

Valuation of: 9 Langtry Road, London, NW8 0AJ
79 Fernhead Road, London, W9 3EA
76 Amhurst Road, (Flats C & D),
London, E8 1JH
Flat 9 Blondin House, 1112 Harrow
Road, London, NW10 5NA



On behalf of: ICG Longbow Senior Debt S.A

Valuation Date: 27 November 2014

Prepared by: Nigel Whitehurst MRICS, RICS Registered Valuer
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F.A.O. Trevor Homes
ICG Longbow Senior Debt S.A
Longbow Real Estate Capital LLP
42 Wigmore Street
London
W1U 2RY

Gerald Eve LLP

72 Welbeck Street, London, W1G 0AY
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5 December 2014

Our Reference: AL000693

Dear Trevor

Borrower: First Light Properties Limited
Property: 9 Langtry Road, London, NW8 0AJ
79 Fernhead Road, London, W9 3EA
76 Amhurst Road, London, E8 1JH
9 Blondin House, 1112 Harrow Road, London, NW10 5NA

Terms of Engagement

In accordance with your instruction, as set out in your letter of 13 November 2014 and our Terms of Engagement, dated 18 November 2014, copies of which are attached at Appendix v, we have pleasure in reporting as follows.

Scope of Instruction

We have inspected and completed our investigations into the freehold and leasehold properties held as investments by the borrower and have pleasure in providing this valuation report. We understand that the purpose of this valuation report is to assist you in forming a decision as to whether the freehold and leasehold interest in the above property provides suitable security for lending purposes.

In preparing this report, we confirm that Gerald Eve LLP are acting as External Valuers and we are not aware of any conflict of interest in this respect albeit we note that Gerald Eve LLP has carried out valuations on other properties owned by the borrower within the past two years. ***We also confirm that we have valued 79 Fernhead Road for Metro Bank as at 3 April 2014. However we do not consider that this is a conflict of interest.*** We also confirm that our maximum liability for all advice and services provided in connection with this project both before and after the date of this letter shall not in aggregate exceed £5,000,000 (five million pounds).

Bases of Valuation and Valuation Assumptions

Our report and valuation have been carried out in accordance with the Valuation Practice Statements and Practice Guidance contained in the Valuation – Professional Standards, incorporating the International Valuation Standards (“the Standards”) of the Royal Institution of Chartered Surveyors (RICS), January 2014. Definitions of the valuation bases adopted together with the various assumptions made when undertaking our valuation are set out in the Terms and Conditions of the report at Appendix vi hereto.

In accordance with your instruction we have herein, in addition to our opinion of Market Value subject to the existing tenancies, reported our opinion of the Market Value of the freehold and leasehold interest in the subject property under the Special Assumption that it is subject to vacant possession.

Limitation

Our valuation is totally dependent on the accuracy of the information which has been supplied to us and upon the assumptions set out herein. If they prove to be incorrect or inadequate, the accuracy of the valuation may be affected.

In accordance with the recommendations of the RICS we require that neither the whole nor any part of our report nor any reference thereto be included in any published document, circular or statement, nor published

in any way without our prior written approval of the form or context in which it is to appear. In accordance with the Standards we are also required to draw your attention to the possibility that this valuation may be investigated by the RICS for the purposes of the administration of the Institution's conduct and disciplinary regulations.

The valuation report is provided for the stated purpose and solely for your use, and your professional advisers, and neither the undersigned nor Gerald Eve LLP accept any responsibility whatsoever to any other person. This valuation and report is only applicable to and should only be relied upon for the original loan which has triggered this report.

Investigations

A full inspection of the subject property was undertaken by Nigel Whitehurst on 14 November 2014. The valuation reported herein is subject to the assumption that no material changes to either the subject property or its immediate locality have taken place between our inspection and the valuation date.

The valuation date for the valuation reported herein is 27 November 2014.

This report has been prepared by Nigel Whitehurst MRICS and checked by Michael Riordan MRICS, both of whom are RICS Registered Valuers. We also confirm that the individuals carrying out this valuation have the appropriate knowledge, skills and experience to undertake the valuation competently.

We trust that this report is satisfactory for your current requirements, but, if we can be of further assistance, please do not hesitate to contact us.

Yours faithfully



Nigel Whitehurst MRICS, RICS Registered Valuer
Partner

For and on behalf of Gerald Eve LLP

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VALUES

For clarity we set out below a schedule of values for each property as at 27 November 2014:

<u>Ref</u>	<u>Address</u>	<u>Market Value</u> <u>(£)</u>	<u>Vacant</u> <u>Possession Value</u> <u>(£)</u>	<u>Market Rent</u> <u>(£ pa)</u>	<u>Reinstatement</u> <u>Cost Assessment</u>
1.	9 Langtry Road, London, NW8 0AJ	£1,750,000	£1,565,000	£147,576 pa	£420,000
2.	79 Fernhead Road, London, W9 3EA	£1,585,000	£1,385,000	£85,450 pa	£450,000
3.	76 Amhurst Road, (Flats C & D), London, E8 1JH	£636,000	£636,000	£30,980 pa	£125,000
4.	Flat 9 Blondin House, 1112 Harrow Road, London, NW10 5NA	£310,000	£310,000	£16,900 pa	£70,000
	TOTAL	£4,281,000	£3,896,000	£280,906	£1,065,000

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Appendix i – Portfolio Analysis

Portfolio Analysis

We would refer you to the individual property reports for the property specific commentary but set out below a high level financial summary of the portfolio as a whole.

The portfolio comprises 4 predominately residential properties with 1 retail unit at 79 Fernhead Road. We understand all bar Flat 9 Blondin House, 1112 Harrow Road are held freehold. Flat 9, Blondin House is held on a 125 year lease expiring on 16 September 2135. All of the properties are located in north west London.

Central London Market Commentary

Sales

According to the Autumn 2014 Lonres residential review market conditions weakened over the summer months with a rise in supply being report and demand, particularly from overseas buyers has fallen. Properties are also taking longer to sell with sales being some 11.5% down in the 3rd Quarter 2014 compared to Q2.

Foreign investment in the central London residential market is however still a strong driver although there are concerns over the strengthening of sterling and taxes which have affected demand. The greatest decrease has been from investors from Russia. The fall in demand has mostly been in the £5 m or higher bracket with properties below £2 m showing an increase in overseas demand.

These weaker market conditions have also had an effect on price with average sales prices per sq ft falling by 1.8% over the last 3 months. It is only in the sub £2 m bracket that agents have been reporting an increase in average sale prices (+0.5% over the quarter).

The biggest impact on supply levels will be the possibility of a Mansion Tax whilst demand will be affected by the forthcoming election. However agents are slightly more optimistic on prices now than 3 months ago.

Rentals

In the rental market an increase in demand has been seen even though tenants are staying in their properties for longer. Stock levels have eased back with 65% of agents now reporting demand outstripping supply. This competition has put pressure on rents with slight increases recorded for the quarter. Rents are now reported to be rising at a rate of 5.5% with the strongest rental growth to be found in the central and northern suburbs (NW8, NW3 and NW1).

Rental levels are expected to increase as will demand by the end of 2014.

Rest of the UK

Currently House price indices suggest that it is only London that is showing signs of slowing, particularly in the prime markets. However it is anticipated that this will not be confined to the London market. The consensus is that house price growth will continue, especially whilst interest rates are low and the economy is strong but that the rate of growth will slow down.

Yield analysis

The entire portfolio has a total Market Value of **£4,281,000 (Four Million Two Hundred and Eighty One Thousand Pounds)** as at 27 November 2014.

The commercial element has a total Market Value of **£225,000 (Two Hundred and Twenty Five Pounds)** which shows the following yield profile. For the avoidance of doubt this excludes the residential flats let on ASTs above and in the basement.

Net Initial Yield:	6.50%
Net Final Yield:	6.50%
Equivalent Yield:	6.50%

The tenant would be considered to offer weak covenant strength and be of a “secondary” nature. However the property is of lot sizes that would appeal to a number of local investors who know the market and know that if a tenant vacates they will be able to find another tenant within a reasonably quick timeframe. Local agents have all informed us that there is a relatively strong demand from local occupiers in the north west London area and also a strong investor demand.

The remainder of the portfolio (the residential element) has a total Market Value of **£4,056,000 (Four Million and Fifty Six Thousand Pounds)** (excluding the lease for the ground floor retail unit at 79 Fernhead Road).

With regard to the residential properties bar Flat 9 Blondin House we have valued on the basis of adopting gross yields on the assumption that they would be sold to investors. Flat 9 Blondin House is a single flat which would more likely sell to owner occupiers and we have therefore considered sales to owner occupiers.

The Market Value can be further split between the commercial and purely residential properties as shown below:

Address	Use	Market Value	% of total Market Value
Mixed commercial and residential property			
79 Fernhead Road, London, W9 3EA	Retail and residential	£1,585,000	37.02%
TOTAL		£1,585,000	37.02%
Residential properties			
9 Langtry Road, London, NW8 0AJ	Residential	£1,750,000	40.88%
76 Amhurst Road (Flats C & D), London, E8 1JH	Residential	£636,000	14.86%
Flat 9 Blondin House, 1112 Harrow Road, London, NW8 0AJ	Residential	£310,000	7.24%
TOTAL		£2,696,000	62.98%
TOTAL OF ALL PROPERTIES		£4,281,000	100%

By value the largest commercial property is that at **9 Langtry Road, NW8** at £1,750,000 (40.88% of the total) with **79 Fernhead Road, W9** being the only other property having a value over £1,000,000 and accounting for 37.02% of the total Market Value.

The smallest property is **Flat 9, Blondin House, 1112 Harrow Road** at £310,000 (7.24% of the total).

Portfolio management

We noted during our inspections that the portfolio is well managed with minimal voids. Indeed your applicant is very proactive in ensuring the income stream is maintained and this is evidenced by the fact that they have just completed the refurbishments of Flat 9 Blondin House and the 1st floor at 76 Amhurst Road and have already signed up tenants. Further the studio on the 2nd floor at 76 Amhurst Road is to be refurbished prior to completion and will let readily once completed.

The retail tenant at 79 Fernhead Road provides day to day convenience retailing and is well suited to the location.

Further we noted on the residential flats that they were generally well maintained for letting purposes with the exception of the studio on the 2nd floor at 76 Amhurst Road (but see comment above). The 1st floor flat at 76 Amhurst Road, Flat 9 Blondin House and 9 Langtry Road studios have all been refurbished within the last few years.

In terms of irrecoverables due to vacancy there will be none as at the date of completion as we understand that the vacant flats will all be let.

Going forward the main costs to the landlord will be management costs and maintenance for the flats. Whilst they will be fully occupied on completion, except for maybe the studio at 76 Amhurst Road which is being refurbished, were any to become vacant in the future the landlord would still be liable for the management fees and any maintenance costs. We have adopted 15% as a market standard within our valuation. We note that currently your applicant is paying a rate of 10% management fee for the flats. However we understand that this is done through their own management company. The 15% we have adopted is on the basis that an investor would approach a third party to provide the management service and which also includes an allowance for maintenance.

If the retail unit were to become vacant then the landlord would also become liable for empty rates as well as any maintenance costs.

However we would comment that your applicant has successfully maintained the income stream and kept voids to a minimum through actively managing the properties and anywhere there have been vacancies your applicant has proactively refurbished the flats.

Exit management

With regard to the multi let properties at 79 Fernhead Road and 76 Amhurst Road it would be possible to sell off the flats individually. However at 79 Fernhead Road this would then leave the retail unit although due to its location and size it would appeal to local occupiers looking to purchase their own retail unit.

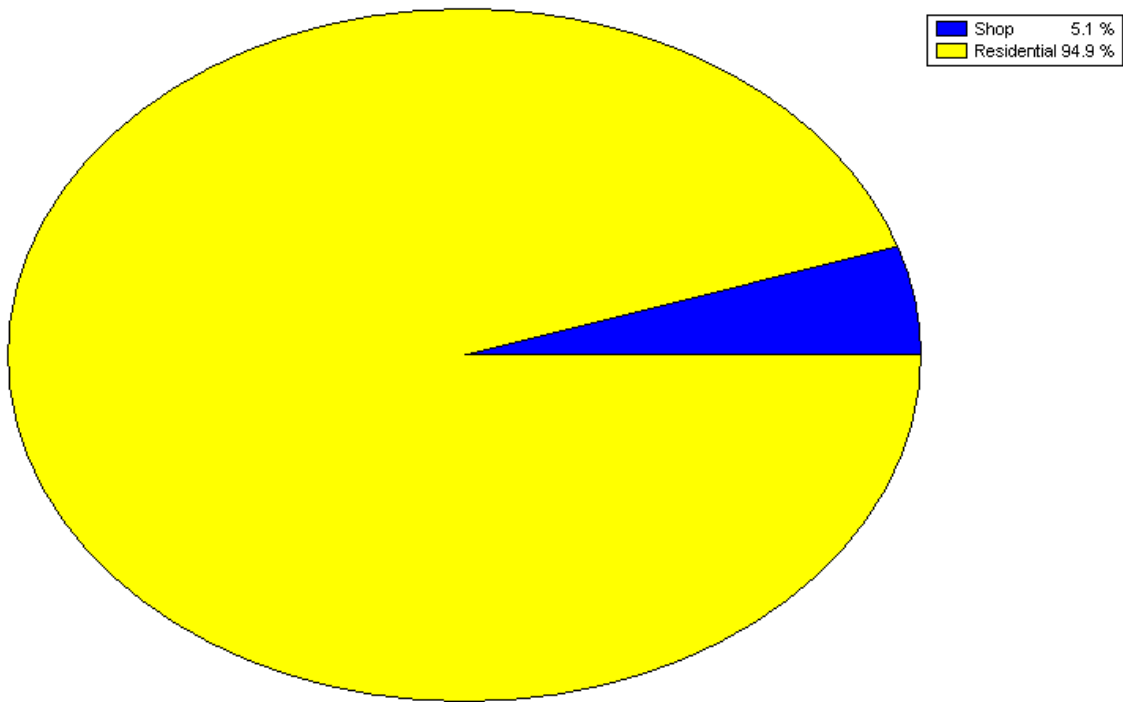
The studios at 9 Langtry Road are too small to sell off individually with the most obvious exit strategy being to sell the building off as an investment.

Portfolio analysis by use

The portfolio predominantly comprises residential properties with the exception of 79 Fernhead Road which also comprises a ground floor retail unit

If we consider the pie chart below it can be seen that some 94.90% of the portfolio by Market Value is geared towards residential property.

NW - First Light Properties Ltd



Portfolio analysis by lease expiry and break options

For clarity this only includes the retail unit at 79 Fernead Road which has an unexpired lease term of some 13.83 years.

All of the flats are let on 6 or 12 month Assured Shorthold Tenancies.

Portfolio analysis by vacancy

Within the portfolio there may potentially only be 1 vacancy at the studio at 76 Amhurst Road as the refurbishment will only just have finished as at the date of completion which as can be seen below accounts for a negligible amount of space. However we understand that your applicant has already been marketing the space and may have a tenant lined up.

It should be noted that within all of the areas that the properties as situated in the residential letting market is strong and any vacant flats should re-let within 4 to 8 weeks.

The local retail market is also relatively buoyant and we would anticipate a void period of 3 to 6 months were the retail unit to become vacant.

There should therefore be no long void periods within the portfolio.

Portfolio by covenant

Again we have excluded the residential properties as they are all on Assured Shorthold Tenancies.

The retail tenant offers a weak covenant although and only accounts for some 5.09% of the total Market Value.

Income Analysis

The portfolio generates a total net income of **£288,456 per annum**.

The gross income can be analysed as follows:

Address	Current Rent (£ pa)	Market Rent (£ pa)	% (over) or under rented	Comments
Mixed commercial and residential properties				
79 Fernhead Road, London, W9 3EA	£87,280	£85,450	(2.10%)	
TOTAL	£87,280	£85,450	(2.10%)	
Residential properties				
9 Langtry Road, London, NW8 0AJ	£147,576	£147,576	0%	
76 Amhurst Road, London, E8 1JH (includes ground rents)	£34,100	£30,980	(9.15%)	Studio being refurbished, tenant signed up at £13,000 pa (included in rent) as are ground rents received of £300 pa
Flat 9 Blondin House, 1112 Harrow Road, London, NW8 0AJ	£19,500	£16,900	(13.33%)	Ground rent of £250 pa payable
TOTAL	£201,176	£195,456	(2.84%)	
TOTAL OF ALL PROPERTIES	£288,456	£280,906	(2.62%)	

Further if we look at current income against covenant strength we can see that only a small proportion of the income from the portfolio comes from a weak covenant (some 5.2%) with the remainder coming from the residential tenants. Further the retail unit is in a north west London suburb in which there is a relatively good demand from other local retailers.

However it should be noted that the retail unit is also located in local markets where there is a demand from local occupiers for retail space and many transactions often take place directly between landlord and tenant (ie a case of who you know and the landlord knowing who is looking). Therefore to a local investor the income stream may not appear to be as insecure as it would be to an investor who has limited knowledge of the local market.



Appendix ii – General Market Commentary

The Economy

The ONS data for Q3 2014 showed the UK economy grew by 0.7%, a respectable figure, but a slow down on the 0.9% growth seen in Q2 2014. Nevertheless, GDP was 3.0% higher than the same quarter a year ago and with the economy still growing at a satisfactory pace the UK is expanding more rapidly than most other G7 economies.

Output increased in all four main industrial groupings with signs of some rebalancing. Production grew by 0.5%, construction by 0.8%, agriculture by 0.3% and the dominant service sector by 0.7%, albeit down from 1.1% growth in Q2 2014.

Chancellor George Osborne said that “the UK is leading the pack in an increasingly uncertain global economy”, but warned that the UK economy is at a “critical juncture”. Commentators have called the results disappointing, but not surprising as the UK falls victim to ailing Eurozone and Chinese economies and concerns amid how much further domestic demand levels can be pushed. Nevertheless, Chief Economist at The British Chambers of Commerce, David Kern, warned that it is “important not to accept the defeatist view that a slower rate of growth is unavoidable. With the right measures in place, the British economy is able to deal with its problems and regain dynamism”.

The Commercial Property Market

The performance of the UK commercial property market can be considered with reference to IPD data. IPD quarterly figures for Q3 2014 showed returns as below, with the change on the previous quarter shown in brackets.

<u>Sector</u>	<u>Quarterly Income Return</u>	<u>Quarterly Capital Growth</u>	<u>Quarterly Total Return</u>
Retail	1.3% (↓)	2.3% (↓)	3.7% (↓)
All Property	1.3% (↓)	3.0% (↓)	4.4% (↓)

On an annualised basis the total returns for each sector are as below.

<u>Sector</u>	<u>1 Year Annualised Total Return</u>	<u>3 Year Annualised Total Return</u>	<u>5 Year Annualised Total Return</u>
Retail	14.6% (↑)	7.2% (↑)	11.1% (→)
All Property	18.3% (↑)	9.2% (↑)	11.9% (↑)

The UK commercial real estate market continued to perform strongly during Q3 2014, with values rising by 3.0% for all property. This rate of growth however was slightly down on the 3.3% for the second quarter, after five successive quarters of accelerating growth. The strong level of value growth contributed to a total return of 4.4% for the quarter, the second highest since Q1 2010. A total return of 4.4% exceeds the performance of both bonds and equities over the period, which returned 2.9% and -0.9% respectively (JP Morgan 7-10 year/MSCI UK).

Rental value growth improved marginally across all UK property, rising from 0.7% in Q2 to 0.8% in Q3. Nevertheless, the majority of capital value growth stemmed from continued improvements in investor sentiment as yield compression added 2.7% to values over the quarter.

Looking at the twelve months to September 2014, UK commercial property posted a total return of 18.3%, up on the return of 16.4% in the twelve months to end June. The return to the end of Q3 was also the highest level recorded since 2010, reflecting the continuing market upswing across the country.

Disaggregating returns by geography shows the continued strong performance of the London market, driven by the capital's retailing and its office occupier demand. However, many UK regions, even if looking slightly

more subdued than in Q2, are still sharing in the overall picture of solid rental markets and rising values.

Retail was the weakest performing sector with total returns for the quarter at 3.7% and also represented the biggest waning in performance since Q2 (4.3%). Nevertheless, the sector still saw its second best quarter of the recent recovery, with values growing by 2.3%. Retail warehouses played a leading role in this acceleration, eclipsing both shopping centre and standard retail, whilst geographically, the West End market continues to significantly outperform all other retail locations. Retail rental growth remained sluggish for the sector as a whole at just 0.2%, even though this reflects the highest level of growth since early 2008. The strengthening of retail values resulted almost entirely from growing investor demand, as reflected by further yield compression.

The Residential Market

The performance of the residential market has been presented with reference to Land Registry house price data. Land Registry house price data to September 2014 showed headline figures as below.

Average House Price in England and Wales:	£177,299
Monthly Price Change	-0.2%
Annual Price Change	7.2%

These national figures masked significant disparity in the performance of the regional housing markets. Again the story is one of London performance leading the market.

<u>Region</u>	<u>Average House Price</u>	<u>Annual Change</u>
London	£460,521	18.4%
South East	£236,874	9.7%
East	£197,027	10.9%
West Midlands	£135,071	4.3%
East Midlands	£131,310	6.0%
South West	£185,950	7.1%
Yorkshire & Humber	£119,184	1.4%
Wales	£118,935	4.3%
North West	£113,389	4.3%
North East	£100,311	1.6%

As the above data demonstrates house price growth in London has significantly out-paced that of the rest of England and Wales during the preceding twelve months. What can also be seen is that geographic proximity to London helps support house prices, with the most northerly regions and Wales experiencing least growth. On the whole, the number of property transactions across the UK rose by nearly a third to 1,211,560 in the year to August 2014, compared to the previous 12 months, indicating a progress back to a fully functioning market. Price growth has not only gained momentum over the last 12 months but is more widespread across the country than this time last year. However, the market still remains highly regionalised, with a notable range of price growth and, although September registered a fall in house prices across England and Wales, this is off the back of year of sustained growth, with a slowdown in the market both inevitable and welcome.

The economy has outperformed expectations over the past year, and unemployment has fallen dramatically faster than expected which has aided the housing market. However, there are still some hurdles for the market over the next year, not least rising interest rates, which have started to have an impact on prices. Initially it was expected that interest rates would rise in early 2015 but recent comments from bank of England officials suggest that a rise is unlikely to occur until the second half of 2015. An interest rate rise may translate

into higher mortgage rates, putting pressure on current borrowers, and potentially reducing the ability of new buyers to finance property purchases at current pricing levels. The forthcoming election has dominated the fortunes of the prime central London sales market, with the prospect of a mansion tax curbing interest. Should the threat of a mansion tax recede, some degree of recovery is likely in the second half of 2015, as pent-up demand is released. This may however be counter-balanced by an interest rate rise in the latter part of the year.

The threat of the mansion tax has seen homes in prime central London, worth between £1m and £2m reportedly seeing a drop of 20% in asking prices over the last year. However, this is on the backdrop of an exceptional 2013 and some price stabilisation is to be expected. This end of the market has seen greatly reduced activity as potential purchasers are faced with more rigorous global wealth disclosure requirements, higher holding costs for properties owned in a corporate “envelope,” potential IHT charges, the strength of Sterling and the prospect of a yet more aggressive fiscal regime if another coalition government is the result of the General Election in May 2015. The possibility of a referendum on British membership of the EU in 2016, if a Conservative government is elected, merely serves to compound the lack of urgency on the demand side. At the top end, the risk is on the downside.

Whilst the wider London market has seen a surge in house prices over the last year this disguises the plateau that we are currently witnessing in prime central London. The London boroughs which have seen the highest house price growth over the last year are Lambeth (28.9%), Lewisham (28.3%), Waltham Forest (26.2%) and Southwark (25.8%). This is because some buyers have been priced out of prime central London and, in search of affordability, have looked to the outer boroughs. The ripple effect has been felt more so in traditionally popular locations but all London boroughs have witnessed double figure growth bar Harrow which increased by 9.6%. However, a common thread across many surveys is that, as London’s recovery runs out of steam, house price growth nationally is slowing. When thinking about activity levels, it is important to bear in mind that the strong market recovery that took hold in February 2009 continued through 2013, and that although prices are now more- or-less static, this historic growth is still colouring the annual growth figures.

More generally, tighter rules for mortgage lending introduced in April following the Mortgage Market Review (MMR) were expected to subdue demand, particularly amongst buyers with small deposits. Possibly as a result, the number of mortgage approvals fell last month to the lowest level since July last year. A total of 61,267 mortgages agreed in September represented the third monthly drop in a row, according to figures from the Bank of England.

The growth of the rental market as a form of tenure will continue to grow and we expect rents to continue their upward trajectory in the short term.



Gerald Eve LLP
72 Welbeck Street
London
W1G 0AY

For the attention of: Nigel Whitehurst

13th November 2014

Dear Nigel,

Name of Customer/Borrower: First Light Properties Limited.

Property Name and Address ("The Property"):

- 1 9 Langtry Road, London NW8 0AJ
- 2 79 Fernhead Road, London W9 3EA
- 3 76 Amhurst Road (Flats C&D), London E8 1JH
- 4 Flat 9 Blondin House, 1112 Harrow Road, London NW10 5NA

Terms of Reference

We request you to provide ICG Longbow Senior Debt S.A. (the "Lender"), with valuation and appraisal for the above Property.

The Valuation Report is required by the Lender to enable it to determine whether the Borrower's interest in the Property will provide suitable and adequate security in respect of a senior facility of c. £2.78m provided for a maximum term of 4 years.

The valuer should consider variables which might materially impact the Lender's investment and comment on substantive issues which could affect the future liquidity and exit value for each Property.

The Final Report and Valuation for the properties is to be issued no later than 27th November 2014.

Compliance

Your Report and Valuation should be addressed to the Lender and prepared strictly in accordance with the relevant contents of the most recent Appraisal and Valuation Manual issued by the Royal Institute of Chartered Surveyors ("RICS"). It should be signed by a Director/Partner who is FRICS qualified and backed by PI cover of not less than £2.78m.

Please confirm that no conflict of interest arises as a result of your acceptance of this instruction, and please also confirm that you have Professional Indemnity Insurance on a per claim basis in respect of the services to be provided and further confirm the level of cover.

You must act in the Lender's best interests and address any issues, which you believe to be material and relevant to the continued financing of the property.

Executive Summary

A bullet point summary is required confirming the: address of the Property; location; property description; basis of value and figures in respect of Market Value ('MV') and Market Rent ('MR') and, where appropriate, passing rent; tenant(s) and principal lease events.

Portfolio Overview

An overview of the Property as a portfolio is required, illustrating the breakdown of MV, MR, passing rent, vacancy and lease term certain for each property and providing segment analysis by geographic region and usage (e.g. retail, residential, office). Please supply rationale behind yields and other valuation metrics applied to each part of the portfolio.

Location

A general comment on the micro and macro location including your opinion as to whether the location is suitable and strategically advantageous for the current / proposed use both now and in the future. Comment also on the demographic influences and surrounding land uses and include appendices providing a location plan and Ordinance Survey extract.

Description

Identify the boundaries of the Property and provide a full description of the site and the Property commenting on the type of construction and services provided including the adoption of service roads. Appendices should be provided including a site plan, colour photographs and details of any other relevant information if available.

Planning, Highways Authority and Building Regulations

The valuer should make all necessary market and Local Authority enquiries and comment upon the following:

Please comment upon whether the current or intended use of the Property conforms to the permitted use as outlined in the Local Plan. In addition, consideration should be given as to whether the Property are affected by: any town planning (including land allocation and schemes), zoning, listed building status, location within a development/conservation area, whether there are any proposed road changes which would adversely affect the Property or the existence of any current planning permissions and any conditions relating thereto and the certificate of practical completion (where applicable).

Where appropriate, please comment where the valuation reported has been affected by the existence of an unimplemented planning consent, either on the subject Property or in the vicinity of the Property and advise the amount(s) of the increase/decrease reported in consequence.

Please advise if there is a significant prospect of, or potential for, change of use or other development of the subject Property, or those in the vicinity, which would materially affect the value of that Property, including the effect on value of planning or highway agreements affecting that Property.

Where appropriate, comment upon whether the Property comply with building regulations (if not, the nature and extent of the deficiency must be brought to the attention of the Lender).

Where appropriate, advise whether or not a current Fire Certificate exists for the Property and that sight of a copy of the Certificates has been obtained (if sight of the Certificate has not been obtained the Lender should be advised).

Comment upon the condition and suitability of the access route to the Property and whether or not the Highway Authority has adopted such access roads.

Accommodation

Longbow Real Estate Capital LLP
42 Wigmore Street
London W1U 2RY

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F +44 (0)20 3201 7529
icglongbow.com

Details of the accommodation including layout, floor/site areas (measured on the appropriate basis, e.g. NIA/GIA etc, in accordance with the RICS Code of Measuring Practice), description of adequacy of access, technical specification and services. Commentary should include whether the Property are fit for its purpose both now and in the future.

Repair and Condition

Comment on the general condition of the Property advising of any material defects, or necessary repairs which were noted during your inspection, likely to affect the value or marketability of the Property and state whether the costs are reflected in the valuation. An opinion should also be given as to the projected useful life of the subject building assuming normal maintenance and repairs.

Please advise if you feel that any specialised reports are required prior to confirming your views on value. Please also comment on any tenant's improvements/alterations and how these have been treated in the assessment of rental value.

Tenure / Tenancies

It is a requirement of this instruction that the valuer undertakes appropriate due diligence in establishing the tenure and tenancy details for the Property and obtaining appropriate supporting documents (title/lease reports etc) from the solicitors acting for the Customer/Borrower in this transaction. Only where these are not available should any assumptions be made on these points and these should be clearly highlighted to the Lender.

Should the final reports on title or certificates of title relating to the Property be provided to you after provision of your final report, we will require a separate letter addressed to the Lender confirming nothing contained in such report causes you to amend your valuation. Alternatively, we may require an amended valuation report should you be required to change any of your valuations.

Uniform Business Rate / Council Tax Banding

The valuer should comment, where applicable, on the current uniform business rate assessment / Council Tax banding of the Property. Additionally they should comment how outgoings have changed as a result of the most recent rating revaluation and the likely effect on rental growth, tenant demand, and the rents achievable on review or re-letting.

Accounts / Quality of Income

If there are any property void costs or other non-recoverable costs relating to the ownership of the Property, please identify these and if appropriate comment on the level of such costs. Where service charges are payable by the tenant/s, please comment on the level of service charge against the market norm, and identify any shortfall or surpluses in any sinking fund especially against any known or outstanding maintenance works.

Also comment on the sustainability of the Property's rental income over the term of the proposed loan given known lease expiries / breaks and anticipated market trends.

Environmental / Land Contamination

The valuer is to make enquiries of the Local Authority and utilise their local knowledge (to include consideration of the Property or surrounding properties' historic use) together with observations made during inspection, and provide guidance to the Lender regarding the possibility of the existence of any past or present contamination/contaminative uses on the Property or surrounding sites.

Caveats and/or general assumptions on the environmental risks of the properties are not appropriate, therefore a desktop screening report, not exceeding a cost of £100 should be procured containing both a professional opinion that is PI backed and supplied by a commercial value added reseller (e.g. Landmark Information Group), a Chartered Environmental Surveyor or an Environmental Consultant.

If it appears that contamination is or may be present, this must be covered in your report. If the contamination appears so great as to substantially affect the valuation and/or marketability of the Property, please refer to the Lender in writing and await further discussions / instructions.

Please indicate if the Property could be affected by environmental issues which may arise as a result of International and local statutory acts and associated environmental legislation (e.g., land fill, noxious substances, water pollution, etc). Please also advise on any impact on values or marketability/saleability of the Property and whether you would expect future purchasers to carry out further investigations.

If applicable, please review and comment on the Energy Performance Certificate prepared by the vendor or Borrower. Similarly, please comment on the building/s sustainability rating (such as BREEAM or LEED) and any affect this might have on re-letting prospects.

Security

Please comment on the Property as lending security in terms of present saleability, suitability and expected and potential obsolescence assuming that the tenants/Borrower will maintain the Property in a reasonable state of repair.

Alternative Use / Development Opportunities

Comment on any significant alternative use or development opportunities which the Property may have. If your valuation includes any 'hope value', this should be made explicit and the inclusion of any hope value fully justified and key risk factors affecting such hope value fully discussed.

Other Factors

Advise on any other factors which you consider may affect value, marketability or status of the Property as a security.

Valuation

Date of Valuation

The date of valuation will be the date of the report.

Basis of Valuation

Your report should confirm the following basis of valuation:

- a) **Market Value of the Property;**
- b) **Market Value of the Property (including potential site/development value)**
- c) **Market Rent;**
- d) **Market Value assuming Vacant Possession;**

For each of the above valuations, all assumptions should be fully explained and justified and you should be explicit as to what assumptions you are making with regard to any void periods. Please also include your valuation calculations and any cash flow models.

All valuations must be approved and signed off by a Director or Partner of your firm.

Market Commentary

An overview of the relevant investment market is required and a comment on the volatility of that investment sector relative to the market as a whole. Also, comment on the continued attractiveness of the Property relative to alternative forms of investment.

Information on the general letting market for the relevant uses including comments on the general trend in such sector and on the impact on capital and rental values (i.e. whether increasing, static or reducing and the rate at which these changes are occurring). Please also consider how the Property will perform in relation to other assets within its market sector.

A full local market analysis is to be provided detailing past, current and future trends in both investor and occupier demand and supply. In particular, property competition (both existing and proposed) should be identified and any other local or national influences and/or developments that in the professional opinion of the valuer could have an impact on the Property bearing in mind the term of the proposed loan. Consideration should also be given to the current liquidity of the investment market and the attractiveness of the Property to potential purchasers, including whether the Property would appeal to the owner occupier sector.

Please comment on the market conditions/prospects for the subject Property and sector in general (including comment on sustainability in value), and your opinion as to any possible future changes in market conditions and/or trends which you feel the Lender should take into account when making its lending decision.

Please also provide:

- comment on the number and nature of likely purchasers / investors and the sustainability of such demand over the term of the proposed loan. Please also confirm the expected marketing period to enable an orderly sale of the Property; and
- context for the Market by providing an overview, drilling down to the wider area and its sub- markets; and
- potential new supply of competing space within the surrounding areas, including any potential space arising from lease expiry or lease break events; and
- Supply/ demand/ take-up for the key sub-markets.

Comparable Evidence

Please provide a summary analysis/comment on the above valuations (including methodology and where appropriate supporting calculations) and provide a comprehensive schedule detailing any recent lettings, rent reviews or sales (with appropriate yield and rent analysis) supporting the level of values adopted. Any assumptions made in the course of the valuation should be supported by market evidence.

Please comment upon the ease with which the Property, or parts thereof, could be re-let or (where applicable) sub-let now or over the term of the facility, advising as to the likely lease terms, period over which it would be reasonable to expect any vacant part of the Property to be taken up and the likely quality of tenant and rents obtainable under new leases. In addition, please comment upon the likely length of lease which could be granted in the open market together with an indication of the market-related incentives (including any additional works) which would be required to achieve such a letting.

Estate Management

The valuer should discuss the extent to which the continuation/maximisation of income/value will depend on the skills of the Property's owner and manager/s. Please provide your opinion of the relevant skills of the Property's owner and manager/s to maintain/enhance the Property's value. In addition, the valuer should comment on the quality of existing management and current management costs as well as future costs for a third party manager. The valuer should make recommendations for improvement and comment on the intensity of management required.

Void Running Costs

Longbow Real Estate Capital LLP
42 Wigmore Street
London W1U 2RY

T +44 (0)20 3201 7500
F +44 (0)20 3201 7529
icglongbow.com

Please comment on the approximate cost of holding the Property, or part thereof, vacant, including void rates, insurance, security and maintenance.

VAT Status

Please comment upon the current status and, if VAT not currently applicable, the effect which a waiver of exemption would have on tenant and purchaser demand and therefore, rental and capital values.

Insurance Reinstatement

Please obtain and review the current insurance policy held for the Property and in particular the reinstatement value. Confirm that the policy is up to date and whether the reinstatement figure appears reasonable given current building costs. Should you feel that an appropriate insurance survey should be undertaken to update the current figure/policy please advise.

Other Information

Any information you require for the purposes of carrying out the valuation may be obtained from the Lender, customer or their agents. If you become aware of any information which is at variance to that supplied then please advise the Lender immediately.

Data Protection Act 1998

In the course of carrying out this instruction you may be furnished with information confidential to either the customer or the Lender. You are required to respect the confidentiality of this information and must not share it with any third parties. Where information is retained due to the requirements of the Lender's instruction then you must comply with the Lender's instructions in respect of the information and the information should be held in an appropriately secure environment.

Details of Customer's Advisors

Harold Benjamin Solicitors
Ray Oshry
Partner
Tel: 020 8872 3037
Ray.oshry@haroldbenjamin.com

Details of Lender's Advisor

Field Fisher Waterhouse LLP
John Nelmes
Partner
Tel: 0207 861 4000
John.Nelmes@ffw.com

Confirmation

Please confirm: -

1. That the surveyor inspecting and valuing the Property is experienced in valuing this type of property and is suitably qualified in accordance with Red Book requirements.
2. That you accept that the Lender are relying on the terms of your report for the purpose of evaluating both the customer's proposal and the security value of the Property; and that if the Lender syndicates the loan facility made available to the Borrower in the future, any bank within the syndicate will have the ability to rely on the content of the valuation report, without any further fees being payable to your firm.

3. That the Lender or any receiver or other party appointed by the Lender to realise its security may rely on the terms of your report and that a duty of care exists in relation to the Lender, its receiver or other such party.
4. Your understanding that your firm must not disclose either the whole report or extracts thereof to any third party (including the customer), without the prior written consent of the Lender.
5. That if the Lender wishes, it may provide a copy of the report to the customer for reference purposes only.
6. That if required you are prepared to comment on any commercial issues arising from a report on title or similar in respect of the Property.
7. Whether the Property complies with the obligations under the Regulatory Reform (Fire Safety) Order 2005 and the current landlord has / is undertaking an appropriate continuous risk assessment.

Fees

The Borrower will be responsible for your fee in this regard and you should agree the same with them when making arrangements for access. Please submit your invoice for costs addressed to ICG Longbow Senior Debt S.A., but payable by the Borrower. The Lender may provide a copy of your Report to the client but we do not wish you to supply a copy direct.

Other

Two (2) copies of the Valuation Report are required, one of which should be in an electronic format, plus an additional copy should be sent to our solicitors for their review.

Please include a copy of this letter within the valuation.

For the avoidance of doubt, in the event of any conflict or confusion between the terms of reference of this instruction and any standard terms and conditions received from the valuer in the acceptance of said instruction, then the terms detailed in this letter shall prevail.

Yours faithfully,



Partner
For and on behalf of
Longbow Real Estate Capital LLP
(Investment Advisor to ICG Longbow Senior Debt S.A.)

Cc: ICG Longbow Senior Debt S.A.
6C, rue Gabriel Lippman, L-5365
Munsbach, Luxembourg

VALUATION FOR LOAN SECURITY PURPOSES

Valuation Date: 27 November 2014

9 Langtry Road, London, NW8 0AJ



*Assuming that the loan-to-value ratio, interest cover ratio and loan term length are within market-typical parameters, we are of the opinion that **the subject premises provide acceptable security for lending purposes.***

Description

The property comprises a 4 storey end of terrace Regency house of traditional brick construction beneath a pitched tiled roof with single glazed wood framed sash windows. The building has been converted into 11 studio flats.

The property has a total gross internal floor area of some 224.72 sq m (2,420 sq ft) on a site of 0.018 hectares (0.043 acres).

Tenure

Freehold.

Tenancy

The studios are let on 11 Assured Shorthold Tenancies (ASTs) as follows:

Studio	Tenant	Term	Rent (£ pa gross)
1	Mr John Matthew Wood	12 months expiring 16 November 2015	£13,416
2	Ms Yupa Hughes	12 months expiring 16 November 2015	£13,416
3	Mr Stephen Carroll	12 months expiring 16 November 2015	£13,416



4	Mr Djairine Abderrahmane	12 months expiring 16 November 2015	£13,416
5	Ms Marianne Kalonji	12 months expiring 8 October 2015	£13,416
6	Mr Marcial Gaco	6 months expiring 9 January 2015	£13,416
7	Miss Ghenet Woldu Berhe	12 months expiring 13 October 2015	£13,416
8	Miss Paige Mary Eileen Hogan	12 months expiring 16 November 2015	£13,416
9	Mr Christian Edmond Henri Devaux	13 months expiring 2 December 2015	£13,416
10	Mr Andrew Harding	12 months expiring 16 November 2015	£13,416
11	Mr Joel Mampouisa	12 months expiring 17 November 2015	£13,416
Total			<u>£147,576</u>

We have not had sight of the current ASTs and would recommend that your solicitor obtains copies to confirm our understanding of the tenancy details above.

Passing Rent	£147,576 pa (gross)
Market Rent	£147,576 pa (gross)
Market Value	£1,750,000 (One Million Seven Hundred and Fifty Thousand Pounds)
Market Value under the Special Assumption of vacant possession	£1,565,000 (One Million Five Hundred and Sixty Five Thousand Pounds)
Reinstatement Cost Estimate	£420,000 (Four Hundred and Twenty Thousand Pounds)
Comments	<p>We understand that your applicant is purchasing the property for £1,750,000 which corresponds with our opinion of Market Value. We further note that the property failed to sell at auction in July 2104 with the last bid being £1,750,000 and a reserve of £1,800,000.</p> <p>You have also requested that we comment on the possibility that Camden Council may introduce an additional discretionary licensing scheme which they have stated may include this property. In our opinion if the property were required to be licensed it would not make a material difference to our opinion of Market Value.</p> <p>The property is also in a HS2 corridor and whilst it is likely to be underground by the time it reaches the property, It is too early to say what impact (if any) the works will have on the area surrounding Langtry Road but the project should be monitored.</p>

This executive summary should be read in conjunction with the full valuation report enclosed. More detailed comment on the subject premises' suitability as loan security is provided at Section 16 of the report.

1. Location



Location map (1:50000)

The subject premises are located in Kilburn in the north west London Borough of Camden. The West End is some 3.5 miles to the south east, Hampstead is 2 miles to the north east, Wembley is 5.9 miles to the west and Stratford is some 11 miles to the east.

Kilburn is primarily a residential commuter area of north west London with retail provision provided along Kilburn High Road including a number of national retailers (Marks & Spencer, TK Maxx, Boots, WH Smith and Poundland to name but a few).

Public transport connections are excellent with Kilburn Park (Bakerloo line) providing a journey time of 13 minutes to Oxford Circus. Further Kilburn, St Johns Wood and Swiss Cottage (Jubilee line) are within 1 mile to the east. There are also Overground stations at Kilburn High Road, South Hampstead, Brondesbury and West Hampstead, all within a mile of Kilburn High Road.

Road links are good with Kilburn High Road forming part of the A5 which links with the A40 some 1.8 miles to the south and A406 (North Circular Road) some 3 miles to the north.

A larger copy of the map showing the location of Kilburn is included at Appendix i.

2. Situation



Ordnance Survey map (1:1250)

The subject premises are situated in a predominately residential location with the Overground railway line running behind the property.

The neighbouring land uses are all residential with the closest retail provision being provided on Kilburn High Road some 0.2 miles (5 minute walk) to the west.

The subject premises are situated on the north side of Langtry Road (a cul de sac). Kilburn Park underground station (Bakerloo line) is within an 8 minute walk and Kilburn High Road overground station is within a 4 minute walk.

A larger copy of the Ordnance Survey map showing the situation of the subject premises is included at Appendix ii.

3. Description



Typical studio

The subject premises comprise a 4 storey end of terrace Regency house of traditional brick construction beneath a pitched tiled roof with new double glazed wood framed sash windows to the front elevation and double glazed UPVC windows to the rear elevation. The building, which is arranged over basement and 3 storeys above, has been converted into 11 studio flats. 3 of the studios are situated on a lower ground floor level.

Internally each studio has been finished with wooden laminate floor coverings, painted plastered walls, suspended light fittings, wall mounted radiators and a modern kitchen. Each studio also benefits from having their own separate WC and shower room.

At the time of our inspection the property appeared to be served by mains electricity, gas, water and drainage services.

None of these services were tested at the time of inspection, but, for the purpose of the valuation reported herein, we have assumed all services to be fully operational.

Additional photographs of the subject premises are included at Appendix iii.

4. Accommodation

In accordance with the current RICS Code of Measuring Practice, we have undertaken a full measured survey. The property was measured on a gross internal area basis and found to provide accommodation as follows.

<u>Accommodation</u>	<u>Floor Area</u>	
Studio 1	21.56 sq m	232 sq ft
Studio 2	20.17 sq m	217 sq ft
Studio 3	20.89 sq m	225 sq ft
Studio 4	16.98 sq m	183 sq ft
Studio 5	17.14 sq m	185 sq ft
Studio 6	21.00 sq m	226 sq ft
Studio 7	16.90 sq m	182 sq ft
Studio 8	20.22 sq m	218 sq ft
Studio 9	23.12 sq m	249 sq ft
Studio 10	26.51 sq m	285 sq ft
Studio 11	20.22 sq m	218 sq ft

Total	<u>224.71 sq m</u>	<u>2,420 sq ft</u>
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We have scaled the Ordnance Survey map of the subject premises and calculate the total site area to be 0.018 hectares (0.043 acres).

5. Condition

As per your instruction and our Terms of Engagement the inspection we have carried out was for valuation purposes only and did not include a full building survey. However, from our observation, with regard to the general condition of the subject premises, we would comment as follows.

The subject premises were generally in a good condition. We did not notice any major structural defects or wants of repair and would expect the property to let and/or sell readily in its current condition.

Upon inspection we did not notice any obvious sign of deleterious and/or hazardous materials. Accordingly, for the purpose of the valuation reported herein we have assumed that the subject premises are free from such materials.

With regard to physical obsolescence, if a regular maintenance programme is adhered to we would expect the subject premises to have a useful life in excess of twenty five years.

6. Environmental Issues

As per your instruction and our Terms of Engagement, the inspection we have carried out was for valuation purposes only and did not include an environmental survey. However, we have commissioned and reviewed an Enviroscreen desktop environmental survey.

The findings of Enviroscreen survey are attached at Appendix iv. It concludes as follows.

“This property has passed for commercial lending purposes and as such has no significant liability to the lender regarding contamination risk.”

We can accept no liability with regard to the accuracy of the Enviroscreen survey. However, for the purpose of the valuation reported herein, we have assumed that the subject premises do not suffer from any environmental issues which might adversely affect their value.

We have had reference to the Environment Agency’s flood map. The flood map identifies sites that may be at risk from sea or river flooding. The assessment of flood risk for the site of the subject premises is as follows.

Very Low – “The chance of flooding each year is less than 0.1% (1 in 1000)”

We draw to your attention that The Energy Act 2011 includes provisions that will outlaw the letting of residential and commercial properties with ‘F’ and ‘G’ EPC ratings by no later than 1 April 2018. It is, therefore, likely that capital expenditure will be required on currently inefficient premises to maintain their lettable under the Act.

We have had sight of an EPC Certificate dated 11 June 2012 for the property which shows it has a rating of ‘G’ and a potential rating of ‘D’.

7. Planning

We have had reference to the planning policies of Camden Council whose planning policies are contained within the Local Development Framework (LDF) which replaced the Unitary Development Plan in November 2010. Within the LDF the Core Strategy sets out the key elements of our vision for the borough and is a central part of the LDF. Within the policies map the property is situated in an Archaeological Priority Area

We have made enquiries of Camden Council but they were unable to confirm that the subject premises have planning permission for their current C3 (residential) use as studios. We have, therefore, assumed for the purpose of the valuation reported herein that they do. We advise that your solicitors verify whether this assumption is appropriate.

Whilst it does not have formal planning consent for use as studios, it has always had residential consent as evidenced on the VOA website which shows that it has been configured as 11 fully self-contained studio flats, all separately banded for council tax since 2007. Due to the length of time passed since installing the studios, these do not constitute a planning breach.

We have had reference to the planning website and note that there are no entries for this property.

You have also requested that we comment on the possibility that Camden Council may introduce an additional discretionary licensing scheme which they have stated may include this property. In our opinion if the property were required to be licensed it would not make a material difference to our opinion of Market Value.

The property is also in a HS2 corridor and whilst it is likely to be underground by the time it reaches the property, It is too early to say what impact (if any) the works will have on the area surrounding Langtry Road but the project should be monitored.

The subject premises are not listed as a building of special architectural or historic interest nor are they situated within a conservation area.

We are not aware of any planning or highway proposals for the surrounding area which might adversely affect the property, but we recommend that your solicitors clarify this matter.

8. Council Tax

We have had reference to the 2014/15 council tax list and note the council tax liability associated with the subject premises to be as follows.

<u>Property</u>	<u>Council Tax Band</u>	<u>Council Tax Liability 2014/15</u>
Flat 1 at 9 Langtry Road, London, NW8 0AJ	C	£ 1,173.76
Flat 2 at 9 Langtry Road, London, NW8 0AJ	C	£1,173.76
Flat 3 at 9 Langtry Road, London, NW8 0AJ	B	£1,027.04
Flat 4 at 9 Langtry Road, London, NW8 0AJ	B	£1,027.04
Flat 5 at 9 Langtry Road, London, NW8 0AJ	C	£1,173.76
Flat 6 at 9 Langtry Road, London, NW8 0AJ	C	£1,173.76
Flat 7 at 9 Langtry Road, London, NW8 0AJ	A	£880.32
Flat 8 at 9 Langtry Road, London, NW8 0AJ	A	£880.32
Flat 9 at 9 Langtry Road, London, NW8 0AJ	A	£880.32
Flat 10 at 9 Langtry Road, London, NW8 0AJ	A	£880.32
Flat 11 at 9 Langtry Road, London, NW8 0AJ	A	£880.32

Your borrower would be liable for the council tax liability were the property to become vacant.

9. Tenure

The property is held freehold with our understanding of the extent of the freehold demise outlined on the Ordnance Survey map included at Appendix ii.

We have not been provided with a report on title and have, therefore, made various tenure assumptions for the purpose of the valuation reported herein. We have assumed that the freehold interest is free from any encumbrances, unduly onerous or unusual easements, rights of way, rights of light, restrictions, outgoing or conditions which would have an adverse effect upon the value of the property.

If we are subsequently provided with a report on title we would be pleased to comment upon what impact its content would have upon the valuation reported herein. We would remind you that if information should come to light which contradicts the assumptions made herein this could have a material effect upon our valuation. We, therefore, reserve the right to amend our valuation accordingly should this prove necessary.

We advise that all information relating to the tenure of the subject premises is verified by your solicitors.

10. Tenancy

The property is let on 11 ASTs as follows:

Studio	Tenant	Term	Rent (£ pa gross)
1	Mr John Matthew Wood	12 months expiring 16 November 2015	£13,416
2	Ms Yupa Hughes	12 months expiring 16 November 2015	£13,416
3	Mr Stephen Carroll	12 months expiring 16 November 2015	£13,416
4	Mr Djairine Abderrahmane	12 months expiring 16 November 2015	£13,416
5	Ms Marianne Kalonji	12 months expiring 8 October 2015	£13,416
6	Mr Marcial Gaco	6 months expiring 9 January 2015	£13,416
7	Miss Ghenet Woldu Berhe	12 months expiring 13 October 2015	£13,416
8	Miss Paige Mary Eileen Hogan	12 months expiring 16 November 2015	£13,416
9	Mr Christian Edmond Henri Devaux	13 months expiring 2 December 2015	£13,416
10	Mr Andrew Harding	12 months expiring 16 November 2015	£13,416
11	Mr Joel Mampouisa	12 months expiring 17 November 2015	£13,416
Total			£147,576

These rents are all in line with local housing allowance rates (LHA) which are based on up to date rates for the 'Inner North London Broad Rental Market Area' at £258 per week.

The LHA rate is the barometer used by your applicant in renewing tenancies. These rates are set annually by the government and they differ from one area to another. Your applicant prefers to use the LHA rates as you do not run into any issues with tenants questioning the rent and that prevents any issues with rent tribunals in the future.

11. Market Commentary

The Local Market

The property is situated within Kilburn, a residential suburb of north west London (coming under the London Borough of Camden) which has become very popular with young commuters who work in the West End and City due to the good transport links. Kilburn High Road overground station is a 4 minute walk and Kilburn underground station (Bakerloo line) is within an 8 minute walk.

The area comprises a mix of period Edwardian or late Victorian buildings, some of which have been converted into flats, 1930's blocks of flats and there are also a number of new residential developments that have taken place over the last few years including Bravo House on Kilburn High Road which comprises a Starbucks on the

ground floor with 82 studios above and a residential development called Regents Plaza.

According to Foxtons research (updated daily from Foxtons available stock) property prices on average have increased by 17.53% over the last 2 years with the average flat value in the area is £971,653 with 1 bed flats averaging £571,650 (there is no data for studios).

In terms of the rental market according to Foxtons the average flat rent is £1,019 per week with studios averaging £300 per week.

We can use Land Registry house price data to look in greater detail at the performance of the wider London Borough of Camden residential market over the last few years. According to the Index, the average flat price within the London Borough of Camden peaked in May 2008 at £473,905. The impact of the global financial crisis and the lack of liquidity in the debt markets led to a re-pricing, which resulted in the average price falling to a low of £393,755 in February 2009 – a fall of 16.91% from peak to trough. This fall was much less severe than that seen across the UK as a whole. Since then, the Land Registry house price index demonstrates that average flat prices have continued to rise in the London Borough of Camden. The previous market high was surpassed in August 2010 and prices have on average, continued to rise steadily until September 2014 where the average flat price currently stands at £736,610. This represented an 87.07% increase since the low of February 2009.

12. Market Rent

As at the valuation date the passing rent of the subject premises is £147,576 pa.

From our research we note that studios are rarely let privately with landlords preferring to let them to tenants on Local Housing Allowances (LHA) as they tend to achieve higher rents than for private lettings. In our opinion were any of the studios to become vacant they would let to tenants on LHA. In the Brent Council area the current LHA is £258 per week. We are aware of the following:

<u>Ref</u>	<u>Property</u>	<u>Lease Event</u>	<u>Date</u>	<u>Rent</u>	<u>Comment</u>
1.	Flat 4, 21 Monson Road, NW10	Letting	May 2014	£13,416 pa (£258 pw)	Studio - 21.57 sq m (232 sq ft)
2.	Flat 1, 122 Fordwych Road, NW10	Letting	July 2014	£13,416 pa (£258 pw)	Studio - 28.02 sq m (302 sq ft)
3.	Flat 4, 122 Fordwych Road, NW10	Letting	July 2014	£13,416 pa (£258 pw)	Studio - 15.73 sq m (169 sq ft)
4.	Flat 8, 122 Fordwych Road, NW10	Letting	May 2014	£13,416 pa (£258 pw)	Studio - 10.75 sq m (116 sq ft)
5.	Flat 11, 122 Fordwych Road, NW10	Letting	June 2014	£13,416 pa (£258 pw)	Studio - 27.82 sq m (299 sq ft)
6.	Flat 1, 41 Kilburn Lane, NW10	Letting	May 2014	£13,416 pa (£258 pw)	Studio - 14.48 sq m (156 sq ft)
7.	Flat 2, 41 Kilburn Lane, NW10	Letting	June 2014	£13,416 pa (£258 pw)	Studio - 12.16 sq m (131 sq ft)

All of the above form part of a block of studios and are of similar sizes to the subject studios.

Having had reference to the above evidence, we are of the opinion that, as at 27 November 2014, the subject premises could command a Market Rent of:

Flat	Floor area sq m (sq ft)	Rent (£ per week)	Gross Rent (£ pa)
1	21.56 (232)	£258	£13,416
2	20.17 (217)	£258	£13,416
3	20.89 (225)	£258	£13,416
4	16.98 (183)	£258	£13,416
5	17.14 (185)	£258	£13,416
6	21.00 (226)	£258	£13,416
7	16.90 (182)	£258	£13,416
8	20.22 (218)	£258	£13,416
9	23.12 (249)	£258	£13,416
10	26.51 (285)	£258	£13,416
11	20.22 (218)	£258	£13,416
Total	<u>224.72 (2,420)</u>		<u>£147,576</u>

This Market Rent would be achievable on the assumption of 6 or 12 month ASTs.

13. Lettability

Given the nature of the subject premises we would expect them to let readily should they become vacant in the near future as there is a strong demand from tenants on LHAs.

With reference to current market conditions, if the property is vacant as at the valuation date we would expect a marketing period of 4 to 8 weeks to be required to achieve a letting at the Market Rent reported above.

14. Market Value

In arriving at our opinion of Market Value we have had reference to the comparable evidence summarised below.

Ref	Property	Sale Date	Sale Price	Net Initial Yield	Sale Price psf
1.	362 Camden Road, N7	October 2014	£1,170,000	5.94%	6 flats in period conversion
2.	18 Belmont Road, Turnpike Lane, N15	October 2014	£1,250,000	7.51%	11 studios and 1 x 2 bed flat
3.	15 King Edwards Road, Hackney, E9	September 2014	£1,240,000	4.68%	10 letting rooms
4.	74-76 Camden Road & 19/20 Lyme Street, NW1	September 2014	£3,300,000	6.16%	Flats and 2 x 1 bed mews houses
5.	Flats 1-6 Peterman Court, Benrek Close, Barkingside	September 2014	£1,110,000	6.49%	6 flats
6.	88 Walworth Road, Elephant and Castle, SE1	July 2014	£1,810,000	7.87%	14 studios

Further comment on each piece of evidence is provided below.

Ref.1: Period property converted to 4 x 1 bed and 1 x 2 bed roomed flats with a lower ground floor flat having

been sold off on a 99 year lease expiring on 24 December 2081 at a ground rent of £75 pa. Out of the remaining 5 flats 4 are a let on ASTs with 1 let at a Registered Rent. The total income is £69,462.12 pa. This flat is situated in a more affluent residential location but an investor does not have the benefit of owning the entire property for a further 67 years.

Ref.2: Comprises 11 studios and 1 x 2 bed flat in a converted period property all let on ASTs at a total rent of £93,900 pa. Situated in a more residential location but comprises studios which do not offer flexibility in terms of selling them off individually if required.

Ref.3: Comprises 10 letting rooms in a period conversion all let on ASTs at a total rent of £57,997.80 pa. Was subject to an HMO licence that expired on 28 September 2014. Potential for redevelopment/reconfiguration into flats. Situated in a more sought after residential location.

Ref.4: Comprises 2 x 4 bedroom lateral flats, 1 x 2 bedroom maisonette, 1 x 4/5 bedroom maisonette and 2 x 1 bedroom mews houses all let on ASTs at a total rent of £203,300 pa. Situated in a more sought after and affluent residential location but the configuration of the flats is unusual in terms of number of bedrooms which could prove difficult to re-let.

Ref.5: Comprises 6 x 1 bedroom flats in a modern development all let on ASTs at a total rent of £72,000 pa. The property is situated in an outer London suburb but is modern and also benefits from having 6 car parking spaces.

Ref.6: Comprises 14 studios forming part of a terrace of mixed commercial uses. We also understand that the studios were in a poor condition internally. Situated in an up and coming area which is being regenerated but not a residential location.

We also note that the property failed to sell at auction in July 2014 with the last bid being £1,750,000 (it was available at £1,800,000).

Having had regard to the above we have taken into account that the configuration of the flats within the subject property are more appealing than those comparables that contain studios as the flats are capable of being sold off individually if required. We have therefore adopted a gross yield of **8.00%**. This also reflects the fact that the property does not benefit from planning permission or building regulation approval for the works. However we note that the studios are all subject to separate rating assessments and have been for over 4 years.

Market Value

In assessing the Market Value of the subject premises we have followed the investment method of valuation. We have had regard to the comparables set out above and have reflected the location of the block in a purely residential affluent location.

We are of the opinion that the Market Value of the freehold interest in the subject premises, subject to the existing ASTs, as at 27 November 2014, is in the sum of:

£1,750,000
(One Million Seven Hundred and Fifty Thousand Pounds)

Market Value subject to the Special Assumption of vacant possession

In assessing the Market Value of the subject premises, subject to the Special Assumption of vacant possession, we have followed the investment method of valuation. We have assumed that as the studios are too small for mortgage purposes that the entire property would be sold to an investor who would look to let the studios. We have moved our gross yield out to **8.25%** to reflect the fact that an investor would require some discount as they will have additional costs in re-letting the studios, empty rates and any maintenance costs whilst they are vacant.

We are of the opinion that the Market Value of the freehold interest in the subject premises, subject to the Special Assumption of vacant possession, as at 27 November 2014, is in the sum of:

£1,565,000
(One Million Five Hundred and Sixty Five Thousand Pounds)

15. Saleability

The Market Value stated above, makes the assumption that, prior to the valuation date, the property is exposed to the market in the most appropriate manner and over a sufficient length of time so as to effect its disposal at the best price reasonably obtainable.

We are of the opinion that a sale of the subject premises would take in the order of six months from commencement of marketing to exchange of contracts.

We would expect potential purchasers to include mainly private investors.

16. Security

We have not been provided with the terms of the loan being offered to your borrower. However, assuming that the loan to value ratio, interest cover ratio and loan term length are within market-typical parameters, we are of the opinion that the subject premises provide acceptable security for lending purposes. We would summarise the strengths, weaknesses, opportunities and threats associated with the property as follows:

Strengths

- Property is fully let
- Situated in an affluent suburb of London
- Studios have been refurbished within the last 2 years

Opportunities

- None

Weaknesses

- No planning permission. However the studios have all been separately rated for over 4 years
- Studios too small to sell off individually

Threats

- Council could start enforcement proceedings
- Rising rental and sales prices could exclude a number of people.
- There are concerns that the new Help to Buy – Mortgage Guarantee and Equity Loan schemes could potentially create a housing bubble although residential price rises are slowing down.

In conclusion we consider the subject property to offer good security for the proposed loan. We would be happy to discuss any of the issues or recommendations raised in this report. Please do not hesitate to contact us if we can be of further assistance in this respect.

17. Reinstatement Cost Estimate

We have not undertaken a detailed reinstatement cost appraisal. The estimate does not, therefore, constitute a formal building reinstatement cost assessment. It is intended for guidance purposes only.

The estimate is as a guide for a modern replica of the subject building. It is inclusive of demolition costs, site



clearance and professional fees, but makes no allowance for VAT.

Our informal estimate of the current reinstatement cost, on a day-one basis, is in the order of:

£420,000
(Four Hundred and Twenty Thousand Pounds)

We will have no liability to you or any other party in respect of the informal reinstatement cost assessment.

Gerald Eve LLP is a national firm of chartered surveyors and property consultants with a network of nine offices and more than 300 employees.

In addition to valuation our range of services includes occupational and investment agency, planning and development, every aspect of building consultancy, rent review and lease renewal instructions, compulsory purchase and compensation, business rates, property taxation and project services.

If we can assist you further with regard to the subject of this valuation or any other property related issue please do not hesitate to contact either of the signatories to this report.



Appendix i – Location Map



Appendix ii – Ordnance Survey Map



Appendix iii – Photographs



Langtry Road



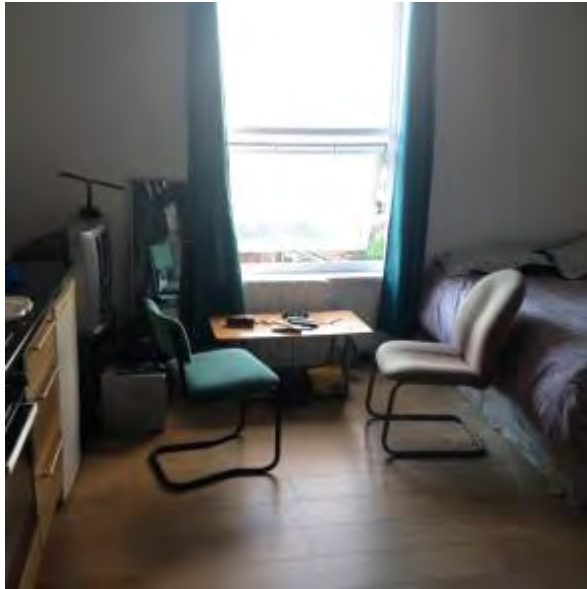
Langtry Road



Garden



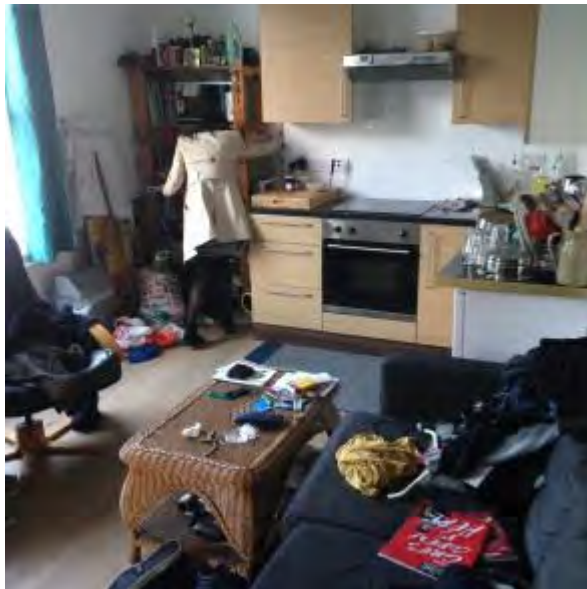
Rear view



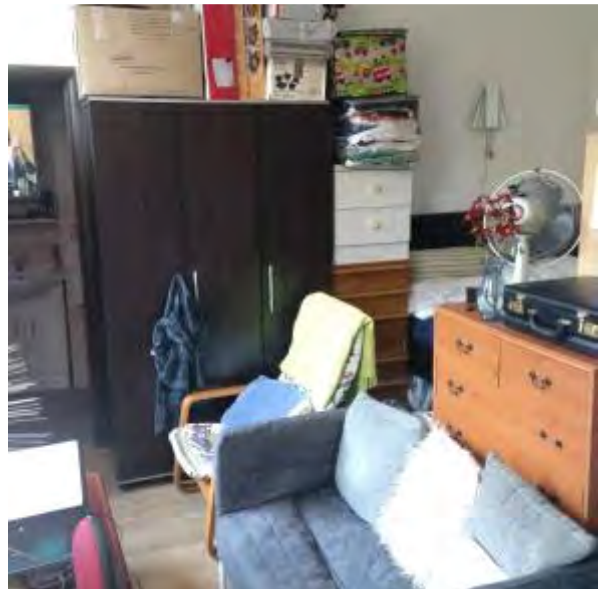
Studio



Typical bathroom



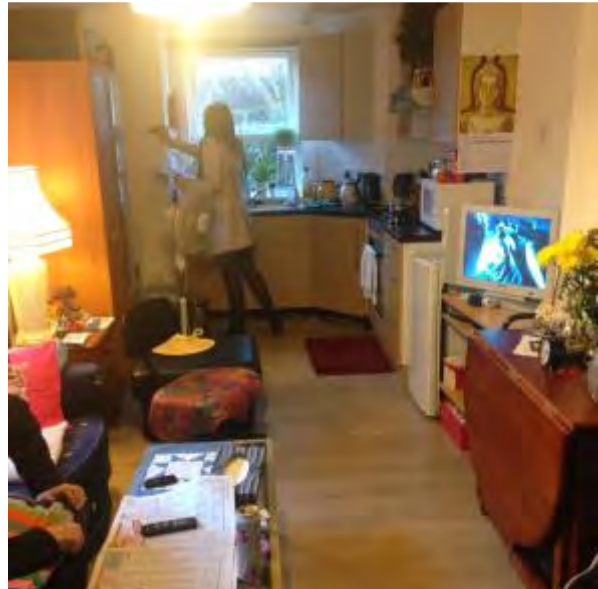
Studio



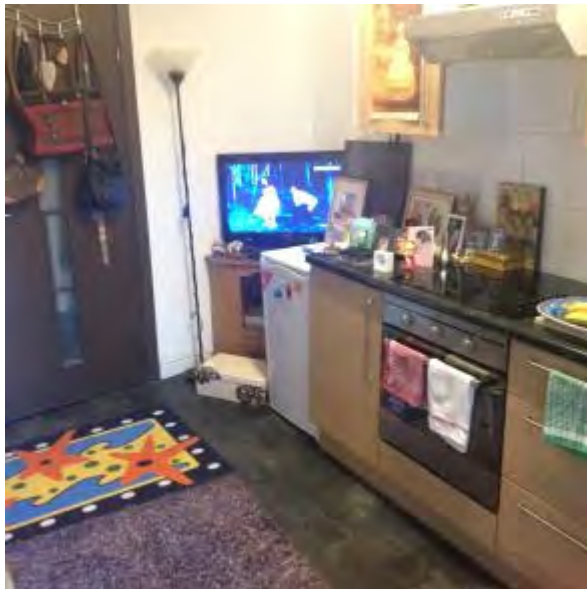
Studio



Studio



Studio



Studio



Studio



Studio



Bathroom



Report date: **18 November 2014**

Customer ref: **AL000693_ESC**

Property address: **9, Langtry Road, LONDON, NW8 0AJ**

Report Commissioned by: **Gerald Eve LLP**

On behalf of: **N/A**

Purpose of report: **Providing an investment valuation of the property**

Freehold or Leasehold: **Freehold**

Redevelopment Yes or No: **No - It is understood that there are no redevelopment plans for the site**

Argyll Environmental's professional opinion describes the level of risk associated with the information disclosed in the associated Enviroscreen data, as the following:

Property Assessment

PASSED

Property Value

Unlikely to have an adverse effect on the value of the property.

Contaminated Land

The property is unlikely to be designated "contaminated land" within the meaning of Part 2A of the Environmental Protection Act 1990.

Environmental Factors for consideration

In this case no environmental factors have been identified

Lending Risk Assessment

Passed

This property has passed for commercial lending purposes and as such has no significant liability to the lender regarding contamination risk.

Based on valuation guidance from the RICS Red Book this report complies with UK GN1.1 - Appendix 2.2(E) Contamination and hazardous substances and valuation guidance from the RICS Red Book - Appendix 2.2(F) Environmental Matters.

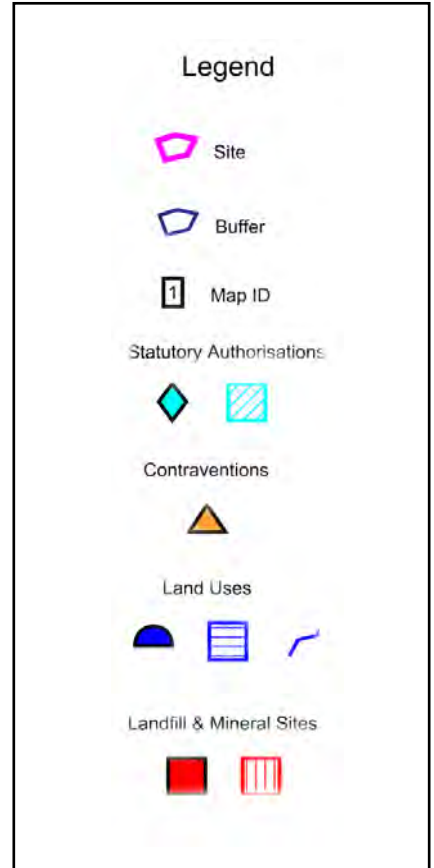
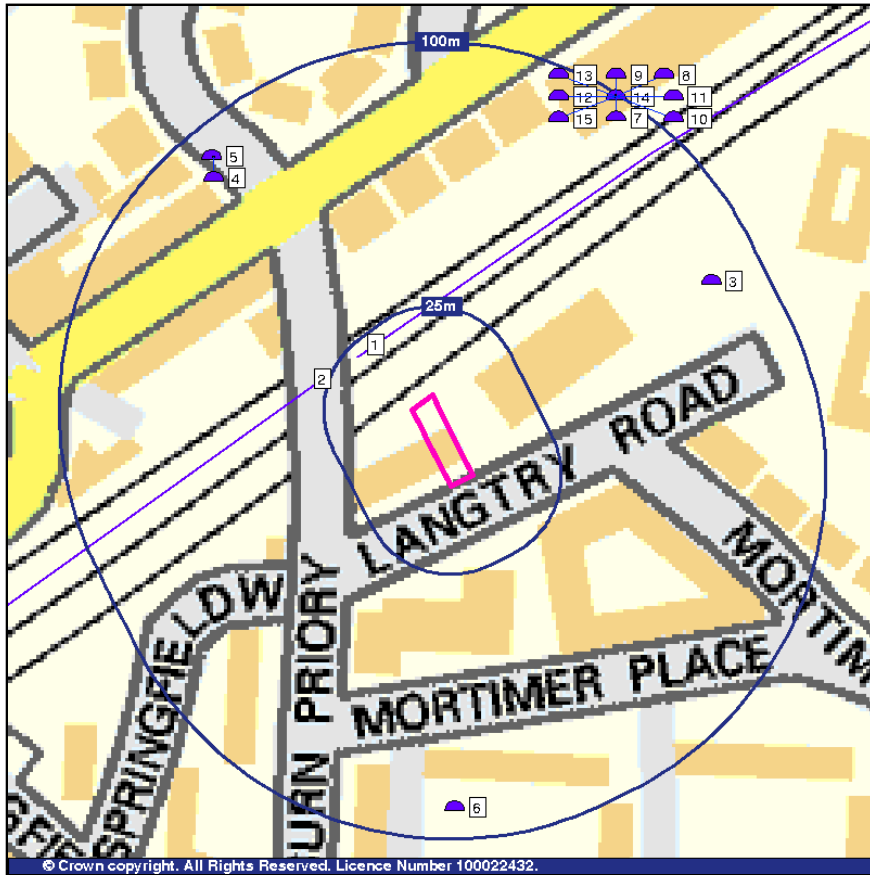
Approved by



Christopher S. Taylor BSc (Hons), MSc, AIMEA
Chartered Water and Environmental Manager
Technical Director, Argyll Environmental Ltd



Site Address: 9, Langtry Road, LONDON, NW8 0AJ



Site Boundary: Total Area
0.02 Ha

Prepared For
Gerald Eve LLP
72 Welbeck Street
London
W1G 0AY

Client Ref
AL000693_ESC

Purchase Order No.
N/A

Client Name
N/A

Factors affecting the site

Map ID On Site 0 - 25m 25 - 100m

	Map ID	On Site	0 - 25m	25 - 100m
Historical Land Uses				
Potentially Contaminative Industrial Uses (Past Land Use)				
Railways, Date of mapping: 1874-1991	1		✓	
Railways, Date of mapping: 1874-1991	2			✓
Historical Tanks And Energy Facilities				
Electrical Sub Station Facilities, Scale of Mapping: 1:1,250, Date of Mapping: 1972	3			✓
Electrical Sub Station Facilities, Scale of Mapping: 1:2,500, Date of Mapping: 1970	4			✓
Electrical Sub Station Facilities, Scale of Mapping: 1:1,250, Date of Mapping: 1968 - 1972	5			✓
Electrical Sub Station Facilities, Scale of Mapping: 1:1,250, Date of Mapping: 1972	6			✓
Contemporary Trade Directory Entries				
Performance Auto Cars, ,Abbey Road Motorist Centre,131-179,Belsize Road,London, Car Body Repairs, Status: Active, Positional Accuracy: Manually positioned to the address or location	7			✓
P & O Motors, ,Abbey Road Motorist Centre,131-179,Belsize Road,London, Garage Services, Status: Active, Positional Accuracy: Automatically positioned to the address	8			✓
Redglade Motors Ltd, ,Abbey Road Motorist Centre,131-179,Belsize Road,London, Car Body Repairs, Status: Inactive, Positional Accuracy: Automatically positioned to the address	9			✓
A.N.S., ,Abbey Road Motorist Centre,131-179,Belsize Road,London, Garage Services, Status: Inactive, Positional Accuracy: Automatically positioned to the address	10			✓
Travels Pest Control & Environmental Services, ,Abbey Road Motorist Centre,131-179,Belsize Road,London, Pest & Vermin Control, Status: Inactive, Positional Accuracy: Automatically positioned to the address	11			✓
Johnnys Mot, ,Abbey Road Motorist Centre,131-179,Belsize Road,London, Mot Testing Centres, Status: Active, Positional Accuracy: Manually positioned to the address or location	12			✓
Bonsai Recovery Ltd, ,Abbey Road Motorist Centre,131-179,Belsize Road,London, Car Breakdown & Recovery Services, Status: Inactive, Positional Accuracy: Manually positioned to the address or location	13			✓
Hampstead Blinds, ,Abbey Road Motorist Centre,131-179,Belsize Road,London, Blinds, Awnings & Canopies, Status: Inactive, Positional Accuracy: Manually positioned to the address or location	14			✓
Air Conditioning Centre, ,Abbey Road Motorist Centre,131-179,Belsize Road,London, Air Conditioning Equipment & Systems, Status: Inactive, Positional Accuracy: Manually positioned to the address or location	15			✓
Landfill & Mineral Sites				
Local Authority Landfill Coverage				
London Borough of Camden, - Has no landfill data to supply *	N/A			
Statutory Authorisations				
No features identified within this category	N/A			
Contraventions				
No features identified within this category	N/A			

Factors affecting the site

Map ID On Site 0 - 25m 25 - 100m

	Map ID	On Site	0 - 25m	25 - 100m
Natural Features				
Extreme Flooding from Rivers or Sea without Defences				
No	N/A			
Flooding from Rivers or Sea without Defences				
No	N/A			
Areas Benefiting from Flood Defences				
No	N/A			
Flood Water Storage Areas				
No	N/A			
Flood Defences				
No	N/A			
Groundwater Vulnerability				
Geological Classification: Non Aquifer (Negligibly permeable) - Formations which are generally regarded as containing insignificant quantities of groundwater. However, groundwater flow through such rocks, although imperceptible, does take place and needs to be considered in assessing the risk associated with persistent pollutants, Soil Classification: Not classified, Map Scale: 1:100,000	N/A	✓		
Drift Deposits				
No	N/A			
Radon Potential				
The property is in a lower probability radon area, as less than 1% of homes are above the action level	N/A	✓		
Radon Protection Measures				
None	N/A	✓		
Coal Mining Affected Areas				
In an area which may not be affected by coal mining	N/A			
Brine Compensation Area				
No	N/A			

Local Authority Landfill Coverage * if applicable. It has not been possible to obtain Landfill data from this authority therefore the fact that no local authority landfills are disclosed in this report does not necessarily confirm that no local authority landfills exist. We recommend that if you are concerned about landfill you should contact the relevant local authority. "-" denotes the nearest Local Authority Landfill Coverage.

Useful Contact Information

London Borough of Camden
Town Hall, Judd Street, London, WC1H 9JE
Telephone 020 7974 4444, Fax 020 7974 6866
info@camden.gov.uk
www.camden.gov.uk

Environment Agency National Customer Contact Centre (NCCC)
PO Box 544, Templeborough, Rotherham, S60 1BY
Telephone 08708 506 506
enquiries@environment-agency.gov.uk

British Geological Survey Enquiry Service
British Geological Survey, Kingsley Dunham Centre, Keyworth, Nottingham, Nottinghamshire, NG12 5GG
Telephone 0115 936 3143, Fax 0115 936 3276
enquiries@bgs.ac.uk
www.bgs.ac.uk

Argyll Environmental Ltd
Lees House, 21-33 Dyke Road, Brighton, BN1 3FE
Telephone 0845 458 5250, Fax 0845 458 5260
info@argyllenviro.com
www.argyllenvironmental.com

Landmark Information Group Limited
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Telephone 0844 844 9960, Fax 0844 844 9951
customerservice@promap.co.uk
www.landmarkinfo.co.uk



THE
COAL
AUTHORITY



British
Geological Survey
NATURAL ENVIRONMENT RESEARCH COUNCIL

Additional Information

In completing this report Argyll Environmental has undertaken a review of the Enviroscreen data made available to it. No site inspection, further enquiries or investigation of surface or ground conditions has been carried out by Argyll Environmental. No information as to the age, value and type of property has been made available.

Surveyors are reminded to refer to the RICS guidance note 'Contamination, the environment and sustainability - Implications for chartered surveyors and their clients', published April 2010, and consider using the property observation checklists developed by the RICS for identifying apparent potential for contamination and recording observations made during the normal course of inspection. The checklists are contained at Appendices A-C of the above guidance note. Completion of these checklists does not constitute an environmental assessment for the purposes of Professional Indemnity Insurance where many surveyors are unlikely to have appropriate indemnity cover.

The information in this Enviroscreen® Certificate is derived from a number of statutory and non-statutory sources (refer to the user guide). Whilst every effort is made to ensure accuracy, Landmark cannot guarantee the accuracy or completeness of such information or data, nor to identify all the factors that may be relevant. If you are a private individual using this Certificate Landmark recommend that you discuss its contents in full with your professional advisor. It is essential to read this Certificate in conjunction with the User Guide and your attention is drawn to the scope of the Certificate section within the User Guide.

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Commercial Premises Environmental Insurance

Landmark information Group provides a link to Arlington Insurance Services Limited which is able to offer environmental insurance underwritten by ACE Insurance Group Limited for 9, Langtry Road, LONDON, NW8 0AJ. The insurance is subject to an Enviroscreen certificate report having been commissioned and a quote obtained from Arlington Insurance Services Limited.

Key policy Benefits:

- n Coverage for sudden and gradual pollution
- n Coverage for on-site and off-site first party cleanup
- n Automatic coverage for biodiversity damage
- n Damage to third party property, including diminution in value
- n Policy periods up to 5 years coverage
- n Limit of indemnity up to £5m
- n Self Insured Retentions from £2,500 per loss
- n Proactive claims support to minimise losses and their financial and reputational impacts on the business
- n Legal Defence Expenses

This statement does not contain the full terms and conditions of the coverage provided, which can be found in the policy document. The Environmental Impairment Liability (EIL) Policy is a claims-made policy offering a range of cover for gradual, sudden and accidental pollution resulting from the ownership, control and/or operation of premises.

Insurance Quotations

The Enviroscreen report has highlighted potential issues with the site at:
[9, Langtry Road, LONDON, NW8 0AJ](#)

These potential issues would need to be assessed by an environmental specialist before an indicative insurance quote is given.

Please telephone 020 7734 3346 to receive advice on insurance from an environmental specialist.

For further information please go to www.arlingtoninsuranceservices.com/environmental.

This insurance is offered by



ACE European Group Limited, ACE Building, 100 Leadenhall Street, London EC3A 3BP
Arlington Insurance Services Ltd, Goldsmith House, 137 Regent Street, London W1B 4HZ

Authorised and regulated by the Financial Services Authority

LANDMARK STANDARD TERMS & CONDITIONS

Full Terms and Conditions can be found on the following link:

<http://www.landmarkinfo.co.uk/Terms/Show/515>

VALUATION FOR LOAN SECURITY PURPOSES

Valuation Date: 27 November 2014

Flat C & D, 76 Amhurst Road, London, E8 1JH



*Assuming that the loan-to-value ratio, interest cover ratio and loan term length are within market-typical parameters, we are of the opinion that **the subject premises provide acceptable security for lending purposes.***

Description

The property comprises a period semi detached house that has been converted into 4 flats, 2 of which have been sold off on long leases at a ground rent of £150 pa per flat. For the avoidance of doubt we have valued the ground rents and added them on to our opinion Market Value for the 2 flats. The building is of traditional brick construction beneath a pitched tiled roof behind a parapet. For the avoidance of doubt we are valuing flats C & D (1st floor and 2nd floor respectively).

The property has a total gross internal floor area of some 67.14 sq m (723 sq ft) on a site of 0.025 hectares (0.062 acres).

Tenure

Freehold

Tenancy

Flat C is to be let on a AST at a rent of £20,800 pa.

Flat D is to be vacated and refurbished. We understand that a tenant has been signed up at a rent of £13,000 pa.

Passing Rent

£34,100 pa (gross) which includes £300 pa from the ground rents

Market Rent

£30,980 pa (gross) which includes £300 pa from the ground rents

Market Value

£636,000 (Six Hundred and Thirty Six Thousand Pounds)

Market Value under the Special Assumption of vacant possession

£636,000 (Six Hundred and Thirty Six Thousand Pounds)

**Reinstatement Cost Estimate**

£125,000 (One Hundred and Twenty Five Thousand Pounds)

For the avoidance of doubt this only relates to Flats C & D as the other 2 flats have been sold off and we have assumed that the owners are responsible for insuring their flats separately or if the landlord pays he recoups the cost from them.

This executive summary should be read in conjunction with the full valuation report enclosed. More detailed comment on the subject premises' suitability as loan security is provided at Section 16 of the report.

1. Location



Location map (1:50000)

The subject premises are located in Hackney, east London within London Borough of Hackney and are located some 6 miles north east of central London, 2.8 miles west of Stratford, 5.9 miles east of Hampstead and 4.5 miles south of Tottenham.

Hackney is a predominantly residential north London suburb popular with commuters due to the train links into London. There is some retailing along Amhurst Road although this tends to cater for the day to day needs of the local population.

Public transport connections are good with the area served well by London Overground and Mainline Railway services with Hackney Central Station located 200 metres away and Hackney Downs train station located 0.2 miles away which provides a direct service to London Liverpool Street in 10 minutes. There are also regular bus services which provide connections to east and west London.

Road links are good with the A10 running to the west of the district providing links to central London heading to south and north London, Hertfordshire and Norfolk. The A12, which runs to the east of the district, links Blackwall Tunnel in south east London to Great Yarmouth via Barking, Chelmsford and Colchester in Essex.

A larger copy of the map showing the location of Hackney is included at Appendix i.

2. Situation



Ordnance Survey map (1:1250)

The subject premises are situated on the north side of Amhurst Road in a mixed area mainly comprising retail and residential.

Amhurst Road (A107) runs north west to south east and links Stoke Newington Road (A10) to the west to Mare Street (A107) to the east.

A larger copy of the Ordnance Survey map showing the situation of the subject premises is included at Appendix ii.

3. Description



1st floor flat

The subject premises comprise a semi detached period house that has been converted to form 4 flats, 2 of which have been sold off on long leases and do not form part of this valuation. The building is of traditional brick construction beneath a pitched tiled roof behind a parapet with UPVC double glazed windows.

Internally Flat C has just been refurbished to provide wooden laminate floor coverings, painted plastered walls, suspended light fittings and a fitted kitchen and also bath with a shower. The walls and floor in the bathroom have been tiled. Heating is via wall mounted gas fired radiators.

Flat D was in a poor decorative state on the day of inspection although we understand that this flat is also to be refurbished prior to completion with a similar fit out as Flat C.

At the time of our inspection the property appeared to be served by mains electricity, gas, water and drainage services.

None of these services were tested at the time of inspection, but, for the purpose of the valuation reported herein, we have assumed all services to be fully operational.

Additional photographs of the subject premises are included at Appendix iii.

4. Accommodation

In accordance with the current RICS Code of Measuring Practice, we have undertaken a full measured survey. The property was measured on a gross internal area basis and found to provide accommodation as follows.

<u>Accommodation</u>	<u>Floor Area</u>	
Flat C (1 st floor)	42.72 sq m	460 sq ft
Flat D (2 nd floor)	24.42 sq m	263 sq ft
<u>Total</u>	<u>67.14 sq m</u>	<u>723 sq ft</u>

We have scaled the Ordnance Survey map of the subject premises and calculate the total site area to be 0.025 hectares (0.062 acres).

5. Condition

As per your instruction and our Terms of Engagement the inspection we have carried out was for valuation purposes only and did not include a full building survey. However, from our observation, with regard to the general condition of the subject premises, we would comment as follows.

Flat C was in a very good condition having just been refurbished. Flat D was in a poor decorative state on the day of inspection although we understand that this Flat is to be refurbished prior to completion. We did not notice any major structural defects or wants of repair and would expect Flat C to let and/or sell readily in its current condition and Flat D once refurbishment has taken place.

Upon inspection we did not notice any obvious sign of deleterious and/or hazardous materials. Accordingly, for the purpose of the valuation reported herein we have assumed that the subject premises are free from such materials.

With regard to physical obsolescence, if a regular maintenance programme is adhered to we would expect the subject premises to have a useful life in excess of twenty five years.

6. Environmental Issues

As per your instruction and our Terms of Engagement, the inspection we have carried out was for valuation purposes only and did not include an environmental survey. However, we have commissioned and reviewed an Enviroscreen desktop environmental survey.

The findings of Enviroscreen survey are attached at Appendix iv. It concludes as follows.

“We have considered the Site of an air pollution control in terms of the obligations of the lender. This property has passed for commercial lending purposes and as such has no significant liability to the lender regarding contamination risk.”

We can accept no liability with regard to the accuracy of the Enviroscreen survey. However, for the purpose of the valuation reported herein, we have assumed that the subject premises do not suffer from any environmental issues which might adversely affect their value.

We have had reference to the Environment Agency’s flood map. The flood map identifies sites that may be at risk from sea or river flooding. The assessment of flood risk for the site of the subject premises is as follows.

Very Low – “The chance of flooding each year is less than 0.1% (1 in 1000)”

We draw to your attention that The Energy Act 2011 includes provisions that will outlaw the letting of residential and commercial properties with ‘F’ and ‘G’ EPC ratings by no later than 1 April 2018. It is, therefore, likely that capital expenditure will be required on currently inefficient premises to maintain their lettable under the Act.

We have had sight of an EPC Certificate dated 11 June 2012 for the property which shows Flat D has a rating of ‘C’. Flat C will need to be reassessed now that it has been refurbished and Flat D will also require reassessing post refurbishment.

7. Planning

We have had reference to the planning policies of the London Borough of Hackney whose policies are set out in the Hackney Unitary Development Plan which is to be replaced by the Hackney Local Development Framework. Within the proposals map the property is situated in an Area Action Zone.

We have made enquiries of Hackney Council but they were unable to confirm that the subject premises have planning permission for their current C3 (residential) use. We have, therefore, assumed for the purpose of the valuation reported herein that they do. We advise that your solicitors verify whether this assumption is appropriate.

We have had reference to the planning website of Hackney planning department but have been unable to find any planning history for the property.

The subject premises are not listed as a building of special architectural or historic interest but are situated within a conservation area.

We are not aware of any planning or highway proposals for the surrounding area which might adversely affect the property, but we recommend that your solicitors clarify this matter.

8. Council Tax

We have had reference to the 2014/15 council tax list and note the council tax liability associated with the subject premises to be as follows.

<u>Property</u>	<u>Council Tax Band</u>	<u>Council Tax Liability 2014/15</u>
Flat C 1 st flr front 76 Amhurst Road, London, E8 1JH	A	£864.96
Flat D 1st flr rear 76 Amhurst Road, London, E8 1JH	A	£864.96
Flat E 2 nd flr front 76 Amhurst Road, London, E8 1JH	A	£864.96

Your borrower would be liable for the council tax liability were the property to become vacant.

9. Tenure

The property is held freehold with our understanding of the extent of the freehold demise outlined on the Ordnance Survey map included at Appendix ii.

We have not been provided with a report on title and have, therefore, made various tenure assumptions for the purpose of the valuation reported herein. We have assumed that the freehold interest is free from any encumbrances, unduly onerous or unusual easements, rights of way, rights of light, restrictions, outgoing or conditions which would have an adverse effect upon the value of the property.

If we are subsequently provided with a report on title we would be pleased to comment upon what impact its content would have upon the valuation reported herein. We would remind you that if information should come to light which contradicts the assumptions made herein this could have a material effect upon our valuation. We, therefore, reserve the right to amend our valuation accordingly should this prove necessary.

We advise that all information relating to the tenure of the subject premises is verified by your solicitors.

10. Tenancy

Flat C is to be let on a AST at a rent of £20,800 pa.

Flat D is to be vacated and refurbished.

11. Market Commentary

The Local Market

The property is situated within Hackney, an increasingly popular commuter area in north east London suburb. There are 2 mainline rail stations at Hackney Central and Hackney Downs (which provides a direct service to London Liverpool Street in 10 minutes). Housing stock comprises a mix of Edwardian, late Victorian and more modern buildings.

According to Foxtons research (updated daily from Foxtons available stock) property prices on average have increased by 19.46% over the last 12 months with the average flat value in the area being £485,550 with 1 bed flats averaging £384,389 (there is no data for studios).

In terms of the rental market according to Foxtons the average flat rent is £396 per week with studios averaging £395 per week.

We can use Land Registry house price data to look in greater detail at the performance of the wider London Borough of Hackney residential market over the last few years. According to the Index, the average flat price within the London Borough of Hackney peaked in March 2008 at £326,613. The impact of the global financial crisis and the lack of liquidity in the debt markets led to a re-pricing, which resulted in the average price falling to a low of £256,415 in May 2009 – a fall of 21.49% from peak to trough. This fall was much less severe than that seen across the UK as a whole. Since then, the Land Registry house price index demonstrates that average flat prices have continued to rise in the London Borough of Hackney. The previous market high was surpassed in September 2011 and prices have on average, continued to rise steadily until September 2014 where the average flat price currently stands at £487,147. This represented an 89.98% increase since the low of May 2009.

12. Market Rent

As at the valuation date the passing rent of the subject premises is £20,800 pa rising which will increase on letting of Flat D.

In arriving at our opinion of Market Rent we have had reference to the comparable evidence summarised below.

<u>Ref</u>	<u>Property</u>	<u>Lease Event</u>	<u>Date</u>	<u>Rent</u>	<u>Comments</u>
1.	159 Graham Road, London, E8	Letting	June 2014	£1517 pcm (£350 pw)	1 bedroom flat
2.	108 Greenwood Road, London, E8 1NE	Letting	November 2014	£1400 pcm (£325 pw)	1 bedroom flat
3.	35 Clarence Mews, London, E8 8HL	Letting	August 2014	£1360 pcm (£315pw)	1 bedroom flat
4.	38C Amhurst Road, London, E8 1JN	Letting	July 2014	£1150 pa (£265 psf)	Studio

Further comment on each piece of evidence is provided below.

Ref.1: One bedroom flat set on the first floor of a period conversion property (479 sq ft). It is presented in good condition and benefits from its close proximity to Hackney Central Station.

Ref.2: One bedroom flat on the third floor of a Victorian conversion property (560 sq ft). It has recently been renovated, however not to a very high specification.

Ref.3: A spacious one bedroom flat in a mews house which benefits from a private patio. It is presented in basic condition and the majority of neighbouring residential properties are ex-local authority housing.

Ref.4: A studio flat (340 sq ft) set on the fourth floor in a period conversion property. It has been refurbished to a high standard

The evidence shows support for rents ranging from £265 to £350 pw. Given the size, location and specification of the subject premises, the one bedroom flat and studio flat can be expected to achieve rents of £340 pw and £250pw respectively.

We have then added on the ground rent income of £300 pa.

Having had reference to the above evidence, we are of the opinion that, as at 27 November 2014, the subject premises could command a Market Rent of:

£30,980 per annum (gross)

This Market Rent would be achievable on the assumption of 6 or 12 months ASTs.

13. Lettability

Given the nature of the subject premises we would expect them to let readily should they become vacant in the near future.

With reference to current market conditions, if the property is vacant as at the valuation date we would expect a marketing period of 4 to 8 weeks to be required to achieve a letting at the Market Rent reported above.

14. Market Value

We have valued the flats on the basis that they would appeal most to owner occupiers rather than investors as 2 of the 4 flats have already been sold off on long leases. In arriving at our opinion of Market Value we have had reference to the comparable evidence summarised below.

<u>Ref</u>	<u>Property</u>	<u>Sale Date</u>	<u>Sale Price</u>	<u>Sale Price psf</u>	<u>Comments</u>
1.	29D Queensdown Road, London, E5	November 2014	£370,000	£871psf	1 bedroom flat
2.	227 Amhurst Road, London, E8	September 2014	£360,000	£818 psf	1 bedroom flat
3.	Flat 1, 225 Amhurst Road, London, E8	Under offer	£335,000	£823 psf	1 bedroom flat
4.	76 Amhurst Road, London, E8 1JH (Flat A)	September 2014	£460,000	Not known	1 bedroom flat with garden
5.	76 Amhurst Road, London, E8 1JH (Flat B)	September 2014	£400,000	Not known	1 bedroom flat

Further comment on each piece of evidence is provided below.

Ref.1: One bedroom flat (425 sq ft) in a period conversion property overlooking the Hackney Downs Park. The property is presented in good condition. It is situated on a quiet residential road which is more desirable; however the E5 postcode is considered inferior.

Ref.2: One bedroom flat (440 sq ft) in a period conversion property towards the top end of Amhurst Road, which is considered the quieter part of the road. The property is presented in good condition and also benefits from being in close proximity to Hackney Downs Park.

Ref.3: One bedroom flat (407 sq ft) in the neighbouring property of the above mentioned comparable. The property is set on the lower ground floor and is presented in good condition.

Ref.4: One bedroom flat in the same period conversion of the subject premises with garden.

Ref.5: One bedroom flat in the same period conversion of the subject premises.

As can be seen above sale values for 1 bedroom flats range from £335,000 to £460,000. We have however had more regard to the 2 sales in the subject property as these are recent. We have therefore adopted a Market Value of £400,000 reflecting the refurbished nature of the flat but also no garden access.

With regard to studios we are unaware of any that have sold recently in the Hackney area however we are aware of the following:

<u>Ref</u>	<u>Property</u>	<u>Sale Date</u>	<u>Sale Price</u>	<u>Sale Price psf</u>	<u>Comments</u>
1.	Whiston Road, Hackney, E8	On market	£199,950	£588	Larger studio
2.	Cranston Estate, New N Road Islington	On market	£230,000	£1,022	Similar sized studio
3.	Queensbridge Road, E8	On Market	£225,000	£770	Slightly larger studio

Further comment on each piece of evidence is provided below.

Ref.1: Studio in a 1930's purpose built block comprising 31.6 sq m (340 sq ft) so larger than the subject studio. However not as attractive a building.

Ref.2: Studio in a 1930's purpose built block comprising 20.84 sq m (225 sq ft) excluding bathroom so similar size to the subject studio. However not as attractive a building.

Ref.3: Studio in a 1930's purpose built block comprising 27.10 sq m (292 sq ft) so slightly larger than the subject studio. However not as attractive a building.

Having had regard to the above and from our research we have adopted a value of £225,000 for the refurbished studio.

We have further adopted an equivalent yield of 5% for the 2 ground rents reflecting the fixed uplifts every 20 years which shows a Market Value of £11,000 (Eleven Thousand Pounds) and we have added this on to our opinion of Market Value for the 2 flats.

Market Value

In assessing the Market Value of the subject premises we have followed the comparative method of valuation. We have had regard to the above comparables and made allowances for the fact that the flats will both have been refurbished, are located in a period building but on a busy main road and are of a reasonable size. We have also added on the value of the ground rents.

We are of the opinion that the Market Value of the freehold interest in the subject premises, subject to obtaining vacant possession, as at 27 November 2014, is in the sum of:

£636,000
(Six Hundred and Thirty Six thousand Pounds)

Market Value subject to the Special Assumption of vacant possession

In assessing the Market Value of the subject premises, subject to the Special Assumption of vacant possession, we have followed the comparative method of valuation. We have adopted the same approach as above.

We are of the opinion that the Market Value of the freehold interest in the subject premises, subject to the Special Assumption of vacant possession, as at 27 November 2014, is in the sum of:

£636,000
(Six Hundred and Thirty Six thousand Pounds)

15. Saleability

The Market Value stated above, makes the assumption that, prior to the valuation date, the property is exposed to the market in the most appropriate manner and over a sufficient length of time so as to effect its disposal at the best price reasonably obtainable.

We are of the opinion that a sale of the subject premises would take in the order of three to six months from commencement of marketing to exchange of contracts.

We would expect potential purchasers to include private investors or owner-occupiers.

16. Security

We have not been provided with the terms of the loan being offered to your borrower. However, assuming that the loan to value ratio, interest cover ratio and loan term length are within market-typical parameters, we are of the opinion that the subject premises provide acceptable security for lending purposes. We would summarise the strengths, weaknesses, opportunities and threats associated with the property as follows:

Strengths

- Situated in a popular London suburb
- Flat C has just been refurbished whilst Flat D is to be refurbished prior to completion

Opportunities

- Ensure Flat D is refurbished as soon as possible and re-let

Weaknesses

- 2 of the flats have been sold off

Threats

- Rising rental and sales prices could exclude a number of people.
- There are concerns that the new Help to Buy – Mortgage Guarantee and Equity Loan schemes could potentially create a housing bubble although residential price rises are slowing down.
- There are other similar flats competing in the local area

In conclusion we consider the subject property to offer good security for the proposed loan on the basis that Flat D is refurbished. The flats are situated in an area popular with commuters so there is a good demand from those looking to rent. Further the flats should readily sell in the current market to owner occupiers. We would be happy to discuss any of the issues or recommendations raised in this report. Please do not hesitate to contact us if we can be of further assistance in this respect.

17. Reinstatement Cost Estimate

We have not undertaken a detailed reinstatement cost appraisal. The estimate does not, therefore, constitute a formal building reinstatement cost assessment. It is intended for guidance purposes only.

The estimate is as a guide for a modern replica of the subject building. It is inclusive of demolition costs, site



clearance and professional fees, but makes no allowance for VAT.

Our informal estimate of the current reinstatement cost, on a day-one basis, is in the order of:

£125,000
(One Hundred and Twenty Five Thousand Pounds)

We will have no liability to you or any other party in respect of the informal reinstatement cost assessment.

For the avoidance of doubt this only relates to Flats C & D as the other 2 flats have been sold off and we have assumed that the owners are responsible for insuring their flats separately or if the landlord pays he recoups the cost from them.

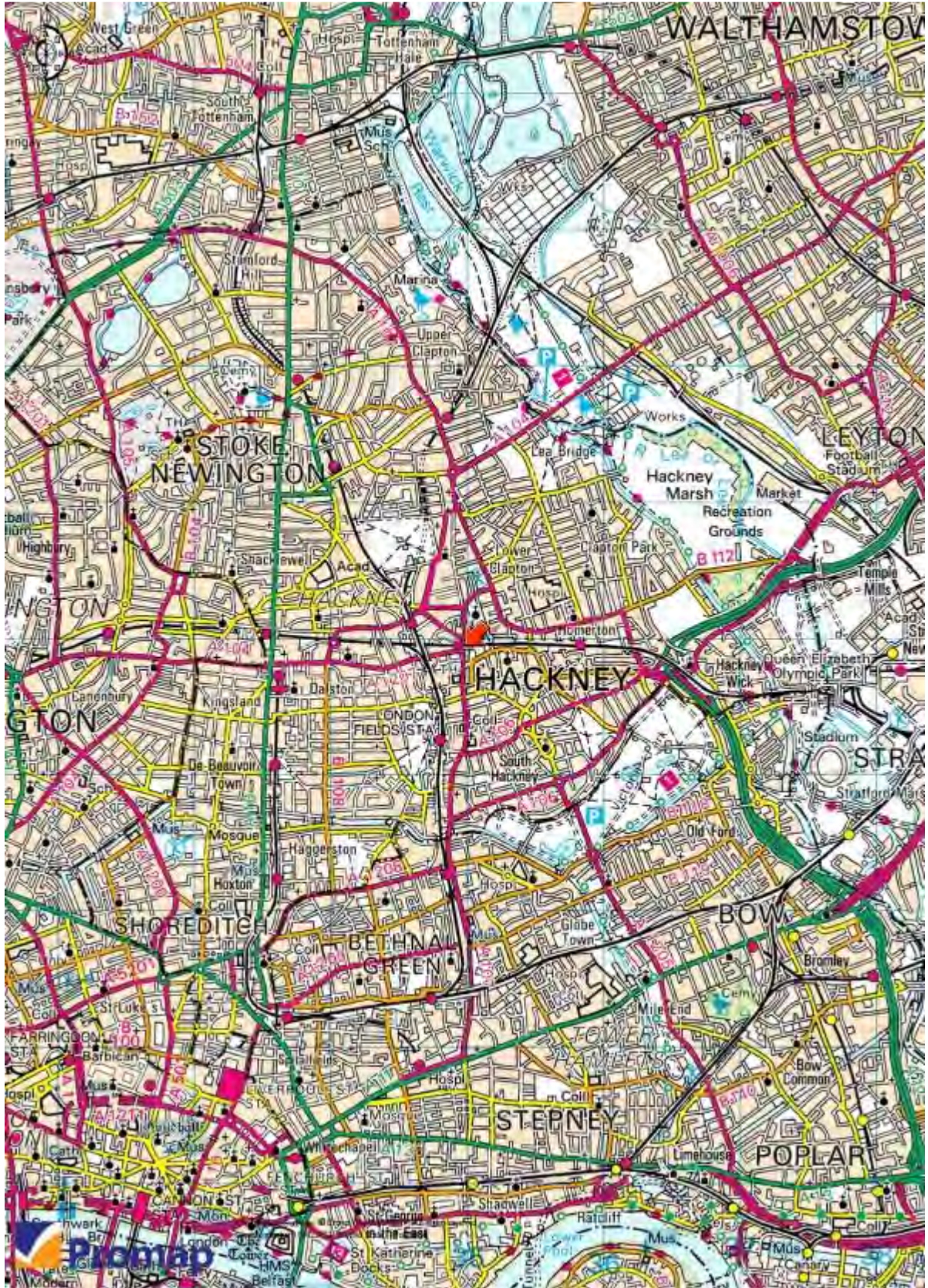
Gerald Eve LLP is a national firm of chartered surveyors and property consultants with a network of nine offices and more than 300 employees.



In addition to valuation our range of services includes occupational and investment agency, planning and development, every aspect of building consultancy, rent review and lease renewal instructions, compulsory purchase and compensation, business rates, property taxation and project services.

If we can assist you further with regard to the subject of this valuation or any other property related issue please do not hesitate to contact either of the signatories to this report.

Appendix i – Location Map



Appendix ii – Ordnance Survey Map



Appendix iii – Photographs



Amhurst Road looking west



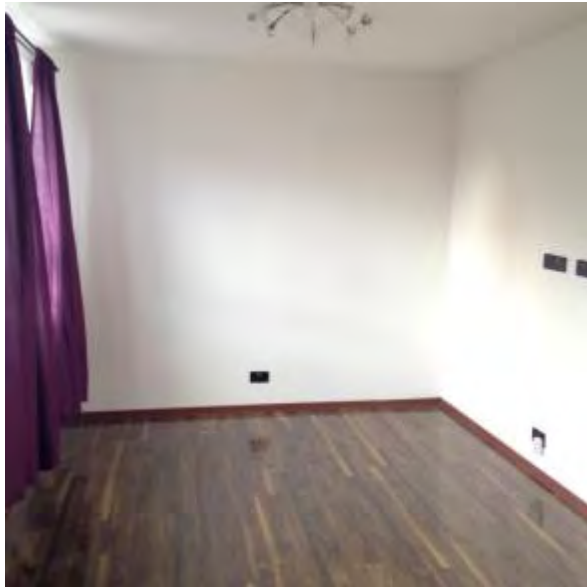
Amhurst Road looking east



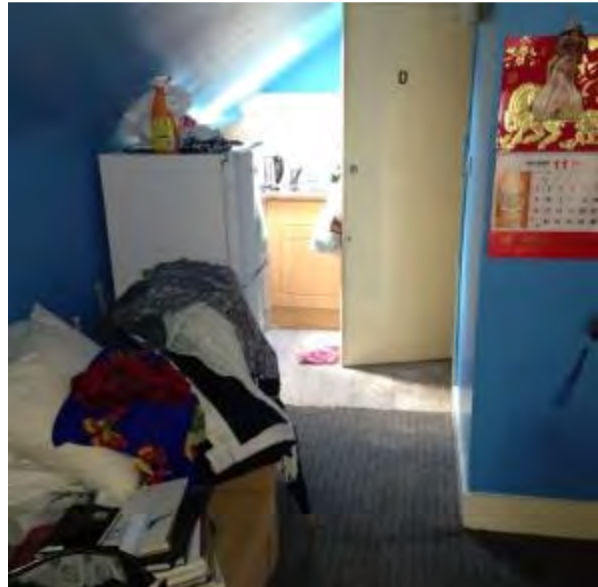
1 bed flat



Bathroom (1 bed flat)



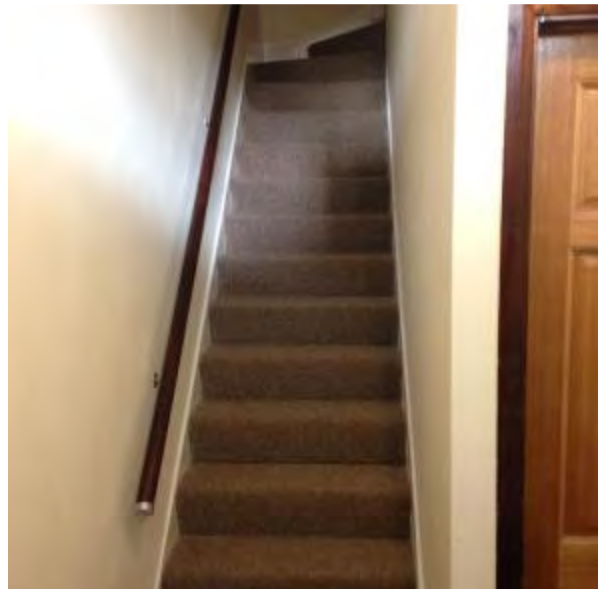
1 bed flat



Studio (unrefurbished)



Studio bathroom (unrefurbished)



Entrance hall



Report date: **18 November 2014**

Customer ref: **AL000693_EPO1**

Property address: **76, Amhurst Road, LONDON, E8 1JH**

Report Commissioned by: **Gerald Eve LLP**

On behalf of: **N/A**

Purpose of report: **Providing an investment valuation of the property**

Freehold or Leasehold: **Freehold**

Redevelopment Yes or No: **No - It is understood that there are no redevelopment plans for the site**

Argyll Environmental's professional opinion describes the level of risk associated with the information disclosed in the associated Enviroscreen data, as the following:

Property Assessment

PASSED

Local Authority data has identified Local Authority Pollution Prevention and Control authorisations on or within 25 metres of the site.

Property Value

Unlikely to have an adverse effect on the value of the property.

Contaminated Land

The property is unlikely to be designated "contaminated land" within the meaning of Part 2A of the Environmental Protection Act 1990.

Environmental Factors for consideration

In this case no environmental factors have been identified

Lending Risk Assessment

Passed

We have considered the Site of an air pollution control in terms of the obligations of the lender. This property has passed for commercial lending purposes and as such has no significant liability to the lender regarding contamination risk. However, if the lender was to accept possession of the property we recommend the issues identified above are investigated.

Based on valuation guidance from the RICS Red Book this report complies with UK GN1.1 - Appendix 2.2(E) Contamination and hazardous substances and valuation guidance from the RICS Red Book - Appendix 2.2(F) Environmental Matters.

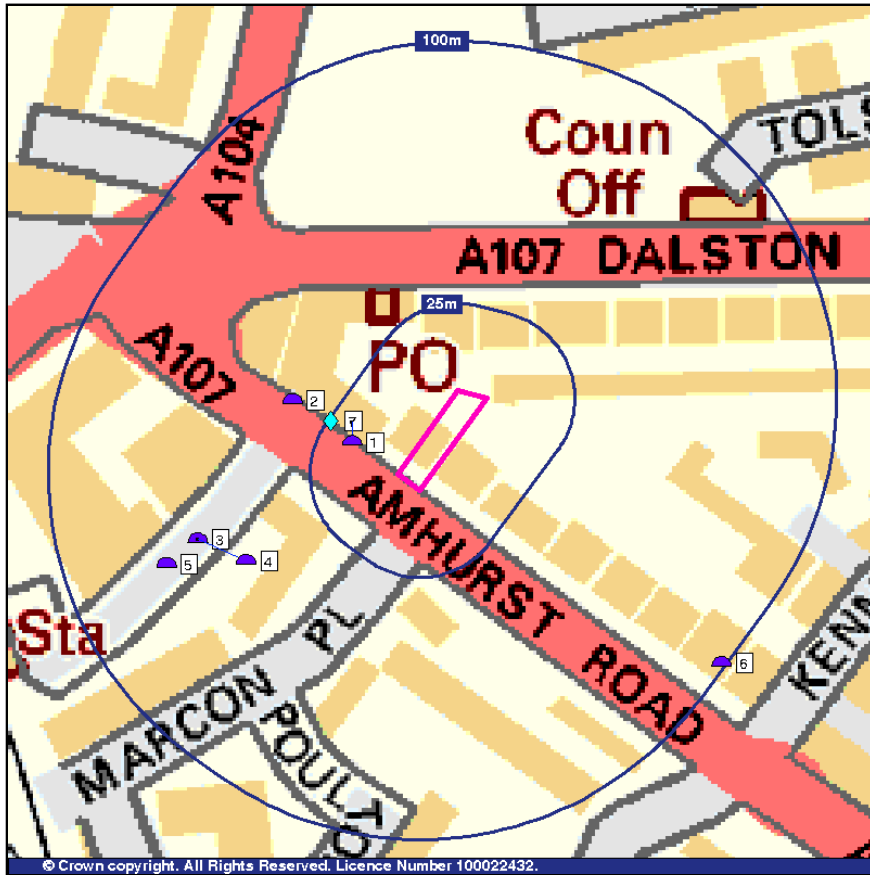
Approved by














Christopher S. Taylor BSc (Hons), MSc, AIMEA
Chartered Water and Environmental Manager
Technical Director, Argyll Environmental Ltd



Site Address: 76, Amhurst Road, LONDON, E8 1JH



Legend

-  Site
-  Buffer
-  Map ID
- Statutory Authorisations**
 -  
- Contraventions**
 - 
- Land Uses**
 -   
- Landfill & Mineral Sites**
 -  



Site Boundary: Total Area
0.03 Ha

Prepared For
Gerald Eve LLP
72 Welbeck Street
London
W1G 0AY

Client Ref
AL000693_EPO1

Purchase Order No.
AL000693

Client Name
N/A

Factors affecting the site

Map ID On Site 0 - 25m 25 - 100m

	Map ID	On Site	0 - 25m	25 - 100m
Historical Land Uses				
Contemporary Trade Directory Entries				
Amhurst Star Dry Cleaners, ,82,Amhurst Road,London, Dry Cleaners, Status: Inactive, Positional Accuracy: Automatically positioned to the address	1		✓	
Willer Motors, ,88,Amhurst Road,London, Car Body Repairs, Status: Inactive, Positional Accuracy: Automatically positioned in the proximity of the address	2			✓
Ssc Horsepower Ltd, 3 Institute Pl,London, Garage Services, Status: Inactive, Positional Accuracy: Manually positioned to the road within the address or location	3			✓
Ssc Horsepower, 3 Institute Pl,London, Garage Services, Status: Inactive, Positional Accuracy: Manually positioned to the road within the address or location	4			✓
Five Points Brewery Co Ltd, ,3,Institute Place,London, Brewers, Status: Active, Positional Accuracy: Manually positioned to the road within the address or location	5			✓
Max Moves, Rear Of,50,Amhurst Road,London, Road Haulage Services, Status: Inactive, Positional Accuracy: Automatically positioned to the address	6			✓
Landfill & Mineral Sites				
Local Authority Landfill Coverage				
London Borough of Hackney, - Has no landfill data to supply *	N/A			
Statutory Authorisations				
Local Authority Pollution Prevention and Controls				
Amhurst Star Dry Cleaners, Amhurst Road, Part B - Other Industries, Reference: DC/19/P1, Status: Permitted, Positional Accuracy: Located by supplier to within 10m	7		✓	
Contraventions				
No features identified within this category	N/A			
Natural Features				
Extreme Flooding from Rivers or Sea without Defences				
No	N/A			
Flooding from Rivers or Sea without Defences				
No	N/A			
Areas Benefiting from Flood Defences				
No	N/A			
Flood Water Storage Areas				
No	N/A			
Flood Defences				
No	N/A			

Factors affecting the site

Map ID On Site 0 - 25m 25 - 100m

	Map ID	On Site	0 - 25m	25 - 100m
Groundwater Vulnerability				
Geological Classification: Minor Aquifer (Variably permeable) - These can be fractured or potentially fractured rocks, which do not have a high primary permeability, or other formations of variable permeability including unconsolidated deposits. Although not producing large quantities of water for abstraction, they are important for local supplies and in supplying base flow to rivers, Soil Classification: Soils of High Leaching Potential (U) - Soil information for restored mineral workings and urban areas is based on fewer observations than elsewhere. A worst case vulnerability classification (H) assumed, until proved otherwise, Map Scale: 1:100,000	N/A	✓		
Drift Deposits				
No	N/A			
Radon Potential				
The property is in a lower probability radon area, as less than 1% of homes are above the action level	N/A	✓		
Radon Protection Measures				
None	N/A	✓		
Coal Mining Affected Areas				
In an area which may not be affected by coal mining	N/A			
Brine Compensation Area				
No	N/A			

Local Authority Landfill Coverage * if applicable. It has not been possible to obtain Landfill data from this authority therefore the fact that no local authority landfills are disclosed in this report does not necessarily confirm that no local authority landfills exist. We recommend that if you are concerned about landfill you should contact the relevant local authority. "-" denotes the nearest Local Authority Landfill Coverage.

Useful Contact Information

London Borough of Hackney
Hackney Town Hall, Mare Street, London, E8 1EA
Telephone 020 7418 8000, Fax 020 7418 8087
www.hackney.gov.uk

Environment Agency National Customer Contact Centre (NCCC)
PO Box 544, Templeborough, Rotherham, S60 1BY
Telephone 08708 506 506
enquiries@environment-agency.gov.uk

British Geological Survey Enquiry Service
British Geological Survey, Kingsley Dunham Centre, Keyworth, Nottingham, Nottinghamshire, NG12 5GG
Telephone 0115 936 3143, Fax 0115 936 3276
enquiries@bgs.ac.uk
www.bgs.ac.uk

London Borough of Hackney Environmental Health Department
Dorothy Hodgekins House, 17 Reading Lane, London, E8 1HJ
Telephone 0208 356 4771, Fax 020 8533 1797
www.hackney.gov.uk

Argyll Environmental Ltd
Lees House, 21-33 Dyke Road, Brighton, BN1 3FE
Telephone 0845 458 5250, Fax 0845 458 5260
info@argyllenviro.com
www.argyllenvironmental.com

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Telephone 0844 844 9960, Fax 0844 844 9951
customerservice@promap.co.uk
www.landmarkinfo.co.uk



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Geological Survey
NATURAL ENVIRONMENT RESEARCH COUNCIL

Additional Information

In completing this report Argyll Environmental has undertaken a review of the Enviroscreen data made available to it. No site inspection, further enquiries or investigation of surface or ground conditions has been carried out by Argyll Environmental. No information as to the age, value and type of property has been made available.

Surveyors are reminded to refer to the RICS guidance note 'Contamination, the environment and sustainability - Implications for chartered surveyors and their clients', published April 2010, and consider using the property observation checklists developed by the RICS for identifying apparent potential for contamination and recording observations made during the normal course of inspection. The checklists are contained at Appendices A-C of the above guidance note. Completion of these checklists does not constitute an environmental assessment for the purposes of Professional Indemnity Insurance where many surveyors are unlikely to have appropriate indemnity cover.

The information in this Enviroscreen® Certificate is derived from a number of statutory and non-statutory sources (refer to the user guide). Whilst every effort is made to ensure accuracy, Landmark cannot guarantee the accuracy or completeness of such information or data, nor to identify all the factors that may be relevant. If you are a private individual using this Certificate Landmark recommend that you discuss its contents in full with your professional advisor. It is essential to read this Certificate in conjunction with the User Guide and your attention is drawn to the scope of the Certificate section within the User Guide.

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Commercial Premises Environmental Insurance

Landmark information Group provides a link to Arlington Insurance Services Limited which is able to offer environmental insurance underwritten by ACE Insurance Group Limited for 76, Amhurst Road, LONDON, E8 1JH. The insurance is subject to an Enviroscreen certificate report having been commissioned and a quote obtained from Arlington Insurance Services Limited.

Key policy Benefits:

- n Coverage for sudden and gradual pollution
- n Coverage for on-site and off-site first party cleanup
- n Automatic coverage for biodiversity damage
- n Damage to third party property, including diminution in value
- n Policy periods up to 5 years coverage
- n Limit of indemnity up to £5m
- n Self Insured Retentions from £2,500 per loss
- n Proactive claims support to minimise losses and their financial and reputational impacts on the business
- n Legal Defence Expenses

This statement does not contain the full terms and conditions of the coverage provided, which can be found in the policy document. The Environmental Impairment Liability (EIL) Policy is a claims-made policy offering a range of cover for gradual, sudden and accidental pollution resulting from the ownership, control and/or operation of premises.

Sample Premiums

Indicative premiums below are based on Commercial mixed use/offices with a £2500 excess where the Report Status is shown as PASSED and are for example use only.

Historic use only

	£1m cover	£5m cover
3 Year term	£2,955	£5,910
5 Year term	£4,199	£8,398

Historic and Operational Coverage

	£1m cover	£5m cover
3 Year term	£3,477	£6,895
5 Year term	£4,889	£9,788

To obtain a quote please go to www.arlingtoninsuranceservices.com/environmental and enter your Enviroscreen report details or alternatively please telephone 020 7734 3346 to discuss your individual position with an environmental specialist.

This insurance is offered by



ACE European Group Limited, ACE Building, 100 Leadenhall Street, London EC3A 3BP
Arlington Insurance Services Ltd, Goldsmith House, 137 Regent Street, London W1B 4HZ

Authorised and regulated by the Financial Services Authority

LANDMARK STANDARD TERMS & CONDITIONS

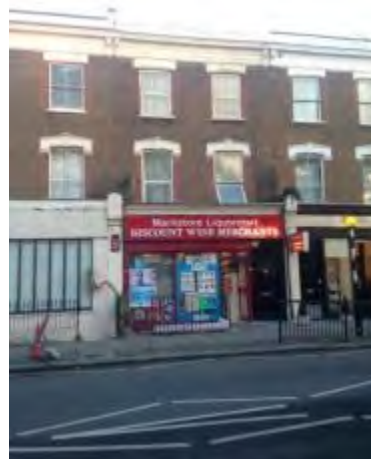
Full Terms and Conditions can be found on the following link:

<http://www.landmarkinfo.co.uk/Terms/Show/515>

VALUATION FOR LOAN SECURITY PURPOSES

Valuation Date: 27 November 2014

79 Fernhead Road, Paddington, W9 3EA



Assuming that the loan-to-value ratio, interest cover ratio and loan term length are within market-typical parameters, we are of the opinion that **the subject premises provide acceptable security for lending purposes.**

Description

Three storey period conversion property of traditional brick construction beneath a pitched tiled roof, with ground floor retail unit and flats over basement, first and second floors.

The retail unit has a total net internal floor area of some 58.56 sq m (618 sq ft) whilst the flats have a total gross internal floor area of some 173.88 sq m (1,872 sq ft) on a site of 0.016 hectares (0.039 acres).

Tenure

Freehold

Tenancy

The ground floor retail unit is let to a local tenant at £15,000 pa on a 15 year lease expiring on 30 September 2028.

The flats are let as follows:

Flat	Tenant	Term	Rent (£ pa gross)
1	Noraina Andrada and Reins Orena	12 months expiring 8 June 2015	£18,720
2	Leine Hurtado Zafaralla	6 months expiring 17 May 2015	£14,560
3	Mr Amiruddin Taplak Tapodoc	6 months expiring 25 May 2015	£19,500
4	Rosalin Tapodac	Being renewed	£19,500

**Total****£72,280**

We have not had sight of the lease for the ground floor or ASTs and would recommend that your solicitor obtains copies to confirm our understanding of the tenancy details above.

Passing Rent

£87,280 pa (gross)

Market Rent

£85,450 pa (gross)

Market Value

£1,585,000 (One Million Five Hundred and Eighty Five Thousand Pounds)

Market Value under the Special Assumption of vacant possession

£1,385,000 (One Million Three Hundred and Eighty Five Thousand Pounds)

Reinstatement Cost Estimate

£450,000 (Four Hundred and Fifty Thousand Pounds)

This executive summary should be read in conjunction with the full valuation report enclosed. More detailed comment on the subject premises' suitability as loan security is provided at Section 16 of the report.

1. Location



Location map (1:50000)

The subject premises are located in West Kilburn in the London Borough of Westminster. West Kilburn is located approximately 3 miles north west of the West End and 5.5 miles south east of Harrow.

West Kilburn is predominately a residential area, providing a desirable location for commuters, with short travel times to the West End and City.

Public transport connections are good with Kensal Green, Kilburn Park, Maida Vale, Warwick Avenue, Westbourne Park (Circle, District and Hammersmith and City) all providing transport to Central London.

Road links are reasonable with both the A40 and Edgware Road situated nearby, however these roads do often suffer from heavy congestion.

A larger copy of the map showing the location of West Kilburn is included at Appendix i.

2. Situation



Ordnance Survey map (1:1250)

The subject premises are situated on the eastern side of Fernhead Road on a small tertiary retail parade in a predominantly residential area. The main retail parade which services the area is situated along Harrow Road approximately 0.5 miles south of the subject premises.

The neighbouring properties include a number of retail units let to local independent retailers. The neighbouring property was vacant on our inspection date. Similarly to the area, the rest of the road provides a mixture of period terraced houses and conversion flats.

A number of underground stations populate West Kilburn, with the subject premises situated approximately 0.5 miles from the closest station, Queens Park. There are also a number of bus stops situated close by.

A larger copy of the Ordnance Survey map showing the situation of the subject premises is included at Appendix ii.

3. Description



Retail unit

The subject premises is a terraced three storey period built property beneath a pitched tiled roof with a rear ground and 1st floor extension and a further ground floor extension all beneath flat asphalt covered roofs. The lower front elevations comprise a lock up retail unit with glazed frontage set within an aluminium frame with corporate signage set above. The upper elevations comprise exposed brickwork and double glazed windows set within UVPC frames. The rear provides a small yard with access granted from the two basement flats. Access to the residential accommodation is accessed via a single door entrance on Fernhead Road.

Internally we comment on the subject as follows. The ground floor comprises an off license with a customer and tilling area at the front and ancillary storage to the rear. The flooring is non slip vinyl. The walling is plastered and painted with tenant racking in the main retailing area. The ceiling is suspended with recessed fluorescent strip lighting and spot lighting.

The basement, first and second floors provide residential accommodation comprising four flats. The second floor and two basement flats all provide one bedroom accommodation, whilst the first floor flat provides a two bedroom flat.

Flat 1 Basement – The property comprises one double bedroom, open plan kitchen/reception room, bathroom and a further room French doors providing access to a paved rear yard. This room at the rear was being used as a bedroom on the day of inspection. The accommodation had tiled floors, plastered and painted walls and ceiling, wall mounted radiators and a mixture of suspended and spot lighting.

Flat 2 Basement - The property comprises one double bedroom, open plan kitchen/reception room, bathroom and a rear door providing access to a paved rear yard. The accommodation had tiled floors, plastered and painted walls and ceiling, wall mounted radiators and a mixture of suspended and spot lighting.

First Floor Flat - The property comprises two double bedrooms, kitchen, reception room and bathroom. The accommodation had wood effect flooring, plastered and painted walls and ceiling, wall mounted radiators and a mixture of suspended and spot lighting. One of the bedrooms is accessed down a small staircase within the flat.

Second Floor Flat – The property comprises one double bedroom, separate kitchen, reception room and bathroom. The accommodation had wood effect flooring, plastered and painted walls and ceiling, wall mounted radiators and a mixture of suspended and spot lighting.

At the time of our inspection the property appeared to be served by mains electricity, gas, water and drainage services.

None of these services were tested at the time of inspection, but, for the purpose of the valuation reported herein, we have assumed all services to be fully operational.

Additional photographs of the subject premises are included at Appendix iii.

4. Accommodation

In accordance with the current RICS Code of Measuring Practice, we have undertaken a full measured survey. The ground floor was measured on a net internal area basis whilst the flats have been measured on a gross internal basis and found to provide accommodation as follows.

<u>Accommodation</u>	<u>Floor Area</u>	
Ground Floor Retail (NIA)	58.56 sq m	618 sq ft
Total	<u>58.56 sq m</u>	<u>618 sq ft</u>
Basement, Flat 1 (GIA)	49.25 sq m	530 sq ft
Basement, Flat 2 (GIA)	34.93 sq m	376 sq ft
1 st Floor Flat (GIA)	45.72 sq m	492 sq ft
2 nd Floor Flat (GIA)	43.98 sq m	473 sq ft
Total	<u>173.88 sq m</u>	<u>1,872 sq ft</u>

We have scaled the Ordnance Survey map of the subject premises and calculate the total site area to be 0.016 hectares (0.039 acres).

5. Condition

As per your instruction and our Terms of Engagement the inspection we have carried out was for valuation purposes only and did not include a full building survey. However, from our observation, with regard to the general condition of the subject premises, we would comment as follows.

The subject premises were generally in a good condition. We did not notice any major structural defects or wants of repair and would expect the property to let and/or sell readily in its current condition.

Upon inspection we did not notice any obvious sign of deleterious and/or hazardous materials. Accordingly, for the purpose of the valuation reported herein we have assumed that the subject premises are free from such materials.

With regard to physical obsolescence, if a regular maintenance programme is adhered to we would expect the subject premises to have a useful life in excess of twenty five years.

6. Environmental Issues

As per your instruction and our Terms of Engagement, the inspection we have carried out was for valuation purposes only and did not include an environmental survey. However, we have commissioned and reviewed a Enviroscreen desktop environmental survey, which can be relied upon for lending purposes.

The findings of Enviroscreen survey are attached at Appendix iv. It concludes as follows.

“Unlikely to have an adverse effect on the value of the property.”

We can accept no liability with regard to the accuracy of the Enviroscreen survey. However, for the purpose of the valuation reported herein, we have assumed that the subject premises do not suffer from any environmental issues which might adversely affect their value.

We have had reference to the Environment Agency’s flood map. The flood map identifies sites that may be at risk from sea or river flooding. The assessment of flood risk for the site of the subject premises is as follows. The subject site is not identified as being positioned within a floodplain and is therefore not at any notable risk

from sea or river flooding.

We draw to your attention that The Energy Act 2011 includes provisions that will outlaw the letting of residential and commercial properties with 'F' and 'G' EPC ratings by no later than 1 April 2018. It is, therefore, likely that capital expenditure will be required on currently inefficient premises to maintain their lettable under the Act.

We have had sight of the following EPC Certificates:

Flat	EPC rating	Potential EPC rating
1	C	C
4	E	D

There are also 2 further entries for 79 Fernhead Road but they both refer to ground floor flats of which there are none at the property.

7. Planning

We have had reference to the planning policies of Westminster City Council. The relevant policies affecting the subject premises are as follows.

The Westminster Development Plan governs planning policy in Westminster. There are several key policies and documents that planning applications are determined by. These include:

The Westminster's City Plan: Strategic Policies which was adopted by Full Council on 13 November 2013. This has full weight as part of the development plan and forms the first stage of Westminster's City Plan: City Management revision.

The Unitary Development Plan in which parts of this plan were 'saved' and weren't replaced by the Strategic Policies. These 'saved policies' should not be considered out-of-date and due weight should continue to be given to relevant policies, according in particular to their degree of consistency with the NPPF (the closer the policies in the UDP to those in the NPPF, the greater the weight that should be given).

Finally, the London Plan in which The Mayor of London has revised the London Plan to ensure consistency with the NPPF and other changes since 2011.

We have made online enquiries of Westminster City Council and can confirm that the subject premises have planning permission for their current A1 and C3 uses. We advise that this is verified by your solicitors.

We have had reference to the planning website of Westminster City Council and note the planning history of the subject premises to be as follows.

<u>Application Ref.</u>	<u>Description</u>	<u>Decision</u>	<u>Decision Date</u>
05/05570/FULL	Erection of rear ground floor extension above existing basement level extension to provide additional storage area for ground floor shop unit.	Refused	16 Aug 2005
02/01781/FULL	Erection of a rear extension at second floor level.	Granted	25 April 2002
99/11417/FULL	Erection of single-storey extension to basement flat	Granted	03 Nov 2002
99/04815/FULL	ERECTION OF 2 STOREY REAR EXTENSION TO BASEMENT FLAT AND GROUND FLOOR	Granted	17 Aug 1999

RETAIL SHOP.			
96/09875/ADFULL	APPROVAL OF DETAILS PURSUANT TO PLANNING CONSENT C.3:REVISED DETAIL FOR PROPOSED RAILING	Granted	14 Nov 1996
96/08684/ADFULL	APPROVAL OF DETAILS PURSUANT TO PLANNING CONSENT DATED 13/9/96 COND.3:DRAWINGS OF PROPOSED RAILINGS	Refused	14 Oct 1996
96/06190/FULL	2 STOREY REAR EXTENSION TO BASEMENT FLAT & 1ST FLOOR SHOP WITH NEW ACCESS TO BASEMENT FLAT TO FRONT OF THE SHOP.	Granted	01 Aug 1996
95/06035/FULL	FLAT CONVERSION TO EXISTING BASMENT, 1ST & 2ND FLOORS	Granted	07 Aug 1995

The subject premises are not listed as a building of special architectural or historic interest nor are they situated within a conservation area.

We are not aware of any planning or highway proposals for the surrounding area which might adversely affect the property, but we recommend that your solicitors clarify this matter.

8. Business Rates/Council Tax

Business Rates

We have had reference to the Valuation Office Agency's 2010 rating list and note the rateable value of the subject premises to be as follows.

<u>Hereditament</u>	<u>Rateable Value</u>
79 Fernhead Road, London, W9 3EA	£8,000

The Uniform Business Rate for England for the year 2014/15 is fixed at 48.2 pence in the pound for larger business, for those businesses that qualify for Small Business Rates Relief the lower Uniform Business Rate of 47.1 pence in the pound will apply. However, the rates liability may also be affected by a number of reliefs and supplements. It is, thus, not simply a product of the rateable value and the UBR multiplier.

If all or part of the subject premises should become vacant then your borrower will be liable for the payment of business rates on the vacant commercial accommodation. The current allowance is for three months of empty rate relief with full rates payable thereafter.

Council Tax

We have had reference to the 2014/15 council tax list and note the council tax liability associated with the subject premises to be as follows.

<u>Property</u>	<u>Council Tax Band</u>	<u>Council Tax Liability 2014/15</u>	<u>Property</u>
79A Fernhead Road, London, W9 3EA	D	£676.74	[insert p Add row
Flat B at 2 nd Floor 79 Fernhead Road, London, W9 3EA	D	£676.74	

Flat 1 Bst 79 Fernhead Road, London, W9 3EA	D	£676.74
Flat 2 Bst 79 Fernhead Road, London, W9 3EA	C	£601.55

Your borrower would be liable for the council tax liability were the property to become vacant.

9. Tenure

The property is held freehold with our understanding of the extent of the freehold demise outlined on the Ordnance Survey map included at Appendix ii.

We have not been provided with a report on title and have, therefore, made various tenure assumptions for the purpose of the valuation reported herein. We have assumed that the freehold interest is free from any encumbrances, unduly onerous or unusual easements, rights of way, rights of light, restrictions, outgoing or conditions which would have an adverse effect upon the value of the property.

If we are subsequently provided with a report on title we would be pleased to comment upon what impact its content would have upon the valuation reported herein. We would remind you that if information should come to light which contradicts the assumptions made herein this could have a material effect upon our valuation. We, therefore, reserve the right to amend our valuation accordingly should this prove necessary.

We advise that all information relating to the tenure of the subject premises is verified by your solicitors.

10. Tenancy

The retail unit is let to a local tenant on a 15 year lease expiring on 30 September 2028 at a rent of £15,000 pa.

The flats are let as follows:

Flat	Tenant	Term	Rent (£ pa gross)
1	Noraina Andrada and Reins Orena	12 months expiring 8 June 2015	£18,720
2	Leine Hurtado Zafaralla	6 months expiring 17 May 2015	£14,560
3	Mr Amiruddin Taplak Tapodoc	6 months expiring 25 May 2015	£19,500
4	Rosalin Tapodac	Being renewed	£19,500
Total			£72,280

The total gross rental income receivable therefore from the property is £87,280 pa.

11. Market Commentary

The property is situated within a relatively affluent west/north west London suburb close to the A40 Westway (Kensal Town) providing access to central London and the M25. Further the area is very popular with commuters due to the proximity of a number of underground stations providing services to central London within 20 minutes (Kensal Green, Maida Vale and Queens Park).

The area comprises mainly period Edwardian or late Victorian buildings, some of which have been converted into flats.

We can use Land Registry house price data to look in greater detail at the performance of the City of Westminster residential market over the last few years. According to the Index, the average flat price within the City of Westminster peaked in February 2008 at £575,495. The impact of the global financial crisis and the lack of liquidity in the debt markets led to a re-pricing, which resulted in the average price falling to a low of £496,488 in April 2009 – a fall of 13.7% from peak to trough. This fall was much less severe than that seen across the UK as a whole. Since then, the Land Registry house price index has shown the City of Westminster

bucking the national trend with a strong recovery in average flat prices. The previous market high was surpassed in March 2010 and prices have continued to rise steadily until September 2014 where the average flat price currently stands at £915,843. This represented an 84.5% increase since the low of April 2009.

12. Market Rent

As at the valuation date the passing rent of the subject premises is £87,280 pa.

Retail

In arriving at our opinion of Market Rent we have had reference to the comparable evidence summarised below.

Ref	Property	Lease Event	Date	Rent	Incentives
1.	291 Kilburn Lane, London, W9 3EG	Letting	January 2014	£17,000 pa (£19.14 psf)	None
2.	75 Abbey Road, London, NW8 0AE	Letting	January 2014	£17,500 pa (£22.44 psf)	None
3.	77 Abbey Road, London, NW8 0AE	Letting	August 2013	£31,000 pa (£20.34 psf)	Stepped rent. Three months rent free period. Break option in the fifth.
4.	79 Chamberlayne Road, London, NW10 3ND	Letting	March 2013	£17,500 pa (£27.30 psf)	Three months rent free period.

Further comment on each piece of evidence is provided below.

Ref.1: An undisclosed tenant has taken 479 sq ft (44.50 sq m) of ground floor retail space together with 37.99 sq m (409 sq ft) of ground floor ancillary space on a new fifteen-year FRI lease subject to five-yearly upward only rent reviews and with no break options. No rent-free periods were agreed. The property is situated on the quieter part of Kilburn Lane on a small retail parade, representing a similar pitch to the subject premises.

Ref.2: An undisclosed tenant has taken 22.76 sq m (245 sq ft) of ground floor retail space together with 49.70 sq m (535 sq ft) of basement ancillary space on a five-year lease. The property is situated on Abbey Road, a small retail parade which generates slightly more footfall than the subject premises. Additionally, the property had a large proportion of ancillary space in which no weighting has been applied in the rent psf calculation.

Ref.3: North West Ventures Ltd t/a Sharkey's Cuts For Kids has taken 141.58 sq m (1,524 sq ft) of basement and ground floor retail space (644 sq ft of ground floor main sales with 880 sq ft of basement ancillary space) on a 10 year lease at a stepped rent of £31,000 pa in year one, £32,000 pa in year two, £33,000 pa in year three, £34,000 pa in year four and finally £35,000 pa in year five. The lease is then subject to a rent review and a tenant only option to break at the expiry of the fifth year. A three months rent-free period was agreed. The property is situated on Abbey Road, a small retail parade which generates slightly more footfall than the subject premises. Additionally, the property had a large proportion of ancillary space in which no weighting has been applied in the rent psf calculation.

Ref.4: Peaceful Solutions has taken 59.55 sq m (641 sq ft) of ground floor retail space on a 10 year lease. A three month rent free period was agreed. The property is situated on Chamberlayne Road, which is situated near the subject premises, but is a busier road and would be considered a superior pitch.

After discussions with local agents and having examined the evidence, we are of the opinion that the retail element of the subject premises would command a rent of **£15,000 pa (circa £24 psf)** and is therefore rack rented.

Having had reference to the above evidence, we are of the opinion that, as at 27 November 2014, the subject premises could command a Market Rent of:

£15,000 per annum (net)

This Market Rent would be achievable on the assumption of a 10 to 15 year lease on FRI terms with 5 yearly upward only rent reviews and a tenant only break option at the end of year 5. We would expect a 3 to 6 month rent free period to accompany any new letting.

Residential

In arriving at our opinion of Market Rent we have had reference to the comparable evidence summarised below.

Ref	Property	Lease Event	Date	Rent	Comments
1.	6 Ashburton House, 44 Fernhead Road, London, W9 3ER	Letting	October 2014	£1400 pcm (£320 pw)	1 bed flat
2.	Flat B, 119 Fernhead Road, London, W9 3EB	Letting	August 2014	£1450 pcm (£335 pw)	1 bed flat
3.	14 Regal Court, Malvern Road, NW6 5PZ	Letting	July/August 2014	£1365 pcm (£315 pw)	1 bed flat
4.	Regal Court, Malvern Road, NW6 5PZ	Letting	July/August 2014	£1560 pcm (£360 pw)	2 bed flat

Further comment on each piece of evidence is provided below.

Ref.1: A one bedroom flat on the lower ground floor in a purpose built residential block south of the subject premises. The property is presented in reasonably good condition and benefits from a patio garden.

Ref.2: A one bedroom flat set on the first floor in a Victorian conversion property north of the subject premises on Fernhead Road. The property is of a good size (528 sq ft) and is presented in a good condition.

Ref.3: A one bedroom flat in a purpose built block just north of Fernhead Road, within close proximity of Queen's Park Station. The property has been refurbished to a high standard.

Ref.4: A two bedroom flat in the same development as the above. It has also been recently refurbished to a high standard and further benefits from a private balcony.

The evidence shows support for rents on Fernhead Road ranging from £315 to £360. We are aware that the AST in relation to the top floor two bedroom flat has just been renewed at £19,500 (£375 pw) and would advise that this is rack rented.

Given the size, location and specification of the subject premises, we are of the opinion that the flats can achieve the following rents.

Accommodation	Gross Market Rent (pw)	Gross Market Rent (£ pa)
Basement, Flat 1	£325	£16,890
Basement, Flat 2	£280	£14,560
1 st Floor Flat	£375	£19,500

2 nd Floor Flat	£375	£19,500
Total		£70,450

Having had reference to the above evidence, we are of the opinion that, as at 27 November 2014, the subject premises could command a Market Rent of:

£70,450 pa (gross)

This Market Rent would be achievable on the assumption of 6 or 12 month ASTs.

The total Market Rent receivable therefore is **£85,450 pa**.

13. Lettability

Given the nature of the subject premises we would expect both the retail unit and flats to let readily should they become vacant in the near future.

With reference to current market conditions, if the retail unit were vacant as at the valuation date we would expect a marketing period of 3 to 6 months and a rent free period of 3 months to be required to achieve a letting at the Market Rent reported above.

If the flats were vacant we would anticipate a marketing period of 4 to 8 weeks to be required to achieve a letting at the Market Rent reported above.

14. Market Value

We have had regard to the sales of retail and residential properties below as we have assumed that the property would be sold as a whole to an investor:

<u>Ref</u>	<u>Property</u>	<u>Sale Date</u>	<u>Sale Price</u>	<u>Net Initial Yield</u>	<u>Comments</u>
1.	362 Camden Road, N7	October 2014	£1,170,000	5.94%	6 flats in period conversion
2.	238A Battersea Park Road & 1A Albert Road, Battersea, SW11	October 2014	£1,500,000	4.38%	Retail with 3 flats above
3.	484 Caledonian Road, Holloway, London, N7	October 2014	£850,000	5.64%	Retail with 3 flats above
4.	4 Vivian Avenue & 18a & 18b Parade Mansions, Hendon, NW4	October 2014	£646,000	5.57%	Retail with 2 flats above
5.	56-62 Lordship Lane, East Dulwich, SE22	October 2014	£5,080,000	5.20%	Retail with 10 flats above

Further comment on each piece of evidence is provided below.

Ref.1: Period property converted to 4 x 1 bed and 1 x 2 bed roomed flats with a lower ground floor flat having been sold off on a 99 year lease expiring on 24 December 2081 at a ground rent of £75 pa. Out of the remaining 5 flats 4 are a let on ASTs with 1 let at a Registered Rent. The total income is £69,462.12 pa. This flat is situated in a more affluent residential location but an investor does not have the benefit of owning the entire property for a further 67 years.

Ref.2: Modern development in an affluent south west London suburb. Ground floor let to Savills (L&P) Limited on a 10 year FRI lease expiring on 21 February 2020 at a rent of £15,000 pa subject to a rent review on 22 February 2015. The 3 flats above comprise 2 x 1 bed and 1 x 2 bed and are let on ASTs at a total gross rent of £54,520 pa. Situated in a similar affluent London suburb but the retail unit is let to a national tenant but with a shorter unexpired term.

Ref.3: Ground retail unit let to a local tenant who are holding over at a rent of £9,600 pa. 3 flats above comprising 1 x 2 bed and 2 x 1 bed let on ASTs at a total rent of £41,160 pa. Not as affluent a location and more commercial uses in the area, retail unit is let to a similar unit but holding over.

Ref.4: Ground retail unit is let to Coral Estates Ltd on a 10 year FRI lease expiring on 21 June 2015 at a rent of £16,500 pa. The flats above comprise a 1 and a 2 bed let on ASTs at a total rent of £21,600 pa. Retail unit is let to a stronger covenant but with a much shorter unexpired term. Situated in not as affluent a location.

Ref.5: Ground retail unit let to Somerfield Property Co Ltd on a 35 year FRI lease (by way of service charge) expiring on 28 September 2027 at a rent of £155,000 pa subject to 7 yearly rent reviews. The flats above comprise 5 x 1 bed, 4 x 2 bed and 1 x 3 bed all let to Andrew Lloyds Housing Ltd (holding over) at a total rent of £95,100 pa. There is also a roof aerial let on a 10 year lease expiring on 24 March 2018 at a rent of £14,644.90 and a telecom cabinet let on a 15 year lease expiring on 16 October 2017 at a rent of £15,002.59 pa subject to 3 yearly rent reviews. Ground floor is let to a stronger covenant with a similar unexpired term but the flats are let to the same Housing association, if they were to vacate then all 10 flats would become vacant at once. Not as affluent a location.

Having had regard to the above we have had regard to the location of the subject property in an affluent north west London suburb, local nature of the retail tenant but also that there is an unexpired term of some 13.83 years. Further all of the flats are let on ASTs.

Further in arriving at our opinion of Market Value assuming Vacant Possession we have had regard to the following.

Ref	Property	Sale Date	Sale Price	Comments
1.	105 Fernhead Road, London, W9 3EB	Under offer	£387,500	1 bedroom flat
2.	190b Fernhead Road, London, W9 3EL	September 2014	£540,000	1 bedroom flat
3.	249 Portnall Road, London, W9 3BL	November 2014	£380,000	1 bedroom flat
4.	Flat A, 272 Elgin Avenue, London, W9 1JR	September 2014	£950,000	2 bedroom flat
5.	163 Fernhead Road, London, W9 3ED	Under offer	£450,000	2 bedroom flat

Ref.1: One bedroom flat (431 sq ft) on the second floor of a Victorian conversion, located north of the subject premises. The property is presented in average condition and benefits from a share of freehold. The agent advised that the agreement was made several months ago, at the peak of the market. If the property was to go on the market today, the achievable price would perhaps reduce by £10,000 to £12,000.

Ref.2: One bedroom split level flat arranged on the first floor of a period building, towards the top end of Fernhead Road. The property is of a good size (600 sq ft), presented in good condition, with a separate dining room/ study area which has potential to be turned into a second bedroom. The deal was again agreed at the peak of the market.

Ref.3: One bedroom flat (420 sq ft) arranged on the top floor of a period conversion on a residential road that runs parallel to the west of Fernhead road. The property is presented in good condition and benefits from a private, however unofficial roof terrace. It is located within short walking distance to Queen's Park Station.

Ref.4: Two bedroom flat (1,114 sq ft) set on the lower ground floor of a period conversion. It requires complete refurbishment and also suffers from damp and subsidence problems. However, the property is located in the central of Maida Vale and also benefits from a garden to the rear. It has been on the market for over 1 year, with an initial asking price of over £1 million, this was later lowered to £989,950.

Ref.5: A two bedroom flat (617 sq ft) on the first floor of a period house north of the subject premises. The property is in poor condition and is in need of a complete refurbishment. Furthermore, the lease extension for this flat has just been completed at a cost of £48,000. The agent advised that if the property is to be refurbished to a high standard, a sale price of over £550,000 could be achieved.

The above evidence indicates that sale prices range from £729 psf to £905 psf. Having considered the location and the specification of the premises, we are of the opinion that the market value of the residential properties are as follows.

<u>Accommodation</u>	<u>Market Value (£)</u>
Basement, Flat 1	£275,000
Basement, Flat 2	£250,000
1 st Floor Flat	£350,000
2 nd Floor Flat	£325,000
Total	£1,200,000

Market Value

In assessing the Market Value of the subject premises we have followed the investment method of valuation. We have had regard to the above comparables and adjusted for the location of the property in adopting a net initial yield of 6.50% on the retail unit and 5% on the residential.

We are of the opinion that the Market Value of the freehold interest in the subject premises, subject to the existing tenancies, as at 27 November 2014, is in the sum of:

£1,585,000
(One Million Five Hundred and Eighty Five Thousand Pounds)

Market Value subject to the Special Assumption of vacant possession

In assessing the Market Value of the subject premises, subject to the Special Assumption of vacant possession, we have followed the investment and comparative method of valuation. For the retail unit we have adopted a marketing period of 6 months, rent free of 3 months and moved our yield out to 7.50%. We have then added on the value of the flats as shown above.

We are of the opinion that the Market Value of the freehold interest in the subject premises, subject to the Special Assumption of vacant possession, as at 27 November 2014, is in the sum of:

£1,385,000
(One Million Three Hundred and Eighty Five Thousand Pounds)

15. Saleability

The Market Value stated above, makes the assumption that, prior to the valuation date, the property is exposed to the market in the most appropriate manner and over a sufficient length of time so as to effect its disposal at the best price reasonably obtainable.

We are of the opinion that a sale of the subject premises would take in the order of six months from commencement of marketing to exchange of contracts.

We would expect potential purchasers to include private investors.

16. Security

We have not been provided with the terms of the loan being offered to your borrower. However, assuming that the loan to value ratio, interest cover ratio and loan term length are within market-typical parameters, we are of the opinion that the subject premises provide acceptable security for lending purposes. We would summarise the strengths, weaknesses, opportunities and threats associated with the property as follows:

Strengths

- The property is fully let offering a good return on income
- Well situated with short commutes to both the City and West End

Opportunities

- We are of the opinion that the property is currently being put to its best use.

Weaknesses

- The property is a quiet residential road which is not ideal for retail trade
- The retail element is let to a local covenant

Threats

- As the majority of the property comprises residential accommodation any fluctuations to this market will have a significant impact on value
- There are concerns that the new Help to Buy – Mortgage Guarantee and Equity Loan schemes could potentially create a housing bubble although house price rises in London are slowing down.

In conclusion we consider the subject property to offer We would be happy to discuss any of the issues or recommendations raised in this report. Please do not hesitate to contact us if we can be of further assistance in this respect.

17. Reinstatement Cost Estimate

We have not undertaken a detailed reinstatement cost appraisal. The estimate does not, therefore, constitute a formal building reinstatement cost assessment. It is intended for guidance purposes only.

The estimate is as a guide for a modern replica of the subject building. It is inclusive of demolition costs, site clearance and professional fees, but makes no allowance for VAT.

Our informal estimate of the current reinstatement cost, on a day-one basis, is in the order of:

£450,000
(Four Hundred and Fifty Thousand Pounds)

We will have no liability to you or any other party in respect of the informal reinstatement cost assessment.



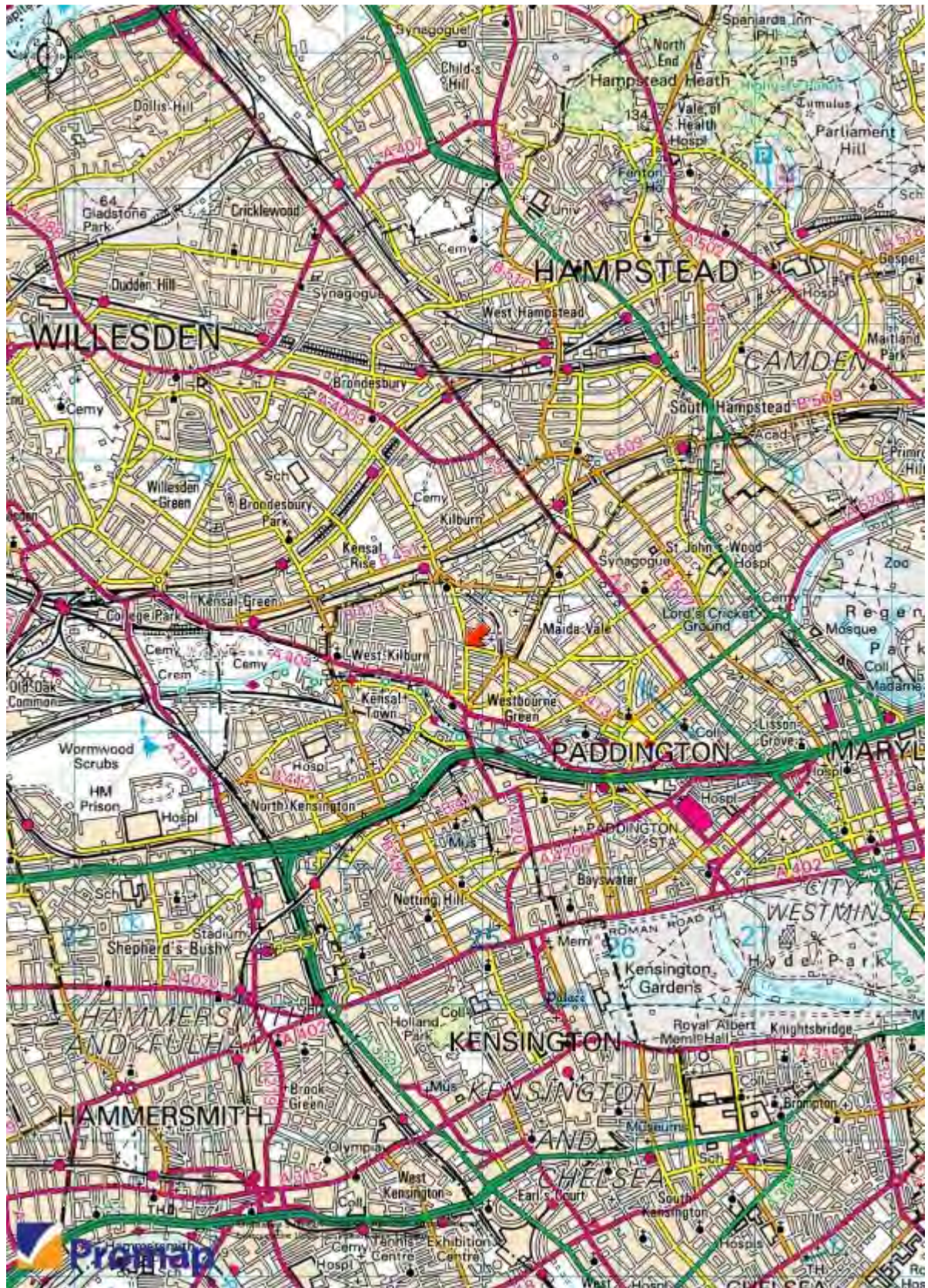
Gerald Eve LLP is a national firm of chartered surveyors and property consultants with a network of nine offices and more than 300 employees.

In addition to valuation our range of services includes occupational and investment agency, planning and development, every aspect of building consultancy, rent review and lease renewal instructions, compulsory purchase and compensation, business rates, property taxation and project services.

If we can assist you further with regard to the subject of this valuation or any other property related issue please do not hesitate to contact either of the signatories to this report.



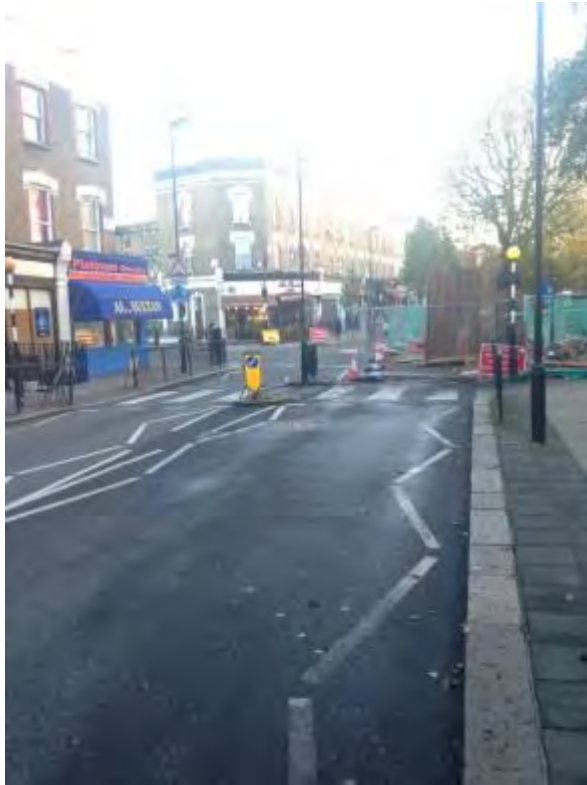
Appendix i – Location Map



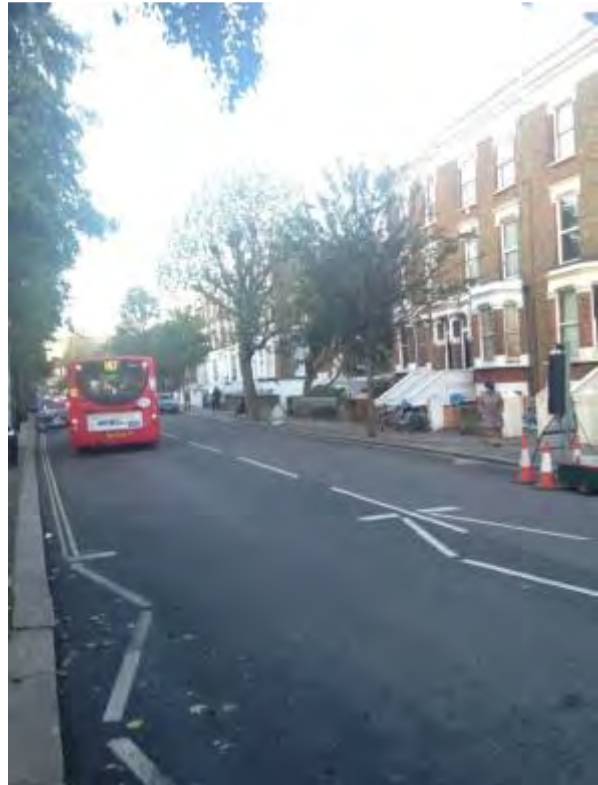
Appendix ii – Ordnance Survey Map



Appendix iii – Photographs



Fernhead Road



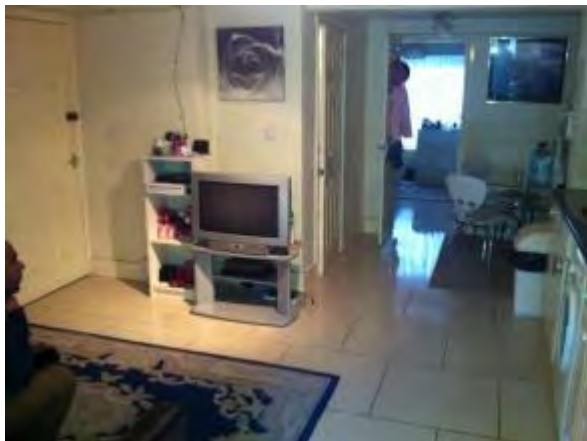
Fernhead Road



Rear of retail unit



Rear of retail unit



Basement flat



Basement flat



Yard at rear



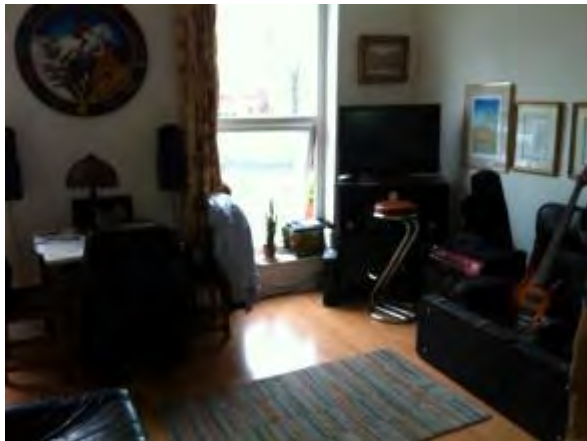
Basement flat



1st floor flat



1st floor flat



1st floor flat



2nd floor flat



2nd floor flat



2nd floor flat



2nd floor flat

VALUATION FOR LOAN SECURITY PURPOSES

Valuation Date: 27 November 2014

Flat 9, Blondin House, 1112 Harrow Road, London, NW10 5NA



*Assuming that the loan-to-value ratio, interest cover ratio and loan term length are within market-typical parameters, we are of the opinion that **the subject premises provide acceptable security for lending purposes.***

Description	The property comprises a 2 bed ground floor flat forming part of a larger storey block of flats. For the avoidance of doubt the other flats in the block do not form part of this valuation. The building is of traditional brick construction beneath a pitched tiled roof having been constructed in the late 1980's. There is car parking to the rear. The flat has a total gross internal floor area of some 44.82 sq m (482 sq ft).
Tenure	Long Leasehold for a term of 125 years expiring on 16 September 2135 at a ground rent of £250 pa subject to 20 year reviews to either the passing rent or if higher 1:500 th of the open market value of the property at the relevant review date.
Tenancy	The flat is currently vacant although we understand that a new tenant has been found.
Passing Rent	£19,500 pa (gross) equating to £375 per week
Market Rent	£16,900 pa (gross) equating to £325 per week
Market Value	£310,000 (Three Hundred and Ten Thousand Pounds)
Market Value under the Special Assumption of vacant possession	£310,000 (Three Hundred and Ten Thousand Pounds)
Reinstatement Cost Estimate	£70,000 (Seventy Thousand Pounds)



For the avoidance of doubt this figure only relates to Flat 9.

This executive summary should be read in conjunction with the full valuation report enclosed. More detailed comment on the subject premises' suitability as loan security is provided at Section 16 of the report.

1. Location



Location map (1:50000)

The subject premises are located in Willesden in north west London. Oxford Circus is some 5 miles to the south east, Shepherds Bush and the Westfield shopping centre are 2.5 miles to the south, Ealing is 6 miles to the west and Wembley is some 3.8 miles to the north west.

Willesden is predominantly a popular commuter suburb in north west London with parades of local retailers situated throughout the area.

Public transport connections are excellent with Willesden junction underground station (Bakerloo line) and Overground station close to the property. Further there are underground stations at Kensal Green (Bakerloo line) and Willesden Green (Jubilee line).

Road links are good with the A406 (North Circular Road) some 1.2 miles to the west, Junction 1 of the M1 some 2.4 miles to the north, the A40 some 3.6 miles to the south west and the J1 of the M4 some 7.4 miles to the south west.

A larger copy of the map showing the location of Willesden is included at Appendix i.

2. Situation



Ordnance Survey map (1:1250)

The subject premises are situated in a mixed commercial and residential location with the underground and overground line running some 50 metres to the rear of the property.

The neighbouring properties include a parade of local retailers opposite, similar residential blocks adjacent and a petrol filling station some 150 metres to the west.

The subject premises are situated on the north side of Harrow Road.

A larger copy of the Ordnance Survey map showing the situation of the subject premises is included at Appendix ii.

3. Description



Sitting room

The subject premises comprise a 2 bed ground floor flat situated in a 4 storey detached block of flats. For the avoidance of doubt the remaining flats do not form part of this valuation. The building is of traditional brick construction beneath a pitched tiled roof having been constructed in the late 1980's. Windows are single glazed wooden framed with secondary glazing. There is a single front door to access the block and then another front door for the flat. The property runs from the front to the back of the building.

Internally the flat has recently been refurbished to provide wooden laminate floor coverings, painted plastered walls and suspended light fittings. A new kitchen and bathroom have also been fitted.

At the time of our inspection the property appeared to be served by mains electricity, gas, water and drainage services.

None of these services were tested at the time of inspection, but, for the purpose of the valuation reported herein, we have assumed all services to be fully operational.

Additional photographs of the subject premises are included at Appendix iii.

4. Accommodation

In accordance with the current RICS Code of Measuring Practice, we have undertaken a full measured survey. The property was measured on a gross internal area basis and found to provide accommodation as follows.

<u>Accommodation</u>	<u>Floor Area</u>	
Ground	44.82 sq m	482 sq ft
Total	44.82 sq m	482 sq ft

5. Condition

As per your instruction and our Terms of Engagement the inspection we have carried out was for valuation purposes only and did not include a full building survey. However, from our observation, with regard to the general condition of the subject premises, we would comment as follows.

The subject premises were generally in a very good condition having just been refurbished. We did not notice any major structural defects or wants of repair and would expect the property to let and/or sell readily in its current condition.

Upon inspection we did not notice any obvious sign of deleterious and/or hazardous materials. Accordingly, for the purpose of the valuation reported herein we have assumed that the subject premises are free from such materials.

With regard to physical obsolescence, if a regular maintenance programme is adhered to we would expect the subject premises to have a useful life in excess of twenty five years.

6. Environmental Issues

As per your instruction and our Terms of Engagement, the inspection we have carried out was for valuation purposes only and did not include an environmental survey. However, we have commissioned and reviewed an Enviroscreen desktop environmental survey.

The findings of Enviroscreen survey are attached at Appendix iv. It concludes as follows.

A review of selected 1:2,500 and 1:1,250 scale Ordnance Survey mapping covering a period from 1943 to 1996 has identified that the site is on or within 25 metres of electrical sub station facilities.

Larger scale mapping has also been considered in order to formulate this certificate. The 1955 to 1957 editions 1:2,500 map indicates that a scrap metal yard was located on site.

“We have considered the Historical tanks and energy facilities and Features on 1:1250 and 1:2500 mapping in terms of the obligations of the lender. It is recommended that this property requires Further Action for commercial lending and a detailed Phase 1 risk assessment for planning purposes is carried out if it has not already been undertaken.”

However we would comment that as the site was redeveloped in the late 1980's any contamination should have been dealt with at that time. We have not however had sight of any environmental reports from that time.

We can accept no liability with regard to the accuracy of the Enviroscreen survey. However, for the purpose of the valuation reported herein, we have assumed that the subject premises do not suffer from any environmental issues which might adversely affect their value.

We have had reference to the Environment Agency's flood map. The flood map identifies sites that may be at risk from sea or river flooding. The assessment of flood risk for the site of the subject premises is as follows.

Very Low – “The chance of flooding each year is less than 0.1% (1 in 1000)”

We draw to your attention that The Energy Act 2011 includes provisions that will outlaw the letting of residential and commercial properties with 'F' and 'G' EPC ratings by no later than 1 April 2018. It is, therefore, likely that capital expenditure will be required on currently inefficient premises to maintain their lettable under the Act.

We have had sight of an EPC Certificate dated 25 September 2014 for the property which shows it has a rating of 'D' and a potential rating of 'C'.

7. Planning

We have had reference to the planning policies of the London Borough of Brent whose planning policies are contained within the Core Strategy adopted on 12 July 2010. Within the proposals map the property is situated in an area not allocated for any particular use.

We have made enquiries of Brent Council and can confirm that the subject premises have planning permission for their current C3 (residential) use. We advise that this is verified by your solicitors.

We have had reference to the planning website of Brent Council and note the planning history of the subject premises to be as follows.

<u>Application Ref.</u>	<u>Description</u>	<u>Decision</u>	<u>Decision Date</u>
87/1287	Redevelopment to provide 88 residential units in 4 storey blocks with associated car parking and access to Harrow Road (as revised by plans received on 18/9/87)	Granted	24 February 1988
14/0495	Replacement of existing timber windows and doors with new UPVC windows and doors to residential flats	Granted	20 May 2014

The subject premises are not listed as a building of special architectural or historic interest nor are they situated within a conservation area.

We are not aware of any planning or highway proposals for the surrounding area which might adversely affect the property, but we recommend that your solicitors clarify this matter.

8. Council Tax

We have had reference to the 2014/15 council tax list and note the council tax liability associated with the subject premises to be as follows.

<u>Property</u>	<u>Council Tax Band</u>	<u>Council Tax Liability 2014/15</u>
9 Blondin House, Harrow Road, London, NW10 5NA	B	£1,056.18

Your borrower would be liable for the council tax liability were the property to become vacant.

9. Tenure

The property is held Long Leasehold for a term of 125 years expiring on 16 September 2135 at a ground rent of £250 pa subject to 20 year reviews to either the passing rent or if higher 1:500th of the open market value of the property at the relevant review date.

We have not been provided with a report on title and have, therefore, made various tenure assumptions for the purpose of the valuation reported herein. We have assumed that the long leasehold interest is free from any encumbrances, unduly onerous or unusual easements, rights of way, rights of light, restrictions, outgoing or conditions which would have an adverse effect upon the value of the property.

If we are subsequently provided with a report on title we would be pleased to comment upon what impact its content would have upon the valuation reported herein. We would remind you that if information should come to light which contradicts the assumptions made herein this could have a material effect upon our valuation. We, therefore, reserve the right to amend our valuation accordingly should this prove necessary.

We advise that all information relating to the tenure of the subject premises is verified by your solicitors.

10. Tenancy

The subject premises are vacant and we understand that there are currently no tenancies in place.

11. Market Commentary

The Local Market

The property is situated within a relatively affluent north west London suburb close to the A406 (North Circular Road) providing access to the M1, A40 and M4. Further the area is very popular with commuters due to the relative proximity of a number of underground stations providing services to central London within 20 minutes (Willesden Junction) as well as the Overground providing access to other north London areas.

The area comprises mainly 1920's or 1930's houses some of which have been converted to flats or studios.

If we consider the local market according to Foxtons research (updated daily from Foxtons available stock) the average flat value in the area is £451,485 .

In terms of the rental market according to Foxtons the average flat rent is £278 per week.

We can further use Land Registry house price data to look in greater detail at the performance of the Brent residential market over the last few years.

According to the Land Registry house price index for England and Wales, the average flat price within the London Borough of Brent peaked in March 2008 at £259,155. The impact of the global financial crisis and the lack of liquidity in the debt markets led to a re-pricing, which resulted in the average price falling to a low of £215,025 in September 2009 – a fall of 17.03% from peak to trough. This fall was much less severe than that seen across the UK as a whole. Since then, the Land Registry house price index has shown the London Borough of Brent bucking the national trend with a strong recovery in average flat prices. The previous market high was surpassed in March 2011 and the latest data shows that the average flat price as at September 2014 stands at £331,242 – a rise of 54.05% from the low of September 2009.

12. Market Rent

In arriving at our opinion of Market Rent we have had reference to the comparable evidence summarised below.

<u>Ref</u>	<u>Property</u>	<u>Lease Event</u>	<u>Date</u>	<u>Rent</u>	<u>Comments</u>
1.	35 Holberton Gardens, London, NW10 6AY	Letting	August 2014	£1400 pcm (£320 pw)	2 bedroom flat
2.	169B Bathurst Gardens, London, NW10 5JJ	Letting	October 2014	£1560 pcm (£360 pw)	2 bedroom flat
3.	3 Scrubs Lane, London, NW10	Letting	October 2014	£1300 pcm (£300 pw)	2 bedroom flat
4.	1017 Harrow Road	Letting	August 2014	£1,515 pcm £350 pw	2 bedroom flat
5.	1080 Harrow Road	Letting	November 2014	£1,400 pcm £325 pw	2 bedroom flat

Further comment on each piece of evidence is provided below.

Ref.1: 2 bedroom split level apartment in a terraced period property. The property has recently been refurbished and is of a similar size (516 sq ft). It is located on a quiet residential road off Harrow Road.

Ref.2: A two double bedroom flat arranged over the first floor of a period conversion property. The property is larger in size (700 sq ft) and has recently been refurbished, however not to a very high standard.

Ref.3: A good sized two bedroom flat in a terraced period conversion property. The property is presented in a poor condition

Ref.4: Situated above commercial on the 1st floor, comprises 69.67 sq m (750 sq ft) so is larger than the subject flat.

Ref.5: Situated above commercial, good sized two bedroomed flat.

The evidence shows support for rents ranging from £300 pw to £360 pw. Given the size, location and specification of the subject premises they can be expected to command a rent towards the middle of this range at **£325 pw**.

Having had reference to the above evidence, we are of the opinion that, as at 27 November 2014, the subject premises could command a Market Rent of:

£16,900 per annum (gross).

This Market Rent would be achievable on the assumption of a 6 or 12 month AST.

13. Lettability

Given the nature of the subject premises we would expect them to let readily should they become vacant in the near future.

With reference to current market conditions, if the property is vacant as at the valuation date we would expect a marketing period of 4 to 8 weeks to be required to achieve a letting at the Market Rent reported above.

14. Market Value

In arriving at our opinion of Market Value we have had reference to the comparable evidence summarised below.

<u>Ref</u>	<u>Property</u>	<u>Sale Date</u>	<u>Sale Price</u>	<u>Sale Price psf</u>	<u>Comments</u>
1.	126 Bathurst Gardens, Kensal Green, London, NW10 5HX	August 2014	£610,000	£898 psf	2 bedroom flat
2.	142 Bathurst Gardens, London, NW10 5HX	July 2014	£590,000	£878psf	2 bedroom flat
3.	66A Palermo Road, Willesden Junction, NW10 5YP	October 2014	£565,000	£713 psf	2 bedroom flat
4.	15A Wrotesley Road, Willesden, London, NW10 5UY	Under offer	£530,000	£742 psf	2 bedroom flat
5.	Flat 133 Shaftesbury Gardens, Scrubs Lane	Under offer	£300,000	Not known	2 bedroom flat
6.	Flat 15 Shaftesbury Gardens Scrubs Lane	Under offer	£297,500	Not known	2 bedroom flat

Further comment on each piece of evidence is provided below.

Ref.1: Two bedroom flat arranged over the ground floor of a period conversion property on a popular residential road. The property is larger (679 sq ft) and has been refurbished to a high standard. The property also benefits from a garden to the rear. The location of the property is considered more desirable.

Ref.2: Similar to the above mentioned comparable, a two bedroom flat on the ground floor of a Victorian conversion property. The property is larger (672 sq ft) and is presented in fair condition. It also benefits from a larger garden to the rear. The location is again superior.

Ref.3: Two bedroom flat set on the ground floor of a Victorian property (792 sq ft) on a residential road, which adjoins Bathurst Gardens to the west. The property is presented in reasonably good condition. It also benefits from a garden to the rear as well as a working studio that could be used as an office or playroom to the back of the garden.

Ref.4: A two bedroom flat (714 sq ft) set on the ground floor of a Victorian conversion property. The property is presented in fair condition and benefits from a good size garden to the rear. It is situated in the middle of Willesden Junction and Kensal Green stations.

Ref.5: A two bedroom flat in a 1990's purpose built block held on 99 year leases (so circa 70 years unexpired therefore shorter than the subject property). Similar busy main road.

Ref.5: A two bedroom flat in a 1990's purpose built block held on 99 year leases (so circa 70 years unexpired therefore shorter than the subject property). Similar busy main road.

As can be seen above sale prices for 2 bedroom flats in the area range from £295,000 for flats in modern blocks to over £600,000 for large period conversions. There have been no sales that we are aware of in the subject block or adjacent buildings. We also understand from your applicant that they received a verbal offer of £335,000 for the flat. However bearing in mind the last 2 comparables are in similar aged blocks on a similarly busy road we have adopted a Market Value of £310,000.

Market Value

In assessing the Market Value of the subject premises we have followed the comparative method of valuation. We have had regard to the comparables above and reflected the location of the flat, fact that it has recently been refurbished and the unexpired head lease term of 121 years.

We are of the opinion that the Market Value of the long leasehold interest in the subject premises, subject to vacant possession, as at 27 November 2014, is in the sum of:

£310,000
(Three Hundred and Ten Thousand Pounds)

Market Value subject to the Special Assumption of vacant possession

In assessing the Market Value of the subject premises, subject to the Special Assumption of vacant possession, we have followed the comparative method of valuation. We have made the same allowances as set out above.

We are of the opinion that the Market Value of the long leasehold interest in the subject premises, subject to the Special Assumption of vacant possession, as at 27 November 2014, is in the sum of:

£310,000
(Three Hundred and Ten Thousand Pounds)

15. Saleability

The Market Value stated above, makes the assumption that, prior to the valuation date, the property is exposed to the market in the most appropriate manner and over a sufficient length of time so as to effect its

disposal at the best price reasonably obtainable.

We are of the opinion that a sale of the subject premises would take in the order of six months from commencement of marketing to exchange of contracts.

We would expect potential purchasers to include private investors or owner-occupiers.

16. Security

We have not been provided with the terms of the loan being offered to your borrower. However, assuming that the loan to value ratio, interest cover ratio and loan term length are within market-typical parameters, we are of the opinion that the subject premises provide acceptable security for lending purposes. We would summarise the strengths, weaknesses, opportunities and threats associated with the property as follows:

<p><u>Strengths</u></p> <ul style="list-style-type: none"> • Situated in an affluent north west London suburb • Flat has just been refurbished • Planning permission has been granted to replace the windows and doors • Flat is a few minutes walk from the underground and Overground station at Willesden Junction 	<p><u>Weaknesses</u></p> <ul style="list-style-type: none"> • Currently vacant so non income producing • Situated between a busy main road and railway line • Forms part of a larger block over which your applicant has no control
<p><u>Opportunities</u></p> <ul style="list-style-type: none"> • None other than to let the flat 	<p><u>Threats</u></p> <ul style="list-style-type: none"> • Rising rental and sales prices could exclude a number of people. • There are concerns that the new Help to Buy – Mortgage Guarantee and Equity Loan schemes could potentially create a housing bubble although residential price rises are slowing down.

In conclusion we consider the subject property to offer good security for the proposed loan subject to a tenant being found. The flat is situated in an affluent suburb of London close to an underground and Overground station so there should be relatively strong interest from those looking to rent. We would be happy to discuss any of the issues or recommendations raised in this report. Please do not hesitate to contact us if we can be of further assistance in this respect.

17. Reinstatement Cost Estimate

We have not undertaken a detailed reinstatement cost appraisal. The estimate does not, therefore, constitute a formal building reinstatement cost assessment. It is intended for guidance purposes only.

The estimate is as a guide for a modern replica of the subject building. It is inclusive of demolition costs, site clearance and professional fees, but makes no allowance for VAT.

Our informal estimate of the current reinstatement cost, on a day-one basis, is in the order of:

£70,000
(Seventy Thousand Pounds)

We will have no liability to you or any other party in respect of the informal reinstatement cost assessment.



For the avoidance of doubt this figure only relates to Flat 9.

Gerald Eve LLP is a national firm of chartered surveyors and property consultants with a network of nine offices and more than 300 employees.

In addition to valuation our range of services includes occupational and investment agency, planning and development, every aspect of building consultancy, rent review and lease renewal instructions, compulsory purchase and compensation, business rates, property taxation and project services.

If we can assist you further with regard to the subject of this valuation or any other property related issue please do not hesitate to contact either of the signatories to this report.



Appendix i – Location Map



Appendix ii – Ordnance Survey Map



Appendix iii – Photographs



Rear of block



Harrow Road looking west



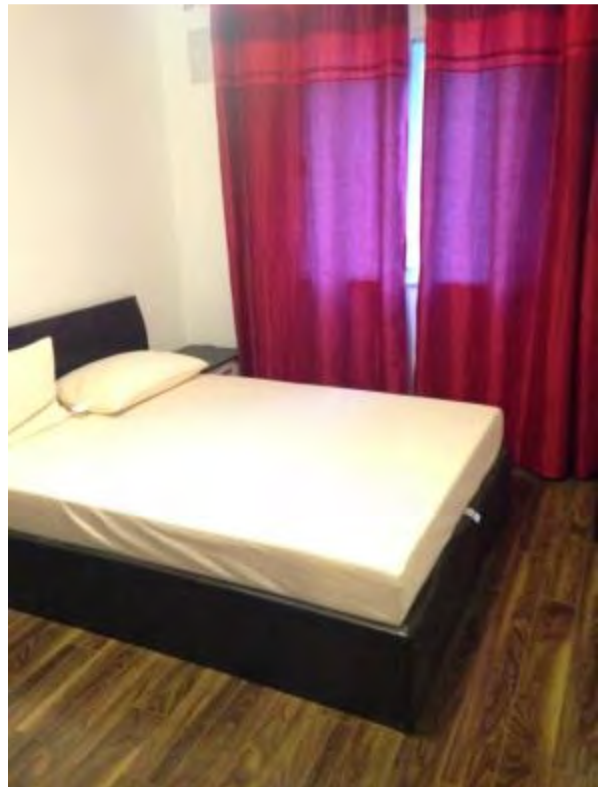
Harrow Road looking east



View of access road towards Harrow Road



Kitchen/sitting room



Main bedroom



Bathroom



2nd bedroom



Report date:	18 November 2014
Customer ref:	AL000693_EPO2
Property address:	Flat 9, Blondin House, Harrow Road, LONDON, NW10 5NA
Report Commissioned by:	Gerald Eve LLP
On behalf of:	N/A
Purpose of report:	Providing an investment valuation of the property
Freehold or Leasehold:	Leasehold
Redevelopment Yes or No:	No - It is understood that there are no redevelopment plans for the site

Argyll Environmental's professional opinion describes the level of risk associated with the information disclosed in the associated Enviroscreen data, as the following:

Property Assessment

FURTHER ACTION

A review of selected 1:2,500 and 1:1,250 scale Ordnance Survey mapping covering a period from 1943 to 1996 has identified that the site is on or within 25 metres of electrical sub station facilities.

The Enviroscreen data uses historical land use drawn from Ordnance Survey County Series maps together with the first and last editions of the National Grid maps at 1:10560 and 1:10000 scales (see Enviroscreen User Guide).

Larger scale mapping has also been considered in order to formulate this certificate. The 1955 to 1957 editions 1:2,500 map indicates that a scrap metal yard was located on site.

Property Value

In our opinion, from the information we have examined, there is a risk that the value of the property could be impaired.

Contaminated Land

The property may also constitute "contaminated land" as defined by Part 2A of the Environmental Protection Act 1990.

Environmental Factors for consideration

In this case no environmental factors have been identified

Lending Risk Assessment

Further Action

We have considered the Historical tanks and energy facilities and Features on 1:1250 and 1:2500 mapping in terms of the obligations of the lender. It is recommended that this property requires Further Action for commercial lending and a detailed Phase 1 risk assessment for planning purposes is carried out if it has not already been undertaken. Please see the recommended next steps.

Recommended Next Steps

It is recommended that the Additional Factors are considered in the context of this report. These enquiries alone may satisfy the concerns raised.

If you require the Additional Factors to be investigated, you may wish to discuss this with Argyll Environmental Limited (Argyll).

Argyll can provide further advice regarding any issues disclosed by this report. If you require Argyll to assist, they can provide more detailed advice starting from £150 plus VAT. This will depend upon the size and complexity of the site and the level of assessment required (i.e desktop report, regulatory enquiries, site inspection). Please contact us on 0845 458 5250 or send an email to orders@argyllenviro.com clearly stating the reference number of the report.

If the issues outlined above are adequately addressed by the environmental surveyors, solicitors and/or other property professionals retained in this matter, there may be no impairment to the value of the property or any risk that the property would be designated as "contaminated land" within the meaning of Part IIA of the Environmental Protection Act 1990. The documentation should rest with the deeds and be made available for future transactions.

Based on valuation guidance from the RICS Red Book this report complies with UK GN1.1 - Appendix 2.2(E) Contamination and hazardous substances and valuation guidance from the RICS Red Book - Appendix 2.2(F) Environmental Matters.

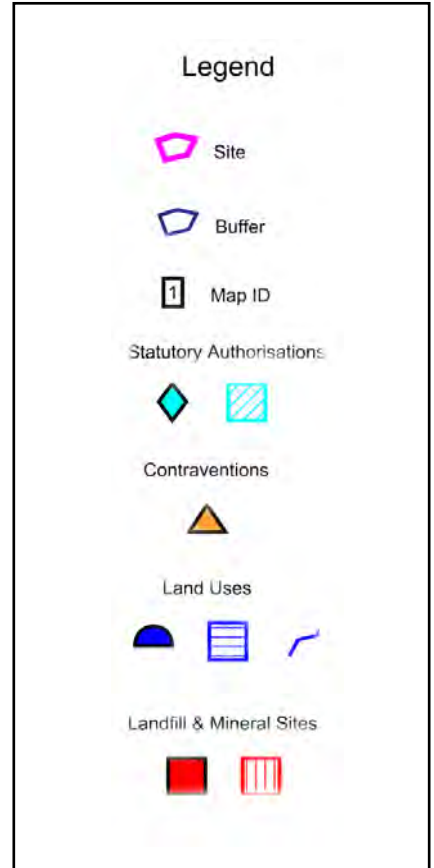
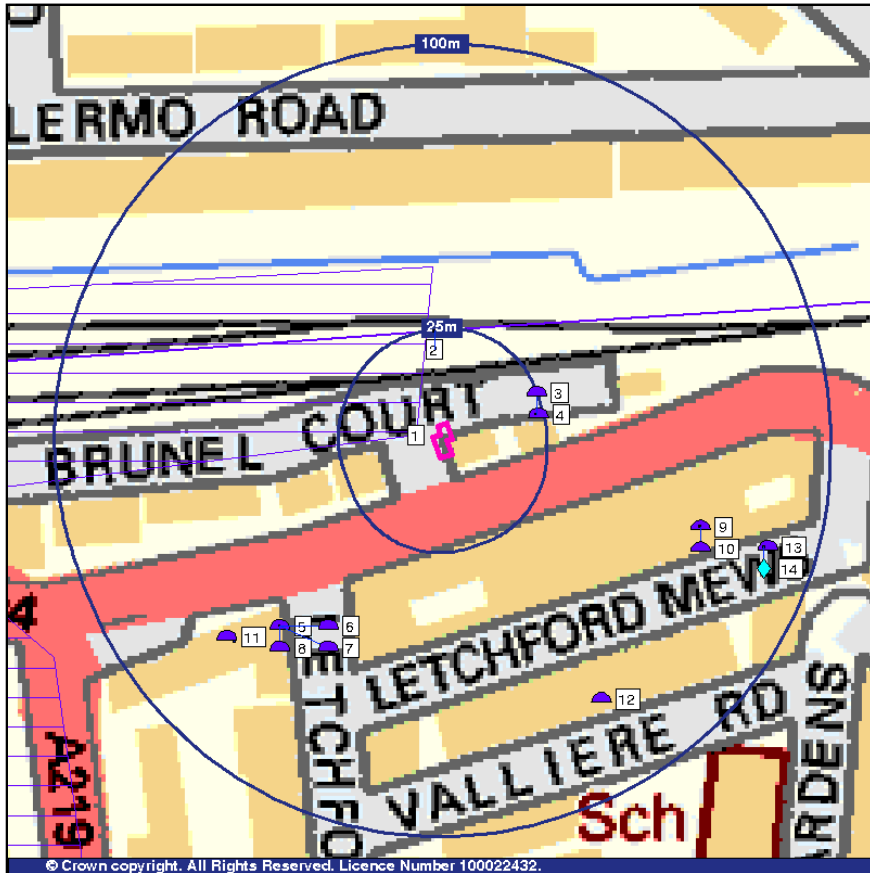
Approved by



Christopher S. Taylor BSc (Hons), MSc, AIMEA
Chartered Water and Environmental Manager
Technical Director, Argyll Environmental Ltd



Site Address: Flat 9, Blondin House, Harrow Road, LONDON, NW10 5NA



Site Boundary: Total Area
0.01 Ha

Prepared For
Gerald Eve LLP
72 Welbeck Street
London
W1G 0AY

Client Ref
AL000693_EPO2

Purchase Order No.
N/A

Client Name
N/A

Factors affecting the site

Map ID On Site 0 - 25m 25 - 100m

	Map ID	On Site	0 - 25m	25 - 100m
Historical Land Uses				
Potentially Contaminative Industrial Uses (Past Land Use)				
Railways, Date of mapping: 1874-1996	1		✓	
Railways, Date of mapping: 1874-1996	2		✓	
Historical Tanks And Energy Facilities				
Electrical Sub Station Facilities, Scale of Mapping: 1:1,250, Date of Mapping: 1955	3		✓	
Electrical Sub Station Facilities, Scale of Mapping: 1:2,500, Date of Mapping: 1955	4		✓	
Contemporary Trade Directory Entries				
Office Furniture, ,863-865,Harrow Road,London, Office Furniture & Equipment, Status: Inactive, Positional Accuracy: Automatically positioned to the address	5			✓
Stevenson'S Office Furniture, ,863-865,Harrow Road,London, Office Furniture & Equipment, Status: Inactive, Positional Accuracy: Automatically positioned to the address	6			✓
Stevensons Used Office Furniture, ,863-865,Harrow Road,London, Office Furniture & Equipment, Status: Active, Positional Accuracy: Automatically positioned to the address	7			✓
Stevensons Office Furniture, ,863-865,Harrow Road,London, Office Furniture & Equipment, Status: Inactive, Positional Accuracy: Automatically positioned to the address	8			✓
Grapple Wear Uk Ltd, ,841,Harrow Road,London, Leisure & Sportswear Manufacturers & Wholesalers, Status: Inactive, Positional Accuracy: Automatically positioned to the address	9			✓
Amazon Hair & Waxing Centre Ltd, ,841,Harrow Road,London, Waxes, Status: Active, Positional Accuracy: Automatically positioned to the address	10			✓
Texaco, 875 Harrow Rd,London, Petrol Filling Stations - 24 Hour, Status: Active, Positional Accuracy: Manually positioned within the geographical locality	11			✓
Cornelious Business Solutions Ltd, ,18,Valliere Road,London, Office Equipment Servicing & Maintenance, Status: Inactive, Positional Accuracy: Automatically positioned to the address	12			✓
Cottage, 2-4 Letchford Mews,London, Dry Cleaners, Status: Inactive, Positional Accuracy: Manually positioned to the address or location	13			✓
Landfill & Mineral Sites				
Local Authority Landfill Coverage				
London Borough of Brent, - Has supplied landfill data	N/A	-		
London Borough of Hammersmith And Fulham, - Has no landfill data to supply *	N/A			
Statutory Authorisations				
Local Authority Pollution Prevention and Controls				
Cottage Dry Cleaners, 2 Letchford Mews,London, Part B - Other Industries, Reference: 2006/00072/DRYCLN, Status: Permitted, Positional Accuracy: Located by supplier to within 10m	14			✓
Contraventions				
No features identified within this category	N/A			

Factors affecting the site

Map ID On Site 0 - 25m 25 - 100m

	Map ID	On Site	0 - 25m	25 - 100m
Natural Features				
Extreme Flooding from Rivers or Sea without Defences				
No	N/A			
Flooding from Rivers or Sea without Defences				
No	N/A			
Areas Benefiting from Flood Defences				
No	N/A			
Flood Water Storage Areas				
No	N/A			
Flood Defences				
No	N/A			
Groundwater Vulnerability				
Geological Classification: Non Aquifer (Negligibly permeable) - Formations which are generally regarded as containing insignificant quantities of groundwater. However, groundwater flow through such rocks, although imperceptible, does take place and needs to be considered in assessing the risk associated with persistent pollutants, Soil Classification: Not classified, Map Scale: 1:100,000	N/A	✓		
Drift Deposits				
No	N/A			
Radon Potential				
The property is in a lower probability radon area, as less than 1% of homes are above the action level	N/A	✓		
Radon Protection Measures				
None	N/A	✓		
Coal Mining Affected Areas				
In an area which may not be affected by coal mining	N/A			
Brine Compensation Area				
No	N/A			

Local Authority Landfill Coverage * if applicable. It has not been possible to obtain Landfill data from this authority therefore the fact that no local authority landfills are disclosed in this report does not necessarily confirm that no local authority landfills exist. We recommend that if you are concerned about landfill you should contact the relevant local authority. "-" denotes the nearest Local Authority Landfill Coverage.

Additional Factors for Consideration

- (I) If the property is modern, are there warranties or similar guarantees? If so, it is important to ensure that those parties offering the warranties are of sufficient financial standing backed by appropriate insurance cover.
- (II) Did the developer of the property ensure that during the construction phase any potentially contaminative features were appropriately addressed? If so, are these supported by warranties and/or documentary evidence. Have the local authority 'signed off' the remedial works. For example, did the developer include gas membranes or passive venting where the property has been built on unknown filled ground.
- (III) Does any relevant planning permission contain requirements regarding the potential contamination feature? Did it require remedial works to be undertaken? If so, have these works been undertaken to the satisfaction of the local authority?
- (IV) Speak with the Building Control Department of the local authority. They are often able to help where there are known records of gas emissions, contamination issues and/or ground instability problems in the immediate area.
- (V) Speak with the Environmental Health Officer or relevant Contaminated Land Officer at the Local Authority. The Local Authority may be aware of any known pollution or contamination issues surrounding this feature and whether they are considering taking any further action under Part IIA of the Environmental Protection Act 1990 on a formal, or informal, basis.
- (VI) This report should be referred to any surveyor retained by the parties. Particularly those who have been engaged to produce a structural survey and/or valuation. There may also be issues arising from the current use of the premises which could give rise to matters of environmental management. In accordance with the RICS guidance note, 'Contamination, the environment and sustainability - Implications for chartered surveyors and their clients', published April 2010, the surveyor is required to use the RICS Property Observation Checklist for commercial property to record any visible contamination.
- (VII) Consideration should be given to the appointment of an appropriate environmental consultant, if it has not been possible to obtain satisfactory conclusions to the issues raised. They should be engaged to investigate the matters further given the nature of the property and the issues involved. Such a consultant must be appropriately qualified and insured for the level of instruction.
- (VIII) This report should be presented to the lender as appropriate. Any subsequent documentation should also be made available to the lender.

Useful Contact Information

London Borough of Brent Environmental Health Department
Brent House, 349-357 High Road, Wembley, Middlesex, HA9 6BZ
Telephone 020 8937 5262, Fax 020 8937 5301
www.brent.gov.uk

Environment Agency National Customer Contact Centre (NCCC)
PO Box 544, Templeborough, Rotherham, S60 1BY
Telephone 08708 506 506
enquiries@environment-agency.gov.uk

British Geological Survey Enquiry Service
British Geological Survey, Kingsley Dunham Centre, Keyworth, Nottingham, Nottinghamshire, NG12 5GG
Telephone 0115 936 3143, Fax 0115 936 3276
enquiries@bgs.ac.uk
www.bgs.ac.uk

London Borough of Hammersmith And Fulham Environmental Health Department
Town Hall, King Street, Hammersmith, London, W6 9JU
Telephone 0208 748 3020
www.lbhf.gov.uk

Argyll Environmental Ltd
Lees House, 21-33 Dyke Road, Brighton, BN1 3FE
Telephone 0845 458 5250, Fax 0845 458 5260
info@argyllenviro.com
www.argyllenvironmental.com

Landmark Information Group Limited
Imperium, Imperial Way, Reading, Berkshire, RG2 0TD
Telephone 0844 844 9960, Fax 0844 844 9951
customerservice@promap.co.uk
www.landmarkinfo.co.uk



THE
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AUTHORITY



Additional Information

In completing this report Argyll Environmental has undertaken a review of the Enviroscreen data made available to it. No site inspection, further enquiries or investigation of surface or ground conditions has been carried out by Argyll Environmental. No information as to the age, value and type of property has been made available.

Surveyors are reminded to refer to the RICS guidance note 'Contamination, the environment and sustainability - Implications for chartered surveyors and their clients', published April 2010, and consider using the property observation checklists developed by the RICS for identifying apparent potential for contamination and recording observations made during the normal course of inspection. The checklists are contained at Appendices A-C of the above guidance note. Completion of these checklists does not constitute an environmental assessment for the purposes of Professional Indemnity Insurance where many surveyors are unlikely to have appropriate indemnity cover.

The information in this Enviroscreen® Certificate is derived from a number of statutory and non-statutory sources (refer to the user guide). Whilst every effort is made to ensure accuracy, Landmark cannot guarantee the accuracy or completeness of such information or data, nor to identify all the factors that may be relevant. If you are a private individual using this Certificate Landmark recommend that you discuss its contents in full with your professional advisor. It is essential to read this Certificate in conjunction with the User Guide and your attention is drawn to the scope of the Certificate section within the User Guide.

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Commercial Premises Environmental Insurance

Landmark information Group provides a link to Arlington Insurance Services Limited which is able to offer environmental insurance underwritten by ACE Insurance Group Limited for Flat 9, Blondin House, Harrow Road, LONDON, NW10 5NA. The insurance is subject to an Enviroscreen certificate report having been commissioned and a quote obtained from Arlington Insurance Services Limited.

Key policy Benefits:

- n Coverage for sudden and gradual pollution
- n Coverage for on-site and off-site first party cleanup
- n Automatic coverage for biodiversity damage
- n Damage to third party property, including diminution in value
- n Policy periods up to 5 years coverage
- n Limit of indemnity up to £5m
- n Self Insured Retentions from £2,500 per loss
- n Proactive claims support to minimise losses and their financial and reputational impacts on the business
- n Legal Defence Expenses

This statement does not contain the full terms and conditions of the coverage provided, which can be found in the policy document. The Environmental Impairment Liability (EIL) Policy is a claims-made policy offering a range of cover for gradual, sudden and accidental pollution resulting from the ownership, control and/or operation of premises.

Insurance Quotations

The Enviroscreen report has highlighted potential issues with the site at:
[Flat 9, Blondin House, Harrow Road, LONDON, NW10 5NA](#)

These potential issues would need to be assessed by an environmental specialist before an indicative insurance quote is given.

Please telephone 020 7734 3346 to receive advice on insurance from an environmental specialist.

For further information please go to www.arlingtoninsuranceservices.com/environmental.

This insurance is offered by



ACE European Group Limited, ACE Building, 100 Leadenhall Street, London EC3A 3BP
Arlington Insurance Services Ltd, Goldsmith House, 137 Regent Street, London W1B 4HZ

Authorised and regulated by the Financial Services Authority

LANDMARK STANDARD TERMS & CONDITIONS

Full Terms and Conditions can be found on the following link:

<http://www.landmarkinfo.co.uk/Terms/Show/515>



Report date: **18 November 2014**

Customer ref: **AL000693_ESC**

Property address: **79, Fernhead Road, LONDON, W9 3EA**

Report Commissioned by: **Gerald Eve LLP**

On behalf of: **N/A**

Purpose of report: **Providing an investment valuation of the property**

Freehold or Leasehold: **Freehold**

Redevelopment Yes or No: **No - It is understood that there are no redevelopment plans for the site**

Argyll Environmental's professional opinion describes the level of risk associated with the information disclosed in the associated Enviroscreen data, as the following:

Property Assessment

PASSED

Property Value

Unlikely to have an adverse effect on the value of the property.

Contaminated Land

The property is unlikely to be designated "contaminated land" within the meaning of Part 2A of the Environmental Protection Act 1990.

Environmental Factors for consideration

In this case no environmental factors have been identified

Lending Risk Assessment

Passed

This property has passed for commercial lending purposes and as such has no significant liability to the lender regarding contamination risk.

Based on valuation guidance from the RICS Red Book this report complies with UK GN1.1 - Appendix 2.2(E) Contamination and hazardous substances and valuation guidance from the RICS Red Book - Appendix 2.2(F) Environmental Matters.

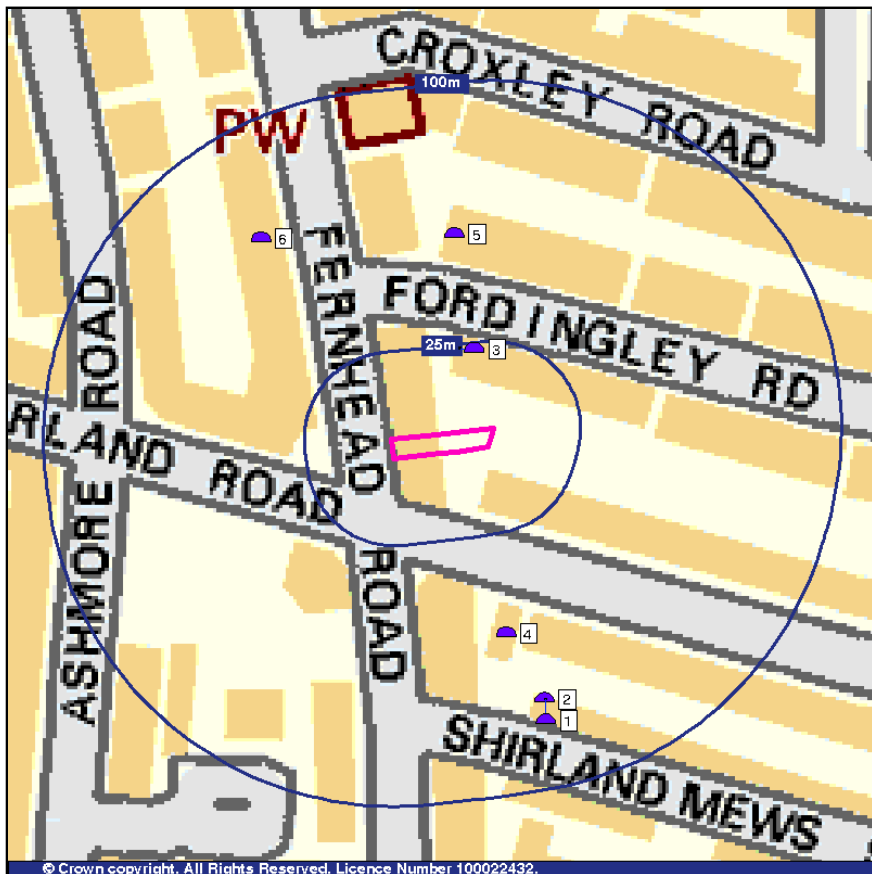
Approved by



Christopher S. Taylor BSc (Hons), MSc, AIMEA
Chartered Water and Environmental Manager
Technical Director, Argyll Environmental Ltd

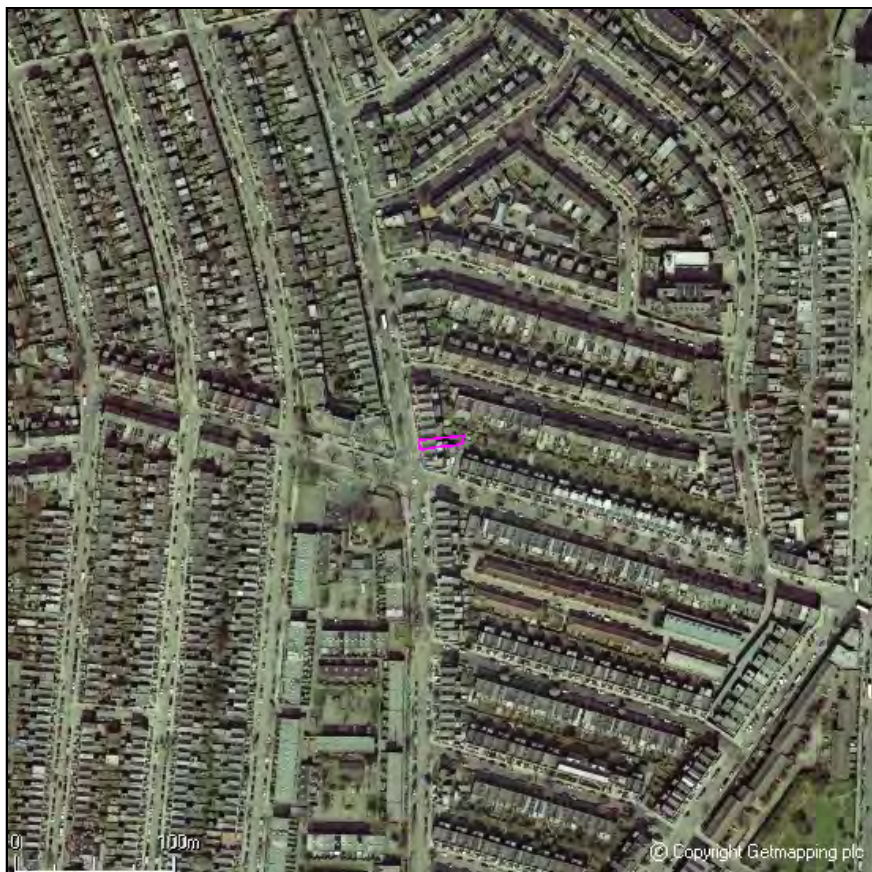


Site Address: 79, Fernhead Road, LONDON, W9 3EA



Legend

- Site
- Buffer
- Map ID
- Statutory Authorisations
- Contraventions
- Land Uses
- Landfill & Mineral Sites



Site Boundary: Total Area
0.02 Ha

Prepared For
Gerald Eve LLP
72 Welbeck Street
London
W1G 0AY

Client Ref
AL000693_ESC

Purchase Order No.
N/A

Client Name
N/A

Factors affecting the site

Map ID On Site 0 - 25m 25 - 100m

	Map ID	On Site	0 - 25m	25 - 100m
Historical Land Uses				
Historical Tanks And Energy Facilities				
Potential Tanks, Scale of Mapping: 1:1,250, Date of Mapping: 1955	1			✓
Potential Tanks, Scale of Mapping: 1:2,500, Date of Mapping: 1955 - 1970	2			✓
Contemporary Trade Directory Entries				
Fordingley Motors, 57 Fordingley Rd,London, Garage Services, Status: Active, Positional Accuracy: Manually positioned to the address or location	3		✓	
H R E, ,252,Shirland Road,London, Garage Services, Status: Active, Positional Accuracy: Automatically positioned to the address	4			✓
Pacific Contract Services Ltd, ,56,Fordingley Road,London, Commercial Cleaning Services, Status: Inactive, Positional Accuracy: Automatically positioned to the address	5			✓
L A J Transport, ,134,Fernhead Road,London, Road Haulage Services, Status: Inactive, Positional Accuracy: Automatically positioned to the address	6			✓
Landfill & Mineral Sites				
Local Authority Landfill Coverage				
Westminster City Council, - Has supplied landfill data	N/A	-		
Statutory Authorisations				
No features identified within this category	N/A			
Contraventions				
No features identified within this category	N/A			
Natural Features				
Extreme Flooding from Rivers or Sea without Defences				
No	N/A			
Flooding from Rivers or Sea without Defences				
No	N/A			
Areas Benefiting from Flood Defences				
No	N/A			
Flood Water Storage Areas				
No	N/A			
Flood Defences				
No	N/A			
Groundwater Vulnerability				
Geological Classification: Non Aquifer (Negligibly permeable) - Formations which are generally regarded as containing insignificant quantities of groundwater. However, groundwater flow through such rocks, although imperceptible, does take place and needs to be considered in assessing the risk associated with persistent pollutants, Soil Classification: Not classified, Map Scale: 1:100,000	N/A	✓		
Drift Deposits				
No	N/A			
Radon Potential				
The property is in a lower probability radon area, as less than 1% of homes are above the action level	N/A	✓		

Factors affecting the site

	Map ID	On Site	0 - 25m	25 - 100m
Radon Protection Measures				
None	N/A	✓		
Coal Mining Affected Areas				
In an area which may not be affected by coal mining	N/A			
Brine Compensation Area				
No	N/A			

Local Authority Landfill Coverage * if applicable. It has not been possible to obtain Landfill data from this authority therefore the fact that no local authority landfills are disclosed in this report does not necessarily confirm that no local authority landfills exist. We recommend that if you are concerned about landfill you should contact the relevant local authority. "-" denotes the nearest Local Authority Landfill Coverage.

Useful Contact Information

British Geological Survey Enquiry Service
British Geological Survey, Kingsley Dunham Centre, Keyworth, Nottingham, Nottinghamshire, NG12 5GG
Telephone 0115 936 3143, Fax 0115 936 3276
enquiries@bgs.ac.uk
www.bgs.ac.uk

Environment Agency National Customer Contact Centre (NCCC)
PO Box 544, Templeborough, Rotherham, S60 1BY
Telephone 08708 506 506
enquiries@environment-agency.gov.uk

Westminster City Council Environmental Health Department
Council House, Marylebone Road, London, NW1 5PT
Telephone 020 7641 1317, Fax 020 7641 1142
www.westminster.gov.uk

Argyll Environmental Ltd
Lees House, 21-33 Dyke Road, Brighton, BN1 3FE
Telephone 0845 458 5250, Fax 0845 458 5260
info@argyllenviro.com
www.argyllenvironmental.com

Landmark Information Group Limited
Imperium, Imperial Way, Reading, Berkshire, RG2 0TD
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NATURAL ENVIRONMENT RESEARCH COUNCIL

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Sample Premiums

Indicative premiums below are based on Commercial mixed use/offices with a £2500 excess where the Report Status is shown as PASSED and are for example use only.

Historic use only

	£1m cover	£5m cover
3 Year term	£2,955	£5,910
5 Year term	£4,199	£8,398

Historic and Operational Coverage

	£1m cover	£5m cover
3 Year term	£3,477	£6,895
5 Year term	£4,889	£9,788

To obtain a quote please go to www.arlingtoninsuranceservices.com/environmental and enter your Enviroscreen report details or alternatively please telephone 020 7734 3346 to discuss your individual position with an environmental specialist.

This insurance is offered by



ACE European Group Limited, ACE Building, 100 Leadenhall Street, London EC3A 3BP
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Appendix iv – Terms and Conditions

These are the general terms and conditions upon which our valuation and report are prepared, unless agreed otherwise in writing or stated otherwise in the body of this report. The below terms and conditions are written in the singular. Where the reported valuation(s) refer to two or more properties these terms and conditions should also be taken to apply in the plural.

Bases of Valuation

We have carried out our report and valuation in accordance with the Valuation – Professional Standards, incorporating the International Valuation Standards (“the Standards”) of the Royal Institution of Chartered Surveyors (RICS) January 2014. In accordance with the Standards, we have valued on the basis of Market Value and Market Rent subject to any special assumptions, which are set out herein. The definitions of these valuation bases are given below:

Market Value (MV):

VSP 4(1.2) of the Standards defines Market Value 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.”

Market Rent (MR):

VSP 4 (1.3) of the Standards defines Market Rent as:

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

A full commentary on the meaning of and implicit assumptions within these definitions is included in the Standards and we can provide a copy of this on request.

Valuation Assumptions:

We have made the following assumptions:

1. All valuations are carried out in accordance with the Valuation – Professional Standards, incorporating the International Valuation Standards (“the Standards”) of the Royal Institution of Chartered Surveyors (RICS), January 2014.
2. All information supplied to us by your Client, yourselves, or your professional advisers, or any other named party, is assumed to be correct and complete.
3. We have not had access to the title deeds of the property and are therefore unable to comment as to whether they are free from, for example, any onerous or unusual covenants, restrictions, outgoings, or statutory notices likely to have an adverse effect upon the value of the property. We have assumed for the purpose of our valuation that none such exist.
4. Generally, plans and maps provided for identification purposes only are reproductions of Ordnance Survey maps with the sanction of the Controller of HM Stationery Office, Crown Copyright reserved, and are to a scale of 1:1,250 or are location maps at a scale of 1:50,000 and provided by Promap.
5. All the covenants in any Headleases have been complied with and there are no disputes with the Lessors or notices received from the Lessors or Lessees which would adversely affect the valuation.
6. Unless our enquiries have indicated otherwise, it is assumed the property’s use is duly authorised or established with the local planning authority and that no adverse planning conditions or restrictions apply. It should be noted that employees or Town Planning Departments now give information on the basis that it should not be relied upon and, therefore, we advise that formal searches are undertaken if greater certainty is required.

7. It is assumed that each property is not occupied and used with, nor that the premises have been, or are, being, put to any contaminative use. This might reduce the values now reported.
8. In the absence of any information to the contrary, no allowance has been made for rights, obligations or liabilities arising under the Defective Premises Act 1972.
9. The Landlord and Tenant Act 1987 gives certain rights to residential tenants to acquire the freehold interest in a building where more than 50% of the floor space is in residential use. Where this is applicable we have assumed that necessary notices have been given to the residential tenants under the provisions of the Act and that such tenants have elected not to acquire the freehold or head leasehold interest, and therefore any sale on the open market is unrestricted.
10. We have inspected and carried out a measured survey of the property in accordance with the Code of Measuring Practice (6th Edition) prepared by the Royal Institution of Chartered Surveyors. Unless otherwise stated, it is assumed that the building has been constructed and is being occupied and used with all requisite consents and in compliance with valid Town Planning and Building Regulations approval and has the benefit of a current Fire Certificate and that the property complies with all relevant statutory regulations.
11. We have not undertaken a building survey, nor have we tested any services or inspected woodwork or other parts of the structure, which are covered, unexposed or inaccessible. Therefore these parts are assumed to be in good repair and condition and the services in full working order.
12. The Government requires an Energy Performance Certificate (EPC) to be produced for property transactions including the sale, rent or construction of both residential and non-residential dwellings. For the purposes of this valuation we have not been provided with a copy of an EPC for the premises. Our valuation is based on the assumption that any transaction will be conducted in accordance with the aforementioned legislation.
13. We have not arranged for any investigation to determine whether high alumina cement concrete, calcium chloride additive, blue asbestos or any other deleterious or hazardous material has been used in the construction, and we cannot therefore confirm that the property is free from risk in this regard. Our valuation has been prepared on the assumption that any investigation would not reveal the presence of such materials.
14. We have not undertaken any site investigation, geological, mining or geophysical survey and therefore cannot clarify whether the ground has sufficient load-bearing strength to support any of the existing buildings or any other constructions that may be erected in the future.
15. We have not included plant and machinery not forming part of the service installations of the building. We have also excluded furniture and furnishings, fixtures, fittings, vehicles, stock and loose tools. Furthermore, no account of any goodwill, that may arise from the present occupation of the property, is allowed for in our valuation.
16. This report gives no warranties as to the condition of the structure, foundations, soil and services.
17. We have not instigated any environmental audit or other environmental investigation or soil survey on the property which may evidence any contamination or the possibility of any such contamination. Therefore we have assumed that there has been no contaminative or potentially contaminative uses ever carried out in the property. Should it be established that contamination, seepage or pollution exists at the property or on any neighbouring land or that the premises have been, or are being, put to a contaminative use (unless stated otherwise in our report) then this might affect the values stated in the report.
18. i) There are no abnormal ground conditions, archaeological remains, or hazardous or deleterious materials present which might adversely affect the present or future occupation,

development or value of the property;

ii) The property is free from rot, infestation, structural or design defect;

iii) No high alumina cement or other currently known prohibited or suspect materials or techniques have been used in the construction of, or any subsequent alterations or additions to, the property;

iv) The property is not contaminated and is not adversely affected by the Environmental Protection Act 1990 or any other environmental law; and

v) Any processes carried out on the property which are regulated by environmental legislation are properly licensed by the appropriate authorities and operated in accordance with the licence.

If any of the above assumptions prove to be inappropriate, then the value of the property concerned may be lower

19. We have not included any allowance in our valuation for works that might become necessary to enable access for disabled persons under the Equality Act 2010.
20. In respect of commercial and residential premises valued on a yield basis, the Market Value reported is the gross amount paid for the subject interest, less an allowance for standard purchasers costs, calculated as 1.8% in respect of agents' and legal fees, together with stamp duty liability, as follows:

<u>Commercial & Mixed Use</u>		<u>Residential</u>	
Up to £150,000 – annual rent is under £1,000	0%	Up to £125,000	0%
Up to £150,000 – annual rent is £1,000 or more	1%	£125,001 to £250,000	1%
£150,001 to £250,000	1%	£250,001 to £500,000	3%
£250,001 to £500,000	3%	£500,001 to £1,000,000	4%
Over £500,000	4%	£1,000,001 to £2,000,000	5%
		Over £2,000,000	7%

21. We have taken no account of any other taxation liability that may arise on disposal, nor of any costs associated with either acquisition or disposal incurred by the owner. In addition, no allowance has been made to reflect any liability to repay any government or other grants or taxation allowance that may arise on disposal.
22. Unless stated to the contrary, all rental and capital values stated are exclusive of VAT at the prevailing rate.
23. Our valuation report has been based upon a number of assumptions stated therein. If any assumptions are proved to be incorrect, we wish to reserve the right to alter our opinion of value accordingly.
24. Our maximum liability for all advice and services provided in connection with this project both before or after the date of this letter shall not in the aggregate exceed £5,000,000 (five million pounds). This limitation shall apply to our aggregate liability to you (together with any Associated Person as identified in our Terms of Engagement for whom you are acting as agent in relation to the Contract) on any basis for any losses, damages, costs or expenses ("losses") arising from or in connection with our services in relation to this project.

Appendix v – Abbreviations

Abbreviations used within our reports are defined below.

ADR	Average Daily Rate
AGA	Authorised Guarantee Agreement
AST	Assured Shorthold Tenancy
BREEAM	Building Research Establishment Environmental Assessment Method
EPC	Energy Performance Certificate
FF&E	Furniture, Fixtures and Equipment
FMS	Fair Market Share
FRI	Full Repairing and Insuring
GIA	Gross Internal Area
GOP	Gross Operating Profit
ITZA	In Terms of Zone A
MOD	Minor Operated Department
MPI	Market Penetration Index
MR	Market Rent
MV	Market Value
NIY	Net Initial Yield
NIA	Net Internal Area
pa	Per Annum
pcm	Per Calendar Month
psf	Per Square Foot
psm	Per Square Metre
pw	Per Week
RGI	Revenue Generation Index
RICS	Royal Institution of Chartered Surveyors
RPI	Retail Price Index
RevPAR	Revenue Per Available Room
sq ft	Square Feet
sq m	Square Metres
UBR	Uniform Business Rate (multiplier)
VAT	Value Added Tax
ZA	Zone A