

Report and Valuation

**583 Bearwood Road
Smethwick
Birmingham
B66 4BH**



On behalf of

**Proplend Security Limited (The Security Trustee)
15 Little Green
Richmond
TW9 1QH**

Date of Inspection: 14 July 2022



T: 020 8366 5347

W: jrwltd.com

CHARTERED SURVEYORS

Property Address: 583 Bearwood Road, Smethwick, Birmingham, B66 4BH

Client Reference: RAH02067#1

Report Reference: BX039448

IMPORTANT NOTICE TO MORTGAGE APPLICANTS

This report has been prepared to allow the mortgage lender to assess the suitability of the property as security: it has not been prepared for the benefit of the Mortgage Applicant who is not entitled to rely on the report. The services have not been tested and a detailed survey has not been carried out and thus defects could exist which are not mentioned in the report. The Valuer is entitled to make certain assumptions which during subsequent legal or other investigations may prove to be inaccurate. Applicants acquiring property interests are strongly advised to obtain their own detailed advice from suitably qualified professionals before exchanging contracts.



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Valuation Report Details

Property: 583 Bearwood Road
Smethwick
Birmingham
B66 4BH

Lender: Proplend Security Limited (The Security
Trustee)

Client Reference: SB/ASR Premier Properties Limited

Applicant: ASR Premier Properties Ltd / Mr Salman Rahim

Date of Inspection & Valuation: 14 July 2022

Report Prepared by: Martin Hill, FRICS
RICS Registered Valuer
J Raymond Welch Surveyors Limited
First Floor
59a Southbury Road
Enfield
EN1 1PJ

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Executive Summary

Property Type	Commercial investment				
Tenure	Long Leasehold – 999 year lease subject to a peppercorn				
Brief summary of location	The property is situated on the Bearwood high street which is located in Smethwick, around five miles to the west of the city centre. This is an established commercial location occupied by a combination of high street retailers interspersed with local traders.				
Property in keeping with location?	Yes				
Indicate location quality (tick)	Good		Average	✓	Poor
Brief summary of description	A commercial investment property let to Levines, a long established local furniture retailer. The property is being purchased in a market transaction for £760,000.				
Brief summary of construction	The property dates back to the 1970s and is a modern two storey mid-terraced building of cavity brick construction set beneath a pitched slate covered roof with an area of flat mineral felt covered roof to the rear section. The floors are of timber and concrete construction with mainly carpet floor coverings. Natural light and ventilation is gained via timber framed single glazed window units to the upper floors and an aluminium framed single glazed shop frontage with double pedestrian access door located centrally. Heating is provided by way of a gas fired warm air blowers.				
Indicate condition quality (tick)	Good		Age consistent	✓	Poor
Number of units	One				
Size of site	See attached Title Plan				
Basis of Measurement	Net Internal Floor Area				
Accommodation breakdowns	Ground Floor Sales area incorporating loading 501.4 sq m (5,397 sq ft) First Floor Ancillary sales accommodation 432.1 sq m (4,650 sq ft) Combined Net Internal Floor Area 933.3 sq m (10,047 sq ft) The property has an ITZA of: 182.6 sq m (1,965 sq ft)				
Please state number of bedrooms within each property intended for residential occupational use	None				
Planning use (assumed if necessary)	E – Commercial				
Does the in-situ use conform?	Yes				
Year built	1970				
Is this a new residential dwelling? Yes/No	No				
Economic life	20 years				
Standard services & in working order?	Yes				
Mortgage regulation? Yes/No	No				
Is the property vacant? Yes/No	No				



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Number of tenancies (if applicable)	One										
Tenant details (name / unit number) (covenant strength local/national)	The property is let on a full repairing and insuring lease to Levines. It is drawn on FRIs commercial terms, due to expire in December 2025 at a current rent of £60,000.										
Passing rents	£60,000 per annum										
Assessment of passing rents (I.e. internal lease? Passing rent versus market rent?)	The passing rent does appear to be full, with the market rent fairly reflected in the sum of £55,000 per annum.										
Brief summary of marketability	There would be reasonable demand for accommodation in this locality at this present time.										
Indicate demand (tick)	<table border="1"> <tr> <td>Good</td> <td></td> <td></td> <td>Average</td> <td>✓</td> <td>Poor</td> <td></td> </tr> </table>	Good			Average	✓	Poor				
Good			Average	✓	Poor						
Timeframe to re-sell (in months)	<table border="1"> <tr> <td><3</td> <td></td> <td>3-6</td> <td></td> <td>6-9</td> <td>✓</td> <td>9-12</td> <td></td> <td>12+</td> <td></td> </tr> </table>	<3		3-6		6-9	✓	9-12		12+	
<3		3-6		6-9	✓	9-12		12+			
Timeframe to re-let (at reported rent level)	<table border="1"> <tr> <td><3</td> <td></td> <td>3-6</td> <td>✓</td> <td>6-9</td> <td></td> <td>9-12</td> <td></td> <td>12+</td> <td></td> </tr> </table>	<3		3-6	✓	6-9		9-12		12+	
<3		3-6	✓	6-9		9-12		12+			
EPC Rating	<table border="1"> <tr> <td>A/B/C</td> <td>C(62)</td> <td>D/E</td> <td></td> <td>F</td> <td></td> <td>G</td> <td></td> </tr> </table>	A/B/C	C(62)	D/E		F		G			
A/B/C	C(62)	D/E		F		G					
If EPC rating is F/G; CAPEX required to bring into conformity with the Energy Act 2018?											
Comparable value range	£280,000 to £564,000										
Comparable rent range	£27 to £40 per sq ft (ITZA)										
Comparable yield range	6.6% to 10.1% (Gross)										
Adopted yield (include basis)	7.9% (Gross)										
Any environmental risks? Yes/No	No										
Has an ERA taken place? Yes/No (if yes provide copy as appendix)	No										
Is an ERA recommended? Yes/No (If yes enter report section number)	No										
Is there a risk of flooding? Yes/No (If yes state recommendation as a LAP)	No										
List lenders action points (LAPs) as bullets (list any specialist reports recommended) (If no actions valuers <u>must</u> state 'None')	- Verify the lease assumptions included within the report. - Provide a copy of the title plan to verify the boundaries.										
Market Value as an Investment	£760,000										
Market Value subject to 180 days marketing period	£760,000										
Market Value - Vacant Possession	£550,000										
Market Rent	£55,000 per annum										
Reinstatement	£1,750,000										
Signature 1 (valuer name and signature)	 Martin Hill, FRICS RICS Registered Valuer										



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Signature 2
(name and countersignature)

A handwritten signature in black ink, appearing to read 'Arwel Griffith', enclosed within a rectangular box.

Arwel Griffith, FRICS RICS Registered Valuer



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Appendices

A	INSTRUCTIONS
B	LOCATION/STREET
C	PHOTOGRAPHS
D	CONDITIONS OF ENGAGEMENT

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1 INSTRUCTIONS

1.1 J Raymond Welch Surveyors Ltd recently received instructions to readdress the valuation on the property known as 583 Bearwood Road, Smethwick, Birmingham, B66 4BH.

1.2 This report provides you with our opinion of:

- (a) Market Value
- (b) Market Value subject to the special assumption that a 180 day marketing period is available in which to achieve a sale.
- (c) Market Value - Vacant Possession
- (d) Market Rent

Of the leasehold interest in the subject premises as at the date of inspection and in the light of current market conditions.

1.3 Our report is undertaken in accordance with RICS Valuations - Global Standards 2022 (The Red Book).

1.4 The RICS definitions of Market Value and Market Rent are as follows:

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

Market Rent is the estimated amount for which an interest in real property should be leased on the valuation date between a willing lessor and a willing lessee on appropriate lease terms, in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion.

1.5 We understand that this valuation is required for the purposes of assisting you in considering the suitability of this property in respect of a provision of loan, mortgage or other finance and is thus for commercial secured lending purposes. This valuation is intended solely for this and for no other purposes and should not be relied upon by any third party to whom it is not addressed who would do so entirely at their own risk.

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- 1.6 In preparing this valuation we have relied upon the following information:
- (a) Sales evidence from online websites including Rightmove, Zoopla, Essential Information.
 - (b) Information from local estate agents.
 - (c) Information from online websites including the Environment Agency, Valuation Office Agency, the local Authority Online Planning Portal, The Land Registry, BCIS, English Heritage (Historic England), amongst others.
- 1.7 In accepting this report, it is assumed that you are satisfied that we are able to place reliance on the information and that you accept the report on this basis.

2 CONDITIONS OF ENGAGEMENT

- 2.1 Your instructions are accepted on the basis of your Panel or Service Agreement which has previously been agreed between our respective organisations or, in the absence of this, our standard Terms & Conditions based upon the requirements of the Royal Institution of Chartered Surveyors, a copy of which was sent to you when your instructions were received. Any variances from the appropriate Terms and Conditions which have been agreed are noted in this report. A copy of the appropriate Terms & Conditions is included in the Appendix to this report.
- 2.2 We have discussed and agreed with you any special assumptions (if any) prior to commencing the valuation process.
- 2.3 We are external valuers as defined in the RICS Valuations - Global Standards 2022 (The Red Book). We are not aware of any conflicts that preclude us from preparing this valuation.
- 2.4 In accordance with these regulations, it is confirmed that this firm does not have any anticipated, or has not had any current or recent fee earning involvement with the property to be valued, with the borrower or prospective borrower, or with any other person connected with the transaction for which the lending is required.

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3 DETAILS OF INSPECTION

- 3.1 The property was inspected on 14 July 2022 and the report prepared by Martin Hill, FRICS, RICS Registered Valuer acting as an independent valuer, with the relevant knowledge, skills and understanding to undertake the valuation competently.
- 3.2 At the time of our inspection, the property was occupied by tenants. On the day of inspection we met with the shop manager who escorted us around the premises.
- 3.3 The weather conditions at the time of our inspection were overcast but dry.

4 LOCATION

- 4.1 The security is situated in Birmingham, which is the largest city in the country outside of London, located in the heart of Central England, 110 miles to the north of London. The area is located at the heart of the National Motorway Network with access to the M5, M6, M40 and M42 which provides good connectivity to all parts of the country. There is an international airport situated to the south east of the city centre, which has recently expanded and flies to destinations throughout Europe, North America and Asia. There is a train station situated in the city centre which provides access to the West Coast Main Line served by Virgin Trains, with good connectivity to London, reachable in an hour and a half.
- 4.2 The property is situated in the Smethwick area of the city, which is located on the western fringes, just to the north of Harborne, and Edgbaston. It adjoins the A456 which is the main arterial route leading in an easterly direction into the city, and provides a link in a westerly direction with the M5.
- 4.3 The property is situated on Bearwood Road, which forms the commercial heart of Bearwood and is a densely populated commercial area occupied by a combination of high street retailers interspersed with local traders. The property is located centrally within the street where demand would be considered reasonable at this present time.
- 4.4 For identification purposes, we have included a street, location and title plan in Appendix B.

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5 THE PROPERTY

5.1 Description and Construction:

5.2 The property dates back to the 1970s and is a modern two storey mid-terraced building of cavity brick construction set beneath a pitched slate covered roof with an area of flat mineral felt covered roof to the rear section.

5.3 The floors are of timber and concrete construction with mainly carpet floor coverings. Natural light and ventilation is gained via timber framed single glazed window units to the upper floors and an aluminium framed single glazed shop frontage with double pedestrian access door located centrally. Heating is provided by way of a gas fired warm air blowers.

5.4 External, internal and street scene photographs are attached in Appendix C.

5.5 Accommodation:

5.6 Internal

5.7 On the ground floor it is trading as a furniture showroom. It has a large sales area to the front with a partitioned office, and loading bay located to the rear. Stairs lead up to the first floor which provides a further sales area, which also incorporated a partitioned office, and staff facilities. There are further stairs to the rear section leading back to the ground floor loading bay.

5.8 External

5.9 The property occupies 100% site coverage with no external areas. There is parking available in the surrounding side streets on a time restricted basis and there is also a shopper's car park located to the rear, with loading doors leading into the car park.

5.10 Condition:

5.11 At the time of our inspection, the property appeared to be in a satisfactory condition and state of repair having regard to its age and construction. There was significant ivy growth to the rear, which should be removed as this is likely to lift the tiles and will encourage water ingress.

5.12 We have not undertaken a structural or building survey of the property.

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- 5.13 We have made a visual internal and external inspection only. The external inspection has been undertaken from ground level only. We have not inspected those parts of the property which are covered, unexposed or inaccessible including the roof space and such parts are assumed to be in good repair and condition.
- 5.14 We have not tested the services or arranged for investigations to be carried out to determine whether any deleterious materials have been used in the construction of the subject premises or subsequent additions. In the event that a subsequent survey reveals defects in the subject property we reserve the right to revise our valuation advice.

6 MEASUREMENT RECORD

- 6.1 We have measured the premises in accordance with the current RICS Code of Measuring Practice (2nd Edition) and calculate it provides the following approximate net internal floor areas: -

Floor	Description	Sq m	Sq ft
Ground	Sales area incorporating loading bay	501.4	5,397
First	Sales area including office	432.1	4,650
Combined Net Internal Floor Area		933.0	10,047
Retail area ITZA		182.6	1,965

7 MORTGAGE REGULATION

- 7.1 None of the property would be considered as residential, it is wholly commercial.

8 SERVICES

- 8.1 We have not been able to make specific enquiries with the statutory undertakers in the time available regarding the availability, capacity, or location of services. However, our observations indicate that all mains services are connected. Heating is provided by way of a gas fired warm air blowers.
- 8.2 No plant or machinery has been included in this valuation other than that normally considered in forming a service installation for the benefit of the property in general.
- 8.3 It is assumed for the purposes of this valuation that all services are regularly inspected by appropriately qualified persons and any requirements complied with in full.

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9 BUILDING & PLANNING

- 9.1 The local authority is Birmingham City Council.
- 9.2 The current occupation of the building is Commercial (Use Class E), as defined in the Town and Country Planning (Use Classes) Order 1987 - as amended.
- 9.3 We have researched the Birmingham City Council planning website for recent recorded planning history but there are no specific permissions relating to this property.
- 9.4 The Historic England website confirms the building is not listed.
- 9.5 The local authority website confirms the property is not located in a Conservation Area.
- 9.6 The local authority will not respond to verbal enquiries other than on a general basis. The local authority search will in due course confirm the current use is lawful and whether or not the property is the subject of enforcement action.
- 9.7 We are not aware of any development proposals for the immediate area that may have an adverse effect upon the property.
- 9.8 The property is accessed over Bearwood Road, we believe that this is a made up and adopted roadway. Solicitors should confirm this during their pre contract enquiries.
- 9.9 We have assumed that all statutory consents were obtained with regard to the use, occupation and any alterations at the premises in the past.

10 ENVIRONMENTAL ISSUES

- 10.1 We have not been provided with an Environmental Audit. We are not professionally qualified to provide advice on environmental issues. The Royal Institution of Chartered Surveyors instructs its valuers not to take environmental liabilities into account when producing a valuation of a particular property. As a result, if there is any doubt about environmental liability, a specialist environmental survey should be carried out on the property.
- 10.2 Based on our inspection of the property for valuation purposes, no evidence was noted to suggest that the property may have been affected in the past by any significantly adverse ground conditions.

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- 10.3 According to the Environment Agency website www.environment-agency.gov.uk the property is not located in a flood risk area.

11 OTHER ENVIRONMENTAL ISSUES

ISSUES	COMMENTS
Equality Provisions	There do not appear to be any valuation issues resulting from the Equality Act.
Asbestos	We are unaware as to whether an asbestos survey has been undertaken.
Mining	This is not a mining area.
Mundic Block	Not applicable in this area.
Radon	This is not an area where radon is of concern.
Invasive Species	We did not identify any Japanese Knotweed or other invasive species at the property on the day of inspection.
Archaeological Remains	We saw no evidence of such remains and we assume no such remains exist.
Subsidence/Landslip	There is a moderate potential risk of foundation damage to properties within the postcode of the subject property. We have assumed appropriate insurance is in place.

- 11.1 Energy Performance Certificates (EPC's) are required by law when a dwelling is constructed or marketed for sale or to let. The property has a current EPC rating of C (60).
- 11.2 The UK Government has enacted legislative changes to make it unlawful to let residential or commercial properties with an EPC Rating of F or G (i.e. the lowest 2 grades of energy efficiency) from 1 April 2018. This is likely to have an adverse effect on the value of properties with poor EPC ratings as necessary improvements could be costly.

12 TENURE AND OCCUPATIONAL LEASES

- 12.1 We are informed that your customer is proposing to acquire the long leasehold interest in the premises. We have assumed that there is a good and marketable title being free from any charges or encumbrances that would deter an informed and prudent purchaser or have a detrimental impact upon value.

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- 12.2 We have not been provided with a copy of any Report on Title.
- 12.3 The property is being valued assuming vacant possession and also subject to the lease.
- 12.4 The long leasehold interest is for a term of 999 years subject to a peppercorn rent.
- 12.5 The property is let on a full repairing and insuring lease to Levines. It is drawn on FRIs commercial terms, due to expire in December 2025 at a current rent of £60,000. The initial rent reserved under the lease was £90,000.
- 12.6 It is important that your legal advisors verify the above details in their Report on Title and should confirm the above information and assumptions during the course of their pre-contract enquiries and should any documentation become evident to the contrary, we reserve the right to amend our valuation advice accordingly.

13 BUSINESS RATES

- 13.1 We have examined the Non Domestic Business Rates Database on the Valuation Office website www.voa.gov.uk the entry is:-

Description	Rateable Value
Shop & Premises	£84,000

14 INSURANCE RE-INSTATEMENT COST

- 14.1 We have been requested to provide a Reinstatement Cost Estimate and have carefully considered the style and construction of the property, whether or not it is listed or in a conservation area and after reference to the most recent edition of the Building Cost Information Service (BCIS) of RICS it is our advice that the property should be insured for a minimum sum of £1,750,000 (One Million Seven Hundred and Fifty Thousand Pounds). This sum allows for demolition, site clearance, full reinstatement and professional fees but excludes loss of rent provision and any allowance for inflation. If the insurance policy is not index linked throughout the term the cost of rebuilding may well be greater close to the time of renewal and it may therefore be appropriate to insure for a higher sum to allow for increasing costs. Partial rebuild may attract VAT.

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- 14.2 This insurance reinstatement appraisal is provided for guidance only. It does not take into account any additional Local Authority requirements, which may be involved in the rebuilding and assumes that there are no foundation problems or need for abnormal foundations or rebuilding. It should therefore be verified by a specialist commercial buildings insurance assessor.
- 14.3 The cost of rebuilding bears no relationship to Market Value.

15 MARKET COMMENTARY

Commercial Properties

- 15.1 It is clear from market commentators that most practitioners in the commercial sector are sensing recovery is underway following Brexit, and Covid restrictions, although conditions remain tough in particular for offices and retail.
- 15.2 Occupier demand and thus investor demand remains weak for offices and retail premises, this may in part be related to many more workers reconsidering working practices, in particular working from home, and on-line shopping.
- 15.3 However, although commentators report a weakness in the offices and retail sectors, the feedback is not quite as downbeat as it has been in the previous three quarters.
- 15.4 Probably not surprising following 2020, and the series of lockdowns, the outlook for most commercial property sectors over the next quarter is shifting in a more positive direction than it has been, and the market seems to be showing early stages of an upturn. That said, the industrial / logistics sector as well as some alternative asset classes appear to be driving the bulk of this improvement while activity remains subdued across the retail and office sectors.
- 15.5 On the occupier side, the 'Headline Tenant Demand' indicator posted a net balance at -5% year on year, compared against the last quarter which at that time was -27%. This suggests an uptick in demand in general.
- 15.6 Looking into sector specific details, there has been an increase in tenant demand for industrial space, indeed the strongest demand since 2015, though demand for offices and retail sectors over the course of the past 12 months or so has fallen 34% and 55% respectively, according to the RICS.

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- 15.7 Meanwhile, availability remains on the rise across the retail sector. Although the regional figures point to London seeing the strongest increase in retail vacancies over the last quarter, there was still a widespread pickup in availability across all other parts of the UK.
- 15.8 In response to the announcement by the government of new rules extending Permitted Development Rights (PDR) to allow commercial premises including retail to be converted into residential, it would appear that there are two principal areas that are important to consider. Most market commentators feel that the extension of the PDR needs to be supported by minimum standards of quality and space for the housing units likely to be the result. Additionally, there will be a need for local authorities to ensure that the quality of conversion is high, so that healthy high streets are maintained, and that there is no impact on remaining commercial units close by.
- 15.9 In terms of investment market trends, over the past quarter, investor enquiries have risen 4% since Q4 2020. This is the first occasion since Q3 2018 when this sector has been in positive territory. However, investment demand remains higher in the industrial sector than it is within the office and retail sectors. Investor demand conditions remain highly divergent across different portions of the market.
- 15.10 In the coming twelve months, capital value expectations remain firmly negative for office and retail premises, whether they be prime or secondary, albeit that the projections are a little less downbeat than they were at the end of 2020. In the industrial sector, further acceleration in capital value growth is envisaged, although gains across prime assets are still expected to outstrip those for secondary. In the alternative sectors, capital value expectations moved further into positive territory for multi-family residential, data centres and aged care facilities. At the other end of the spectrum capital values are still anticipated to decline across hotels and student housing.
- 15.11 Overall, market conditions are consistent with the early stages of an upturn, but this upturn will vary considerably across the various commercial market sectors.

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16 VALUATION METHODOLOGY & COMPARABLES

- 16.1 The valuation has been prepared in accordance with normal practice taking into account comparable evidence and current market conditions. In determining our opinion of Market Value, we have had regard to both the comparison method of valuation and the identification of a projected Market Rent and the capitalisation of the adopted income stream with an applicable investment yield.
- 16.2 We have carried out our usual research and enquiries and have analysed the existing commentaries and online databases which we have assumed to be accurate in determining our opinion as to the Market Value of the subject property. Information has also been obtained from internal records.
- 16.3 The transaction dates for the evidence listed below is inevitably historical. We have reflected in arriving at our opinion of value our estimate of more recent changes in supply and demand and values in the locality in our consideration of the evidence to assist us in arriving at our opinion of value.
- 16.4 In arriving at our opinion of value we have had regard, inter alia, to the following comparable evidence: -

Property Address	Description	Transaction Details
<i>Sales</i>		
571 Bearwood Road Smethwick B66 4BH	A two storey mid-terraced commercial property situated in the same parade. It was let to Alan Warwick Butchers.	It is let at a rent of £28,500 pa, which equates to a rent of £39 per sq ft ITZA . The rent was agreed in 2016. It sold in March 2022 for £380,000 reflecting a 7.5% yield . The lease is due to expire in May 2026.
573 Bearwood Road Smethwick Birmingham B66 4BH	A two storey mid terraced commercial property situated in the same parade (next door) let to Greggs Plc.	It is let at a rent of £25,000 pa, which equated to £35 per sq ft ITZA . The rent was agreed in 2016 It sold in May 2022 for £425,000 reflecting a 5.9% gross yield . The lease is due to expire in July 2026. Greggs would be considered a strong covenant.



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577 Bearwood Road Smethwick Birmingham B66 4BH	A two storey mid-terraced commercial property situated in the same parade let to the Card Factory.	It is let at £28,500 pa which equated to £40 per sq ft ITZA . It was agreed 2017. The lease has expired in 2022 with the tenant currently holding over. A sale has been agreed at £280,000 which reflects a 10.1% yield .
479 Bearwood Road Smethwick Birmingham B66 4BH	A two storey mid-terraced commercial property situated in the same parade let to Costa Coffee.	It is current let at a rent of £30,000 pa. This equates to £27 per sq ft ITZA . The rent was agreed in 2021. The property is let on a lease due to expire in 2026 It sold in May 2022 at £450,000 reflecting a 6.6% gross yield . Costa coffee would be considered a strong covenant.
581 Bearwood Road Smethwick B66 4BH	A two storey mid-terraced commercial investment property let to Lloyds Pharmacy.	It is let at £42,750 pa, which equates to £39 per sq ft ITZA . It was agreed at this level in 2014. The lease expires in 2024. It sold in May 2022 for £464,000 reflecting a 7.5% gross yield .

17 VALUATION ANALYSIS

- 17.1 The subject property comprises a commercial investment property which is let to Levines, a well-regarded long establish local furniture sales business who have been in operation from this premises for a number of years.
- 17.2 The property forms part of Bearwood High Street and is a vibrant commercial centre occupied by a comprehensive mix of high street traders interspersed with a number of local traders. That said there are a number of vacant units located on the High Street at this present time indicating that demand is considered more limited than in recent years. The property is located in the heart of the street, surrounded by strong covenants including Costa Coffee and Greggs the bakers.

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- 17.3 The property is to be let on a 10 year lease, due to expire in December 2025. The initial rent reserved under the lease was £90,000, although this has been reduced, with the rent now payable £60,000 per annum. We presume the tenants negotiated a discount as a result of the pandemic, although your legal advisors may wish to comment.
- 17.4 The property has an ITZA area of 1,570 sq ft and the current passing rent equates to £35 per sq ft ITZA. The comparables above show a relatively broad range between £27 and £40 per sq ft ITZA. All of the units are in the same parade, so a comparable location. The more recent rents review (Costa Coffee) does appear to have been agreed at the lower end of the range (£27 per sq ft ITZA), indicating there has been a downward trend on rents at this present time.
- 17.5 In our opinion, the property would be considered slightly over rented. Applying £28 per sq ft ITZA provides a rental value of £55,000 per annum (rounded). Therefore, at lease expiry there is potential for the tenant to negotiate a reduced rent.
- 17.6 In terms of yield selection, the comparable sales show a broad range of 5.9% and 10.1%. The 10.1% yield was achieved on a property where the lease had expired and the tenant was holding over, therefore there is potential for the lease not to be renewed. The sales between 5.9% and 6.6% were let to Greggs Plc and Costa Coffee who would be considered strong covenants, so these are likely to command a premium. These two operators have traded well through the pandemic, so would be considered secure tenants. The two other sales at 7.5% were Lloyds Pharmacy and Alan Warwick Butchers, who would be considered a comparable covenant strength to Levines.
- 17.7 A purchase price of £760,000 has been agreed. We would capitalise the top slice over rented element of £5,000 at a cautious 9% yield for a 3 year period which provides a value of £12,500 per annum. We would capitalise the Market Rent of £55,000 per annum at 7.4% yield (13.5 multiplier) which provides a value of £742,500, a combined value of £755,000, confirming the purchase price of £760,000 would be considered a fair reflection of the property's market value. A 6 month marketing period would be required in order to secure a sale at this level.
- 17.8 You have requested a Vacant Possession Value. In this instance we would adopt a more cautious 10% yield in line with the sale of The Card Factory outlet, which when applied to the current market rent of £55,000 provides a Vacant Possession Value of £550,000.

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18 VALUATIONS

- 18.1 Having regard to the comments set out above, we have considered the matter of value in accordance with the appropriate RICS guidelines and we set out below our opinions of value of the long leasehold interest in the property known as 583 Bearwood Road, Smethwick, Birmingham, B66 4BH:

(A) Market Value

£760,000
(Seven Hundred and Sixty Thousand Pounds)

(B) Market Value subject to the special assumption that 180 day marketing period is available in which to achieve a sale:

£760,000
(Seven Hundred and Sixty Thousand Pounds)

(C) Vacant Possession Value:

£550,000
(Five Hundred and Fifty Thousand Pounds)

(D) Market Rent:

£55,000 p.a.
(Fifty Five Thousand Pounds per annum)

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19 SECURITY & RECOMMENDATIONS

- 19.1 Allowing for regular maintenance including decoration and repairs as appropriate it is anticipated that the building will retain a useful economic life of at least 20 years.
- 19.2 Subject to the above comments, the property is considered to provide suitable security for an advance by the mortgage lender on its usual terms for an asset of this type and age.
- 19.3 Any matters arising which contradict this report and the assumptions stated herein, or are otherwise likely to affect the valuation should be referred back for reconsideration.
- 19.4 Solicitors to verify the lease assumptions referred to within the report, and provide a copy of the title plan to verify the boundaries.

20 LIMITATION & PUBLICATION

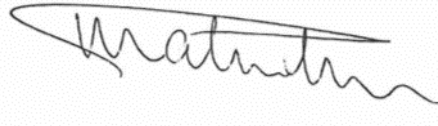
- 20.1 This valuation is prepared solely for the use of the addressee and no responsibility is accepted to any other party for the whole or any part of its contents. (It may be disclosed to other professional advisors assisting in respect of the purpose for which the valuation is prepared).
- 20.2 Neither the whole nor any part of this valuation certificate nor any reference thereto may be included in any published document, circular or statement nor published in any way without our approval of the form and context in which it may appear.
- 20.3 We deem there to be no conflict of interest in relation to providing this valuation.

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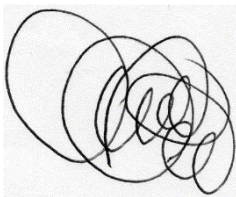
Report Reference: BX039448

21 SIGNATURE OF VALUER



Martin Hill FRICS
RICS Registered Valuer
For and on behalf of
J Raymond Welch Surveyors Ltd

Date: 14 July 2022



Arwel Griffith FRICS
RICS Registered Valuer
For and on behalf of
J Raymond Welch Surveyors Ltd

Date: 14 July 2022



T: 020 8366 5347

W: jrwltd.com

CHARTERED SURVEYORS

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Appendix A - Instructions



T: 020 8366 5347

W: jrwltd.com

CHARTERED SURVEYORS

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Appendix B - Location/Street Plan



T: 020 8366 5347

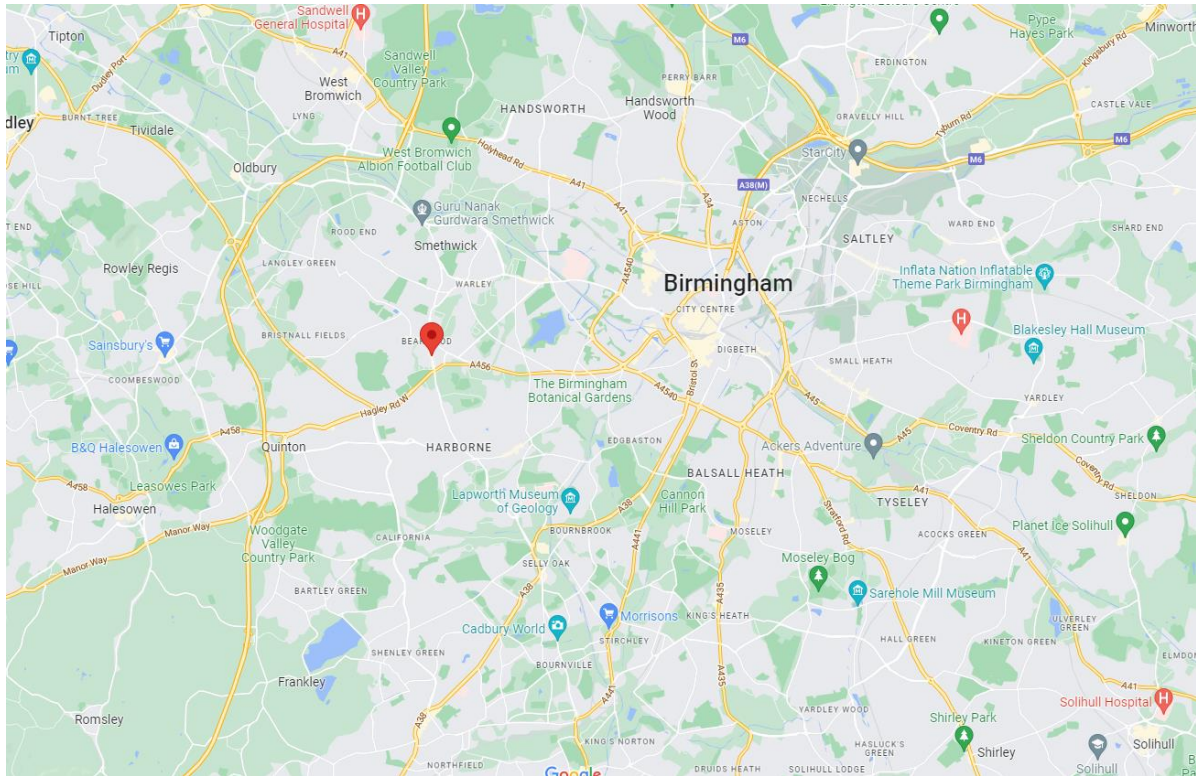
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CHARTERED SURVEYORS

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T: 020 8366 5347

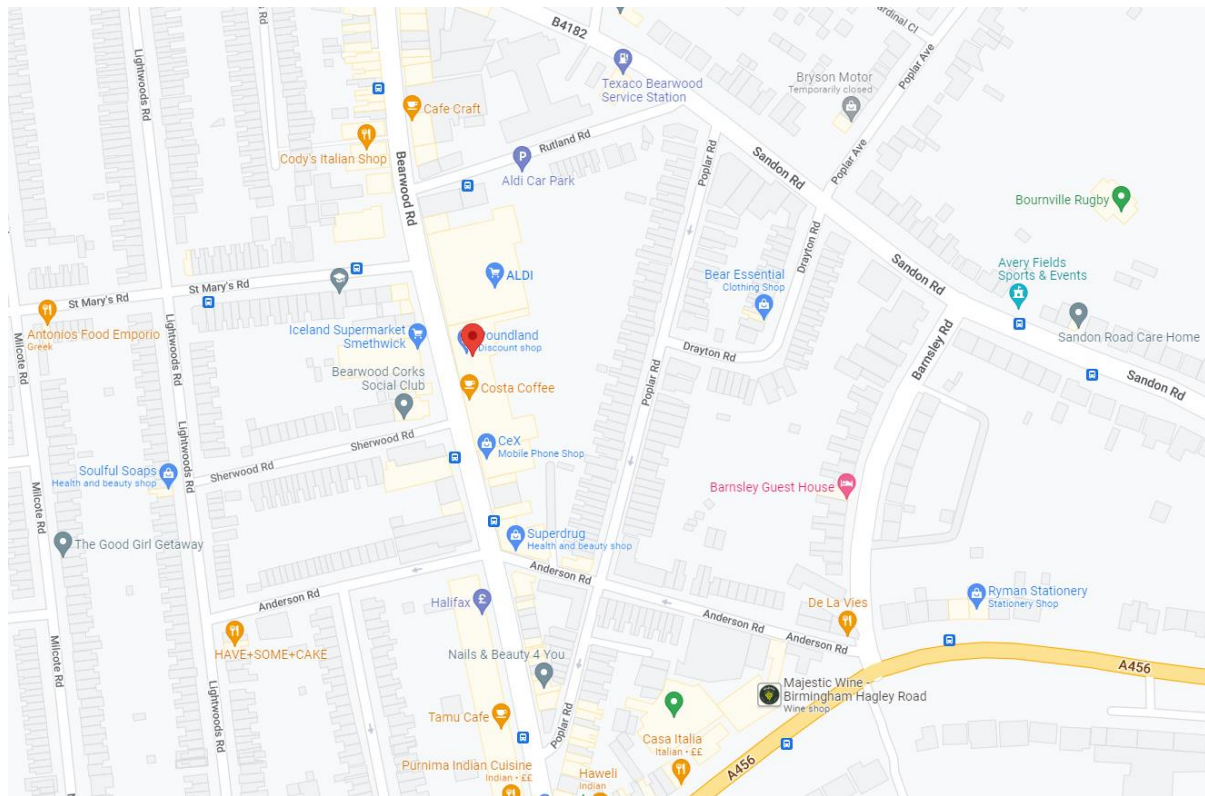
W: jrwltd.com

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CHARTERED SURVEYORS

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Appendix C - Photographs

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Front

Rear



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Internal GF

Internal GF



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Internal FF

Internal FF



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Street Scene

Street Scene





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CHARTERED SURVEYORS

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Appendix D - Conditions of Engagement

CONDITIONS OF ENGAGEMENT
FOR
THE VALUATION AND APPRAISAL
OF
LAND AND BUILDINGS
FOR
COMMERCIAL SECURED LENDING PURPOSES

Property Address: 583 Bearwood Road, Smethwick, Birmingham, B66 4BH
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1.0 The Service

1.1 Our Valuer will provide directly to the Client Lender a Report based on an inspection as described below. In respect of the subject property, our Valuer will be an Independent Valuer, who is a Corporate Member of the Royal Institution of Chartered Surveyors, and:-

- (a) in respect of the particular type of property, has sufficient current local, national and international (as appropriate) knowledge of the particular market and the skills and understanding necessary to undertake the valuation competently;
- (b) each valuation will be prepared by, or under the supervision of, an appropriately qualified Member who accepts responsibility for it.
- (c) has, and whose partners, co-directors and employees, have, no other recent or foreseeable potential fee-earning relationship concerning the subject property, apart from the fee for the service and who has disclosed any past or present relationship with any of the interested parties or any previous involvement with the subject property as required by the Royal Institution of Chartered Surveyors, and no significant financial interest or management involvement in the borrower's concern.

1.1.1 Our valuer will act with independence, integrity and objectivity in undertaking the valuation.

1.1.2 In the event that the instruction is issued by you as a prospective borrower, or a broker you should be aware that the Report may not be acceptable to a lender.

1.2 The Report will provide the following points:-

1.2.1 A full description of the property, its location, apparent state of repair and other relevant information such as the site area and floor space;

1.2.2 Our Valuer's valuation (s):-

- (a) on whichever of the bases (see paragraph 4 below) have been agreed between our Valuer and the Client Lender and/or such other basis as they may have agreed;

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- (b) if our Valuer believes there is a special prospective purchaser, on the above basis(es) but reflecting the bid of that special prospective purchaser:-
 - (i) where the valuation(s) reported pursuant to (a) above, has/have been affected by the existence of an unimplemented planning consent for change of use or other development or by the prospect of such consent(s) being available, our Valuer will so report and advise as to the amount(s) of the increase reported in consequence.

1.2.3 In the case of property to be held as an investment:-

- (a) a projection, at rental levels current at the reporting date, of the rental income to which the owner will be entitled from the property if it remains fully occupied;
- (b) an opinion upon the effects on value of the quality and terms of the lease(s) and relevant implications upon the valuation in respect of privity of contract (if any); and
- (c) our Valuer's view of the market's opinion of tenant covenants for the class of the subject property in the subject locality.

1.2.4 Advice, if our Valuer considers it relevant, that there is a significant prospect of or potential for change of use or other development of the subject property, or those in the vicinity, which would materially affect the value of the subject property.

1.2.5 Advice on any other factors, which our Valuer considers, is likely materially to affect the status of the property as security.

1.2.6 Comment upon the proposed purchase price if this has been notified to our Valuer.

1.2.7 A statement as to any special assumptions which our Valuer has made.

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- 1.2.8 Our Valuer's opinion of the property as a lending security in terms of present saleability, suitability, expected obsolescence and potential, bearing in mind the length (which will be stated) of the term of the loan contemplated by the Client Lender and assuming that the borrower will maintain the property in a reasonable state of repair.
- 1.2.9 An opinion (without liability on the part of the Valuer) of current market conditions and current and expected trends in respect of the type of property in the area.
- 1.2.10 A statement as to the valuation method adopted, and an indication as to the extent to which our Valuer has been able to have regard to comparable market transactions:-
- (a) in the case of property valued for the existing use as an operational entity having regard to trading potential, the opinion which our Valuer has formed as to the future trading potential, including the gross income and profitability likely to be achieved; and
 - (b) in the case of property valued on a residual basis, the significant material figures and assumptions made and the consequences of changes thereto.
- 1.2.11 If requested by the Client Lender, an indication for insurance purposes (which is given solely as a guide, as a formal estimate for insurance purposes can be given only by a quantity surveyor or other person with sufficient current experience of replacement costs) of the current reinstatement cost of:-
- (a) the buildings in their present form (unless otherwise stated); or
 - (b) buildings being constructed as proposed to be completed; each including the costs of clearance and professional fees but excluding:-
 - (i) VAT (except on fees);
 - (ii) loss of rent; and/or
 - (iii) cost of alternative accommodation for the reinstatement period.

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- 1.2.12 Any other aspects, other than the usual legal investigations, which our Valuer considers require further consideration or investigations by or on behalf of the Client Lender.
- 1.3 Following provision of the Report, our Valuer will be prepared to discuss its contents with the Client Lender's representative.
- 1.4 Our Valuer shall, unless otherwise expressly agreed, rely upon information provided by the Client Lender and/or the Client's legal or other professional advisers relating to tenure, leases and all other relevant matters. No responsibility or liability will be accepted for the true interpretation of the legal position of the client or other parties.
- 1.5 Subject to paragraph 2.1 below, our Valuer shall carry out such inspections and investigations as are, in his or her professional judgement, appropriate and possible in the particular circumstances. These will include oral town planning enquiries.
- 1.6 If our Valuer's inspection suggests that there may be material hidden defects our Valuer will so advise and may exceptionally defer submitting a final Report until the results of further investigations are available.
- 1.7 The report will not identify the existence of contamination unless, by agreement with the Client Lender, reports thereon from others have been obtained and made available to our Valuer, who will have no liability in respect thereof. If, however, our Valuer in the course of his/her inspection concludes that there may be material contamination, our Valuer will report this to the Client Lender with a view to a decision being taken as to whether the instructions are to be amended.
- 1.8 In preparing the report, unless otherwise stated by our valuer, the following assumptions will be made which our Valuer shall be under no duty to verify:-
- (a) that no deleterious or hazardous materials or techniques were used in the construction of the property or have since been incorporated;
 - (b) that good title can be shown and that the property is not subject to any unusual or especially onerous restrictions, encumbrances or outgoings;
 - (c) that the property and its value are unaffected by any matters which would be revealed by a local search and replies to the usual enquiries, or by any statutory notice, and that neither the property, nor its condition, or its use, or its intended use, is or will be unlawful;

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- (d) that inspection of those parts that have not been inspected would neither reveal material defects nor cause our Valuer to alter the valuation(s) materially; and
 - (e) unless otherwise stated, that no contaminative or potentially contaminative uses have ever been carried out on the property and that there is no potential for contamination of the subject property from past or present uses of the property or from any neighbouring property.
 - (f) that no alterations are required under the Equality Act 2010.
 - (g) that, regarding asbestos, there are no onerous liabilities resulting from a survey, risk assessment, or asbestos register.
- 1.9 In providing the Service our Valuer will have regard to relevant contents of the *RICS Valuations - Global Standards 2022 (The Red Book)*.
- 1.10 The report will be provided for the stated purpose and for the sole use of the named Client Lender. We accept responsibility to the Client Lender alone that the report will be prepared with the skill, care and diligence reasonably to be expected of a competent Valuer, and accept no responsibility whatsoever to any parties other than the Client Lender. Any such parties rely upon the Report at their own risk. Neither the whole nor any part of the Report, nor any reference to it, may be included in any published document, circular or statement, or published in any way, without our Valuer's written approval of the form and context in which it may appear.
- 1.11 In the event of a proposal to place the loan on the subject property in a syndicate, the client must notify the valuer with a view to agreeing responsibility to the further, named parties.

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2.0 The Inspection

- 2.1 Our Valuer will undertake a visual inspection of so much of the exterior and interior of the property as is accessible with safety and without undue difficulty as can be seen whilst standing at ground level within the boundaries of the site and adjacent public/communal areas and whilst standing at the various floor levels, which our Valuer considers reasonably necessary to provide the Service, having regard to its purpose. Our Valuer is under no duty to carry out a building survey or to inspect those parts of the property which are covered, unexposed or inaccessible, including the roof space or to raise boards, move anything, use a moisture detecting meter, or to arrange for the testing or electrical, heating or other services. An assumption will be made that the subject property is in good repair, except for any defects specifically noted. Also, an assumption will be made that the services, and any controls or software, are in working order and free from defect.

3.0 The Report

- 3.1 If it is not reasonably possible to carry out a substantial part of the Inspection (see paragraph 2 above) this will be stated.
- 3.2 Where our Valuer relies on information provided, this will be indicated in the Report, with the source of the information.
- 3.3 The Report will state the existence of any apparently recent significant alterations and extensions to as to alert the Client Lender's legal advisers.

4.0 Valuation

- 4.1 The valuation(s) provided will be on the aforementioned assumptions in respect of individual subject properties otherwise agreed) as inspected, on whichever of the following or other bases as have been agreed between our Valuer and the Client Lender, such bases where applicable to be as defined or referred to in the RICS Valuations - Global Standards 2020 (Incorporating the International Valuation Standards) (The Red Book) of The Royal Institution of Chartered Surveyors.

4.1.1 Market Value with interpretative commentary.

4.1.2 A further valuation subject to a defined marketing constraint.

4.1.3 Market Value as a full operational entity valued having regard to trading potential.

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4.2 The valuation(s) will exclude any additional value attributable to personal goodwill, or the value of any fixtures and fittings which are only of value in situ to the present or proposed occupier, except in the case of property which is fully equipped and valued as an operational entity, where only personal goodwill is excluded.

4.3 Market rent with interpretative commentary.

5.0 Instructions and Charges

5.1 All instructions of the Client Lender will be made directly by the Client Lender and confirmed in writing.

5.2 The Client Lender will pay to our Valuer the fee initially agreed between them, or any amendment thereto to be agreed if the instructions are subsequently modified. In addition, the Client Lender will reimburse the cost of all reasonable out of pocket expenses (unless it is prior agreed that these will not be charged) which may be incurred and pay the amount of any Value Added Tax on the fee and expenses.

5.3 The Valuation Report will be released on payment of our Valuer's fees.

6.0 Complaints Procedure

6.1 Any complaints and / or disputes regarding work carried out by J Raymond Welch Surveyors Ltd are taken very seriously and managed in an understanding manner with conciliation designed to generate resolution. A copy of our Complaints Procedure is available on request.