

12 February 2019

**REPORT & VALUATION
FOR
Proplend Security Limited**

**Carnegie Institute
Hunters Road
Hockley
Birmingham
B19 1DU**

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**AITCHISON
RAFFETY**



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EXECUTIVE SUMMARY

ADDRESS OF PROPERTY:	Carnegie Institute, Hunters Road, Hockley, Birmingham B19 1DU.
PURPOSE OF VALUATION:	The property is being valued for secured lending purposes in regard to a new loan facility.
LOCATION:	The subject property is located in the Lozells ward of Birmingham located outside of the Middleway located approximately 2 km (1.25 miles) northwest of Birmingham city centre.
DESCRIPTION:	The subject property comprises a three storey building constructed in approximately 1880, originally as the Carnegie Infant Welfare Institute until recently used as offices. The property has been converted into a 62 bedroom House in Multiple Occupation (HMO).
TENURE:	Freehold
TENANCY/TENANCIES:	<p>The subject property is let in its entirety on a single lease to Prospect Housing Ltd for a term of 10 years from 1 November 2017, expiring on 31 October 2027. The lease incorporates a break clause on 1 November 2027, which falls the day after the lease expiry.</p> <p>The landlord is responsible for internal repairs for the first six months of the lease (snagging), maintaining the exterior of the premises and the structure of the building (but not including the car park). The landlord is not obliged to remedy any damage caused, remedy fair wear and tear or put the premises or any service media into better condition.</p> <p>The lease incorporates fixed up lists rising from £180,000 per annum in year one, £200,000 per annum in year two and £220,000 per annum in year three to year 10. The lease does include a rent review clause, however, the rents are fixed for the term of the lease. The tenant is responsible for all outgoing.</p>
ACCOMMODATION:	1,181.07 sq m (12,713 sq ft) Net Sales Area.
PLANNING:	Planning permission for the retention of a 62 bed HMO (Sui Generis) Ref: 2017/04331/PA, was approved subject to conditions on 26 October 2017.
ENVIRONMENTAL ISSUES:	None noted.
PASSING RENT:	£200,000 per annum.
MARKET RENT:	£200,000 per annum.
MARKET VALUE:	£2,750,000 (Two Million, Seven Hundred and Fifty Thousand pounds) as at 28 January 2019
MARKET VALUE ASSUMING VACANT POSSESSION:	£2,300,000 (Two Million, Three Hundred Thousand pounds) as at 28 January 2019
YIELDS:	7.25% GIY
SALEABILITY OF PROPERTY:	The property is let to Prospect Housing Ltd, a registered social landlord, for a term of 10 years and, therefore, provides a relatively secure investment. We would expect a good level of interest from local / regional investors.
SUITABILITY OF PROPERTY FOR LOAN SECURITY PURPOSES:	The property is in good condition and in close proximity to Birmingham city centre. The subject property provides adequate security for loan purposes, subject to the comments in this Report and Valuation.

SWOT Analysis/Key Factors:

STRENGTHS	WEAKNESSES
<ul style="list-style-type: none"> • Refurbished in 2017. Prior to this the property was occupied by Birmingham City Council and was well maintained. • Let in its entirety to Prospect Housing Ltd for a term of 10 years and thus provides a relatively secure investment. 	<ul style="list-style-type: none"> • Should Prospect Housing Ltd vacate then there may be a lengthy void in finding a similar registered social landlord willing to let the property in its entirety. • Changes in the funding structure for registered social landlords/the local housing allowance.
OPPORTUNITIES	THREATS
<ul style="list-style-type: none"> • Limited, the rent is fixed for 10 years. 	<ul style="list-style-type: none"> • We are valuing in uncertain times and there may be greater volatility in the market. • Increasing interest rates can effect buying power.

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/DU21782-1

12 February 2019



VALUATION REPORT

ADDRESSEE	Proplend Security Limited, 20-22 Wenlock Road, London N1 7GU.
FOR THE ATTENTION OF	Brian Bartaby.
PROPERTY	Carnegie Institute, Hunters Road, Hockley, Birmingham B19 1DU (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 on behalf of another party to which the lender is aware of. 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 subject 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	<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 your Terms of Business which we have signed and agreed to as part of our Panel Appointment and our letter which confirmed your instructions.</p>

THE AITCHISON RAFFETY GROUP

London

Birmingham

Manchester

Berkshire

Buckinghamshire

Hertfordshire

Northamptonshire

Oxfordshire

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



Regulated by RICS



SECURITY FOR LOAN PURPOSES

Having regard to the above comments we can confirm that the freehold property is suitable as 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.

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 the Title Deeds or a Report on Title, copies of which should be forwarded to us to comment on prior to drawdown.
- (ii) We have only had sight of a draft unsigned lease, the lender should ensure they have a copy of the signed lease.
- (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:-

£200,000 (Two Hundred Thousand pounds)

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 the above mentioned tenancy is in the sum of:-

£2,750,000 (Two Million, Seven 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:-

£2,300,000 (Two Million, Three Hundred 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.A.' with a flourish.

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

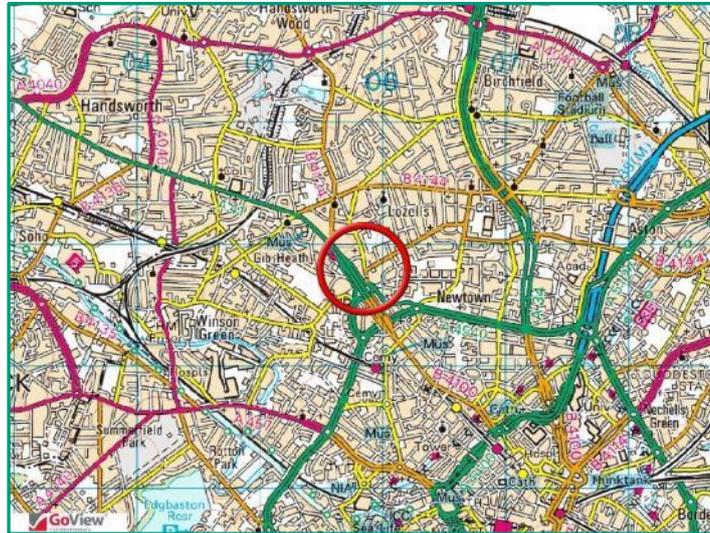
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Lindsey M Lock MRICS
Director
RICS Registered Valuer
For and on behalf of Aitchison Raffety

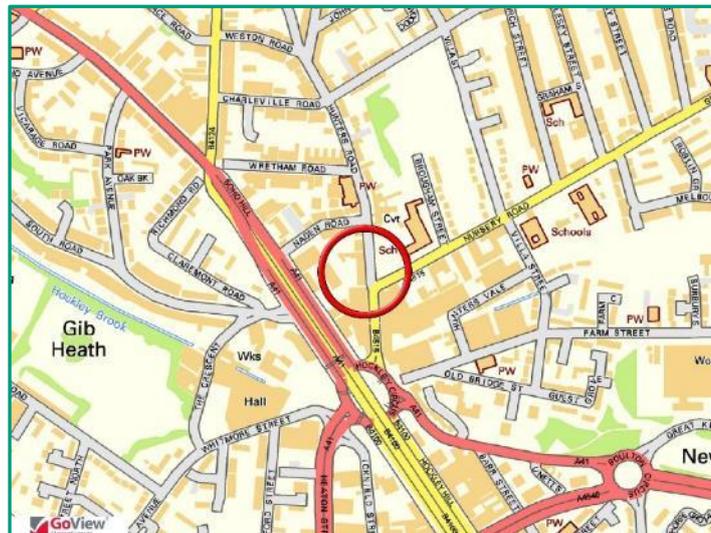
Mobile: 07772 054 563
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PROPERTY DETAILS

1.0 LOCATION



- 1.1 The subject property is located on Hunters Road, on the outskirts of the city centre 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 pounds, having the second largest urban economic area and is the largest centre of higher education outside of London with six universities.
- 1.2 Birmingham is a major transport hub on the motorway, rail and canal networks. The city is served by the M5, M6, M40, and M42 motorways. Birmingham Airport, located six miles east of the city centre in the neighbouring borough of Solihull, is the seventh busiest by passenger traffic in the United Kingdom and the third busiest outside the London area after Manchester and Edinburgh.
- 1.3 Birmingham New Street is the busiest railway station in the United Kingdom outside London, both for passenger entries and exits and for passenger interchanges. It is the national hub for CrossCountry, the most extensive long-distance train network in Britain, and a major destination for Virgin Trains services from London Euston, Glasgow Central and Edinburgh Waverley. Birmingham Moor Street and Birmingham Snow Hill form the northern termini for Chiltern Railways express trains running from London Marylebone. Local and regional services are operated from all of Birmingham's stations by London Midland. Curzon Street railway station is planned to be the northern terminus for Phase 1 of the High Speed 2 rail link from London, due to open in 2026.



- 1.4 More specifically the subject property is located in the Lozells suburb with surrounding areas including Hockley, Jewellery Quarter, Winson Green, Hansworth and New Town.
- 1.5 The property is located on Hunters Road, close to the junction with Nursery Road and the Hockley Circus roundabout. Hockley Circus roundabout is at the junction of the A41 Soho Hill and the A4540 New John Street West. There are regular bus services on Hunters Road and Soho Hill nearby providing access to Birmingham city centre and surrounding suburbs.
- 1.6 The property is approximately 1.5 miles west of Dartmouth Circus which provides a connection with the A38M Aston Expressway which, in turn, provides a route to Aston, Perry Barr and junction 6 of the M6 motorway.
- 1.7 Surrounding occupiers are primarily nature including offices, shops, factories and warehouses. The property is also close to residential suburbs.

2.0 DESCRIPTION AND CONSTRUCTION



Front Elevation – view south from Hunters Road



Front Elevation – view north from Hunters Road



Rear Elevation (Part)



Rear Elevation (Part)



Reception Area



Communal Room



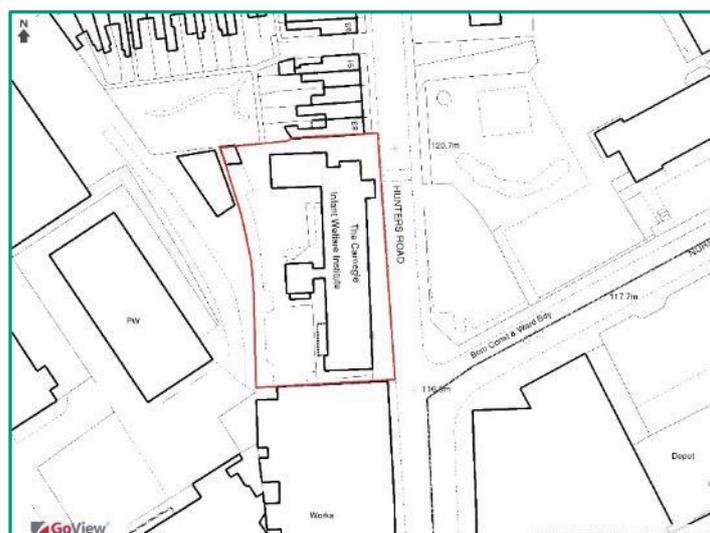
Bedroom Sample



Kitchen Sample

- 2.1 The subject property comprises a three storey building constructed in approximately 1880, originally as the 'Carnegie Infant Welfare Institute'. The property is of solid brick construction under pitched, tiled roofs. To one side of the property is a surfaced drive behind a steel security gate which provides access to a car park to the rear. The car park has spaces for approximately 24 cars.

- 2.2 Internally, the property comprises former office accommodation, which has been converted to a House in Multiple Occupation (HMO) with the original cellular office rooms being converted to bedrooms.
- 2.3 On the lower ground floor there are 10 bedrooms, two kitchens and three shower rooms, together with a lounge, boiler room, store room and bin storage. The ground floor has the main entrance staircase, together with a reception/porters room, office, 26 bedrooms, three kitchens and six shower rooms. The first floor has 29 bedrooms, five kitchens and seven shower rooms. Despite having 65 bedrooms the property is only licenced as a 62 bedroom HMO. This is to allow for rooms for staff accommodation, if required.
- 2.4 The accommodation is finished with carpeted floors, plastered and painted walls and ceilings with each room fitted with a fridge, work-surface, cupboard, drawer and double bedroom. Communal kitchens are fitted with a sink, wall and base units, washing machine and electric oven and hob. The shower rooms have an electric corner shower, WC and wash hand basin. Communal areas are fitted to a reasonable standard throughout and have CCTV and modern fire and security style systems. There is a central heating system running throughout the entire property run by three gas fired boilers located at ground floor level.
- 2.5 Externally, there is a driveway running to the right hand side of the property which provides access to the car parking to the rear.
- 2.6 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	1880s, refurbished in 2017.
ROOF	Pitched, tiled roof.
EXTERNAL WALLS	Solid brick.
FLOORS	Solid with timber suspended above.
INTERNAL SPECIFICATION	A modern CCTV, fire and security alarm system. A central heating system running throughout the entire building. Individual rooms are not separately metered.
WINDOWS	PVC double glazed.
RAINWATER GOODS	PVC and metal guttering and downpipes.

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

2.8 We have not undertaken or arranged for any investigations to be carried out to determine whether or not any banned, deleterious or hazardous material, substance or techniques have been used in the construction of the property. Whilst we are therefore unable to report that the property is free from risk in this respect we consider it is highly unlikely to be affected due to the era of its construction.

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). Measurements have been taken from a previous Report and Valuation carried out by ourselves, dated 28 November 2017, with cross-check measurements taken at the date on inspection:

FLOOR	DESCRIPTION	AREA	
		Sq M	Sq Ft
Lower Ground	10 bedrooms, three shower rooms, two kitchens, lounge.	235.10	2,530
	Boiler room, storage room, bin stores.	-	-
Ground	Porter’s office, manager’s office, 26 bedrooms, three kitchens, six bathrooms.	410.72	4,421
First	29 bedrooms, five kitchens, seven shower rooms.	535.25	3,802
TOTAL		1,181.07	10,753

- 3.2 The site area of the property extends to approximately 0.2 hectares (0.5 acres). There are 24 car parking spaces to the rear which is low, but reasonable given its use as an HMO.

4.0 SERVICES

- 4.1 Mains gas, electricity, water and drainage are connected to the premises.
- 4.2 The property has three gas fired boilers providing central heating to radiators and hot water, which appears to be in adequate condition. The electrical installations appear recent.
- 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 dry and sunny following a period of varied weather conditions. 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 property was refurbished in 2017. The property appears to be free from immediate or significant wants of repair. There were general levels of wear and tear and wants of re-decoration consistent with the nature and intensity of the use. However with a property of this type and age it will require regular ongoing maintenance.
- 5.4 The decorative condition was good and the fittings were serviceable. The kitchen and bathroom fittings were reasonable.
- 5.5 The common parts were in a reasonable decorative condition, with reasonable floor coverings.
- 5.6 An economic life in respect of the external fabric of the building in excess of 30 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. 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 your customer that the subject property is held freehold and have assumed that this is with absolute title. We have assumed that there are no unusual or onerous covenants running with the land.

COMMENTS	
LANDLORD	Sutton Carter Investments Limited.
TENANT	Prospect Housing Ltd.
DEMISE	Carnegie Institute, Hunters Road, Hockley, Birmingham B19 1DU.
CURRENT PASSING RENT	£200,000 per annum.
LEASE START DATE & TERM (UNEXPIRED TERM)	The lease is for a term of 10 years from 1 November 2017, expiring on 31 October 2027 (eight years and nine months unexpired)
REPAIRING OBLIGATIONS	The landlord is responsible for internal repairs for the first six months of the lease (snagging), maintaining the exterior of the premises and the structure of the building (but not including the car park). The landlord is not obliged to remedy any damage caused, remedy fair wear and tear or put the premises or any service media into better condition. The tenant is responsible for all outgoings.
ALIENATION PROVISIONS	The Tenant shall not assign, sublet or charge, the whole or any part of the Premises, however the Tenant has the right to let the flats in the premises on a license agreement, copy of which is attached, provided that such occupations is strictly on a non-exclusive license basis and that no relationship of landlord and tenant is established by that relationship.
RENT REVIEW BASIS	The lease incorporates fixed up lists rising from £180,000 per annum in year one, £200,000 per annum in year two (which is the current passing rent) and £220,000 per annum in year three to year 10. The lease does include a rent review clause, however, the rents are fixed for the term of the lease.
OPTIONS TO DETERMINE	The lease incorporates a break clause on 1 November 2027, which falls the day after the lease expiry.

6.3 Within the limits of our inspection, no rights of way or easements affecting the property were in evidence and we therefore have assumed that this is the case.

6.4 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

- 6.5 Prospect Housing is a Registered Provider (RP) incorporated in 2011 as a register charity. They provide supported accommodation to single homeless people in Birmingham, so are therefore very much a local/regional covenant only, but this is expected for register landlords (RL). They currently house and support over 1500 vulnerable people in shared housing across the city. They lease properties from a number of ethical landlords and in addition to providing supported accommodation, they offer reputable organisations the opportunity to work with them to provide their own tailored support and housing management. Prospect Housing's Management Team has wide ranging experience in housing, support, third sector and statutory and local government organisations. They are a not-for-profit organisation committed to providing the highest quality accommodation and holistic support for people at risk of homelessness, including young people, care leavers, offenders, refugees and people with mental health or substance misuse issues. They are continuing to develop partnerships with local business, key stakeholders and charity organisations to develop opportunities that benefit not just the citizens we work with but wider communities.

7.0 STATUTORY REQUIREMENTS

Town Planning

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

REFERENCE	DETAILS	DECISION
2017/04331/PA	Retention of a 62 bed HMO (Sui Generis).	Approved, subject to conditions on 26 October 2017.

- 7.2 The approvals conditional to the scheme being in accordance with the approved plans which were in keeping with the layout at the time of inspection. The use is also restricted to a maximum of 62 occupants, submission of vehicle parking and turning details and submission of a package of security measures, including CCTV, lighting, door and building security which all appear in place.
- 7.3 The Birmingham Development Plan (BDP) 2031 was adopted by Birmingham City Council on 10 January 2017. The BDP sets out a spatial vision and strategy for the sustainable growth of Birmingham in the period 2011 to 2031, will be used to guide the decisions on planning, development and regeneration.
- 7.4 The property is not Listed for its historical or architectural merit and is not situated within a Conservation Area.
- 7.5 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.

Highways

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

Fire Regulations

- 7.7 In compliance with The Regulatory Reform (Fire Precautions) Order 2005 all commercial property owners/occupiers, including common parts in blocks of flats, are under an obligation to carry out and keep under review a risk assessment of their property.
- 7.8 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. However we would ordinarily recommend to the occupier that a risk assessment is carried out in the near future to ensure that the standards are met.

Equality Act 2010

- 7.9 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

- 7.10 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.
- 7.11 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

- 7.12 Building owners/occupiers or other parties who have a legal responsibility for the non-domestic premises should:
- (i) Take reasonable steps to find materials in the premises which are likely to contain asbestos and to check their condition;
 - (ii) Presume that materials contain asbestos unless there is strong evidence to suppose that they do not;

- (iii) Produce a written record of the location and condition of asbestos and presumed asbestos containing material (ACM) and to keep the record up to date;
- (iv) Produce a plan as to how the ACMs or presumed ACMs are to be managed.

7.13 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.

Housing Act 2004

7.14 The Housing Act 2004 defines a House in Multiple Occupation (HMO) as a house or flat rented by three or more persons (including children):

- (i) who form more than one household and who share facilities (toilet, bathroom or kitchen);
- (ii) as bedsits or other non-self-contained accommodation;
- (iii) as flat conversions where at one or more units are not self-contained;
- (iv) as entirely self-contained flats converted to below the standard set by the Building Regulations 1991 if more than a third of the flats are let on short-term tenancies (section 257 HMO).

7.15 A house in multiple occupation must comply with the Regulatory Reform (Fire Safety) Order 2005 and for shared HMOs, The Management of Houses in Multiple Occupation (England) Regulations 2006/ for section 257 HMOs, Regulations 2 to 11 of The Licensing and Management of Houses in Multiple Occupation (Additional Provisions) (England) Regulations 2007. For example, there should be basic fire safety measures and adequate bathroom and kitchen facilities. The property should be maintained in a good condition, provide storage and disposal of refuse and maintain water, gas and electric supplies. Landlords of HMOs must be fit and proper people, or engage managers who are. Whilst compliance with these regulations is a specialist function undertaken by the Local Housing Authority, we are of the opinion that the property is unlikely to require significant improvement.

7.16 The Local Housing Authority have standards which HMOs should meet (including minimum size of rooms and number of facilities) and use The Housing Health and Safety Rating System (HHSRS) to assess potential risks to the health and safety of people in residential properties. They regulate HMOs through licensing:

- (i) Mandatory licence (national scheme) – HMO of three or more storeys in height, occupied by five or more people who form more than one household and share facilities;
- (ii) Additional licence (local scheme) – discretionally imposed by councils for other categories of HMOs;

(iii) Selective licence (local scheme) – discretionally imposed by councils for other types of rented property.

7.17 The property has planning consent for a 62 bed HMO. As the property has planning consent and is occupied by a registered social landlord who are registered with the Homes and Community Agency, then the Local Authority are not required to licence the property.

Energy Act 2011

7.18 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.

7.19 According to the Non-Domestic Energy Performance Certificate Register the premises have an energy efficiency rating of Band D (91). Therefore, the rental income will be unaffected by this regulation.

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
Carnegie Institute, Hunters Road, Hockley, Birmingham B19 1DU	H

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 in a mixed use area and has previously been used as offices and we would not anticipate any contamination on the site.

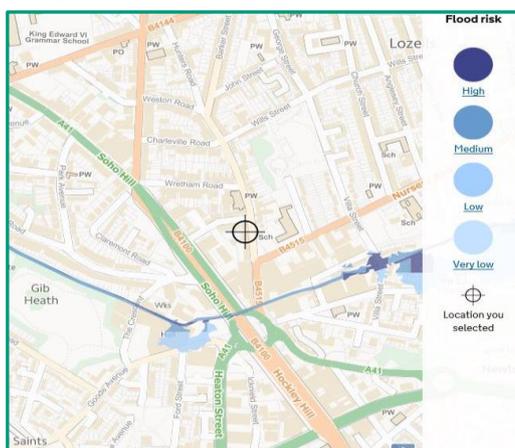
Invasive Species

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.

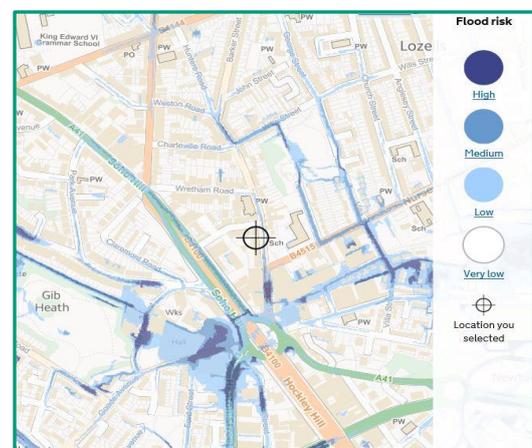
9.5 Japanese Knotweed is a rampant non-native invasive species which can cause physical damage to buildings and hard surfaces and be difficult to control. Timely and persistent treatment programmes can minimise its impact. By quantifying the likely cost of treatment and any necessary repairs the impact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



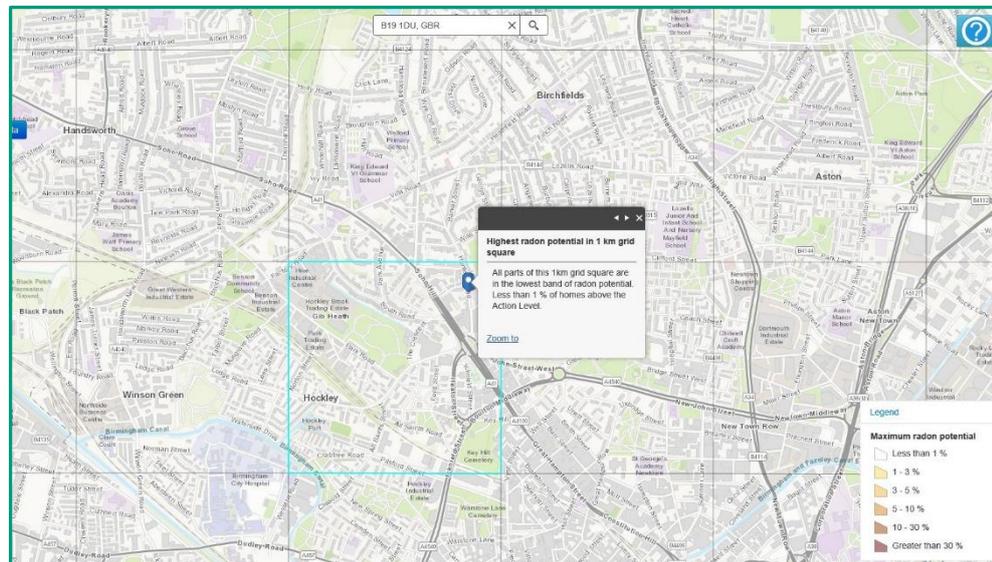
Risk of flooding from rivers



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.

Local Market and Property Specific Comments

- 10.5 The property is located in close proximity to the junction with the B4515 Hunters Road and the B4100 Hockley Hill which is the main arterial route running to Birmingham city centre. The property is located in close proximity to local facilities and amenities in a mixed use area with good access to Birmingham city centre.
- 10.6 The property would suite a variety of uses including converting to multi-let office suites, self-contained flats or as a residential investment. We would anticipate there to be good demand from registered social landlords and housing associations for the provision of social housing. Rental values are relatively stable and have been increasing and we would expect demand from investors in the site.
- 10.7 There is an increasing need for registered landlords such as this in the area due to an increase demand locally but also from London, with London Boroughs pushing homeless or those who can't afford homes in London up to Birmingham increasing the demand.

11.0 VALUATION METHODOLOGY

- 11.1 In determining the 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.
- 11.2 In determining the Market Value of the property we have chosen an income stream method of valuation appraisal requiring:-
- (i) The identification of the market rent for the component parts;
 - (ii) Comparative analysis of the rent passing under any leases;
 - (iii) Capitalisation of the adopted income streams with an applicable investment yield.

Market Evidence

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

Rental Market and Tenant Demand

- 11.4 The subject property was let in 2017 with an initial rent of £180,000 rising to £200,000 in year two and £220,000 in year three. The initial rent analyses to £55.83 per room, per week, whilst the headline rent analyses to £68.24 per room, per week. The passing rent of £200,000 per annum reflects £62.03 per room, per week.

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

- (i) **20-22 Richmond Road, Birmingham B19** – a pair of semi-detached houses offering 10 en-suite bedsits with communal kitchens / lounges. The property is let at £50,000 per annum to a housing association equating to £96.15 per room, per week.
- (ii) **Hunters Road, Birmingham B19** – A detached property with a HMO licence close to the subject property offering eight double bedrooms is let at an average of £102 per room per week.
- (iii) **Charleville Road, Birmingham B19** – a six bedroom mid terraced property has rooms with communal kitchen and bathroom let at £75 per room, per week.

11.6 As well as the above we have also had regard to the local housing allowance. From 1 April 2016 to 31 March 2020 the rates have been frozen with one bedroom accommodation with shared facilities receiving a weekly allowance of £57.34 per week. Prospect Housing Ltd receive a higher rate than this as they provide short term housing and additional support, but, nevertheless, LHA is a good benchmark.

11.7 With regards to the above, the recent letting of the subject property provides the best evidence available. The subject property comprises a large former office building which has been refurbished and converted to a 62 bed HMO designed for a registered social landlord. The letting for the first three years averages at £200,000 per annum which is also the passing rent, equating to approximately £62 per room, per week and is marginally above the local housing allowance. We feel this is reflective of Market Rent, although we would comment that as of 1 November 2019 when the rent increases to £220,000 per annum, the property will become over-rented.

Capital Value and Purchaser Demand

11.8 We have had regard to the following sales transactions in arriving at our opinion of value:

- (i) **Brook House, 30 Berners Street, Lozells, Birmingham, B19 2DR** – A former purpose built residential care facility of twenty bedrooms and ancillary accommodation. Set back from the road behind fore, side and rear gardens with driveway approach and car parking. Property sold at the SDL Auction 18 July 2018 for £1,140,000. The property offers 20 bed-sit style rooms and one flat. The property sold with vacant possession but is now run as social housing. Sale devalues to £54,285 per bed-space.
- (ii) **86 Kingsbury Road, Erdington, Birmingham B24** – a freehold detached property currently used as a six bed property but is in the process of being changed into a small care home property with eight beds. The passing rent at the date of the sale was £28,020 per annum. The property sold at the SDL Auction on 15 February 2020 reflecting a 6.33% NIY and a 6.61% GIY, although this reflects the income growth potential.

- (iii) **Hestia House, 22 Old Walsall road, Birmingham B42** – a 1980s built office building sold December 2017 through Cushman & Wakefield for £1.95m. The property is let in its entirety to Spring Housing Association who occupy the property on a 20 year lease term commencing December 2017, expiring December 2037 with a passing rent of £150,000 per annum with RPI linked rent reviews. The sale reflected a NIY of 7.33% and a 7.6% GIY. The tenants utilise the ground floor as offices and the upper floors as 26 bed-sits. Possibly the closes comparison despite having some office space as it is let to a housing association as predominately bed-sit accommodation.
- (iv) **43 Henrietta Street, Birmingham B19 3PS** – the property comprises a converted corner building planned over ground to third floor level offering eight, two bedroom apartments and 16, one bedroom apartments. The property was let to the YMCA until October 2018 at a rent of £100,000 per annum with MR based on LHA rates of £132,300 per annum. The property was marketed through John Pye Property with a guide price of £3,000,000, and the agents received an offer of £2,450,000 for an investor/developer looking to sell the individual flats. The offer was accepted, however we understand that the vendor subsequently withdrew the property from the market and the sale did not complete. The offer analyses to a gross yield of 5.4% based on the LHA rent. The subject property is a similar lot size, however has not been subdivided to create individual flats. We would expect the subject property to achieve a higher yield.
- (v) **Saffron Court, 45 Southfields Road, Leicester LE2** – Impact Healthcare REIT plc have completed the acquisition of Saffron Court, Leicester for a total consideration of £3.4 million, reflecting a net initial yield of 7.7%. The acquisition was funded through the Company's cash resources. Saffron Court comprises a care home with 48 beds and 25 associated assisted living flats. The terms of the lease are a 20-year term, with an option to extend for a further 10 years and annual upwards-only rent increases linked to RPI with a floor of 2% and a cap of 4%. Although not directly comparable the sale reflects residential income secured as is the subject property although the care home market is more volatile than the social housing market. The sales also reflected a softer 8.2% GIY.

11.9 Having regard for the above, direct comparable evidence is difficult to come by as properties let to housing associations do not often transact as they are generally held onto due to the good level of income that is being produced for what are generally residential properties. The two best pieces of evidence are Brook House and Hestia House and although Hestia House has a longer unexpired term there is guaranteed income growth at the subject property even if this does mean the property becomes over rented. Residential investments generally transact on a GIY basis and we have therefore had regard to this but also the NIY in line with the above. We have therefore adopted a 7.25% GIY which produces a rounded Market Value in the sum of £2,750,000. This reflects a NIY of just under 7% with the yield profile moves out to 7.5% net at the next rental increase. This devalues to approximately £44,350 per bed-space which when compared to the £54,285 per bed-space at Brook House, we consider this to be reasonable and affair reflection of the quantum difference.

11.10 With regard to the special assumption value that the property was vacant, then we have capitalised our Market Rent of £200,000 moving the yield out some 100 base points to reflect a softer 8.25% NIY. We have also made an allowance for a 12 month void to attract a new tenant. After a deduction for standard acquisition costs this gives a vacant possession value in the sum of £2,300,000.

Appropriate Marketing Period

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

Recent Transactional History

11.12 Having made enquiries we are aware that the Borrower purchase the property back in March 2017 for £500,000 as vacant run-down offices. The Borrower has since renovated the property at some expense and obtained change of use and acquired a suitable tenant. Should any such information come to light before the loan is finalised the matter must be referred back to us for further consideration.

12.0 BUILDING REINSTATEMENT

12.1 The figure below is provided as an informal indication only of the perceived rebuilding costs of the existing buildings and should not be relied on.

12.2 The figure below is quoted inclusive of site clearance fees and demolition but specifically excludes consequential loss, fixtures & fittings, stock, loss of rent and VAT on construction costs.

12.3 Building reinstatement figure **£1,800,000 (One Million, Eight Hundred Thousand pounds)**

13.0 OTHER MATTERS

Liability

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

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

Data Security

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

Complaints Procedure

- 13.4 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.

RICS Audit

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

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

Appendix C

VALUATION SUMMARY

Carnegie Centre,Hunters Road,Hockley,Birmingham,B19 1DR

Report Date 18 February 2019
Valuation Date 28 January 2019

File/Ref No DU21782-1
 Region Please Select

Description / Notes **Assumptions**

Valuation Tables Annually in Arrears

Valuation

Gross Valuation **£2,926,500**
 Capital Costs £0
 Net Value Before Fees **£2,926,500**

Less Stamp Duty @4.62% of Net Value -£127,000
 Agents Fee @1.00% of Net Value -£33,000
 Legal Fee @0.50% of Net Value -£16,500

Fees include non recoverable VAT @ 20.00 %

Net Valuation **£2,750,000**
 Say **£2,750,000**

Equivalent Yield 7.1083% True Equivalent Yield 7.4451%
 Initial Yield (Deemed) 6.8341% Initial Yield (Contracted) 6.8341%
 Reversion Yield 6.8341%

Total Contracted Rent £200,000 Total Current Rent £200,000
 Total Rental Value £200,000 No. Tenants 1
 Capital value per ft² £0.00

Running Yields

Date	Gross Rent	Net Rent	Annual	Quarterly
28-Jan-2019	£200,000	£200,000	6.8341 %	7.1363 %
01-Nov-2019	£220,000	£220,000	7.5175 %	7.8844 %
01-Nov-2027	£200,000	£200,000	6.8341 %	7.1363 %

Yields based on £2,926,500

Carnegie Centre,Hunters Road,Hockley,Birmingham,B19 1DR

Report Date 18 February 2019
Valuation Date 28 January 2019

Freehold Tenure**Tenant - Prospect Houseign Limited**

Description 62 Bedroom HMO
 Status Occupied and Let
 Lease 10 years from 01-Nov-2017
 Expiring 31-Oct-2027
 Rent Reviews every 5 years Upward only
 Parent Tenure Freehold
 Current Rent £200,000
 Rental Value £200,000
 Valuation Method Hardcore (7.108 %)

Notes

Areas - None Defined

Lease History

Date	Years	Months	Days	Event	Rent Paid
01-Nov-2018	1	0	0	Interim	£200,000
01-Nov-2019	8	0	0	Interim	£220,000
01-Nov-2027	0	0	0	Reversion	£200,000

Component Valuation

28-Jan-2019					
Gross rent (Current)				£200,000	
Valuation rent				£200,000	
YP perp				@ 7.11%	14.0681 yp
					<u>£2,813,628</u>
01-Nov-2019					
Gross rent				(Froth) £20,000	
Valuation rent				£20,000	
YP 8 Yrs 0 Mths				@ 7.11%	5.9463 yp
PV 9 Mths @ 7.11%					x 0.9491
					5.6436 yp
					<u>£112,872</u>
Gross Value					<u>£2,926,500</u>