

Bringing the property valuation
market into the 21st century



Valuation Report

Address	Longmore House, Cromer Road, Birmingham, B12 9QP
Lender	Proplend Security Limited
Lender Address	20-22 Wenlock Road, London, N1 7GU
Applicant Name	Tay Dean Ltd
Date	06/12/2018
Valuation Company	Cushman and Wakefield
Valuer	Jonathan Crawford MRICS

vas-group.co.uk

PROPERTY DETAILS

Property Address:	Longmore House, Cromer Road, Birmingham, B12 9QP		
Lender:	Proplend Security Limited	Date of Valuation:	06/12/2018
Purpose of Valuation:	Loan Security	Valuation Method:	Residual



VALUATION:

(please carefully read the lenders instruction letter and make sure that valuations are provided on the required basis)

Market Value	£1,100,000	
Insurance Reinstatement Estimate:	£3,306,000	
VALUATION ISSUES: We have not been provided with costs for the project and therefore have had to make assumptions based on industry standards and market knowledge.	Estimated Sales period:	9 months

LOCATION / DESCRIPTION:

Location Summary:	Moseley is a popular suburb of Birmingham located approximately 3 miles south of the city centre. The property is well located on the cusp of Moseley & Balsall Heath on the west side of Alcester Road (A435) in Cromer Road, opposite the Ark Tindal primary school. Alcester Road serves as the principal retail area and main arterial road to the south of Birmingham city centre, leading through Moseley and King's Heath.		
Description Summary:	Longmore House comprises a substantial office building set over three floors, extending to approximately 17,000 sq. ft. The Property comprises a former school which has most recently been used as offices. The ground and first floor accommodation are currently configured as a number of insular offices and meeting rooms along with common areas, toilets and staff facilities. There is a former caretakers flat on the second floor. Longmore House sits on a plot of approximately 0.59 acres (0.24 hectares) and has car parking and vehicle access to both the front & rear of the property.		
Condition Summary:	The Property is in poor condition and internally has been stripped back in preparation for change of use development works. We are undertaking our valuation based on the assumption that the redevelopment works will be satisfactorily carried out to provide modern residential accommodation.		
Floor Area:	15,300 sq ft	Site Area:	0.59 acres / 0.24 hectares

	13,540 sq ft (net saleable area following development)		
DEVELOPMENT:			
Planning:	Planning permission has been received to convert the Property to provide up to 27 residential units through a Permitted Development Consent.		
Overall Build / Conversion Costs:	£75 per sq ft (based on 15,333 sq ft)	Remaining Costs to Complete the Development / Conversion	£75 per sq ft (based on 15,333 sq ft)
SWOT ANALYSIS:			
Strengths:		Weaknesses:	
<ul style="list-style-type: none"> Permitted Development Consent received for conversion Good location and building suited for residential 		<ul style="list-style-type: none"> The Property is in poor condition There is no demand for the Property in its current use 	
Opportunities:		Threats:	
<ul style="list-style-type: none"> Change of use development works to provide residential units Extend the rear of the Property to provide a first floor 		<ul style="list-style-type: none"> Financial strength of the Borrower is unknown We have not been provided with development costs for the scheme We have not been provided with any scheme plans demonstrating it can be delivered. 	
RECOMMENDED ACTION POINTS / SUITABILITY FOR LOAN SECURITY:			
We would recommend the following action points:		<ul style="list-style-type: none"> Ensure plans of proposed scheme are received and development costs and timeline are confirmed before taking decision to lend. Monitor the progress of the works throughout the development period. 	
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.

TABLE OF CONTENTS

Valuation Record.....	3
Property Record.....	8
1. Location and Description	8
2. Accommodation	11
3. Structural Condition and Repair.....	12
4. Site	13
5. Environmental Considerations and Environmental Performance	15
6. Statutory Matters.....	16
7. Taxation	16
8. Tenure and Occupational Interests.....	17
9. Residential Market Commentary.....	18
10. Principal Valuation Considerations	22
11. Valuation Approach and Opinions of Value	23
12. Security for the Loan.....	27
Appendix A: Photographs	30
Appendix B: Valuation Calculations	31
Appendix C: Abbreviations	34
Appendix D: Maps and Plans.....	35
Sources of Information and terms of the Engagement.....	38

VALUATION RECORD

To:	Proplend Security ("you" or the "Addressee")
Borrower:	Tay Dean Ltd (the "Borrower")
Property:	The address, tenure and property type of the property or each of the properties (the "Property") is included in the Property Record section.
Report date:	6/12/2018
Valuation date:	6/12/2018 ("Valuation Date")
Our reference:	180T3N00

Instructions

Appointment

We are pleased to submit our report and valuation (the "**Valuation Report**"), which has been prepared in accordance with the engagement letter entered into between us dated 22/11/2018 (the "Engagement Letter"), a copy of which is to be found at the back of this document. This Engagement Letter and the terms set out therein, together with our Terms of Business, which were sent to you with our Engagement Letter, constitute the "**Engagement**", which forms an integral part of this Valuation Report.

Included in the Engagement Letter is the Valuation Services Schedule. It is essential to understand that the contents of this Valuation Report are subject to the various matters we have assumed, which are referred to and confirmed as Assumptions in the Valuation Services Schedule (which forms part of the Engagement). Where Assumptions detailed in the Valuation Services Schedule are also referred to within this Valuation Report they are referred to as an "assumption" or "assumptions". Unless otherwise defined, all capitalised terms herein shall be as defined in the Engagement.

We have valued the property interest detailed in the Property Record.

Compliance with RICS Valuation – Global Standards

We confirm that the valuation and Valuation Report have been prepared in accordance with the RICS Valuation – Global Standards, which incorporate the International Valuation Standards ("IVS") and the RICS UK Valuation Standards (the "RICS Red Book"), edition current at the Valuation Date. It follows that the valuation is compliant with IVS.

Status of Valuer and Conflicts of Interest

We confirm that all valuers who have contributed to the valuation have complied with the requirements of PS1 of the RICS Red Book. We confirm that we have sufficient current knowledge of the relevant markets, and the skills and understanding to undertake the valuation competently. We confirm that Jonathan Crawford MRICS has overall responsibility for the valuation and is in a position to provide an objective and unbiased valuation and is competent to undertake the valuation. Finally, we confirm that we have undertaken the valuation acting as an External Valuer as defined in the RICS Red Book.

We further confirm that we have no current, anticipated or previous recent involvement with the Property and / or parties to the transaction and therefore do not consider that any conflict arises in preparing the advice requested.

Purpose of Valuation

The purpose of this Valuation Report is in connection with a new loan to finance the development of the Property (the "Purpose of Valuation"). We have been advised that the purchase price is £1.1 million

Basis of Valuation

In accordance with your instructions, we have undertaken our valuation on the following bases:

1. Market Value of the subject land taking account of the current planning permission.
2. Market Value of the completed units assuming the property has been converted in accordance with the planning permission.
3. Estimated Reinstatement Cost Assessment (RCA)

Definitions

Market Value

The term "Market Value" as referred to in VPS4 Item 4 of the RICS Red Book and applying the conceptual framework which is set out in IVS 104: "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

The term "Market Rent" as referred to in VPS 4 Item 5 of the RICS Red Book. Under VPS 4 Item 5, the term "Market Rent" is defined in IVS 104 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".

Special Assumptions

A Special Assumption is referred to in the Glossary in the RICS Red Book as an assumption that "either assumes facts that differ from the actual facts existing at the valuation date, or that would not be made by a typical market participant in a transaction on the valuation date", ("Special Assumption").

Departures

We have made no Departures from the RICS Red Book.

Reservations

The valuation has been prepared on the basis of restricted information, in that there has been limited information made available to us concerning the development costs of the Property and the deliverable residential space. Consequently, we have had to make the assumptions referred to in the Property Record section of this Valuation Report. A valuation without full due diligence is dependent on the adequacy and accuracy of the information supplied and/or the assumptions made. If such information or assumptions prove to be incorrect or inadequate this could have an adverse impact on our opinion of value.

The valuation is therefore subject to the reservation that building regulations can be obtained for the conversion of this former office building into residential and that there will be a residential sales area of 13,540 sq ft with a circulation space of 1,800 sq ft.

Inspection

We have been provided with the measurements of the Property and have not undertaken check measurements.

Measurement

Details of measurement of the Property are included in the Property Record section.

Floor Areas

Unless specified otherwise, floor areas and analysis in this report are based on the following bases of measurement, as defined in RICS Property Measurement (the edition current at the Valuation Date):

Office	NIA
Industrial	GIA
Residential	GIA / IPMS 2

Sources of Information

In addition to information established by us, we have relied on the information obtained from you, the Borrower and others listed in this Valuation Report.

We have made the assumption that the information provided by you, the Borrower and your respective professional advisers in respect of the Property we have valued is both full and correct. We have made the further assumption that details of all matters relevant to value within your and their collective knowledge, such as prospective lettings, rent reviews, outstanding requirements under legislation and planning decisions, have been made available to us, and that such information is up to date.

General Comment

All valuations are professional opinions on a stated basis, coupled with any appropriate assumptions or Special Assumptions. A valuation is not a fact, it is an estimate. The degree of subjectivity involved will inevitably vary from case to case, as will the degree of certainty, or probability, that the valuer's opinion of value would exactly coincide with the price achieved were there an actual sale at the Valuation Date.

Property values can change substantially, even over short periods of time, and so our opinion of value could differ significantly if the date of valuation were to change. If you wish to rely on our valuation as being valid on any other date you should consult us first.

Should you or the Borrower contemplate a sale, we strongly recommend that the Property is given proper exposure to the market.

A copy of this Valuation Report should be provided to your solicitors and they should be asked to inform us if they are aware of any aspect which is different, or in addition, to that we have set out; in which case, we will be pleased to reconsider our opinion of value in the light of their advice.

Valuation

Market Value

Our opinion of the Market Value of the freehold interest in the Property as at the Valuation Date is:

£1,100,000 (One Million and One Hundred Thousand pounds)

Market Rent

Our opinion of the Market Rent of the completed units assuming the property has been converted in accordance with the planning permission, is as follows:

£141,600 pa (One hundred and Forty-One Thousand and Six Hundred Pounds) per annum exclusive

Please note that the above Market Rent is a gross assessment assuming the properties are fully let, with no allowance for void periods, letting fees and maintenance costs.

Confidentiality

This Valuation Report is confidential to you, for your sole use only and for the Purpose of Valuation as stated. Other than as detailed below, we will not accept responsibility to any third party in respect of any part of its contents.

Disclosure

You must not disclose the contents of this Valuation Report to a third party in any way, including where we are not referred to by name or if the Valuation Report is to be combined with other reports, documents or information, without first obtaining our written approval to the form and context of the proposed disclosure in accordance with the terms of the Engagement. We will not approve any disclosure that does not refer adequately to the terms of the Engagement and any Special Assumptions or Departures that we have made.

This Valuation Report or any part of it may not be modified, altered (including altering the context in which the Valuation Report is displayed) or reproduced without our prior written consent. Any person who breaches this provision shall indemnify us against all claims, costs, losses and expenses that we may suffer as a result of such breach.

We hereby exclude all liability arising from use of and/or reliance on this Valuation Report by any person or persons except as otherwise set out in the terms of the Engagement.

Reliance

This Valuation Report may be relied upon only in connection with the Purpose of Valuation stated and only by:

- (i) you;

For the avoidance of doubt, the total aggregate limit of liability specified in the terms of the Engagement (the "Aggregate Cap") shall apply in aggregate to (i) you, Apportionment of the Aggregate Cap shall be a matter for you and such other third parties alone.

Signed for and on behalf of Cushman & Wakefield Debenham Tie Leung Limited.



Jonathan Crawford MRICS

Partner
RICS Registered Valuer
+44 (0) 121 697 7242
jonathan.crawford@cushwake.com



Joe Williams MRICS

Associate
RICS Registered Valuer
+44 (0) 121 697 7303
joe.williams@cushwake.com

PROPERTY RECORD

Longmore House, Cromer Road, Birmingham, B12 9QP

Inspection

The Property was subject to an external inspection, from ground level and an internal inspection, on 22/11/2018.

A valuation without full due diligence is dependent on the adequacy and accuracy of the information supplied and/or the assumptions made. If such information or assumptions prove to be incorrect or inadequate, this could have an adverse impact on our opinion of value.

1. Location and Description

1.1. Location

General

- Established as the United Kingdom's second city, Birmingham is located 191 km (119 miles) north west of London, 31 km (19 miles) west of Coventry, 82 km (51 miles) south east of Nottingham and 140 km (87 miles) south of Manchester.
- Birmingham has been ranked the top UK regional city for quality of life (Mercer Living Index) and the number one regional city for startups in the UK. The growth of Birmingham University and UK Central development will ensure Birmingham continues to flourish, cementing itself as the UK's second city. UK Central & HS2 are set to generate 100,000 new jobs and more than £18 billion per annum by 2040.
- Situated at the heart of the United Kingdom's motorway and rail network, half the UK's population lies within two hours and 90% within a four-hour travel time of the region. The city benefits from excellent road communications given its position at the heart of the country and is served well by the national motorway network. The M5 Motorway is 13.5 km (8.5 miles) to the east, the M6 Motorway is 3.2 km (2 miles) to the north and the M42 Motorway is 9 km (5.5 miles) to the west. These motorways service the city from all directions, connecting to all major UK cities.
- There are 4 mainline train stations in Birmingham; New Street, Snow Hill, Moor Street and Birmingham International all of which provide frequent services to all parts of the United Kingdom. Birmingham International station serves the airport and the National Exhibition Centre, plus over 100 towns and cities. Rail times from the station are:

Birmingham New Street 10 mins
London Euston 1 hr 10 mins
Manchester Piccadilly 1 hr 45 mins
Bristol Temple Meads 2 hr 00 mins
Leeds 3 hr 00 mins
- High Speed 2 (HS2) is the UK's new high speed rail network which will increase capacity on Britain's railways, slashing journey times. The first phase of the £55 billion project is due to open in 2026 and will see Page 6 Secure Office Investment located on a Prime Business Park trains travel at high speed between London and a new Birmingham Interchange station next to Birmingham Airport and the NEC, with a journey time of less than 45 minutes. Phase 2 takes

the high speed line to the north-east and north-west of England with the line estimated to be finished by 2032/2033. Once complete, the number of passengers between London, Birmingham, Manchester and Leeds per hour could treble to 15,000. Research predicts that with a fully operational HS2, the West Midlands could see 50,000 additional jobs (26,000 of which would be in Birmingham/Solihull) and a £4 billion increase in economic output per year.

- Birmingham International Airport is 16 km (10 miles) to the south east of the city centre, accessed from Junction 6 of the M42 Motorway. The Airport handled over 10 million passengers between August 2014 and August 2015, making it the third largest regional airport in the UK and the second largest regional airport in England. Passenger numbers have grown by around 13% over the last five years and the airport is one of the most important economic drivers in the West Midlands region.

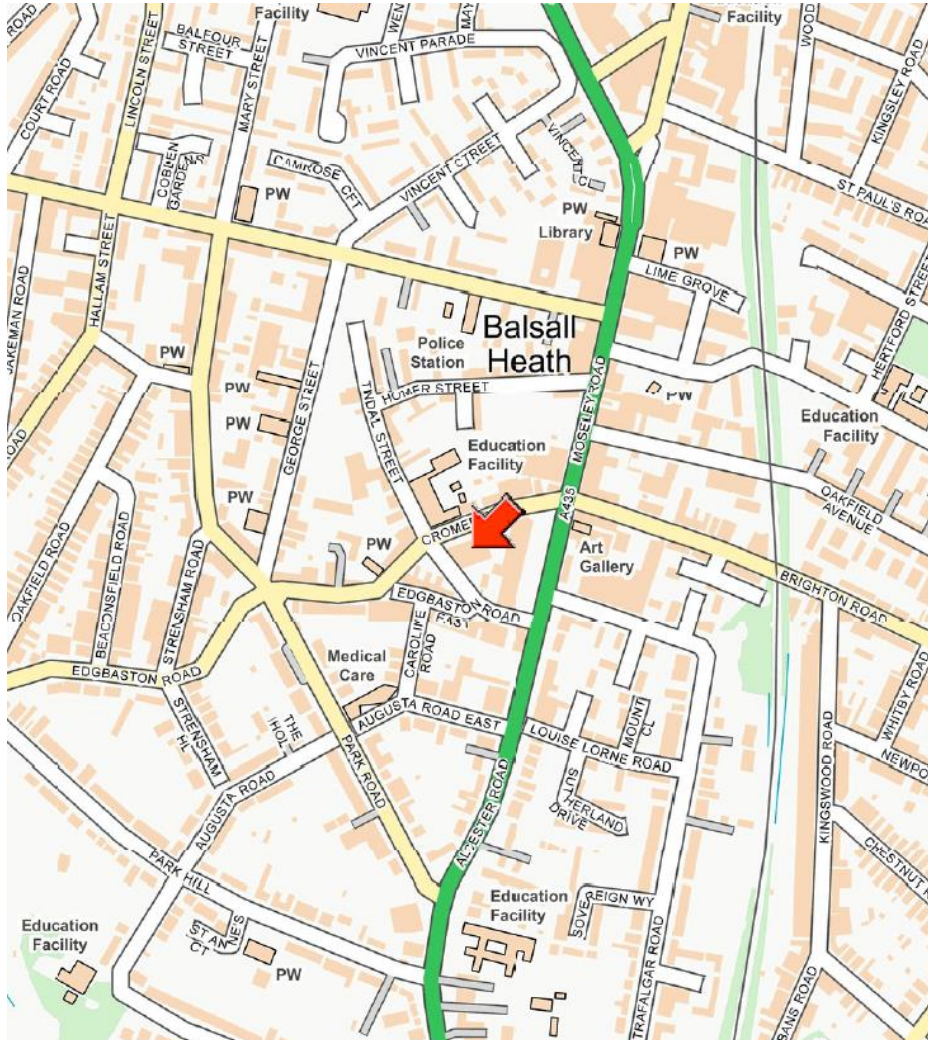


Further maps and plans are attached in Appendix A.

Situation

- Moseley is a popular suburb of Birmingham located approximately 3 miles south of the city centre. The property is well located on the cusp of Moseley & Balsall Heath on the west side of Alcester Road (A435) in Cromer Road, opposite the Ark Tindal primary school. Alcester Road serves as the principal retail area and main arterial road to the south of Birmingham city centre, leading through Moseley and King's Heath.
- The local area is made up a mix of commercial and residential uses, with the Property in close proximity to the main commercial high street through Moseley. Bordesley Green railway station is located 2 miles away.

- The site is located at land off Cromer Road, Moseley and sits on a corner plot between Cromer Road and Tindal Street.



1.2. Description



Further photographs are attached in Appendix B.

Summary

- Longmore House comprises a substantial office building set over three floors, extending to approximately 17,000 sq. ft. The Property has planning consent for change of use from Office (Use Class B1) to provide up to 27 Residential units (Use Class C3).
- The Property comprises a former school which has most recently been used as offices. The ground and first floor accommodation are currently configured as a number of insular offices and meeting rooms along with common areas, toilets and staff facilities. There is a former caretakers flat on the second floor. Longmore House sits on a plot of approximately 0.59 acres (0.24 hectares) and has car parking and vehicle access to both the front & rear of the property.
- The Property has brick elevations under a flat roof. Internally, the Property is in poor condition and has been stripped back in preparation for conversion. There is a mix of concrete and carpeted floors. The walls have been plastered and painted along with a combination of plastered and painted ceilings and suspended ceilings. The building is approximately 80 years old. We have not been made aware of any deleterious materials.
- We have not been made aware of exact details of the scheme including the timeline, development costs, fees or the estimated date of Practical Completion.

2. Accommodation

Source of Floor Areas

- We have adopted floor areas provided by the Borrower. The Gross Internal Area of the Property is 16,830 sq ft. This is broken down into 15,300 sq ft for the main building, 1,000 sq ft for the garage and 500 sq ft for the store.
- The proposed scheme will have a net saleable area of 13,540 sq ft and a further 1,800 sq ft of circulation space. This is a gross to net of 88% which is extremely unusual, in central Birmingham new build development struggles to achieve 80% gross to net and conversions even less. We would advise the Bank to seek clarity on the floor areas.

Parking Provision

- There are currently 17 car parking spaces on site to the front of the Property. It is proposed to retain at least 17 spaces to the front forecourt and to include further marked parking spaces on the rear courtyard for up to 16 more spaces.

3. Structural Condition and Repair

We have not carried out a building or condition survey.

We have not been provided with a building or condition survey. During our inspection we noted that the Property is in poor condition and had been stripped back in preparation for redevelopment works.

We are undertaking our valuation based on the assumption that the redevelopment works will be satisfactorily carried out to provide modern residential accommodation.

Estimated Reinstatement Cost Assessment

- Our indicative guide to the Day One Cost is in the order of £3,306,000 (exclusive of VAT). C&W has not carried out a formal reinstatement cost assessment.
- This guide figure envisages reconstructing the Property at the Valuation Date with clearance and reinstatement using modern methods and materials, which may not necessarily be appropriate or permitted. It does not reflect any additional costs attributable to conservation area status or listed building status (or similar – for example proximity to listed buildings)
- The provision of this guide figure is strictly in accordance with the terms of the Engagement and you should not rely on this guide for any purpose before it has been confirmed by a formal assessment carried out by a building surveyor or other person with sufficient current experience of replacement costs.

4. Site

Boundary



Area

- We are informed by the vendors agent that the site area is:

0.59 acre(s)

0.24 hectares

Topography

- The site is level.

Ground Conditions

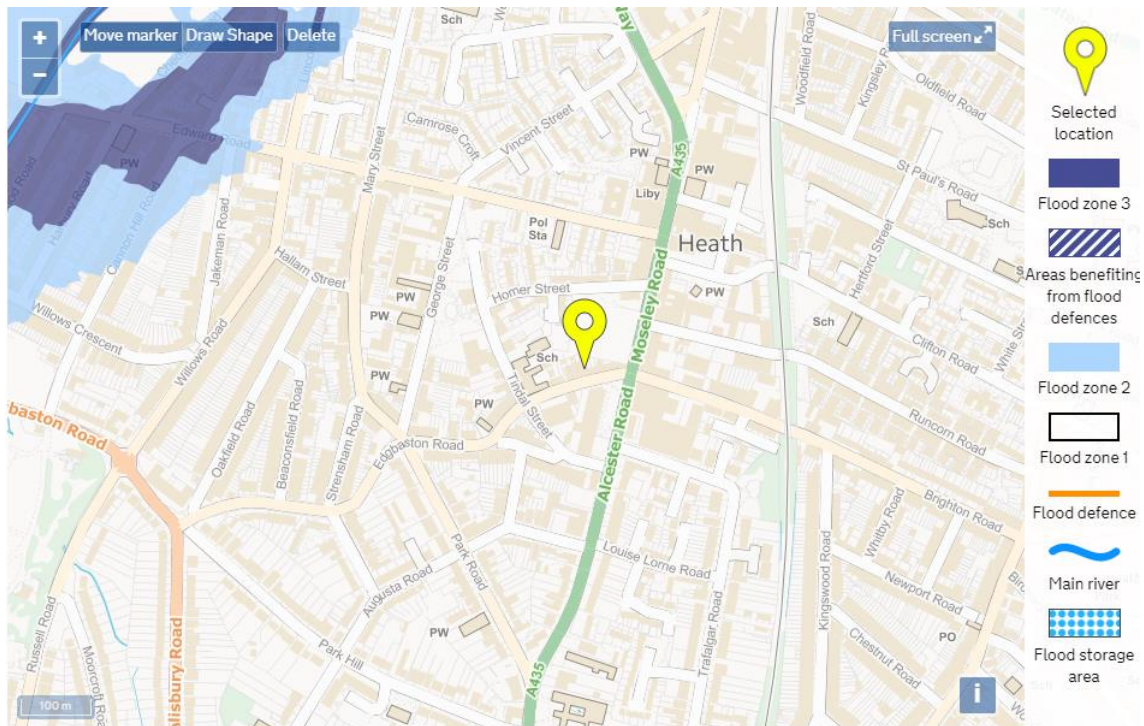
- We have not been provided with any information that indicates there are adverse ground conditions affecting the Property.

Archaeology





- We have made an assumption that the site has no archaeological significance.

Flooding Risk

- Plans reviewed by us on the Environment Agency website indicate that the Property is not in, or near to, a sea or river floodplain and that the site is considered to have a low likelihood of flooding.



- The Environment Agency map distinguishes between the different levels of flooding risk as follows:

- 
High: High risk means that each year this area has a chance of flooding from rivers or the sea is greater than 1 in 30 (3.3%).
- 
Medium: Medium risk means that each year this area has a chance of flooding from rivers or the sea of between 1 in 30 and 1 in 100 and (1% - 3.3%).
- 
Low: Low risk means that each year this area has a chance of flooding from rivers or the sea of between 1 in 100 and 1 in 1,000 (0.1% - 1%).
- 
Very Low: Very low risk means that each year this area has a chance of flooding from rivers or the sea of less than 1 in 1,000 (0.1%).

- The EA map indicates that the site is considered to have a very low likelihood of flooding.

5. Environmental Considerations and Environmental Performance

5.1. Environmental considerations

- We have made the enquiries referred to in the terms of the Engagement.
- In addition, we have been provided with a "Statement on Contaminated Land" Report dated September 2017, prepared by Gould Singleton Architects (the "Environmental Report").
- Our enquiries and the Environmental Report have provided no evidence that there is a significant risk of contamination or other adverse environmental issues in respect of the Property. Accordingly, as agreed, we have made an assumption that no contamination or other adverse environmental matters exist in relation to the Property sufficient to affect value.
- Other than as referred to above, we have made no investigations to establish if there is existing or potential contamination or other adverse environmental issues and, in practice, a purchaser may undertake further investigations.
- If it is subsequently established that contamination or other adverse environmental issues exist at the Property or on neighbouring land, or that the premises have been or are being put to a contaminative use, this might reduce the value now reported. You are advised to ensure your legal adviser takes up the usual enquiries on your behalf in respect of possible contamination or other adverse environmental issues before entering a financial commitment regarding the Property.

5.2. Environmental Performance

Energy Performance Certificate and Minimum Energy Efficiency Standards

- Energy Performance Certificates (EPCs) must be produced for all properties before being marketed for sale or lease.
- The Energy Efficiency (Private Rented Property) (England and Wales) Regulations 2015 establish a minimum level of energy efficiency for privately rented property in England and Wales. The Minimum Energy Efficiency Standards (MEES) Regulations are effective from 1 April 2018. The regulations prohibit the granting of a new tenancy or lease renewal of privately rented residential or business premises which do not have an Energy Performance Certificate (EPC) rating of 'E' or above.
- From April 2020, all privately rented residential property will be affected, followed in April 2023 by all privately rented commercial property even where there has been no change in tenancy arrangements. In both cases, properties will be affected even where a lease is already in place and a property is occupied by a tenant.
- There are important points that lenders should be aware of when assessing an EPC:
 - The quality of an EPC can vary significantly due to the historic limited regulation of assessors. This has improved significantly, however EPCs are valid for 10 years and therefore there are still a number of poor quality EPCs in the market. Furthermore, the age of an EPC is an important consideration because its accuracy will degrade over time.
 - The accuracy can also vary significantly due to the calculation methodology. Since their inception in 2008, there have been several changes to the way EPCs are calculated, including an update to Part L (Conservation of Fuel and Power) of the Building Regulations in 2011. That said, when there is a lack of information, an assessor will make default assumptions usually based on the worst-case scenario this, in turn, can lead to an inaccurate default certificate. There have also been instances when the EPC has been registered against the incorrect property.

- Where the Property's EPC rating falls within E, F or G, we would recommend that you ensure an 'Action Plan' is put in place by the Borrower. An 'Action Plan' would set out how the Borrower is going to ensure compliance with MEES regulations through an energy efficiency improvement programme. The process would highlight opportunities to implement works during void periods or lease breaks, or as part of the on-going maintenance and plant renewal programme. We recommend you monitor the implementation of this Plan over the period of the loan.
- We are not able to comment on the quality or accuracy of a specific EPC and we would advise undertaking your own quality assurance measures. We are not qualified to make an assessment of costs associated with improving non-compliant properties.

Impact on the Property

Source	Rating	Date	Comparison to Existing Stock
EPC register	D 80	08/06/2017	Typical

6. Statutory Matters

Town Planning

Overview		
a.	Local planning authority	Birmingham City Council
b.	Current planning use	B1 (planning permission for C3)
c.	Listed Building status?	No
d.	Conservation Area?	No
e.	Outstanding applications?	None

Planning History

Date	Status	Details
12/12/2017	Approved	2017/08132/PA - Prior Approval for change of use from office (Use Class B1[a]) to 27 Residential units (Use Class C3)

- As the proposal meets the criteria under the Permitted Development Rights there are no planning obligations involved such as Section 106 Agreements.

7. Taxation

Business Rates

- **Small Businesses etc** – An occupier may be eligible for rates relief, such as some small businesses and non-profit organisations
- **Fresh Start** – This relief assists owners and landlords fill empty properties as well as encouraging new start-ups through reduced rates bills. New occupiers of shops or offices that

have been empty for at least a year are able to apply for a 50% discount on their business rates for 12 months

See summary below:

Demise	Description	Rateable Values
Longmore House, Cromer Road, Birmingham, B12 9QP	Training Centre and Premises	£54,500
Car Space at Longmoor House, Cromer Road, Birmingham, B12 9QP	Car parking space and premises	£150
Total		£54,650

- In England, the Non-Domestic Rating Multiplier for the fiscal year 2018/2019 for England has been set at 49.3 pence. There is a surcharge for the City of London of 0.5 pence in the pound.
- Properties with rateable values below £51,000 are eligible for the Small Business Non-Domestic Rating Multiplier, which for the fiscal year 2018/2019 has been set at 48.0 pence (48.5 in City of London). Businesses in London with assessments greater than rateable value £70,000 are liable to pay a Cross Rail Levy of 2 pence in the pound.
- Eligible businesses with rateable values below £12,000 are eligible for 100% rate relief on their liability, with a tapering relief from 100% to 0% for properties up to £15,000 in rateable value.
- The Government has introduced a new five year transitional rate relief scheme to phase in the new 2017 Rateable Values. For 2018/2019, the limits are as follows:

Maximum increases			Maximum decreases		
Large properties (RV above £100,000)	Medium properties (RV over £28,000 in London and £20,000 outside)	Small properties (RV under £28,000 in London and £20,000 outside)	Large properties (RV above £100,000)	Medium properties (RV over £28,000 in London and £20,000 outside)	Small properties (RV under £28,000 in London and £20,000 outside)
42%	12.5%	5%	4.1%	10%	20%

Empty Rates

- Vacant premises are eligible for business rate relief. Rates on vacant office premises are charged at full rate following an initial three-month exemption.

8. Tenure and Occupational Interests

Title

- We have not been provided with a Report on Title.

Overview

Type of tenure	Freehold
Title no(s)	WK226799

Overview

Any material encumbrances or unduly onerous / unusual easements, restrictions, outgoing or conditions?	No
Any title characteristics likely to have an adverse impact on value, either now or over the proposed loan term?	No

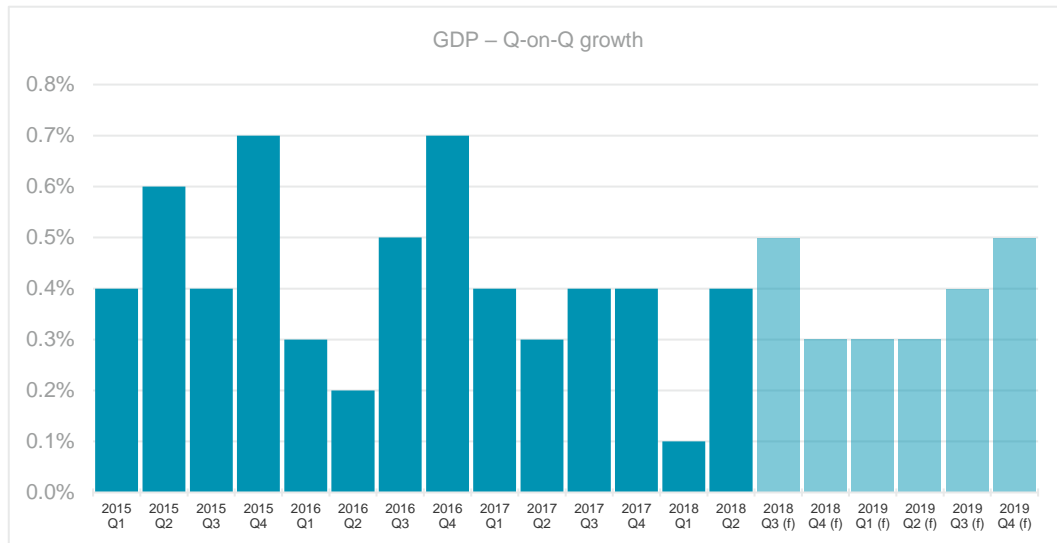
Vacant Units

- The Property is currently vacant.

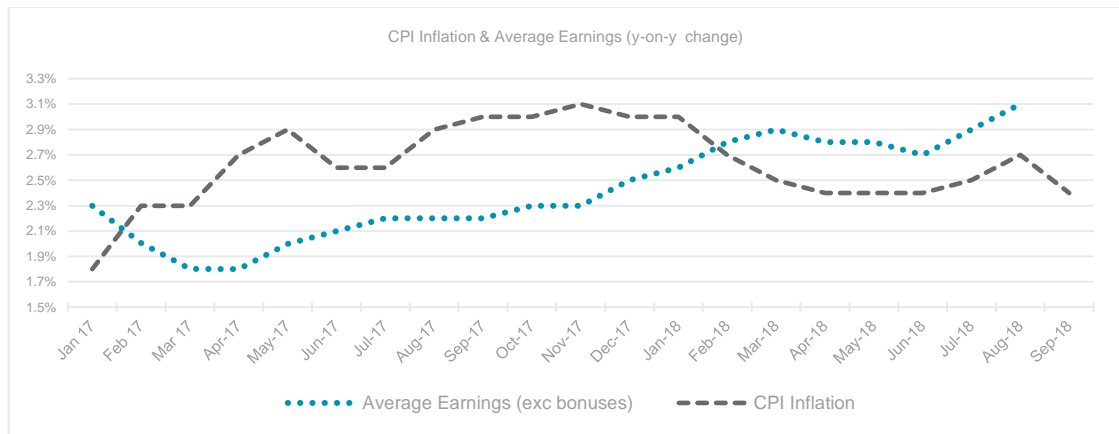
9. Residential Market Commentary

Economic Overview

Although on the face of it August’s labour market data was weak from a jobs perspective, other data would suggest that this is due in the main, to difficulties in hiring rather than business hiring sentiment. In the three months to August 2018, 5,000 jobs were lost, but the unemployment rate held steady at 4%, and the number of unfilled vacancies remained at historical highs. Alongside this, wage growth rates took a welcome, overdue upturn, with average earnings (excluding bonuses) in August, up 3.1% from a year earlier.



- The aforementioned wage inflation figures in August’s data release was matched by a spike in the CPI measure of inflation during the month, although a more recent release, appears to suggest this jump (to 2.7%, from 2.4% in September) was a blip. Most forecasters remain steadfast in their views that the Bank of England’s 2% target will be met some time in 2019.



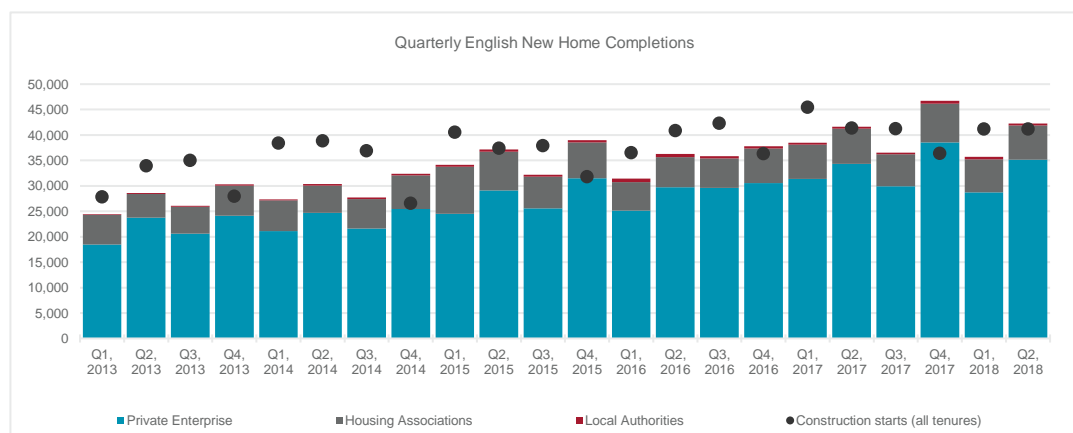
• Source: ONS / Oxford Economics / OBR

House Price Inflation

- Latest data from the UK House Price Index (UK HPI) show's house price inflation cooling slightly in August, with 34% of England's 325 Local Authorities recording monthly price falls. Overall, in the 12 months to August 2018, English house prices increased 2.9%, with the average home now costing just under £¼m. Regionally, the Midlands continues to record 5%+ year-on-year growth, while Southern English regions are all in the sub-3% club. At an even-more focused geographical level, five Local Authorities are presently experiencing annual house price inflation rates of over 10%. The five (Forest of Dean, Derbyshire Dales, Blaby, Newcastle-under-Lyme and North Warwickshire) are all clustered in a relatively small area situated in the very centre of the country and are, generally speaking, rural locations.

New Homes

- Over 42,000 new homes were completed in England during Q2 2018, which represents an 18.2% increase on Q1 2018. However, it is worth noting that Q1 2018 witnessed the lowest quarterly number of completions for two years. What is of concern from the latest MHCLG data, is the drop-off in construction starts coming from Housing Associations. Starts from HA's in H1 2018 were down 18% when compared with H1 2017. which should result in final 2018 figures showing a weakness in delivery from this vital source of affordable homes.



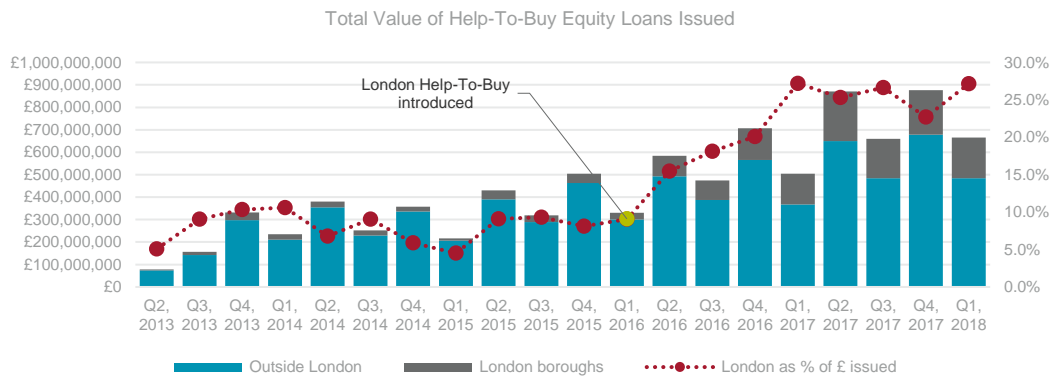
Sources: UK HPI / Department for Communities and Local Government

- Considering the prevailing 'wait-and-see' attitude currently evident throughout the new home construction market, it is unlikely that we will witness growing numbers of both starts and completions in coming data releases.

Mortgage Market

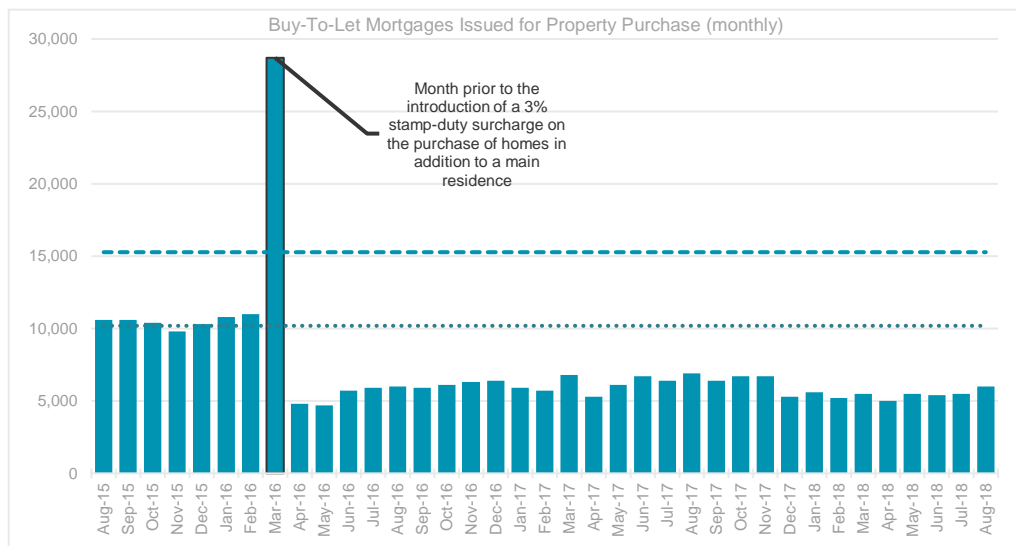
Help to Buy Equity Loan

- The total value of loans issued through the Help-To-Buy Equity Loan scheme is fast approaching the £10bn mark and has helped in the purchase of homes whose combined value tops £45bn. As highlighted in the below graph, the popularity of the scheme has increased rapidly since its introduction, with approximately 3,900 loans, totalling £¼bn per month currently being issued. As also highlighted in the below graph, the introduction of London Help-To-Buy* has been followed by a sharp increase in the number of people using the scheme in London, with c.27% of loans (by value) issued currently being for London new home purchases. Based on our analysis, we estimate that in 2018 c.39% of all money coming into London new homes benefitted from Help-To-Buy assistance.



BUY-TO-LET (BTL) INVESTOR ACTIVITY

- Although total Buy To Let (BTL) loans issued in August for property purchase were down 13% from the same month a year earlier, activity in the BTL market has experienced a minor upward turn during the summer months. However, this is largely in-line with wider lending for house purchase trends, with the BTL sector only account for around 7.5% of loans issued. This figure was 7.9% in July 2018, and 8.6% in August 2017.



Sources: UK Finance/ CML

Rental Markets

- Regionally, rates of rental growth are above their 10-year average growth levels in all but the North East, London, and the South East. The East Midlands continues to experience the greatest historical out-performance, with current annual rental inflation (2.9%) running 1.6 percentage points above its 10-year average.
- Within the regions, the greatest upward pressure is being felt in in core urban locations, with average annual rates of rental inflation in recent years above 4.5% in Manchester, Bristol, Birmingham, Newcastle, Nottingham and Liverpool.
- Due to these recent strong rental growth rates keeping pace with, and in some cases exceeding house price inflation, strong rental yields in regional cities (see table) remain a possibility for new investment. As to be expected, a sustained period on rapid house price inflation in Prime London borough's following the 2008 market downturn, resulted in record low rental yields being available to new investment. In the five-year period following March 2009 (the bottom of the downturn), average house prices in prime London borough's doubled, while private rents only experienced minor growth of 5%.

City	Gross 2 nd hand rental yield
Nottingham	6.4%
Birmingham	6.1%
Newcastle-upon-Tyne	6.1%
Sheffield	6.1%
Liverpool	6.0%
Leeds	5.8%
Manchester	5.8%
Bristol	5.0%
Outer London average	4.5%
Inner London average	3.9%
Prime Central London average	3.0%

Sources: UK HPI/ IPHRP/ Cushman and Wakefield/ VOA/ MHCLG

10. Principal Valuation Considerations

Location / Situation and Competition

- The Property is well located for conversion to residential given its close proximity to transport and amenities. The surrounding area comprises predominantly residential dwellings.

Building Design / Condition / Suitability

- The current condition of the Property is poor, and the internal specification has been stripped back ready for development. The site and building are suitable for conversion and will provide sufficient parking. Once the works are completed the building will provide modern residential accommodation.

Site / Environmental Issues

- We are not aware of any environmental issues that will impact value.
- The Property has an EPC Rating of D (80) and is therefore compliant with MEES. Once the works have been completed new EPC certificates will need to be produced.

Planning / Statutory Issues

- Planning approval is in place for change of use from office (Use Class B1[a]) to provide up to 27 Residential units (Use Class C3).

Tenure

- Freehold.

Income Security and Tenant Quality

- The Property is currently not income producing.
- Once the development works are completed, given its location the Property will likely appeal to young professionals as well as local residents who are seeking to rent.

Lettability

- In its current state the Property has poor letting prospects given its condition and the lack of demand for office accommodation in this area.
- Once the proposed conversion works have been completed we expect good levels of demand for the flats.

Asset Management Opportunities

- There is an opportunity to alter the current proposals to provide a mix of 1 and 2-bedroom flats. This mix may improve demand and saleability in comparison to the current plans that consist of 27 units that only provide 1-bedroom flats. Having a mix of units is likely to minimise any letting void.

Rental and Capital Performance and Growth Prospects

- The Property has been market tested and there is no demand for its current use in the office market.

Saleability

Current Sale Prospects

What is the estimated period it would take to sell the Property at Market Value? 6 months

Purchaser demand is likely to be Good

11. Valuation Approach and Opinions of Value

11.1. Market Rent

Background

We have undertaken our assessment of the Market Rent of the completed units assuming the Property has been converted in accordance with the planning permission. Our opinions of value are based on an analysis of recent market transactions, supported by market knowledge derived from our agency experience.

Rental Evidence

In arriving at our opinion of the Market Rent of the Property we have had regard to nearby apartments currently being marketed to let or that have been recently let.

Address	Description	Rent PCM	Comments
Woodstock Rd, Moseley, B13 9BN	1-bedroom apartment	£465	Modern open plan apartment
Sandford Road, Moseley, B13 9BU	1-bedroom apartment	£495	Basic apartment, recent refurbishment
Kings Hall, Wake Green Rd, Moseley B13 9HW	1-bedroom apartment	£700	Modern, open plan, high specification apartment
Trinity Court, Wake Green Rd, Moseley	1-bedroom apartment	£650	Modern spacious apartment
39 Park Road, Birmingham, B13	2-bedroom apartment	£700	Modern specification
Hardy Court, Trafalgar Road, Moseley, B13 8BU	2-bedroom apartment	£625	Spacious living area, basic specification, ground floor
Edgbaston Road, Birmingham, B12	2-bedroom apartment	£600	Small modern apartment

We have not been provided with a unit schedule and therefore have made assumptions in order to arrive at a Market Rent of the completed units. We have adopted the areas provided by the Borrower for this valuation and have adopted the 88% gross to net figure they have provided to give a total net saleable floor area of 13,540 sq ft for the completed units. We have assumed the Property is to be refurbished to provide 20 units with an area of 677 sq ft each comprising a mix of 12 no. 1-bedroom apartments and 8 no. of 2-bedroom modern apartments.

Average rents for 1-bedroom apartments are £550pcm and 2-bedroom apartments average £650pcm. We have adopted these figures resulting in a Market Rent for the completed units of £141,600 per annum. Please note that the Market Rent is a gross assessment assuming the properties are fully let, with no allowance for void periods, letting fees and maintenance costs.

11.2. Market Value

Background

We have undertaken our assessment of the Market Value of the freehold interest in the Property with the knowledge that the land currently holds planning permission for up to 27 Residential units. Our opinions of value are based on an analysis of recent market transactions, supported by market knowledge derived from our agency experience.


In order to arrive at our opinion of the Market Value of the property in its current condition, on the assumption that the purchaser will develop the Property as detailed in the Unit Schedule below, we have carried out a residual valuation. We detail our approach below.

The Property has been tested in the open market and we are of the opinion the underlying value is from the potential to convert to residential.

Our valuation calculations are attached as an Appendix to this Valuation Report.

Vacant Possession Sales Evidence

In arriving at our opinion of the Market Value of the Property we have had regard to recent Vacant Possession sales of offices with residential conversion potential.

Britannia House, Eastgate Street, Stafford, ST16 2NQ	
	<p>Date October 2018</p> <hr/> <p>Price £1.1 million (£68.75 psf)</p> <hr/> <p>Size 16,000</p> <hr/> <p>Comment & Comparison</p> <ul style="list-style-type: none"> • Vacant office with conversion potential • Town centre location

Pannell House, 159 Charles Street, Leicester, LE1 1LD	
	<p>Date November 2018</p> <hr/> <p>Price £1.5 million (£116 psf)</p> <hr/> <p>Size (sq ft) 12,931</p> <hr/> <p>Comment & Comparison</p> <ul style="list-style-type: none"> • Vacant office with conversion potential • Town centre location

Sheldon Court, Wagon Lane, Sheldon, Birmingham B26 3DU



Date	November 2018
Price	£2.525 million (£78.50 psf)
Size (sq ft)	32,131
Comment & Comparison	<ul style="list-style-type: none"> • Vacant office with conversion potential • No prior approval • Out of town location

In arriving at our Market Value, we had considered the above comparable evidence of recent sales of vacant offices. The achieved sales range between £68-£116 per sq ft. These offices are all considered suitable for conversion to residential and therefore underpin the value. We would expect the Property to achieve a price per sq ft at the lower end of this scale due to its location, condition and size. Our opinion of Market Value following the appraisal breaks down to c.£70 per sq ft which is supported by the above evidence.

Comparable Sales Evidence

In arriving at our opinion of Market Value for the properties, we have had regard to comparable properties which are currently on the market or have been recently sold within the local area. We have relied upon the following freehold/long-leasehold comparable transactions when undertaking our opinion of value. These are as follows:

Address	Description	Sales Details	Comments
Flat 10 Coppice Oaks, Coppice Road, Birmingham, B13	2-bedroom apartment	For sale: £155,000	Relatively modern apartment
Moseley Road, Birmingham, West Midlands, B12	2-bedroom apartment	For sale: £140,000	Modern, spacious apartment, small kitchen
39 Park Road, Moseley, Birmingham, B13	2-bedroom apartment	For sale: £160,000	Modern, spacious apartment
Moor Green Park, Moseley	2-bedroom apartment	For sale: £225,000	Modern, spacious, open plan apartment
Flat 1, 8 Alcester Road, Moseley, Birmingham, B12 8BE	1-bedroom apartment	Sold: £114,500	Sold 02/02/2018. Unknown condition, originally sold 2nd Nov 2007.
Flat 5, 8, Alcester Road, Birmingham, West Midlands B13 8BE	1-bedroom apartment	Sold: £163,000	Sold 27/07/2018. Unknown condition, originally sold 12th March 2007.

Flat 9, Victory House 64-68, Trafalgar Road, Moseley, Birmingham, B13 8BU	2-bedroom apartment	Sold: £133,000	Sold 16/07/2018. Unknown condition, originally sold 16 th June 2002
---	---------------------	----------------	--

The evidence above shows 1 bedroom apartments achieving £114,000 to £163,000 in the past year. Furthermore, we can see 2 bedroom apartments achieving for sale and sold prices ranging from £133,000 to £225,000. Given the Property will provide new apartments with modern specifications we believe the sale value of the units will be at the higher end of these comparables.

Valuation approach

- Planning permission has been received to convert the Property to provide up to 27 residential units through a Permitted Development Consent. There is no Affordable Housing required and no s106 or s278 costs.
- We have undertaken our assessment of the Market Value of the Property assuming it is to be converted in to provide 20 residential units with a total net saleable floor area of 13,540 sq ft.
- We have approached the valuation of the Property using the residual and comparable methods. In arriving at our opinion of the Market Value of the Property we have had regard to recent sales of modern apartments and office units within the local area.
- Our appraisal of the Property assumes that the developer would look to dispose of the apartments on completion. Our valuation takes account of the gross development value attainable and makes industry accepted allowances for construction costs (taking account of the cost schedule you have provided), including contingency, professional fees, finance charges, sales and marketing costs and legal fees, as well as our opinion of a realistic development margin for a project of this nature. We have additionally taken account of standard purchaser's costs to include stamp duty at the prevailing rate.
- Development appraisals are highly sensitive to variations in data and small changes in variables can have significant impact on values. A small change in one of the variables, such as sales rate or build cost, can have a large bearing on the residual land value produced. Similarly, if the specification is lower than we have assumed then it may impact upon demand and therefore achievable values for the completed units. As a result, we must treat the value produced with caution until all of the assumed inputs have been verified.

Gross Development Value (GDV)

- In order to determine the Gross Development Value (GDV) of the property, we have noted the approved scheme which allows for up to 27 no. properties. We have appraised on the basis that the development will provide 20 units of 675 sq ft each.
- We have not been provided with a unit schedule therefore we have undertaken the appraisal on the assumption that there will be a mix of 1 and 2-bedroom flats. We believe this breakdown would improve demand and saleability in comparison to providing 27 no. 1 bedroom flats.
- We have had regard for the comparable sales evidence demonstrated in this report in order to determine the GDV. Considering this evidence, we have applied a rate of £270 per sq ft to the saleable area to arrive at a GDV of £3,655,800. We consider this to be a realistic figure based upon actual sales transacted locally.
- The GDV figures provided in our valuation for the residential units are the capital receipts from pre-sales or individual vacant possession sales of all residential units, which we have assumed will be sold on the open market without deduction of costs. It is the estimated value on an individual unit basis and does not represent the value of the unit if sold in a single portfolio.

Development Costs

- As previously discussed, development appraisals are highly sensitive to variations in data and small changes in variables can have significant impact on values. We have not been provided with costs for the scheme, therefore we have adopted industry standard costs and inputs in arriving at our residual land value. As a result, we must treat the value produced with caution until all of the assumed inputs have been verified.
- We have not been provided with build cost for the development and have therefore adopted a rate of £75 per sq ft for the GIA of the individual units and circulation space, which totals £1,150,500.
- We have allowed for Stamp Duty Land Tax on the acquisition, in addition to 1.5% agent and legal fees. We have included a total cost for surveys and reports of £100,000 and demolition costs at £75,000.
- We have also allowed a £20,000 marketing budget spread evenly over the sales period, plus 2.00% sales agent and legal costs on the completed units.
- Professional fees have been included at 9.00%. A developer's contingency has been included at 3.00% to account for the increased risks associated with developing a property of this nature.
- We have adopted a finance rate of 6.50%.
- We have assumed that the build works will be completed within 9 months. We have assumed that sales and marketing of the development may take place over the duration of the construction period and beyond, but that receipts from sales of the units will not be received until the entire Property has been converted.
- We have assumed a mid-range specification for the completed apartments.
- With regard to sales period, we have assumed that the units will be sold at a rate of approximately 2.2 units per month on average (9 months in total). We assume the first sale will not take place until the end of the main construction period.
- Our assumed rate of delivery is in accordance with what we would expect in the current market. Please note that the residual appraisal is sensitive to adjustments in timeframe. If the pace of sales or construction differs from that assumed above, this may have a significant impact on our valuation. Similarly, if the specification is lower than we have assumed then it may impact upon demand and therefore achievable values for the completed units.
- We have assumed a developer's profit margin of 20% based upon the Gross Development Value (GDV). This is considered standard practice typical of a residential scheme.
- Our appraisal produces a residual land value of £1,113,083, which equates to approximately £55,650 per apartment. This is on the assumption of a single upfront payment for the Property. A copy of our Development Appraisal is included within Appendix C.

12. Security for the Loan

Principal Property Risks

We are not qualified to assess the adequacy of capital and income cover for the loan, but we comment below on the future prospects for movement in the value of the Property in comparison to its peers over the period of the loan.

We have assumed a loan period of 2 years from the Valuation Date.

Principal Property Risks

<p>Location / situation:</p> <p>1= very poor 5 = excellent</p>	3	The Property is poorly located for its current use as indicated by the lack of occupational demand. Most of the prospective purchasers were interested in the development potential of the Property given its proximity to the city centre, transport links and amenities. Moseley is a popular area particularly with young professionals seeking to rent.
<p>Building quality:</p> <p>1= very poor 5 = excellent</p>	2	The building is in poor condition however it is suitable for the proposed development given its size, configuration and access. Given the proposed works we do not believe the condition of the Property impacts on value as the value is underpinned by the potential to change use rather than to let the Property as offices.
<p>Title:</p> <p>1= very poor 5 = very good</p>	4	We are not aware of any title issues that may impact on value. We are advised there were a number of bidders on the Property therefore we consider the Property to have a good and marketable title.
<p>Security of income:</p> <p>1= very poor 5 = excellent</p>	1	The Property is currently not income producing. However, this has not impacted our opinion of value as interest in the Property was based on securing vacant possession in order to develop into residential.
<p>Capital value volatility:</p> <p>1= very high 5 = very low</p>	3	As explained in this report, our appraisal of the Property has been based on assumed costs and inputs that have not been certified. Therefore, our valuation is highly sensitive and is subject to change once costs and fees have been confirmed. If costs and timelines are altered, then this will impact on the value of the Property.
<p>Liquidity:</p> <p>1= very low 5 = very high</p>	3	We are informed by the agents who have marketed the Property that there were several interested parties and a number of bids had been received. Therefore, we consider the Property to have good liquidity and would not anticipate a lengthy marketing period. We would expect purchaser's motivation to be to develop the Property into residential.
<p>Asset management potential:</p> <p>1= very poor 5 = excellent</p>	3	Given the lack of demand for the Property in its current use the best asset management opportunity in order to maximise value is the change of use to residential. There is a lack of demand for the Property in its current use.
<p>Compliance with MEES Regulations</p> <p>1= very poor 5 = excellent</p>	3	The Property is currently compliant with MEES regulations. The Bank should ensure Energy Performance Certificates are produced for the units once the development works are completed.
<p>Re-financing prospects:</p> <p>1= very poor 5 = excellent</p>	2	The intention of the Borrower is to sell the units once the development works have been completed, it is therefore unlikely that refinancing will be required as the term of the loan may not exceed the time taken to dispose of all of the units.

Other comments:

Suitability for Loan Security

In our opinion, subject to the comments and assumptions contained below and elsewhere in this Valuation Report, the freehold interest in the Property provides satisfactory security for the purposes of a loan over a period of 2 years (subject to the adequacy of capital and income cover). This is without opinion as to the commercial decision to lend, which remains with the Bank.

The Property is well located and suited for residential conversion. Market conditions support the development. We have taken a conservative view with our appraisal inputs given we have not been provided with costs and we believe the proposed development is viable.

The Bank should ensure they have confirmed costs and fees associated with the development before taking its decision to lend. Our appraisal is based on a number of assumptions, these should be clarified given the bearing they can have on residual value. The timetable for the works and for disposal of the units will impact on value and therefore the planned development period should be confirmed. It may be necessary to update valuations if there are notable changes made to the areas, specification, cost estimates and timetable assumed in the report. The Bank should carry out background checks on building contractors and ensure the progress of the works are monitored throughout the development period.

We have not had sight of a copy of the Report on Title. We would advise the Bank to obtain a copy in order for review to ensure there are no issues that may impact on value.

APPENDIX A: PHOTOGRAPHS



Front elevation



Rear yard



Internal



Internal



Internal



Internal

APPENDIX B: VALUATION CALCULATIONS

Longmore House
Asset Value £1,100,000

Development Appraisal
Cushman & Wakefield
05 December 2018

APPRAISAL SUMMARY

CUSHMAN & WAKEFIELD

Longmore House
Asset Value £1,100,000

Summary Appraisal for Phase 1

Currency in ?

REVENUE

Sales Valuation	Units	ft ²	Sales Rate ft ²	Unit Price	Gross Sales
Apartments	20	13,540	270.00	182,790	3,655,800

NET REALISATION 3,655,800

OUTLAY

ACQUISITION COSTS

Residualised Price			1,113,083		
				1,113,083	
Stamp Duty			45,154		
Agent Fee		1.00%	11,131		
Legal Fee		0.50%	5,565		
Survey			100,000		
				161,850	

CONSTRUCTION COSTS

Construction	ft ²	Build Rate ft ²	Cost		
Apartments	13,540	75.00	1,015,500		
Circulation Space	1,800	75.00	135,000		
Totals	15,340		1,150,500	1,150,500	
Contingency		3.00%	34,515		
Demolition			75,000		
				109,515	

PROFESSIONAL FEES

Architect		4.00%	46,020		
Quantity Surveyor		1.00%	11,505		
Structural Engineer		1.00%	11,505		
Mech./Elec.Engineer		1.00%	11,505		
Project Manager		1.00%	11,505		
C.D. Manager		1.00%	11,505		
				103,545	

MARKETING & LETTING

Marketing			20,000		
				20,000	

DISPOSAL FEES

Sales Agent Fee		1.50%	54,837		
Sales Legal Fee		0.50%	18,279		
				73,116	

FINANCE

Debit Rate 6.50%, Credit Rate 0.00% (Nominal)					
Land			138,796		
Construction			54,235		
Total Finance Cost				193,031	

TOTAL COSTS 2,924,640

PROFIT

731,160

APPRAISAL SUMMARY

CUSHMAN & WAKEFIELD

Longmore House

Asset Value £1,100,000

Performance Measures

Profit on Cost%	25.00%
Profit on GDV%	20.00%
Profit on NDV%	20.00%
IRR	26.24%
Profit Erosion (finance rate 6.500)	3 yrs 6 mths

APPENDIX C: ABBREVIATIONS

ERV	Estimated Rental Value
GIA	Gross Internal Area
IPMS	International Property Measurement Standards
NIA	Net Internal Area
PROMIS	Property Market Information Service (an authoritative real estate database produced by PMA Services)
PS	Professional Standard
RICS	Royal Institution of Chartered Surveyors
UKVS	United Kingdom Valuation Standard
VPGA	Valuation Practice Guidance Application
VPS	Valuation Professional Standard
WAULT	Weighted Average Unexpired Lease Term
WAEPC	Weighted Average Energy Performance Certificate

APPENDIX D: MAPS AND PLANS

Longmore House, Cromer Road, Moseley, Birmingham, B12 9QP



Promap
LANDMARK INFORMATION GROUP

Reference Survey © Crown Copyright 2018. All rights reserved.
License number 100023492. Product Sub - 1. Title

Longmore House, Cromer Road, Moseley, Birmingham, B12 9QP



Longmore House, Cromer Road, Moseley, Birmingham, B12 9QP



SOURCES OF INFORMATION AND TERMS OF THE ENGAGEMENT

Sources of Information

In addition to information established by us, we have relied on the information obtained from you and / or Tay Dean Ltd, as listed below:

Information	Source / Author	Date
Floor areas	Borrower	December 2018
Details of ground conditions	Gould Singleton Architects	December 2018
Flooding risk enquiries, environmental enquiries	Environmental agency	December 2018
Copy environmental report / Details of known environmental or contamination issues	Gould Singleton Architects	December 2018
Rating assessments	VOA	December 2018
Details of planning use and relevant planning consents	Birmingham City Council	December 2018
Details of recent, current or proposed marketing of the Property and offers received	Bonde Wolfe	December 2018

Terms of the Engagement



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

Ref: Tay Dean Ltd

Cushman & Wakefield,
1 Colmore Circus Queensway,
Birmingham,
B4 6AJ

Dear VAS,

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 Report 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:	Tay Dean Ltd
Properties:	Longmore House, Cromer Road, BIRMINGHAM, B12 9QP
Tenure:	Freehold
Use:	Office
Access:	To arrange access to the Property please contact the client directly - Avtar Sandhu / 07793 888888 / Sandhu@greencyc.com. Please provide details of any parts of the Property that were not inspected within your report.

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 and valuation must be undertaken and signed by a qualified valuer with a minimum 2 years PQE. A qualified valuer must be both a member of the Royal Institution of Chartered Surveyors, MRICS/FRICS and an RICS registered valuer. The Lender requires all residential and commercial valuation reports (excluding short form residential templates) are to be countersigned by a Chartered Surveyor, MRICS/FRICS and an RICS registered valuer with a minimum of 5 years PQE.

Whilst your report will be addressed to Proplend Security Ltd, it will need to be uploaded to the Proplend website and 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.

Proplend Security Limited Registered in England and Wales Company No: 08620117 T: 0203 397 8290



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

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 on 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.

Please provide as appendices:

1. Sufficient colour photographs of the street scene, exterior (front and rear) and interior of the Property.
2. A general location map and a more detailed plan showing boundaries you have assumed for the Property.
3. Land registry extract.

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.

A handwritten signature in black ink, appearing to read 'B Bartaby', with a horizontal line extending to the right.

Brian Bartaby
Director
Proplend Security Ltd



125 Old Broad Street
London, EC2N 1AR
Tel +44 (0) 20 3296 3000
Fax +44 (0) 20 3296 3100
cushwake.com

VPanel Ltd. T/A VAS Panel
The Palace Hub
28-29 Esplanade
Redcar
TS10 3AE

22 November 2018

Dear Sir/Madam

Valuation of Longmore House, Cromer Road, Birmingham, B12 9QP

We are delighted that you have chosen Cushman & Wakefield to work with you in relation to the above matter. The schedule to this letter details the services we will provide, the basis of our appointment, our fees and anticipated expenses, together with other information relevant to our services (the "Services Schedule" and together with this letter, the "Engagement Letter").

Enclosed are our standard terms of business containing exclusions and limitations on our liability and detailing our respective obligations (the "Terms of Business") which, together with the Engagement Letter, comprise the terms of our engagement (the "Engagement"). Please take a moment to check that you are happy with the contents of the Engagement Letter, the Services Schedule and the Terms of Business and understand the basis of the Engagement.

Jonathan Crawford will have overall responsibility for the provision of our services to you, assisted by myself and such other professional staff as it may be appropriate for us to involve. I will be your first point of contact on this matter.

I should be grateful if you would return a signed and dated copy of the Engagement Letter as soon as possible to confirm that you accept the basis of the Engagement. Please be aware that your continuing instructions in relation to this matter will amount to your acceptance of the terms of the Engagement. If there is any matter that requires clarification please do not hesitate to contact me.

Yours sincerely

Joe Williams
Associate
Cushman & Wakefield LLP



Acceptance of Cushman & Wakefield Engagement Letter and Terms of Business

I have read the Engagement Letter (including the Services Schedule and incorporating the Cushman & Wakefield Terms of Business (Version 1.01 – April 2017) and hereby accept the terms and confirm this Engagement.

[Name]

[Position]

For and on behalf of VAS

Date: _____



Services Schedule – Valuation & Advisory

Type of Instructions:	Valuation and Advisory
Property Details:	Appendix 1 includes the address, tenure and property type of the property or each of the properties ("Property") to be valued ("Property Schedule").
Client Instructions:	<p>The Client has instructed C&W to:</p> <ol style="list-style-type: none"> a. Undertake a valuation of the legal interest(s) in the Property described in the Property Schedule ("Valuation") as at the date of issue of the Valuation Report (the "Valuation Date"). b. Provide a valuation report in the format referred to in the 'Scope of Services' section below ("Valuation Report") for the following purpose of valuation ("Purpose of Valuation"): <ul style="list-style-type: none"> • in connection with a new bridging loan to assist in the purchase of the property
Addressee:	The Valuation Report will be addressed to Proplend Security Limited (the Lender).
Period of Appointment:	N/A
Scope of Services:	<p>Included in the Services are:</p> <ol style="list-style-type: none"> a. Valuation Report Providing a Valuation Report that will be prepared in English. C&W will provide one electronic copy of the Valuation Report and, if requested, one signed hard copy. Where the Valuation Report is required to contain site plans these will be based on extracts of the Ordnance Survey or other maps showing, for identification purposes only, C&W's understanding of the extent of title based on site inspections or copy title plans supplied to C&W. The Client should not rely on C&W's plans to define boundaries. b. Currency Providing a Valuation in UK pounds sterling (£). c. Inspections External inspection of the Property from ground level and an internal inspection of the Property. d. Floor Areas Calculating floor areas from floor plans provided by the Borrower, supported by check measurements on site. e. Tenancies & Leasing Relying on tenancy information provided by the Borrower, subject to the provisions of item 4 of the Assumptions. For the avoidance of doubt, C&W will not read copy



leases.

f. Environmental Matters (including Flooding)

Reviewing the relevant Local Authority websites regarding environmental matters, including contamination and flooding (subject to the provisions of item 5 of the Assumptions). For the avoidance of doubt, C&W will not undertake an environmental assessment or prepare a land quality statement, which would be the responsibility of an environmental consultant or chartered environmental surveyor. In this respect, C&W will have regard to any environmental reports provided to C&W (subject to the provisions of item 5 of the Assumptions).

g. Title

Reading a Certificate of Title where this is provided to C&W and C&W will reflect its contents in the Valuation (subject to the provisions of item 7 of the Assumptions). C&W will not inspect the title deeds of the Property.

Unless agreed in writing in advance with the Client, C&W will not obtain information from the Land Registry.

h. Condition of Structure & Services, Deleterious Materials and Ground Conditions

Taking into account the general condition of the Property as observed from the inspection (subject to item 8 of the Assumptions). Where a separate condition or structural survey has been undertaken and made available to C&W, C&W will reflect the contents of the survey or condition report in the Valuation Report, but may need to discuss the survey or condition report with the originating surveyor.

i. Statutory Requirements and Planning

Making verbal or electronic enquiries of the relevant planning authorities as to the possibility of highway proposals, comprehensive development schemes and other ancillary planning matters that could affect property values. C&W will also seek to ascertain whether any outstanding planning applications exist which may affect the Property, and whether the Property is listed or included in a Conservation Area. C&W will also attempt to verify the existing permitted use of the Property, and endeavour to have sight of any copies of planning permissions. For the avoidance of doubt, C&W will not undertake formal searches.

j. Disclosures of incentives on new build residential property

Endeavouring to obtain a copy of the 'CML Disclosure of Incentives Form' which vendors of newly built residential property are required to complete in order to comply with their duty to disclose whether the sale price includes any incentives. C&W will take into account the contents of such a form in undertaking our valuation (subject to the provisions of item 14, of the Assumptions).

Where C&W is engaged to prepare a Valuation Report in connection with a proposed transaction in respect of the Property, expressly excluded from the Services is the provision of any recommendation or otherwise by C&W as to whether to proceed with such a proposed transaction. Accordingly the Client must not in any circumstances construe the Valuation Report as a recommendation whether or not to proceed with such a proposed transaction.



Basis of Appointment:	<p>C&W confirms that:</p> <ol style="list-style-type: none"> a. The Valuation and Valuation Report will be prepared in accordance with the appropriate sections of the current edition of the RICS Valuation – Professional Standards (the "Red Book"). In this context "current edition" means the version of the Red Book in force at the Valuation Date. The Valuation will be compliant with International Valuation Standards ("IVS"). b. The Valuation will be undertaken by a suitably qualified valuer, or valuers, who has or have the knowledge, skills and understanding to undertake the Valuation competently and who will act as "External Valuer(s)" (as defined in the Red Book) qualified for the Purpose of Valuation. <p>C&W does not (and any affiliates of C&W do not) act as external valuers as defined under the Alternative Investment Fund Manager's Directive ("AIFMD") legislation, or its equivalent under local law. C&W expressly disclaims any responsibility or obligations under AIFMD and/or its equivalent unless expressly agreed in writing in advance by C&W.</p> <ol style="list-style-type: none"> c. C&W has had no previous recent or current involvement with the Property or where relevant in the case of a valuation for secured lending, with the parties to the transaction for which the loan is required and C&W does not anticipate any future fee earning relationship with the Property, the Borrower or a party connected to the transaction. Therefore, C&W does not consider that any conflict arises in preparing the advice requested.
Fees:	<p>C&W's fee for undertaking the Services is £3,750.</p> <p>The fee excludes VAT but includes all reasonable expenses.</p> <p>The fee includes the provision of the copies of the Valuation Report referred to under 'Scope of Services'. Where additional hard copies are required, a charge may be made reflecting the time spent and costs incurred.</p> <p>C&W's invoice will be addressed to the Client. If C&W is requested to re-address an invoice after it has been issued, C&W reserves the right to make an administrative charge.</p> <p>Invoices for fees and, where appropriate, expenses shall be issued upon completion of the Valuation Report.</p> <p>Where C&W undertakes to read reports prepared by third parties as part of the Engagement (such as Reports on Title or Structural Surveys), if these reports are provided some time after C&W has submitted the Valuation Report, and C&W is required to review and/or change the Valuation and/or advice in the light of the contents of any such reports, C&W reserves the right to charge an additional fee appropriate in relation to the time involved.</p> <p>In the event that C&W agrees to re-address the Valuation Report to another party or other parties or permit reliance upon it by another party or other parties, C&W reserves the right to charge additional fees appropriate to the additional work involved and any extension of C&W's liability.</p>



	<p>C&W's fees and expenses shall be payable whether or not the transaction proceeds or the loan is drawn down, and in the event that instructions are withdrawn, the fee or a proportion of it will be payable in accordance with Clause 12 of the Terms of Business.</p>
Anticipated Expenses:	N/A
Special and Additional Terms:	<p>1. Bases of Valuation</p> <p>In accordance with the Client's instructions, C&W will undertake the Valuation on the following Bases:</p> <ul style="list-style-type: none"> • Market Value of the subject land taking account of the current planning permission • Market Value of the completed units assuming the property has been converted in accordance with the planning permission • Estimated Reinstatement Cost Assessment (RCA) <p>The definitions of the above bases are set out in Appendix 2 (the "Definitions Schedule").</p> <p>2. Special Assumptions</p> <p>See above</p> <p>3. Use of Valuation Report</p> <p>The Valuation Report may be used only for the Purpose of Valuation referred to in item (b) of 'Client Instructions' in this Services Schedule.</p> <p>4. Areas</p> <p>Where C&W measures and calculates the floor areas, measurement will be in accordance with the RICS Professional Statement RICS Property Measurement 1st Edition 2015.</p> <p>The RICS Practice Statement "RICS Property Measurement" (effective from 1 January 2016) requires office buildings to be measured in accordance with International Property Measurement Standards ("IPMS"), unless the Client confirms in writing that alternative methodology should be used. Unless the Client so instructs C&W otherwise in writing, C&W will assume that the Client does not require C&W to measure office buildings in accordance with IPMS on the basis that the Client has no use for such data given that at present it is rare for market activity to be based on IPMS measurements.</p> <p>The areas C&W report will be appropriate for the Purpose of the Valuation, but should not be relied upon for any other purpose.</p> <p>5. Group of Properties / Lotting</p> <p>Unless C&W has confirmed otherwise in this Services Schedule, each property will be valued individually; in the case of a portfolio, C&W will assume that each of the properties would be marketed in an orderly way and not placed on the market at the same time.</p>



6. Limitations

N/A

7. Limitation of Liability

The cap on C&W's liability in Clause 11.3 of the Terms of Business shall not apply to the Valuation.

C&W's total aggregate liability to the Client or to any other party entitled to rely on the Valuation Report, arising out of, under or in connection with this Engagement shall be limited to 75% of the current Market Value reported.

Where more than one value basis is adopted, the Market Value of the Engagement Property shall be the Market Value without Special Assumptions; or, if this basis is not included in the Valuation Report, the Value basis most similar to the Market Value without Special Assumptions, as referred to in the Definitions Schedule.

Where the Services relate to more than one property, C&W's maximum liability in respect of an individual property shall be in the same proportion to the total aggregate liability as such individual property's reported value is to the aggregate reported value.

9. Age of Building

If C&W states the age of a building in the Valuation Report, this will be an estimate and for guidance only.

10. Condition of Structure, Foundations, Soil & Services

It is a condition of C&W or any related entity, or any qualified employee, providing advice and opinions as to value, that the Client and/or third parties (whether notified to C&W or not) accept that the Valuation Report in no way relates to, or gives warranties as to, the condition of the structure, foundations, soil and services.

11. Plant & Machinery

No allowance will be made by C&W for any items of plant or machinery not forming part of the service installations of the building(s). C&W will specifically exclude all items of plant, machinery and equipment installed wholly or primarily in connection with any of the occupants' businesses. C&W will also exclude furniture and furnishings, fixtures, fittings, vehicles, stock and loose tools, except where such items would ordinarily transfer to a prospective purchaser in the sale of a trading business as a going concern in accordance with VPGA4 of the Red Book.

12. Goodwill

No account will be taken by C&W in the Valuation of any business goodwill that may arise from the present occupation of the Property, except where such business goodwill (excluding any personal goodwill) would ordinarily transfer to a prospective purchaser in the sale of a trading business as a going concern in accordance with VPGA4 of the Red Book.



13. Statutory Requirements & Planning

Please note the fact that employees of town planning departments now always give information on the basis that it should not be relied upon and that formal searches should be made if more certain information is required. Where a Client needs to rely upon the information given about town planning matters, the Client's legal advisers must be instructed to institute such formal searches. C&W recommends that the Client requests C&W to review its comments and Valuation in light of any resultant findings.

14. Defective Premises Act 1972

No allowance will be made by C&W for rights, obligations or liabilities arising under the Defective Premises Act 1972.

15. Legal Issues

Legal issues, and in particular the interpretation of matters relating to title and leases, may have a significant bearing on the value of an interest in property. No responsibility or liability will be accepted by C&W for the true interpretation of the legal position of the Client or any other parties in respect of the Valuation. Where C&W expresses an opinion on legal issues affecting the Valuation, then such opinion is subject to verification by the Client with a suitable qualified legal adviser.

16. Deduction of Notional Purchaser's Costs

The opinion of value which C&W will attribute to the Property will be the figure C&W considers would appear in a contract for sale, subject to the appropriate assumptions for the Basis of Value reported. Where appropriate, C&W will make an allowance in respect of stamp duty and purchaser's costs.

The Client's attention is drawn to the fact that when assessing Market Value, Fair Value or Existing Use Value for balance sheet purposes, C&W will not include directly attributable acquisition or disposal costs in the Valuation. Where C&W is requested to reflect these costs, they will be stated separately.

17. Taxation & Disposal Costs

No adjustment will be made by C&W to reflect any liability to taxation that may arise on disposal, or development of the Property nor for any costs associated with disposal incurred by the Owner. Furthermore, no allowance will be made by C&W to reflect any liability to repay any government or other grants, taxation allowance or lottery funding that may arise on disposal.

C&W's valuation figure for the Property will be that receivable by a willing seller excluding VAT, if applicable.

18. Building Society Act 1986

C&W confirms that it is not disqualified under Section 13 of the Building Societies Act 1986 from reporting to the Client.



19. Properties in the Course of Development or Requiring Repair / Refurbishment and Recently Completed Developments

Unless specifically agreed in writing to the contrary, C&W's fee assumes that C&W will be provided with information relating to construction and associated costs in respect of both the work completed and the work necessary for completion, together with a completion date. Normally such figures will be provided by the professional advisers involved in the construction programme. Unless specifically instructed to the contrary in writing, C&W will rely on such figures, and the Client should make this fact known to such advisers. Alternatively, on request, C&W can arrange for independent quantity surveyors to provide an assessment at an additional fee charge. If the Valuation is for lending purposes, the Client is advised to seek independent advice and to consider the appointment of a project monitoring surveyor.

20. Monitoring

The compliance of the valuations undertaken in accordance with the Red Book may be subject to monitoring by the RICS under its conduct and disciplinary regulations.

21. Valuation Components

The components of C&W's valuation calculations (such as future rental values, cost allowances, or void periods) may only be appropriate as part of the valuation calculations and should not be taken as a forecast or prediction of a future outcome. The Client should not rely on any component of the valuation calculations for any other purpose.

22. Trade Related Property

Valuation Practice Guidance Application 4 (VPGA 4) of the Red Book sets out examples of properties that are normally bought and sold on the basis of their trading potential. The essential characteristics of such a property is that it has been designed or adapted for a specific use and the value of that property reflects its trading potential. VPGA 4 relates only to the valuation of an individual property that is valued on the basis of trading potential. Where C&W is instructed to value a trade related property or business, C&W will apply the principles of VPGA 4 unless explicitly instructed to do otherwise and confirmed as appropriate in the Valuation Report.

23. Estimated Reinstatement Cost Assessment

C&W will consider the extent and nature of the building with an estimated reinstatement cost assessment being undertaken as part of its normal valuation exercise. C&W will not carry out a formal reinstatement cost assessment through its Building Consultancy Division. C&W's assessment should be treated as a guide only and should not be relied upon. It should be used for comparative purposes only against the borrower's proposed reinstatement cover. Should any discrepancies arise, a formal reinstatement cost assessment should be commissioned.

The figures set out in C&W's Valuation Report will be its indicative assessment of the cost of reconstructing the Property at the Valuation Date. C&W will include an allowance for demolition, removal of debris, temporary shoring, statutory and professional fees which are likely to be incurred on reconstruction, but will exclude any allowance for VAT. If the Borrower is unable to recover VAT, or can recover part only, it should advise its insurers and increase the Base Sum Insured appropriately. The figures will make no allowance for loss of rent during the rebuilding period, nor



	<p>for inflation, nor the cost of dealing with any contamination which may be present and have to be dealt with prior to reconstruction. The assessment will not provide advice in respect of terrorist damage cover and insurers should be consulted in respect of this.</p> <p>C&W will provide a guide that envisages the reinstated building and its use will be similar to that existing, and the replacement building will be to the original design, in modern materials, using modern techniques to modern standards.</p>
Assumptions:	<p>1. Assumptions</p> <p>The Red Book contains a glossary that defines various terms used in the Red Book that have a special or restricted meaning. One such term is an assumption which is defined as "a supposition taken to be true" ("Assumption"). Accordingly in this context, C&W will make certain Assumptions in relation to facts, conditions or situations affecting the subject of, or approach to, the Valuation that C&W will not verify as part of the valuation process but rather, in accordance with the definition in the Red Book, will treat as true. In the event that any of these Assumptions prove to be incorrect then the Valuation will need to be reviewed.</p> <p>2. Confirmation of Assumptions</p> <p>The Client's counter-signature of the Engagement Letter represents confirmation that C&W may make the Assumptions referred to below.</p> <p>The Client must promptly notify C&W in writing if any of the Assumptions are incorrect. Should any amendment to the Assumptions set out in the Services Schedule result in an increase in the scope of the Engagement this may result in an appropriate increase in C&W's fees and expenses due under the Engagement.</p> <p>3. Areas</p> <p>Where C&W is provided with floor areas, C&W will make an Assumption that the areas have been measured and calculated in accordance with the RICS Professional Statement RICS Property Measurement 1st Edition 2015.</p>



4. Tenancies and Leasing

C&W's opinion of the Market Value or Fair Value will be subject to existing leases of which the Client or its advisors have made C&W aware but otherwise will reflect an Assumption of vacant possession. Where C&W has undertaken to read the leases and related documents provided to it, C&W will make an Assumption that copies of all relevant documents will be sent to C&W and that they are complete and up to date.

Where C&W relies on tenancy and lease information provided to it, unless such information reveals otherwise, C&W will make the Assumption that all occupational leases are on full repairing and insuring terms, with no unusual or onerous provisions or covenants that would affect value.

C&W will make an Assumption that vacant possession can be given of all accommodation which is unlet or occupied by the entity/borrower or its employees on service tenancies. C&W will not take account of any leases between subsidiaries unless C&W states otherwise in the Services Schedule.

C&W will not undertake investigations into the financial strength of any tenants unless otherwise referred to in the Valuation Report. Unless C&W has become aware by general knowledge, or has been specifically advised to the contrary, C&W will make an Assumption that:

- a. where a Property is occupied under leases then the tenants are financially in a position to meet their obligations, and
- b. there are no material arrears of rent or service charges, breaches of covenant, current or anticipated tenant disputes.

However, the Valuation will reflect a potential purchaser's likely opinion of the credit worthiness of the type of tenants actually in occupation or responsible for meeting lease commitments, or likely to be in occupation.

C&W will take into account any information the Client or its advisors provide concerning tenants' improvements. Otherwise, if the extent of tenants' alterations or improvements cannot be confirmed, C&W will make an Assumption that the Property was let with all alterations and improvements evident during C&W's inspection (or, in the case of a Valuation without internal inspection, as described within the information provided by the Client).

C&W will also make an Assumption that wherever rent reviews or lease renewals are pending or impending, with anticipated reversionary changes, all notices have been served validly within the appropriate time limits.



5. Environmental Matters

If C&W's enquiries or any reports supplied to C&W indicate the existence of environmental problems without providing method statements and costings for remedial works, then C&W may not be able to issue a Valuation Report except on the Special Assumption that the subject property is assumed **NOT** to be affected by such environmental matters. In certain circumstances, the making of such a Special Assumption may be unrealistic and may be a Departure from the requirements of the Red Book. In these circumstances, the Valuation Report may include a recommendation that an investigation should be undertaken to quantify the costs and that subsequently the Valuation should be reviewed.

Where C&W's enquiries lead C&W to believe that the Property is unaffected by contamination or other adverse environmental problems, including the risk of flooding, then, unless the Client instructs C&W otherwise, the Valuation will be based on an Assumption that no contamination or other adverse environmental matters exist in relation to the Property sufficient to affect value.

If the Property lies within or close to a flood plain, or has a history of flooding, C&W will make the Assumption that building insurance is in place and available to be renewed to the current or any subsequent owner of the Property, without payment of an excessive premium or excess.

Depending on the nature of the investigations made and the information revealed, the Valuation Report may include a statement that, in practice, a purchaser might undertake further investigations and that if these revealed contamination or other adverse environmental problems, then this might reduce the value reported.

6. Mineral Rights

C&W will make an Assumption that any mineral rights are excluded from the Property.

7. Title

Save as disclosed either in any Certificate of Title or unless specifically advised to the contrary by the Client or its legal advisers and as referred to in the Valuation Report, C&W will make the Assumption that there is good and marketable title in all cases and that the Property is free from rights of way or easements, restrictive covenants, disputes or onerous or unusual outgoing. C&W will also make an assumption that the Property is free from mortgages, charges or other encumbrances.

If verification of the accuracy of any site plans contained in the Valuation Report is required, the matter must be referred to the Client's legal advisers.

C&W will make the Assumption that roads and sewers serving the Property have been adopted and that the Property has all necessary rights of access over common estate roads, paths, corridors and stairways, and rights to use common parking areas, loading areas and other facilities.



8. Condition of Structure and Services, Deleterious Materials and Ground Conditions

Due regard will be paid by C&W to the apparent general state of repair and condition of the Property, but a condition or structural survey will not be undertaken, nor will woodwork or other parts of the structure which are covered, unexposed or inaccessible, be inspected. Therefore, C&W will be unable to report that the Property is structurally sound or is free from any defects. C&W will make an Assumption that the Property is free from any rot, infestation, adverse toxic chemical treatments, and structural, design or any other defects other than such as may be mentioned in the Valuation Report.

C&W will not arrange for investigations to be made to determine whether any deleterious, hazardous or harmful materials (including but not limited to high alumina cement concrete or calcium chloride additive) have been used in the construction or any alterations, and therefore C&W will not be able to confirm that the Property is free from risk in this regard. For the purposes of the Valuation, C&W will make an Assumption that any such investigation would not reveal the presence of such materials in any adverse condition.

C&W will not carry out an asbestos inspection and will not act as an asbestos inspector in completing the valuation inspection of Property that may fall within the Control of the Asbestos at Work Regulations 2002. C&W will not make an enquiry of the duty holder (as defined in the Control of Asbestos of Work Regulations 2002), of an existence of an Asbestos Register or of any plan for the management of asbestos to be made. Where relevant, C&W will make an Assumption that there is a duty holder, as defined in the Control of Asbestos of Work Regulations 2002 and that a Register of Asbestos and Effective Management Plan is in place, which does not require any immediate expenditure, or pose a significant risk to health, or breach the HSE regulations. C&W recommends that such enquiries be undertaken by the Client's legal advisers during normal pre-contract or pre-loan enquiries.

No mining, geological or other investigations will be undertaken by C&W to certify that the sites are free from any defect as to foundations. C&W will make an Assumption that all buildings have been constructed having appropriate regard to existing ground conditions or that these would have no unusual or adverse effect on building costs, property values or viability of any development or existing buildings. C&W will make an Assumption that there are no services on, or crossing the site in a position which would inhibit development or make it unduly expensive, and that there are no archaeological remains present, which might adversely affect the present or future occupation, development or value of the Property.

No tests will be carried out by C&W as to electrical, electronic, heating, plant and machinery equipment or any other services nor will the drains be tested. However, C&W will make an Assumption that all building services (including, but not limited to lifts, electrical, electronic, gas, plumbing, heating, drainage, sprinklers, ventilation, air conditioning and security systems) and property services (such as incoming mains, waste, drains, utility supplies etc.) are in good working order and without any defect whatsoever.



9. Statutory Requirements and Planning

Save as disclosed in a Certificate of Title, or unless otherwise advised, C&W shall make the Assumption that all of the buildings have been constructed in full compliance with valid town planning and building regulations approvals and that where necessary, they have the benefit of current Fire Risk Assessments compliant with the requirements of the Regulatory Reform (Fire Safety) Order 2005. Similarly, C&W shall also make the Assumption that the Property is not subject to any outstanding statutory notices as to construction, use or occupation and that all existing uses of the Property are duly authorised or established and that no adverse planning conditions or restrictions apply.

C&W shall make the Assumption that the Property complies with all relevant statutory requirements.

Energy Performance Certificates ("EPC") must be made available for all properties, when bought or sold, subject to certain exemptions. If the Property is not exempt from the requirements of this Directive C&W shall make an Assumption that an EPC is made available, free of charge, to a purchaser of all the interests which are the subject of the Valuation.

In addition, in England and Wales the Minimum Energy Efficiency Standards Regulations come into force in April 2018 and their effect will be to make it unlawful to rent out a premises with an EPC rating which, according to Government proposals issued in February 2015, falls below an E rating. C&W will ask the Client or its advisors for information relating to the EPC ratings of the Property if the Property is not exempt from these requirements. In any instance where C&W is not provided with an up to date EPC rating C&W will make the Assumption that the subject property meets the minimum requirements to enable it to be let after April 2018.

In Scotland, the Energy Performance of Non-Domestic Buildings (Scotland) Regulation 2016 (the "Regulation") requires that qualifying properties have an energy assessment completed and an action plan prepared prior to sale or leasing. If the Property is not exempt from the requirements of the Regulation C&W shall make an Assumption that an energy assessment and action plan is made available, free of charge, to a purchaser of the interests which are the subject of the Valuation and that there is no capital expenditure required in order to comply with the requirements of the Regulation.

In any instance where C&W is to value Property with the benefit of a recently granted planning consent, or on the Special Assumption that planning consent is granted, C&W will make an Assumption that it will not be challenged under Judicial Review. Such a challenge can be brought by anyone (even those with only a tenuous connection with the Property, or the area in which it is located) within a period of three months of the granting of a planning consent. When a planning consent is granted subject to a Section 106 Agreement, the three month period commences when the Section 106 Agreement is signed by all parties.

If a planning consent is subject to Judicial Review, the Client must inform C&W and request C&W to reconsider its opinion of value. Advice would be required from the Client's legal advisers and a town planner, to obtain their opinion of the potential outcomes of such a Judicial Review, which C&W will reflect in its reconsideration of value.



10. Information

Notwithstanding the Terms of Business, C&W will make an Assumption that the information provided by the Client and/or its professional advisers and/or by the Borrower and/or its professional advisers in respect of the Property to be valued is both full and correct. C&W will make an Assumption that details of all matters relevant to value within their collective knowledge, including but not limited to matters such as prospective lettings, rent reviews, outstanding requirements under legislation and planning decisions, have been made available to it, and that such information is up to date.

If the Valuation is required for the purpose of purchase, loan security or other financial transaction, the Client accepts that full investigation of the legal title and any leases is the responsibility of its legal advisers.

Where comparable evidence is included in the Valuation Report, this information is often based on C&W's verbal enquiries and its accuracy cannot always be assured, or may be subject to undertakings as to confidentiality. However, such information would only be referred to where C&W had reason to believe its general accuracy or where it was in accordance with expectation. It is unlikely that C&W will have inspected comparable properties.

11. Landlord and Tenant Act 1987

The Landlord and Tenant Act 1987 (the "Act") gives certain rights to defined residential tenants to acquire the freehold/head leasehold interest in a building where more than 50% of the floor space is in residential use. Where this is applicable, C&W will make an Assumption that necessary notices have been given to the residential tenants under the provisions of the Act, and that such tenants have elected not to acquire the freehold or head leasehold interest, and therefore disposal into the open market is unrestricted.

12. Leasehold Reform Housing and Urban Development Act 1993 and Leasehold Reform Act 1967

If C&W value the freehold or leasehold interest in either blocks of flats or in houses, the following will apply. The Leasehold Reform Housing and Urban Development Act 1993, as amended by the Commonhold and Leasehold Reform Act 2002, or The Leasehold Reform Act 1967 (collectively the "Act") give certain rights to residential tenants to acquire either the freehold/leasehold interest in any building which qualifies under the Act, or the right to lease extension. If this is applicable, C&W shall make an Assumption that no residential tenants have elected under the provisions of that Act to acquire the freehold or head leasehold interests, nor have they elected to acquire a lease extension, unless the Client and/or its advisers specifically inform C&W to the contrary.

13. Properties in the Course of Development or Requiring Repair / Refurbishment and Recently Completed Developments

If the building is in the course of construction then the Valuation of the completed building will be based on an Assumption that all works of construction have been satisfactorily carried out in accordance with the building contract and specification, current British Standards and any relevant codes of practice. C&W will also make an Assumption that a duty of care and all appropriate warranties will be available from the professional team and contractors, which will be assignable to third parties.



	<p>14. New Build Residential Property</p> <p>Where a vendor does not provide C&W with a "CML Disclosure of Incentives Form", C&W will make an Assumption that there have been no sales incentives and the Valuation Report will advise the Client to instruct its legal adviser to investigate this aspect.</p> <p>15. Trade Related Property</p> <p>The valuation approach for a trade related property as a fully equipped operational entity necessarily requires an Assumption that on the sale or letting of the property the trade inventory, licences etc required to continue trading are available. C&W's valuation will be provided on this basis unless agreed to the contrary and referred to as appropriate within our Valuation Report.</p>
<p>Information requested from Client:</p>	<p>a. Loan Details / Recent or Proposed Transactions</p> <ul style="list-style-type: none"> • Confirmation of each property address (and location plan) • Property inspection arrangements • Scale floor plans/Floor areas and measured survey report • Details of any known ground conditions • Condition survey report • Details of any known building defects • Copy environmental report/Details of any known environmental or contamination issues • Copy report on title/Confirmation of title, including site plan, tenure, tenancy and sub-tenancy details, etc./Copy leases • Details of planning use and relevant planning consents • Copy Fire Risk Assessment and Energy Performance Certificate • Service charge information (including last 3 years' accounts, current year estimate and next year budget) • Details of any irrecoverable outgoings • Pedestrian flow counts • Current insured amounts (if an informal reinstatement cost assessment is required) • Details of any current negotiations in hand, e.g. rent reviews, dilapidation claims, details of any CPOs, highway schemes or similar (to the extent that they might impact on property value) • Details of any recent, current or proposed marketing of the property and details of any offers received • Details of the agreed purchase, including price, key terms, and background to the transaction. • Any other relevant matters that might affect value, e.g. development proposals, specialised adaptation works, etc1



Appendix 1 - Property Schedule

PROPERTY	INTEREST	PROPERTY TYPE
Longmore House, Moseley	Freehold	Offices to be converted to Residential



Appendix 2 - Definitions Schedule

1. Bases of Valuation:

Market Value	<p>Market Value as defined in VPS 4 1.2 of the RICS Valuation – Professional Standards 2014 (the "Red Book") and applying the conceptual framework which is set out in IVS Framework paragraphs 30-34. Under VPS 4.1.2.1, the term "Market Value" means:</p> <p><i>"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"</i></p> <p>The conceptual framework settled by the IVSC is set out in paragraphs 30-34 of the IVS Framework and is reproduced below:</p> <p><i>"30. The definition of market value shall be applied in accordance with the following conceptual framework:</i></p> <ul style="list-style-type: none"> <i>(a) "the estimated amount" refers to a price expressed in terms of money payable for the asset in an arm's length market transaction. Market value is the most probable price reasonably obtainable in the market on the valuation date in keeping with the market value definition. It is the best price reasonably obtainable by the seller and the most advantageous price reasonably obtainable by the buyer. This estimate specifically excludes an estimated price inflated or deflated by special terms or circumstances such as atypical financing, sale and leaseback arrangements, special considerations or concessions granted by anyone associated with the sale, or any element of special value;</i> <i>(b) "an asset should exchange" refers to the fact that the value of an asset is an estimated amount rather than a predetermined amount or actual sale price. It is the price in a transaction that meets all the elements of the market value definition at the valuation date;</i> <i>(c) "on the valuation date" requires that the value is time-specific as of a given date. Because markets and market conditions may change, the estimated value may be incorrect or inappropriate at another time. The valuation amount will reflect the market state and circumstances as at the valuation date, not those at any other date;</i> <i>(d) "between a willing buyer" refers to one who is motivated, but not compelled to buy. This buyer is neither over eager nor determined to buy at any price. This buyer is also one who purchases in accordance with the realities of the current market and with current market expectations, rather than in relation to an imaginary or hypothetical market that cannot be demonstrated or anticipated to exist. The assumed buyer would not pay a higher price than the market requires. The present owner is included among those who constitute "the market";</i> <i>(e) "and a willing seller" is neither an over eager nor a forced seller prepared to sell at any price, nor one prepared to hold out for a price not considered</i>
---------------------	---



	<p><i>reasonable in the current market. The willing seller is motivated to sell the asset at market terms for the best price attainable in the open market after proper marketing, whatever that price may be. The factual circumstances of the actual owner are not a part of this consideration because the willing seller is a hypothetical owner;</i></p> <p>(f) <i>"in an arm's length transaction" is one between parties who do not have a particular or special relationship, e.g. parent and subsidiary companies or landlord and tenant, that may make the price level uncharacteristic of the market or inflated because of an element of special value. The market value transaction is presumed to be between unrelated parties, each acting independently;</i></p> <p>(g) <i>"after proper marketing" means that the asset would be exposed to the market in the most appropriate manner to effect its disposal at the best price reasonable obtainable in accordance with the market value definition. The method of sale is deemed to be that most appropriate to obtain the best price in the market to which the seller has access. The length of exposure time is not a fixed period but will vary according to the type of asset and market conditions. The only criterion is that there must have been sufficient time to allow the asset to be brought to the attention of an adequate number of market participants. The exposure period occurs prior to the valuation date;</i></p> <p>(h) <i>"where the parties had each acted knowledgeably, prudently" presumes that both the willing buyer and the willing seller are reasonably informed about the nature and characteristics of the asset, its actual and potential uses and the state of the market as of the valuation date. Each is further presumed to use that knowledge prudently to seek the price that is most favourable for their respective positions in the transaction. Prudence is assessed by referring to the state of the market at the valuation date, not with benefit of hindsight at some later date. For example, it is not necessarily imprudent for a seller to sell assets in a market with falling prices at a price that is lower than previous market levels. In such cases, as is true for other exchanges in markets with changing prices, the prudent buyer or seller will act in accordance with the best market information available at the time;</i></p> <p>(i) <i>"and without compulsion" establishes that each party is motivated to undertake the transaction, but neither is forced or unduly coerced to complete it.</i></p> <p>31. <i>The concept of market value presumes a price negotiated in an open and competitive market where the participants are acting freely. The market for an asset could be an international market or a local market. The market could consist of numerous buyers and sellers, or could be one characterised by a limited number of market participants. The market in which the asset is exposed for sale is the one in which the asset being exchanged is normally exchanged (see paras 16 to 20 above).</i></p> <p>32. <i>The market value of an asset will reflect its highest and best use. The highest and best use is the use of an asset that maximises its potential and that is possible, legally permissible and financially feasible. The highest and best use may be for continuation of an asset's existing use or for some alternative use. This is</i></p>
--	--



	<p><i>determined by the use that a market participant would have in mind for the asset when formulating the price that it would be willing to bid.</i></p> <p>33. <i>The highest and best use of an asset valued on a stand-alone basis may be different from its highest and best use as part of a group, when its contribution to the overall value of the group must be considered.</i></p> <p>34. <i>The determination of the highest and best use involves consideration of the following:</i></p> <p>(a) <i>to establish whether a use is possible, regard will be had to what would be considered reasonable by market participants,</i></p> <p>(b) <i>to reflect the requirement to be legally permissible, any legal restrictions on the use of the asset, e.g. zoning designations, need to be taken into account,</i></p> <p>(c) <i>the requirement that the use be financially feasible takes into account whether an alternative use that is physically possible and legally permissible will generate sufficient return to a typical market participant, after taking into account the costs of conversion to that use, over and above the return on the existing use."</i></p>
Fair Value - IFRS	<p>Fair Value as defined in VPS 4.1.5 (a). Under these provisions, the term "Fair Value" means:</p> <p><i>"The price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date".</i></p>
Fair Value - Commentary	<p>There is a second definition of Fair Value referred to in VPS 4.1.5(b). Under this definition the term "Fair Value" means:</p> <p><i>"The estimated price for the transfer of an asset or liability between identified knowledgeable and willing parties that reflects the respective interests of those parties".</i></p> <p>This definition is <u>NOT</u> appropriate for valuations for Financial Statements prepared in accordance with either IFRS or UK GAAP. This second definition of Fair Value has to be applied in accordance with IVS Framework paragraphs 38-42.</p>
Fair Value – UK GAAP	<p>Fair Value in accordance with UKVS 1.1. Under these provisions, the term "Fair Value" means:</p> <p><i>"The amount for which an asset could be exchanged, a liability settled, or an equity instrument granted between knowledgeable, willing parties in an arm's length transaction."</i></p>
Market Rent	<p>Market Rent as defined in VPS 4.1.3 of the Red Book. Under VPS 4.1.3.1 the term "Market Rent" means "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".</p>



	<p>Whenever Market Rent is provided the "appropriate lease terms" which it reflects should also be stated.</p> <p>The commentary from the Red Book is reproduced below:</p> <p><i>"1.3.2 The definition of market rent is a modified definition of market value; IVS 230 Real Property Interests paragraphs C8-C11 provide additional commentary.</i></p> <p><i>1.3.3 Market rent will vary significantly according to the terms of the assumed lease contract. The appropriate lease terms will normally reflect current practice in the market in which the property is situated, although for certain purposes unusual terms may need to be stipulated. Matters such as the duration of the lease, the frequency of rent reviews and the responsibilities of the parties for maintenance and outgoings will all impact the market rent. In certain countries or states, statutory factors may either restrict the terms that may be agreed, or influence the impact of terms in the contract. These need to be taken into account where appropriate.</i></p> <p><i>1.3.4. Market rent will normally be used to indicate the amount for which a vacant property may be let, or for which a let property may be relet when the existing lease terminates. Market rent is not a suitable basis for settling the amount of rent payable under a rent review provision in a lease, where the actual definitions and assumptions have to be used.</i></p> <p><i>1.3.5 Valuers must therefore take care to set out clearly the principal lease terms that are assumed when providing an opinion of market rent. If it is the market norm for lettings to include a payment or concession by one party to the other as an incentive to enter into a lease, and this is reflected in the general level of rents agreed, the market rent should also be expressed on this basis. The nature of the incentive assumed must be stated by the valuer, along with the assumed lease terms."</i></p>
<p>Existing Use Value</p>	<p>Existing Use Value as defined in UK Valuation Standard 1.3 of the Red Book and applying the conceptual framework of Market Value which is reproduced above together with the supplementary commentary which is included in items 2-5 of UK VS 1.3. Under UK VS 1.3, the term "Existing Use Value" is defined as follows:</p> <p><i>"The estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction after proper marketing where the parties had acted knowledgeably, prudently and without compulsion, assuming that the buyer is granted vacant possession of all parts of the asset required by the business, and disregarding potential alternative uses and any other characteristics of the asset that would cause its market value to differ from that needed to replace the remaining service potential at least cost".</i></p>



<p>Projected Market Value of residential property</p>	<p>Projected Market Value (PMV) as defined in UK Valuation Standard 3.3 of the Red Book. Under UKVS 3.3 the term "Projected Market Value" means: "The estimated amount for which an asset is expected to exchange at a date, after the valuation date and specified by the valuer, 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."</p> <p>The commentary from the Red Book is reproduced below:</p> <ol style="list-style-type: none"><i>"1. The date specified by the valuer must be stated clearly whenever a PMV is provided. It should reflect the period that the valuer considers will be necessary for adequate marketing and the completion of negotiations.</i><i>2. This basis should be used to provide clients with an estimated valuation in respect of a future exchange, assuming that marketing begins on the date that the valuation is prepared.</i><i>3. The definition of PMV is based on market value, save for the stipulation that the valuer's estimate should reflect what the amount is forecast to be at a future, specified date. The IVS Framework, paragraphs 30-35, should therefore apply, with the exception that the phrase 'on the valuation date' is modified as follows:</i> <i>'... at a date, after the valuation date and specified by the valuer ...'</i> <i>The valuation date is the date on which the estimate is given, but represents the valuer's opinion of anticipated market changes during the period up to the specified date. It reflects facts, market sentiment and public forecasts existing at the valuation date. The PMV is therefore time-specific, as of a given date and, because markets and market conditions may change, may be incorrect or inappropriate at another time. The definition also assumes simultaneous exchange and completion of the contract for sale without any variation in price that might otherwise occur.</i><i>4. PMV is designed to provide residential mortgage lenders with a simple numeric indication of the valuer's opinion of short-term market trends, and it must be used only for this purpose. It recognises that most reports for this purpose are based on a simple pro-forma, and that the degree of market analysis and commentary required in commercial lending situations is inappropriate.</i><i>5. The purpose of PMV is simply to illustrate the valuer's opinion of whether the market is likely to fall, rise or remain static in the period that it is anticipated will be necessary to complete the sale. Values can change rapidly due to unpredictable events, thus an earlier provision of a PMV is not a substitute for a current market value."</i>
--	--



**CUSHMAN &
WAKEFIELD**

About Cushman & Wakefield

Cushman & Wakefield is a leading global real estate services firm that helps clients transform the way people work, shop and live. The firm's 43,000 employees in more than 60 countries provide deep local and global insights that create significant value for our clients. Cushman & Wakefield is among the largest commercial real estate services firms, with core services of agency leasing, asset services, capital markets, facility services, global occupier services, investment & asset management (DTZ Investors), project & development services, tenant representation and valuation & advisory. To learn more, visit www.cushmanwakefield.com or follow @CushWake on Twitter.

© Cushman & Wakefield 2018