

06 November 2018

**REPORT & VALUATION  
FOR  
Proplend Security Limited**

**133 Aldridge Road  
Perry Barr  
Birmingham  
B42 2ET**

EDMUND HOUSE  
12-22 NEWHALL STREET  
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**AITCHISON  
RAFFETY**



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## EXECUTIVE SUMMARY

<b>ADDRESS OF PROPERTY:</b>	133 Aldridge Road, Perry Barr, Birmingham B42 2ET.
<b>PURPOSE OF VALUATION:</b>	The subject property is being valued in relation to a proposed new loan facility in regard to the purchase of the subject property for £292,000. The property is to be being cross collateralised with Bracebridge St, also being valued on the lenders behalf.
<b>LOCATION:</b>	The subject property is located on Aldridge Road in the Perry Barr area of Birmingham in a predominantly residential location and close to the proposed redevelopment of Birmingham City University for use as the athlete’s village for the 2022 Commonwealth Games.
<b>DESCRIPTION:</b>	The subject property is a neglected and run down three/four storey detached house which the Borrower is looking to purchase to turn into an HMO property (subject to planning and licencing).
<b>TENURE:</b>	Freehold.
<b>TENANCY/TENANCIES:</b>	None, the property is currently vacant.
<b>ACCOMMODATION:</b>	251.02 sq m (2,702 sq ft).
<b>PLANNING:</b>	C3 residential, although a change of use to C4 (HMO) will be required.
<b>ENVIRONMENTAL ISSUES:</b>	None noted.
<b>CAPITAL EXPENDITURE:</b>	The Borrower has informed us of a cost of conversion of between £75,000 and £100,000 to convert the property into an eight bedroom HMO. This we consider reasonable given £150,000 was spent on renovating the adjacent 28 bedroom HMO, making it all en suite accommodation.
<b>PASSING RENT:</b>	<b>None.</b>
<b>MARKET RENT AFTER WORKS :</b>	<b>£34,320 per annum gross.</b>
<b>MARKET VALUE:</b>	<b>£292,000 (Two Hundred and Ninety Two Thousand pounds) as at 27 September 2018.</b>
<b>YIELDS:</b>	9% gross initial yield adopted.
<b>SALEABILITY OF PROPERTY:</b>	The subject property offers a reasonable investment in the location and is ideal for the Borrower given the use of the adjacent property, which is also in the Borrower’s ownership. It will also be popular in the local market given that it can be either renovated into a large family home or used as an investment (subject to planning and licencing).
<b>SUITABILITY OF PROPERTY FOR LOAN SECURITY PURPOSES:</b>	The subject property is suitable for loan security purposes subject to the comments, caveats and assumptions contained within this report and valuation.

### SWOT Analysis/Key Factors

STRENGTHS	WEAKNESSES
<ul style="list-style-type: none"> <li>A large detached property with the potential to be converted.</li> </ul>	<ul style="list-style-type: none"> <li>The property is currently in a run-down condition.</li> <li>Potentially the Borrower is a special purchaser given they own the adjacent property, which is a licenced HMO.</li> </ul>
OPPORTUNITIES	THREATS
<ul style="list-style-type: none"> <li>Purchase the property, obtain planning permission and an HMO Licence in order for the property to become income producing.</li> </ul>	<ul style="list-style-type: none"> <li>Interest rate rises may affect other borrower's buying power.</li> </ul>

*This Executive Summary should not be relied upon in isolation and should be read in conjunction with our full Report and Valuation dated 06 November 2018.*

Our Ref: NA/DU21707

06 November 2018



## VALUATION REPORT

<b>ADDRESSEE</b>	Proplend Security Limited, 20-22 Wenlock Road, London N1 7GU.
<b>FOR THE ATTENTION OF</b>	Brian Bartaby.
<b>PROPERTY</b>	<b>133 Aldridge Road, Perry Barr, Birmingham B42 2ET</b> (the subject property).
<b>CUSTOMER</b>	A Newco Ltd.
<b>INSTRUCTION</b>	Your e-mailed instructions reference, dated 24 September 2018, (Appendix A), and our acknowledgement letter dated 2 October 2018.
<b>CONFLICTS OF INTEREST</b>	We reaffirm that there is no conflict of interest arising from our undertaking this valuation; we have had no involvement with the property or the parties during the last 24 months, other than valuing the adjacent property (131 Aldridge Road) for another lender and Bracebridge Street in connection with the proposed new facility.
<b>VALUATION &amp; INSPECTION DATE</b>	27 September 2018 (report delayed due to difficulty in obtaining information).
<b>VALUER</b>	The premises were inspected by Neil Allison BSc (Hons) MRICS MCABE, RICS Registered Valuer, who is acting as an external valuer and is competent to value this type of property in this location.
<b>PURPOSE OF VALUATION</b>	The valuation of the freehold interest has been carried out for secured lending purposes. The property is being valued in relation to a new proposed loan facility, in relation to the purchase of the subject property at an informed purchase price of £292,000. The terms of which we have not been provided and would therefore expect these to be within prudent lending policy with a loan to value ratio of no more than 60%
<b>BASIS OF VALUATION</b>	<ul style="list-style-type: none"><li>• Market Value;</li><li>• Market Rent;</li><li>• Market Value subject to the special assumption of Vacant Possession.</li></ul>
<b>COMPLIANCE WITH VALUATION STANDARDS &amp; LIMITATIONS</b>	Your attention is drawn to the fact that this Report and Valuation is not a structural or condition survey, but a valuation undertaken in accordance with the RICS Valuation – Global Standards 2017 (the “Red Book”).  Unless otherwise stated, the valuation is provided subject to your Terms of Business which we have signed and agreed to as part of our Panel Appointment and our letter which confirmed your instructions.

### THE AITCHISON RAFFETY GROUP

London

Birmingham

Manchester

Berkshire

Buckinghamshire

Hertfordshire

Northamptonshire

Oxfordshire

Aitchison Raffety (Commercial) Limited. Registered Office: Unit 4 Stokenchurch Business Park, Ibstone Road, Stokenchurch, Bucks, HP14 3FE Registered England & Wales 03436430.  
A list of Directors, Chartered Surveyors and Chartered Town Planners is available on request.



Regulated by RICS



#### SECURITY FOR LOAN PURPOSES

Having regard to the above comments we can confirm that the freehold property is suitable as lending security subject to normal prudent lending policy. Where an existing charge is in place that takes precedence and priority over the loan being advanced, this should be considered by the lender before the proposed facility is drawn down. The lender should satisfy themselves of the risk associated with additional charges against the subject property.

#### LENDER'S ACTION POINTS

We would draw your attention to the following points which should be considered prior to draw down:

- (i) We have not had sight of a Report on Title or a copy of the Title Deeds, a copy of both should be forwarded to us for comment prior to drawdown.
- (ii) The subject property is in a run-down condition and in need of a substantial amount of work to be converted to either an HMO or back to a standard residential dwelling.
- (iii) The valuer reserves the right to review our comment regarding the suitability of the property as security for lending purposes when the terms of the loan are known.
- (iv) Should information come to light before the loan is finalised contrary to that contained within our Report and Valuation, then the matter must be referred back to the valuer for further consideration.

#### MARKET VALUE

**Market Value:** In our opinion the Market Value of the freehold interest in the above property in the condition as at 27 September 2018 and with the benefit of vacant possession is in the sum of:-

**£292,000 (Two Hundred and Ninety Two thousand pounds)**

#### MARKET RENT:

**Market Rent Subject to Special Assumption that the proposed works are completed as at the date of valuation:** In our opinion the Market Rent (per annum) in the above property in the condition as at 27 September 2018 let on assured shorthold tenancy and subject to the special assumption above is in the sum of:-

**£34,320 (Thirty Four Thousand Three Hundred and Twenty pounds)**

#### SPECIAL ASSUMPTION VALUATIONS

**Market Value Subject to the Special Assumption of Vacant Possession:** In our opinion the Market Value of the freehold interest in the above property in the condition as at 27 September 2018 and subject to the special assumption above is in the sum of:-

**£292,000 (Two Hundred and Ninety Two Thousand pounds)**

**RELIANCE**

This Report and Valuation is for the sole use of the addressee for the purpose set out in the beginning of this Report and Valuation and no responsibility is accepted to any third party for the whole or any parts of this Report and Valuation.

Professional Indemnity £30 million.

**PUBLICATION**

Neither the whole nor any part of the Report and Valuation may be included in any statement, circular or published document without the prior written consent of Aitchison Raffety.



**Neil Allison BSc (Hons) MRICS MCABE**  
Director  
RICS Registered Valuer  
For and on behalf of Aitchison Raffety

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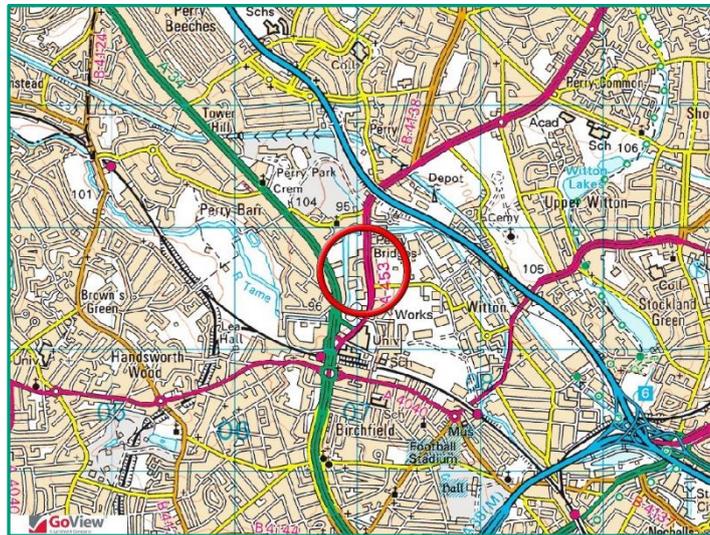


**Lindsey M Lock MRICS**  
Director  
RICS Registered Valuer  
For and on behalf of Aitchison Raffety

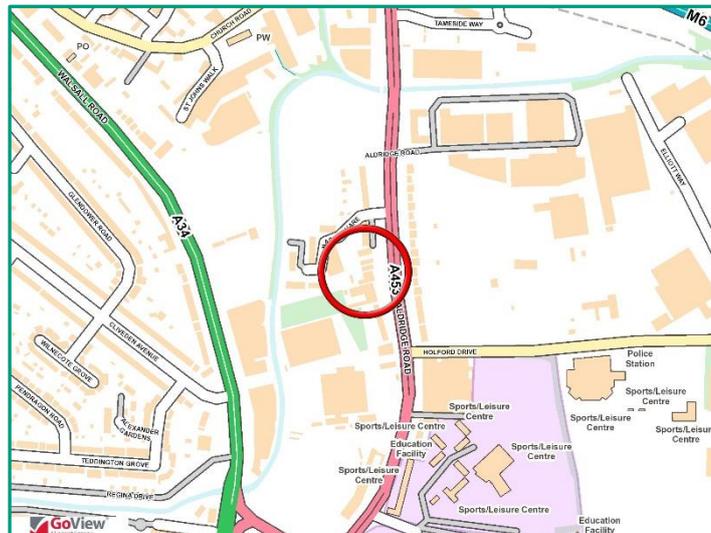
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## PROPERTY DETAILS

### 1.0 LOCATION



- 1.1 The subject property is located in the Perry Barr suburb of Birmingham located 4km (2.5miles) north of Birmingham city centre. Birmingham is a city and metropolitan borough in the West Midlands, being the most populated city outside of London with some 1,101,360 residents (2014 Birmingham city council 'Population and Census'). Today Birmingham is a major international commercial centre ranked a Beta World City by the Globalisation and World Cities Research Network and is an important transport, retail, event and conference hub with a GDP of 60 billion pounds, having the second largest urban economic area and is the largest centre of higher education outside of London with six universities.
- 1.2 Birmingham is a major transport hub on the motorway, rail and canal networks. The city is served by the M5, M6, M40, and M42 motorways. Birmingham Airport, located six miles east of the city centre in the neighbouring borough of Solihull, is the seventh busiest by passenger traffic in the United Kingdom and the third busiest outside the London area after Manchester and Edinburgh.
- 1.3 Birmingham New Street is the busiest railway station in the United Kingdom outside London, both for passenger entries and exits and for passenger interchanges. It is the national hub for CrossCountry, the most extensive long-distance train network in Britain, and a major destination for Virgin Trains services from London Euston, Glasgow Central and Edinburgh Waverley. Birmingham Moor Street and Birmingham Snow Hill form the northern termini for Chiltern Railways express trains running from London Marylebone. Local and regional services are operated from all of Birmingham's stations by London Midland. Curzon Street railway station is planned to be the northern terminus for Phase 1 of the High Speed 2 rail link from London, due to open in 2026.



- 1.4 Surrounding suburbs include Handsworth Wood, Witton and Old Oscott. The property fronts the A453 Aldridge Road which is a main road connecting to the A34 Walsall Road approximately 700m to the south and Sutton Coldfield approximately 6km (3.75 miles) to the northeast. The property is located on the west side of Aldridge Road which is a tree lined dual carriageway in this particular section.
- 1.5 The former City North Campus of Birmingham City University is located 500m to the south with some residential property running along Aldridge Road and industrial units also located nearby including Holford Industrial Estate, Tamebridge Industrial Estate and Tameside Way Business Park. Also within a 1km radius is Perry Barr Greyhound Stadium and Alexander Stadium (athletics).
- 1.6 Reasonable public transport facilities exist in the locality with regular bus services running along Aldridge Road to outline neighbourhoods and towns. The nearest train station is Perry Barr station located 700m to the south. The property therefore benefits from good transport networks.
- 1.7 There are neighbourhood shop facilities located around Perry Barr including a One Stop shop being located in Perry Barr with Birmingham city centre being the primary retail location for the region.
- 1.8 The nearest primary school is Canterbury Cross Primary School located 1km (0.6miles) to the south (OFSTED good) whilst the nearest secondary school is Broadway Academy located 1km (0.6miles) to the south (OFSTED good).
- 1.9 The subject property is therefore located in a mixed use location and within a suburb of Birmingham and would suit a variety of uses.

## 2.0 DESCRIPTION AND CONSTRUCTION



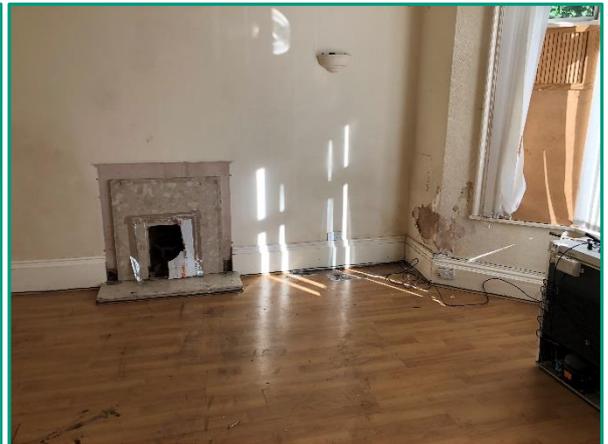
*Front elevation*



*Rear elevation*



*Kitchen*



*Lounge*

- 2.1 The subject property comprises a period five bedroom detached home which offers a driveway, good sized rear garden, garage, two reception rooms and many period features. The accommodation is arranged over four floors due to the sloping nature of the site, with lower ground floor store and garage. Main family accommodation is at ground floor level with two reception rooms and a good sized kitchen / breakfast room. The first and second floors provide five good sized bedrooms with bathroom, en-suite and separate WC.
- 2.2 The property has become neglected and run down and is now in need of a full refurbishment programme. It is therefore the Borrower's plan to purchase the property (agreed purchase price of £292,000 having been marked at £310,000), renovate it in-keeping with 131 Aldridge Road, which is a substantial HMO premises owned by the Borrower and let to Weir Lettings Ltd, part of Weir Housing Ltd who provide emergency housing.



DESCRIPTION	
AGE OF CONSTRUCTION	1900s built.
ROOF	Multi-pitched and tiled with a small part flat felted.
EXTERNAL WALLS	Solid brick.
FLOORS	Part solid concrete slab with suspended timber upper floors.
INTERNAL SPECIFICATION	Run-down and generally in a poor condition, to be fully renovated.
WINDOWS	uPVC double glazed.
RAINWATER GOODS	PVC.

2.6 It is not a property designated “defective” under the provisions of the Housing Act 1985.

### 3.0 FLOOR AREAS

3.1 The premises provide the following accommodation and floor areas measured on a Net Internal Area (NIA) basis, unless otherwise stated, in accordance with RICS Property Measurement 2nd edition (May 2018) which incorporates the RICS Code of Measuring Practice, 6th edition and International Property Measurement Standards (IPMS):

FLOOR	DESCRIPTION	AREA	
		Sq M	Sq Ft
Lower Ground	Garage and store.	24.51	264
Ground	Entrance hall, two main reception rooms, breakfast room, kitchen and WC.	104.95	1,130
First	Landing, three double bedrooms, bathroom and WC.	86.79	934
Second	Double bedroom with en suite.	34.77	374
<b>TOTAL</b>		<b>251.02</b>	<b>2,702</b>

3.2 The property benefits from off-road parking and an integral garage and is set in a reasonable sized plot.

### 4.0 SERVICES

4.1 Mains gas, electricity, water and drainage are connected to the premises.

4.2 The property will require a new central heating system which will heat the property via a system of wet radiators. The electrical installations will need upgrading.

- 4.3 We have assumed that all electrical and gas installations will be serviced and fully certified by the relevant bodies.

## 5.0 STATE OF REPAIR

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- 5.1 Your attention is again drawn to the fact that this is not a condition or building survey and we cannot comment in detail upon the condition of the property. However, we comment below on the apparent state of repair based upon our limited inspection. We have assumed that there are no adverse ground or soil conditions.
- 5.2 At the time of inspection weather conditions were dry. We inspected both the interior and the exterior of the premises.
- 5.3 The building does not appear to have been the subject of any major extensions or reconstruction since it was originally built and we are not aware of any significant repairing works that have taken place at the property. The property appears to be free from immediate or significant wants of repair. There were general levels of wear and tear and wants of re-decoration consistent with the nature and intensity of the use. However with a property of this type and age it will require regular ongoing maintenance.
- 5.4 The decorative condition was poor and the fittings were generally not in a serviceable condition. The kitchen is to be replaced as are all the sanitary fittings.
- 5.5 An economic life in respect of the external fabric of the building in excess of 25 years should be achieved subject to normal wear and tear and appropriate maintenance.

## 6.0 TENURE AND TENANCIES

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- 6.1 We have not had the opportunity of inspecting the Title Deeds or had sight of any Report on Title. Prior to completion of the loan we would recommend that the Report on Title is forwarded to us for comment. We are relying on verbal information only in preparing this Report and Valuation and we would comment that the lender seek our confirmation that there are no matters material to affect the value of the property in relation to the Title before drawdown.
- 6.2 We have been advised by the Borrower that the subject property is held freehold and have assumed that this is with absolute title, which will be acquired on completion of the purchase. We have assumed that there are no unusual or onerous covenants running with the land.
- 6.3 The property was vacant at the time of our inspection and accordingly we have valued on the basis of vacant possession.
- 6.4 Within the limits of our inspection, no rights of way or easements affecting the property were in evidence and we therefore have assumed that this is the case.

- 6.5 Should any of the assumptions or information provided to us prove to be incorrect it may be necessary to amend our valuation. We recommend that the above details are confirmed by your legal advisers and any discrepancies are reported back to the valuer for review of our valuation.

## 7.0 STATUTORY REQUIREMENTS

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### ***Town Planning***

- 7.1 Internet enquiries with the local planning authority, Birmingham City Council, have been undertaken. Examination of the Council website shows that there are no outstanding applications in respect of the subject property, nor have there been any recent applications of note. We would comment that the Borrower proposes to convert the property into an HMO premises in line with 131 Aldridge Road and, therefore, change of use will be required from C3 to C4 House in Multiple Occupation and an HMO Licence obtained.
- 7.2 The property is not listed for its historic or architectural merit and is not situated within a Conservation Area.
- 7.3 The local area will see some considerable development going forward, most notable will be the redevelopment of the now redundant City North campus of Birmingham City University and the development of the athlete's village for the 2022 Commonwealth games. The plans will see accommodation and training facilities for an estimated 6,500 athletes and games officials. Following the games the accommodation will be converted into more than 1,000 homes, generally a mix of one and two bedroom apartments and larger townhouses. Some will be sold while others will be available to rent through the council. Further development will take place around Perry Barr including upgrading the train station and upgrading and re-routing Aldridge Road and introducing a Sprint bus route.

### ***Highways***

- 7.4 Aldridge Road is adopted by the Highways Authority and maintainable at public expense.

### ***Fire Regulations***

- 7.5 Regulation 4 of The Smoke and Carbon Monoxide Alarm (England) Regulations 2015 requires a smoke alarm on each storey where there is a room used as living accommodation in a property that is let. A carbon monoxide alarm is also required where there is a solid fuel burning appliance. The landlord is responsible for checking the alarms are in proper working order on the first day of a new tenancy. .

### ***Equality Act 2010***

- 7.6 The Equality Act 2010 is the all-embracing legislation, which largely supersedes the DDA and incorporates a holistic approach in anti-discrimination law, bringing together age, gender, sexual orientation, disability, religion/belief, race, marriage and civil partnerships, under one piece of legislation (RICS information paper 1st edition (IP 31/2012)). We are not aware of a specialist audit on this property and we have therefore assumed that the provision to comply with the Act, if applicable, will not have a material impact upon our valuation.

***Control of Asbestos Regulations 2012***

- 7.7 Building owners/occupiers or other parties who have a legal responsibility for the non-domestic premises should:
- (i) Take reasonable steps to find materials in the premises which are likely to contain asbestos and to check their condition;
  - (ii) Presume that materials contain asbestos unless there is strong evidence to suppose that they do not;
  - (iii) Produce a written record of the location and condition of asbestos and presumed asbestos containing material (ACM) and to keep the record up to date;
  - (iv) Produce a plan as to how the ACMs or presumed ACMs are to be managed.
- 7.8 We have not had sight of a management plan and therefore recommend that legal advisers confirm that such a plan has been implemented. We have assumed no costs for compliance in arriving at our valuation. We would however comment that should it become obvious that remedial works will be required the plan should be supplied to the valuer for review as it may have an adverse effect on our valuation.

***Energy Act 2011***

- 7.9 The Energy Act 2011 applies to both residential and commercial property and it stipulates that an Energy Performance Certificate (EPC) is required when a property is constructed, marketed for sale or to let. An EPC provides both an energy efficiency rating and environmental impact rating ranging from Bands A - G. The Act also stipulates that those properties with an energy efficiency rating in Band F or G will not be permitted to be newly let or tenancies renewed from 1 April 2018 without improvements and from 1 April 2020, it will also include existing tenancies.
- 7.10 From 1st April 2016 tenants have been able to request consent from their landlords to carry out energy efficiency improvements at the tenant's expense. The landlord cannot unreasonably refuse.
- 7.11 The Non-Domestic Energy Performance Certificate Register the premises has an energy efficiency rating of Band F (25) and therefore any rental income would be affected by this regulation. This is of no concern as the Borrower is to completely renovate the property installing a new boiler and insulation throughout the walls to create an HMO premises. The subject property has a potential for a C (71) rating and, although, we do not expect the property to achieve this, we do expect it to achieve above an F rating. It is, therefore, strongly advised that upon completion of the works a new EPC be obtained.

***Housing Act 2004***

- 7.12 The property is not currently a house in multiple occupation as defined by the Housing Act 2004. However, upon completion of the works and given the proposals, the subject property will be a House in Multiple Occupation and, therefore, the Borrower will be required to obtain a licence.

**Building Regulations**

7.13 We have assumed for the purpose of this report and valuation that any works carried out will be done in accordance with all local authority regulations.

**8.0 LOCAL TAXATION**

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8.1 Inspection of the Valuation Office Agency website indicates that the property is assessed as follows:

ADDRESS	COUNCIL TAX BAND
133 Aldridge Road, Perry Barr, Birmingham B42 2ET	Band E

**9.0 ENVIRONMENTAL CONSIDERATIONS**

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9.1 In carrying out this work we have carried out various enquiries in order, so far as is reasonably possible, to establish the potential existence of contamination arising out of previous uses of the site and its neighbours together with other environmental features.

9.2 Should the lender obtain evidence or advice contrary to our opinion or assumptions made in this regard before the loan is drawn down, the evidence should be supplied to the valuer in case it has an adverse effect on value.

**Contamination**

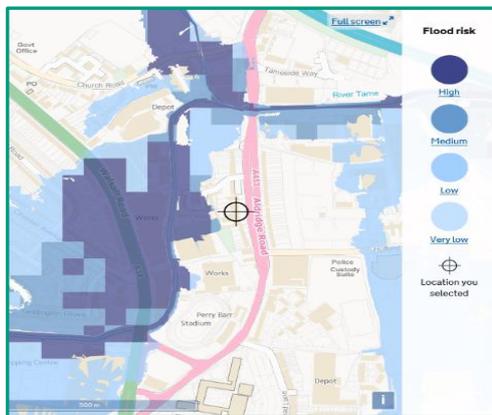
9.3 No indications of past or present contaminative land uses were noted during the inspection. Our inspection was only of a limited visual nature and we cannot give any assurances that previous uses on the site or in the surrounding areas have not contaminated subsoils or ground waters. In the event of contamination being discovered or if it transpires there are other environmental features specifically affecting the property, further specialist advice should be obtained. You are advised to ensure that your legal advisers take up the usual enquiries on your behalf, in respect of possible contamination or environmental issues, prior to entering into any commitments. The subject property is generally in a built up area, although on a busy road, but the majority of the surroundings are residential and, therefore, we consider the risk of contaminative land uses close by to be minimal.

**Invasive Species**

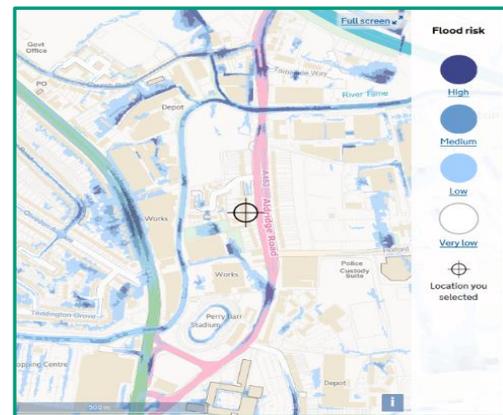
9.4 The RICS have issued an Information Paper (27/2012) on Japanese Knotweed. This states that the presence and effect of Japanese Knotweed is just one of the many considerations that may affect value, and just one of the variety of factors that valuers and surveyors need to take into account when assessing Market Value.

- 9.5 Japanese Knotweed is a rampant non-native invasive species which can cause physical damage to buildings and hard surfaces and be difficult to control. Timely and persistent treatment programmes can minimise its impact. By quantifying the likely cost of treatment and any necessary repairs the impact of Japanese Knotweed can be taken into account in the valuation process and reflected in the same way as any other defect or item of disrepair. As valuers, we are not in a position to comment on the costs of any potential treatment as this is a specialist area but can advise as to whether the plant was seen. How invasive this has become may not be readily identified by a visual inspection.
- 9.6 During our valuation inspection, we saw no evidence of any Japanese Knotweed or other invasive species on or near the property.

**Flooding**



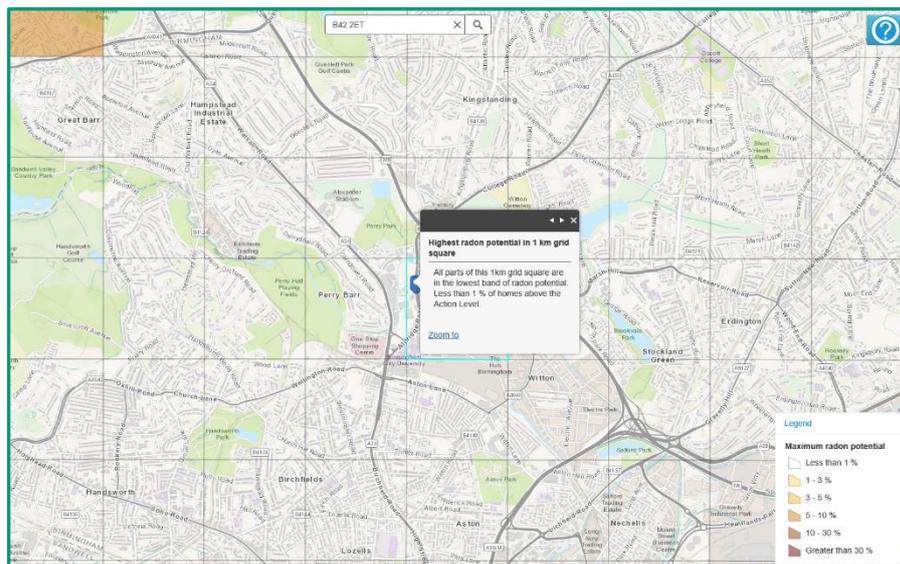
*Risk of flooding from rivers*



*Risk of flooding from surface water*

- 9.7 The Environment Agency website indicates that the property has a “very low” likelihood of flooding. Generally this means that the chance of flooding each year from rivers or the sea is 0.1% (1 in 1000) or less.

**Radon**



*Radon Map*

9.8 The UK Radon website indicates that the property is not situated in an area where high levels of radon gas may occur. Radon is a natural gas originating from uranium within underground rocks and subsoils and is radioactive.

***Made up Ground***

9.9 To our knowledge the property is not situated on made up ground.

***Coal Mining***

9.10 To our knowledge the property is not situated in an area with a mining history and we have therefore made no allowance in our valuation for any problems that may arise.

## 10.0 ECONOMIC AND PROPERTY MARKET COMMENTS

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***UK Economic Comment***

10.1 The UK's snap General Election resulted in a Hung Parliament and this resulted in some fluctuations in the economy with Sterling seeing similar losses as we saw after the Brexit vote. However, this has not been as marked as the continuing uncertainty around the Brexit negotiations and the effect on both the economic and political landscape of the UK. Whilst the weaker Government position is making Brexit negotiations more complex and possibly protracted, the property market has shown a high level of resilience. Overseas investors continue to be active within the investment market which has led to transactional levels holding up against the slight slowdown seen in 2016. Whether this trend will continue as Brexit negotiations continue on a protracted period remains to be seen. The property market could still react negatively to the political landscape, but it will be some time before the real effects are known.

10.2 Following the UK referendum on the Country's continued inclusion within the European Union, the decision to leave heralded politically and economically uncertain times for the UK. As a measure to stabilise the economy post Brexit, the Bank of England reduced interest rates in August 2016 to a record low of 0.25%. As of August 2018, interest rates are now at 0.75%. The latest CPI figure shows that the 12-month figure to July 2018 was 2.5% up from 2.4% in June 2018. The forecast for quarter 3 2018 was 2.4% and the same for quarter 4. The economy is therefore largely tracking the forecast. The longer-term forecast for 2019 through 2022 suggests that the rate will fall to between 1.7% and 2.2% depending on the seasonality.

10.3 The interest rate rise is cited as being in response to the UK economy showing "noticeable signs" of an improvement in the economy with growth in the second quarter being 0.4% up from 0.2% in the first quarter. Whilst the MPC are maintaining their stance that there could be further interest rate rises they have also signalled that if necessary rates could also be cut. Business leaders reacted negatively to the decision to increase rates citing that the economy and consumer confidence remains fragile and the rise could impact on this and affect further economic growth.

- 10.4 The longer Brexit negotiations continue the economy could experience volatility as negotiations take place to determine the UK's future relationship with the European Union leading up to the leaving date in March 2019. There remains a lack of clarity and direction in the negotiations.
- 10.5 As surveyors, we are not economists and our comments are based on those freely available in the media. We would caution that there could be some renewed uncertainty around the valuation of property assets as the economic and political landscape stabilises and finds its new norm.

### ***UK Housing Market***

- 10.6 Housing market surveys report growth in the average price of a house in the UK although it continues to slow down. Declining house prices in London and the Southeast are reported and growth in the cheapest areas of the UK. Affordability is the main factor affecting house prices, followed by Brexit uncertainty, primarily within expensive areas although fears over Brexit is reported as the main concern affecting the London market, followed by stamp duty costs. The high cost of moving which reduces stock and thereby the choice of property available to buy, has subdued demand at the upper end of the market. The prospect of hikes in interest rates, following the first increase in a decade, is likely to further soften activity. That said, price realism and resilience to economic factors means the market outlook is not necessarily gloomy.
- 10.7 Investors taxed out of buying in the housing market means first time buyers are the main purchaser profile of small homes and developers look to schemes which can attract new buyers with Help to Buy assistance to maximise values. Interest rates also remain historically low and the Affordability Index has reduced slightly. Oversea buyer enquiries have increased, due to a cheaper Pound and less concern over Brexit.
- 10.8 The stress testing of mortgages and restricting loan to income ratios to 4.5 have reduced the number of transactions in the market. Also, the buy-to-let mortgage market has been brought in line with owner occupier mortgage requirements plus further PRA requirements affect investors with a portfolio of properties. The Anti-Money Laundering Directive has also impacted on the number of transactions.
- 10.9 The private rented sector saw an increase in stock levels in early 2017 with rent reductions across much of the UK. Stock levels are now putting pressure on rents and modest growth in rents is reported from an ever-present demand. The effects of Brexit and immigration policy may moderate rental growth including the corporate sector.

***Local Market and Property Specific Comments***

- 10.10 Rising demand from young professionals, students and investors will drive Birmingham's city centre residential market ever higher in the next five years, according to new research. A report from property consultancy JLL, called 'West Midlands Residential Predictions 2017', says urban locations such as Birmingham will continue to push house price growth forecasts above the UK average of 13.1 per cent. City centre schemes, such as Grand Central and the New Street station refurbishment, together with a significant boost to the city's retail, food and leisure offering, have changed historical perceptions of Birmingham.
- 10.11 Recent forward funding deals agreed for 603 units completed at Exchange Square, near to the proposed HS2 Station, and 334 units at the old ice rink in Pershore Street. The city centre is now an attractive place for professionals to live, as well as work, and the main issue now is a lack of supply of quality development sites to satisfy demand.
- 10.12 Rising prices, rents and land values are expected, as supply shortages impact the core residential market. Rental increases have been seen at the top of the market with prime schemes achieving an average increase in rents of 4.9 per cent. The new Housing White Paper suggests the Government is anxious to placate MPs who represent constituencies on the edges of the conurbation, by stressing its commitment to the Green Belt. Given Birmingham's supply constraints, it is the surrounding authorities that will have to bear a large burden of land allocations. Birmingham's need for 30,000 new homes by 2031 will come into conflict with the government's reticence to tackle Green Belt issues. There will be increased pressure to release land on Birmingham's outskirts, as we've already seen in Sutton Coldfield, and this will intensify further once HS2 gets closer to delivery, and as the appeal of Birmingham to broader audience increases.
- 10.13 The improving Birmingham market will see demand pushed out from the city centre into the suburbs of Birmingham with more affluent areas such as Sutton Coldfield looking at the higher end of the market, whereas other suburbs will look to the lower, more affordable end, which will still see rental growth and potentially push capital values up.
- 10.14 The subject property, in Perry Barr, offers lower value accommodation which will always be in demand, especially with more demand at the higher end of the market. Landlords in general, prefer to have private tenants and therefore those willing to accept local authority or housing association tenants can achieve good levels of rent and high occupancy levels.
- 10.15 In addition there is increasing demand not just from the councils within the Birmingham borders. Pressure is being put on these from London boroughs to take tenants from London as they simply can't afford to house the numbers in London nor is there the accommodation to do so.

- 10.16 The subject property very much falls in to this latter bracket and will offer affordable living accommodation, with good local amenities and still close to Birmingham city centre and/or motorway connections. As lower income accommodation, demand is strong and tenants will come from a range of sources keeping demand high. As for the property as a whole it will make an attractive investment asset producing a good level of income with future income growth potential when the works are completed.
- 10.17 The property is located in a mixed use area comprising a mixture of housing, commercial and industrial properties. The property fronts a busy main road and is in close proximity to facilities and amenities and therefore should be in good demand for a range of uses. The property is located in the Perry Barr suburb of Birmingham and therefore a relatively densely populated area. There is good demand from investors and developers and the property will benefit from good interest from private landlords looking to rent the property on a room by room basis as an investment.
- 10.18 The 2022 Commonwealth games will also have an impact on the local market with the former Birmingham City University Campus to be redeveloped as the athlete's village. The upcoming games for a short period of time will increase the demand for a property in this location.

## 11.0 VALUATION METHODOLOGY

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- 11.1 In determining the Market Value of the property we have carried out a basic residual calculation and in doing so we have chosen an income stream method of valuation appraisal in order to establish a potential Gross Development Value which requires:-
- (i) The identification of the potential Market Rent for the component parts;
  - (ii) Capitalisation of the adopted potential Market Rent with an applicable investment yield.
- 11.2 In determining the Market Rent and cross checking the Market Value we have adopted a market approach which adopts the principle that the value of a property may be derived by comparing it with prices achieved from market transactions of similar properties. This is a common approach of valuing straight forward residential property.

### ***Market Evidence***

- 11.3 In undertaking our valuation we have had regard to information which is publicly available, our own knowledge and experience of the market. In using publicly available information the usefulness of transactional data will always be subject to the quality of the information provided, the accuracy of which it is not always possible to determine.

### **Rental Market and Tenant Demand**

- 11.4 As the subject property has been recently refurbished and offers en-suite accommodation it offers better quality accommodation than would be expected at the LHA rate of £57.34 per week, as this is generally for accommodation sharing bathrooms as well as kitchen facilities. We have therefore considered the following lets to derive the Market Rent of the property. We have assumed that they are let on an assured shorthold tenancy basis:
- (i) **Crossways Court, 444 College Road, Perry Barr** – a former public house converted into 23 flats, the majority of which are let through Midland Housing. Flat 21 which was marketed by Midland Housing on behalf of the Borrower as an ideal property for a single adult over 35, or couple whilst accepting DHSS applicants. The property was marketed on 13 September 2017 and let a week later on 21 September 2017 at £475 per calendar month, equating to £109.16 per week. In addition, flat 14 and flat 17 have both just let through Midland Housing at £405 per calendar month, equating to £93.46 per week.
  - (ii) **26 York Street, Edgbaston** – a semi-detached HMO premises with nine letting rooms. Seven of these are let at £80 per room per week, for en-suite accommodation.
  - (iii) **Aldridge Road, Perry Bar** – a traditional property offered as a house share. A five bedroom house, aimed at students but accepting other tenants on six to 12 month ASTs. The property offers shared accommodation at £55 per person per week up to £75 per person per week.
  - (iv) **George Road, Erdington** – Five bedroom HMO property is marketed by Multi-Let UK at £83 per week with all bills included and shared kitchen and bathroom facilities. The property is aimed at professionals.
  - (v) **School Road, Moseley, Birmingham B13 B33** – A substantial semi-detached house HMO premises with 12 bedsit rooms (all en-suite). The passing rent is £58,800 per annum reflecting £94.23 per room per week, for a better located property.
  - (vi) **157 Grove Lane, Handsworth, Birmingham B20** – A terraced HMO property with six bedsits and shared facilities. The passing rent equates to £20,280 per annum, which reflects an average rent of £65 per week per room.
  - (vii) **23 Hope Street, West Bromwich B70** – A mid-terraced four bed HMO. The property is fully let at £20,940 per annum reflecting an average rent of approximately £100 per week per room.
- 11.5 The Borrower plans to provide shared accommodation and not self-contained one bedroom accommodation and therefore would not achieve the one bedroom rate, as per Crossways Court which reflects the LHA for a self-contained one bedroom flat. The other lettings are from the local area and other suburbs of Birmingham. They reflect rents ranging from £55 per week up to £100 per week although the latter reflects a smaller house share.

- 11.6 The subject property is to offer en-suite facilities and as such we would expect a higher rate than the base rate for shared accommodation as this generally reflects shared bathrooms as well as kitchen facilities. We would therefore expect rates closer to that of George Road and York Street, depending on the room on offer.
- 11.7 Given the plans provided by the Borrower reflected in Section 2, reflecting eight en suite bedrooms with shared kitchen facilities. From the plans, it appears that six of the en suite bedrooms will be double with two singles and, therefore, in-keeping with our recent valuation of 131 Aldridge Road we have adopted £75 per week for the single bedrooms and £85 per week for double bedrooms, which gives a total rental income of £660 per week, equating to £34,320 per annum. Adopting a deduction of 15% for management, maintenance and voids, gives a potential net rental income of £29,172 per annum.
- 11.8 Letting of the property should be in compliance with the following:
- Furniture & Furnishings (Fire) (Safety) Regulations 1988 – fire retardant furniture
  - Gas Safety (Installation and Use) Regulations 1998 – annual Gas Safe checks
  - Electrical Equipment (Safety) Regulations 1994 – certified electrical system and appliances
  - Housing Fitness Standards (HHSRS – Housing Act 2004)
  - Regulation 4 of The Smoke and Carbon Monoxide Alarm (England) Regulations 2015
- 11.9 We recommend that assurances are sought from the Customer that all relevant regulations have been complied with and will continue to be met.

***Investment Market***

- 11.10 We have had regard to the following sales transactions in arriving at our opinion of value:
- (i) ***School Road, Moseley, Birmingham B13 B33*** – A substantial semi-detached house HMO premises with 12 bedsit rooms (all en-suite). The property sold 6 September 2018 through SDL Auctions at £550,000. The passing rent was £58,800 per annum reflecting a gross initial yield of 10.7%. The rent reflects £94.23 per room per week, for a better located property with a more sustainable and supportable income stream.
  - (ii) ***157 Grove Lane, Handsworth, Birmingham B20*** – A terraced HMO property with six bedsits and shared facilities sold at the SDL Auction September 2016 at £222,000. The passing rent at the time of the sale was £20,280 per annum, which reflected a gross initial yield of 9.14%. The rent equates to £65 per week per room.
  - (iii) ***23 Hope Street, West Bromwich B70*** – A mid-terraced four bed HMO sold May 2016 at the SDL Auction for £165,000. The property was fully let at £20,940 per annum reflecting a gross initial yield of 12.69%. The rent equates to approximately £100 per week per room.

- (iv) **22 Thornhall Road, Birmingham B21** – A fully tenanted 10 bedroom HMO licenced property in Handsworth. The property is being marketed by Siddall Jones at £320,000. The passing rent equates to £35,000 per annum reflecting a gross initial yield of 10.94%. The rent equates to £67.31 per week per room.
- (v) **Titford Road, Birmingham** – a spacious six bedroom licenced HMO with en-suite shower rooms with communal kitchen is being marketed by Open Door at £250,000 with a passing rent of £31,250 per annum reflecting a gross initial yield of 12.5%. The rent reflects £100 per week per room.
- 11.11 The above reflects a range of residential investments for HMO style premises from 9.14% out to 12.5%. The subject property is of a larger size with more bedsits and therefore more risk of voids and is more management intensive, which wouldn't appeal to all investors, however the property has just recently been refurbished and has the potential, as the Borrowers have shown to produce a much higher income from the property and therefore with this in mind and given the improvements that are expected in the local market, mainly with the upcoming Commonwealth Games.
- 11.12 As the subject property is smaller than that of 131 Aldridge Road and will be a new conversion and, therefore, highly sought after as an HMO premises, we have adopted a slightly keener yield of 9% against the potential gross Market Rent of £34,320 per annum. This provides a potential value of the subject property after conversion in the sum of £380,000, based on the assumption planning can be obtained to use class C4 as a HMO and a licence can be obtained from the council. The Borrower proposes a conversion cost of between £75,000 and £100,000, which we consider to be reasonable, which if simply by deducting this would give a range of values from £280,000 to £305,000. We are aware that the property has been marketed at £310,000 and the Borrower has agreed a purchase price of £292,000, which falls within the above mentioned range. We are, therefore, of the opinion that the purchase price is reasonable and reflects not only the cost of works required but also the risk involved with obtaining planning and a licence for a HMO property. Given the location and the number of HMO premises in this area, we consider the risk to be minimal and we are therefore able to support the purchase price as our opinion of Market Value.

#### ***Appropriate Marketing Period***

- 11.13 The standard definition of Market Value requires the Valuer to assume that full and proper marketing has been undertaken for an appropriate period to achieve the best price. In preparing our valuation we have considered that an appropriate marketing period to have achieved our stated opinion of value would have been six to twelve months.

#### ***Recent Transactional History***

- 11.14 We are aware that the property is being marketed by Shipways at £310,000 with the Borrower agreeing a purchase price of £292,000. Should any such information come to light before the loan is finalised the matter must be referred back to us for further consideration.

## 12.0 BUILDING REINSTATEMENT

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- 12.1 The figure below is provided as an informal indication only of the perceived rebuilding costs of the existing buildings and should not be relied on.
- 12.2 The figure below is quoted inclusive of site clearance fees and demolition but specifically excludes consequential loss, fixtures & fittings, stock, loss of rent and VAT on construction costs.
- 12.3 Building reinstatement figure **£425,000 (Four Hundred and Twenty Five Thousand pounds)**

## 13.0 OTHER MATTERS

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### *Liability*

- 13.1 Except for liability for death or personal injury the maximum liability of Aitchison Raffety to the client in connection with the service provided under this instruction whether in contract or tort (including negligence) or the breach of statutory duty shall be limited to £30,000,000 in relation to any one event or series of connected events.
- 13.2 Aitchison Raffety will not be liable for any consequential, special, indirect or exemplary damages, costs or losses or any damages, costs or losses attributable to lost profits or opportunities.

### *Data Security*

- 13.3 During the valuation process the Valuer will have access to, or may be provided with personal, confidential and/or commercially sensitive information. Aitchison Raffety will maintain this information in accordance with the General Data Protection Regulations and the company's Information Security policy. Any such information will be held securely with authorised access only; it will be verified where appropriate. We will only process your information in accordance with the lawful basis of **Legitimate Interest**. For more information see our Privacy Policy at [www.argroup.co.uk/privacy-policy](http://www.argroup.co.uk/privacy-policy)

### *Complaints Procedure*

- 13.4 Aitchison Raffety has a written complaints procedure. A copy is available on request via email at [complaints@argroup.co.uk](mailto:complaints@argroup.co.uk) or by ringing 0845 478 8848.

### *RICS Audit*

- 13.5 The Report and Valuation may be subject to RICS Audit for compliance purposes.

## **Appendix A**

### **LETTER OF INSTRUCTION**

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24th September 2018

Aitchison Raffety  
Property Consultants  
54-56 Victoria Street,  
St Albans  
AL1 3HZ  
Attn. Lindsey Lock

Dear Sir/Madam,

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

Borrower:	A Newco Ltd TBA
Contact Name:	Mr Avtar Sandhu
Phone Number:	07793888888
Email:	sandhu@greencyc.com
Properties:	133 Aldridge Road, Perry Barr, Birmingham, B42 2ET
Tenure:	Freehold
Use:	A residential property that has previously been let as a single residence but to be incorporated into the adjoining HMO at 131 Aldridge Road. (subject to an appropriate HMO licence). The suitability for such use should be considered and commented on.
Tenancies:	It is proposed that the Property will be let on a five year FR&I lease to Churchgate Properties Ltd which owns the adjoining property at 131 Aldridge Road. The commencing rental will be £25,000 p.a.
Access:	Through Mr Sandhu on 07793888888

### Instruction

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

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

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

Whilst your report will be addressed to Proplend Security Ltd, it will need to be 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 the proposed tenancy to Churchgate Properties Ltd 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 with vacant possession.
3. Please provide comparable evidence to support your assumptions on values.
4. Please provide an estimated rental value for the Subject Properties.
5. Please provide commentary on continued likely market demand for properties of this size and nature, in this location, for sale and to let.
6. Please provide an estimated reinstatement cost of the buildings for insurance purposes.
7. Please provide a full description of the Property to include its accommodation, its size, its construction, location and general state of repair. These details should be supported with photos of the Properties. Whilst you are not instructed to carry out a structural survey on each Property, please comment of any noticeable defects that might warrant further investigation and which might affect the marketability of the Property.
8. Please certify that the Property is acceptable for secured lending purposes.

### Report on Title

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

### Fees

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

### Contact Details

Please contact Richard Berkley on 07768 512079 if you have any queries regarding this instruction.

Please send the Valuation Report to [rberkley@proplend.com](mailto:rberkley@proplend.com), with hard copy to 15 Little Green, Richmond TW9 1QH. Draft reports are not acceptable. Following provision of the Valuation Report, you should be prepared to discuss its contents with the Lender.

Yours faithfully,



Brian Bartaby  
Director

Proplend Security Limited

## **Appendix B**

### **STANDARD LIMITATIONS AND ASSUMPTIONS**

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## **1. COMPLIANCE AND DATE OF VALUATION**

1.1. The Report and Valuation will be undertaken in accordance with the RICS Valuation – Global Standards 2017 (the “Red Book”). The Valuer will conform to the requirements of the Manual, subject to the principle of “departure” outlined therein. Where there is a departure the Valuer will state this within the Report and Valuation.

1.2. The date of valuation will be the date of inspection unless otherwise stated within the Report and Valuation.

## **2. INSPECTION**

2.1. The Valuer will undertake a visual inspection of the exterior and interior of the property, to the extent which is accessible with safety and without undue difficulty, as can be seen whilst standing at ground level and within the boundaries of the site, and adjacent public/communal areas, and whilst standing at the various floor levels which the Valuer considers reasonable in order to provide the service having regard to its purpose. The Valuer will not carry out a building or structural survey or inspect those parts of the property which are covered, unexposed or inaccessible nor raise floor boards, move any fixed apparatus or arrange for a test of the electrical, heating or other services.

2.2. In preparing the report, unless otherwise stated by the Valuer, the following assumptions will be made which the Valuer is under no duty to verify:

- a. That no deleterious or hazardous materials or techniques were used in the construction of the property nor have since been incorporated.
- b. That inspections of those parts which have not been inspected would neither reveal material defects nor cause the Valuer to alter the valuation materially.

2.3. Our valuation assumes that all electronically operated or electronically

controlled equipment at the property is not or will not be adversely affected by any computer virus or date related programming problems.

## **3. MEASUREMENTS**

All measurements are carried out in accordance with the Code of Measuring Practice issued by the Royal Institution of Chartered Surveyors. In the event of dimensions or areas being calculated from plans or other sources, the Valuer will so state in the report.

## **4. SERVICES**

The Valuer will not test any of the services within the property but will make a visual inspection of which are connected.

## **5. TENURE AND TENANCIES**

5.1. Although the Valuer reflects a general understanding of a tenant’s status in the valuations, the Valuer makes limited enquiries about the financial strength of tenants, and relies upon the client to advise if tenants are in default of rental payments, or where there appear grounds for concern. In the context of investment property, where covenant strength is significant, such assumptions that affect the valuation approach will be commented upon in the valuation section of the report. The Valuer will assume that appropriate enquiries were made when leases were originally exchanged, or when consent was granted to tenants to assign or underlet, and that tenants are therefore not in breach of covenant.

5.2. The valuations do not take account of any rights, obligations or liabilities whether prospective or accrued under the Defective Premises Act 1972.

## **6. LEGAL ADVICE**

6.1. The Valuer shall, unless otherwise expressly agreed, rely upon information provided by the client and / or the client’s legal or other professional advisors relating to tenure, leases and all other relevant matters. The Valuer will assume that good Title can be

shown and that the property is not subject to any unusual or onerous restrictions, encumbrances or outgoing. It is understood, where relevant, that the client will be obtaining a report on Title which, if in conflict with the valuation report, should be referred to the Valuer for further consideration. No responsibility or liability is accepted for the true interpretation of the legal position of the client and other parties. Any interpretation of legal documents and legal assumptions should be checked by the client or suitably qualified person, if relied upon.

## **7. TOWN PLANNING, HIGHWAYS AND OTHER STATUTORY REGULATIONS**

7.1. The Valuer will carry out such inspections and investigations as are in the Valuer’s professional judgement appropriate and possible in the circumstances. It is an assumption that the property and its value are unaffected by any matters which would be revealed by a local search and replies to the usual enquiries or Statutory Notice and that neither the property nor its condition, nor its use, intended use, is or will be unlawful. It is recommended that verification is obtained from the client’s solicitors that:

- a. The position is correctly stated in the report.
- b. The property is not adversely affected by any other decisions made or conditions prescribed by Local Authorities.
- c. That there are no outstanding Statutory Notices.

7.2. The valuations are prepared on the basis that the premises comply with statutory regulations, including fire and building regulations.

7.3. Where it is apparent that access to the property is not direct from the public highway, or where there are published road proposals, the Valuer will make appropriate comments.

7.4. The Valuer will make enquiries to ascertain details of Local Taxation. No comment will be made as to the reasonableness of details of Council Tax Bandings or Rateable Value.

## 8. ENVIRONMENTAL CONSIDERATIONS

8.1. The Valuer will make only informal enquiries as to environmental considerations unless specifically instructed otherwise. The Valuer does not undertake any environmental testing as part of a normal valuation inspection and will therefore usually report that enquiries have not revealed any contamination affecting the property or neighbouring property, which would affect the valuation. However, should it be established subsequently that contamination exists at the property, or on any neighbouring land, or that the premises have been or are being put to any contaminative use, this might reduce the values reported and should be referred back to the valuer.

When valuing property where the Valuer suspects contamination may exist this will be reported. If an approved Environmental Consultant is employed their report should be referred to the Valuer. The Valuer will then refer to the Consultant's report in the valuation identifying the nature of the contamination and adjust the valuation to have regard to the estimated cost and likely liability for treatment. However, should it be established subsequently that other contaminants exist at the property or on any other neighbouring land, or that the premises have been or are being put to any other contaminative uses this might reduce the value reported.

Unless otherwise stated by the Valuer, the following assumptions will be made by the Valuer which he is under no duty to verify:-

- a. Investigations have not been undertaken on the site in the form of any geotechnical report to determine the suitability of ground

conditions or services for any new developments.

- b. In the case of agricultural land, the Valuer is not able to accept any responsibility as to the possible latent infestations in the soil or any disease which might affect crops or stock at any time in the future.

8.2. The Valuer will not undertake formal enquiries but will comment on the following within the scope of internet enquiries and visual inspection. It may not be possible to provide definitive conclusions based on informal enquiries:-

- Invasive Species; Flooding; Radon; Made up ground; and, Coal Mining.

## 9. VALUATION

A **basis of value** is a statement of the fundamental measurement assumptions of a valuation.

It describes the fundamental assumptions on which the reported value will be based, e.g. the nature of the hypothetical transaction, the relationship and motivation of the parties and the extent to which the asset is exposed to the market. The appropriate basis will vary depending on the purpose of the valuation.

A **basis of value** should be clearly distinguished from:

- a. the approach or method used to provide an indication of value,
- b. the type of asset being valued,
- c. the actual or assumed state of an asset at the point of valuation,
- d. any additional assumptions or special assumptions that modify the fundamental assumptions in specific circumstances.

A **basis of valuation** can fall into one of three principal categories:

- a. The first is to indicate the most probable price that would be achieved in a hypothetical exchange in a free and open

market. *Market value* as defined in these standards falls into this category.

- b. The second is to indicate the benefits that a person or an entity enjoys from ownership of an asset. The value is specific to that person or entity, and may have no relevance to market participants in general. *Investment value* and *special value* as defined in these standards fall into this category.

- c. The third is to indicate the price that would be reasonably agreed between two specific parties for the exchange of an asset. Although the parties may be unconnected and negotiating at arm's length, the asset is not necessarily exposed in the market and the price agreed may be one that reflects the specific advantages or disadvantages of ownership to the parties involved rather than the market at large. *Fair value* as defined in these standards falls into this category.

Valuations may require the use of different **bases of value** that are defined by statute, regulation, private contract or other document. Although such bases may appear similar to the **bases of value** defined in these standards, unless unequivocal reference is made to IVS in the relevant document, their application may require a different approach from that described in IVS. Such bases have to be interpreted and applied in accordance with the provisions of the source document. Examples of **bases of value** that are defined in other regulations are the various valuation measurement bases found in International Financial Reporting Standards (IFRS) and other accounting standards.

Unless otherwise described all valuations will be defined as:-

## 10. MARKET VALUE (MV)

The valuation prepared on an open market basis in accordance with the

RICS Valuation – Global Standards 2017 issued by the Royal Institution of Chartered Surveyors incorporating International Valuation Standards 2017 (IVS) and which is defined as follows:-

Valuations based on market value shall adopt the definition and the IVS Framework paragraphs 32 – 34 and VPS 4 paragraph 1.2, Market Value :

**Market Value is 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.**

The definition of *market value* shall be applied in accordance with the definition in IVS Framework paragraph 29 and paragraphs 32 - 34:

“**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*;

“**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*;

“**on the valuation date**” requires that the value is time-specific as of a given

date. Because market conditions may change, the estimated value may be incorrect or inappropriate at another time. The valuation amount will reflect the actual market state and circumstances as of the effective *valuation date*, not as of either a past or future date. The definition also assumes simultaneous exchange and completion of the contract for sale without any variation in price that might otherwise be made;

“**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”;

“**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 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;

“**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;

“**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 reasonably 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*;

“**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;

“**and without compulsion**” establishes that each party is motivated to undertake the transaction, but neither is forced or unduly coerced to complete it.

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.

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 productivity 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 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.

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.

The determination of the highest and best use involves consideration of the following:

- a. To establish whether a use is possible, regard will be had to what would be considered reasonable by market participants,
- b. 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,
- c. 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.

#### Transaction Costs

*Market value* is the estimated exchange price of an asset without regard to the seller's costs of sale or the buyer's costs of purchase and without adjustment for any taxes payable by either party as a direct result of the transaction.

### 11. MARKET VALUE (MV) SUBJECT TO SPECIAL ASSUMPTIONS

Where an assumption is made that assumes facts that differ from those existing at the *date of valuation*, it becomes a *special assumption* (see *VPS 4 Paragraph 3 Special Assumptions and IVS 101 Scope of Works*). *Special assumptions must be agreed in writing with the Client*. Special assumptions are often used to illustrate the effect of possible changes on the value of an asset. They are designated as "special" so as to highlight to a valuation user that the valuation conclusion is contingent upon a change in the current circumstances or that it reflects a view that would not be taken by market participants generally on the *valuation date*. Assumptions and *special assumptions* must be reasonable and relevant having regard to the purpose for which the valuation is required.

In certain circumstances Valuers may be asked to provide a Market Value subject to special assumptions which have previously been agreed between the Valuer and the client. Where such interpretations are required the additional special assumptions will be included within the valuation section of the report.

### 12. MARKET RENT (MR)

Valuations based on market rent shall adopt the definition in IVS 230 Real Property Interests paragraph C9. The Framework follows the theme of *Market Value* above:

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.

### 13. INSURANCE RECOMMENDATION (WHERE REQUESTED)

An indication is provided for insurance purposes unless otherwise advised (which is given solely as a guide since a formal estimate for insurance purposes can only be given by a Quantity Surveyor or other person with sufficient current experience) of the current replacement cost of:

- a. The buildings in their present form (unless otherwise stated).
- b. Buildings being constructed as proposed to be completed:
  - each including the cost of clearance and professional fees but excluding:
    - i. VAT (except on fees)
    - ii. Loss of rent: and / or
    - iii. Cost of alternative accommodation for the reinstatement period
    - iv. Cost of decontamination of the land

### 14. CONFIDENTIALITY

The report will be provided for the stated purpose and for the sole use of the named client. The Valuer accepts responsibility to the client alone that the report will be prepared with the skill, care and diligent responsibility to be expected of a reasonably competent Valuer and accepts no responsibility whatsoever to any parties other than the client. Any third parties rely upon the report at their own risk. Neither the whole or any part of the report nor any reference to it may be included in any published document, circular or statement nor published in any way without the prior written consent of Aitchison Raffety as to the form and context in which it may appear.

## 15. FEE

In the event of non-payment, we reserve the right to charge interest under section 69 of the County Courts Act 1984 at the rate of 8% per annum, from the date of the invoice to any unpaid amount outstanding four weeks after the invoice date.

## 16. LIABILITY

Except for liability for death or personal injury the maximum liability of Aitchison Raffety to the client in connection with the service provided under this instruction whether in contract or tort (including negligence) or the breach of statutory duty shall be limited to £30,000,000 in relation to any one event or series of connected events.

Aitchison Raffety will not be liable for any consequential, special, indirect or exemplary damages, costs or losses or any damages, costs or losses attributable to lost profits or opportunities.

## 17. GENERAL ASSUMPTIONS

17.1. Unless otherwise stated all items normally associated with the valuation of land and buildings are reflected in the valuation and reinstatement costs to the extent that they existed at the date of inspection, including:

Fixed space heating; hot water system; lighting; mains services supplying sprinkler systems and associated equipment; water; electricity; gas and steam circuits not serving industrial or commercial processes; sub-station buildings; lifts and permanent structures including crane rails where forming an integral part of the building structure; drains; sewers and sewerage plants not primarily concerned with treating trade effluent; air conditioning/comfort cooling except where part of a computer installation or primarily serving plant and machinery; suspended ceilings; carpets, perimeter trunking; raised floors and fixed demountable partitions except where these are tenant's fixtures.

17.2. Unless otherwise specified the following items are excluded:

All items of process plant and machinery, tooling and other equipment not primarily serving the building; cranes, hoists, conveyors, elevators, structures which are ancillary to, or form part of an item of process plant and machinery; sewerage plant primarily concerned with treating trade effluents; air conditioning/comfort cooling where part of a computer installation or primarily serving plant and machinery; and water, electricity, gas, steam and compressed air suppliers and circuits serving industrial and commercial processes.

17.3. Unless otherwise specified no allowance is made for the cost of repairing any damage caused by the removal from the premises of items of plant, machinery, fixtures and fittings.

17.4. All valuation figures and rentals quoted are exclusive of any VAT which may be applicable and should be confirmed following legal advice. No deductions are made for taxation or costs of realisation.

17.5. Our valuation assumes that all electronically operated or electronically controlled equipment at the property is not or will not be adversely affected by any computer virus or date related programming problems.

## 18. DATA SECURITY

During the valuation process the Valuer will have access to, or may be provided with personal, confidential and/or commercially sensitive information. Aitchison Raffety will maintain this information in accordance with the General Data Protection Regulations and the company's Information Security policy. Any such information will be held securely with authorised access only; it will be verified where appropriate. We will only process your information in accordance with the lawful basis of **Legitimate Interest**. For more information see our Privacy Policy at [www.argroup.co.uk/privacy-policy](http://www.argroup.co.uk/privacy-policy)

## 19. COMPLAINTS PROCEDURE

Aitchison Raffety has a written complaints procedure. A copy is available on request via email at [complaints@argroup.co.uk](mailto:complaints@argroup.co.uk) or by ringing 0845 478 8848.

## 20. RICS AUDIT

The Report and Valuation may be subject to RICS Audit for compliance purposes.

This document is available, on request, in a larger print version