

# Reducing Property Specific Lending Risks Through Valuations Excellence



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## Valuation Report

<b>Address</b>	55 Barkly Road, Leeds, LS11 7EN
<b>Lender</b>	Proplend Security Ltd
<b>Lender Address</b>	20-22 Wenlock Road, London, N1 7GU
<b>Applicant Name</b>	Blackstone Estates (Yorkshire) Ltd
<b>Date</b>	01 February 2019
<b>Valuation Company</b>	Cushman & Wakefield
<b>Valuer</b>	James Milner MRICS

PROPERTY DETAILS			
<b>Property Address:</b>	55 Barkly Road, Leeds, LS11 7EN		
<b>Lender:</b>	Proplend Security Ltd	<b>Date of Valuation:</b>	01 February 2019
<b>Purpose of Valuation:</b>	Loan Security	<b>Valuation Method:</b>	Investment



VALUATION	
<i>(please carefully read the lenders instruction letter and make sure that valuations are provided on the required basis)</i>	
Market Value having regard to the tenancy in place	£620,000
Market Value assuming vacant possession	£575,000
Market Rent (MR)	£68,250 per annum
Insurance Reinstatement Estimate:	£1,400,000

**VALUATION ISSUES:**

The EPC rating is considered poor and we recommend this is investigated to see if any cost effective works could be undertaken to improve energy efficiency at the building

**Estimated Sales period:**

9 - 12 months

LOCATION / DESCRIPTION	
<b>Location Summary:</b>	The premises are positioned to the eastern side of Barkly Road within a predominantly residential area within the Beeston district of South Leeds. The core of Leeds city centre is circa 1km north.
<b>Description Summary:</b>	Comprising an irregular shaped former engineering works which is nowadays occupied for the production and distribution of beds. The building is understood to date back to the 1950s and is basic in specification throughout – although quite suitable for its continued use. The building benefits from a generous sized, secure service yard area.

<b>Condition Summary:</b>	The condition is deemed average when considering the age and style of construction. A programme of extensive refurbishment would not prove cost effective. There were no serious items of disrepair noted during our inspection.		
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<b>Floor Area:</b>	1,944.9 sq m / 20,935 sq ft GIA	<b>Site Area:</b>	0.88 acres / 0.35 hectares
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**TENURE / TENANCY**

<b>Tenure:</b>	Freehold	<b>Tenancy:</b>	The entire property is let to Myer Adams (UK) Ltd by way of a 7 year lease commencing 01/08/2016 and expiring 31/07/2023. A rent review is scheduled for 01/08/2021. There are no tenant break options. Current rent payable of £68,250 per annum.
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<b>Passing Rent:</b>	£68,250 per annum	<b>Market Rent:</b>	£68,250 per annum
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**SWOT ANALYSIS**

<p><b>Strengths:</b></p> <ul style="list-style-type: none"> <li>• Simplistic and affordable nature of existing building.</li> <li>• Secure site with large designated yard area.</li> <li>• Easy access to Leeds city centre and motorway network.</li> <li>• Lack of available freehold workshop accommodation in the Leeds area at present.</li> </ul>	<p><b>Weaknesses:</b></p> <ul style="list-style-type: none"> <li>• Location is not an established area for industrial use nowadays, with residential being the primary use.</li> <li>• The current internal state of premises means that likely commercial occupiers will be restricted to storage and basic manufacturing operators.</li> <li>• Likely future tenants of the existing building will in all likelihood be restricted to local traders only – seeking a short term let and so security of income is unlikely to be strong. However, this will suit a residential developer who would seek to avoid a long term letting whilst the planning position was explored.</li> </ul>
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<p><b>Opportunities:</b></p> <ul style="list-style-type: none"> <li>• Very obvious brownfield residential redevelopment site – subject to obtaining planning approval.</li> </ul>	<p><b>Threats:</b></p> <ul style="list-style-type: none"> <li>• Uncertainty surrounding exactly what planning approval could be obtained.</li> </ul>
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**DEFECTS & SPECIALIST REPORTS**

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

Legal Issues	Report Required / Issue Identified	Structural Issues	Report Required / Issue Identified	Environmental Issues	Report Required / Issue Identified

<b>EPC</b>	Issue Flagged	<b>Hazardous/ Deleterious Materials</b>	Issue Flagged	<b>Asbestos</b>	Issue Flagged
<b>Choose an item.</b>	Choose an item.	<b>Choose an item.</b>	Choose an item.	<b>Choose an item.</b>	Choose an item.

**Comments:** The EPC rating of E-120 is deemed poor although is technically compliant with MEES at present.  
 The roof of the building is partially clad with asbestos and we recommend an asbestos survey is ascertained in this respect.

**RECOMMENDED ACTION POINTS / SUITABILITY FOR LOAN SECURITY**

<b>We would recommend the following action points:</b>	<ul style="list-style-type: none"> <li>Obtain an asbestos report to assess the condition of the asbestos containing materials at the building.</li> <li>Investigate whether the EPC rating can be improved on a cost effective basis</li> </ul>
<b>Is the property suitable for loan security?</b>	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.**

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## VALUATION RECORD

<b>To:</b>	Proplend Security ("you" or the "Addressee")
<b>Borrower:</b>	Blackstone Estates (Yorkshire) Ltd (the "Borrower")
<b>Property:</b>	55 Barkly Road, Leeds, LS11 7EN
<b>Report date:</b>	07/02/2019
<b>Valuation date:</b>	01/02/2019 ("Valuation Date")
<b>Our reference:</b>	190XZE00

### 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 05 February 2019 (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 James Milner 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.

As you are already aware we have historically undertaken a valuation of the property in 2016 on behalf of a different lender. However we do not consider that any conflict of interest exists.

### **Purpose of Valuation**

The purpose of this Valuation Report is in connection with a proposal to refinance the Property (the "Purpose of Valuation").

### **Basis of Valuation**

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

1. Market Value having regard to the tenancy in place.
2. Market Value assuming vacant possession.
3. Market Rent.
4. 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".

### **Departures**

We have made no Departures from the RICS Red Book.

### **Reservations**

The valuation is not subject to any reservation.

### **Inspection**

Details of our inspection are included in the Property Record Section.

### **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):

**Industrial**            GIA

## 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.

## 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.



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## PROPERTY RECORD

### 55 Barkly Road, Leeds, LS11 7EN

#### Inspection

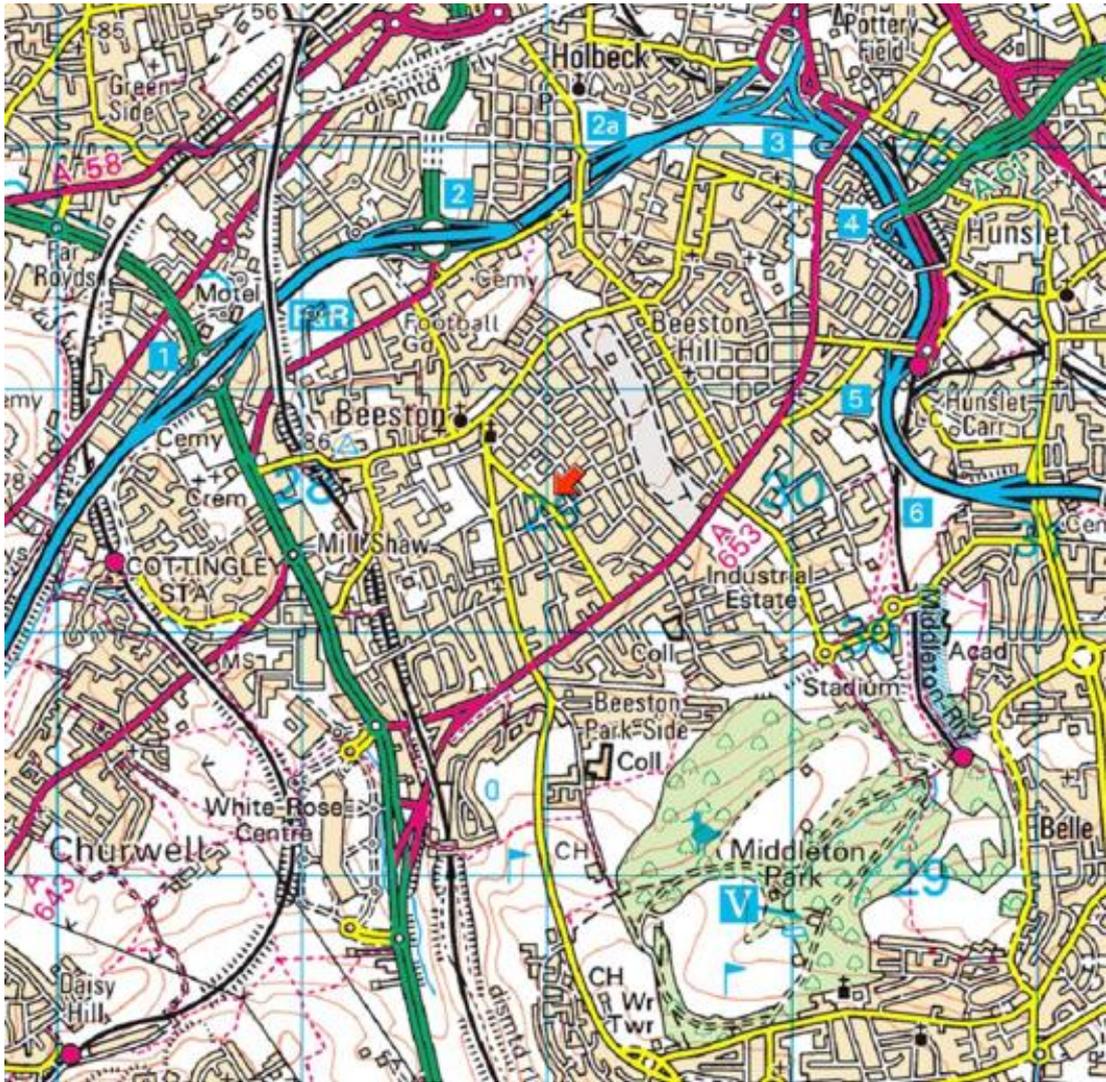
The Property was subject to an external inspection, from ground level and an internal inspection, on 01 February 2019.

## 1. Location and Description

### 1.1. Location

#### General

- Leeds is the administrative and commercial capital of West Yorkshire with a resident population of 715,402 and a catchment area in excess of 2.5 million (2001 Census). The city is located at the head of the M1 motorway and some 6.4 km (4 miles) due north of Junction 29 of the M62 motorway. The opening of the M1 motorway extension now provides direct access between the M1 and A1 to the east of the city and has provided better links from Leeds city centre to the north and east.
- Leeds benefits from excellent rail services, linking it to all parts of the country with a regular service to London Kings Cross providing best journey times in the order of 2 hours. Additionally, regular local services link Leeds with Manchester, Sheffield and York. Leeds/Bradford Airport, located approximately 16 km (10 miles) north west of Leeds city centre, provides regular European and domestic flights. The city has in recent years transformed itself from a traditional northern industrial city and established itself as a major financial centre for the north of England with occupiers including The Bank of England, all major clearing banks, over 30 building societies and in excess of 120 insurance companies.
- As the largest banking and financial centre outside of London, Leeds has is one of the UK's premier business cities and has the largest employed population in the Yorkshire region. It is the second largest employment centre outside of London.
- The premises are positioned to the eastern side of Barkly Road within a predominantly residential area within the Beeston district of South Leeds. To the immediate north is a similar dated engineering facility formerly operated by Vickers Bespoke Joinery (although which is now vacant and available for sale) which then adjoins George Boulter & Co Engineers. Also fronting Barkly Road is the Eden Academy and St Anthony's Catholic School.
- Barkly Road connects with Dewsbury Road (A653) a short distance south which provides a busy arterial route – forming one of the primary roads into Leeds city centre from the South. It leads directly to Leeds city centre and the M621 motorway (Junction 5). The core of Leeds city centre is circa 1km north.
- Plans and an Ordnance Survey extract are included in Appendix A. The site plan is for identification purposes only. We advise that the accuracy of the plan is verified by your solicitors.



Further maps and plans are attached in Appendix A.

## 1.2. Description



Further photographs are attached in Appendix B.

- The property comprises an irregular shaped dated former engineering works which we understand for many years was occupied as a cardboard box production factory. It appears to date back to the 1950's and it essentially forms two adjoining workshop bays divided by a central blockwork wall with interlinking section. The two sections were clearly developed at different times and have very different external appearances. One section is surmounted by a timber framed traditional north light roof structure with slate cladding – whilst the other is surmounted by a pitched, steel frame asbestos clad roof.
- Both buildings are of block and brick construction with centrally positioned supporting columns which interrupt the building floor plate.
- A variety of roof coverings exist which include slate, profile metal and asbestos. Both units have roller shutter doors fronting the yard area. Elevations externally are a combination of brick and metal cladding.
- The yard area is of a secure nature and is bound by a combination of concrete panel walling and traditional brick walling. The entrance point is secured by a large metal gate. The yard itself is concrete surfaced throughout with expansion joints.
- Internally the two units have painted concrete floors, painted brickwork walls and exposed views of the timber and steel framed roof structures. The eaves height ranges from 3.4 metres to 5.4 metres. Wall mounted gas fired warm air blowers are provided although were not tested on site.
- The southern of the two units incorporates a blockwork office section which accommodates a series of individual offices, wc's and staff room – with non-structural partition walls. The specification is basic within the offices, with carpeted floors, painted plaster walls and ceiling and ceiling mounted fluorescent lighting. Gas fired central heating radiators are provided. Within the northern bay is a similar blockwork structure which forms a staff welfare room.
- As indicated earlier, the open plan floor plate of each of the two bays is interrupted by vertical support columns.
- The tenant has recently redecorated the offices and have installed a series of specialist plant and machinery to enable the manufacture of beds, ie an overhead compressed air supply.

## 2. Accommodation

### Source of Floor Areas

- A measured survey of the building was undertaken during our inspection.

Description	Approx Gross Internal Area	
	Sq m	Sq ft
Southern Workshop	819.4	8,820
Northern Workshop	1,125.15	12,115
<b>Total</b>	<b>1,944.9</b>	<b>20,935</b>

## 3. Structural Condition and Repair

- The building was found to be in a very basic state of repair and requires a programme of general modernisation works in order for it to be re-occupied for anything other than simplistic manufacturing or basic storage. As indicated earlier the tenant recently undertook a series of simplistic refurbishment works and the building can be considered as being quite functional for its continued use as a bed manufacturing facility. There were no obvious signs of serious disrepair noted during our inspection.
- It is a condition of C&W or any related company, or any qualified employee, providing advice and opinions as to value, that the client and/or third parties (whether notified to us 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.
- Our valuations have taken account of the general condition of the property as observed from the valuation inspection. Where a separate condition or structural survey has been undertaken and made available to us, we have reflected the contents of the survey report in our valuations, and we may have discussed the report with the originating surveyor.
- Due regard has been paid to the apparent state of repair and condition of the property, but a condition survey has not been undertaken, nor has woodwork or other parts of the structure which are covered, unexposed or inaccessible, been inspected. Therefore, we are unable to report that the property is structurally sound or is free from any defects. We have made an Assumption that the property is free from any rot, infestation, adverse toxic chemical treatments, and structural or design defects other than such as may be mentioned in our Valuation Report.
- We have not arranged for investigations to be made to determine whether high alumina cement concrete, calcium chloride additive or any other deleterious material have been used in the construction or any alterations in respect of the property, and therefore we cannot confirm that the property is free from risk in this regard. For the purposes of our valuation(s), we have made an Assumption that any such investigation would not reveal the presence of such materials in any adverse condition.
- We have not carried out an asbestos inspection and have not acted as an asbestos inspector in completing the valuation inspection of properties that may fall within the Control of Asbestos at Work Regulations 2002. We have not made an enquiry of the duty holder (as defined in the

Control of Asbestos at Work Regulations 2002), of an existence of an Asbestos Register or of any plan for the management of asbestos to be made. Where relevant, we have made an Assumption that there is a duty holder, as defined in the Asbestos at Work Regulations 2002 and that a Register of Asbestos and Effective Management Plan is place, which does not require any immediate expenditure, or pose a significant risk to health, or breach the HSE regulations. We advise that such enquiries be undertaken by a lawyer during normal pre-contract or pre-loan enquiries.

- No mining, geological or other investigations have been undertaken to certify that the site is free from any defect as to foundations. We have made an Assumption that the load bearing qualities of the site of the property are sufficient to support the buildings constructed, or to be constructed thereon. We have also made 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 abnormal ground conditions, nor archaeological remains present, which might adversely affect the present or future occupation, development or value of the property.
- No tests have been carried out as to electrical, electronic, heating, plant and machinery equipment or any other services nor have the drains been tested. However, we have made an Assumption that all services, including gas, water, electricity and sewerage are provided and are functioning satisfactorily..

### 3.1. Estimated Reinstatement Cost Assessment

- Our assessment of reinstatement cost at the date of valuation is

<b>£1,400,000</b>	<b>(One Million Four Hundred Thousand pounds)</b>
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- Please note we have not carried out a formal reinstatement cost assessment through our Building Consultancy Division. Our 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.

## 4. Site

### Boundary



### Area

- The site is irregular in shape although broadly level throughout. Entrance for vehicles is via a gateway to the southern tip which connects to Barkly Road. A second smaller entrance point is provided to the east of the yard via a gateway connecting with Firth Road.

0.86 acres

0.35 hectares

### Ground Conditions

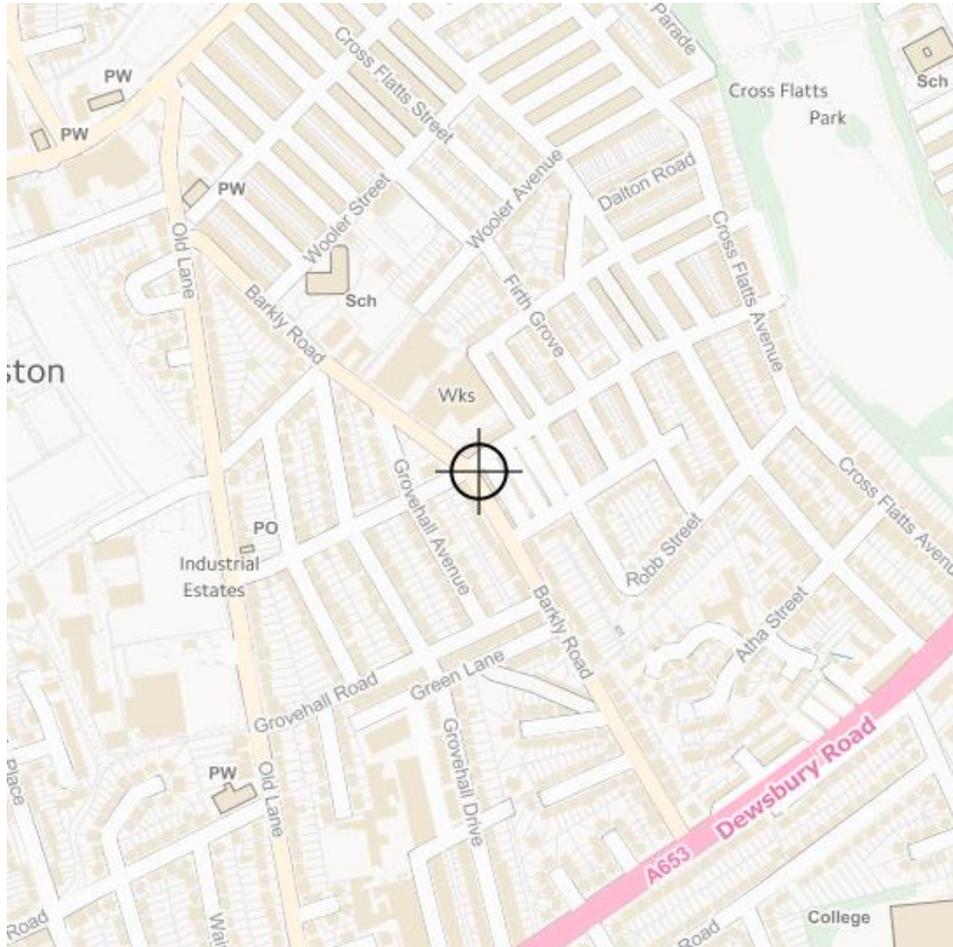
- We have not been provided with any information that indicates there are adverse ground conditions affecting the Property.

### 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. There has been no recent history of flooding in this area.



- 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.
- As indicated earlier we understand that the previous use of the building was a cardboard box production facility. This use, and the current use of bed manufacturing, is unlikely to have posed any environmental risk. However the uses of the building prior to this are unknown – plus we are not aware of the history of the neighbouring industrial buildings.
- Our enquiries 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	E-120	24/10/2016	Below

The rating is considered poor although this is expected when having regard to the age and nature of the building. The rating is however compliant with MEES at present. We recommend the rating is investigated to see if cost effective energy improvement works could be undertaken.

## 6. Statutory Matters

### Town Planning

Overview		
a.	Local planning authority	Leeds City Council
b.	Current planning use	B2 General Industrial
c.	Listed Building status?	No
d.	Conservation Area?	No
e.	Outstanding applications?	None

### Planning History

- There have been no recent planning applications made in respect of the building.
- We have made enquiries with a view to identifying any highway or development proposals which are likely to affect the value of the property. In this regard we have been advised that there are none.
- Planning policy for the area is contained within the Leeds Unitary Development Plan Review which was adopted in July 2006. The property is located in an area unallocated at present. Within the draft Site Allocations Plan 2015 it is also unallocated. However the adjoining similar engineering works to the north is allocated as a potential housing site (with capacity for 25 houses) as part of the draft Site Allocations Plan.

- We have made the Assumption that the property complies with all relevant statutory requirements.

## 7. Taxation

### Business Rates

See summary below:

Demise	Description	Rateable Values
55 Barkly Road, Leeds, LS11 7EN	Workshop	£50,500

- 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 industrial premises are charged at full rate following an initial six month exemption.

## 8. Tenure and Occupational Interests

### Title

- The property is held freehold and to the best of our knowledge is free from rent charge, restriction as to use, title or occupation and free from any other restriction which may affect value. We have not had sight of the title deeds.
- We have not been provided with a Report on Title.

Overview	
Type of tenure	Freehold
Title no(s)	WYK527931
Any material encumbrances or unduly onerous / unusual easements, restrictions, outgoings or conditions?	No
Any title characteristics likely to have an adverse impact on value, either now or over the proposed loan term?	No

### Tenancies

The property is let in its entirety to a bed manufacturing tenant. We have reviewed the lease and the salient points are outlined below;

<b>Demise:</b>
55 Barkly Road, Beeston, Leeds, LS11 7EN
<b>Lease date:</b>
01 August 2016
<b>Lessor:</b>
Blackstone Estates (Yorkshire) Ltd
<b>Lessee:</b>
Myer Adams (UK) Ltd
<b>Term:</b>
7 years from 01 August 2016
<b>Break option:</b>
None
<b>Current passing rent:</b>
£68,250 per annum
<b>Next rent review:</b>
No Rent reviews
<b>Rent review basis:</b>
Upwards only review on basis of market rent scheduled for 01 August 2021
<b>Repairing obligations:</b>
Tenant to keep the property in good repair and condition
<b>Insurance provisions:</b>
Landlord insures and the tenant re-imburses
<b>User:</b>

Bed manufacturing within Use Class B1
<b>Alterations:</b>
The tenant shall not make any external or structural alteration or addition without the Landlord's consent which should not be unreasonably withheld or delayed.
<b>Alienation:</b>
Tenant shall not assign/sublet of whole without the consent of the Landlord which should not be unreasonably withheld. Authorised Guarantee Agreement required for any assignments. No assignment or subletting of part permitted.
<b>Service charge:</b>
N/A

## 9. Industrial Market Commentary

- Current industrial stock within Leeds is calculated at approximately 45.2 million sq ft. The key occupational metric attached to the Leeds submarket is its close proximity to the M1 and M62 Motorways.
- In recent years, vacancy rates have been falling steadily, mostly due to positive net absorption during each year since 2013, which only came to an end in 2018 as new supply began to trickle through (despite most of this being on a build to suit basis).
- Falling vacancy rates, which currently stand at 3.9%, a dramatic decrease from over 12.6% in 2012, have put upwards pressure on rental values. Standing at an average of £5.32 per sq ft in Q4 2018, market rents have seen a sharp, consistent increase from 2014 where they stood at circa £4.50. Due to this surge, current market rents are almost 10.0% above the 5-year average.
- Additionally, this current lack of supply is leading to industrial units spending less time vacant, with average time being 17 months spent vacant and less than 9 months on the market before letting.
- However, in response to a blatant lack of supply, new speculative construction has begun to pick up. A reported 627,641 sq ft is currently under construction, albeit some of this build to suit accommodation. Some notable speculative supply coming forward is in the form of 100,000 sq ft comprised of 3 units and 200,000 sq ft comprised of 7 units is under construction at Logic Leeds and Howley Park respectively. This new supply should relieve upwards pressure on rental values. Evidence of new supply starting to have this effect can be seen by the cooling of the rental growth rate, currently standing at 2.36%, below the 5-year average of 3.01%.
- With regard to the Beeston area of Leeds the primary industrial address is the Parkside Industrial Estate located off Dewsbury Road. The estate is well established and accommodates industrial properties of varying size and styles. Typically rentals for modern units are within the order of £4.00 - £4.50 per sq ft. Capital values for vacant units range dramatically depending upon size and quality – but are typically within the order of £50 - £60 per sq ft. The attraction to the locality is the easy access to both Leeds City Centre and also the M621 Motorway.

## 10. Principal Valuation Considerations

### Location / Situation and Competition

- The specific location is not an established address for industrial use, with the vicinity instead forming a densely populated residential area. In addition to the neighbouring semi-detached workshop buildings, the subject property can be considered somewhat unusual in the context of the immediate vicinity.
- Competition for small workshop/warehouse type properties nearby is generally in the form of the Parkside Industrial Estate positioned off Dewsbury Road – in addition to a variety of workshop type properties that front onto Dewsbury Road itself, ie Crescent Trading Estate.

### Building Design / Condition / Suitability

- The building is considered quite functional for its continued use as a basic manufacturing facility. Large scale refurbishment would be necessary in the event of the building being put to a more modern manufacturing type use, or distribution warehousing.
- The condition is deemed as average when having regard to the age and nature of construction. Various ongoing maintenance works will be necessary in order to extend the economic life of the building. A programme of large scale refurbishment is however unlikely to ever prove cost effective.

### Site / Environmental Issues

- The premises benefit from a generous sized secure yard area with an entrance point to either end. The yard forms one of the key sale and letting strengths.
- Various forms of engineering have occurred at the building in the past and it is not clear whether any environmental issues exist. Prior to any form of redevelopment taking place at the site a detailed site investigation survey will no doubt be required.

### Planning / Statutory Issues

- There is no planning consent allowing for any form of redevelopment at the subject site. However, we are aware the neighbouring site has a housing allocation and is deemed suitable for residential development.

### Income Security and Tenant Quality

- The tenant has a current Dun & Bradstreet rating of E4, which represents a high risk of business failure and a net worth of £55,422.00. However the company is well known within the bed industry and is now well established at the subject site. A large amount of capital expenditure has been spent at the property in the form of fixed plant and machinery etc. Therefore we consider the security of income to be stronger than the D&B rating suggests.

### Lettability

- The premises provide simplistic, open plan, affordable workshop/basic storage accommodation and benefits from a good sized secure yard. At any given time there is a relatively strong level of demand for such accommodation close to the city centre of Leeds and, therefore, we expect the letting prospects to be reasonable. However, we expect that short term, flexible leases will be sought by prospective tenants, and the tenants are likely to form local traders only.
- The obvious weakness from a lettings perspective is the densely populated residential nature of the immediate area and therefore accessibility for HGVs will be less than ideal.

### Asset Management Opportunities

- At present there is no planning consent in place for residential redevelopment. However, one would expect a consent being relatively forthcoming for a site of this type when having regard to the fact that it is a vacant, typical brownfield parcel of land in a predominantly residential area. The only obvious obstacle to residential redevelopment is the adjoining proximity of a similar dated works facility which is now vacant and available for sale. As indicated earlier, this neighbouring site is actually understood to be allocated as a potential future housing site itself. Ideally, some form of site assembly exercise should take place whereby the differing sites can be merged and redeveloped in conjunction with each other to make optimum use of the overall site shape.

### Rental and Capital Performance and Growth Prospects

- Rental levels for accommodation of this type are expected to remain static. The capital value will be largely dictated by the unexpired term of the lease at any given time. Capital value growth will no doubt be achievable in the event of a residential planning consent being approved for the site in the future.

### Saleability

Current Sale Prospects	
What is the estimated period it would take to sell the Property at Market Value?	9-12 months
Purchaser demand is likely to be	Good

## 11. Market Commentary and valuation approach

In arriving at our valuation opinions we have had regard to the transactional evidence below. However it must be stressed that none of the properties below can be classed as directly comparable to the subject property itself – with it being somewhat unique.

### Rental and Sale transactions

- Positioned immediately next door to the subject property is 53 Barkley Road which forms a vacant, semi detached engineering works of similar style and age to the subject. However to the frontage is a two storey office element. In total the building extends to circa 10,237 sq ft upon a site of circa 0.2 acres. The premises are considered more orthodox to the subject and slightly superior in terms of specification. However the comparable suffers from having a considerably smaller yard offering. The property was placed on the market in late 2018 via

local agents Michael Steel & Co and their quoting price set is £330,000 (Circa £32 psf). The agent advised that a good level of interest has been received to date but no formal offers have been submitted. They are confident of a sale being secured at a level exceeding £300,000. It must be noted that the site falls within a proposed new housing allocation as part of the Leeds UDP. However it would not be possible to redevelop the site in isolation – with the neighbouring properties being required to form part of such a scheme - and so a site assembly exercise of some form would firstly be necessary.

- Flaxton House, Greenmount Terrace, Beeston, Leeds, LS11 6BX. Positioned a short distance north east of the subject in a similar densely populated residential area is this vacant former engineering works of similar style and age to the subject. It extends to circa 16,280 sq ft and is part single and part two storeys in height. The specification is basic throughout and there is no designated yard area and so deliveries take place upon the road itself. The property is available freehold at the quoting price of £395,000 (Circa £24 psf). The subject is deemed a superior property. A small element (classed as Unit 3 which extends to 2,485 sq ft) is currently let by way of a three year lease that commenced in November 2017. The current rent payable is £9,500 per annum and this equates to circa £3.80 psf. We are aware that the remainder of the building is available to let (as well as the building as a whole being available for sale). The quoting rental for the remainder of the building equates to £3.75 psf.
- Crescent Trading Estate, Dewsbury Road, Leeds, LS11. Located close by to the subject property – although in a superior position as fronting onto the busy Dewsbury Road, is this mid terraced estate of warehouse units. The buildings are understood to originally date back over 30 years. However they have recently been reconditioned to provide well appointed accommodation. Terraced configuration, with units sharing service yard space. Unit 1 extends to circa 24,000 sq ft, with Units 4 and 5 each extending to circa 10,000 sq ft. The units all successfully let within the last 18 months and we are aware that the general rental tone is £3.90 per sq ft.
- Astra Park, Parkside Lane, Beeston, Leeds, LS11 5SZ. Comprising a multi let, dated industrial estate positioned close to the subject but in a more established location. The premises in total extend to circa 72,000 sq ft and is split to provide 16 units which, at the point of sale in October 2018, were primarily all let by way of short term and fairly flexible lease agreements. The rental tone at the estate is £4.25 per sq ft. The average size of a unit is 6,000 sq ft. The accommodation within the workshops is more conventional and of a higher specification in comparison to the subject. The combined rental at the time of sale was £272,864 per annum. A sale of the investment was agreed at £1,831,834 which reflected a NIY of 9.31% - or £40.53 psf. The lot size is much larger than the subject, and the premises were multi let. Therefore it cannot be considered a direct investment sale comparable. The rental evidence generated at the property is however considered a close comparable although slightly superior to the subject.
- Units 15, 16A and 16B Whitehall Industrial Estate, Whitehall Road, Leeds, LS12 5JB. Comprising a terrace of modern, recently developed, self contained workshop units fronting onto a communal yard. In total they extend to circa 7,470 sq ft and have the ability to be merged to form one unit. The combined building sold with vacant possession in June 2018 for £365,000 (Circa £49 psf). Considered a superior property to the subject and located in a more established commercial location on the fringes of south Leeds.
- 15 Pennine View, Birstall, Batley, WF17 9NF. Comprising a dated circa 15,845 sq ft distribution warehouse property let to Tuffnells Parcels Express Ltd. Includes a generous sized secure yard area with the site extending to circa 1.6 acres. The building itself is dated although more modern and conventional in comparison to the subject. Positioned in an established industrial location with good accessibility to the M62 motorway. The lease has circa 6 years unexpired and the rent payable of £105,600 per annum equates to circa £6.70

per sq ft. The tenant enjoys a strong covenant status. The investment sold in December 2018 for £1,560,000 which reflects a NIY of 6.77%.

- Unit 4 Westland Road, Beeston, Leeds, LS11 5SE. A dated workshop / warehouse facility with large, secure front yard area. Extends to circa 10,334 sq ft which includes a small integral office element. Specification considered superior to the subject. In October 2018 the property let by way of a new 5 year lease to a local occupier at a rent payable equating to £4.75 psf. Positioned within the well established Parkside Industrial Estate close by to the property.

## 12. Valuation Approach and Opinions of Value

### 12.1. Market Rent

- As the subject property is fairly unique to the market in terms of its unorthodox shape and configuration – and also the location within an area primarily associated with residential use, we have been unable to identify any direct like for like rental evidence. The closest comparable in our view is the terrace of units at The Crescent Trading Estate which is positioned close by, although within a more established commercial position – benefitting from a frontage onto a primary arterial route. The recent lettings that have occurred within this comparable scheme have all been at the rental level of circa £3.90 per sq ft and we consider this represents the benchmark rental tone for simplistic, affordable workshop space in this vicinity. We have then made an appropriate discount back from this tone to reflect the more dated and unorthodox nature of the subject.
- We have then had very close regard to the actual rent payable at the subject property of £68,250 per annum, which was agreed in 2016. This rental equates to £35.00 per sq m (£3.25 per sq ft). We consider that this level is an appropriate discount back from the benchmark rental tone for the area outlined above. We are therefore of the opinion that the property is rack rented at present.
- We are of the opinion that the Market Rent of the property is:-

£68,250 per annum	(Sixty Eight Thousand, Two Hundred and Fifty pounds)
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### 12.2. Market Value

- In arriving at our opinion of investment value we have capitalised the current rent payable (which, as explained above, we consider to be reflective of market rent), with the net initial yield of 10.50%. The capitalisation yield adopted has regard to the comparable yield evidence outlined within our report – in particular the recent investment sale at Pennine View in Batley. This comparable sale however related to a far more conventional warehouse type building where the reletting prospects are deemed stronger. Furthermore the tenant quality and therefore the security of income is deemed superior than the at the subject. We have therefore adopted a higher capitalisation yield accordingly to reflect these comparison issues.
- Our adopted capitalisation yield also has regard to the various strengths and weaknesses to the investment outlined earlier. In addition it reflects the unexpired lease term of circa 4.5 years. Whilst the reletting prospects are reasonably strong – due to the generous sized secure service yard offered, and affordable nature of the premises, we would always expect future tenants being of questionable covenant strength. This is when having regard to the age and

nature of the building. The capitalisation yield adopted is reflective of this important point. The valuation equates to circa £30 per sq ft. It must be noted that that this rate psf is close to the vacant possession value rate psf adopted (explained below) and this is something we have had close regard to. This is when having regard to the questionable financial status of the tenant in occupation and the potential risk of the tenant vacating the premises prior to lease expiry.

- In the event of tenant default, and the subject premises being vacated, we would expect many landlords seeking to explore the very obvious long term future alternative use of the site as a residential redevelopment opportunity. The most likely purchaser of the site as a development opportunity may well be a Housing Association of some kind when having regard to the relatively low house prices associated with this district of Leeds.
- An important point to note is that the lease in place is of a full repairing and insuring nature. It is very common for leases relating to dated buildings of this type to incorporate a photographic schedule of condition to protect the tenant's repairing liability. However in this instance there is no such schedule – which we understand is due to the tenant not seeking professional representation when agreeing the terms of the lease. The tenant is therefore in a vulnerable position and may be forced to leave the premises in superior state of repair at lease expiry than what exists at present.
- We are of the opinion that the Market Value of the freehold interest in the above property subject to the assumptions and comments in this report and appendices is:-

<b>£620,000</b>	<b>(Six Hundred and Twenty Thousand pounds)</b>
-----------------	---

### 12.3. Valuations based on Special Assumptions

#### Market Value assuming vacant possession

If offered for sale with vacant possession we would expect demand from varying sources. Firstly would be prospective owner occupiers seeking a headquarters type facility with a good sized secure yard – and with close accessibility to Leeds and the major road network. Secondly, we would expect demand from property speculators seeking to lease the site (as your customer has done) whilst exploring the concept of residential redevelopment. We would not expect demand from pure investors due to the same reasons described earlier.

The most direct comparable property outlined above is the building positioned immediately next door which is currently available for sale with vacant possession. The agent explained that they are hopeful of a sale being agreed shortly following the level of interest received to date. Whilst we understand no formal offers have been made to date the agent is confident that a price within the range of £300,000 (£29 psf) to £330,000 (£32 psf) will eventually be achieved. When comparing the superior quality of accommodation offered at the subject, but in contrast the far inferior yard offering, we have applied the capital value rate of £27.50 per sq ft to the subject. The rate applied also has regard to the comments above and also the other comparable sales evidence outlined within this report. This capitalisation equates to £575,713 which, for the purposes of our report, we have rounded to £575,000.

We are of the opinion that the Market Value of the freehold interest in the above property, subject to the special assumption of vacant possession and subject to the assumptions and comments in this report and appendices is:-

<b>£575,000</b>	<b>(Five Hundred and Seventy Five Thousand pounds)</b>
-----------------	--

## 13. 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		
<b>Location / situation:</b> 1= very poor 5 = excellent	3	Close accessibility to Leeds and the motorway network – although specific area is associated as a residential address
<b>Building quality:</b> 1= very poor 5 = excellent	2	Building is dated and, although suitable for its current use, would require extensive refurbishment if put to other uses such as modern day engineering.
<b>Title:</b> 1= very poor 5 = very good	4	Freehold
<b>Security of income:</b> 1= very poor 5 = excellent	2	Poor financial status of tenant – although actually well established at the property
<b>Capital value volatility:</b> 1= very high 5 = very low	3	Relatively non volatile market at present
<b>Liquidity:</b> 1= very low 5 = very high	3	Affordable lot size will appeal to a wide range of potential purchasers
<b>Asset management potential:</b> 1= very poor 5 = excellent	3	Obtaining consent for residential redevelopment is the obvious long term opportunity
<b>Compliance with MEES Regulations</b> 1= very poor 5 = excellent	2	Poor current assessment

### Principal Property Risks

**Re-financing prospects:** 3 Asset is income producing and would appeal to many prospective purchasers if offered for sale  
1= very poor  
5 = excellent

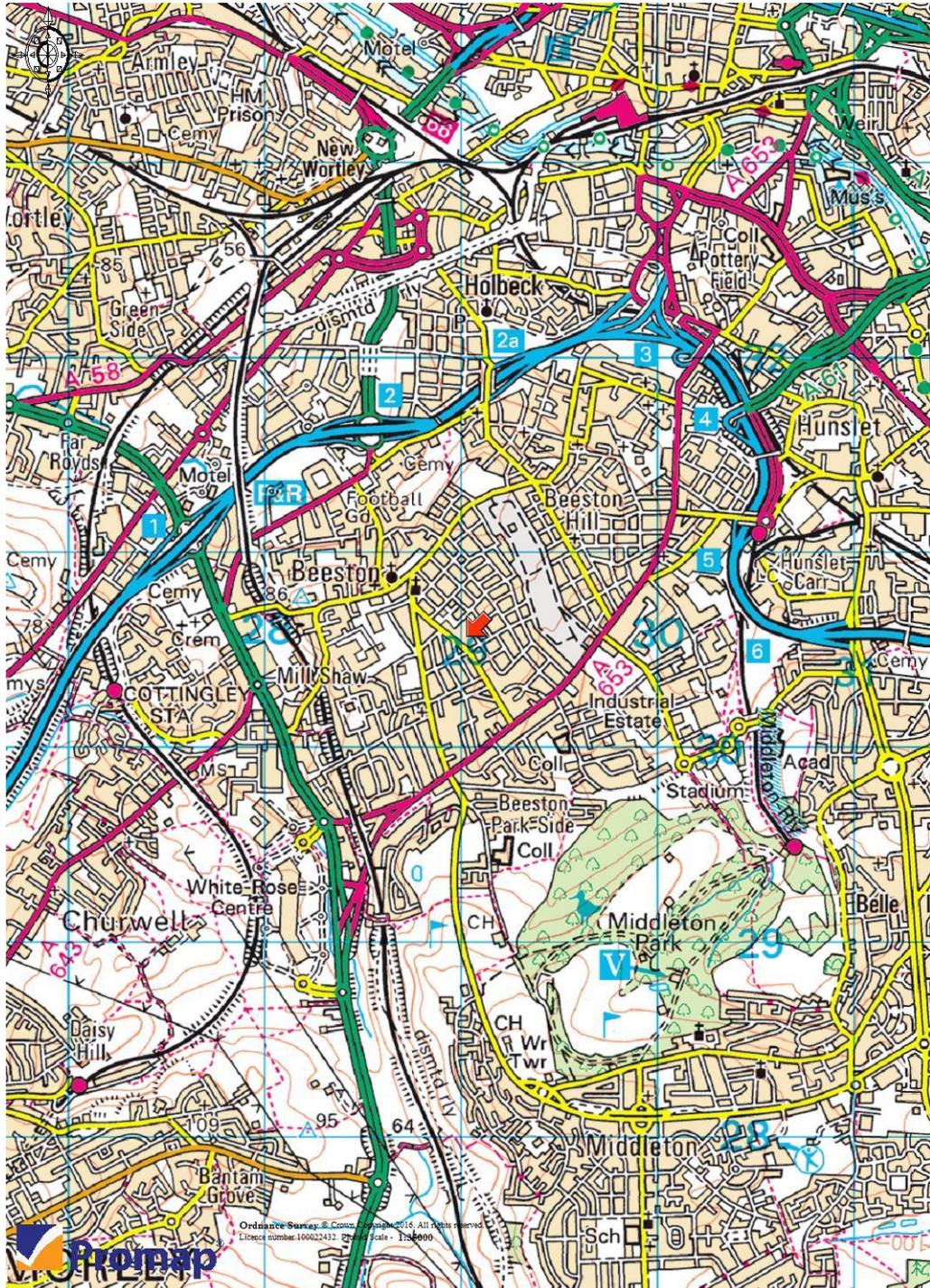
**Other comments:** N/A

### 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.

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: MAPS AND PLANS







THIS IS A PRINT OF THE VIEW OF THE REGISTER OBTAINED FROM HM LAND REGISTRY SHOWING THE ENTRIES SUBSISTING IN THE REGISTER ON 8 FEB 2019 AT 10:03:42. BUT PLEASE NOTE THAT THIS REGISTER VIEW IS NOT ADMISSIBLE IN A COURT IN THE SAME WAY AS AN OFFICIAL COPY WITHIN THE MEANING OF S.67 LAND REGISTRATION ACT 2002. UNLIKE AN OFFICIAL COPY, IT MAY NOT ENTITLE A PERSON TO BE INDEMNIFIED BY THE REGISTRAR IF HE OR SHE SUFFERS LOSS BY REASON OF A MISTAKE CONTAINED WITHIN IT. THE ENTRIES SHOWN DO NOT TAKE ACCOUNT OF ANY APPLICATIONS PENDING IN HM LAND REGISTRY. FOR SEARCH PURPOSES THE ABOVE DATE SHOULD BE USED AS THE SEARCH FROM DATE.

THIS TITLE IS DEALT WITH BY HM LAND REGISTRY, NOTTINGHAM OFFICE.

TITLE NUMBER: WYK527931

There is no application or official search pending against this title.

## A: Property Register

This register describes the land and estate comprised in the title.

WEST YORKSHIRE : LEEDS

- 1 (23.11.1973) The Freehold land shown edged with red on the plan of the above Title filed at the Registry and being 55 Barkly Road, Leeds (LS11 7EN).
- 2 The mines and seams of coal are reserved.
- 3 (05.01.2015) The reference edged and numbered 1 in blue on the title plan is no longer of any significance and should be ignored since the entry in the register which gave rise to this reference has been cancelled.

## B: Proprietorship Register

This register specifies the class of title and identifies the owner. It contains any entries that affect the right of disposal.

Title absolute

- 1 (24.06.2015) PROPRIETOR: BLACKSTONE ESTATES (YORKSHIRE) LTD (Co. Regn. No. 09591895) of 21 Hyde Park Road, Leeds LS6 1PY.
- 2 (24.06.2015) The price stated to have been paid on 29 May 2015 was £400,000.
- 3 (24.06.2015) The Transfer to the proprietor contains a covenant to observe and perform the covenants referred to in the Charges Register and of indemnity in respect thereof.
- 4 (25.11.2016) RESTRICTION: No disposition of the registered estate by the proprietor of the registered estate is to be registered without a written consent signed by the proprietor for the time being of the Charge dated 4 November 2016 in favour of The Co-operative Bank PLC referred to in the Charges Register or, if appropriate, signed on such proprietor's behalf by its conveyancer.

## C: Charges Register

This register contains any charges and other matters that affect the land.

- 1 A Conveyance of the land in this title and other land dated 1 March 1898 made between (1) Harold Mark Carter (2) Ernest Octavius Wooler and (3) City Brick Company Leeds Limited contains the following covenants:-

COVENANTS by the Company with the said Harold Mark Carter and Ernest Octavius Wooler to form make and construct the said streets and sewers

## C: Charges Register continued

thereunder and to fence off the said plot of land thereby conveyed from the said proposed new streets as therein particularly set out AND to pay a due proportion of the expense of forming making and completing the said proposed new streets AND that the Company would not at any time thereafter carry on or permit or suffer to be carried on upon the said plot of land thereby conveyed or in or upon any building erected or to be erected thereon the trade or business of a horse slaughterer tallow chandler melter of tallow soap maker or boiler fellmonger manure merchant dye distiller or seller of intoxicating liquors either by wholesale or retail.

2 (22.12.1995) The parts of the land affected thereby are subject to the leases set out in the schedule of leases hereto.  
The leases grant and reserve easements as therein mentioned.

3 (22.12.1995) The parts of the land affected thereby are subject to the following rights granted by the Lease of an electricity sub-station site dated 13 November 1995 referred to in the schedule of leases hereto:-

"FULL AND FREE rights (i) to the intent that the same shall be appurtenant to the demised land at all times and for all purposes with or without vehicles and equipment to pass and repass (a) through the gates marked A-B on the said plan and over and along the Lessors adjoining land to the demised land and (b) over the land shown coloured brown and blue on the said plan and key plan (hereinafter together called "the Access Land") and (ii) to the intent that the same shall be appurtenant to the demised land and the electricity distribution system of Yorkshire Electricity (a) to enter upon break open and excavate in the land shown coloured blue on the said plan and key plan (hereinafter called "the underground cable land") and to lay place use inspect repair maintain renew replace remove or render unusable underground electric lines therein and thereunder (b) to enter upon the land of the Lessor adjoining the underground cable land as may be necessary for any of the purposes aforesaid and (c) to enjoy the benefit of support for the underground electric lines from the subjacent and adjacent land of the Lessor

IN this Lease the expression "electric lines" shall have the meaning (in the plural) assigned to the expression "electric line" by Section 64 of the Electricity Act 1989 or any subsisting statutory modification or re-enactment thereof and shall be interpreted and construed accordingly and shall also include all joint boxes and apparatus ancillary to underground electric lines"

NOTE: Copy Plan filed.

4 (25.11.2016) REGISTERED CHARGE dated 4 November 2016.

5 (25.11.2016) Proprietor: THE CO-OPERATIVE BANK PLC (Co. Regn. No. 990937) of No. 2 Cathedral Square, The Cloth Market, Newcastle upon Tyne NE1 1EE.

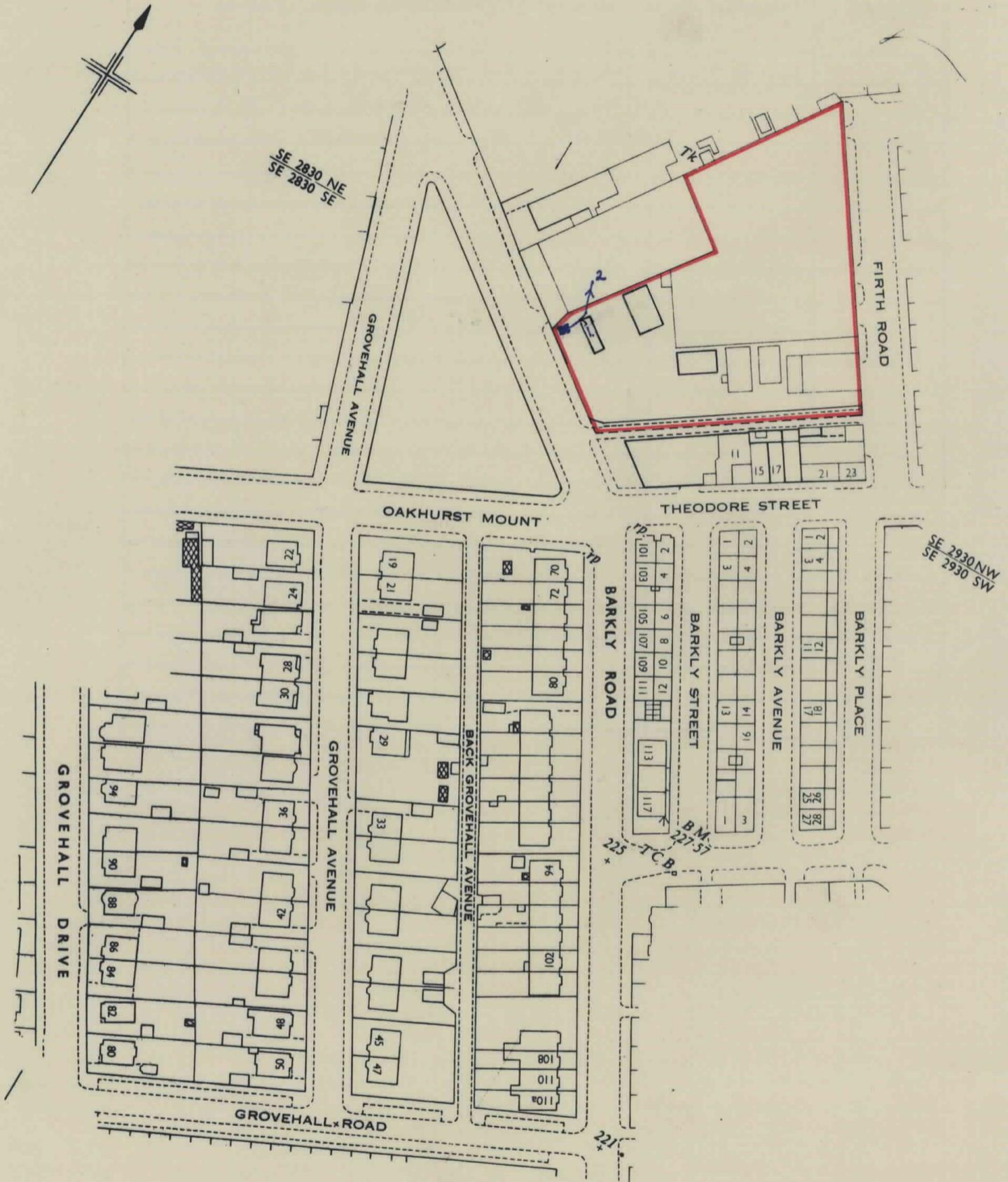
## Schedule of notices of leases

1	22.12.1995	The site of an electricity	13.11.1995	WYK581128
	2	sub station lying to the	60 years from	
		North East of Barkly Road,	1.4.1994 and	
		Leeds.	thereafter	
			from year to	
			year	

NOTE: See entry in the Charges Register relating to the rights granted by this lease

End of register

H.M. LAND REGISTRY		TITLE NUMBER	
		WYK527931	
ORDNANCE SURVEY PLAN REFERENCE	COUNTY	SHEET	NATIONAL GRID
	WEST YORKSHIRE		SE 2930
Scale: 1/1250	LEEDS DISTRICT		SECTION E
			© Crown Copyright 1968.



This is a print of the view of the title plan obtained from HM Land Registry showing the state of the title plan on 08 February 2019 at 10:05:15. This title plan shows the general position, not the exact line, of the boundaries. It may be subject to distortions in scale. Measurements scaled from this plan may not match measurements between the same points on the ground.

This title is dealt with by HM Land Registry, Nottingham Office.

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## APPENDIX B: PHOTOGRAPHS



Yard area and entrance gates



Remainder of yard



View from site entrance



Front elevation



Northern Workshop



Southern Workshop



Integral office



Showroom area



View from Barkly Road



Vacant premises next door

## APPENDIX C: VALUATION CALCULATIONS



## 55 Barkly Road, Leeds

**Portfolio:** General

**Scenario:** SCENARIO1

Reference: JPM2

Valuation Date:	01/02/2019	Net Initial Yield:	10.475%
Freehold		Reversionary Yield:	10.500%
Rounded Value:	620,000	Nominal Equivalent Yield:	10.473%
Net value / sqft	30	True Equivalent Yield:	11.196%
Average Unexpired Term:	4 yrs, 6 mths		

<b>Current</b>	Gross income	68,250	
	Net Income		68,250
	YP (10.500% in perpetuity)	9.5238	650,000

---

**Gross Value** **650,000**

### Buyers Costs

Stamp Duty	(=3.2939%)	-20,422	
acquisition	1.8000%	-11,132	
Total (=5.0894% of Say Value):			-31,554

<b>Net Value</b>	<b>618,446</b>
<b>Rounded Net Value</b>	<b>620,000</b>

### Running Yield Report

Date	Capital Invested	Capital Adjustment	Gross Income	Net Income	Running Yield	Cap Adj Running Yield
Jan 2019	651,554	0	68,250	68,250	10.500%	10.475%

### Assumptions

All dates are calculated from the nearest month start/end.

Running Yield is based on gross value before the addition/deduction of capital adjustments.

Formulae as in Parry's Tables: rent annually in arrears.

Stamp Duty is progressive and derived from the set "HMRC (UK excl Scotland)"

Cap Adj Running Yield is based based on cumulative capital invested.

Buyer's costs are based on Say Value.

## APPENDIX D: 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

## TERMS OF THE ENGAGEMENT

**\*\*PLEASE SEND ALL REPORTS TO VAS PANEL\*\***

Following our recent communications, please take this as our formal instruction to carry out a valuation of the property detailed below on behalf of:

**Proplend Security Limited**

Please note that our client's requirements are attached. Please make sure all Lender requirements are adhered to, including their basis of valuation.

**\*IMPORTANT\* - Please append the VAS Executive Summary to the front of your Valuation Report (Not as a separate document as this will be rejected at Audit Stage) – As agreed in our Panel Agreement**

**Please ensure that a minimum of 10 photographs of the property - including internal photographs are taken at the time of the inspection**

The Service Level Agreement (SLA) for this instruction is: **10 days** from date of inspection

Should there be any reason that the SLA cannot be adhered to, VAS Panel should be notified immediately in order to keep our client informed of the delay in issuing the Report.

Your Report should be submitted electronically to [info@vas-group.co.uk](mailto:info@vas-group.co.uk) no later than 12pm on the Report return date.

**THE INSPECTION DATE MUST BE COMMUNICATED TO VAS PANEL WITHIN 24 HOURS OF INSTRUCTION**

**Property Address:**

55 Barkly Road  
Leeds  
West Yorkshire  
LS11 7EN

**Estimated Value:**

£550,000

**Property Description:**

Freehold - light residential 4.5 years remaining of a 7-year lease with Myer Adams (UK) Ltd at a rental of £68,250 p.a

**Property Type:**

Commercial

**Type of Report Requested:**

Red Book & VAS Panel Executive Summary

**Valuation Requirements:**

AS IS

**Additional Information:**

N/A

**Report to be carried out on behalf of:**

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

**Applicant Name:**

Blackstone Estates (Yorkshire) Ltd  
Mr Mohammad Waqas Afzal Qureshi

**Access Arranged Through:**

Mr Mohammad Waqas Afzal Qureshi

**Access Contact Details:**

[qureshimw@hotmail.com](mailto:qureshimw@hotmail.com)  
07800 607 823 / 0113 226 3546

**NB: Copies of the Report are NOT to be distributed to any third party, including Brokers or the Applicant, without full consent of VAS Panel. Valuation figures are also not to be disclosed to those parties stated without written consent from VAS Panel, failure to acquire consent may result in exclusion from the panel.**

Please note: Valuation reports are subject to an internal quality control (QC) check. The emphasis of this is to check that all points outlined in the Clients specific valuation instruction letter have been adhered to, provision of rental / sales comparables with full valuation methodology / justification to support your valuation.

We might require you to discuss various aspects of your report and we require the primary valuer to provide a prompt response to any queries raised.

We trust the above is self-explanatory, however; should you require any further information or assistance please do not hesitate to contact us.



PANEL  
SOFTWARE  
AUDIT

- 01642 26 22 17
- info@vas-group.co.uk
- vas-group.co.uk
- The Palace Hub, 28-29 Esplanade,  
Redcar, TS10 3AE

Kind Regards,

*Team VAS*

vas-group.co.uk



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

Cushman & Wakefield,  
St Paul's House,  
23 Park Square South,  
Leeds,  
LS1 2ND

Ref: Blackstone Estates (Yorkshire) Ltd

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. The Valuation Report should be completed within 5 or 7 (for development appraisals) business days of the inspection. Please notify us if there will be any delay. 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: Blackstone Estates (Yorkshire) Ltd

Properties: 55 Barkly Road, Beeston, Leeds, LS11 7EN

Tenure: Freehold

Use: Light Industrial

Tenancies: 4.5 years remaining of a 7-year lease with Myer Adams (UK) Ltd at a rental of £68,250 p.a.

Access: To arrange access to the Property please contact the client directly - Mohammad Waqas Afzal Qureshi / 07800 607823 or 0113 226 3546 / qureshimw@hotmail.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.



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

2. A valuation of the Property on the assumption that the Property was being sold without the benefit of a going concern.
3. Please provide comparable evidence to support your assumptions on values.
4. Please provide an estimated rental value for the Subject Properties.
5. Please provide commentary on continued likely market demand for properties of this size and nature, in this location, for sale and to let.
6. Please provide an estimated reinstatement cost of the buildings for insurance purposes.
7. Please provide a full description of the Property to include its accommodation, its size, its construction, location and general state of repair. These details should be supported with photos of the Properties. Whilst you are not instructed to carry out a structural survey on each Property, please comment of any noticeable defects that might warrant further investigation and which might affect the marketability of the Property.
8. Please certify that the Property is acceptable for secured lending purposes.

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.

Yours Sincerely,

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

Proplend Security Ltd  
c/o VAS Panel  
The Palace Hub  
28-29 Esplanade  
Redcar  
TS10 3AE

05 February 2019

Dear Sir/Madam

**Valuation of 55 Barkly Road, Leeds, LS11 7EN**

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.

James Milner 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



**James Milner**  
Partner  
**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.

N. KEENAN  
[Name]

BM  
[Position]

*[Signature]*  
For and on behalf of VAS

Date: 7/2/19

## Services Schedule – Valuation & Advisory

<b>Type of Instructions:</b>	Valuation and Advisory
<b>Property Details:</b>	Appendix 1 includes the address, tenure and property type of the property or each of the properties (" <b>Property</b> ") to be valued (" <b>Property Schedule</b> ").
<b>Client Instructions:</b>	<p>The Client has instructed C&amp;W to:</p> <ol style="list-style-type: none"> <li>a. Undertake a valuation of the legal interest(s) in the Property described in the Property Schedule ("<b>Valuation</b>") as at the date of issue of the Valuation Report (the "<b>Valuation Date</b>").</li> <li>b. Provide a valuation report in the format referred to in the 'Scope of Services' section below ("<b>Valuation Report</b>") for the following purpose of valuation ("<b>Purpose of Valuation</b>"): <ul style="list-style-type: none"> <li>• in connection with a proposal to refinance the property</li> </ul> </li> </ol>
<b>Addressee:</b>	The Valuation Report will be addressed to Proplend Security Limited ( <b>the Lender</b> ) c/o VAS Panel.
<b>Period of Appointment:</b>	N/A
<b>Scope of Services:</b>	<p>Included in the Services are:</p> <ol style="list-style-type: none"> <li><b>a. Valuation Report</b> <p>Providing a Valuation Report that will be prepared in English. C&amp;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&amp;W's understanding of the extent of title based on site inspections or copy title plans supplied to C&amp;W. The Client should not rely on C&amp;W's plans to define boundaries.</p> </li> <li><b>b. Currency</b> <p>Providing a Valuation in UK pounds sterling (£).</p> </li> <li><b>c. Inspections</b> <p>External inspection of the Property from ground level and an internal inspection of the Property.</p> </li> <li><b>d. Floor Areas</b> <p>Calculating floor areas from floor plans provided by the Borrower, supported by check measurements on site.</p> </li> <li><b>e. Tenancies &amp; Leasing</b> <p>Relying on tenancy information provided by the Borrower, subject to the provisions</p> </li> </ol>

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.

<b>Basis of Appointment:</b>	<p>C&amp;W confirms that:</p> <ol style="list-style-type: none"> <li>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 "<b>Red Book</b>"). 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 ("<b>IVS</b>").</li> <li>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 "<b>External Valuer(s)</b>" (as defined in the Red Book) qualified for the Purpose of Valuation.</li> </ol> <p>C&amp;W does not (and any affiliates of C&amp;W do not) act as external valuers as defined under the Alternative Investment Fund Manager's Directive ("<b>AIFMD</b>") legislation, or its equivalent under local law. C&amp;W expressly disclaims any responsibility or obligations under AIFMD and/or its equivalent unless expressly agreed in writing in advance by C&amp;W.</p> <ol style="list-style-type: none"> <li>c. C&amp;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&amp;W does not anticipate any future fee earning relationship with the Property, the Borrower or a party connected to the transaction. Therefore, C&amp;W does not consider that any conflict arises in preparing the advice requested.</li> </ol>
<b>Fees:</b>	<p>The fee has been agreed with VAS Panel.</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&amp;W's invoice will be addressed to the Client. If C&amp;W is requested to re-address an invoice after it has been issued, C&amp;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&amp;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&amp;W has submitted the Valuation Report, and C&amp;W is required to review and/or change the Valuation and/or advice in the light of the contents of any such reports, C&amp;W reserves the right to charge an additional fee appropriate in relation to the time involved.</p> <p>In the event that C&amp;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&amp;W reserves the right to charge additional fees appropriate to the additional work involved and any extension of C&amp;W's liability.</p> <p>C&amp;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>

<b>Anticipated Expenses:</b>	N/A
<b>Special and Additional Terms:</b>	<p><b>1. Bases of Valuation</b></p> <p>In accordance with the Client's instructions, C&amp;W will undertake the Valuation on the following Bases:</p> <ul style="list-style-type: none"> <li>● <b>Market Value having regard to the tenancy in place</b></li> <li>● <b>Market Value assuming vacant possession</b></li> <li>● <b>Estimated Reinstatement Cost Assessment (RCA)</b></li> </ul> <p>The definitions of the above bases are set out in Appendix 2 (the "<b>Definitions Schedule</b>").</p> <p><b>2. Special Assumptions</b></p> <p>N/a</p> <p><b>3. Use of Valuation Report</b></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><b>4. Areas</b></p> <p>Where C&amp;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 ("<b>IPMS</b>"), unless the Client confirms in writing that alternative methodology should be used. Unless the Client so instructs C&amp;W otherwise in writing, C&amp;W will assume that the Client does not require C&amp;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&amp;W report will be appropriate for the Purpose of the Valuation, but should not be relied upon for any other purpose.</p> <p><b>5. Group of Properties / Lotting</b></p> <p>Unless C&amp;W has confirmed otherwise in this Services Schedule, each property will be valued individually; in the case of a portfolio, C&amp;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> <p><b>6. Limitations</b></p> <p>N/A</p>

## 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&amp;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>
<b>Assumptions:</b>	<ol style="list-style-type: none"> <li>1. <b>Assumptions</b> <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" ("<b>Assumption</b>"). Accordingly in this context, C&amp;W will make certain Assumptions in relation to facts, conditions or situations affecting the subject of, or approach to, the Valuation that C&amp;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> </li> <li>2. <b>Confirmation of Assumptions</b> <p>The Client's counter-signature of the Engagement Letter represents confirmation that C&amp;W may make the Assumptions referred to below.</p> <p>The Client must promptly notify C&amp;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&amp;W's fees and expenses due under the Engagement.</p> </li> <li>3. <b>Areas</b> <p>Where C&amp;W is provided with floor areas, C&amp;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> </li> </ol>

#### 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 outgoings. 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.

**14. New Build Residential Property**

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.

**15. Trade Related Property**

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.

## Appendix 1 - Property Schedule

PROPERTY	INTEREST	PROPERTY TYPE
55 Barkly Road, Leeds, LS11 7EN	Freehold	Industrial

## Appendix 2 - Definitions Schedule

### 1. Bases of Valuation:

<b>Market Value</b>	<p>Market Value as defined in VPS 4 1.2 of the RICS Valuation – Professional Standards 2014 (the "<b>Red Book</b>") and applying the conceptual framework which is set out in IVS Framework paragraphs 30-34. Under VPS 4.1.2.1, the term "<b>Market Value</b>" 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 <b>market value</b> shall be applied in accordance with the following conceptual framework:</i></p> <ul style="list-style-type: none"> <li><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. <b>Market value</b> is the most probable price reasonably obtainable in the market on the <b>valuation date</b> in keeping with the <b>market value</b> 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 <b>special value</b>;</i></li> <li><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 <b>valuation date</b>;</i></li> <li><i>(c) "on the <b>valuation date</b>" 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 <b>valuation date</b>, not those at any other date;</i></li> <li><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></li> <li><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></li> </ul>
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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;

- (f) "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;
- (g) "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**;
- (h) "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) "and without compulsion" establishes that each party is motivated to undertake the transaction, but neither is forced or unduly coerced to complete it.

31. 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).

32. 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

	<p>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.</p> <p>33. The highest and best use of an asset valued on a stand-alone basis may be different from its <b>highest and best use</b> as part of a group, when its contribution to the overall value of the group must be considered.</p> <p>34. The determination of the highest and best use involves consideration of the following:</p> <p>(a) to establish whether a use is possible, regard will be had to what would be considered reasonable by market participants,</p> <p>(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,</p> <p>(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."</p>
<b>Fair Value - IFRS</b>	<p>Fair Value as defined in VPS 4.1.5 (a). Under these provisions, the term "<b>Fair Value</b>" 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>
<b>Fair Value - Commentary</b>	<p>There is a second definition of Fair Value referred to in VPS 4.1.5(b). Under this definition the term "<b>Fair Value</b>" 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 <b>NOT</b> 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>
<b>Fair Value – UK GAAP</b>	<p>Fair Value in accordance with UKVS 1.1. Under these provisions, the term "<b>Fair Value</b>" 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>
<b>Market Rent</b>	<p>Market Rent as defined in VPS 4.1.3 of the Red Book. Under VPS 4.1.3.1 the term "<b>Market Rent</b>" 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 <b>market rent</b> is a modified definition of <b>market value</b>; IVS 230 Real Property Interests paragraphs C8-C11 provide additional commentary.</i></p> <p><i>1.3.3 <b>Market rent</b> 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 <b>market rent</b>. 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. <b>Market rent</b> 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. <b>Market rent</b> 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 <b>market rent</b>. 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 <b>market rent</b> 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><b>Existing Use Value</b></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 "<b>Existing Use Value</b>" 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>

**Projected Market Value  
of residential property**

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."

The commentary from the Red Book is reproduced below:

- "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.*
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.*
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:*

***'... at a date, after the valuation date and specified by the valuer ...'***

*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.*

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.*
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."*



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### 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](http://www.cushmanwakefield.com) or follow @CushWake on Twitter.

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