	N									
Subterranean Features	N									
Landscaping	N									
Natural Woodland	N									
Water Course	N									
Radiation Warning Signs	N									

Details will be provided in our report of any material observations during the course of our inspection. (Examples may include: unbanded above ground fuel storage tanks, evidence of leaks and/or spillage of potentially contaminative substance, inadequate storage of bulk chemicals, etc.)

Signed by Surveyor:  [Christopher J Halls. FRICS. RICS Registered Valuer]

Date of Inspection: 31st May 2018

Our Ref: CJH