

Reducing Property Specific Lending Risks Through Valuations Excellence



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Valuation Report

Address	2327-2329 Coventry Road, Sheldon, Birmingham, West Midlands, B26 3PG
Lender	Proplend Security Limited
Lender Address	20-22 Wenlock Road, London, N1 7GU
Applicant Name	SSB Homes Limited
Date	11 th November 2019
Valuation Company	Bruton Knowles LLP
Valuer	Adam Rock BSc (Hons) FRICS, IRRV (Hons)

PROPERTY DETAILS			
Property Address:	2327-2329 Coventry Road, Sheldon, Birmingham, West Midlands, B26 3PG		
Lender:	Proplend Security Limited	Date of Valuation:	11 th November 2019
Purpose of Valuation:	Loan Security	Valuation Method:	Investment/Comparison



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 existing tenancy	£3,750,000
Market Value assuming full vacant possession	£2,450,000
Market Rent (MR)	£202,800
Insurance Reinstatement Estimate:	£1,000,000

VALUATION ISSUES:	Estimated Sales period:	6 to 12 months
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LOCATION / DESCRIPTION			
Location Summary:	Fronting a busy arterial route location close to the town centre		
Description Summary:	A part three storey single building of traditional brick construction under a tile pitched roof recently converted to a 26 bedroom HMO.		
Condition Summary:	The internal specification of the property is of a good standard.		
Floor Area:	497.57 sq m / 5356 sq ft [Net Sales Area]	Site Area:	0.04 acres / 0.11 hectares

TENURE / TENANCY			
Tenure:	Freehold	Tenancy:	Tenant: Weir Lettings Ltd Term: 5 years Commencement: 4 th November 2019
Passing Rent:	£316,800 per annum	Market Rent:	£202,800 per annum

SWOT ANALYSIS					
Strengths: <ul style="list-style-type: none"> Recently converted Lease in place with strong rental 		Weaknesses: <ul style="list-style-type: none"> Limited parking 			
Opportunities: <ul style="list-style-type: none"> None as recently converted 		Threats: <ul style="list-style-type: none"> Market uncertainty 			
DEFECTS & SPECIALIST REPORTS					
<i>(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)</i>					
Legal Issues	Report Required / Issue Identified	Structural Issues	Report Required / Issue Identified	Environmental Issues	Report Required / Issue Identified
EPC	N/A	Choose an item.	Choose an item.	Choose an item.	Choose an item.
Choose an item.	Choose an item.	Choose an item.	Choose an item.	Choose an item.	Choose an item.
Comments:					
RECOMMENDED ACTION POINTS / SUITABILITY FOR LOAN SECURITY					
We would recommend the following action points:			<ul style="list-style-type: none"> We were unable to obtain the EPC for this property however we are advised that this has been commissioned and the report has yet to be produced. 		
Is the property suitable for loan security?			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.

Contact Details

Prepared by: Bruton Knowles LLP
Church Street
Birmingham
B3 2DJ

BK Contacts:

Valuer: Adam Rock BSc (Hons) FRICS IRRV (Hons) RICS Registered Valuer	T: 0121 212 7695 E: adam.rock@brutonknowles.co.uk
Approving Officer: Ian S Pitt BSc (Hons) FRICS IRRV (Hons) RICS Registered Valuer	T: 0121 212 7607 E: ian.pitt@brutonknowles.co.uk

Prepared for: Proplend Security Limited
20-22 Wenlock Road
London
N1 7GU

Client Contacts: E: info@vas-panel.com

Date of Inspection and Valuation: 4th November 2019

Date of Report: 11th November 2019

Bank Reference: VP#16405

BK Ref: 525252VAS/ADR/ISP/RH

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Appendix Three	VAS Confirmation of Instruction plus Instruction Letter from instructing Bank (if applicable)
Appendix Four	Letter of Confirmation
Appendix Five	Valuation Calculations

1 Executive Summary

Property	2327-2329 Coventry Road, Sheldon, Birmingham, West Midlands, B26 3PG
Classification and Use	26 bedroom HMO
Location	Fronting a busy arterial route location close to the town centre
Description	A part three storey single building of traditional brick construction under a tile pitched roof.
Planning Use	26 bedroom HMO
Floor Area	NIA of 514.85 sq m (5,541 sq ft)
Tenure	Freehold (Title nos. WK200046 & WM394830) subject to a 5 year tenancy.
Condition	The property appeared to be in a reasonable condition commensurate with its age, use and construction.
Specialist Reports	We are not aware of any specialist reports that should be commissioned.
Environmental	No obvious sign of contamination upon inspection.
Valuation	<p>In our opinion, the Market Value of the property, freehold subject to the existing tenancy as at 4th November 2019 and subject to the assumptions and comments in this Report and the Appendices was £3,750,000 (Three Million, Seventy Hundred and Fifty Thousand Pounds).</p> <p>In our opinion the Market Value of the subject property as at 4th November 2019, freehold with vacant possession throughout and subject to the assumptions and comments in this Report and Appendices was £2,450,000 (Two Million, Four Hundred and Fifty Thousand Pounds).</p> <p>In our opinion the Market Rent of the subject property as at 4th November 2019 on the assumption that standard Assured Shorthold Tenancies are in place for no less than 6 months and subject to the assumptions and comments in this Report and Appendices was £202,800 (Two Hundred and Two Thousand, Eight Hundred Pounds) per annum exclusive.</p>
Comment	Our valuation is undertaken during a period of uncertainty regarding Brexit. Values are often susceptible to market forces and political unpredictability. Values may be adversely affected if the UK enters a period of further protracted Brexit negotiations and political turmoil.

Note	The above is merely a summary of the valuation report and reference should be made to the remainder of the document for a more detailed report of the property.		
SWOT ANALYSIS	Strength <ul style="list-style-type: none"> • Recently converted • Lease in place with strong rental 	Weakness <ul style="list-style-type: none"> • Limited of parking 	
	Opportunities <ul style="list-style-type: none"> • None as recently converted 	Threats <ul style="list-style-type: none"> • Market uncertainty 	
Important Notice to Mortgage Applicants	<p>This report has been prepared to allow the mortgage lender to assess the suitability of the property as security; it has not been prepared for the benefit of the Mortgage Applicant who is not entitled to rely on the report. The services have not been tested and a detailed survey has not been carried out and thus defects could exist which are not mentioned in the report. The Valuer is entitled to make certain assumptions which during subsequent legal or other investigations may prove to be inaccurate. Applicants acquiring property interests are strongly advised to obtain their own detailed advice from suitably qualified professionals before exchanging contracts.</p>		

2 Terms of Instruction

- 2.1 In accordance with your letter of instruction dated 6th November 2019 (copy at Appendix Three), the agreed scope and details of which are set out in our letter of confirmation dated 7th November 2019 (copy at Appendix Four), we have inspected the subject property in order to advise you of our opinion of the market value of the freehold interest in the property for secured lending purposes.
- 2.2 The subject property was inspected by and this report is prepared by **Adam Rock BSc (Hons) FRICS IRRV (Hons)** who has sufficient current local, regional and national knowledge of the particular market and the skills and understanding to undertake this valuation competently.
- 2.3 The Valuation Date is 4th November 2019, being the date of inspection.
- 2.4 We confirm that this valuation is prepared in accordance with the RICS Valuation – Global Standards 2017, which incorporates the International Valuation Standards, published by the Royal Institution of Chartered Surveyors and we are acting as external valuers as defined therein.
- 2.5 We have valued the property previously prior to the conversion of the property to its current condition. Notwithstanding this, as we have disclosed this to the bank we believe that we do not have a conflict of interest in providing this report and valuation.
- 2.6 You have also requested that we provide an additional valuation on the following Special Assumption:
- a) Vacant possession
- 2.7 We have considered this special assumption in accordance with Valuation Technical & Performance Standard 4 of the RICS Valuation – Global Standards 2017 and consider that it can reasonably be regarded as realistic, relevant and valid in connection with the particular circumstances of the valuation.
- 2.8 We have valued the property using information provided to us by the customer including floor plans and floor areas. If any of the information upon which we have relied is subsequently found to be incorrect, this may affect the valuation figure, which would need to be reconsidered.

- 2.9 Our letter confirming instructions, including our Standard Terms and Conditions of Engagement, forms an integral part of this valuation report. They should be read in full as they contain important caveats and conditions relevant to this valuation including limits of liability, non-publication restrictions, condition and contamination. Full definitions of the basis of valuation are also included.
- 2.10 Where we are providing one or more valuations of a property or properties ("the Property"), in circumstances where you have already made a loan secured (whether wholly or partially) against the Property, and you make further loan or loans secured on the Property in reliance of our valuation(s), our liability to you for any loss that you incur arising from our valuation(s) will be limited to the lesser of: (1) the further sum (if any) that you lend in reliance of our valuation(s); or (2) the difference between our valuation(s) and the true value of the Property at the date of our valuation(s). This limitation of liability applies irrespective of whether, in making a loan based on our valuation(s), you have released the original charge and executed a new charge, or lent additional sums against the original charge. We will not be liable for any loss arising from the original loan (including any extensions to that loan prior to our valuation(s)) that you made, secured by the Property, unless: (1) We carried out the original valuation(s) of the Property; (2) You made the original loan in reliance of our valuation(s); and (3) Our original valuation(s) was negligent.
- 2.11 This Report and Valuation has been prepared on the basis that there has been full disclosure of all relevant information and facts which may affect the valuation. It is provided for the stated purposes and only for the use of the party whom it is addressed. It is confidential to Proplend Security Limited and may not be disclosed to any other third party without our prior written consent. In breach of this condition, no responsibility can be accepted to third parties for the comments or advice contained in this report.
- 2.12 Any transferee, successor or assignee relying upon the Report shall be deemed to be bound by the terms of our engagement letter and our liability shall be no greater in either amount or duration as a result of extending reliance to those third parties. The number of assignments shall be no more than two.

3. Property Report

3.1 Location

- 3.1.1 Located approximately 7.5 miles south-east of Birmingham, 4 miles north of Solihull and 12 miles west of Coventry. Junction 6 of the M42 Motorway is approximately 3 miles to the east and provides direct access to the regional and national motorway network.
- 3.1.2 Situated fronting the A45 Coventry Road and in close proximity to Birmingham Airport, Birmingham International Railway Station, Resorts World Birmingham and National Exhibition Centre (NEC).
- 3.1.3 Occupiers in the immediate vicinity include Morrisons, Spar, Vets4Pets and National Tyres and Autocare. The new Sheldon Retail Park development (opening 2019) is less than 300m from the property with pre-lets agreed to Marks & Spencer, B&M and The Gym.
- 3.1.4 A Location Plan and an Ordnance Survey extract are attached at Appendix One. Our understanding of the extent of the subject property is outlined in red on the extract which is provided for identification purposes only.

3.2 Description

- 3.2.1 Property comprises a recently converted former hotel and restaurant to a HMO premises. The property is a part three storey building of traditional brick construction with uPVC double glazed windows, surmounted by a pitched tiled roof. The hotel and restaurant benefit from independent entrances.
- 3.2.2 Internally, the property provides reception area leading to a communal kitchen/dining area and 26 rooms.
- 3.2.3 All 26 rooms are en-suite and are of similar specification. Each room is provided with a wardrobe, bed and dresser.
- 3.2.4 The communal kitchen is large and provides ample ovens and refrigeration.
- 3.2.5 Externally, the property provides car parking to the front and rear (accessed via Wells Road).
- 3.2.6 Photographs of the main elevations of the subject property are attached at Appendix Two.

3.3 Accommodation

- 3.3.1 We have been provided with scale floor plans by the Borrower and have taken check measurements on site to confirm their accuracy and can therefore report the following approximate net sales areas calculated in accordance with the RICS' Code of Measuring Practice (6th Edition):-

Floor	Use	Net Sales Area Sq M	Approx Sq ft
Ground	Communal and rooms 1-7	236.66	2,547
First	Rooms 8-17	154.29	1,661
Second	Rooms 18-26	106.62	1,148
Total		497.57	5,356

- 3.3.2 Using Promap software we calculate that the site extends to approximately 0.04 hectare (0.11 acre).
- 3.2.3 We have been requested to provide an apportionment between residential and commercial uses to assist your own review of whether the proposed loan is regulated for FCA purposes. For the avoidance of doubt, we make no judgement as to the potential status of occupants for regulatory purposes. The whole property is 100% residential.

3.4 Services

- 3.4.1 We understand that the property is connected to all mains services – gas, electricity, drainage and water but have not carried out any tests in this regard.

3.5 Condition

- 3.5.1 Your attention is directed to the Letter of Confirmation contained at Appendix Four. We confirm that we have not carried out a building condition survey.
- 3.5.2 During the course of our inspection we noted that the property generally appeared to have been satisfactorily maintained having regard to its age, use and construction.
- 3.5.3 We have not had sight of any structural or M & E surveys and we are not aware of any items of repair, structural defects, or symptoms of the same which are likely to impact on the value and reletability of the property.

- 3.5.4 We do not consider that there are any remedial works to be essential to maintain the value of the property.
- 3.5.5 The age and style of construction of the subject property is such that materials such as high alumina cement concrete, woodwool shuttering, calcium chloride or asbestos are unlikely to have been used in its original construction or subsequent alteration. We are valuing on this basis.
- 3.5.6 Our valuation is based on the assumption that the building and its services are in a good working order and no allowance has been made for any outstanding wants of repair or defects.

3.6 Environmental Matters

- 3.6.1 Your attention is directed to the Letter of Confirmation contained in Appendix Four.

Contamination

- 3.6.2 We noted no obvious signs of contamination during our inspection but we are not qualified to give assurances on environmental issues. Our valuation has been undertaken on the basis that the property is not contaminated. Should it be established subsequently that contamination exists on the subject property or any neighbouring land, this might reduce the values now reported.

- 3.6.3 To the best of our knowledge, the previous use of the property was a hotel and restaurant.

Flooding

- 3.6.4 We have referred to the Environment Agency flood maps and note that the property does not appear to be within an area affected by flooding. There have been concerns in recent years about the insurance of properties in identified flood risk areas. Notwithstanding this, we assume for valuation purposes that buildings insurance is, and will continue to be, available on standard terms and at standard premium levels. We value on this basis.

Radon

- 3.6.5 The Ionising Radiation Regulations 1999, require employers to take action when radon is present above a defined level in the workplace. Advice may be obtained from your local Health and Safety Executive Area Office or The Environmental Health Department of your local Authority.
- 3.6.6 We did not notice any radon detectors at the property during our inspection for valuation purposes and therefore assume that the property is not affected. This should be confirmed by your solicitors.

Made up Ground

- 3.6.7 Our research suggests that the property is not within an area known to have been used for landfill and as such we believe that there is little risk of the property being over made up ground.

Coal Mining

- 3.6.8 Our research suggests that the property is not within an area known to have been used for mining and as such we believe that there is little risk of the property being over or near to a mine whether active or inactive.

Invasive Species

- 3.6.9 Japanese Knotweed can block footpaths and damage concrete, tarmac, flood defences and the stability of river banks and Giant Hogweed can cause harm to human health. Injurious weeds are native species, which cause problems for farming as they are harmful to livestock and must not be allowed to spread to agricultural land.
- 3.6.10 During the course of our inspection in November 2019 we did not note the presence of any invasive vegetation, however we are not qualified to give such assurances and cannot guarantee that the land is entirely free from the same. For the purpose of this report, we are valuing on the basis that there is no invasive vegetation present including Japanese Knotweed.

Archaeological Remains

- 3.6.11 We are unaware of the presence, or likely presence, of any archaeological remains on or adjacent to the subject property and have assumed there are none in arriving at our opinion of value.

3.7 Local Authority & Statutory Enquiries

- 3.7.1 Your attention is directed to the Letter of Confirmation contained at Appendix Four.
- 3.7.2 We have assumed that the property and its value are unaffected by any matters which would be revealed by a Local Search and replies to the usual enquiries or statutory notice and that neither the property, nor its condition, nor its use, nor its intended use is or will be unlawful. It is recommended that verification is obtained from acting solicitors that

- ☐ The position is correctly stated in this Report;
- ☐ The property is not adversely affected by any other decisions made or conditions prescribed by local authorities; and
- ☐ That there are no outstanding statutory notices

- 3.7.3 The valuation is prepared on the basis that the premises comply with all statutory regulations.

Planning

- 3.7.4 We have reviewed the Local Planning Authority's website regarding town planning matters that may affect the valuation. The property lies within the planning jurisdiction of Birmingham City Council where planning decisions are governed.

- 3.7.5 We were unable to identify any planning applications relating to the subject property.

- 3.7.6 We have not made specific enquiries to verify this information and we assume the property has the relevant planning consent. We do not accept liability for either incorrect information or for material omissions in the information obtained, including statutory notices or contraventions of statutory requirements.

Highways

- 3.7.7 We have been unable to establish whether there are any highway or major development proposals in the immediate area that may impact upon the value of the subject property. We assume there are none but your solicitors should confirm as part of their normal Local Search enquiries. Given the nature and surfacing of Coventry Road we have assumed that it is a highway adopted and maintainable at public expense. Your solicitors should confirm in the normal way.

Fire Safety Order and Fire Risk Assessment

- 3.7.8 The Fire Safety Order applies to owners, occupiers, landlords, employers and anyone else with control of the premises, e.g. a facilities manager, building manager and managing agent of a business or other non-domestic premises.

- 3.7.9 We have not made any enquiries in this regard and we have not been provided with a copy of the risk assessment, but in preparing our valuation have assumed that all necessary measures are in place and that no additional costs would be incurred in order to comply.

- 3.7.10 We recommend that your solicitor checks that the responsible party has fulfilled their obligations, including:

- carry out a fire risk assessment of the premises and review it regularly;
- tell staff or their representatives about the risks you've identified;
- put in place, and maintain, appropriate fire safety measures;
- plan for an emergency;
- provide staff information, fire safety instruction and training.

Smoke & Carbon Monoxide Alarm (England) Regulations 2015

3.7.11 These regulations came into effect on 1st October 2015. Premises occupied under an Assured Shorthold Tenancy (AST) must have:

- A smoke alarm on each storey of the premises on which there is a room used wholly or partly as living accommodation (including bathrooms and WCs).
- A carbon monoxide alarm in any room of the premises which is used wholly or partly as living accommodation and contains a solid fuel burning combustion appliance.

3.7.12 These alarms must be checked by or on behalf of the landlord to ensure that each prescribed alarm is in property working order on the day the AST begins if it is a new tenancy (as opposed to a renewal). Landlord are recommended to instruct the tenants (to include a reference within the AST) to check the alarms on a regular basis during their tenancy.

3.7.13 At the time of our inspection, we noted alarms were fitted as prescribed under these regulations and assume that the Landlord checked they were in proper working order on the day the AST begun and that the tenant has been advised to check them regularly. This should be confirmed by your solicitors.

Energy Performance Certificates (EPC)

3.7.14 The Energy Act 2011 provides for EPC minimum standards such that from 1 April 2018 it is unlawful to let residential or business premises that do not meet minimum energy efficiency standards. It is expected that the minimum threshold will be an EPC rating in Band E (i.e. it will be unlawful to let premises with an F or G rating).

3.7.15 From April 2020 privately rented residential properties will be affected (including where a lease is already in place and the property is occupied by a tenant) and from April 2023 all commercial properties let on existing leases will be similarly affected, subject to a number of exemptions.

3.7.16 We have consulted the online Domestic Energy Performance Register and have been unable to obtain a copy of the EPC. We are advised that this has been commissioned and the report has yet to be produced. We assume the EPC is satisfactory rated.

Sustainability

3.7.17 As the property market adjusts to new legislative requirements and the drive for more sustainable property assets, it is possible, in the future, that there will be an increasing divergence of values between those buildings which are considered to be compliant or "sustainable" and those which are not. Property investors and occupiers are becoming increasingly sensitive to a building's environmental and sustainability performance (e.g. BREEAM rating) with consequent implications for both rental and capital values.

- 3.7.18 At present, however, there is little consensus in market evidence or meaningful analysis of investment performance to enable any firm conclusions on to be drawn from the impact on capital and rental values of the various legislative initiatives and "sustainability" generally, but this may change.

Housing Acts

- 3.7.19 We have referred to Birmingham City Council's public register of HMOs and we were unable to identify the property on this list. We assume that the HMO licence will be issued.
- 3.7.20 The Ministry of Housing, Community and Local Government has published the expected regulations confirming that from 1st October 2018 HMO Licences in England under Part 2 of the Housing Act 2004 will be required to have a floor area no smaller than 6.51 sq m.
- 3.7.21 Licences issued from 1st October 2018 will have to contain the following conditions.
1. To ensure that the floor area of any room in the HMO used as sleeping accommodation by one person aged over 10 years is not less than 6.51 sq m.
 2. To ensure that the floor area of any room in the HMO used as sleeping accommodation by two persons aged over 10 years is not less than 10.22 sq m.
 3. To ensure that any room in the HMO with a floor area less than 4.64 sq m is not used as a HMO.
 4. A House in Multiple Occupation is a property rented out by at least three people who are not from one 'household' but share facilities like kitchen and bathroom.
- 3.7.22 You must have a licence if you are renting out a large HMO in England or Wales. Your property is defined as a large HMO if the following apply:
1. It is rented to five or more people who are from more than one 'household'.
 2. It is at least three storeys high.
 3. Tenants share toilets, bathroom and kitchen facilities.
- 3.7.23 Each HMO Licence is valid for a maximum of five years.

Business Rates

- 3.7.24 Our enquiries with <https://www.tax.service.gov.uk/view-my-valuation/search> confirm that, as at the date of this report, the subject property has the following 2017 list entry:-

Address	Description	Rateable Value
2327-2329 Coventry Road, Birmingham, B26 3PG	Hotel, restaurant and premises	£36,000

- 3.7.25 In England the standard Uniform Business Rate (UBR) for the rating year 2019/2020 is 50.4 pence per £1.00 of rateable value and 49.1 pence per £1.00 for smaller businesses.

- 3.7.26 Although the property is currently assessed we this will be deleted from the rating list shortly

3.8 Tenure

- 3.8.1 We have not been provided with any Title documentation. We understand that the property is owned freehold and we have assumed that the Title is unencumbered and free from any unusual or especially onerous or restrictive covenants, easements, restrictions, encumbrances, outgoing rights or rights of way which could affect value. This should be verified by your solicitors.

3.9 Occupation

- 3.9.1 We have been provided with a copy of a draft lease to Weir Lettings Ltd. This lease is dated 4th November 2019 and is for a term of 5 years expiring on 11th November 2024. The rent is to be £26,400 per calendar month.
- 3.9.2 The lease is currently unsigned however we have assumed that this lease is in place when undertaking our valuation.
- 3.9.3 This is due to there being a distinct two tier market within this sector where there is a differential in rental income achieved from individual lettings opposed to lettings to government bodies, which would have a significantly higher rent.

4. The Valuation

4.1 Factors Affecting Value

- 4.1.1 The property currently had the class as C1 Hotel and is currently vacant although to be changed to HMO.
- 4.1.2 Due to the location and affluent surroundings, an location close to the airport we believe that there will be a good demand for the rooms.
- 4.1.3 There is dense residential accommodation around the area as the location is particularly popular with families and those that work in other areas, make use of the motorway connections.
- 4.1.4 Should the property stay vacant in its current condition the property may dilapidate further thus reducing value due to defects.
- 4.1.5 We believe that a marketing period of 6-12 months may be required to let the 26 units independently.

4.2 Market Conditions & Demand

- 4.2.1 The UK's residential property market has seen uncertainty at present due to concerns over Brexit and the possibility of leaving the EU. While overall activity across the UK has remained steady, the potential arrival of political clarity could result in increased activity and demand within the property market. Current indicators for activity have remained stable, including the number of mortgages approved for property purchases.
- 4.2.2 The average UK house price stands at £234,853 (as of August 2019), an increase in comparison to 2018, where the average was £226,906 (as of April 2018). The UK House Price Index (HPI) stands at 123.18, a 1.3% increase from the previous year. This was particularly prevalent in areas in Wales, Yorkshire and the West Midlands, whilst London and surrounds had fallen by around 0.7% in the second quarter.
- 4.2.3 In terms of the UK's annual rental value growth, average rents increased by 1.3%, the highest growth recorded since 2017. Areas including East Midlands and the South West saw rises of up to 2%, contrasting to London and the North East, experiencing the lowest rates of annual rental growth at 0.9% and 0.7%.

- 4.2.4 Birmingham's property sector has continued a strong growth rate since seeing the highest average house price growth in the UK outside of London since 2017. Prices in more recent years have contributed to a 45% rise in average residential property values since the sharp fall in property prices after the 2009 economic crash.
- 4.2.5 Due to Birmingham's relative affordability, coupled with key ongoing investments and developments including the HS2 project, Birmingham's property market has been forecast to increase up to 14% by 2020.
- 4.2.6 Birmingham's rental market is being fuelled by demand from the City's young demographic comprising of students and young professionals, seeking city centre living. To coincide with this, Birmingham's population is projected to increase by over 171,000 by 2039, meaning its population will stand at 1.3 million. As a result, around 100,000 additional households will have to be constructed within the next two decades.
- 4.2.7 Our valuation is undertaken during a period of uncertainty regarding Brexit. Values are often susceptible to market forces and political unpredictability. Values may be adversely affected if the UK enters a period of further protracted Brexit negotiations and political turmoil.

4.3 Comparable Evidence

Capital Value Evidence and Analysis

4.3.1 **201 Church Hill Road, Birmingham, B20 3PH**

A three storey semi-detached property arranged as 7 self-contained flats that sold at auction on 12th April 2018 for £195,000 reflecting just over £27,850 per room. This is a much smaller property than the subject and thus not directly comparable.

4.3.2 **32 Broughton Road, Birmingham, B20 2PS**

A three storey terraced property arranged as 8 self-contained flats that sold at auction on 28th March 2018 for £310,000, reflecting £38,750 per room. This is a much smaller property than the subject and thus not directly comparable.

4.3.3 **14 Richmond Road, Hockley, Birmingham, B18 5NH**

A two storey semi-detached property arranged as 5 self-contained flats that sold at auction on 28th March 2018 for £216,000, reflecting £43,200 per room. This is a much smaller property than the subject and thus not directly comparable.

4.3.4 208 Nechells park Road, Birmingham, B7 5SP

The property is a former public house which has been converted to provide 19 studio apartments. The studios are over 2 floors and are all self-contained units. Our inspection was limited to a number of studios. The units we were able to view were similar in size and specification. The studios have laminate covered floors, painted plastered walls and ceilings. We understand that each unit has a kitchenette and en-suite. Each en-suite has a shower cubicle, wash hand basin and WC. The property is let on a single lease at £95,000 per annum equating to £416.66 per calendar month per room. We are advised that this property recently transacted at £1,200,000 which would suggest a rate of £63,158 per room. this property is significantly inferior to the subject in terms of layout and specification.

4.3.5 89-91 Cornwall Street, Birmingham, West Midlands, B3 3BY

This property is located in central Birmingham and currently has an asking price of £2,500,000. It is a 26 bedroom HMO. The rooms extend to between 193 sq ft and 321 sq ft in net sales areas. The asking price equates to £96,154 per room. Bruton Knowles is familiar with this property as we dealt with it prior to being converted from office accommodation to the HMO.

4.3.6 144 Oakfield Drive, Selly Oak

This property has just sold and the sale is being completed. The agreed sale price is £900,000 albeit this forms part of a portfolio basis. The property is familiar to Bruton Knowles as we valued the property recently for loan security purposes. The property provides 11 rooms in the main house and as such the discounted sale price equates to £81,818 per room.

Rental Value Evidence and Analysis**4.3.7 26 York Road, Edgbaston, Birmingham, B16 9JB**

A three storey semi-detached property arranges a 9 studio flats sold prior to auction on 27th March 2018 for an undisclosed price. We understand that 7 of the flats were let on Assured Shorthold Tenancy Agreements with 2 of the flats vacant. The property produced £29,120 per annum reflecting an average rent of £346.67 per calendar month. This is a much smaller property than the subject and thus not directly comparable.

4.3.8

With regard to rental levels within this area in respect of HMO properties, en-suite letting rooms are currently achieving between £100 and £120 per week (£433.33 - £520 per calendar month), inclusive of bills, dependent upon the quality of accommodation provided. We valued a property recently that had been let at rents between £476.66 per calendar month (no ensuite) and £498.33 per calendar month (ensuite). This is a much smaller property than the subject and thus not directly comparable.

4.3.9 41 Daisy Road, Edgbaston

A four bedroom student let building let for £1,820 per calendar month (£455 per calendar month, per person). We note that this property has one communal bathroom. This property appears to be of a similar standard to the subject, however noting it has few showering facilities. This is a much smaller property than the subject and thus not directly comparable.

4.3.10 Reservoir Road, Birmingham

A five bedroom semi-detached multi-let property has currently let for £1,750 per calendar month (£350 per person, per calendar month). This property only has one bathroom, located on the ground floor, along with a communal gallery kitchen and dining room. The facilities are inferior in this property compared to the subject. This is a much smaller property than the subject and thus not directly comparable.

4.3.11 Daisy Road, Edgbaston

A four bedroom student property currently available to let for £1,906 per calendar month (£476.50 per calendar month, per person). This property has one communal bathroom and appears to be slightly inferior internally. This is a smaller property than the subject and thus not directly comparable.

4.3.12 65 Waterworks Road, Edgbaston

A four bedroom house share currently being let for £1,647 per calendar month (£411.75 per calendar month per person). This property has communal facilities including 1 bathroom and communal kitchen / dining area. This property is inferior in comparison to the subject. This is a smaller property than the subject and thus not directly comparable.

4.3.13 Harold Road, Edgbaston, B16

A six bedroom house share currently available to rent for £520 per calendar month per person. Each bedroom has an ensuite shower room and the internal specification appears to be of a high standard. This is a smaller property than the subject and thus not directly comparable.

4.3.14 131 Aldridge Road, Birmingham, B42 2ET

This detached building of traditional brick construction under tiled, pitched roofs is a 28 bedroom HMO and owned by the banks customer. 131 Aldridge Road extends to a net sales area of 594.90 sq m (6,403 sq ft). This former Park Hotel has been converted to provide a HMO having 28 rooms, some of which are en-suite. The ground floor accommodates a manager's office, reception, communal lounge and kitchen, stores, bedrooms and shared facilities. The first and second floors accommodate letting rooms and toilet facilities. The property is tenanted on a lease dated 1st February 2019 commencing on 4th February 2019 ending on 22nd February 2022 at a passing rent of £21,000 per calendar month (£252,000 per annum). This suggests £9,000 per annum per room which would be £750 per calendar month per room.

4.3.15 133 Aldridge Road, Birmingham, B42 2ET

133 Aldridge Road extends to a net sales area of 196.34 sq m (2,112 sq ft). This former office building was converted to a HMO with the majority of the conversion works been undertaken. The property provides 10 bedrooms that are all en-suite and a communal area located in the basement providing a lounge and kitchen. The conversion will be to a high standard having carpet covered floors, painted plastered walls and ceilings. Each room is to have wardrobes provided. We understand that the property is let on a lease dated 3rd July 2019 that commenced on 15th July 2019 expiring on 14th July 2022. The passing rent of £12,000 per annum (£144,000 per annum). This suggests £14400 per annum per room which would be £1,200 per calendar month per room.

4.3.16 208 Nechells park Road, Birmingham, B7 5SP

As described above this property is let on a single lease at £95,000 per annum equating to £416.66 per calendar month per room.

4.3.17 Interchange, 2309 Coventry Road, Sheldon, Birmingham B26 3PG

We are advised that in October 2019 two apartments have sold within the Interchange building adjacent to the subject property and held as investments. Apartment 25 sold for £156,239 and Apartment 30 for £157,660. Apartment 35 has exchanged at £159,082 and Apartment 2 is on sale for £167,030. They are all receiving rental income of £850 per calendar month suggesting a gross yield of 6%.

Yield Evidence and Analysis

4.3.18 75 Stanmore Road, Edgbaston, Birmingham, B16 9SU

Sold in May 2018 for £331,000. The property, which is an end terrace house has been converted to provide eight studio apartments all with wash hand basins and WC facilities. The property has a shared lounge and kitchen. The property is let at a rent of £32,640 per annum. The sales price reflects a gross yield of 10.14%. Located within a similar location when compared with the subject property.

4.3.19 242 Rotton Park Road, Edgbaston, B16 0LT

Sold prior to auction for £300,000 in July 2018. The guide price was in excess of £275,000. The property is a semi-detached house converted into five self-contained units. Each property benefits from bedroom, lounge and en-suite. The property was let at a rent of £26,160 per annum. We are unaware of further details of this property. The sale reflects a gross yield of 8.7%. A much smaller property and rental income than the subject but a good comparison for the yield achieved.

4.3.20 7 Carlyle Road, Edgbaston, Birmingham, B16 9BH

Sold after auction in September 2018 for £286,000. The property has been divided to provide four self-contained flats and a shared bathroom and kitchen. The properties are let at a rent of £29,760 per annum, this reflects a gross yield of 10.4%. Located along the same road as the subject property.

4.3.21 15 Carlyle Road, Edgbaston, Birmingham, B16 9BH

A property comprising nine studio apartments was sold in February 2018 at auction for £350,000. This equated to a yield of 9% gross. Rental income was £31,800 and ranged from £300 to £350 pcm each. A very similar property to the subject property with rental income achieved of a smaller value than the subject.

4.3.22 208 Nechells park Road, Birmingham, B7 5SP

As described above this property provides 19 rooms. The property is let on a single lease at £95,000 per annum equating to £416.66 per calendar month per room. We are advised that this property recently transacted at £1,200,000 which would suggest a yield of 7.75% based on the passing rent. We have not had sight of the lease for this property. This property is significantly inferior to the subject property particularly in terms of internal layout and specification.

4.3.23 Interchange, 2309 Coventry Road, Sheldon, Birmingham B26 3PG

We are advised that in October 2019 two apartments have sold within the Interchange building adjacent to the subject property and held as investments. Apartment 25 sold for £156,239 and Apartment 30 for £157,660. They are both receiving rental income of £850 per calendar month giving them a gross yield of 6%.

4.4 Valuation Methodology

4.4.1 We have adopted the comparable method of valuation and had regard to the comparable evidence above whilst reflecting the proposed tenancy agreement to Weir Lettings Ltd.

4.4.2 Based on the evidence above we believe that the most suitable comparable evidence in terms of rental is 131 Aldridge Road supporting the passing rents albeit in excess of what appears to be the market norm. 131 Aldridge Road is also owned by the banks customer and has been refurbished to a similar standard.

4.4.3 The passing rent is £26,400 per calendar month which equates to £316,800 per annum. This equates to £1,015 per calendar month per room. 131 Aldridge Road supports this level of rent, which is representative of this particular market.

- 4.4.4 Adopting a Term and Reversion approach capitalising the passing rent at 7.50% for the 5 year term void period and reflecting 8.50% on the reversion would suggest £3,760,000 rounded to say £3,750,000. This does not reflect a rental increase on the reversion. We have not reflected a void or reduced the rental at the reversion noting the high demand for this market.
- 4.4.5 With regard to vacant possession we believe the property would achieve £2,433,600 which we would round to say £2,450,000, which is based upon 26 rooms achieving £650 per calendar month less 10% for potential void periods and management costs prior to capitalising at 7.50% (net yield equivalent to approximately 9.00% gross).
- 4.4.6 The evidence we have obtained presents gross yield evidence which is in the region of between 6.00% and 10.40%. The above opinion of market value is therefore within this range and supports an allowance of say 10%.
- 4.4.7 We believe that the property would achieve a rental of £650 per calendar month per room equating to £202,800 per annum. Notwithstanding this, leases are been created at the passing rent.
- 4.4.8 This is due to there being a distinct two tier market within this sector where there is a differential in rental income achieved from individual lettings opposed to lettings to government bodies, which would have a significantly higher rent.
- 4.4.8 No allowance has been made for costs of acquisition or realisation of the property, nor for any liability for taxation which may arise on disposal whether actual or notional, e.g. VAT, Inheritance Tax or Capital Gains Tax. Unless stated to the contrary it is assumed that where there is an imposition or otherwise of VAT on the rent that the lessee will be able to fully reclaim the VAT paid.

4.5 Suitability for Loan Security

- 4.5.1 In our opinion, the property represents suitable security for loan purposes on the assumption that it will be maintained in a reasonable state of repair. The amount of such loan is at your discretion.
- 4.5.2 It is our opinion that the estimated useful economic life of the property should be no less than the term of the loan again assuming that the property is maintained and kept in a reasonable state of repair.

4.6 Estimated Reinstatement Cost

- 4.6.1 Your attention is drawn to the letter of Confirmation contained at Appendix Four in this regard.
- 4.6.2 Our informal estimate of the current reinstatement cost of the subject property is some £1,000,000.
- 4.6.3 You should not rely on this figure for insurance purposes and we strongly recommend that the Bank obtains a formal assessment by a Building Surveyor. We can provide a formal assessment if required.

4.7 Verification

- 4.7.1 This report has been based, to some extent, on information provided verbally which should be checked by your solicitors. In particular, this applies to tenure and planning. Their searches may also reveal whether any historical use of the property is likely to have resulted in contamination or whether there are any encumbrances or other third party rights affecting the title or use of the property. If any assumption we have made proves incorrect the matter should be referred back to us as it may have an impact on the value of the property and its suitability as loan security.

4.8 Valuation Definitions

Market Value

- 4.8.1 “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 Rent

- 4.8.2 “The estimated amount for which an interest in real property should be leased on the date of valuation 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”

4.9 Valuation

- 4.9.1 In our opinion, the Market Value of the property, freehold subject to the existing tenancy as at 4th November 2019 and subject to the assumptions and comments in this Report and the Appendices was **£3,750,000 (Three Million, Seventy Hundred and Fifty Thousand Pounds)**.
- 4.9.2 In our opinion the Market Value of the subject property as at 4th November 2019, freehold with vacant possession throughout and subject to the assumptions and comments in this Report and Appendices was **£2,450,000 (Two Million, Four Hundred and Fifty Thousand Pounds)**.
- 4.9.3 In our opinion the Market Value of the subject property on the special assumption that a sale is completed within 6 months as at 4th November 2019, freehold subject to the existing tenancy and subject to the assumptions and comments in this Report and Appendices was **£3,000,000 (Three Million Pounds)**.
- 4.9.4 In our opinion the Market Rent of the subject property as at 4th November 2019 on the assumption that standard Assured Shorthold Tenancies are in place for no less than 6 months and subject to the assumptions and comments in this Report and Appendices was **£202,800 (Two Hundred and Two Thousand, Eight Hundred Pounds)** per annum exclusive.
- 4.9.5 Values change over time, particularly when markets are unusually active or inactive. This should be borne in mind in relation to the date of valuation.
- 4.9.6 Our valuation is undertaken during a period of uncertainty regarding Brexit. Values are often susceptible to market forces and political unpredictability. Values may be adversely affected if the UK enters a period of further protracted Brexit negotiations and political turmoil.

We trust that this report is satisfactory for your immediate purposes but, should any matter require further clarification, we shall be pleased to hear from you. We would reiterate that neither the whole nor any part of this Valuation Report may be included in any published document, circular or statement nor published in any way without our written approval of the form and context in which it may appear.

Valuer:



Adam Rock BSc (Hons) FRICS IRRV (Hons)
RICS Registered Valuer
For and on behalf of
Bruton Knowles LLP

Approving Officer:

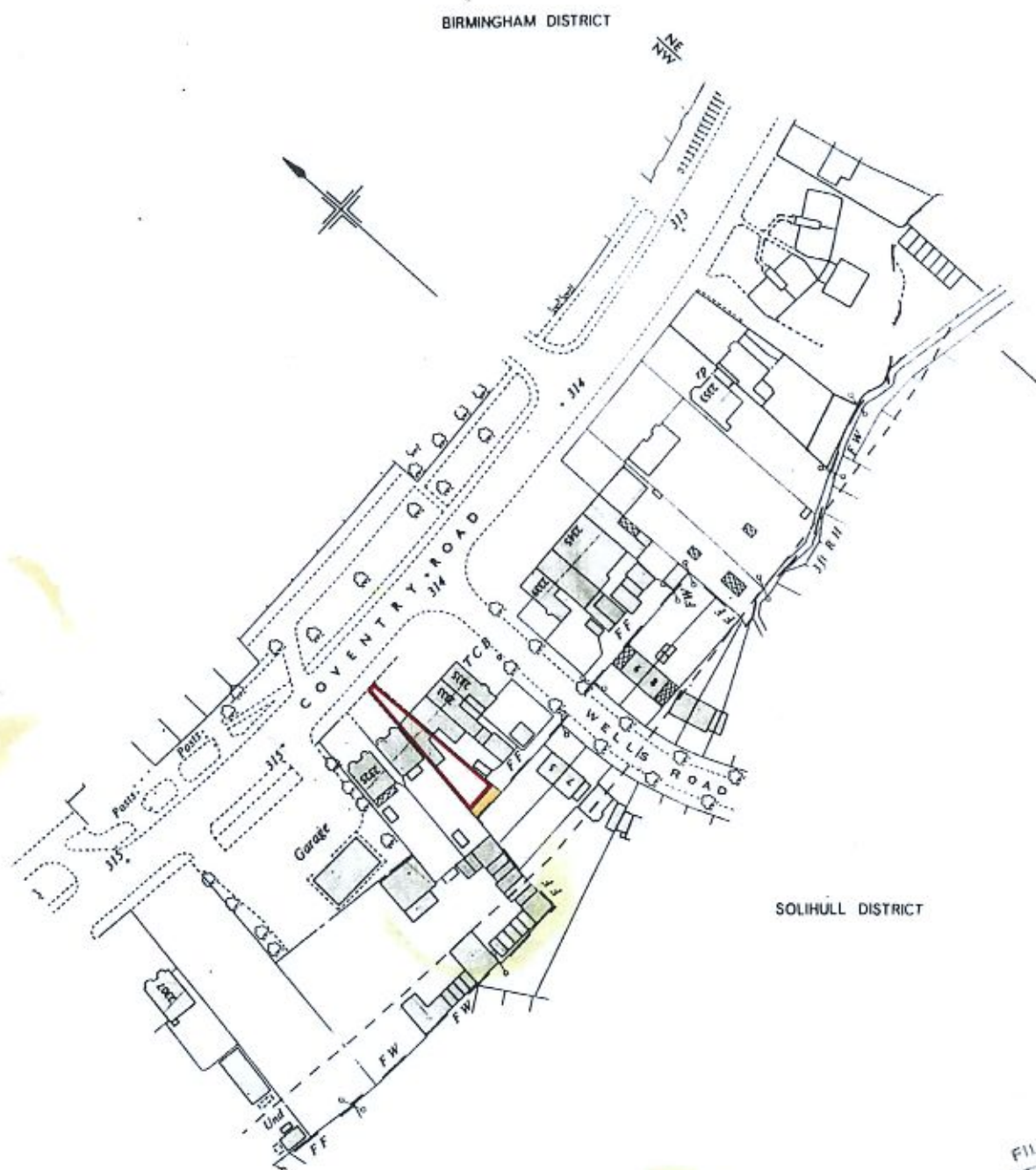


Ian S Pitt BSc (Hons) FRICS IRRV (Hons)
RICS Registered Valuer
For and on behalf of
Bruton Knowles LLP

Appendix One

Location and Site Plans

H.M. LAND REGISTRY		TITLE NUMBER	
		WM394830	
ORDNANCE SURVEY PLAN REFERENCE	COUNTY	SHEET	NATIONAL GRID
	WEST MIDLANDS		SP 1583
			SECTION H
Scale: 1/1250		© Crown copyright 1971.	

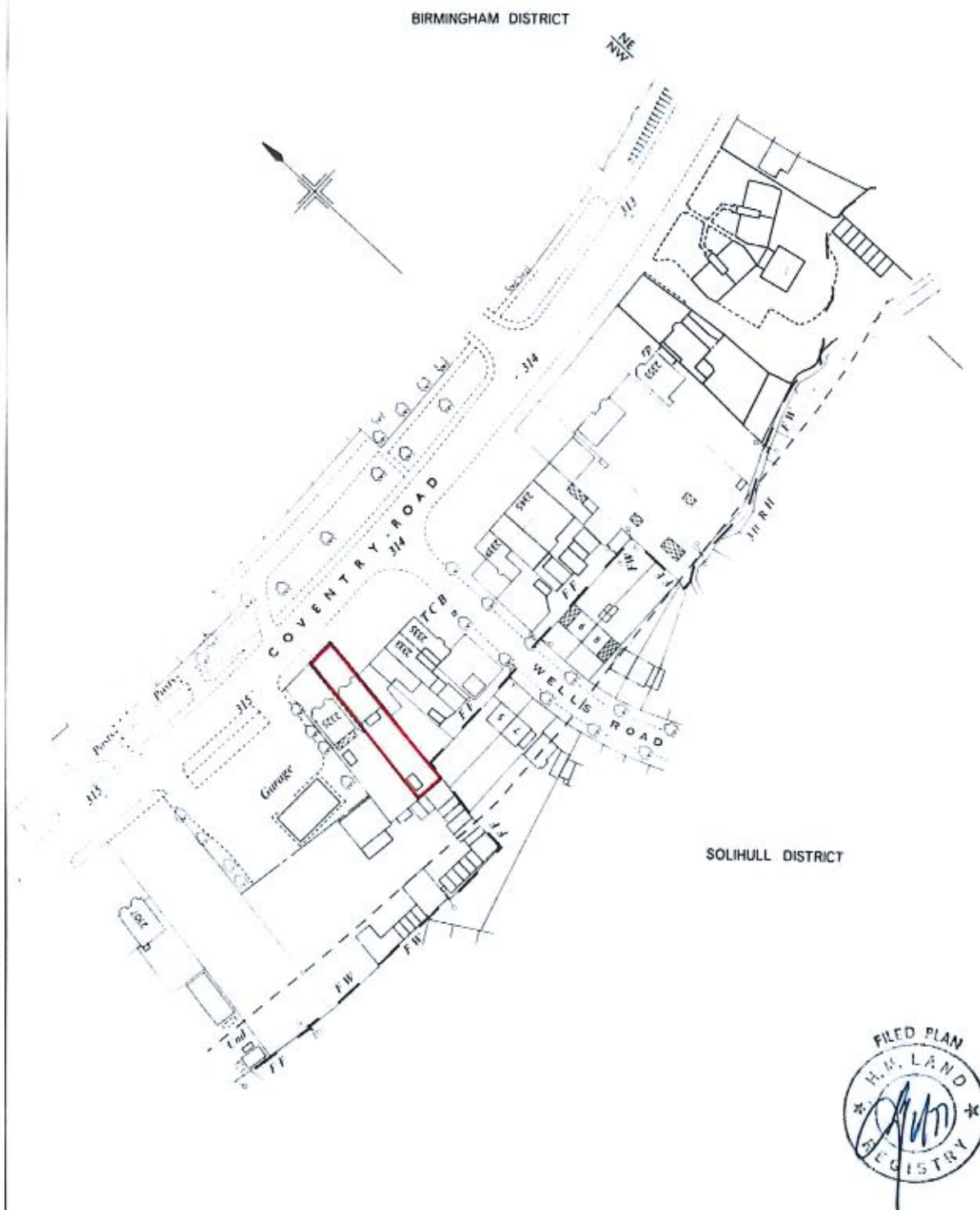


This is a print of the view of the title plan obtained from HM Land Registry showing the state of the title plan on 15 May 2019 at 15:10:21. This title plan shows the general position, not the exact line, of the boundaries. It may be subject to distortions in scale. Measurements scaled from this plan may not match measurements between the same points on the ground.

This title is dealt with by HM Land Registry, Coventry Office.

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H.M. LAND REGISTRY		TITLE NUMBER	
		WK 200046	
ORDNANCE SURVEY PLAN REFERENCE	COUNTY	SHEET	NATIONAL GRID
	WEST MIDLANDS		SP 1583
			SECTION H
Scale: 1/1250		© Crown copyright 1971.	



This is a print of the view of the title plan obtained from HM Land Registry showing the state of the title plan on 15 May 2019 at 15:10:52. This title plan shows the general position, not the exact line, of the boundaries. It may be subject to distortions in scale. Measurements scaled from this plan may not match measurements between the same points on the ground.

This title is dealt with by HM Land Registry, Coventry Office.

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Appendix Two

Photographs

PHOTOGRAPHS

2327-2329 Coventry Road



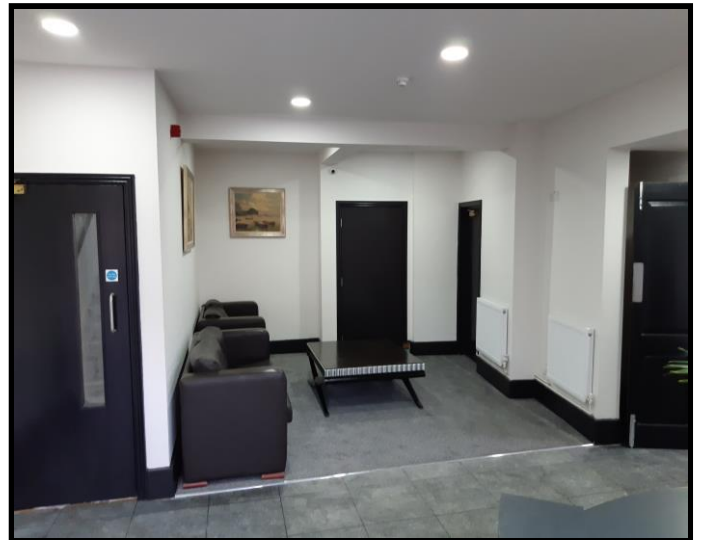
Frontage



Frontage



Reception



Reception

PHOTOGRAPHS

2327-2329 Coventry Road



Kitchen



Example bedroom



Example bedroom



Example ensuite

Appendix Three

**VAS Confirmation of Instruction
plus Instruction Letter from Instructing Bank (if applicable)**



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

Date Sent: Wednesday 6th November 2019

Time: 14:26

Our Ref: VP#16305

****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 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:

2327-2329 Coventry Road,
Sheldon,
Birmingham
West Midlands
B26 3PG

Estimated Value:

£3,000,000

vas-group.co.uk



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

Property Description:
26 bed HMO Freehold

Property Type:
Residential Redbook

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:
SSB Homes Limited (REF: SB/Bruton Knowles)
Mr Avtar Sandhu

Access Arranged Through:
N/A

Access Contact Details:
N/A

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.

vas-group.co.uk



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

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

Kind Regards,

Team VAS

vas-group.co.uk



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

Attn: Adam Rock,
Bruton Knowles LLP,
60 Church Street,
Birmingham,
B3 2DJ

Ref: SB
SSB Homes Limited

Dear Sirs,

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

Borrower:	SSB Homes Limited
Contact Name:	Mr. Avtar Sandhu
Phone Number:	07793 888888
Email:	sandhu@greencyc.com
Properties:	2327-2329 Coventry Road, Sheldon, Birmingham, B26 3PG
Tenure:	Freehold
Use:	HMO
Tenancies:	To be a new lease with Weir Lettings Ltd at a rental of £316,800 p.a.
Access:	via Avtar Sandhu

Instruction

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

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

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

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

Valuation and Report

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

1. The Market Valuation for loan security purposes of the Property in its current condition at the date of your inspection, subject to any current tenancies in place and sold as a going concern. Please indicate the period of marketing you have assumed in arriving at your valuation.
2. A valuation of the Property on the assumption that the Property was being sold without the benefit of a going concern.
3. A valuation of the Property on the assumption of Vacant Possession.
4. Please provide comparable evidence to support your assumptions on values.
5. Please provide an estimated rental value for the Subject Properties.
6. Please provide commentary on continued likely market demand for properties of this size and nature, in this location, for sale and to let.
7. Please provide an estimated reinstatement cost of the buildings for insurance purposes.
8. 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 on any noticeable defects that might warrant further investigation and which might affect the marketability of the Property.
9. Please certify that the Property is acceptable for secured lending purposes.

Report on Title

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

Fees

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

Contact Details

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

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

Yours Faithfully,



Brian Bartaby
Director

Proplend Security Limited

Appendix Four

Confirmation Letter

Date: 7th November 2019
Our ref: ADR/NT/JN525252
Your ref: 16305

Property Consultants

60 Church Street
Birmingham, B3 2DJ
T 0121 212 7695
E adam.rock@brutonknowles.co.uk
W brutonknowles.co.uk
Offices across the UK

VAS Panel
The Palace Hub
28-29 Esplanade
Redcar
TS10 3AE

Dear Sirs,

2327-2329 Coventry Road, Sheldon, Birmingham
Confirmation of Instructions and Conditions of Engagement

We acknowledge your written instructions dated 6th November 2019 to carry out a valuation of the above-mentioned property. We write to confirm our acceptance of those instructions which will be undertaken in accordance with the RICS Valuation – Global Standards 2017 and subject to our standard Terms and Conditions of Engagement which confirm the scope and details of the service to be provided by us and which will form part of our valuation report.

In addition, we confirm the following:

- ☐ The subject of the valuation is the freehold interest in the above-mentioned property assuming full vacant possession;
- ☐ The valuation is to be provided in connection with possible secured lending;
- ☐ The date of the valuation will be the date of inspection;
- ☐ In accordance with our normal practice, we confirm that we have had prior dealings with the subject property having previously undertaken a valuation of the property but do not consider a conflict of interest in accepting these instructions;
- ☐ The report will be prepared in accordance with the RICS Valuation – Global Standards 2017 and we confirm we have sufficient knowledge of the particular market and the skills and understanding necessary to undertake the valuation competently.
- ☐ The basis of valuation will be Market Value and the attached sheets contain a full definition. From our existing knowledge of the property and your requirements, we can confirm that we consider this to be the most appropriate basis of valuation.



- ❑ Our agreed fee for this valuation has been settled directly with VAS Panel.
- ❑ Bruton Knowles follows documented procedures to deal with all complaints, as part of our Quality Assurance certification. A copy is available on request.
- ❑ This valuation may be subject to monitoring under the Royal Institution of Chartered Surveyors conduct and disciplinary regulations.

Yours faithfully,



Adam Rock BSc (Hons) FRICS IRRV (Hons)
Partner - RICS Registered Valuer

Standard Terms & Conditions of Engagement

1 R.I.C.S. Valuation Standards

Our valuation has been made in accordance with the RICS Valuation – Global Standards 2017, this firm being independent Valuers as defined in the manual.

2 Basis/Bases of Valuation

In accordance with your instructions, our valuation has been prepared under one or more of the following bases of valuation.

Market Value (MV) is :-

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

The interpretative commentary contained within Valuation Technical and Performance Standard 4 (VPS4) of the RICS Valuation – Global Standards 2017 forms an integral part of this definition.

Market Rent (MR) is :-

“The estimated amount for which an interest in real property should be leased on the date of valuation 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.”

The interpretative commentary contained within VPS4 of the RICS Valuation – Global Standards 2017 forms an integral part of this definition.

Existing Use Value (EUV) is :-

“The estimated amount for which a property 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 acted knowledgeably, prudently and without compulsion, assuming that the buyer is granted vacant possession of all parts of the property required by the business and disregarding potential alternative uses and any other characteristics of the property that would cause its Market Value to differ from that needed to replace the remaining service potential at least cost.”

Fair Value (FV) is :-

The definition adopted by the International Accounting Standards Board (IASB) in IFRS 13:

The price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The interpretative commentary contained within VPS4 of the RICS Valuation – Global Standards 2017 forms an integral part of this definition.

Market Value having regard to Trading Potential is :-

Defined in VGPA4 of RICS Valuation – Global Standards 2017 and a trade related property is considered to be an individual trading entity and is typically valued on the assumption that there will be a continuation of trading.

3 Scope & Title

We have not carried out formal searches of Local Authority Registers or on Title and it has therefore been assumed that no onerous or restrictive covenants attach to Title. You should rely on your solicitor in these matters and we reserve the right to amend our valuation should any encumbrance be shown to materially affect the value of the property. For owner occupied properties, our valuation assumes vacant possession would be given by the vendor upon completion of a disposal. For tenanted premises, our valuation is subject to the information on tenancies contained within our Report unless otherwise stated. Our valuation is made on the assumption that information given to us, either verbally or in writing by the Bank, your representatives or from any official sources (including, where relevant, the Borrower, the vendor, the selling agents and the Local Authority), is capable of formal substantiation. Our valuation also assumes that the property is free from any borrowings or encumbrances, unless otherwise stated.

4 Condition

We have not carried out a building survey or tested services, nor have we inspected those parts of the property which are covered, unexposed or inaccessible and such parts have been assumed to be in good repair and condition. We cannot express an opinion about, or advise upon, the condition of uninspected parts and our Report should not be taken as making any implied representation or statement about such parts. We have not arranged for any investigations to be carried out to determine whether or not any deleterious or hazardous material has been used in the construction of the 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 our valuation we have assumed that such investigation would not disclose the presence of any such material to any significant extent.

With specific regard to the Control of Asbestos Regulations 2006, we will reflect the content of any written risk assessment provided, however where a risk assessment has not been carried out or is not available, we will assume that a risk assessment would not reveal any matters which could affect value.

We are under no duty to and have not a) moved anything; b) used a moisture detecting meter; c) arranged for the testing of electrical, heating or other service installations; or d) carried out an environmental audit. We have also assumed that no radon gas is present at the property. Unless stated to the contrary, no investigations have been carried out to determine whether the site has a history of instability and we are, therefore, unable to report that the property is free from risk in this respect. We have assumed, for the purpose of the valuation, that such investigation would not disclose the presence of any such problems

5 Contamination

We will not identify the existence of contamination unless either reports have been made available to us in this respect or, during the course of our inspection, we conclude that there may be material contamination at the property or on any neighbouring land. In the latter case we will report this possible contamination immediately with a view to a decision being taken as to whether the valuation instructions are to be amended. Otherwise, our valuation has been undertaken on the assumption that no contaminative or potentially contaminative uses have ever been carried out on the property. Should it be established subsequently that contamination does exist at the property or on any neighbouring land, or that the premises have been or are being put to any contaminative use, this might reduce the values reported.

6 Local Authority Enquiries

Where appropriate, verbal enquiries have been made of the local authority and unless otherwise stated, we have assumed that there are no planning proposals, highway improvements or compulsory acquisition schemes likely to affect value. We have also assumed planning consent and all other statutory requirements have been obtained and complied with for the erection and occupation of the building. Formal searches have not been made and we reserve the right to amend our valuation should information at variance to these assumptions be forthcoming. No allowance has been made for rights, obligations or liabilities arising from the Defective Premises Act 1972 or the Disability Discrimination Act 1995.

7 Fixtures & Fittings and Plant and Machinery

Unless stated to the contrary, our valuation has excluded any element of goodwill, trade equipment and moveable fixtures and fittings attached to the property. We have also excluded any stock associated with the business. Our valuation includes only such items as form part of the normal building services installations and any items in the nature of specialist or the present occupiers process plant and machinery have been excluded. No equipment or fixtures and fittings have been tested in respect of Electrical Equipment Regulations and Gas Safety Regulations and we assume that where appropriate all such equipment meets the necessary legislation.

8 Sources, Extent and Non-Disclosure of Information

In preparing our valuation we have relied upon such information as has been provided by the client or building occupier in respect of tenure, tenancies, planning consent and any other relevant information. Where leases or other documents have been produced to us, our Report so states. Otherwise, such information should be verified and in the event of significant variation from the information initially given to us, our valuation could require adjustment.

9 VAT, Taxation and Costs of Acquisition or Realisation

No allowance has been made for costs of acquisition or realisation of the property, nor for any liability for taxation which may arise on disposal whether actual or notional, e.g. VAT, Inheritance Tax or Capital Gains Tax. Unless stated to the contrary it is assumed that where there is an imposition or otherwise of VAT on the rent that the lessee will be able to fully reclaim the VAT paid.

10. Reinstatement Cost

Where we have been requested to provide our opinion of the buildings' reinstatement cost, we confirm that we have not carried out a formal estimate of the reinstatement value of the premises. The figure provided is for guidance purposes only and we recommend that a formal assessment is obtained from a specialist insurance valuer if insurance cover is to be effected. However, our informal estimate is inclusive of site clearance, demolition, statutory and professional fees but excludes VAT, loss of rent, the cost of alternative accommodation for the reinstatement period and inflation during the policy year or the rebuilding period.

11. Future Prospects

Where our Report contains any statement as to the prospect of future growth in rental and/or capital values, it should be appreciated that such growth may not occur and that the values can fall as well as rise.

12. Disclaimer

Our valuation is provided only for the purpose agreed with the instructing client and will be for the sole use of the client. As such, it is confidential to the client and his professional advisers. We accept responsibility to the client alone that the report has been prepared with the skill, care and diligence which may reasonably be expected of a competent valuer but accept no responsibility whatsoever to any other person who relies upon the report at his own risk. Neither the whole nor any part of the Valuation Report may be included in any published document, circular or statement nor published in any way without our written approval of the form and context in which it may appear. We undertake all services only on the basis of these terms which shall apply to the exclusion of any other terms and conditions which the client may seek to impose. No variation of these terms shall be binding unless agreed in writing by an authorised representative of BK and the client.

Where we are providing one or more valuations of a property or properties ("the Property"), in circumstances where you have already made a loan secured (whether wholly or partially) against the Property, and you make further loan or loans secured on the Property in reliance of our valuation(s), our liability to you for any loss that you incur arising from our valuation(s) will be limited to the lesser of: (1) the further sum (if any) that you lend in reliance of our valuation(s); or (2) the difference between our valuation(s) and the true value of the Property at the date of our valuation(s). This limitation of liability applies irrespective of whether, in making a loan based on our valuation(s), you have released the original charge and executed a new charge, or lent additional sums against the original charge. We will not be liable for any loss arising from the original loan (including any extensions to that loan prior to our valuation(s)) that you made, secured by the Property, unless: (1) We carried out the original valuation(s) of the Property; (2) You made the original loan in reliance of our valuation(s); and (3) Our original valuation(s) was negligent.

Appendix Five

Valuation Calculations

Valuation Calculations

Market Value

Address:	Coventry Road	
Valuation Date	04/11/2019	
Passing Rent	£316,800	
Next Review/trans	10/11/2024	
ERV at next trans	£316,800	
Years / def	5 Years, 0 Months	

TERM						
Passing Rent						£316,800
YP	5 Years, 0 Months	years	@	7.50 %	4.0458849	multiplier
						£1,281,736

REVERSION						
Reversion to ERV					£	£316,800
YP perp def:	5 Years, 0 Months	years	@	8.50 %	7.8240638	multiplier
						£2,478,663

	£3,760,400
SAY:	£3,760,000

Vacant Possession

£650.00 per calendar month equates to £7,800 per room per annum
 26 rooms suggests £202,800 per annum overall (Gross)
 Deducting 10% for voids and management suggests £182,520 per annum (Net)
 7.50% yield thus 13.333 multiplier suggests £2,433,600
 We would round to say **£2,450,000**