

12 February 2019

**REPORT & VALUATION
FOR
Proplend Security Limited**

**Units 1,2,4 & 7 Imex Business Park
Union Road
Oldbury
West Midlands
B69 3EX**

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



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EXECUTIVE SUMMARY

ADDRESS OF PROPERTY:	Units 1,2,4 & 7 Imex Business Park, Union Road, Oldbury, West Midlands B69 3EX.
PURPOSE OF VALUATION:	For secured lending purposes.
LOCATION:	The property is located towards the end of Union Road in Oldbury, a town in the West Midlands.
DESCRIPTION:	The subject property comprises four self-contained industrial units, three of which front onto Union Road, with one set back.
TENURE:	Freehold.
TENANCY/TENANCIES:	The subject property is let on four leases expiring between June 2020 and October 2023.
ACCOMMODATION:	1,859.9 sq m (20,020 sq ft).
PLANNING:	B2/ B8.
PASSING RENT:	£77,040 per annum exclusive.
MARKET RENT:	£77,040 per annum exclusive.
MARKET VALUE WITH VACANT POSSESSION:	£875,000 (Eight Hundred and Seventy Five Thousand pounds) as at 1 February 2019.
YIELDS:	N/A.
SALEABILITY OF PROPERTY:	The property would appeal to local investors and owner occupiers.
SUITABILITY OF PROPERTY FOR LOAN SECURITY PURPOSES:	The property provides acceptable security for a normal commercial loan providing the comments caveats and assumptions in this report are taken into account.

SWOT Analysis/Key Factors:

STRENGTHS	WEAKNESSES
<ul style="list-style-type: none"> • These units are popular with investors and owner-occupiers. • Three of the units front onto Union Road. 	<ul style="list-style-type: none"> • No secure yard area. • Union Road is not adopted and the Borrower is unlikely to have any control over the condition.
OPPORTUNITIES	THREATS
<ul style="list-style-type: none"> • The income potential is currently maximised. 	<ul style="list-style-type: none"> • The economic and political climate means that we are valuing in uncertain times. • Tenants vacate and the income to service the debt is reduced.

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: RW/DU21782-6

12 February 2019



VALUATION REPORT

ADDRESSEE	Proplend Security Limited, 20-22 Wenlock Road, London N1 7GU
FOR THE ATTENTION OF	Brian Bartaby.
PROPERTY	Units 1,2,4 & 7 Imex Business Park, Union Road, Oldbury, West Midlands B69 3EX (the subject property).
CUSTOMER	Sutton Carter Investments Limited.
INSTRUCTION	Your instructions, dated 28 January 2019, (Appendix A), and our acknowledgement letter dated 30 January 2019.
CONFLICTS OF INTEREST	We have previously valued the property and we confirm that there is no conflict of interest arising from our undertaking this valuation.
VALUATION & INSPECTION DATE	1 February 2019.
VALUER	The premises were inspected by Rebecca Welch MA DipSurv MRICS, 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 refinanced.
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	<p>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”).</p> <p>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.</p>
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

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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 seen a Report on Title and we recommend one is forwarded to us for comment prior to drawdown.
- (ii) The Market Value as reported is the aggregate of the four units and not a value reflecting the sale of all four together.
- (iii) We have not had sight of an asbestos management plan and therefore we have assumed that such a plan has been implemented.
- (iv) The property is in an area known to have a mining history although we consider this to be low risk. Our valuation assumes that the property is not affected by any such risk.
- (v) The Non-Domestic Energy Performance Certificate Register does not contain an EPC for Unit 7. We recommend that this is investigated by solicitors as the income will need to be secure for the length of the loan
- (vi) 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.
- (vii) 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 above property in the condition as at 1 February 2019 let on a full repairing and insuring basis for a minimum period of 5 years is in the following sums:

Unit 1 Imex Buisness Park £21,600 (Twenty One Thousand Six Hundred pounds)

Unit 2 Imex Buisness Park £18,720 (Eighteen Thousand Seven Hundred and Twenty pounds)

Unit 4 Imex Buisness Park £18,720 (Eighteen Thousand Seven Hundred and Twenty pounds)

Unit 7 Imex Buisness Park £18,000 (Eighteen Thousand pounds)

Please note that the rent noted is without deduction for 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 1 February 2019 and with the benefit of the above mentioned tenancies is in the sum of:-

Unit 1 Imex Buisness Park £235,000 (Two Hundred and Thirty Five Thousand pounds)

Unit 2 Imex Buisness Park £205,000 (Two Hundred and Five Thousand pounds)

Unit 4 Imex Buisness Park £220,000 (Two Hundred and Twenty Thousand pounds)

Unit 7 Imex Buisness Park £215,000 (Two Hundred and Fifteen 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 1 February 2019 and subject to the special assumption above is in the sum of:-

Unit 1 Imex Buisness Park £235,000 (Two Hundred and Thirty Five Thousand pounds)

Unit 2 Imex Buisness Park £205,000 (Two Hundred and Five Thousand pounds)

Unit 4 Imex Buisness Park £220,000 (Two Hundred and Twenty Thousand pounds)

Unit 7 Imex Buisness Park £215,000 (Two Hundred and Fifteen 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.



Rebecca Welch MA DipSurv MRICS
Associate Director
RICS Registered Valuer
For and on behalf of Aitchison Raffety

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For and on behalf of Aitchison Raffety

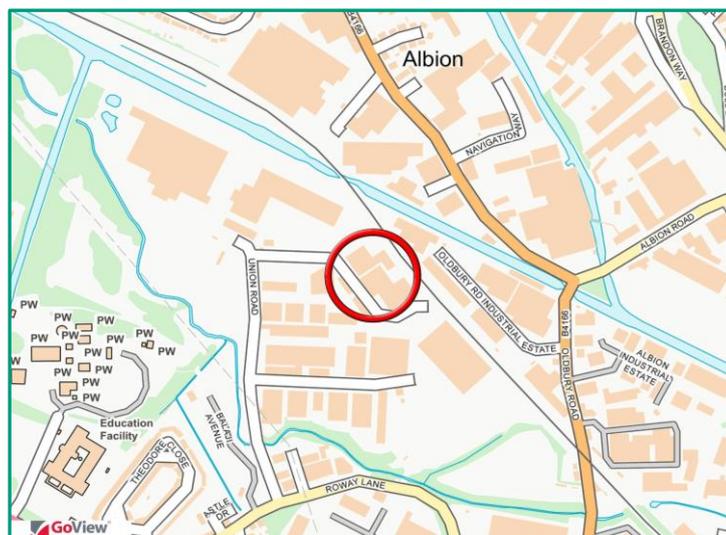
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PROPERTY DETAILS

1.0 LOCATION



- 1.1 The property is located in Oldbury, which is located within the Sandwell Local Authority in the West Midlands and also forms part of the Black Country. Surrounding towns and suburbs include West Bromwich located approximately one km (0.6 miles) to the north east, Dudley located approximately 3 km (2 miles) to the west and Smethwick located approximately 3 km (2 miles) to the south east.
- 1.2 Union Road is accessed from Roway Lane, which connects to Dudley Road East approximately 200 m to the south west. This, in turn, provides access to Junction 1 and Junction 2 of the M5 motorway, both within a 2 km (1.25 miles) radius of the subject property. The nearest train station is Sandwell and Dudley which is located approximately 1 km (0.6 miles) to the south east.



- 1.3 Specifically the property is located towards the end of Union Road, which is a cul-de-sac comprising industrial units of various ages and types. Units 1, 2 and 4 all front Union Road. There is an unmade driveway immediately to the left hand side of Unit 1 and provides access to a yard which serves Unit 1,2,3 and 7.
- 1.4 To the northwest is a large metal recycling plant occupied by EMR Group (European Metal Recycling), whilst to the south is Anglo African Industrial Estate. Surrounding occupiers on Oldbury Road include Press Bond Fabrications, Britchem Products Limited, Clarke Transport and TG Metals Limited (Recycling). Surrounding units date from the 1950s and are typically of a manufacturing/industrial nature.

2.0 DESCRIPTION AND CONSTRUCTION



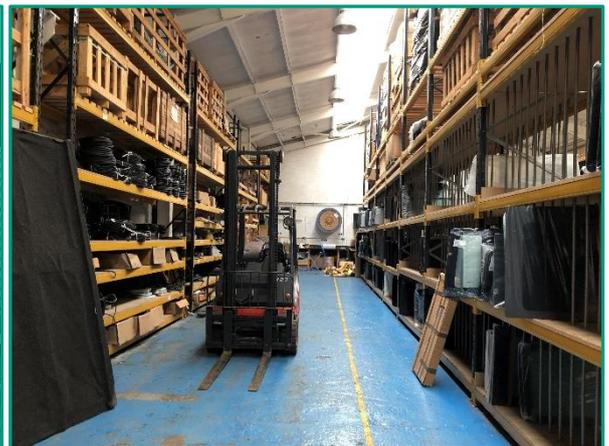
Units 1 & 2



Interior of unit 2



Unit 7



Interior of Unit 7

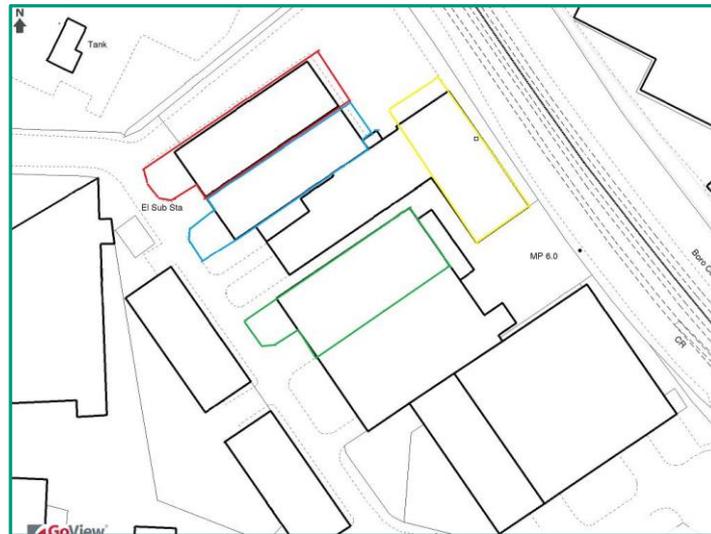


Unit 4



Interior of Unit 4

- 2.1 The subject property comprises four self-contained industrial units. Unit 1 is semi-detached and has offices to the front with roller shutter access from the rear yard. The offices to the front have been combined with the offices of Unit 2, but can be reinstated if required. Unit 2 is mid-terrace and also has roller shutter access to the rear yard. Unit 4 is semi-detached and has roller shutter access to the front from Union Road. Unit 7 is to the rear of Units 1 and 2, and is attached to Unit 3 (not part of this valuation).
- 2.2 The specification of the four properties is similar with a minimum eaves height of 3.36 metres but a minimum working height of 3 metres to the underside of the steel trussed roof and a maximum height of 5.15 metres to the apex. Each unit has electric strip lighting and gas convection heating. There are four staff/customer parking spaces attributed to each unit.
- 2.3 Unit 1 has a site area of approximately 665 sq m (7,159 sq ft) and is outlined in red. Unit 2 has a site area of 594 sq m (6,392 sq ft) and is outlined in blue. Unit 4 has a site area of approximately 599 sq m (6,453 sq ft) and is outlined in green. Unit 7 has site area of 556 sq m (5,981 sq ft) and is outlined in yellow.
- 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	1960s.
ROOF	Pitched original sheet asbestos with some replacement fibreglass panels to part. The roof incorporates approximately 20% Perspex roof lights.
EXTERNAL WALLS	Brick/block with sheet metal cladding to the side elevations supporting the steel trussed roof.
FLOORS	Solid concrete.
INTERNAL SPECIFICATION	Basic. See description above.
WINDOWS	Metal powder coated glazed windows to the ancillary accommodation.
RAINWATER GOODS	Metal guttering and downpipes.

- 2.5 Certain types of composite cladding panels contain combustible insulation which causes concern to some insurance companies. During the course of our inspection for valuation purposes we were unable to determine the insulation within any composite cladding panels and recommend that an assurance that the panels have a suitable fire retardant quality and insurance is available.
- 2.6 We have not had sight of any specialist reports as to the form of construction nor the materials used in the property. For the purposes of this valuation we have assumed that specialist investigations would not reveal that the property is at risk or disclose the presence of any material in adverse conditions, otherwise our valuation may alter.

3.0 FLOOR AREAS

3.1 The premises provide the following accommodation and floor areas measured on a Gross Internal Area (GIA) 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
Unit 1	Warehouse	397.08	4,274
	Office	43.58	469
	Office sub-divided from Unit 2	42.56	458
SUBTOTAL		483.2	5,201
Unit 2	Warehouse	401.88	4,326
	Mezzanine Office	21.21	228
SUBTOTAL		423.09	4,554
Unit 4	Warehouse	414.00	4,456
	Ancillary Office/Storage	27.77	299
	Mezzanine Store/Office	14.86	160
SUBTOTAL		456.63	4,915
Unit 7	Warehouse	404.00	4,349
	Ancillary Office/Storage	48	517
	Mezzanine Store/Office	45	484
SUBTOTAL		497	5,350
TOTAL		1,859.9	20,020

4.0 SERVICES

- 4.1 Mains gas, electricity, water and drainage are connected to the premises. Unit 1 does have gas fired convection heating to the industrial accommodation.
- 4.2 No tests of these installations have been undertaken. Our valuation has assumed that they are fit for their purpose and retain a useful economic life.
- 4.3 As a result, this could have an impact on service charge levels where the building is let to multiple tenants and in some instances where the property is let to one tenant, the landlord will seek for a replacement system if the tenant is liable to bear the costs of such.

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 and as defined in our Standard Limitations and Assumptions. We have assumed that there are no adverse ground or soil conditions.
- 5.2 At the time of inspection weather conditions were dry and sunny.
- 5.3 The building does not appear to have been the subject of any major extensions or reconstruction since it was originally built and we are not aware of any significant repairing works that have taken place at the property. The property appears to be structurally sound and we did not note any obvious defects other than general levels of wear and tear and wants of re-decoration consistent with the nature and intensity of the use. However with a property of this type and age it will require regular ongoing maintenance.
- 5.4 We understand that the occupational tenants hold effective full repairing and insuring leases with full provision for service charge recovery. As such, where minor items of disrepair or a requirement for decoration were observed, we believe that these fall within the responsibility of the tenants with all costs of repairs and maintenance in relation to the estate/common parts being recoverable through the service charge.

COMMENTS	
Any parts of the property NOT inspected? (save those areas already excluded by the terms of this instruction)	No.
Any disrepair or structural defects likely to have an adverse impact on value identified or suspected?	No.
Could the Borrower be liable for any costs of remedial work?	No.
Any areas of concern where further investigations are recommended?	No.
Any deleterious materials identified or suspected?	None seen.

6.0 We are of the opinion that the property has a useful economic life in excess of 25 years subject to normal wear and tear and appropriate maintenance

7.0 TENURE AND TENANCIES.

7.1 We have not had the opportunity of inspecting the Title Deeds or had sight of any Report on Title. Prior to completion of the loan we would recommend that the Report on Title is forwarded to us for comment. We are relying on verbal information only in preparing this Report and Valuation and we would comment that the Bank seek our confirmation that there are no matters material to affect the value of the property in relation to the Title before drawdown.

7.2 We have been advised by the bank that the subject properties are held freehold, on individual titles, and have assumed that these are absolute. We have assumed that there are no unusual or onerous covenants running with the land.

7.3 We have not had sight of the leases, the salient terms, as advised by the Borrower, are as follows:

UNIT	TENANT	LEASE START	LEASE LENGTH	LEASE EXPIRY	RENT
Unit 1	VGC Ltd	01.01.17	5	01.12.21	£21,600
Unit 2	Pawandeep Singh Thind	01.06.16	4	01.06.20	£18,720
Unit 4	Second Hand Creme	02.11.18	5	01.10.23	£18,720
B4	VGC Ltd	01.08.18	5	01.10.23	£18,000
TOTAL					£77,040

7.4 We have assumed that all the leases are on effectively fully repairing and insuring terms, with structural/ external/ communal costs chargeable back to the tenants on an apportioned service charge basis.

7.5 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.

Covenant Status of Tenants

7.6 The tenants are all private individuals and therefore would be regarded as having relatively weak covenant statuses. However they are of a type to be expected for a property of this nature.

8.0 STATUTORY REQUIREMENTS

Town Planning

- 8.1 Internet enquiries with the local planning authority, Sandwell Borough Council, confirm the following:
- 8.2 The statutory development plan for the area is the Black Country Core Strategy, which now forms the basis of Sandwell's Local Development Framework. Combined with the remaining policies and proposals of the Unitary Development Plan, these form the Development Plan Documents for the Borough.
- 8.3 The property is not Listed for its history or architectural merit and is not situated within a Conservation Area.
- 8.4 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.
- 8.5 We have made investigations with Sandwell Borough Council website which reveal no recent planning history for the subject property.
- 8.6 Your 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

- 8.7 We have made verbal enquiries with Sandwell Borough Council who have informed us that Union Road is a private road. We understand from your customer that there is no form of service charge for its upkeep and necessary repairs. We recommend that your legal advisers confirm the full extent of the customer's liability.

Fire Regulations

- 8.8 In compliance with The Regulatory Reform (Fire Precautions) Order 2005 all commercial property owners/occupiers are under an obligation to carry out and keep under review a risk assessment of their property.
- 8.9 We have not had sight of a risk assessment; therefore we have assumed that all the necessary measures are in place and no additional costs will be accrued in complying with these measures, considering its age and condition.

Equality Act 2010

- 8.10 The Equality Act supersedes a number of Acts made under equality and discrimination legislation. One of the Acts that it replaces is the Disability Discrimination Act which had specific reference to property and the workplace. The Equality Act (the Act) seeks to ensure that any person having a “premises” dealing does not discriminate in terms of race, religion or ability, against a person in occupation or who wishes to acquire the premises in some way, be it the title or in letting the premises or part of. The Act seeks to ensure that a disabled person is not precluded from acquiring premises by the owner/landlord not allowing physical changes to be made. Acquiring can be deemed to be acquisition, letting or working within. The Act also places a duty of care on owners/landlords to ensure that common parts are compliant. Therefore building owners and occupiers should be aware that it may be necessary to undertake physical changes to a building in order to comply with the Act. We are not experts within this field and in the absence of a specialist audit we have assumed that the provision to comply with the Act will not have a material impact upon our valuation.

Health and Safety at Work Act 1974

- 8.11 The Act is aimed at:-
- (i) Securing the health, safety and welfare of persons at work;
 - (ii) Protecting persons other than persons at work against risks to health or safety arising out of or in connection with the activities of persons at work.
- 8.12 We have assumed that, where appropriate, the property complies with the above Act and there are no outstanding obligations on the owner.

Control of Asbestos Regulations 2012

- 8.13 Building owners/occupiers or other parties who have a legal responsibility for the non-domestic premises should:
- (i) Take reasonable steps to find materials in the premises which are likely to contain asbestos and to check their condition;
 - (ii) Presume that materials contain asbestos unless there is strong evidence to suppose that they do not;
 - (iii) Produce a written record of the location and condition of asbestos and presumed asbestos containing material (ACM) and to keep the record up to date;
 - (iv) Produce a plan as to how the ACMs or presumed ACMs are to be managed.

8.14 We have not had sight of a management plan and therefore recommend that legal advisers confirm that such a plan has been implemented. We have assumed no costs for compliance in arriving at our valuation. We would however comment that should it become obvious that remedial works will be required the plan should be supplied to the valuer for review as it may have an adverse effect on our valuation.

Energy Act 2011

8.15 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.

8.16 From 1st April 2016 tenants will be able to request consent from their landlords to carry out energy efficiency improvements at the tenant's expense. The landlord cannot unreasonably refuse.

8.17 According to the Non-Domestic Energy Performance Certificate Register the premises have the following energy efficiency ratings:

ADDRESS	RATING	ASSESSED
Unit 1 Union Road	D (81)	18 March 2014
Unit 2 Union Road	D (86)	18 March 2014
Unit 4 Union Road	E (107)	21 March 2016

8.18 Therefore, the rental income for units 1, 2 and 4 will be unaffected by this regulation.

8.19 The Non-Domestic Energy Performance Certificate Register does not contain an EPC for Unit 7. We recommend that this is investigated by solicitors as the income will need to be secure for the length of the loan. If there is no EPC for this property then any new letting could be delayed. We would however expect a similar E-D rating and therefore do not expect the income to be affected.

9.0 LOCAL TAXATION

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

ADDRESS	DESCRIPTION	RATEABLE VALUE
Unit 1, Union Road Industrial Estate, Union Road, Oldbury, West Midlands B69 3EX	Offices and Premises	£2,500
Unit 1a, Union Road Industrial Estate, Union Road, Oldbury, West Midlands B69 3EX	Workshop and Premises	£9,000
Unit 2, Union Road Industrial Estate, Union Road, Oldbury, West Midlands B69 3EX	Offices and Premises	£1,475
Unit 2a, Union Road Industrial Estate, Union Road, Oldbury, West Midlands B69 3EX	Warehouse and Premises	£6,500
Unit 3, Union Road Industrial Estate, Union Road, Oldbury, West Midlands B69 3EX	Warehouse and Premises	£17,500
Unit 4, Union Road Industrial Estate, Union Road, Oldbury, West Midlands B69 3EX	Warehouse and Premises	£15,500

9.2 The Uniform Business Rate for the financial year 2018/2019 is currently fixed at a standard multiplier of 48.0 pence (Small Business Rate) pence per pound of Rateable Value. Small Business Rates are payable on properties with a Rateable Value threshold of less than £51,000 in England and Wales at various discounts based on thresholds up to this level.

9.3 We advise that under The Rating (Empty Properties) Act 2007 vacant industrial properties will have 0% liability for a period of six months and then the full occupied charge (100% liability).

10.0 ENVIRONMENTAL CONSIDERATIONS

10.1 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.

10.2 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

10.3 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.

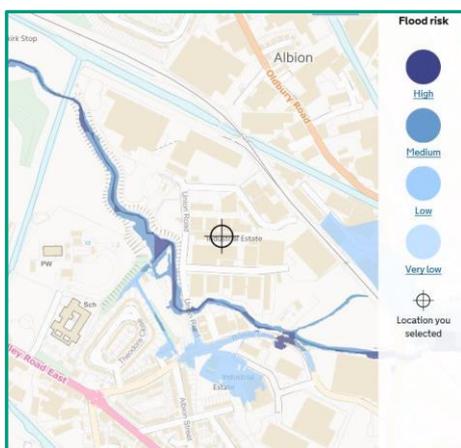
Invasive Species

10.4 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.

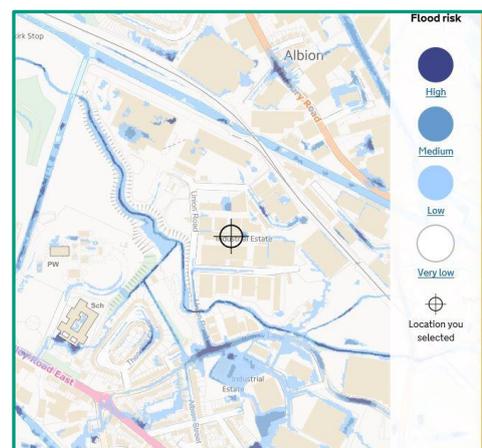
10.5 Japanese Knotweed is a rampant non-native invasive species which can cause physical damage to buildings and hard surfaces and be difficult to control. Timely and persistent treatment programmes can minimise its impact. By quantifying the likely cost of treatment and any necessary repairs the impact 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.

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

Flooding



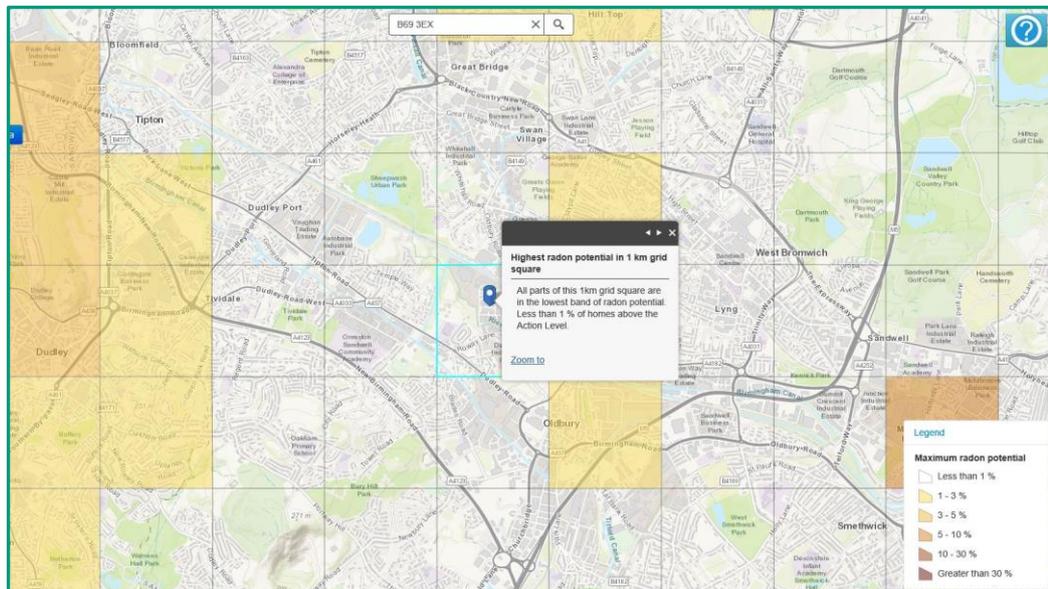
Risk of flooding from rivers



Risk of flooding from surface water

- 10.7 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

- 10.8 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

- 10.9 The Environment Agency website indicates that the property is not in an area contaminated by landfill. To our knowledge the property is not situated on made up ground.

Coal Mining

- 10.10 The property is in an area known to have a mining history and, if not already available, we would recommend that a mining search be undertaken. Our valuation assumes that the property is not affected by any such risk.

11.0 ECONOMIC AND PROPERTY MARKET COMMENTS

UK Economic Comment

- 11.1 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.
- 11.2 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.
- 11.3 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.
- 11.4 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.

Overview of the UK Commercial Property Market

- 11.5 The outlook for the UK Commercial Property Market remains unchanged in the short term although there remains the vagaries of Brexit and the turmoil in the retail sector. During 2018 industrial property was the best performer with average rents increasing and yields compressing. The market is driven largely by logistics where there remains strong demand from occupiers and due to the longer lease terms which are often signed, investors see this part of the market as being attractive. With the prospect of rental growth and demand this has had a positive impact on yields. The retail market in 2018 continued to see turmoil with the failure of a number of retailers in the fourth quarter. The office market appears to be showing some resilience with rental growth in some locations and an increased appetite from investors.
- 11.6 Although there has been a resilience in the property investment market over the last three years or so there is the forecast for 2019 to 2021 of a slowdown, and a recovery in 2022/2023. The result will be a fall in capital values in the former with total returns averaging 0.5%. This will be driven by an upward shift in yields which will have a negative impact on capital values. The latter period is forecast to see a fall in yields, back to end-2017 levels, and therefore a recovery in capital values. This is against a backdrop of rental values holding firm and income return therefore solid at just under 5% per annum across commercial property asset classes. The most volatile sector is forecast to be retail with the Central London office market being the least volatile.
- 11.7 The debt market is likely to continue to see a tightening with Loan to Value ratios, higher margins and stricter criteria applied to loans. However, while interest rates are still low, the cost of borrowing is a small part of overall investment. If we see further interest rate rises over the course of the forecast period (2019 to 2023) this could impact on investment criteria and create a slowdown in the market. As an asset class UK property should be fairly appealing to investors, as it demonstrates periods of both resilience and recovery.
- 11.8 Looking ahead, healthy occupier market fundamentals, the relative value of real estate versus other asset classes, and continued overseas demand should keep property attractive in the near term. Further out, much will depend on the pace of interest rate rises, not only in the UK but Globally, and the impact Brexit has upon investor sentiment.

Industrial Sector

- 11.9 Little clarity has emerged from the Brexit negotiations on what our future trading relationship with the EU will look like into 2019 and beyond. Manufacturers and retailers will be waiting with interest as the implications for global supply chains will be vast and certainly impact the amount of inventory potentially stored in the UK. Nevertheless, occupier demand and warehouse supply remain in equilibrium and the mix of companies taking warehouse space has widened to include high street retailers, grocers, pure play retailers and manufacturers. The health of the retail sector is crucial to the health of the logistics sector, as almost two thirds of take-up relates to retailers in some way. Therefore, activity by retailers such as Marks & Spencer, Shop Direct and B&Q to take additional warehouse space to ensure their supply chains are fit for purpose is a positive sign.
- 11.10 At a nationwide level take-up for the half year has reached 16.4m sq ft, 3.3m sq ft more than this time last year and 33% higher than the long term H1 average. Of this amount build to suit transactions have accounted for 57% of deals so far this year.
- 11.11 Total supply in the UK has fallen in 2018 and now stands at 27.7m sq ft, reflecting a vacancy rate of just 5.8% nationally. Of the current supply on the market 44% is classified as grade A, up from just 35% in Q1 2015. This position is expected to alter over the next year as there is currently 9.1m sq ft due to reach PC in the second half of 2018 and into 2019.
- 11.12 The industrial and logistics market continues to attract significant interest from UK institutions and overseas investors. Access to stock remains a key issue which is reflected in the investment volumes achieved in the first half of the year. £1.58bn was transacted in the first half of 2018, a 31% decrease on the same period in 2017. However, volumes are still 70% higher than the half year average of £0.93bn. Prime yields now stand at around 4.25% for prime single let logistics units and 4.00% for multi-let industrial estates, the lowest level ever seen. Further yield compressions are expected, particularly for prime logistics units and South East industrial given the weight of capital targeting the sector combined with the scarcity of stock.

Local Market and Property Specific Comments

- 11.13 The property is located on an established estate comprising a mixture of industrial units of various ages and types ranging from the 1950s and 60s used for manufacturing and storage.
- 11.14 The property benefits from relatively good access to the motorway network, although the property is located towards the end of the estate. Nearby units are predominantly for let or occupied and there is reasonable demand for both units on a leasehold or freehold basis. The property would appeal to a range of light industrial and warehouse occupiers.

12.0 VALUATION METHODOLOGY

12.1 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 because the greatest demand is from owner occupiers.

12.2 We have been informed by the Borrower that Unit 4 is currently for sale at an asking price of £250,000, and that they have just rejected an offer of £205,000. Unit 4 has been let very recently, in November 2018, at £3.81 per sq ft.

Market Evidence

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

Rental Market and Tenant Demand

The subject units have all been let in recent years, with the most recent letting being that of Unit 4 in November 2018. Considering the limited passage of time to the date of valuation, this is reasonable evidence in itself.

12.4 We have considered the following lets to derive the Market Rent of the property:

- (i) ***Suite 38 Charles Street, West Bromwich B70***: this 2,020 sq ft 1980s industrial unit let in December 2018 for a rent equating to £5.45 per sq ft for a five year FRI term with two months rent free. The tenant was Silvaman Group Ltd and there was a break at the third year.
- (ii) ***Suite 6 Birmingham Road, Oldbury B69***: this 1,004 sq ft industrial unit let in September 2018 for £5.73 per sq ft for a three year FRI term with one month rent free. The tenant was Jagmeet Dosanjih.
- (iii) ***Unit 3 Union Road, Oldbury B69***: this 6,079 sq ft unit which is next door to the subject property and attached to Unit 4, let in May 2018 for £2.97 per sq ft for a three year term. The property is accessed at the rear of Units 1 and 2 and had very little road frontage in comparison, as well as being slightly larger than the subject properties.
- (iv) ***Suite 46 Kelvin Way, West Bromwich B70***: this 3,005 sq ft unit let in June 2017 for a rent equating to £5.25 per sq ft for a five year FRI term to RMG Logistics Ltd. No rent reviews or break options were given.

- 12.5 The current passing rents under the existing tenancies equate to rates per sq ft of £3.36 to £4.15. Units 1 and 2 have good frontage onto Union Road; their rents were set in 2017 and 2016 and equate to £4.15 and £4.11 per sq ft respectively. The units are more desirable than Unit 3 Union Road listed above, due to their position, but being 1960s units, they are also older in style than those at Kelvin Way and Charles Street. We consider these passing rents to be in line with Market Rent for Units 1 and 2.
- 12.6 Unit 4, next door to Units 1 and 2, let in November 2018 for £3.81 per sq ft and is the most recent of all four tenancies. Whilst this is lower than the rates achieved for Units 1 and 2 for very similar buildings, it is realistic to see a range of rents achieved on a group of similar buildings due to a number of factors at the time of letting and we would therefore consider the passing rent of this unit to represent Market Rent.
- 12.7 Unit 7 let in January 2017 for a rate of £3.36, which reflects its poorer location, to the rear of Units 1 and 2, and also its slightly larger size. Again we consider this rent to represent Market Rent.
- 12.8 We summarise the Market rents for each unit below:

UNIT	PASSING RENT	MARKET RENT
Unit 1	£21,600	£21,600
Unit 2	£18,720	£18,720
Unit 4	£18,720	£18,720
Unit 7	£18,000	£18,000
TOTAL	£77,040	£77,040

Capital Value and Purchaser Demand

- 12.9 We have had regard to the following sales transactions in arriving at our opinion of value:
- (i) **Unit D1 The Wallows, Fens Pool Avenue, Brierly Hill DY5:** this 5,047 sq ft 1980s industrial unit sold in January for £300,000, equating to £59 per sq ft if analysed on the basis of just the ground floor area, or £54 per sq ft if the first floor offices are included in the area.
 - (ii) **Unit 9 Credenda Road, West Bromwich B70:** this 3,036 sq ft 1990s semi-detached industrial unit sold in January 2018 for £220,000, equating to £72 per sq ft. The property has a secure gated yard area.
 - (iii) **Unit 6 Millard Industrial Estate, Cornwallis Road, West Bromwich B70:** this 3,007 sq ft industrial unit sold in June 2018 for £173,000, equating to £57.53 per sq ft. The unit has car parking to the front and rear. There are offices to the front of the unit which are good quality.

- (iv) **Unit 6 Union Road, Oldbury B69:** this 4,800 sq ft industrial unit next door to the subject properties and of the same construction style, sold in May 2017 for £200,000, equating to a rate of £41.67 per sq ft.
- (v) **Unit 5 Union Road, Oldbury B69:** this 4,750 sq ft industrial unit next door to the subject properties and of the same construction style, sold in June 2018 for £250,000, equating to a rate of £52.63 per sq ft.
- (vi) **Units 4-14 Saxon Way, Chelmsley Way, Birmingham B37:** this block of seven workshop units sold in May 2018 for £600,000, equating to an 8.31% net initial yield. The units were let to a variety of local occupiers on short term or expired leases.
- 12.10 The borrower is currently offering Unit 4 for sale and has recently rejected an offer of £205,000, equating to £42 per sq ft.
- 12.11 We understand that the units are held on separate titles and we have assumed for the purposes of our valuation that if they were to be sold, it would be as individual units. The existing leases are relatively short term, and we consider that the units would appeal in equal measure to investors and owner occupiers.
- 12.12 The evidence from freehold sales above, ranges from £41.67 to £72 per sq ft, with the most relevant clearly being the two deals on neighbouring properties, of a similar construction style. These are at £41.67 and £52.63 per sq ft.
- 12.13 In consideration of the above evidence, we have applied capital values of £45 per sq ft to Units 1,2 and 4, reflecting their prominent position fronting onto Union Road. We have applied a value of £40 per sq ft to Unit 7 to reflect its position at the rear of Units 1 and 2. This gives the following Market Values and yields for the units:

UNIT	MARKET VALUE	GROSS YIELDS
Unit 1	£235,000	9.2%
Unit 2	£205,000	9.2%
Unit 4	£220,000	8.5%
Unit 7	£215,000	8.4%
TOTAL	£875,000	8.8%

- 12.14 The above give gross yields for the different income stream, with the overall net initial yield being in the region of 8.33%, which ties in with the yield evidence from Saxon Way, in the comparables above, at 8.31%.

12.15 We consider that due to the wide appeal of these units from all types of buyers and the fact that they are likely to be sold off individually should they come to the market, we consider that the Market Value subject to the special assumptions of vacant possession would be the same as the Market Value as listed in the table above.

Appropriate Marketing Period

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

Recent Transactional History

12.17 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.

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 **£1,400,000 (One Million Four 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