

**Valuation of:** 9 Langtry Road  
London  
NW8 0AJ



**On behalf of:** Jordan International Bank

**Valuation Date:** 1 July 2016

**Prepared by:** Nigel Whitehurst MRICS, RICS Registered Valuer  
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**GERALDEVE**

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**London**  
**SW3 1JJ**

1 July 2016

Our Reference: AL000932

Dear Gary

Borrower: First Light Properties Limited  
Property: 9 Langtry Road, London, NW8 0AJ

### **Terms of Engagement**

In accordance with your instruction, as set out in your letter of 2 June 2016 and our Terms of Engagement, dated 6 June 2016, 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 property held as an investment 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 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 Gerald Eve LLP has carried out valuations on this property and other properties owned by the borrower within the past two years. 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 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 7 June 2016. 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 1 July 2016.

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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## Executive Summary

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## VALUATION FOR LOAN SECURITY PURPOSES

Valuation Date: 1 July 2016

9 Langtry Road, London, NW8 0AJ



## 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 224.47 sq m (2,417 sq ft) on a site of 0.018 hectares (0.043 acres).

## Tenure

Freehold.

## Tenancy

Studio	Tenant	Term	Rent (£ pa gross)
1	Mr John Matthew Wood	12 months expiring 29 May 2017	£13,572
2	Jackielyn Angelo	12 months expiring 29 May 2017	£13,572
3	Ms Yupa Hughes	12 months expiring 29 May 2017	£13,572
4	Mr Djairine Abderrahmane	12 months expiring 29 May 2017	£13,572
5	Ms Sevilla Pacquing Ganaten	6 months expiring 7 October 2016	£13,780
6	Mr Marcial Gaco	12 months expiring 29 May 2017	£13,572
7	Miss Ghenet Woldu Berhe	12 months expiring 29 May	£13,572

		2017	
8	Mr Jabeb Abdullah Lumenda and Ms Lasima Pasbi Mangal	6 months expiring 20 June 2016	£13,572
9	Mr Christian Edmond Henri Devaux	12 months expiring 2 December 2016	£13,572
10	Mr Andrew Harding	12 months expiring 29 May 2017	£13,572
11	Mr Semir Abdelkadir Idris	6 months expiring 4 November 2016	£13,572
	<b>Total</b>		<b>£149,500</b>

**Passing Rent** £149,500 pa (gross)

**Market Rent** £149,292 pa (gross) equating to £261 per week

**Market Value** £2,705,000 (Two Million Seven Hundred and Five Thousand Pounds)

**Yield Analysis (Gross)**

Initial yield	5.52%
Reversionary yield	5.52%
Equivalent yield	5.52%

**Market Value under the Special Assumption of vacant possession** £2,595,000 (Two Million Five Hundred and Ninety Five Thousand Pounds)

**Reinstatement Cost Estimate** £480,000 (Four Hundred and Eighty Thousand Pounds)

**Lender Action Points**

***Our valuations reflect pricing of comparable transactions which have taken place prior to the EU Referendum. With the Referendum result now clear, there is a higher level of uncertainty around future performance of both commercial and residential property, at least in the short term. Our valuations should be kept under review as markets adjust.***

*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.***

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 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 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 of the subject premises. The property was measured on a gross internal area basis and found to provide accommodation as follows.

<u>Accommodation</u>	<u>Floor Area (GIA)</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	19.98 sq m	215 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
<b><u>Total</u></b>	<b><u>224.47 sq m</u></b>	<b><u>2,417 sq ft</u></b>

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 or sell readily in its current condition.

Upon inspection we did not notice any obvious sign of deleterious 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.

“Passed, 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 have had sight of the following EPC Certificates for the property:

Address	Date	EPC rating	Potential EPC rating
Flat 1	10 December 2014	E	C
Flat 2	10 December 2014	C	B
Flat 3	10 December 2014	E	C
Flat 4	10 December 2014	C	B
Flat 5	10 December 2014	C	B
Flat 6	10 December 2014	D	B
Flat 7	10 December 2014	D	C
Flat 8	10 December 2014	D	B
Flat 9	10 December 2014	D	B
Flat 10	10 December 2014	F	C
Flat 11	10 December 2014	E	B

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.

With regard to Flat 10 we note that the recommended measures include increasing the loft insulation, internal or external wall insulation and low energy lighting for all fixed outlets. None of the above are prohibitively expensive

and we would recommend that these recommendations are carried out prior to 1 April 2018 and a new EPC certificate is issued.

## 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. When we previously valued the property in November 2014 we were provided with a Report on Title prepared by Fieldfisher Waterhouse LLP dated December 2014 in which it is stated that an Indemnity Policy was to be put in place. We advise that your solicitors verify whether this policy is in place.

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

Our planning investigations do not always reveal all planning agreements and conditions such as Section 106 Agreements. We would suggest your solicitor clarifies the existence of, and if necessary, compliance with any such conditions and agreements.

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. The property has access to a public highway.

## 8. Council Tax

### Council Tax

We have had reference to the 2016/17 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 2016/17</u>
Flat 1 at 9 Langtry Road, London, NW8 0AJ	C	£1,208.33
Flat 2 at 9 Langtry Road, London, NW8 0AJ	C	£1,208.33
Flat 3 at 9 Langtry Road, London, NW8 0AJ	B	£1,057.30
Flat 4 at 9 Langtry Road, London, NW8 0AJ	B	£1,057.30
Flat 5 at 9 Langtry Road, London, NW8 0AJ	C	£1,208.33
Flat 6 at 9 Langtry Road, London, NW8 0AJ	C	£1,208.33
Flat 7 at 9 Langtry Road, London, NW8 0AJ	A	£906.25
Flat 8 at 9 Langtry Road, London, NW8 0AJ	A	£906.25
Flat 9 at 9 Langtry Road, London, NW8 0AJ	A	£906.25

Flat 10 at 9 Langtry Road, London, NW8 0AJ	A	£906.25
Flat 11 at 9 Langtry Road, London, NW8 0AJ	A	£906.25

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

## 9. Tenure

The property is held freehold under title number LN103159, with our understanding of the extent of the freehold title outlined on the Ordnance Survey map included at Appendix ii.

Within the Land Registry details there is a Transfer dated 19 September 1952 between The British Transport Commission and Peter Solome containing covenants allowing the Commission access at all reasonable times to parts of the land which adjoin the land of the Commission for repairing, maintaining etc. fences, walls, railway banks, abutment or retaining walls, bridges or other works.

There are also restrictive covenants within the Transfer stating:

- no building is to be erected on the site or part of the site or execute works or make any addition or alterations to the buildings without previously submitting detailed plans and sections and obtaining the British Transport Commissions approval;
- or without complying with the Commissions reasonable conditions as to foundations to protect the Commissions land and works adjoining and beneath the property.

There is further a restriction not at any time to

- erect a structure within 6 feet of the back of the Commission's parapet wall;
- to stack or lean anything against the parapet wall or;
- do anything which will affect the stability of the raised roadway adjoining the property.

We have previously valued this property for ICG Longbow in November 2014 and received a Report on Title prepared by Fieldfisher dated December 2014 in which they state the following:

**Note: There is no evidence that the consent of The British Transport Commission was obtained to any buildings which have been erected (if that be the case) or in respect of the execution of the works or the making of any addition or additions to any buildings or the material alteration of any existing buildings on the property since 19 September 1952. Whilst we consider the possibility of any claim under the restrictive covenants for failure to obtain the consent of The British Transport Commission is very low, we propose to consider the possibility of title indemnity being taken out on the basis that for the specific risk the cost will be low.**

**We understand from the Borrower's solicitors that no new buildings, alterations or additions have been made since September 1952 and that the recent refurbishment works did not constitute the erection of additions or alterations. Whilst we note the confirmations from the Borrower's solicitors the wording of the above covenant is very wide and covers also the execution of any works. The upshot is that we consider there are almost certainly technical breaches of the restrictive covenant and indeed by virtue of recent works which have been carried out and taking some sort of overall title indemnity would be sensible.**

We understand that a restrictive covenant title indemnity policy is in place to cover the above.

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

## 10. Tenancy

The subject premises are let on ASTs as follows:

Studio	Tenant	Term	Rent (£ pa gross)
1	Mr John Matthew Wood	12 months expiring 29 May 2017	£13,572
2	Jackielyn Angelo	12 months expiring 29 May 2017	£13,572
3	Ms Yupa Hughes	12 months expiring 29 May 2017	£13,572

Studio	Tenant	Term	Rent (£ pa gross)
4	Mr Djairine Abderrahmane	12 months expiring 29 May 2017	£13,572
5	Ms Sevilla Pacquing Ganaten	6 months expiring 7 October 2016	£13,780
6	Mr Marcial Gaco	12 months expiring 29 May 2017	£13,572
7	Miss Ghenet Woldu Berhe	12 months expiring 29 May 2017	£13,572
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10	Mr Andrew Harding	12 months expiring 29 May 2017	£13,572
11	Mr Semir Abdelkadir Idris	6 months expiring 4 November 2016	£13,572
<b>Total</b>			<b>£149,500</b>

## 11. Market Commentary

### The Economy

The UK economy is currently dominated by the outcome of the EU referendum and the vote to leave. Whilst Article 50 of the Lisbon Treaty invoking the withdrawal from the EU and giving the UK two years to negotiate a withdrawal is unlikely to occur until later in the year, the uncertainty is great. The Prime Minister David Cameron is to step down in October. Further indications are expected over the next few weeks, although the short term outcome is one of uncertainty, concern and speculation.

The UK's economic growth slowed in Q1 of 2016. Official figures from the Office of National Statistic have shown, gross domestic product grew by 0.4% between January and March, down from 0.6% in the Q4 of 2015. (Although slowing 0.4% marks the 13th consecutive quarter of positive growth for the UK). Notable decreases within the construction sector and industrial sectors of 0.9% and 0.4% are significant contributors to the UK's overall gross domestic product.

Widely varying views are expressed on any Bank of England base rate changes in the forthcoming year. The latest published vote of the Monetary Policy Committee at their May meeting was a unanimous vote to maintain the Bank Rate at 0.5%. There may be a change to interest rates in light of the EU referendum result.

There has been much publicity surrounding the Referendum result and how this will impact on Britain and the EU, particularly given the vote to leave. The ambiguity is making the relationship between macroeconomic and financial indicators and underlying economic momentum harder to interpret. The insecurity has had a significant impact on prime real estate markets of London and the south east with slowdown across investment transactions and a decrease in capital growth. The Bank of England have warned that uncertainty due to the vote could hurt growth in the first half of this year, and the International Monetary Fund has downgraded its forecast for the UK economy over fears that Britain would vote to leave the EU. Early dramatic predictions for reduction in GDP indicate a loss of between 3.4% and 9.5% by 2030, according to the Treasury.

The impact of China's economic growth slowing to a more sustainable rate has impacted on the UK, US and global stock markets as China is such a force within the global economy being the second largest economy and the second largest importer of both goods and commercial services. Countries that are heavily dependent on exporting goods to China could be more impacted than others.

Within The Chancellor of The Exchequer's 2016 Budget review, he revealed a reform to Stamp Duty Land Tax across commercial property, following a previous increase on stamp duty on residential property. The Chancellor expects the reform to raise, "£500 million a year and while 9% will pay more, over 90% will see their tax bills cut or stay the same". The effects of the reform are yet to be measured although it could slowdown investment further with some foreign investors seeking more favourable tax regimes.

Moving forward overall growth for the UK economy in the next two years remains heavily dependent on the continued buoyancy of domestic spending as the external environment suggests that net trade will constitute a severe drag on economic expansion. Fiscal tightness will also remain a constraint as the Chancellor aims to meet targets.

## The Residential Market

The performance of the residential market has been presented with reference to ONS house price data to April 2016 (which has replaced the previous Land Registry index).

Average House Price in England and Wales:	£224,731
Monthly Price Change	0.7%
Annual Price Change	9.1%

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, along with the South East and East regions.

<u>Region</u>	<u>Average House Price</u>	<u>Monthly Change</u>	<u>Annual Change</u>
London	£470,025	0.6%	14.5%
South East	£301,689	0.3%	12.3%
East of England	£263,420	1.2%	13.6%
East Midlands	£167,762	1.6%	7.8%
South West	£227,404	-2.8%	6.0%
Yorkshire & Humber	£146,712	1.6%	6.0%
West Midlands	£173,321	2.2%	7.1%
Wales	£139,385	-1.9%	1.7%
North West	£145,149	2.3%	5.8%
North East	£121,719	-0.9%	0.1%

However, there remains significant disparity between the average price of property in London compared to England and Wales. A number of regions have experienced a negative monthly change.

Whilst the wider London market has seen a surge in house prices over the last year, this disguises the post-peak period of the cycle that is currently being witnessed in prime central London. The London boroughs which have seen the highest house price growth over the last year (as at April 2016) are City of London (27.3%), Waltham Forest (25%) and Barking & Dagenham (22.3%).

On the whole, the number of property transactions across England and Wales fell by 1.8% to 891,733 in the year to January 2016, compared to the previous 12 months, whereas sales have decreased by 6.4% in London over the same period (Land Registry). From October 2014 to January 2015, there was an average of 73,744 sales per month compared to 74,374 for the same period in 2015/6 across England and Wales (0.9%). RICS has reported a cooling of demand in April 2016, for the first time since March 2015, following a surge in transactions in March to beat the SDLT deadline, alongside a tight supply side, with 8% more surveyors reporting a fall in new instructions to sell rather than a rise.

This trend can particularly be seen analysing monthly data, with a fall in sales volumes in January 2016 compared to January 2015, with England and Wales falling by 5% and London by 14%. This is noteworthy at the higher price ranges, with the number of properties sold for over £1.5 million in England and Wales in January 2016 decreasing by 8% compared to January 2015, and by 10% in London. There are a few exceptions: generally sales over £250,000 to £1.5 million increased in England and Wales and from £500,000 to £1.5 million in London.

The housing market remains challenged by a number of factors such as: issues of affordability; changes in regulation; risk of an interest rate rise in the future; the largest annual deficit since records began in 1948; the threat of political instability; quantitative easing undertaken by the European Central Bank; the value of Sterling against other currencies, and; economic and geo-political risk elsewhere. The Referendum on British membership of the EU on 23 June 2016, which has resulted in a vote to leave, is a source of great domestic uncertainty. Market commentary refers to expectations that the UK house price boom will halt, with an immediate slowdown in transactions and slowdown in house price growth. There is likely to be significant "wait and see" periods whilst the wider implications are felt. Financial markets' expectations of the first rate rise have pushed out significantly over the last few months, with the most recent data implying a rate rise at the earliest of 2018 as at Q1 2016,

compared to the expectation at the end of 2015 that interest rates would start to rise by the end of 2016. However, this is likely to differ given the EU Referendum result with potential rate increase to combat inflation. CML report the prospects for the year are mixed but risks continue to be on the downside for the economy, whereas the underlying picture in the UK housing market is still showing some signs of growth.

The labour market remains strong with employment rate of 74.1% for the 3 months to February 2016, the joint highest since comparable records began in 1971, although earnings growth has slightly slowed to an annual rate of 1.8% in the three months to February 2016 (ONS).

There continues to be an increase in mortgage lending, with the Council of Mortgage Lenders reporting an estimated gross mortgage lending of £25.7 billion in March 2016, which is 43% higher than February and 59% higher than March 2015. The gross lending estimate for 1Q16 is £62.1 billion, a 39% increase on 1Q15. CML comment that the substantial jump in lending was significantly influenced by the surge to beat the second-property SDLT deadline, with an estimate of £4 billion to £5 billion extra lending than otherwise would have been the case. 2Q16 is expected to be slower, as a result.

The challenges to housing remain a debated topic in politics, with the Housing and Planning Act having gained Royal Assent. Further details of starter homes are still under consultation. These will be offered to first-time buyers under the age of 40 at a minimum 20% discount on market prices. There is also the extension of Right-to-Buy on a Voluntary Basis to Registered Providers (Housing Associations).

The construction industry remains active. According to the HBF and Glenigan's Housing Pipeline report, outline planning permission for 255,032 new homes was granted in England in 2015, an increase of 57% from 2009. Over 180,000 new homes were added to the housing stock in 2014/5. Unit approvals in London were 5% less in 4Q2015 compared to 4Q2014. DCLG report a 38% increase in housing starts in London and 68% increase in completions in 4Q2015, compared to 4Q2014, (23% and 22% increases respectively in England). However, Molior (a proprietary residential development database) reports a significant fall of construction starts in 1Q2016 in London: 25% down on the quarterly average for 2015, but 46% more than the quarterly average for the preceding 7 years. Completions in London in 1Q2016 are 54% more than the quarterly average for the preceding 7 years and maintains the quarterly average for 2015, although still considerably lower than construction starts. The net effect is 62,490 units are under construction which is 4% more than at the end of 2015 and 158% more than at the previous market peak in 2007, according to Molior.

The NHBC reports a drop of 9% in the number of new homes registered with NHBC in 1Q2016 compared to 2015. However, there was a 10% increase in the number of new home completions for the financial year up to the end of March, compared to 2014/15. Registrations occur after permission is granted but before construction has started, providing a lead indicator of future supply. Construction cost increases, arising from increased volume, and capacity constraints is a major concern to house-builders.

The buy-to-let mortgage market has continued to grow rapidly, particularly prior to the 31 March 2016 SDLT deadline on additional homes. However, the Chancellor also announced in 2015 that the tax relief that can be claimed on mortgage interest payments by individual landlords will be set at the basic rate of tax by 2021. The change will be phased-in over four years from April 2017. This could significantly impact the buy-to-let market, particularly as the Bank of England has flagged concerns that rising interest rates could be a challenge to some landlords, with banks required to carry out an interest rate affordability test by considering rises over 5 years assuming a minimum borrower interest rate of 5.5%. This may point to revised expectations of a 17% annual increase in buy-to-let lending over the next two years compared to 20%. Relief for expenditure is also to be monitored more closely. However, the biggest slowdown could be from the increase in stamp duty by 3% on buy-to-let homes from 1 April 2016, with evidence of the surge to beat this noted in the statistics above. There is further concern regarding the possibility of further macro-prudential regulation by the Financial Policy Committee. There are concerns though that over-extended Buy-to-Let borrowers may be more sensitive to rising interest rates, if rent cover requirements are increased.

Overall, then, a period of significant uncertainty ahead in the second half of 2016.

The growth of the rental market as a form of tenure will continue to grow but we expect rental growth to be static in the short term, with potential growth in the medium term. Private rents in England increased by 2.8% in the 12 months to March 2016, according to the ONS Private Housing Rent (Experimental) Index, compared to 3.7% in London.

### 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 19.67% over the last 12 months with the average flat value in the area being £673,391 with studios averaging £313,750.

In terms of the rental market according to Foxtons the average flat rent is £472 per week with studios averaging £258 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 £478,549. 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 £395,269 in February 2009 – a fall of 17.40% 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 March 2016 where the average flat price currently stands at £775,762. This represented a 96.26% increase since the low of February 2009.

## 12. Market Rent

As at the valuation date the passing rent of the subject premises is £149,500 pa.

We have researched lettings of studios as follows:

<u>Ref</u>	<u>Property</u>	<u>Lease Event</u>	<u>Date</u>	<u>Rent</u>	<u>Comments</u>
1.	Bravo House, FG3, Kilburn High Road, NW6	Letting	June 2016	£16,116 pa (£310 pw)	Studio in new build
2.	Bravo House, F215, Kilburn High Road, NW6	Letting	June 2016	£14,556 pa (£280 pw)	Studio in new build
3.	Bravo House, F305, Kilburn High Road, NW6	Letting	June 2016	£13,524 pa (£260 pw)	Studio in new build
4.	Studio 8, 36 Iverson Road, NW6	Letting	February 2016	£13,520 pa (£260 pw)	Studio
5.	36 Sherriff Road, NW6	Letting	January 2016	£13,000 pa (£250 pw)	Studio
6.	9 Kingscroft Road, Kilburn, NW2	Letting	February 2016	£11,960 pa (£230 pw)	Studio
7.	128 Glengall Road, London, NW6	Letting	February 2016	£13,520 pa (£260 pw)	Studio



Further comment on each piece of evidence is provided below.

**Ref.1, 2 & 3:** Studio flats comprising 237 sq ft, 215 sq ft and 248 sq ft in modern block containing 82 studios so similar sizes to the subject studios.

**Ref.4:** Second floor studio situated in a converted property totalling 283 sq ft. The property is in reasonable condition and is closely located to the subject premises

**Ref.5:** Lower ground floor studio situated in a converted period house. The property is of a similar size to the subject premises and is in reasonable condition.

**Ref.6:** A studio flat located within a period house conversion similar to the subject. The flat is in a good condition throughout and appears to benefit from a recently refurbished shower bathroom.

**Ref.7:** A ground floor studio flat in a reasonable condition throughout has recently let. The property appears to be narrow in shape but of a reasonable condition throughout.

The studios within the subject property are all well maintained and close to the Overground and underground stations. They should therefore easily achieve rents in the middle of the comparables above were they to become vacant.

Having had reference to the above evidence, we are of the opinion that, as at 1 July 2016, the subject premises could command a Market Rent of:

Studio	Market Rent (£ pw)	Market Rent (£ pa gross)
1	£261	£13,572
2	£261	£13,572
3	£261	£13,572
4	£261	£13,572
5	£261	£13,572
6	£261	£13,572
7	£261	£13,572
8	£261	£13,572
9	£261	£13,572
10	£261	£13,572
11	£261	£13,572
<b>Total</b>		<b>£149,292</b>

This Market Rent would be achievable on the assumption of 6 or 12 month ASTs and assumes that the studios are let to private tenants.

### 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 12 weeks to be required to achieve lettings at the Market Rents 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>Gross Yield</u>	<u>Comment</u>
1.	294 Coldharbour Lane, Brixton, SW9	June 2016	£1,450,000	5.28%	8 studios
2.	7 Seymour Road, Finchley, N3	May 2016	£1,290,000	3.82%	4 flats
3.	23, 25 & 27 Mount Adon Park, East Dulwich, SE22	April 2016	£555,000	4.91%	5 bedsits & 2 flats
4.	84 Bow Road, London, E3	March 2016	£1,300,000	5.66%	10 studios (HMO)
5.	257/265 Forest Road, Walthamstow, E17	February 2016	£1,575,000	5.50%	7 flats
6.	2 Cruden Street, Islington, N1	February 2016	£1,080,000	2.50%	3 flats
7.	39 Brownswood Road, Finsbury Park, N4	February 2016	£1,475,000	3.83%	4 flats
8.	560 Green Lanes, Palmers Green, N13	February 2016	£695,000	4.58%	4 flats
9.	1 Finsbury Park Road, Finsbury Park, N4	February 2016	£1,200,000	4.84%	9 studios
10.	15-17 Bromley Common, Bromley	February 2016	£1,680,000	4.34%	6 flats
11.	18 North Birkbeck Road, Leytonstone, E11	February 2016	£1,040,000	3.95%	4 flats

Further comment on each piece of evidence is provided below.

**Ref.1:** Period mid terrace house converted into 8 studios arranged over lower ground, raised ground and 2 upper floors, all let on ASTs at a total rent of £76,560 pa. The property also benefits from having a communal courtyard at the rear.

**Ref.2:** Period semi detached former house converted into 3 x 1 bedroom and 1 x 2 bedroom flats all let on ASTs at a total rent of £49,340.04 pa. The property benefits from having a garden at the rear and lock up garage which is used for storage.

**Ref.3:** Period semi detached former house converted into 2 self contained flats which have been sold off on a 189 year lease from 1 January 1981 and a 132 year lease from 19 January 2009. There are also 5 bedsits with shared bathrooms, shower rooms and utility room. All 5 are let on ASTs at a total rent of £27,240 pa.

**Ref.4:** Period mid terrace building arranged as 10 studios with a HMO Licence. All of the studios have private shower/WC facilities. Total rent is £73,560 pa.

**Ref.5:** Modern purpose built block comprising 7 flats (6 x 1 bed and 1 x 1 bed) all let on ASTs at a total rent of £86,700 pa. The property also benefits from having a communal garden to the rear.

**Ref.6:** Mid terrace period building arranged as 2 flats let on ASTs let at a total rent of £15,564 pa and a Regulated Tenancy from 9 May 2013 let at a rent of £11,466 pa. The flat on the Regulated Tenancy has sole access to a rear garden. The Regulated Tenancy rent will be lower than the current market rent which is why the gross yield is so low. The other 2 flats comprise studios.

**Ref.7:** Period mid terrace building. Comprises 4 x 1 bed flats a let on ASTs at a total rent of £56,479.92 pa.

**Ref.8:** Semi detached house converted into 4 self contained flats arranged as 3 x studios and 1 x 2 bed flat. At the time of sale 3 were let on ASTs at a total rent of £31,800 pa with 1 vacant.

**Ref 9:** Mid terrace period building arranged as 9 studios with shared bathroom facilities. The total rent is £58,055.88 pa. Benefits from having a garden to the rear.

**Ref 10:** Large detached period building arranged as 5 x 3 bedroom and 1 x 2 bedroom flats. 5 of the flats are let on ASTs whilst the remaining flat is let on a Regulated Tenancy. The total rent is £72,960 pa.

**Ref 11:** Semi-detached period building with 4 flats let on ASTs at a total rent of £41,100 pa.

As can be seen above gross yields for similar investment properties are low due to the strong demand for such investments. However it remains to be seen what impact the additional 3% surcharge applied on buy to let and second home purchases will have as it only came into force on 1 April 2016. There may be a reduction in the number of buy to let transactions and a subsequent fall in values in the short term as the market adjusts to the new surcharge.

Further the upcoming Referendum has subdued the market with investors and lenders alike waiting to see the outcome.

In arriving at our opinion of Market Value we have considered the investment sales above which show gross yields ranging from 2.50% to 5.66%. We have adopted a gross yield of 5.50% (a net yield of 5.19%) reflecting the location of the property but lack of planning permission.

***Our valuations reflect pricing of comparable transactions which have taken place prior to the EU Referendum. With the Referendum result now clear, there is a higher level of uncertainty around future performance of both commercial and residential property, at least in the short term. Our valuations should be kept under review as markets adjust.***

#### **Market Value**

In assessing the Market Value of the subject premises we have followed the investment method of valuation. We have adopted the approach as set out above.

Our valuation produces the following gross yield profile:

Initial yield	5.52%
Reversionary yield	5.52%
Equivalent yield	5.52%

We are of the opinion that the Market Value of the freehold interest in the subject premises, subject to the existing tenancies, as at 1 July 2016, is in the sum of:

**£2,705,000**  
**(Two Million Seven Hundred and 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 method of valuation. We have adopted a marketing period of 2 months and then valued our opinion of Market Rent at a gross yield of 5.75% reflecting the fact the property would be non-income producing.

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 1 July 2016, is in the sum of:

**£2,595,000**  
**(Two Million Five Hundred and Fifty 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 be 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

- Fully let and income producing
- Situated in an affluent and popular commuter area of north west London

#### Opportunities

- None

#### Weaknesses

- No planning permission although the studios have been separately rated for over 4 years. We understand there is an Indemnity Policy in place to cover this
- Some studios too small to sell individually

#### Threats

- Uncertainty in the property market and surrounding the economy now that the UK has voted to leave the EU.
- Potential interest rate increases in the short to medium term.
- There are a number of competing flats in the area.

In conclusion the property comprises a converted period house which contains 11 studios held as an investment.

We would be pleased 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 and should not be relied upon for insurance purposes. A qualified person should be consulted to provide a building survey for insurance purposes.

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:

**£480,000**  
**(Four Hundred and Eighty Thousand Pounds)**

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

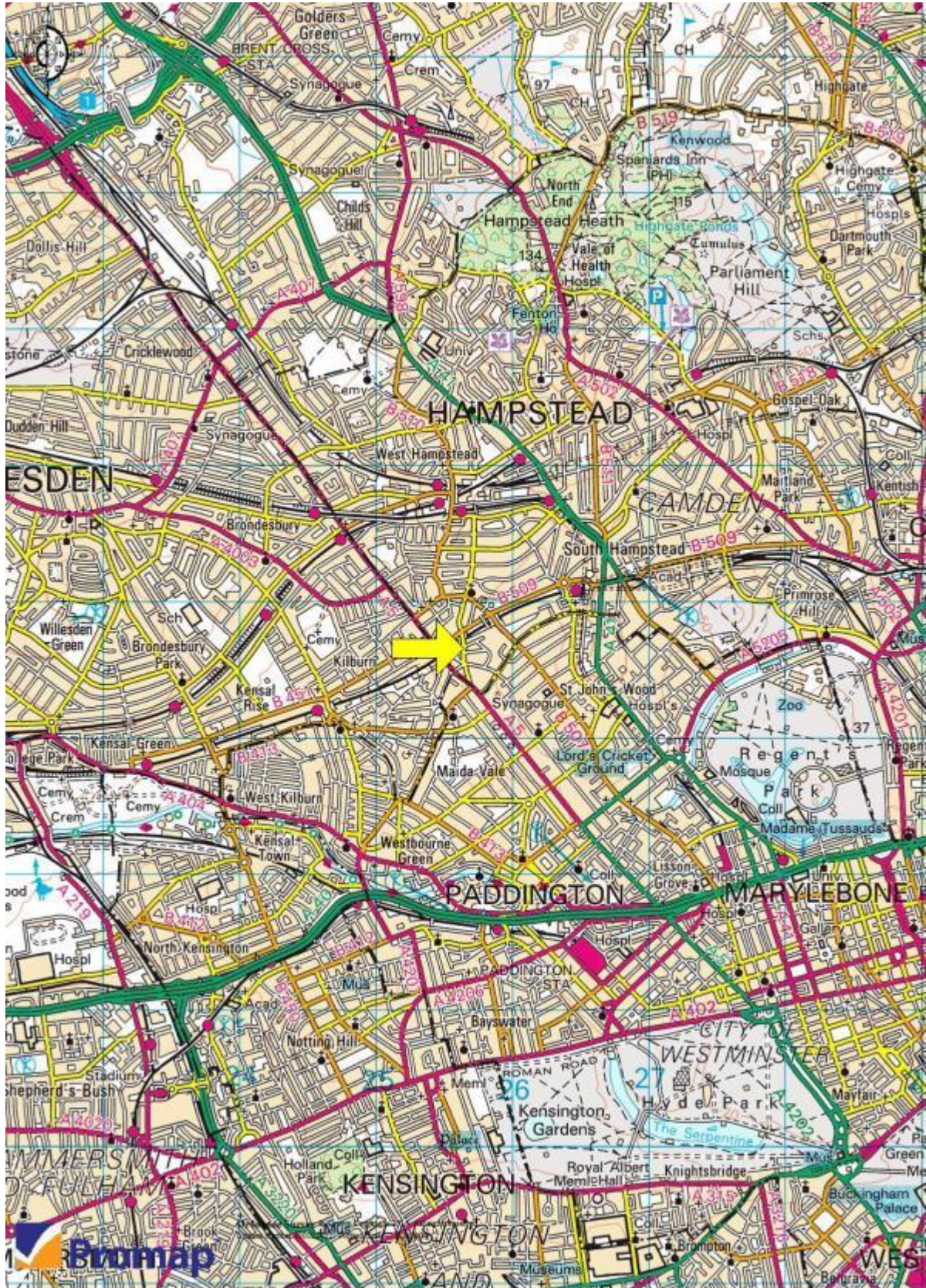
Gerald Eve LLP is a national firm of chartered surveyors and property consultants with a network of nine offices and more than 400 employees.

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.

  
GERALDEVE

Appendix i – Location Map



Appendix ii – Ordnance Survey Map



Appendix iii – Photographs



Langtry Road looking east



Langtry Road looking west



Typical studio



Typical bathroom



Typical studio



Typical studio





Typical bathroom



Typical studio



Typical studio



Typical studio



Rear yard



Rear



---

Report date:	<b>03 June 2016</b>
Customer ref:	<b>AL000929_ESC</b>
Property address:	<b>9, Langtry Road, LONDON, NW8 0AJ</b>
Report Commissioned by:	<b>Gerald Eve LLP</b>
On behalf of:	<b>N/A</b>
Purpose of report:	<b>Providing an investment valuation of the property</b>
Freehold or Leasehold:	<b>Freehold</b>
Redevelopment Yes or No:	<b>No - It is understood that there are no redevelopment plans for the site</b>

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

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## 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.

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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.

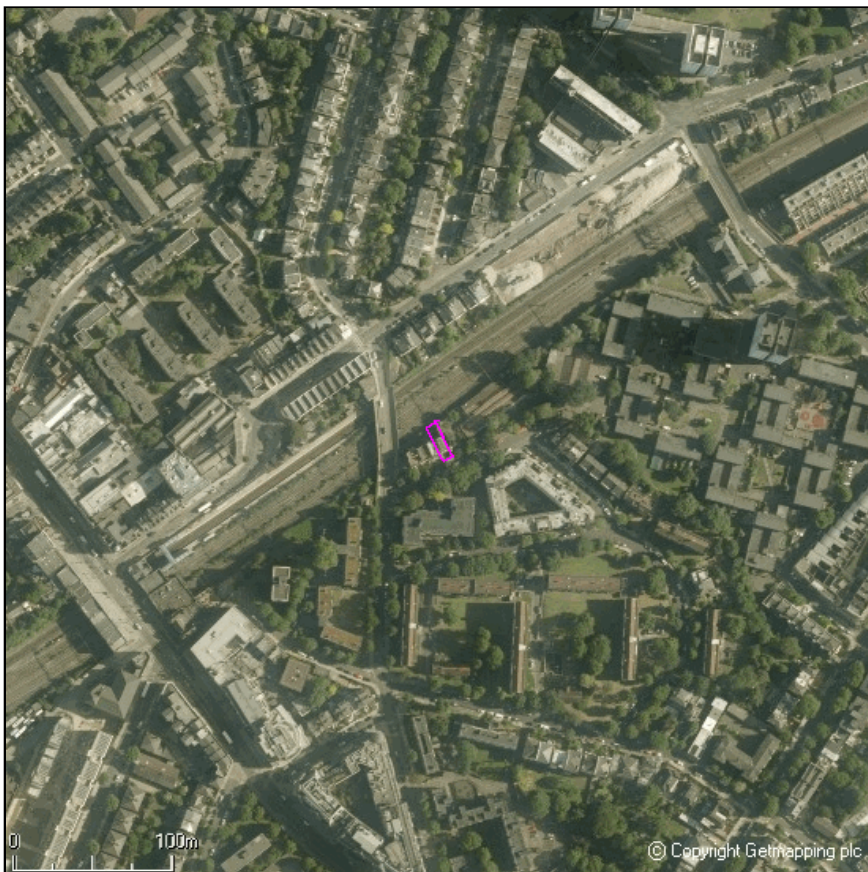
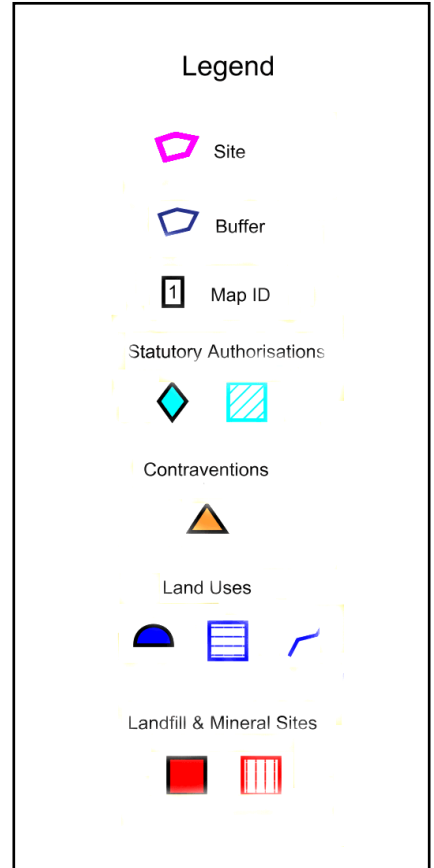
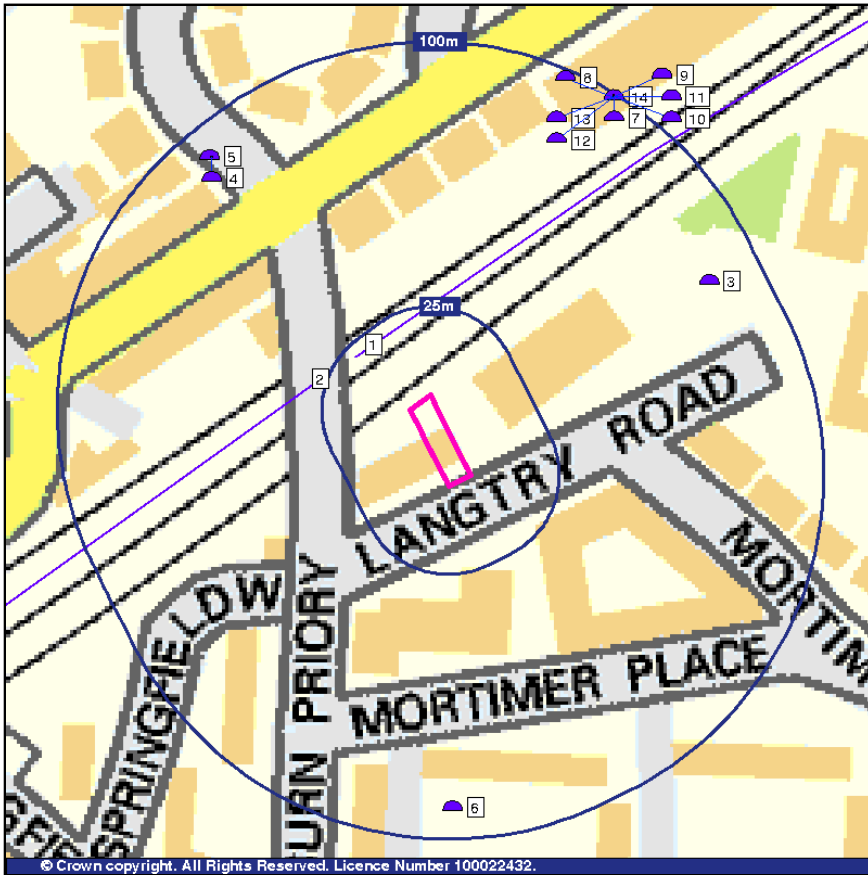
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Approved by:

**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**  
AL000929\_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
<b>Historical Land Uses</b>				
<b>Potentially Contaminative Industrial Uses (Past Land Use)</b>				
Railways, Date of mapping: 1874-1991	1		✓	
Railways, Date of mapping: 1874-1991	2			✓
<b>Historical Tanks And Energy Facilities</b>				
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			✓
<b>Contemporary Trade Directory Entries</b>				
Performance Auto Cars, ,Abbey Road Motorist Centre,131-179,Belsize Road,London, Car Body Repairs, Status: Inactive, Positional Accuracy: Manually positioned to the address or location	7			✓
Le Tour Worldwide, 131 Belsize Road,London, Car Engine Tuning & Diagnostic Services, Status: Inactive, Positional Accuracy: Manually positioned within the geographical locality	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			✓
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	12			✓
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	13			✓
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	14			✓
<b>Landfill &amp; Mineral Sites</b>				
<b>Local Authority Landfill Coverage</b>				
London Borough of Camden, - Has no landfill data to supply *	N/A			
<b>Statutory Authorisations</b>				
No features identified within this category	N/A			
<b>Contraventions</b>				
No features identified within this category	N/A			
<b>Natural Features</b>				
<b>Extreme Flooding from Rivers or Sea without Defences</b>				
No	N/A			

## Factors affecting the site

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

	Map ID	On Site	0 - 25m	25 - 100m
<b>Flooding from Rivers or Sea without Defences</b>				
No	N/A			
<b>Areas Benefiting from Flood Defences</b>				
No	N/A			
<b>Flood Water Storage Areas</b>				
No	N/A			
<b>Flood Defences</b>				
No	N/A			
<b>Groundwater Vulnerability</b>				
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	✓		
<b>Drift Deposits</b>				
No	N/A			
<b>Radon Potential</b>				
The property is in a lower probability radon area, as less than 1% of homes are above the action level	N/A	✓		
<b>Radon Protection Measures</b>				
None	N/A	✓		
<b>Coal Mining Affected Areas</b>				
In an area which may not be affected by coal mining	N/A			
<b>Brine Compensation Area</b>				
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 03708 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

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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](http://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>



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London  
W1G 0AY

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Moreau House  
116 Brompton Road  
Knightsbridge  
London SW3 1JJ  
T +44 (0)20 3144 0200  
F +44 (0)20 3144 0259  
info@jordanbank.co.uk  
www.jordanbank.co.uk

For the attention of Nigel Whitehurst

Date: 2nd June 2016

Ref: GH/30.2016

Dear Sirs

**First Light Properties Limited**

We write with reference to our e-mail exchanges and confirm our request to you to inspect and value the properties detailed on the attached schedule, on our behalf for Bank Mortgage purposes on a market value basis.

Please note, that as negotiations are continuing in respect of the purchase of the property known as 45 Walm Lane, London NW2 4QU, at this stage we only require the valuation on the property known as 9 Langtry Road, London NW8 0AJ and 9 Blondin House, 1112 Harrow Road, London NW10 5NA

We will contact you when the remaining property valuation is required. Unless otherwise advised by us, you may accept this letter as your formal instruction for all the properties listed.

It is our intention to lend for a term of 3 years at a maximum percentage exposure of 70% against your valuation figures.

The details of the properties to be charged and the basis of the lettings are provided on the attached schedule.

When reporting, please also supply us with the following:-

- Your calculations used when arriving at your valuation for the properties in their existing condition.
- Your confirmation that you find the properties to be occupied in accordance with the information contained within the schedule.
- Your opinion as to whether you believe the rents are in line with current market rates.
- A valuation figure for the properties assuming a sale in a six month period.

- Confirmation that the properties are acceptable for Bank Mortgage purposes.
- A figure for fire insurance purposes for each property.
- Comments on the life of the building and state any factors which could affect the usage of the properties in the foreseeable future.
- The approximate age of the properties.
- Details of the internal and external construction, access and the possibility of any deleterious materials which may require further investigation.
- Quote specific measurements of the areas involved.
- A market commentary to include details of location, area, and any benefits and deterrents, and comment on the ability and time to let, re-let or achieve a sale.
- Provide details of the comparables used.
- Supply some photographs. External, internal and of the immediate surrounding area.
- Your confirmation that there is no conflict of interest in your reporting to us. We require you to declare any connection you may have had with our proposed borrower, or previous dealings with the property.

When reporting please give consideration to the following:-

- Obtaining a copy of the occupational lease agreements and let us have your comments as to content and suitability. If it is not available at the time of your reporting, we will forward it to you at a later date.
- Advise us whether there is any evidence based on your inspection of the properties and general and local knowledge and enquiries that the properties or those in the immediate vicinity may have at some stage had a contaminative use.

To arrange to view and for further details, contact our client's representative Darren Bailey, direct on telephone number +44 7713138780.

Your firm's fee for this engagement is to be agreed with the Bank prior to your acceptance of this instruction. Kindly contact the undersigned upon receipt of this letter to discuss the same.

Please address and send your invoice to Jordan International Bank Plc but marked as payable by "First Light Properties Limited".

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We look forward to receiving your acceptance of this letter of instruction together with two copies of your report duly signed by a valuation partner who is either a Fellow or an Associate of the Royal Institution of Chartered Surveyors. Your fee account should also be forwarded directly to ourselves.

*Please provide us with 2 copies of the report, following your initial draft submission by email to [gary.heath@jordanbank.co.uk](mailto:gary.heath@jordanbank.co.uk).*

A large, stylized handwritten signature in black ink, appearing to be 'G. Heath', written over the typed name 'Gary Heath'.

Gary Heath

For and on Behalf of Jordan International Bank Plc  
Agreed and Accepted  
For Gerald Eve LLP

*G. Whitehurst*  
.....

*6/6/2016*  
..... Date

**Schedule 1-Property Assets to be valued**

<b>Property</b>	<b>Asset description</b>	<b>Freehold/Leasehold</b>
9 Langtry Road, London NW8 0AJ	A residential property consisting of 11 self contained studio units	Freehold
9 Blondin House, 1112 Harrow Road, London NW10 5NA	A two bedroom flat	Leasehold
45 Walm Lane, London NW2 4QU	A ground floor retail unit with 3 flats above	Freehold

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 (updated in January 2015). 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 (updated in January 2015).
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, outgoing, 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 based on a scale of 1:1,250 or are location maps based on 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 &amp; Mixed Use</u>		<u>Residential</u>	
Charged at a fixed rate on the entire purchase price:		Charged at different rates depending on the portion of the purchase price that falls within each rate band:	
Up to £150,000	0%	Up to £125,000	0%
£150,001 to £250,000	2%	£125,001 to £250,000	2%
Over £250,001	5%	£250,001 to £925,000	5%
		£925,001 to £1,500,000	10%
		Over £1,500,001	12%
		Company > £500,000	15%

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 vii – 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