

Valuation Report of  
A & H Developers Ltd  
On behalf of PropLend Security Limited  
FAO: Brian Bartaby  
30 November 2022



Sanderson  
Weatherall

Valuation Report  
In respect of

A & H Developers Limited Portfolio

Sanderson Weatherall  
Central Square South  
Orchard Street  
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Sanderson  
Weatherall

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# 1 Summary

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## Report Date

30 November 2022

## Addressee

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

FAO: Brian Bartaby

## Bank's Client

A & H Developers Limited

## Purpose Of Valuation

Secured Lending.

## Portfolio Summary

- Multi property portfolio, located across the north of England.
- Let and producing a rental income of £256,350 pa.
- Parts of the portfolio considered to be overrented.
- Much of the portfolio let to connected parties.
- Many of the leases have not been formally engrossed and presents a risk to any potential buyer that the Dental tenants could walk away from their obligations.

## Basis of Value

You have specifically requested our opinion of value of the portfolio on the following bases.

- Market Value (MV1), in its current condition subject to, and with the benefit of, any existing leases and tenancies.
- Market Value (MV2) in its current condition subject to, and with the benefit of, any existing leases and tenancies, subject to the following special assumptions:
  - a) A sale to be completed in 90 days.
- Market Value (MV3) subject to the following special assumptions:
  - a) Vacant Possession
- Market Rent (MR)

## Summary of Values (MV1)

The full schedule of values for each property can be found in the relevant schedule to this report and in Appendix 1.

Schedule No.	Property Address	Market Value (MV1)
1	2 Lady Pit Lane, LS11 6AJ	£180,000
2	4 Station Road, DN12 3DB	£220,000
3	360 Anlaby Road, HU3 6NS	£140,000
4	101 Wales Road, S26 6RA	£160,000
5	16 The Wynd, TS11 7LA	£170,000
6	88-90 Main Street, S64 9EB	£255,000
7	222 Linthorpe Rd, TS1 3QW	£185,000
8	226 Linthorpe Rd, TS1 3QW	£140,000
9	13 Watson Street, LS27 0AH	£235,000
10	12 Northgate, DN11 9HY	£150,000
11	2 College Court, LS27 7WF	£432,000
12	14 Hartley Street, S64 9LX	£60,000
<b>TOTAL</b>		<b>£2,327,000</b>

## Property Portfolio Risks

- Many of the investments are subject to connected party leases and the leases are not formally engrossed and registered, thus presenting a risk to the income security.
- The connected party leases are generally made to Special Purpose Vehicles (SPV), thus offering limited covenant strength compared to the parent company.
- Intensification of risk owing to the high proportion of the portfolio being let to dental practices, although we do consider the dental market to be generally robust in terms of tenant covenant.

NB This summary should be read in conjunction with the full report attached hereto.

## 2 Instructions

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We refer to your electronic instructions (undated) but received 13 October 2022, a copy of which is appended to our report. You have requested valuation advice in respect of the above mixed retail, office and dental investment portfolio and we are pleased to report as follows:

### 2.1 Purpose of Valuation

You have informed us that our valuation is to be prepared for secured lending purposes.

### 2.2 Asset Type & Classification

It is our understanding that the assets to be valued are freehold, commercial investment assets.

### 2.3 Scope of Instruction

You have specifically requested our opinion of value on the following bases:

- Market Value (MV1), in its current condition subject to, and with the benefit of, any existing leases and tenancies.
- Market Value (MV2) in its current condition subject to, and with the benefit of, any existing leases and tenancies, subject to the following special assumptions:
  - a) A sale to be completed in 90 days.
- Market Value (MV3) subject to the following special assumptions:
  - a) Vacant Possession
- Market Rent (MR)

In accepting your instruction, we confirm the following:

The valuation date is 30 November 2022.

That we carry Professional Indemnity Insurance on a per claim basis which is adequate in respect of this instruction.

The valuers responsible for this report has sufficient knowledge, skills and understanding to undertake this valuation competently.

This report has been prepared by the valuers named on the specific schedules under the supervision of David J Downing BSc (Hons) MRICS (Partner) who accepts responsibility for this report, has sufficient skills, knowledge and understanding to provide an unbiased and objective valuation and undertake this instruction competently, is a member of the RICS Valuer Registration Scheme and is qualified to provide this advice as an External Valuer in accordance with PS2 and VPS3 of the RICS Valuation – Global Standards (January 2022) published by The Royal Institution of Chartered Surveyors (RICS) (“The Red Book”).

The properties were inspected between 31st October 2022 and 3rd November 2022, in the weather conditions described in the appropriate schedule.

## **2.4 Assumptions**

The asset has been valued in GB Pounds (£).

We report on the properties in schedule format including descriptions and notes as to location, extent and features of the sites, construction and accommodation of the buildings, their apparent condition and the results of enquiries of the various authorities (where appropriate). We also include extracts of the Ordnance Survey plans showing the extent of the sites, as we understand them to be, outlined in red and include some photographs.

Details of the extent of the properties, tenure, tenancies, permitted uses and related matters have been supplied by your customer. Where possible this information has been checked on site.

We have not made any investigations into the Capital Allowance position in respect of the subject property in the preparation of this valuation; we recommend that the purchaser/owner/occupier of the property makes their own investigations to satisfy themselves in this respect.

## **2.5 Valuation Procedure**

This valuation has been prepared in accordance with the RICS Valuation - Global Standards (January 2022), published by the Royal Institution of Chartered Surveyors ("RICS") ("the Red Book") and the IVSC International Valuation Standards (IVS), together with your detailed letter of instruction.

We refer you to our "Terms of Engagement and Guidance for Clients" appended to this report. This document describes in detail the work which we have and have not undertaken in compiling this report and valuation on your behalf. If there is any variation between your letter of instruction and our terms of engagement, your letter will take precedence.

## **2.6 Conflicts of Interest**

We have no conflict of interest in providing this advice and, having checked our records, we understand none of the Partners/Directors nor employees of Sanderson Weatherall have had any other fee earning relationship within the last two years with your customers, nor the subject property, apart from the fee for this present service.

## **2.7 Liability**

Our valuation is provided for the stated purpose and is for the use of the addressee only and no responsibility is accepted to any other party for the whole or any part of its contents. Our liability is not extended to your customer, nor to any other party or financial institution to whom your customer, in the event of obtaining a copy, might show this report.

Neither the whole or any part of this report, or any reference thereto, may be included in any document, circular, or statement nor our opinions of value disclosed without our prior written approval of the form and context in which they will appear.

As outlined in our confirmation of instructions dated 14 October 2022, our liability for this report is limited to fifty times our fee or £500,000, whichever is the lower.



## 3 Property Enquiries

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The statements made below apply to all assets within this portfolio, unless a stated variation is made within the appropriate schedule.

### 3.1 Highways

From enquiries made of the local Highways Authorities we understand that the main roads and footpaths in the vicinity of the properties are made up and adopted. As such we assume there are no outstanding liabilities pertaining to the properties.

### 3.2 Planning

From enquiries made of the local Planning Authorities, we understand that the properties have full consent for their existing uses and that there are no formal proposals which would have an adverse effect upon our valuations.

Unless stated to the contrary in this report, we have assumed that the use of the properties complies with all Building Consents, Planning Permissions, Public Health Statutes and Regulations and Bye-Laws.

### 3.3 Equality Act 2010 & Disability Discrimination

It should be noted that our inspections of the premises do not constitute accessibility audits for Equality Act purposes.

### 3.4 The Regulatory Reform (Fire Safety) Order 2005

We have not had sight of any Fire Safety Assessments for these properties. We recommend that the occupiers take appropriate measures to ensure that they are in compliance with the legislation.

Our valuation assumes that Fire Safety Assessments have not been carried out, but that the findings of any such reports would not be valuation significant.

### 3.5 Environmental Issues

We are not Chartered Environmental Surveyors and we have not been instructed to make any investigations, in relation to the presence or potential presence of contamination or other environmental features in land or buildings or affecting the property. We have not carried out any investigation into past uses, either of the properties or any adjacent land, to establish whether there is any potential for contamination from such uses or sites, and have therefore assumed that none exists. In practice, purchasers in the property market do require knowledge about contamination and other environmental factors. A prudent purchaser of this property would be likely to require appropriate investigations to be made to assess any risk before completing a transaction. Should it be established that contamination does exist, or the property is affected by other environmental factors, this might reduce the value now reported.

### 3.5.1 Asbestos

Our inspections of the properties do not constitute surveys in compliance with Government Directives and as such we will not comment in detail on any potential asbestos containing materials believed to be present in the properties.

Our valuations assume the findings of any asbestos surveys would not be valuation significant.

### 3.5.2 Invasive Plant Species

During our inspection of the property the presence of invasive species was not noted, however our investigations were not exhaustive and we cannot therefore categorically state that none were present. Any potential purchaser should make their own investigations in this respect, especially if redevelopment is considered. If invasive species are found to be present on site, this may reduce the valuations herein reported.

### 3.5.3 Energy Performance Certificates

Properties within the UK require an Energy Performance Certificate (EPC) when bought, sold, built or rented. An EPC measures the asset rating of a building in relation to its energy performance.

The 2015 Energy Efficiency Regulations, passed in March 2015, set out minimum energy efficiency standards (MEES) for England and Wales. These regulations will make it unlawful for landlords to grant a new lease of properties that have an energy performance certificate (EPC) rating below E. Furthermore, it is conceivable that in the future, the minimum energy efficiency rating could be more stringent.

It is also proposed that from April 2023 this requirement will extend to all premises, including those where a lease is already in place and a tenant is already in occupation.

The EPC relevant to the subject properties are commented upon in the relevant schedules to this report.

## 3.6 Tenure & Tenancies

### FREEHOLD

We have not examined the title documents, nor have we been provided with any reports on title in respect of the subject properties. We therefore assume that the freehold interests are not subject to any onerous restrictions, charges, easements or rights of way and is in all respects good and marketable. We recommend that legal advice is taken to verify our assumptions to be correct.

The leases under which many of the properties within this portfolio are occupied are a 'connected party' lease i.e., one where the Landlord and Tenant share owners, directors, or persons with significant control. As such, a lease on this basis may not be considered an 'arm's length' transaction, which may result in a rental that is either significantly above or below Market Rent, or there being lease terms that are unduly onerous or beneficial to one party or the other.

Whilst it is not inconceivable, that should the connected parties go their separate ways, the landlord would be able to sell the freehold investment subject to the lease and the investment value of the asset reflecting the terms of that lease may be achieved. However, there is always a risk that because the parties are connected, the lease could be torn up at any point in time when the document no longer suits the purposes or circumstances of one party or the other, which may impact on the value of the asset.

Furthermore, we understand that the connected parties' leases in this portfolio have not been formally engrossed and as such, this does present some significant risk to the security of income to any investor/purchaser of the portfolio. Whilst this has, we understand from the borrower, been the case for some time and the rents and obligations have always been honoured, this does not completely remove the risk going forward.

For secured lending purposes, there is a significant risk that were the lender to become the mortgagee in possession, this would be due to the borrower/landlord failing to meet their obligations to repay the mortgage interest or capital repayments. In the circumstances of a connected parties lease, as the landlord and tenant are, to all intents and purposes, the same party, this is most likely to occur because 'the tenant' company is no longer able to meet their rental obligations (and likely is no longer trading) and thus 'the landlord' is no longer receiving any income to make the mortgage repayments and the property could only be sold with vacant possession. As such, any lender should make careful consideration as to the basis of value upon which they base their loan.

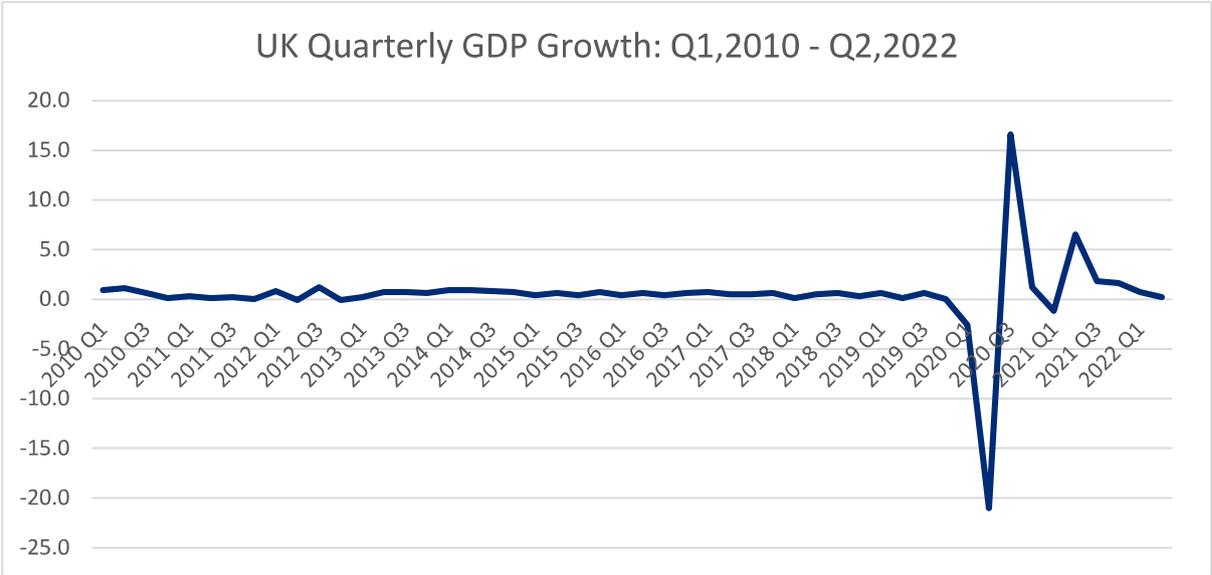
# 4 The Market

## 4.1 Market Commentary

It will be no surprise to anyone that the UK economy experienced a period of extreme turbulence for 24 months from March 2020 following the onset of the COVID-19 pandemic, which resulted in lockdown measures being introduced, and lead to a widespread shutdown of large parts of the global economy. It is no exaggeration to state that the world economy faced one of the most severe shocks in living memory. Initially, there was a widespread concern across the property market that values would fall and there would be a significant number of business failures which would result in widespread vacancies.

To provide some context as to the health of the UK economy prior to the onset of the COVID-19 pandemic, macro-economic conditions had, generally improved following the severe economic turbulence experienced during the 'Credit Crunch', which at that time statistically was the worst recession since the end of World War II. The UK economy had expanded following the exit from recession in Q2 2009, with generally consistent GDP growth experienced over the 10 years to June 2019. Although the economic and political landscape changed considerably following the referendum held on 23 June 2016 concerning the UK's membership of the EU and the consequential decision taken to exit, the resultant uncertainty created has not (to date) had a material impact on the UK's macro-economic performance. Although signs are beginning to be seen of this.

To date sectors such as transport and logistics, care and hospitality have suffered worst due to difficulty in recruiting staff and the UK Government has had to take measures to relax visa restrictions to 'plug the staffing hole' in these, and other, industries.



Source – Office for National Statistics



The above chart demonstrates that, prior to the onset of the COVID-19 pandemic, the rate of GDP growth had been generally stable, followed by the significant contraction experienced in Q1 and Q2 2020 and a rapid bounce back in Q3 2020. H1, 2022 looked initially to have demonstrated a relatively stable position, but since the outbreak of war in Ukraine, which has amplified the already underlying issues on fuel security and prices, the UK GDP figures have generally been trending downwards and the UK economy is forecast to enter a recession that may be prolonged (some commentators suggesting up to a period of 6 quarters).

Whilst the causes are undoubtedly different, the effect looks as though it could be similar to the 2008 financial crisis, with the potential for a mortgage crisis and the knock on effects on the housing market, potentially driving the UK economy into a deep recession.

Inflation is one of the major concerns and the UK is now facing a sustained period of inflationary conditions for the first time in over 10 years. There is a unique blend of factors that have all coalesced to drive inflation. Some, such as underlying demographic changes and shifts in the employment base were always likely to occur, but others such as the knock on effects from COVID-19, such as behavioural changes and the unwinding of latent demand were perhaps unexpected. Add to this the increases in fuel costs for consumers, the UK's difficult trading position with the rest of the world due to BREXIT and, further suppression of Stirling, has meant further increases in these inflationary pressures. UK CPI Inflation currently sits at 11.1% (end of October 2022) but is expected to rise further before reducing in late Q1, 2023, when the high increases experienced in certain goods this time last year move out of the year on year calculation (source: Bank of England).

Following the 'Mini Budget' announced by the UK Government on 23 September 2022, there has been marked upheaval in the financial markets, with the £ falling in value significantly against the \$ and the € (albeit the £ has recovered slightly in the FX market since the appointment of Jeremy Hunt as Chancellor of The Exchequer and the announced reversal of many of the policies set out in the 'mini budget'), the FTSE falling in value, the Bank of England taking emergency measures such as buying in Government Bonds, which has been on top of the increases in base rate to 2.25% (which is expected to rise further and perhaps peak at 6% or higher) to try and control inflation. Swap rates for 2 and 5 year money have also been volatile, and such figures generally have a significant impact on mortgage rates for the consumer. This financial instability has all come following a period of political instability following the resignation of Boris Johnson as Prime Minister as a result of the 'Partygate' scandal. The political instability continued, with the resignation of Liz Truss as Prime Minister on the 20 October. Rishi Sunak was elected leader of the Conservative party on the 24<sup>th</sup> and appointed Prime Minister on the 25<sup>th</sup>, an appointment, alongside the retention of Jeremy Hunt as Chancellor of The Exchequer that is hoped will calm and reassure the markets.

Whilst there is no clear market evidence yet to indicate a change in the pricing of property investments or occupational properties following this period of instability, the rapid and significant recent increases in gilt/interest rates have already begun to filter through to buyer activity within the property market; primarily affecting the availability of mortgage products, but also general buyer sentiment and in turn marketability. Therefore, it does seem inevitable that the market (and values) will suffer, as the costs of borrowing become higher and the gap between borrowing costs and income/revenue narrows. Whilst there is no hard evidence this soon after the upheaval, but with many transactions having been put on hold, market sentiment does appear to suggest that yields have moved outwards. Although the extent of that yield shift will vary from asset class to asset class and will be dependent upon a variety of other elements such as asset quality, unexpired lease term, covenant strength, etc.

The interplay of base rate and gilt prices has historically acted as a general benchmark for a 'risk free rate' to be used as a base element in considering the investment profile of properties, with some additional required 'premium' above this level depending on area and property sector.

There are varying expert forecasts for the period ahead and a large number of still unknown variables, depending on both global and national economic and political factors. However, general forecasts from organisations as diverse as Capital Economics and Goldman Sachs, are for a decline of between 10% and 20% in property values in the period to 2024, with some experts predicting a potential fall of up to 30% should interest rates hit the not unfeasible figure of 6% within the coming months, though at present date gilt yields have edged down on recent weeks slightly.

## **4.2 Sector Market Commentary**

### **Retail Investment Market**

Investor sentiment towards the retail sector, which was already weak before the pandemic, has deteriorated further over the past two years amid multiple lockdowns and a wave of store closures and company administrations. While volumes ticked up in 2021 from the 2020 nadir, it was still the second weakest year for retail investment in a decade, with volumes well down on the 2014 peak of nearly £15 billion. Average yields are rising as a result, with retail property now trading at a big discount to industrial property (a complete reversal from a decade ago).

However, this is starting to attract more opportunistic investors into the sector, with several prominent shopping centres changing hands recently. Volumes reached a five-year high in Q1 2022 as a result, though rising inflation and falling retail sales have cooled the market again in recent months.

The national picture is nuanced, with some retail subsectors remaining popular with investors throughout the pandemic, most notably supermarkets. Supermarkets have been prized for their defensive nature and strong covenants, with food sales rising as a share of overall spending during the past two years. Supermarket pricing has remained resilient as a result, with sub-4% yields being achieved in London and circa 5% yields being achieved elsewhere, including a sale of a Tesco superstore in Prestatyn.

Retail parks have also remained relatively popular, particularly those anchored by a supermarket and a prevalence of more resilient big-box or discount retailers and a low proportion of fashion retailers. Evidence of pricing resilience in this subsector can be seen in a recent deal in Scotland, where the acquisitive U.S.-based investor Realty Income Corporation purchased Hermiston Gait Retail Park for £86.5 million in July. The price reflected a 6.5% yield and was 33% above the price that the sellers, Ediston and BauMont Real Estate, paid for the asset in early 2020. While Ediston and BauMont executed an intensive asset management strategy that secured new tenants and re-gearred existing leases, such a price uplift demonstrates the strength of investor appetite for retail parks, which have shown relative resilience throughout the pandemic.

Despite their relative popularity, double-digit yields are still being achieved for some retail parks as investors seek to reduce the retail weighting in their portfolios. Aberdeen Standard Investments has been a big seller of retail properties over the past two years and made another disposal in November, when it sold Central Six Retail Park in Coventry to AEW UK REIT for £16.4 million, a circa 11% net initial yield. Tenants at the 149,000-SF park include TK Maxx, Next, Boots, Sports Direct, Burger King and Poundland. AEW's Alex Short commented: "At present the retail warehouse sector is providing some interesting opportunities, often underpinned by alternative use value, and occupied by tenants that have shown resilience during the pandemic."

One type of deal gaining in popularity in recent months has been shopping centres bought for redevelopment or repositioning. BYM Capital has been particularly busy in this space, buying a third repurposing opportunity in three months in November as it acquired Erith Riverside Shopping Centre in south-east London for close to the £18 million guide price. It follows similar deals in Hounslow in west London and Barnet in north London.

Shopping centre investment rose in 2021 partly as a result of such acquisitions, eclipsing £1 billion for the first time in three years. Investors are targeting repositioning but also centres geared to convenience, such as the Yate Shopping Centre in Gloucestershire, which recently sold for £53 million. Larger, £100 million-plus opportunities are also reappearing as sellers look to capitalise on rising demand. For example, Lendlease recently sold its stake in the Bluewater Shopping Centre in Kent.

Rising demand for shopping centres partly reflects the extent of price falls over the past decade. One noteworthy sale last year illustrates the point. In May, AEW bought Windsor Yards Shopping Centre in Windsor for £20 million, less than a fifth of the price Aberdeen Standard Investments paid for the 260,000-SF property in 2014 (£104 million). The St Johns Centre in Liverpool traded for less than £40 million, half its 2012 sale price and reflecting another double-digit yield, while the Silverburn Centre in Glasgow sold for £140 million in December 2021, less than half the amount it sold for in 2009. In June 2022, RivingtonHark bought the Liberty Shopping Centre in Romford for £80 million, less than half the £200 million being quoted in 2018. Sellers dropping prices have made such deals attractive again, particularly for investors looking to redevelop.

Local authorities proactively working with investors and owners to regenerate entire town centres is also an emerging investment theme, particularly in the south-east of England. Maidenhead, Southampton and Slough are a few of many examples of towns receiving a major injection of capital for a big revamp. In February 2021, Barnet Council and Argent bought the Brent South Shopping Park in London from Hammerson and Aberdeen Standard Investments for £55 million as part of a wider £5 billion Brent Cross Cricklewood regeneration scheme set to provide new office, residential and retail space.

Local authorities are also buying shopping centres outright to proactively regenerate their town centres. Sutton Council's £26 million acquisition of the St Nicholas Centre in August and Burnley Council's £21 million acquisition of the Charterwalk Shopping Centre in October are among the latest in a string of such deals in recent years (the latter traded at a 13.5% yield). However, this trend has ebbed a little over the past year or so, as other types of investors move into this space instead.

High street properties bought for income have been less popular with investors during the pandemic, as lockdown restrictions impacted nonessential retail, but several significant deals in 2021 illustrated the enduring appeal of prime locations like Bond Street in London. In February, the Reuben Brothers purchased the Emporio Armani store at 51-52 New Bond Street from Aberdeen Standard Investments for £95.5 million, reflecting a net initial yield of 3% (above the circa 2% yields being achieved on the street pre-pandemic). Wempe's store nearby then sold for way above the £60 million guide price at a sub-3% yield. Selfridges was on the cusp of being bought by Thailand's Central Group and Austria's Signa for around £4 billion in December, about £2 billion of which is attributable to the real estate assets.

One of the key high street deals of 2020 involved luxury fashion house Chanel buying its own store on London's New Bond Street from Swedish pension fund SEB for around £320 million. There was fierce competition for the asset, pushing the final price way past the original £240 million guide price. The 33,000-SF property at 159 New Bond Street is leased in its entirety to the famous fashion chain and was Chanel's largest in the world when it opened in 2013. The deal follows a trend in recent times for luxury retailers to buy their own flagship stores, while also providing a positive boost to the investment market.

The sudden impact on revenues caused by the pandemic has forced several high-profile businesses in the sector to sell distribution and head office property assets to shore up balance sheets. Since lockdowns began, Next, Ted Baker, Tops Tiles and Matalan are among those that have looked to raise capital via such sale-and-leaseback deals. More recently, Waitrose & Partners completed a five-store portfolio sale for over £60 million. Sainsbury's completed a similar deal in early 2022.

#### Office Investment Market

Receding pandemic restrictions and more employees returning to offices (even with the continued prevalence of hybrid working) have helped bring about a steady rebound in office leasing in recent quarters. Office take-up reached its highest level in three years in Q3 2022, following a similarly busy Q2. September was the busiest month of the year for office leasing despite growing fears over the economic outlook. Markets like London, Bristol and Cambridge have been especially busy this year, while notable deals have been signed in Brighton, Birmingham and Sheffield in recent months. However, the recent economic uncertainty arising from the 'mini budget and ongoing inflationary pressures, seems to have brought much of the transactional activity to a halt, with both occupiers and investors placing deals on hold until some degree of certainty is established.

UK office investment slumped to its lowest level in two years in Q3 2022. As rising interest rates and market volatility have cooled momentum built up in the opening months of the year, when a host of blockbuster deals in London, Cambridge and the "Big Six" regional cities threatened to make 2022 a record year. Deteriorating sentiment, rising interest rates, weakening fundamentals and the ongoing economic uncertainty are likely to weigh on office prices in the coming months, although the market could be cushioned to an extent by the relative lack of debt when compared with the 2008 crisis.

However, as with other sectors, the market will continue to watch the economic indicators, with a period of market uncertainty seemingly likely, certainly in the short, if not medium term. Which is likely to result in a restricted number of open market transactions, but potentially an increase in distressed sales, should economic performance continue to decline, and interest rates continue to rise. The Bank of England continues to report that it will have no hesitation in raising interest rates further in an effort to cool the economy and control inflation, with leading commentators expressing concern that the UK economy may be entering a recessionary period.

Tertiary office markets, such as accommodation above retail in regional market and seaside towns have generally performed relatively poorly over the lockdown as few owners and occupiers were able to invest in making the properties 'Covid safe'. As such, the demand for locally let office investments has stalled, with yields generally extending as investors saw occupier demand likely to decline as alternative methods of working e.g. remote working became prevalent.

**Healthcare Investment Market**

Investor sentiment for healthcare remains strong, as the sector is perceived as stable and secure, with much of the income generated derived from government backed contracts, particularly so in the Primary Care sector.

Dentistry continues to be a highly attractive sector for investors, helped no doubt by the increased awareness of oral health, and the boom in cosmetic and aesthetic treatments in the recent past. This in addition to the continued decline in NHS practices and the increased concentration of practices in the hands of corporate and mid-sized groups (22+ practices) and small groups (up to 22 practices), with approx. 36% of the total number of practices in the UK. Many of these groups are private equity backed.

Whilst the majority of dental practices still operate on NHS contracts, at least in part, (over 75% of independent practitioners, who account for approx. 65% of the total dental market, still favour an NHS Contract *source: Christie & Co*). A recent theory expressed by a number of providers is that NHSE, aware of the 'forced' migration from the NHS to private sector providers may simply allow this to continue in the hope that this leaves a smaller pool of NHS patients.

What is clear however is that the current UDA model is not fit for purpose, although there is no easy replacement. The strength in the private sector means that for many practices the appointment books are full and Associates can move easily from NHS led practices to the private sector without needing to build a patient list of their own and risking a reduction of earnings in the short term. This strength in the private sector means that investors have seen private dental practices as good tenants and yields have been paid appropriately. Group led practices have generally achieved stronger (lower) yields than independent practices, although the prevalence of SPV structures has meant that the yield compression that may have been seen for leases backed by group covenants has not occurred.

**4.3 Comparable Transactions**

In arriving at our opinion of Market Value (MV) we have had regard to the following dental investment transactions over the past 2 years throughout the UK:

Address	Description	Status	Price
1 Bromyard Road Worcester	Detached former vicarage, Grade II listed, in prominent town centre location. Let to Oasis Dental Care (Central) Ltd, with Guarantee from Oasis Healthcare Ltd, T/A BUPA Dental Care on 15 year FRI lease, with 5 yearly uncapped RPI rent reviews. Passing rent £29,439.69 pa	Sold November 2022	£387,500 (7.30% NIY)



105/107 Church Street Runcorn	Mid terrace building, let to Whitecross Dental Care Ltd T/A My Dentist, on 20 year lease from 02/04/2014, with tenant break options in 2024 and 2029 at a passing rental of £27,000 pa.	Sold November 2022	£327,000 (7.97% NIY)
9-13 Rayleigh Road Leigh on Sea Essex	Mid terrace retail and office building, let to GF - E.Moss (T/A Boots) – Holding over on expired lease at £17,500 pa, FF – Inspire Dental Eastwood Ltd (guarantee from Inspire Dental Holdings Ltd) – 20 year lease from 2009 at £10,000pa, SF – Individuals – Holding over on AST from 2019 at £7,800 pa. Gross rental income £35,300 pa	Sold May 2022	£636,000 (5.28% NIY)
Lockhart House Tulloch Street Dingwall	FF Dental Surgery, let to Oasis Healthcare Ltd T/A BUPA Dental Care at £40,000 pa	Sold March 2022	£370,000 (10.40% NIY)
Appledore Forest Road Bracknell Berkshire	Modern purpose built surgery premises, let to Xeon Smiles UK Lt T/A BUPA Dental Care on 10 year lease from 2017 at £30,000 pa	Sold February 2022	£707,000 (4.03% NIY)
19 Wigan Road Ashton In Makerfield Lancashire	Mid terrace retail and office, LLH property, let to Xeon Smiles UK Ltd T/A BUPA Dental Care on 10 year FRI lease from 2017, at £15,000 pa.	Sold February 2022	£149,000 (9.89% NIY)
29 West Street Wareham Dorset	End terrace property across ground, 1st, 2nd and 3rd floors. Let to Whitecross Dental Care Limited (guaranteed by Integrated Dental Holdings Ltd) on a 15 year FRI lease from July 2021 at a commencing rent of £30,000 pa, rising to £33,942.25 in July 2026 and £38,402.54 in July 2031.	Sold September 2021	£525,000 (5.45% NIY)
260 Old Christchurch Road Bournemouth Dorset	Mid terrace property across ground, 1st, and 2nd floors. Let to Whitecross Dental Care Limited (guaranteed by Integrated Dental Holdings Ltd) on a 15 year FRI lease from July 2021 at a commencing rent of £22,000 pa, rising to £24,890.98 in July 2026 and £28,161.86 in July 2031.	Sold September 2021	£300,000 (7.10% NIY)

45 Tan Bank Wellington Shropshire	Detached property across ground, and 1st floors. Let to Whitecross Dental Care Limited (guaranteed by Integrated Dental Holdings Ltd) on a 15 year FRI lease from July 2021 at a commencing rent of £28,000 pa, rising to £31,679.43 in July 2026 and £35,842.37 in July 2031.	Sold September 2021	£558,000 (4.78% NIY)
2A Scotter Road Eastleigh Hampshire	1st floor dental surgery. Let to Whitecross Dental Care Limited (guaranteed by Integrated Dental Holdings Ltd) on a 15 year FRI lease from July 2021 at a commencing rent of £12,500 pa, rising to £14,142.60 in July 2026 and £16,001.06 in July 2031.	Sold September 2021	£204,000 (5.99% NIY)
5-7 Willow Street Oswestry Shropshire	Mid terrace, GF dental surgery and self contained offices above. Let to VKC Kalisetty on 10 year FRI lease from September 2020, Tenant break in 5th year at a commencing rental of £25,500 pa (which would rise to £30,000 pa upon the award of an NHS Contract)	Sold July 2021	£337,000 (7.30% NIY)
Manor House Dental The Street Long Stratton Norfolk	Grade II listed, semi detached building, let to Simply Smile Ltd on a 15 year lease from March 2013 at £7,000 pa.	Sold October 2020	£179,000 (3.83% NIY)
34 Heaton Road Byker Newcastle upon Tyne	Mid terraced property arranged over ground, 1st and 2nd floors, comprising 5 dental surgeries. Let to Whitecross Dental Care Limited on 15 year FRI lease from October 2012 at £20,000 pa.	Sold July 2020	£262,000 (7.43% NIY)
839 Welbeck Road Walker Newcastle upon Tyne	Dental surgery in converted mid terraced house. Let to Whitecross Dental Care Ltd on a 15 year lease from October 2012. Passing rent £9,500 pa	Sold February 2020	£70,000 (13.33% NIY)

As can be seen yields range from between 3.83% and 13.44%. The higher yields generally being associated with poorer properties or surgeries located in poorer locations. The lower yields have generally been associated with properties with substantial alternative use potential or practices where the lease is guaranteed by the main group covenant (as per most of the Whitecross sales). Much of the evidence is clustered between 7 and 10%.

The covenant strength of the individual practices is discussed within the relevant schedules, but we also set out below the findings of a CreditSafe Report prepared in respect of **Genix Healthcare Limited (UK05160344)**, the parent company:

The company is rated with a score of 64/100 and as such are viewed as Low Risk. The company has share capital of £100,000 and for the last reported year returned a turnover of £4,072,208 and a Pre Tax profit £609,105.

We consider the market would perceive this tenant to be of a reasonable regional covenant strength.

## 5 Valuation

### 5.1 Valuation Opinion

The figures stated below are the aggregated values of the individual assets contained within this portfolio, assuming a prudent and organised lotted sale to maximise value. If the portfolio were brought to market as a single entity, we would anticipate a discount to reflect quantum in the order of 15-20%.

Having regard to the attached report, we are of the opinion that the value of the unencumbered freehold interests on the bases requested is:

Valuation Bases	AMOUNT
Market Value (MV1)	£2,327,000 (Two Million Three Hundred and Twenty-Seven Thousand Pounds)
Market Value (MV2) subject to the previously stated special assumptions	£2,005,000 (Two Million Three Hundred and Fifty Thousand Pounds)
Market Value (MV3) subject to the previously stated special assumptions	£2,005,000 (Two Million Three Hundred and Sixty-Five Thousand Pounds)
Market Rent (MR)	£195,850 p.a. (Two Hundred and Thirty-Seven Thousand One Hundred Pounds)

We stress the importance of the valuation date, as recent experience has shown that property values may change quite significantly over a relatively short period of time.

Where statements are made upon the prospect of future growth or fall in rental and/or capital values it must be appreciated that such change may not occur, and that values can fall as well as rise.

### 5.2 Security Considerations/Lender Action Points

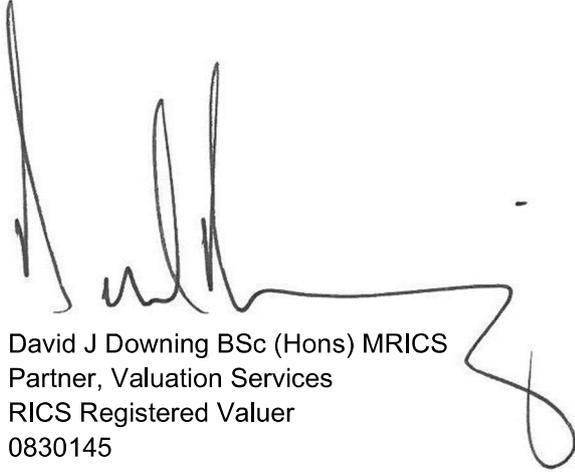
- In terms of security for a loan, we refer you to the comments made in respect of each individual asset.
- Our investigations have not revealed any recent transactions or agreed prices in respect of the subject premises. However, if such information does come to light before the loan is finalised, we would request that you refer the matter back to us for further consideration.

### 5.3 Insurance Reinstatement Estimate

You have also requested that we provide an estimate of the likely reinstatement cost for fire insurance purposes. The estimates have been arrived at using an instantaneous basis of value, adopted without regard to future inflation and without provision of loss of rent, any consequential loss or VAT. However, the estimate includes allowances for demolition, site clearance and professional fees.

The reinstatement sum for each asset is provided within the appropriate schedule to this report.

## 5.4 Signatures



David J Downing BSc (Hons) MRICS  
Partner, Valuation Services  
RICS Registered Valuer  
0830145



Matthew B Clarke BSc (Hons) DipSurv MRICS  
Partner, Valuation Services  
RICS Registered Valuer  
1121934

30 November 2022

Authorised to sign for and on behalf of Sanderson Weatherall LLP

## **APPENDICES**

**Appendix 1 Summary Schedule of Values**

**Appendix 2 Letter of Instructions**

**Appendix 3 Guidance Notes/ Terms of Engagement & Guidance for Clients**

**Appendix 4 Property Schedules**

**Appendix 1 – Summary schedule of values**



Summary Schedule of Values

Schedule	Address	MV1	MV2	MV3	MR p.a.	Reinstatement
1	2 Lady Pit Lane, LS11 6AJ	£180,000	£160,000	£140,000	£15,000	£295,000
2	4 Station Road, DN12 3DB	£220,000	£200,000	£190,000	£17,000	£500,000
3	360 Anlaby Road, HU3 6NS	£140,000	£125,000	£120,000	£10,000	£360,000
4	101 Wales Road, S26 6RA	£160,000	£145,000	£135,000	£12,500	£325,000
5	16 The Wynd, TS11 7LA	£170,000	£145,000	£160,000	£17,000	£310,000
6	88-90 Main Street, S64 9EB	£255,000	£215,000	£175,000	£19,500	£590,000
7	222 Linthorpe Rd, TS1 3QW	£185,000	£150,000	£175,000	£17,000	£350,000
8	226 Linthorpe Rd, TS1 3QW	£140,000	£115,000	£135,000	£15,000	£270,000
9	13 Watson Street, LS27 0AH	£235,000	£200,000	£185,000	£18,250	£350,000
10	12 Northgate, DN11 9HY	£150,000	£135,000	£150,000	£11,600	£240,000
11	2 College Court, LS27 7WF	£432,000	£365,000	£390,000	£37,500	£770,000
12	14 Hartley Street, S64 9LX	£60,000	£50,000	£50,000	£5,500	£200,000
<b>Totals</b>		<b>£2,327,000</b>	<b>£2,005,000</b>	<b>£2,005,000</b>	<b>£195,850</b>	<b>£64,560,000</b>

**Appendix 2 Letter of Instructions**



**Appendix 3 Terms of Engagement & Guidance for Clients**





# SANDERSON WEATHERALL GENERAL TERMS AND CONDITIONS

## 1. INFORMATION ABOUT US

- 1.1 References to **Sanderson Weatherall, SW, we, us** or **our** are references to Sanderson Weatherall LLP.
- 1.2 We are registered in England and Wales as a limited liability partnership under registration number OC344770 and have our registered office at 6th Floor Central Square, 29 Wellington Street, Leeds, LS1 4DL.

## 2. DEFINITIONS

- 2.1 In these Terms and Conditions, the following expressions have the following meanings:

**Agreement:** the agreement between you and us relating to our Services in accordance with these Terms and Conditions, the Supplemental Terms and the Letter of Engagement.

**Business Day:** any day excluding Saturdays, Sundays and other days on which banks are not generally open for a full range of business in London.

**Confidential Information:** in relation to you or us, all information and trade secrets relating to your or our business or customers which come into the possession of you or us pursuant to the Agreement, whether orally, or in documentary, electronic or other form.

**Consumer:** an individual acting for purposes which are wholly or mainly outside their business, trade, profession or occupation.

**Data Processing Details:** the description of the Personal Data processing activities contemplated by the Agreement.

**Data Protection Law:** all applicable laws and regulations, in each case pertaining to the security, confidentiality, protection or privacy of Personal Data, as amended or re-enacted from time to time, including (and to the extent applicable) the GDPR and the Data Protection Act 2018.

**Deliverables:** any document produced by us in performing our Services whether in hard or soft copy format, which are required for the purpose of receiving and using our Services.

**GDPR:** the European General Data Protection Regulation, namely Regulation (EU) 2016/679 of the European Parliament and of the Council of 27 April 2016 on the protection of natural persons with regard to the processing of personal data and on the free movement of such data, and repealing Directive 95/46/EC.

**Group:** any of our Subsidiary Companies or Holding Companies from time to time and any Subsidiary Company from time to time of a Holding Company of that Subsidiary Company.

**Holding Company:** will have the meaning given in section 1159 Companies Act 2006 and will include parent undertakings as defined in section 1162 Companies Act 2006 and the term will include companies wherever they are registered.

**Intellectual Property Rights:** patents, utility models, rights to inventions, copyright and neighbouring and related rights, trade marks, business names and domain names, rights in get-up and trade dress, goodwill and the right to sue for passing off, rights in designs, rights in computer software, database rights, rights to use, and protect the confidentiality of, confidential information and all other intellectual property rights, in each case whether registered or unregistered and including all applications and rights to apply for and be granted, renewals or extensions of, and rights to claim priority from, any rights and all similar or equivalent rights or forms of protection that subsist or will subsist now or in the future in any part of the world.

**Letter of Engagement:** the letter of engagement or other form of written confirmation we submit to you relating to the provision of our Services.

**Personal Data:** the personal data that is processed by us on behalf of you in accordance with the Agreement, as further described in the Data Processing Details.

**Services:** any of various services we provide as described in the Letter of Engagement and/or the Supplemental Terms or as may otherwise be agreed in writing by us.

**Subsidiary Company:** will have the meaning given in section 1159 Companies Act 2006 and include subsidiary undertakings as defined in section 1162 Companies Act 2006 and the term will include companies wherever they are registered.

**Supplemental Terms:** the relevant supplemental terms which we may submit to you and which apply to each Services we provide to you.

**Terms and Conditions:** these Sanderson Weatherall General Terms and Conditions, including the Data Processing Addendum.

**you or your:** the person we are providing our Services to.

- 2.2 References to any statute or any section of any statute include any statutory amendment, modification or re-enactment and instruments and regulations under it in force from time to time, unless the contrary is stated. References to any rules, regulations, codes of practice or guidance include any amendments or revisions from time to time.
- 2.3 A reference to **writing** or **written** includes any method of reproducing words in a legible and non-transitory form.
- 2.4 References to **include, includes, including** and **included** will be construed without limitation to the generality of the preceding words.
- 2.5 Condition headings are inserted only for convenience and are in no way to be construed as part of these Terms and Conditions.
- 2.6 A **person** includes a natural person, corporate or unincorporated body (whether or not having separate legal personality).
- 2.7 Unless the context otherwise requires, the terms **controller, processor, processing/process** and **data subject** will be interpreted and construed by reference to Data Protection Law.
- 2.8 References to a law of the European Union include a reference to that law as incorporated into the laws of the United Kingdom at any time before or after the United Kingdom ceases to be a Member State of the European Union.

## 3. COMMENCEMENT

- 3.1 Unless otherwise agreed in writing between us, you will be deemed to have agreed to comply with these Terms and Conditions on the earlier of:
  - 3.1.1 written acceptance of the Letter of Engagement; or
  - 3.1.2 the commencement of our Services by or on behalf of us, at which point the Agreement shall come into existence.
- 3.2 We will provide our Services, unless terminated in accordance with Conditions 12 and/or 13, until the date on which our Services are completed.
- 3.3 Please familiarise yourself with these Terms and Conditions before our Services commence.

## 4. OUR SERVICES

- 4.1 For the term of the Agreement, we will provide our Services using reasonable care and skill. A detailed description of our Services is specified in the Letter of Engagement and/or the Supplemental Terms.
- 4.2 Our Services will be provided in accordance with these Terms and Conditions and the Supplemental Terms.

## Sanderson Weatherall General Terms and Conditions

### 5. BASIS OF APPOINTMENT

- 5.1 We aim to provide a friendly, efficient and effective service and the best information possible about the likely cost of the Services provided under a Letter of Engagement and the applicable Supplemental Terms.
- 5.2 We will seek to ensure that you are fully informed about the progress of the Services we are undertaking for you at all relevant times.
- 5.3 All communications between you and us are subject to the terms of the Agreement.

### 6. YOUR OBLIGATIONS

- 6.1 You will:
- 6.1.1 co-operate with us in all matters relating to our Services; and
- 6.1.2 provide us with such information, materials and assistance as we may reasonably require in order to provide our Services and to ensure that such information is complete and accurate in all material respects.
- 6.2 You understand and agree that we:
- 6.2.1 will rely on you to supply in a timely manner, all instructions and information needed by us to act on your behalf;
- 6.2.2 will rely on you to inform us of any changes to those instructions or that information and to any other relevant circumstances; and
- 6.2.3 are not under any obligation to check the accuracy of information you supply unless it is agreed in writing that we should do so.

### 7. INTELLECTUAL PROPERTY RIGHTS

- 7.1 All Intellectual Property Rights in or arising out of or in connection with our Services (other than Intellectual Property Rights existing in any information or materials at the time they are provided by you) will be owned by us.
- 7.2 We grant to you a fully paid-up, worldwide, non-exclusive, royalty-free licence during the term of the Agreement to use the Deliverables (excluding materials provided by you) for the purpose of receiving and using our Services and the Deliverables. Unless otherwise permitted by this Agreement, Deliverables may not be shared with any third-parties without our permission, other than with your professional advisors or if required by applicable law.

### 8. FEES, DISBURSEMENTS AND PAYMENT

- 8.1 The fees and payment terms for our Services that will be payable by you to us will be set out in the Letter of Engagement and/or the Supplemental Terms.
- 8.2 Unless otherwise agreed in our Letter of Engagement or set out in the applicable Supplemental Terms, payment of our invoices must be made within thirty (30) days of the date of our invoice.
- 8.3 All invoiced amounts are to be paid in Pounds Sterling in full on presentation (unless disputed in good faith), and without deduction, set off, abatement or counterclaim. We reserve the right to charge compensation for debt recovery costs and interest on overdue accounts at five percent (5%) per annum over the Bank of England base rate in accordance with the Late Payment of Commercial Debts (Interest) Act 1998 and the Late Payment of Commercial Debts Regulations 2002.
- 8.4 If you disagree with, or have queries about a fee invoice, we request that you notify us within fourteen (14) days from the invoice date, after which time we will assume that you have agreed its content. If you do dispute any part of the invoice and so notify us you shall nonetheless pay all items which you do not dispute pending resolution of the balance.
- 8.5 Whilst undertaking work on your behalf we may need to incur liabilities on your behalf or pay outgoings on your behalf to third parties. These are known as **disbursements**, and will appear on your invoice as such. Examples of disbursements relevant to the Services may be set out in the applicable Supplemental Terms.
- 8.6 We may ask you for payment of our fees and/or disbursements on account before we commence the Services and if we do we will set this out in our Letter of Engagement. Unless otherwise agreed in our Letter of Engagement or set out in the applicable

Supplemental Terms we will not be liable to account to you for any interest which accrues on these monies.

- 8.7 We may charge you for any expenses we incur providing the services to you such as mileage, other travelling expenses, telegraphic transfers and photocopying, faxes, printing and scanning in addition to our fees. We will provide you with details of our expenses rates on request.
- 8.8 If our fees (or any part of them) for any part of the Services or Additional Services (as defined in Condition 9) will be calculated by reference to the amount of time spent by those working on your instruction it will be charged at our hourly rates, which may vary depending upon the seniority and experience of the person undertaking your work. We will provide you with details of our rates on request.
- 8.9 Our hourly rates are reviewed periodically to take account of changing circumstances, such as changes in salary and other overhead costs. If applicable, we will provide you with details of any changes to our hourly rates during the course of your instruction as required.
- 8.10 From time to time we may receive discounts or commissions from our third party suppliers or service providers (for example, but without limitation, for placing a bulk order). Any such discounts or commissions will be retained and used by us to defray our administrative expenses. We shall not owe any amount to you in respect of such discounts or commissions and we shall not be under any obligation to pass the benefit of these on to you.
- 8.11 Unless your status allows for exemption or application of a zero rate, VAT will be payable by you, where applicable, on all fees and charges at the rate prevailing on the appropriate tax invoice date.
- 8.12 We will be entitled to keep all your papers and documents while there is any money properly owing to us for our fees, disbursements, or other expenses.

### 9. ADDITIONAL SERVICES

- 9.1 If you ask us to carry out certain activities related to the Services set out in the applicable Letter of Engagement or Supplemental Terms which are not commonly required in relation to those Services, as determined by us acting reasonably (each, an **Additional Service**), we will be entitled to charge you for those Additional Services accordingly. Examples of Additional Services may be set out in the applicable Supplemental Terms.
- 9.2 If you instruct us to carry out Additional Services then, at our discretion:
- 9.2.1 we may charge you for the Additional Services in addition to the fees set out in the Agreement by reference to the time spent by those carrying out the Additional Services; or
- 9.2.2 we may require that you enter into a new contract and re-evaluate the fees which are payable.

### 10. PROTECTION OF PERSONAL DATA

- 10.1 We and you will:
- 10.1.1 process Personal Data in accordance with our and your obligations under Data Protection Law;
- 10.1.2 provide each other (each, a **Requesting Party**) with such reasonable assistance as is requested by the Requesting Party to enable the Requesting Party to comply with its obligations under Data Protection Law; and
- 10.1.3 implement and maintain all adequate and appropriate technical and organisational measures and controls to prevent unauthorised or unlawful processing of Personal Data and accidental loss, destruction, damage, theft, use or disclosure of such Personal Data and will protect against any anticipated threats or hazards to the security or integrity of the Personal Data, and detect and prevent unauthorised processing of, or unauthorised access to the Personal Data.
- 10.2 In addition to Condition 10.1 and to the extent that we process any Personal Data on behalf of you, for the purposes of Data Protection Law, we are the processor and you are the controller.
- 10.3

## 11. LIMITATION OF OUR LIABILITY

- 11.1 Nothing in the Agreement will limit or exclude our liability for:
- 11.1.1 death or personal injury caused by our negligence, or the negligence of our employees, agents or subcontractors;
- 11.1.2 fraud or fraudulent misrepresentation; or
- 11.1.3 any other liability which cannot be limited or excluded by applicable law.
- 11.2 Where you are acting in the course of a business, subject to Condition 11.1, we will not be liable to you, whether in contract, tort (including negligence), for breach of statutory duty, or otherwise, arising under or in connection with the Agreement for:
- 11.2.1 loss of profits;
- 11.2.2 loss of sales or business;
- 11.2.3 loss of agreements or contracts;
- 11.2.4 loss of anticipated savings;
- 11.2.5 loss of use or corruption of software, data or information;
- 11.2.6 loss of or damage to goodwill; or
- 11.2.7 any indirect or consequential loss.
- 11.3 Where you are acting as a Consumer, if we fail to comply with our obligations under these Terms and Conditions, we are responsible for any loss or damage you incur that is a foreseeable result of that failure or our failing to use reasonable care and skill in providing the Services. We will not be responsible for any loss or damage which is not foreseeable. Loss or damage is foreseeable if either it is obvious that it will happen, or if at the time you engaged us to provide the Services, both we and you knew it might happen.
- 11.4 Subject to Condition 11.1, our total liability to you, whether in contract, tort (including negligence), breach of statutory duty, or otherwise, arising under or in connection with the Agreement will be limited to the fees paid and payable for the Services unless specified otherwise in the Letter of Engagement.
- 11.5 Where you are acting in the course of a business, the terms implied by sections 13, 14 and 15 of the Supply of Goods and Services Act 1982 are, to the fullest extent permitted by law, excluded from the Agreement.
- 11.6 If you are dealing as a Consumer, you may have certain legal rights regarding claims in respect of losses caused by our negligence or failure to carry out our obligations. Nothing in the Agreement is intended to limit your legal rights as a consumer. For further information about your legal rights you can contact your local authority Trading Standards Department or Citizens Advice Bureau.

## 12. CANCELLATION RIGHTS – THIS SECTION ONLY APPLIES WHERE YOU ARE DEALING AS A CONSUMER

- 12.1 If you enter into the Agreement at a distance (i.e. online or over the phone and without any face to face contact between you and us), you may cancel the Agreement for any reason within fourteen (14) days of entering into the Agreement (the **Cancellation Period**). To do so, you must clearly inform us by emailing us at enquiries@sw.co.uk. You will lose the right to cancel after the expiry of this Cancellation Period.
- 12.2 You can ask us to start providing the Services before the end of the Cancellation Period by completing the applicable form included with the Letter of Engagement. If you do this, then Conditions 12.3 – 12.5 will apply in relation to the refund to be paid to you.
- 12.3 If we have not started to provide the Services at your request before the end of the Cancellation Period, you will receive a full refund of the monies you have paid for the Services.
- 12.4 If we have started providing the Services to you at your request before the end of the Cancellation Period, you will be required to pay our fees for the Services carried out prior to you contacting us.
- 12.5 You will only receive a refund for that part of the Services not provided. You will not have the right to cancel the Agreement once we have completed those Services.

- 12.6 Any refund will be paid within fourteen (14) days after the day on which you inform us of your decision to cancel the Agreement and will be made using the same means of payment as you used to pay for the Services, unless we agree otherwise.

## 13. TERMINATION

- 13.1 We or you may terminate the Agreement at any time without cause and without any liability upon giving not less than twenty eight (28) days' notice in writing unless specified otherwise in the Letter of Engagement.
- 13.2 Without affecting any other right or remedy available to you or us, we may terminate the Agreement with immediate effect by giving written notice to you if you:
- 13.2.1 fail to pay any amount due under the Agreement on the due date for payment and remain in default not less than fourteen (14) days after being notified in writing to make such payment;
- 13.2.2 commit a material breach of any terms of the Agreement and (if such a breach is remediable) fail to remedy that breach within fourteen (14) days of you being notified in writing to do so;
- 13.2.3 take any step or action in connection with entering administration, provisional liquidation or any composition or arrangement with your creditors (other than in relation to a solvent restructuring), being wound up (whether voluntarily or by order of the court, unless for the purpose of a solvent restructuring), having a receiver appointed to any of your assets or ceasing to carry on business or, if the step or action is taken in another jurisdiction, in connection with any analogous procedure in the relevant jurisdiction; or
- 13.2.4 suspend, or threaten to suspend, or cease or threaten to cease to carry on all or a substantial part of your business.
- 13.3 Conditions that expressly or by implication survive termination or expiry of the Agreement will continue in full force and effect.
- 13.4 If you terminate the Agreement in accordance with Condition 13.1 or we terminate the Agreement in accordance with Condition 13.2, you may have to pay to us part or all of the fees for the Services if requested by us within thirty (30) days from the date of termination. Where you are dealing as a Consumer, the amount we charge you will be limited to the amount we have reasonably incurred in providing the Services to you to the date that you terminate the Agreement.
- 13.5 On termination of the Agreement for any reason you will immediately pay to us all of our outstanding unpaid invoices and interest.
- 13.6 Termination or expiry of the Agreement will not affect any rights, remedies, obligations or liabilities that we or you have accrued up to the date of termination or expiry, including the right to claim damages in respect of any breach of the Agreement which existed at or before the date of termination or expiry.

## 14. CONFIDENTIALITY

- 14.1 We and you undertake to each other in relation to each other's Confidential Information:
- 14.1.1 to keep confidential all Confidential Information;
- 14.1.2 not to disclose Confidential Information without your or our (as applicable) prior written consent to any other person except those of your or our employees and/or professional advisors who have a need to know the Confidential Information; and
- 14.1.3 not to use Confidential Information except for the purposes of performing your or our (as applicable) obligations under the Agreement (and in particular not to use Confidential Information to obtain a commercial, trading or any other advantage).
- 14.2 The provisions of Condition 14.1 will not apply to Confidential Information to the extent that it is or was:
- 14.2.1 already in the possession of you or us (as applicable) free of any obligation of confidentiality on the date of its disclosure;
- 14.2.2 in the public domain other than as a result of a breach of this Condition 14;
- 14.2.3 required to be disclosed:
- (a) pursuant to applicable law, or the rules of any exchange on which the securities of you or us are or are to be listed; or

- (b) in connection with proceedings before a court of competent jurisdiction or under any court order or for the purpose of receiving legal advice,

but only to the extent and for the purpose of that disclosure.

- 14.3 We and you acknowledge that Confidential Information is valuable and that damages might not be an adequate remedy for any breach of Condition 14 and accordingly we and you will be entitled, without proof of special damage, to an injunction and other equitable relief for any actual or threatened breach of Condition 14.

#### 15. MAINTENANCE OF YOUR INFORMATION

From time to time we may be called upon to demonstrate our maintenance of certain professional standards as set by appropriate authorities and/or to satisfy our auditors and/or to comply with other statutory requirements and/or to outsource administrative work. Unless you notify us to the contrary in writing we will assume that we have your authority to produce your file or papers, including Confidential Information, for that purpose as an exception to our duty of confidentiality.

#### 16. ANTI BRIBERY

- 16.1 We and you will:

16.1.1 comply with all applicable laws, statutes, regulations, and codes relating to anti-bribery and anti-corruption including the Bribery Act 2010 (the **Relevant Requirements**);

16.1.2 not engage in any activity, practice or conduct which would constitute an offence under sections 1, 2 or 6 of the Bribery Act 2010 if such activity, practice or conduct had been carried out in the UK;

16.1.3 have and will maintain in place throughout the term of the Agreement our own policies and procedures, including adequate procedures under the Bribery Act 2010, to ensure compliance with the Relevant Requirements, and will enforce them where appropriate; and

16.1.4 promptly report to each other any request or demand for any undue financial or other advantage of any kind received by you in connection with the Agreement.

16.2 We and you will ensure that any person associated with each other who is performing services in connection with the Agreement does so only on the basis of a written contract which imposes on and secures from such person terms equivalent to those imposed on us in this Condition 16 (the **Relevant Terms**). We and you will be responsible for the observance and performance by such persons of the Relevant Terms, and will be directly liable to each other for any breach by such persons of any of the Relevant Terms.

16.3 Breach of this Condition 16 will be deemed a material breach under Condition 13.2.2.

#### 17. MONEY LAUNDERING

17.1 In relation to providing you with the Services, we may need to verify your identity or obtain confirmation of the source of any funds for regulatory purposes. If so, we will need to request that you provide us with documentation to prove your identity or the source of funds. If there is any delay in the provision of any relevant documentation requested to ensure we meet regulatory obligations, we will not be held responsible for any delay in progressing your instruction. We will retain the relevant documentation in both hard copy and electronic formats for a minimum of five (5) years from completion of the instruction.

17.2 We may seek to confirm your identity by means of an electronic search with a licensed Credit Reference Agency (a **CRA**) where we consider it will save time and costs to do so. We will charge you for this. The CRA will then keep a record of the search and may make this available to other organisations seeking credit references from them.

17.3 We are professionally and legally obliged to keep the affairs of our clients confidential in accordance with these Terms and Conditions. This obligation is subject to a statutory exception, namely that legislation on money laundering has placed us under a legal duty in certain circumstances to disclose information to the National Crime Agency (**NCA**). If, whilst we are acting for you, it becomes necessary to make such a disclosure, we may not be able to tell you that it has been made or of the reasons for it as the law prohibits "tipping off".

17.4 Should we consider it appropriate to report a transaction we will not be obliged to complete your instruction without the consent of NCA and will not have any liability for any subsequent delay.

#### 18. COMPLAINTS PROCESS – WHERE YOU ARE DEALING AS A CONSUMER

18.1 We are a member of the Royal Institution of Chartered Surveyors, as well as being registered to ISO 9001 (a quality management standard maintained by the International Organization for Standardization). In accordance with this and our own internal quality control procedures we have a formal procedure in place to address complaints. We are committed to providing the best possible service to you. If for any reason you are not happy, please contact us as soon as possible so that we can resolve this with you. Please write to Martin Archer, Finance Director at: 6<sup>th</sup> Floor, Central Square, 29 Wellington Street, Leeds LS1 4DL.

18.2 All complaints will be addressed in accordance with our Complaints Handling Procedure found at <https://www.sw.co.uk/policies/policies/>

18.3 If you are not happy with the outcome, you may raise it with The Property Ombudsman. Further information regarding The Property Ombudsman can be found at [www.tpos.co.uk](http://www.tpos.co.uk)

18.4 You may also make a complaint through the European Commission's Online Dispute Resolution Platform which can be accessed at <http://ec.europa.eu/consumers/odr/>

#### 19. INSURANCE/FIRE SAFETY EXCLUSION

19.1 We maintain insurance coverage in the types and amounts that are appropriate for the operation of our business, and that coverage may differ in relation to the particular Services that we are providing under your Engagement Letter. The presence of that insurance coverage does not have an impact on our liability position set out in Condition 11.

19.2 The following fire safety exclusion applies in relation to our insurance coverage:

Our insurers shall not be liable for that portion of any claim or loss which is caused directly by any defect or inadequacy in the fire resistant and/or fire retardant characteristics of any balcony, external cladding systems, glazing, doors, external wall system and/or internal wall system of any building or structure.

This exclusion shall not apply in respect of any claim or claims made against the insured by any natural person acting for purposes outside this trade, business or profession when such claim or claims made emanate from property management, contract administrator, project monitoring, project coordination, principal designer, architectural and employers agent. The maximum payable by insurers in respect of any such claim or claims shall not exceed £1,000,000 in the aggregate.

#### 20. ENTIRE AGREEMENT

The Agreement constitutes the entire agreement between you and us and supersedes and extinguishes all previous agreements, promises, assurances, warranties, representations and understandings between you and us, whether written or oral, relating to its subject matter.

#### 21. VARIATION

Except as expressly provided in the Agreement, no amendment or variation of the Agreement will be effective unless it is in writing and signed by you and us (or our authorised representatives respectively).

#### 22. ASSIGNMENT AND OTHER DEALINGS

22.1 You must not assign, transfer, mortgage, charge, subcontract, declare a trust over or deal in any other manner with any of your rights and obligations under the Agreement without our prior written consent.

22.2 We will be entitled to:

22.2.1 exercise our rights or perform any of our obligations (in whole or in part) through any member of our Group; and/or

22.2.2 transfer our rights and obligations under the Agreement (in whole or in part) to any third party on giving notice in writing to you.

**23. WAIVER**

No failure or delay by you or us to exercise any right or remedy provided under the Agreement or by law will constitute a waiver of that or any other right or remedy, nor will it preclude or restrict the further exercise of that or any other right or remedy. No single or partial exercise of such right or remedy will preclude or restrict the further exercise of that or any other right or remedy.

**24. SEVERANCE**

If any provision or part-provision of the Agreement is or becomes invalid, illegal or unenforceable, it will be deemed modified to the minimum extent necessary to make it valid, legal and enforceable. If such modification is not possible, the relevant provision or part-provision will be deemed deleted. Any modification to or deletion of a provision or part-provision under this Condition will not affect the validity and enforceability of the rest of the Agreement.

**25. NOTICES**

25.1 Any notice to be given under the Agreement will be:

25.1.1 in writing in the English language;

25.1.2 signed by or on behalf of us or you (as applicable) when giving it; and

25.1.3 addressed to us or you (as applicable) at our or your registered office or principal place of business or such other address or email address as may have been notified for these purposes.

25.2 A notice will either be:

25.2.1 delivered by hand;

25.2.2 sent by first class pre-paid post, recorded delivery or special delivery; or

25.2.3 sent by airmail or by reputable international overnight courier (if the notice is to be served by post to an address outside the country from which it is sent).

25.3 A notice will be deemed to have been received:

25.3.1 if delivered by hand, on signature of a delivery receipt;

25.3.2 if sent by pre-paid first class post, recorded delivery or Special Delivery (or equivalent service) to an address in the United Kingdom, at 9.00 am on the second (2<sup>nd</sup>) Business Day after posting;

25.3.3 if sent by pre-paid airmail to an address outside the country from which it is sent, at 9.00 am on the fifth (5<sup>th</sup>) Business Day after posting; or

25.3.4 if sent by reputable international overnight courier to an address outside the country from which it is sent, on signature of a delivery receipt,

provided that a notice delivered or posted, as appropriate, after 5.00 pm on any Business Day or on a non-Business Day will

be deemed delivered or posted, as appropriate, at 9.00 am on the next Business Day.

**26. THIRD PARTY RIGHTS**

Except as expressly provided in Condition 22.2, no one other than you or us will have any rights whether statutory or otherwise to enforce any term of the Agreement.

**27. FORCE MAJEURE**

We will not be in breach of the Agreement nor liable for delay in performing, or failure to perform, any of our obligations under the Agreement if such delay or failure result from events, circumstances or causes beyond our reasonable control. If the period of delay or non-performance continues for twenty eight (28) days, you may terminate the Agreement.

**28. CONFLICTS**

28.1 The Letter of Engagement and Supplemental Terms contain addition provisions applicable to our provision and your receipt of the Services.

28.2 If there is conflict or inconsistency between any of the provisions in:

28.2.1 the Letter of Engagement;

28.2.2 the Supplemental Terms; and

28.2.3 these Terms and Conditions,

the documents will prevail in the order of precedence set out in this Condition.

**29. GOVERNING LAW**

The Agreement and any dispute or claim arising out of or in connection with the Agreement or their subject matter or formation (including non-contractual disputes or claims) will be governed by and construed in accordance with the laws of England and Wales.

**30. JURISDICTION**

30.1 We and you irrevocably agree that the courts of England and Wales will have exclusive jurisdiction to settle any dispute or claim arising out of or in connection with the Agreement or its subject matter or formation (including non-contractual disputes or claims).

30.2 However, where you are acting as a Consumer, regardless of Condition 30.1, you and we agree that if you are a resident in a part of the United Kingdom other than England and Wales, the law of that part of the United Kingdom will apply to the Agreement and any dispute between you and us arising out of or in connection with our agreement (including non-contractual disputes or claims) will be dealt with by the courts located there.

# VALUATION PROCEDURES AND ASSUMPTIONS – PROPERTY APPRAISAL AND VALUATION

## TERMS OF ENGAGEMENT AND GUIDANCE FOR CLIENTS

Our valuation work is carried out on the basis set out below unless specifically varied by our initial letter confirming our instructions (“our initial letter”), or our subsequent report, of which this document will form an integral part.

### 1. Reports and Valuations

- 1.1 Will be prepared in accordance with the current edition of the RICS Valuation – Global Standards, January 2022, published by the Royal Institution of Chartered Surveyors (“RICS”) (“the Red Book”). Any departure from the Red Book will be recorded in our initial letter and confirmed in our report.
- 1.2 The valuers to be responsible for the work are external valuers as defined by the Red Book.

### 2. Disclosure

- 2.1 Our valuation will be provided for the stated purpose and will be for the use of the addressee only. No liability will be accepted to any other party without our specific prior written approval.
- 2.2 Publication of our report, or any reference thereto, in whole or part, in any document, circular or statement, in either hard copy or electronically (including any web site) will be permitted only with our prior approval, this to include the form and context in which it will appear.

### 3. 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, even if that third party pays all or any part of our fee. Liability will not subsequently be extended to any other party except on the basis of written and agreed instructions; this will include an additional fee. Except as set out in 3.2 below, the terms of the agreement between Sanderson Weatherall LLP and the client are not enforceable by any third party under the Contracts (Rights of Third Parties) Act 1999. Should we agree to extend liability (and reliance) to any third party, such party will be deemed to have accepted our ‘Terms of Engagement and Guidance for Clients’.
- 3.2 No claim arising out of or in connection with this agreement may be brought against any member, employee, partner or consultant of Sanderson Weatherall LLP (each called a “SW 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 Sanderson Weatherall LLP. Any SW 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 Sanderson Weatherall LLP at any time without the need for any SW person to consent.
- 3.3 Subject to the provisions in this clause 3, if you suffer loss as a result of our breach of contract or negligence, our liability shall be limited to a just and equitable proportion of your loss having regard to the extent of responsibility of any other party. Our liability shall not increase by reason of a shortfall in recovery from any other party, whether that shortfall arises from an agreement between you and them, your difficulty in enforcement, or any other cause.

### 4. The Inspection and Subsequent Enquiries

- 4.1 Will be carried out by RICS Registered Valuers and general practice surveyors making appropriate investigations having regard to the purpose of the valuation and to any restrictions recorded within our initial letter and confirmed in our report.

4.2 No parts of the structure which are covered, unexposed or inaccessible will be opened up for inspection. The exterior will be inspected from ground floor level only, ie without the benefit of access equipment. We cannot express an opinion about or advise upon the condition of uninspected parts and the report should not be taken as making any implied representation or statement about such parts. Furthermore, the various services have not been tested. We are therefore unable to report that any such parts of the property are free from defect or that the services are in full working order.

4.3 Unless specifically agreed with you in writing, we shall have no responsibility for the identification of hydrochlorofluorocarbons (HCFCs) in refrigeration, air-conditioning, heat pump or other equipment at the property. We shall also, unless specifically notified, be entitled to assume that all equipment at the property complies with obligations under the EU ODS Regulation (Regulation (EC) No. 1005/2009) and other legal obligations.

### 5. Condition, Repair and Pollution Hazards

5.1 Unless specifically instructed to carry out a structural survey, test of service installations, site investigation or to facilitate an environmental survey, our valuations will assume:

- i) That except for any defects specifically noted in our report, the property is in good condition;
- ii) That no materials have been used in the construction of the buildings which are deleterious, hazardous or likely to give rise to structural defects, including inter alia high alumina cement or calcium chloride additive, asbestos or any other hazardous or deleterious material or permanent woodwool shattering
- iii) That no hazardous materials are present on site.
- iv) That all relevant statutory requirements relating to use or construction have been complied with.
- v) That the site is physically capable of development or redevelopment, when appropriate, and that no special or unusual costs will be incurred in site clearance or providing foundations and infrastructure.
- vi) That the property is not adversely affected by any form of pollution, current or historic, either on or off site.
- vii) That there are no archaeological remains on or under the land which could adversely impact on value.
- viii) That there is no abnormal risk of flooding.
- ix) That any building services are fully functioning to include any which incorporate essential electronic devices and the software which operates such devices.

5.2 We will, however, reflect the general condition of the premises as evident from our superficial inspection and any defects of which we are made aware as summarised in our report.

### 6. Statutory Matters

#### 6.1 Equality Act 2010

6.1.1 Under the Equality Act 2010 all service providers to the general public are obliged to ensure that all disabled customers are treated, as far as it is reasonable to do so, the same as nondisabled customers. The legislation was operative from 1 October 2010 as amended. This legislation also extends to employees of Companies.

6.1.2 It should be noted that our inspection of the premises does not constitute an accessibility audit for Equality Act purposes.

## 6.2 The Regulatory Reform (Fire Safety) Order 2005

6.2.1 The Regulatory Reform (Fire Safety) Order affecting all non-domestic premises in England and Wales came into force on 1 October 2006. This legislation has removed the requirement of Fire Certificates for non-domestic property. Now the person responsible for the premises will be required to carry out their own risk assessment to identify the fire precautions which are required to be in place. To accompany the legislation the Government has developed specific information guides for each type of premises which sets out the guidance on the requirements and carrying out a Fire Risk Assessment.

6.2.2 Our inspection of the property does not constitute a Fire Risk Assessment and within the limitations of this report we cannot comment on any aspect of fire safety or fire performance of the subject property. Should there be any concerns regarding elements including inter alia cladding, façade and roofing materials, external or internal wall systems we recommend that the client seek independent advice from an appropriately qualified consultant.

6.2.3 In respect of Valuations for Secured Lending in respect of high rise residential property, in arriving at the valuation for mortgage purposes, your mortgage lender and the mortgage lender's appointed valuer (Sanderson Weatherall) have relied on the EWS1 form provided, in good faith, prepared by a professionally qualified third party. There is however, no liability to the lender, the valuer or to you, the borrower, for any losses or potential losses arising directly and solely from the valuation being provided in reliance upon the EWS1 form. If you require further information, then please seek independent advice prior to legal commitment to purchase.

## 6.3 Control of Asbestos Regulations 2012

6.3.1 Under the Control of Asbestos Regulations 2012 all commercial property owners/occupiers are obliged by law to have completed a Register of all materials containing asbestos within their premises and either remove them or have a programme for managing them so that they do not become a danger to health.

6.3.2 Our inspection of the property does not constitute a survey in compliance with Government Directives and as such we will not comment in detail on any potential asbestos containing materials believed to be present in the property.

## 6.4 Invasive Plant Species

6.4.1 The three main non-native invasive plant species in the UK are Japanese knotweed, Himalayan (Indian) or purple stinky balsam and New Zealand pygmyweed. Other notifiable plants and weeds include inter alia giant hogweed, ragwort and azolla.

6.4.2 Japanese knotweed is a rampant non-native invasive species which can cause physical damage to buildings and hard surfaces. Under s. 14(2) of the Countryside and Wildlife Act 1981 it is an offence to cause this plant to grow in the wild. Failure to dispose of any material containing Japanese knotweed may also result in prosecution under this Act and under the Environmental Protection Act 1990.

6.4.3 The likely costs of eradication and removal of plants such as these can be high and time consuming and may impact on the ability to enjoy/develop/redevelop the site and consequently diminish the values reported.

## 6.5 The Energy Performance of Buildings Directive (England and Wales) Regulations 2007

6.5.1 The Energy Performance of Buildings Directive (England and Wales) Regulations 2007 affecting all non-domestic premises in England and Wales came into force on 6 April 2008. This legislation introduced new statutory requirements for commercial buildings offered for sale or to let to have an Energy Performance Certificate (EPC) and for certain buildings to have Display Energy Certificates (DEC). EPCs are required for any commercial building greater than 50m<sup>2</sup> (538 sq ft).

6.5.2 Our inspection of the property does not constitute an Energy Assessment of the property.

## 7. Tenure and Tenancies

7.1 We will rely upon information supplied as to the property, tenure, tenancies, permitted uses and related matters. We will assume such information to be accurate, up-to-date and complete. We will assume that your solicitors are able to confirm the accuracy of these details as set out in our report, and that the interest being valued is in all respects good and marketable.

7.2 We would welcome the opportunity to consider your solicitor's report on title and to advise whether this affects our valuation.

7.3 We will not examine title documents and, therefore, assume that apart from any matters mentioned in our report, the interest is not subject to any onerous restrictions, to the payment of any unusual outgoing or to any charges, easements or rights of way. We will assume that any outstanding requirements of repairing covenants will be met.

## 8. Planning, Highway and Other Enquiries

8.1 We will make only informal, oral enquiries of the local planning, highway and other relevant authorities and the information obtained is assumed to be correct. No formal searches will be instigated. Except where stated to the contrary, we will have assumed that there are no local authority planning or highway proposals that might involve the use of compulsory purchase powers or otherwise directly affect the property.

8.2 Where limited only responses have been received to our enquiries which are material to our valuations, this will be confirmed in our report.

## 9. Floor, Site Areas and Plans

9.1 All measurements will be in accordance with RICS Property Measurement (2<sup>nd</sup> Ed). Unless stated to be otherwise, floor areas will be derived from measurements taken on site or scaled from drawings supplied and checked by sample measurements on site. Site areas will be computed from Ordnance Survey data and not from physical survey. Dimensions and areas should be regarded as being approximate only.

9.2 Where plans are included in our report, these are for identification purposes only.

## 10. Tenant Status

10.1 We will not make any specific enquiries as to the financial standing of actual or prospective tenants other than those a competent valuer would make when appraising and valuing the property. We will, however, reflect our general understanding of the tenants' financial status in our valuation and will have assumed, unless informed to the contrary, that the tenants are capable of meeting their financial obligations under the lease and that there are no arrears of rent or undisclosed breaches of covenant.

## 11. Plant and Machinery

11.1 We will include in our valuations only those items of plant and machinery normally considered to be part of the building service installations and which would pass with the property on a sale or letting. We will exclude all items of process plant and machinery and equipment, together with their special foundations and supports, furniture and furnishings, vehicles, stock and loose tools, and tenant's fixtures and fittings.

## 12. Capital Allowances

- 12.1 Under the Capital Allowances Act 2001, certain allowances (which may have the effect of providing a relief from corporation tax) may be claimed by a person where that person incurs 'qualifying expenditure' on particular pieces of 'plant' which are fixtures within a building, and which are used by that person for the purposes of a 'qualifying activity'. Relevant fixtures included within 'plant' may include, for example, furniture, machinery, lifts, air conditioning and so on.
- 12.2 Certain conditions must be satisfied in order to be eligible to claim these allowances. Changes to these conditions were introduced with effect from 1 April 2012, with further changes becoming effective from 1 April 2014. As a result of these changes, anyone contemplating the acquisition of a property must take action, before the acquisition, to preserve any right to claim available allowances, as well as to obtain sufficient information to put them in a position to make such a claim in the future. Failure to do so may mean that the ability to claim capital allowances, or the ability to put a future purchaser in the position to claim allowances, is lost. A seller of property may also wish to consider the position, before disposal, so that it can decide whether the purchase price of the property may be adjusted to reflect any steps it may take to preserve a buyer's entitlement to claim such allowances.
- 12.3 We have not made any investigations into the Capital Allowance position of the property in the preparation of our valuation.

## 13. Development Properties

- 13.1 For properties in course of development, we will reflect, unless otherwise stated, the stage reached in construction and the costs already incurred and those remaining to be spent at the date of valuation. We will have regard to the contractual liabilities of the parties involved in the development and any cost estimates which have been prepared by the professional advisers to the project.
- 13.2 For recently completed developments we will take no account of any retentions, nor will we make allowance for any outstanding development costs, fees, or other expenditure for which there may be a liability.

## 14. Valuation Date and Currency

- 14.1 The valuation date will be as at the date of our report unless varied by our initial letter and confirmed in our report. Valuations will be stated in GB pounds (£), unless stated otherwise. You should be aware that property values may change substantially over a relatively short period. If you wish to dispose of this property or part thereof, or to accept a charge over it as security for a loan after the valuation date, we strongly advise a further consultation with us.

## 15. Costs of Realisation

- 15.1 Unless stated to the contrary in our report, no allowance will be made in our valuations for the costs of realisation, any liability for tax which might arise in the event of disposal or for any mortgage or similar financial encumbrance over the property. Our valuations will exclude VAT.

## 16. Bases of Value

- 16.1 The bases of value will be specified in our initial letter or the client letter of instruction and will be one or more of the following; as defined in the Red Book:

### 16.2 Market Value (MV)

*'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.'*

### 16.3 Market Rent (MR)

*'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.'*

### 16.4 Investment Value (or Worth)

*'The value of an asset to the owner or a prospective owner for individual investment or operational objectives.'*

### 16.5 Fair Value

- 16.5.1 *'The price that would be received to sell an asset, or paid to transfer a liability, in an orderly transaction between market participants at the measurement date.'* (International Financial Reporting Standards (IFRS) adopted definition)

### 16.6 Existing Use Value (EUV)

*'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 acted knowledgeably, prudently and without compulsion - assuming that the buyer is granted vacant possession of all parts of the asset required by the business, and disregarding potential alternative uses and any other characteristics of the asset that would cause its Market Value to differ from that needed to replace the remaining service potential at least cost.'*

### 16.7 Existing Use Value for Social Housing (EUV-SH) (for Housing Stock Held for Social Housing)

*'Existing use value for social housing (EUV-SH) is an opinion of the best price at which the sale of an interest in a property would have been completed unconditionally for a cash consideration on the valuation date, assuming:*

- (a) a willing seller*
- (b) that prior to the valuation date there had been a reasonable period (having regard to the nature of the property and the state of the market) for the proper marketing of the interest for the agreement of the price and terms and for the completion of the sale*
- (c) that the state of the market, level of values and other circumstances were on any earlier assumed date of exchange of contracts, the same as on the date of valuation*
- (d) that no account is taken of any additional bid by a prospective purchaser with a special interest*
- (e) that both parties to the transaction had acted knowledgeably, prudently and without compulsion*
- (f) that the property will continue to be let by a body pursuant to delivery of a service for the existing use*
- (g) that at the valuation date any regulatory body in applying its criteria for approval would not unreasonably fetter the vendor's ability to dispose of a property to organisations intending to manage their housing stock in accordance with that regulatory body's requirements*
- (h) that properties temporarily vacant pending re-letting should be valued, if there is a letting demand, on the basis that the prospective purchaser intends to re-let them, rather than with vacant possession and*
- (i) that any subsequent sale would be subject to all the same assumptions above.*

## 17. Fully equipped operational entities valued having regard to trading potential

### 17.1 Fixtures and fittings

- 17.1.1 We will include in our valuations all items normally regarded as trade fixtures and fittings. Furthermore, unless advised to the contrary, we will assume that such items are owned outright and are not subject to any lease, hire purchase or third party charge. However, technical services equipment such as beer raising, cooling and dispensing equipment that can be conveniently or economically removed will be excluded from the valuation.

## 17.2 Goodwill

- 17.2.1 The valuation will ignore any value attributable to goodwill other than that which is reflected in the trading potential which attaches to and runs with the property.

## 17.3 Stock etc

- 17.3.1 Stock in trade, fuel, glassware etc will be excluded from the valuation.

## 17.4 Valuation Apportionments

- 17.4.1 Where given, they are an informal apportionment and do not represent the market value of the elements involved since the true valuation of a trading entity can only be the figure taken as a whole.

## 18 Valuation Assumptions

- 18.1 Any assumptions, Special Assumptions, reservations, special instructions or departures from the Red Book will be recorded in our initial letter or the client letter of instruction, and/or confirmed in our report.

## 19 Insurance Reinstatement Estimates

- 19.1 If requested, these will be provided, but should not be confused with a formal Insurance Cost Reinstatement Estimate undertaken by a building surveyor (this can be provided upon request and at an additional charge).

- 19.2 The estimate will be a guide only to the likely reinstatement cost of the buildings as existing, assuming cover on an indemnity basis with fully operative reinstatement clauses and no special conditions. An instantaneous basis of value will be adopted without regard to future inflation and without provision for loss of rent, any consequential loss or vat. The estimate will include allowances for demolition, site clearance and professional fees.

## 20 Monitoring

- 20.1 As a member firm of the RICS the valuations under this instruction, may be subject to monitoring for compliance with the RICS Valuation – Global Standards, January 2022. If subject to monitoring, we may be required to disclose our file and valuation to officers of the RICS.



FS 632568 EMS 632569 OHS 632570

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