

# Reducing Property Specific Lending Risks Through Valuations Excellence



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## Valuation Report

<b>Address</b>	Cliftonville Leisure Centre & Clifton Court, Ethelbert Crescent, Cliftonville, Margate, Kent, CT9 2DY
<b>Lender</b>	Proplend Security Limited
<b>Lender Address</b>	20-22 Wenlock Road, London N1 7GU
<b>Applicant Name</b>	G E Bowra Group
<b>Date</b>	16 May 2019
<b>Valuation Company</b>	Pinders Professional & Consultancy Services Limited
<b>Valuer</b>	Stephen Greenhill MRICS (0056307)

PROPERTY DETAILS			
<b>Property Address:</b>	Cliftonville Leisure Centre & Clifton Court, Ethelbert Crescent, Cliftonville, Margate, Kent, CT9 2DY		
<b>Lender:</b>	Proplend Security Limited	<b>Date of Valuation:</b>	16 May 2019
<b>Purpose of Valuation:</b>	Loan Security	<b>Valuation Method:</b>	Comparison and Investment



VALUATION	
<i>(please carefully read the lenders instruction letter and make sure that valuations are provided on the required basis)</i>	
Market Value – subject to leases	£1,600,000
Market Value – vacant possession	£1,000,000
Market Rent (MR)	£145,044 per annum
Insurance Reinstatement Estimate:	£6,000,000

<b>VALUATION ISSUES:</b> A planning application for the development of 15 flats is due to be determined on 30 May 2019	<b>Estimated Sales period:</b>	9-12 months
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LOCATION / DESCRIPTION			
<b>Location Summary:</b>	Improving area close to the sea-front		
<b>Description Summary:</b>	Multi-let leisure complex, dating from the 1960s and constructed on the site of the former Cliftonville Hotel		
<b>Condition Summary:</b>	Main building has been reasonably well maintained, following expenditure by the current owners over the past 24 months. Works are due to be undertaken to the exterior of the flats, but this is pending a decision by the residents.		
<b>Floor Area:</b>	3,144.35 GIA Measurement excludes the area of the flats, which are occupied under long leases and have not been inspected.	<b>Site Area:</b>	0.830 acres / 0.336 hectares

TENURE / TENANCY			
<b>Tenure:</b>	Freehold	<b>Tenancy:</b>	<p>Denton Investments Limited – 25 years from 4 September 2018 – passing rent £54,324 per annum, subject to review in September 2021</p> <p>James Godden – lease expires 24 June 2058 – passing rent £6,000 per annum, subject to fixed increase to £9,000 per annum from 24 June 2033</p> <p>Alexander Martin Muir and Carol Ann Smith – 20 years from 2 October 2018 – passing rent £30,000 per annum, subject to review in October 2021. Tenant only break option on sixth anniversary of the term</p> <p>Seaco Limited – 20 years from 5 September 2018 – passing rent £25,830 per annum, subject to five yearly review, in line with RPI</p> <p>Ten of the flats are occupied under leases that expire in 2164, at ground rents of £40 per annum each</p> <p>Two of the flats are occupied under the original leases, which expire March 2074, at ground rents of £40 per annum each</p>
<b>Passing Rent:</b>	£116,544 per annum	<b>Market Rent:</b>	£145,044 per annum

SWOT ANALYSIS	
<b>Strengths:</b>	<b>Weaknesses:</b>
<ul style="list-style-type: none"> <li>Site has potential for further development, which could increase the value of the overall investment</li> <li>Investment risk is spread across a number of Tenants</li> </ul>	<ul style="list-style-type: none"> <li>None of the Tenants in occupation afford a particularly strong covenant</li> <li>One of the units is occupied under a lease that does not expire until June 2058, which restricts the redevelopment potential of the overall site</li> <li>The main clearing banks do not currently have an appetite to secured funding against this asset class, which limits the ability of a purchaser to raise finance</li> </ul>

<b>Opportunities:</b> <ul style="list-style-type: none"> <li>• Planning consent has been obtained for the development of a penthouse flat</li> <li>• A planning application has been submitted for the development of 15 flats, which is due to be determined on 30 May 2019</li> </ul>	<b>Threats:</b> <ul style="list-style-type: none"> <li>• Occupiers are largely reliant on deriving their income from customers who have money to fund discretionary spending, which would be under threat should in poor economic conditions</li> </ul>
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#### DEFECTS & SPECIALIST REPORTS

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

Legal Issues	Report Required / Issue Identified	Structural Issues	Report Required / Issue Identified	Environmental Issues	Report Required / Issue Identified
<b>Leases</b>	Issue Flagged	Choose an item.	Choose an item.	Choose an item.	Choose an item.
<b>EPC</b>	Issue Flagged	Choose an item.	Choose an item.	Choose an item.	Choose an item.

**Comments:**

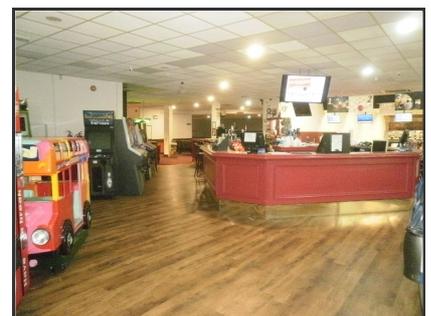
#### RECOMMENDED ACTION POINTS / SUITABILITY FOR LOAN SECURITY

<b>We would recommend the following action points:</b>	<ul style="list-style-type: none"> <li>• Solicitors review all of the leases in order to confirm the terms detailed within our report and, in particular, our interpretation of some of the conditions applying to such.</li> <li>• Solicitors confirm that EPCs are in place, where required</li> </ul>
<b>Is the property suitable for loan security?</b>	YES

**Please note that this Executive Summary is merely a summary of the valuation report and should not be read in isolation to the full valuation report provided overleaf.**

## Cliftonville Leisure Centre & Clifton Court

Ethelbert Crescent  
Cliftonville, Margate  
Kent  
CT9 2DY



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

**Proposed Borrower(s):** G E Bowra Group

**Valuation Date:** 16 May 2019

**Reference:** 259847

# Purpose and Limitations of Report

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This report is provided to assist the instructing Client in consideration of the subject property in relation to the purpose stated opposite. Pinders accepts liability only to the Client and no other party, however involved.

The report comprises a Freehold Valuation and expressly does not, in any way, constitute a building (structural) survey or a due diligence assessment. It remains the responsibility of the Client and, where appropriate, the borrower(s), to confirm the accuracy and validity of the information provided.

Pinders accepts no liability to the Client, or any other party, should information relied upon in arriving at our opinions of value prove to be misrepresented, either fraudulently or otherwise.

Whilst reference may be made within the report to aspects of tenure, title, planning and other statutory obligations, all such aspects should be verified by solicitors acting on behalf of the Client and/or the proposed borrower(s). The report is not intended as a substitute for the searches which would be expected in relation to any property acquisition or investment.

We can confirm that neither the valuer nor Pinders has any known conflict of interest in accepting your instructions, nor any previous knowledge of the property or the potential borrower other than as specifically stated within the report.

Unless specified elsewhere, this report has been prepared in accordance with our Conditions of Engagement and in accordance with The Royal Institution of Chartered Surveyors (RICS) Valuation - Professional Standards, for the sole purpose of assisting the Client and Proposed Borrower indicated above, in consideration of the subject property. The Explanatory Notes appended to this report also refer.

Whilst the valuations contained within this report are expressed in a way which is suitable for lending purposes, any party, other than the Client shown above, wishing to rely upon the contents of the report for such purposes, will need to instruct Pinders to prepare and provide a further report, which addresses the party's specific requirements.

We can confirm that Pinders has in place appropriate Professional Indemnity Insurance in respect of this valuation. A copy certificate to this effect can be provided to the Client upon request.

# Terms of Reference

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<b>Client:</b>	Proplend Security Limited
<b>Proposed Borrower(s):</b>	G E Bowra Group
<b>Purpose of Report:</b>	Loan security purposes in relation to re-financing
<b>Business Owner(s):</b>	Property Owners - G E Bowra Group
<b>Person(s) Interviewed:</b>	George Bowra
<b>Previous Visits:</b>	According to our records, we made a previous visit to this property in 1988.
<b>Inspection Date:</b>	26 April 2019
<b>Valuation Date:</b>	16 May 2019

<b>Undertaken by:</b>	Stephen Greenhill MRICS (0056307) <i>Registered Valuer</i>	
<b>Approved for Issue by:</b>	Malcolm Kidby MRICS (1117803) <i>Director</i>	

*We appreciate that there may be many parties involved in consideration of this proposal and this report (inclusive of photographs, maps and site plans) will be provided by electronic mail in pdf file format (requires Acrobat Reader software) to facilitate easy transfer of information. However, we recommend that our lending clients rely only upon an authenticated hard copy of the report, which has the Pinders' security seal attached below.*



*If you wish to discuss any aspect of this report, please contact our Operations team at:-*

**Pinder House**  
**Central Milton Keynes MK9 1DS**  
**Telephone: 01908 350500**  
**Email: [info@pinders.co.uk](mailto:info@pinders.co.uk)**

# Executive Summary

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## Introduction

In accordance with your instructions, we have visited the subject freehold property in order to provide a Valuation Report for loan security purposes in relation to re-financing.

This Executive Summary should be read in conjunction with our entire report and should not be relied upon in isolation.

## Property Summary

- ❖ Mixed use multi-let investment property, occupied by four independent 'leisure' operators, together with a vacant area which is to be let in 'shell condition' as well as the reversionary interest in 12 flats, all of which are occupied subject to long leases
- ❖ Development dates from the 1960s, having been constructed on the site of the former Victorian Cliftonville Hotel, which was demolished in 1952, following a fire
- ❖ Part of the site, which is now operating as 'Cains Amusements' was originally occupied by a petrol filling station, which closed in February 1987, with the area subsequently redeveloped as a retail unit. We have assumed that all necessary remediation works were undertaken, given the potentially contaminative nature of the previous use
- ❖ Freehold – subject to various occupational leases as detailed below
- ❖ Floor areas have been obtained from plans prepared by Greenhatch Group, Architects, which we understand were prepared following a detailed measured survey of the premises, which we have assumed to be correct
- ❖ Unit known as 'Multi Leisure Centre' let to Denton Investments Limited', currently trading as Bugsy's Tenpin Bowling & Sports Bar (1,335.77 m<sup>2</sup>) – occupied under the terms of a 25 year lease, from 4 September 2018, at an initial rent of £54,324 per annum, subject to review in September 2021. This lease was renegotiated following agreement with the Tenant for them to surrender to the Landlord, a portion of their original demise, located to the south eastern corner of the site. The lease also confers an obligation on the Landlord to provide alternative disabled access from Edgar Road, which requires the sacrifice of two externally approached stores from the communal service yard
- ❖ Unit known as 'Cains Amusements' (396.52 m<sup>2</sup>) – occupied under the terms of a lease that commenced on 28 April 1987 and will expire on 24 June 2058, at a current passing rent of £6,000 per annum, subject to fixed uplift to £9,000 per annum on 24 June 2033
- ❖ Ground floor unit let to Alexander Martin Muir and Carol Ann Smith for the establishment of a new restaurant, trading as 'Rendezvous' (375.13 m<sup>2</sup>) – occupied under the terms of a 20-year lease, from 2 October 2018, at an initial rent of £30,000 per annum, subject to three yearly reviews to Market Rent
- ❖ First Floor Office (441.57 m<sup>2</sup>) let to Seaco Limited – occupied under the terms of a 20-year lease, from 5 September 2018, at an initial rent of £25,830 per annum (initial six month rent free period), subject to five yearly reviews to Market Rent
- ❖ In addition to the above, the Landlord also has control of the area of the property which was surrendered by Denton Investments Limited, following the grant of their new lease in September 2018. This portion of the building, which has an advised floor area of 528.2 m<sup>2</sup> (5,683 ft<sup>2</sup>) was originally arranged to provide 12 bowling lanes, although the Tenant had subsequently reconfigured the space to accommodate American Pool Tables, a snooker hall, associated changing rooms/toilets, a furniture store and a disabled access.
- ❖ Denton Investments Limited are in the process of returning this area to a 'shell finish' and the space is being marketed to let at an asking rent of £34,100 per annum, based on £64.56 per m<sup>2</sup> (£6.00 per ft<sup>2</sup>), with a view to achieving £53.80 per m<sup>2</sup> (£5 per ft<sup>2</sup>); circa £28,500 per annum. There has apparently been serious interest in this space from an 'Escape Room' operator.
- ❖ A planning application has also been submitted for the demolition of this part of the building to facilitate the erection of Newgate Court, a five-storey block of 15 self-contained two and three-bedroom flats. The application is due to be determined by 30 May 2019 and, if granted, this redevelopment option will be pursued, in preference to letting the commercial unit.
- ❖ In addition, there are 12 flats within Cliftonville Court, which were originally disposed of on 99-year leases from March 1975 although the leases in respect of ten of the flats have been extended until 2164
- ❖ Finally, planning consent was granted in August 2018 for the addition of a further floor to Cliftonville Court to create a three-bedroom penthouse.

## Market Commentary

- ❖ Current freeholder acquired the property, at auction, in March 2016 at a reported sale price of £600,000, with legal completion taking place around two months later. The investment was being sold on behalf of receivers and, at the time of sale, had just two commercial tenants in occupation, generating combined rental income of £54,146, excluding VAT, albeit with the potential to generate additional rental income by granting leases over the vacant parts.
- ❖ In addition to the income from the commercial accommodation, £480 per annum was derived from the ground rents of the 12 residential flats (£40 each per annum). The auction particulars note that five of the leases had been extended for a period of 155 years from 1 January 2009, although the owner advised that, by the time of legal completion, a further lease had been extended.
- ❖ The property was in a poor state of repair at the time of acquisition and was being sold without full disclosure of legal information. As a result, it appealed to a very limited number of purchasers, who could facilitate the purchase without recourse to bank lending.

# Executive Summary

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## Market Commentary

- ❖ We are advised that since acquiring the building the owners have undertaken external repairs, internal alterations and maintenance, whilst also taking professional advice from architects, planning advisors and solicitors. Mr Bowra advised that total costs have been in the order of £300,000, all of which has been funded from their own reserves.
- ❖ As a result of the significant capital investment made by the owners, we consider there to have been a material change in circumstances since the purchase and, as such, we believe that the property would appeal to a wider market, were it to be offered for sale in the current market.
- ❖ We believe that the investment would now appeal to a range of small to medium local investors seeking an opportunity to add to their portfolio, together with developers, who would be attracted by the potential to extract further value from the site by undertaking further development, as is proposed by the current owners.
- ❖ The recent marketing exercise undertaken in respect of the vacant part of the premises, in order to secure a new tenant, suggests that there is reasonable demand from potential occupiers, subject to the space being priced appropriately. However, we believe that the vast majority of potential tenants will be independent operators due to the size and location of the premises.
- ❖ Should the subject property be offered for sale with vacant possession basis, we consider that there would be reasonable levels of interest from potential investors, although a purchaser would require a significant discount, in order to reflect the costs associated with holding the property, whilst new tenants are sought.

## Methodology

- ❖ In considering the Market Value of the subject property, we have had principal regard to the 'investment' method of valuation, involving the assessment the Market Rent, based on available comparable information, this then being capitalised at an appropriate yield.
- ❖ Having regard to the available comparable evidence we consider that the rents currently being charged on the various elements within the subject property fairly reflect the Market Rental.
- ❖ We have then applied an appropriate yield to each rental element, ranging between 5.2% and 12% having regard to the perceived covenant strength of each tenant, together with the likely demand for the space, should the units become vacant. The strongest yield relates to one unit and reflects the particular circumstances surrounding the current occupation of that property.
- ❖ This results in a Market Value for the commercial aspect, subject to the leases of £1.44m, which equates to an overall gross initial yield of approximately 9.44%.
- ❖ We have added a further £160,000 in respect of the residential aspects, resulting in a combined valuation of £1.6m.
- ❖ Our valuation reflects the existing use of the scheme and does not therefore make any allowance for the additional value that may be released in the event that planning consent is obtained for the development of 15 flats on part of the site. However, we understand that in October 2018 the developers who are undertaking the conversion of the nearby Cliffe Hotel, submitted an offer for the site, subject to the granted of planning consent, of £750,000, based on a figure of £50,000 per flat consent. We would expect this to be dependent upon consent being obtained which is free from any onerous conditions or restrictions.
- ❖ We note that the flats which are being created at the former Cliffe Hotel are being marketed at asking prices of between £170,000 and £260,000 and Mr Bowra advised that four or five of the units have apparently been sold off plan.
- ❖ We would stress that whilst we have expressed our valuation as an aggregate of the component parts, our valuation assumes a sale of the property as a single asset. Whilst we have not made an explicit allowance for any development potential, we believe that an investor would take some comfort from the potential afforded by such, whilst recognising that in order to release such they would require control of the whole property.
- ❖ Further, our valuation is a 'Day One' figure, given that it includes a provision for the premiums that may be derived from the long leaseholders of Flats 1 and 12, together with the premium that may be derived from a developer who would want to implement the planning consent that has been granted in respect of the penthouse development. Clearly, once such sums have been realised, they will be extinguished, and the value of the asset will reduce.
- ❖ If the property had to be disposed of with vacant possession, we would expect that a purchaser would require a significant discount.
- ❖ We refer to the Methodology and Comparable Evidence section towards the end of this report for further commentary.

Valuations Summary	Existing
Market Value <i>(with vacant possession)</i>	£1,000,000
Market Value <i>(subject to leases)</i>	£1,600,000

# Location Map



The circle above is of 10km (6 mile) radius centred on the subject business/property.

Digital Map Data © Bartholomew (2017)

# Local Environment

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## Location

Margate is situated in the south-east corner of Kent and falls within the administrative district of Thanet Council. The Isle of Thanet, which is part of the easternmost peninsula of Kent includes the coastal towns of Westgate-on-Sea, Broadstairs and Ramsgate and is a popular holiday destination.

Margate is some 3.5 miles from Ramsgate and around 2.5 miles from Broadstairs, whilst the county city of Canterbury is approximately 16 miles distant. The area is well connected with the A299 linking with the A2 and the M2 motorway, which in turn connects with the M25 motorway. Margate also benefits from a main line railway link to London and the south-east whilst Channel port connections are to the south at Dover and Folkestone.

In past years the decline of the traditional English seaside holiday has also led to a general decline within the Isle of Thanet, with areas such as Margate, Cliftonville, Broadstairs and Ramsgate suffering as a result. However recent efforts to improve Margate have included the development of the Turner museum and Dickens inspired attractions, whilst increased interest in retailing, especially in the old town quarter has raised the local profile.

The longer-term interest in the area as a seaside destination is significantly boosted by the re-opening of Dreamland in June 2015, a once very well-known amusement facility and theme park that is located on Marine Terrace, providing a welcome boost to local businesses in that part of the town.

The subject multi-leisure complex and flats are located at Cliftonville, a coastal area to the east of Margate; that whilst being a thriving upmarket alternative to the main bustling holiday resort during the first half of the 20<sup>th</sup> century, subsequently went into decline and many of the private hotels and guest houses that had become established in Victorian houses, have since been converted into flats.

Bugsy's Tenpin Bowling and Sports Bar within the subject leisure complex appears to provide the principal entertainment facility for the residents and visitors to Cliftonville, although newly opened boutique B&B establishments, specialist individual shops and several trendy cafes and restaurant are now providing a new East London edge to the area.

The subject complex faces Ethelbert Crescent on the seafront and has return frontages to Edgar Road and Dalby Square, the latter from which is direct vehicular access to on-site parking and a ramp to a large roof-top car park. There is presently also unrestricted kerbside parking in each of these roads.

## Environmental Matters

From our limited inspection of the property, we detected no evidence to suggest the existence of any current or past contamination.

It should be appreciated that part of the site was formerly in use as a petrol filling station and we recommend that confirmation be obtained that all necessary works were undertaken in order to remedy any contaminative issues arising from such.

On the assumption that such can be provided, we have not made any allowance for any such works within our valuation.

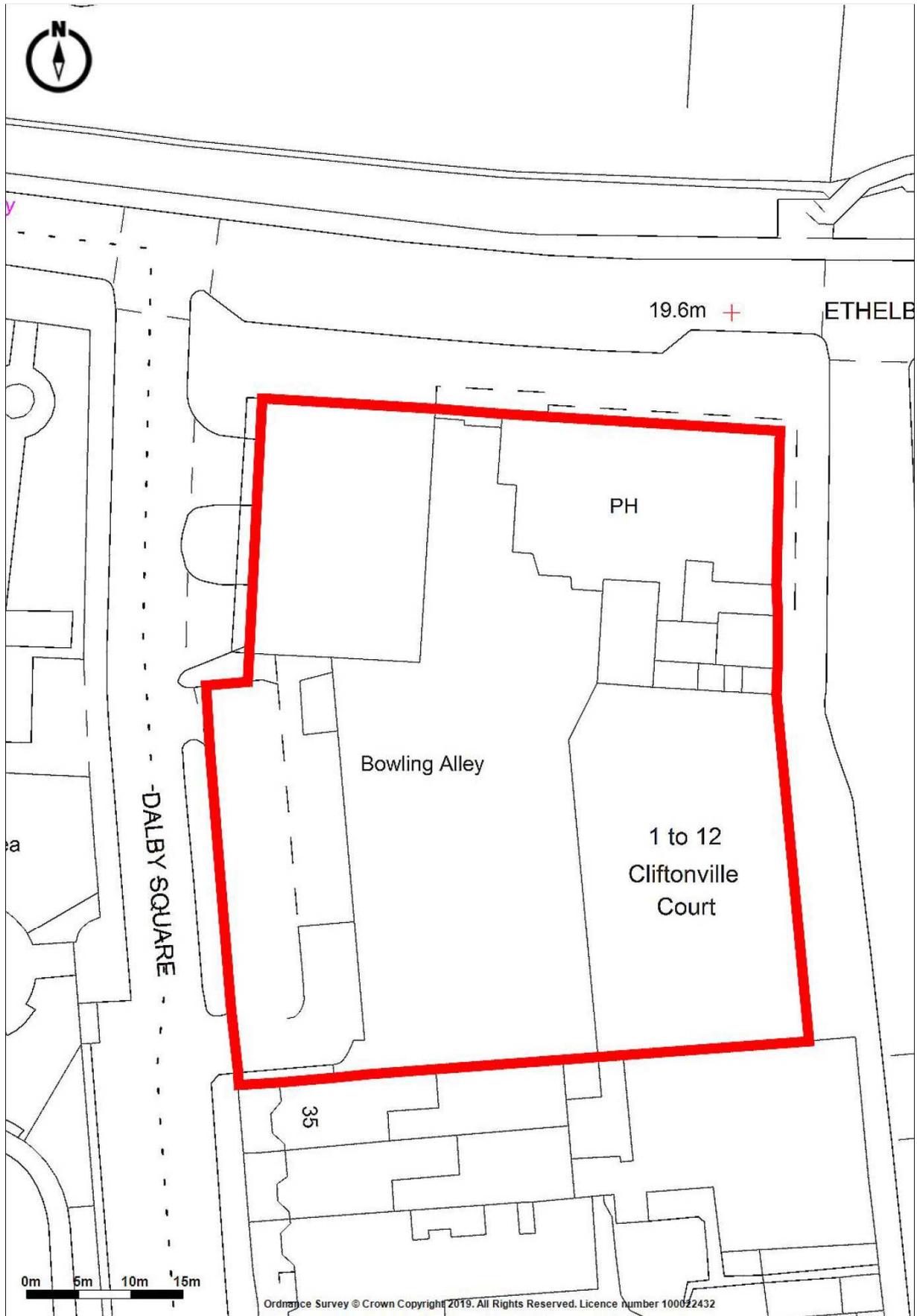
From our informal enquiries, there is no indication that the property or its immediate locality:

- ❖ is on or near landfills;
- ❖ is located within a mining area;
- ❖ is located within a tin mining area;
- ❖ is in an area that has been identified as having a risk of subsidence or landslip;
- ❖ is located within an area that is at risk of flooding;
- ❖ is affected by naturally occurring gases;
- ❖ is subject to water or land pollution;
- ❖ has been used for the manufacture, storage or sale of hazardous/toxic materials such as chemicals, petroleum products, pesticides, fertilisers, acids, asbestos, explosives, paint or radioactive materials;
- ❖ is the site of below-ground storage tanks;
- ❖ is close to incinerators or chimneys giving off heavy emissions.

Subject to the limitations of our inspection we have detected no evidence to suggest that deleterious or hazardous materials or techniques have been used in the construction or subsequent modification of the building.

*We refer you to the paragraph headed 'Environmental Matters' within the appended Explanatory Notes.*

# Site Plan



# Site & Aspects of Title

## Site Plan

The plan shown opposite is taken from the Promap on-line facility and shows the subject property within its local environs. We advise that the area outlined in red corresponds with the property inspected. However, we recommend solicitors verify the boundaries.

*It should be noted that this plan and the markings thereon indicate the approximate extent of the site inspected and no guarantee can be given as to whether this corresponds to that over which title is held. It remains the responsibility of the Client to investigate and confirm the legal boundaries and title applying to the property.*

## Restrictive Covenants, Rights of Way and Easements

Based on our investigations, we are aware of the following:

Rights of Way	Restrictive Covenant	Easements
✓	✓	✓

We draw your attention to the above, however, we do not consider the above to have an impact on the operation of the business or our assessment of Market Value.

We recommend that solicitors confirm the details in respect of the above in due course.

## Tenure and Title

We are advised that the subject property as a whole is freehold and contains both commercial and residential elements.

The ground and first floor commercial premises and roof-top car park are presently subject to four leases and one vacant leisure unit.

### - Ground Floor Leisure Space (occupied by business trading as Buggy's Tenpin Bowling & Sports Bar)

We have been provided with a copy of the lease, which is dated 4 September 2018 and we have summarised the main terms below:

Landlord:	G E Bowra Group Limited
Tenant:	Denton Investments Limited
Commencement Date:	4 September 2018
Term:	25 years
Rent:	£54,324 per annum
Review Pattern:	Rent is subject to review on 28 September 2012 and on a five-yearly basis thereafter– upwards only review to Market Rent
Alienation:	Assignment of the whole permitted, with Landlord's consent, which is not to be unreasonably withheld.
Repairing/Insuring Obligations:	Full repairing, except that the Landlord is responsible for ensuring that repairs are undertaken to certain parts of the car park; Landlord insures with the premium recovered from the tenant
User:	Any use falling within the class D2 of the Town and Country Planning (Use Classes) Order 1987 including an ancillary snack bar, arcade area, functions space, professional equipment shop and bar area subject to the Lessee obtaining all necessary local and other necessary consents and licences
Special Conditions:	None known

## Site & Aspects of Title

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For the purpose of our valuation, we have assumed that the rent will be subject to review on 28 September 2021 (in accordance with clause 2.1.1) and that it will then be subject to review on the fifth anniversary of the term and on a five-yearly basis thereafter, in accordance with the rent review provision detailed in Schedule 7 of the lease.

However, it is essential that solicitors confirm that this interpretation of the lease terms is correct.

### **Covenant Strength**

Whilst we have not undertaken any assessment of the business being operated by the Tenant, nor have we been provided with any trading information relating to such, we understand that they have been in occupation since September 1996 and Mr Bowra confirmed that, during his period of ownership, there have never been any issues with the payment of rent.

# Site & Aspects of Title

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## - Ground Floor Unit (known as Cains Amusements)

We have been provided with a copy of the lease, which is dated 28 April 1987 and we have summarised the main terms below:

Landlord:	Rolyn Investments Limited
Tenant:	James Godden
Commencement Date:	7 February 1986
Term:	Expires 24 June 2058
Rent:	£3,000 per annum to 24 June 2008 – see below with a fixed increase to £6,000 per annum to 24 June 2033 and £9,000 thereafter, until the lease expiry
Review Pattern:	Fixed increase to £6,000 per annum from 24 June 2008 Fixed increase to £9,000 per annum from 24 June 2033
Alienation:	Assignment of the whole permitted, with Landlord's consent, which is not to be unreasonably withheld
Repairing Obligations:	Full repairing and insuring; Landlord insures and recovers the premium from the Tenant
User:	Use as an Amusement Arcade Cafeteria/Restaurant/Snack bar Licensed betting office with ancillary toilet accommodation .....
Special Conditions:	None known

We note that the Tenant paid a premium of £60,000 to secure the grant of the lease and we assume that it is a result of such that they have secured the preferential terms in respect of the payment of rent.

## Covenant Strength

As a result of the terms of the lease, the Tenant is currently benefiting from a significant 'profit rent' and, consequently, it would appear unlikely that they will default on the lease and return it to the Landlord with the benefit of vacant possession. Therefore, this is considered to represent a very secure investment.

# Site & Aspects of Title

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## - Ground Floor Restaurant (proposal to establish a new restaurant, trading as Rendezvous)

We have been provided with a copy of the lease, which is dated 4 September 2018 and we have summarised the main terms below:

Landlord:	G E Bowra Group Limited
Tenant:	Alexander Martin Muir and Carol Ann Smith
Commencement Date:	2 October 2018
Term:	20 years
Break Clause:	Tenant only break clause after six years, subject to certain conditions
Rent:	£30,000 per annum, subject to an initial rent-free period of nine months
Review Pattern:	Three yearly reviews to Market Rent – assumed to be upwards only
Alienation:	Assignment of the whole assumed to be permitted, with Landlord's consent, which is not to be unreasonably withheld.
Repairing/Insuring Obligations:	Full repairing; Landlord insures with the premium recovered from the tenant
Special Conditions:	The lease provides for the Landlord to levy a service charge in order to cover the maintenance and repair of common areas; this amount is stated at 48%

The lease has been granted on the basis of 'The Law Society Business Lease (Part of Building) (Registered) 2008, which takes a simplified form. However, we assume that advice was sought from solicitors in the completion of this document and that it properly protects the interests of the Landlord.

However, it is essential that solicitors confirm that this interpretation of the lease terms is correct.

## Covenant Strength

We understand that the Tenants were introduced to the Landlord by his solicitors, in the knowledge that they were seeking to own and operate their own restaurant, having been involved in operating two coffee shops in Margate in conjunction with other family members.

We understand that Alex Muir (one of the tenants) is a trained chef. However, it will be appreciated that we have not undertaken any assessment of their business, or their proposals for the subject property.

The Tenant benefited from a nine-month rent free period, in order to undertake fitting out works, with the restaurant due to commence trading on Monday 13 May.

# Site & Aspects of Title

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## - First Floor Offices (operating as Faith in Strangers)

We have been provided with a copy of the lease, which is dated 5 September 2018 and we have summarised the main terms below:

Landlord:	G E Bowra Group Limited
Tenant:	Seaco Limited
Commencement Date:	5 September 2018
Term:	20 years
Rent:	£25,830 per annum, subject to an initial six month rent free period
Review Pattern:	Five yearly reviews – subject to RPI increases – assumed to be upwards only
Alienation:	Assignment of the whole permitted, with Landlord's consent, which is not to be unreasonably withheld.
Repairing/Insuring Obligations:	Internal repairing; Landlord insures with the premium recovered from the tenant
User:	Use as an office and members and arts club, with ancillary use as a bar, restaurant, performance space, live and recorded music, holistic therapies, light physical exercise, gallery/arts space, spa, lecture theatre, retail space and accommodation, or any other A2/A3/B1/D1 use of the Town and Country Planning (Use Classes) Order 1987 as at the date this lease is granted
Special Conditions:	The lease provides for the Landlord to levy a service charge in order to cover the maintenance and repair of common areas; this amount is not to exceed 54% of the total costs incurred by the Landlord and that it should exclude any works undertaken to the part of the building that exclusively houses the residential flats  The Tenant has a right of way over the communal areas and bin store

## Covenant Strength

Entries at Companies House indicate that Seaco was first registered on 11 January 2018, but it was renamed from 2 April 2019 as 'Faith in Strangers Ltd' whose registered office address is the subject property. The stated 'Nature of business' is 'Support activities to performing arts'.

The Tenant benefited from a six-month rent-free period, in order to undertake fitting out works, although we noted that the works were still ongoing at the time of our inspection and we are advised that they anticipate opening the premises in mid-June 2019. However, Mr Bowra confirmed that they have been paying rent since 5 March 2019.

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*It is essential that solicitors inspect the leases to confirm that they provide satisfactory security for bank lending purposes and to confirm the lease terms, as indicated above. Should any of the latter vary from those indicated above, we reserve the right to reconsider our opinion of value.*

*Our valuations assume that any prospective purchaser would be granted full possession of the property, free of any restrictions on title and that all fixtures, fittings and items of equipment remaining would be provided on a fully unencumbered basis. Unless stated, we have not been provided with a report on title, but we would be pleased to co-operate with solicitors acting for the Client in respect of such a report should this be required.*

# Site & Aspects of Title

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## **Residential Ground Leases within Cliftonville Court**

Flat no's 1 and 12 continue to be held on 99 year leases from 25 March 1975, at a current ground rent of £40 per annum, subject to a fixed rent review to £50 per annum on 25 March 2020 and with £10 per annum increases at 15 year intervals thereafter until 24 March 2074.

Flat no's 2 - 11 inclusive are now held on extended leases for 155 years from 1 January 2009 at a current ground rent of £40 per annum, subject to a fixed rent review to £50 per annum on 21 January 2024 and with £10 per annum increases at 15 year intervals thereafter until 31 December 2163.

# External Property

North & East Elevations Of The Cliftonville Complex



North & West Elevations Of The Cliftonville Complex



# External Property

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## Site Description/Potential

The complex faces north with the buildings set back from Ethelbert Crescent behind a wide pavement, over which the canopied entrance to the Bugsy's ten-pin bowling alley and sports bar projects.

The recently created Rendezvous restaurant has return frontage to Edgar Road to the east, which also provides the approach to the Cliftonville Court flats, access to the common service yard, disabled and delivery access, as well as fire exit doors to the recently vacated ground floor leisure space previously forming part of Bugsy's.

The complex faces Dalby Square to the west, with the return frontage to the Olympia Café and former betting shop, set back from the road behind municipal parking for three - five vehicles. At the time of our recent, there were picnic tables placed on the pavement outside the café for eight customers.

There is vehicular access from Dalby Square to an on-site concrete surfaced area in front of fire exit doors from Bugsy's, providing the external approach to the associated bin enclosure, parking for five cars under the concrete ramp to the rooftop car park of the complex and an electricity substation.

Beyond is the vehicular approach to the ramp for the rooftop car park, which has space for an approximate 35 vehicles, which is available for use by occupiers of the flats within Cliftonville Court, visitors to the leisure complex, as well as members of the general public, albeit it forms part of the lease now occupied by Cains Amusements.

The complex that occupies a broadly square shaped site, extending to a calculated approximate 0.336 of a hectare (0.831 of an acre) and the existing buildings occupy the vast majority of this, the balance devoted to the previously referred to communal courtyard with associated bin storage; and concrete surfaced area between the pavement in Dalby Square and concrete ramp to the roof-top car park.

In connection with development potential, G E Bowra Group Limited in August 2018 gained planning permission to construct a self-contained three bedroom penthouse flat by adding an additional storey to Cliftonville Court.

The borrowers have also submitted a planning application to demolish the buildings in the south-eastern part of the complex, which had originally provided a further 12 tenpin bowling lanes for Bugsy's and latterly used for American Pool tables and a snooker hall, and in its place erect a five-storey block of 15 self-contained residential flats, the mutually agreed delayed determination date for the Council's decision being 30 May 2019.

## Buildings Description

The Cliftonville Leisure Complex and associated Cliftonville Court residential flats were erected during the early 1960s on the site of the former Victorian Cliftonville Hotel, which had been demolished in 1952 following a fire.

The complex is constructed of reinforced concrete with a combination of brick. rendered and whitened elevations

The buildings of the multi-leisure complex are of two storey heights, but only the north-eastern portion facing Ethelbert Terrace and Edgar Road occupied by Rendezvous restaurant and Faith in Strangers have two floors, the lessees of the remainder of the leisure space having previously included lowered suspended ceilings as part of their fitting out works.

Cliftonville Court Flats is of six storey height with three flats each on the upper four floors, served by a common ground floor entrance lobby, stairs, landings, a lift and refuse chute to a commercial bin accessed from the communal service yard of the complex as a whole.

The flat roofs are understood to have either a mineralised felt or asphalt covering, the latter also applying to the rooftop car park, whereas the recently created balcony approached from the end meeting room of 'Faith in Strangers', has a GRP surface.

# External Property

The following table summarises the apparent construction of the major building elements.

Element	Description
Fire Escape	<p>Cains Amusements &amp; Olympia Café – Apart from using the respective entrance doors, there are fire exit doors from the connecting lobby to customer’s toilets, opening to the adjoining covered and municipal parking area.</p> <p>Former Betting Office – The front entrance door provides the only means of access and egress to this unit</p> <p>Bugsy’s – Apart from using the front entrance, alternative means of escape in the case of fire have thus far been provided by five fire exits. However, as three of these are from the vacant leisure space being handed back to the landlord, the latter is to create a further such facility in conjunction with a replacement disabled person’s wheelchair access ramp from Edgar Road.</p> <p>Rendezvous Restaurant – These premises have front entrance doors and a side delivery door from Edgar Road, with an alternative means of escape provided from the restaurant through the service hallway to fire doors into the communal service yard.</p> <p>Faith in Strangers – Apart from using the ground floor entrance doors, alternative means of escape in case of fire from the first floor is by using the rear passageway from the main trading area and descending stairs to the ground floor delivery area, where there are fire doors to the communal service yard.</p>
Flat Roofs	Generally, a combination of mineralised felt and asphalt covered, but balcony to 'Faith in Strangers' is in GRP.
Rainwater Goods	None visible externally, hence assumed to be internally housed.
Walls	Predominantly a combination of brick, rendered and whitened elevations.
Window Frames	Predominantly powder coated aluminium framed units, but repainted to the Olympia Café unit.

## Services

We are advised that the property is connected to the following:

Mains Water	Electricity	Mains Drainage	Mains Gas	Central Heating
✓	✓	✓	✓	Gas; Electric; Air

The Cliftonville Leisure Complex is connected to all mains services and the individual lettings units have, are in the process of being, or will be separated metered.

Cains Amusements & Olympia Café –space heating in the café is provided by wall-mounted electric convector radiators and domestic hot water is supplied from electric water heaters.

Former Betting Office – Our inspection was impeded by the large number of items stored; but noted that domestic hot water had previously been supplied by an electric water heater located over the basin in the staff toilet.

Bugsy’s – These premises have a ducted hot air system served by a floor mounted Powermatic boiler located in a cupboard approached from the 10-pin bowling alley and a number of air conditioning units served by compressors attached to the western facing external wall over the ramp to the roof-top car park. A CCTV surveillance system was in evidence and the beer store room was equipped with a refrigerated cellar cooler.

Rendezvous Restaurant – The premises have air conditioning units in the restaurant/wine bar and the private dining/meeting room served by compressors located in the common service yard. Domestic hot water will be supplied from a floor mounted Evocyl Air therma water storage cylinder with electric immersion heater. A CCTV surveillance system with 16 digital cameras has been installed linked to split screen monitors and computer recording equipment in the management office.

Faith in Strangers – Air conditioning units had been installed in the open plan multi-functional trading area and the end meeting room, to be served by compressors located in the common service yard. We are unaware as to the arrangements being made for domestic hot water. A CCTV camera of the previous nightclub surveillance system was still in place.

### Systems and Equipment

*Whilst it is beyond the scope of our instructions to undertake tests of services, equipment, fixtures and fittings, we assume that all such items are operating safely and efficiently and are appropriate for the purposes to which they are put.*

# External Property

East Elevations Facing Edgar Road



West Elevations Facing Dalby Square



# External Property

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## Condition

It should be noted that we have not undertaken any form of survey, structural or otherwise and the following comments are based on our brief inspection of the property. Our valuations have been prepared on the assumption that there are no inherent structural defects associated with the property or any wants of repair which would attract a significant cost.

Since G E Bowra Group Limited's purchase of the freehold leisure and residential investment at the Cliftonville Leisure Complex and Cliftonville Court in March 2016, George Bowra advises that his company has since invested an additional approximate £300,000 of private funds in external repairs and maintenance, internal alterations, planning, professional and legal fees.

Externally the multi-leisure complex now has an improved presentation and works in conjunction with the division of the former Frank's Nightclub have included the installation of new windows and external doors for the recently opened Rendezvous restaurant and Faith in Strangers, where the lessee's have still to finish their internal alterations and fitting out. A good-sized balcony has also been created for the latter unit following removal of an internal stairwell.

However, repair and maintenance to the exterior of Cliftonville Court have been delayed pending a decision from the resident's association. In the latter regard, the brickwork panels have deteriorated due to weathering and are in need of repointing; and parts of the steel reinforcement of the concrete framed structure have deteriorated due to rust action following previous water ingress, resulting in expansion and failure of the outer surface to expose the steel bars.

According to George Bowra, an engineer's report had revealed that the resultant damage as a result of this inherent defect was relatively minor; and had not adversely affected the structural integrity of the building. Recommended remedial action was to remove any unstable sections of the concrete outer coating to expose the steel reinforcement, remove any rust and treat the exposed steel bars with a rust inhibitor, prior to making good of the concrete outer surface.

On completion of the above repair works, George Bowra, through the appointed management agents for Cliftonville Court has presented the tenants with a choice, either for the frame of the building to be redecorated as previously with white painted finish and the brickwork panels repointed, or for it to be clad in power coated insulated panels, with the associated cost implications.

As a general comment, flat roof coverings have a more limited lifespan and will require ongoing maintenance, prior to renewal.

George Bowra advises that he is not aware of an asbestos survey having previously been prepared for either the Cliftonville Leisure Complex, or Cliftonville Court.

At the time of our recent visit, we observed texture coated walls in the betting office and manager's office of the former betting shop, which we would expect to be included within an asbestos survey.

Our valuations assume that there is no asbestos on site or asbestos related issues which would attract a significant cost. We refer to the information below.

An Energy Performance Certificate (EPC) entitled Multi Leisure Centre, Ethelbert Crescent, Margate CT9 2DY for seemingly the Cliftonville Leisure Complex as a whole was issued for the property on 16 December 2011, as it states the Total Useful Floor Area as being 3,578 m<sup>2</sup> (38,500 ft<sup>2</sup>), which rated the property as having an EP rating of 92, falling within Band D (76 - 100).

### **Asbestos**

*All owners/occupiers of non-domestic properties and communal areas of domestic properties are required, under the Control of Asbestos Regulations (2012), to provide a record of an inspection to verify whether any form of asbestos is present. If asbestos is detected, then an appropriate management plan must be implemented. We have not inspected for asbestos and, unless otherwise stated, our valuations exclude any costs relating to this management plan.*

### **Energy Performance Certificate and Display Energy Certificates**

*All non-domestic properties over 50m<sup>2</sup> in size require an EPC when constructed, sold or let. There are certain exemptions, for example, if the building is to be demolished. The certificate includes an energy efficiency rating between A (most efficient) and G. It is valid for a period of 10 years assuming there are no changes to the building or its' use.*

*From 9 January 2013, a DEC is required to be prominently displayed in all buildings that are occupied in whole or part by a public authority or by institutions frequently visited, providing a public service to a large number of persons, and that have a useable space of 500 m<sup>2</sup> or more. They are valid for a period of one year. The accompanying advisory report is valid for a period of seven years, or 10 years if the building is less than 1,000 m<sup>2</sup> in size, assuming no changes to the property or use. If available, for example the building has been constructed, sold or let, the EPC for these buildings also needs to be prominently displayed, although there is currently no requirement to commission an EPC specifically for this purpose. From April 2018, it will become unlawful to let properties with the two lowest ratings of F and G.*

***Please contact us for further information about arranging an asbestos survey or EPC***

## Reinstatement Assessment

It should be appreciated that an assessment of the likely costs of fully reinstating a property is a complex and detailed exercise usually undertaken by a building or quantity surveyor. The following estimate is provided purely for guidance purposes to assist the named client in their consideration of the stated business proposal. It should not be relied upon by either the named client, or any other party, as a basis for assessing levels of insurance cover and Pinders accept no liability in this regard.

# External Property

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Whilst the estimate provided allows for the approximate costs of demolition, debris removal and professional fees, and assumes the use of modern materials, construction techniques and compliance with all current building regulations, it makes no allowance for any alterations to the layout or configuration of the property which may be required for the ongoing operation of the businesses in occupation.

The following reflects the property as valued, but excluding the flats which have been sold off on long leasehold terms.

On these specific assumptions, we suggest that the reinstatement figure for the existing structure (exclusive of VAT) should not be less than **£6,000,000**.

# Internal Property

**Bugsy's Sports Bar & 10-pin Bowling Alley**



**Olympia Cafe & Cains Amusements Arcade**



**Rendezvous Restaurant Fitting Out**



**Faith In Strangers Fitting Out**



**Snooker Hall & Pool Room Currently Being Vacated**



# Internal Description

## Property Areas

Area	Size m <sup>2</sup> (Approx)	Description
Cains Amusements, Olympia Café & Betting Shop	459.68	Arranged as a traditional arcade with general amusement machines, an over 18-year old gaming area having numerous slot machines, a cash office and staff kitchen.  Olympia Café – Arranged as an L-shaped café - 54 seats/covers, with service counter, a lounge area, catering kitchen, store, connecting hallway to customer's toilets.  Former Betting Office – Arranged as front trading area, office, lobby, store and staff toilet.
Bugsy's Bowling Alley	1,335.77	Approached through open entrance porch, entrance lobby, wide stair lobby to open plan trading areas arranged as a sports bar with extensive serveries, two raised areas for electronic games and amusement machines, an area for pool tables, a food counter with adjoining catering kitchen, a 12-lane tenpin bowling alley with associated group seating, electronic scoreboards, automatic pin collection and return ball machinery, customers toilets, management office, staff kitchen, equipment store and repair workshops and stores.
Rendezvous Restaurant	375.13	In process of the final stages of being fitting and equipped by the tenants. To be arranged with a front entrance lobby, open plan restaurant for initially 36 well-spaced covers, bar servery and food service, a separate private meeting/dining room – 20 seats, lobby to customer's toilets. These facilities are to be supported by a catering kitchen, wash-up, management office, good inwards and stores.
Faith in Strangers	445.57	In process of being fitting out by the tenants. To be arranged with a ground floor front entrance foyer, hallway to stairs up to first-floor landing with glazed panels to multi-use open plan trading area with bar servery having acoustic screens to divide the space into several smaller office/meeting/function rooms. External door at far end of eastern meeting room to rooftop balcony. These facilities are to be supported by customer's toilets, a catering kitchen, management office and beer store.
Vacant Leisure Space	528.2	In the process of being vacated by the lessees of Bugsy's. The space was latterly arranged with America Pool tables, a snooker hall, changing rooms and toilet facilities for exhibition players and competition matches, , a furniture store and part of the beer store room for the previously larger concern.

### Measurement of Accommodation

*We endeavour to measure the accommodation at the time of our inspection but, where this is not possible, we will either rely upon measurements taken from plans provided, schedules of measurements or other information advised to us by the owner of the business.*

Floor areas have been obtained from plans prepared by Greenhatch Group, Architects, which are dated September 2016. We understand were prepared following a detailed measured survey of the premises, which we have assumed to be correct.

## Access

Level access to premises	Level access to public areas	Disabled WC
✘	✘	✓

Cains Amusements & Olympia Café –There is a step up from the pavement through the entrance doors to both the amusement arcade and café, but once inside these units, no further changes in level to reach the amusements, service counter and seating in the café or the customer's toilets, the latter including those for disabled persons.

Former Betting Office –There is a deep step up from the parking area into the former betting shop, but no change in levels once inside this unit.

# Internal Description

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Bugsy's – Whilst there is graded access from the pavement through the open front porch and entrance doors into the entrance lobby, the following stair lobby has a flight of 10 steps to negotiate up to the open plan sports bar, with the amusement machine areas on each side of the approach to the bar servery being raised.

There are either two or three steps from the sports bar down to the tenpin bowling alleys, this change in levels being alternatively accommodated by a small ramp. Customer toilets include those specifically designed or since adapted for wheelchair users.

A disabled access from Edgar Road has thus far served Bugsy's in conjunction with a wheelchair ramp in the America pool table area to overcome a four-step change in levels with the sports bar. However, these facilities lie within the areas that are being handed back to the borrowers as landlords as part of recent lease negotiations with long term lessee Denton Investments Limited for reduced sized premises. G E Bowra Group Limited have therefore agreed at their expense to create an alternative disabled access from Edgar Road from space presently arranged as externally approached stores and a disused fire exit.

Rendezvous Restaurant – There is a step up from the pavement through the entrance doors into the entrance lobby of the restaurant, but otherwise no changes in level in the public areas and customer toilets include those specifically designed for wheelchair users. There are however steps to negotiate in the service lobby, approach to the catering kitchen and on the fire exit into the common service yard.

Faith in Strangers –We assume on completion of works in hand at the time of our recent visit that there will be a small change in levels from the pavement into the entrance foyer, with the staircase approach to the first floor having 20 steps. There is a step over from the former catering kitchen into the former beer store, two one-step changes of level in the passageway to the yet to be created customer's toilets and the service stairs down to the ground floor delivery lobby has 17 treads

Vacant Leisure Space –There is a wheelchair ramp on the disabled access from Edgar Road to the furniture store, before entering the former American pool table area, but a one-step change in levels from the pavement into the severed portion of Bugsy's beer store room. There are also three steps from the former snooker hall down into the rear fire exit lobby. The associated changing rooms and toilet facilities do not include those specifically designed or since adapted for wheelchair users.

## The Equality Act 2010

*The Equality Act came into force on 1 October 2010. The Act consolidates and brings together previous equality laws including the law on disability discrimination. Operators are under a duty to make reasonable adjustments to the provision of their services to accommodate people with disabilities. The duty is anticipatory - so adjustments must be made before a claim for disability discrimination is brought. What will constitute a reasonable adjustment very much depends on the size and nature of the service.*

## Decoration and Furnishing

Cains Amusements & Olympia Café –The amusement arcade was reasonably presented and decorated, with the staff kitchen suitably fitted. It was typically equipped for a seaside arcade in a secondary trading position with numerous slot machines and other electronic games of chance.

The café was presented, decorated, fitted and equipment to a rather basic standard, to accord with the style of business undertaken, but the customer's toilets used in conjunction with the associated arcade were considered reasonably good.

The Former Betting Office has a poor presentation and does not appear to have been used as such for many years. It presently appears only to provide storage for the associated café and amusement arcade.

Bugsy's – These premises were generally well presented and operational at the time of our recent visit, albeit the tenant's trade fixtures, fittings, furnishings and equipment were somewhat dated and hence would now benefit from some additional investment.

The unit has yet to be physically divided from the leisure space being handed back to the landlord, where a fire-proof partition will be erected at the latter's expense between the sports bar and former American pool table area, in conjunction with the other works to provide Bugsy's with an alternative disabled persons access from Edgar Road.

Rendezvous Restaurant – At the time of our recent visit the premises were in the final stages of being fitted out, furnished and equipped by the lessees and as would be expected for a newly created restaurant and wine bar aimed at the more discerning customer, it was generally presented to a high standard in good decorative condition. George Bowra has since advised us that the new restaurant commenced trading on 13 May 2019.

Faith in Strangers –Works in connection with the revised layout, service installations and fitting out of these premises were in hand by building contractors at the time of our recent visit, under the direct supervision of the new lessee. These had yet to reach the second fix stage, with plastering being undertaken in the entrance foyer, stairs and first floor landing.

The air conditioning units in the open plan multi-functional trading areas were in place, awaiting installation of the ceilings, insulation of the external walls was in hand prior to plaster boarding. The former kitchen, bar store and customer's toilets have been stripped out, awaiting installation of internal partitioning to provide revised layout for the latter facilities, hence there appears to be much work still to do.

## Internal Description

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Whilst the lessees had been granted a six-month rent-free period ending 4 March 2019 for fitting out, clearly, they are well behind schedule and George Bowra advises that they are now intending to open in mid-June 2019.

Vacant Leisure Space – At the time of our recent visit, the former tenant was in the process of removing any remaining fixtures, fittings and equipment, seemingly with the intention of returning this space to the borrowers as landlord.

# Statutory Authorities

For the purpose of this report and our valuations, we have assumed that there are no matters outstanding or that would be of concern to any of the Statutory Authorities, or any matters that would have a detrimental impact on Market Value.

## Planning and Highways

Based on our investigations, we are aware of the following:

Listed Building	Conservation Area	Tree Preservation Orders	Section 106 Agreements	Adopted highway
✘	✘	✘	✘	✔

We have accessed the online planning database of the local authority, which revealed the following planning history in relation to the subject property:

Reference	Date	Decision	Proposal
F/TH/09/0993	10/02/2010	Approved	Bowling Centre, Ethelbert Crescent, Margate, CT9 2DY Insertion of a new disabled access door to the side elevation of the bowling centre.
F/TH/17/0132	05/07/2017	Approved	Franks Nightclub Ethelbert Crescent MARGATE Kent CT9 2DY Change of use from Nightclub (Use Class sui-generis) to Restaurant (Use Class A3), offices and 1No 3-bed self-contained flat
F/TH/18/0875	14/08/2018	Approved	Franks Nightclub Ethelbert Crescent MARGATE Kent CT9 2DY Change of use of first floor from nightclub to a mixed office (Use Class B1) and restaurant (Use Class A3 and A4) and arts venue (Use Class D1)
F/TH/18/0834	15/08/2018	Approved	Cliftonville Court, Edgar Road, MARGATE Kent CT9 2DY Erection of additional storey to provide 1No. 3 bedroom self-contained flat with associated parapet and glazed balustrade
F/TH/18/1556	02/01/2019	Approved	Franks Nightclub Ethelbert Crescent MARGATE Kent CT9 2DY Variation of condition 7 of planning permission F/TH/17/0132 Change of use from Nightclub (Use Class sui-generis) to Restaurant (Use Class A3), offices and 1No 3-bed self-contained flat to allow a change in restaurant opening times to between 07:00 and 00:30
F/TH/18/1717	30/04/2019	Pending	Bowling Centre Ethelbert Crescent MARGATE Kent CT9 2DY Erection of a five storey building to accommodate 11No 2 Bed and 4No 3 Bed self-contained flats with associated parking together with altered fire escape route and exit doors via Cliftonville Court following part demolition of existing bowling alley Agreed Extended Statutory Expiry Date 30 May 2019
F/TH/19/0550	30/04/2019	Pending	Former Franks Nightclub Ethelbert Crescent MARGATE Kent CT9 2DY . Change of use of the land for the siting of tables and chairs Statutory Expiry Date 19 June 2019.

Our valuations have been prepared on the specific assumption that planning permission exists for the property's existing use.

## Rates, Water and Environmental Charges

The individual units are separately assessed for business rates and, under the terms of their leases, the occupiers are responsible for the payment of their own rates. Reviewing the appropriateness or otherwise of individual rateable values is beyond the scope of this report. However, we would stress the importance of carefully managing the position with regard to the payment of empty rates for vacant units, as this can impinge on net rental income considerably.

Address	Rateable Value
Bowling Centre	£54,500
Cains Amusements	£7,400
Adjacent Cains Amusements Cliftonville Arcade	£5,400

# Statutory Authorities

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## Fire Authority

The Fire Authority no longer routinely inspects premises, and it is the responsibility of the occupier to undertake an appropriate Fire Risk Assessment.

We assume that a Fire Risk Assessment has been prepared by each of the tenants as appropriate.

**Regulatory Reform (Fire Safety) Order 2005**  
*We have not undertaken any form of Fire Risk Assessment for the premises, nor can we confirm the adequacy, or otherwise of any Risk Assessments seen. We recommend that business proprietors fully acquaint themselves with the requirements of the Regulatory Reform (Fire Safety) Order 2005, which cover statutory fire prevention in almost every commercial property.*

## Environmental Health Authority

We assume that, where necessary, the operators are registered under the provisions of the Food Safety Act 1990 and they fully meet with the requirements of this legislation.

**Food Safety Act 1990**  
*We recommend that business proprietors fully acquaint themselves with the terms and conditions of the Food Safety Act 1990 and its various subordinate regulations. These include the introduction of a scheme for compulsory registration of all food premises under The Food Premises (Registration) Regulations 1991, the latter relating to England, Scotland and Wales, and applying to most types of businesses, with few exemptions.*

## Licensing

We assume that, where relevant, tenants hold all appropriate licences for the trade conducted.

**The Licensing Act 2003**  
*The Licensing Act 2003 provides that premises where a licensable activity takes place require a Premises Licence. For the purpose of this report and our valuations, we have assumed that the business will have the necessary licences in place to continue to trade as existing and/or proposed.*

# Methodology and Comparable Evidence

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When preparing our valuations, we have had principal regard to the of valuation, together with an analysis of comparable market information and regard to our own extensive database.

## Comparable Evidence

Relevant comparable evidence includes the following (due to the confidential basis on which much of our comparable information is obtained and held, we are only able to divulge limited information and/or that which is already within the public domain):

When preparing our valuations, we have had principal regard to the 'investment' method of valuation, together with an analysis of comparable market information and regard to our own extensive database.

We note the following investment comparables in respect of gaming establishments, which have been sold in recent years:

- In June 2017, we valued a ground floor amusement arcade in a Norfolk seaside town, where the lessee was buying the freehold from his landlord. The purchaser had entered into a 15-year FRI lease in March 2008, with three-year rent reviews to Market Rent, the passing rent at the time of our valuation of £40,480 per annum. Our valuation of the freehold investment interest was based upon a 9.25% initial gross yield.
- In April 2017 the freehold investment of 35a-39a George Street Manchester was sold for £4m. The property extended to in excess of 1,654 m<sup>2</sup> (17,800ft<sup>2</sup>) and was let to Grosvenor Casino at a rent of £300,000 per annum. The sale price reflected an initial 7% gross yield.
- In June 2016 a portfolio of 12 Gala Bingo investments was sold for £17.2m. The remaining details of the sale are confidential, but we are aware that the combined rental for all the units was in the order of £1.922m per annum, the sale price reflecting an overall initial 7% gross yield.

- In December 2018 the freehold shop and residential investment of 445 Princes Road, Dartford was sold for £314,000. The property comprised lock-up shop premises occupied as a betting office and a self-contained studio flat approached from the rear.

The entire building was let to Coral Racing Limited on a 16-year FRI lease from 3 February 2011, the passing rent at the time of the sale of £16,000 per annum, subject to a five-year rent review, rising by a minimum 2.5% per annum compounded, hence will be a minimum of £18,2913 per annum from March 2021. The sale price represented an initial 4.93% gross yield.

- In October 2016 the freehold investment of 3-4 Market Place, Great Yarmouth was sold for £220,000. The unit was let to Ladbrokes plc on a lease expiring in October 2016, at a passing rent of £17,500 per annum. The sale price reflected an initial 12.86% gross yield.
- In October 2015, 72 High Street, Margate was sold as a freehold shop and residential investment for a reported £172,500. The lock-up ground floor shop with basement storage was let to Harvey & Thompson Limited, pawnbrokers, on a new 10-year FRI lease at a commencing rent of £10,000 per annum, subject to a five-year rent review, but with tenant's break clause options in 2019 and 2022.

The upper floors approached from High Street had provided two flats, but at the time of the sale were vacant requiring modernisation. The sale price represented an initial 5.65 gross yield to the purchaser, but with the prospect of residential rental income with some additional capital investment.

- In May 2015 a freehold investment at 14 Norfolk Street, Kings Lynn was sold for £300,000. The property was let to Cashino Gaming Limited, operators of betting shops and casinos, until December 2025 with five yearly rent reviews. The passing rent of £27,000 per annum was to be reviewed in December 2015. The sale price reflected an initial 9% gross yield.

As can be seen, yields for general gaming investments for known covenants is reasonable, but the stronger yields are unlikely to be attained for the subject business premises. The strong yield adopted in this instance reflects our expectation that a significantly higher rent could be achieved should the existing Tenant vacate the property.

In terms of café/takeaway premises, we are aware of the following:

- In July 2018, the freehold investment of 29 Hawley Street, Margate, arranged as a ground floor hot food takeaway with a self-contained two-bedroom maisonette above was sold for £153,000. The entire property was let to L J Kee Esq, trading as South Garden Chinese Takeaway on a 20-year FRI lease from 28 October 2002, the passing rent at the time of the sale of £14,820 per annum, subject to four-year rent reviews. The sale price represented an initial 9.51% gross investment yield.

# Methodology and Comparable Evidence

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- In October 2016, the freehold shop and ground rent residential investment of 73 High Street, Ramsgate, was sold for £122,500, the ground and basement occupied by a café trading as Cockneys Pie, Mash, Liquor and Eels, on a three-year FRI lease from 26 August 2016 at a commencing rent of £9,000 per annum with fixed increases to £12,000 per annum and averaging £10,650 per annum over the term. The upper floors arranged as three residential flats in other ownerships produced a collective ground rent of £450 per annum, increasing to £900 per annum in 2036 and £1,350 per annum in 2069. As the combined rental income over the first three years was approximately £11,100 per annum, sale price appears to have represented an initial 9.06% gross yield to the investor.
- In March 2015 was the sale of the virtual freehold fast food restaurant at 43/49 High Street, Margate for £500,000. Occupying the ground and basement only of a larger building, the lock-up A3/A5 premises were occupied by Cascade Caterers Limited trading a KFC on a 20-year effective FRI lease from 17 November 2003, the passing rent at the time of the sale of £47,500 per annum, subject to five-year rent reviews. The sale price of the 999-year peppercorn lease represented an initial 9.5% gross investment yield.

When arriving at our valuation of the part of the property trading as Buggy's Tenpin Bowling & Sports Bar, we have considered evidence from a much wider area, including the following:

- Currently on the market for sale is the freehold bar and nightclub investment of the former Odeon Cinema in Trinity Street, Hanley, Staffordshire, with an auction price guide of £700,000 plus for 20 May 2019. 1,117.7 m<sup>2</sup> (12,031 ft<sup>2</sup>) of the ground and basement floors are let to Chicago Leisure Limited trading as Chicago Rock on a 25-year FRI lease from 11 February 2000, the commencing rent of £85,000 per annum, subject to five years rent reviews.

The balance of the building of 692.7 m<sup>2</sup> (7,456 ft<sup>2</sup>) was initially let to Moody Delivery Services Limited on a 10-year FRI lease from 23 May 2016 at a rent of £46,000 per annum, but this has since been assigned to Rift Cocktail Bar Limited. However, due to annual payments paid by the landlord to the tenant over the first five years of the term the net rent in 2019 will be £38,000 per annum, in 2020 £39,000 per annum and in 2021 £40,000 per annum.

The collective rental income from the property as a whole will therefore be £123,000 per annum, rising to a contracted minimum £131,000 per annum from 23 May 2021 the auction price guide at £700,000 plus, suggesting a tempting prospective initial 17.6% gross yield, moving out to 18.7%, presumably with a view to attracting bidders.

- In February 2019, was the sale of freehold leisure investment 12a Purdeys Way, Rochford for £615,000. The property comprises a modern unit on an established industrial estate close to London Southern Airport. Extending to 1,036.5 m<sup>2</sup> (11,155 ft<sup>2</sup>) and arranged over ground and mezzanine floors to provide a trampoline park with cafeterias, customer seating areas, toilets and staff ancillary areas, it benefited from substantial on-site parking and secure rear yard. The entire property was let to Bounce Village Limited (with personal guarantor) on a 10-year FRI lease from 27 July 2015 at a commencing rent of £55,000 per annum, subject to a five-year rent review. The sale price represented an 8.51% gross initial yield.
- In November 2017, Mecca Bingo on East Street, Gateshead was sold for £3,335,000. The property extends to 3,319 m<sup>2</sup> (35,712 ft<sup>2</sup>) of mostly ground floor leisure accommodation, let to Mecca Bingo to September 2021 at a passing rent of £384,920 per annum. The site of approximately 2.978 acres (1.2 hectares) has 225 car parking spaces, with a capacity for around 2,000 people. The sale price equates to a gross initial yield of 11.54%. The passing rent equates to a rental rate of £116 per m<sup>2</sup> (£10.78 per ft<sup>2</sup>) but is clearly of a different scale and better located than the subject unit.
- In February 2017 was the freehold investment sale of the Sports Direct Fitness Centre in Northern Road, Nottingham for £1,370,000. Extending to 1,422 m<sup>2</sup> (15,306 ft<sup>2</sup>) and arranged on ground and part mezzanine floors to provide a modern gym with newly refurbished fitness studio, a weights room and extensive leisure facilities including pool and spa, the premises benefited from 108 on-site parking spaces, albeit some of these were sub-let. The property was let to SDI Fitness (Newark) Limited for 35 years from 10 December 2002 at a current rent of £135,000 per annum, subject to a fixed rent increase to £149,040 per annum in 2019 and with five yearly open market rent reviews thereafter. The sale price represented an initial 9.29% gross yield.

# Methodology and Comparable Evidence

Having regard to the comparable evidence detailed, we have assessed the value of the individual commercial elements as follows:

Element	Passing Rent £ per annum	Next Rent Review	Lease Expiry	Valuation £	Gross Initial
Bugsy's Tenpin Bowling & Sports Bar	54,234	21/09/2021	4/09/2043	600,000	9%
Cains Amusements	6,000	24/06/2033	24/06/2058	115,000	5.2%
Rendezvous Restaurant	30,000	2/10/2021	2/10/2038	300,000	10%
Faith in Strangers	25,830	5/09/2023	5/09/2038	215,000	12%
<b>Combined</b>	<b>116,064</b>	-	-	<b>1,230,000</b>	<b>9.44%</b>

In addition to the above, we have assessed the value of the vacant space, which is currently the subject of a planning application, at £210,000. This is based on the unit being let at a rent of between £28,000 and £29,000 per annum but allowing for a six-month rent-free period and a six-month void.

The foregoing results in a combined value of £1,440,000 in respect of the commercial accommodation, equating to a GIY of 10%, when assessed against the combined passing rent.

With regard to the residential aspects, we understand that flats 1 and 12 are still held by the owners under the terms of the original 99-year ground leases from 25 March 1975, at a current ground rent of £40 per annum, subject to 15-year fixed rental increases of £10 per annum, hence the ground rent will increase to £50 per annum from 25 March 2020.

The owners of flats 2 to 11 inclusive have previously extended their ground leases to a period of 189 years from 25 March 1975, although there has been no change to the level of passing rent, or the review pattern, hence the rents for these flats will also increase to £50 per annum from 25 March 2020.

Therefore, from March 2020, the rental income from the flats will increase from the current level of £480 per annum to £600 per annum.

We have assessed the investment value of the ground rent income to be £15,000, equating to a GIY of 3.2% when assessed against the current passing rent and 4% when assessed against the rent, following the fixed increase in March 2020.

Since acquiring the property, we understand that the current owners have extended the leases in respect of four of the flats in Cliftonville Court with premiums of £17,500 received from three of the long leaseholders and £20,000 from the fourth.

Negotiations are apparently underway with the owner of the long leasehold interest in Flat 1, with a premium of £20,000 being discussed. As such, it would appear reasonable to expect that a similar premium could be negotiated in respect of Flat 12. We have made an allowance of £20,000 for the benefit of this potential income, recognising that a new owner would require some return on their investment for dealing with the legal matters relating to the grant of the extended leases etc.

Finally, planning consent was granted in August 2018 for the addition of a further floor to Cliftonville Court, in order to create a three-bedroom penthouse. We understand that advice has been received from local agents that the penthouse should sell for between £490,000 and £500,000 and Mr Bowra has suggested that the development costs will be in the order of £200,000, although detailed plans and costings are yet to be prepared. We have assessed the planning consent to have a value of £125,000.

Having regard to the above, we have made a combined allowance of £160,000 in respect of the residential aspects of the site, resulting in a combined valuation for the entire property of £1.6m.

We would stress that whilst we have expressed our valuation as an aggregate of the component parts, our valuation assumes a sale of the property as a single asset. Whilst we have not made an explicit allowance for any development potential, we believe that an investor would take some comfort from the potential afforded by such, whilst recognising that in order to release such they would require control of the whole property.

Further, our valuation is a 'Day One' figure, given that it includes a provision for the premiums that may be derived from the long leaseholders of Flats 1 and 12, together with the premium that may be derived from a developer who would want to implement the planning consent that has been granted in respect of the penthouse development. Clearly, once such sums have been realised, they will be extinguished, and the value of the asset will reduce.

Conversely, should the planning application for the partial demolition and construction of 15 flats be granted, then this would be expected to give rise to an additional premium that may be derived from a developer seeking to implement this new planning consent that would be in excess of the allowance made for this currently vacant space.

## Methodology and Comparable Evidence

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In arriving at Market Value assuming vacant possession, we have adopted our assessment of Market Rental Value, except in the case of 'Cains Amusements', which is considered to be reversionary, which have been capitalised at the same yields (except 'Cains Amusements', for the reasons identified) given that we would expect tenants of a similar quality to occupy the space. However, we have made an allowance for voids and rent free periods, given that it will take a number of months to secure up to five tenants. The result is Market Value of £1m.

# Additional Commentary

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## Market Rent

As stated earlier in this report, we consider that the rents currently being charged on the various elements within the subject property are broadly in line with Market Rent.

## Marketability

We consider there to have been a material change in circumstances since the purchase and, as such, we believe that the property would appeal to a wider market, were it to be offered for sale in the current market.

We believe that the investment would now appeal to a range of small to medium local investors seeking an opportunity to add to their portfolio, together with developers, who would be attracted by the potential to extract further value from the site by undertaking further development, as is proposed by the current owners.

The recent marketing exercise undertaken in respect of the vacant part of the premises, in order to secure a new tenant, suggests that there is reasonable demand from potential occupiers, subject to the space being priced appropriately. However, we believe that the vast majority of potential tenants will be independent operators due to the size and location of the premises.

## Loan Security

Clearly, the value of a property is subject to fluctuation over time, resulting from changes in local market forces, legislation and national economic conditions. Whilst it is for the lender to assess the risk attached to such fluctuations over the period of any loan, and to determine an appropriate level of security, we are unaware of any foreseeable events or circumstances, other than those detailed within this report, which would suggest that the subject property is unsuitable security for loan purposes.

Additionally we would expect the property to have a useful economic life over a typical loan term for an investment of this nature. This assumes that the necessary maintenance and upgrades are made to the property to ensure that it continues to meet legislative and market requirements.

Whilst it is possible for sales to complete quickly, in the current market we would not consider it unusual for a marketing period of some 10 - 12 months to be required. However, if the property were disposed of in the event of foreclosure, or if a restrictive time period were imposed then we would expect a reduction in realisable value. It is impossible to be definitive as to the extent of this as it would be dependent upon the particular circumstances, but the valuations subject to assumptions outlined herein provide some illustration of this scenario.

# Valuations

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Within the opinions of valuation stated:-

- ❖ The term '**asset**' refers to the property and/or business inspected and as described within our report, subject to any stated assumptions. Where appropriate, opinions of Proposed Valuation are provided on the assumption that any changes to the property and/or business, as outlined herein, have been completed, the business is trading in line with our Projection and formal trading information can be made available in support of such.
- ❖ All opinions of valuation provided assume that **full and unrestricted title** would be transferred to a prospective purchaser with the current owner permanently vacating all rights to the property and removing all of their personal belongings ("*chattels*").
- ❖ Where the term '**Trade Inventory**' is used, it is assumed to include all items of relocatable furniture and equipment (beds, chairs, tables, crockery, etc) but not permanently installed fixtures and fittings, sanitary ware, floor-coverings, etc.
- ❖ In view of the unpredictability of the conveyancing process, valuations which are expressed subject to a **specified time restriction** are provided on the basis that a sale has been agreed within that timescale, subject to contract, rather than legally completed.

## MARKET VALUE

(a) The Market Value of the current asset is .....**£1,000,000**  
*(one million pounds)*

## MARKET VALUE

(b) The Market Value of the current asset, subject to the tenancies detailed herein, is .....**£1,600,000**  
*(one million and six hundred thousand pounds)*

# Valuations

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## Basis of Valuation

The bases of value above are as defined by The Royal Institution of Chartered Surveyors (RICS) Valuation - Professional Standards, and are subject to the qualifications and limitations referred to within this report. Full definitions of the valuations are outlined below.

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

*Market Rental Value - 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.*

## Market Value – Special Assumptions

Unless otherwise specified, this valuation assumes that the asset is to be offered for sale free of any perceived blight resulting from factors such as the threat of action by statutory authorities or the appointment of Receivers. It should be appreciated that the impact of the specified restricted sale period will be more significant during periods where transactions are prolonged due to uncertain market conditions.

# Explanatory Notes

**(Effective from 19 May 2014)**

This Appendix forms part of the Report, and it is assumed that the Client is fully conversant with its contents.

## **(a) Definitions**

Unless the context otherwise requires, the following terms have the meanings ascribed (where appropriate, references in the singular will also apply in the plural):-

"Pinders"	means Pinders Professional & Consultancy Services Limited whose registered office is at Pinder House, Central Milton Keynes, MK9 1DS.
"the Client"	means the person(s) or body from whom the instructions to prepare the Report have been received. Reference to the Client, who shall be identified on the front page of the Report, shall in all cases be interpreted to mean only this person(s) or body.
"Proposed Borrowers"	means the individual(s) or company whose proposal is the subject of the Report. Any reference to Proposed Borrowers within these Explanatory Notes also applies to alternative forms such as "Proposed Purchasers", "Proposed Vendors", etc.
"the Property"	means all those freehold/leasehold premises which have been inspected by Pinders and reported upon.
"the Business"	means the business trade or profession carried on or to be carried on by the Proposed Borrower in respect of which Pinders has been requested to prepare the Report.
"the Report"	means a Report on the Property and/or Business prepared by Pinders.
"date of Inspection"	the date on which Pinders' representative carried out the inspection of the premises.
"date of Valuation"	the date on which the opinion of value applies.

## **(b) Limitations of Report**

Pinders has prepared this Report for use only by the Client to assist them in the consideration of the proposal stated and in respect of the subject business and/or premises, and for no other purpose whatever. It is confidential to the Client and other than for information purposes it is not for use by the Proposed Borrowers or any other party in any way.

Pinders accepts responsibility to the Client alone that the Report will be prepared with the skill, care and diligence to be expected of a competent business valuer and appraiser, but accepts no responsibility whatsoever to any person other than the Client. No person or body other than the Client may rely on the Report and neither the whole, nor any part of the Report, nor any reference thereto, is to be included in any published document, circular or statement, nor published in any way without the written approval of Pinders as to the form and context in which it may appear.

The Report may include an appraisal of a business concern together with comments as to its trading potential. In making such assessments Pinders accept no responsibility for loss of whatever nature which may result directly or indirectly from:

- ❖ the suppression, deception or falsification of material facts by the Vendor, Proprietor, and/or Proposed Borrowers;
- ❖ any mismanagement of the business;
- ❖ insufficient capitalisation, stock and staffing levels;
- ❖ changes in the financial and market situation compared to those prevailing at the date of the Report;
- ❖ material alterations to the nature, character, extent and pricing structure of the business;
- ❖ failure to maintain all proper and prudent insurance cover.

This Report is not intended to replace any of the investigations or enquiries normally undertaken in connection with the purchase or mortgage of a property/business and we do not accept responsibility for loss of whatever nature directly or indirectly arising out of failure to make such enquiries. Such enquiries include, but are not limited to, the taking of independent professional advice from solicitors and accountants, the entering into of a professionally drawn acquisition agreement with the appropriate warranties being taken from the Vendor or Proprietor, the taking up of all necessary trade and bank references, the inspection of the Vendor's or Proprietor's or Proposed Borrowers' accounts, examinations of all necessary consents, regulations, permissions, licences and bylaws.

Furthermore it is the Client's responsibility to ensure that all trading information provided to Pinders is substantiated by audited/certified accounts and, where appropriate, an Accountant's Certificate. Any discrepancy arising from such documentation should be reported to Pinders as soon as practicable in order that any necessary adjustments may be made to the Report. The Report may point to further enquiries being necessary and failure to make such enquiries will be taken as evidence of non-reliance upon the Report and valuations therein.

It must be remembered that the Report does not contain a decision as to whether the stated proposal should proceed. It should also be noted that we do not supply "investment advice" either for the purposes of the Financial Services Act 1986 or at all. We do not offer advice as to whether shareholdings or debentures should be taken in the case of an incorporated business or equity acquired in the case of an unincorporated business or partnership. Should the Client and/or the Proposed Borrowers require such advice, they should seek assistance from their independent financial adviser.

Unless otherwise stated, the Report is not a Report of a survey, whether "Building Survey", "Structural Survey" or otherwise and no such building or structural survey has been carried out. In making the Report regard will be had to the apparent state of repair, construction and condition of the Property, taking into consideration major defects which are obvious in the course of a visual inspection of so much of the exterior and interior of the Property as is accessible at the time of inspection with safety, and without undue difficulty. The inspection will view those parts of the Property as can be seen whilst standing at ground level within the boundaries of the site and adjacent public/communal areas and whilst standing at the various floor levels, which Pinders considers reasonably necessary to provide the service, having regard to its purpose.

Pinders shall be under no duty to examine those parts of the Property which are covered, unexposed or inaccessible, or to raise boards, inspect woodwork, move anything, or use a moisture detecting meter. Neither shall Pinders have a duty to arrange for the testing of electrical, heating or other services which, unless indicated to the contrary, shall be assumed to be in a working and serviceable condition. If Pinders' inspection suggests that there may be material hidden defects Pinders will so advise and may exceptionally defer submitting a final Report until the results of further investigations are available.

It is assumed that those parts of any building erected on the Property which have not been inspected or made available for inspection would not reveal material defects of such a nature as to cause Pinders to alter the Report and Valuation.

*In making the Report Pinders has made the following assumptions:*

- (i) We have not arranged for any investigation to be carried out to determine whether or not any deleterious or hazardous material has been used in the construction of this property, or has since been incorporated, and we are therefore unable to report that the property is free from risk in this respect. For the purpose of this Report we have assumed that such investigation would not disclose the presence of any such material to any significant extent.*
- (ii) Pinders cannot give any opinion whatsoever regarding the structural design of any construction upon the property nor as to the suitability of any foundations to such constructions.*
- (iii) That the plant, machinery, equipment, fixtures and fittings are in serviceable order, adequate for the effective trading of the business, and will remain so for the foreseeable future.*

**(c) Aspects of Title**

*In making the Report Pinders has made the following assumptions:*

- ❖ That the Property is not subject to any unusual or especially onerous covenants, restrictions, encumbrances or outgoing which might affect Pinders' valuation or which might prevent all or part of the Property from being properly used in connection with the Business.
- ❖ That the Title is as described to Pinders and as referred to in this Report and that there is good and marketable Title to the Estate or Interest which Pinders has valued. Unless indicated to the contrary, title deeds and/or lease documents have not been inspected. Any interpretation of leases and other legal documents and legal assumptions given in our capacity as Business Valuers and Appraisers must be verified by a suitably qualified lawyer if it is to be relied upon.
- ❖ That the valuation of the Property/Business is unaffected by any matters which would be revealed by any searches and replies to such enquiries as are raised or should properly be raised by the Client/Proposed Borrower and/or by Solicitors acting on his/their behalf or by any statutory notice, restriction or liability; Pinders must be advised of any variations as to this assumption.
- ❖ That the Property and/or Business, its use or intended use, or its condition is not in any way unlawful or in breach of any provisions of the Town and Country Planning Act, Building Control, Licensing Acts, Registered Homes Act, Environmental Health Acts, or other statutory requirements, and that the Property has direct access from a publicly maintained highway.
- ❖ Pinders' understanding of the boundaries is noted, but Pinders has no knowledge (expressed or implied) of the responsibilities for fencing and legal advice should be sought in this respect, if required. Pinders assumes that such boundaries show the true extent of the property and that there are no potential or existing boundaries or other disputes or claims outstanding. Where indicated site areas are obtained from published plans or as advised to Pinders. They are not derived from a physical site survey and are approximate unless otherwise indicated. Unless otherwise stated, any measurements noted are carried out in accordance with the Code of Measuring Practice issued by the Royal Institution of Chartered Surveyors.

*Pinders shall be under no obligation to verify any of these assumptions. It remains the responsibility of the Client to ensure that all appropriate enquiries and investigations are made and the report is not intended to replace any of those enquiries/investigations.*

**(d) Environmental Matters**

*Pinders has not carried out, nor has it commissioned, a site investigation, geographical or geophysical survey and therefore can give no opinion or assurance or guarantee that the ground has sufficient load bearing strength to support the existing constructions or any other construction that may be erected upon it in the future. Pinders cannot give any opinion or assurance or guarantee that there are no underground mineral or other workings beneath the site or in the vicinity nor that there is any fault or disability underground. It is not possible for Pinders, therefore, to certify that any land is capable of further development or redevelopment at a reasonable cost for the use for which there is permission.*

*Unless otherwise stated, we are not aware of the content of any environmental audit or any other environmental investigation or soil survey which may have been carried out on the property and which may draw any attention to contamination or the possibility of any subsequent contamination. In our undertaking we will assume that no contaminative or potentially contaminative uses have ever been carried out in the property. We have not carried out an investigation into past or present uses, either of the property or of any neighbouring land, to establish whether there is any potential for contamination to the subject property from these uses or sites, and have therefore assumed that none exist. Should it be established subsequently that any contamination exists at the property or on any neighbouring land, or that the premises have been or are being put to a contaminated use, this might reduce the values now reported.*

**(e) Generally**

*This Report has been prepared in good faith on the basis of enquiries made and information supplied to us. We reserve the right to claim qualified privilege in respect of any part of this Report should the contents be subsequently challenged by a party claiming to be aggrieved at anything stated herein. Sections 12 to 16 of the Supply of Goods and Services Act 1982 (or any statutory enactment thereof for the time being in force) are hereby excluded.*

*Valuations may be relied upon for the stated purpose as at the date specified. It is for the Client alone to make judgement as to their reliance upon the contents of the Report thereafter. In normal market conditions the value may not change materially in the short term (approximately 3-6 months). However, the property market is constantly changing and is susceptible to many external factors which can affect investor confidence and corresponding values.*

*Value added tax, taxation, grants and allowances are not included in capital and rental values as, unless otherwise specified in the report, these are always stated on a basis exclusive of any VAT liability even though VAT will in certain circumstances be payable. Unless otherwise specified no account is taken of any existing or potential liabilities arising for Capital Gains or other taxation or as a result of grants or capital allowances.*

*In the event of a dispute arising in connection with a valuation or the contents of the Report, unless expressly agreed otherwise in writing, Pinders Professional & Consultancy Services Limited and the Client will submit to the jurisdiction of the British Courts only. This will apply wherever the property or Client is located, or the advice provided.*

*Pinders are deemed to be "External Valuers" with no other current or presently foreseeable fee earning relationship concerning the subject property and/or business apart from the valuation fee. Pinders will disclose to the best of its knowledge previous inspections undertaken. Pinders is not however able to disclose any present or previous relationship with any of the interested parties, contrary to the requirements of the Valuation - Professional Standards of the Royal Institution of Chartered Surveyors.*

*None of our employees, partners or consultants individually has a contract with you or owes you a duty of care or personal responsibility. You agree that you will not bring any claim against any such individuals personally in connection with our services.*

*If you suffer loss as a result of our breach of contract or negligence, our liability shall be limited to a just and equitable proportion of your loss having regard to the extent of responsibility of any other party. Our liability shall not increase by reason of a shortfall in recovery from any other party, whether that shortfall arises from an agreement between you and them, your difficulty in enforcement, or any other cause.*

Our contract with you for the provision of this valuation is subject to English/Scots Law (as appropriate to the location of the subject property). Any dispute in relation to this contract, or any aspect of the valuation, shall be subject to the exclusive jurisdiction of the Courts of England and Wales/Scotland, and shall be determined by the application of English/Scots Law regardless of who initiates proceedings in relation to the valuation.

**(f) Valuations**

The valuations provided will be made on the assumptions stated within the Report and/or these Explanatory Notes in respect of the individual subject business/property, unless otherwise agreed, on whichever of the following or other bases as have been agreed between Pinders and the Client, such bases where applicable to be as defined or referred to in the Valuation - Professional Standards of the Royal Institution of Chartered Surveyors.

The valuations provided are for the value of the business/property as described. No account has been taken of any special tax or other inducement or liability which may arise as a result of any transaction in contemplation nor of normal costs involved in the execution of such a transaction. The full definitions of the valuations provided in the Report are set out below: If the Report contains other valuation bases, these are as specifically requested by the Client with our advice identified within the Report to be on a basis not recommended by the Royal Institution of Chartered Surveyors, and provided for guidance purposes only.

**DEFINITIONS OF VALUATION**

Market Value (MV)	The estimated amount for which an asset or liability should exchange on the date of valuation between a willing buyer and a willing seller in an arm’s-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.
Market Value with special assumptions	Opinions of Market Valuation can be provided in accordance with special assumptions which are indicated by the client. These assumptions will be clearly stated within the body of the report.
Market Rental Value (MRV)	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 acted knowledgeably, prudently and without compulsion.

Interpretive Commentary, as published the RICS Valuation – Professional Standards January 2014.

(a) ‘The estimated amount ...’

Refers to a price expressed in terms of money (normally in the local currency) 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 date 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.

(b) ‘... an asset should exchange ...’

Refers to the fact that the value of an asset is an estimated amount rather than a predetermined 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.

(c) ‘... on the valuation date ...’

Requires that the value is time-specific as of a given date. Because markets and market conditions may change, the estimated value may be incorrect or inappropriate at another time. The valuation amount will reflect the 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.

(d) ‘... between a willing buyer ...’

Refers to one who is motivated, but not compelled to buy. This buyer is neither over-eager nor determined to buy at any price. This buyer is also one who purchases in accordance with the realities of the current market and with current market expectations, rather than on 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’.

(e) ‘... 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.

(f) ‘... in an arm’s-length transaction ...’

Is one between parties who do not have a particular or special relationship eg parent and subsidiary companies or landlord and tenant, that may make the price level uncharacteristic of the market or inflated because of an element of Special Value. The Market Value transaction is presumed to be between unrelated parties each acting independently.

(g) ‘... after proper marketing ...’

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

(h) ‘... and where the parties had each acted knowledgeably and 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 which is lower than previous market levels. In such cases, as is true for other exchanges in markets with changing prices, the prudent buyer or seller will act in accordance with the best market information available at the time.

(i) ‘... and without compulsion’

Establishes that each party is motivated to undertake the transaction, but neither is forced or unduly coerced to complete it.

Market Value is understood as the value of an asset estimated without regard to costs of sale or purchase, and without offset for any associated taxes.

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

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

**Proplend Security Limited**

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

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

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

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

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

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

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

**Property Address:**

The Multi Leisure Centre,  
Ethelbert Crescent  
Cliftonville,  
Margate  
Kent  
CT9 2DY

**Estimated Value:**

£1,600,000

**Property Description:**

Leisure Complex Comprising a Restaurant (Opening End Of Month), Bowling Alley, Amusement + Cafe, and 1st floor Business Hub.

**Property Type:**

Leisure Premises / Caravan Parks / Lodges

**Type of Report Requested:**

Red Book & VAS Panel Executive Summary

**Valuation Requirements:**

AS IS

**Additional Information:**

N/A

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

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

**Applicant Name:**

G E Bowra Group Limited  
Mr George Bowra

**Access Arranged Through:**

Mr George Bowra

**Access Contact Details:**

[george@bowragroup.co.uk](mailto:george@bowragroup.co.uk)  
07884 263 110

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

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

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

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



PANEL  
SOFTWARE  
AUDIT

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

Kind Regards,

*Team VAS*

vas-group.co.uk

Pinders  
Pinder House  
249 Upper Third Street  
Central Milton Keynes  
MK9 1DS

Ref: G E Bowra Group Limited

Dear VAS,

Please accept this letter as our formal instruction to your firm to carry out a valuation, for mortgage purposes, on the addresses indicated below upon which we, Proplend Security Limited shall rely. The Valuation Report may be shown to any third parties in connection with the financing of the property albeit it cannot be relied on by those parties directly. 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:	G E Bowra Group Limited
Properties:	The multi leisure centre, Ethelbert crescent, Cliftonville, Margate CT9 2DY
Tenure:	Freehold
Use:	Mixed Use (Commercial)
Tenancies:	Bowling Alley Amusements + Cafe 1st floor business hub Restaurant (opening end of month)
Access:	To arrange access to the Property please contact the client directly - George Bowra / 07884263110 / george@bowragroup.co.uk. Please provide details of any parts of the Property that were not inspected within your report.

### Instruction

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

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

The report and valuation must be undertaken and signed by a qualified valuer with a minimum 2 years PQE. A qualified valuer must be both a member of the Royal Institution of Chartered Surveyors, MRICS/FRICS and an RICS registered valuer. The Lender requires all residential and commercial valuation reports (excluding short form residential templates) are to be countersigned by a Chartered Surveyor, MRICS/FRICS and an RICS registered valuer with a minimum of 5 years PQE.

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

### Valuation and Report

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

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

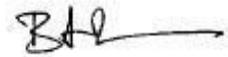
Please provide as appendices:

1. Sufficient colour photographs of the street scene, exterior (front and rear) and interior of the Property.
2. A general location map and a more detailed plan showing boundaries you have assumed for the Property.
3. Land registry extract.

### Report on Title

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

Yours Sincerely,



Brian Bartaby  
Director  
Proplend Security Ltd





01	HEALTHCARE & EDUCATION
02	LICENSED TRADE
03	RETAIL & CATERING
04	LEISURE & HOSPITALITY
05	SERVICE & MANUFACTURING

## SERVICES

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▶ Appraisal & Valuation

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▶ Consultancy

- ▣ Feasibility Studies
  - ▣ Market Surveys
  - ▣ Needs Assessment
  - ▣ Rent Reviews
  - ▣ Planning Consultancy
  - ▣ Charities Commission
- 

▶ Dispute Resolution

- ▣ Arbitration
  - ▣ Independent Expert
- 

▶ Building Surveying

- ▣ Building Surveys
  - ▣ Dilapidations
  - ▣ Schedules of Condition
  - ▣ Project Monitoring
  - ▣ Asbestos Inspection
  - ▣ Energy Performance
  - ▣ Fire Risk Assessment
  - ▣ Insurance Reinstatement
- 

▶ Project Management

- ▣ Employers Agent
- ▣ Design & Contract
- ▣ CDM Co-ordinator