

Valuation Report

5-7 Market Place

Gainsborough

DN21 2BP

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1 Executive Summary

Property	5-7 Market Place, Gainsborough DN21 2BP
Classification and Use	Shop with Offices above held for strategic purposes.
Location	Within the historic Market Place in the town centre.
Description	Four storey Grade II Listed building of brick and slate construction.
Planning Use	A2 Financial and Professional Services and B1(a) Offices assumed.
Floor Area	Existing NIA of 213 sq m (2,294 sq ft). Proposed areas: see 3.3.1
Tenure	Freehold with vacant possession.
Condition	The property appeared to be in a fair condition commensurate with its age, use and construction.
Specialist Reports	Specialist reports have been obtained by the client relating to the structural condition of the property with estimated costs and design solutions for remedial work.
Environmental	No obvious sign of contamination upon inspection.
Valuation	Scheme 1 – single bathroom Flats

In our opinion the Market Value of the subject property as at 22nd August 2019 on the assumption that a comprehensive conversion and refurbishment scheme has been satisfactorily completed, freehold with vacant possession throughout and subject to the assumptions and comments in this Report and Appendices was **£250,000 (Two Hundred and Fifty Thousand Pounds)**.

In our opinion the Market Value of the individual Flats as at 22nd August 2019 on the assumption that a comprehensive conversion and refurbishment scheme has been satisfactorily completed, leasehold with vacant possession throughout and subject to the assumptions and comments in this Report and Appendices was **£80,000 (Eighty Thousand Pounds) each**.

In our opinion the Market Value of the Flats as a single Lot as at 22nd August 2019 on the assumption that a comprehensive conversion and refurbishment scheme has been satisfactorily completed, leasehold with vacant possession throughout and subject to the assumptions and comments in this Report and Appendices was **£200,000 (Two Hundred Thousand Pounds)**.

In our opinion the Market Rent of the Flats as at 22nd August 2019 on the assumption that a comprehensive conversion and refurbishment scheme has been satisfactorily completed and standard Assured Shorthold Tenancies are in place for a minimum term of 6 months and subject to the assumptions and comments in this Report and Appendices was **£15,300 (Fifteen Thousand Three Hundred Pounds) per annum exclusive**.

In our opinion the Market Value of the Ground Floor Retail unit as at 22nd August 2019 on the assumption that a comprehensive conversion and refurbishment scheme has been satisfactorily completed, freehold with vacant possession throughout and subject to the assumptions and comments in this Report and Appendices was **£50,000 (Fifty Thousand Pounds)**.

In our opinion the Market Rent of the Ground Floor Retail unit as at 22nd August 2019 on the assumption that a comprehensive conversion and refurbishment scheme has been satisfactorily completed and a lease is in place for a minimum term of 6 months and subject to the assumptions and comments in this Report and Appendices was **£6,000 (Six Thousand Pounds) per annum exclusive**.

Scheme 2 – bathroom and ensuite shower room Flats

In our opinion the Market Value of the subject property as at 22nd August 2019 on the assumption that a comprehensive conversion and refurbishment scheme has been satisfactorily completed, freehold with vacant possession throughout and subject to the assumptions and comments in this Report and Appendices was **£265,000 (Two Hundred and Sixty Five Thousand Pounds)**.

In our opinion the Market Value of the individual Flats as at 22nd August 2019 on the assumption that a comprehensive conversion and refurbishment scheme has been satisfactorily completed, leasehold with vacant possession throughout and subject to the assumptions and comments in this Report and Appendices was **£85,000 (Eighty Five Thousand Pounds) each**.

In our opinion the Market Value of the Flats as a single Lot as at 22nd August 2019 on the assumption that a comprehensive conversion and refurbishment scheme has been satisfactorily completed, leasehold with vacant possession throughout and subject to the assumptions and comments in this Report and Appendices was **£215,000 (Two Hundred and Fifteen Thousand Pounds)**.

In our opinion the Market Rent of the Flats as at 22nd August 2019 on the assumption that a comprehensive conversion and refurbishment scheme has been satisfactorily completed and standard Assured Shorthold Tenancies are in place for a minimum term of 6 months and subject to the assumptions and comments in this Report and Appendices was **£16,200 (Sixteen Thousand Two Hundred Pounds) per annum exclusive**.

Comment

The uncertainties surrounding the UK's departure from the European Union ("Brexit") could have significant effects on the subject property in the form of inflated development costs (in the case of the UK reverting to WTO trading rules with the European Union). The ongoing uncertainty could also cause the market for the completed apartments to fluctuate. The Market Value reported herein reflects the situation and the associated market sentiment as at the valuation date. As the subject property comprises a development opportunity for which planning consent is in place, and the anticipated development timescale to leave the European Union has already been extended and may be extended further. Any change in the UK's relationship with the European Union from the status quo has the potential to disrupt the development process. This risk goes two ways. Anecdotal evidence suggests that the uncertainty since the Brexit referendum in July 2016 has already impacted on inflation and the wider economy. If Brexit were to be cancelled or significantly delayed, or if Brexit were to be very soft (with the trading relationship between the UK and European Union largely unaffected) then this could counteract these effects to some degree.

Note

The above is merely a summary of the valuation report and reference should be made to the remainder of the document for a more detailed report of the property.

2 Terms of Instruction

- 2.1 In accordance with your email instruction and Purchase Order dated 19th August 2019 (copy at Appendix Three), the agreed scope and details of which are set out in our Standard Terms and Conditions of Engagement (copy at Appendix Four), we have inspected the subject property in order to advise you of our opinion of the market value] of the freehold interest in the property to assist in determining the preferred disposal strategy.
- 2.2 The subject property was inspected by and this report is prepared by **Geoff Solman BSc MRICS** who has sufficient current local and regional knowledge of the particular market and the skills and understanding to undertake this valuation competently.
- 2.3 The Valuation Date is 22nd August 2019, being the date of inspection. The extent of our inspection was limited by the presence of fitted floorcoverings.
- 2.4 We confirm that this valuation is prepared in accordance with the RICS Valuation – Global Standards 2017, which incorporates the International Valuation Standards, published by the Royal Institution of Chartered Surveyors and we are acting as external valuers as defined therein.
- 2.5 We confirm that, we have had prior involvement with the subject property and we are retained to provide valuation services to the client, but we consider that we do not have any material conflict of interest in providing this valuation and report with the required level of independence and objectivity.
- 2.6 You have also requested that we provide additional valuations on the following Special Assumptions:

Scheme 1 and Scheme 2

- a) Market Value following satisfactory completion of comprehensive conversion and refurbishment work.
- b) Market Value of individual Flats following satisfactory completion of comprehensive conversion and refurbishment work.
- c) Market Value of Flats as a single Lot following satisfactory completion of comprehensive conversion and refurbishment work.
- d) Market Rent of Flats following satisfactory completion of comprehensive conversion and refurbishment work.

- e) Market Value of the Retail unit following satisfactory completion of comprehensive conversion and refurbishment work.
- f) Market Rent of the Retail unit following satisfactory completion of comprehensive conversion and refurbishment work.

- 2.7 We have considered these special assumptions in accordance with Valuation Technical & Performance Standard 4 of the RICS Valuation – Global Standards 2017 and consider that they can reasonably be regarded as realistic, relevant and valid in connection with the particular circumstances of the valuation.
- 2.8 We have valued the property using information provided to us by Wendy Osgodby including proposed floor plans and an indicative brief specification of works. If any of the information upon which we have relied is subsequently found to be incorrect, this may affect the valuation figure, which would need to be reconsidered.
- 2.9 Our Standard Terms and Conditions of Engagement forms an integral part of this valuation report. They should be read in full as they contain important caveats and conditions relevant to this valuation including limits of liability, non-publication restrictions, condition and contamination. Full definitions of the basis of valuation are also included.
- 2.10 This Report and Valuation has been prepared on the basis that there has been full disclosure of all relevant information and facts which may affect the valuation. It is provided for the stated purposes and only for the use of the party whom it is addressed. It is confidential to West Lindsey District Council and may not be disclosed to any other third party without our prior written consent. In breach of this condition, no responsibility can be accepted to third parties for the comments or advice contained in this report.
- 2.11 Any transferee, successor or assignee relying upon the Report shall be deemed to be bound by the terms of our engagement letter and our liability shall be no greater in either amount or duration as a result of extending reliance to those third parties. The number of assignments shall be no more than two.

3. Property Report

3.1 Location

- 3.1.1 The property is located on the east side of Market Place, close to the junction of Market Street with Lord Street and Church Street in the heart of the town centre. The surrounding properties are primarily retail in character and there are some residential upper parts.
- 3.1.2 The property is within walking distance of Marshalls Yard, on street and municipal parking, bus and train services. Gainsborough offers affordable housing in a national context and provides opportunities for commuters.
- 3.1.3 A Location Plan and an Ordnance Survey extract are attached at Appendix One. Our understanding of the extent of the subject property is outlined in red on the extract which is provided for identification purposes only.

3.2 Description

- 3.2.1 The property is Grade II Listed with brick main walls, sash windows to the majority of the upper floors with stone window heads and cills, a modern aluminium shopfront and slate roof covering. It appears to date from the late 18th or early 19th Century.
- 3.2.2 The existing accommodation comprises a retail shop with inset entrance door and rear access to the upper floors via two separate staircases. Office accommodation is on each of the upper floors with welfare facilities and a rear fire escape staircase.
- 3.2.3 The property accommodation (see Appendix Five) will comprise the ground floor retail shop with small kitchen and disabled toilet facility. A separate side access from the yard will lead to the self contained two bedroom Flats on the first, second and third floors.
- 3.2.4 There are two alternative configurations for the Flats which will broadly comprise Scheme 1 with a single bathroom and Scheme 2 with an ensuite shower room and bathroom with larger floor areas.
- 3.2.5 We are advised that the internal finishes, fixtures and fittings will be in line with the peer group.
- 3.2.6 There is a side pedestrian access beneath the upper floors, leading to a rear yard area. The fire escape is within this area and we understand a neighbour may also have a fire escape route across this land.

- 3.2.7 Photographs of the main elevations and interior of the subject property are attached at Appendix Two.

3.3 Accommodation

- 3.3.1 We have been provided with scale floor plans by the client and have taken check measurements on site to confirm their accuracy and can therefore report the following approximate gross and net internal floor areas for the proposed configurations calculated in accordance with the RICS' Code of Measuring Practice (6th Edition):-

Retail			
Floor	Use	Net Internal Area Sq M	Approx Sq ft
Ground	Retail	45.93	494
Ground Floor Sales ITZA		36.60	394

Residential – Scheme 1 – single bathroom Flats			
Floor	Use	Gross Internal Area Sq M	Approx Sq ft
First		56.95	613
Second		68.41	736
Third		68.23	734
Total		193.59	2,083

Residential – Scheme 2 – bathroom and ensuite shower room Flats			
Floor	Use	Gross Internal Area Sq M	Approx Sq ft
First		70.00	754
Second		69.90	753
Third		70.30	757
Total		210.20	2,264

- 3.3.2 Using Promap software we calculate that the site extends to approximately 177 sq m (212 sq yards).

3.4 Services

- 3.4.1 We understand that the property is connected to electricity, drainage and water services, but have not carried out any tests in this regard.
- 3.4.2 We have assumed that thermostatically controlled electric heating will be installed throughout.

3.5 Condition

- 3.5.1 Your attention is directed to our Standard Terms and Conditions of Engagement contained at Appendix Four. We confirm that we have not carried out a building condition survey.
- 3.5.2 During the course of our inspection we noted that the property generally appeared to have been maintained to a fair standard only having regard to its age, use and construction.
- 3.5.3 We are instructed to assume that the property will be converted and refurbished to a satisfactory standard and we are valuing on this basis.
- 3.5.4 The extent of our inspection was limited by the presence of fitted floorcoverings.
- 3.5.5 The age and style of construction of the subject property is such that materials such as high alumina cement concrete, woodwool shuttering, calcium chloride or asbestos are likely to have been used in its original construction or subsequent alteration. We are valuing on this basis.
- 3.5.6 Our valuation is based on the assumption that the building and its services will be in a good working order and no allowance has been made for any outstanding wants of repair or defects.

3.6 Environmental Matters

- 3.6.1 Your attention is directed to our Standard Terms and Conditions of Engagement contained in Appendix Four.

Contamination

- 3.6.2 We noted no obvious signs of contamination during our inspection, but we are not qualified to give assurances on environmental issues. Our valuation has been undertaken on the basis that the property is not contaminated. Should it be established subsequently that contamination exists on the subject property or any neighbouring land, this might reduce the values now reported.

3.6.3 **Flooding**

The site lies within Flood Zone 3 which benefits from flood defences. The Environment Agency website indicates that this location has a medium risk of flooding taking into account the effect of any flood defences. Medium means that each year this area has a chance of flooding of between 1 in 100 (1%) and 1 in 30 (3.3%). Flood risk in this area is significant as per the definition in the Statement of Principles Agreement between the Government and the Association of British Insurers. We assume that for valuation purposes, buildings insurance is and will continue to be available on standard terms and at standard premium levels. We value on this basis.

Radon

- 3.6.4 Reference to the *ukRadon* online resource suggests that the site is not within an area directly affected by radon gas. For the purposes of this report we have assumed that there are no additional development costs necessary to deal with radon gas.

Coal Mining

- 3.6.5 Reference to the Coal Authorities online interactive mapping service suggests that the whole of Gainsborough and beyond is within a Surface Coal Resource Area but is not within a coal mining area. We value on this basis.

Invasive Species

- 3.6.6 Japanese Knotweed can block footpaths and damage concrete, tarmac, flood defences and the stability of river banks and Giant Hogweed can cause harm to human health. Injurious weeds are native species, which cause problems for farming as they are harmful to livestock and must not be allowed to spread to agricultural land.
- 3.6.7 During the course of our inspection in August 2019 we did not note the presence of any invasive vegetation, however we are not qualified to give such assurances and cannot guarantee that the land is entirely free from the same. For the purpose of this report, we are valuing on the basis that there is no invasive vegetation present including Japanese Knotweed.

Archaeological Remains

- 3.6.8 We are unaware of the presence, or likely presence, of any archaeological remains on or adjacent to the subject property and have assumed there are none in arriving at our opinion of value.

3.7 Local Authority & Statutory Enquiries

3.7.1 Your attention is directed to our Standard Terms and Conditions of Engagement contained at Appendix Four.

3.7.2 We have assumed that the property and its value are unaffected by any matters which would be revealed by a Local Search and replies to the usual enquiries or statutory notice and that neither the property, nor its condition, nor its use, nor its intended use is or will be unlawful. It is recommended that verification is obtained from acting solicitors that

- ☐ The position is correctly stated in this Report;
- ☐ The property is not adversely affected by any other decisions made or conditions prescribed by local authorities; and
- ☐ That there are no outstanding statutory notices

3.7.3 The valuation is prepared on the basis that the premises comply with all statutory regulations.

Planning

3.7.4 We have reviewed the Local Planning Authority's website regarding town planning matters that may affect the valuation. The property lies within the planning jurisdiction of West Lindsey District Council where planning decisions are governed by The Central Lincolnshire Local Plan 2012 – 2036 adopted in 2017.

3.7.5 The property is within Gainsborough Town Centre Conservation Area (GTCCA). The Draft GTCCA Character Appraisal (2019) has recently been published and will be subject to a formal consultation process before it is adopted.

3.7.6 5 -7 Market Place is a Grade II Listed Building under List Entry Number 1063521.

3.7.7 We have been unable to find any planning history for the property on the Council website.

3.7.8 In terms of neighbouring and nearby properties, we are not aware of any proposals for the former NatWest Bank next door. Planning consent was granted in March 2018 for change of use at 9 Market Place from retail to Class A3 for café use and Cooplands are in occupation for the sale of takeaway bakery products and eating in. We note that a planning application was submitted on 10th July 2019 for change of use at 4 Silver Street to convert the three upper floors into 4 x 1 bedroom and 1 x 2 bedroom Flats ranging in size from 428 sq ft to 715 sq ft. This is currently under consideration.

- 3.7.9 We have not made specific enquiries to verify this information, which is assumed to be correct. We do not accept liability for either incorrect information or for material omissions in the information obtained, including statutory notices or contraventions of statutory requirements.

Highways

- 3.7.10 We have been unable to establish whether there are any highway or major development proposals in the immediate area that may impact upon the value of the subject property. We assume there are none, but your solicitors should confirm as part of their normal Local Search enquiries. Given the nature and surfacing of Market Place we have assumed that it is a highway adopted and maintainable at public expense. Your solicitors should confirm in the normal way.

Fire Safety Order and Fire Risk Assessment

- 3.7.11 The Fire Safety Order applies to owners, occupiers, landlords, employers and anyone else with control of the premises, e.g. a facilities manager, building manager and managing agent of a business, or other non-domestic premises.
- 3.7.12 We have not made any enquiries in this regard and we have not been provided with a copy of the risk assessment, but in preparing our valuation have assumed that all necessary measures are in place and that no additional costs would be incurred in order to comply.
- 3.7.13 We recommend that your solicitor checks that the responsible party has fulfilled their obligations, including:
- carry out a fire risk assessment of the premises and review it regularly;
 - tell staff or their representatives about the risks you've identified;
 - put in place, and maintain, appropriate fire safety measures;
 - plan for an emergency;
 - provide staff information, fire safety instruction and training.

Smoke & Carbon Monoxide Alarm (England) Regulations 2015

- 3.7.14 These regulations came into effect on 1st October 2015. Premises occupied under an Assured Shorthold Tenancy (AST) must have:
- A smoke alarm on each storey of the premises on which there is a room used wholly or partly as living accommodation (including bathrooms and w.c.'s).
 - 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.

- 3.7.15 These alarms must be checked by or on behalf of the landlord to ensure that each prescribed alarm is in property working order on the day the AST begins if it is a new tenancy (as opposed to a renewal). Landlord are recommended to instruct the tenants (to include a reference within the AST) to check the alarms on a regular basis during their tenancy.

Equality Act 2010

- 3.7.16 The Equality Act encompasses the previous Disability Discrimination Act which deals with accessibility of premises and the workplace and seeks to limit discrimination in the terms of race, religion or physical ability. The Act seeks to ensure that disabled persons can access and acquire premises and that they are suitably adapted if for public workplace access. The Act places a Duty of Care on owners and physical changes to premises may be required for compliance purposes.
- 3.7.17 Whilst not experts in this field, the premises do not appear to comply with the above Act – but we make no provision within our valuation calculation for non-compliance.

Office, Shops & Railway Premises Act

- 3.7.18 We assume that, where appropriate, the property complies with this legislation.

Control of Asbestos At Work Act

- 3.7.19 We have not had sight of a written record in respect of the presence or otherwise of asbestos at the subject property. We presume that there are no costs outstanding in this regard.

Energy Performance Certificates (EPC)

- 3.7.20 The Energy Act 2011 provides for EPC minimum standards such that from 1 April 2018 it is unlawful to let residential or business premises that do not meet minimum energy efficiency standards. It is expected that the minimum threshold will be an EPC rating in Band E (i.e. it will be unlawful to let premises with an F or G rating).
- 3.7.21 From April 2020 privately rented residential properties will be affected (including where a lease is already in place and the property is occupied by a tenant) and from April 2023 all commercial properties let on existing leases will be similarly affected, subject to a number of exemptions.
- 3.7.22 We have consulted the online Non-Domestic Energy Performance Register and confirm there is no EPC lodged for the property. Listed Buildings are exempt from the legislation.

Sustainability

- 3.7.23 As the property market adjusts to new legislative requirements and the drive for more sustainable property assets, it is possible, in the future, that there will be an increasing divergence of values between those buildings which are considered to be compliant or "sustainable" and those which are not. Property investors and occupiers are becoming increasingly sensitive to a building's environmental and sustainability performance (e.g. BREEAM rating) with consequent implications for both rental and capital values.

- 3.7.24 At present, however, there is little consensus in market evidence or meaningful analysis of investment performance to enable any firm conclusions on to be drawn from the impact on capital and rental values of the various legislative initiatives and "sustainability" generally, but this may change.

Business Rates

- 3.7.25 Our enquiries with <https://www.tax.service.gov.uk/view-my-valuation/search> confirm that, as at the date of this report, the subject property has the following 2017 list entry:-

Address	Description	Rateable Value
5 – 7 Market Place Gainsborough Lincs DN21 2BP	Shop and Premises	£15,000

- Vacant Listed Buildings are not subject to a void rating charge.

- 3.7.26 In England the standard Uniform Business Rate (UBR) for the rating year 2019/2020 is 50.4 pence per £1.00 of rateable value and 49.1 pence per £1.00 for smaller businesses.
- 3.7.27 The actual rating liability may be subject to upwards/downwards transitional adjustment in accordance with regulations, which are made from time to time. We have not investigated the amount actually payable in respect of the subject property. In addition, some properties may benefit from a lower rate in the Pound if they are in receipt or are eligible for additional rates relief.

Council Tax

- 3.7.28 If the property is converted to provide residential accommodation on the upper floors, assessments will be required for Council Tax purposes and we assume these will be in line with the peer group.

3.8 Tenure

- 3.8.1 We have not been provided with any Title documentation. We understand that the property is owned freehold and we have assumed that the Title is unencumbered and free from any unusual or especially onerous or restrictive covenants, easements, restrictions, encumbrances, outgoings or rights of way which could affect value. This should be verified by your solicitors.
- 3.8.2 There is pedestrian access leading to the rear of the property. We understand that a neighbouring property benefits from a fire escape route across the land and this should be verified by your solicitors.

3.9 Occupation

- 3.9.1 We are valuing on the basis of vacant possession and can confirm that there was no indication of any part of the subject property being let out to a third party.

4. The Valuation

4.1 Factors Affecting Value

- 4.1.1 The property is situated in the historic Market Place within the town centre.
- 4.1.2 The building is Grade II Listed and it may be possible to retain/incorporate some period features into a conversion of the upper floors.
- 4.1.3 Structural repairs need to be undertaken in addition to the reconfiguration and refurbishment work. we have assumed the property will be in good mortgageable condition following completion of the work.
- 4.1.4 The property is freehold. If sales of individual parts are pursued, appropriate leasehold interests and a Management Company will need to be created. We assume that any leaseholds created will restrict the ground rents and possibly fix them at a peppercorn in line with anticipated Government intervention and the terms will be for 125/150 years minimum.
- 4.1.5 There is usually a new build premium for purpose built flats and conversions which is unlikely to be maintained after they have been occupied for the first time.
- 4.1.6 A sale of the entirety and of the three flats together will in our opinion attract a discount to reflect risk.

4.2 Market Conditions & Demand

Retail Market

- 4.2.1 The Q2 2019 RICS UK Commercial Property Market Survey results show the retail sector continuing to display firmly negative sentiment in the face of the structural shift towards increased online spending.
- 4.2.2 In the occupier market, the tenant demand indicator remained in negative territory for a fifth quarter in succession at the headline level, with the net balance reading of -59% in the retail sector being again responsible for pulling the all-sector average below zero.
- 4.2.3 In terms of availability, unsurprisingly, the retail sector posted the most significant rise compared to other sectors of the market, with a net balance of +52% of survey participants reporting an increase (the most elevated figure since Q2 2009). As a result, retail landlords raised the value of incentive packages on offer to tenants and expectations are for a decline in rental levels. Over the next 12 months, prime and secondary retail rents are anticipated to be falling by around 3.5% and 7% respectively.
- 4.2.4 The supply of available retail property increased in this quarter and over the next 12 months retail capital value projections remain in negative territory.
- 4.2.5 The national retail property market remained subdued throughout 2018 and the start of 2019. This is a likely reflection of the political, financial and cultural challenges the UK faces in the medium to long-term future. Uncertainty continues to be a catalyst for retailers' cautiousness.
- 4.2.6 The high street in many places has continued to decline, with out of town retail parks/shopping outlets, continuing to draw a bigger pull.
- 4.2.7 We have seen, over the past 12 months, the collapse of several retailers such as House of Fraser, L K Bennett, Bathstore and Debenhams to name a few, with many of the larger retailers such as M & S and Mothercare announcing closures of many of their stores during 2019. It has been reported that footfall has been decreasing by 1% per year, The Chancellor's budget has included a tax on digital/technological companies functioning in the UK by an extra 2%, which is set to start in April 2020.
- 4.2.8 Occupiers remain cautious with regards to new leases, often opting to 'stay put' at competitive terms rather than relocate. Where new occupancies have been agreed terms are tenant friendly, with tenant options to break and longer rent-free periods.
- 4.2.9 In terms of the subject property, over the medium to long term we consider that tenant demand is likely to remain static. This unit is situated in a good secondary location within Gainsborough, but due to the limited floor area it is likely to attract mainly independent retailers. Should the property be marketed to let, we consider that it would take 6-12 months to secure a new tenant.

Demand would likely be for a lease of 3-5 years, or longer subject to tenant break options, and we consider that a maximum rent-free period of 6-9 months is likely to apply in the current market. In terms of the marketing period, we have reflected the fact that the landlord is likely to be aware the tenant is vacating before possession is obtained. For a sale of the retail unit, we consider that a marketing period of 6-9 months will be required to secure a disposal.

Residential Market

- 4.2.10 The July 2019 RICS Residential Market Survey results show some of the improvement seen in near term expectations series last month has been partly reversed this time out. In particular, the outlook for prices three months ahead has turned slightly negative once more, while respondents envisage sales remaining flat over the same time frame. That said, new buyer enquiries picked up slightly for the second consecutive month, although this has yet to feed into any meaningful increase in agreed sales.
- 4.2.11 Starting with new buyer demand, a headline net balance of +8% of contributors reported an increase in enquiries during July. This marks the second report running in which a small increase has been cited (net balance was +10% in June), with the disaggregated data showing a slightly positive trend in the majority of UK regions.
- 4.2.12 Despite the modest improvement in demand, newly agreed sales edged down a fraction across the UK over the month. Indeed, the national net balance slipped to -6%, from +3% in June. Notwithstanding this, some regions saw a stronger sales trend, with respondents across the North East and the West Midlands in particular reporting a reasonably solid pick-up during July.
- 4.2.13 Looking ahead, near term sales expectations eased back into neutral territory, posting a net balance of -2% (down from +6% in June). What's more, sentiment is now only modestly positive regarding the twelve month outlook, with a national net balance of just +12% of respondents expecting sales to rise over the year ahead. When broken down, survey participants across the North East, North West, Wales and the West Midlands are more optimistic than the national average, as each area displays comfortably positive sales projections for the next twelve months.
- 4.2.14 Alongside this, new instructions to sell were seen as unchanged for the second successive report. This follows a string of eleven consecutive monthly declines in fresh listings beforehand. Even so, respondents continue to report that the volume of market appraisals undertaken over the month was down on the same period of last year. Accordingly, it seems there is little prospect of a sustained rise in supply coming onto the market in the immediate future.
- 4.2.15 Meanwhile, the survey's headline price indicator pulled back into negative territory in July, with the national net balance falling to -9% (having edged up to -1% in June). Nevertheless, contributors report that prices are rising at a solid pace in Northern Ireland, Scotland and Wales. By way of contrast, prices continue to fall in London, the South East and East Anglia.

- 4.2.16 Back at the national level, feedback from contributors is still suggesting that higher priced tiers of the market are facing a more challenging environment. 69% of respondents note that, for properties marketed at over £1m, sales prices are coming in below asking prices (up from 66% in April). However, for properties listed at up to £500k and below, 59% of survey participants report sales prices have been at least level with asking (albeit this is slightly down on 62% three months ago).
- 4.2.17 When it comes to the outlook for prices, near term expectations deteriorated over the month, as the headline net balance fell to -12% from zero in June. Further out, at the twelve month horizon, projections remain marginally positive in net balance terms, with the latest reading coming in at +9%. That said, this latest figure is noticeably softer than +25% returned previously. At the regional level, the current downward trend in prices is now expected to persist over the coming twelve months in London, the South East and East Anglia. At the other end of the scale, respondents envisage strong annual growth in prices across Scotland, Northern Ireland and Wales.
- 4.2.18 In the lettings market, the headline tenant demand indicator (quarterly seasonally adjusted data) picked-up to post the strongest reading since the closing stages of 2016. At the same time, landlord instructions fell once again, extending a run of continuous decline stretching back over the past thirteen quarters. Given the current imbalance between supply and demand, near term rental growth expectations were driven higher, with the headline net balance of +25% in July representing the most elevated reading in twelve quarters.
- 4.2.19 In our opinion it will be necessary to allow a marketing period of 6-9 months to secure sales of the flats individually and as a single lot. For lettings, we consider that a marketing period of 2-3 months will be sufficient to achieve lettings.
- 4.2.20 The uncertainties surrounding the UK's departure from the European Union ("Brexit") could have significant effects on the subject property in the form of inflated development costs (in the case of the UK reverting to WTO trading rules with the European Union). The ongoing uncertainty could also cause the market for the completed apartments to fluctuate. The Market Value reported herein reflects the situation and the associated market sentiment as at the valuation date. As the subject property comprises a development opportunity for which planning consent is in place, and the anticipated development timescale to leave the European Union has already been extended and may be extended further. Any change in the UK's relationship with the European Union from the status quo has the potential to disrupt the development process. This risk goes two ways. Anecdotal evidence suggests that the uncertainty since the Brexit referendum in July 2016 has already impacted on inflation and the wider economy. If Brexit were to be cancelled or significantly delayed, or if Brexit were to be very soft (with the trading relationship between the UK and European Union largely unaffected) then this could counteract these effects to some degree.

4.3 Comparable Evidence

Capital Value Evidence and Analysis

Retail

4.3.1 11 Church Street, Gainsborough

Ground floor retail of 384 sq ft and first floor ancillary space of 313 sq ft. Relatively modern property. Freehold sold July 2017 for £77,500.

4.3.2 27 Market Place, Gainsborough

Ground floor retail of 446 sq ft and ancillary upper floors of 725 sq ft. Freehold sold May 2016 for £75,000 subject to a tenancy to SFL (Yorkshire) Ltd for 5 years from August 2012 at a rent of £10,000 per annum.

4.3.3 33 Market Street, Gainsborough

Ground floor retail of 317 sq ft plus ancillary space of 80 sq ft and ancillary upper floors of 879 sq ft. Freehold sold in August 2016 for £57,500.

4.3.4 35 Lord Street, Gainsborough

Vacant public house extending to 2,064 sq ft over three floors and including rear car park. Offered for sale at The Allsop auction on 9th July 2019 at a guide price of £60,000 plus. Sale agreed post auction at an undisclosed price.

4.3.5 11-13 Market Street, Gainsborough

Former Santander branch with ground floor retail of 705 sq ft plus ancillary space of 837 sq ft and first floor office of 1,081 sq ft. Offers invited in excess of £135,000 with SKA occupying the first floor at a rent of £4,750 per annum (holding over) and subletting part to Riverside Training Services. A sale of the property has been agreed at a confidential price.

Residential

4.3.6 Flat 2, Granary Wharf, Bridge Street, Gainsborough

Purpose built two bedroom third floor flat with ensuite and bathroom, roof terrace and lift access. 580 sq ft approximately. Sold 27th November 2018 at £108,000.

4.3.7 Flat 2, Furleys Wharf, Bridge Street, Gainsborough

Ground floor conversion. Two bedrooms, kitchen, lounge/dining room and bathroom with parking space. 535 sq ft approximately. Sold 19th October 2018 for £71,000.

4.3.8 Flat 20, Granary Wharf, Bridge Street, Gainsborough

Purpose built two bedroom second floor flat with ensuite, bathroom, lift access and parking space. 667 sq ft approximately. Sold 12th April 2019 for £77,000.

4.3.9 24 Peacock Place, Gainsborough

Purpose built two bedroom second floor flat with lounge/kitchen/dining room, bathroom and parking space. 617 sq ft approximately. Sold 20th July 2018 for £69,000.

Rental Value Evidence and Analysis

Retail

4.3.10 9 Market Place, Gainsborough

Ground floor retail of 3,000 sq ft plus ancillary storage of 273 sq ft let to Cooplands in February 2018 on confidential terms. The asking rent was £23,000 per annum.

4.3.11 38 Market Place, Gainsborough

Ground floor retail of 685 sq ft, plus upper floor ancillary space of 1,167 sq ft. Let to Vapetropolis in October 2017 at a rent of £17,950 per annum with 6 months rent free.

4.3.12 WLDC Church Street Portfolio, Gainsborough

We are aware that the following rents are payable:

10 Church Street	£14.18 ITZA from May 2016
14 Church Street	£17.14 ITZA (441 sq ft)
26 Church Street	£15.70 ITZA from April 2017

4.3.13 4a Church Street, Gainsborough

Slightly smaller ground floor than 14 Church Street with additional first and second floor accommodation. Let in July 2018 at £8,120 per annum.

4.3.14 4 Silver Street, Gainsborough

Ground floor retail of 1,367 sq ft plus ancillary space of 253 sq ft (former Cooplands). Asking rent £19,500 per annum.

Residential

4.3.15 Furleys Wharf, Gainsborough

Two bedroom ground floor flat in a warehouse conversion with lounge/dining room, kitchen, Jack and Jill bathroom, electric heating, double glazing and a parking space. Let in July 2019 at £450 pcm.

4.3.16 Granary Wharf, Bridge Street, Gainsborough

Purpose built two bedroom second floor flat with lounge/kitchen/dining room, ensuite shower room, bathroom and lift access. 667 sq ft approximately. Let in July 2019 at £440 pcm.

4.3.17 Bridge Street, Gainsborough

Two bedroom third floor flat in a Mill conversion with lounge/kitchen, Jack and Jill bathroom and parking space. Let in April 2019 at £425 pcm.

4.4 Valuation Methodology

- 4.4.1 We are valuing the property using the comparable method of valuation.
- 4.4.2 We have considered sales and lettings of similar property types in Gainsborough together with details of properties which are still on the market.
- 4.4.3 Due to the compact nature of the town centre and market conditions over rent years, there are a limited number of comparables, particularly for flats over shops and for lock up shop sales. We have therefore made appropriate adjustments to some of the more historic evidence and reflected details of accommodation, location and availability of onsite parking to inform our opinion of value. Our valuation should therefore be regarded as subjective to some extent.
- 4.4.4 The available floorspace in the retail shop is compromised to some extent by the location of the disabled toilet and the floor area is also reduced. The floor area utilised by us, includes the area for the inset entrance door which is customary as the shopfront could be level with the façade if desired. We have applied a rent of £15 psf to the ITZA figure.
- 4.4.5 In our opinion the proposed flats without ensembles, would command a rent of £425 pcm each and those with ensembles would command a rent of £450 pcm each.
- 4.4.6 For a sale of the entire property and the flats as a single lot, we have applied a discount of approximately 15% to the aggregate values, to reflect risk, acquisition and holding costs for a purchaser.
- 4.4.7 No allowance has been made for costs of acquisition or realisation of the property, nor for any liability for taxation which may arise on disposal whether actual or notional, e.g. VAT, Inheritance Tax or Capital Gains Tax. Unless stated to the contrary it is assumed that where there is an imposition or otherwise of VAT on the rent that the lessee will be able to fully reclaim the VAT paid.

4.5 Verification

- 4.5.1 This report has been based, to some extent, on information provided verbally which should be checked by your solicitors. In particular, this applies to tenure and planning. Their searches may also reveal whether any historical use of the property is likely to have resulted in contamination or whether there are any encumbrances or other third party rights affecting the title or use of the property. If any assumption we have made proves incorrect the matter should be referred back to us as it may have an impact on the value of the property and its suitability as loan security.

4.6 Valuation Definitions

Market Value

- 4.6.1 “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

- 4.6.2 “The estimated amount for which an interest in real property should be leased on the date of valuation between a willing lessor and a willing lessee on appropriate lease terms, in an arm’s length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion”

4.7 Valuation

Scheme 1 – single bathroom Flats

- 4.7.1 In our opinion the Market Value of the subject property as at 22nd August 2019 on the assumption that a comprehensive conversion and refurbishment scheme has been satisfactorily completed, freehold with vacant possession throughout and subject to the assumptions and comments in this Report and Appendices was **£250,000 (Two Hundred and Fifty Thousand Pounds)**.

- 4.7.2 In our opinion the Market Value of the individual Flats as at 22nd August 2019 on the assumption that a comprehensive conversion and refurbishment scheme has been satisfactorily completed, leasehold with vacant possession throughout and subject to the assumptions and comments in this Report and Appendices was **£80,000 (Eighty Thousand Pounds) each**.

- 4.7.3 In our opinion the Market Value of the Flats as a single Lot as at 22nd August 2019 on the assumption that a comprehensive conversion and refurbishment scheme has been satisfactorily completed, leasehold with vacant possession throughout and subject to the assumptions and comments in this Report and Appendices was **£200,000 (Two Hundred Thousand Pounds)**.

- 4.7.4 In our opinion the Market Rent of the Flats as at 22nd August 2019 on the assumption that a comprehensive conversion and refurbishment scheme has been satisfactorily completed and standard Assured Shorthold Tenancies are in place for a minimum term of 6 months and subject to the assumptions and comments in this Report and Appendices was **£15,300 (Fifteen Thousand Three Hundred Pounds) per annum exclusive**.

- 4.7.5 In our opinion the Market Value of the Ground Floor Retail unit as at 22nd August 2019 on the assumption that a comprehensive conversion and refurbishment scheme has been satisfactorily

completed, freehold with vacant possession throughout and subject to the assumptions and comments in this Report and Appendices was **£50,000 (Fifty Thousand Pounds)**.

- 4.7.6 In our opinion the Market Rent of the Ground Floor Retail unit as at 22nd August 2019 on the assumption that a comprehensive conversion and refurbishment scheme has been satisfactorily completed and a lease is in place for a minimum term of 6 months and subject to the assumptions and comments in this Report and Appendices was **£6,000 (Six Thousand Pounds) per annum exclusive**.

Scheme 2 – bathroom and ensuite shower room Flats

- 4.7.7 In our opinion the Market Value of the subject property as at 22nd August 2019 on the assumption that a comprehensive conversion and refurbishment scheme has been satisfactorily completed, freehold with vacant possession throughout and subject to the assumptions and comments in this Report and Appendices was **£265,000 (Two Hundred and Sixty Five Thousand Pounds)**.
- 4.7.8 In our opinion the Market Value of the individual Flats as at 22nd August 2019 on the assumption that a comprehensive conversion and refurbishment scheme has been satisfactorily completed, leasehold with vacant possession throughout and subject to the assumptions and comments in this Report and Appendices was **£85,000 (Eighty Five Thousand Pounds) each**.
- 4.7.9 In our opinion the Market Value of the Flats as a single Lot as at 22nd August 2019 on the assumption that a comprehensive conversion and refurbishment scheme has been satisfactorily completed, leasehold with vacant possession throughout and subject to the assumptions and comments in this Report and Appendices was **£215,000 (Two Hundred and Fifteen Thousand Pounds)**.
- 4.7.10 In our opinion the Market Rent of the Flats as at 22nd August 2019 on the assumption that a comprehensive conversion and refurbishment scheme has been satisfactorily completed and standard Assured Shorthold Tenancies are in place for a minimum term of 6 months and subject to the assumptions and comments in this Report and Appendices was **£16,200 (Sixteen Thousand Two Hundred Pounds) per annum exclusive**.
- 4.7.11 The uncertainties surrounding the UK's departure from the European Union ("Brexit") could have significant effects on the subject property in the form of inflated development costs (in the case of the UK reverting to WTO trading rules with the European Union). The ongoing uncertainty could also cause the market for the completed apartments to fluctuate. The Market Value reported herein reflects the situation and the associated market sentiment as at the valuation date. As the subject property comprises a development opportunity for which planning consent is in place, and the anticipated development timescale to leave the European Union has already been extended and may be extended further. Any change in the UK's relationship with the European Union from the status quo has the potential to disrupt the development process. This risk goes two ways.

Anecdotal evidence suggests that the uncertainty since the Brexit referendum in July 2016 has already impacted on inflation and the wider economy. If Brexit were to be cancelled or significantly delayed, or if Brexit were to be very soft (with the trading relationship between the UK and European Union largely unaffected) then this could counteract these effects to some degree.

We trust that this report is satisfactory for your immediate purposes but, should any matter require further clarification, we shall be pleased to hear from you. We would reiterate that neither the whole nor any part of this Valuation Report may be included in any published document, circular or statement nor published in any way without our written approval of the form and context in which it may appear.

Valuer:



**Geoff Solman BSc MRICS
RICS Registered Valuer
For and on behalf of
Bruton Knowles LLP**

Approving Officer:

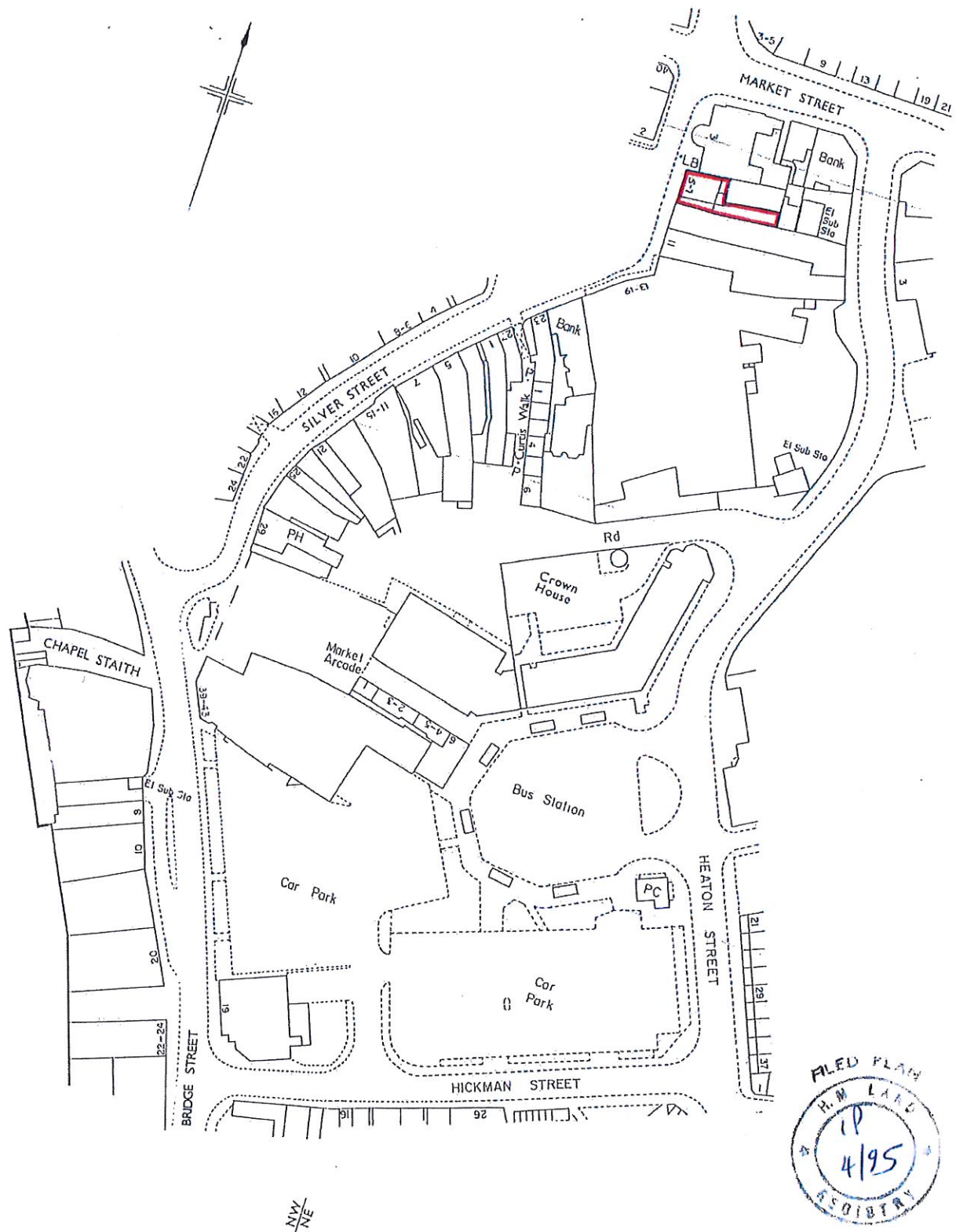


**James Bailey BSc (Hons) FRICS
RICS Registered Valuer
For and on behalf of
Bruton Knowles LLP**

Appendix One

Location and Site Plans

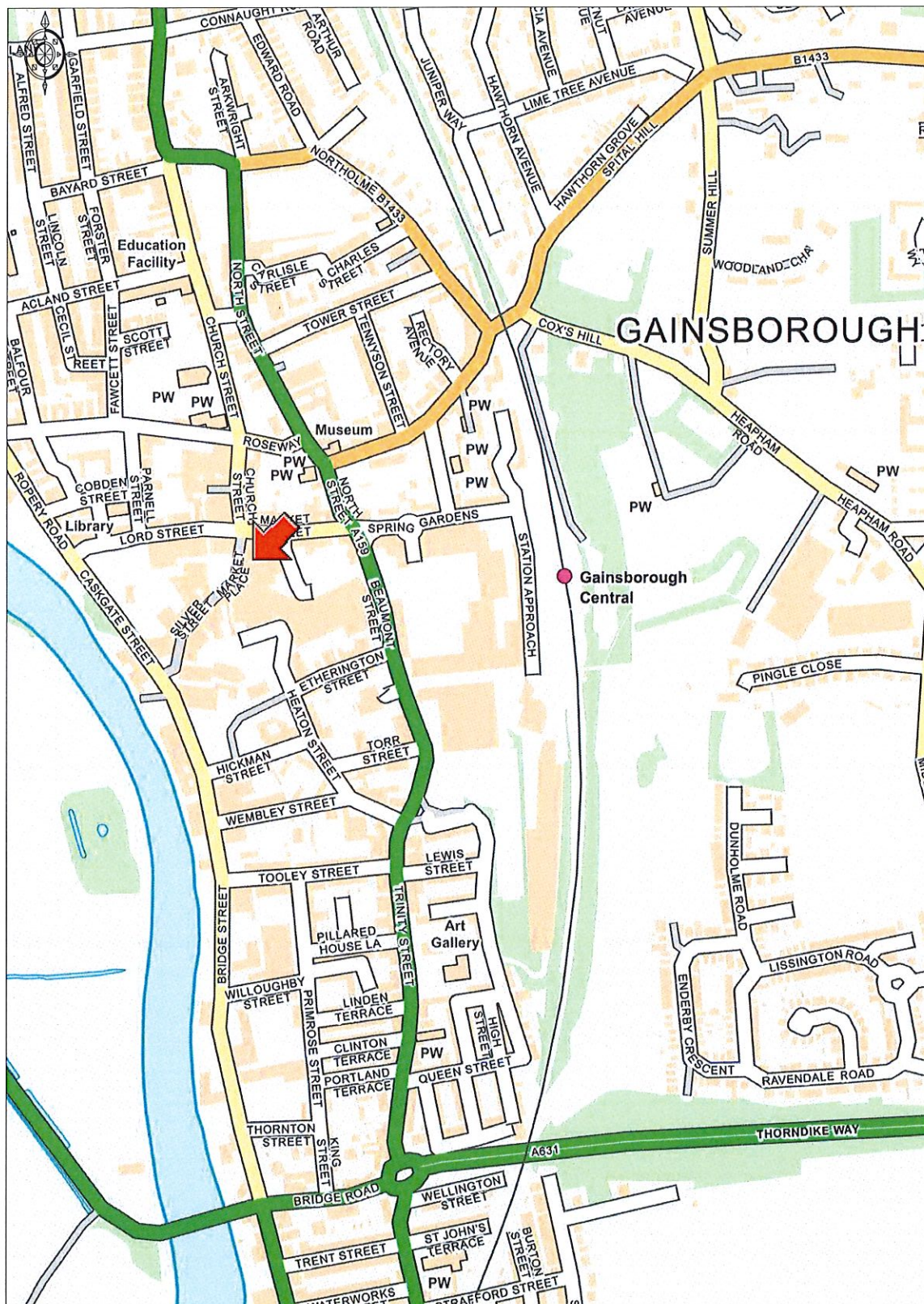
H.M. LAND REGISTRY		TITLE NUMBER	
		LL 114833	
ORDNANCE SURVEY PLAN REFERENCE	SK 8189	SECTION P	Scale 1/1250
COUNTY LINCOLNSHIRE	DISTRICT WEST LINDSEY	© Crown copyright 1987	



LOCATION MAP 5-7 Market Place, Gainsborough.

BK Bruton Knowles

est.1862



Ordnance Survey © Crown Copyright 2019. All rights reserved.
Licence number 100022432. Plotted Scale - 1:7500

Promap
LANDMARK INFORMATION GROUP

Prepared by Bruton Knowles,
for Identification Purposes Only

Appendix Two

Photographs

PHOTOGRAPHS

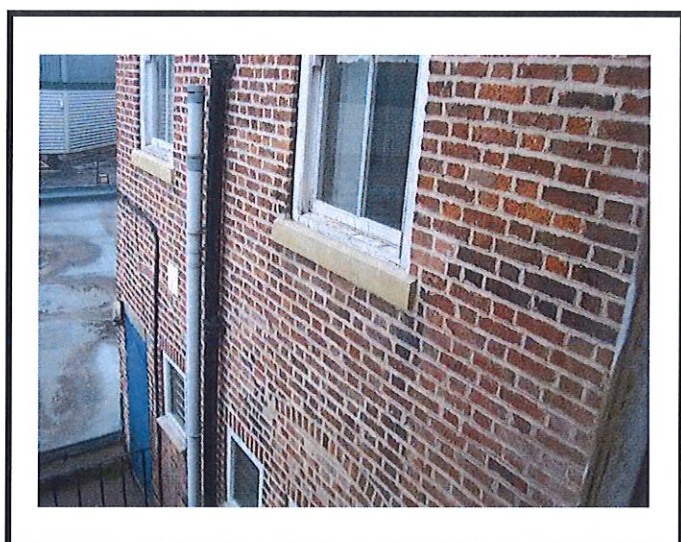
5-7 Market Place, Gainsborough, DN21 2BP



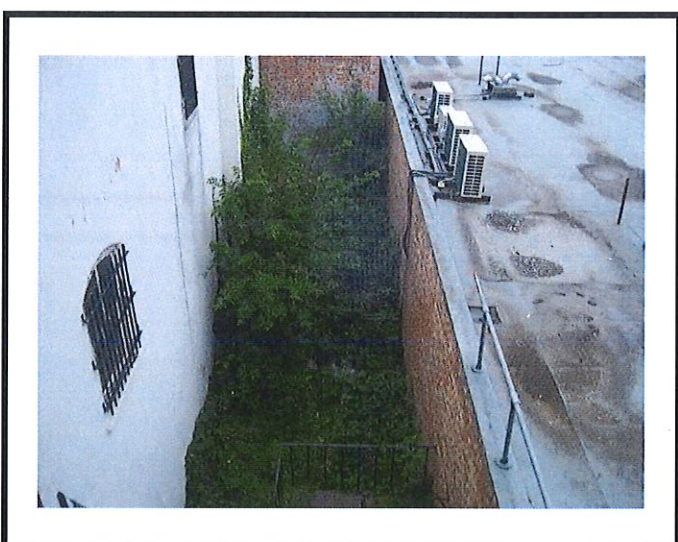
Front Elevation



Rear Elevation



Rear Elevation



Rear Land

PHOTOGRAPHS

5-7 Market Place, Gainsborough, DN21 2BP



Ground Floor



First Floor



Second Floor



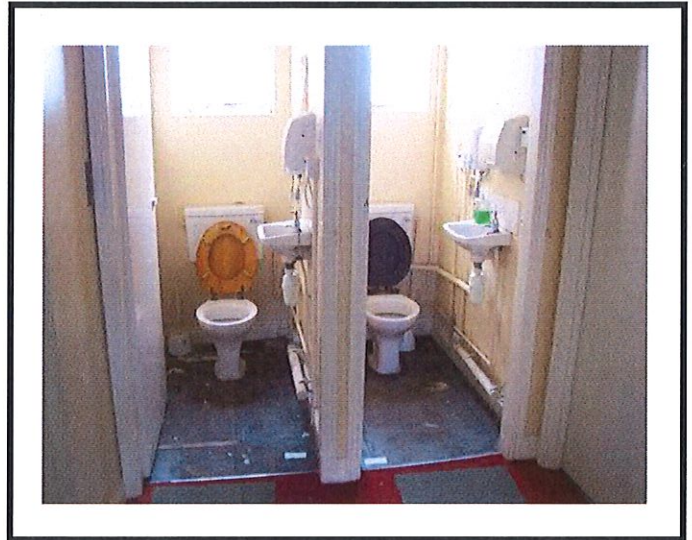
Third Floor

PHOTOGRAPHS

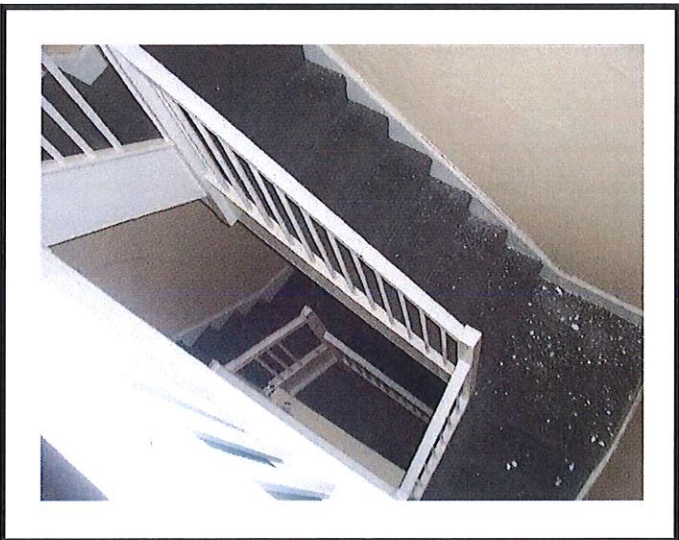
5-7 Market Place, Gainsborough, DN21 2BP



Kitchen



Toilets



Main Stairwell



Second Stairwell

Appendix Three

Purchase Order



PURCHASE ORDER

West Lindsey District Council
 Guildhall, Marshalls Yard, Gainsborough, Lincs DN21 2NA

www.west-lindsey.gov.uk

Supplier BRUTON KNOWLES BISLEY HOUSE GREEN FARM BUSINESS PARK BRISTOL ROAD GLOUCESTER GL2 4LY Supplier Number : 701718	Order No: SG00006738 Required by: Reference Number Date: 19/08/2019
---	--

Invoice Address West Lindsey District Council Procurement Team Guildhall Marshalls Yard Gainsborough Lincs, DN21 2NA 01427 676539 Procurement.Team@West-Lindsey.gov.uk	Delivery Address Attention of Wendy Osgodby Procurement Team West Lindsey District Council Guildhall, Marshalls Yard Gainsborough Lincolnshire DN21 2NA
--	--

Notes	Contact Details Wendy Osgodby Tel: 01427 676636 Email: wendy.osgodby@west-lindsey.gov.uk
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Line No.	Qty	UOM	Product code	Description	Unit Cost (£)	Order Value (£)
1	1.00		Service Item	Valuations for 5-7 Market Place, Gainsborough		

Issued By: Wendy Osgodby	Authorised By: Diane Leslie	Total Order Value
---------------------------------	------------------------------------	--------------------------

Please refer to our website for the Council's terms and conditions of purchase and any special terms and / or instructions therein. All invoices MUST quote the purchase order number.

Appendix Four

Standard Terms and Conditions of Engagement

Standard Terms & Conditions of Engagement

1 R.I.C.S. Valuation Standards

Our valuation has been made in accordance with the RICS Valuation – Global Standards 2017, this firm being independent Valuers as defined in the manual.

2 Basis/Bases of Valuation

In accordance with your instructions, our valuation has been prepared under one or more of the following bases of valuation.

Market Value (MV) is :-

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

The interpretative commentary contained within Valuation Technical and Performance Standard 4 (VPS4) of the RICS Valuation – Global Standards 2017 forms an integral part of this definition.

Market Rent (MR) is :-

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

The interpretative commentary contained within VPS4 of the RICS Valuation – Global Standards 2017 forms an integral part of this definition.

Existing Use Value (EUV) is :-

"The estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction, after proper marketing wherein the parties had 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."

Fair Value (FV) is :-

The definition adopted by the International Accounting Standards Board (IASB) in IFRS 13:

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.

The interpretative commentary contained within VPS4 of the RICS Valuation – Global Standards 2017 forms an integral part of this definition.

Market Value having regard to Trading Potential is :-

Defined in VGPA4 of RICS Valuation – Global Standards 2017 and a trade related property is considered to be an individual trading entity and is typically valued on the assumption that there will be a continuation of trading.

3 Scope & Title

We have not carried out formal searches of Local Authority Registers or on Title and it has therefore been assumed that no onerous or restrictive covenants attach to Title. You should rely on your solicitor in these matters and we reserve the right to amend our valuation should any encumbrance be shown to materially affect the value of the property. For owner occupied properties, our valuation assumes vacant possession would be given by the vendor upon completion of a disposal. For tenanted premises, our valuation is subject to the information on tenancies contained within our Report unless otherwise stated. Our valuation is made on the assumption that information given to us, either verbally or in writing by the Bank, your representatives or from any official sources (including, where relevant, the Borrower, the vendor, the selling agents and the Local Authority), is capable of formal substantiation. Our valuation also assumes that the property is free from any borrowings or encumbrances, unless otherwise stated.

4 Condition

We have not carried out a building survey or tested services, nor have we inspected those parts of the property which are covered, unexposed or inaccessible and such parts have been assumed to be in good repair and condition. We cannot express an opinion about, or advise upon, the condition of uninspected parts and our Report should not be taken as making any implied representation or statement about such parts. We have not arranged for any investigations to be carried out to determine whether or not any deleterious or hazardous material has been used in the construction of the property, or has since been incorporated, and we are therefore unable to report that the property is free from risk in this respect. For the purpose of our valuation we have assumed that such investigation would not disclose the presence of any such material to any significant extent.

With specific regard to the Control of Asbestos Regulations 2006, we will reflect the content of any written risk assessment provided, however where a risk assessment has not been carried out or is not available, we will assume that a risk assessment would not reveal any matters which could affect value.

We are under no duty to and have not a) moved anything; b) used a moisture detecting meter; c) arranged for the testing of electrical, heating or other service installations; or d) carried out an environmental audit. We have also assumed that no radon gas is present at the property. Unless stated to the contrary, no investigations have been carried out to determine whether the site has a history of instability and we are, therefore, unable to report that the property is free from risk in this respect. We have assumed, for the purpose of the valuation, that such investigation would not disclose the presence of any such problems

5 Contamination

We will not identify the existence of contamination unless either reports have been made available to us in this respect or, during the course of our inspection, we conclude that there may be material contamination at the property or on any neighbouring land. In the latter case we will report this possible contamination immediately with a view to a decision being taken as to whether the valuation instructions are to be amended. Otherwise, our valuation has been undertaken on the assumption that no contaminative or potentially contaminative uses have ever been carried out on the property. Should it be established subsequently that contamination does exist at the property or on any neighbouring land, or that the premises have been or are being put to any contaminative use, this might reduce the values reported.

6 Local Authority Enquiries

Where appropriate, verbal enquiries have been made of the local authority and unless otherwise stated, we have assumed that there are no planning proposals, highway improvements or compulsory acquisition schemes likely to affect value. We have also assumed planning consent and all other statutory requirements have been obtained and complied with for the erection and occupation of the building. Formal searches have not been made and we reserve the right to amend our valuation should information at variance to these assumptions be forthcoming. No allowance has been made for rights, obligations or liabilities arising from the Defective Premises Act 1972 or the Disability Discrimination Act 1995.

7 Fixtures & Fittings and Plant and Machinery

Unless stated to the contrary, our valuation has excluded any element of goodwill, trade equipment and moveable fixtures and fittings attached to the property. We have also excluded any stock associated with the business. Our valuation includes only such items as form part of the normal building services installations and any items in the nature of specialist or the present occupiers process plant and machinery have been excluded. No equipment or fixtures and fittings have been tested in respect of Electrical Equipment Regulations and Gas Safety Regulations and we assume that where appropriate all such equipment meets the necessary legislation.

8 Sources, Extent and Non-Disclosure of Information

In preparing our valuation we have relied upon such information as has been provided by the client or building occupier in respect of tenure, tenancies, planning consent and any other relevant information. Where leases or other documents have been produced to us, our Report so states. Otherwise, such information should be verified and in the event of significant variation from the information initially given to us, our valuation could require adjustment.

9 VAT, Taxation and Costs of Acquisition or Realisation

No allowance has been made for costs of acquisition or realisation of the property, nor for any liability for taxation which may arise on disposal whether actual or notional, e.g. VAT, Inheritance Tax or Capital Gains Tax. Unless stated to the contrary it is assumed that where there is an imposition or otherwise of VAT on the rent that the lessee will be able to fully reclaim the VAT paid.

10. Reinstatement Cost

Where we have been requested to provide our opinion of the buildings' reinstatement cost, we confirm that we have not carried out a formal estimate of the reinstatement value of the premises. The figure provided is for guidance purposes only and we recommend that a formal assessment is obtained from a specialist insurance valuer if insurance cover is to be effected. However, our informal estimate is inclusive of site clearance, demolition, statutory and professional fees but excludes VAT, loss of rent, the cost of alternative accommodation for the reinstatement period and inflation during the policy year or the rebuilding period.

11. Future Prospects

Where our Report contains any statement as to the prospect of future growth in rental and/or capital values, it should be appreciated that such growth may not occur and that the values can fall as well as rise.

12. Disclaimer

Our valuation is provided only for the purpose agreed with the instructing client and will be for the sole use of the client. As such, it is confidential to the client and his professional advisers. We accept responsibility to the client alone that the report has been prepared with the skill, care and diligence which may reasonably be expected of a competent valuer but accept no responsibility whatsoever to any other person who relies upon the report at his own risk. Neither the whole nor any part of the Valuation Report may be included in any published document, circular or statement nor published in any way without our written approval of the form and context in which it may appear. We undertake all services only on the basis of these terms which shall apply to the exclusion of any other terms and conditions which the client may seek to impose. No variation of these terms shall be binding unless agreed in writing by an authorised representative of BK and the client.

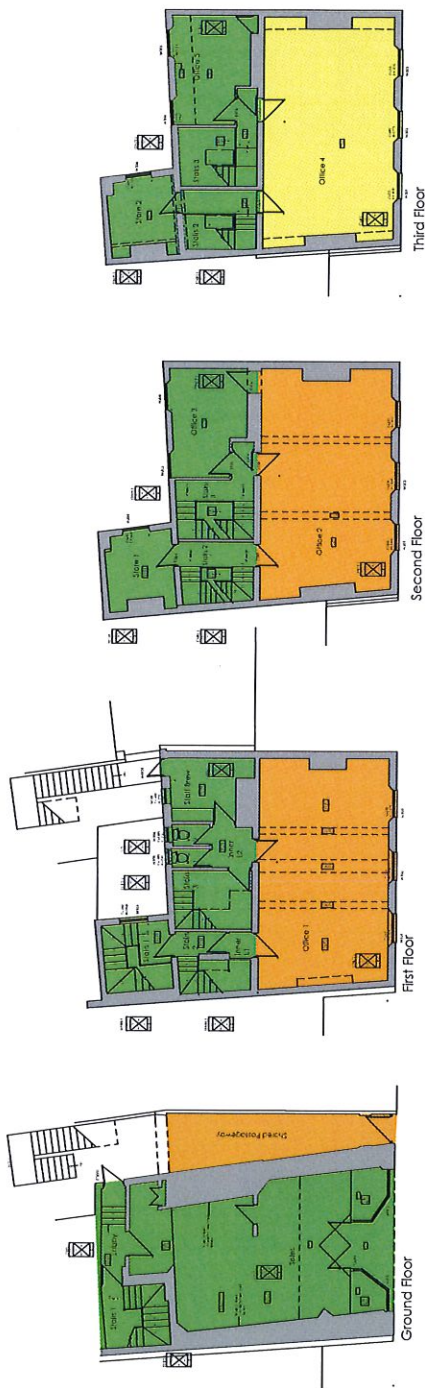
Where we are providing one or more valuations of a property or properties ("the Property"), in circumstances where you have already made a loan secured (whether wholly or partially) against the Property, and you make further loan or loans secured on the Property in reliance of our valuation(s), our liability to you for any loss that you incur arising from our valuation(s) will be limited to the lesser of: (1) the further sum (if any) that you lend in reliance of our valuation(s); or (2) the difference between our valuation(s) and the true value of the Property at the date of our valuation(s). This limitation of liability applies irrespective of whether, in making a loan based on our valuation(s), you have released the original charge and executed a new charge, or lent additional sums against the original charge. We will not be liable for any loss arising from the original loan (including any extensions to that loan prior to our valuation(s)) that you made, secured by the Property, unless: (1) We carried out the original valuation(s) of the Property; (2) You made the original loan in reliance of our valuation(s); and (3) Our original valuation(s) was negligent.

Appendix Five

Proposed Floor Plans



 1-800-393-6643
 www.mhhe.com
 ISBN 0-07-305103-1
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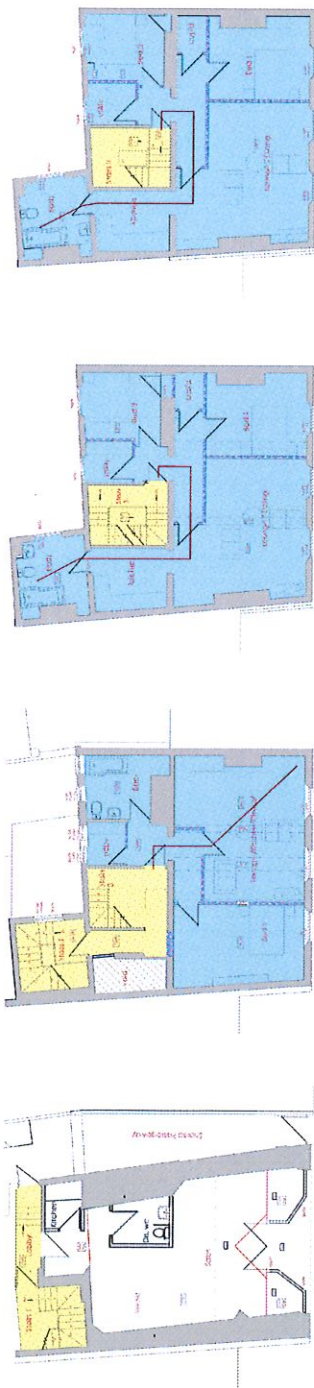


Red lines denote furthest point in flat to protected stair

First floor 7.7m from stair core
Second floor 11.5m from stair core
Third floor 11.5m from stair core

Query on compliance

Bathrooms on second and third floor could be considered inner, inner rooms with escape via the kitchens. This does not accord with Part B 3.17 and 3.8



Alternative option removes existing stair core to consolidate vertical circulation to rear of the building. This allows circulation spaces to be removed from front portion of building and relocated within tertiary green space of lower significance.



Note—floor plans and arrangements are indicative and taken from existing PDF plans. Measure Building survey required to check dimensions and viability of options. Floor heights have been assumed as above.