

# *Valuation Advisory*

**Client:** Proplend Security Limited

**Property:** 108 Bartholomew Street, Newbury, RG14 5DT

July 2019



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## Executive Summary

### Location

- Newbury is the principal town in West Berkshire. It is situated on the River Kennet and is located approximately 60 miles west of London, 65 miles east of Bristol and 96 miles south west of Birmingham. The district has excellent communication links to London and to the West via trunk roads, the M4 motorway and mainline railways.
- The property is located on Bartholomew Street, in central Newbury. Bartholomew Street leads into the pedestrianised section of Newbury town centre. Bartholomew Street is a busy street occupied by small shops and businesses alike.

### Description

- The property comprises a site extending to approximately 0.23 acres.
- The proposed development is situated upon land previously occupied by a dilapidated office building with ancillary outbuildings. These units have since been demolished to enable development.
- The consented development comprises a new three storey residential property, arranged as eight, one-bed self-contained apartments.

### Tenure

- Freehold.

### Tenancy

- The property is currently vacant.

### Planning

- 18/01620/FULD – application validated December 2018 for the development of eight single self-contained apartments. Permission was granted subject to conditions. A subsequent application (19/01694/FULD) has been submitted reference; Section 73: Removal of Condition 6 (Louvres) and Variation of Condition 9 (Plans) of previously approved 18/01620/FULD

### Analysis

#### Strengths

- Good location within walking distance of Newbury Town Centre
- Newbury is a buoyant market with good transport links
- Limited supply of new build properties in the area
- Proposed scheme to be of a good standard and specification expected in this market

#### Weaknesses

- Competition from schemes benefitting from a more prime positioning
- The size of the site is tight and therefore outside green space is restricted

### Due Diligence and Lender Action Points

We have assumed:

- All necessary title enquiries will be undertaken by your legal advisers.

### Principal Risks

In considering this property as security for the proposed loan, we would draw your attention to the following main risks:

- Copies of all planning consents, appeal decisions and associated documents will be supplied to and reviewed by your legal advisers.
- Your legal advisers will verify the Section 106 Agreement assumptions within our report are correct and there are no additional requirements or payments to those included in our valuation.
- Your project monitoring surveyor will review the estimated build costs when available and project timescales to confirm they are sufficient to complete the scheme. We should be advised if their opinion is materially different to the assumptions we have made. They should ensure there will be adequate warranties for mortgage lending purposes.
- You will ensure all the planning conditions can be discharged.
- End sale values - The scheme will appeal to downsizers, families and locals. Consequently, to ensure demand, asking prices should be kept to a sensible level ensuring sales in reasonable time frames. While recent house price data showed prices continues to rise in the South West there has been a general slowdown in house price increases across the country. Rising interest rates and other Government legislation could suppress demand. In the event that sentiment in the residential market worsens, achievable values will fall and the sales period will be lengthened.
- Development Risk - There is market risk in undertaking the development of this site as well as risks associated with identifying previously unknown site problems such as ground conditions, contamination or technical issues, and a risk associated with the sale of the completed units and changing market conditions.
- Interest Rates - Expected rises in the Bank of England base rate will affect interest repayments on any loans obtained. If these are not fixed interest rates, then finance repayments will have an adverse effect on the level of profit anticipated on completion of this development.
- Building works - As in any development there are risks associated with the progression of the building works and in terms of the contractors achieving the intended specifications, dimensions, areas and so on, together with their ability to not only complete the development to a high standard but also within the scheduled timescale.
- Development funding - We emphasise that development values are inherently volatile and can rise steeply during buoyant market periods and fall rapidly when the market weakens. As a consequence, the ability of development funding is sensitive to market conditions as demonstrated in the previous recession with particular reference to apartment schemes.

**Valuations as at: 02 August 2019**

**Market Value:** £490,000  
(Four Hundred and Ninety Thousand Pounds)

**Purchasers Costs:** Stamp Duty plus 1.50%

**Suitability for Loan Security**

- On the basis of the information provided and subject to the comments contained within this report, we consider that the property should form suitable security for a mortgage advance, assuming it is maintained to a reasonable state of repair for the duration of the loan.
- In accordance with normal commercial practice, however, we would anticipate any advance being for only a proportion of our opinion of Market Value.



31 Great George Street, Bristol, BS1 5QD  
tel +44 (0)117 927 6691

www.jll.co.uk

Proplend Security Limited  
15 Little Green  
Richmond  
TW9 1QH

Your ref  
Our ref AG/byh  
Direct line +44 (0) 117 930 5830  
Adam.Greenwood@eu.jll.com

30 July 2019

Dear Mr Bruce

### Terms of Reference

**Addressee:** Stewart Bruce  
Proplend Security Limited  
15 Little Green  
Richmond  
TW9 1QH

For the attention of Stewart Bruce

**Property Address:** 108 Bartholomew Street, Newbury, RG14 5DT

**Reliance:** Please note that this report is confidential to the party to whom it is addressed.

We acknowledge and agree that this report and all work and/or reports which we undertake and/or prepare in respect of the transaction referred to in this report may be relied on by Proplend Security Limited as Security Agent for the Finance as if the work was undertaken directly for or addressed directly to Proplend Security Limited.

If at any stage it is intended to include the valuation or report, or any reference thereto, in any Prospectus or Circular to shareholders or similar public document, our written consent will be required.

**Borrower:** Ressance Land No 3 Limited

**Tenure:** Freehold

**Valuation Date:** 02 August 2019

**Instruction Date:** 10 July 2019

**Instruction and Purpose of Valuation:** In accordance with your letter dated 10 July 2019 (attached to Appendix 1) we are instructed to provide you with a report and valuation for loan security purposes.

**Basis of Valuation:** Our valuation has been prepared in accordance with the RICS Valuation – Professional Standards, January 2014 published by the Royal Institution of Chartered Surveyors on the basis of Market Value as defined in Appendix 2.



The report is subject to, and should be read in conjunction with, the attached General Terms and Conditions of Business and our General Principles Adopted in the Preparation of Valuations and Reports which are attached in Appendix 2.

Our total liability in respect of this Report shall not exceed £5,000,000. Please note the exclusions and limitations of liability in our General Terms and Conditions of Business or pre-agreed terms of engagement or service agreement agreed between us.

No allowance has been made for any expenses of realisation, or for taxation (including VAT) which might arise in the event of a disposal and the property has been considered free and clear of all mortgages or other charges which may be secured thereon.

**Inspection:** The property was inspected on 02 August 2019 by Adam Greenwood. All significant parts of the property were inspected.

The valuation has been prepared by Kate Hollick MRICS under the direction of Adam Greenwood MRICS, Director.

We confirm that the personnel responsible for this valuation are qualified for the purpose of the valuation in accordance with the RICS Valuation – Professional Standards, January 2014 and are RICS Registered Valuers.

**Status:** In preparing this valuation we have acted as External Valuers, subject to any disclosures made to you. An External Valuer is an independent valuer and is defined in the RICS Valuation – Professional Standards as, ‘a valuer who, together with any associates, has no material links with the client or the subject of the assignment.’

**Disclosure:** We have valued the property on a GDV only basis for another lender. We have also had regular dealings with the borrower.

**Special Assumptions:** We have valued to property on the special assumption that the development is completed.

**Sources of Information:** We have inspected the premises and carried out all the necessary enquiries with regard to Market Value and Market Rent.

We have been provided with the Borrowers information pack, which we have relied upon and includes:

- Floor plans
- Floor areas

**Valuation:** £490,000  
(Four Hundred and Ninety Thousand Pounds)

**Purchaser’s Costs:** Including Stamp Duty, legal fees and agent’s fees.



**Confidentiality and Publication:** Finally, and in accordance with our normal practice we confirm that the Report is confidential to the party to whom it is addressed for the specific purpose to which it refers. No responsibility whatsoever is accepted to any third party and neither the whole of the Report, nor any part, nor references thereto, may be published in any document, statement or circular, nor in any communication with third parties without our prior written approval of the form and context in which it will appear.

Yours faithfully

A handwritten signature in black ink, appearing to read "KHollick", written in a cursive style.

**Kate Hollick MRICS**

**Associate**

**For and on behalf of Jones Lang LaSalle Limited**

Yours faithfully

A handwritten signature in black ink, appearing to read "AGreenwood", written in a cursive style.

**Adam Greenwood MRICS**

**Director**

**For and on behalf of Jones Lang LaSalle Limited**

# 1. Location

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## 1.1. Location

Newbury is the principal town in West Berkshire. It is situated on the River Kennet and is located approximately 60 miles west of London, 65 miles east of Bristol and 96 miles south west of Birmingham. The district has excellent communication links to London and to the West via trunk roads, the M4 motorway and mainline railways.

West Berkshire is home to a number of well-known national and international companies such as Atomic Weapons Establishment (AWE), Bayer, Nextra, Quantel and Vodafone. A strong industrial base, characterised by new technology industries with a strong service sector and several manufacturing and distribution firms, combine to give West Berkshire one of the lowest unemployment rates in the country.



## 1.2. Communications

In terms of access to major routes, the M4, Junction 13 serves Newbury to the north with the A34 heading south to the M3. Approximately 22 miles east is Reading with central London approximately 59 miles to the east. Swindon is approximately 27 miles to the west, with Basingstoke 16 miles to the southwest.

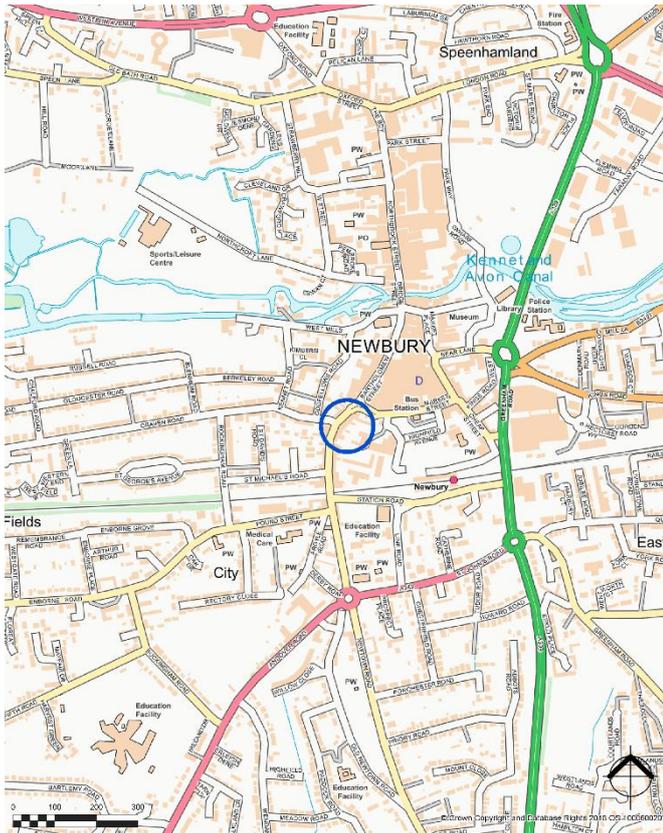
Newbury is served by two railway stations, Newbury and Newbury Racecourse, which both lie on the Reading to Plymouth Line. Newbury Railway Station is within walking distance of the property at approximately 0.5 miles away. Newbury mainline railway station has services into London Paddington with a journey time of approximately 45 minutes. It is worth noting that with the electrification of the main line into Paddington and the extension of Cross-Rail into Reading, journey times into central London are only going to improve further increasing the desirability of the town to commuters.

### 1.3. Situation

The property is located behind Bartholomew Street, in central Newbury. Bartholomew Street leads into the pedestrianised section of Newbury town centre and is therefore close to all the town centre amenities.

Bartholomew Street is a busy street occupied by small shops and businesses. The centre of Newbury is 0.1 mile to the north east, offering multiple; retail, commercial and leisure facilities.

Situated within Newbury Town Centre the site benefits from an abundance of local services, amenities and public transport all within immediate reach of 108 Bartholomew.



## 2. Description

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### 2.1. Site

The property comprises a site extending to approximately 0.23 acres. The site is of a linear shape, with geometry largely dictated by neighbouring properties. The property is accessed from Bartholomew Street via a pedestrian passageway to the east of the site, which fringes residential dwellings with retail units to the ground floor on both sides. The current pedestrian access to site will be retained post development with a requirement to maintain pedestrian access to the rear of 108.

The property is also accessible by car from the east, via a driveway leading from Market/ Bartholomew Street. The site is surrounded on all sides by high density buildings which include Maidenhead House, Imperial Court and the council's offices. Surrounding properties range in building height from single-to-four storey units primarily of red brick elevations under pitched clay tile roofs. Immediate use types include, residential, retail and office users. 108 Bartholomew is located within Newbury Town Centre Conservation Area and therefore, development will not impede the skyline from the high street or any surrounding aspects.

#### 2.1.1. Previously

The proposed development is situated upon land previously occupied by a dilapidated office building with ancillary outbuildings. These units have since been demolished to enable development.

#### 2.1.2. Proposed Development

The proposed development comprises the construction of eight one-bedroom dwellings. There are no onsite affordable housing provisions, with an offsite affordable housing contribution being paid to West Berkshire Council.

Development upon 108 will comprise a four-storey block, which will consist wholly of one-bedroom units. The building will be positioned in the same location as the historic (now demolished) building upon the site. Due to the configuration of the site, the building will be linear in shape to best utilise the available area. No onsite parking will be provided for residents but proximity to the town centre and train station will mitigate this to a large extent.

Building design is modern with a contemporary palette of facing materials. The elevations include a brick plinth at ground floor level with grey cladding on the upper three floors.

Access to the first, second and third floor is provided via a central staircase. A bin storage area and a secure cycle store are provided at opposite ends of the building.

The development strongly considers sustainability, incorporating energy efficient materials and fittings alongside a high overall specification. Energy efficient measures are to include; enhanced insulation, ground source heat pumps, heat recovery systems, solar energy and adapted lighting, heating and equipment throughout all units.



Site – pre-construction facing west



Site – pre-construction facing north west

### 2.1.3. Accommodation Schedule

The flats upon completion will comprise the following:

Type	Unit	Units	Sq m – GIA	Sq ft
1 bed – Ground	1	1	41	441
1 bed – Ground	2	1	32	344
1 bed – 1st Floor	3	1	46	495
1 bed – 1st Floor	4	1	35	376
1 bed – 2nd Floor	5	1	46	495
1 bed – 2nd Floor	6	1	35	376
1 bed – 3rd Floor	7	1	46	495
1 bed – 3rd Floor	8	1	35	376
<b>TOTAL</b>			<b>316</b>	<b>3,401</b>

The layout design of each flat is designed to maximise the use of daylight/sunlight and the available outlook of the site.

Units one and two – are ground floor 441 and 344 sq ft flats: both units benefit from open plan kitchen/ living areas with windows facing south onto the pedestrian footpath running west to east over the site. There is a single large double with ensuite bathroom adjoining the kitchen/living room.

Units three and four – first floor 494 and 376 sq ft flats respectively; unit three mirrors unit one in terms of layout with Kitchen/Diner, leading to double bedroom with ensuite and fitted wardrobe. Unit four opens from the stairwell into the kitchen/diner leading through to double bedroom with ensuite.

Both the second and third floors mirror the layout and size of units three and four.

### 2.1.4. Specification

We have not been provided with detailed proposals for specification upon completion of the development. we would however, assume that the finish and specification would be in conjunction with similar high density, compact flats within the market.

Any shortfall in finish may result in our opinions of Market Value not being achieved.

In line with that, we would reference you to the table below which details our understanding of the likely specification of the private dwellings, which in our opinion, is comparable to that of local competition which we discuss in the valuation section of this report.

Item	Specification
Floors	Flooring to be engineered wood or tiling in entrance halls, the kitchen and the bathrooms and en-suites as a minimum.
Walls & Ceilings	All walls and ceilings to be painted in a matt emulsion, standard white.

Item	Specification
Windows	Double glazed windows that open, where appropriate.
Kitchen	Contemporary fitted kitchens with mid-range appliances to include an oven and hob and extractor fan with stone, laminate or wood worktops.
Bathrooms & En-suites	Contemporary sanitary ware in white.
Bedrooms	Fitted wardrobes to master bedroom.
Heating	Independent central heating, with radiators or under floor heating
Lighting	Recessed lighting.
Electrics	Hard wired, TV/AV connections in main reception room and master bedroom and video door entry systems.
Other	Smoke alarms and NHBC 10-year warranty.

It is paramount that a high level of quality control and standard of workmanship is maintained throughout the construction period. Any failure in terms of attention to detail and slippage in quality will ultimately have an impact on the marketability of the property and subsequent value of the development. It is very important therefore that the progress of the development is monitored by the Bank's own Monitoring Surveyor on a regular basis.

We would note that should a specification similar to the above not be delivered we would reserve the right to alter our valuation.

#### 2.1.5. External Areas

The proposal scheme can be easily accessed by residents through pedestrian, cycle and public transport. The development will have two pedestrian and cycle accesses, one from Bartholomew Street and the other to the rear via Market Street.

The proposal scheme will provide safe and secure cycle parking in accordance with Local Policy.

A Right of Way exists over the land to the rear of the site, allowing for vehicular access for purposes such as deliveries. The development does not include space for the parking of private vehicles. However, as part of the proposal scheme the borrower will make a financial contribution towards a local car sharing scheme.

Due to the restricted space available on the property, opportunity to provide open space is limited, however, Newbury offers an abundance of local open spaces such as Victoria Park and Goldwell Park.

#### 2.1.6. Photographs

We have included photographs of the property at Appendix 4 to this Report.

## 2.2. Condition

### 2.2.1. General

We would highlight that we have only inspected the property for valuation purposes and JLL have not been instructed to undertake any structural surveys, tests for services, or arrange for any investigations to be carried out to determine whether any deleterious materials or contamination exists within the property (other than discussed below), nor have we inspected any parts of the site which were covered, unexposed or inaccessible.

In terms of the new development, all building works will need to be carried out in accordance with best practice, adhering to all necessary legislation. NHBC certification or suitable collateral warranties will need to be made available on completion of the development or the achievable prices may be affected.

#### 2.2.2. Deleterious Materials

It is unlikely that there will be any deleterious materials used within the fabric of any development works and, for the purposes of our valuation; we have assumed that any deleterious materials within the existing structure will be removed as part of the demolition costs.

#### 2.2.3. Life Expectancy

Assuming normal maintenance and repair as well as reasonable and prudent management of the completed properties, we consider the life expectancy of the completed units to be in excess of 50 years.

#### 2.2.4. Equality Act 2010

This came into force on 1 October 2010 and largely replaced the Disability Discrimination Act 2005. We are unsure as to whether the proposed properties comply with this legislation and we would recommend that you consult with the Borrower's architects. Your Monitoring Surveyor should address this aspect with you in respect of the proposed development.

### 2.3. Environmental Considerations

#### 2.3.1. Contamination

We have been instructed not to make any investigations, in relation to the presence or potential presence of contamination in land or buildings, and to assume that if investigations were made to an appropriate extent then nothing would be discovered sufficient to affect value. We have not carried out any investigation into past uses, either of the properties or any adjacent land, to establish whether there is any potential for contamination from such uses or sites and have therefore assumed that none exists. In practice, purchasers in the property market do require knowledge about contamination. A prudent purchaser of this property would be likely to require appropriate investigations to be made to assess any risk before completing a transaction. Should it be established that contamination does exist, this might reduce the value now reported.

#### 2.3.2. Ground Conditions

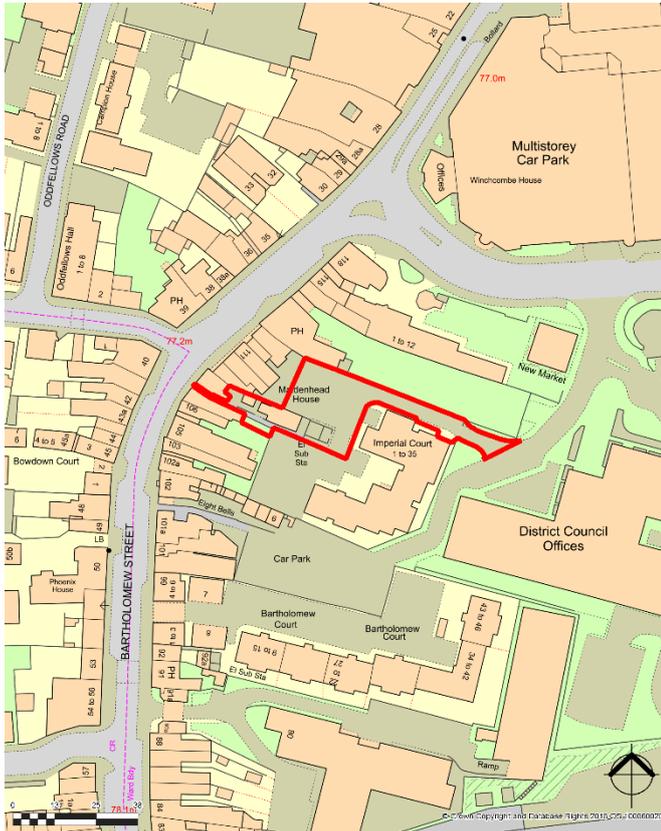
We have made the assumption that ground conditions are suitable for the current buildings and structures or any re-development.

Since our normal enquiries and inspections did not suggest that there are likely to be archaeological remains present in or on the property, we have assumed that no abnormal constraints or costs would be imposed on any future development at the property by the need to investigate or preserve historic features.

## 3. Site and Ground Conditions

### 3.1. Site

#### 3.1.1. Characteristics



#### 3.1.2. Access

We understand that vehicular access to the site will be from the east of the site, via an unnamed road leading to Market/ Bartholomew Street, which we understand is an adopted highway maintained at public expense.

Pedestrian access is from Bartholomew Street and the west of the site.

In reporting our opinions, we have assumed that there are no third-party interests between the boundary of the subject site and the adopted highways, and accordingly, the site enjoys unfettered vehicular and pedestrian access.

We have also assumed that there are no issues relating to visibility splays which may impact upon the use, or proposed use, of the Property.

The property is shown for identification purposes on the Ordnance Survey extract attached at Appendix 3, the extent of the site being outlined in red in accordance with our understanding of the site boundaries. Your solicitors should verify that we have correctly identified the extent of the site.

## 4. Statutory Enquiries

### 4.1. Planning

#### 4.1.1. General

All our enquiries have been undertaken on an informal basis to the local planning authority, West Berkshire Council, via telephone or via the internet. We assume that your solicitors will be making formal enquiries of the relevant bodies and that you will rely solely on their findings. Please advise us of any discrepancies found so that we may advise you as to whether this would have an adverse effect on our valuation.

The property lies within the jurisdiction of West Berkshire Council and planning policies are contained within the Core Strategy which was adopted formally by Council on 16 July. The Core Strategy forms part of the Developed Plan for the district and will be used in determination of all planning applications submitted to the Council. The Core Strategy is a development plan document which sets out our overall planning strategy to 2026.

#### 4.1.2. Planning History

The property has been subject to a number of planning applications over the past decade, however, we set out below the most recent and pertinent applications:

Ref No.	Details	Decision
00/01109/FUL	Change of use from assembly D2 to office B1.	Approved
02/02410/FUL	Erection of 3 storey building comprising 3no 2 bed flats.	Refused
02/02450/CON	Demolition of existing building.	Withdrawn
15/02215/OUTD	Outline application Development of 4 no: apartments and 35sqm B1 office space – matters to be considered access, appearance, layout and scale.	Dismissed at Appeal
18/01620/FULD	Development of 8 apartments.	Approved
18/03387/COND1	Application for approval of details reserved by Conditions 4 – Dust, 8 – Archaeology and 11 – Construction method statement of approved application 18/001620/FULD – Development of 8 apartments.	Approved

Planning consent was issued in December 2018. This is for the erection of 8no. apartments following demolition of the existing building. The consent was issued subject to a series of 12 conditions, we do not consider any of the conditions to impede the progress or completion of the development.

In conclusion, we have valued the property on the basis of its highest and best-permitted use, reflecting the current planning consent.

#### 4.1.3. Listed Building Consent and Conservation Area

The property is not listed but is within Newbury Town centre Conservation Area.

Having undertaken an internet search of West Berkshire Council's Planning portal, we understand there are no Tree Protection Orders listed on site.

#### 4.1.4. Proposals for Local Area

Combined with land to the rear of 108 Bartholomew Street (also within the borrower's ownership and undergoing almost parallel development to the property) the site totals 0.59 acres.

#### 4.1.5. Highways

We are not aware of any highway proposals that are likely to have an adverse effect on the value of the property/site.

## 4.2. Statutory and Tax Matters

#### 4.2.1. Value Added Tax

We are unaware of the VAT situation in relation to this site, although we assume that this will be investigated by your legal advisors. Our valuation does not reflect VAT.

#### 4.2.2. Capital Allowances

We are unaware as to the Capital Allowances situation in relation to this property although we assume that this will be investigated by your legal advisors. Our valuation does not reflect any budget for Capital Allowances.

#### 4.2.3. Stamp Duty

Stamp Duty based on the new sliding residential scale would be chargeable on a purchase of the site and this is reflected in our valuations.

## 5. Tenure

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### 5.1. Tenure

We understand that the property is held freehold.

We have assumed that there are no encumbrances or unduly onerous or unusual easements, restrictions, outgoings or conditions, likely to have an adverse effect upon the value of the property, and we have assumed that a good and marketable title is held.

We would recommend that the information regarding tenure is verified by your legal advisors and, furthermore, we would stress that the above assumptions regarding tenure should not be relied upon until they have been confirmed as being accurate by your legal advisors.

Upon completion of the proposed development, we have assumed that the individual apartments will be sold of long leasehold with 125 years or more unexpired at a ground rent which is no more than 0.1% of the purchase price.

## 6. Environmental Issues

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### 6.1. Environmental Considerations

No indications of past or present contaminative land uses were noted during the inspection. Our inspection was only of a limited visual nature and we cannot give any assurances that previous uses on the site or in the surrounding areas have not contaminated subsoils or ground waters. In the event of contamination being discovered, further specialist advice should be obtained. You are advised to ensure that your legal advisor takes up the usual enquiries on your behalf, in respect of possible contamination issues, prior to entering a commitment to purchase'.

#### 6.1.1. Asbestos Management Plan

The use of asbestos-containing materials was banned in the United Kingdom in November 1999. Therefore, buildings constructed after this date will not contain asbestos. However, buildings constructed prior to this may contain asbestos. Being a newbuild development we therefore assume there not to be any asbestos present.

#### 6.1.2. Ground Conditions

We have made the assumption that ground conditions are suitable for the current buildings and structures or any redevelopment.

Since our normal enquiries and inspections did not suggest that there are likely to be archaeological remains present in or on the property, we have assumed that no abnormal constraints or costs would be imposed on any future development at the property by the need to investigate or preserve historic features.

#### 6.1.3. Sustainability Considerations

Under the Energy Act 2011 Energy Performance Certificates (EPC's) are required when any building is sold, rented out, constructed and for major refurbishment projects. EPCs give information on a building's energy efficiency in a sliding scale from "A" (very efficient) to "G" (least efficient). EPC's are essentially required for privately occupied buildings and are the landlord's responsibility.

As a result of the Energy Efficiency Regulations 2015, the Minimum Energy Efficiency Standards (MEES) that came into effect on 1 April 2018 for new leases and lease renewals / extensions and from 1 April 2023 for all existing leases. The standards make it unlawful for properties with F or G Energy Performance Certificates (EPC) to be let, without implementing cost-effective energy efficiency improvements or fulfilling an exemption criterion. We would expect all completed dwellings to achieve an EPC of E or above as a minimum.

The Code for Sustainable Homes has recently been abolished by the Government. Elements of the code will now be incorporated into building regulations, which will be retitled as 'The New National Technical Standards' and set at the equivalent of a Code Level 4. We have assumed the development achieves a minimum rating comparable to Code Level 4 in line with the recommendations of the Local Planning Authority.

Under the legislation landlords of privately rented domestic and non-domestic property in England or Wales must ensure that their properties reach at least an Energy Performance Certificate (EPC) rating of E.

## 7. Occupational Leases and other Agreements

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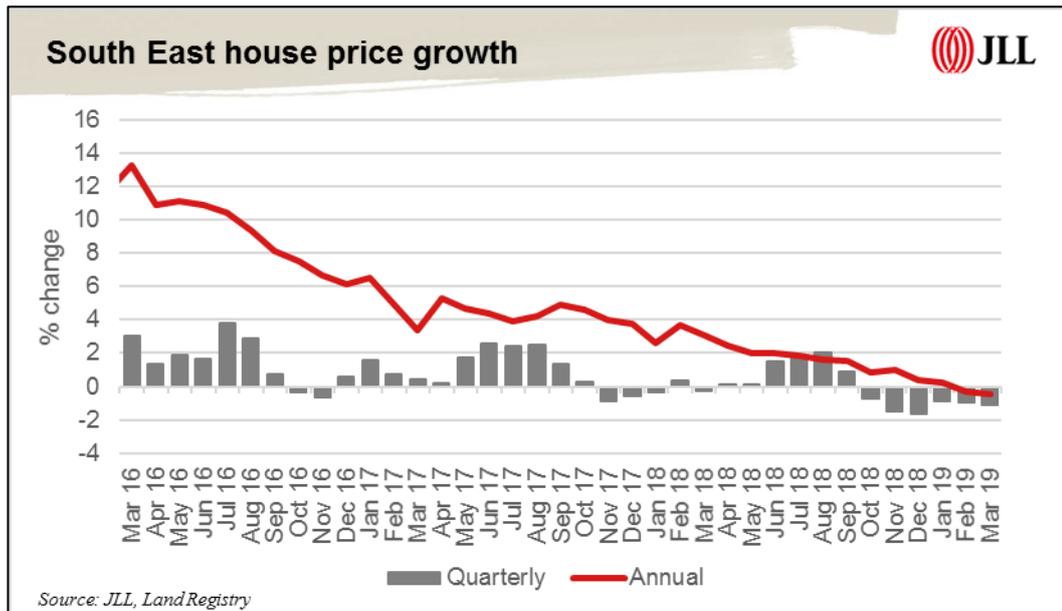
### 7.1. Tenancy

The property is vacant.

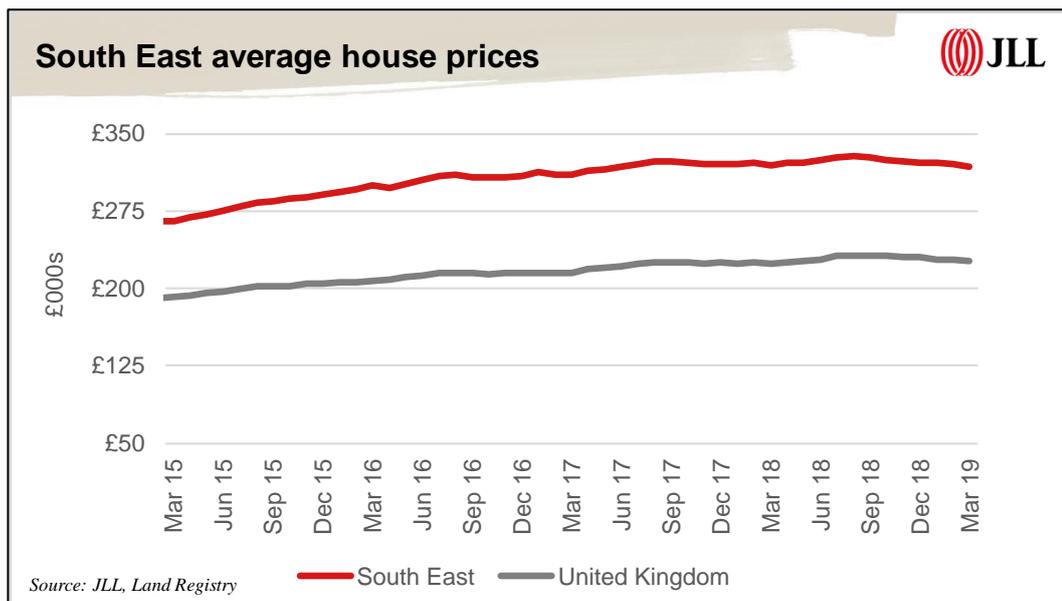
## 8. Market Commentary

### 8.1. Residential Market Overview – South East

House prices in the South East fell by 1.0% in the three months to end-March 2019. This compares with a decrease of 1.3% across the UK over the same period. The 1.0% decrease follows with a fall of 1.7% in the three months to end-December and an increase of 0.9% three months earlier. In the year to end-March 2019, house prices in the South East decreased by 0.4% which is below the average growth of 1.4% across the UK. (Source: Land Registry).

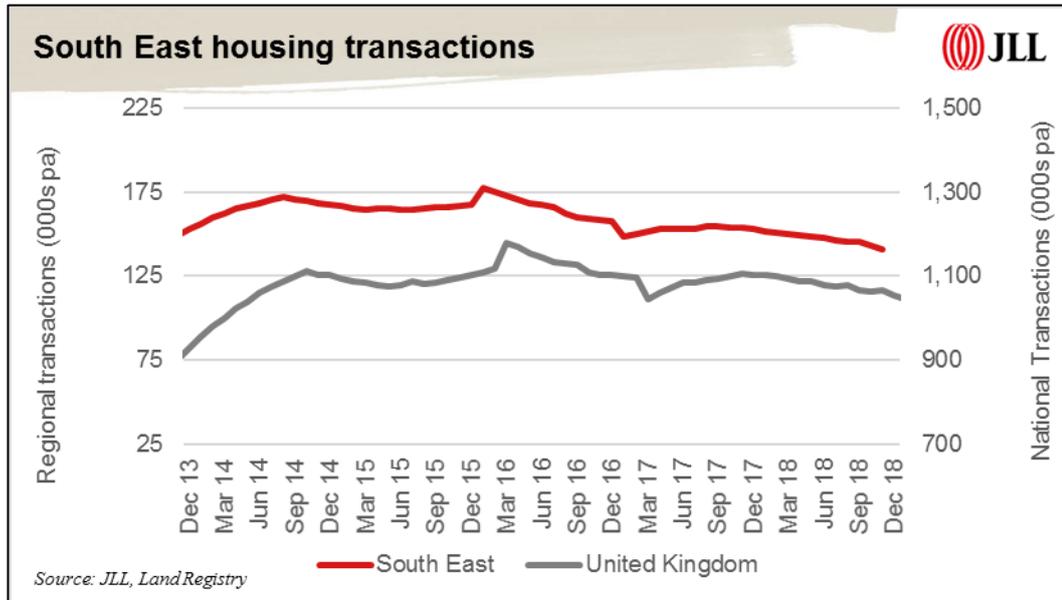


House prices in the South East are notably higher than prices in the UK, second only to London. The average house price in the South East was £318,490 in March 2019, compared with £226,797 across the UK. South East house price growth in recent years has continued to outperform the average across the UK. (Source: Land Registry).



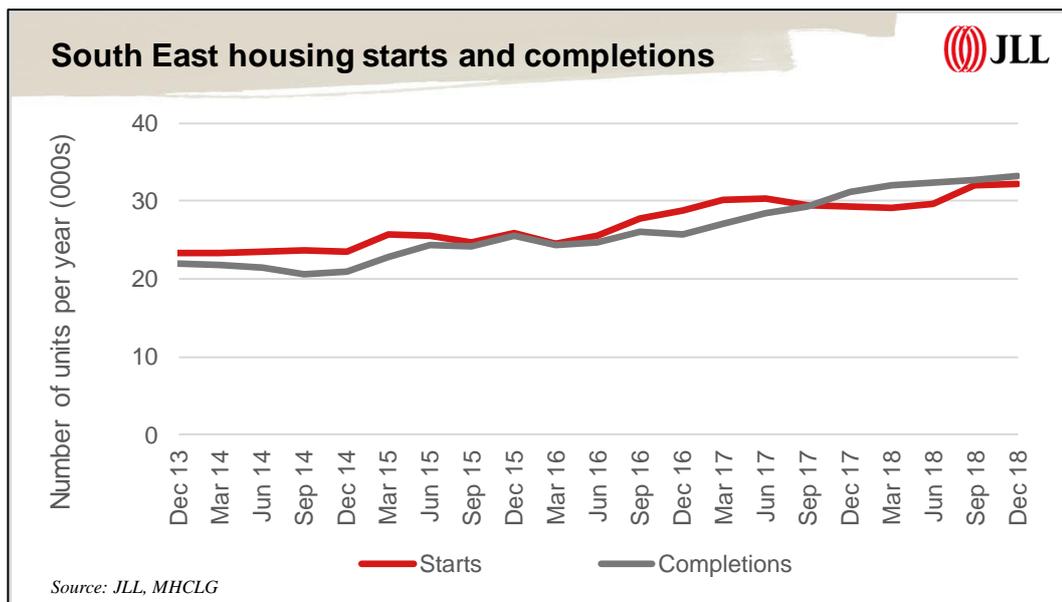
There were 141,100 transactions in the twelve months to December 2018, the highest level of transactions across all UK regions. In the year to December 2018, annual transaction levels in the South East decreased by 8.3% which compares with a fall of 5.7% across the UK.

Annual transaction levels in the South East are below the 2006 average and the 10-year average. The current level of transactions in the South East is 29.8% lower than the 2006 average. This is slightly above the UK average of a 28.1% decrease. The annual number of transactions in the South East is below the 10-year average by 0.1% which is well below the 10.7% higher seen across the UK. (Source: Land Registry).



The number of annual development starts has increased by 10.1% compared with a year earlier in the South East. At 32,260, the number of annual starts in Q4 2018 is 2.1% above 2006-2007 levels and 33.6% higher than the 10-year average.

The number of development completions in the year to Q4 2018, at 33,310 units, is 7.1% higher than a year earlier, 19.8% above 2006-2007 levels, and 31.2% above the 10-year average (Source: MHCLG).



## 8.2. Local Market Review

Newbury has seen a number of converted apartments entering the market from the conversion of existing office buildings, through permitted development rights. New build schemes however, have been much more limited with the only one of note being the large Racecourse development by David Wilson Homes at Newbury Racecourse.

New build developments will have sales encouraged by the government backed Help to Buy schemes. First time buyers making use of this scheme are restricted to new build sites and therefore their attention is focused on a small sector of the market.

In addition, first time buyers will be encouraged to purchase through the recent exemption for stamp duty land tax (SDLT) that they have become eligible for. As announced in the Autumn Budget 2017 first time buyers will gain relief from SDLT for purchases of residential property up to a value of £500,000, provided they intend to occupy the property as their main residence. First time buyers are likely to be encouraged to purchase with significant savings to be made.

The postcode RG14 includes Newbury and extends north to the M4, south to Greenham, east to Benham Hill and west to Speen. As at January 2018 the average for all property prices stood at £356,520 which was 6% above the average all property price recorded in January 2017. During this year the peak all average property price of £395,073 was recorded in April 2018.

Within RG14 property sales between August 2017 and July 2018 were fairly evenly split between detached, semi-detached, terraced houses and flats. Flats comprised the largest proportion of sales at 28% with detached house accounting for 19%, semi-detached houses 24% and terraced houses 17%. The average monthly flat price during this time was £249,279.

With regard to selling times (over the last 90 days) within RG14 the mean selling time for all properties is 110 days whilst the median is recorded as 66 days. When looking at property types the average selling time for flats is 134 days, the longest of the property types. The quickest average selling time is for semi-detached properties at 78 days. The sample for flats was 171 properties and the sample for semi-detached houses was 74 properties.

Average Newbury Home Values are significantly above the UK average, with demand being driven by a number of factors including a strong local economy, population growth, the volume of contract workers in the Hi-Tec industry and rail electrification. Price growth has followed a similar upwards trend as the UK average.

Zoopla lists the following average current values and price paid over the last 12 months:

Property Type	Avg. current value	Avg. £ per sq ft	Avg. # beds	Avg. £ paid (last 12m)
Detached	£582,966	£358	3.9	£563,997
Semi-detached	£378,285	£334	3.2	£380,252
Terraced	£313,728	£335	2.7	£320,386
Flats	£241,264	£354	1.8	£247,762

The subject property will provide mid-range apartments well suited to Newbury town centre and will cater to the demand for compact centrally located accommodation within the area. The apartments will appeal to working professionals and couples and may also adhere to downsizers. There is very little competition for this type of product, therefore it should sell well.

## 9. Capital Value - Residential

### 9.1. Comparables and Considerations

#### 9.1.1. Comparables

In arriving at our opinion of Market Value in respect of this property, we have had regard to a range of transactions as follows. We have considered new build flats and apartments in the town and made adjustment for location, specification, size and views.

#### The Quadrant, Pembroke Road, Newbury, RG14 1BY



- A contemporary development of 12 two bed apartments arranged over three floors. The apartments are available on a 999 year lease at a ground rent of £125 per annum. The apartments include solid floors, built in wardrobes, LED light fitting, fully fitted kitchens, security system entry and an allocated parking space. The apartments are located in the town centre. A number of the apartments include en-suites to the master bedroom.
- We are aware that sales ranged from £204,000 to £254,000.
- Flat 2 – a two bed, two bath apartment extending to 603 sq ft, which sold for £212,000, equating to £352 per sq ft. The apartment is situated on the ground floor. Sold February 2018.
- Flat 3 – a two bed, two bath apartment extending to 603 sq ft, which sold for £211,000, equating to £350 per sq ft. The apartment is situated on the ground floor. Sold January 2018.
- Flat 12 – a two bed, two bath apartment extending to 592 sq ft, which sold for £225,371, equating to £381 per sq ft. The apartment is situated on the top floor. Sold January 2018.
- Flat 6 – a two bed two bath apartment extending to 603 sq ft sold for £215,000, equating to £357 per sq ft. The apartment was situated on the first floor with open plan living space and a small balcony. Sold November 2017.
- Flat 11 – a two bed, two bath apartment extending to 730 sq ft sold for £250,000 after having five accepted buyers but falling through. An early offer was achieved at £265,000. The sale equated to £342 per sq ft. Sold November 2017.
- Flat 7 – a two bed, two bath apartment sold to an investor for £254,000. The apartment extending to 759 sq ft with the sale equating to £335 per sq ft. Sold September 2017.
- The development was mainly purchased by buy to let investors but also had interest from the first time buyers' market. The building had a lift to all floors and the ground floor apartments received less interest.

## Southmead House, Kingman Way, Newbury, RG14 7FY



- Southmead House is situated on the newly built racecourse development, completed by David Wilson Homes in 2017.
- The Newbury Racecourse development comprises a mix of 1, 2- and 3-bedroom apartments, located within walking distance of the town centre. The apartments feature open-plan living accommodation and benefit from balconies, some of which provide views across the racecourse.
- We are aware of the following 2 bed sales:

Flat No.	Description	Area sq ft	Date	Sale Price	£ psf
48	Top (sixth) floor, 2 bed, Ensuite bathroom. Balcony included.	800	Sold STC (Oct-18)	£300,000	£375
21	Third floor, 2 bed, Ensuite bathroom. Balcony included.	635	Aug-17	£213,000	£335
32	Fourth floor, 2 bed, Ensuite bathroom. Balcony included.	775	May-17	£282,000	£364
29	Fourth floor, 2 bed, Ensuite bathroom. Balcony Included.	570	May-17	£216,000	£379
39	Fifth floor, 2 bed, Ensuite bathroom. Balcony included.	570	Apr-17	£222,000	£389
35	Fifth floor, 2 bed, Ensuite bathroom. Balcony included.	678	Apr-17	£223,000	£329

**Merchants Court, Kelvin Road, Newbury, RG14 2DB**



- Exclusive, modern development of 28 one- and two-bedroom apartments arranged across two buildings. A development undertaken by the Borrower, Ressance Limited, the conversion has created loft-style apartments with exposed brickwork, floor to ceiling windows and open plan living space within walking distance of the town centre. The scheme included bikes store and car parking.
- We are aware that the development is completely sold. The Borrower has however confirmed two re-sales during 2017 as follows:
- Flat 3 – Re-sold July 2017 for £205,000, reflecting £488 per sq ft. A 1 bed apartment extending to 420 sq ft. Originally sold as new build in June 2016 for £175,000, reflecting £417 per sq ft.
- Flat 10 – Re-sold August 2017 for £213,500, reflecting £509 per sq ft. A 1 bed apartment extending to 420 sq ft. Originally sold as new build in June 2016 for £177,500, reflecting £423 per sq ft.
- Between March 2016 and June 2016, we are aware of 25-unit sales. One bed apartments achieved between £167,500 and £213,500 equating to a range of £385 to £508 per sq ft. Two bed apartments achieved between £200,000 and £272,500 equating to a range of between £296 to £413 per sq ft.
- When looking at ground floor versus first floor location for one bed apartments the average value increase for first floor apartments was 1.45%. For two bed apartments the values achieved for first floor locations were 3.80% higher than ground floor.
- The property is centrally located, north of Kennet Shopping Centre and opposite Victoria Park.

**Henwick View, Bath Road, Thatcham**



- Henwick View is a development of seven houses and 38 apartments completed by the Borrower, Ressance Ltd. Each apartment has allocated parking and bike storage. The site is situated approximately 2.3 miles east of the subject, being situated on Bath Road, Thatcham within 6 miles of the M4.
- We are aware of the following Phase 2 sales:

No.	Floor	Beds	Features	Area	Sale Price	£ psf
6	GF	2		560	£230,000	£411
2	GF	2		570	£233,000	£408
3	GF	2	en-suite	603	£248,000	£411
5	GF	2	en-suite	592	£240,000	£405
7	FF	2		549	£227,000	£414
14	FF	2		560	£230,000	£411
9	FF	2	en-suite	592	£238,000	£402
10	FF	2	en-suite	614	£250,000	£407
11	FF	2	en-suite	646	£261,000	£404



12	SF	2	en-suite	614	£250,000	£407
19	SF	2	en-suite	807	£286,000	£354
3*	GF	1	en-suite	377	£180,000	£478
4*	FF	2	en-suite	732	£277,000	£378

\*Reserved

**Park Reach, St Mary's Road, Newbury, RG14 1EQ**



- An exclusive, modern development of 14 one and two bedroom apartments arranged over three floors. A conversion undertaken by developer Feltham Properties, to regenerate the old St Mary's Surgery in Newbury to create centrally located apartments with a high specification finish. The scheme includes covered bike storage and allocated car parking.
- The property is centrally located, situated north east of Parkway Shopping Centre and virtually opposite Victoria Park.
- We are aware the developer has released Phase 1 of the scheme and is now reserving for completion due in April 2019 with further plots to be released in due course.
- Prices range between £249,500 to £510,000 with apartments on the market as follows:

Plot	Floor	Description	Area	Sale Price	£ psf
1	GF	2 bed, 2 bath	764	£344,500	£451
2	GF	2 bed, 1 bath	667	£319,500	£496
3	GF	2 bed, 2 bath	700	£329,500	£471
5*	GF	1 bed, 1 bath	547	£249,500	£456
6*	FF	2 bed, 2 bath	764	£344,500	£451
7*	FF	2 bed, 1 bath	667	£319,500	£479
8	FF	2 bed, 2 bath	700	£329,500	£471
13	SF	2 bed, 2 bath, terrace	1,200	£485,000	£404

\*Reserved

**Flat 4, Challow House, Kingman Way, Newbury**



- The two bed flat was sold in April 2017 for £295,000. The new build flat included parking was built to a high specification and included a balcony which overlooked the racecourse. The first floor flat extended to 770 sq ft with the sale equating to £383 per sq ft.
- Looking at other recent sales within the Racecourse we are aware that Farriers House; located adjacent to Challow House, has achieved sales from £301,000 to £599,000 and an average rate per sq ft of £396 since July 2017.
- At Cape Cross House, situated centrally within the terrace of buildings, we are aware of ten apartment sales since October 2017 which have achieved between £306,000 and £599,000. On average a rate of £384 per sq ft was achieved.

**Baily, Park Way, Newbury**



- Baily Park is centrally located within the centre of Newbury above the Parkway shopping centre. The apartments are modern having been constructed in 2014. Two bed apartments typically comprise open plan living space, two double bedrooms and two bathrooms one of which is an en-suite. Underground parking and access to a garden or balcony is provided. We are aware of the following re-sales, including apartments currently on the market:

Flat	Status	Date	Price	Beds	Sq ft	£ psf
1	On the Market	Oct-18	£215,000	1	466	£461
60	Sold	May-18	£283,000	2	710	£399
3	Sold	Dec-17	£280,000	2	721	£388
20	Sold	Oct-17	£300,000	2	721	£416
12	Sold	Jul-17	£300,000	2	721	£416
78	Sold	Feb-17	£316,000	2	721	£438
39	Sold	Dec-16	£390,000	2	840	£465

**9.1.2. Analysis of New Build Comparable Evidence**

We have had consideration to the evidence above and considered both new developments situated within the town and further afield.

Looking at new build developments we have considered the sales achieved at Park Reach; we are aware the developer has released Phase 1 of the scheme and is now reserving for completion as at the date of this letter. Two bed apartments on the market range between £319,500 and £485,000 with 2 two beds reserved, at £319,500 and £344,500, and a one bed apartment reserved for £249,500. We would expect inferior values at the subject to be achieved to reflect the fact that the Park Reach development benefits from a superior central positioning relative to that of the subject.

The Quadrant is a contemporary development of 12 two bed apartments. The town centre apartments were all two beds and achieved between £204,000 to £254,000 and rates of between £314 to £347 per sq ft. The development was of a high standard and occupies a good town centre location. Higher values were achieved for those apartments with two bathrooms. The site is however very tight and did not afford any outside green space, although some apartments did have balconies. The surrounding

area comprises office blocks and a car park. We would expect the subject scheme to achieve slightly superior values due to the apartments sales at The Quadrant being relatively historic.

Also, a modern development situated in an inferior location is Merchants Court. We are aware that one bed apartments achieved between £165,000 and £213,500 and two beds between £200,000 and £272,500. We are aware of a one bed, 420 sq ft apartment which re-sold in July 2017 for £205,000, reflecting an increase in value of £30,000 since its original sale in 2016. In addition, a one bed, 420 sq ft apartment re-sold in August 2017 for £213,500, reflecting an increase in value of £36,000 since its original sale in 2016. The development is situated adjacent to the A339 dual carriageway and is surrounded by the service yards of retail and industrial uses. The immediate surrounds are inferior in comparison with the subject being located at the bottom of the town centre and close to the train station, as such, we would expect the subject scheme to achieve higher overall values.

When considering second hand sales we have had regard to Park Way in the centre of Newbury and note that second hand sales are largely achieving in excess of £400 per sq ft. The two bed apartments are of a good size being circa 721 sq ft but are larger than the majority of the two beds within subject scheme. The development is older but is centrally located with occupiers benefiting from access to a garden and/or a balcony. As the subject development will be a new build development and typically has larger units, we would expect similar overall values to be achieved.

Also, within Newbury is the Newbury Racecourse development. Whilst the racecourse development does for some apartments provide excellent views we are aware that it is a much larger development with the later phase apartments being built very close together with little privacy from the balconies. We are aware that complaints from purchasers have included limited parking for both residents and visitors and that on race days whilst some apartments afford great views the development becomes very busy with residents unable to leave or re-enter the development without queues. We would expect different purchasers at the racecourse than at the subject development.

Having regard to the above and the location and apartments provided at the subject scheme we would expect one bed apartments to achieve between £175,000 and £232,500.

### 9.1.3. Conclusion

Our opinion of value is as follows:

#### 108 Bartholomew Street

Plot	Description	Sq m - GIA	Sq ft - GIA	MV	£ps ft
1	1 bed – Ground	41	441	£210,000	476
2	1 bed – Ground	32	339	£175,000	516
3	1 bed – 1st Floor	46	495	£230,000	465
4	1 bed – 1st Floor	35	377	£190,000	504
5	1 bed – 2ndFloor	46	495	£230,000	465
6	1 bed – 2ndFloor	35	377	£190,000	504
7	1 bed – 3rdFloor	46	495	£232,500	470
8	1 bed – 3rdFloor	35	377	£192,500	511
<b>Total</b>		<b>316</b>	<b>3396</b>	<b>£1,650,000</b>	<b>488</b>

## 10. Valuation Approach

### 10.1. Residual Value

The Gross Development Value (GDV) of the proposed scheme has been assessed by the Direct Comparison method. To enable a direct comparison, we calculated the floor areas for the units on the basis of Gross Internal Area of the units as set out in the RICS Code of Measuring Practice which excludes the garages.

We have valued the proposed residential units assuming a moderate standard and specification, and on the assumption that each unit is sold leasehold. The values stated above are based on the assumption of a four-month marketing period to the point of exchange.

We have adopted a GDV of £1,650,000.

#### 10.1.1. Summary of Residential Development Cost Assumptions

A summary of the main inputs adopted within the development appraisal are detailed below:

Construction Costs:		
Total Construction Budget:	<b>£578,460</b>	We have adopted the Borrowers cost estimate. We have been provided with the development budget by the borrower which totals £578,460. This is inclusive of professional fees and a 5% contingency.
Timescales:		
Pre-construction:	3 months	
Construction period:	12 months	
Sales Period:	4 months	
Acquisition Costs:		
Stamp Duty:	<b>16,817</b>	Based on current HMRC rates.
Acquisition Fee – Agent:	1.0%	
Acquisition Fee – Legal:	0.5%	
Targets:		
Finance Rate:	6.5%	We have adopted an overall cost of finance based on 6.5% applied to 100% of the development costs to reflect the opportunity cost to the developer as well as appropriate transaction fees.
Profit on Cost:	<b>£275,000</b>	In accordance with our understanding of the profit levels required by developers active in this region at 20%.

#### 10.1.2. Residual Land Value

A copy of our appraisal is included at Appendix 5 and shows a residual land value of £490,000.

## 11. Security for the Loan

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### 11.1. Loan Security Commentary

The property is located in a well-regarded location just south of Newbury town centre. Demand for housing in this area is high. In terms of assessing the suitability of the subject property as security for the bank, we highlight the following considerations:

#### 11.1.1. Strengths

- Good infrastructure links and close to the town centre.
- The units will offer affordable accommodation of reasonable specification and size and will likely appeal to a large market.
- Due to high demand for affordable properties in the area, units will likely sell within a short marketing period.
- The scheme occupies a town-central location whilst being set back from the high street.
- Newbury is a popular market town with good connections to London and other regional cities.

#### 11.1.2. Weaknesses

- There are high levels of supply coming to the Newbury market, increasing the risk of a supply push reduction in capital values. However, demand for accommodation remains high and continues to outstrip supply.
- We have adopted sales rates and market values (upon completion) on a Day 1 basis, and in the event that the sentiment in the residential market worsens, achievable values will fall, and the sales period will be lengthened.

#### 11.1.3. Due Diligence

- The affordable nature of the apartments will increase the number and type of potential purchasers.

#### 11.1.4. Marketability

The values stated above are based on the assumption of a four-month marketing period to the point of exchange.

#### 11.1.5. Finance

Properties on the completed development will be sold with a 10-year NHBC guarantee and as such will be mortgageable.

Affordability checks undertaken by Mortgage lenders across the market are becoming increasingly stringent as is the impact of the mortgage market macro review. The new rules may mean some borrowers find they can borrow less than they might have expected in the past and this may accordingly have a negative effect on our projected GDV and sales rate.

#### 11.1.6. Future Value Prospects

Price growth in this location is likely to be consistent with regional trends. JLL are anticipating house price inflation of 0.5% in 2019, with price growth forecast to be in the region of 11% between 2019 – 2023.

House Price Growth (p.a)	2019	2020	2021	2022	2023
UK	0.5%	1%	3%	3.5%	3%

## 11.2. Principal Risks

In considering this property as security for the proposed loan, we would draw your attention to the following main risks:

- The property market generally is exposed to specific risk delivered by the broader economic environment.

### 11.2.1. Economic Environment

- The completed scheme value is sensitive to changes in the economic environment which cause changes in existing property value. Changes to the macro and micro economic environment directly impact on the value of the completed development, particularly any movements within the money markets and/or the relative returns available from competing investments. In particular, any interest rate movements beyond those currently anticipated may have a detrimental impact on value of the completed units. Our valuation is made against the present economic background although you should be aware that prices have the potential to fall beneath the values reported herein.

## 11.3. Property Specific Risks

### 11.3.1. Residual Site Volatility

- We must emphasise that development values are inherently volatile and can rise steeply during buoyant market conditions and fall rapidly when the market weakens.

### 11.3.2. Vacant Possession

- We have assumed that the property benefits from Vacant Possession. Should Vacant Possession not be available then our valuation could be affected.

### 11.3.3. Development Risk

- There is risk in undertaking the development of the site. As in any development, there are risks associated with the progression of the building works and in terms of the contractors achieving the intended specifications, dimensions, areas and so on, together with their ability to not only complete the development to a good standard but also within the scheduled timescale. There are also risks associated with identifying previously unknown site problems such as contamination or technical issues.

## 11.4. Suitability for Loan Purposes

We consider that the property will offer adequate security for a loan based on our opinion of Market Value, subject to further due diligence as detailed above and with due consideration of the key risks and assuming that in accordance with best commercial practice, such a loan is for a sensible proportion of the end value.

We would comment that we have considered each of the principal risks associated with this property within the context of the wider residential markets, and that they are reflected in our valuation in the context of the current market.

## 12. Valuation

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### 12.1. Market Value

Having regard to the foregoing, we are of the opinion that the aggregate of the Market Value (as defined in Appendix 2) of the subject property as at the date of valuation is in the region of: -

**£490,000**

**(FOUR HUNDRED AND NINETY THOUSAND POUNDS)**

### 12.2. Market Value on Completion of Development (Gross Development Value)

Having regard to the foregoing, we are of the opinion that the aggregate of the Market Value (as defined in Appendix 2) of the eight completed flats (Gross Development Value) of the proposed scheme detailed above, at the subject property as at the date of valuation is in the region of: -

**£1,650,000**

**(ONE MILLION AND SIX HUNDRED AND FIFTY THOUSAND POUNDS)**

### 12.3. Confidentiality and Publication

Finally, and in accordance with our normal practise we confirm that the Report is confidential to the party to whom it is addressed for the specific purpose to which it refers. No responsibility whatsoever is accepted to any third party and neither the whole of the Report, nor any part, nor references thereto, may be published in any document, statement or circular, nor in any communication with third parties without our prior written approval of the form and context in which it will appear.

**JLL offices**

Bristol  
31 Great George Street  
Bristol  
BS1 5QD

+44 (0)117 927 6691

**Kate Hollick**  
**Associate**  
Residential Valuation  
Bristol

+44 (0)117 930 5896  
Kate.Hollick@eu.jll.com

**JLL offices**

Bristol  
31 Great George Street  
Bristol  
BS1 5QD

+44(0)117 927 6691

**Adam Greenwood**  
**Director**  
Residential Valuation  
Bristol

+44 (0)117 930 5830  
Adam.Greenwood@eu.jll.com