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CHARTERED SURVEYORS
PROPERTY & FIXED CHARGE RECEIVERS



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VALUATION REPORT



FS 79502



Valuation Report

44 Morris Street, London, E1 2NP

Prepared on behalf of Proplend Security Limited (the "Security Trustee")

8 July 2022

Contact details

Lender: Proplend Security Limited (the "Security Trustee"), 15 Little Green, Richmond, TW9 1QH
Illi Dabbene | T: | E: idabbene@proplend.com | Ref:

Valuer: Belleveue Mortlakes, 4 Crossfield Chambers, Gladbeck Way, Enfield, EN2 7HT
Hinesh Varsani BA (Hons) PGDip MScSurv MRICS FNARA RPR MABRP
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Inspection & Valuation Date: 30/06/2022

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	44 Morris Street, London, E1 2NP	
Property Type	Ground Floor – Retail Upper Part – Residential	
Passing Rents	Retail £24,000 pa	Residential £22,800 pa
Market Rent	Retail £21,000 pa	Residential £22,800 pa
Market Value	£740,000 (Seven Hundred and Forty Thousand Pounds)	
Market Value (90 Days Restricted)	£665,000 (Six Hundred and Sixty-Five Thousand Pounds)	
Market Value (Vacant Possession)	£700,000 (Seven Hundred and Forty Thousand Pounds)	
Building Reinstatement	£390,000 (Three Hundred Ninety Thousand Pounds)	

Liquidity

Retail Lettings:	9-12 months <i>(assuming the property is competitively priced)</i>
Residential Lettings:	1-3 months <i>(assuming the property is competitively priced)</i>
Sales:	6-9 months <i>(assuming the property is competitively priced)</i>

Whilst marketing periods have been somewhat protracted, since pre-COVID-19, it is not only supply/demand which is the principal 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.

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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 13/06/2022 and to our subsequent acceptance thereof, to provide a valuation report on, 44 Morris Street, London, E1 2NP ("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 – Global Standards January 2022 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 "Security Trustee") ("the Client").
Your Customer	1.4	We understand that your customer is H & A Properties (Liverpool) Ltd ("the Customer").
Valuation Standards	1.5	The Valuation has been undertaken in accordance with the RICS Valuation – Global Standards January 2022 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 Mortlakes 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 Mortlakes 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 30/06/2022, hereon referred to as the date of valuation.
Expertise	1.13	This report has been prepared by Hinesh Varsani BA (Hons) PGDip MScSurv MRICS FNARA RPR MABRP 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 Shaf Ali BSc (Hons) MRICS as part of Bellevue Mortlakes quality assurance procedures.

Valuation Bases	1.15	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)	1.16	The Market Value in its current condition, with the existing tenancies.
Special Assumption (1)	1.17	The Market Value in its current condition, with the existing tenancies, assuming a marketing period restricted to 90 days.
Special Assumption (2)	1.18	The Market Value in its current condition, with vacant possession.
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	2.1	The subject property is located in a secondary trading location along Morris Street, at its junction with Chapman, within Shadwell (London Borough of Tower Hamlets). The immediate location largely comprises of smaller, local retailers, with superior retailing locations situated along Commercial Road. The shop will serve the immediate adjacent residential population together with a certain amount of passing trade.
	2.2	Shadwell is a typically densely populated East London district, situated less than four miles east of Central London, which benefits from reasonable demand from both the rental and vacant possession sectors.
	2.3	Away from the retailing pitch, Shadwell represents a “medium value” inner London residential suburb, comprising properties of varying eras, many of which have been the subject of flat conversion schemes.
	2.4	Shadwell London Overground Station is situated nearby, offering a frequent commuter service into Central London. Numerous bus routes serve the surrounding area.
	2.5	A location map can also be found within Section 8 .
Description	2.6	The subject property comprises the freehold interest in a detached, three storey building, previously in use as a public house, currently arranged as a ground floor retail unit with a self-contained, three-bedroom flat to the upper floors, constructed circa 1900s.
	2.7	As at the date of inspection, the ground floor retail unit was let and in use as a fast food takeaway. We were not afforded access to the upper parts, however was informed by the applicant that the property is tenanted and in residential use.
Construction Details	2.8	The main walls of the subject property are of part rendered solid brickwork construction beneath an assumed flat roof behind a parapet wall, with subsidiaries flats roofs to the rear. There were limited views of the roofs owing to the height and configuration of the building.
	2.9	Floors throughout the building are of a mixture of solid concrete and suspended timber construction.
	2.10	Natural lighting and ventilation is provided by timber framed plate glass shop frontages with double glazed uPVC framed windows to the upper parts.
General Repair & Condition	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.
General Remarks	2.12	At the time of the inspection, we were not afforded access to self-contained flat to the upper floors. We have therefore assumed that the property is in moderate order throughout and have relied upon measurements obtained from our previous valuation report dated 1 st September 2017 (BM015216).
EWS1 & External Cladding	2.13	At the time of our inspection, based on the information provided and a ground floor visual inspection of the property, we did not note any external cladding and therefore we do not consider any external remediation works are required.
	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.																		
Accommodation	2.18	<p>Retail Accommodation:</p> <table border="1"> <tr> <td data-bbox="435 584 571 607">Basement</td> <td data-bbox="754 584 1098 607">Staff room and storage area.</td> </tr> <tr> <td data-bbox="435 633 611 656">Ground Floor</td> <td data-bbox="754 633 1485 694">Customer/seating area, kitchen area, rear store/preparation area and a separate W.C.</td> </tr> <tr> <td data-bbox="435 719 671 741">Net Internal Area</td> <td data-bbox="754 719 1023 741">70.80 sq m (762 sq ft)</td> </tr> <tr> <td data-bbox="435 768 499 790">ITZA</td> <td data-bbox="754 768 1054 790">34.40 sq m (370 sq ft)</td> </tr> <tr> <td data-bbox="435 817 547 840">External</td> <td data-bbox="754 817 962 840">No outside space.</td> </tr> </table> <p>Residential Accommodation:</p> <table border="1"> <tr> <td data-bbox="435 925 571 947">First Floor</td> <td data-bbox="754 925 1485 985">Reception room, one double bedroom, kitchen and a shower room/W.C.</td> </tr> <tr> <td data-bbox="435 1010 611 1032">Second Floor</td> <td data-bbox="754 1010 1393 1032">Two double bedrooms, bathroom and a separate W.C.</td> </tr> <tr> <td data-bbox="435 1059 699 1081">Gross Internal Area</td> <td data-bbox="754 1059 1023 1081">83.30 sq m (897 sq ft)</td> </tr> <tr> <td data-bbox="435 1108 547 1131">External</td> <td data-bbox="754 1108 962 1131">No outside space.</td> </tr> </table> <p>N.B – At the time of the inspection, we were not afforded access to self-contained flat to the upper floors. We have relied upon information obtained from our previous valuation report dated 1st September 2017 (BM015216).</p>	Basement	Staff room and storage area.	Ground Floor	Customer/seating area, kitchen area, rear store/preparation area and a separate W.C.	Net Internal Area	70.80 sq m (762 sq ft)	ITZA	34.40 sq m (370 sq ft)	External	No outside space.	First Floor	Reception room, one double bedroom, kitchen and a shower room/W.C.	Second Floor	Two double bedrooms, bathroom and a separate W.C.	Gross Internal Area	83.30 sq m (897 sq ft)	External	No outside space.
Basement	Staff room and storage area.																			
Ground Floor	Customer/seating area, kitchen area, rear store/preparation area and a separate W.C.																			
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Second Floor	Two double bedrooms, bathroom and a separate W.C.																			
Gross Internal Area	83.30 sq m (897 sq ft)																			
External	No outside space.																			
Regulated Mortgages	2.19	The residential accommodation accounts for more than 40% of the total gross internal area.																		

3. Tenure & Tenancies

Tenure	3.1	The Office Copy provides the following information:
	3.2	Title No. EGL173163
	3.3	Tenure Freehold
	3.4	Proprietor Abdul Hamid and Ataur Rahman
	3.5	Price / Date £162,050 (2 June 2000)
	3.6	Lenders Security/Demise A Land Registry title plan can be found within Section 10 .
Retail	3.7	We have been provided with a copy of lease which is undated and unsigned; which states that the ground floor retail unit is let for a term of ten years, with five yearly rent reviews at a current passing rent of £24,000 per annum. We have assumed that the information within the lease provided is correct and have an assumed a commencement date of June 2022, however we advise your solicitors to confirm that this information is correct and we reserve the right to amend our valuation.
Residential	3.8	We have not been provided with a copy of the tenancy agreement; however we have been informed by your customer that the property is occupied on an Assured Shorthold Tenancy 'AST' agreement at a passing rent of £1,900 per month (£22,800 per annum).

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	E - Retail C3 – Residential
Planning History	4.3	No recent planning history.
Alterations	4.4	N/A
Significant Matters	4.5	N/A
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	Adopted
Service Roads / Communal Areas	4.8	We assume a right of way exists over the land to the flank of the property to access the upper floors. Solicitors to confirm.
Rateable Value	4.9	£7,800 – shop and premises
Council Tax Band	4.10	C
EPC Rating	4.11	Retail – D Flat - D

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	Medium
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

Retail Lettings

Address	Description	Letting Terms	Tenant	Rent Per Annum	Rent £ per sq ft - ITZA	Date of Transaction	Comments
349 Commercial Road, E1 2PS	E retail unit – 287 sq ft ITZA	Ten year lease let on undisclosed terms.	Local Ltd	£24,900	£86.76	May 2022	This property is located within a superior trading location.
37 Watney Market, E1 2PP	E retail unit – 574 sq ft ITZA	Ten year lease let on undisclosed terms.	Local Ltd	£26,000	£45.30	March 2022	This property is located within a slightly superior trading location nearby. Larger properties of this nature tend to achieve a lower rate owing to quantum.
18 Watney Market, E1 2PR	E retail unit – 500 sq ft ITZA	Let on undisclosed terms.	Local Ltd	£30,000	£60.00	March 2022	This property is located within a slightly superior trading location nearby.
122 Stepney Way, E1 3BG	E retail unit – 286 sq ft ITZA	Five year lease let on undisclosed terms.	Local Ltd	£11,000	£38.46	December 2021	This property is located within a slightly inferior trading location nearby.
184 Commercial Road, E1 3JY	E retail unit – 303 sq ft ITZA	Twelve year FRI lease.	Local Ltd	£30,000	£99.01	December 2021	This property is located within a superior trading location.

Residential Lettings

Address	Description	Condition	Letting Terms	Rent Achieved (Annually)	Rent Achieved (Monthly)	Status	Date of Transaction	Source
46 Colstead House, E1 2QY	A slightly larger purpose-built three bedroom flat situated above commercial premises that benefits from a balcony.	Moderate	1 yr AST	£24,180	£2,015	Let	September 2021	Look Property Services
24 Solander Gardens, E1 0DN	A similar sized three bedroom, former local authority, purpose-built flat which benefits from a balcony.	Moderate	1 yr AST	£26,004	£2,167	Let	September 2021	Victorstone Property Consultants
50 Bigland Street, E1 2QU	A three bedroom purpose-built flat.	Moderate	1 yr AST	£23,400	£1,950	Let	July 2021	Aqua Property
82 Clovelly Way, E1 0SF	A similar sized three bedroom, former local authority, purpose-built flat.	Moderate	1 yr AST	£22,200	£1,850	Let	July 2021	Felicity J Lord

Residential Sales

Address	Description	Status	Date of Transaction	Achieved Price	Analysis £ / sq ft	Valuers Commentary	Source
16 Silvester House, E1 2JD	A three bedroom former local authority purpose-built split level flat, situated on the second and third floors, measuring approximately 796 sq ft, presented in moderate order throughout.	Sold	September 2021	£410,000	£515	A former local authority flat which is situated nearby and benefits from a private balcony and communal gardens.	Ludlow Thompson
27 Kerry House, E1 3EL	A three bedroom, fourth floor, former local authority purpose-built, measuring approximately 809 sq ft, presented in moderate order throughout.	Sold	September 2021	£360,000	£445	A former local authority flat which is situated nearby and benefits from a private balcony.	Dexters
48 Newton House, E1 2QP	A three bedroom former local authority purpose-built split level flat, situated on the fourth and fifth floors, measuring approximately 870 sq ft, presented in reasonably good order throughout.	Sold	August 2021	£405,000	£466	A former local authority flat which is situated nearby and benefits from a private balcony.	Tyron Ash Real Estate
1,89 Watney Street, E1 2QE	A two bedroom, ground floor, self-contained flat which is situated behind commercial premises, measuring approximately 560 sq ft, presented in a refurbished order throughout.	Sold	August 2021	£300,000	£536	This property is located nearby and is situated behind commercial premises which is in use as a shop although is adjacent to a takeaway. However, is presented in a superior order throughout. Smaller properties of this nature tend to achieve a higher rate owing to quantum.	Dexters

Address	Description	Status	Date of Transaction	Achieved Price	Analysis £ / sq ft	Valuers Commentary	Source
36 Morris Street, E1 2NP	A three bedroom former local authority purpose-built split level flat, situated on the ground and first floors, measuring approximately 850 sq ft, presented in moderate order throughout.	Sold	December 2020	£385,000	£452	Although slightly historic this property is located along the same road as the subject property former local authority flat which is situated nearby and benefits from private outside space.	Purplebricks

Investment Sales

Address	Description	Sold price	Initial / Reversionary Yields	Date of Transaction	Comments
8 Broadway Market, Hackney, E8 4QJ	<p>The freehold interest in a three storey, end-terrace building arranged as a ground floor retail unit, with two self-contained flats located on the upper floors.</p> <p>The retail unit was let to a Local LTD, by way of a twenty year lease from 17th January 2022, subject to five yearly rent reviews, at a passing rent of £38,000 per annum. The residential upper parts were let on AST agreements, at a combined passing rent of £35,160 per annum. At the time of the sale, property was producing a total income of £73,160 per annum.</p>	£1,456,000	5.02%	February 2022	This property is located within a superior trading location and we note that two self-contained flats form part of this sale.
131-133 Whitecross Street, Barbican, EC1Y 8JL	<p>The freehold interest in a four storey, plus basement, mid-terrace building arranged as a ground floor retail unit, with three self-contained flats located on the upper floors.</p> <p>The retail unit was let to a Local LTD (t/a Barbican Express Pizza), by way of a twenty-five year lease from 8th October 2008, subject to five yearly rent reviews, at a passing rent of £28,500 per annum. The residential upper parts were let by way of three year lease to 'Mintland Properties Limited', at a passing rent of £43,929.60 per annum. At the time of the sale, property was producing a total income of £72,429.60 per annum.</p>	£1,350,000	5.37%	June 2021	This property is located within a superior trading location and we note that three self-contained flats form part of this sale. We further note that the residential flats are let to collectively to Mintland reflecting a slightly stronger artificial yield.

Address	Description	Sold price	Initial / Reversionary Yields	Date of Transaction	Comments
256 & 256A Bethnal Green Road, London, E2 0AA	The freehold interest in a four storey, plus basement, mid-terraced building arranged as a ground floor retail unit and three self-contained flats located on the upper floors. Total income of £72,000 per annum.	£1,150,000	6.26%	September 2020	This property is located within a superior trading location and we note that three self-contained flats form part of this sale.
383 Bethnal Green Road, London, E2 0AN	The freehold interest in a three storey, mid-terrace building, arranged as a ground floor retail unit with self-contained flat located on the upper floors. The property was let in its entirety to a tenant of local covenant strength for a term of 20 years from October 2013 at a passing rent of £50,000 per annum.	£800,000	6.25%	May 2020	This property is located within a superior trading location and we note that the property is let entirely reflecting a slightly stronger artificial yield.
408 Hackney Road, London, E2 6QJ	The long leasehold interest in a ground floor/basement retail unit. The property was let by way of a 3 year lease from March 2018 at a rent of £23,000 per annum.	£325,000	6.83%	May 2019	We consider the trading location to be slightly superior, although this is a leasehold sale.

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.

Demand

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

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.

Retail Lettings:	9-12 months
Residential Lettings:	1-3 months
Sales:	6-9 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 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 Approach
Rental Values	7.2	Retail:
	7.3	The general consensus of professional opinion is that similar retail units will achieve rents in the region of £52.50 - £60.00 per sq ft Zone A (FRI lease terms) depending upon size, layout, specification and permitted use.
	7.4	The current passing rent of £24,000 per annum, devalues to £64.86 per sq ft Zone A and is therefore above usual market levels.
	7.5	We are of the opinion that the Market Rent for the retail element, noting the current lease terms, is fairly reflected in the sum of £21,000 per annum (circa £56.76 per sq ft Zone A).
	7.6	Residential:
	7.7	Our analysis of comparables supports a rental value, between £1,900 and £2,100 per month.
	7.8	The current passing rent of £1,900 per month (£22,800 per annum) is therefore in line with usual levels.
	Residential Capital Values	7.9
Investment Yields	7.10	Market evidence indicates that rack rented mixed retail/residential properties of this nature and in this location will achieve yields in the region of 5.75%-6.75% dependent primarily on the strength of covenant, inter alia.

Valuation Calculation

7.11

Capital Value – Retail
Hard Core

Market Rent	£21,000 per annum
YP Perpetuity @ 6.75%	<u>14.81</u>
Value	£311,010

Top Slice

Passing Rent	£24,000 per annum
Market Rent	- <u>£21,000 per annum</u>
Over Rented Element	£3,000 per annum
YP 10 yrs @ 10.0%	<u>6.14</u>
Value	£18,420

Capital Value (Retail) say £330,000

Capital Value - Residential

3 Bedroom Flat (897 Sq Ft) £410,000

Market Value

Retail	£330,000
Residential	<u>£410,000</u>
Market Value	£740,000

Yield Analysis

 Initial Yield $\frac{£46,800 \text{ (Aggregate Passing Rent)}}{£740,000} \times 100 = 6.32\%$

 Reversionary Yield $\frac{£43,800 \text{ (Aggregate Market Rent)}}{£740,000} \times 100 = 5.92\%$
Market Value

7.12

We are of the opinion that the Market Value of the freehold interest in the property, with the existing tenancies, in the condition found at the time of our inspection as at the assumed date of valuation, is fairly reflected in the sum of:

£740,000
(Seven Hundred and Forty Thousand Pounds).
Market Value (Restricted)

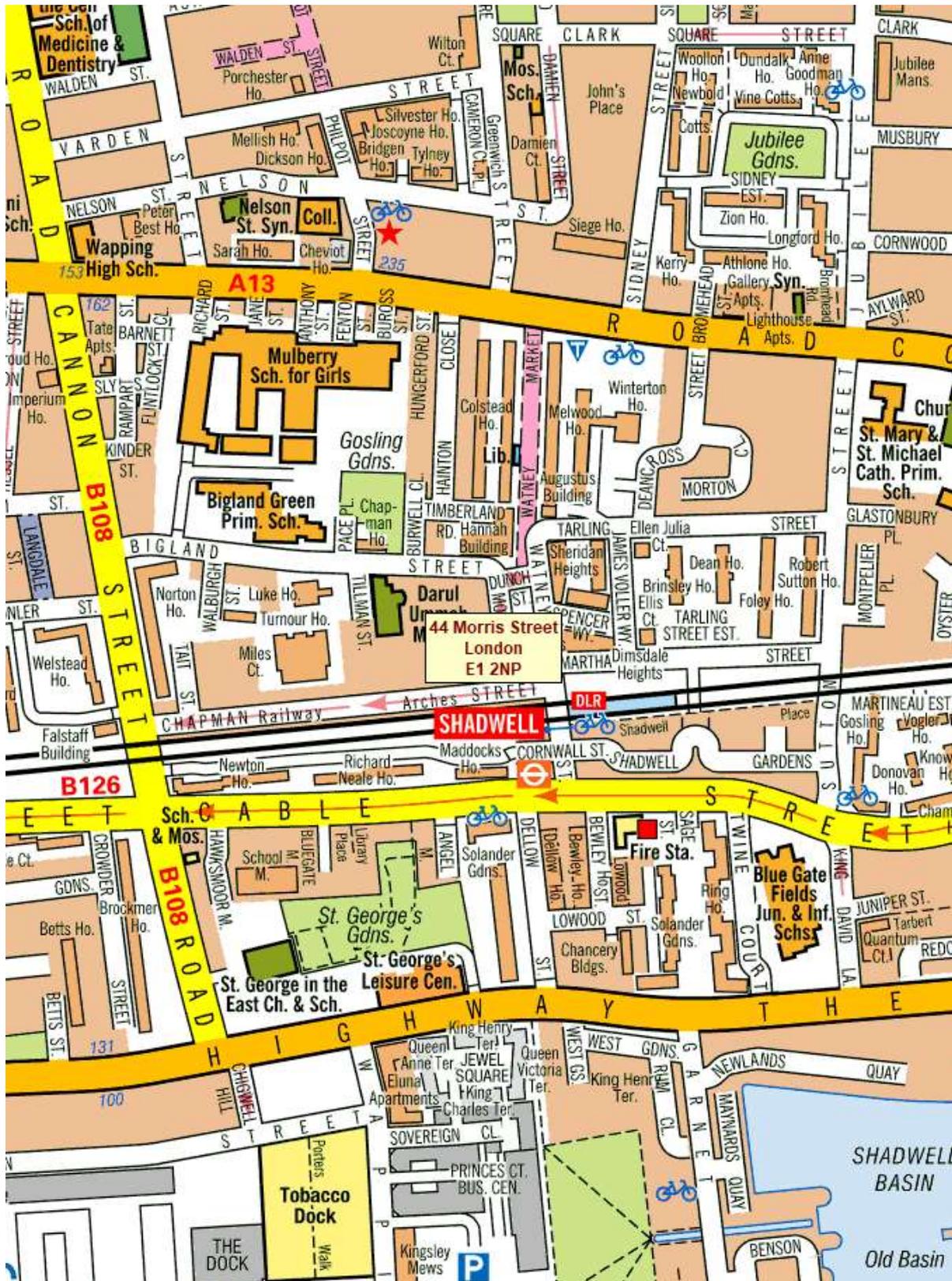
7.13

We are of the opinion that the Market Value of the freehold interest in the property, with the existing tenancies, 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:

£665,000
(Six Hundred and Sixty-Five Thousand Pounds).

Market Value (Vacant Possession)	7.14	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:
		£700,000 (Seven Hundred Thousand Pounds).
Market Rent (Retail)	7.15	We are of the opinion that the Market Rent for the retail element, if let on standard commercial lease terms (5 year FRI lease, with option to break in year 3), as at the date of valuation is:
		£21,000 per annum
Market Rent (Residential)	7.16	We are of the opinion that the gross Market Rent as at the date of valuation is:
		£22,800 per annum £1,900 per calendar month
	7.17	To comply with the definition of the VPS5 (1.3) and UK Appendix 11 (5.3) of the RICS Valuation – Professional Standards we have made a special assumption that the property is let in good order, unfurnished on an one year Assured Shorthold Tenancy.
Building Reinstatement	7.18	We would recommend that the property be insured for a minimum sum of:
		£390,000 (Three Hundred Ninety Thousand Pounds)
Suitability for Lending	7.19	Subject to the comments in this report we consider the property offers good security for loan purposes.
Lenders Action Points	7.20	<ul style="list-style-type: none"> • 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



Street Scene Morris Street



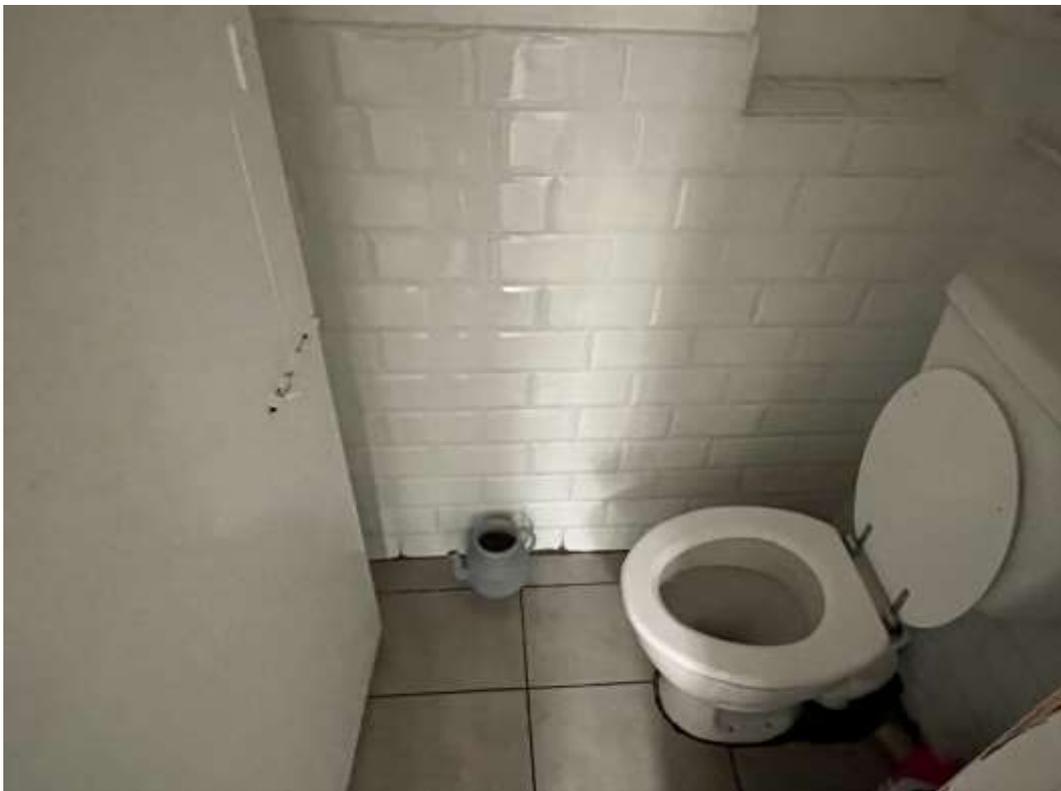
Retail Area



Seating Area Retail



Till Area Retail



WC Retail



Kitchen



Preparation Area to Rear



Basement



Staff Room Basement



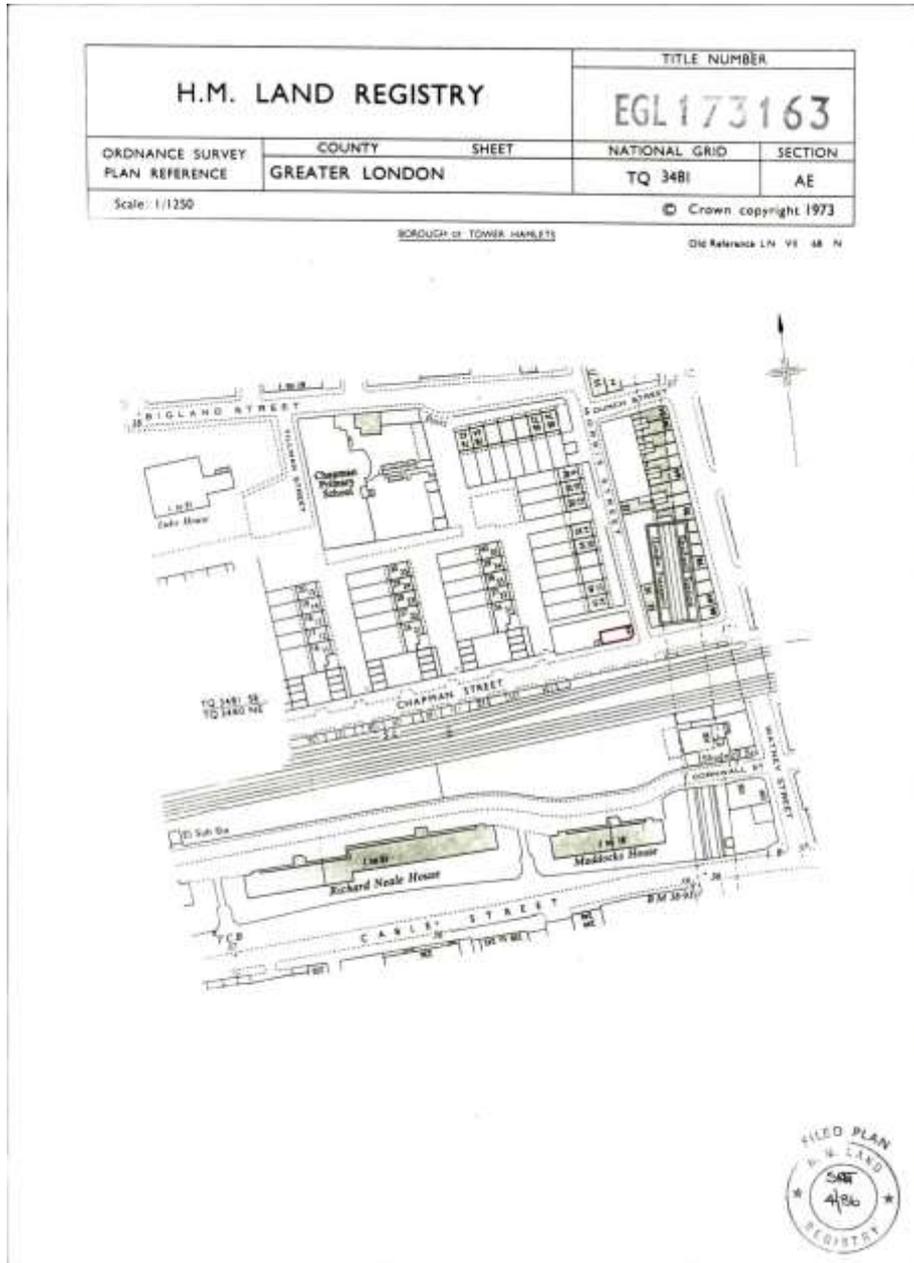
Fridge to Rear

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 05 July 2022 at 13:50:56. The 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, Wales 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:



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

For and on behalf of Belleveue Mortlakes

Countersigned by:



Shaf Ali MRICS
RICS Registered Valuer (Membership No. 0847332)
Partner

For and on behalf of Belleveue Mortlakes

APPENDIX 1



General Terms of Business for Valuations

These General Terms of Business comprise a part of our Terms of Engagement. The following General Terms of Business apply to all valuations and appraisals undertaken by Bellevue Mortlakes unless specifically agreed otherwise in confirming instructions and so stated within the main body of the valuation report.

1. Bellevue Mortlakes

Bellevue Mortlakes is a Private Limited Company with registered number 3352742. This is a corporate body which has "Directors" and not "Partners".

Any representative of Bellevue Mortlakes described as "Partner" is either a Director or an Employee of Bellevue Mortlakes and is not a Partner in a Partnership. The term "Partner" has been retained because it is an accepted way of referring to senior professionals.

Our VAT registration number is 798 840 460. The details of our professional indemnity insurance specified in the Provision of Services Regulations 2009 will be provided to you on request by Michael Yianni (Senior Partner).

2. Jurisdiction

English law shall apply in every respect in relation to the valuation and the agreement with the client which shall be deemed to have been made in England. In the event of a dispute arising in connection with a valuation, unless expressly agreed otherwise in writing by Bellevue Mortlakes, the client, and any third party using the valuation, will submit to the jurisdiction of the English Courts only. This will apply wherever the property or the client is located or the advice is provided.

3. Limitations on Liability

3.1 Our valuation is confidential to the party to whom it is addressed for the stated purpose and no liability is accepted to any third party for the whole or any part of its contents. Liability will not subsequently be extended to any other party save on the basis of written and agreed instructions; this may incur an additional fee. Except as set out in 3.2 below the terms of the agreement between Bellevue Mortlakes and the client are not enforceable by any third party under the Contracts (Rights of Third Parties) Act 1999.

3.2 No claim arising out of or in connection with this agreement against any member, employee, partner or consultant of Bellevue Mortlakes (each called a "Bellevue Mortlakes Person"). Those individuals will not have a personal duty of care to the client or any other party and any such claim for losses must be brought against Bellevue Mortlakes. Any Bellevue Mortlakes Person may enforce this clause under the Contracts (Rights of Third Parties) Act 1999 but the terms of our agreement may be varied by agreement between the client and Bellevue Mortlakes at any time without the need for any Bellevue Mortlakes Person to consent.

3.3 Our maximum total liability for any direct loss or damage whether caused by our negligence or breach of contract or otherwise is limited to £10,000,000.

3.4 We do not accept liability for any indirect or consequential loss (such as loss of profits). Nothing in these Terms of Business (or in our letter of engagement) shall exclude or limit our liability in respect of fraud or for death or personal injury caused by our negligence or for any other liability to the extent that such liability may not be excluded or limited as a matter of law.

4. Disclosure and Publication

If our opinion of value is disclosed to persons other than the addressee of our report, the basis of valuation should be stated. Neither the whole nor any part of the valuation report nor any reference thereto may be included in any published document, circular or statement nor published in any way whatsoever whether in hard copy or electronically (including on any web-site) without our prior written approval of the form and context in which it may appear.

5. Complaints Procedure

If you have any concerns about our service, please raise them in the first instance with valuer concerned. If this does not result in a satisfactory resolution, please contact our Senior Partner, Michael Yianni, as required by RICS, we will send you a copy of our Complaints Procedure on request.

6. Our Fees

6.1 If any invoice remains unpaid after the date on which it is due to be paid, we reserve the right to charge interest, calculated daily, from the date when the payment was due until payment is made at 4% above the then prevailing bank base rate of National Westminster Bank PLC or (if higher) at the rate provided for under the Late Payment of Commercial Debts (Interest) Act 1998 and its regulations (if applicable). If we should find it necessary to use legal representatives or collection agents to recover monies due, you will be required to pay all costs and disbursements so incurred.

6.2 If before the valuation is concluded:

- you end this instruction, we will charge abortive fees; or
- you delay the instruction by more than 1 month or materially alter the instruction so the additional work is required at any stage we will charge additional fees,

And in each case such fees will be calculated on the basis of reasonable time and expenses incurred.

6.3 Where the valuation is for loan security purposes, and we agree to accept payment of our fee from the borrower, the fee remains due from yourselves until the payment is received by us. Additionally, payment of our fee is not conditional upon the loan being drawn down or any conditions of the loan being met.

7. Disclosable Interests

We may offer the following services to prospective purchasers and similarly the services may be offered to them by another organisation in circumstances where we may benefit financially: financial services, property letting and management services, building construction, refurbishment and maintenance services and the sale of the prospective purchasers property.

8. RICS Valuation Standards – "The Red Book"

Valuations and appraisals will be carried out in accordance with the RICS Valuation Professional Standards (9th Edition) ("The Red Book"), any valuers who conform to its requirements and with regard to relevant statutes and regulations. Compliance with the Red Book is mandatory for Chartered Surveyors in the interest of maintaining high standards of service and for the protection of clients.

9. Regulation and Monitoring

Bellevue Mortlakes is registered for the regulation in the UK by RICS. The valuation may be subject to monitoring under the RICS conduct and disciplinary regulations. The report and valuation may be subject to RIC audit for compliance purposes.

10. Valuation Basis

Valuations and appraisals are carried out on basis appropriate to the purpose for which they are intended and in accordance with the relevant definitions, commentary and assumptions contained in The Red Book. The basis of valuation will be agreed with you in the letter covering the specific terms for the instruction.

11. Portfolios

Where requested to value a portfolio, unless specifically agreed with you otherwise, we will value the individual properties separately, upon the assumption that the properties have been marketed in an orderly manner.

12. Sources of Information

We rely upon information provided to us, by the sources mentioned within our valuation report, as to details of tenure and tenancies, planning consents and other relevant matters, as summarised in our report. We assume that this information is complete and correct.

13. Identity of Property to be Valued

We will exercise reasonable care and skill (but will not have an absolute obligation to you) to ensure that the property, identified by the property address in your instructions, is the property inspected by us and contained within our valuation report. If there is ambiguity as to the property address, or the extent of the property to be valued, this should be drawn to our attention in your instructions or immediately upon receipt of our report.

14. Confidentiality

The report will be provided for the stated purpose and for the sole use of the named client. We accept responsibility to the client alone that the report will be prepared with the skill, care and diligent responsibility to be expected of a reasonably competent valuer and accept no responsibility whatsoever to any parties other than the client. Any third parties rely upon the report at their own risk. Neither the whole or any part of the report nor any reference to it may be included in any published document, circular or statement nor published in any way without the prior written consent of Bellevue Mortlakes as to the form and context in which it may appear.

15. Data Security

During the valuation process we will have access to, or may be provided with personal, confidential and/or commercially sensitive information. Bellevue Mortlakes will maintain this information in accordance with the Data Protection Act 1988 and the company's data security policy. Any such information will be held securely with authorised access only; it will be verified where appropriate, and only used for the purposes of providing our valuation service.

Valuation Bases:

1. Market Value (MV):

Valuations based on Market Value shall adopt the definition, and the conceptual framework, settled by the International Valuation Standards Committee.

Market Value is defined 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.

2. Existing Use Value (EUV):

Existing Use Value is the basis suitable for financial reporting purposes under UK accounting standards only and is defined as:

The estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in 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.

(Cont..)

General Terms of Business for Valuations

3. **Market Rent (MR):**
Market Rent is defined as:
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.
4. **Projected Market Value (PMV) of a Residential Property only:**
Projected Market Value is designed to provide residential mortgage lenders with a simple numeric indication of the valuer's opinion of short- term market trends and is defined as:

The estimated amount for which a property is expected to exchange at a date, after the date of valuation and specified by the valuer, between a willing buyer and a willing seller, in an arm's – length, after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.
5. **Market Value, Subject to Special Assumptions:**
Where an assumption is made that assumes facts that differ from those existing at the *date of valuation*, it becomes a *special assumption* (see *VPS 4 Paragraph 3 Special Assumptions and IVS 101 Scope of Works*). *Special assumptions must be agreed in writing with the Client*. Special assumptions are often used to illustrate the effect of possible changes on the value of an asset. They are designated as "special" so as to highlight to a valuation user that the valuation conclusion is contingent upon a change in the current circumstances or that it reflects a view that would not be taken by market participants generally on the *valuation date*. Assumptions and *special assumptions* must be reasonable and relevant having regard to the purpose for which the valuation is required.

In certain circumstances we may be asked to provide a Market Value subject to special assumptions which have previously been agreed between us and the client. Where such interpretations are required the additional special assumptions will be included within the valuation section of the report.

Regulated Purpose Valuations (RPV):

RICS has established particular requirements in circumstances where a valuation although provided for a client may also be of use to third parties, for instance, the shareholders in a company, defined by the RICS as "Regulated Purpose Valuations". Where a valuation is for a regulated Purpose, in accordance with RICS requirements, Bellevue Mortlakes shall state the following in its report:

- (a) The length of time the valuer has continuously been the signatory to valuations provided to the client for the same purpose as the Report, together with the length of time Bellevue Mortlakes has continuously been carrying out the valuation instruction for the client.
- (b) The extent and duration of the relationship of Bellevue Mortlakes with the client.
- (c) In relation to Bellevue Mortlakes's preceding financial year the proportion of the total fees, if any, payable by the client to the total fee income of Bellevue Mortlakes is expressed as one of the following:
 - Less than 5%; or
 - If more than 5% an indication of the proportion within a range of 5 percentage points.
- (d) Where, since the end of the last financial year, it is anticipated that there will be a material increase in the proportion of the fees payable, or likely to be payable, then we shall include a further statement to that effect in addition to (c) above.

When instructed in a continuing role as a Valuer it is Bellevue Mortlakes's policy to rotate persons responsible for valuations and the signatory to the report, on a seven yearly basis, unless specifically agreed otherwise.

APPENDIX 2



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





Q4 2021: UK Commercial Property Market Survey

Twelve-month expectations hit fresh highs for the industrial sector

- Outlook for values remains upbeat for industrials, data centres, multifamily and aged care facilities
- Covid developments stifle the recovery in tenant demand across the office sector during Q4
- But 66% of survey participants still feel office space is essential for a company to operate successfully

The Q4 2021 RICS UK Commercial Property Survey suggest conditions remain polarised across different portions of the real estate market. While already strong twelve-month projections were further upgraded in the industrial sector, offices and retail continue to struggle, with the situation not helped by the surge in Covid cases seen during the latest survey period.

During Q4, the headline net balance for occupier demand came in at +16%, similar to the reading of +18% returned previously. That said, across the three traditional sectors, only industrials posted a positive reading for tenant demand, with the net balance standing at +61%. Meanwhile, the comparable readings were -3% for offices and -21% for retail. With respect to offices, this latest figure marks a slight setback from a modestly positive trend cited in Q3 (+7%), with respondents pointing to the rapid spread of the omicron variant as a negative influence this quarter.

Looking at the longer term, some additional questions were included to further examine structural changes sweeping the office sector as a result of the pandemic. Importantly, when asked if office space is still essential for a company to operate successfully, 66% of respondents replied 'yes', while 29% felt otherwise (the remaining 5% did not have an opinion). Alongside this, 76% of contributors report that they are seeing a relative increase in demand for flexible and more local workspaces compared to only 13% who replied negatively. When asked if space allocation per desk had increased in the wake of the pandemic, 69% reported that more space has been allotted to individual desks. Notwithstanding the general perception that offices are still essential for businesses, 87% of respondents also report seeing re-purposing of office space for other uses, with 15% highlighting that this is occurring in significant volumes.

Turning to the rental outlook, respondents foresee a modest pick-up in prime office rents over the coming twelve months (+1%), while rents for secondary office space are anticipated to fall by around 3% (both similar reading to the Q3 results). Across the other market sectors, industrial rents are projected to rise by around +7% over the year head, the strongest expectations returned since this series was formed in 2014. On the same basis, secondary industrial rents are seen rising by

4%. Expectations remain negative for retail, with prime rents envisaged falling by 3% while secondary rents expected to see a near 6% decline. From a broad regional perspective, the only noticeable differences from the national averages are seen in the office sector. Indeed, prime office rents in London and the south are expected to edge higher over the year to come, while the Midlands and the North exhibit flat projections.

In the investment market, a headline net balance of +19% of respondents cited an increase in buyer enquiries during Q4, albeit this was mainly driven by the industrial sector (net balance +58%). Even so, there was a marginal pick-up reported for offices (net balance +5%) meaning this indicator has been out of negative territory in each of the last two reports. The headline overseas enquiries metric was also in positive territory, albeit only modestly, for the third consecutive quarter.

Twelve-month capital value expectations continued to strengthen across both prime and secondary portions of the industrial sector. At the same time, prime office values are expected to see a small uplift although a negative trend is still anticipated for secondary. At the weaker end of the spectrum, retail capital value expectations remain negative across the board.

For the alternative sectors covered by the survey, data centres, multifamily residential and aged care facilities all continue to return firmly positive capital value expectations, with a net balance of more than 50% of respondents projecting an uplift in each instance. For hotels, the reimposition of stricter travel restrictions internationally during the period in question took its toll on sentiment with capital value expectations for the year ahead slipping back from a positive reading of +14% in Q3 to stand at -2% in Q4.

Lastly, views on the current stage of the property cycle were similar to last quarter, albeit there was a marginal deterioration on account of the renewed uncertainty brought on by the pandemic. The largest share of respondents (39%) still sense the market is in the early phase of an upturn, slightly down on 46% taking this stance previously.

Demand dips slightly although pricing trends remain firm at this stage

- New buyer enquiries indicator turns slightly negative
- New instructions and sales remain more or less flat at the headline level
- House prices continue to rise across the country although twelve-month expectations point to an easing in momentum further ahead

The May 2022 RICS UK Residential Survey results are consistent with a slight drop-off in demand over the month, alongside a generally flat trend being reported for agreed sales and instructions. Further ahead, sentiment around the twelve-month outlook for sales has now weakened in the face of a more challenging macro environment. Despite that, prices are still expected to continue to rise, even if the pace of growth is seen moderating.

At the aggregate level, the latest net balance for new buyer enquiries came in at -7%, down from +8% previously. As such, this is consistent with a modest decline in buyer demand during May and brings to an end a run of eight consecutive positive monthly readings beforehand. What's more, the buyer enquiries series was either flat or negative in nine of the twelve regions/countries covered across the UK this time around.

Alongside this, the volume of sales agreed was reportedly little changed for a second consecutive report, evidenced by a net balance reading of -2% being posted (compared with -3% last time). Going forward, near term sales expectations moved into broadly neutral territory, as the latest net balance eased to just +1% from a reading of +10% back in April. That said, the twelve-month outlook for activity has deteriorated more noticeably, with the latest longer-term expectations net balance slipping to -24% from -4% previously (the softest reading since October 2020).

Meanwhile, new instructions to sell were largely flat during May, returning a net balance of zero following a figure of -2% last month. With respect to market appraisals, the latest headline net balance of -5% suggests these are running at a broadly similar pace



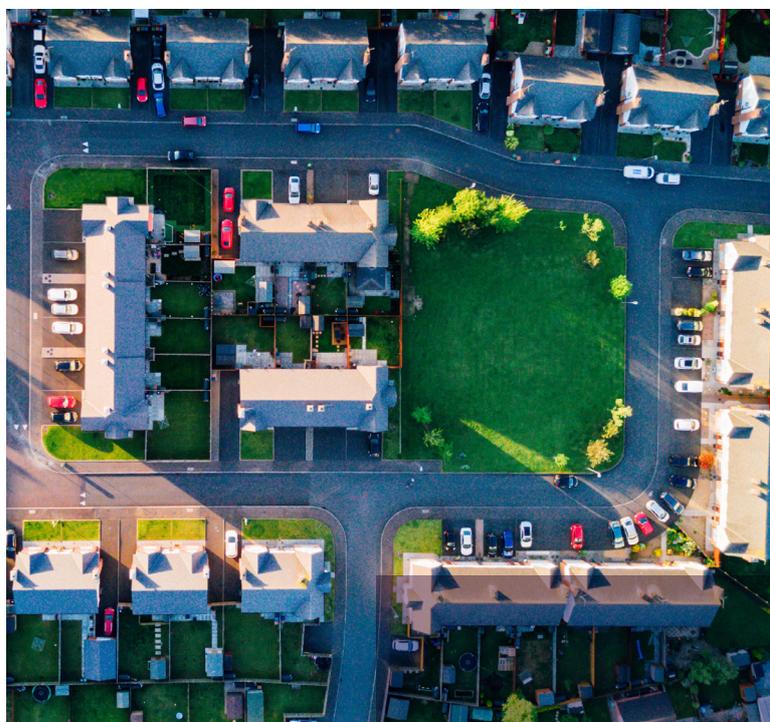
to that seen twelve months ago. Even so, this does represent the weakest reading since December 2021 and suggests there is little prospect of a meaningful uplift in the flow of supply coming onto the market in the immediate future.

Given the still constrained supply backdrop, house prices continue to be squeezed higher. Indeed, an aggregate net balance of +73% of contributors reported an increase in house prices during May. Although this is down slightly on a figure of +80% last time, it remains closely aligned with the average seen over the past six months or so. When broken down, all parts of the UK continue to see house prices moving upwards, with growth still exceptionally strong in Northern Ireland, Northern England and Wales. Meanwhile in London, the current net balance of +53% (slightly more moderate than +68% beforehand) remains well above the long run average of +12% for this measure.

Looking ahead however, twelve-month price expectations did ease at the national level for a third successive month. Although a net balance of +42% of survey participants still envisage house prices being higher in a year's time, this is down from +78% in February and does in fact mark the most moderate reading seen since January 2021. That said, twelve-month price expectations remain comfortably positive across all parts of the UK at this stage.

In the lettings market, tenant demand continues to rise firmly according to a net balance of +48% of contributors (identical to last month's reading). At the same time, landlord instructions remain in decline, with the latest net balance coming in at -13% following a reading of -16% seen previously. As a result, near-term rental growth expectations remain elevated, returning a net balance of +58% in May, albeit this measure has come down slightly from an all-time high of +66% recorded back in February this year.

At the five year-time horizon, growth in rents is expected to outpace that for house prices, with the gap widening in recent months. Rents are now anticipated to rise by a little over 5% per annum at the headline level through to 2027 (based on a three month average for the series), while price growth projections stand at 4% on the same basis.



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