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VALUATION REPORT



FS 79502



Valuation Report

Northdown House, 2 Stanley Road,
Carshalton, Surrey, SM5 4LF

Prepared on behalf of Proplend Security
Limited

16 November 2021

Contact details

Lender: Proplend, 15 Little Green, Richmond, TW9 1QH
Brian Bartaby | T: | E: borrower@proplend.com | Ref: SP

Valuer: Belleveue Mortlakes, 17 Hanover Square, Mayfair, London, W1S 1BN
Nicholas C D Jones BSc (Hons) MRICS
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**Inspection &
Valuation Date:** 04/11/2021

Executive Summary



Front Elevation

The executive summary below is to be used in conjunction with the valuation report to which it forms part and is subject to the assumptions, exclusions and bases of valuation stated herein and should not be read in isolation.

Address	Northdown House, 2 Stanley Road, Carshalton, SM5 4LF
Property Type	Semi detached part single and part two storey building used as a dance studio with first floor residential.
Market Rent	£36,000 pa
Market Value (Vacant Possession)	£570,000 (Five Hundred & Seventy Thousand Pounds)
Market Value (Restricted)	£500,000 (Five Hundred Thousand Pounds)
Building Reinstatement	£1,050,000 (One Million and Fifty Thousand Pounds)
Liquidity	<p>Commercial Lettings: 9-18 months (<i>assuming the property is competitively priced</i>) Residential Lettings: 2-4 months (<i>assuming the property is competitively priced</i>) Sales: 6-12 months (<i>assuming the property is competitively priced</i>)</p> <p>Whilst marketing periods have been somewhat protracted, since pre-COVID-19, it is not only supply/demand which is the principle driving factor causing delayed timescales. It should be noted that the efficiency and expediency of the various professions connected to a transaction has been impeded, which is also compounded by changes surround lending criteria and access to finance. Therefore, the traditional analysis of advising on marketing periods is still subject to numerous variables.</p>

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Appendices

- Appendix 1 - Instruction Documentation / General Terms of Business
- Appendix 2 - Standard Limitations & Assumptions
- Appendix 3 - Market Commentary & Economic Overview

1. Instructions

Instructions	1.1	We refer to your instruction letter received 26/10/2021 and to our subsequent acceptance thereof, to provide a valuation report on Northdown House, 2 Stanley Road, Carshalton, SM5 4LF ("the property"). Copies of these documents are attached at Appendix 1 .
	1.2	This valuation has been carried out in accordance with your instruction letter, the 'model conditions of engagement between the lender and valuer' as set out in the RICS Valuation – Professional Standards incorporating the International Valuations Standards January 2020 Global Edition ('The Red Book') and our General Terms of Business for Valuations ("General Terms of Business").
Client	1.3	Our client for this instruction is Proplend Security Limited ("the Client").
Your Customer	1.4	We understand that your customer is Vasin Estate Ltd - Veeravagu Vaaheesan ("the Customer").
Valuation Standards	1.5	The Valuation has been undertaken in accordance with the RICS Valuation – Professional Standards incorporating the International Valuations Standards January 2020 Global Edition ('The Red Book').
Purpose of Valuation	1.6	Secured lending purposes
Conflicts of Interest	1.7	In preparing this report, we confirm that we are acting as External Valuers and we are not aware of any conflict of interest in this respect.
Professional Indemnity	1.8	We confirm that we hold adequate Professional Indemnity Insurance cover in order to provide this valuation. We further confirm that Bellevue Mortgages have had no historic claims.
Third Party Reliance	1.9	This report has been prepared on behalf of our Client and no responsibility is accepted to any third party.
Disclosure & Publication	1.10	Neither the whole nor any part of this valuation report, nor any reference thereto may be included in a published document, circular or statement, nor published in any way without the prior written approval of Bellevue Mortgages of the form or context in which it may appear.
	1.11	This Report is for the use of the party to whom it is addressed and should only be used within the context of the instructions under which it is prepared and these assumptions. It may be disclosed to other professional advisers assisting in respect of that purpose. No responsibility is accepted to any third party for the whole or any part of its contents.
Valuation Date	1.12	An inspection of the property was undertaken on 04/11/2021, hereon referred to as the date of valuation.
Expertise	1.13	This report has been prepared by Nicholas C D Jones BSc (Hons) MRICS who is an RICS Registered Valuer. We also confirm that the individual carrying out this valuation has the appropriate knowledge, skills and experience to undertake the valuation competently.
Mandating	1.14	The report and valuation has been mandated by Hinesh Varsani BA (Hons) PGDip MScSurv MRICS FNARA RPR MABRP as part of Bellevue Mortgages quality assurance procedures.

Lender Specific	1.15	
Valuation Bases	1.16	The RICS definitions of Market Value and Market Rent are contained within our General Terms of Business. In accordance with your instructions, we have provided opinions of the value on the following bases:-
Market Value (MV)	1.17	The Market Value in its current condition, with vacant possession.
Special Assumption (1)	1.18	The Market Value in its current condition, with vacant possession, assuming a marketing period restricted to 90 days.
Market Rent (MR)	1.19	The Market Rent of the property. Our letting assumptions are set out in the Valuation Section of this report.
Readers Guidance Notes	1.20	Clients should note that this valuation report should not be relied upon in isolation and should be read in conjunction with our Standard Limitations & Assumptions, copies of which are attached at Appendix 2 .
	1.21	Factual information contained within this report has been summarised, the context of each element will not be fully understood, unless it is read in conjunction with our Standard Limitations & Assumptions, which provides detailed commentary and explanation of each element of this report.
	1.22	The Standard Limitations & Assumptions set out our assumptions, restrictions, limitations and exclusions.

2. The Property

Situation / Location	<p>2.1 The subject property is located on the east side of Stanley Road, close to its junction with Stanley Park Road within a mixed retail and residential area of Carshalton (London Borough of Sutton). This section of Stanley Park Road contains parades of mainly local retail and non-retail covenants at ground floor level with upper parts largely in residential. The property has its north boundary to a former petrol filling station now used for car sales/garage purposes. Stanley Road to the south is solely residential.</p> <p>2.2 Carshalton is a typically densely populated South London district, situated approximately ten miles south of Central London and within 3 miles of Croydon, which benefits from reasonable demand from both the rental and vacant possession sectors.</p> <p>2.3 Away from the retailing pitch Carshalton represents a “medium value” greater London residential suburb, comprising properties of varying eras and style.</p> <p>2.4 Both Carshalton Beeches and Wallington (Southern) rail stations are situated nearby, offering a frequent commuter service into Central London. Numerous bus routes serve the surrounding area. Parking is available on street within Stanley Road.</p> <p>2.5 A location map can also be found within Section 8.</p>
Description	<p>2.6 The subject property comprises the freehold interest in a semi detached, part single and part two storey building, arranged as a ground floor dance studio with non self contained residential accommodation to the first floor. There is a small basement with hatch access. We estimate the original building was constructed circa 1850, with extensions circa 1960 and 2012.</p> <p>2.7 As at the date of inspection the property was used as a dance studio, although the business has closed pending the sale of the property.</p>
Construction Details	<p>2.8 The main walls of the subject property are of part rendered solid brickwork construction beneath a pitched slate covered roof. The rear single storey extension appears to be of blockwork construction with profile steel cladding beneath a dual pitched roof with a covering of corrugated asbestos cement. A single storey side extension is of cavity wall construction, rendered externally, beneath a lean to roof with a covering of artificial slate. There were limited views of the roofs owing to the height and configuration of the building.</p> <p>2.9 Floors throughout the building are of a mixture of solid, assumed concrete and suspended timber construction.</p> <p>2.10 Natural lighting and ventilation is provided by part uPVC double glazed and part timber framed single glazed windows.</p>
General Repair & Condition	<p>2.11 Internally, the property is in moderate order throughout. Externally, items of disrepair were noted; however these defects are consistent for a property of this age and type and should prove capable of remedy by routine maintenance.</p>
General Remarks	<p>2.12 We are advised by the Vendor that an Asbestos Survey has been completed for the property. We have assumed that this survey has not revealed any issues that are likely to impact adversely on our valuations and that there are not any undue costs of any remedial work.</p>

EWS1 & External Cladding	2.13	Our inspection is limited to an external visual inspection from ground floor level only. It can therefore be difficult to identify panels such as brick slips, metal panels or similar, owing to the height and configuration of the building. The building has cladding comprising profile steel sheeting to the external elevations of the rear single storey dance hall but further information has not been requested about whether remediation works may be required because it falls outside RICS advice current at the time of this valuation. However, this decision is not a guarantee that works will not be required in future.																
	2.14	Illustrative photographs can be found within Section 9 .																
Significant Issues	2.15	Overall, for loan security purpose, no significant defects or items requiring urgent attention were noted which would be likely to require a retention or be the subject of a condition of the mortgage advance.																
Economic Life	2.16	Subject to regular maintenance and decoration it is anticipated that the building will retain a useful economic life of at least twenty-five years.																
Services	2.17	It would appear from our inspection that mains supplies of gas, electricity and water are provided to the property. Soil drainage is believed to be discharged to the public sewer. There is air conditioning installed to the main dance studio. This system is however now obsolete, using the refrigerant R22.																
Accommodation	2.18	<p>Dance Studio Accommodation:</p> <table border="1" data-bbox="421 965 1485 1305"> <tr> <td data-bbox="421 965 740 1028">Ground Floor</td> <td data-bbox="751 965 1485 1028">Entrance hallway, dance studio, smaller dance studio, office, kitchen, and W.C's.</td> </tr> <tr> <td data-bbox="421 1043 740 1084">Gross Internal Area</td> <td data-bbox="751 1043 1485 1084">250.64 sq m (2,698 sq ft)</td> </tr> <tr> <td data-bbox="421 1099 740 1184">Basement</td> <td data-bbox="751 1099 1485 1184">Boiler room/Storage. Basement specification – hatch access, no natural light, relatively dry, concrete floor, mains supply of electricity, average floor to ceiling height of 1.59 m.</td> </tr> <tr> <td data-bbox="421 1200 740 1240">Gross Internal Area</td> <td data-bbox="751 1200 1485 1240">11.83 sq m (127 sq ft)</td> </tr> <tr> <td data-bbox="421 1256 740 1296">External</td> <td data-bbox="751 1256 1485 1296">5 car parking spaces.</td> </tr> </table> <p>Residential Accommodation:</p> <table border="1" data-bbox="421 1379 1485 1509"> <tr> <td data-bbox="421 1379 740 1420">First Floor</td> <td data-bbox="751 1379 1485 1420">Hallway, three bedrooms, reception/kitchen and shower/W.C.</td> </tr> <tr> <td data-bbox="421 1435 740 1476">Gross Internal Area</td> <td data-bbox="751 1435 1485 1476">84.57 sq m (910 sq ft)</td> </tr> <tr> <td data-bbox="421 1491 740 1532">External</td> <td data-bbox="751 1491 1485 1532">None.</td> </tr> </table>	Ground Floor	Entrance hallway, dance studio, smaller dance studio, office, kitchen, and W.C's.	Gross Internal Area	250.64 sq m (2,698 sq ft)	Basement	Boiler room/Storage. Basement specification – hatch access, no natural light, relatively dry, concrete floor, mains supply of electricity, average floor to ceiling height of 1.59 m.	Gross Internal Area	11.83 sq m (127 sq ft)	External	5 car parking spaces.	First Floor	Hallway, three bedrooms, reception/kitchen and shower/W.C.	Gross Internal Area	84.57 sq m (910 sq ft)	External	None.
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Gross Internal Area	84.57 sq m (910 sq ft)																	
External	None.																	
Regulated Mortgages	2.19	The residential accommodation accounts for less than 40% of the total gross internal area.																

3. Tenure & Tenancy

Tenure	3.1	The Office Copy provides the following information:	
	3.2	Title No.	SGL274314
	3.3	Tenure	Freehold
	3.4	Proprietor	Jane Del Toro
	3.5	Price / Date	Not stated
	3.6	Lenders Security/Demise	A Land Registry title plan can be found within Section 10.

Tenancy	3.7	We understand the property is to be sold with full vacant possession. The vendor has confirmed that no tenancies exist in respect of the property.
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4. Statutory & Legal Matters

Planning Enquiries	4.1	We have made informal enquiries with the Local Planning Authority responsible for this area, via their website.						
Use Class	4.2	Class E(d) C3- Residential						
Planning History	4.3	<table border="1"> <thead> <tr> <th>Ref. No.</th> <th>Description</th> <th>Decision & Date</th> </tr> </thead> <tbody> <tr> <td>C2012/66725</td> <td>Erection of a single storey extension to provide a new waiting room and buggy store at side.</td> <td>Granted 21.01.2013</td> </tr> </tbody> </table>	Ref. No.	Description	Decision & Date	C2012/66725	Erection of a single storey extension to provide a new waiting room and buggy store at side.	Granted 21.01.2013
Ref. No.	Description	Decision & Date						
C2012/66725	Erection of a single storey extension to provide a new waiting room and buggy store at side.	Granted 21.01.2013						
Alterations	4.4	N/A						
Significant Matters	4.5	Our valuations are on the assumption that the authorised consented planning use is as a Dance Studio with ancillary accommodation and the first floor as residential.						
Planning Restrictions	4.6	The property is not listed as a building of historical or architectural importance nor is it situated within a conservation area.						
Highways	4.7	Stanley Road is understood to be adopted.						
Service Roads / Communal Areas	4.8	Yes – Shared access road to rear, understood to be in private ownership. Our valuations assume rights of access in perpetuity for use of this rear service road and that any costs of its upkeep are fair and proportional. The access road surface was noted to be poor and prior to any advance of funds, Solicitors to verify that there is no undue liability for maintenance.						
Rateable Value	4.9	£19,750 - Dance Studio and premises						
Council Tax Band	4.10	C - Flat First Floor						
EPC Rating	4.11	D (76)						

5. Environmental Considerations

Flooding Risks	5.1	Risk of Flooding From Rivers & Sea	Very Low
		Risk of Flooding From Reservoirs	None
		Risk of Flooding From Surface Water	Low
Contamination	5.2	From our basic enquiries and from our inspection of the property and its surroundings, we have no reason to believe that contamination is present.	
Plant Life	5.3	At the time of inspection no obvious evidence of any harmful vegetation was found on the site.	
Radon	5.4	The property is in a part of the country where there is a very low likelihood of radon posing a potential risk to health.	

6. Comparable Evidence & Market Analysis

Commercial Lettings

Address	Description	Letting Terms	Tenant	Rent Per Annum	Rent £ per sq ft - ITZA	Date of Transaction	Comments
Northgate Dance Studio Crawley, RH10 8AA	'E (d) ' Use Class 1,220 sq ft (GIA)	New 10 year FRI lease with a rent review and Tenants Break after year 5. Lease granted outside the security of tenure provisions of the Landlord and Tenant Act.	Local LTD	£12,000	£9.84	October 2021	This unit is situated within a residential area. The building is single storey and lacks any exclusive parking.
Former British Legion premises, Lower Road, Effingham, KT24 5JP	'E' Use Class – 4,824 sq ft (GIA)	New 15 year lease, 5 yearly rent reviews, with no break options and a 3 month rent free period.	Local LTD	£60,000	£12.44	October 2021	This unit is situated within a mixed residential commercial area. The building has been let for educational purposes. Site includes good on-site parking.
Ditchling Hill Studio Southgate RH11 8QL	'E' Use Class – 1,200 sq ft (GIA)	New 10 year FRI lease with a rent review after year 5 and Tenants Break after year 2. Lease granted outside the security of tenure provisions of the Landlord and Tenant Act. A three month rent free period was granted .	Local LTD	£12,000	£10.00	April 2021	This unit is situated within a residential area. The building is single storey and lacks any exclusive parking.

Residential Lettings

Address	Description	Condition	Letting Terms	Rent Achieved (Annually)	Rent Achieved (Monthly)	Status	Date of Transaction	Source
138a Stanley Park Road, SM5 3JG	A three bedroom first and second floor self contained flat above retail with no garden, measuring 840 sq ft.	Good Order	1 yr AST	£16,500	£1,375	Let	September 2021	Belvoir
55a Marchant Road, SM6 9NT	A three bedroom split level self contained flat not above retail with no garden, measuring 947 sq ft.	Good Order	1 yr AST	£16,800	£1,400	Let	September 2021	Goodfellows
Flat 6, 13 High Street, SM5 3AP	A three bedroom first floor self contained flat above retail with no garden, measuring 973 sq ft.	Good Order	1 yr AST	£17,400	£1,450	Let	August 2021	Silverman Black

Freehold Sales

Address	Description	Status	Date of Transaction	Achieved Price	Analysis £ / sq ft	Valuers Commentary	Source
2- 6 Lambert Place Croydon, CR0 2BR	A two storey detached office and residential building sold with vacant possession, measuring approximately 3810 sq ft GIA, with on-site parking.	Sold	May 2021	£560,000	£147.33	In a residential location. Building required modernisation / refurbishment.	Montagu Evans
Codes House Yorke Road, Reigate RH2 9HG	A two storey detached former Doctors surgery sold with vacant possession, measuring approximately 1794 sq ft GIA, with on-site parking.	Sold	December 2020	£750,000	£418.06	In a residential area. Building sold for residential conversion although no planning consent/prior approval was in place at date of sale.	Martin Brown
102 Worth Road, Crawley, RH10 7DU	A semi detached part single and part two storey former day nursery sold freehold with vacant possession, measuring approximately 1,798 sq ft, GIA with forecourt parking.	Sold	October 2020	£332,500	£184.93	Residential location on busy road. Building required modernisation/refurbishment.	Graves Jenkins

Pandemic Implications

6.1 Since Coronavirus (COVID-19) was declared by the World Health Organisation as a “Global Pandemic” on 11th March 2020, travel and social interaction restrictions remain for many countries. Presently, it is too early to determine what the long term effects of COVID-19 epidemic will have on both the national economy and property market. There is still some uncertainty with regards to the impact on the UK residential and commercial property markets and has resulted in a degree of caution by investors, financial institutions, and the public. The markets will need to be monitored over several years to determine fully the impact of the epidemic on the UK.

The pandemic remains at the forefront of most news headlines, with continual economic updates and commentaries, many of which appear at times to be unclear and contradictory. Some of the principal interventions introduced by HM Treasury in an ongoing attempt to reduce the adverse economic impact of national lockdown measures that have been imposed, in various intervals, include:

- Furlough Scheme, due to end in September 2021.
- Bounce Back Loan Scheme
- Coronavirus Business Interruption Loan Schemes
- Business Rates Relief for retail, hospitality, and leisure sector.
- Value Added Tax (VAT) deferral.
- Moratorium of Statutory Demands & Possession Proceedings

The temporary interventions may have eased the potential immediate catastrophic economic impacts, but questions to a degree remain unanswerable regarding the reliance of the UK economy after these short-term solutions are phased away. In addition, the implications of BREXIT may exacerbate the current economic uncertainty.

Chancellor Rishi Sunak warns that the pandemic could deal lasting damage to growth and jobs. Official forecasts now predict the biggest economic decline in 300 years. The UK economy is not expected to not return to its pre-crisis size until the end of 2022. Government borrowing will rise to its highest outside of wartime to deal with the economic impact.

The Government reports in July 2021 that since the first introduction of the various measures aimed at supporting businesses through the adverse impact of the Coronavirus Lockdown restrictions; 1.67 million loans worth around £80 billion have been provided.

Vaccine Breakthroughs

6.2 It has become evident that increases in social interaction, and hence economic recovery, is only likely to commence upon the circulation and administration of a successful vaccine. The NHS report that by July 2021, some 53 million vaccine doses have been delivered, including the successfully tested BioNTech Pfizer and Oxford University, AstraZeneca types. The majority of the UK adult population have now received the two required doses.

The post COVID implications for society and, therefore, property remain varied. Government intervention and changing patterns of behaviour are likely to impact building use and design considerations, as well as construction operations and timescales.

Transactional Evidence, Market Commentary & Economic Overview

6.3 | In arriving at our Market Value we have, where possible, analysed the latest transactional evidence available. When considering our reported values, we have also exercised a greater degree of judgement, than would be applied under normal market conditions. An excerpt from a recent RICS Property Market Survey is included at **Appendix 3**.

The Pandemic resulted in an evolution of marketing UK real estate. At its inception on 23rd March 2020, private treaty estate agents and auctioneers, were forced to 'shut shop' momentarily. In response, many auctioneers, during the lockdown hosted virtual auctions, albeit they were unable to undertake property viewings. The very few estate agents, who operated during lockdown adjusted by offering virtual tours. As lockdown eased, it was announced on 12th May 2020 that estate agencies were permitted to re-open, following safety guidelines.

We consider, therefore, that we should attach less weight to market evidence (under-offer, exchanged or completed transactions) for comparison purposes, that were produced during this period of restricted market activity, in order to base our opinions of value. It should also be noted that within certain localised/macro markets, there may have been a lack of transactions which have occurred since 23rd March 2020 and the date of this report. In these circumstances, we will be assessing values with a greater degree of judgement having regard to market sentiment, than would be applied under more certain market conditions, where there would ordinarily have been more comparable evidence to take into consideration. For ease of reference the RICS Valuation – Global Standards 2020 defines Market Value as:

'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.'

Subsequently, there may be circumstances, surrounding a transaction/evidence which contradict the term 'proper marketing' and 'without compulsion' as defined RICS Valuation – Global Standards 2017. It should also be noted, during 23rd March 2020 and 12th May 2020 access to finance, was also relatively sparse, thus many of the transactions which occurred during this period would have been acquired by 'cash purchasers' and purchasers who may have agreed finances / mortgage offers pre-COVID-19, or purchasers who may have secured financing amongst the secondary / short-term lending arena.

The COVID-19 pandemic and measures to tackle it continue to affect economies and real estate markets globally. Nevertheless, as at the valuation date property markets are mostly functioning, with transaction volumes and other relevant evidence at levels where enough market evidence exists upon which to base opinions of value. Accordingly, and for the avoidance of doubt, our valuation is not reported as being subject to 'material valuation uncertainty' as defined by VPS 3 and VPGA 10 of the RICS Valuation – Global Standards.

This explanatory note has been included to ensure transparency and to provide further insight as to the market context under which the valuation opinion was prepared. In recognition of the potential for market conditions to move rapidly in response to changes in the control or future spread of COVID-19 we highlight the importance of the valuation date.

Demand

6.4 | If priced correctly the property would be popular with a range of owner occupiers/ developers.

Liquidity

6.5

The commercial property arena (as a whole) has seen significant shifts during the start of the Pandemic, largely influenced by the UK public adapting (to what is now considered the 'new norm'), lifestyle changes and employers / commercial premises occupiers being forced to evolve in order to continue with their respective trades. It is without doubt, that the worst affected industries include pubs, restaurants, hotel, leisure amongst other non-essential businesses.

The retail and office sectors are envisaged to experience the brunt of potential adverse implications which are yet to ensue. Of late, notable retailers, which have experienced administration action include Peacocks, Jaeger, Benson Beds, Harveys Furniture, T M Lewin, Intu Properties, Go Outdoors, Poundstretcher Properties, Oak Furnitureland, Monsoon Accessorize, Victoria's Secret, Antler, L K Bennet, Oasis, Warehouse, Debenhams, Laura Ashley, Bonmarché, Oddbins and Caffè Nero. Furthermore, restaurants which have not been able to sustain the Pandemic effects include, Carluccio's, Chiquito, Pizza Express and ASK; this is not to even mention the many independent restaurants or even pub chains which will face financial difficulty.

The Pandemic has resulted in occupiers / employers having to adapt, with more investment in IT and retailers now heavily focusing on online stores/sales. It is further considered with occupiers reconsidering their business models / requirement (i.e. online retail and employees working from home) there is likely to be a higher than previously experience supply of retail and office accommodation. The hospitality industry thus far, remains relatively inconspicuous but it is suspected that the industry (as a whole) will take a protracted time to recovery.

Online retailers and giants such as Amazon, Uber Eats, Just Eats etc. appear to be changing the way people purchase goods and indulge. We consider other retailers, if they haven't already, will follow suit, which will leave a lasting effect on high street retail/shopping centres.

The sentiment amongst local established agents, respected peers within the property market and in our own professional judgement; is in order to transact a commercial premise in the current economic climate, the property must be competitively priced to attract / appease the interest of purchasers / occupiers who are themselves approaching transactions with low levels of confidence and caution.

Assuming the property is competitively priced, it should sell/let within timescales mentioned below at our opinion of Market Value/Market Rent assuming current market conditions and in the condition and standard of presentation as at the valuation date.

Commercial Lettings:	9-18 months
Residential Lettings	2-4 months (assuming flat has its own access)
Sales:	6-12 months

We would recommend that the property, during the current climate, is sold via private treaty as being the most effective method of disposal.

A rent free incentive of up to 6 months may be required in order to secure a commercial tenant, thus the total rental diminution for this element may be between 15 – 18 months. We also advise more 'tenant' friendly lease terms may also need to be catered for (i.e. inclusion of more frequent tenant only break options and lockdown clauses).

Since the onset of COVID-19, it is not only traditional supply and demand factors which is the principle driving factor causing delayed timescales. It should be noted that the efficiency and expediency of the various professions connected to a transaction has been impeded, which is also compounded by changes surround lending criteria and access to finance. Therefore, the traditional analysis of matters affecting marketing periods is still subject to numerous variables.

7. Valuation

Methodology	7.1	Comparable / Investment.
Rental Values	7.2	Commercial:
	7.3	The general consensus of professional opinion is that similar units in such use will achieve rents in the region of £9.00 - £12.00 per sq ft Gross Internal floor area (FRI lease terms) depending upon size, layout, specification and permitted use. The current market for such premises is limited, and a marketing period reflecting this is included in our valuation. Rental value could, in our opinion, be enhanced through change of use, subject to the grant of appropriate planning consent if required.
	7.4	We are of the opinion that a properly advised tenant is unlikely to agree to a full repairing lease and this has been reflected in our valuations.
	7.5	We are of the opinion that the Market Rent for the commercial element, if let on standard commercial terms (5 year IRI lease, with option to break in year 3), is fairly reflected in the sum of £27,000 per annum (circa £10.00 per sq ft GIA placing no rental value on the basement).
	7.6	Residential:
	7.7	Our analysis of comparables supports a rental value, between £1,400 and £1,500 per month, assuming modernised and redecorated. As this part of the property is not self-contained and cannot be currently let separately. We have therefore deducted 50% from the rental value and combined this with the Market Rent for the commercial element.
	7.8	We are of the opinion that the Market Rent for the entire property, if let on standard commercial terms (5 year IRI lease, with option to break in year 3), is fairly reflected in the sum of £36,000 per annum.
	Capital Value	7.9
Investment Yields	7.10	Market evidence indicates that rack rented mixed commercial/residential properties of this nature and in this location will achieve yields in the region of 5.50% - 6.50% dependent primarily on the strength of covenant, inter alia.
Capital Value Calculation	7.11	For ease of reference the gross internal area of the subject property is 347.04 sq m – 3,736 sq ft. We have, therefore, adopted a value of circa £160.00 per sq ft, to arrive at a Capital Value of say £600,000, however, have made a deduction of £30,000 for redecoration, arriving to a Market Value of £570,000, which reflects a reversionary yield of 6.32%.

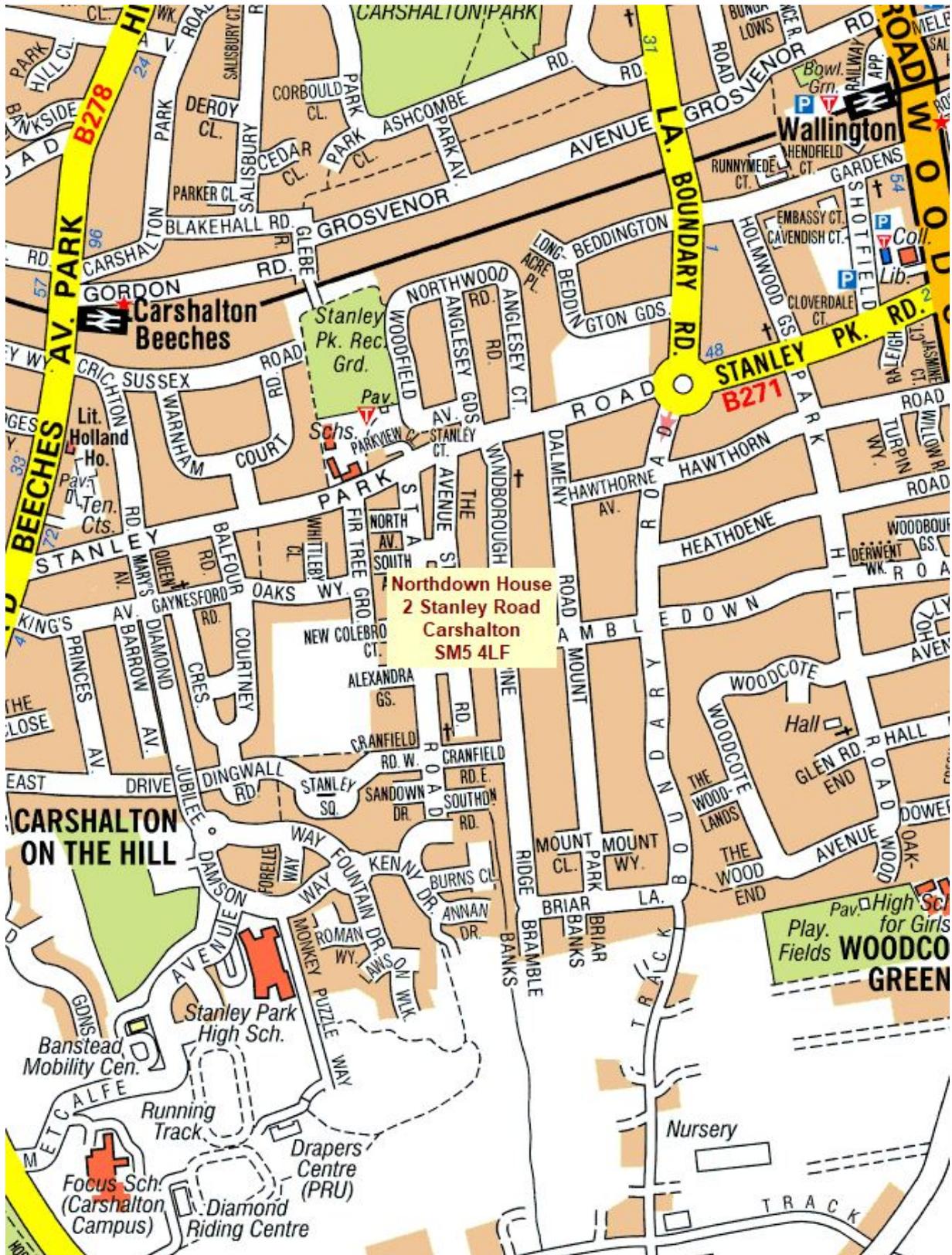
Market Value (Vacant Possession)	7.12	We are of the opinion that the Market Value of the freehold interest in the property, with vacant possession, in the condition found at the time of our inspection as at the assumed date of valuation, is fairly reflected in the sum of:
		£570,000 (Five Hundred and Seventy Thousand Pounds).
Market Value (Restricted)	7.13	We are of the opinion that the Market Value of the freehold interest in the property, with vacant possession, assuming a marketing period restricted to 90 days, in the condition found at the time of our inspection as at the assumed date of valuation, is fairly reflected in the sum of:
		£500,000 (Five Hundred and Seventy Thousand Pounds).
Market Rent (Commercial)	7.14	We are of the opinion that the Market Rent for the commercial element , if let on standard commercial lease terms (5 year IRI lease, with option to break in year 3), as at the date of valuation is:
		£36,000 per annum
Material Valuation Uncertainty	7.15	<p>In respect of pubs, restaurants, gyms, hotels, leisure related trades, as at the valuation date we continue to be faced with an unprecedented set of circumstances caused by COVID-19 and an absence of relevant/sufficient market evidence on which to base our judgements. Our valuation of pubs, restaurants, gyms, hotels, leisure related trades are therefore reported as being subject to 'material valuation uncertainty' as set out in VPS 3 and VPGA 10 of the RICS Valuation – Global Standards. Consequently, in respect of these valuations less certainty and a higher degree of caution should be attached to our valuation than would normally be the case.</p> <p>This declaration does not mean that the valuation cannot be relied upon. It has been included to ensure transparency and to provide further insight as to the market context under which the valuation opinion was prepared. In recognition of the potential for market conditions to move rapidly in response to changes in the control or future spread of COVID-19 we highlight the importance of the valuation date.</p>
Building Reinstatement	7.16	We would recommend that the property be insured for a minimum sum of:
		£1,050,000 (One Million and Fifty Thousand Pounds).
Suitability for Lending	7.17	Subject to the comments in this report we consider the property offers good security for loan purposes.

**Lenders
Action Points**

7.18

- We are not legal advisors and as with all legal documentation the lenders legal advisors should confirm that our understanding of the tenure and tenancies is correct.
 - The lenders legal advisors should confirm the valuation has been prepared in accordance with the statutorily permitted use and that acceptable consent from all parties concerned is in place.
 - Local authority enquiries have been made, however these are limited and your legal advisors may discover adverse information within their searches which should be brought to our attention.
 - The lenders legal advisors should confirm that the interest under consideration has a good and marketable title.
 - Aside from the advice provided within our valuation, we further recommend that you keep the valuation of this property under frequent review, by amending lending covenants to include 'valuations can be called upon by the lender on an as and when basis'.
-

8. Location Map



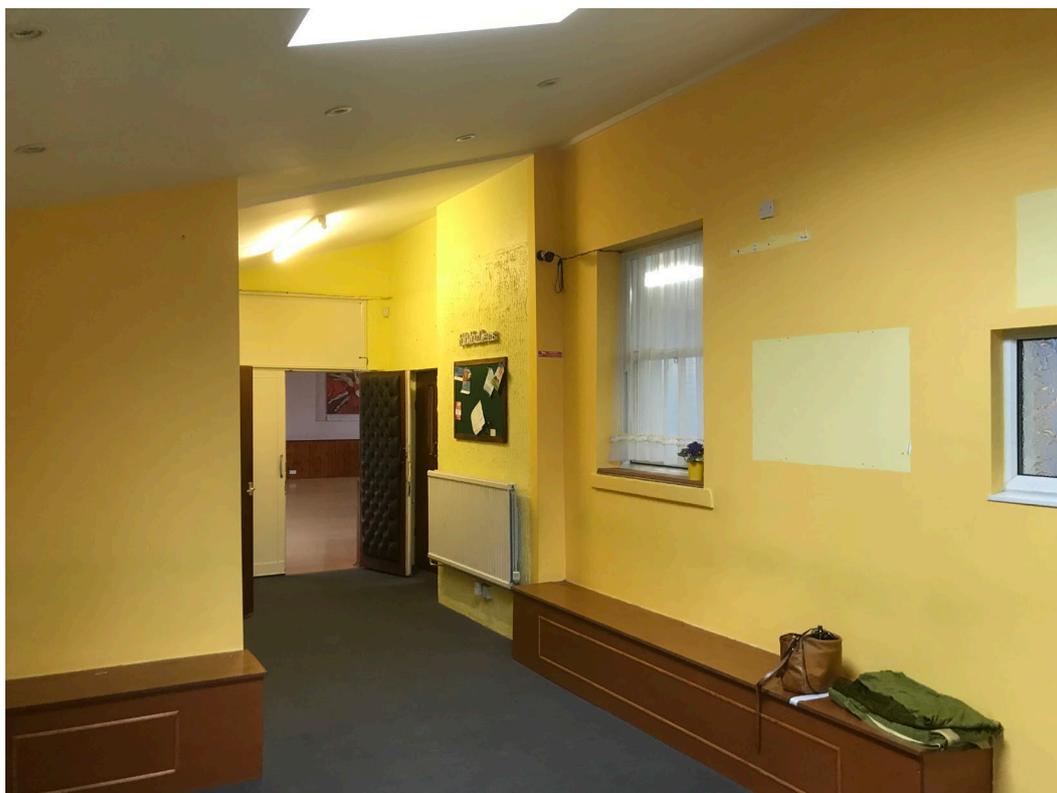
9. Property Photographs



Street Scene



Rear Elevation



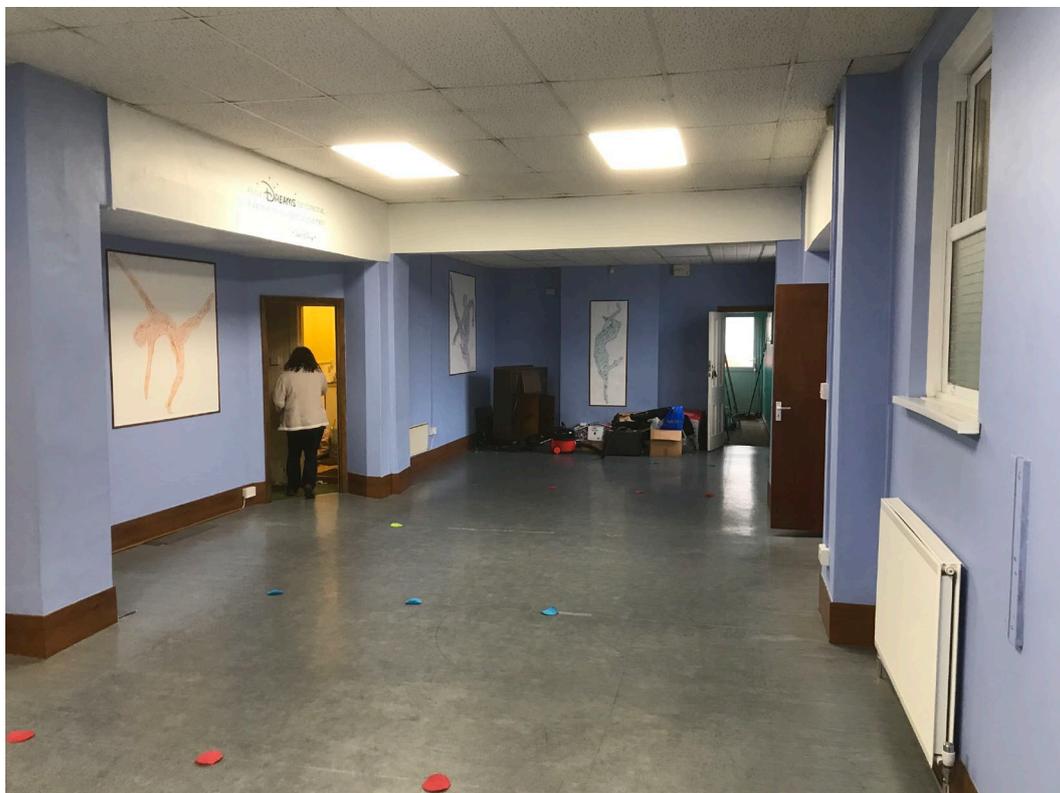
Reception Area



Main Dance Studio



Main Dance Studio



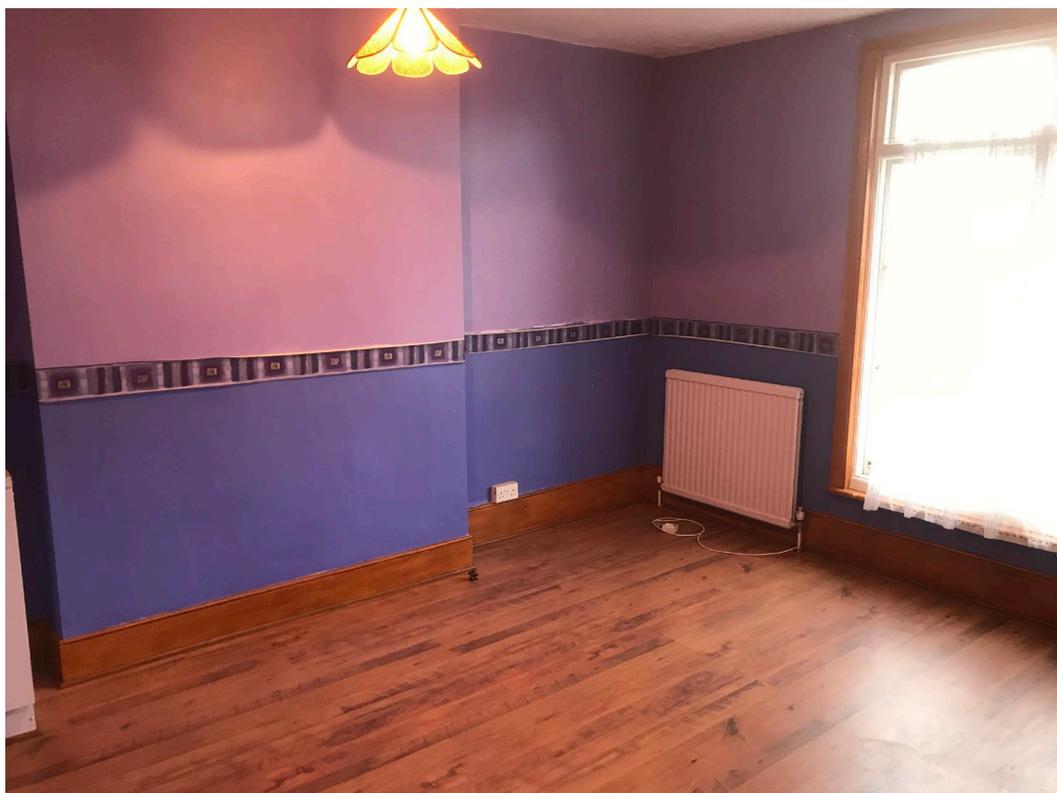
Small Dance Studio



Ground Floor Office



Rear Access To Flat



Flat - Reception Room



Flat - Bedroom



Basement



Rear Single Storey Extension



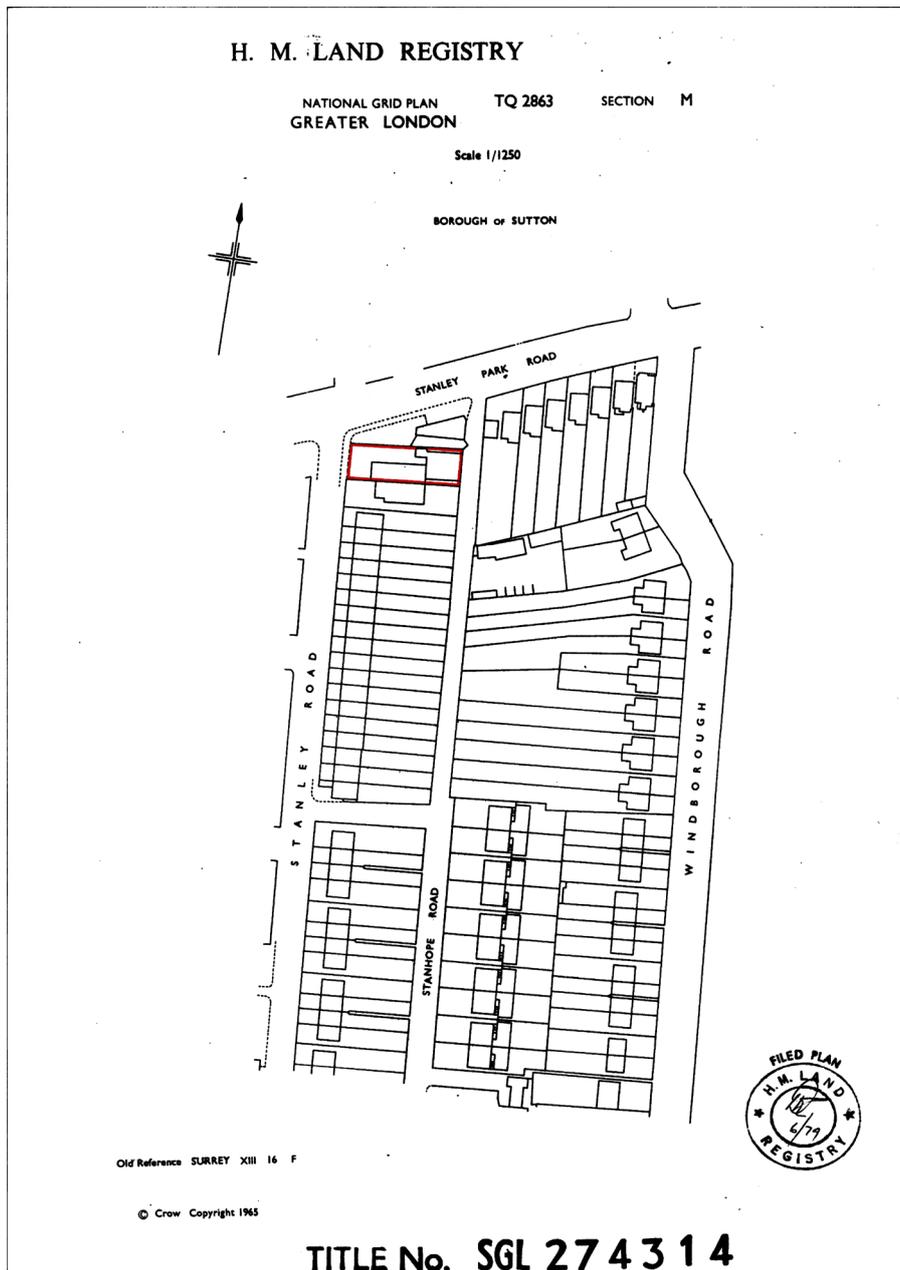
Rear Access

10. Land Registry - Title Plan

Lenders Security

The area edged in red on the title plan reflects the demise of the subject property and lenders security.

We have not been provided with a Report on Title, however, if one is produced we will be pleased to review and pass comment.



This is a print of the view of the title plan obtained from HM Land Registry showing the state of the title plan on 27 October 2021 at 12:18:44. 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, Croydon Office.

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We trust that this report is satisfactory for your current requirements, but, if we can be of further assistance, please do not hesitate to contact us.

Yours faithfully

Prepared and Signed by:



Nicholas C D Jones BSc (Hons) MRICS
RICS Registered Valuer (Membership No. **0068832**)
Senior Valuer

For and on behalf of Belleveue Mortlakes

Countersigned by:



Hinesh Varsani MRICS
RICS Registered Valuer (Membership No. **1217966**)
Partner

For and on behalf of Belleveue Mortlakes

APPENDIX 1



Standard Limitations & Assumptions

1. Security Analysis

General Commentary

- 1.1 We have been requested to comment on the suitability of the property for loan security purposes.
- 1.2 Within our valuation report we have commented on any inherent property related risks which we have identified as part of our due diligence and which we consider should be drawn to your attention. Determination of the degree and adequacy of capital and income cover for loans is the responsibility of the lender having regard to the terms of the loan.

Loan/Borrower

- 1.3 We have not been provided with accounts or other financial information on your Customer, and are unable to comment on their financial strength. We would recommend that you satisfy yourselves that your Customer has the necessary capability to meet the intended repayments.
- 1.4 We have not been provided with the terms of the loan being offered to your Customer. We assume that the loan to value ratio, interest cover ratio and loan term length are within typical market parameters. Our assessment is made upon the property itself (in isolation) and no recommendation is given by Belleveue Mortlakes in respect of the length of term considered appropriate or sum to be advanced and any decision in this respect should be subject to the usual lending criteria of the Bank.

Verification

- 1.5 The report has been based, to some extent, on information provided verbally which should be checked by your solicitors. In particular, this may apply to tenure and planning. Their searches may also reveal whether any historical use of the property is likely to have resulted in contamination.
- 1.6 We reserve the right to amend our valuation following any searches which provide information that differs from that previously assumed.

Specialist & Suggested Reports

- 1.7 Where appropriate we may highlight in some instances specialist reports which may be required.
- 1.8 Suggestion – (not essential, unless specifically drawn to your attention) - the lender may wish to commission an EnviroScreen or GroundSure report which will provide commentary on risk of contamination/flooding. This type of survey report can usually be requested as an additional search via your legal advisors.

Recoveries

- 1.9 We are not privy to the full extent of how this loan is structured and can therefore only comment on the recovery of a loan advanced against this security, in isolation.
- 1.10 The report has been reviewed by our LPA Receivers, who confirm that there are no major areas of concern which will adversely affect enforcement of this security. We recommend that this is also confirmed by your legal advisors.

Scope of Enquiries

- 1.11 The extent of enquiries made are set out in our General Terms of Business and within this Standard Limitations & Assumptions. In carrying out this instruction we have undertaken verbal / web based enquiries referred to in the relevant section of the report. We have relied upon this information as being accurate and complete.
- 1.12 Some information within the valuation report has been provided "the Client", "the Customer", its advisers and other third parties. We have relied upon information as being materially correct in all respects.
- 1.13 In the absence of any other documents or information provided, we have had to rely solely upon our own enquiries as outlined in the valuation report. Any assumptions resulting from the lack of information are also set out in the relevant sections of the valuation report and within this Standard Limitations & Assumptions document.

2. The Property

Description

- 2.1 Where the age of the building is estimated, this is for guidance only.

Construction

- 2.2 Unless otherwise stated within the report, the property is of a traditional or system built (applicable to Local Authority blocks) construction.
- 2.3 We do not normally carry out investigations on site to ascertain whether any building was constructed or altered using deleterious materials or techniques (including, by way of example, high alumina cement concrete, woodwool as permanent shuttering, calcium chloride or asbestos).
- 2.4 For the purposes of this valuation we have assumed that such investigations would not disclose the presence of any such material in any adverse conditions.

General Repair & Condition

- 2.5 We have undertaken a visual inspection of the exterior and interior of the property, to the extent which is accessible with safety and without undue difficulty, as can be seen whilst standing at ground level and within the boundaries of the site, and adjacent public/communal areas, and whilst standing at the various floor levels which we consider reasonable in order to provide the service having regard to its purpose. We have not carried out a building or structural survey or inspect those parts of the property which were covered, unexposed or inaccessible nor raised floor boards, moved any fixed apparatus or arranged for a test of the electrical, heating or other services.
- 2.6 With regard to flats, our inspection was limited to the subject flat(s) and immediately adjacent common areas only. It is not possible to comment on the condition of other parts of the building or on any potential liability for defects in such parts.
- 2.7 In preparing the report, unless otherwise stated, the following assumptions have been made which we are under no duty to verify:
- A. That no deleterious or hazardous materials or techniques were used in the construction of the property nor have since been incorporated.
 - B. That inspections of those parts which have not been inspected would neither reveal material defects nor cause the valuer to alter the valuation materially.

Condition

- 2.8 An overview of the condition of the property is described within the report.

General Remarks

- 2.9 For loan security purpose, within each report, significant defects or items requiring urgent attention will be brought to your attention. We will also advise if a retention is required or a condition of the mortgage advance is recommended.

Significant Issues

- 2.10 We would refer you to the main body of the report for details of repair liabilities. Where appropriate, we have highlighted significant issues which require immediate attention or issues which will have an adverse affect on value. Should this be the case, we have factored these considerations into our reported Market Values.

- 2.11 Properties built prior to the 1960s in particular are susceptible to dampness, timber decay and attack by wood boring beetle infestation. We have reported only on any obvious serious problems that might affect value. Otherwise we recommend that the property is regularly inspected and maintained to ensure that it is kept from these defects, and this is a matter that should be addressed under the general maintenance and management of the building.
- 2.12 We may report that the building has areas of flat roof. Flat roofs, particularly those with a felt covering, have a limited life and are prone to failing suddenly and therefore require regular inspection, maintenance and cyclical renewal.

Structural Condition

- 2.13 Building, structural and ground condition surveys are detailed investigations of the building, the structure, technical services and ground and soil conditions undertaken by specialist building surveyors or engineers and fall outside the normal remit of a valuation. Since we will not have carried out any of these investigations, except where separately instructed to do so, we are unable to report that the property is free of any structural fault, rot, infestation or defects of any other nature, including inherent weaknesses due to the use in construction of deleterious materials. We do reflect the contents of any building survey report referred to us or any defects or items of disrepair of which we are advised or which we note during the course of our valuation inspections but otherwise assume properties to be free from defects.
- 2.14 We have reported on any obvious structural movement that may be significant, progressive or require further investigation.

Ground Conditions

- 2.15 We assume there to be no unidentified adverse ground or soil conditions and that the load bearing qualities of the sites of each property are sufficient to support the building constructed or to be constructed thereon.

Services

- 2.16 We have not tested any of the services within the property but made a visual inspection of those which are connected.
- 2.17 Specific details relating to the mains services of the property have been described within the valuation report.
- 2.18 We assume that all service installations are tested including by approved NICEIC and Gas Safe Registered contractors and that all recommendations and statutory requirements are fully implemented.
- 2.19 We emphasise that we have not undertaken a building survey of the property and should you require a more detailed report upon the mechanical and electrical equipment, a further inspection and report will be necessary. Our valuation assumes that all electronically operated or electronically controlled equipment at the property is not or will not be adversely affected by any computer virus or date related programming problems.
- 2.20 With respect to properties which have comfort cooling/air-conditioning, regulations for the installation, maintenance and re-filling of air conditioning plants have become more complex and restrictive in recent years. We have not inspected or tested the plant to confirm whether it works satisfactorily or whether it complies with all current legislation.

Accommodation

- Measurement**
- 2.21 All areas are approximate only and unless indicated otherwise have been measured in accordance with RICS Property Measurement, First Edition, on a Gross Internal Area (GIA), Net Internal Area (NIA) or Gross External Area (GEA) basis.
 - 2.22 We have measured the property using a Disto electronic measuring device, accurate to +/- 5mm up to 60m.
 - 2.23 The accommodation description is summarised within the report.
 - 2.24 The valuation given does not include any chattels or contents within the property.

3. Tenure & Tenancies

Legal Title

- 3.1 We have assumed a good and marketable title and that all documentation is satisfactorily drawn. We further assume that there are no unusual outgoings, planning proposals, onerous restrictions or local authority intentions which affect the property, nor any material litigation pending.
- 3.2 We recommend that our understanding of all legal title issues is referred to your legal advisers for their confirmation that our understanding is correct.
- 3.3 If any matters come to light as a result of your legal adviser's review of these issues, we request that these matters are referred back to us as this information may have an important bearing upon the values reported.
- 3.4 We have not been provided with a Report on Title (ROT) and have, therefore, made various assumptions for the purposes of the valuation reported herein. If a ROT is produced we will be pleased to review and advise accordingly.
- 3.5 We emphasise that we are not Solicitors, and our observations are subject to verification by the Bank's appointed legal advisers in their formal Report on Title.

Tenure

- 3.6 We will usually inspect Office Copy entries relating to the property. Instances of uncertainty or anomalies will be raised within the report.

Freehold

- 3.7 Where the property has been identified as freehold, we have assumed that the freehold interest is free from any encumbrances, unduly onerous or unusual easements, rights of way, rights of light, restrictions, outgoings or conditions which would have an adverse effect upon the value of the property.

Leasehold

- 3.8 In the absence of a copy lease, we have assumed that normal covenants and liabilities devolve upon the lessee.
- 3.9 We are not aware of the current passing ground rents or service charges but have assumed they are commensurate for the respective property type and location.
- 3.10 Where it is identified as being leasehold, we have assumed that the leasehold interest is free from any encumbrances, unduly onerous or unusual easements, rights of way, rights of light, restrictions, outgoings or conditions which would have an adverse effect upon the value of the property.

- Short Leasehold**
- 3.11 Leasehold interests approaching or below 80 years are considered short and these properties will continue to be a depreciating asset until such time as the lease is extended. Legal advisers should ensure that the lease can be extended subject to the Commonhold and Leasehold Reform Act 2002.
 - 3.12 Where this is the case the valuation takes into account the effect of the diminution in value as a result of the term unexpired and how these would be treated by lenders, for loan security purposes.
 - 3.13 Our assumptions relating to tenure should be verified by your legal advisers. If they prove incorrect any variation may have a material impact on value and should be referred back to us for further comment.

Tenancies

- Inspection of Tenancy Agreements**
- 3.14 The report will confirm if an Assured Shorthold Tenancy 'AST', occupational agreement, commercial lease or other form of tenancy agreement has been provided.
- Provided**
- 3.15 Where documentation is provided, the Assured Shorthold Tenancy 'AST' / Commercial Lease / Occupational Agreement or tenancy agreement's salient terms will be summarised.
 - 3.16 Adverse or onerous terms, conditions, or covenants which would affect value will be highlighted and commented upon. We emphasise that we are not Solicitors, and our observations in this regard are subject to verification by your legal advisers.
- Not Provided**
- 3.17 In the absence of tenancy documentation, we have relied upon information provided to us by your Customer.
 - 3.18 In this instance, we assume that the AST/Commercial Lease or other form of tenancy agreement is in usual form, with no onerous terms, conditions, covenants which would affect value.
 - 3.19 We advise that all information and assumptions relating to the tenancies are verified by your legal advisors. If they prove incorrect any variation may have a material impact on value and should be referred back to us for further comment.

Covenant Strength

- 3.20 We reflect our general appreciation of potential investors' likely perceptions of the financial status of tenants. We do not, however, carry out detailed investigations as to the financial standing of tenants, except where specifically instructed, and assume, unless informed otherwise, that in all cases there are not significant arrears of payment and that tenants are capable of meeting their obligations under the terms of leases and agreements.
- 3.21 It is beyond the scope of our expertise to give any guarantees in respect of the financial credibility and grading of the commercial tenant. We recommend that the lender, purchaser or investor undertakes its own due diligence and satisfies themselves in this regard.

4. Statutory & Legal Matters

Planning Enquiries

- 4.1 Enquiries of the relevant Planning and Highways Authorities in respect of matters affecting the property, where considered appropriate, are normally only obtained verbally or from a Local Authority website. Written enquiries can take several weeks for response and incur charges. Where reassurance is required on planning matters, we recommend that formal written enquiries should be undertaken by the client's solicitors.
- 4.2 These enquiries should not be taken as comprehensive searches and information on the relevant website is assumed to be both accurate and up to date. We recommend that a formal planning enquiry should be made via your legal advisors.
- 4.3 Unless specifically highlighted within the valuation report, for the purpose of our valuation, we have assumed that the property benefits from planning permission and building regulations for its current layout, configuration, conversion, extension and use. We further assume that the premises comply with all relevant statutory requirements including fire and building regulations
- 4.4 In the case of properties built within the last ten years, we have assumed that the customary 10 years NHBC, Zurich or identical cover is in place and that all necessary statutory consents have been obtained and complied with for the development.

Planning History

- 4.5 Where available, planning history relating to the property will be provided within the valuation report.

Alterations

- 4.6 Internal alterations, extensions or conversions will be described within the individual valuation reports.

Significant Matters

- 4.7 Where suspected, instances of uncertainty or anomalies relating to planning or statutory regulations will be highlighted. This section of the valuation report will highlight any adverse planning related matters which may affect our reported values, for example this may include instances where there may be a suspected breach of planning permission.

Enforcement

- 4.8 For the purposes of our valuation, we assume that there are no outstanding statutory enforcement notices. Your legal advisors should confirm should also confirm the same.

Planning Restrictions

- 4.9 Unless specifically mentioned within the valuation report, it is assumed that the property is not listed as a building of historical or architectural importance. We further assume that it is not situated within a conservation area.

Highways & Access

- Highways** 4.10 Unless stated otherwise, we understand from enquiries of the Highways Authority that the property is situated on a made up road, which is adopted and maintainable at public expense.
- Access** 4.11 We assume the property benefits from good access. We further assume that the property is not affected by any encumbrances relating to rights of way.
- Shared Drives / Services Roads/ Communal Areas** 4.12 Where a shared drive is brought to attention, a service road exists or communal areas are highlighted, solicitors may wish to investigate its ownership, rights of way and joint liabilities with respect to maintenance.
- Residential Blocks** 4.13 We assume appropriate rights of way exist over communal access areas and maintenance is covered by way of a service charge.

Rating Assessment

- 4.14 Information relating to Council Tax bands or Rateable Values has been obtained via The Valuation Office Agency, and is presented within the valuation report.

Registration & Licences

- 4.15 Unless specifically highlighted within our valuation report, we understand that no licences are required from the Local Authority for the current occupations.

- HMO Specific Legislation** 4.16 Information relating to HMO licensing will be provided, if applicable, within the valuation report.

Fire Safety Legislation

- 4.17 The Fire Regulatory Reform (Fire Safety) Order 2005 came into effect on 1st October 2006 and replaces most fire safety legislation.
- 4.18 The FSO applies to all non-domestic premises in England and Wales, including the common parts of blocks of flats and houses in multiple occupation (HMOs).
- 4.19 Under this legislation, a "responsible person" must now carry out a "Fire Risk Assessment" (or otherwise ensure one is carried out by a suitably qualified person).
- 4.20 We are not aware if a Risk Assessment has been undertaken. We recommend that the need to commission such an assessment and the implementation of its recommendations should be drawn to the attention of the customer.

Equality Act (Commercially Used Premises Only)

- 4.21 The Equality Act 2010 came into effect on 1st October 2010 and replaces previous legislation concerning discrimination, much of which was contained within the Disability Discrimination Act 1995.
- 4.22 A service provider or property owner is required to take reasonable steps to remove or alter any feature of a property that makes it impossible, or unreasonably difficult, for a disabled person to make use of the services of the property.
- 4.23 The definition of disability is wide ranging and the assessment of a building for this purpose is beyond the scope of this report.
- 4.24 This matter should be brought to the customers' attention as non-compliance could result in civil proceedings.
- 4.25 In order to properly assess what steps if any need to be taken to ensure that the property is compliant with the Act, we advise that an Access Audit is undertaken so that any deficiencies are correctly identified. We would be happy to comment on the contents of the report and likely effect, if any, on the property's value.
- 4.26 We have not carried out or commissioned any investigations to determine whether or not the property complies with the above requirements nor have we made any allowance for the cost of compliance works.

Asbestos at Work Regulation (Commercially Used Premises Only)

- 4.27 Obligations within the Control of Asbestos Regulations 2012 require every "dutyholder" of non-domestic premises to assess whether asbestos is, or is liable to be, present; to prepare and implement a plan for managing any risks arising; and to review and revise the plan as necessary. A "dutyholder" is any person with any extent of responsibility for the maintenance or control of the whole or part of the premises.
- 4.28 The legal requirement to commission such a report in accordance with the Regulations from a suitable qualified and insured professional, individual or company and the need to implement its recommendations, should be drawn to the attention of the customer.
- 4.29 We have not been informed of whether or not a full survey or register has been prepared and would recommend that the Client's solicitor clarifies this.

Asbestos (Residential Premises)

- 4.30 Properties built after the 1940s and prior to the late 1980s in particular often contain asbestos based materials within their construction and the material might be found in such items as textured wall or ceiling finishes, floor tiles, wall, duct or door panels, electric heaters, some water tanks, lagging, and bath panels etc. Unfortunately, it is not always possible to identify asbestos based materials on a purely visual inspection. Further advice on asbestos may be obtained from the local environmental health officer.

Health & Safety

- Residential Premises**
- 4.31 The letting of residential property requires compliance with strict health and safety standards by both owners and managers. The failure to comply can lead to civil and even criminal prosecutions. The requirements placed on the owners of let residential property include, but are not limited to:-
- 4.32
- Furniture & Furnishings (Fire) (Safety) Regulations 1988
 - Gas Safety (Installation and Use) Regulations 1998
 - Electrical Equipment (Safety) Regulations 1994
 - Housing Fitness Standards
 - Housing Health & Safety Rating System under the Housing Act 2004
- Commercial Premises**
- 4.33 All occupiers should be aware that Health and Safety requirements differ greatly according to how the premises are used. We have not made enquiries to ascertain the appropriateness of the premises for their current/proposed use or to confirm compliance with regulations.
- 4.34 We have assumed for the purposes of our report that there are no outstanding improvement notices served under appropriate legislation.
- 4.35 We have assumed in our valuation that all regulations have and will be complied with.
- The Smoke and Carbon Monoxide Alarm (England) Regulations 2015**
- 4.36 At the time of our inspection, we did not test any alarms or installations as this is beyond the scope of our instructions. We recommend that the Bank's legal advisers obtain confirmation from the customer that if the property is to be let, that it is fully compliant that the customer will ensure that these obligations on the landlord continue to be met.
- In arriving at our opinion of value we have assumed continuing compliance with the legislation.

Energy Act 2011

- EPC Ratings**
- 4.37 The EPC ratings provided within our valuation report have been sourced from data published by Department of Communities and Local Government, on www.ndepcregister.com (commercial premises) and www.epcregister.com (residential premises). We will indicated within our report if we have been unable to obtain an EPC Certificate/rating.
- 4.38 Since 1st October 2008, all owners of residential and commercial property are required to produce an Energy Performance Certificate (EPC) when the property is either sold or let.
- 4.39 EPCs give information on a buildings energy efficiency on a sliding scale from 'A' (very efficient) to 'G' (least efficient), as well as providing recommendations as to how to improve these ratings.
- 4.40 The Energy Act 2011 includes provisions that will outlaw the letting of residential and commercial properties with 'F' and 'G' EPC ratings by no later than 1 April 2018. This is unlikely to affect our opinion of value at the current time.
- 4.41 For properties which have 'F' or 'G' ratings it is likely that capital expenditure will be required to maintain their marketability under the Act. We have not made an allowance in our valuation for this potential capital expenditure.

5. Environmental Considerations

Flooding

- 5.1 We have undertaken online research via the Environmental Agency website and summarise our findings within the report.
- 5.2 We have made an assumption that building insurance is available on "normal" terms.

Contamination

- 5.3 Investigations into environmental matters would usually be commissioned from suitably qualified environmental specialists.
- 5.4 Unless any concerns are specifically raised within our valuation report, from our basic enquiries and from our inspection of the property and the respective surroundings, we have no reason to believe that contamination is present. Our views as to value therefore assume that the property is unaffected. However, should it be established subsequently that contamination exists at the property, or on any neighbouring land, or that the premises have been put to any contaminative use, this might reduce the value now reported.
- 5.5 We are not environmental specialists and therefore we do not carry out any scientific, investigations of sites or buildings to establish the existence or otherwise of any environmental contamination, nor do we undertake searches of public archives to seek evidence of past activities which might identify potential for contamination. Where contamination is suspected or confirmed, but adequate investigation has not been carried out and made available to us, then the valuation will be qualified by reference to appropriate sections of The Red Book.
- 5.6 With regard to new properties or those built within the last 30 years, we have assumed that any necessary remedial land decontamination works were properly completed prior to the development commencing.

Plant Life

- 5.7 Unless specifically stated, at the time of inspection no obvious evidence of any harmful vegetation was found at any of the property.
- 5.8 We recommend regular inspection and maintenance of plant life, to prevent any potential harm to the stability of the building.
- 5.9 However, the presence of knotweed can be temporarily disguised by cutting it back to ground level and we cannot warrant that it is not present. On large sites or sites with inaccessible areas, again we cannot warrant that no invasive plants are present.
- 5.10 Trees may be present close to the building. The effect of trees on the structure or services of the building will depend on their size, proximity, species, maturity, weather conditions and whether the subsoil is of a shrinkable nature. We have only specifically reported where we believe the tree(s) to be a significant hazard. We recommend generally that trees are regularly pruned and pollarded to prevent them from increasing in size.

Radon

- 5.11 The property is in a part of the country where there is a low to medium likelihood of radon posing a potential risk to health. A specific test is advised if certainty is required in this regard.

6. Comparable Evidence & Market Analysis

Comparable Evidence

- 6.1 Where comparable evidence information is included in our report, this information is often based upon oral enquiries and its accuracy cannot always be assured, or may be subject to undertakings as to confidentiality. However, such information will only be referred to where we have reason to believe its general accuracy or where it is in accordance with expectation. In addition, we have not inspected comparable properties.
- 6.2 We have carried out our usual research and enquiries and had discussions with leading local agents and analysed the existing market commentaries and data in determining our opinion as to the applicable Market Value 'MV' & Market Rent 'MR' of the subject properties. Information has also been sourced from our own internal records.
- 6.3 Secondary evidence has been drawn from properties which are on the market and have not yet legally exchanged contracts.
- 6.4 In arriving at our opinion of Market Rent & Market Value we have had reference to the comparable evidence summarised within the valuation report. We have taken into account the location, size, specification and condition of the property and have had to make adjustments to account for fluctuations within the market and other material factors. We should point out that rental levels achieved may vary depending on the term of letting, covenant strength and any services provided.
- 6.5 In the case of the leasehold interests, where the leases have less than 80 years remaining, we have attempted to access evidence of similar units with short term leases. As we have found no such transaction evidence, we have relied on our own experience of leasehold enfranchisement.

Market Commentary & Economic Overview

- 6.6 An excerpt from a recent RICS Property Market Survey is appended to our valuation report.
- 6.7 It should be noted that this supplement is included for 'general' information only and is aimed to provide the lender a glance of the overall notable market overview, comments within the report should not form the basis of any formal decision. Being a general report, the material does not necessarily represent the view of Belleveue Mortlakes in relation to specific properties or projects and no responsibility can be accepted by Belleveue Mortlakes resulting from the contents of the document.
- 6.8 Our market analysis has been undertaken using market knowledge within Belleveue Mortlakes, enquiries of other agents/property professionals, searches of property databases, the RICS, Council of Mortgage Lenders, IPD as well as other published sources/research.

7. Valuation

Methodology

- 7.1 Our valuation has been undertaken using appropriate valuation methodology and our professional judgement.

Comparative Method

- 7.2 Where indicated within our report, in determining our opinion of Market Value & Market Rent of the property, we have made our assessment on the basis of a collation and analysis of appropriate comparables. With the benefit of such transactions we have then applied these to the property, taking into account size, location, aspect and other material factors.

Residential Blocks

- 7.3 Where a house has been converted into self-contained flats, in line with its permitted planning permission for the conversion, or we are providing a valuation of a purpose built block of flats, our aggregate Market Value of the individual flats is based on the assumption that each flat can be sold off separately subject to a long leasehold interest (125 years) at nominal ground rent with appropriate service charge provision.

Short Leasehold Interests (<80 years Unexpired)

- 7.4 A leasehold term approaching or below 80 years unexpired is considered short and the property will continue to be a depreciating asset until such time as the lease is extended.
- 7.5 We will attempt to access evidence of similar flats with short term leases, however this may not be readily available. Where there is a lack of direct comparables of this nature we will assess the Market Value of the property assuming it were to be sold with a long leasehold interest and make appropriate adjustments via published relativity graphs.

Investment Method

- 7.6 Where indicated within our report, we have valued the property by way of an Investment Approach as this is the basis upon which such properties are bought and sold. In arriving at our valuation we have had regard to the rental value of the property. We have taken into consideration investment returns determined by direct comparison with yields obtained on comparable property transactions as well as other forms of investment.
- 7.7 We have also had regard to the Direct Capital Comparison method of valuation with regard to assessing any residential accommodation, which may form part of a mixed use property.

Residual Method

- 7.8 Where indicated within our report, in determining our opinion of the Market Value (MV) of the property we have adopted the residual method of valuation taking into account the benefit of the planning permission, carrying out a valuation of the completed building and then making an allowance for the cost of construction together with fees and the cost of finance plus an allowance for developers profit. To assist with our valuation, we have utilised an industry recognised residual development valuation package which enables a full sensitivity analysis to be carried out.
- 7.9 Where our instruction requires us to have regard to build cost information, for example in the valuation of properties with development potential, we strongly recommend that you supply us with build cost and other relevant information prepared by a suitably qualified construction cost professional, such as a quantity surveyor. We do not hold ourselves out to have expertise in assessing build costs and any property valuation advice provided by us will be stated to have been arrived at in reliance upon the build cost information supplied to us by our client or their customer. In the absence of any build cost information supplied to us, we may have regard to published build cost information. There are severe limitations on the accuracy of build costs applied by this approach and professional advice on the build costs should be sought by you. The reliance which can be placed upon our advice in these circumstances is severely restricted. If you subsequently obtain specialist build cost advice, it is recommended that we are instructed to review the advice.

Planning Irregularities

- 7.10 In instances where we have highlighted that the building does not benefit from planning permission and usual statutory regulations for its existing configuration or use, our valuation will be based on the permitted use, after making appropriate allowances/deductions for costs associated with re-instatement works.

Valuation Bases & Definitions

Market Value 7.11 Market Value is defined within RICS Valuation Standards as:

“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 each acted knowledgeably, prudently and without compulsion.”

Market Rent 7.12 The basis of valuation for our opinion of rental value is Market Rent. This is defined in RICS Valuation Standards as:

- 7.13 “The estimated amount for which a property, or space within a property, should lease (let) 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 wherein the parties had acted knowledgeably, prudently and without compulsion.”

Disposal Costs and Liabilities

- 7.14 No allowance is made in our valuation for expenses of realisation or for taxation which may arise in the event of a disposal and our valuation is expressed as exclusive of any VAT that may become chargeable. Properties are valued disregarding any mortgages or other charges.

Building Reinstatement

- 7.15 We are not aware of the current level of building reinstatement insurance cover and therefore cannot comment upon the adequacy of same, however we would recommend that the property be insured for a minimum sum, as reported.

- 7.16 This sum allows for full reinstatement, professional fees and VAT but excludes any allowance for inflation, and should accordingly be updated on an annual basis to keep pace with rising costs.

- 7.17 Where the properties form part of a larger structure (i.e. block), the building insurance figure provided is for the subject property only and given solely as a guide as it is assumed that the building as a whole is insured under a single policy.

- 7.18 We would emphasise that the figures detailed in our report is our estimate of the cost of rebuilding the premises and bears no direct relationship to current market value. The figure given is for guidance only and does not comprise a formal fire insurance valuation of this property.

- 7.19 Our reinstatement assessment should be compared with the owner's and if there is a material difference, then a full reinstatement valuation should be considered.

Building Insurance

- 7.20 Our valuation assumes that the property would, in all respects, be insurable against all usual risks including terrorism, flooding and rising water table at normal, commercially acceptable premiums.

APPENDIX 3





Q3 2021: UK Commercial Property Market Survey

Offices beginning to see some green shoots while industrials remain robust

- Tenant demand edges up across the office sector for the first time since before the pandemic
- Industrials, multifamily and data centres lead the way in terms of capital value projections
- Around two-thirds of survey participants now feel the market is in the upturn stage of the property cycle

The Q3 2021 RICS UK Commercial Property Survey results show a further gradual improvement in overall market sentiment over the quarter, perhaps best summarised by the fact nearly two-thirds of respondents now sense the market is in an upturn phase of the cycle (an increase on 56% back in Q2). That said, the retail sector in aggregate remains under pressure according to the latest feedback, even if some of the negativity has diminished since earlier in the year.

At the headline level, a net balance of +18% of respondents cited an increase in tenant demand during Q2. When disaggregated by sector, industrial space unsurprisingly continued to attract the strongest pick-up in demand, posting a net balance +56% (compared with +63% previously). Alongside this, occupier demand increased slightly across the office sector, evidenced by a net balance of +7% of respondents seeing a rise. Significantly, this marks the first outright positive reading for the sector since early 2018, albeit the latest improvement is likely coming from a low base given the steep falls reported throughout the past year. Meanwhile, the retail sector continues to display subdued tenant demand trends, although the latest net balance of -18% does represent the least negative reading since 2017.

In terms of availability, respondents continue to report rising vacancies across the office and retail sectors (posting net balances of +28% and +34% respectively). Even so, in both cases, the rate at which availability is rising has slowed compared with previous quarters (in net balance terms). Meanwhile, the supply of available industrial space continues to fall sharply, with the latest net balance coming in at -38%. On the back of this, the use of incentives remains on a firmly downward trajectory across the industrial sector, while office and retail landlords continue to raise the value of inducement packages on offer the tenants.

For the coming twelve months, respondents envisage roughly 6% growth for prime industrial rents, while those for secondary industrial space are expected to pick-up by 4% (an increase on projections of 3% growth returned last quarter). For the office sector, prime rents are now seen rising by 1% (a turnaround on an expected 1% decline last time), while secondary office rents still display

negative expectations at -2% (although less downbeat than -4% previously). For the retail sector, prime rents are now projected to fall by 2%, while secondary rents are expected to decline by 5% (with both turning less negative compared to respective forecasts of -6% and -8% in Q2). On a regional view, in terms of the expected direction of changes in rents, these projections are consistent across the whole of the UK. However, one interesting distinction that can be made is that the recovery in prime office rents across London is anticipated to run slightly ahead of all other broad regional aggregates.

On the investment side of the market, headline demand rose for a third successive quarter, with the latest net balance for enquiries picking up slightly to +19% (from +15% beforehand). When broken down, investor demand for offices remains stable, while retail is slightly negative and industrial properties continue to see strong growth in investor appetite. This is also reflected in the data on overseas investment enquiries.

As a result, capital value expectations remain firmly positive for both prime and secondary industrial assets for the year ahead. While prime offices are now expected to see some modest capital value appreciation, projections remain negative for secondary. Again, both prime and secondary retail values are still expected to fall, albeit these negative projections have at least been scaled back relative to the Q2 results.

Looking at some alternative sectors, already solid capital value expectations strengthened further across multifamily residential, with a net balance of +57% of respondents now anticipating growth over the next twelve months (up from +37% last time). Meanwhile, data centres and aged care facilities also display strong expectations, returning net balances of +53% and +47%. Furthermore, respondents now foresee hotels and student housing posting capital value gains, with expectations turning from neutral to positive in the latest results.

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