

12 February 2019

**REPORT & VALUATION
FOR
Proplend Security Limited**

**88 Harborne Road
Edgbaston
Birmingham
B15 3HN**



EDMUND HOUSE
12-22 NEWHALL STREET
BIRMINGHAM
B3 3AS

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CONTENTS

	Executive Summary	
1.0	Location	1
2.0	Description and Construction	3
3.0	Floor Areas	6
4.0	Services	6
5.0	State of Repair	6
6.0	Tenure and Tenancies	6
7.0	Statutory Requirements	8
8.0	Local Taxation	9
9.0	Environmental Considerations	9
10.0	Economic and Property Market Comments	12
11.0	Valuation Methodology	14
12.0	FCA Regulations	17
13.0	Building Reinstatement	18
Appendix A	LETTER OF INSTRUCTION	
Appendix B	STANDARD LIMITATIONS AND ASSUMPTIONS	

EXECUTIVE SUMMARY

ADDRESS OF PROPERTY:	88 Harborne Road, Edgbaston, Birmingham B15 3HN.
PURPOSE OF VALUATION:	The property is being valued for secured lending purposes in relation to a new loan facility.
LOCATION:	The subject property is located in the Edgbaston suburb of Birmingham located approximately two kilometres (1.25 miles) southwest of Birmingham city centre.
DESCRIPTION:	The subject property comprises a substantial detached family home.
TENURE:	Freehold.
TENANCY:	The subject property is being purchased with vacant possession.
ACCOMMODATION:	350.78 sq m (3,776 sq ft) Net Sales Area.
PLANNING:	C3 dwelling house.
ENVIRONMENTAL ISSUES:	None.
CAPITAL EXPENDITURE:	None required however the property would benefit from cosmetic improvements.
PASSING RENT:	£45,000 per annum.
MARKET RENT:	£36,000 per annum.
MARKET VALUE (VP):	£1,150,000 (One Million, One Hundred and Fifty Thousand pounds) as at 13 November 2017.
SALEABILITY OF PROPERTY:	The property is located in a popular residential suburb of Birmingham close to a wide range of work, leisure and educational amenities. .
SUITABILITY OF PROPERTY FOR LOAN SECURITY PURPOSES:	The property provides suitable security subject to the assumptions and comments in this Report and Valuation.

SWOT Analysis/Key Factors:

STRENGTHS		WEAKNESSES	
<ul style="list-style-type: none"> Affluent and desirable location. Sizeable detached family house. 		<ul style="list-style-type: none"> The property is in reasonable condition but would benefit from a programme of modernisation. 	
OPPORTUNITIES		THREATS	
<ul style="list-style-type: none"> Potential to refurbish the accommodation and modernise the kitchen and bathrooms. Create open plan living accommodation. 		<ul style="list-style-type: none"> Deterioration of the property. A prolonged marketing period in order to achieve a sale. 	

This Executive Summary should not be relied upon in isolation and should be read in conjunction with our full Report and Valuation dated 12 February 2019.

Our Ref: NA/DU21782-7



12 February 2019

VALUATION REPORT

ADDRESSEE	Proplend Security Limited, 20-22 Wenlock Road, London N1 7GU.
FOR THE ATTENTION OF	Brian Bartaby.
PROPERTY	88 Harborne Road, Edgbaston, Birmingham B15 3HN (the subject property).
CUSTOMER	Sutton Carter Investments.
INSTRUCTION	Your instructions, dated 28 January 2019, (Appendix A), and our acknowledgement letter dated 30 January 2019.
CONFLICTS OF INTEREST	We can confirm that we have previously valued the property for another lender. We do not consider this to be a conflict of interest.
VALUATION & INSPECTION DATE	28 January 2019.
VALUER	The premises were inspected by Neil Allison BSc (Hons) MRICS MCABE, RICS Registered Valuer, who is acting as an external valuer and is competent to value this type of property in this location.
PURPOSE OF VALUATION	The valuation of the freehold interest has been carried out for secured lending purposes. The property is being valued in relation to a new loan facility.
BASIS OF VALUATION	<ul style="list-style-type: none">• Market Value;• Market Rent;• Market Value subject to the special assumption of Vacant Possession.
COMPLIANCE WITH VALUATION STANDARDS & LIMITATIONS	Your attention is drawn to the fact that this Report and Valuation is not a structural or condition survey, but a valuation undertaken in accordance with the RICS Valuation – Global Standards 2017 (the “Red Book”). Unless otherwise stated, the valuation is provided subject to our Standard Limitations and Assumptions (Appendix B), your own specified requirements and our letter which confirmed your instructions.
SECURITY FOR LOAN PURPOSES	Having regard to the above comments we can confirm that the freehold property is suitable as banking security subject to normal prudent lending policy. Where an existing charge is in place that takes precedence and priority over the loan being advanced, this should be considered by the Bank before the proposed facility is drawn down. The Bank should satisfy themselves of the risk associated with additional charges against the subject property.

THE AITCHISON RAFFETY GROUP

London

Birmingham

Manchester

Berkshire

Buckinghamshire

Hertfordshire

Northamptonshire

Oxfordshire

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



Regulated by RICS



LENDER'S ACTION POINTS

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

- (i) We have not had sight of a full Report on Title or the Title Deeds but have had site of the Title plan. Copies of the former should be forwarded to us to comment on prior to drawdown.
- (ii) The property appears to have been marketed for a long period of time although it is confirmed that this was not actively done.
- (iii) The valuer reserves the right to review our comment regarding the suitability of the property as security for lending purposes when the terms of the loan are known.
- (iv) Should information come to light before the loan is finalised contrary to that contained within our Report and Valuation, then the matter must be referred back to the valuer for further consideration.

MARKET RENT

Market Rent: In our opinion the Market Rent (per annum) of the residential element in the above property in the condition as at 28 January 2019 let on an assured shorthold tenancy basis is in the sum of:-

£36,000 (Thirty Six Thousand pounds)

Please note that the rent noted is without deduction for some bills, management, maintenance, repairs or voids.

MARKET VALUE

Market Value: In our opinion the Market Value of the freehold interest in the above property in the condition as at 28 January 2019 and with the benefit of vacant possession is in the sum of:-

£1,150,000 (One Million, One Hundred and Fifty Thousand pounds)

SPECIAL ASSUMPTION VALUATIONS

Market Value Subject to the Special Assumption of Vacant Possession: In our opinion the Market Value of the freehold interest in the above property in the condition as at 28 January 2019 and subject to the special assumption above is in the sum of:-

£1,150,000 (One Million, One Hundred and Fifty Thousand pounds)

RELIANCE

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

Professional Indemnity £30 million.

PUBLICATION

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

A handwritten signature in black ink, appearing to be 'N. Allison'.

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

Mobile: 07772 054 676
neil.allison@argroup.co.uk

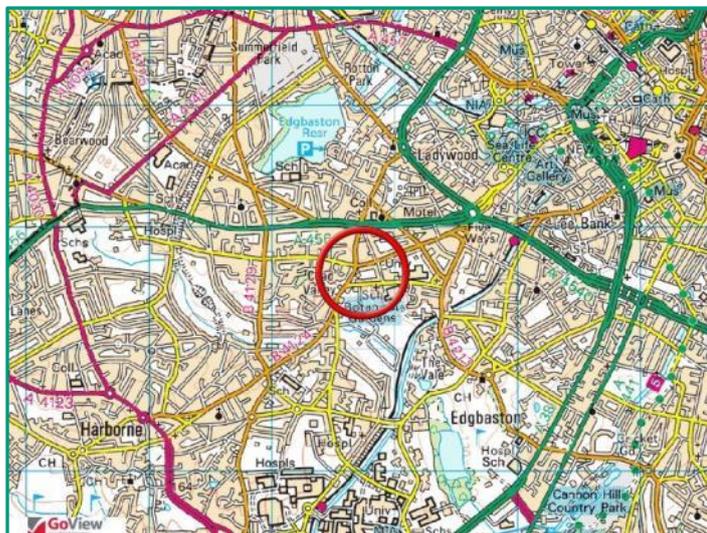
A handwritten signature in black ink, appearing to be 'L. M. Lock'.

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

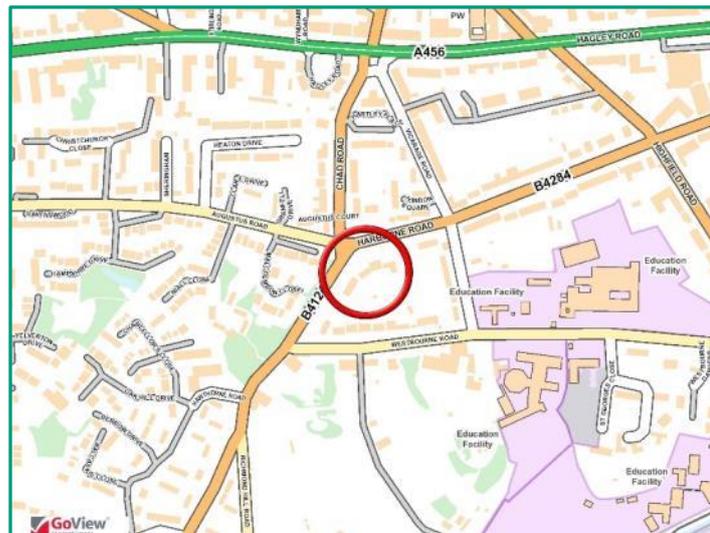
Mobile: 07772 054 563
lindsey.lock@argroup.co.uk

PROPERTY DETAILS

1.0 LOCATION



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



- 1.4 The subject property is located in the Edgbaston suburb of Birmingham located approximately two kilometres (1.25 miles) southwest of Birmingham city centre. Surrounding suburbs include Harborne, Moseley and Selly Oak.
- 1.5 Specifically, the property is located on the south side of Harborne Road at the junction with Augustus Road and the B4124 Chad Road. The A456 Hagley Road, a main arterial route, is located approximately 200 metres to the north. The B4284 Harborne Road continue to the east towards Fiveways Junction. Regular bus services run along Harborne Road and Hagley Road to Birmingham city centre and there is also a proposed Metro extension running along Hagley Road.
- 1.6 The nearest state primary school is St George's Church of England Primary School (Ofsted Good) whilst the nearest state secondary school is Harborne Academy (ofsted Good) both located within 800 metres (0.5 miles). There are also a number of independent schools nearby including Edgbaston High School for Girls, Hallfield School, St George's School Edgbaston, King Edward School and King Edward VI High School for girls.
- 1.7 The surrounding properties comprise a mixture of executive detached properties and educational uses. Also located nearby is the Birmingham Botanical Gardens, Birmingham City University, the University of Birmingham and the Queen Elizabeth Hospital. The property is therefore located in an affluent location amongst similar executive detached houses.

2.0 DESCRIPTION AND CONSTRUCTION



Front elevation



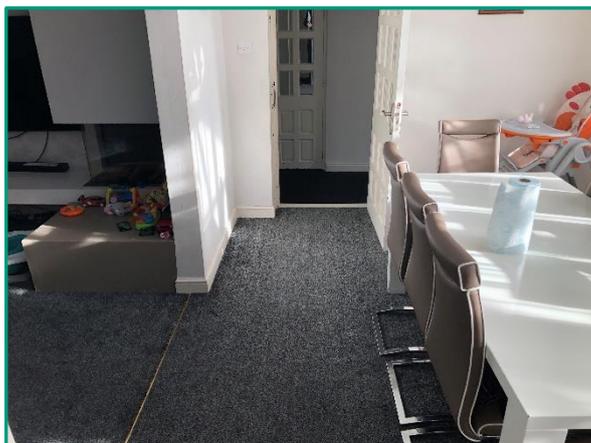
Rear elevation



Kitchen



Bathroom



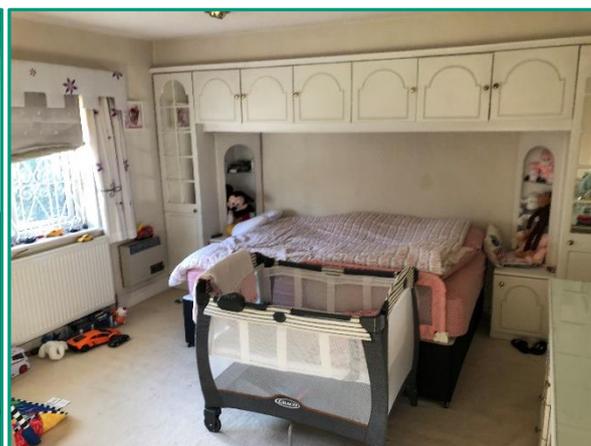
Living Space



Lounge (being renovated)



Main Bedroom



Bedroom Sample

- 2.1 The subject property comprises a substantial detached family home. The property has an entrance hallway leading to a large living room, sitting room, dining room, shower room, WC, utility room, kitchen, conservatory and double garage at ground floor level. The first floor comprises two double bedrooms, a house bathroom with bath, wash hand basin, WC and bidet and two en-suite bedrooms each with dressing area. The second floor comprises an office within the converted roof space, a fifth bedroom and a WC. The second floor has Velux windows overlooking the rear of the property.
- 2.2 The property has a driveway located to the front of the property with gated access shared with the adjoining property and a large block paved car park and turning circle with ample parking space. To the rear of the property there is a large lawned garden and mature landscaping together with an outbuilding providing storage.
- 2.3 The property is in reasonable condition throughout albeit the décor and the finishes of the property could be modernised. The décor includes carpeted floor coverings to lounge and bedroom areas with plaster and painted walls and plaster and painted ceilings. There is a gas central heating system throughout the property.
- 2.4 The site plan below indicates our understanding of the demise of the property, outlined in red. This is for indicative purposes only and should be verified by legal advisers. It shows the building in relation to the site and its boundaries. We recommend that the Title Plan is forwarded to us for comparison:



DESCRIPTION	
AGE OF CONSTRUCTION	1950s with extension over the garage dating from 2000.
ROOF	Pitched, tiled.
EXTERNAL WALLS	Cavity brick.
FLOORS	Solid beam and block ground floor with timber suspended first floor level.
INTERNAL SPECIFICATION	Reasonable. See above.
WINDOWS	Predominantly Upvc double glazed windows with some original metal single glazed windows to the front elevation.
RAINWATER GOODS	Upvc and metal guttering and downpipes.

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

3.0 FLOOR AREAS

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

FLOOR	DESCRIPTION	AREA	
		Sq M	Sq Ft
Ground	Living room, dining room, sitting room, utility room, kitchen, conservatory, shower room and WC.	160.59	1,729
Ground	Integral double garage excluded from net sales area.	(22.23)	(239)
First	Four double bedrooms (two en-suite), house bathroom.	135.99	1,464
Second	Bedroom 5, and living accommodation (measured to maximum dimensions)	54.2	583
External	External block paved driveway to front. Lawned gardens to rear with external stores.	12.54	135
TOTAL		350.78	3,776

4.0 SERVICES

- 4.1 Mains gas, electricity, water and drainage are connected to the premises.
- 4.2 The property has a Valiant gas fired boiler located in the garage serving a central heating system to radiators and hot water. This installation appears to be in an adequate condition. The electrical installation appears adequate.
- 4.3 We have assumed that all electrical and gas installations were properly serviced and fully certified by the relevant bodies.

5.0 STATE OF REPAIR

- 5.1 Your attention is again drawn to the fact that this is not a condition or building survey and we cannot comment in detail upon the condition of the property. However, we comment below on the apparent state of repair based upon our limited inspection. We have assumed that there are no adverse ground or soil conditions.
- 5.2 At the time of inspection weather conditions were overcast but dry. We inspected both the interior and the exterior of the premises in the presence of the Customer for the duration of the inspection.

- 5.3 The building does not appear to have been the subject of any major extensions or reconstruction since it was originally built other than the extension above the garage and the rear kitchen and conservatory. We are not aware of any significant repairing works that have taken place at the property. The property appears to be free from immediate or significant wants of repair. There were general levels of wear and tear and wants of re-decoration required. However this is typical of a property of this age and type.
- 5.4 The decorative condition was reasonable and the fittings were serviceable. The kitchen and sanitary fittings were reasonable.
- 5.5 An economic life in respect of the external fabric of the building in excess of 60 years should be achieved subject to normal wear and tear and appropriate maintenance.

6.0 TENURE AND TENANCIES

- 6.1 We have not had the opportunity of inspecting the Title Deeds or had sight of any Report on Title. We have however had sight of the Title plan under title number WM755990. Prior to completion of the loan we would recommend that the Report on Title is forwarded to us for comment. We are relying on verbal information only in preparing this Report and Valuation and we would comment that the Bank seek our confirmation that there are no matters material to affect the value of the property in relation to the Title before drawdown.
- 6.2 We have been advised by the Borrower that the subject property is held freehold and have assumed that this is with absolute title, which will be acquired on completion of the purchase. We have assumed that there are no unusual or onerous covenants running with the land.
- 6.3 The property appeared to be owner occupied at the time of our inspection, however we have been informed that the property is let on an assured shorthold tenancy at £3,750 per calendar month (£45,000 per annum), although we have not had sight of this. We expect the property is held under the company name and let to the directors and therefore with this in mind and given no security of tenure would be afforded on the AST and vacant possession can easily be gained then accordingly we have valued on the basis of vacant possession.
- 6.4 The property is accessed from Harborne Road via a driveway owned by the adjoining property (86 Harborne Road). We have been informed by the Borrower that the subject property benefit from unrestricted access onto their property.
- 6.5 Should any of the assumptions or information provided to us prove to be incorrect it may be necessary to amend our valuation. We recommend that the above details are confirmed by your legal advisers and any discrepancies are reported back to the valuer for review of our valuation.

7.0 STATUTORY REQUIREMENTS

Town Planning

7.1 Internet enquiries with the local planning authority, Birmingham City Council have been undertaken.

REFERENCE	DETAILS	DECISION
2000/04847/PA	Erection of first floor extension over existing garage to provide enlarged bedrooms, new dressing room and en-suite facilities.	Approved subject to conditions on 22 December 2000.
86-88 Harborne Road Edgbaston B15 3HN 1995/02535/PA	Erection of security railings and gates to combine vehicular access drives.	Approved subject to conditions on 28 March 1996.

7.2 The property is not Listed for its architectural merit but is situated within Edgbaston Conservation Area.

7.3 As the property is in a Conservation Area this means it is an area of special architectural or historic interest, the character or appearance of which it is desirable to preserve or enhance. One would need to demonstrate that any development proposal preserves or enhances the character or appearance of a Conservation Area. There may also be an Article 4 Direction which would remove permitted development rights. Therefore stringent planning controls will affect this property and this includes the need to obtain permission for any demolition, and the pruning or felling of a tree.

7.4 We are not aware of any planning, highways or development schemes proposed that are likely to have a detrimental impact on the value of the property.

7.5 Legal advisers should confirm in their pre lending enquiries that the property benefits from the appropriate planning permissions for the continued current use and that there are no outstanding applications or breaches of planning permission.

Highways

7.6 Harborne Road is adopted by the Highways Authority and maintainable at public expense.

Fire Regulations

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

Energy Act 2011

- 7.8 The Energy Act 2011 applies to both residential and commercial property and it stipulates that an Energy Performance Certificate (EPC) is required when a property is constructed, marketed for sale or to let. An EPC provides both an energy efficiency rating and environmental impact rating ranging from Bands A - G. The Act also stipulates that those properties with an energy efficiency rating in Band F or G will not be permitted to be newly let or tenancies renewed from 1 April 2018 without improvements and from 1 April 2020, it will also include existing tenancies.
- 7.9 According to the Domestic Energy Performance Certificate Register the premises have an energy efficiency rating of Band D (60) as at Appendix C and was assessed on 14 March 2012. Therefore, any rental income will be unaffected by this regulation.

Housing Act 2004

- 7.10 The property is not a house in multiple occupation as defined by the Housing Act 2004 because it was occupied by a single household and is being purchased with vacant possession.

Building Regulations

- 7.11 We have assumed for the purpose of this Report and Valuation that any works carried out have been done so in accordance with all local authority regulations.

8.0 LOCAL TAXATION

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

ADDRESS	COUNCIL TAX BAND
88 Harborne Road, Birmingham B15 3HN	G

9.0 ENVIRONMENTAL CONSIDERATIONS

- 9.1 In carrying out this work we have carried out various enquiries in order, so far as is reasonably possible, to establish the potential existence of contamination arising out of previous uses of the site and its neighbours together with other environmental features.
- 9.2 Should the Bank obtain evidence or advice contrary to our opinion or assumptions made in this regard before the loan is drawn down, the evidence should be supplied to the valuer in case it has an adverse effect on value.

Contamination

9.3 No indications of past or present contaminative land uses were noted during the inspection. Our inspection was only of a limited visual nature and we cannot give any assurances that previous uses on the site or in the surrounding areas have not contaminated subsoils or ground waters. In the event of contamination being discovered or if it transpires there are other environmental features specifically affecting the property, further specialist advice should be obtained. You are advised to ensure that your legal advisers take up the usual enquiries on your behalf, in respect of possible contamination or environmental issues, prior to entering into any commitments. The property is located in an established residential location and we would not anticipate any contamination on this site.

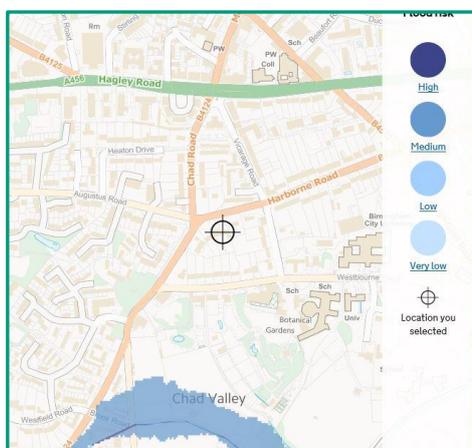
Invasive Species

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

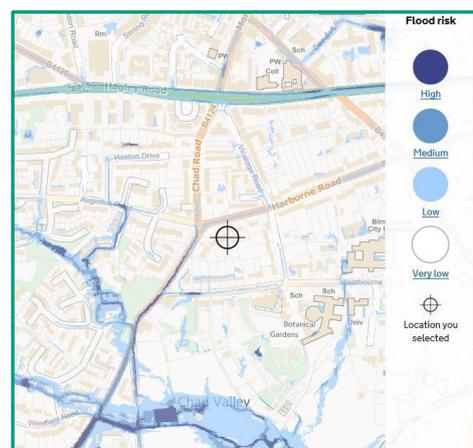
9.5 Japanese Knotweed is a rampant non-native invasive species which can cause physical damage to buildings and hard surfaces and be difficult to control. Timely and persistent treatment programmes can minimise its impact. By quantifying the likely cost of treatment and any necessary repairs the impact of Japanese Knotweed can be taken into account in the valuation process and reflected in the same way as any other defect or item of disrepair. As valuers, we are not in a position to comment on the costs of any potential treatment as this is a specialist area but can advise as to whether the plant was seen. How invasive this has become may not be readily identified by a visual inspection.

9.6 During our valuation inspection, we saw no evidence of any Japanese Knotweed or other invasive species on or near the property.

Flooding



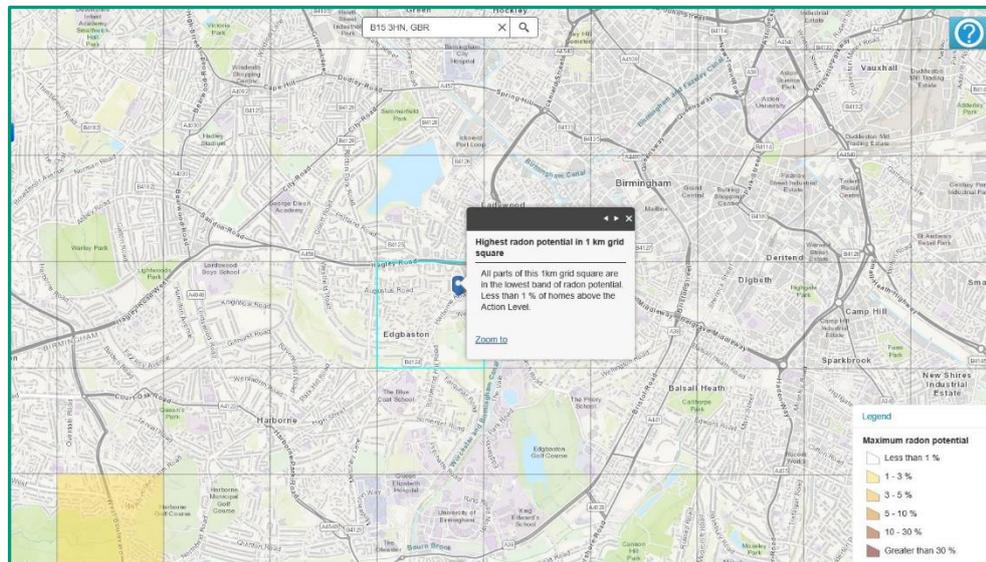
Risk of flooding from rivers



Risk of flooding from surface water

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

Radon



Radon Map

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

Made up Ground

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

Coal Mining

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

10.0 ECONOMIC AND PROPERTY MARKET COMMENTS

UK Economic Comment

- 10.1 The UK's snap General Election resulted in a Hung Parliament and this resulted in some fluctuations in the economy with Sterling seeing similar losses as we saw after the Brexit vote. However, this has not been as marked as the continuing uncertainty around the Brexit negotiations and the effect on both the economic and political landscape of the UK. Whilst the weaker Government position is making Brexit negotiations more complex and protracted, the property market had shown a high level of resilience. Overseas investors continued to be active within the investment market which led to transactional levels holding up against the slight slowdown seen in 2016. Over the last 12-months the property market has reacted negatively to the political landscape, and as yet we are on the edge of a precipice. The market has slowed in the latter half of 2018 which means that we remain in uncertain times.
- 10.2 Since August 2018, interest rates have remained at 0.75%. The latest CPI figure shows that the 12-month inflation figure to July 2018 was 2.5% up from 2.4% in June 2018. The forecast for quarter 3 2018 was 2.4% and the same for quarter 4. The longer-term forecast for 2019 through 2022 suggests that the rate will fall to between 1.6% and 1.8% depending on the seasonality (Oxford Economics). Generally, the trend is for a downward movement over the next 12-months. However, the outcome of Brexit could change this forecast.
- 10.3 The economic landscape is far from certain and the Global economy started 2019 on rather "shaky" ground. It is difficult to say anything meaningful about the outlook for the UK with there being a mixed picture of gloom and optimism depending on the scenario of an orderly or otherwise Brexit. With the easing of inflation and the expectation that GDP will increase in the first quarter of 2019 the economy could be said to have weathered the political stalemate rather better than was expected. However, the longer Brexit negotiations continue the economy could experience volatility as there remains a lack of clarity and direction in the negotiations even at this late stage.
- 10.4 As surveyors, we are not economists and our comments are based on those freely available in the media. We would caution that there could be some renewed uncertainty around the valuation of property assets as the economic and political landscape stabilises and finds its new norm. We would comment that there is a severe danger of continued uncertain times ahead and this will affect the transparency of transactional evidence and arguably reduce the amount of this. This will make valuations more uncertain and lacking a degree of clarity. We would expect lending decisions to be prudent and having strong regard to the nature of the Borrowing entity in order to protect the position of both the lender and their professional advisers.

UK Housing Market

- 10.5 Declining house prices in London and the Southeast are reported and growth in the cheapest areas of the UK, although moderating. Affordability is the main factor affecting house prices, followed by Brexit uncertainty, primarily within expensive areas although fears over Brexit is reported as the main concern affecting the London market, followed by stamp duty costs. The high cost of moving, which reduces stock and thereby the choice of property available to buy, subdued demand at the upper end of the market and is filtering down. The prospect of hikes in interest rates, following the second increase in a decade, is likely to further soften activity. That said, price realism and resilience to economic factors means the market outlook, according to the RICS Residential Market Survey, is turning positive for 12 months ahead although near term market expectations are the worse for 20 years.
- 10.6 Developers look to schemes which can attract new buyers with Help to Buy assistance to maximise values. Investors are slowly returning the market following taxation changes. Interest rates also remain historically low and the Affordability Index has reduced slightly. Oversea buyer enquires have increased, due to a cheaper Pound.
- 10.7 The stress testing of mortgages and restricting loan to income ratios to 4.5 have reduced the number of transactions in the market. Also, the buy-to-let mortgage market has been brought in line with owner occupier mortgage requirements plus further PRA requirements affect investors with a portfolio of properties. The Anti-Money Laundering Directive has also impacted on the number of transactions.
- 10.8 The private rented sector has seen some stability but demand is less for larger homes. A low stock of affordable homes is putting pressure on rents and modest growth in rents is reported from an ever-present demand. The effects of Brexit and immigration policy may moderate rental growth including the corporate sector.

Local Market and Property Specific Comments

- 10.9 Last year, Birmingham ranked as one of the best cities in the UK in terms of property price growth, comfortably outranking London. Since 2009, Birmingham has experienced a 45% rise in average residential property values.
- 10.10 Thanks to its relative affordability in comparison to other regions, coupled with a number of key developments including the HS2, Birmingham property is forecasting excellent price growth from 2018 into 2020. According to the *Knight Frank Birmingham Residential Market Insight Report 2018*, the annual growth rate for Birmingham property has averaged between 5% and 10% since 2015, outperforming most of the UK market. Birmingham is also quickly becoming the most popular destination for those leaving London, with more people choosing the second city over Manchester, Leeds and Bristol. Unusually, a large proportion of movers are young professionals and families seeking affordable living costs alongside great amenities and lifestyle.

- 10.11 This price differential is one of the key factors of the Birmingham market. Despite drawing comparisons with London in terms of lifestyle, the difference in development prices is stark, with the average new-build price sitting at £300 – £450 per sq ft in and around Birmingham compared to £1,000 – £2,000 per sq ft in central London.
- 10.12 The Big City Plan is one of the driving forces behind Birmingham’s growth. A major development plan set out over 20 years, The Big City Plan includes developments across key areas in the city and is set to increase the size of the city core by 25%, improving transport connectivity and providing 50,000 new jobs. Covering several key districts throughout the city, the Big City Plan includes upcoming projects such as Paradise, Arena Central and HS2, as well as completed projects like the redevelopment of New Street Station, Grand Central, Birmingham Library and more. With Birmingham already boasting the largest business, professional and financial services hub outside of London in the UK. With HS2 around the corner, it’s not a stretch to say that Birmingham could become the perfect destination for London workers who are looking to escape the high cost of living. When HS2 starts running in 2026, Birmingham will effectively become a commuter town overnight as journey times are cut in half. The idea of affordable living in Birmingham with a commute that takes less than 50 minutes will likely be highly attractive for many professionals and families currently living in London, further increasing the demand for residential property. As the HS2 stretches on to the North-West several years after that, Birmingham could quickly become the central transport hub of the UK
- 10.13 When it comes to property investment in the current Birmingham climate, the signals are positive. Despite warnings of the fallout Brexit may bring, the UK economy is still growing, with an increased focus on regeneration in regional cities north of the capital. Demand for homes is also high and only set to increase as Birmingham is being forecast a population growth of 12% by 2032. It helps that Birmingham is the youngest city in Europe, 40% of the population is under 25 years old, which means a dual demand of existing residents looking for new space, while younger buyers move out of the parental homes. It is estimated that Birmingham will need to build 80,000 new homes over the next decade to meet this residential demand.
- 10.14 The more specific Edgbaston market saw the average sale price for a detached home at circa £700,000 for the last 12 months, with average prices up some 17% since 2015, although this is misleading as the average includes lower valued properties which have seen the most increase in value compared to larger, higher valued homes.

11.0 VALUATION METHODOLOGY

- 11.1 In determining the Market Value and Market Rent we have adopted a market approach which adopts the principle that the value of a property may be derived by comparing it with prices achieved from market transactions of similar properties. This is a common approach of valuing straight forward residential property. The capital rate for comparables, where available, has been provided for comparison purposes.

Market Evidence

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

Rental Market and Tenant Demand

11.3 We are unaware of any previous letting of this property. Should any such information come to light before the loan is finalised the matter must be referred back to us for further consideration.

11.4 We have considered the following lets to derive the Market Rent of the property. We have assumed that they are let on an assured shorthold tenancy basis:

- (i) **Richmond Hill Road, Edgbaston, Birmingham B15** – a close by spacious seven bedroom executive home is available through Wentworth & Rose for £2,999 per calendar month.
- (ii) **Metchley Park Road, Edgbaston, Birmingham B15** – a larger, spacious six bedroom detached home let October 2018 through Haart for £2,500 per calendar month.
- (iii) **Norfolk Road, Edgbaston Birmingham B15** – A well-presented older style, four bedroom detached home let August 2018 through Davidson Estates for £2,100 per calendar month.
- (iv) **Harrison Green, Edgbaston, Birmingham B15** – a smaller three bedroom detached home let January 2018 through Wentworth & Rose for £1,700 per calendar month.

11.5 The above evidence reflects a range of recently let and currently available properties within close proximity of the subject property. Rents range from £1,700 per calendar month for a smaller three bedroom property up to £2,999 per calendar month for a larger seven bedroom property. The subject property in comparison offers a spacious four bedroom property in a good location. We would therefore expect the subject property to achieve towards the top of the range due to the size and location. Adopting £3,000 per calendar month gives a Market Rent in the sum of £36,000 per annum, which would reflect that the property is over-rented at the passing rent.

Sales Commentary

11.6 We have had regard to the following sales transactions and marketed properties in arriving at our opinion of value:

- (i) **11 Belgrave Close, Edgbaston, Birmingham B15** – located in an exclusive private cul-de-sac of executive detached residence. The property is approached via an automated gated drive with security phone entry system. The property is part rendered and has timber panelling to the elevations and is set back beyond its own private front garden. This is a spacious property comprising at ground floor level an imposing split level reception hall, guest cloakroom/WC., front living room with inglenook styled fireplace, rear sitting room, dining kitchen and separate utility. At first floor level are five excellent bedrooms, family bathroom and two en-suites. The property sold 22 November 2018 through Hadleigh Estate Agents at £1,170,000 having been marketed at £1,250,000. The property extends to 217 sq m (2,336 sq ft) reflecting a capital value rate of £5,391 per sq m (£500 per sq ft).
- (ii) **6 Farquhar Road East, Edgbaston B15** – a more traditional five bedroom detached house sold April 2018 at £1,010,000. The property is in a smaller plot than the subject and a slightly smaller size, extending to 237 sq m (2,557 sq ft). The property required both internal and external improvements.
- (iii) **94 Somerset Road, Edgbaston B15** – a 1970s built four bedroom, two bathroom detached house. The property sits in a spacious site with south facing garden and is sold subject to contract through Fine & Country having been marketed at offers over £1m. The property was dated internally and in need of modernisation. The property extends to 227 sq m (2,447 sq ft) excluding the double garage.
- (iv) **20 Ampton Road, Edgbaston, Birmingham B15** – The property comprises a similar style 1950s house with detached double garage. The property has a sitting room, dining room, study, breakfast kitchen and utility at ground floor level with five bedrooms and two bathrooms at first floor level. The property was in reasonable condition throughout but would benefit from modernisation. The property also totals 222 sq m (2,388 sq ft) and has a plot size of approximately 0.42 acres (0.71 hectares). The property was marketed with a guide price of £950,000 and sold on 14 August 2017 after going to best in final bids for £1,046,580.
- (v) **8 Vicarage Road, Edgbaston Birmingham B15** – The property comprises a period house with a painted rendered finish and comprises a living room, drawing room, study, extended dining/kitchen, garage, utility and wine cellar. The first floor comprises three bedrooms with master en-suite bathroom and dressing room and house bathroom. The second floor comprises two further bedrooms and a bathroom. The property totals 442.3 sq m (4,761 sq ft) including the garage and the eaves height. The property was in very good condition throughout with a modern feel. The property sold on 1 February 2017 for £1,360,000.

- 11.7 We are also aware of properties currently on the market. A property on **Harborne Road** is being marketed by Davidson Estates for £1,200,000 with the property extending to 323.70 sq m (3,484 sq ft). This family home benefits from a full length porch opening to the garage, a large reception and vestibule leading through to three reception rooms and conservatory. A separate fully fitted kitchen and utility room, and a downstairs shower room with WC. The first floor offers five double bedrooms, two of which have en-suite facilities and dressing rooms. There is also a main family bathroom with double shower unit. There is a large private front and rear garden with lawn and spacious patio and an integrated garage and private driveway for several cars at the front of the property.
- 11.8 Another property on **Harborne Road** is sold subject to contract having been marketed at offers over £1,250,000 through Fine & Country. The property extends to 406 sq m (4,362 sq ft). Once a home of the Cadbury family, this property offers accommodation across three floors, offering a total of six/seven double bedrooms, six en-suites and a family bathroom, three reception rooms, a gym and an outstanding open plan breakfast kitchen.
- 11.9 The subject property offers spacious family accommodation being of a size towards the top of the evidence although slightly more dated and with a smaller garden than some of the comparables above. We would therefore not expect the subject property to achieve the top of the range, conversely nor would we at the bottom of the range. We have therefore adopted a Market Value in the sum of £1,150,000, which we would also comment falls below an asking price from 2018 of £1,200,000 when the property was marketed by Robert Powell.

Appropriate Marketing Period

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

Recent Transactional History

- 11.11 Having made enquiries we are not aware of any information relating to any transaction involving this property. Should any such information come to light before the loan is finalised the matter must be referred back to us for further consideration.

12.0 FCA REGULATIONS

- 12.1 In compliance with FCA Regulations with effect from 1 April 2013 we confirm that the proportion of the 'total area' occupied as private living accommodation by the Borrower or relative of the Borrower is more than 40%.

13.0 BUILDING REINSTATEMENT

- 13.1 The figure below is provided as an informal indication only of the perceived rebuilding costs of the existing buildings and should not be relied on. Please refer to our Standard Limitations and Assumptions.
- 13.2 The figure below is quoted inclusive of site clearance fees and demolition but specifically excludes consequential loss, fixtures & fittings, stock, loss of rent and VAT on construction costs.
- 13.3 Building reinstatement figure **£700,000 (Seven Hundred Thousand pounds)**

Appendix A

LETTER OF INSTRUCTION

Attn: Jamie Simpson,
Aitchison Raffety Property Consultants,
Neville House,
14 Waterloo Street,
Birmingham,
B2 5TX

Ref: Sutton Carter Investments Limited

Dear Sirs,

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

Borrower:	Sutton Carter Investments Limited
Contact Name:	Zahid Ashraf
Phone Number:	07803 207465
Email:	zahid@suttoncarter.co.uk
Properties:	1) Carnegie Institute, Hunters Road, Hockley, Birmingham, B19 1DU 2) 88 Hamstead Road, Birmingham, B19 1DG 3) Units 6, 7, 9 & 10 Sovereign Court, Graham Street, Birmingham, B1 3JR 4) Unit B, Salford Trading Estate, Salford Street, Birmingham, B6 7SH 5) 113-117 Barr Street, Birmingham, B19 3DE 6) Units 1,2, 4 & 7 Imex Business Park, Union Road, Oldbury, West Midlands, B69 3EX 7) 88 Harborne Road, Edgbaston, Birmingham, West Midlands, B15 3HN 8) 156 Hockley Hill, Birmingham, West Midlands, B18 5AN 9) 80a Rolfe Street, Smethwick, B66 2AR
Tenure:	Freehold
Use:	Mixed Use (Commercial)
Access:	via Zahid, as above.

Instruction

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

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

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

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

Valuation and Report

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

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

Report on Title

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

Fees

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

Contact Details

Please contact Proplend on 0203 637 8418 if you have any queries regarding this instruction.

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

Yours Faithfully,



Brian Bartaby
Director

Proplend Security Limited

Appendix B

STANDARD LIMITATIONS AND ASSUMPTIONS

1. COMPLIANCE AND DATE OF VALUATION

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

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

2. INSPECTION

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

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

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

2.3. Our valuation assumes that all electronically operated or electronically

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

3. MEASUREMENTS

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

4. SERVICES

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

5. TENURE AND TENANCIES

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

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

6. LEGAL ADVICE

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

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

7. TOWN PLANNING, HIGHWAYS AND OTHER STATUTORY REGULATIONS

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

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

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

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

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

8. ENVIRONMENTAL CONSIDERATIONS

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

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

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

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

conditions or services for any new developments.

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

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

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

9. VALUATION

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

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

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

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

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

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

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

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

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

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

Unless otherwise described all valuations will be defined as:-

10. MARKET VALUE (MV)

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

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

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

Market Value is the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm’s length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion.

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

“**the estimated amount**” refers to a price expressed in terms of money payable for the asset in an arm’s length market transaction. *Market value* is the most probable price reasonably obtainable in the market on the *valuation date* in keeping with the *market value* definition. It is the best price reasonably obtainable by the seller and the most advantageous price reasonably obtainable by the buyer. This estimate specifically excludes an estimated price inflated or deflated by special terms or circumstances such as atypical financing, sale and leaseback arrangements, special considerations or concessions granted by anyone associated with the sale, or any element of *special value*;

“**an asset should exchange**” refers to the fact that the value of an asset is an estimated amount rather than a predetermined amount or actual sale price. It is the price in a transaction that meets all the elements of the market value definition at the *valuation date*;

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

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

“**between a willing buyer**” refers to one who is motivated, but not compelled to buy. This buyer is neither over eager nor determined to buy at any price. This buyer is also one who purchases in accordance with the realities of the current market and with current market expectations, rather than in relation to an imaginary or hypothetical market that cannot be demonstrated or anticipated to exist. The assumed buyer would not pay a higher price than the market requires. The present owner is included among those who constitute “the market”;

“**and a willing seller**” is neither an over eager nor a forced seller prepared to sell at any price, nor one prepared to hold out for a price not considered reasonable in the current market. The willing seller is motivated to sell the asset at market terms for the best price attainable in the open market after proper marketing, whatever that price may be. The factual circumstances of the actual owner are not a part of this consideration because the willing seller is a hypothetical owner;

“**in an arm’s length transaction**” is one between parties who do not have a particular or special relationship, e.g. parent and subsidiary companies or landlord and tenant, that may make the price level uncharacteristic of the market or inflated because of an element of *special value*. The *market value* transaction is presumed to be between unrelated parties, each acting independently;

“**after proper marketing**” means that the asset would be exposed to the market in the most appropriate manner to effect its disposal at the best price reasonably obtainable in accordance with the *market value* definition. The method of sale is deemed to be that most appropriate to obtain the best price in the market to which the seller has access. The length of exposure time is not a fixed period but will vary according to the type of asset and market conditions. The only criterion is that there must have been sufficient time to allow the asset to be brought to the attention of an adequate number of market participants. The exposure period occurs prior to the *valuation date*;

“**where the parties had each acted knowledgeably, prudently**” presumes that both the willing buyer and the willing seller are reasonably informed about the nature and characteristics of the asset, its actual and potential uses and the state of the market as of the *valuation date*. Each is further presumed to use that knowledge prudently to seek the price that is most favourable for their respective positions in the transaction. Prudence is assessed by referring to the state of the market at the *valuation date*, not with benefit of hindsight at some later date. For example, it is not necessarily imprudent for a seller to sell assets in a market with falling prices at a price that is lower than previous market levels. In such cases, as is true for other exchanges in markets with changing prices, the prudent buyer or seller will act in accordance with the best market information available at the time;

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

The concept of *market value* presumes a price negotiated in an open and competitive market where the

participants are acting freely. The market for an asset could be an international market or a local market. The market could consist of numerous buyers and sellers or could be one characterised by a limited number of market participants. The market in which the asset is exposed for sale is the one in which the asset being exchanged is normally exchanged.

The *market value* of an asset will reflect its highest and best use. The highest and best use is the use of an asset that maximises its productivity and that is possible, legally permissible and financially feasible. The highest and best use may be for continuation of an asset's existing use or for some alternative use. This is determined by the use that a market participant would have in mind for the asset when formulating the price that it would be willing to bid.

The highest and best use of an asset valued on a stand-alone basis may be different from its *highest* and *best use* as part of a group, when its contribution to the overall value of the group must be considered.

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

- a. To establish whether a use is possible, regard will be had to what would be considered reasonable by market participants,
- b. To reflect the requirement to be legally permissible, any legal restrictions on the use of the asset, e.g. zoning designations, need to be taken into account,
- c. The requirement that the use be financially feasible takes into account whether an alternative use that is physically possible and legally permissible will generate sufficient return to a typical market participant, after taking into account the costs of conversion to

that use, over and above the return on the existing use.

Transaction Costs

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

11. MARKET VALUE (MV) SUBJECT TO SPECIAL ASSUMPTIONS

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

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

12. MARKET RENT (MR)

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

The estimated amount for which an interest in real property should be leased on the *valuation* date between a

willing lessor and a willing lessee on appropriate lease terms in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion.

13. INSURANCE RECOMMENDATION (WHERE REQUESTED)

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

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

14. CONFIDENTIALITY

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

15. FEE

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

16. LIABILITY

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

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

17. GENERAL ASSUMPTIONS

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

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

17.2. Unless otherwise specified the following items are excluded:

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

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

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

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

18. DATA SECURITY

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

19. COMPLAINTS PROCEDURE

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

20. RICS AUDIT

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

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