

Eightfold property

VALUATION REPORT



**THE FAIRHAVEN HOTEL AND LAND ADJACENT
EXCLUDING THE BEACHVIEW APARTMENT**

37 THE ESPLANADE

WEYMOUTH

DT4 8DH

for

PROPLEND SECURITY LIMITED

Contents

1. EXECUTIVE SUMMARY.....	4
2. TERMS OF REFERENCE.....	7
3. LOCATION AND SITUATION.....	10
4. PROPERTY DESCRIPTION.....	11
5. STATUTORY MATTERS.....	17
6. LEGAL.....	20
7. MARKET COMMENTARY.....	21
8. VALUATION COMMENTARY.....	28
9. VALUATION.....	38

APPENDICES

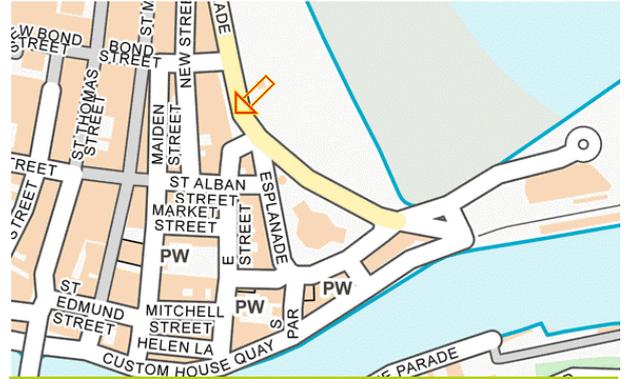
Appendix A - Instruction

Appendix B - Terms and Conditions

1. EXECUTIVE SUMMARY



Front Elevation



Street Plan

Valuer

Alistair McGill MRICS

Valuation Date

7th November 2022

Location/Situation:

Weymouth is a seaside town in Dorset, on the south coast of England. It is situated on a sheltered bay at the mouth of the River Wey, 11 kilometres south of the county town of Dorchester. It is the third largest settlement in Dorset after Bournemouth and Poole.

Description

The property comprises an attractive beach front hotel.

Floor Area

Hotel - Gross Internal Floor Area

Floor	Use	Sq. Feet	Sq. Metres
Lower Ground	Bar	2,468	229.28
Ground	Ancillary	6,861	637.40
First	Ancillary and Rooms	7,315	679.58
Second	Rooms	7,315	679.58
Third	Rooms	3,769	350.15
	Total:	27,729	2,576.09

Tenure

Freehold

Tenancies

The applicant is creating a lease over the hotel.

Rental Profile

Passing Rent: £145,000 p.a when proposed lease signed over the Hotel

Market Rent: £142,000 p.a

SWOT

+ Positive Factors	- Negative Factors
Good location close to retail facilities, beach and town centre	Economic uncertainty
Sea views	Cost of living crisis
Alternative use as residential	Outgoing costs likely to rise with increasing energy costs
Strong leisure demand generated by its location in Weymouth	Potential for rental and capital value volatility
Lower running costs due to limited services offered by the nature of the hotel	Lack of guest services (such as restaurant, leisure, etc) may deter some potential guests
The hotel offers scope for improvement with the appropriate capital expenditure on the un refurbished rooms and ancillary accommodation	The local area is considered a secondary hotel location and is characterised by independent operators rather than large international chains.

Valuation

Market Value subject to the proposed tenancy	£2,250,000
Market Value subject to the proposed tenancy SA 90 days	£1,680,000
Market Value as a fully equipped operational entity having regard to trading potential:	£2,250,000
Market Value as a fully equipped operational entity having regard to trading potential 90 days:	£1,680,000
Market Value as a fully equipped operational entity having regard to trading potential subject to the following special assumptions:	
Accounts or records of trade would not be available to a prospective purchaser;	
The business is closed and the registration/licences removed;	
Trading inventory has been removed:	£1,645,000

Loan Security Suitability

Yes, subject to the main comments within the report

Lender's Action Points

The lender should confirm the title and tenancy.

Ensure all copy licences/registrations are presented where necessary.

Obtain Asbestos Report.

Obtain Fire Risk Assessment Report.



2. TERMS OF REFERENCE

Eightfold Professional Limited
Second Floor Studio
28 Poland Street
London
W1F 8QP

Proplend Security Limited
15 Little Green
Richmond
TW9 1QH

17th November 2022

For the attention of: Brian Bartaby

Our Reference: SB/Stephen Dorman New Co

Dear Sir/Madam

Property Address: The Fairhaven Hotel, 37 The Esplanade, Weymouth DT4 8DH
Land Adjoining The Fairhaven Hotel (excluding Beachview Apartment)
37 The Esplanade, Weymouth

Your Applicant: Stephen Dorman New Co

Appointment: We refer to your instruction letter/email dated: 31st October 2022 and accepted on 1st November 2022 to provide you with a Valuation Report of the freehold in the above hotel premises for loan security.

This report and valuation has been prepared in accordance with the RICS Red Book Global Standards. In undertaking this valuation Eightfold Property acts in the capacity of External Valuer. The basis upon which we usually prepare our valuations and reports is set out in the terms of engagement attached hereto. Unless and except where here specifically stated otherwise, this report has been prepared in accordance with these terms of engagement.

Reliance: In accordance with our normal practice, we confirm that the report is confidential to the parties to whom it is addressed for the specific purpose to which it refers. We accept no responsibility to any third party and stress that neither the whole of the report, nor any part nor any references thereto may be published in any document, statement or circular nor in any communication with third parties without our prior written approval of Eightfold Professional Limited of the form and context in which it will appear.

Our advanced written consent is required if, at any time, it is intended to include the valuation or report, or any reference thereto, in any Prospectus or Circular to shareholders or similar public document.

Liability: The Valuer shall under no circumstances, whatsoever, be liable, whether in contract, tort (including negligence), breach of statutory duty, or otherwise, for any loss of profit, loss of revenue or loss of anticipated savings, or for any indirect, special or consequential loss arising out of or in connection with the Agreement and/or the Services.

PII Cap: We confirm that Eightfold Professional Limited hold appropriate indemnity insurance for the valuation instruction. The Valuer's total liability in respect of all losses arising out of or in connection with the Agreement and/or the Services, whether in contract, tort (including negligence), breach of statutory duty, or otherwise, shall not exceed £5,000,000. This amount shall be an aggregate cap on the Valuer's liability to all Beneficiaries together.

Full Terms of Engagement: The report is subject to, and should be read in conjunction, with our Terms of Engagement attached at Appendix 2 hereto.

Valuation Date: 7th November 2022

Inspection Date: The site was inspected by Alistair McGill MRICS on 7th November 2022 specifically for the purpose of this valuation.

Basis of Valuation:

Market Value (MV): We have prepared our valuation on the basis of Market Value (MV) which is defined in accordance with the RICS Red Book Global Standards

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

Market Rent: We have prepared an additional valuation on the basis of Market Rent (MR which is defined in accordance with the RICS Red Book Global Standards).

"The estimated amount for which an interest in real property should be leased on the Valuation Date between a willing lessor and 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."

Personnel: the valuation has been prepared by Alistair McGill MRICS being a member of the RICS Valuer Registration Scheme. The herein named valuer has acted with independence, integrity and objectivity and has the requisite skills and knowledge of the particular market and property type pertaining to the subject property.

Status: In preparing this valuation we have acted as External Valuers, subject to any disclosures made to you.

Disclosure: We have previously confirmed that we have no conflict of interest in providing advice to you on this property.

Assumptions:

- Market Value in its current condition subject to, and with the benefit of, any existing leases or tenancies;
- Market Value in its current condition subject to, and with the benefit of, any existing leases or tenancies assuming a sale to be completed within 90 days;
- Market Value of the Property assuming Vacant Possession;
- Estimated rental value for the subject Property.

- Estimated Reinstatement Cost for fire insurance purposes, including site clearance costs and professional fees;

Sources of Information: We have inspected the site and carried out all the necessary enquiries with regard to rental and capital value, statutory issues, including Rateable Value and planning issues and legal matters. We have not carried out an environmental risk assessment.

We have not been supplied with or relied upon, a draft Certificate of Title.

Purchaser's Costs: Our valuation is provided net of purchaser's costs.

We have allowed for Stamp Duty Land Tax.

We have also allowed for agents and legal fees plus VAT at standard market rates which amounts to circa 1.80%.

VAT: Our valuation is exclusive of VAT unless specifically stated otherwise

Confidentiality and Publication: Finally, and in accordance with our normal practice we confirm that the Report is confidential to the party to whom it is addressed for the specific purpose to which it refers. No responsibility whatsoever is accepted to any third party and neither the whole of the Report, nor any part, nor references thereto, may be published in any document, statement or circular, nor in any communication with third parties without our prior written approval of the form and context in which it will appear.

Yours faithfully,

Valuation undertaken by



**Alistair McGill MRICS, Registered Valuer
Director**

For and on behalf of **Eightfold Property**

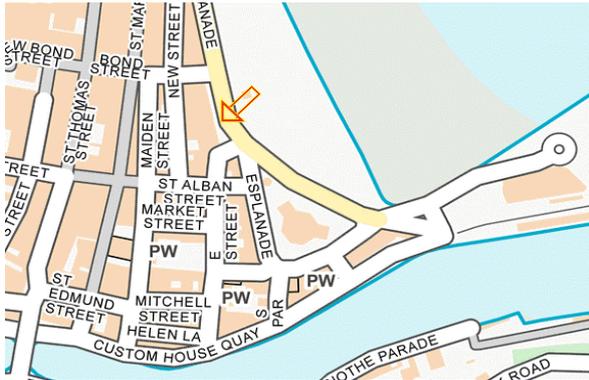
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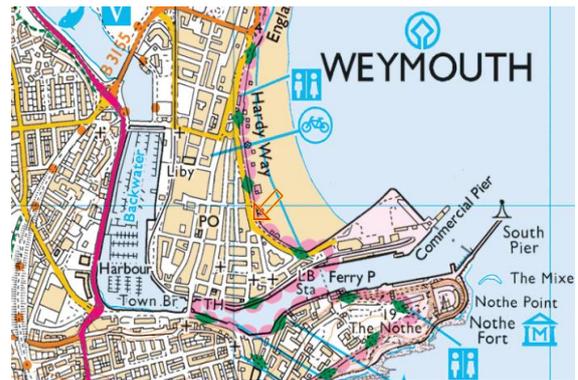
**Simon Jones MRICS, Registered Valuer
Director**

For and on behalf of **Eightfold Property**

3. LOCATION AND SITUATION



Street Plan



Location Plan

Macro Location

Weymouth is a seaside town in Dorset, on the south coast of England. It is situated on a sheltered bay at the mouth of the River Wey, 11 kilometres south of the county town of Dorchester. It is the third largest settlement in Dorset after Bournemouth and Poole.

The town and its economy depend on tourism. Visitors are attracted by the town's harbour and position, halfway along the Jurassic Coast, a World Heritage Site, important for its geology and landforms. Once a port for cross-channel ferries, Weymouth Harbour is now home to a commercial fishing fleet, pleasure boats and private yachts.

Demographic

Weymouth has a resident population of approximately 53,000 and is a significant town within Dorset. The general population of Dorset is less economically active than the south west as a whole or the UK as a whole at 76.9% compared to 80.70% and 78.60% with the percentage of retired people being higher at 26.3% compared to 17.9% and 13.7% respectively. A significant portion of the working population are connected to tourism.

Communications

Road communications are reasonable with Weymouth Way (A354) being the major route into the town leading to the A35 and the remainder of the road network.

The town has a mainline railway station approximately 650 metres to the north of the subject the property with direct travel to London taking approximately 2 hours and 40 minutes.

Micro Location

The subject property lies on the western side of The Esplanade 50 metres south of its junction with Bond Street and 40 metres north west of the junction with East street. The property overlooks the beach and is close to the harbour and pavilion.

4. PROPERTY DESCRIPTION



Front elevation



Top floor bedroom



Ensuite



1st floor double with sea view



Rear small double room



Common areas



Original dining room



Reception



Title Plan*



Street view

*The exact extent of the demise should be clarified

Site Details

Your solicitors should verify that we have correctly identified the extent of the site.

Site Area: 0.15 acres

Site Shape and Topography: The site is irregular in shape and generally level.

Site Access: Via the Esplanade

Car Parking: None, although there is pay and display parking limited to one hour or residents' parking to the front and other town centre car parks nearby.

Suitability of site for use and scope for expansion: The property is currently being put to its best use, although we can see scope for conversion of the ground floor dining room to alternative uses such as a spar.

Services: The property is connected to mains drainage, water supply, electricity and gas supplies. The refurbished areas of the hotel are air conditioned, and the property is supplied by a ground source heat pump. The property benefits from a lift to all floors above ground floor.

Construction:

Age of Building/Year of Construction: Late 18th Century

Year of Refurbishment: 2021/2022

Structure and Elevations: The property comprises of two adjacent and interconnected buildings at least some of which is grade II listed. It is of traditional solid brick construction with exposed Flemish bond brickwork and period decorated features below a timber framed slate covered roof. There are areas of flat roof within the central courtyard with a modern roof finish.

Suitability for Current Use: The property is suited for its current use as a hotel with a separate basement restaurant/bar.

Specification:

Main Hotel: The main hotel letting rooms are either single, twin, double or family rooms, each having an ensuite shower room or bathroom.

The hotel was occupied at the time of our inspection and as such not all of the letting rooms were inspected.

The letting rooms all have a locking door and are specified with a carpeted floor covering with painted plastered walls and ceilings. Lighting is generally by way of a ceiling mounted unit. The majority of the rooms have air conditioning, and we understand the infrastructure is in place for all to be such when the refurbishment is complete for all the rooms.

All of the guest bedrooms are en-suite with adjoining bathroom specified with tiled floor covering and walls, painted ceilings and fitted with shower units or baths, low level flush wcs and pedestal sinks/wash hand basins.

In addition to the guest bedrooms, the property also provides the following: -

- Dining room (currently unused)
- Kitchen (currently unused)
- Maintenance rooms
- Reception
- Guest WCs.
- Laundry room
- General storage areas
- Staff bedroom to rear of 3rd floor.

There is a kitchen located in the basement and connects with a dining area, reception and also the basement bar. The property is reasonably well appointed, commensurate with its current market positioning as a bed and breakfast hotel. There are a mix of single, double, twin and family rooms, each of which has an en-suite with shower, WC and wash hand basin.

The upper floors are accessed by two separate stairwells. The property contains a single person passenger lift.

We set out the letting room accommodation on each floor as follows;

1st Floor

Room 101: Double

Room 102: Double

Room 103: Family

Room 104: Double

Room 105: Double

Room 106: Currently non refurbished

Room 107: Family

Room 150: Single

Room 151: Double

Room 152: Twin

Room 153: Double

Room 154: Twin

Room 155: Twin

Room 156: Twin

Room 157: Single

Room 158: Family

Room 159: Family

Room 191: Family

Room 192: Double

2nd Floor

Room 201: Double

Room 202: Being decorated

Room 303: Family

Room 204: Double

Room 205: Double

Room 206: Twin

Room 207: Family

Room 208: Single

Room 250: Being Redecorated

Room 251: Twin

Room 252: Twin

Room 253: Twin

Room 254: Twin

Room 255: Twin

Room 256: Single

Room 257: Double

Room 258: Twin

Room 259: Twin

Room 260: Twin

Room 261: Double

3rd Floor

Room 301: Double

Room 302: Double

Room 303: Double

Room 304: Double

Room 305: Double

Room 306: Double

Room 307: Unrefurbished

Room 350: Double

Room 351: Twin

Staff Bedroom: Double

The property has not yet been separated from the section of the hotel retained by the previous vendor. We understand that the applicant is considering purchasing this area in the future. However, if this does not take place the connections between the two buildings will need to be closed.

Basement Bar: There is a self-contained bar located in the basement with access onto the Esplanade. The bar has a solid concrete floor and currently requires redecoration as it is unused.

External Areas:

The only external area to the property is the fire escape located between the front portion and the rear portion of the property.

Accommodation

The property has been measured in accordance with the RICS guidance on property measurement. The RICS Professional Statement – RICS Property Measurement, 2nd Edition, January 2018 sets out the preferred basis of measurement as being to IPMS, however this has yet to be widely adopted by the market and does not yet form an industry-wide basis of measurement. The majority of agents continue to market/let property on the basis of its Net or Gross Internal Area, calculated in accordance with the former reference for measurement, The Code of Measuring Practice (6th Edition, May 2015). Consequently, it is notable that comparable transactions are generally analysed on a Gross or Net Internal floor area basis making it appropriate to employ the same in respect of the subject. Where appropriate, we have measured to IMPS, however where we have adopted GIA or NIA.

From floor plans provided and check measurements, we calculate that the Property provides the following approximate accommodation:

Hotel - Gross Internal Floor Area

Floor	Use	Sq. Feet	Sq. Metres
Lower Ground	Bar	2,468	229.28
Ground	Ancillary	6,861	637.40
First	Ancillary and Rooms	7,315	679.58
Second	Rooms	7,315	679.58
Third	Rooms	3,769	350.15
	Total:	27,729	2,576.09

State of Repair

External

Externally the property appeared to be in reasonable condition generally commensurate with its age and use.

Internal

Internally the property appeared to be good condition generally where it has been refurbished. There were a number of rooms still to be refurbished and the original dining room, commercial kitchen and basement bar were also in need of refurbishment.

Deleterious Materials

For the purposes of our valuation, we have assumed that there are no deleterious materials used in the construction of the subject property or any proposed development.

We have been advised that an Asbestos Survey Report has been carried out and that the property, including the Artex style ceiling finishes to some of the rooms, do not contain asbestos. We have not had sight of the report.

We have not inspected woodwork or other parts of the structure which are covered, unexposed or inaccessible and we are therefore unable to report that any such part of the property is free from defect.

Invasive Species

We did not identify any invasive plant species within the boundaries or within 3 metres of the subject property.

Remaining Economic Life

Assuming normal routine maintenance and repair, as well as reasonable and prudent management of the property, we consider the life expectancy is in the order of 25 years.

5. STATUTORY MATTERS

Contamination and Environmental Considerations

Contamination verifications	
At the time of inspection were any contaminated uses on the subject property?	No
At the time of inspection were any surrounding sites/ properties put to a use likely to cause contamination?	No
Is the age of the subject property likely to be where asbestos or other deleterious materials may be within the structure?	Yes
Is an environmental audit recommended?	No
Percentage of properties in the area above action level for radon gas.	LESS THAN 1.0%

The property is of an age where asbestos may have been used in its original construction or subsequent refurbishment. Please note our comments above regarding the presence of asbestos.

Flood Risk

Flood risk ratings	
Rivers or the Sea Rating	VERY LOW
Surface Water Rating	VERY LOW

Ground Conditions

We have made the assumption that ground conditions are suitable for the current buildings and structures or any re-development.

Since our normal enquiries and inspections did not suggest that there are likely to be archaeological remains present in or on the property, we have assumed that no abnormal constraints or costs would be imposed on any future development at the property by the need to investigate or preserve historic features.

Planning

Planning use class, conservation, listing & consents.

Current planning use class	C1
Is the subject property within a Conservation Area?	Yes
Is the subject property Grade 1 or 2 listed?	Yes
Are there any outstanding planning consents not actioned?	No
Any outstanding enforcement actions?	No

The property is Grade II listed and in a conservation area that covers most of Weymouth town centre.

Licencing

We have requested copies licensing and food hygiene certification, and this should be provided prior to lending.

Disabled Access

It is the owner's responsibility to take reasonable steps to comply with the requirements of The Equality Act.

We have noted the ground floor areas of the property would not be generally accessible for persons with disability and there is no provision for a disabled WC and accessible bedroom at the property.

Given the age and layout of the property, we consider at the present time the installation of a disabled WC or accessible would not be seen as a reasonable step and therefore the property complies with the Act at present.

However, we would comment that given that the property has undergone a significant refurbishment, we have assumed that these works have not triggered the necessity for the installation of a disabled WC and/or accessible bedroom.

Regulatory Reform (Fire Safety) Order 2005

We have not been provided with a copy of the Fire Risk Assessment for the property.

We would comment that we have not undertaken a fire safety audit or assessment of the subject property.

Your legal advisor should ensure that, where necessary, a suitable Fire Risk Assessment is in place as, otherwise, this may have an adverse effect on the advice and valuation contained within this report.

The Smoke and Carbon Monoxide Alarm (England) Regulations 2015

The borrower should have reference to these regulations and ensure that the subject property is fully compliant.

Energy Performance Certificate

The applicant should have regard to the regulations and ensure that the subject property is fully compliant. An EPC has a recommendation report that lists cost effective and other measures to improve the energy rating. A rating is also given showing what could be achieved if all the recommendations were implemented.

We have made enquiries of the EPC register and the property does not appear to have a certificate.

The property is grade II listed and as such is exempted from the need for works required to bring the rating of the property to between bands A to E inclusive.

Rating Assessments

Fairhaven Hotel – Hotel and Premises	£76,000
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Regulated Mortgages

Is 40% or more of the total land to be used in connection with a dwelling?	No
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6. LEGAL

Title Review

Tenure

We have not been provided with a Report on Title but understand that the main hotel is held freehold.

We have assumed that there are no encumbrances or unduly onerous or unusual easements, restrictions, outgoing or conditions, likely to have an adverse effect upon the value of the subject property, and we have assumed that a good and marketable title is held.

We would strongly recommend that the information regarding tenure is verified by your legal advisors and, furthermore, we would stress that the above assumptions regarding tenure should not be relied upon until they have been confirmed as being accurate by your legal advisors. We would be pleased to re consider our valuation upon provision of your solicitor's report on title.

Tenancies

The property is currently run by the freeholder/ applicant. The applicant is creating a new lease between the applicant's new property holding company and the applicant's trading business, Wild Oak Group Limited, for a term of 10 years, assumed to commence from the date of valuation on an FRI basis at a rental of £145,000 per annum.

Service Charge

As the property is run by the freeholder the responsibility and cost of maintenance and repairs will be their liability. We are not aware of any service charge.

Covenant Status

Financial Information

We have undertaken an Endole report on Wild Oak Group Limited. They have a current Credit Score of 59 Normal which is an increase from the previous score of 32 Caution. For the year ending December 2021 Wild Oak Group Limited had Total Assets of £2.93m and Total Liabilities of -£2.72m Shareholders funds were £206k.

7. MARKET COMMENTARY

Property Market Overview

Economic Comment

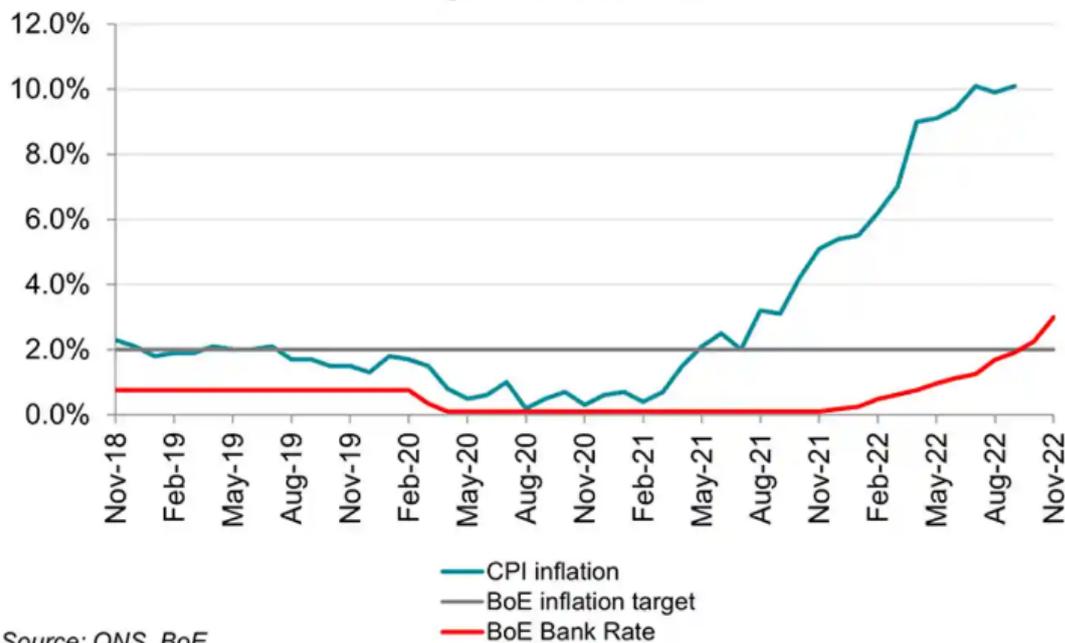
On the 3rd November 2022 the Bank of England's Monetary Policy Committee (MPC) increased the Base Rate by 0.75% to 3%.

This is the 8th consecutive rise since 2022 when interest rates were at 0.1%. The Bank of England has warned of the longest recession since the First World War but has stressed that the downturn is unlikely to be as deep as the downturn that followed the financial crisis of 2008. In spite of this the MPC have deemed the rate rise imperative to control the high inflation rate prevailing.

The rise in base rate will result in large increases in the amounts being paid by borrowers. The latest interest rate rise immediately impacts the circa 2.2 million borrowers holding variable rate mortgages. Of these 2.2 million approximately 50% hold tracker mortgages, whilst the other 50% hold standard variable rate mortgages. There will also be an impact for borrower who reach the end of fixed term loan periods when they seek to refinance.

To date there has been no notable impact on property values, although the market has slowed. However, the latest rise in base rate and anticipated further two rate rises in the coming months is predicted to have a negative effect on the residential market in parts of the country during 2023.

Annual rate of CPI inflation, Bank of England inflation target and Bank Rate



Source: ONS, BoE



Capital Markets

The first five months of 2022 saw a very strong post pandemic property market performance. However, the second quarter of 2022 saw a 6% decrease in transactions, when compared to quarter 1, nevertheless, this still being 15% above the quarterly average. However, June 2022 provided a stark contrast to May 2022, with only £2.2 billion worth of transactions, a decrease of £6.8 billion from the £9.0 billion in May 2022.

Whilst May's figures were significantly boosted by one single £3.3 billion portfolio transaction, the large contrast between May and June's transactional levels, does appear to provide evidence of caution in the market as economic uncertainty has become more deeply embedded. The number of transactions in June was 25% below the historic average for the month.

Residential Market

The cost of living crisis and mortgage rate rises are now resulting in price growth slowing and some evidence of falls in value in certain locations. However, the slow pace of deceleration in growth has defied the expectations of many forecasters, partly due to a shortage of stock availability and robust demand, a year after the end to the stamp duty holiday. Both the Nationwide and Halifax reported a slow in the rate of house price growth in August, at 10% compared to 11% in July and 11.5% compared to 11.8% in July respectively. However, this contrasts with the latest figures reported by Nationwide which show a further slow down of growth to 7.2% for October compared to 9.5% growth in September 2022.

Nationwide state that the average UK house price in October 2022 was £268,282 down from £272,259 in September 2022, which reflects a 0.9% price decrease. Reflecting seasonal variations this represents the first fall since 2021 and the largest since 2020.

The market has clearly been impacted by the uncertainty that followed the mini budget and increased interest rates and predictions are that the market will continue to be adversely affected by the recent rise in Base rate to 3%, resulting in higher interest rates, and consequential affordability.

Hospitality Market Commentary

The UK hospitality market is experiencing very challenging conditions.

The sector benefitted from strong levels of government support throughout the pandemic, however these measures have now largely been removed and the sector is coming to terms with operating without additional government support against a background of considerable economic and political uncertainty at a global level.

Background inflation is at its highest level more than 30 years. This is an international trend which governments around the world are seeking to control. Inflationary pressures have been created by pandemic induced supply chain difficulties, and war in Ukraine. This is exacerbated in the UK by Brexit.

Foodservice inflation in the UK in March 2022 was 13.6% (CGA Prestige Foodservice Index), this index measures the cost of raw ingredient costs to hospitality businesses. Expectations are that this figure will rise through 2022.

The sector is experiencing a profound labour shortage, both front and back of house. This is leading to severe wage inflation in the sector as well.

Utilities costs inflation is also having a profound effect on hospitality businesses, where the costs of cooking meals and heating rooms and customer space, and outside areas has risen significantly.

Further increases in costs are affecting businesses as a result of withdrawal of pandemic government support. VAT is now back at 20%; rates are payable again and many businesses have Bounce Back and other COVID induced loans to repay.

Increases in bank base rate means that the cost of servicing debts is rising.

The impact of ingredient cost and wage cost inflation is affecting food led businesses to a greater extent than wet led businesses. This is because ingredients and labour form a larger part of the overall cost of food led than wet businesses generally.

The only way in which operators can preserve profit levels and profit margins is through passing on these cost increases in menu and bar pricing.

Some businesses operate in markets where consumers are less sensitive to price and menu increases. However, others operate in sectors of the market where consumers are acutely price sensitive. The cost-of-living crisis for some sectors of the community means that disposable income for many households is much reduced and as such the available free cash for discretionary spending on meals away from the home, travel and other leisure activities is reduced.

Operators in such sectors will find it difficult to pass on their increased costs and profit margin erosion is expected.

There are a variety of other trends affecting the sector which provide opportunities and challenges.

Home delivery sales grew significantly during the pandemic whilst out of home leisure was closed or restricted. Although this effect has now reduced, long term trends towards the growth of home delivery remain. Some restaurant businesses where home delivery now forms a key part of the business, are masking poor in store sales with growing delivery sales in their overall aggregate reported revenues.

Changing working patterns have led to what looks as though it will become a long reduction in commuting to city centres. This is resulting in better trading prospects for pubs bars cafes and restaurants in residential areas. The return of international business and leisure travel will assist city centres in recovering to pre-pandemic visitor numbers. In these markets, price elasticity is weak and as such inflationary cost increases will be passed on to consumers which will support year on year revenue growth even with potentially reduced customer visits.

The introduction of the E Planning Class is giving rise to opportunities to convert existing A1 retail, A2, offices, and A3 restaurants into other uses including, medical and educational. There is considerable flexibility between uses in prime high street locations. The intention is to sustain and stimulate city centres where demand from conventional retailer for sales space for tangible goods is weak.

The sector is experiencing unprecedented instability, which will result in opportunities for some to capitalize on new opportunities. Some submarkets and some operators however will feel exposed to inflationary pressures and weakening customer demand which will be challenging.

Local Market Review

Dorset and Somerset, located in the South West of England, are two of the UK's top tourist destinations. The area is renowned for its lengthy coastline with sandy beaches and rocky coasts as well as its picturesque landscape, including hills and valleys. Comprising historical cities like Bath, it is largely leisure led and attracts transient trade on route to Wales as well as those combining the region with visits to Cornwall and Devon.

With approximately 20,000 rooms, the market is highly fragmented. Over half of room supply is Independent and characterised by bed and breakfast (B&B) property types, typically popular in seaside towns and smaller countryside locations. The Economy and Upper Midscale segments dominate the market with Premier Inn and Travelodge accounting for the bulk of rooms within the branded space, similar to the national trend.

While new room growth has been steady over the past five years with a compound annual growth rate of approximately 2%, limited new supply is anticipated as only 28 rooms are under construction. Most of the new supply in recent years has been focused on the limited-service sector. The opening of the Hampton by Hilton in Bath in February is a prime example, as the brand continues to expand across well-performing markets in the UK.

The market has continued to outperform its pre-pandemic performance to date, but in July, it saw a larger drop in RevPAR year on year as demand started to return to more normalised levels, impacting average rates being achieved. Performance metrics accelerated from the spring, supported by school half terms and holidays, such as Easter in April as well as the four-day bank holiday for the Queen's Jubilee in the first weekend of June, which saw the area achieve occupancies in excess of 90%, further highlighting the strength of the leisure sector and people's desire to travel around the UK.

Rural areas continue to be preferred over cities with submarkets such as Dorset Regional and Somerset Regional seeing the highest occupancies to date, with Dorset Regional seeing occupancy reach 92% in July, albeit a drop of 1.3 percentage points on the previous year, while rates have also softened across the submarket. Following last year's boom as many flocked to domestic coastal and rural destinations, this year has seen a softening in demand and pricing in these locations as international travel restrictions were dropped completely, enabling many to go abroad once again.

Looking beyond the summer months, demand tends to soften due to seasonality patterns experienced in such leisure-led locations. Forward-looking data shows demand remaining relatively robust in September as the weather tends to remain favourable and domestic leisure demand is likely to continue supporting room nights. The latter part of the year may be more challenging, however. With limited corporate business in the area, demand tends to drop off from October onwards, with few capitalising on the meetings and events segments during the shoulder season. The winter months are expected to be more challenged as occupied room nights decrease and inflationary pressures are set to squeeze bottom lines further, due to rising operational costs, namely energy, with some smaller businesses reporting that they may have to close operations to be able to make ends meet.

From a hotel investment front, the past 12 months have seen the greatest activity since 2017 with total volumes reaching in excess of £25 million. Given the nature of the asset types in the market, transactions tend to be below £10 million, appealing to national and local buyers mainly. Places like Bath, however, tend to attract a more diverse pool of buyers due to its heritage and upmarket positioning, leading to strong performance metrics, namely rates. Investor appetite for leisure destinations such as Bath is strong, particularly coming out of the pandemic, as such locations have outperformed. Its appeal is evident through Castleforge Partners acquisition of the 65-room Abbey Hotel Bath for an undisclosed sum in February. The property investment firm continues to expand its hospitality portfolio by acquiring value-add opportunities in key regional locations. There are plans for the hotel to expand and add another 15 rooms later this year.

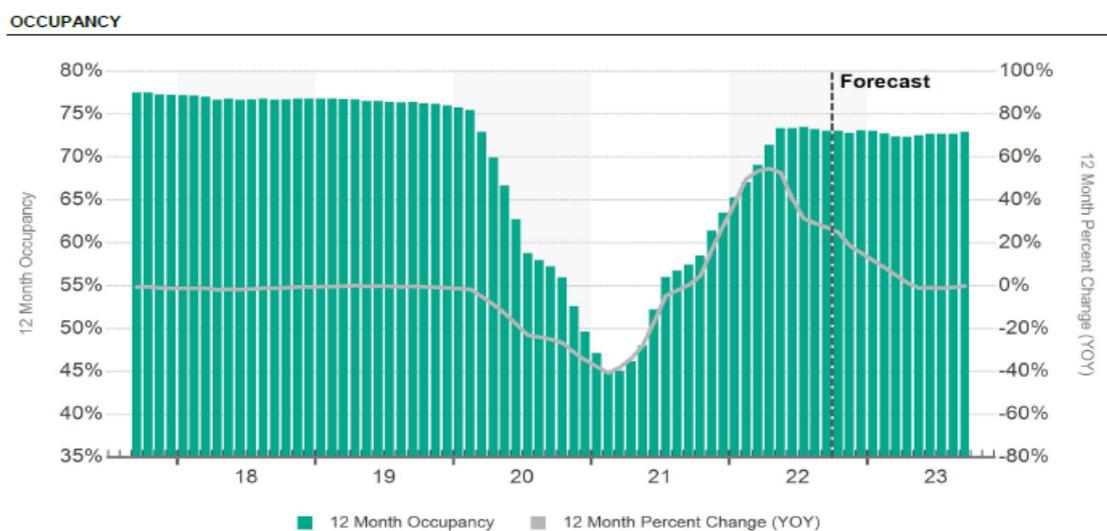
According to Costar these are the Key Indicators for the Hotel market in Dorset and Somerset.

KEY INDICATORS

Class	Rooms	12 Mo Occ	12 Mo ADR	12 Mo RevPAR	12 Mo Delivered	Under Construction
Luxury & Upper Upscale	1,644	64.1%	£202.23	£129.70	0	0
Upscale & Upper Midscale	7,445	70.1%	£97.18	£68.15	202	0
Midscale & Economy	10,828	77.5%	£67.44	£52.26	4	28
Total	19,917	73.0%	£94.87	£69.27	206	28

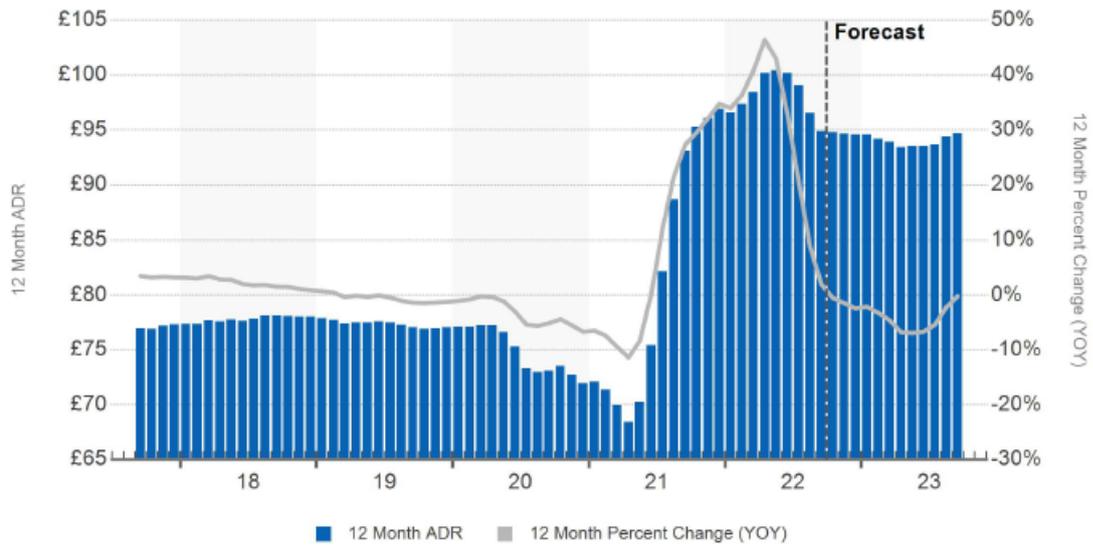
Average Trend	Current	3 Mo	YTD	12 Mo	Historical Average	Forecast Average
Occupancy	81.6%	83.9%	74.6%	73.0%	68.5%	74.2%
Occupancy Change	-2.3%	-1.2%	20.9%	27.1%	-1.2%	0.6%
ADR	£100.06	£108.02	£95.92	£94.87	£83.20	£98.50
ADR Change	-14.7%	-14.0%	-3.2%	1.9%	4.3%	1.2%
RevPAR	£81.68	£90.57	£71.51	£69.27	£57.02	£73.08
RevPAR Change	-16.7%	-15.1%	17.0%	29.6%	3.1%	1.8%

The graph below shows the occupancy rates for Hotels in Dorset and Somerset 2017.



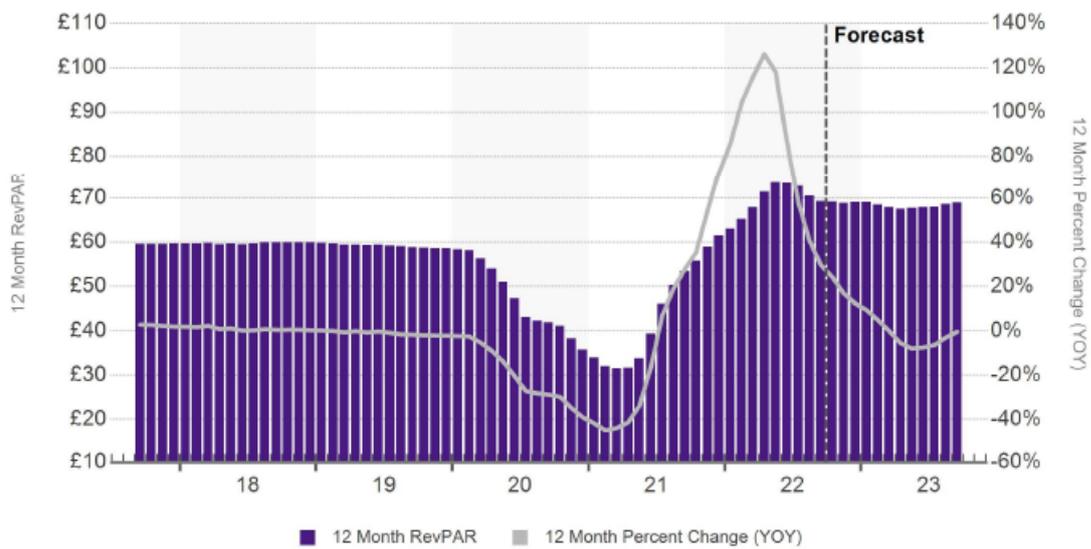
The table below shows the ADR performance for Dorset and Somerset since 2017.

ADR



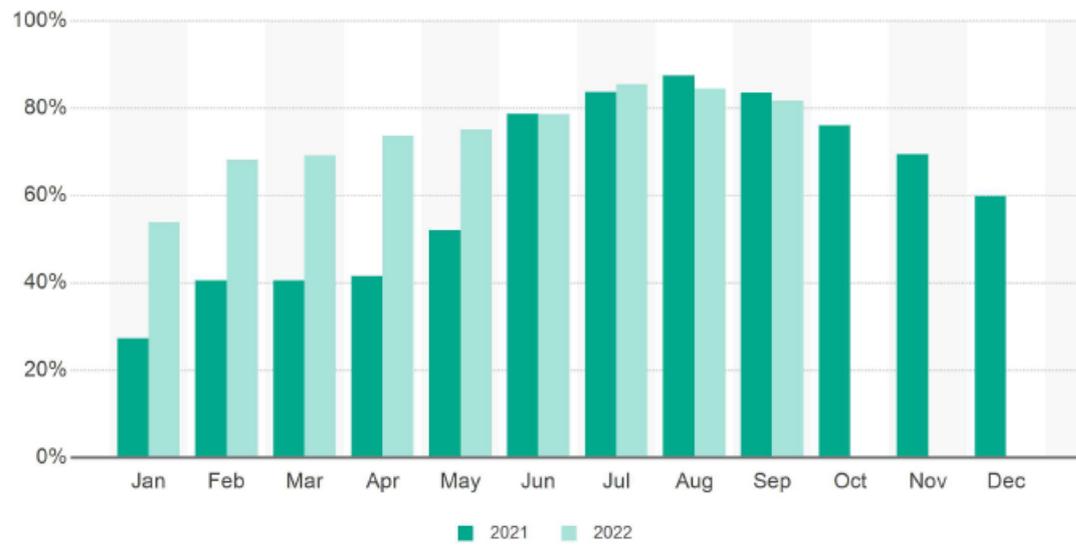
The table below shows the RevPAR performance in Dorset and Somerset since 2017.

RevPAR



This table shows the monthly occupancy performance in 2021 against 2022.

OCCUPANCY MONTHLY



8. VALUATION COMMENTARY

Competitive Market

In arriving at our opinion of rental value in respect of the property, we have had regard to a range of competitive properties located in close proximity of Weymouth to help derive room rates applicable

Rates quoted are bed and breakfast rates based on two adults sharing a double bedroom, exclusive of VAT.

The Royal Hotel, The Esplanade, Weymouth, DT4	£94/ night for a Double with a sea view
	Midweek Rate November 22
	Size: A similar sized property located on the seafront
	Situation: Located on the seafront close to the subject property
	Description: Breakfast at extra charge, free Wi-Fi

The Redcliff, Brunswick Terrace Weymouth DT4	£108/ night for a Double with a sea view
	Midweek Rate November 22
	Size: A similar sized property to the west on the seafront
	Situation: Located on the seafront.
	Description: Offers full English breakfast, free Wifi

The Ocean Guest House The Esplanade Weymouth	£127 night for a Double with a sea view and £81 night for a Single room
	Midweek Rate November 22
	Size: A similar sized property located on the seafront
	Situation: Located on the seafront .
	Description: Offers English breakfast, free Wifi

The Jubilee Hotel, The Esplanade , Weymouth, DT4	£110/ night for a Double with a sea view and £83/night for a small Double with no sea view
	Midweek Rate November 22
	Size: A similar sized property located on the seafront
	Situation: Located close to the subject on the seafront
	Description: Offers continental breakfast, free Wifi

The subject property's booking.com guest review scores as at November 2022 were

Categories: [Show details](#)



Market Rental Analysis and Commentary

It is very difficult to identify any directly comparable rental evidence for the subject property. We have therefore had to consider the trading potential of the asset. With no trading data provided to us in respect of the existing operation, we have to model trading information upon room rates and assumptions to determine a Market Rent.

Having made enquiries on booking.com, the rooms are all listed within the subject property in mid-week November at £63 per room per night for a Single room with a sea view and £105 per room per night for a Double room with a sea view. Higher rates are sought at weekends and at peak times.

In preparing our assessment of the fair maintainable level of trade that a reasonably efficient operator would expect, we have reviewed the key variables.

The guest house benefits from a good location near to local transport links and facilities, as well as competitive pricing. The majority of trade will be derived from seasonal tourists and short-term visitors. On this basis, we would expect a competent operator to be able to generate relatively consistent levels of income. In terms of occupancy, our assessment is made against our expectations for a guest house in this location and we have assessed the maintainable occupancy to be 55%.

When assessing ADR (Average Daily Rate) we have considered the rates recently achieved within the subject and that established from competing guest houses. On this basis, we have modelled room rates at an ADR of £80 to allow for the larger and single rooms and sea views for the currently refurbished rooms and £70 for the refurbished rooms. In light of this we believe that the subject guest house could achieve a fair maintainable trade of approximately £708,647 per annum (£43.14 revenue per available room/Revpar). We have excluded the staff bedroom at the third floor and 3 rooms that require completed refurbishment. We have allowed for no potential income from the staff bedroom, bar or dining room.

The costs associated with a hotel business are commonly divided into the following categories: fixed costs, departmental expenses, undistributed operating expenses and payroll expenses. Departmental and payroll expenses are generally modelled on a proportional basis to associated revenue. Undistributed and fixed costs are more static in their nature and/or tied to location or business specific variables. As we have not been provided with any trading accounts history, we are not able to assess the previous operating costs at the subject. We have made an assessment of the realistic cost base that would be associated with the subject, which in this case, would amount to circa 40% of the fair maintainable trade and incorporates management, cleaning and laundry, rates, utilities, insurance and FF&E.

Based on this we have assessed the EBITDAR/NOP(Net operating profit) at approximately £283,459 per annum. We have taken into consideration our assessment of EBITDAR/NOP as outlined above. We have adopted a rent cover of 50% to come to a Market Rent of £141,729 say £142,000 per annum (rounded) for the hotel. This rent reflects circa £3,155 per annum per room (excluding the staff bedroom and the 3 rooms not in use).

We consider the property could be let within a timeframe of 6 to 9 months, although generally properties of this type tend to be owner operated.

Market Rent

**£142,000 (One Hundred and Forty Two Thousand Pounds)
per annum**

The above is our opinion of the current **Market Rent** of the subject property, as at 7th November 2022

This is on the assumption of standard 10 year lease terms drawn on institutionally acceptable, full repairing and insuring terms, subject to a 5 yearly upward only rent review on the Hotel.

Transactional Comparables and Investment Considerations

Investment Comparables

Sales Comparables

In order to assess a suitable capitalisation rate, we have considered the below evidence. It is very difficult to identify recent sales of guesthouses that have sold as investments with lease contracts in place. This is mainly due to the majority of sales of properties of this nature selling with vacant possession and purchased with the view of redevelopment or alternative use positions.

We have broadened our search area for guest house/hotel sales and also considered those sold with vacant possession as a cross-check.

Seafront Guest House, Weymouth, Dorset DT6		£84,375 per room
	Date: Available	
	Sale Price: £675,000	
	Size: 8 rooms	
	Location: Located in Weymouth close to the beach.	
	Description: Small hotel close to the seafront.	
Analysis: Located in Weymouth . Smaller hotel not on the sea front.		

Washington House Hotel , 3 Durley Road Bournemouth, BH2		£77,692 per room
	Date: February 2022	
	Sale Price: £1,010,000	
	Size: 13 rooms. A small hotel with onsite parking	
	Location: Located in town	
	Description: Smaller 13 bed hotel	
Analysis: Located in Bournemouth, but not on the sea front. The hotel has good car parking.		

The Newbury Hotel, 83 St Michaels Road Bournemouth BH2		£89,126 per room
	Date: February 2022	
	Sale Price: £1,069,515	
	Size: 12 rooms	
	Location: Located in Bournemouth but not on the seafront	
	Description: Larger guest house with grounds and a function suite. Note not by the sea	
Analysis: Located in Bournemouth, but not on the sea front. The hotel is smaller but poorer than the subject.		

Travelodge , 43 Christchurch Road, Bournemouth BH1		£86,916 per room 6.15%
	Date: February 2022	
	Sale Price: £9,300,000	
	Size: 107 rooms	
	Location: Located in Bournemouth.	
	Description: Larger hotel let to Travelodge	
Analysis: Located in Bournemouth. Larger hotel let to Travelodge but not on the sea front.		

Travelodge , Bournemouth Seafront , West Hill Road, Bournemouth, BH2		£86,916 per room 6.15%
	Date: December 2021	
	Sale Price: £9,300,000	
	Size: 107 rooms	
	Location: Located in Bournemouth	
	Description: Larger hotel let to Travelodge	
Analysis: Located in Bournemouth. Larger hotel let to Travelodge but not on the sea front.		

5 West Cliff Gardens, Bournemouth, BH2		£61,765 per room
	Date: November 2021	
	Sale Price: £2,100,000	
	Size: 34 rooms	
	Location: Located in Bournemouth close to seafront	
	Description: Similar sized hotel	
Analysis: Located in Bournemouth close to the seafront.		

The Fernhill Hotel, Charmouth, Dorset DT6		£99,500 per room
	Date: Available	
	Sale Price: £995,000	
	Size: 10 rooms	
	Location: Located on the edge of Charmouth close to the A35 and circa 2 miles from the beach	
	Description: Small hotel with restaurant.	
Analysis: Located in Charmouth. Smaller hotel not on the sea front.		

Seafront Guest House, Weymouth, Dorset DT6		£84,375 per room
	Date: Available	
	Sale Price: £675,000	
	Size: 8 rooms	
	Location: Located in Weymouth close to the beach.	
	Description: Small hotel close to the seafront.	
Analysis: Located in Weymouth . Smaller hotel not on the sea front.		

Commentary

We have had regard to the above investment transactions in ascertaining our opinion of yields/ capital values to be adopted.

We have considered the location of the subject property, construction, occupier demand, and saleability.

We summarise our overview of the main characteristics and qualities of the property in forming our opinion of capital value /yield pertaining to the property. This is shown in the below property rating table scoring 0 to 5 / poor to excellent.

Characteristics	Rating 0-5
Location	3
Building specification	3
Occupier Demand	3
Saleability	3

Valuation Approach

Market Value

Considering the comparable evidence and wider commentary set out within this report, for valuation purposes we have adopted the market approach or direct comparable method of valuation which provides an indication of value by comparing the subject property with other similar properties for which price information is available. We have adjusted these comparables to reflect differences in age, size, condition, location and any other relevant factors.

Pricing for properties has become disproportionate to trading performance and potential with properties generally sold with vacant possession and pricing driven by underlying land and building values.

As such the market expresses pricing and comparable analysis on a value per room basis. In arriving at our valuation, we have consideration to the comparable information above.

In our view, we would anticipate an appropriate conversion from Total Sales to EBITDA for this type of property in its location at mature, stable trade to be in the region of 40% given that revenue stems solely from accommodation sales. This is a business with relatively low staff overheads. Major costs stem from OTA commissions, business rates, utilities and maintenance.

We set out below our assessment of the Market Value:

Adopted Total Sales	£708,647 per annum
Adopted EBITDA	40%
Adopted EBITDA	£283,459 per annum
Multiplier	8
Market Value	£2,267,672
Say	£2,250,000

This valuation reflects a capital value of circa £50,000 per operational room which is below the level of the comparables above, but reflects the type of room mix, size of hotel, condition and the property's location.

With regard to our valuation on the assumption the property is closed, the inventory has been removed, no accounts are available, we have considered a multiple of EBITA to reflect the build-up time from recommencing trade to achieve the FMT and operational start up and fit out costs of the bedrooms and ancillary accommodation.

For the purposed of our assessment, we have deducted around 1 times our EBITDA to reflect the build-up time from recommencing trade to achieve the FMT and operational start up and fit out costs of £5,000 per key, plus an ancillary fit out of £100,000.

We set out below our assessment of the Market Value:

Adopted Total Sales	£708,647 per annum
Adopted EBITDA	40%
Adopted EBITDA	£283,459 per annum

Multiplier	8
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Market Value say	£2,250,000
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Less Fit out cost per Key of £5,000	-£225,000
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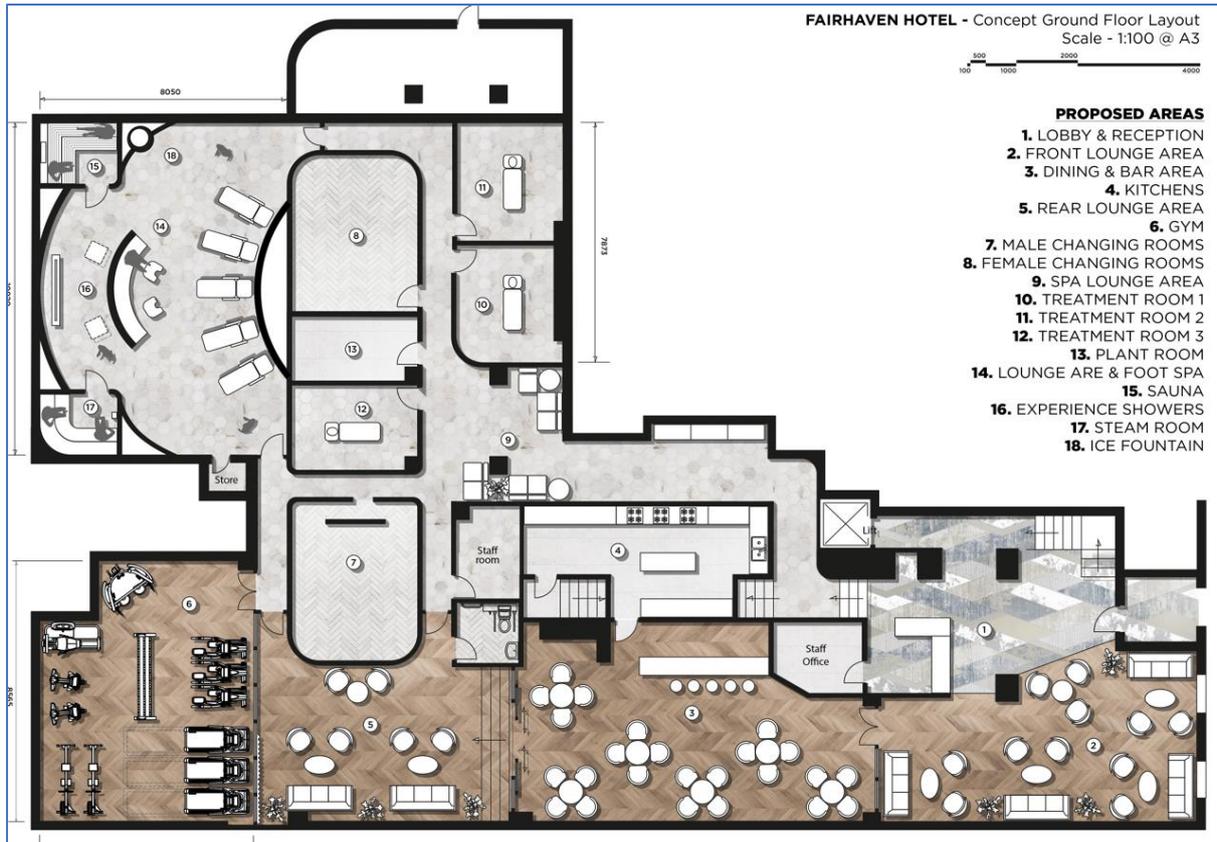
Less ancillary fit out	-£100,000
Less approx. 100% of EBITA for Build up say	-£280,000

Market Value Hotel Say	£1,645,000
-----------------------------------	-------------------

This valuation reflects a capital value of circa £38,100 per room, which is below comparable sales shown above, but reflects the type of room mix, size of hotel, condition and the property's location.

On the basis the hotel is let as indicated above we have applied a yield of 6% to the proposed Market Rental Value of £145,000 which reflects a similar value of £2,250,000 for the Hotel as an investment.

We are aware of the applicant's proposals for the ground floor of the hotel, including the original dining room and kitchen which are within the demise, but currently unused. The provision of a more substantial dining area that being used at present will be a positive addition. The addition of a spa facility will increase the attractiveness of the hotel throughout the year, including 'off season,' and will have an enhancing affect on valuation in the future. The plan below shows the current proposals:



Purchase Price Information

We have been unable to find any information on the sale of the property and would strongly recommend this is confirmed to us.

Demand and Sales Periods

We consider the property would require a sales period of 6 to 9 months in order to achieve a sale and that the most appropriate means of sale would be by way of private treaty. The property would require full marketing and a disposal by auction or over a short time frame would not be preferable.

Loan Security Commentary

Analysis of Positive and Negative Factors

+ Positive Factors	- Negative Factors
Good location close to retail facilities, beach and town centre	Economic uncertainty
Sea views	Cost of living crisis
Alternative use as residential	Outgoing costs likely to rise with increasing energy costs
Strong leisure demand generated by its location in Weymouth	Potential for rental and capital value volatility
Lower running costs due to limited services offered by the nature of the hotel	Lack of guest services (such as restaurant, leisure, etc) may deter some potential guests
The hotel offers scope for improvement with the appropriate capital expenditure on the un refurbished rooms and ancillary accommodation	The local area is considered a secondary hotel location and is characterised by independent operators rather than large international chains.

Suitability for Loan Security Purposes

Based on the information provided and subject to the comments contained within this report, we consider the property forms suitable security for a mortgage advance at an appropriate loan to value ratio. In accordance with normal commercial practice, however, we would anticipate any advance being for only a proportion of our opinion of Market Value. The lender should be cautious in their lending decisions with the current economic uncertainty, rising interest rates and the potential for falls in values. The applicant's ability to service any loan should be considered.

Lender's Action Points

The lender should confirm the title and tenancy. The Title plan should be confirmed to us prior to lending so we can pass comment.

Ensure all copy licences/registrations are presented where necessary.

Obtain Fire Risk Assessment Report

9. VALUATION

Market Value on the basis of a lease over the Hotel

Having regard to the foregoing, we are of the opinion that the Market Value of the freehold interest in the subject property, subject to the proposed lease as at 7th November 2022, is:

£2,250,000 (Two Million, Two Hundred and Fifty Thousand Pounds)

Market Value on the basis of a lease over the Hotel assuming a completion of sale with 90 days of marketing

Having regard to the foregoing, we are of the opinion that the Market Value of the freehold interest in the subject property, subject to the proposed lease and on the special assumption of a completion of sale with 90 days of full commencement of marketing as at 7th November 2022, is:

£1,680,000 (One Million, Six Hundred and Eighty Thousand Pounds)

A deduction of circa 25% has been made on this basis

Market Value as a fully equipped operational entity having regard to trading potential

Having regard to the foregoing, we are of the opinion that the Market Value of the freehold interest in the subject property, as a fully equipped operational entity having regard to trading potential with vacant possession as at 7th November 2022, is:

£2,250,000 (Two Million, Two Hundred and Fifty Thousand Pounds)

Market Value as a fully equipped operational entity having regard to trading potential assuming a completion of sale with 90 days of marketing

Having regard to the foregoing, we are of the opinion that the Market Value of the freehold interest in the subject property, as a fully equipped operational entity having regard to trading potential, and on the special assumption of a completion of sale with 90 days of full commencement of marketing as at 7th November 2022, is:

£1,680,000 (One Million, Six Hundred and Eighty Thousand Pounds)

A deduction of circa 25% has been made on this basis

Market Value as a fully equipped operational entity having regard to trading potential subject to the following special assumptions:

- Accounts or records of trade would not be available to a prospective purchaser;
- The business is closed, and the registration/licences removed;
- Trading inventory has been removed.

We are of the opinion that the Market Value of the freehold interest in the subject property on as a fully equipped operational entity having regard to trading potential subject to the following Special Assumptions: subject to following special assumptions

- Accounts or records of trade would not be available to a prospective purchaser
- The business is closed, and the registration/licences removed
- Trading inventory has been removed

as at 7th November 2022, is

£1,645,000 (One Million, Six Hundred and Forty Five Thousand Pounds)

Estimate of Reinstatement Cost

We estimate the reinstatement cost on an informal basis of the premises in the sum of:

£3,375,000 (Three Million, Three Hundred and Seventy Five Thousand Pounds)

This estimation of reinstatement cost is calculated upon the assumption of a building of identical size being reconstructed, having regard to current average build cost indices published by the RICS BCIS with an appropriate allowance for professional fees and demolition. This is provided as a guide only, for comparison with insurance cover in place and should not be relied upon for effecting cover. If a formal valuation for fire insurance purposes is required, a Building Consultant should be instructed.

We would recommend a specialist building surveyor provide a formal reinstatement figure due to the character of the property.

Confidentiality and Publication

Finally, and in accordance with our normal practice we confirm that the Report is confidential to the party to whom it is addressed for the specific purpose to which it refers. No responsibility whatsoever is accepted to any third party and neither the whole of the Report, nor any part, nor references thereto, may be published in any document, statement or circular, nor in any communication with third parties without our prior written approval of the form and context in which it will appear.



35 Providence Place
Brighton
East Sussex
BN1 4GE

Second Floor Studio
28 Poland Steet
London
W1F 8QP



www.eightfold.agency
professional@eightfold.agency
020 8224 0793

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Appendices

Appendix A – Instructions

Appendix B - Terms and Conditions



Terms of engagement – general terms, conditions, assumptions & definitions

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.

Reports and Valuations

Where applicable our valuations are defined in accordance with RICS Red Book Global Standards, published by the Royal Institution of Chartered Surveyors (“RICS”), the Insurance Companies (Valuation of Assets) Regulations 1981, the Financial Conduct Authority (FCA) “Listing Rules” (“Source Book”) and “City Code on Takeovers and Mergers” (“Blue Book”) as amended and revised from time to time. Any departure from the Red Book will be recorded in our initial letter and confirmed in our report.

The valuers to be responsible for the work are external valuers as defined by the RICS Red Book Global Standards.

1. Disclosure

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.

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.

2. Liability

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

No claim arising out of or in connection with this agreement may be brought against any member, employee, partner or consultant of Eightfold Professional. 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 Eightfold Professional. Any Eightfold Professional eightfold 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 Eightfold Professional at any time without the need for any Eightfold Professional person to consent.

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

Subject to the provisions in this clause, 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.

3. The Inspection and Subsequent Enquiries

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.

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, i.e. 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.

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.

4. Condition, Repair and Pollution Hazards

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:

That except for any defects specifically noted in our report, the property is in good condition.

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 shuttering

That no hazardous materials are present on site.

That all relevant statutory requirements relating to use or construction have been complied with.

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.



That the property is not adversely affected by any form of pollution, current or historic, either on or off site.
That there are no archaeological remains on or under the land which could adversely impact on value.
That there is no abnormal risk of flooding.
That any building services are fully functioning to include any which incorporate essential electronic devices and the software which operates such devices.
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.

5. Statutory Matters

Equality Act 2010

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 non disabled customers. The legislation was operative from 1 October 2010 as amended. This legislation also extends to employees of Companies. It should be noted that our inspection of the premises does not constitute an accessibility audit for Equality Act purposes.

The Regulatory Reform (Fire Safety) Order 2005

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. Our inspection of the property does not constitute a Fire Risk Assessment.

Control of Asbestos Regulations 2012

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.
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.

Invasive Plant Species

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. 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.

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.

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

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 50m² (538sqft).

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

6. Tenure and Tenancies

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. We would welcome the opportunity to consider your solicitor's report on title and to advise whether or not this affects our valuation.

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.

7. Planning, Highway and Other Enquiries

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.

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

8. Floor, Site Areas and Plans

All measurements will be in accordance with RICS Property Measurement 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.



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

9. Tenant Status

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.

10. Plant and Machinery

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.

11. Capital Allowances

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.

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.

We have not made any investigations into the Capital Allowance position of the property in the preparation of our valuation.

12. Development Properties

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.

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.

13 Valuation Date and Currency

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.

14. Costs of Realisation

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.

15. Bases of Value

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:

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.'

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.'

Investment Value (or Worth)

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

Fair Value

'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)



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.

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.

16. Fully equipped operational entities valued having regard to trading potential

Fixtures and fittings

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.

Goodwill

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.

Stock etc

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

Valuation Apportionments

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.

17. Valuation Assumptions

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.

18. Insurance Reinstatement Estimates

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).

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.

19. Complaints

As a regulated member firm of RICS and in accordance with our own quality procedures, we have a complaints procedure, details of which can be supplied on request.

20. Monitoring

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. If subject to monitoring we may be required to disclose our file and valuation to officers of the RICS.

21. Money Laundering

Sanderson Weatherall will undertake identity checks in compliance with the Money Laundering Regulations 2007. We will retain the results in both hard copy and electronic formats for a minimum of 5 years from completion of the instruction.