

#LSHKNOWS VALUATION

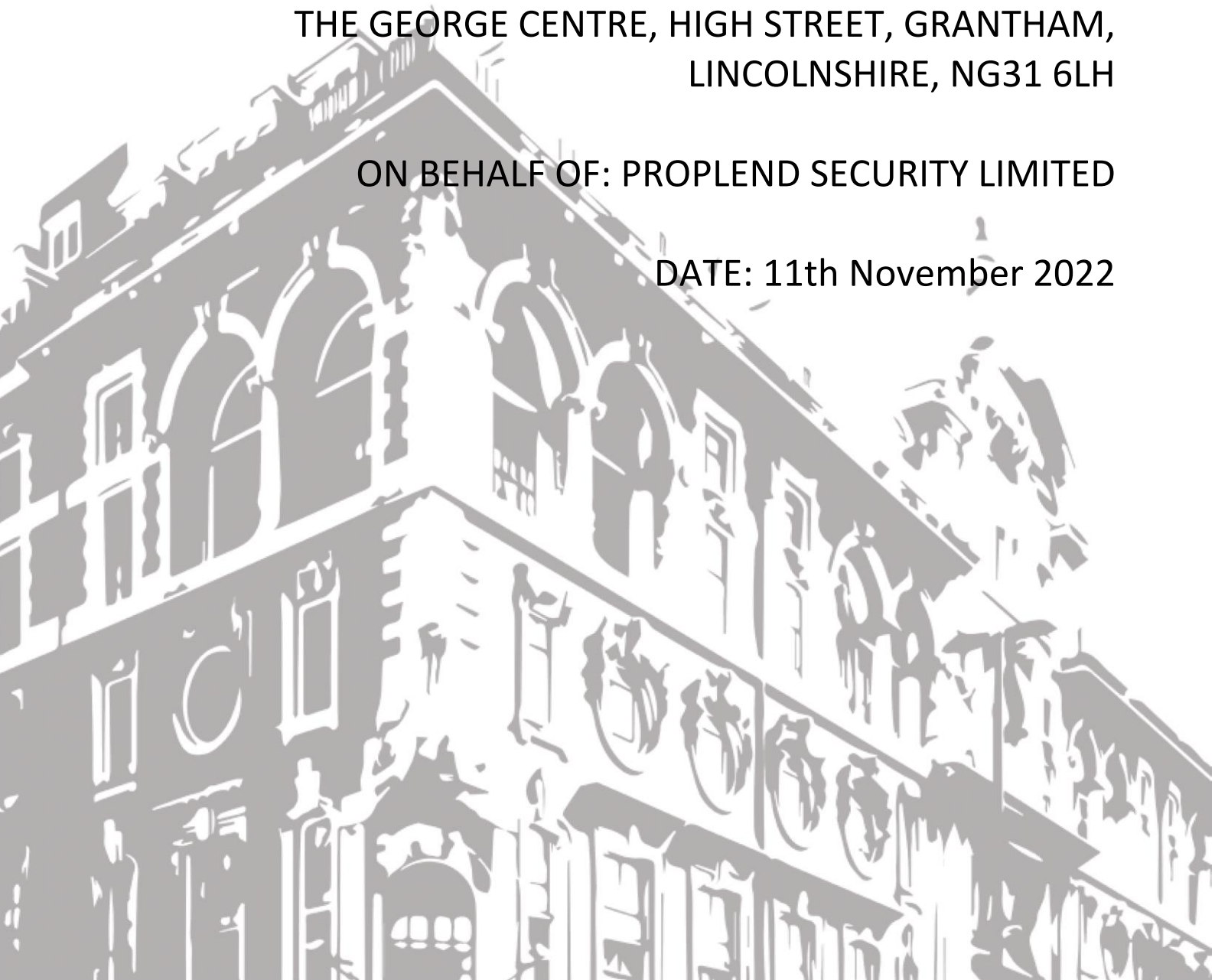
VALUATION REPORT

ON

THE GEORGE CENTRE, HIGH STREET, GRANTHAM,
LINCOLNSHIRE, NG31 6LH

ON BEHALF OF: PROPLEND SECURITY LIMITED

DATE: 11th November 2022



#LSHKNOWS
VALUATION



CONTENTS

1. EXECUTIVE SUMMARY	1
2. TERMS OF INSTRUCTION	3
3. LOCATION	6
4. DESCRIPTION AND CONSTRUCTION	11
5. CONTAMINATION AND ENVIRONMENTAL MATTERS	17
6. TENURE AND TENANCIES	18
7. STATUTORY ENQUIRIES	23
8. MARKET CONDITIONS	26
9. VALUATION COMMENTARY	36
10. VALUATIONS AND VALUATION METHODOLOGY	38
11. ASSUMPTIONS, LIMITATIONS AND REGULATORY INFORMATION	42

APPENDICES

APPENDIX 1: ECONOMIC AND MACRO PROPERTY MARKET COMMENTARY

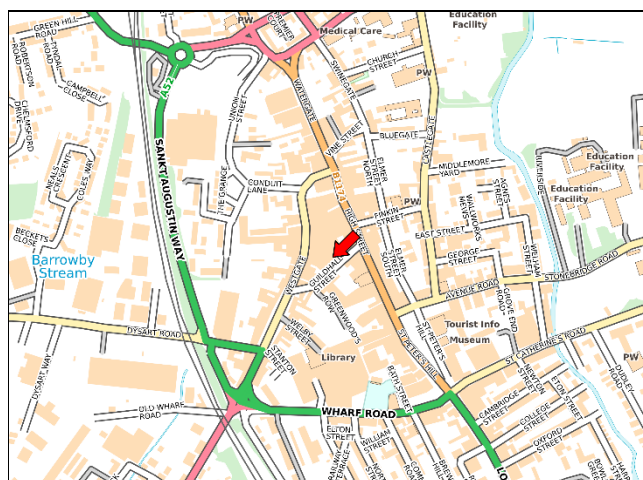
APPENDIX 2: VALUATION PRINTOUT

APPENDIX 3: LETTER/EMAIL OF INSTRUCTION, LETTER OF ACKNOWLEDGEMENT AND LSH TERMS OF ENGAGEMENT

1. EXECUTIVE SUMMARY



Southern Front Elevation



Street Map

Property Address	The George Centre, High Street, Grantham, Lincolnshire, NG31 6LH	
Location	The property is situated on Grantham High Street with additional frontages on Guildhall Street and Westgate.	
Description	Type:	Shopping centre
	Floor Area:	5,389 sq m (58,017 sq ft) NIA
	Condition:	Average
Tenure	Freehold	
Rental Profile	Passing Rent:	£194,925 per annum gross
Valuations and Yield Profile	Valuation Date:	10 th November 2022 based on an inspection date of 12 th October 2022
	Market Value (MV)	£1,255,000
	Net initial yield:	14.70%
	Reversionary yield:	17.99%
	Equivalent yield:	14.94%
Special Assumption Valuations	MV SA VP:	£925,000
	MV SA 90 days marketing:	£900,000
Asset Management	Going forward it is essential that the vacancy rate does not increase at the centre, as this will impact the Landlords net operating income. This management will require significant attention and alternative use opportunities for the centre must be explored to make the centre a more viable asset in the future.	

Valuation Issues	<ul style="list-style-type: none">• At present the holding costs are significant approaching nearly £80,000 per annum which reduces the Landlords net operating income to £117,000 per annum. Should vacancy rates increase there could be a scenario where the centre produces minimal to no income and even where the Landlord begins to see a deficit due to the lack of occupiers.• Grantham itself currently has two shopping centres in the town, the subject and the Sir Isaac Newton centre, the demographics of the town and town centre retail conditions make it difficult for two centres to viably operate.• Vacancy levels at present for the centre are high with less than 60% of the retail space currently occupied and only a small portion of the office space occupied.
Suitable as Mortgage Security	Yes - Subject to the specific assumptions, comments and recommendations detailed within this Report.

11th November 2022

T +44 (0)115 950 1414
www.lsh.co.uk

The Directors
Proplend Security Limited
20-22 Wenlock Road
London
N1 7GU

Lambert Smith Hampton
First Floor
East West Building
2 Tollhouse Hill
Nottingham
NG1 5FS

For the attention of: Stewart Bruce

Our Ref: 0173317-NO-0000/JS

Dear Sirs

CLIENT	PROPLEND SECURITY LIMITED
APPLICANT	CRYSTAL INVESTMENT GROUP LIMITED
THE PROPERTY	THE GEORGE CENTRE, HIGH STREET, GRANTHAM, LINCOLNSHIRE, NG31 6LH
REFERENCE	SB/CRYSTAL INVESTMENT GROUP LIMITED

2. TERMS OF INSTRUCTION

Appointment

We refer to your instruction email dated 28th September 2022, acknowledged on 6th October 2022 (copies at Appendix 3), to provide you with a Valuation Report in respect of the Freehold Interest in the above Investment Property, for Loan Security purposes. We have inspected the Property, made relevant enquiries and now have pleasure in reporting to you.

The basis upon which we usually prepare our Valuations and Reports is set out in the Terms of Engagement (copy at Appendix 3). Unless and except where here specifically stated otherwise, this Report has been prepared in accordance with these Terms of Engagement.

RICS Compliance

We confirm that this report and valuation has been prepared in accordance with the Royal Institution of Chartered Surveyors' Valuation Global Standards (also known as Red Book Global Standards the "Red Book").

Lambert Smith Hampton acts in the capacity of External Valuer in connection with this instruction.

We confirm that the Valuation Division of Lambert Smith Hampton has a Quality Management System which complies with BS EN ISO 9001:2015.

Lambert Smith Hampton holds appropriate professional indemnity insurance for this valuation instruction.

Valuation Date	10 th November 2022 based on an inspection date of 12 th October 2022
----------------	---

Basis of Valuation	Market Value (MV) and Market Rent (MR) (definitions at Section 11).
--------------------	---

A Special Assumption valuation is one that either assumes facts that differ from the actual facts existing at the Valuation Date, or that would not be made by a typical market participant in a transaction on the Valuation Date.

You have requested valuations based on the following special assumptions:

Special Assumption
Valuations

You have also requested an additional valuation on the basis of the Market Value with the following Special Assumption/s:

- Market Value subject has the benefit of full vacant possession.
- 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

VAT

Our Valuation is exclusive of any VAT payable

Purchaser's Costs

Our Valuation, unless otherwise stated, is produced net of Purchaser's costs at the appropriate rate, plus VAT.

Valuer

This Report and Valuation has been prepared by James Straw BA (Hons) MSc MRICS Associate Director and member of the RICS Valuer Registration Scheme.

This Report and Valuation has been checked by Roger Smalley, MRICS, LSH Director and a member of the RICS Valuer Registration Scheme.

Each has acted with independence, integrity and objectivity, and has sufficient current local and national knowledge of the particular market as well as appropriate skills, qualifications, experience and understanding for the purposes of this instruction.

Inspection

The Property was inspected on 12th October 2022 by The Valuer.

Free of Conflict of
Interest

We have confirmed to you that over the last two years we have not been involved with the Property, the Applicant, a prospective Borrower or with any party connected with a transaction or which lending is required.

We therefore consider ourselves to be free of any conflict of interest in providing this advice for you.

Reliance upon
Information provided
by applicant or other
third parties

We have previously agreed that we shall rely upon the following information for the purpose of reporting to you:

Provided by the Borrower:

- Tenancy schedule provided by you
- Floor areas from tenancy schedule provided by you.
- We understand that all leases are formed on the same basis, you have agreed for us to rely upon the tenancy schedule and check 6 sample leases

We have assumed that all material information has been fully disclosed to us and our Valuations have been prepared on the basis that there is no further information available.

We draw your attention to the Assumptions, Limitations and Regulatory information set out within this Report to which our advice is subject and our Terms of Engagement agreed between us.

Limitation and Liability

This Valuation Report is provided for the stated purpose and for the sole use of the named Client. It is confidential to the Client and his professional advisors and the Valuer accepts no responsibility whatsoever to any other person.

Neither the whole, nor any part of this Valuation Report, nor any reference hereto may be included in any published document, circular or statement, or published in any way, without the Valuer's written approval of the form and context in which it may appear.

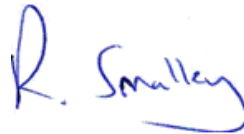
Such publication of, or reference to, this Valuation Report may not be made unless it contains a sufficient contemporaneous reference to the Special Assumptions set out herein or Departures from the 'Red Book'.

Valuer:



James Straw BA (Hons) MSc MRICS
RICS Registered Valuer
Senior Surveyor
For and on behalf of
LAMBERT SMITH HAMPTON

Checked by:



Roger Smalley BSc (Hons) MRICS
RICS Registered Valuer
Director
For and on behalf of
LAMBERT SMITH HAMPTON

3. LOCATION

Macro Location

Grantham is located around 26 miles south of Lincoln and 24 miles east of Nottingham. It is the largest settlement within the District of South Kesteven, and the second largest settlement in Lincolnshire. The town benefits from excellent transport links being situated on the A52 which provides direct access to Nottingham and the M1 motorway. Approximately 1 mile to the west of the town is the A1 a major north-south dual-carriageway which links Edinburgh to the north and London to the south.

The town has historically been of strategic importance due to its location on the River Witham, along with the Great North Road and with the East coast Main Line running through it. It has good strategic connections to London, Peterborough, Newark, Lincoln and Nottingham.

Grantham railway station provides regular high speed services across England and Scotland along the East Coast mainline with a fastest journey time to Kings Cross London of 1 hour. East Midlands Airport is located approximately 36 miles (58 km) to the west and provides flights across the UK and Europe.

The town's economy has traditionally been reliant on industries like manufacturing, engineering, construction and wholesale retail trade. However, the distribution and visitor/tourism service sectors have taken an increased role in employment provision over recent years with much of the town's employment now focused within the service sector.

Over recent years Grantham has benefitted from significant investment spearheaded by the government backed £23 million new A1 junction project which will enable plans for a new 193 hectare Spitalgate Heath Garden Village urban extension to move forward. This is set to consist of up to 3,700 homes and bringing with it new jobs and facilities.

There has also been the approval of a new £125 million out of town designer outlet village off Old Great North Road in Great Gonerby with expected visitors estimated to be 3 million when fully operational – it is projected that approximately 10% of these will also visit the town centre.

Micro Location

More specifically the property occupies a prominent position on the west side of High Street (B1174) with additional frontages on Guildhall Street and Westgate. The High Street forms the main retail street within Grantham accommodating occupiers such as B&M, Boots, Lloyds Bank and Savers.

The subject property benefits from good transport connections and road links, with the B1174 running through High Street connecting the A1 a 2 mile drive away giving strong links north and south and A52 also a 2 mile drive away leading east towards Nottingham.

Grantham railway station is located close by only a 10-minute walk to the south. A pay and display car park is accessible north west off Westgate which is within close proximity to the subject.

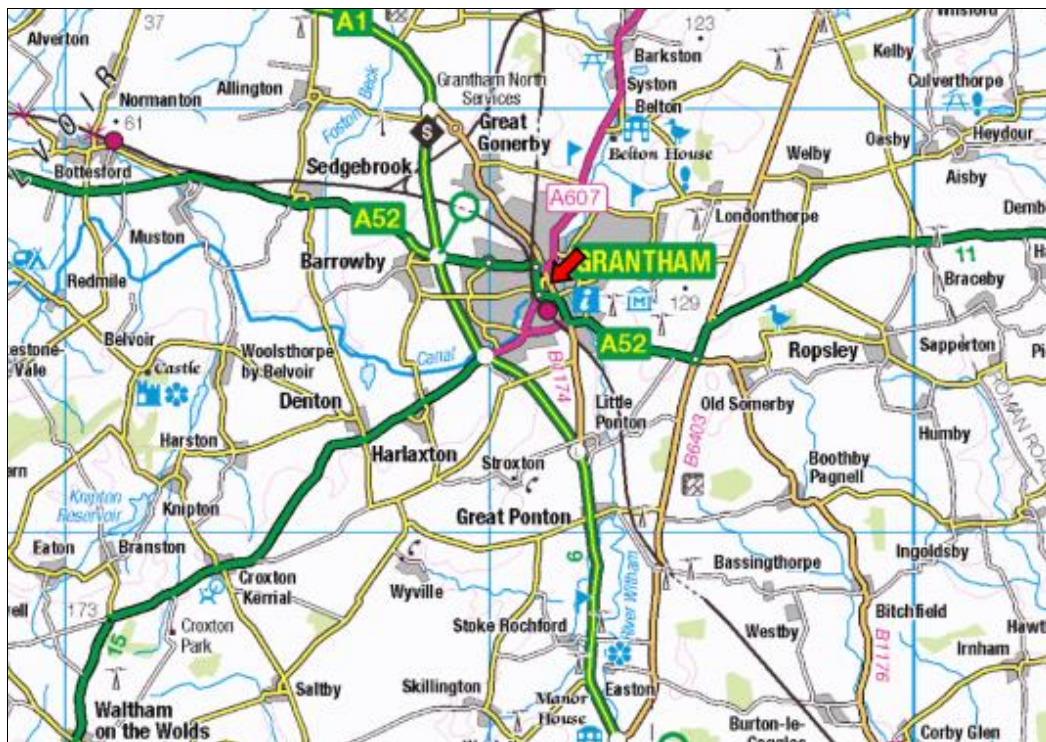
As previously mentioned there are a number of national occupiers situated on High Street, which is the main retailing section in Grantham also along High Street is the second shopping centre in the town, the Sir Isaac Newton Centre that is anchored by Morrisons. The other streets which the subject fronts are predominantly occupied by more local style tenants, for example Westgate has a number of local occupiers with a range of uses such as cafes, barbers, restaurants and jewellers, whilst Guildhall is a less prominent retailing street it still provides a number of local occupiers such as barbers and cafes.



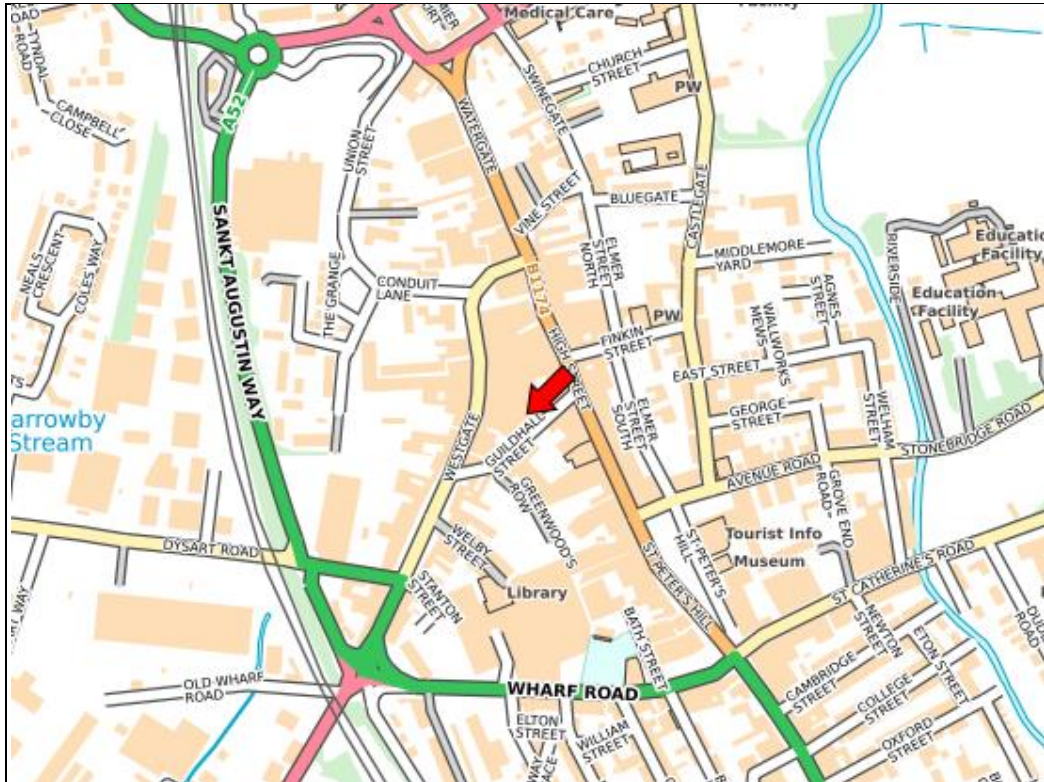
Street Scene from Westgate (Left)



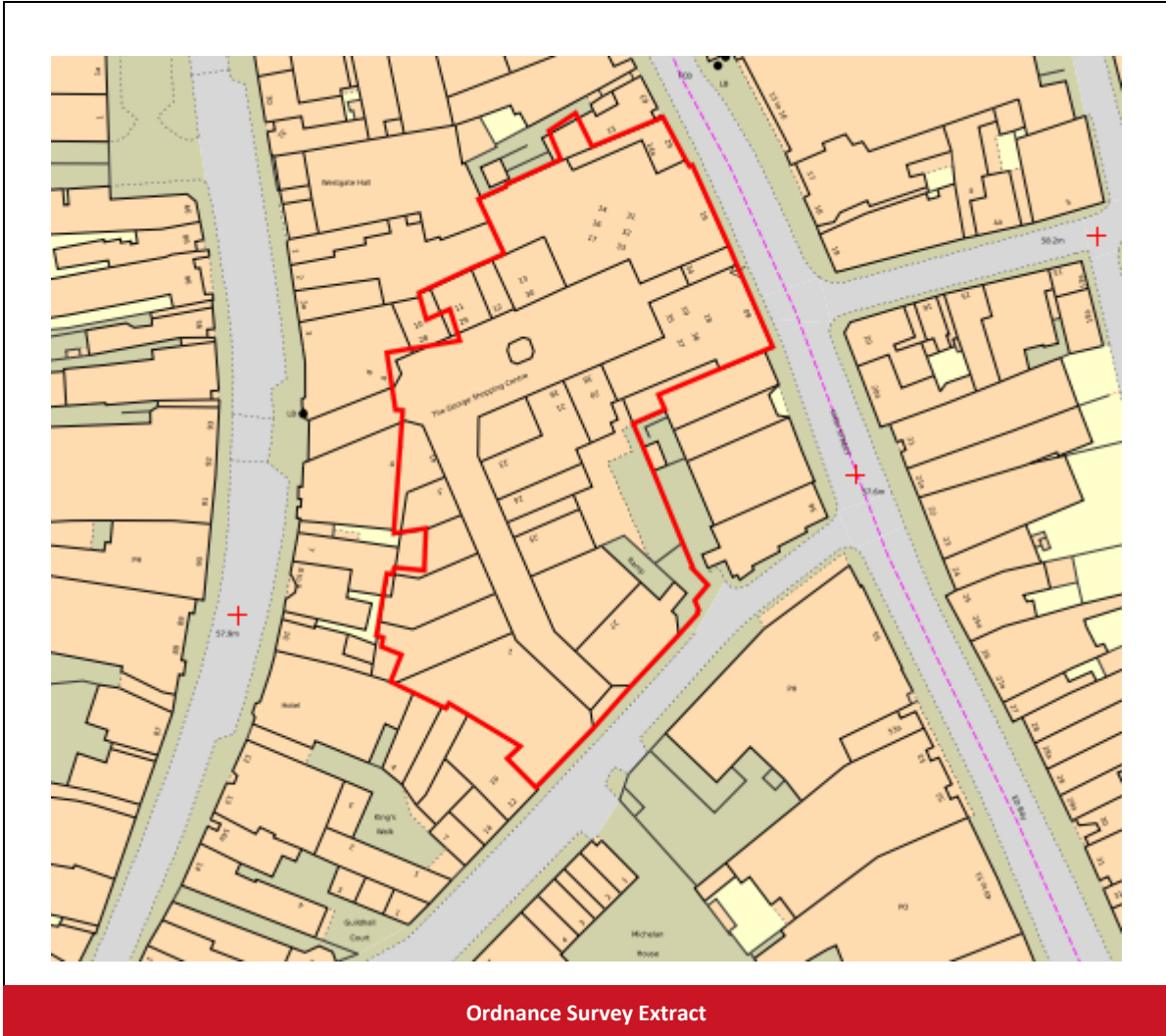
Street Scene from Westgate (Right)



City Plan



Street Plan



The boundaries of the Property, as we understand them to be, are outlined in red on the copy extract from the Ordnance Survey Plan shown above.

Approximate dimensions and area, as scaled from the Ordnance Survey Plan

Site Area:	0.44 hectares	1.08 acres
------------	---------------	------------

The site is of irregular shape but relatively level. The property has multiple points of pedestrian access from High Street, Westgate and Guildhall Street. It also has vehicular access from Guildhall Street leading to a ground floor loading bay section and a upper floor car parking area.

4. DESCRIPTION AND CONSTRUCTION

Description

The George Shopping Centre is a commercial arcade sitting inside the Grantham Commercial City Centre Character Area at the centre of the Conservation Area.

Part of the property, referred as the former George Hotel, is a Grade II* listed building. The George Hotel was originally built in the 1700s, but closed in 1989, and in the 1990s the building was remodelled and extended as the shopping centre which stands today.

The site has three main entrances, through the former George Hotel on High Street as well as through Westgate and Guildhall Street. A large internal courtyard is present within the building with the former stables space being covered by a glazed roof that was remodelled when the building was converted into a shopping arcade in the 1990s.

The ground floor provides 27 retail units with a further 13 retail units and office accommodation to the first floor as well as additional office suites to the second floor. The shopping centre further benefits from on-site parking for approximately 41 cars.

Age and Construction

The former George Hotel section of the property is of Georgian Architecture and extends over three storeys with red brick parapet elevations under a pitched slate tiled roof. This element of the property incorporates many character features reflecting the architecture of its time including parapet walls, stone plinth and bands at 1st floor and below 1st floor windows. The older and subsequent additions to the centre are also in keeping with the surrounding Georgian Architecture, but mainly comprise red brick elevations with stone detailing and slate tile roofs extending over two storeys.



Original George Hotel Elevation from High Street



Elevation from Guildhall Street

Internally, as described above the centre is covered by a glazed roof to the main section with a traditional tiled style walkway leading through the middle of the shopping centre. To the ground floor retail units are situated either side each with traditional retail frontages, there is a separate stairway and escalator leading to the first floor where there are additional retail units, again with traditional retail frontages, as well as the access to the office areas, which are situated in the old George Hotel.

Each retail unit we understand is let on a shell basis with the tenant responsible for internal fitout as well as heating/cooling services. Each office unit is also set out in a shell basis with carpet flooring, painted plaster walls and ceilings, strip fluorescent lighting, perimeter trunking and sliding sash single glazed windows.

Additionally, there is an external car parking section providing 41 car parking spaces to the first floor, there is vehicular access from Guildhall Street, that also gives access to the ground floor loading area for the centre.



Internal



Internal



Internal



Internal

External Areas

The only external areas associated with the property is the external car parking section providing 41 car parking spaces to the first floor, there is vehicular access from Guildhall Street, that also gives access to the ground floor loading area for the centre.

Services

We understand that all mains' services are available to the property although we have not made enquiries with the respective service providers.

Accommodation

We have considered the property with reference to 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. Most agents still market property to let or sell 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). Comparable transactions are also generally analysed on this basis. Hence for the purpose of valuing the Property, we have adopted the basis we feel most appropriate having due regard to the type and nature of the property and its comparables.

For the purposes of this valuation we have adopted NIA.

As previously agreed with you, for the purpose of this Valuation we have adopted the measurements provided by the Applicant and have assumed they have been calculated in accordance with the RICS Code of Measuring Practice. If the measurements downloaded are incorrect we reserve the right to amend our Valuation.

Floor	Unit	Unit Sq. M.	Unit Sq. Ft.
Ground & First	1	452.81 (GF-344.70 FF-108.00)	4,874 (GF-3,710 FF-1,164)
Ground	2	138.80	1,494
Ground	3	100.89	1,086
Ground	4	89.28	961
Ground	5	57.97	624
Ground	6	232.44	2,502
Ground	7	92.90	1,000
Ground & First	8	165.37 (GF-100.50 FF-64.80)	1,780 (GF-1,082 FF-698)
Ground	9	105.63	1,137
Ground	10&11	119.29	1,284
Ground	12	30.94	333
Ground	13	130.62	1,406
Ground	14 &14a	424.20	4,566
Ground	15	21.37	230
Ground	16	73.86	795
Ground	17	77.11	830
Ground	18&19	279.27	3,006
Ground	20	53.33	574
Ground	21&22	136.94	1,474
Ground	23	79.43	855
Ground	24	45.43	489
Ground	25	69.49	748
Ground	26	180.14	1,939
Ground & First	27	255.39 (GF-157.10 FF-98.30)	2,749 (GF-1,691 FF-1,058)
First	28, 41 &42	438.41	4,719
First	29	78.87	849
First	30	50.63	545
First	31 & 32	96.34	1,037

First	33, 34, 35	435.53	4,688
First	36	38.65	416
First	37	55.65	599
First	38	73.11	787
First	39	73.11	787
First	40	96.06	1,034
Second	Office Suite 1	205.97	2,217
Second	Office Suite 2	170.57	1,836
Second	Office Suite 3	32.98	355
Second	Office Suite 4	21.18	228
Second	Office Suite 5	22.11	238
Second	Office Suite 6	39.48	425
Second	Store Room 109	40.32	434
	Total Net Internal Area	5,381.88	57,930

Repair and Condition

We have not been advised by the owner of any issues with the Property or repairs that are required. From our inspection, the Property appeared to be in good condition considering its age, specification and use, with no major defects noted.

The let units within the property are held under a full repairing and insuring lease and are subject to a service charge which recovers the Landlords costs for any repairs or maintenance issues at the property. As there are several units vacant the Landlord is responsible for the Service Charge Shortfall, this is more specifically detailed below.

We estimate the building has a remaining economic life of at least 25 years, provided an adequate and suitable programme of maintenance and repair is followed.

Sustainability

In undertaking this Valuation, we have searched the web based EPC register managed by Landmark and this includes a copy EPC which we outline below:

Unit	Energy Performance Band	Energy Performance Asset Rating	Issue Date
Unit 1, The George Shopping Centre, Grantham, Lincolnshire, NG31 6LH	D	99	16-Nov-30
Unit 2, The George Shopping Centre, Grantham, Lincolnshire, NG31 6LH	C	69	13-Nov-28
Unit 3, The George Shopping Centre, Grantham, Lincolnshire, NG31 6LH	C	67	13-Nov-28
Unit 4, The George Shopping Centre, Grantham, Lincolnshire, NG31 6LH	E	109	16-Nov-30
Unit 5, The George Shopping Centre, Grantham, Lincolnshire, NG31 6LH	C	55	13-Nov-28
Unit 6, 28, 41 & 42, The George Shopping Centre, Grantham, Lincolnshire, NG31 6LH	E	106	16-Nov-30
Unit 8, The George Shopping Centre, Grantham, Lincolnshire, NG31 6LH	E	116	16-Nov-30
Unit 9, The George Shopping Centre, Grantham, Lincolnshire, NG31 6LH	D	79	13-Nov-28

Unit 10 & 11, The George Shopping Centre, Grantham, Lincolnshire, NG31 6LH	C	63	16-Nov-30
Unit 12, The George Shopping Centre, Grantham, Lincolnshire, NG31 6LH	C	60	16-Nov-30
Unit 13, The George Shopping Centre, Grantham, Lincolnshire, NG31 6LH	C	63	13-Nov-28
Unit 14 & 14a, The George Shopping Centre, Grantham, Lincolnshire, NG31 6LH	E	101	16-Nov-30
Unit 15, The George Shopping Centre, Grantham, Lincolnshire, NG31 6LH	B	50	16-Nov-30
Unit 16, The George Shopping Centre, Grantham, Lincolnshire, NG31 6LH	D	88	16-Nov-30
Unit 17, The George Shopping Centre, Grantham, Lincolnshire, NG31 6LH	D	85	16-Nov-30
Unit 18 & 19, The George Shopping Centre, Grantham, Lincolnshire, NG31 6LH	C	68	13-Nov-28
Unit 20, The George Shopping Centre, Grantham, Lincolnshire, NG31 6LH	E	113	16-Nov-30
Unit 21 & 22, The George Shopping Centre, Grantham, Lincolnshire, NG31 6LH	C	70	13-Nov-28
Unit 23, The George Shopping Centre, Grantham, Lincolnshire, NG31 6LH	C	71	16-Nov-30
Unit 24, The George Shopping Centre, Grantham, Lincolnshire, NG31 6LH	D	86	13-Nov-28
Unit 25, The George Shopping Centre, Grantham, Lincolnshire, NG31 6LH	D	91	16-Nov-30
Unit 26, The George Shopping Centre, Grantham, Lincolnshire, NG31 6LH	D	93	16-Nov-30
Unit 27, The George Shopping Centre, Grantham, Lincolnshire, NG31 6LH	E	111	16-Nov-30
Unit 29, The George Shopping Centre, Grantham, Lincolnshire, NG31 6LH	C	64	13-Nov-28
Unit 30, The George Shopping Centre, Grantham, Lincolnshire, NG31 6LH	E	110	16-Nov-30
Unit 31 & 32, The George Shopping Centre, Grantham, Lincolnshire, NG31 6LH	D	87	16-Nov-30

Unit 31 & 32, The George Shopping Centre, Grantham, Lincolnshire, NG31 6LH	D	87	16-Nov-30
Unit 33, 34 & 35 The George Shopping Centre, Grantham, Lincolnshire, NG31 6LH	D	94	16-Nov-30
Unit 35, The George Shopping Centre, Grantham, Lincolnshire, NG31 6LH	B	49	13-Nov-28
Unit 36, The George Shopping Centre, Grantham, Lincolnshire, NG31 6LH	C	71	16-Nov-30
Unit 37, The George Shopping Centre, Grantham, Lincolnshire, NG31 6LH	D	96	16-Nov-30
Unit 39, The George Shopping Centre, Grantham, Lincolnshire, NG31 6LH	E	109	03-Dec-30
Unit 40, The George Shopping Centre, Grantham, Lincolnshire, NG31 6LH	C	60	13-Nov-28
Suite 1, The George Shopping Centre, Grantham, Lincolnshire, NG31 6LH	D		16-Nov-30
Suite 2, The George Shopping Centre, Grantham, Lincolnshire, NG31 6LH	D	81	16-Nov-30
Suite 3, The George Shopping Centre, Grantham, Lincolnshire, NG31 6LH	D	88	16-Nov-30
Suite 4, The George Shopping Centre, Grantham, Lincolnshire, NG31 6LH	D	100	16-Nov-30
Suite 5, The George Shopping Centre, Grantham, Lincolnshire, NG31 6LH	E	101	16-Nov-30
Suite 6, The George Shopping Centre, Grantham, Lincolnshire, NG31 6LH	D	81	16-Nov-30

Our Valuation assumes that an EPC would be provided on sale in accordance with current legislation and we would recommend that this is clarified by your legal advisors.

Hazardous and Deleterious Materials

Asbestos

For the purpose of this report, we have assumed that, unless indicated to the contrary, a survey would not disclose any evidence of asbestos or deleterious materials in the construction of the subject in circumstances where it is likely to have an effect on health or safety.

Confirmation should be sought from the conveyancer that an asbestos survey has been obtained and that any management plan required has been implemented.

5. CONTAMINATION AND ENVIRONMENTAL MATTERS

Your borrower has not advised us of any issues of contamination, ground stability or flooding with the site and therefore in valuing the Property, we have taken it to be free of any issues.

Contamination

During our inspection we noted no obvious contaminative uses noted above ground which would be likely to result in contamination. None of the immediately surrounding properties appear to be put to a current use which would be likely to result in contamination.

Ground Conditions

The Property is not located in an area where there is thought to be past mining or other underground activities.

Masts and Lines

There are no telecommunications base stations at the property.

There are no masts or high voltage overhead transmission lines passing overhead, or in close proximity to the Property.

Radon

According to our search of the Public Health England's web based Affected Area radon map, the Property is located within an area where the maximum radon potential is considered to be between 5-10%. Every building contains radon but the levels are usually low. The chances of a higher level depend on the type of ground.

Flood Risk

Flooding

The Environment Agency website identifies the subject as being within an area classed as having a very low risk of flooding from rivers or the sea and a very low chance of flooding from surface water.

Drainage

For the purpose of this Report, we have assumed that, unless indicated to the contrary, enquiries would not disclose any evidence of historic pluvial flooding, relating to the drainage of surface water or groundwater flooding.

Invasive Plants

We did not note the presence of any contaminative species during the course of our inspection and have not been advised that any are present at the subject.

Fire, Health & Safety

We were unable to ascertain whether a Risk Assessment has been undertaken, hence without evidence to the contrary, we have assumed that it has and that the Property complies with current regulations and that there are no outstanding issues

We have assumed that this assessment will continue to be reviewed and updated if there are any alterations to the premises or changes to work practices or use of the premises. We recommend that your Solicitors be instructed to verify the position.

6. TENURE AND TENANCIES

Tenure

Freehold Interest.

We understand that the site is held freehold and we have not been advised of any covenants, easements or other restrictions which affect the title. We understand that it has direct access to a public highway and is not subject to any rights of ways.

We confirm that we have not yet had sight of your Solicitor's Report on Title, however, upon receipt of a copy, would be pleased to separately confirm whether the content of this has an impact on the advice provided within this appraisal report.

Tenancies and Other Agreements

The property is let on a series of separate tenancies, of which the pertinent clauses are set out below:

Unit	Tenant	Annual Rent	Tenancy Start Date	Next Break	Rent Review	Expiry	Comments
1	Katana (Grantham) Ltd	£18,000.00	19/01/2018	24/12/2022		24.12.2032	
8	Langford Hospitality Limited	£12,500.00	02/07/2021			01/07/2026	
9	Mr Ousman Secka T/A KLUG COSMETICS	£12,000.00	22/10/2022			21/10/2025	New letting
12	3 Raj Kaur T/A R&R Threading	£3,000.00		15/10/2017		14.10.2020	Tenant in process of agreeing to a new 5 year lease-assumed tenant is holding over
14 & 14a	Manish Acharya/Ishan Acharya	£15,000.00	16/04/2021	15/04/2023	16/04/2024	15/04/2028	£15,000 year 1, from 16 April 2022 £18,000, from 16 April 2023 £20,000
15	Mrs Rosabell	£6,500.00	07/01/2022	06/01/2023		06/01/2023	1 year license

	Freedom M Ansell						
16	Alexander Kent Interiors	£5,200.00	06/08/2021	05/08/2021		05/08/2021	1 year license expired assumed tenant is holding over
20	Thi Hieu Vo T/A Glamour Nail Bar	£8,600.00				28/04/2025	
21&22	Jobs 22 Limited	£10,500.00					No start date/end date provided assumed tenant is holding over on original lease
24	Mr Ousman Secka & Mrs Amie Ndow	£4,500.00	01/03/2022			01/03/2023	
25	Lunettes Opticians Limited	£6,000.00				28/09/2022	Lease expired assumed tenant is holding over
26	Luscious Gelato	£12,000.00	01/06/2022	01/06/2023		31/05/2027	
27	Oscars Bar	£14,000.00					New 5 year Lease commenced - no start date provided assumed start date from valuation date
28, 41 & 42	Fitness Grantham Limited	£19,000.00	05/10/2022			04/10/2029	New 7-year lease
30	Feed The Beast Ltd	£4,500.00	01/11/2020			31/10/2023	£1450 year 1, then £2900 year 2, then year 3 £4500
31 & 32	Creepershost Limited	£9,500.00		28/02/2026		28/02/2026	
36	Correct Hearing Limited	£3,000.00		01/08/2022		31/07/2024	

37	Tropicana Tan (Grantham) Limited	£5,850.00		22/12/2017		22/12/2024	
39	Pearson Professional Assessments Limited	£8,750.00		30/06/2017		14/10/2019	In lease negotiations for new 3-year lease, but assumed tenant is holding over from original lease
Office Suite 3	Ms Eunice Hansbury	£2,500.00	26/10/2022			25/10/2024	New lease
Office Suite 4	Carl Atkins	£1,750.00	01/06/2022			01/06/2023	
Store Room 109	Creepershost Limited	£3,725.00				28/02/2026	

We also understand that 19 car parking spaces are let on agreements of which we have not had sight of at £450 per annum each for one year terms. This produces a total income of £8,550 per annum for this element

As agreed with you we have read 6 leases provided to us by the applicant, which are as follows, Unit 1, Unit 8, Unit 14/14a, Unit 27, Unit 31 & 32 and Unit 37.

Each lease contains the following standard clauses:- The tenant shall not make any alterations or additions, however internal, non-structural alterations and additions may be permitted subject to the prior consent of the Landlord (such consent not to be unreasonably withheld or delayed). Alienation of part of the interest is prohibited, although alienation of the whole interest may be permitted subject to the Landlord's consent and the tenant entering into an authorised guarantee agreement.

We outline below the pertinent points of each read lease below:

Unit 1 - The lease is drafted on internal repairing and insuring terms but with a service charge to cover the landlord's costs of maintaining the internal common parts and the external structure. The lease is contracted out of the Landlord & Tenant Act 1954. Rent Review Dates 25th December in the years 2020, 2023, 2026 and 2029 with rent to be reviewed to the highest of the main rent immediately before the review date, open market rent or the indexed rent linked to RPI.

Unit 8 - The lease is drafted on internal repairing and insuring terms but with a service charge to cover the landlord's costs of maintaining the internal common parts and the external structure. The lease is contracted out of the Landlord & Tenant Act 1954. The Tenant may terminate this on 2nd July 2024 on giving not less than six (6) months' prior written notice. The rent review is upward only and linked to RPI.

Unit 14 & 14A - The lease is drafted on internal repairing and insuring terms but with a service charge to cover the landlord's costs of maintaining the internal common parts and the external structure.

Unit 27 - The lease is drafted on internal repairing and insuring terms but with a service charge to cover the landlord's costs of maintaining the internal common parts and the external structure. Upward open market rent reviews.

Unit 31 & 32 - The lease is drafted on internal repairing and insuring terms but with a service charge to cover the landlord's costs of maintaining the internal common parts and the external structure. The lease is contracted out of the Landlord & Tenant Act 1954.

Unit 37 - The lease is drafted on internal repairing and insuring terms but with a service charge to cover the landlord's costs of maintaining the internal common parts and the external structure. The lease is contracted out of the Landlord & Tenant Act 1954. The Tenant may terminate the lease on the break date by giving not less than six (6) months' prior written notice. Upward open market rent reviews.

Contracted Rental Income

£194,925 per annum gross

There is a Service Charge levied against each tenant, which appears to make all Landlords costs for common services as well as maintaining the structure/external areas of the building recoverable from the tenants, making all the agreements in essence Fully Repairing and Insuring. We have been provided with the following service charge budget for 2022/23 by the Applicant:

Year: 2022/23				
Cost Category	Work Description	Retail Schedule	Office Schedule	Total
Management	Running Cost of Management Suite	£5,445.00	£555.00	£6,000.00
Health & Safety	Review of Risk Assessment	£998.25	£101.75	£1,100.00
Electricity	Communal Electricity Supply	£23,595.00	£2,405.00	£26,000.00
Water	Water & Sewage costs	£2,268.75	£231.25	£2,500.00
Security & Cleaning	Security & Cleaning Staff	£57,172.50	£5,827.50	£63,000.00
Security	Security Systems	£2,586.38	£263.63	£2,850.00
Cleaning & Environmental	Hygiene Services/ Toiletries	£1,461.08	£148.93	£1,610.00
Cleaning & Environmental	Pest Control	£1,043.63	£106.38	£1,150.00
Cleaning & Environmental	Waste Management	£1,152.53	£117.48	£1,270.00
Maintenance & Engineering	M&E Maintenance Contract	£5,445.00	£555.00	£6,000.00
Maintenance & Engineering	M&E and Lift Out Of Contract Repairs	£3,176.25	£323.75	£3,500.00
Maintenance & Engineering	Lift & Escalator Maintenance	£2,268.75	£231.25	£2,500.00
Maintenance & Engineering	Fabric Repairs	£4,537.50	£462.50	£5,000.00
Maintenance & Engineering	Engineering Insurance	£1,270.50	£129.50	£1,400.00
Contingency	Contingency	£4,537.50	£462.50	£5,000.00
		£116,958.60	£11,921.40	£128,880.00

We understand that the service charge is apportioned to each unit by ratio of their total size compared to the entire centre.

Non Recoverable Expenditure

The current non-recoverable holding costs are as follows:

Unit	Service Charge Shortfall	Business Rates	Total
Unit 2	£3,347.59	£1,673.79	£5,021.38
Unit 3	£2,433.44	£1,216.72	£3,650.16
Unit 4	£2,153.32	£1,076.66	£3,229.99
Unit 5	£1,398.24	£699.12	£2,097.36
Unit 6&7	£7,846.99	£3,923.49	£11,770.48
Unit 10&11	£2,877.06	£1,438.53	£4,315.60
Unit 13	£3,150.40	£1,575.20	£4,725.60
Unit 17	£1,859.76	Exempt (Listed)	£1,859.76
Unit 18&19	£6,735.65	£3,367.82	£10,103.47
Unit 23	£1,915.78	Exempt (Listed)	£1,915.78
Unit 29	£1,902.33	Exempt (Listed)	£1,902.33
Unit 33-35	£10,504.52	Exempt (Listed)	£10,504.52
Unit 38	£1,763.38	£881.69	£2,645.08
Unit 40	£2,316.95	£1,158.47	£3,475.42
Suite 1	£4,987.69	Exempt (Listed)	£4,987.69
Suite 2	£4,130.53	Exempt (Listed)	£4,130.53
Suite 5	£535.44	Exempt (Listed)	£535.44
Suite 6	£956.14	Exempt (Listed)	£956.14
Total	£60,815.21	£17,011.49	£77,826.70

You do not have to pay business rates on empty buildings for 3 months. After this time, most businesses must pay full business rates. In assessing the empty rates liability for the landlord we have assumed that each of the current vacant units have been vacant for in excess of 3 months, therefore they are liable to pay empty business rates.

Net Operating Income (NOI)

This produces a Net Operating Income of **£117,099 per annum SAY £117,000 per annum** based on the current tenancies and vacancies at the subject.

Tenant's' Status

We have made brief status enquiries of the Tenant Companies by sourcing credit reports which detail the attributes of the companies as at date of credit report, compared to the previous year end, as follows:

Company (Date of Accounts)	Risk Indicator	Total Turnover	Pre Tax Profit	Net Worth
Jobs 22 LTD (15/10/2022)	2: Lower than Average Risk	N/K	N/K	N/K
Creeperhost LTD (17/10/2022)	2: Lower than Average Risk	N/K	N/K	£42,607
Langford Hospitality Limited (17/10/2022)	4: High Risk	N/K	N/K	N/K
Lunettes Opticians Limited (17/10/2022)	1: Minimum Risk	N/K	N/K	£145,309
Luscious Gelato LTD (17/10/2022)	3: Higher than average risk	N/K	N/K	N/K

Company (Date of Accounts)	Risk Indicator	Total Turnover	Pre Tax Profit	Net Worth
Tropicana Tan (Grantham) Limited (17/10/2022)	3: Higher than average risk	N/K	N/K	£13,707
Jobs 22 LTD (15/10/2022)	2: Lower than Average Risk	N/K	N/K	N/K

The remaining tenants not listed above comprise private individuals and accordingly, no financial information is available in the public domain which might enable us to determine their covenant strength.

For Valuation purposes we have assumed that generally the tenants within the centre comprise above average/high risk.

7. STATUTORY ENQUIRIES

Town Planning

The Property lies within an area administered by South Kesteven District Council whose Local Plan provides the framework for guiding, controlling and facilitating development.

The Proposals Map annexed to the Local Plan identifies the subject as lying within the Grantham Commercial City Centre Character Area.

More recently, the Conservation Area within which the subject property sits was designated as part of the High Street Heritage Action Zone scheme, which seeks to re-establish the special character and vitality of the town centre. By working with local authorities and conservation architects, owners are able restore their premises by reinstating lost historic shop fronts and making necessary repairs, in some cases bringing vacant floors back into productive usage.

We understand from planning history obtained from the Council's website that the following pertinent applications have been decided:

Reference	Date	Decision	Detail
S22/1759 - Crystal Investment Group Ltd	8 th September 2022	Pending Consideration	Proposal: Removal of the existing internal courtyard glazed roof and related steel structure. Alterations also involve the necessary changes to the existing internal courtyard and features to be drained, waterproofed, and made appropriate to the new external use
S18/0370	23 rd February 2018	Approved Conditionally	Change of use from A1 (retail) to D2 (assembly and leisure) to extend the Feelgood Fitness gym and have it operating on a 24 hours a day, 7 days a week basis.
s17/2094	12 January 2018	Approved Conditionally	Units 10 And 11 The George Shopping Centre-Change of use from A1 to A3
s12/0219	21 March 2012	Approved Conditionally	27 The George Shopping Centre-Change of use to wine bar (A1 to A4)

We understand that part of the Property, comprising the original George Hotel is Grade II* listed and the entire property is situated in a conservation area.

Business Rates

We have made on-line enquiries of www.gov.uk and are informed that the entries appearing in the 2017 Rating List as at the Valuation Date, are as follows:

Address	Description	Rateable Value
Office Management Suite 2nd Floor, The George Shopping Centre, Grantham, Lincs, NG31 6LH	Offices and premises	£3,100
Suite 1, The George Shopping Centre, Grantham, Lincs, NG31 6LH	Offices and premises	£16,500
Suite 3, The George Shopping Centre, Grantham, Lincs, NG31 6LH	Office and premises	£4,000
Suite 4, The George Shopping Centre, Grantham, Lincs, NG31 6LH	Office and premises	£2,800
Suite 5, The George Shopping Centre, Grantham, Lincs, NG31 6LH	Office and premises	£2,650
Suite 6, The George Shopping Centre, Grantham, Lincs, NG31 6LH	Office and premises	£4,950
The Kiosk, The George Shopping Centre, Grantham, Lincs, NG31 6LH	Kiosk	£4,000
Unit 1, The George Shopping Centre, Grantham, Lincs, NG31 6LH	Restaurant and premises	£41,750
Unit 2, The George Shopping Centre, Grantham, Lincs, NG31 6LH	Shop and premises	£14,250
Unit 3, The George Shopping Centre, Grantham, Lincs, NG31 6LH	Shop and premises	£14,250
4, The George Shopping Centre, Grantham, Lincs, NG31 6LH	Shop and premises	£12,750
Unit 5, The George Shopping Centre, Grantham, Lincs, NG31 6LH	Shop and premises	£10,000
Units 6 & 7, The George Shopping Centre, Grantham, Lincs, NG31 6LH	Shop and premises	£15,500
Unit 8, The George Shopping Centre, Grantham, Lincs, NG31 6LH	Restaurant & premises	£12,750
Unit 9, The George Shopping Centre, Grantham, Lincs, NG31 6LH	Shop and premises	£11,500
Units 10-11, The George Shopping Centre, Grantham, Lincs, NG31 6LH	Cafe and premises	£12,750
Unit 12, The George Shopping Centre, Grantham, Lincs, NG31 6LH	Shop and premises	£4,000
Unit 13, The George Shopping Centre, Grantham, Lincs, NG31 6LH	Shop and premises	£10,500
Units 14-14a, The George Shopping Centre, Grantham, Lincs, NG31 6LH	Restaurant and premises	£38,000
Unit 15, The George Shopping Centre, Grantham, Lincs, NG31 6LH	Shop and premises	£18,000
Unit 16, The George Shopping Centre, Grantham, Lincs, NG31 6LH	Shop and premises	£7,500
Unit 17, The George Shopping Centre, Grantham, Lincs, NG31 6LH	Shop and premises	£8,400
Units 18-19, The George Shopping Centre, Grantham, Lincs, NG31 6LH	Shop and premises	£18,750

Address	Description	Rateable Value
Unit 20, The George Shopping Centre, Grantham, Lincs, NG31 6LH	Shop and premises	£6,100
Unit 21-22, The George Shopping Centre, Grantham, Lincs, NG31 6LH	Shop and premises	£14,500
Unit 23, The George Shopping Centre, Grantham, Lincs, NG31 6LH	Shop and premises	£12,000
24, The George Shopping Centre, Grantham, Lincs, NG31 6LH	Shop and premises	£7,000
Unit 25, The George Shopping Centre, Grantham, Lincs, NG31 6LH	Shop and premises	£11,250
Unit 26, The George Shopping Centre, Grantham, Lincs, NG31 6LH	Shop and premises	£21,250
Unit 27, The George Shopping Centre, Grantham, Lincs, NG31 6LH	Wine bar & premises	£23,500
Unit 29, The George Shopping Centre, Grantham, Lincs, NG31 6LH	Shop and premises	£8,700
Unit 30, The George Shopping Centre, Grantham, Lincs, NG31 6LH	Shop and premises	£5,200
Units 31-32, The George Shopping Centre, Grantham, Lincs, NG31 6LH	Shop and premises	£11,250
Units 33-35, The George Shopping Centre, Grantham, Lincs, NG31 6LH	Shop and premises	£16,750
Unit 36, The George Shopping Centre, Grantham, Lincs, NG31 6LH	Shop and premises	£5,300
Unit 37, The George Shopping Centre, Grantham, Lincs, NG31 6LH	Shop and premises	£6,300
Unit 38, The George Shopping Centre, Grantham, Lincs, NG31 6LH	Shop and premises	£8,000
Unit 39, The George Shopping Centre, Grantham, Lincs, NG31 6LH	Shop and premises	£7,900
Unit 40 1st Floor, The George Shopping Centre, Grantham, Lincs, NG31 6LH	Offices and premises	£17,750
Unit 40, The George Shopping Centre, Grantham, Lincs, NG31 6LH	Shop and premises	£11,250
Unit 41, The George Shopping Centre, Grantham, Lincs, NG31 6LH	Shop and premises	£34,500

This list may not be fully up to date or exhaustive; some properties are recorded under different addresses to their postal address and appeals may be in progress. Specialist advice should be taken by the occupiers about the full rates liability.

We understand that the following units fall within the listed element of the property and are therefore exempt from empty rates liability:

Offices Suite 1-6, Unit 13, Unit 14/14a, Unit 17, Unit 18-19, Unit 20, Unit 23, Unit 29, Unit 30, Unit 31, Unit 32 And Unit 33 to 37.

Regulated Mortgages

We confirm that none of the total of the land to be given as security is used as, or in connection with, a dwelling.

8. MARKET CONDITIONS

Market Commentary

General Economic Comment

We attach at Appendix 1 a copy of our current UK Market Macro Commercial Property Commentary.

Due to the currently period of high inflation there are severe pressures on all businesses and occupiers to keep costs down including property costs and there must be a knock on effect on occupational demand. Weakening occupational demand is likely to impact on property values.

We are currently operating within very difficult and unpredictable times and whilst we have largely negotiated through the effects of Covid-19 this pandemic continues to reshape how we live and work. There are also still potential issues that will continue to affect the economy as the UK proceeds with Brexit. The war in Ukraine has resulted in increasing levels of food, energy and fuel costs in particular which is resulting in significant and increasing upward pressure on inflation rates. Most businesses are increasing prices to negate their increasing costs. As a result, the cost of living has increased substantially within a short timescale.

In an attempt to mitigate the rising inflation typical household energy bills are being capped by the government at £2,500 a year from 1 October, in an effort to limit soaring energy costs. The government has also announced plans to help businesses, charities and places like schools and hospitals deal with heating costs this winter.

The Organisation for Economic Co-operation and Development expects the UK economy to grow by 3.60% in 2022, followed by 0.00% growth in 2023. This means the UK will go from the second-fastest growing economy in the G7 group of industrial nations to the slowest growing in 2023.

High nominal wage growth and inflation will put pressure on the Bank of England's Monetary Policy Committee to raise base rate further from its current level of 2.25%. The MPC's upcoming decisions will also be influenced by the new prime minister, as the changing approach to tax cuts has implications for GDP growth and inflation. Financial market pricing implies that base rate could rise to 3% by the end of 2022 and at least 4% during 2023. Some are predicting that the next increase by the MPC will be another 0.5%.

Economists generally agree that the UK will be dragged into a recession later this year, and a period of low or negative growth is almost certainly ahead. Any recession is however predicted to be relatively mild. Even among pessimistic forecasters, the peak-to-trough fall in output is expected to be less than 1%, which compares with more than 6% during the global financial crisis in 2008/09.

In late September 2022 the new Chancellor Kwasi Kwarteng promised to unveil a plan to bring UK debt back under control after his mini-budget sent the pound crashing and is nearly at par with the dollar. His huge package of tax cuts is designed to boost the economy but has spooked investors, who fear they will run up public borrowing to unsustainable levels. The IMF has also strongly criticised the contents of the mini budget.

The Bank of England has felt forced to intervene over a "material risk" to the UK economy and has delayed plans to sell bonds and will start buying them instead to stabilise what it described as "dysfunctional markets"

The cost of living crisis will intensify over the coming months, with food and fuel inflation set to rise even higher. CPI inflation reached a new 40-year high of 10.0% in July 2022 and fell back to 9.9% in August, albeit the peak is not expected until October when it could reach 11/12% although there are signs that some of the global supply-side price pressures generated by the pandemic are starting to ease. Nonetheless, CPI inflation is set to remain well above the Bank of England's 2% target until at least late 2023.

Despite a cooling in the wider economy, the labour market remains hot by any measure. The number of payrolled employees was a record 29.6m in June, while unemployment is very close to a 50-year low, at 3.8%. Job vacancies have

also risen to an all-time high of 1.3million, albeit the rate of growth has slowed in recent months. Recent reports suggest the booming employment market that was seen following the pandemic is starting to retreat with businesses having hired required staffing levels.

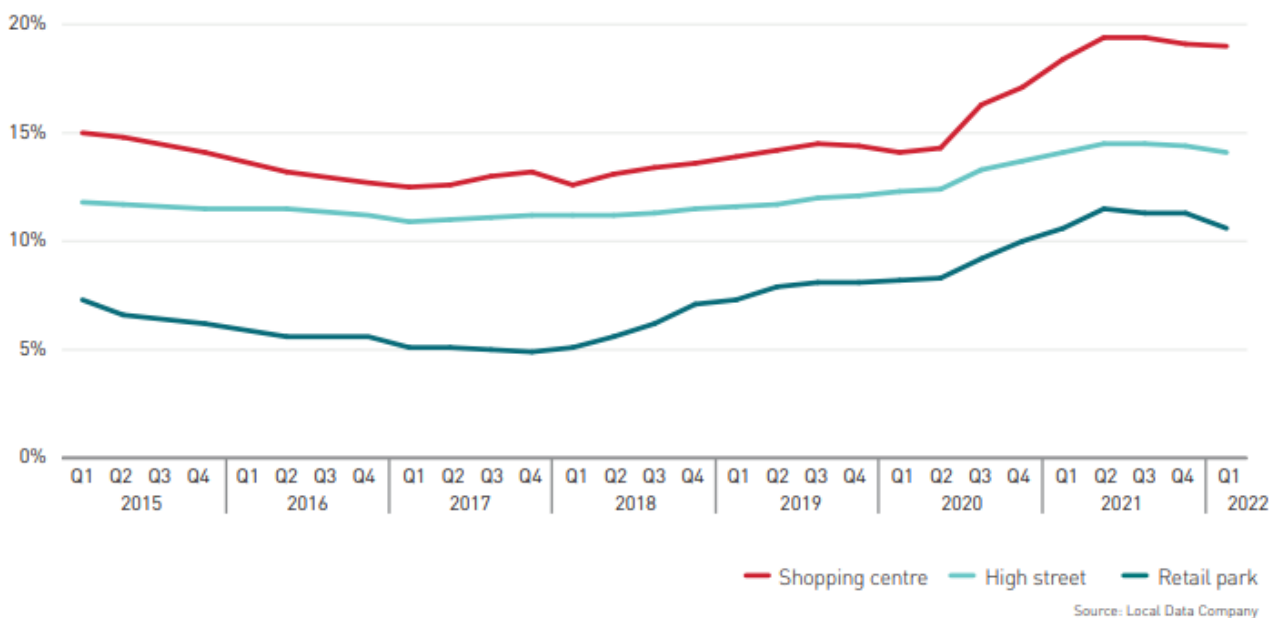
Shopping Centre Market Commentary

The retail sector is facing unprecedented challenges, which have been both highlighted and exacerbated by the pandemic. Chief among these are the rise of online shopping, which continues to reshape consumer behaviour; and punitive business rates, which represent a major obstacle to the viability of bricks and-mortar retail. As we emerge from COVID-19, the cost-of-living crisis has also reared its head as a new threat to the recovery of retail activity. While all retail types are affected by these ongoing challenges, shopping centres have felt their impact most acutely. This is evidenced by consistently high vacancy rates and dramatic falls in capital values.

The repurposing of large volumes of shopping centre space is increasingly a key part of regeneration activity across the UK. Shopping centres need to be transformed into mixed-use locations with a wide range of commercial, residential and community space. This will enable centres to forge new roles as living, working places at the heart of communities.

Vacancy rate trends illustrate the challenges that the retail sector faced during the pandemic. According to the Local Data Company (LDC), the overall retail and leisure vacancy rate jumped from 12.1% in Q4 2019 to a peak of 14.5% in Q2 and Q3 2021. The increase in shopping centre vacancies was particularly sharp, soaring by more than five percentage points to reach 19.4% in the middle of 2021. However, more positive signs have emerged since the final quarter of last year, when vacancy rates fell for the first time since 2018. The overall vacancy rate eased further to 14.1% in Q1 2022, while shopping centre vacancies edged down to 19.0% meaning that nearly one-fifth of the UK’s shopping centre space currently stands vacant.

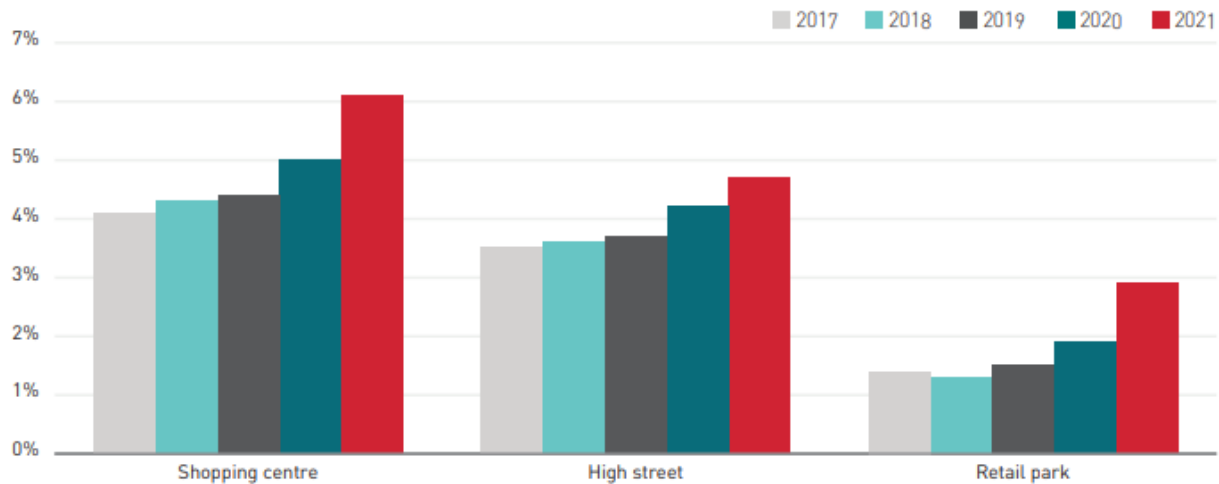
RETAIL VACANCY RATES (%)



With close to one-fifth of shopping centre units standing vacant, there is plainly an oversupply of retail space in many UK locations. Retail property owners have increasingly recognised the need to repurpose or reposition the excess space, and this is driving investment and development decisions across the sector. The general consensus is that somewhere between 20-40% of UK retail space may ultimately need to be redeveloped or repurposed. This is supported by the results of the recent LSH/REVO survey, with 62% of respondents putting the scale of the problem within this range. Space that has been persistently vacant for long periods is likely to be most in need of radical repurposing solutions. LDC data shows that persistent long-term vacancies are a much bigger problem within shopping centres than in other parts of the retail market.

In 2021, 6.1% of shopping centre space had been empty for at least three years, representing nearly a third of centres' total vacant space. This compares with persistent vacancy of 4.7% on the high street; and just 2.9% in retail parks.

PERSISTENT VACANCY - GREATER THAN 3 YEARS (%)



Source: Local Data Company

Shopping centre units are often less flexible, and persistent vacancy rates may increase further due to major retail failures during the pandemic. The collapse of retail groups such as Debenhams and Arcadia has left many centres without anchor tenants and with large, hard-to-fill empty units. A year after its demise, nearly 90% of vacated Debenhams stores remained empty.

Retail investment activity was on the wane even before the pandemic, with investors showing caution due to changing consumer behaviour, high vacancy rates and falling capital values. Retail volume dropped to a 20-year low of £4.2bn in 2020, but it recovered to a three-year high of £6.6bn in 2021, primarily driven by the retail warehouse sector. This segment has continued to drive activity, fuelling further improvements in volume in H1 2022.

Shopping centre volume has increased after slumping to just £410m in 2020. Approximately £1.1bn was invested in the segment in 2021, with a further £850m transacted in H1 2022 as investor interest gathered momentum. However, accounting for just 20% of total retail volume since the start of 2021, shopping centres' share of the overall retail investment market has remained very low by historical standards. Nonetheless, recent quarters have provided signs that investors are more prepared to commit to shopping centre deals, encouraged by the stabilisation of capital values. Shopping centre values have diverged from other sectors over the last five years, more than halving between 2016 and 2021, but MSCI data shows that values finally started to edge upwards in the first half of 2022. The widespread rebasing of rents has also given more certainty to investors, by ensuring that they have been able to purchase assets whose tenants are paying sustainable market rents and reducing the risk of acquiring overrented properties.

The make-up of shopping centre buyers and sellers has changed, both recently and over the long term. During the 1990s and into the 2000s, shopping centres were core investments and development projects for many UK institutions, but the global financial crisis of 2007/08 was a turning point. The popularity of shopping centres among institutional investors has since been in long-term decline, with asset values and construction activity never recovering to pre-crisis levels. Many shopping centres built by UK institutions subsequently ended up in the hands of overseas investors primarily motivated by income, rather than having long-term strategic plans to improve centres. Many of these international investors have more recently retreated from the sector, to be replaced by a new breed of retail investors.

Over the past two years, several UK investors familiar to the retail sector including Hammerson and Aberdeen Standard, and major international investors such as Patrizia Immobilien and Columbia Threadneedle have all made multiple shopping centre disposals. Nearly every seller has had to accept sales prices significantly below the price that they paid for the asset. LSH analysis shows that, on average, centres sold over the last two years were transacted at 58% below their previous

purchase prices. In the most extreme cases, a handful of transactions saw discounts in excess of 90% on the previous price paid.

Local councils making shopping centre purchases within their boroughs for regeneration purposes have also been a key buyer group in recent years. During 2021, there were a record 13 such transactions in locations as diverse as Sutton, Leicester, Burnley and Merthyr Tydfil. Since 2016, local authorities have been behind more than one in five shopping centre purchases in the UK. The acquisition of shopping centres by local authorities is not without controversy, and some councils have seen the value of their assets fall significantly since making purchases. However, councils are able to take a long-term view and, as planning authorities, they are in a position to push forward the repurposing and regeneration activity that is sorely needed in many locations.

Local Market Commentary

Grantham is the largest town within the South Kesteven district, however there is a limited number of national retailers present in the town which is somewhat indicative of its current performance with shoppers opting to use competing centres such as Nottingham for a greater choice of comparison goods, in particular clothes and fashion.

The core of the shopping centre is situated within and along High Street, St Peters Hill, Westgate, High Street, The Isaac Newton Shopping Centre, The George Shopping Centre and Market Place. High Street, St Peters Hill and the Isaac Newton Centre are where the majority of national retailer representation is located within town centre as well as the banks and building societies. The main national retailers in Grantham include Boots, Lloyds Bank, Superdrug, Natwest, B&M Bargains, Sports Direct and The Works.

At Q2 2022 the vacancy rate in Grantham town centre stood at 23.9% of units, above national average for similar sized towns which stood at 19.1%. During the last 12 months there has been some notable vacancies of national retailers including Wilko, TUI and Virgin Money, with no new national retailers moving into the town during this period. There is somewhat an overprovision of retail space within the town with two shopping centres, The George and Isaac Newton Shopping Centre often experiencing high vacancy rates and there does require some reconfiguring of space within the town to address the balance between supply and demand of retail space.

Estimates, based on agent sources, suggest that top achievable prime rents in Grantham were around £25 psf Zone A at mid-2022; this implies a cumulative decline in prime rents since end 2017 of -37.5% and again serves to highlight the over supply of retail space within the town centre as well as declining retail market within the town.

Rental Comparables Analysis

As is the case in many market town shopping centre schemes the most relevant evidence are the transactions that have taken place at that scheme. These are established rents and the tone has been set across the units via new lettings, rent reviews and lease renewals agreed over time. The rental rate at the subject scheme has been set at around £4 to £16.50 per sq. ft. on an overall basis.

There have been three retail lettings agreed at the property in 2022, which are as follows:

Unit 9 – Comprising 1,137 sq ft let in October 2022 for £12,000 per annum reflecting £10.55 per sq. ft.

Unit 28, 41 & 42 – Comprising 4,719 sq ft let in October 2022 for £19,000 per annum reflecting £4.03 per sq. ft.

Unit 15 – Comprising 230 sq ft let on a 1-year licence in January 2022 for £6,500 per annum reflecting approximately £28 per sq. ft. This is a central kiosk in the middle of the pedestrianised walkway of the centre which somewhat distorts the overall rate per sq. ft. achieved.

Unit 24 – Comprising 489 sq ft let on a 1-year lease in March 2022 for £4,500 per annum reflecting £9.20 per sq. ft. An internal shop unit. Smaller than most units therefore would expect a lower rate for the larger units.

Unit 26 - Comprising 1,939 sq ft let on a 1-year lease in June 2022 for £12,000 per annum reflecting £6.19 per sq. ft. A larger internal shop unit. A larger unit serves to highlight the reduction in rate per sq. ft. for quantum

Unit 27 – Comprising 1,691 sq ft to the ground floor and 1,058 sq ft to the first floor let to Oscars Bar, who have recently agreed a new five-year lease at £14,000 per annum which reflects approximately £7.65 per sq. ft. after applying a notional rent of £1 per sq. ft. to the first floor space. Unit has a direct frontage onto Guildhall Street which allows for longer trading hours.

Office Suite 3 – Comprising 355 sq ft let in October 2022 for £2,500 per annum reflecting £7.04 per sq. ft.

We further understand that the follow retail units are currently under offer at the property:

Unit 2 – Comprising 1,494 sq ft under offer for a 10-year lease with a tenant break option at year 7 for £7,500 per annum reflecting approximately £5 per sq. ft.

Unit 3 – Comprising 1,086 sq ft under offer for a 10-year lease with a tenant break option at year 7 for £7,500 per annum reflecting approximately £6.90 per sq. ft.

Unit 7 – Comprising 1,000 sq ft under offer at £16,500 per annum reflecting approximately £16.50 per sq. ft. Has a frontage onto Westgate, which has performed well compared to the rest of the town centre in Grantham. Highlights the stronger rates that can be achieved by the external units that front onto more popular streets such as Westgate.

We further detail below a list of retail units and office suites currently being marketed:

Unit	Unit Sq Ft	Marketing Rent	Rent Per Sq Ft
3	1086	£7,000	£ 6.45
4	961	£7,250	£ 7.54
5	624	£6,500	£ 10.42
10 & 11	1284	£10,000	£ 7.79
13	1406	£9,850	£ 7.01
18 & 19	3006	£18,500	£ 6.15
29	849	£7,750	£ 9.13
40	1034	£7,500	£ 7.25
Office Suite 1	2217	£14,500	£ 6.54
Office Suite 2	1836	£13,000	£ 7.08

Office Suite 5	238	£1,850	£ 7.77
Office Suite 6	425	£5,500	£ 12.94

We understand that the applicant originally purchased the property in November 2020 the rental income at the property was approximately £80,000 per annum. From our conversations with the applicant, they have placed importance on increasing occupancy levels and have been flexible in terms of the rents and types of lettings agreed for units.

Rental levels across the centre are therefore somewhat inconsistent, the units with frontages onto the external streets of Westgate, Guildhall Street and High Street that benefit from longer trading hours generally achieve greater rates per sq. ft., whereas the internal units are restricted to when the centre opens/closes and as such their rental levels reflect this.

The external units also benefit from greater footfall levels, in particular the units fronting onto Westgate that has performed better than the competing retail streets within the town centre and as such generally achieve stronger rates per sq. ft. For example, Unit 7 with a direct frontage onto Westgate is currently under offer at a rate reflecting £16.50 per sq. ft. and Unit 8 being one of the larger retail units also with a frontage onto Westgate is let at a rent towards the upper end of the range to be expected.

We are also aware of a letting that has taken place at the nearby Isaac Newton Shopping Centre, Unit 11 and 12 comprising ground floor space of 1,080 sq ft let in August 2022 for £16,000 per annum reflecting £14.80 per sq ft, the rent excluded the service charge that we understand amounted to approximately £6,000pa.

Taking into account the evidence set out above we have adopted the following market rental values for each unit:

Floor	Unit	Unit Sq. M.	Unit Sq. Ft.	Market Rent	Rent per sq ft	Comments
Ground & First	1	452.81 (GF-344.70 FF-108.00)	4,874 (GF-3,710 FF-1,164)	£18,000	£4.54	Adopted passing rent, as in line with tone of centre. Rent per sq ft is after £1 per sq. ft. to first floor space. Unit has a frontage onto Guildhall
Ground	2	138.8	1,494	£7,500	£5.00	Under offer at this rent that is in line with tone. Internal unit from Guildhall entrance.
Ground	3	100.89	1,086	£7,500	£5.00	Under offer at this rent that is in line with tone. Internal unit from Guildhall entrance.
Ground	4	89.28	961	£5,000	£5.20	Currently being marketed at £7,250 however we feel this is out of line with the general tone.
Ground	5	57.97	624	£3,750	£6.01	Currently being marketed at £6,500 however we feel this is out of line with the general tone.
Ground	6	232.44	2,502	£10,000	£4.00	This unit is to be split from 7 so no frontage onto Westgate and a larger unit, hence a lower rate per sq. ft.
Ground	7	92.9	1,000	£16,500	£16.50	Under off at £16,500. The unit has a frontage onto Westgate and hence we feel it will command a rental premium.
Ground & First	8	165.37 (GF-100.50 FF-64.80)	1,780 (GF-1,082 FF-698)	£12,500	£10.91	Adopted passing rent, rent was agreed in July 2021. The rent psf is after £1 per sq. ft. to first floor space. The Unit has a frontage onto Westgate, hence it should achieve a

						slight premium over other units in the centre.
Ground	9	105.63	1,137	£7,500	£6.60	An internal unit with no street frontage-recently let at £12,000 per annum, but we consider this to be high hence adopted a slightly lesser rent.
Ground	10&11	119.29	1,284	£7,500	£5.84	An internal unit with no street frontage
Ground	12	30.94	333	£3,000	£9.01	Adopted passing rent as a new lease recently agreed. A smaller unit hence would expect a higher rent per sq. ft.
Ground	13	130.62	1,406	£8,000	£5.69	An internal unit with no street frontage- in line with units 9 to 11
Ground	14 &14a	424.2	4,566	£15,000	£3.29	Adopted passing rent, rent agreed in April 2021.
Ground	15	21.37	230	£6,500	£28.26	Adopted passing rent – A higher rent as this is a kiosk, given it was agreed in January 2022 we feel this is the most appropriate evidence of market rental value.
Ground	16	73.86	795	£5,200	£6.54	Adopted passing rent, rent agreed in August 2021.
Ground	17	77.11	830	£7,000	£8.43	Frontage onto High Street, hence, would expect a stronger rent than internal units.
Ground	18&19	279.27	3,006	£15,000	£4.99	Frontage onto High Street, hence, would expect a stronger rent than internal units, but adjustment for quantum required.
Ground	20	53.33	574	£5,000	£8.71	Passing rent of £8,600pa appears out of line with centre tone, hence adopted a lower rent.
Ground	21&22	136.94	1,474	£8,500	£5.77	Adopted a slightly lower rent than passing that is more in line with rental tone for the centre
Ground	23	79.43	855	£6,000	£7.02	An internal unit with no street frontage
Ground	24	45.43	489	£4,500	£9.20	New lease agreed March 2022, adopted passing rent. A much smaller unit overall hence would expect a stronger rent per sq. ft.
Ground	25	69.49	748	£5,000	£6.68	Adopted slightly lower than passing that is more in line with general tone of centre.
Ground	26	180.14	1,939	£12,000	£6.19	New lease agreed June 2022 adopted passing rent
Ground & First	27	255.39 (GF-157.10 FF-98.30)	2,749 (GF-1,691 FF-1,058)	£14,000	£7.65	A new five-year lease recently agreed adopted passing rent -Rent per sq. ft. is after £1 per sq. ft. to first floor space. Would expect a slight rental premium compared to internal units as it has a frontage onto Guildhall,

First	28, 41 & 42	438.41	4,719	£12,500	£2.65	Recently let at £19,000pa which we consider is high given it is a larger unit and comprises first floor space hence would expect a lower rate per sq. ft. than ground floor units.
First	29	78.87	849	£4,500	£5.30	First floor unit would expect a lower rate overall.
First	30	50.63	545	£2,900	£5.32	Adopted passing rent as it appears in line.
First	31 & 32	96.34	1,037	£5,500	£5.30	Passing rent of £9,500 appears high, hence adopted a lower rent.
First	33, 34, 35	435.53	4,688	£12,500	£2.67	Larger unit and first floor so lower footfall hence would expect a lower rate per sq. ft.
First	36	38.65	416	£3,000	£7.21	Adopted passing rent as appears in line with tone considering it is a smaller unit.
First	37	55.65	599	£4,250	£7.10	Passing rent of £5,850 appears high hence adopted a lower rate more in line with tone.
First	38	73.11	787	£4,500	£5.72	Adopted a rate in line with other first floor units let.
First	39	73.11	787	£4,500	£5.72	Passing rent of £8,750 appears high hence adopted a lower rate more in line with tone.
First	40	96.06	1,034	£5,000	£4.84	Adopted a rate in line with other first floor units let.
Total Rental Value for Retail				£269,600		
Second	Office Suite 1	205.97	2,217	£10,000	£4.51	Adopted a lower rent than Suite 4 to reflect the increased quantum.
Second	Office Suite 2	170.57	1,836	£8,000	£4.36	Adopted a lower rent than Suite 4 to reflect the increased quantum.
Second	Office Suite 3	32.98	355	£2,500	£7.04	In line with Suite 4 and recently let at this level
Second	Office Suite 4	21.18	228	£1,750	£7.68	This unit let at this in June 22 therefore adopted passing rent
Second	Office Suite 5	22.11	238	£1,750	£7.35	In line with Suite 4.
Second	Office Suite 6	39.48	425	£3,000	£7.06	In line with Suite 4.
Second	Store Room 109	40.32	434	£2,000	£4.61	Currently let at £3,725 but seems high for a storage unit, hence adopted a lower rate.
Total Rental Value for Office				£29,000		
Car Park	41 spaces			£18,450	£450 per space	Standard rate that has been achieved at the centre.
Total Rental Value Per Annum				£317,050		

There are currently 19 retail units let representing an occupancy rate on a square foot basis of approximately 57%, whilst 2 out of 6 office suites are let representing an occupancy rate on a square foot basis of approximately 10% and 18 out of 41 car parking spaces representing an occupancy rate of approximately 44%.

Considering the current market conditions in Grantham and the vacancy rates of both the centre and surrounding area, we would highlight that it is highly unlikely that full occupancy is ever achieved at the subject and therefore it is unlikely

the total Market Rent outlined above can be realised. Consequently, holding costs will be ever present at the subject and will be deducted from the Landlords receivable income for the foreseeable future.

The current holding cost for the centre amounts to £77,800 per annum, with the vacant retail elements amounting to approximately £67,200 reflecting £3.00 per sq. ft. whilst the holding cost for the vacant office elements amount to approximately £10,600 reflecting £2.05 per sq. ft. These holding costs provide a Net Operating Income for the Landlord at the present time of **£117,000 per annum**.

It is extremely difficult to provide a precise Market Rental Value as this is highly dependent upon the Landlords ability to maintain and increase occupancy levels at the centre. Should occupancy levels improve the reported holding costs should decrease and the net operating income improve. However, based on the current market conditions, the occupancy levels at the subject during the inspection and its current specification we anticipate that occupancy rates will remain at a similar level as at the date of inspection. Therefore, we consider that the current Net Operating Income is representative of a fair maintainable net income as at the valuation date.

Yield and Capital Value Analysis

Deans Court Shopping Centre, Bicester, Oxfordshire - Bicester is a market town located 15 miles north-east of Oxford, the property is situated in the town centre approximately 0.7 miles away from Bicester Designer Outlet Village. The property comprises 11 units, totalling approximately 8,733 sq ft and has the benefit of 11 car parking spaces. It is fully let producing a total annual rent of £158,800 p.a. to a series of local/regional style tenants all on newly agreed leases all generally with lease terms remaining of more than 3 years. Currently being marketed at a guide price of £1.4M reflecting a Net Initial Yield 10.73%. Similar covenant strength of tenants, but fully let and a much smaller centre with lower service charge as it is not a covered centre. Bicester is also considered a stronger location than Grantham hence would expect a weaker NIY for the subject.

Bear Lanes Shopping Centre, Newtown, Powys - An unbroken shopping centre comprising 20 shop units with ancillary upper parts that forms part of the core town centre. 7 units were vacant at the time of sale and the property was let to a mixture of national and local retailers such as The Words, Peacocks (in administration), Nationwide, WH Smith, Superdrug and New Look (in CVA). The total annual income was £222,368 per annum and generally certain terms ranged from 1 to 3 years. The property sold in March 2022 for £1,305,000 reflecting a Net Initial Yield of 16.08%. Similar style property being a period style building converted into a shopping centre as well as having similar internal covered areas. This centre had lower vacancy rates than the subject as well as having a stronger tenant profile overall. Given the vacancy rates at the subject it would be more appropriate to compare the NIY achieved on this comparable with the reversionary yield of the subject, which we would consider to be weaker than this property.

2-4, 6-8, 10, 12 & 14 Howard Street, and 15 Frederick Street, Rotherham - The property is situated in the pedestrianised town centre of Rotherham and comprises a parade of 6 shop units totalling 37,593 sq ft with all units comprising ground and first floor space. Three units were vacant whilst the remaining three were let to Heron Foods, Superdrug and Bonmarche with remaining lease lengths from 1 to 5 years producing a total rent of £162,500pa. Currently being marketed at a guide price of £1m reflecting a NIY of 15.41%. Similar vacancy rate to the subject and rental income hence would anticipate a similar NIY.

Units 1-14 Dronfield Civic Centre, Dronfield, Derbyshire – sold for £3.4 million in November 2020 reflecting a NIY of 12.9%. The property comprises 15 retail units and 7 flats. The tenants include a mixture of national retailers and local businesses with an average weighted term certain of 3 years at the date of sale. The property comprises a 1960's built neighbourhood retail centre situated in this commuter small town which serves Sheffield and Chesterfield. The rental income of £467,000 pa is considered substantially over-rented and we estimate the reversionary yield based on rental value to be approximately 10%. 4 units were vacant at the time of sale. This is more of a neighbourhood shopping centre, which have performed a lot better during and following the pandemic compared to town centre properties, hence we would expect a weaker yield for the subject.

104-116a Front Street, Arnold, Nottingham – sold for £1.545 million in July 2021 reflecting a NIY of 13.76%. The property comprises 9 retail units which were fully let at the time of sale to a mixture of national companies (HSBC, Sue Ryder Charity shop, TUI, Halfords & Shoe Zone) and local businesses. The remaining periods on the leases at the time of sale was between

6 months and 2 years and the passing rent of £225,000 pa is considered significantly over-rented. We estimate the reversionary yield to be in the region of 9% to 10%. Again, more of a neighbourhood shopping centre that has performed better than town centre properties.

Coopers Square Shopping Centre, Burton on Trent - One of Burton's four shopping centre schemes comprises 65 retail units across c.400,000 sq ft. Sold in July 2022 for £22.5m reflecting 13% NIY and £62 psf capital value. The scheme provides a NOI of £3,112,655 p.a. and a WAULT of 14.03 years to break and 15.41 years to expiry. The town centre shopping mall was put on the market last year by its owners New Frontier Properties for £29.1 million but went for much less at £22.5 million. The owners previously purchased the property in 2015 for £97 million. Tenants at the centre include Marks & Spencer, Boots, Primark and New Look. A much larger centre than the subject and therefore not directly comparable but provides an idea of investor confidence for this property type.

Green Oaks Shopping Centre, Widnes – sold in November 2021 for £4,000,000 reflecting a NIY of 17.34%. Green Oaks Shopping Centre extending to 95,545 sq ft and comprises 18 retail units, 9 kiosks, a crèche and part ownership of Widnes town centre's principal car park. The property is held long leasehold expiring on 20 December 2133 thus having some 112 years unexpired, at a peppercorn rent. Dating from the 1990's the property adjoins a large Morrisons Supermarket, albeit this is outside the ownership. Passing rent of £758,400 per annum and a net operating income of £738,921 per annum. WAULT of 3.62 years to expiry and 2.81 years to break. Tenant line includes Halifax Bank, EE, O2, Vodafone, Vision Express, Pandora and Holland & Barrett and there were no vacancies at the subject. It is more appropriate to compare the reversionary yield for the subject given that this comparable is fully occupied, we would expect the subjects RY to be weaker given the tenant profile of this comparable.

Haymarket Shopping Centre, Leicester - November 2021 for £9,500,000 reflecting a NIY of 11.30%. The shopping centre is let to various tenants such as Primark, Halifax, B & M, TK Maxx and Matalan. The centre has a total of c 65 units and extends to approximately 309,725 sq ft. On behalf of KWVF Panther Holdco Limited and its Kennedy Wilson Europe and Värde Real Estate Partners sponsors, Estera has sold the freehold to the Leicester City Council. Leicester acquired the property for the addition to its Corporate Estate portfolio. The Council secured the deal before the property went on the open market. A stronger location and centre hence would expect a weaker NIY for the subject.

57/59a High Street, 2 Guildhall Street, Grantham - Comprises four ground floor retail units with self contained offices (Total NIA 10,798 sq ft) above situated adjacent to The George Shopping Centre. Let to Co-Op, MIND Charity, Clarks and a local trader, the first floor offices were vacant (1,232 sq ft) with certain terms ranging from 1 to 3 years and producing an annual income of £56,500 pa. Sold in September 2021 for £557,500 per annum reflecting a NIY of 9.69%. Let to stronger tenants with lower vacancy levels, stronger location with better footfall and limited holding costs.

40-41 St. Peters Hill, Grantham – Ground and first floor retail space (4,225 sq ft) let to Savers Health and Beauty Limited at £39,000pa with less than 6 months certain term at the time of sale. The property is situated in a town centre position adjacent to Lloyds Bank and close to the Issac Newton Shopping Centre. Sold in May 2021 for £250,000 reflecting a NIY of 15.20%. Transaction serves to highlight the achievable yields for properties with limited income security as well as current demand for retail space in Grantham.

9. VALUATION COMMENTARY

Location

The subject property is situated in the centre of Grantham with frontages onto three different streets, two of which, High Street and Westgate have reasonable levels of footfall. Grantham itself has suffered in retail terms over the last few years several national retailers have vacated the town centre as they have opted to relocate to out of town shopping parks and Zone A rents have dropped back year on year.

Grantham itself currently has two shopping centres in the town, the subject and the Sir Isaac Newton centre, the demographics of the town and town centre retail conditions make it difficult for two centres to viably operate. A lack of footfall and demand has meant that the retail offering has been reduced to more local/regional style occupiers and as such rental levels have dropped back in recent years. The Sir Isaac Newton shopping centre comprises direct competition to the subject and does perform better in terms of occupancy levels, this is in part down to the fact that Morrisons anchor the shopping centre. Hence it is difficult to see occupancy rates at the subject improving going forward as there appears to be an oversupply of retail space in the area and as such rental levels must be at a highly competitive level in order to agree lettings.

Property

The subject property comprises the former George Hotel that was converted in the 1990s into a shopping arcade to provide 40 retail units over ground and first floor as well as office space to the first and second floors. Vacancy levels at present for the centre are high with less than 60% of the retail space currently occupied and only a small portion of the office space occupied. Large sections of the centre have become redundant over recent years as the high streets across the UK have been in decline. Generally there has been a lowering of demand for retail space and office occupiers have sought to occupy more modern premises on out-of-town business parks with associated car parking, particularly in towns where footfall is low and their presence in the town centre isn't a business requirement. The centre will require a level of reconfiguration to remain viable moving forward, this will require several alternative use opportunities being explored and planning permissions being granted.

The glazed roof covering at the centre also impacts the centres viability in several ways. Firstly, the maintenance cost is significant, and this is recharged onto tenants via the service charge. The more costly service charge impacts both rental levels and occupancy rates as it deters tenants from taking units in the centre as in some cases the service charge cost can exceed the actual rent payable making occupancy unviable for local/smaller tenants. The roof also restricts opening and closing times at the centre, which in turn limits the type of occupier to a certain extent. Food/drink occupiers require extended trading periods, particularly into the evenings and restricted trading hours often deter their occupancy, as such the centre, particularly the internal units, are limited to more traditional high street operators such as fashion stores that have suffered over recent years.

Tenants and Lease Terms

The subject property is let on a series of agreements that essentially comprise Fully Repairing and Insuring leases with service charges levied to cover the cost of the maintenance and repair of the communal parts of the centre. The tenants all consist of local style covenants and as such offer limited strength in terms of income security, this would deter many potential investors who require a more attractive level of income security from their investments.

Lease lengths in general offer between 1- and 3-years certain term and there are also a number of break options also enabling tenants to break their leases earlier than expiry, this again would be seen as a negative from potential investors as it further limits income security. In addition to this the Landlord is liable to cover the holding costs of the empty units such as service charge shortfall and empty rates liabilities. At present the holding costs are significant approaching nearly £80,000 per annum which reduces the Landlords net operating income to £117,000 per annum. This high holding costs again would be seen negatively by potential purchasers as it reduces the income from the property significantly and should

vacancy rates increase there could be a scenario where the centre produces minimal to no income and even where the Landlord begins to see a deficit due to the lack of occupiers.

Asset Management Initiatives

We understand that the Landlord currently manages the centre on a day to day basis through their company, Crystal Estates, who are responsible for marketing vacant units as well as managing the service charge and maintenance issues at the property. At the time of inspection the centre appeared well maintained with no repair issues, we are also informed that there is no service charge debt from existing tenants at present and that all tenants are up to date in terms of rental payments.

The Landlord appears to be an experienced property owner that can appropriately manage the centre. Going forward it is essential that the vacancy rate does not increase at the centre, as this will impact the Landlords net operating income. This management will require significant attention and alternative use opportunities for the centre must be explored to make the centre a more viable asset in the future. We understand that the Landlord has already begun to explore this with a planning application submitted to remove the glazed roof, which it is hoped will enable longer trading hours for the centre and as such widen the types of occupiers. In addition to this we are informed that the Landlord has entered discussions with the local council to convert some of the office element into a residential use that may provide a more certain and constant income stream than letting the space to office occupiers, this will however still require a good level of financial outlay to be achieved.

Proposed Purchase Price

No sale price is available in this case as we understand the property to be subject to refinance.

SWOT

We consider strengths, weaknesses, opportunities and threats of the Property at the date of Valuation to be:

Strengths	Units are regular in shape with range of sizes.
	Car parking on site
Weaknesses	High vacancy rates
	Long term voids on a number of units.
	Non recoverable costs associated with void units such as service charge and vacant rates.
	No anchor tenant.
Opportunities	Competing shopping centre nearby with national covenant anchor tenant.
	Remove glazed atrium/roof to extend trading hours for internal units.
	Redevelop vacant office space into residential use subject to planning.
Threats	Let vacant space to reduce holding costs.
	Potential volatility for interest rate rises due to Global economic circumstances which may have a material impact on Rents and Capital Values.
	Rising voids will bring associated increases in non-recoverable holding costs.
	Net operating income could be significantly reduced should vacancies at the centre increase.

10. VALUATIONS AND VALUATION METHODOLOGY

Market Rent - Methodology

Taking into account the transactions set out within this report, for valuation purposes we have adopted the direct comparable method of valuation which provides an indication of rental value by comparing the Property with other similar properties for which rental price information is available. We have adjusted these comparables to reflect differences in age, size, condition, location and any other relevant factors.

Market Rent

We have previously detailed above a market rental value for each unit, this assumes that each unit is let separately on Internal Repairing and Insuring terms, with a service charge levied to cover the cost of repair/maintenance of communal areas for a minimum term of 12 months.

The total market rent achievable is difficult to ascertain given that the centre is currently experiencing significant vacancies. The achievable rental income going forward is highly dependent upon the management of the centre by the current Landlord but is also somewhat compromised given that there appears to be a lack of demand for this type of space within Grantham itself, that is suffering from a weak retail market. The centre is also in direct competition from the nearby Sir Isaac Newton Shopping centre that benefits from having Morrisons as an anchor tenant. The centre does require a level of reconfiguration, with the vacant elements put into more viable uses, however this does require planning permission that has not yet been granted at the subject.

With this in mind and taking into account the current market conditions being experienced at the subject we feel that it would be more appropriate to report a fair maintainable net operating income that is realistically achievable. We estimate that the current net operating income at present amounts to approximately **£117,000 per annum**, based on the current occupancy rates and holding/running costs at the subject we consider this net operating income is realistically achievable going forward.

Market Value

As the property comprises a standing investment, for valuation purposes we have adopted the investment approach or income capitalisation method of valuation which provides an indication of value by taking the income generated by the Property with an allowance for its Market Rent, and capitalising this at an appropriate yield based on sales of other similar properties for which transactional information is available. We have adjusted these comparables to reflect differences in age, size, condition, location, covenant, lease term and any other relevant factors.

We identified several transactions for town/city centre shopping centres across the UK and based off these transactions we have adopted a yield of 13% to capitalise the income up to the first break option or lease expiry for all let units. For each let unit we have allowed for a void and rent-free period at lease expiry before capitalising the reversion to market rent at a yield of 15%. For each vacant unit we have also allowed for an initial void and rent free period to relet each unit then capitalised the market rental value at a yield of 15%. The adopted void and rent free periods are attached below, we have adopted different time periods for each unit depending upon size and location within the centre, with the smaller units with frontages onto external streets having lesser reletting periods whilst larger internal units or first floor units in general have longer reletting periods.

Floor	Unit	Unit Sq. Ft.	Comments
Ground & First	1	4,874 (GF-3,710 FF-1,164)	9 months - lesser void as frontage onto Guildhall 6 months rent free
Ground	2	1,494	12 months internal unit 6 months rent free
Ground	3	1,086	12 months internal unit 6 months rent free
Ground	4	961	12 months internal unit 6 months rent free
Ground	5	624	9 months internal unit 6 months rent free slightly smaller unit
Ground	6	2,502	12 months internal unit 6 months rent free
Ground	7	1,000	6 months void as frontage onto Westgate 3 months rent free
Ground & First	8	1,780 (GF-1,082 FF-698)	6 months void as frontage onto Westgate 3 months rent free
Ground	9	1,137	12 months internal unit 6 months rent free
Ground	10&11	1,284	15 months void internal unit and larger 9 months rent free
Ground	12	333	We understand a new 5 year lease has been agreed, but not yet signed therefore assumed tenant holding over from original lease. Reletting period of 6 month void 3 month rent free as smaller unit
Ground	13	1,406	15 months void internal unit and larger 9 months rent free
Ground	14 &14a	4,566	18 months void internal unit and larger 12 months rent free
Ground	15 (Kiosk)	230	6 months void and 3 months rent free as smaller unit
Ground	16	795	1 year licence expired 1 month certain term then allowed for 9 months internal unit 6 months rent free slightly smaller unit
Ground	17	830	9 months - lesser void as frontage onto High Street 3 months rent free
Ground	18&19	3,006	12 months void and 6 months rent free although frontage onto High Street a larger unit overall
Ground	20	574	9 months internal unit 6 months rent free slightly smaller unit
Ground	21&22	1,474	Assumed tenant is holding over on original lease therefore allowed for 3 months certain term before 12 months void internal unit 6 months rent free
Ground	23	855	12 months internal unit 6 months rent free
Ground	24	489	9 months internal unit 6 months rent free slightly smaller unit
Ground	25	748	Assumed tenant is holding over on original lease therefore allowed for 3 months certain term before 9 months internal unit 6 months rent free slightly smaller unit
Ground	26	1,939	12 months internal unit 6 months rent free
Ground & First	27	2,749 (GF-1,691 FF-1,058)	9 months void 3 months rent free as frontage onto Guildhall
First	28, 41 &42	4,719	18 months void internal unit, first floor and larger 12 months rent free
First	29	849	first floor unit hence 12 months void 9 months rent free
First	30	545	first floor unit hence 12 months void 9 months rent free
First	31 & 32	1,037	first floor unit larger 15 months void 9 months rent free
First	33, 34, 35	4,688	18 months void 12 months rent free to reflect larger unit and first floor
First	36	416	first floor unit hence 12 months void 9 months rent free
First	37	599	first floor unit hence 12 months void 9 months rent free
First	38	787	first floor unit hence 12 months void 9 months rent free

First	39	787	Tenant is holding over therefore assumed 3 months certain term, before allow for void of hence 12 months void 9 months rent free and reversion to market rent
First	40	1,034	first floor unit hence 15 months void 9 months rent free
Second	Office Suite 1	2,217	15 month void 9 months rent free
Second	Office Suite 2	1,836	12 month void 6 months rent free
Second	Office Suite 3	355	9 month void 3 months rent free
Second	Office Suite 4	228	9 month void 3 months rent free
Second	Office Suite 5	238	9 month void 3 months rent free
Second	Office Suite 6	425	9 month void 3 months rent free
Second	Store Room 109	434	9 month void

As previously detailed above there are currently 19 retail units let representing an occupancy rate on a square foot basis of approximately 57%, whilst 2 out of 6 office suites are let representing an occupancy rate on a square foot basis of approximately 10% and 18 out of 41 car parking spaces representing an occupancy rate of approximately 44%. This creates a current holding cost for the Landlord of approximately **£77,800 per annum**. We have adopted this cost in our calculations deducting it from the income receivable to the Landlord each year into perpetuity.

In reality this holding cost will reduce as the occupancy levels increase, but equally may increase if occupancy levels drop. It is difficult to accurately predict which way occupancy levels will go at the centre. We feel that the current occupancy levels are reflective of a fair maintainable level given the current market conditions for the shopping centre, based on a range of factors such as characteristics of the centre, retailing in Grantham and wider market conditions in relation to the retail sector. Thus, the holding cost is likely to remain at this level going forward and we have therefore deducted it from the income each year into perpetuity.

After deducting purchaser costs this produces a sensibly rounded Market Value for the property of £1,255,000, which reflects a Net Initial Yield against the passing rental income of 14.70%. We identified above a number of transactions for shopping centre across the UK where NIY ranged from 10% to 18%. The NIY for the subject falls comfortably within this range and therefore we feel the valuation is supported by the investment comparables above.

We are of the opinion that the current **Market Value** of the freehold interest of the subject property, as at 10th November 2022 based on an inspection on 12th October 2022, subject to the leases detailed herein, for loan security purposes, is:

£1,255,000 (One Million Two Hundred and Fifty Five Thousand Pounds)
--

Our valuation reflects the following yield profile:

Net Initial Yield	14.70%
Reversion Yield	17.99%
Equivalent Yield	14.94%

A valuation printout is attached at Appendix 2.

We consider 12 to 18 months to exchange of contracts is a realistic period required to achieve this value.

Special Assumption Valuations

We are of the opinion that the current **Market Value** of the freehold interest in the subject property as at 10th November 2022 based on an inspection on 12th October 2022, with the **Special Assumption** of full and effective **Vacant Possession and that the subject is unlet**, for loan security purposes, is:

£925,000
(Nine Hundred and Twenty-Five Thousand Pounds)

In valuing the subject property with the above special assumption, we have assumed that it will require approximately 15 months for the centre to return to close to its current occupancy level as at the valuation date. Therefore, any purchaser acquiring the property in this situation will therefore be liable for 15 months worth of business rates and the service charge shortfall for the entire year. We have calculated that the business rates liability will be approximately £170,000 for the 15 months, this takes into account the 3 months empty rates relief and assumes that no business rates are chargeable to the listed units within the property. We have then deducted this £170,000 as well as the service charge budget for a year and 3 months of £161,000 off the Market Value outlined above of £1,255,000. This produces a sensibly rounded Market Value subject to vacant possession of £924,000 say **£925,000**.

Whilst some units may let quicker than the 15 months adopted some units may require longer than this period of time, the 15 months reflects the average time overall that we consider it will take achieve occupancy levels similar to what is currently being achieved at the subject.

We are of the opinion that the **Market Value** of the freehold interest in the subject property as at 10th November 2022 based on an inspection on 12th October 2022, with the **Special Assumption** that **a sale is to take place at the date of valuation, following a marketing period of 90 days**, for loan security purposes, is:

£900,000
(Nine Hundred Thousand Pounds)

There is limited to no direct comparable evidence of forced/distressed sales of this nature, in arriving at our opinion of Market Value with the above special assumption, we have discounted our opinion of Market Value by 30% to arrive at £900,000. We consider that the restricted marketing period gives limited time to carry out a full marketing campaign and provides limited time for prospective purchasers to carry out their due diligence.

Estimate of Reinstatement Cost

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

£12,875,000
(Twelve Million Eight Hundred and Seventy Five Thousand Pounds)

The above estimation is calculated by taking the area of the existing property and assuming it could be rebuilt, having regard to averaged build cost indices published by the RICS BCIS and making an allowance for appropriate professional fees and demolition. It is designed as a guide only, for comparison against cover already taken out and should not be relied upon for effecting cover. If a formal valuation for fire insurance purposes is required, our Building Consultancy department will be able to undertake this on your behalf as a separate instruction.

Suitability as Mortgage Security

We are of the opinion that, subject to comment within this report, the property offers security suited to your purpose and intended loan facility. We have not been informed of the details of the loan terms however, we have assumed that these are made on sensible loan to value ratios (not more than 75%) and without any unusual constraints or caveats.

11. ASSUMPTIONS, LIMITATIONS AND REGULATORY INFORMATION

Information

Any third party information supplied by the client, professional advisors, investigation agencies, Local Authorities, statutory bodies and other stated sources is accepted as being correct unless otherwise specified.

Development Proposals

For the purpose of this Report and Valuation we have assumed that any proposed works will be completed in accordance with the details provided, to a reasonable standard of workmanship and in accordance with relevant regulations.

Services

Unless otherwise stated we understand that all mains services are available to the property, including electricity, gas, water and mains drainage, although we have not made any enquiries of the respective service supply companies. We further assume that any of the services or associated controls or software are in working order and free from defect.

Condition

We have not carried out a building survey of the property as this was not within the scope of our instructions, nor have we inspected those parts of the property which are covered, unexposed or inaccessible, and for the purpose of this report, such parts have been assumed to be in good repair and condition.

We cannot express an opinion about, or advise upon the condition of un-inspected parts and this report should not be taken as making any implied representation or statement about such parts.

Further, we have not tested any of the drains or other services, and for the purpose of this valuation we have assumed that they are all operating satisfactorily and no allowances have been made for replacement or repair.

The property has been valued with due regard to its appropriate existing state of repair and condition, including reference to its age, nature of construction and functional obsolescence. We believe we have formed a general opinion of the state of repair of the property in so far as it is likely to affect our valuation.

It is assumed that normal periodic maintenance will be carried out to maintain the property in a state of repair fit for its present use.

It is assumed that the condition of the property at the date of valuation is identical to that found at the date of our inspection.

Plant and Machinery

Unless otherwise specified all items normally associated with the valuation of land and buildings are included in our valuations and reinstatement cost assessments (if provided), including:

Fixed space heating, domestic hot water systems, lighting and main services supplying these, sprinkler systems and associated equipment, water, electricity, gas and steam circuits not serving industrial or commercial premises, substation buildings, lifts and permanent structures including crane rails where forming an integral part of the building structure, fixed demountable partitions, suspended ceilings, carpets, drains, sewers and sewerage plants not primarily concerned with treating trade effluent, air conditioning except where part of a computer installation or primarily serving plant or machinery.

Unless otherwise specified the following items are excluded:

All items of processed plant and machinery, tooling and other equipment not primarily serving the building, cranes, hoists, conveyors, elevators, structures which are ancillary to, or form part of an item of process plant and machinery, sewerage plants primarily concerned with treating trade effluent, air conditioning where part of a computer installation or primarily serving plant and machinery, and water, electricity, gas, steam, and compressed air supplies and circuits serving industrial and commercial processes.

Unless otherwise specified, no allowance is made for the cost of repairing any damage caused by the removal from the premises of items of plant and machinery, fixtures and fittings.

In the case of petrol filling stations, hotels and other properties normally sold and valued as operational entities, all items of equipment normally associated with such a property are assumed to be owned and are included within the valuation unless otherwise specified.

Defective Premises Act 1972 (subject to any amendments)

Liabilities or obligations or any rights there under, whether prospective or accrued are not reflected in valuations unless actually specified.

Asbestos and Deleterious Materials

This material was regularly used from 1960s to 1980s. The cost of maintenance, alteration and repair of any building where asbestos is present can be significantly increased because of the need to take appropriate precautions under The Control of Asbestos Regulations 2012 (amended February 2016). This in turn may impact value.

Under the terms of these Regulations a Dutyholder is required to manage asbestos in non-domestic premises. Typically, this encompasses a positive obligation to assess the likelihood of asbestos containing materials (ACMs) being present at the premises. This can be achieved either by reference to bona fide statements confirming that ACMs were not incorporated into the construction of the building, or by commissioning an asbestos survey. The results of that survey would then be interpreted, acted upon and recorded in an Asbestos Management Plan. For the purpose of our report, we have assumed that, unless indicated to the contrary, a survey would not disclose any evidence of asbestos or deleterious materials in the construction of the subject, in circumstances where it is likely to have an effect on health or safety.

We have not arranged for any investigation to be carried out to determine whether or not any deleterious materials have been used in the construction of the property, or have since been incorporated and we are, therefore, unable to report that the property is free from risk in this respect. For the purpose of this valuation we have assumed that such investigation would not disclose the presence of any such material to any significant extent.

Composite Panel Cladding

If the property has composite panel cladding, this may have implications for insurance depending on the type of panelling used; this may have an adverse impact on value. Our valuations, unless otherwise stated, assumes that if appropriate for the type of property being valued and not already provided, the property would obtain an appropriate EWS 1 form.

Many insurance companies are now requesting confirmation from the building owner/insured as to whether composite panels have been used and if so what make they are and whether they are approved for use by the Loss Prevention Council (LPC), it being virtually impossible to tell from external inspection only.

Unless advised to the contrary and addressed within our report our valuation assumes that that there are no issues with the type and nature of the panelling utilised and that the building is fully insurable on standard commercial terms.

Contamination

Unless otherwise stated herein, we have not been instructed to commission a formal audit in respect of the subject site in relation to the potential presence of contamination. Furthermore, our brief enquiries have provided no evidence that there is a significant risk of contamination affecting the property or neighbouring property which would affect our valuation.

We have not carried out, nor are we qualified to carry out an Environmental Audit. Our comments herein are therefore merely a guide and should not be relied upon. If you require confirmation of the position, we strongly recommend that an initial Environmental Audit is carried out.

If we have been provided with third party reports, we have accepted them as being correct.

We have assumed that any/all necessary decontamination works have been undertaken at the subject in its current and/or permitted use to be legally undertaken without contravention of any existing contamination related statute.

A purchaser in the market might, in practice, undertake further investigations than those undertaken by us. If those further investigations were to reveal contamination, then this might reduce the value/s now reported.

Where property has been redeveloped we have assumed that any necessary de-contamination works required for the proposed redevelopment of the subject have been undertaken.

Contaminative Invasive Species

Unless otherwise informed we have assumed that there is no presence of any contaminative invasive species.

Ground Conditions

Unless otherwise stated, we have not been provided with a site investigation or geographical or geophysical survey. We have therefore assumed the ground has sufficient load bearing strength to support the existing structures (and/or any other structure which may be erected in the future) without exorbitant or excessive costs. It is further assumed that there are no underground minerals, archaeological remains etc which may have a detrimental impact on value.

For the purpose of this advice we have assumed that the ground conditions are satisfactory for a traditional method of construction. We have also assumed that there are no contaminating or other deleterious materials present which may prevent the development of the site in a traditional method or at normal cost levels. Furthermore, we have assumed that the site is capable of being serviced at a reasonable cost level, and that there would be no exorbitant or excessive off site costs relating to matters such as drainage, infrastructural adaptations etc.

If we have confirmed herein that the subject is located in an area of past mining activity, we recommend your solicitors instigate a mining search to comment upon the incidence of mining related settlement and location of mine shafts.

Flooding

Flood Risk - the Environment Agency website uses indicative Flood Plain maps to provide a general overview of areas of land in natural flood plains and therefore potentially at risk of flooding from rivers or sea. The maps use the best information currently available, based on historical flood records and geographical models and indicate where flooding from rivers, streams, water courses or the sea is possible.

The information relating to the likelihood of flooding is the Environment Agency's assessment of the likelihood of flooding from rivers and the sea at any particular location, based on the presence and effect of all flood defences, predicted floor levels, and ground levels. The probability or likelihood of flooding is described as the chance that a location will flood in any one year.

Drainage – surface water run off flooding, known as 'pluvial' flooding, at times of prolonged, exceptionally heavy downpours of rain, is becoming increasingly frequent given surrounding drains and sewers are not always able to cope. It can be made worse in urban areas where the ground consists mostly of hard surfaces, such that the rain flows straight off rather than soaking away. Rising groundwater levels resulting from heavier rainfall and reduces abstractions can also present problems.

Town Planning

We have made informal enquiries of the local planning and highway authorities and the information provided is assumed to be correct.

Unless otherwise stated, all planning information has been given via web based enquiries of the Local Planning Authority. In the absence of further information, we have assumed that the uses being carried out in each of the properties is an authorised planning use and that the buildings have been erected with full planning permission.

No formal search has been instigated and if reassurance is required we recommend that verification be obtained from your solicitors that the position is correctly stated in our report, that the property is not adversely affected by local authority proposals or requirements and that there are no outstanding statutory notices.

We have assumed that the properties and their value are unaffected by any matters which will be revealed by a local search and replies to the usual enquiries or by any statutory notice and that neither the properties nor their condition nor their present or intended uses are or will be unlawful.

We trust that your solicitors will check this information by taking out a local search and again, we would be pleased to advise further upon receipt of the confirmation of these details.

We have assumed that each property has full unconditional consent for the stated use and development described within.

For reference, following the Planning and Compulsory Purchase Act 2004, the old plan-making system is replaced by Local Development Frameworks (LDF). The LDF is not a single document or plan; rather, it is a suite of documents that combine to form the development plan for the area. A principal Strategy Document, sets the overall planning policy approach, which is supported by various Development Plan Documents (DPDs) for specific issues, such as site allocation.

Rating

For reference the empty property rates for vacant commercial premises are 100% of the basic occupied business rate, after initial void periods have elapsed. For most properties, excluding industrial, the void period is 3 months. For industrial properties, the void period is 6 months.

Unless otherwise stated we have not investigated whether the property is subject to any transitional relief or phasing and are unable to comment in this respect.

Health and Safety Legislation

Our valuation assumes that, in so far as is relevant to the subject, the property complies with the requirements of the Office Shops and Railway Premises Act 1963 as well as any superseding statute. The Act provides for securing the health, safety and welfare of persons employed to work in office or shop premises and those employed to work in certain railway premises.

Fire Legislation

As from 1 October 2006 the Regulatory Reform (Fire Safety) Order 2005 came into force in England and Wales. This has now been supplemented by the Fire Safety Act 2021. Under these regulations, Fire Certificates are no longer issued and existing certificates have been superseded by Risk Assessments. A Risk Assessment is required for all non-domestic properties, as well as tenanted domestic properties, and is to be carried out by a 'Responsible Person' as defined within the Order. The findings of any risk assessment must be recorded in writing where more than five or more persons are employed or the premises are licensed or there is an alterations notice.

The smoke and Carbon Monoxide Alarm (England) Regulations 2015 came into effect from 1 October 2015 requiring that landlords of residential property must provide (a) a smoke alarm on each storey of the premises on which there is a room used wholly or partly as living accommodation and (b) a carbon monoxide alarm in any room of the premises which is used wholly or partly as living accommodation and contains a solid fuel burning combustion appliance. A landlord has a responsibility to insure that the detectors are checked and in proper working order. It is assumed that the property is compliant in regard to the above regulations.

General Legislation

For the purpose of this report, we have assumed that the property complies with current fire regulations, building regulation controls, employment regulations, defective premises and health and safety legislation.

Discrimination

The Equality Act 2010 and subsequent updates, makes it unlawful for service providers to treat disabled people less favourably because they are disabled (unless there is a clear and fair reason) in relation to their access to their place of employment or education; their access to goods, services and facilities (although note that where private clubs are concerned, only those with 25 or more members are required to be compliant with the Act) and their access to the functions of public bodies.

Employers, educators and service providers must all make *reasonable* adjustments for disabled people to be able to access and use property they have a right or need to visit; this is not restricted to physical access.

Where a temporary or permanent physical feature makes it impossible, or unreasonably difficult, for disabled customers to make use of a service or place of education or work, the provider has to take reasonable measures to remove the feature; alter it so that it no longer has that effect; provide a reasonable means of avoiding the feature; or, provide a reasonable alternative method of making the service available to disabled people.

The test of reasonableness is about what is practical in the service provider's individual situation; what resources they might have (and the amount of any resources already spent on making adjustments); whether taking any particular measures would be effective in overcoming a particular difficulty; the extent to which it is practicable for the service provider to take the measures; the extent of any disruption which taking the measures would cause.

For the purpose of this report and valuation we have assumed that the property complies with the relevant requirements of the Equality Act 2010 ('the Act').

Sustainability

Investor and occupational decisions are increasingly being informed by a range of sustainability related metrics that are beginning to be developed and that can provide measures of some aspects of a property's sustainability characteristics, for example Energy Performance Certificates (EPCs) and BREEAM. Furthermore, industry benchmarking of sustainability performance is becoming more common place.

Characteristics that may be considered are land use, design and configuration, construction materials and services, location and accessibility, fiscal and legislative considerations and management and leasing issues. If, at the date of valuation, the market does not differentiate (in terms of demand), between a building that displays strong sustainability credentials and one that does not, there will be no impact on value.

Energy Performance Certificates

EPCs contain information about the energy performance of a building.

To meet the current EU Energy Performance of Buildings Directive, EPCs must be produced by the 'relevant person' prior to marketing for property transactions including the sale, rent or construction of all buildings, whether residential or commercial, with the exception of places of worship, buildings less than 50 sq m, industrial sites, workshops and non-residential agricultural buildings that do not use a lot of energy, and temporary buildings.

The 'relevant person' will be the vendor or prospective landlord as appropriate; where a tenant wishes to assign or sub-let its interest and the premises have common heating or air-conditioning services, the landlord of those constituent parts becomes the 'relevant person'.

Local Authority Trading Standards Officers have powers to levy fines for non-compliance. EPCs are valid for 10 years from the date of production and can be reused as many times as required within that period, provided that changes have not occurred to the property relating to, for example, layout or refurbishment.

DECs (Display Energy Certificates) - Since 9 July 2015 public buildings in the UK over 250m² must display a Display Energy Certificate (DEC) prominently at all times. The aim of the Energy Performance of Buildings Directive is for the public to receive energy information about a building they are visiting. The Certificate provides information of a similar nature to an EPC but is an advisory document and thus not registered in the same way as an EPC.

Rental properties – when renting a property (including sub-letting and assignment, but excluding lease renewals, extensions or surrenders) to a new tenant, landlords are required to produce an EPC to the tenant and a tenant cannot legally move into the property until an EPC has been produced. Landlords are not required to produce an EPC to an existing tenant or if an existing lease is renewed or for dwellings in multiple occupation.

Properties for sale - sellers must obtain an EPC prior to marketing and provide a hard copy to the purchaser on completion.

Any commercial building over 50 sq m, needs a Commercial EPC. A CEPC must have been commissioned and then handed over as soon as was practicable if not available at the date of marketing/sale.

Our valuations assume that EPCs would be provided on sale in accordance with the aforementioned legislation however **we recommend that this is clarified by your legal advisors.**

Tenure

Unless otherwise stated, we have not inspected any documents of title and for the purposes of this valuation we have assumed that the subject interest is unencumbered and free from any unduly onerous or unusual easements, restrictions, outgoings, covenants or rights of way and that it is not affected by any local authority proposals. We recommend that your solicitors be instructed to verify the position.

Tenant Status

Unless otherwise stated, we have assumed that there are no arrears of rent, service charge or other relevant payments, or undisclosed breaches of covenant.

Furthermore, unless otherwise confirmed herein, we have not made status enquiries of the tenant company/ies and have assumed that all financially sound and capable of meeting their rental and other responsibilities under the lease terms.

Disclosure of New Build Incentives

Following an agreement between the Council of Mortgage Lenders (CML), the Home Builders Federation (HBF) and Homes in Scotland, from 1 September 2008 the developer/builder or selling agent is required to complete a 'CML Disclosure of Incentives Form' for each sale of a newly built home, including newly converted property yet to be occupied for the first time. The form includes all details of the sale price and an incentive included in the selling package, and is to be supplied to the Valuer on request.

Taxation and Grants

Value Added tax, taxation, grants and allowances, are not included in capital and rental values as, unless otherwise specified in the report, they are always stated on a basis exclusive of any VAT liability even though VAT will in certain cases be payable.

It is assumed for the purposes of valuation that any potential purchaser is able to reclaim VAT, unless otherwise stated. In particular, it should be noted that where a valuation has been made on a Depreciated Replacement Cost basis the Replacement Cost adopted is net of VAT unless otherwise stated.

Unless otherwise specified Lambert Smith Hampton will not take into account of any existing or potential liabilities arising for capital gains or other taxation or tax reliefs as a result of grants or capital allowances, available to a purchaser of the property.

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, as:

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

Fair Value

1. The estimated price for the transfer of an asset or liability between identified knowledge and willing parties that reflects the respective interests of those parties (IVS 2013).
2. 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 (IFRS 13).

Depreciated Replacement Cost (DRC)

The current cost of replacing an asset with its modern equivalent asset less deductions for physical deterioration and all relevant forms of obsolescence and optimisation.

Operational Entities

The RICS advises that the most appropriate basis of valuation of properties normally sold as operational entities is Market Value as defined above. Such properties include public houses, hotels, holiday parks and other leisure uses, together with nursing homes, residential care homes, private hospital and petrol filling stations.

Our valuations reflect the following:

- a. The market's perception of trading potential with an assumed ability on the part of the purchaser to renew existing license, consents, registrations and permits;
- b. That the property is offered with vacant possession throughout, although in the case of nursing and residential care homes, subject to the contractual rights of the patients/residents occupying the home from time to time;
- c. That trade fixtures, fittings, furniture, furnishings and equipment are included.

Our valuations also specifically assume, unless otherwise specified that the business will continue to operate at a level not significantly worse than that indicated to us.

Existing Use Value

The estimated amount for which a property should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing wherein the parties had acted knowledgeably, prudently and without compulsion, assuming that the buyer is granted vacant possession of all parts of the property required by the business and disregarding potential alternative uses and any other characteristics of the property that would cause its Market Value to differ from that needed to replace the remaining service potential at least cost.

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, as:

"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."

Further, no allowance is made for any costs of sale or any liability for taxation, including VAT, which may arise on disposal.

Insurance

Insurance is usually arranged by clients (or their brokers) based on reinstatement cost assessments or occasionally on an indemnity basis and other methods of valuation are not appropriate. Therefore, in situations where advice is provided for insurance purposes, our methodology will be on a Reinstatement Cost Assessment basis.

Reinstatement Cost Assessment

The replacement figure stated for fire insurance purposes is a 'Day One' valuation and is given solely as a guide which may have to be varied and should not therefore be regarded as a formal valuation for insurance purposes. If a formal valuation for fire insurance purposes is required by our Building Consultancy department will be able to undertake this on your behalf as a separate instruction.

It is assumed that the policy is on an indemnity basis with a fully operative reinstatement clause and no special conditions. We have assumed an instantaneous basis of value and have had no regard to any variation in building costs subsequent to the date of our estimate.

No provision is included for trade fixtures and fittings, occupiers fit out items, Value Added Tax, nor for loss of rent, extra costs of working or other consequential loss, local authority requirements and party wall works. Further, the figure excludes any land remediation and special contaminated waste costs. However, the figure is inclusive of professional fees, demolition and site clearance and is based on a building cost index.

Following the outcome of the legal case *Bartoline v Royal and Sun Alliance Insurance plc* and another 2006, our assessment will not include for cost liabilities arising from any environmental consequences, contamination or pollution. We recommend that you consult your Insurers in respect of any specialist cover required.

A Reinstatement cost assessment is our opinion of the likely cost of reinstating all the buildings, on the basis that:

- a. The accommodation provided will be similar in construction, design and area to the existing buildings;
- b. The works will be in compliance with conditions imposed by local Authorities in connection with the construction of the building;
- c. Unless reported separately, allowances are made to cover the cost of necessary demolition and site clearance prior to rebuilding, external works such as hard standing, private roadways and fences and professional fees which would normally be incurred.

Unless otherwise stated the reinstatement cost does not include any allowances for:

- a. Any loss of rent incurred during rebuilding;
- b. Planning restrictions which a planning authority might impose;
- c. Special foundations required for plant and machinery or due to adverse ground conditions;
- d. Any plant, machinery, equipment, tanks, loose tools, office furniture and equipment (refer to the heading "Plant, Machinery, Fixtures and Fittings" for details of items normally included);
- e. Any effect of inflation on building costs occurring after the valuation date;
- f. VAT (except on professional fees) which normally be payable in addition.

Apportionment of Value

Apportionments provided between buildings, land and plant and machinery are normally depreciation purposes only. In normal circumstances apportionments are not valuations and they should not be used for any other purpose unless specified in our report.

Future Useful Economic Life

Future useful economic life of buildings is normally assessed in bands of years, most frequently subject to a maximum of fifty years. This applies to freehold properties and to leasehold properties where the future life is less than the unexpired term of the lease. An average figure is usually provided for groups of buildings forming a single asset. The figures are appropriate for depreciation purposes only.

Compliance with Valuation Standards

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. Copies are available for inspection.

Total Valuation (Aggregation)

Where provided this is the aggregate of the value of each individual property. It is envisaged that properties would be marketed individually or in groups in a structured and planned basis over an appropriate period of time. If all properties were to be sold as a single lot, the realisation would not necessarily be the same as the total of the valuations. This assumption is not applicable to valuations made for taxation purposes.

Limitations and Liabilities

This Valuation Report is provided for the stated purpose and for the sole use of the named client. It is confidential to the client and their professional advisors and the Valuer accepts no responsibility whatsoever to any other person.

Neither the whole nor any part of this Valuation Report nor any reference hereto may be included in any published document, circular, or statement, or published in any way, without the Valuer's written approval of the form and context in which it may appear.

Such publication of, or reference to this valuation report may not be made unless it contains a sufficient contemporaneous reference to the Special Assumptions or departure(s) from the RICS Red Book Global Standards.

APPENDICES



APPENDIX 1: ECONOMIC AND MACRO PROPERTY MARKET COMMENTARY

UK MARKET MACRO

Macro Economic Commentary

Due to the current high inflation there are severe pressures on businesses and occupiers to keep costs down including property costs and there must be a knock on effect on occupational demand. Weakening demand is likely to impact on property values in most sectors. We are currently operating within very difficult and unpredictable times and whilst we have largely negotiated through the effects of Covid-19 this pandemic continues to reshape how we live and work. There are also still potential issues that will continue to affect the economy as the UK proceeds with Brexit. The war in Ukraine has resulted in increasing levels of food, energy and fuel costs in particular which is resulting in significant and increasing upward pressure on inflation rates.

Amid the surging cost of living, the government has stepped in and introduced the Energy Price Guarantee, effectively capping energy prices at £2,500 for the average household from 1st October. This supersedes the previously announced cap of £3,549, which was due to come into force in October. The Energy Price Guarantee will remain in place for all households until April 2023, bringing some respite to Britons struggling with the cost-of-living crisis. The Government has announced plans to review the Energy Price Guarantee in April with a likelihood that the 'energy price cap' will return, albeit with additional financial support for some households

The Organisation for Economic Co-operation and Development expects the UK economy to grow by 3.60% in 2022, followed by 0.00% growth in 2023. This means the UK will go from the second-fastest growing economy in the G7 group of industrial nations to the slowest growing in 2023.

The robust pace of US jobs growth cooled in September but the unemployment rate unexpectedly dropped, firming expectations that the Federal Reserve will raise interest rates by another 0.75 percentage points at its next meeting in November. The world's largest economy added 263,000 positions last month, according to the Bureau of Labor Statistics, fewer than the 315,000 positions created in August and well below July's 537,000 increase. So far in 2022, monthly jobs growth is averaging 420,000, down from the 562,000 average monthly pace in 2021. Despite the slower pace of growth, the unemployment rate edged back down to its pre-pandemic low of 3.5 per cent as the share of Americans either employed or seeking a job declined slightly.

In late September 2022 the new Chancellor Kwasi Kwarteng promised to unveil a plan to bring UK debt back under control after his mini-budget sent the pound crashing. Many of his proposed tax reforms have now been reversed. Mr Kwarteng has now been sacked as Chancellor being replaced by Jeremy Hunt and shortly thereafter Liz Truss resigned as Prime Minister after 45 days in office. Rishi Sunak has now been elected by the Conservative MPs to be their new leader hence the next Prime Minister.

Sunak's chosen Chancellor (Jeremy Hunt is expected to remain in post) will still need to set out a new set of fiscal rules and achievable policies to fill the hole in the public finances. In a note published last week, it was estimated that even after Chancellor, Jeremy Hunt, wiped from history most of Truss/Kwarteng's tax policies, a fiscal hole of around £34bn remained. We will know more as the dust settles and Sunak's fiscal strategy is announced.

High nominal wage growth and inflation will put pressure on the Bank of England's Monetary Policy Committee to raise base rate further from its current level of 2.25%. The MPC's upcoming decisions will also be influenced by the actions of the new Prime Minister Rishi Sunak. Markets are no longer pricing in 6% interest rates by next year as the government scrapped the abolition of the 45p top tax rate. Traders are now predicting interest rates to hit between 5.5% and 5.75% by next year. The current Bank of England base interest rate sits at 2.25%, after it was increased in September.

The EY ITEM Club forecasts a 0.3% decline in GDP in Q3, and the UK economy is expected to contract around 0.2% each quarter from Q4 this year through to Q2 2023, resulting in GDP falling 0.3% in 2023 as a whole. This is a significant revision from the 1% growth forecast for 2023 in the EY ITEM Club's July *Summer Forecast* – although the scale of the upcoming downturn is expected to be shallow relative to previous recessions thanks, in part, to the Government's intervention on household and business energy bills.

As the squeeze on real incomes from high inflation eases, tax cuts take effect, the cheap pound boosts net exports and the tightening cycle for interest rates ends, GDP should return to growth in the second half of 2023. The economy is then expected to expand 2.4% in 2024 (unchanged from the *Summer Forecast*) and 2.3% in 2025.

The cost of living crisis will intensify over the coming months, with food and fuel inflation set to rise even higher. CPI inflation reached a new 40-year high of 10.0% in July 2022 and fell back to 9.9% in August, albeit the peak is not expected until October when it could reach 11/12% although there are signs that some of the global supply-side price pressures generated by the pandemic are starting to ease. Nonetheless, CPI inflation is set to remain well above the Bank of England's 2% target until at least late 2023.

Despite a cooling in the wider economy, the labour market remains hot by any measure. May to July 2022 estimates show a decrease in the unemployment rate compared with the previous three-month period (February to April 2022), and a decrease in the employment rate, while the economic inactivity rate increased. The UK employment rate was estimated at 75.4%, 0.2 percentage points lower than the previous three-month period and 1.1 percentage points lower than before the coronavirus pandemic (December 2019 to February 2020). The UK unemployment rate was estimated at 3.6%, 0.2 percentage points lower than the previous three-month period, and 0.4 percentage points below pre-coronavirus pandemic levels.

UK ECONOMY & PROPERTY MARKET

Key economic indicators:

	Latest data	Capital Economics forecasts	
		2022	2023
GDP growth	-0.1% (Q2 22)	3.3%	0.0%
CPI inflation	9.9% (Jul 22)	9.6%	7.2%
Unemployment rate	3.6% (May-Jul 22)	3.7%	4.5%

UK may already be in recession

UK GDP fell by 0.1% in Q2 2022, following growth of 0.8% in Q1. While there was a slight rebound in monthly GDP in July, with growth of 0.2%, this was largely due to the unwinding of effects caused by June's extra bank holidays, and it was weaker than most economists had expected. Purchasing Managers' Index (PMI) data points to a further loss of economic momentum in August, suggesting that there was a sharp contraction in manufacturing output, while the services sector grew at its slowest pace for 18 months. This raises the possibility that Q3 will be the second successive quarter of negative GDP growth, which would mean that the economy is officially in a recession.

Inflation hits new highs

The recent weakening of economic activity can be largely attributed to the growing impact of rising prices on consumers and businesses, with CPI inflation close to a 40-year high at 9.9% in July. Inflation is likely to remain elevated over the coming months, but there are signs that some global inflationary pressures may be starting to wane, with supply chain issues caused by the pandemic easing, and wholesale gas prices falling back after spiking upwards in August due to reductions in Russian supplies to Europe.

'Energy price guarantee' to cap bills

The new Prime Minister Liz Truss has announced an 'energy price guarantee' to stave off the threat of severe increases in household fuel bills, which had been set to rise by 80% in October to an average of £3,549 a year. Instead, government-backed loans to energy suppliers will be used to cap average household bills at £2,500 for two years, with the previously announced £400 discount to energy bills also being applied. Businesses will have fuel bills capped for six months, while additional support may be targeted towards vulnerable industries such as the hospitality sector.

New policy may reduce inflation's peak

The energy bill package is unlikely to prevent the recession, but it may reduce its depth and length. It should also stop inflation from reaching the highs that had been expected under economists' previous forecast scenarios. Capital Economics predicts that instead of topping out at 14.5% in January, CPI inflation will peak at c. 11.0% in November and it will fall faster than had been expected next year. Nonetheless, a period of high inflation is still in prospect over the winter, and broader cost pressures such as food and drink inflation will continue to impact households' spending.

More interest rate hikes ahead

With inflation staying high, the Bank of England will remain under pressure to make further hikes to the base rate. The new prime minister's promise to loosen fiscal policy may also put an increased onus on the Bank to use monetary policy to counter rising prices. The base rate was raised by 50bps to 2.25% in September, the seventh consecutive increase, taking it to its highest level since 2008. Further increases are likely, with market pricing implying that the base rate could reach 4.0% next year, albeit this is higher than most economists' expectations.

Labour market slightly looser

The labour market remains tight by any measure, but the first signs of a slight loosening have started to appear. The unemployment rate dropped to a 48-year low of 3.6% in the three months to July, but this was caused primarily by a shortfall in the labour supply rather than strong demand from employers. An increase in the level of economic inactivity, driven by students and the long-term sick, was a major factor; and the number of economically inactive people of working age has now risen by 904,000 since the start of the pandemic. Job vacancies have fallen slightly after reaching a record 1.3m in May, but nonetheless remain close to all-time highs. Labour demand may soften further over the coming months due to the weakening economy, and this could lead to reduced levels of wage growth. To date, wages have continued to grow strongly by historical standards, with nominal annual earnings (including bonuses) rising by 5.5% in the three months to July. While this means that wages are falling in real terms, it is higher than the 3.0-3.5% that is usually considered consistent with the Bank of England's 2% inflation target, and it adds to the pressure for interest rate hikes.

Retail sales on a downward trend

Retail sales volumes have been on a broad downward trend since summer 2021. Monthly retail sales volumes fell by 1.6% in August 2022, and were 5.4% lower than in the same month of last year. While the initial falls in retail sales mainly resulted from a spending rotation to services following the removal of COVID-19 restrictions, more recent declines have stemmed from consumers reining in spending in the face of rising prices. Retail sales volumes are expected to see further falls over the coming months, as high inflation puts a continued squeeze on real disposable incomes.

Strong Q2, but choppier waters ahead

The investment market remained robust in Q2, with £15.7bn of property assets changing hands, 15% above the five-year quarterly average. However, volume was flattered by a handful of large-scale deals, most notably GIC and Greystar's colossal £3.3bn acquisition of the Student Roost portfolio from Brookfield. There were signs of a cooling of the investment market towards the end of Q2, and this trend appears to have continued into Q3, as rising borrowing costs and the weakening economic backdrop have increasingly impacted activity. Pricing is coming under pressure across the market, particularly in low-yielding sectors such as industrial. With 10-year gilt yields rising above 3% in September, the margins between prime yields and the risk-free rate have continued to narrow.

Market hits an inflection point

According to MSCI's latest quarterly index, the all-property total return for Q2 2022 was 2.9%, slowing from 4.8% in Q1. During the second quarter, total returns were led by industrial (4.5%), followed by retail (3.0%) and offices (1.1%). However, the market appears to have reached a turning point at the end of Q2, and monthly returns have moved into negative territory during Q3, driven primarily by falls in industrial capital values. The change in market conditions is also reflected in widespread downgrades to forecasts for the rest of the year and 2023. The latest IPF Consensus Forecasts, published in September, envisage that the all-property total return for 2022 will be 6.4%, implying a negative performance over H2. The all-property return for 2023 is forecast to be a modest 3.0%, with the strongest sectors expected to be retail warehouses (4.5%), industrial (4.1%) and shopping centres (3.3%).

UK OFFICES

Q2 2022 MSCI data:

	Rental growth (%)		Capital growth (%)		Income return (%)		Initial yield (%)	
	3mth	12mth	3mth	12mth	3mth	12mth	Q2 21	Q2 22
West End offices	0.2	1.7	0.0	3.1	0.8	3.2	3.4	3.0
City offices	0.5	1.5	0.3	2.2	0.9	3.1	3.2	3.2
South East offices	-0.1	1.4	0.2	2.3	1.0	4.2	4.4	4.2
Rest of UK offices	0.5	1.5	0.4	1.5	1.1	4.6	4.9	4.5
ALL UK OFFICES	0.2	1.5	0.2	2.3	0.9	3.8	4.0	3.7
<i>ALL PROPERTY</i>	<i>1.0</i>	<i>3.8</i>	<i>1.9</i>	<i>14.6</i>	<i>1.0</i>	<i>4.2</i>	<i>4.5</i>	<i>3.9</i>

Office attendance continues to languish

Despite COVID-19 restrictions having ended in early 2022, office-based employers up and down the country continue to grapple with low rates of staff attendance. Recent research by Remit Consulting reveals that the number of staff working in the office reached a national daily average of 31% in September, less than half the rate of circa 70% prior to the pandemic. With office attendance levels appearing increasingly unlikely to return to pre-COVID levels, a mass rethinking of office requirements will drive strong, albeit consolidatory, demand over the coming years.

Post-COVID bounce stalls in the regions

Having rallied in the wake of the pandemic throughout 2021, challenging conditions in the economy more recently have driven a general weakening of activity in the regional occupier markets. In the South East, while Q2 take-up of 960,000 sq ft was slightly above average, it was skewed by several large deals and was significantly down on the three-year high of 1.2m sq ft seen in Q4 2021. The core regional markets fared worse in Q2, with total take-up of 1.8m sq ft being 18% below the quarterly average, with only Newcastle boasting take-up ahead of trend.

Central London finally back on form

Meanwhile, Central London - having been hardest hit in the wake of the pandemic - bounced back to form to 2022. Q2 take-up hit 3.8m sq ft; the strongest outturn since Q3 2018 and 26% above trend. Activity was underpinned by the return of the churn market and a number of major pre-lets, the largest being Kirkland & Ellis's 415,000 sq ft commitment at 40 Leadenhall, EC3. Despite the positive outturn, Central London is relatively exposed to post-pandemic structural changes to working patterns, given the relative expense and extent of rail commuting associated with the capital.

Regions vs. London supply contrasts

Despite the pandemic-driven disruption in the market, supply across the regional markets has held broadly steady since the pandemic. Across the core regional markets combined, availability still stands 40% below its cycle peak in 2012. This is in stark contrast with Central London, however, where total supply soared to a 16-year high in 2021, before edging down slightly in Q2 2022. The sharp rise in the capital was fueled by a considerable release of tenant space after the pandemic, a trend that is yet to really materialise in the regional markets.

Focus on quality lifts rents

Fears that the pandemic would drive a prolonged downturn in rents were misplaced. Indeed, reduced occupancy has prompted many occupiers to exchange quantity for quality, with regard to location, amenity and ESG credentials. With limited 'best in class' option available, many markets around the UK have witnessed double-digit percentage growth in prime rents

over the past 18 months. Meanwhile, on the MSCI Index, average UK rental growth has been positive albeit muted since Q2 2021, reflecting a relative aversion to generic quality space. Average UK rents increased by 0.2% in Q2 2022 taking the annual growth to 1.5%. Q2 growth was led by the City of London, with average rents rising by 0.5%, while the South East region was the only segment to record a fall, with average rents down 0.1% in the quarter.

**Investors
target life
sciences**

Despite ongoing uncertainty around future occupancy strategies, total office investment volume was only 10% below the five-year trend in Q2. At £2.1bn, investment in Central London offices was down almost 50% from Q1. The capital saw only a handful of major deals, the largest of which was Hong Kong investor Kingboard's £294m (3.99% NIY) purchase of 2 London Wall Place, EC2 from Brookfield AM. Meanwhile, global appetite for life sciences continued apace in Q2, with Life Sciences REIT's £183m acquisition of Oxford Technology Park accounting for 43% of UK office park volume. Elsewhere, regional office volume hit a four-year high of £1.2bn in Q2, the headline deal being Blackstone's £182m (4.60% NIY) acquisition of Colmore Plaza, Birmingham from Ashby Capital Ltd.

**Values begin
to fall over
summer**

According to MSCI's quarterly index, average UK office capital values gradually increased since returning to positive territory in Q2 2021, rising by 2.3% over the year to Q2 2022. All of the segments have recorded growth over the year, led by London's West End, where average values have increased by 3.1%. However, more recent data from MSCI's smaller, but more timely, monthly index shows a reversal in values took place over in the summer months, reflecting darkening conditions in the economy and the changing financial environment. Average UK office values fell by 0.6% in August 2022, the sharpest monthly fall in values since the height of the pandemic in May 2020.

**Yields
remain
stable**

MSCI's average net initial yield for UK offices moved in by 18bps in Q2 to stand at 3.7%, the lowest level ever recorded. However, as indicated by the above fall in values over the summer, this may represent a turning point in the direction of travel for average yields. Interest rate hikes, the rising cost of borrowing and increasing gilt yields are increasingly likely to impact on pricing over the rest of 2022. A degree of yield softening has already been recorded on the more timely MSCI monthly measure, with average office yields moving out by 4bps in August 2022.

**Returns
easing down**

Average UK office total returns have eased down in 2022, having hit a four-year quarterly high of 2.0% in Q4 2021. Q2's return of 1.6% nonetheless took the annual return to a respectable 6.3%, marginally led by South East offices with annual returns of 6.6%. Total returns across the office segment are likely to ease down more significantly in the second half of 2022, with the softening of yields leaving income as the main driver of performance.

**Uncertain
outlook**

The most recent IPF Consensus Forecast (published in September 2022), anticipates UK office total returns will hit a modest 1.9% in 2022, a result that reflects expectations of softening yields and a circa 2% fall in capital values over the year. Over the five years to 2026, UK office returns are forecast to recover to 3.9% p.a., albeit this represents a marked fall in the earlier Spring consensus from the forecast. However, with the nature of the recovery from the pandemic and the economic outlook still highly uncertain, medium-term forecasts should be treated with caution.

UK RETAIL

Q2 2022 MSCI data:

	Rental growth (%)		Capital growth (%)		Income return (%)		Initial yield (%)	
	3mth	12mth	3mth	12mth	3mth	12mth	Q2 21	Q2 22
Standard retail – South East	0.2	-2.1	0.8	3.2	1.0	4.0	4.0	3.9
Standard retail – Rest of UK	-0.1	-1.9	0.2	3.5	1.4	5.8	6.0	5.6
Shopping Centres	0.0	-1.2	-0.3	-1.8	1.6	6.7	6.3	7.0
Retail Warehouses	0.2	0.5	3.5	24.5	1.4	6.1	6.8	5.4
ALL UK RETAIL	0.1	-0.8	1.7	10.9	1.3	5.5	5.7	5.2
<i>ALL PROPERTY</i>	<i>1.0</i>	<i>3.8</i>	<i>1.9</i>	<i>14.6</i>	<i>1.0</i>	<i>4.2</i>	<i>4.5</i>	<i>3.9</i>

Retail sales volumes falling

Retail sales volumes have been on a broad downward trend since summer 2021, and were 5.4% lower in August 2022 than the same month of last year. Retail sales values rose by 5.4% over the same period, with the divergence between volumes and values reflecting the impact of rising prices. The beginning of the downward trajectory in retail sales volumes was partly due to the lifting of COVID-related hospitality restrictions last year, which gave consumers more opportunities to spend outside of the retail sector. However, as the trend has continued in 2022, it has become increasingly attributable to the impact of the cost-of-living crisis.

Households tighten belts

There is growing evidence that consumers are cutting back on discretionary spending in response to high inflation. Household goods stores (including electrical items and furniture) have seen the greatest falls in sales, with volumes down by 16.8% in August compared with a year earlier. Feedback from retailers to the Office for National Statistics attributes this to increased prices and affordability concerns. Retail spending will be constrained by further falls in real household disposable incomes, with Capital Economics forecasting that these will drop by 3% this year and by 2% next year.

Online sales recede further

Online sales as a proportion of all retailing fell to 25.7% in August. A general downward trend in online's market share has been observed since it reached a peak of 37.4% in February 2021, albeit it remains comfortably above the pre-pandemic level of 19.8% in February 2020. While the pandemic has clearly accelerated consumers' adoption of ecommerce, the online share of overall retail sales could further moderate in the short term as consumers rein in discretionary online purchases.

Footfall still below pre-pandemic levels

Retail footfall has improved from the low levels seen during the lockdowns of the last two years. According to Springboard data, footfall across UK retail destinations was 15.6% higher in July 2022 than the same month of 2021. However, it remained 13.2% below the pre-pandemic level of July 2019. Footfall trends vary between the retail segments; while high streets (-17.0%) and shopping centres (-18.6%) were still well below pre-pandemic levels in July, retail parks were down by a more modest 3.5%.

Retail failures increase from 2021 low	The Centre for Retail Research reported 14 major retail failures in the first six months of 2022, affecting 1,536 stores and 28,510 employees. Retailers going into administration during H1 included McColl's, Sofa Workshop and Missguided. This represents a faster pace of retail failures than was seen in 2021, when 19 companies went bust across the whole year, but it is still a considerable improvement on 2020, when a joint-record 54 major retailers failed.
Vacancy rates down from pandemic highs	After rising sharply during the pandemic, retail vacancy rates fell for the third successive quarter in Q2 2022. According to the Local Data Company, the overall vacancy rate decreased to 14.0%, down from the peak of 14.5% recorded last year. Vacancy rates nudged down across all segments, but there remain large variations across the market, with shopping centres at 18.9%, high streets at 14.0%, and retail parks at 10.2%. By region, vacancy rates are lowest in London, the South East and the East of England; and highest in the North East, Wales and Scotland.
Rental values stabilising	MSCI data suggests that retail rents were relatively stable in H1 2022, after falling consistently over the previous four years. Retail market rental values nudged upwards by 0.1% in Q2, albeit they remained 0.8% down year-on-year. Retail warehouses were the only segment where rents were higher than a year ago, with growth of 0.2% in Q2 taking the 12-month figure to 0.5%. Shopping centre rents were flat in Q2, while standard retail recorded growth of 0.1%. However, the nascent recovery in rental growth is at risk of being extinguished by the growing impact of the cost-of-living crisis on the retail sector.
Retail investment edges down	Retail investment slipped by 37% from Q1's four-year high to £1.2bn in Q2. This was largely due to a significant drop in retail warehousing volume. Despite ongoing strong demand in this segment, a lack of large-scale deals saw activity fall to a two-year low of £420m. In contrast, shopping centre volume rose by 26% to £484m, with activity in this sector boosted by investors seeking repurposing and repositioning opportunities. For the first time in six years, shopping centre volume of was ahead of both retail warehousing and shops in Q2.
Prime yields face upward pressure	Prime yields softened in parts of the retail market in Q2, after remaining broadly stable for the previous years. Prime shops (exc. London) and sub-regional shopping centres both saw prime yields move out by 25 basis points, to 6.75% and 9.25% respectively. Prime yields were unchanged across most other retail segments. However, in common with other sectors, upward pressure on yields can be expected in H2 as rising interest rates cause investors to re-evaluate pricing.
Retail warehouse leading performance	According to MSCI data, the retail total return for Q2 2022 was 3.0%, taking the figure for the last 12 months to 16.9%. Retail warehouses have been the main driver of performance, returning 4.9% in Q2 and 32.0% over 12 months. Capital growth of 1.7% was recorded across the retail sector in Q2, led by 3.5% growth for retail warehouses. However, standard shops also recorded positive capital growth for the first time in more than four years, at 0.3%. In contrast, shopping centre capital values fell back by 0.3% in Q2.
Returns to moderate	The latest IPF Consensus Forecasts point to a much weaker outlook for retail property performance in H2 2022 and next year. Total returns in 2023 are forecast to be 1.4% for standard retail, 3.3% for shopping centres and 4.5% for retail warehouses. Retail warehouses is the only segment expected to see positive rental growth in 2023, while all three segments are projected to see falls in capital values in 2023.

UK LIVING SECTORS

Q2 2022 MSCI data:

	Rental growth (%)		Capital growth (%)		Income return (%)		Initial yield (%)	
	3mth	12mth	3mth	12mth	3mth	12mth	Q2 21	Q2 22
Healthcare	0.1	0.9	0.9	4.9	1.3	5.4	5.3	5.3
Hotels	0.1	0.4	1.1	6.2	1.0	3.9	4.0	3.9
Residential	0.3	0.8	0.7	6.8	1.1	4.0	3.7	3.7
ALL PROPERTY	1.0	3.8	1.9	14.6	1.0	4.2	4.5	3.9

Living sectors back in demand

Investment in the living sectors has recovered strongly from the slump induced by the pandemic, with £10.1bn transacted in H1 2022, 60% higher than the same period of last year. This included investment of £5.8bn in Q2, the second strongest quarter on record. Q2 volume was underpinned by GIC and Greystar's massive £3.3bn acquisition of the Student Roost portfolio from Brookfield, comprising 23,000 beds across 20 UK cities. However, other living sectors also performed well, reflecting a broad improvement in activity. The living sectors overtook offices and industrial to be the most active part of the investment market in H1, accounting for nearly a third of the total investment. This represents a resumption of longer-term trends that were in train before the pandemic, as the living sectors have increasingly become a core part of investors' strategies, supported by structural trends driving their growth and a deepening pool of capital seeking stable income streams.

Hotel market recovers over summer

Hotel occupancy rates recovered to close to pre-COVID levels over the summer, after two years of being heavily impacted by the pandemic. The UK-wide hotel occupancy rate was 77.1% in July, according to Hotstats data. With hoteliers able to make the most of the high demand and charge premium prices, average daily rates (ADR) and RevPAR rose above pre-COVID levels. In July, ADR was £165.99 in the UK and £267.73 in London; while RevPAR was £127.90 nationally and £205.63 in the capital. However, rising operational costs and lower demand from consumers impacted by the cost-of-living crisis could mean that the autumn and winter months are a much tougher trading period for the sector.

Student property top of the class

GIC and Greystar's £3.3bn purchase of the Student Roost portfolio supported investment of £3.9bn in student property in Q2, well over three times the five-year quarterly average. However, this was not the only significant transaction of the quarter as other major deals included Scape's £173.25m forward-funding of a 713-bed student scheme at 181 Talgarth Road in west London; and Apollo Global Management's £161m purchase of an 897-bed purpose-built student accommodation (PBSA) portfolio. Student property operators report that demand has recovered strongly to be in line with pre-pandemic levels, with the Unite Group, for example, saying that it expects to achieve occupancy of 97% in the 2022/23 academic year. This is underpinned by a record 684,000 applications to UK universities ahead of the June deadline, according to UCAS data. International applications to UK universities hit a new high of 135,000, despite the number of EU students remaining well below pre-Brexit levels, with applications from Nigeria, India and China being among the main sources of growth.

Healthcare demand picks up

Healthcare property investment reached £596m in Q2, the strongest total since Q4 2019, supported by the transaction of several sizeable care home portfolios. These included two separate sale and leaseback deals of c. £100m with the operator and developer Hamberley,

which saw Octopus Real Estate acquire six assets and Rynda Healthcare purchase five. The care home sector is reportedly seeing occupancy rates return close to pre-pandemic levels, while the demographic drivers of demand continue to support an attractive long-term investment case, particularly for buyers seeking secure income. The healthcare sector has continued to see positive capital growth, with MSCI recording that values rose by 4.9% in the year to Q2 2022.

**PRS/BtR
sector
continues to
grow**

PRS/BtR assets attracted £736m of investment in H1 2022, which represented a slowing of activity after volume reached £3.4bn in 2021. Forward-funding deals continued to dominate the larger end of the market, with Q2 transactions including Cortland Group's £138m deal at Lisbon Street, Leeds; and Get Living's £136m deal at Sherlock Street, Birmingham. The BtR sector continues to offer development and investment opportunities due to a shortage of supply across the UK. According to the British Property Federation, the BtR stock stood at 73,739 homes in Q2, less than 2% of the UK's total private rented sector households, but a further 47,764 are under construction and 115,859 are in planning. Demand for rented homes remains strong, but high inflation is impacting the affordability of rents and starting to limit rental growth prospects.

**Upward
pressure on
yields**

Prime yields were broadly flat across most of the living arena in Q2. However, as with all sectors, yield levels are now subject to upward pressure due to rising interest rates and the weakening economic backdrop. Nonetheless, the living sectors appear to have seen more limited movements than most commercial property sectors, with anecdotal evidence suggesting that prime yields generally moved out by no more than 25 basis points in the first two months of Q3.

APPENDIX 2: VALUATION PRINTOUT

The George Shopping Centre, Grantham

Valuation date: 10/11/2022

Freehold

Rounded Value: 1,255,000 Net Initial Yield: 14.700%

Nominal Equivalent Yield: 14.944%

Total Area: 57,930 sqft True Equivalent Yield: 16.212%

Reversionary Yield: 17.991%

WAULT (to First Break): 2 yrs, 6 mths

WAULT (to Lease Expiry): 3 yrs, 8 mths

1, Katana (Grantham) Ltd

Current	Gross income	18,000		
	Holding Costs	-4,417		
	Net income		13,583	
	YP (13.000% for 2 months) 0.1551			2,107
Dec 2022	Gross income	0		
	Holding Costs	-4,417		
	Net income		-4,417	
	YP (15.000% for 9 months deferred for 2 months) 0.6482			-2,863
Sep 2023	Gross income	0		
	Holding Costs	-4,417		
	Net income		-4,417	
	YP (15.000% for 6 months deferred for 11 months) 0.3959			-1,749
Mar 2024	Gross income	18,000		
	Holding Costs	-4,417		
	Net income		13,583	
	YP (15.000% in perpetuity deferred for 1 year and 5 months) 5.4692			74,288
Unit Gross Value				71,783

2, VACANT

Current	Gross income	0		
	Holding Costs	-1,840		
	Net income		-1,840	
	YP (15.000% for 1 year) 0.8696			-1,600
Oct 2023	Gross income	0		
	Holding Costs	-1,840		
	Net income		-1,840	
	YP (15.000% for 6 months deferred for 1 year) 0.3913			-720
Apr 2024	Gross income	7,500		
	Holding Costs	-1,840		
	Net income		5,660	
	YP (15.000% in perpetuity deferred for 1 year and 6 months) 5.4058			30,595
Unit Gross Value				28,274

3, VACANT

Current	Gross income	0		
	Holding Costs	-1,840		
	Net income		-1,840	
	YP (15.000% for 1 year) 0.8696			-1,600
Oct 2023	Gross income	0		
	Holding Costs	-1,840		
	Net income		-1,840	
	YP (15.000% for 6 months deferred for 1 year) 0.3913			-720
Apr 2024	Gross income	7,500		
	Holding Costs	-1,840		
	Net income		5,660	
	YP (15.000% in perpetuity deferred for 1 year and 6 months) 5.4058			30,595
Unit Gross Value				28,274

4, VACANT

Current	Gross income	0		
	Holding Costs	-1,227		
	Net income		-1,227	
	YP (15.000% for 1 year) 0.8696			-1,067
Oct 2023	Gross income	0		
	Holding Costs	-1,227		
	Net income		-1,227	
	YP (15.000% for 6 months deferred for 1 year) 0.3913			-480
Apr 2024	Gross income	5,000		
	Holding Costs	-1,227		
	Net income		3,773	
	YP (15.000% in perpetuity deferred for 1 year and 6 months) 5.4058			20,397
Unit Gross Value				18,850

5, VACANT

Current	Gross income	0		
	Holding Costs	-920		
	Net income		-920	
	YP (15.000% for 1 year) 0.8696			-800
Oct 2023	Gross income	0		
	Holding Costs	-920		
	Net income		-920	
	YP (15.000% for 6 months deferred for 1 year) 0.3913			-360
Apr 2024	Gross income	3,750		
	Holding Costs	-920		
	Net income		2,830	
	YP (15.000% in perpetuity deferred for 1 year and 6 months) 5.4058			15,297
Unit Gross Value				14,137

6, VACANT

Current	Gross income	0		
	Holding Costs	-2,454		
	Net income		-2,454	
	YP (15.000% for 1 year) 0.8696			-2,134
Oct 2023	Gross income	0		
	Holding Costs	-2,454		
	Net income		-2,454	
	YP (15.000% for 6 months deferred for 1 year) 0.3913			-960
Apr 2024	Gross income	10,000		
	Holding Costs	-2,454		
	Net income		7,546	
	YP (15.000% in perpetuity deferred for 1 year and 6 months) 5.4058			40,793
Unit Gross Value				37,699

7, Under Offer

Current	Gross income	0		
	Holding Costs	-4,049		
	Net income		-4,049	
	YP (13.000% for 6 months) 0.4560			-1,846
Apr 2023	Gross income	0		
	Holding Costs	-4,049		
	Net income		-4,049	
	YP (15.000% for 3 months deferred for 6 months) 0.2135			-864
Jul 2023	Gross income	16,500		
	Holding Costs	-4,049		
	Net income		12,451	
	YP (15.000% in perpetuity deferred for 9 months) 6.0032			74,747
Unit Gross Value				72,036

8, LANGFORD HOSPITALITY LIMITED

Current	Gross income	12,500		
	Holding Costs	-3,067		
	Net income		9,433	
	YP (13.000% for 3 years and 8 months) 2.7783			26,207
Jun 2026	Gross income	0		
	Holding Costs	-3,067		
	Net income		-3,067	
	YP (15.000% for 6 months deferred for 3 years and 8 months) 0.2695			-827
Dec 2026	Gross income	12,500		
	Holding Costs	-3,067		
	Net income		9,433	
	YP (15.000% in perpetuity deferred for 4 years and 2 months) 3.7239			35,127
Unit Gross Value				60,507

9, Mr O Secka T/A Klug Cosmetics

Current	Gross income	12,000		
	Holding Costs	-1,840		
	Net income		10,160	
	YP (15.000% for 3 years) 2.2832			23,197
Oct 2025	Gross income	0		
	Holding Costs	-1,840		
	Net income		-1,840	
	YP (15.000% for 1 year deferred for 3 years) 0.5718			-1,052
Oct 2026	Gross income	0		
	Holding Costs	-1,840		
	Net income		-1,840	
	YP (15.000% for 6 months deferred for 4 years) 0.2573			-473
Apr 2027	Gross income	7,500		
	Holding Costs	-1,840		
	Net income		5,660	
	YP (15.000% in perpetuity deferred for 4 years and 6 months) 3.5544			20,117
Unit Gross Value				41,787

10&11, Vacant

Current	Gross income	0		
	Holding Costs	-1,840		
	Net income		-1,840	
	YP (15.000% for 1 year and 3 months) 1.0686			-1,967
Jan 2024	Gross income	0		
	Holding Costs	-1,840		
	Net income		-1,840	
	YP (15.000% for 9 months deferred for 1 year and 3 months) 0.5571			-1,025
Oct 2024	Gross income	7,500		
	Holding Costs	-1,840		
	Net income		5,660	
	YP (15.000% in perpetuity deferred for 2 years) 5.0410			28,530
Unit Gross Value				25,538

12, 3 Raj Kaur t/a R&R Threading

Current	Gross income	3,000		
	Holding Costs	-736		
	Net income		2,264	
	YP (13.000% for 3 months) 0.2315			524
Jan 2023	Gross income	0		
	Holding Costs	-736		
	Net income		-736	
	YP (15.000% for 6 months deferred for 3 months) 0.4345			-320
Jul 2023	Gross income	0		
	Holding Costs	-736		
	Net income		-736	
	YP (15.000% for 3 months deferred for 9 months) 0.2061			-152
Oct 2023	Gross income	3,000		
	Holding Costs	-736		
	Net income		2,264	
	YP (15.000% in perpetuity deferred for 1 year) 5.7971			13,124
Unit Gross Value				13,176

13, VACANT

Current	Gross income	0		
	Holding Costs	-1,963		
	Net income		-1,963	
	YP (15.000% for 1 year and 3 months) 1.0686			-2,098
Jan 2024	Gross income	0		
	Holding Costs	-1,963		
	Net income		-1,963	
	YP (15.000% for 9 months deferred for 1 year and 3 months) 0.5571			-1,094
Oct 2024	Gross income	8,000		
	Holding Costs	-1,963		
	Net income		6,037	
	YP (15.000% in perpetuity deferred for 2 years) 5.0410			30,432
Unit Gross Value				27,240

14 & 14a, Manish Acharya/Ishan Acharya

Current	Gross income	0		
	Holding Costs	-3,681		
	Net income		-3,681	
	YP (13.000% for 11 months) 0.8153			-3,001
Sep 2023	Gross income	0		
	Holding Costs	-3,681		
	Net income		-3,681	
	YP (15.000% for 1 year deferred for 11 months) 0.7650			-2,816
Sep 2024	Gross income	15,000		
	Holding Costs	-3,681		
	Net income		11,319	
	YP (15.000% in perpetuity deferred for 1 year and 11 months) 5.1000			57,728
Unit Gross Value				51,911

15, Mrs Rosabell Freedom M Ansell

Current	Gross income	6,500		
	Holding Costs	-1,595		
	Net income		4,905	
	YP (13.000% for 2 months) 0.1551			761
Dec 2022	Gross income	0		
	Holding Costs	-1,595		
	Net income		-1,595	
	YP (15.000% for 6 months deferred for 2 months) 0.4396			-701
Jun 2023	Gross income	0		
	Holding Costs	-1,595		
	Net income		-1,595	
	YP (15.000% for 3 months deferred for 8 months) 0.2085			-333
Sep 2023	Gross income	6,500		
	Holding Costs	-1,595		
	Net income		4,905	
	YP (15.000% in perpetuity deferred for 11 months) 5.8650			28,768
Unit Gross Value				28,495

16, Alexander Kent Interiors

Current	Gross income	5,200		
	Holding Costs	-1,276		
	Net income		3,924	
	YP (13.000% for 1 month) 0.0779			306
Nov 2022	Gross income	0		
	Holding Costs	-1,276		
	Net income		-1,276	
	YP (15.000% for 9 months deferred for 1 month) 0.6557			-837
Aug 2023	Gross income	0		
	Holding Costs	-1,276		
	Net income		-1,276	
	YP (15.000% for 6 months deferred for 10 months) 0.4005			-511
Feb 2024	Gross income	5,200		
	Holding Costs	-1,276		
	Net income		3,924	
	YP (15.000% in perpetuity deferred for 1 year and 4 months) 5.5332			21,712
Unit Gross Value				20,670

17, Vacant				
Current	Gross income	0		
	Holding Costs	-1,718		
	Net income		-1,718	
	YP (15.000% for 9 months) 0.6634			-1,140
Jul 2023	Gross income	0		
	Holding Costs	-1,718		
	Net income		-1,718	
	YP (15.000% for 3 months deferred for 9 months) 0.2061			-354
Oct 2023	Gross income	7,000		
	Holding Costs	-1,718		
	Net income		5,282	
	YP (15.000% in perpetuity deferred for 1 year) 5.7971			30,622
Unit Gross Value				29,128
18&19, VACANT				
Current	Gross income	0		
	Holding Costs	-3,681		
	Net income		-3,681	
	YP (15.000% for 1 year) 0.8696			-3,201
Oct 2023	Gross income	0		
	Holding Costs	-3,681		
	Net income		-3,681	
	YP (15.000% for 6 months deferred for 1 year) 0.3913			-1,440
Apr 2024	Gross income	15,000		
	Holding Costs	-3,681		
	Net income		11,319	
	YP (15.000% in perpetuity deferred for 1 year and 6 months) 5.4058			61,190
Unit Gross Value				56,549
20, Thi Hieu Vo t/a Glamour Nail Bar				
Current	Gross income	8,600		
	Holding Costs	-1,227		
	Net income		7,373	
	YP (13.000% for 2 years and 6 months) 2.0252			14,932
Apr 2025	Gross income	0		
	Holding Costs	-1,227		
	Net income		-1,227	
	YP (15.000% for 9 months deferred for 2 years and 6 months) 0.4678			-574
Jan 2026	Gross income	0		
	Holding Costs	-1,227		
	Net income		-1,227	
	YP (15.000% for 6 months deferred for 3 years and 3 months) 0.2857			-351
Jul 2026	Gross income	5,000		
	Holding Costs	-1,227		
	Net income		3,773	
	YP (15.000% in perpetuity deferred for 3 years and 9 months) 3.9472			14,893
Unit Gross Value				28,901

21&22, Jobs 22 Limited

Current	Gross income	10,500		
Holding Costs		-2,086		
Net income			8,414	
YP (13.000% for 3 months) 0.2315				1,948
Jan 2023	Gross income	0		
Holding Costs		-2,086		
Net income			-2,086	
YP (15.000% for 1 year deferred for 3 months) 0.8397				-1,751
Jan 2024	Gross income	0		
Holding Costs		-2,086		
Net income			-2,086	
YP (15.000% for 6 months deferred for 1 year and 3 months) 0.3778				-788
Jul 2024	Gross income	8,500		
Holding Costs		-2,086		
Net income			6,414	
YP (15.000% in perpetuity deferred for 1 year and 9 months) 5.2202				33,483
Unit Gross Value				32,892

23, VACANT

Current	Gross income	0		
Holding Costs		-1,472		
Net income			-1,472	
YP (15.000% for 1 year) 0.8696				-1,280
Oct 2023	Gross income	0		
Holding Costs		-1,472		
Net income			-1,472	
YP (15.000% for 6 months deferred for 1 year) 0.3913				-576
Apr 2024	Gross income	6,000		
Holding Costs		-1,472		
Net income			4,528	
YP (15.000% in perpetuity deferred for 1 year and 6 months) 5.4058				24,476
Unit Gross Value				22,619

24, Mr Ousman Secka & Mrs Amie Ndow

Current	Gross income	4,500		
	Holding Costs	-1,104		
	Net income		3,396	
	YP (13.000% for 4 months) 0.3071			1,043
Feb 2023	Gross income	0		
	Holding Costs	-1,104		
	Net income		-1,104	
	YP (15.000% for 9 months deferred for 4 months) 0.6332			-699
Nov 2023	Gross income	0		
	Holding Costs	-1,104		
	Net income		-1,104	
	YP (15.000% for 6 months deferred for 1 year and 1 month) 0.3867			-427
May 2024	Gross income	4,500		
	Holding Costs	-1,104		
	Net income		3,396	
	YP (15.000% in perpetuity deferred for 1 year and 7 months) 5.3432			18,144
Unit Gross Value				18,061

25, Lunettes Opticians Limited

Current	Gross income	6,000		
	Holding Costs	-1,227		
	Net income		4,773	
	YP (13.000% for 3 months) 0.2315			1,105
Jan 2023	Gross income	5,000		
	Holding Costs	-1,227		
	Net income		3,773	
	YP (15.000% in perpetuity deferred for 3 months) 6.4378			24,290
Unit Gross Value				25,395

26, Luscious Gelato

Current	Gross income	12,000		
	Holding Costs	-2,945		
	Net income		9,055	
	YP (13.000% for 7 months) 0.5293			4,793
May 2023	Gross income	0		
	Holding Costs	-2,945		
	Net income		-2,945	
	YP (15.000% for 1 year deferred for 7 months) 0.8015			-2,360
May 2024	Gross income	0		
	Holding Costs	-2,945		
	Net income		-2,945	
	YP (15.000% for 6 months deferred for 1 year and 7 months) 0.3606			-1,062
Nov 2024	Gross income	12,000		
	Holding Costs	-2,945		
	Net income		9,055	
	YP (15.000% in perpetuity deferred for 2 years and 1 month) 4.9826			45,119
Unit Gross Value				46,490

27, OSCARS BAR

Current	Gross income	14,000		
	Holding Costs	-3,435		
	Net income		10,565	
	YP (13.000% for 4 years and 11 months)	3.4745		36,707
Sep 2027	Gross income	0		
	Holding Costs	-3,435		
	Net income		-3,435	
	YP (15.000% for 9 months deferred for 4 years and 11 months)	0.3337		-1,146
Jun 2028	Gross income	0		
	Holding Costs	-3,435		
	Net income		-3,435	
	YP (15.000% for 3 months deferred for 5 years and 8 months)	0.1037		-356
Sep 2028	Gross income	14,000		
	Holding Costs	-3,435		
	Net income		10,565	
	YP (15.000% in perpetuity deferred for 5 years and 11 months)	2.9159		30,806
Unit Gross Value				66,010

28, 41 & 42, Fitness Grantham Ltd

Current	Gross income	19,000		
	Holding Costs	-3,067		
	Net income		15,933	
	YP (15.000% for 6 years and 11 months)	4.1311		65,819
Sep 2029	Gross income	0		
	Holding Costs	-3,067		
	Net income		-3,067	
	YP (15.000% for 1 year and 6 months deferred for 6 years and 11 months)	0.4795		-1,471
Mar 2031	Gross income	0		
	Holding Costs	-3,067		
	Net income		-3,067	
	YP (15.000% for 1 year deferred for 8 years and 5 months)	0.2682		-823
Mar 2032	Gross income	12,500		
	Holding Costs	-3,067		
	Net income		9,433	
	YP (15.000% in perpetuity deferred for 9 years and 5 months)	1.7879		16,864
Unit Gross Value				80,390

29, VACANT

Current	Gross income	0		
	Holding Costs	-1,104		
	Net income		-1,104	
	YP (15.000% for 1 year) 0.8696			-960
Oct 2023	Gross income	0		
	Holding Costs	-1,104		
	Net income		-1,104	
	YP (15.000% for 9 months deferred for 1 year) 0.5769			-637
Jul 2024	Gross income	4,500		
	Holding Costs	-1,104		
	Net income		3,396	
	YP (15.000% in perpetuity deferred for 1 year and 9 months) 5.2202			17,727
Unit Gross Value				16,129

30, Feed The Beast LTD

Current	Gross income	4,500		
	Holding Costs	-712		
	Net income		3,788	
	YP (13.000% for 1 year) 0.8850			3,353
Oct 2023	Gross income	0		
	Holding Costs	-712		
	Net income		-712	
	YP (15.000% for 1 year deferred for 1 year) 0.7561			-538
Oct 2024	Gross income	0		
	Holding Costs	-712		
	Net income		-712	
	YP (15.000% for 9 months deferred for 2 years) 0.5016			-357
Jul 2025	Gross income	2,900		
	Holding Costs	-712		
	Net income		2,188	
	YP (15.000% in perpetuity deferred for 2 years and 9 months) 4.5393			9,934
Unit Gross Value				12,391

31 & 32, Creeperhost Limited

Current	Gross income	9,500		
	Holding Costs	-1,350		
	Net income		8,150	
	YP (13.000% for 3 years and 4 months)	2.5740		20,979
Feb 2026	Gross income	0		
	Holding Costs	-1,350		
	Net income		-1,350	
	YP (15.000% for 1 year and 3 months deferred for 3 years and 4 months)	0.6707		-905
May 2027	Gross income	0		
	Holding Costs	-1,350		
	Net income		-1,350	
	YP (15.000% for 9 months deferred for 4 years and 7 months)	0.3496		-472
Feb 2028	Gross income	5,500		
	Holding Costs	-1,350		
	Net income		4,150	
	YP (15.000% in perpetuity deferred for 5 years and 4 months)	3.1636		13,130
Unit Gross Value				32,732

33, 34, 35, VACANT

Current	Gross income	0		
	Holding Costs	-3,067		
	Net income		-3,067	
	YP (15.000% for 1 year and 6 months)	1.2608		-3,867
Apr 2024	Gross income	0		
	Holding Costs	-3,067		
	Net income		-3,067	
	YP (15.000% for 1 year deferred for 1 year and 6 months)	0.7051		-2,163
Apr 2025	Gross income	12,500		
	Holding Costs	-3,067		
	Net income		9,433	
	YP (15.000% in perpetuity deferred for 2 years and 6 months)	4.7007		44,340
Unit Gross Value				38,310

36, Correct Hearing Limited

Current	Gross income	0		
	Holding Costs	-736		
	Net income		-736	
	YP (13.000% for 9 months)	0.6738		-496
Jul 2023	Gross income	0		
	Holding Costs	-736		
	Net income		-736	
	YP (15.000% for 9 months deferred for 9 months)	0.5974		-440
Apr 2024	Gross income	3,000		
	Holding Costs	-736		
	Net income		2,264	
	YP (15.000% in perpetuity deferred for 1 year and 6 months)	5.4058		12,238
Unit Gross Value				11,302

37, Tropicana Tan (Grantham) Limited

Current	Gross income	4,250		
	Holding Costs	-1,043		
	Net income		3,207	
	YP (13.000% in perpetuity) 7.6923			24,670
Unit Gross Value				24,670

38, VACANT

Current	Gross income	0		
	Holding Costs	-1,104		
	Net income		-1,104	
	YP (15.000% for 1 year) 0.8696			-960
Oct 2023	Gross income	0		
	Holding Costs	-1,104		
	Net income		-1,104	
	YP (15.000% for 9 months deferred for 1 year) 0.5769			-637
Jul 2024	Gross income	4,500		
	Holding Costs	-1,104		
	Net income		3,396	
	YP (15.000% in perpetuity deferred for 1 year and 9 months) 5.2202			17,727
Unit Gross Value				16,129

39, Pearson Professional Assessments Limited

Current	Gross income	8,750		
	Holding Costs	-1,104		
	Net income		7,646	
	YP (13.000% for 3 months) 0.2315			1,770
Jan 2023	Gross income	0		
	Holding Costs	-1,104		
	Net income		-1,104	
	YP (15.000% for 1 year deferred for 3 months) 0.8397			-927
Jan 2024	Gross income	0		
	Holding Costs	-1,104		
	Net income		-1,104	
	YP (15.000% for 9 months deferred for 1 year and 3 months) 0.5571			-615
Oct 2024	Gross income	4,500		
	Holding Costs	-1,104		
	Net income		3,396	
	YP (15.000% in perpetuity deferred for 2 years) 5.0410			17,118
Unit Gross Value				17,345

40, VACANT

Current	Gross income	0		
	Holding Costs	-1,227		
	Net income		-1,227	
	YP (15.000% for 1 year and 3 months) 1.0686			-1,311
Jan 2024	Gross income	0		
	Holding Costs	-1,227		
	Net income		-1,227	
	YP (15.000% for 9 months deferred for 1 year and 3 months) 0.5571			-684
Oct 2024	Gross income	5,000		
	Holding Costs	-1,227		
	Net income		3,773	
	YP (15.000% in perpetuity deferred for 2 years) 5.0410			19,020
Unit Gross Value				17,025

Office Suite 1, VACANT

Current	Gross income	0		
	Holding Costs	-2,454		
	Net income		-2,454	
	YP (15.000% for 1 year and 3 months) 1.0686			-2,622
Jan 2024	Gross income	0		
	Holding Costs	-2,454		
	Net income		-2,454	
	YP (15.000% for 9 months deferred for 1 year and 3 months) 0.5571			-1,367
Oct 2024	Gross income	10,000		
	Holding Costs	-2,454		
	Net income		7,546	
	YP (15.000% in perpetuity deferred for 2 years) 5.0410			38,040
Unit Gross Value				34,050

Office Suite 2, VACANT

Current	Gross income	0		
	Holding Costs	-1,963		
	Net income		-1,963	
	YP (15.000% for 1 year) 0.8696			-1,707
Oct 2023	Gross income	0		
	Holding Costs	-1,963		
	Net income		-1,963	
	YP (15.000% for 9 months deferred for 1 year) 0.5769			-1,133
Jul 2024	Gross income	8,000		
	Holding Costs	-1,963		
	Net income		6,037	
	YP (15.000% in perpetuity deferred for 1 year and 9 months) 5.2202			31,514
Unit Gross Value				28,674

Office Suite 3, Ms E Hansbury

Current	Gross income	2,500		
	Holding Costs	-613		
	Net income		1,887	
	YP (15.000% for 2 years) 1.6257			3,067
Oct 2024	Gross income	0		
	Holding Costs	-613		
	Net income		-613	
	YP (15.000% for 9 months deferred for 2 years) 0.5016			-308
Jul 2025	Gross income	0		
	Holding Costs	-613		
	Net income		-613	
	YP (15.000% for 3 months deferred for 2 years and 9 months) 0.1559			-96
Oct 2025	Gross income	2,500		
	Holding Costs	-613		
	Net income		1,887	
	YP (15.000% in perpetuity deferred for 3 years) 4.3834			8,270
Unit Gross Value				10,933

Office Suite 4, CARL ATKINS

Current	Gross income	1,750		
	Holding Costs	-429		
	Net income		1,321	
	YP (15.000% for 7 months) 0.5220			689
May 2023	Gross income	0		
	Holding Costs	-429		
	Net income		-429	
	YP (15.000% for 9 months deferred for 7 months) 0.6115			-263
Feb 2024	Gross income	0		
	Holding Costs	-429		
	Net income		-429	
	YP (15.000% for 3 months deferred for 1 year and 4 months) 0.1900			-82
May 2024	Gross income	1,750		
	Holding Costs	-429		
	Net income		1,321	
	YP (15.000% in perpetuity deferred for 1 year and 7 months) 5.3432			7,056
Unit Gross Value				7,401

Office Suite 5, VACANT

Current	Gross income	0		
	Holding Costs	-429		
	Net income		-429	
	YP (15.000% for 9 months) 0.6634			-285
Jul 2023	Gross income	0		
	Holding Costs	-429		
	Net income		-429	
	YP (15.000% for 3 months deferred for 9 months) 0.2061			-89
Oct 2023	Gross income	1,750		
	Holding Costs	-429		
	Net income		1,321	
	YP (15.000% in perpetuity deferred for 1 year) 5.7971			7,655
Unit Gross Value				7,282

Office Suite 6, VACANT

Current	Gross income	0		
	Holding Costs	-736		
	Net income		-736	
	YP (15.000% for 9 months) 0.6634			-488
Jul 2023	Gross income	0		
	Holding Costs	-736		
	Net income		-736	
	YP (15.000% for 3 months deferred for 9 months) 0.2061			-152
Oct 2023	Gross income	3,000		
	Holding Costs	-736		
	Net income		2,264	
	YP (15.000% in perpetuity deferred for 1 year) 5.7971			13,124
Unit Gross Value				12,484

Store Room 109, Creeperhost Limited

Current	Gross income	3,725		
	Holding Costs	-491		
	Net income		3,234	
	YP (13.000% for 3 years and 4 months) 2.5740			8,325
Feb 2026	Gross income	0		
	Holding Costs	-491		
	Net income		-491	
	YP (15.000% for 9 months deferred for 3 years and 4 months) 0.4164			-204
Nov 2026	Gross income	2,000		
	Holding Costs	-491		
	Net income		1,509	
	YP (15.000% in perpetuity deferred for 4 years and 1 month) 3.7676			5,686
Unit Gross Value				13,807

41 Car Parking Spaces

Current	Gross income	8,550		
	Holding Costs	-4,527		
	Net income		4,023	
	YP (13.000% for 1 year) 0.8850			3,560
Oct 2023	Gross income	18,450		
	Holding Costs	-4,527		
	Net income		13,923	
	YP (15.000% in perpetuity deferred for 1 year) 5.7971			80,711

Unit Gross Value **84,271**

Summary of Unit Values

1, Katana (Grantham) Ltd	71,783
2, VACANT	28,274
3, VACANT	28,274
4, VACANT	18,850
5, VACANT	14,137
6, VACANT	37,699
7, Under Offer	72,036
8, LANGFORD HOSPITALITY LIMITED	60,507
9, Mr O Secka T/A Klug Cosmetics	41,787
10&11, Vacant	25,538
12, 3 Raj Kaur t/a R&R Threading	13,176
13, VACANT	27,240
14 &14a, Manish Acharya/Ishan Acharya	51,911
15, Mrs Rosabell Freedom M Ansell	28,495
16, Alexander Kent Interiors	20,670
17, Vacant	29,128
18&19, VACANT	56,549
20, Thi Hieu Vo t/a Glamour Nail Bar	28,901
21&22, Jobs 22 Limited	32,892
23, VACANT	22,619
24, Mr Ousman Secka & Mrs Amie Ndow	18,061
25, Lunettes Opticians Limited	25,395
26, Luscious Gelato	46,490
27, OSCARS BAR	66,010
28, 41 &42, Fitness Grantham Ltd	80,390
29, VACANT	16,129
30, Feed The Beast LTD	12,391
31 & 32, Creeperhost Limited	32,732
33, 34, 35, VACANT	38,310
36, Correct Hearing Limited	11,302
37, Tropicana Tan (Grantham) Limited	24,670
38, VACANT	16,129
39, Pearson Professional Assessments Limited	17,345
40, VACANT	17,025
Office Suite 1, VACANT	34,050
Office Suite 2, VACANT	28,674
Office Suite 3, Ms E Hansbury	10,933
Office Suite 4, CARL ATKINS	7,401
Office Suite 5, VACANT	7,282
Office Suite 6, VACANT	12,484
Store Room 109, Creeperhost Limited	13,807
41 Car Parking Spaces	84,271
Total of Unit Values	1,331,749

Buyers Costs

Acquisition Fees	1.0000%	-15,060 v
Legal Fee	0.5000%	-7,530 v
Stamp Duty	(=4.1633%)	-52,250

Total (=5.9633% of Net Value)

-74,840

Net Value	1,256,788
Say	1,255,000

Total VAT:	3,770
------------	-------

Assumptions

All dates for capitalisation calculations taken from the nearest month start/end.

Stamp Duty is progressive and derived from the set "HMRC (UK excl Scotland)"

Buyer's costs are based on Say Value.

Running yields and Net Initial Yield are based on net income and say value plus buyer's costs 1,329,840.

Cap Adj running yields are based on rounded cumulative capital invested.

VAT rate of 20.00% applied where applicable.

Formulae as in Parry's Tables: rent annually in arrears.

Disclaimer:

APPENDIX 3: LETTER/EMAIL OF INSTRUCTION, LETTER OF
ACKNOWLEDGEMENT AND LSH TERMS OF ENGAGEMENT

Attn: James Straw,
Lambert Smith Hampton Group Limited,
East West Building,
2 Tollhouse Hill,
Nottingham,
NG1 5FS

Ref: SB/
Crystal Investment Group Limited

Dear Sirs,

You are instructed to provide a report and valuation of the Property for secured loan purposes in accordance with the RICS Valuation - Global Standards 2020 'the Red Book'.

The report is to be addressed to **Proplend Security Limited** (the "Security Trustee") in accordance with the terms set out in this instruction letter who will rely on the Valuation as Security Trustee.

The Professional Indemnity Insurance Policy must be in your own name effected and maintained with an insurer approved by the Royal Institution of Chartered Surveyors providing you with full cover against your potential liabilities under your report and valuation including without limitation claims for breach of instructions and claims for professional negligence.

You will not do anything which might invalidate any Professional Indemnity Insurance Policy or to prejudice our entitlement thereunder. You will on request provide us with evidence of the existence and renewal of the Professional Indemnity Insurance Policy, the name of the insurer and proof of payment of the premium.

We never lend on security of property where we are aware that the borrower or any related or connected person uses or intends to use the property as a dwelling. Please report to us who is in occupation of the property and let us know immediately if you believe or suspect that that the borrower or any related or connected person uses or intends to use the property as a dwelling

Timing – The Valuation Report should be completed within 5 business days of the inspection. Please notify us if there will be any delay.

Access – To arrange access to the Property please contact the Borrower directly (details below). Please provide details of any parts of the Property that were not inspected within your report.

By accepting this instruction, you are agreeing that the Valuation may be read by Proplend Members whom have no reliance on the valuation. Only the Security Trustee has reliance.

Borrower:	Crystal Investment Group Limited
Contact Name:	Mr. Shaz Miah
Phone Number:	07812 604594
Email:	shaz@crystalestates.co.uk
Properties:	The George Centre, High Street, Grantham, Lincolnshire, NG31 6LH
Tenure:	Freehold
Use:	Retail
Tenancies:	Please see the attached Tenancy Schedule

Access:	To arrange access to the Property please contact the client directly - Mr. Shaz Miah / / shaz@crystalestates.co.uk.
---------	---

Instruction

The report containing your valuation (Valuation Report) should be addressed to Proplend Security Limited which must clearly state that it can be relied upon for the purposes described in this instruction letter by the parties named herein. Please ensure that the Valuation Report accords with the current RICS Appraisal and Valuation Manual.

Please indicate in your Valuation Report if the valuer or your firm have had any previous involvement with the Property forming the subject of the valuation. If so, please indicate the nature and extent of that involvement and confirm specifically that you consider there is no conflict of interest on the part of the valuer or your firm.

The report and valuation must be undertaken and signed by a qualified valuer with a minimum 2 years PQE. A qualified valuer must be both a member of the Royal Institution of Chartered Surveyors, MRICS/FRICS and an RICS registered valuer. The Lender requires all residential and commercial valuation reports (excluding short form residential templates) are to be countersigned by a Chartered Surveyor, MRICS/FRICS and an RICS registered valuer with a minimum of 5 years PQE

Content of Valuation and Report

The Market Valuation referred to below should be based on current values and should reflect market conditions prevailing at the date of the Valuation Report, and changes in market conditions that you are able to predict, and should include:

- 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(s).
- Estimated Reinstatement Cost for fire insurance purposes, including site clearance costs and professional fees;
- Executive Summary;
- Provide commentary on whether the Property is suitable for loan security purposes;
- Details of tenant(s), including passing rent, lease start/expiry/break dates and any non-recoverable costs etc. For commercial tenancies provide strength of covenant, service charge issues etc.;
- Tenure and principle terms of lease for leasehold properties;
- Provide comparable sales and rental evidence to support your assumptions on values;
- Provide commentary on continued likely market demand for properties of this size and nature, in this location, for sale and to let;
- Provide a full description of the Property to include its accommodation, its size, its construction, location and general state of repair. These details should be supported with photos of the Properties. Whilst you are not instructed to carry out a structural survey on each Property, please comment of any noticeable defects that might warrant further investigation and which might affect the marketability of the Property
- Valuation methodology including justification of value, calculations and residual appraisals on land with planning valuations;
- If the property is a development, we require information on build costs, comparison to BCIS indices and full commentary to support the build costs adopted within your valuation.
- Provide copies of relevant planning consents and documentation including approved drawings, Section 106 agreements etc and commentary thereon.
- Copy of the most recent Energy Performance Certificate
- Specific commentary concerning access right to the different areas of the Property.
- Purchase history of the Property during the last 10 years. If the Property is on the market, please confirm the selling agent and include a copy of the sales particulars in the report.
- Lending risks both short and medium term
- Residential element as a percentage of the land area.
- For new builds / conversions (last 10 years), please comment on the completion date, whether NHBC or similar certification would be required, the number of properties in the development and any recent sales
- Commentary on any invasive vegetation, contamination, and/or hazardous substances identified upon inspection
- Any additional reports required on the Property i.e. Ground Investigation Structural Survey, Asbestos Report etc
- Council tax band / Rateable Value
- Disability Discrimination Act issues.

Please provide as appendices:

- Sufficient colour photographs of the street scene, exterior (front and rear) and interior of the Property.
- A general location map and a more detailed plan showing boundaries you have assumed for the Property.
- Land registry extract.

Report on Title

The Security Trustee requires that its acting Solicitors arrange to send you a copy of their Report on Title in respect of the Property and obtain your written confirmation that nothing in the report on title has any effect on the valuation report you have provided to the Security Trustee. Please respond to any such request by the acting Solicitors in a timely manner and without delaying Completion.

Fees

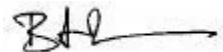
You have quoted and the Borrower has agreed to pay a fee of £8,000 + VAT for this undertaking. Whilst a receipted invoice for this service should be supplied with your report, we ask that you seek settlement of your fee from the proposed Borrower whose contact details are supplied above. Proplend Security Limited cannot accept any responsibility for non-payment of your fees in this regard.

Contact Details

Please contact Proplend on 0203 637 8418 if you have any queries regarding this instruction.

Please send the Valuation Report to **borrower@proplend.com**, with hard copy to 15 Little Green, Richmond TW9 1QH. Following provision of the Valuation Report, you should be prepared to discuss its contents with the Proplend and Proplend Security Limited (Security Trustee). By sending the Valuation Report you signify your acceptance of the terms of this letter of instruction, which shall be governed by and construed in accordance with English law.

Yours Faithfully,



Brian Bartaby
Director

Proplend Security Limited

6th October 2022Proplend Security Limited
20-22 Wenlock Road
London
N1 7GULambert Smith Hampton
East West Building
2 Tollhouse Hill
Nottingham
NG1 5FS

For the attention of: Brian Bartaby

Our Ref: JS

Dear Sirs

APPLICANT: CRYSTAL INVESTMENT GROUP LIMITED

SUBJECT OF VALUATION: THE GEORGE CENTRE, HIGH STREET, GRANTHAM, LINCOLNSHIRE, NG31 6LH
(THE "PROPERTY")

CLIENT: PROPLEND SECURITY LIMITED

YOUR REFERENCE: SB/CRYSTAL INVESTMENT GROUP LIMITED

Thank you for your instruction email dated 28 September 2022 to provide valuation advice in respect of the above retail property. Our valuation will be undertaken in accordance with the RICS Red Book Global Standards.

We set out the basis of our instruction as follows:

1. You have instructed us to value the property for loan security purposes.
2. We have not been informed of the details of the loan terms however, we have assumed that these are made on sensible loan to value ratios (not more than 75%) and without any unusual constraints or caveats.
3. We must draw to your attention our enclosed Terms of Engagement for Valuation Services which, together with this Engagement Letter, form the Agreement between us regarding the work we are to undertake, the circumstances in which fees and expenses will be payable and details of our respective duties.
4. We maintain adequate insurance cover for the purpose of this instruction.
5. The valuation is to be of the freehold interest and on the basis Market Value and Market Rent (the definitions of which are attached). *You have also requested that we provide an informal estimate of reinstatement cost.* All values will be stated in £GBP.
6. You require a valuation on the basis that the property is subject to existing tenancies.
7. You have requested an additional valuations on the basis of Market Value with the Special Assumptions that:

- Market Value subject has the benefit of full vacant possession.
- 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

These assumptions will be stated in our valuation report and will be assumed to exist at the valuation date.

8. We have agreed that we shall rely upon the following information for the purpose of reporting to you:
 - Tenancy schedule provided by you
 - Floor areas from tenancy schedule provided by you.
 - We understand that all leases are formed on the same basis, you have agreed for us to rely upon the tenancy schedule and check 6 sample leases.
9. The valuation date will be the date of our report. The Valuation will be carried out by James Straw MRICS, Senior Surveyor, a RICS Registered Valuer who will be acting as an External Valuer. We confirm this Valuer will act with independence, integrity and objectivity, and has sufficient current local and national knowledge of the particular asset type at its particular market as well as the skills, qualifications, experience and understanding necessary to undertake the valuation competently. He will sign the report on behalf of Lambert Smith Hampton.
10. We confirm that over the last two years we have had no involvement with the property, the borrower or a prospective borrower, or with any party connected with a transaction for which lending is required.
11. Our agreed fee for providing you with our valuation report is £8,000 plus VAT and will be paid by Crystal Investment Group Limited. We confirm that this arrangement has no effect on the contractual obligations between ourselves. We shall charge VAT at the statutory rate on all fees. VAT will be calculated with reference to the level prevailing at the date of our invoice.

Our valuation report will be released on receipt of cleared funds.

12. the event that your bank intends to syndicate the whole or any part of the loan we draw to your attention clause 9 of the attached 'Terms of Engagement for Valuation Services' which operate to the exclusion of any other terms or conditions which you may seek to apply to this instruction.
13. Please note that any reproduction or public reference to the valuation or report will require our prior written consent.
14. We must draw to your attention that our compliance with the Red Book Global Standards may be subject to monitoring under the Royal Institution of Chartered Surveyors conduct and disciplinary regulations.
15. We confirm that the Valuation Division of Lambert Smith Hampton has a Quality Management System which complies with ISO 9001:2015.
16. In the event of any ambiguity or conflict between any of the documents comprising the Agreement, this Engagement Letter shall take precedence over any of the other Terms.
17. We are happy to consider your Solicitor's Report on Title prepared in connection with the proposed facility as part of this instruction. If, however the Report on Title is delayed and is received in excess of three months from the date of our valuation report we will charge an additional fee on a time spent basis.
18. Our Valuation Report will be provided for the above-stated purpose and for the sole use of the named Client. It will remain confidential to the Client and his professional advisers and the Valuer accepts no responsibility whatsoever to any other person. Neither the whole nor any part of the

Valuation Report nor any reference thereto may be included in any published document, circular, or statement, or published in any way, without the Valuer's written approval of the form and context in which it may appear. Such publication of, or reference to the valuation report may not be made unless it contains a sufficient contemporaneous reference to any Special Assumptions or departures from the Red Book confirmed therein. We refer you to Condition 9 of the attached Terms of Engagement for Valuation Services.

19. This instruction may be terminated by either party upon 30 days' notice to the other. If the instruction is terminated by either party, we will be entitled to fees and expenses on the basis set out in the Terms of Engagement.

Confirmation of Instructions

Our services as detailed above are subject to the limitations on our liability set out in this Letter of Engagement and in paragraph 9 of our Terms of Engagement. These are important provisions which you should read and consider carefully.

We are committed to providing a high level of service. In the event that you have any concerns about any aspect of our work please do not hesitate to contact me. Details of our complaints procedure are available on request.

Our enclosed Terms of Engagement (v13) and this Letter of Engagement will apply to our relationship and to all matters we work on for you. Please confirm your acceptance of this Letter of Engagement and our Terms of Engagement within seven days of the date of this letter by forwarding to us a copy of this Letter of Engagement via email with the following confirmation wording "**I/We accept and agree the terms of the attached letter**".

If you have not formally accepted this Letter of Engagement and our Terms of Engagement as set out above, by instructing us you will be deemed to have accepted this Letter of Engagement and our Terms of Engagement and will be bound by them.

Please note that in the event of any ambiguity or conflict between any of the documents comprising the Agreement, this Letter of Engagement shall take precedence over the other Terms

Yours faithfully



James Straw BA (Hons) MSc MRICS
RICS Registered Valuer
Senior Surveyor
For and on behalf of
LAMBERT SMITH HAMPTON

DDI +44 (0)115 838 7698
Mobile +44 (0)7824 333 757
Email jstraw@lsh.co.uk

encl. Terms of Engagement for Valuation Services

RICS Red Book Global Standards

Bases of Value

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 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.

Terms of Engagement for Valuation Services

1. INTERPRETATION

(i) In these Terms:

"Agreement" means the agreement between the Client and LSH for carrying out the Service, incorporating the Terms and the Engagement Letter.

"Client" means the person to whom LSH is to provide services in accordance with the Terms and includes the person to whom the Engagement Letter is addressed.

"Data Protection Laws" all applicable data protection and privacy legislation in force from time to time in the UK including without limitation the Data Protection Act 2018 (and regulations made thereunder) ("DPA 2018"); the UK GDPR (as defined in section 3(10) and as supplemented by section 205(4) of the DPA 2018); the Privacy and Electronic Communications Regulations 2003 (SI 2003/2426) as amended.

"Director" means any person whose title includes the word 'director' whether or not a statutory director.

"Engagement Letter" means the letter or proposal document sent out by LSH to the Client setting out the basis on which it will carry out the Service.

"Expert Witness Terms" means the terms and conditions which, in addition to the Terms of Engagement letter, govern the provision of the Expert Witness Services (as defined within the Expert Witness Terms of Engagement).

"Fee" means the fee for the Service as set out in the Engagement Letter or as otherwise agreed in writing between LSH and the Client, plus any expenses or other amounts properly due under this Agreement.

"LSH" means Lambert Smith Hampton Group Limited whose registered office is at 55 Wells Street, London, W1T 3PT and any company which is in the same group of companies as that company.

"LSH Report" means the written advice and report(s) provided to the Client by LSH under this Agreement.

"Property" means the property identified in the Engagement Letter and any agreed variation to the Engagement Letter.

"RICS" means the Royal Institution of Chartered Surveyors.

"Service" means the service to be performed or procured by LSH under the Agreement including, where applicable, any Expert Witness Services (as defined in the Expert Witness Terms).

"Terms" means the terms and conditions set out in this document and includes the Expert Witness Terms and any other terms and conditions set out in the Engagement Letter or any other letter or document from LSH accompanying, supplementing or varying the Terms.

"Valuation Standards" means the RICS Valuation Guidance Standards as set out within the RICS Red Book - Global

(ii) In these Terms:

(a) A reference to "writing" includes electronic mail.

(b) A reference to any provision of a statute or regulation shall be construed as a reference to that provision as it is in force at the relevant time taking account of any amendment, re-enactment, extension or repeal.

(c) Except where the context otherwise requires, words denoting the singular include the plural and vice versa, words denoting any gender include all genders and any reference to a "person" includes an individual, firm, corporation and/or other legal entity.

(d) References to a numbered condition are to that condition in these Terms.

(e) The headings are for convenience only and shall not affect the interpretation of these Terms.

2. GENERAL

(i) The Agreement shall be made when the Client receives a copy of the Terms or gives instructions to LSH, whichever shall be the later, and shall be subject to the Terms, which shall also apply to all or any part of the Service carried out prior to such date.

(ii) LSH shall perform all Services on the basis of the Agreement only, which shall apply to the exclusion of any other terms and conditions which the Client may seek to impose or incorporate, or which are implied by trade, custom, practice or course of dealing.

(iii) No variation of:

(a) the Terms shall be binding unless previously agreed in writing by a statutory director of LSH (as identified on Companies House from time to time);

(b) The Engagement Letter shall be binding unless previously agreed in writing by a Director of LSH,

and in entering into the Agreement the Client acknowledges that it has not relied on any statement, promise or representation which has not been confirmed in writing by a Director of LSH.

(iv) In the event of any ambiguity or conflict between any of the documents comprising the Agreement, the Engagement Letter shall take precedence over any of the other Terms.

(v) Nothing in the Agreement shall confer or purport to confer on any third party any benefit or right to enforce any terms of the Agreement. No term of the Agreement shall be enforceable under the Contracts (Rights of Third Parties) Act 1999 by a person who is not a party to the Agreement, although this shall not affect any right or remedy of any third party which exists or is available other than under such Act.

(vi) LSH's duties under the Agreement shall be limited to those set out in the Terms.

(vii) LSH shall be entitled to accept and act on any instruction given to LSH by any person who is an employee of, or advisor to, the Client.

(viii) If any provision of the Terms shall become or be declared illegal, invalid or unenforceable for any reason such provision shall be divisible, and shall be deemed to be deleted, from the Terms.

(ix) The Client shall provide its authority, instructions or information required to LSH promptly.

(x) It is a condition of the Client's agreement with LSH that (save where and to the extent that LSH instructs independent experts, consultants or other third parties on the Client's behalf) the duties and responsibilities owed to the Client are solely and exclusively those of LSH and that no employee of LSH shall owe the Client any personal duty of care or be liable to the Client for any loss or damage howsoever arising as a consequence of the acts or omissions of such employee (including negligent acts or omissions) save and to the extent that such loss or damage is caused by the fraud, dishonesty, wilful misconduct or unauthorised conduct on the part of such employee.

3. SERVICE

LSH shall seek to provide a service such as would be expected of a national firm of consultant surveyors in a proper professional manner and shall perform the Service with reasonable care and skill.

The Service shall, however, be provided on the basis that:

(i) LSH reserves the right to carry out instructions in accordance with such procedures, principles or methodologies as LSH deems to be appropriate. Where appropriate, LSH shall comply with the relevant Practice Statements and Guidance Notes published by the RICS and measurements shall be undertaken in accordance with the relevant Code of Measuring Practice published by the RICS.

(ii) Estimates of times for performance of all or any part of the Service have been made upon the basis of information available to LSH at the time and are approximate only so that LSH shall not be bound by any such estimate.

(iii) LSH may, if it considers it appropriate, secure performance of any or all Services by instructing one or more other persons (whether as sub-contractor or in any other capacity) upon such terms as LSH considers appropriate. In circumstances where LSH secures the performance of another person, no additional fee shall be payable by the Client in the absence of prior agreement to such additional fee but the Client shall be liable to pay all Fees as if all Services had been performed by LSH.

(iv) The Client shall provide LSH (or ensure that LSH is provided) with details of any other consultants or contractors appointed or to be appointed by the Client relevant to the Service.

(v) If LSH are instructed to act as an "independent valuer", then the meaning and understanding of the term independent valuer shall be that LSH will exercise independence, integrity and objectivity when undertaking the Service in accordance with the Valuation Standards, but LSH shall not (unless otherwise agreed in writing with the Client prior to the relevant instruction) be under any obligation (express or implied) to conform to any statutory or regulatory requirements associated with use of the term "independent valuer" (other than to the extent that such requirements cannot lawfully be excluded by agreement of the parties), or the Client's own definition or understanding of the term.

(vi) LSH shall not be liable to the Client for the non-performance or delay in the performance of any of its obligations hereunder due to events or circumstances outside its reasonable control. Upon the occurrence of such an event, LSH shall immediately notify the Client with as much detail as possible and keep it updated of continuing developments. Once the event is removed or ended LSH shall perform its obligations unless this Agreement has been terminated in accordance with Condition 11(ii)(a).

4. THE PROPERTY

(i) Information

The Client warrants represents and undertakes to LSH that (save as specifically notified to LSH by the Client in writing):

- (a) LSH shall be entitled to rely upon information and documents provided by or on behalf of the Client including those relating to matters such as Health & Safety, the Asbestos Register, energy performance and details of tenure, tenancies, use, contamination, building costs, costs of development, town planning consents and building regulation consents, historic or projected future trading accounts and the like as being, to the best of the Client's knowledge, information and belief, accurate and not misleading (either on their face or by inference or omission) and the Client shall advise LSH and shall instruct any advisor to inform LSH in the event that the Client and/or any advisor receives notice or becomes in any other way aware that any information given to LSH is or may be misleading or inaccurate.
- (b) It shall provide legible true copies of any relevant documents reasonably required by LSH.
- (c) It shall make arrangements for the inspection of or attendance at the Property by LSH on reasonable notice in order to carry out the Service.
- (d) If the Client instructs LSH to re-value the Property without inspection LSH will assume that no material changes to the physical attributes of the Property and the area in which it is situated have occurred and the Client has provided information of changes in rental income from investment properties and any other material changes to the non-physical attributes of each property such as lease terms, planning consents, statutory notices etc.
- (e) if the Client instructs LSH to undertake a critical review of a valuation prepared by another valuer and if LSH agrees in writing to do so then the Client shall undertake to provide LSH with full details of the first valuer's instructions so that LSH is in possession of all of the facts and information including the terms of instruction, circumstances and reasons for the first instruction so that LSH are able to undertake a critical review and the Client shall not publicise, discuss with third parties or refer to any critical review carried out by LSH in any documents or circular or otherwise without the express authority from LSH in writing.
- (ii) **Assumptions**
- Except where disclosed to LSH in writing, LSH shall be entitled to assume the following as appropriate:
- (a) Opinions of value shall be provided on the basis of "Market Value" or "Market Rent" as defined in the Practice Statements and Guidance Notes published by the RICS and in accordance with the Valuation Standards unless otherwise agreed in writing between LSH and the Client and, unless specifically notified by the Client to LSH and agreed in writing by LSH, LSH shall not be under any obligation to identify or take into account any marketing constraint such as if the Property cannot be freely or adequately exposed to the market or if the Property is subject to an inherent defect or constraint whether or not such circumstance or constraint is actual, anticipated or hypothetical and LSH shall not be required to take into account any time limit for disposal without adequate explanation from the client of the reasons for such a constraint.
- (b) There are no tenant's improvements which would materially affect LSH's opinion of the value of the Property unless otherwise advised. LSH shall not take account of any item in the nature of the tenant's fixtures and fittings, improvements, plant equipment, and machinery and LSH may (without any obligation to do so) make any reasonable assumptions to identify if any fixtures and fittings are part of the Property and which would pass, with the Property, on reversion, back to the landlord or on any sale and that all such tenant's improvements or fixtures and fittings have all necessary consents and are not subject to any onerous conditions.
- (c) There are no restrictive covenants encumbrances or unduly onerous or unusual easements, restrictions, outgoing or conditions attaching to the Property or unusual terms in any relevant documentation or notices or procedures (including compulsory purchase orders) served, issued or threatened or any other matters whatsoever full information about which have not been supplied and brought to LSH's attention in writing and which would materially affect LSH's opinion of the value of the Property and that the Property has good marketable title.
- (d) The Property complies with all relevant statutory requirements including building safety and fire regulations.
- (e) The Property has the benefit of all necessary full planning consent or established use rights and building regulations approval and all or any work has been carried out fully in compliance with those consents.
- (f) No dangerous or harmful materials or techniques have been used in the construction of the Property or its subsequent alteration, extension or refurbishment and the Property is not contaminated or potentially contaminated or subject to environmental hazards. Unless specifically instructed, LSH shall not undertake any investigation into the past or present uses of either the Property or any adjoining or nearby land to establish whether there is any potential for contamination from these uses and shall assume that none exists.
- (g) LSH may rely on all data provided to it, or stated on any publicly available websites, in respect of any EPC affecting the property. LSH shall be under no obligation to establish if any EPC is accurate or current. In the event that no EPC is available LSH shall assume that the Property meets the minimum requirements of the legislation and that there will be no adverse impact on value and marketability.
- (h) The Property (including, without limitation, all means of access and egress, which shall be assumed to be freely available, to and from the same and all plant and/or machinery or substances located in or at the Property and provided for the use of any person) has been properly maintained and is in good repair and condition and that any obligation concerning repair, maintenance, decoration or reinstatement have been complied with in accordance with all and any necessary statutory or other regulations and requirements and, without prejudice to the generality of the foregoing, is safe and without risks to health. LSH may at its discretion reflect any readily apparent defects or items of disrepair noted during its inspection in valuations but the Client shall not rely on this to assume either that the Property is free from defect or that LSH have in any way quantified the extent of any repair;
- (i) There are no facts known to the Client which ought to be brought to the attention of LSH to enable it to ensure that access to the Property by any person is safe and without risks to health.
- (j) LSH's Report shall reflect the state reached in construction and the company's costs at the date of valuation, having regard to the obligations of parties involved in the development only to the extent that any costs or estimates which have been prepared by the Client's professional advisors are made available to LSH and LSH shall not be liable for any error or inaccuracy arising directly or indirectly from such information and shall not be under any duty to advise concerning the accuracy or relevance of such information:
- (1) Except where specifically stated otherwise, LSH shall assume that the Property is subject to normal outgoing and that where relevant any tenant(s) are responsible for repairs, the cost of insurance and payment of rates and other usual outgoing, either directly or by means of service charge provisions.
 - (2) Unless specifically requested, LSH shall not make enquiries as to the financial standing of actual or prospective tenants although LSH shall reflect the general market's perception of a tenant's status in its valuation. LSH shall assume, unless advised in writing, that tenants are capable of meeting their financial obligations under the lease terms and that there are no arrears of rent, service charge or other relevant payments or undisclosed breaches of covenants.
 - (3) In the valuation of portfolios LSH shall value each Property separately and not as part of the portfolio. Accordingly, LSH shall make no allowance, either positive or negative, in the aggregate value reported to reflect the possibility of the whole of the portfolio being put on the market at any one time.
- (iii) LSH shall be entitled to make such special assumptions ("**Special Assumptions**") as are necessary to provide the Client with the opinions of value requested by the Client. Any Special Assumptions made shall be agreed with the Client and set out in the Engagement Letter and shall be stated in the LSH Report.
- (iv) **Limitations**
- Unless otherwise stated in the Engagement Letter:
- (a) LSH shall not be responsible for making any local search or other enquiries of local or any other authorities including HMLR, including town planning enquiries or investigation of title regarding the Property, which shall be the Client's sole responsibility, and LSH may rely on any such information provided by the Client or the Client's advisors without further enquiry. If LSH shall make oral or other enquiries regarding the Property to third parties, the results of such enquiries shall not be relied on by the Client.
 - (b) Subject to agreement of the terms of any subsequent instruction, LSH shall not be responsible for making any structural or site survey or audit of the Property such as may be required under applicable law without limitation under the Equality Act 2010 or the Control of Asbestos Regulations 2012 or for testing any services to or on the Property, including the availability of broadband or other communications or information technology infrastructures.
 - (c) Any advice, approval or representation made by LSH or any person on behalf of LSH regarding the legal meaning or effect of any lease or contract shall not be relied on by the Client and such advice shall be limited to matters upon which it is suitable for a Chartered Surveyor to advise and shall not constitute advice regarding legal interpretation or drafting issues. Unless otherwise agreed in writing between the LSH and the Client, LSH shall not be obliged to advise upon the interpretation or drafting of any draft agreements, leases or other legal or technical documents.
 - (d) LSH shall not be responsible for advising in respect of, or effecting the service of, any notice required to be given under statute, regulation or under the provisions of any contract or lease or otherwise and shall not be liable for advice, interpretation or compliance with any time periods or other provisions under statute, regulation (including the Civil Procedure Rules from time to time) or provided for in any contract or lease including

any notice of appeal or for making payments or carrying out any other actions in accordance with such time periods.

- (e) LSH shall exclude and shall not be required to take into account any work in progress stock in trade and shall not be required to take into account or be responsible for the interpretation of accounts, turnover figures or other financial or information relating to trade.
- (f) No allowance shall be made for any liability for payment of Corporation Tax, Capital Gains Tax, Stamp Duty Land Tax or any other tax applicable on development or disposal, deemed or otherwise. Any prices and/or rentals stated shall be deemed to be exclusive of Value Added Tax.
- (g) Whilst LSH will endeavour to treat all information which is relevant to the Client's instruction as confidential, LSH may at its sole discretion provide any information to other professionals or third parties as is usual practice and, in any event, LSH may be required to provide such information to a court, or tribunal or to the other party in any proceedings.
- (h) LSH shall not be under any duty to carry out conflict checks in relation to any third party (such as related companies) other than the Client or any other relevant party notified in writing by the Client to LSH.
- (i) Valuations shall not reflect any element of marriage value or special purchaser value which could possibly be realised by a merger of interests or by sale to an owner or occupier of an adjoining property, other than in so far as this would be reflected in offers made in the open market by prospective purchasers other than the purchaser with a special interest unless LSH shall make a Special Assumption in this regard.
- (j) All valuations are given without adjustment for capital based government grants received, or potentially receivable, at the date of valuation or at some future date.
- (k) LSH's valuations shall be reported in pounds GBP. Overseas properties shall be reported in the appropriate local currency and represent LSH's opinion of the realisable value in the country of origin computed in accordance with local practice, with no allowance made for the transfer of funds in the UK.
- (l) Unless the Client specifically commissions a formal survey with relevant obligations and LSH accepts such instruction on agreed terms, LSH shall not be under any obligation to take into account any aspect arising from the condition of the Property including any benefit or liability in respect of dilapidations and no advice or representation concerning the condition of the Property shall be relied on by the Client or any third party.
- (m) Unless the Client shall specifically commission a formal management arrangement with relevant obligations and LSH accept such instruction on terms to be agreed, the Client shall remain responsible for the insurance of the Property and for notifying its insurers should the Property become vacant. LSH shall not be responsible for the management, security or deterioration of the Property or, for any other like matter or loss however caused. If the keys for the Property are held by LSH then the Client shall be deemed to have given authority to LSH to supply keys to any persons who wish to inspect the Property or carry out works or inspections at the Property and LSH shall accept no responsibility for the action of such persons. The Client shall effect and maintain full insurance cover against any claim that may be made by LSH or any representative or employee of LSH or by any third party in respect of any loss, damage or injury however caused arising directly or indirectly under or in respect of the Agreement.
- (n) LSH shall not be under any obligation to arrange for any investigations to be carried out to determine whether or not any deleterious or hazardous materials have been used in construction of the buildings or have since been incorporated and LSH shall not therefore, be in a position to report that the Property is free from risk in this respect. Unless LSH are advised by the Client in writing, and subject to LSH's sole discretion, LSH's valuations shall be made on the assumption that such investigations would not disclose the presence of any such materials to any significant extent but this shall not be relied on by the Client as any indication that the Property is free from risk.
- (o) LSH shall not be under any obligation to carry out or commission a site investigation or geographical or geophysical survey in order to determine the suitability of ground conditions and services, nor shall LSH undertake archaeological, ecological or environmental surveys. Unless otherwise advised LSH assume, but can give no assurances, that the ground has sufficient load bearing strength for the existing structures or any structures proposed or considered. Where development is contemplated, LSH assume that no extraordinary expenses or delays will be incurred during the construction period, due to any adverse ground conditions or archaeological matters.

5. TERMS OF PAYMENT

- (i) Unless otherwise stated in the Engagement Letter the Client shall be liable to pay LSH its Fee at intervals to be determined by LSH or on completion of the Service, at LSH's discretion. Payments are due on issue of the invoice and the final dates for payment by the Client shall be the date of issue of the invoice.

- (ii) LSH shall be entitled to submit accounts for the expenses element of the Fees at the time when incurred or ordered by LSH and such accounts shall be payable by the Client whether or not the Client withdraws its instructions. Accounts for expenses are due for settlement on presentation. Alternatively LSH may arrange for the suppliers to invoice the Client directly for services supplied.
- (iii) VAT will be payable where applicable at the prevailing rate on all Fees.
- (iv) LSH reserves the right to charge the Client interest (both before and after any judgement) on any unpaid invoice at the rate of 3% per annum above the base lending rate of the Bank of Scotland calculated on a daily basis from the date of its invoice up to and including the date of settlement in full.
- (v) If any sum due to LSH from the Client remains unpaid for more than 30 days after the date of the invoice LSH shall be entitled to suspend all further work for the Client until the outstanding sum is paid to LSH in full. In these circumstances LSH shall not be liable for any delays, losses or expenses resulting from such suspension.
- (vi) The Client shall not withhold any payment after the final date for payment of any sum due under this Agreement unless in relation to a bona fide dispute of which notice is provided to LSH in writing by the Client not less than seven days before the final date specifying the amounts to be withheld and the reasonable grounds for withholding payment or, if there is more than one ground, each ground and the amount attributable to it.
- (vii) Unless otherwise stated in the Engagement Letter and subject to Condition 5vi), all amounts due under this Agreement by the Client shall be made without set-off, deduction, withholding or counterclaim (other than any deduction or withholding of tax as required by law).
- (viii) Where there are two or more clients in the case of a joint or multiple instruction, invoices for an appropriate share of any Fees as determined in LSH's sole discretion may be issued by LSH to all clients or any client simultaneously or otherwise, and each client shall be jointly and severally liable for the full amount of LSH's Fees in the event that payment is not received from one or more clients.
- (ix) The Client may, with the prior written consent of LSH, appoint a third party nominee to satisfy the Client's obligations under this Condition 5 (an "Appointed Payor"). Appointment of an Appointed Payor shall not discharge any obligation of the Client's under this Agreement, provided that payment by the Appointed Payor of any sums owed by the Client to LSH in accordance with this Condition shall be good and valid discharge of the Client's obligations to pay such sums.

6. FEES AND EXPENSES

- (i) LSH shall charge the Fees in the event of a change in the scope of the Service or LSH being required to carry out additional Services, LSH reserves the right to charge an additional Fee.
- (ii) The Client shall also be responsible for all fees and expenses incurred or ordered in respect of the Property, which may include without limitation advertising, brochure production, printing of particulars, photography, mailing, digital marketing expenses, administration, Anti-Money Laundering checks, on site representation, sign boards, travelling, mileage, messenger delivery and copying of documents and plans. Expenses shall be passed on to the Client at gross cost unless otherwise stated in the Engagement Letter. LSH shall be entitled to retain any discounts or commissions which are available or paid to LSH in order to offset administrative expenses. A copy of LSH's rates where applicable shall be made available upon request, such rates being subject to amendment from time to time by LSH on written notice.
- (iii) If, in connection with the service, the resolution of a dispute with a third party is referred to an adjudicator, arbitrator, expert, mediator, court or tribunal, all costs in connection with such referral shall be the sole liability of the Client and shall either be paid directly by the Client or be recharged to the Client as an expense and the Client shall indemnify LSH in respect of any liability or loss in such matters.
- (iv) Unless specifically provided for in the Terms or accompanying letter or as otherwise agreed in writing between LSH and the Client the Fees do not include remuneration for acting as an expert witness, for which service a separate fee shall be required and the Expert Witness Terms shall apply.

7. INTELLECTUAL PROPERTY

- (i) Ownership of any rights in any information, documents or other material provided by the Client to LSH in relation to the Property or Services shall remain the property of the Client ("Client Material") and the Client hereby grants to LSH a perpetual royalty free, worldwide, irrevocable licence to use, copy, adapt and modify such Client Material for the purposes of performing the Services and for the purposes of advertising or promoting LSH and its business.
- (ii) Ownership of all rights in materials, know-how, developments, reports, forecasts, drawings, accounts and other documents created and/or originated by LSH, its employees or agents, in relation to or arising out of the Services, shall as between LSH and the Client belong to LSH.
- (iii) LSH shall grant the Client a royalty free licence to use the LSH Report in accordance with this Agreement. The Client may not use the whole, or any

part of the LSH Report, or any reference to it in any published document, circular or statement, without LSH's written approval of the form and context in which it shall appear. Such approval is required whether or not LSH is referred to by name and whether or not the reports are combined with others.

- (iv) If at any time the Client is in default of payment of Fees, LSH may suspend the Client's licence to the LSH Report. At LSH's discretion, the licence may be resumed on receipt of all outstanding amounts.

8. INDEMNITY

The Client shall indemnify and keep indemnified LSH from and against all and any liability, losses, damages, penalties, fines, costs and expenses (including legal costs and expenses) suffered or incurred by LSH arising out of or by virtue of:

- (i) The breach by the Client of any of its obligations under the Terms;
- (ii) The Client's instructions to LSH other than any losses, damages, costs and expenses arising by virtue of the wilful default of LSH or its employees or agents; or
- (iii) Any allegation that the Property (including without limitation the means of access to or egress from the same or any plant or substances in such premises provided for the use of any person) were not safe or posed a risk to health except where LSH had been notified in writing of all facts necessary to bring to the attention of LSH such fact(s).

9. LIMITATION AND LIABILITY

- (i) Nothing in this Agreement shall limit LSH's liability for death and/or personal injury caused by the negligence of LSH or its employees, fraud or fraudulent misrepresentation, or any other liability to the extent that such liability cannot be limited in accordance with applicable law.
- (ii) **Subject to Condition 9i) above, in respect of this Agreement, the aggregate liability of LSH to the Client whether arising from tort (including negligence), breach of contract, breach of statutory duty or howsoever otherwise arising shall be limited to five million pounds sterling (£5,000,000.00).**
- (iii) Subject to Condition 9i) above, LSH shall not be liable for any claim to the extent that such claim is or can be characterised as a claim for (or arising from):
 - (a) Loss of revenue or profits;
 - (b) Loss of business opportunity or loss of contracts;
 - (c) Loss of goodwill or injury to reputation; or
 - (d) Anticipated savings,
 - (in each case whether arising directly or indirectly from any breach of this Agreement by LSH); or
 - (e) for any indirect, consequential or special loss or damage.
- (iv) In the event of the Client engaging LSH together with other advisers, service providers and/or suppliers engaged by the Client or any other third party in relation to the Project, LSH's liability shall, without prejudice to the limitations contained in Condition 9 and subject always to Condition 9i), be limited to that proportion of any loss or damage suffered by the Client as it would be just and equitable for LSH to bear having regard to LSH's responsibility for it and on the basis that all other advisers, service providers and/or suppliers shall be deemed to have paid such proportion of the relevant loss or damage suffered by the Client which is just and equitable for them to have paid having regard to the extent of their respective responsibilities.
- (v) The LSH Report is provided solely for the purpose of the Service and to the Client. Should the Client disclose any part of the LSH Report to any third party the Client shall notify such third party in advance of the disclosure and in writing that LSH does not owe a duty of care to such third party. The Client shall indemnify LSH and hold LSH harmless against all liabilities, costs, expenses, damages and losses suffered or incurred by LSH arising out of or in connection with such disclosure by the Client.
- (vi) In the event of a proposal to place any loan secured over the Property in a syndicate, the Client must (i) notify LSH of such proposal, ii) disclose the identity of the parties participating in the syndicate to LSH, and iii) obtain LSH's written consent (which may be subject to the inclusion of alternative or additional terms) for such parties to rely on any of LSH's valuations, reports and/or any other advice or information resulting from the Client's instruction.
- (vii) All risks and/or liabilities in relation to toxic mould, deleterious materials, contamination, radon gas, HAC or calcium chloride shall remain with the Client and the Client shall take such steps as it deems necessary to insure against or otherwise address such risks and liabilities.
- (viii) LSH is not qualified to and will not provide any advice or services in connection with asbestos. The Client acknowledges that all risks relating to asbestos howsoever arising remain with the Client who shall take such steps as it deems necessary to address such risks. If appropriate the Client will arrange for the appointment by the Client of specialist asbestos consultants.

- (ix) LSH will not advise on capital allowances in performance of the Services and will not be liable for any liability, losses, damages, penalties, fines, costs and expenses suffered or incurred by the Client or any other Third Party in respect of capital allowances. Insofar as LSH are liable for any capital allowances incurred as a result of the performance of the Services the indemnity set out in Condition 8 shall apply.

10. REINSTATEMENT COST ESTIMATES

In the event that the Client requires an estimate of the cost of reinstating any building or structure, for insurance purposes the following terms shall apply:

- (i) The Reinstatement Cost assessment is an estimate provided on an informal basis only and should not be relied upon for the purposes of placing insurance cover on the property. Should a Reinstatement Cost Assessment be required to enable an insurance policy to be placed, LSH Building Consultancy Division must be separately instructed to undertake such an assessment.
- (ii) The Reinstatement Cost assessed for insurance purposes shall be a "Day One" valuation and shall not include an allowance for inflation and or design/procurement periods etc.
- (iii) LSH shall assume that the policy is on an indemnity basis with a fully operative reinstatement clause, no special conditions, an instantaneous basis of value and shall have no regard to any variation in building costs subsequent to the date of LSH's informal assessment. LSH's assessment will be based on the assumption that the reconstruction of any premises, to provide similar or new accommodation, will be permitted by the appropriate authorities with no undue restrictions.
- (iv) LSH will exclude tenant fit-out and or fixtures and fittings, Value Added Tax, loss of rent, extra costs of working or other consequential losses, local authority requirements and party wall works. Further, LSH's assessment shall exclude any land remediation and special contaminated waste costs. However, the figure will be inclusive of professional fees, demolition and site clearance.
- (v) LSH shall assume that VAT is chargeable on professional fees and building works to new and existing premises.
- (vi) LSH will not carry out a structural survey and LSH's assessment will be prepared on the assumption that ground conditions will not give rise to the need for any specialist or unduly expensive constructional techniques (specialist foundations etc) unless LSH is otherwise advised by the Client. In addition, the removal of hazardous materials, if any, shall be excluded from the informal assessment.

11. TERMINATION OF INSTRUCTIONS

- (i) The instruction from the Client to LSH may be terminated by the Client by giving not less than 30 days' notice in writing to LSH whereupon LSH shall be entitled to charge (at LSH's option):
 - (a) A fair and reasonable proportion of the full Fee which would have been payable if the work had been carried through to a conclusion and as if LSH had become entitled to payment in accordance with conditions 5 and 6 above, or
 - (b) A reasonable sum for all the work undertaken up to and including the date of termination based on quantum meruit; or
 - (c) The Fees as LSH are entitled to under Conditions 5 and 6 to include in each case any expenses already incurred (each a "**Contracted Fee**").
- (ii) The instruction from the Client to LSH may be terminated by LSH on the following terms by giving not less than 30 days' notice in writing:
 - (a) If, as a result of circumstances outside the reasonable control of either party, it becomes unfeasible to perform the Services within a reasonable period. In these circumstances the Client shall pay to LSH all Fees by way of the **Contracted Fee**, or a fee for all work which has been done up to and including the date of termination on a quantum meruit basis where early termination of this Agreement deprives LSH of entitlement (or the opportunity to become entitled) to a Contracted Fee; or
 - (b) If the Client has made it impossible to complete the instruction within a reasonable period or has not made payment by the due date of any sum payable by the Client to LSH. In these circumstances the Client shall pay to LSH the full Fee which would have been charged as if the work had been carried through to a conclusion (plus any expenses already incurred).
- (iii) Any outstanding Fees due to LSH shall be paid in full by the Client on or before the expiry of the notice period for termination of instructions. For the avoidance of doubt in the event of termination of instructions, whether by LSH or by the Client, LSH shall not be liable to repay the Client any Fees previously paid by the Client to LSH.
- (iv) Where any Fees are to be charged on a quantum meruit basis such Fees shall be calculated by reference to LSH's hourly charges from time to time, details of which are available from LSH on request.
- (v) Notwithstanding the provisions of Conditions i) and ii) above, LSH shall be entitled to terminate an instruction from a client without notice, if required to do so for statutory regulatory reasons.

12. REGULATION AND COMPLAINTS

- (i) LSH is regulated by RICS for the provision of surveying services. This means we agree to uphold the RICS Rules of Conduct for Firms and all other applicable mandatory professional practice requirements of RICS, which can be found at www.rics.org. As an RICS regulated firm we have committed to cooperating with RICS in ensuring compliance with its standards. The firm's nominated RICS Responsible Principal is Massimo Marcovecchio, Chief Operating Officer, 55 Wells Street, London, W1T 3PT or email mmarcovecchio@lsh.co.uk
- (ii) LSH aims to carry out any instructions received from the Client in an efficient and professional manner. LSH, therefore, hopes that the Client will not find cause for complaint but recognises that in an isolated circumstance there may be complaints. These should be addressed initially to the Head of the LSH office dealing with the instruction.
- (iii) LSH adopts the complaints handling procedures that are required by the RICS, a copy of our Complaints Handling Procedure may be obtained from our National Head of Standards and Practice, 55 Wells Street, London, W1T 3PT or email NHSP@lsh.co.uk.

13. ASSIGNMENT

- (i) LSH may assign the Agreement without the consent of the Client.
- (ii) The Agreement is not assignable by the Client without the prior written consent of LSH.

14. DATA PROTECTION

- (i) We collect and process your personal information. All information will be processed in accordance with the applicable Data Protection Laws
- (ii) Full details of how we process your information can be found on our website <http://www.lsh.co.uk/privacy-policy>. Printed copies of our privacy notice are available on request.
- (iii) You may change your communication preferences or withdraw from any further communications from us by contacting us at privacy@lsh.co.uk
- (iv) Where we receive personal data from any prospective purchaser or tenant of the Property, we shall only use that data for the purposes of your instructions and shall comply with Data Protection Laws. The Client warrants that where it or its appointed third parties or advisors provide such data to LSH, it has or shall procure that all necessary notices and consents are in place to enable the lawful transfer to LSH in accordance with Data Protection Laws.

15. MONEY LAUNDERING REGULATIONS

- (i) **Money laundering reporting**
 - (a) Much of LSH's work falls into the regulated sector under the Proceeds of Crime Act and Sanctions and Anti-Money Laundering Act 2018 and, as such, we are required to report all knowledge or suspicion (or reasonable grounds for knowledge or suspicion) that a criminal offence giving rise to any direct or indirect benefit from criminal conduct has been committed. Failure to report such knowledge or suspicion would be a criminal offence. This duty to report exists regardless of whether the suspected offence has been, or is about to be, committed by a client or by a third party.
 - (b) If as part of our normal work LSH obtain knowledge or suspicion (or reasonable grounds for knowledge or suspicion) that such offences have been committed we are required to make a report to the National Crime Agency or OFSI. It is not our practice to discuss the existence or otherwise of any reports with you or with anyone else, because of the restrictions imposed on us by the tipping off provisions of the anti-money laundering legislation.
 - (c) LSH shall not be liable for any liabilities of the Client or third parties arising out of its regulatory obligations to report.

16. ETHICS

- (i) Each party shall:
 - (a) Comply with all applicable law relating to anti-bribery, anti-facilitation of tax evasion and anti-slavery including without limitation the Bribery Act 2010, the Criminal Finances Act 2017 and the Modern Slavery Act 2015 ("**Relevant Requirements**");
 - (b) Have and maintain in place throughout the term of this Agreement its own policies and procedures, including without limitation adequate procedures under the Bribery Act 2010 and reasonable prevention procedures under the Criminal Finances Act 2017 to ensure compliance with the Relevant Requirements, and enforce them where appropriate; and
 - (c) Promptly report to the other party any: (i) breach, or potential breach, of the Relevant Requirements (ii) actual or suspected slavery or human trafficking in a supply chain which has any connection with this Agreement, or (iii) request or demand for any undue or suspicious financial or other advantage of any kind received by it in connection with the performance of its obligations under this Agreement, or (ii) request or demand from a third party to facilitate the evasion of tax within the

meaning of Part 3 of the Criminal Finance Act 2017 in connection with the performance of the complying Party's obligations under this Agreement.

17. GOVERNING LAW AND JURISDICTION

The Terms, and the Agreement of which they form part, shall be governed by and construed in all respects in accordance with English Law and the parties irrevocably and unconditionally submit to the exclusive jurisdiction of the English Courts in relation to any dispute or proceedings arising out of, or in connection with, the Terms or any such Agreement but without prejudice to LSH's right to take proceedings in any other jurisdiction in order to enforce payment of any sums owed to LSH.

February 2022



Lambert Smith Hampton is a trading name of Lambert Smith Hampton Group Limited
Registered office: 55 Wells Street, London, W1T 3PT
Registered in England Number 2521225. Regulated by RICS

© Lambert Smith Hampton v.28 Sept 2022
Details of Lambert Smith Hampton can be viewed on our website www.lsh.co.uk