



25 February 2019

Affordable Housing Solutions
7 Goldhawk Mews
London
W12 8PA

FAO: Anna Booth

Dear Madam,

AFFORDABLE HOUSING SOLUTIONS (“THE CLIENT”)

369-377 KENTISH TOWN ROAD, LONDON, NW5 (“THE PROPERTY”)

INTRODUCTION

We refer to your instructions, dated 10 January 2019, to provide our opinion of Site Value of the Property for the purposes of assessing financial viability, as defined in ‘RICS Professional Guidance, England – Financial Viability in planning, 1st edition, 2012’ as follows:

‘Site Value should equate to the Market Value subject to the following assumption: that the value has regard to development plan policies and all other material planning considerations and disregards that which is contrary to the development plan.’*

STATUS OF VALUER AND COMPLIANCE

The Property has been valued by John Jones BSc (Hons) FRICS of Colliers International, who falls within the requirements as to competence as set out in PS 2 of the RICS Valuation – Global Standards 2017 (Incorporating the International Valuation Standards) (‘the ‘Red Book’) and who is a valuer registered in accordance with the RICS Valuer Registration Scheme (‘VRS’).

The Property was inspected on 21st January 2019 by John Jones BSc (Hons) FRICS and Fred Loxton MSc MRICS.

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

We confirm that we have no conflicts of interest in advising on this matter and that Colliers International complies with requirements of independence and objectivity under PS 2. We confirm that we have undertaken the valuation acting as 'independent' valuers, qualified for the purposes of this valuation.

We report as set out below.

VALUATION

We are of the opinion that the Market Value, as at the date of this report, of the freehold interest in the scheme is as follows:

Existing Use Value

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

Existing Use Value with Extra Floor

£545,000 (Five Hundred and Forty-Five Thousand Pounds).

Residential Market Value

£1,100,000 (One Million and One Hundred Thousand Pounds).

Residential and Commercial Market Value

£1,350,000 (One Million Three Hundred and Fifty Thousand Pounds).

The Basis of Valuations and General Assumptions to which our valuations are subject is included at [Appendix 1](#).

Values and costs referred to in this report are those prevailing at the date of this report.

The above valuation should be read together with the foregoing report.

LOCATION AND SITUATION

The Property is situated within the administrative boundaries of the London Borough of Camden. The borough is situated in the northern part of the city, reaching from Holborn and Bloomsbury in the south to Hampstead Heath in the north.

The property is situated on Kentish Town Road, next to its junction with Leighton Road and Regis Road and abuts the railway track serving Kentish Town Station. The locality is characterised by two to four storey residential / offices with retail on ground floor level.

The area benefits from a number of public transport links with Kentish Town Underground Station and Overground Rail Station situated approximately 100 metres to the North to the West End, City and rest of the Underground network.

Kentish Town National Rail Station provides direct connections to St. Pancras International and through to the City southwards, and towards Luton Airport Parkway in the north.

DESCRIPTION

The Property comprises an open fronted, 2.5 storey warehouse building to the north of the site currently used as a car wash and a single storey warehouse building to the south which we have assumed is used for storage. The buildings sit on concrete hard standing. The site abuts a five storey residential dwelling to the north and has a brick wall encircling the majority of the site perimeter.

SITE

The Property occupies a broadly level, triangular shaped site which is shown for identification purposes delineated red, in the site plan below. Your legal advisers should confirm that that our understanding of the site boundaries are correct.



Note: The above plan is not to scale and is for illustration purposes only.

Ordnance Survey Extract

We calculate the area of the site to be approximately 0.083 acres (0.034 hectares). This area is measured from a plan, and we have not verified it on site. If the site area is to be relied upon, we recommend that you commission a site measurement survey.

PLANNING

Planning has not yet been submitted for redevelopment, however, the site has been allocated by the Local Authority for development. The site specific policy states that the Council will support proposals for mixed use development to restaurant / retail at ground floor level and residential across the upper floors.

Our valuations of the Residential Market Value and Residential and Commercial Market Value assume that the Property has been granted planning permission.

DRAINS AND SERVICES

We assume that adequate capacity is available from the mains utilities to service both schemes.

PROPOSED SCHEME

For the purposes of applying the Market Value of other sites to 369-377 Kentish Town Road we have assumed a planning has been obtained for 14 flats and 38 habitable rooms with retail at ground floor level.

ALTERNATIVE VALUATION APPROACHES

We have undertaken four separate valuations of the Property based on the following scenarios:

i) Existing Use Value ("EUV")

Our EUV assumes a 'no scheme world' in which a purchaser buys the site for the value of any existing and future income derived from the site i.e. the investment value.

ii) Existing Use Value with Extra Floor ("EUV with Extra Floor")

Assuming the EUV is reflective of an underutilised site, the EUV with Extra Floor aims to maximise the site's value without requirement for additional planning, change of use or additional site area.

iii) Residential Market Value

The Market Value assumes a local planning policy compliant scheme in which the local council's target affordable housing policy is met. See Introduction.

However, our Residential Market Value assumes that the commercial element of the Proposed Scheme is not included.

iv) Residential and Commercial Market Value

The Residential and Commercial Market Value assumes the Proposed Scheme in its entirety inclusive of the site value of the ground floor commercial unit.

EXISTING USE VALUE

We have not seen copies of the occupational agreements, however, we understand from the Client that the advertising hoarding is held on a rolling licence and the car wash is held on a new 15 year lease but with a break clause for redevelopment with 6 months' notice. We understand that each occupier pays **£15,000 per annum** in rent thus, generating an aggregate income of **£30,000 per annum**.

Given the undetermined covenants of the occupiers and the nature of the individual occupational agreements with very short terms certain, we have had little regard to the security of the current income when assessing the value of the investment. However, we are of the view that this type of space, given its location and current / historical uses, would be relatively easy to relet on the open market to a similar type of occupier. Sites of this nature and current use and where there is latent development potential, often appeal to operators which have particularly mobile business models and low start-up costs and thus, only require short term lets as is the case at the Property. We are of the view that a new letting could be secured to a similar operator within 3-6 months at a comparable rental level.

Furthermore, we are of view that rent would typically be determined on an affordability basis rather than calculated on an established market rate thus, we deem the rent passing to be the Market Rent.

In reaching our valuation, we have adopted an investment (rent and yield) approach. We have adopted an all risks yield of **6%** and have capitalised the passing rent of **£30,000 per annum** into perpetuity, after allowing for purchaser's costs. We set out our valuation below:

<u>All Risks Yield Valuation</u>		
Aggregate Market Rent		£30,000
YP Perp @	6.00%	16.667
PV £1 @		1.000
Gross Valuation		£500,000
Less Purchasers Costs @		-£22,004
Net Valuation		£477,996
	Say	£480,000

Our opinion of the Property's Existing Use Value is thus, **£480,000 (Four Hundred and Eighty Thousand Pounds)**.

EXISTING USE VALUE WITH EXTRA FLOOR

We understand that one of the existing buildings on the site which is currently used as the car wash itself is 2.5 storeys high with a 2.5 storey void. We are of the view that an additional floor could be installed within this building in order to maximise the rental value.

Therefore, we have undertaken a high level residual valuation to calculate the value of the additional floor and incorporated this into our investment value of the EUV.

We have calculated the additional rent derived from the proposed floor by dividing the current rent payable by the car wash operator alone (£15,000 per annum) over the total floor area occupied by the operator which equates to £7.37 psf. We have multiplied the area of the additional floor by the rent psf to arrive at an additional per annum rent of £7,927 per annum which we have rounded to £8,000 per annum and added to the total current rent payable on the entire site (£30,000 per annum) to arrive at an aggregate rent of £38,000 per annum.

We have then capitalised this rent by 6% and deducted build costs at £50 psf and professional fees at 10% of total build costs.

We set out our valuation below:

All Risks Yield Valuation		
Aggregate Market Rent		£38,000
YP Perp @	6.00%	16.667
PV £1 @		1.000
		£633,333
<i>Less Build Costs @</i>	<i>£50 psf</i>	<i>-£53,800</i>
<i>Less Professional Fees @</i>	<i>10%</i>	<i>-£5,380</i>
Total Costs		-£59,180
Gross Valuation		£574,153
<i>Less Purchasers Costs @</i>		<i>-£26,725</i>
Net Valuation		£547,428
	Say	£545,000

Our opinion of the Property's Existing Use Value with Extra Floor is thus, **£545,000 (Five Hundred and Forty-Five Thousand Pounds)**.

Whilst the valuations of the EUV and EUV with Extra Floor show that there is reasonable value in the standing investments on the site and the future reletability prospects, these uses clearly do not maximise the site’s value given its size, location and amenities.

Thus, we have considered the Market Value of residential element alone and the Market Value of both the residential and commercial elements combined.

RESIDENTIAL MARKET VALUE

We have valued the Property using the comparable method of valuation.

In valuing the Property, we have taken into account the relevant development policy applicable to each comparable property which is dependent on the borough in which that property is located. Our schedule of comparable land sales is attached in [Appendix 2](#). Our evidence comprises development land sales predominantly with planning permission granted or outstanding taken from the London Boroughs of Camden and Islington. Both boroughs have their own different development policy with regard to affordable housing and the obligations of residential developers to meet those obligations as far as is practicable (with regard to cost and the overall feasibility of a development). For example, in Camden the target is 50% affordable housing for each new development of 25 dwellings or above with a ‘sliding scale’ system thereunder.

In the context of practicability, London is in the middle of a housing crisis and whilst the planning authorities will aim to meet their borough target policy, if enforcement of this ratio inhibits new homes being built, the authority will often make a compromise on the level of affordable housing that that scheme must provide.

We have illustrated our methodology below by using Camden’s affordable housing policy.

Camden’s development policy aims to achieve the following affordable housing splits for each new development:

Camden Private / Affordable Policy Target	
No. of Dwellings	Housing Policy
Developments with ≥ 25 additional dwellings	50% Private 30% Social Rented / 20% Intermediate
Developments between 11 and 24 additional dwellings	2% affordable per additional dwelling Affordable split - 60% Social Rented / 40% Intermediate
Developments with up to 10 additional dwellings	Payment in lieu

We have taken, as a starting point, the number of habitable rooms (“hab rooms”) confirmed in the area schedule within the planning documents and divided them into private and social / intermediate in line with the agreed Section 106 obligation for the respective development.

We have then adjusted our figures on the basis that social rented housing typically reflects zero / minimal contribution to land value in a development, private housing generates the largest contribution and intermediate housing contribution to land value may be midway between the two.

For example: the weighting for a compliant scheme of ≥ 25 additional dwellings is 120 (50% private $\times 2 = 100$, 30% affordable rent $\times 0 = 0$, 20% intermediate $\times 1 = 20$. Total 120) but for a private scheme would be 200 (100% $\times 2 = 200$). Therefore, we apply 120/200 or 60% to the actual price to get the adjusted price for a policy compliant affordable level.

We note that in a number of comparables, there is an element of commercial space which we deemed would skew the sales values. We have therefore accounted for this by calculating the commercial land value using a rent \times area and yield approach taking into account build costs, profit, contingency and fees and deducting the resultant value from the site sale price prior to any adjustments being made for housing policy.

Furthermore, where a scheme comprises less than 11 additional homes and is therefore below the threshold to require affordable housing provision, we have deducted the affordable housing payment in lieu from the site value to effectively arrive at the adjusted value for that comparable but maintaining 100% private housing scheme.

In arriving at our opinion of value, we have had regard to the attached schedule of land sales in the Property's local borough, Camden and the neighbouring borough of Islington.

The evidence reflects an adjusted unit value range of approximately £69,000 - £610,000 and an adjusted hab room value range of approximately £24,000 - £191,000.

Whilst we acknowledge that our evidence is wide ranging, we confirm that variances in values can be attributable to a large number of factors, predominantly the location of the scheme, both with regard to the desirability of the area in which it is situated and the scheme's distance from rail transport, the size, the scheme density (how many units can be built on the site) and the planning requirements for that site in accordance with local planning policy, for example the affordable housing obligation and indeed the requirement to provide ancillary commercial space. As discussed above in Valuation Methodology, we have accounted for the latter two of these factors in our analysis of our comparables and will thus, predominantly focus on the remaining determinants going forward.

Based on all six schemes, the results are as follows when averaged and applied to the number of units (14) and hab rooms (38) at Kentish Town:

Value based on units:	£3,392,318
Value based on habitable rooms:	£2,957,522

However, we note two schemes within our range show a particularly high level of return value based on units and hab rooms and so we did not feel these should be used in the analysis as they are out of kilter with the other results and may distort the figures upwards. These schemes are 10-11 King's Mews and The Old Dairy.

King's Mews is located in a particularly high value area of Camden, near Russell Square and Chancery Lane and therefore, reflects unit and hab room values in excess of any of the other schemes in our range.

The Old Dairy incorporates 5 x 3 bedroom houses which are also likely to skew the values upwards due to the generally higher desirability of houses compared with flats. Therefore, we have removed both of these from our range.

Based on the remaining four schemes, the results are as follows:

Value based on units:	£1,631,871
Value based on habitable rooms:	£1,565,598

Of the remaining comparables, we have had regard to the desirability of the respective localities and transport links, the scheme densities based on the hab rooms per acre and the scheme sizes. We will be adopting hab rooms as the basis of comparison going forward as this provides a more granular form of analysis.

Marine Ices shows the highest value of the remaining schemes on a per hab room basis at [£69,202](#), however, the comparable is located in Chalk Farm, a more desirable location than Kentish Town and is situated adjacent to Chalk Farm Underground Station. Furthermore, the scheme density is in excess of the Property at 573 hab rooms / acre compared with the Property's 458 / acre.

Therefore, we would expect the Property to reflect a discount against this scheme.

Holloway Road located in Islington, which is the only comparable located outside of Camden, reflects a value of [£30,598 / hab room](#). The unit is situated directly adjacent to Upper Holloway Overground Station and abuts the railway line and is therefore, situationally, relatively comparable to the Property. However, whilst there is limited evidence of new build sales in the immediate locality, through discussions with local agents and our in house Residential Valuation Department, we are of the view that Upper Holloway is moderately less desirable than Kentish Town. Therefore, coupled with the comparable's lower density, we would expect the Property to reflect a relative uplift.

The final two comparables are located almost adjacent to one another on Kilburn High Road, at numbers 254 and 246-248 and reflect hab room values of [£40,833](#) and [£24,167](#), respectively. We are of the view that Kilburn High Road and Kentish Town Road are relatively similar in terms of

desirability and thus, value. We note that, whilst the comparables are located slightly further from rail transport, we understand that the schemes are set back from the busy Kilburn High Road whereas the Property is located on a busy junction.

When assessing new build sales around Kilburn High Road, they generally reflect similar capital values to Kentish Town which underpins our view that the desirability of the two areas is reasonably comparable. Our schedule of comparable new build sales vales is attached in [Appendix 2](#). However, when assessing the densities of the comparable schemes, we note that 254 which has 437 hab rooms / acre is broadly in line with that of the Property at 458 / acre, whereas 246-248 is lower.

On balance, we are of the view that 254 Kilburn High Road provides reasonable evidence upon which to base our valuation.

In reaching our valuation, we have therefore adopted a value per hab room of **£41,000**. Applied to the Property's hab rooms of 38 provides a site value of **£1,558,000**.

However, we understand that Network Rail holds restrictive covenants over the Property, due to its location abutting the railway track. Thus, in order for the Property to be developed on, a payment must be made to Network Rail in the order of £450,000 for the removal of these covenants. We have deducted this payment together with an allowance for legal costs and insurance of £15,000 therefore totalling **£465,000** from our valuation as we deem it to be an abnormal cost.

Our opinion of the Property's Residential Market Value is thus, **£1,093,000**.

Say: **£1,100,000 (One Million and One Hundred Thousand Pounds)**.

RESIDENTIAL AND COMMERCIAL MARKET VALUE

The Property incorporates an element of commercial space at ground floor level for which we have undertaken a residual valuation and added it to our Residential Market Value.

In reaching our valuation, we have adopted the investment method to calculate our Gross Development Value.

We have assumed a market rental rate of **£40 psf** based on market research and discussions with agents which equates to a Market Rent of around **£64,000 per annum** based on the NIA area of the unit of 1,600 sq ft.

We have capitalised our adopted Market Rent at an all risks yield of 6% allowing for a rental void of 18 months, inclusive of a letting void of 6 months and a rent free period of 12 months. We have assumed a term certain of 10 years. We have also allowed for purchaser's costs to arrive at our Net Development Value ("NDV") of approximately **£1,000,000**.

Our residual site value forms approximately 25% of our NVD thus, equating to **£250,000**.

Adding this to our Residential Market Value equates to an aggregate value of **£1,350,000 (One Million Three Hundred and Fifty Thousand Pounds)**.

SOURCES OF INFORMATION

In addition to our own enquiries we have relied upon information provided to us by you and your representatives, in particular plans and approximate floor areas for the Proposed and Alternative Schemes.

LIABILITY AND PUBLICATION

This report is issued for your own use and that of your professional advisors for the specific purpose to which it refers. We do not accept responsibility to any third party for the whole or any part of its contents.

Neither the whole nor any part of this valuation or any reference thereto, may be included in any published document, circular or statement or disclosed in any way without our previous written consent to the form and context in which it may appear.

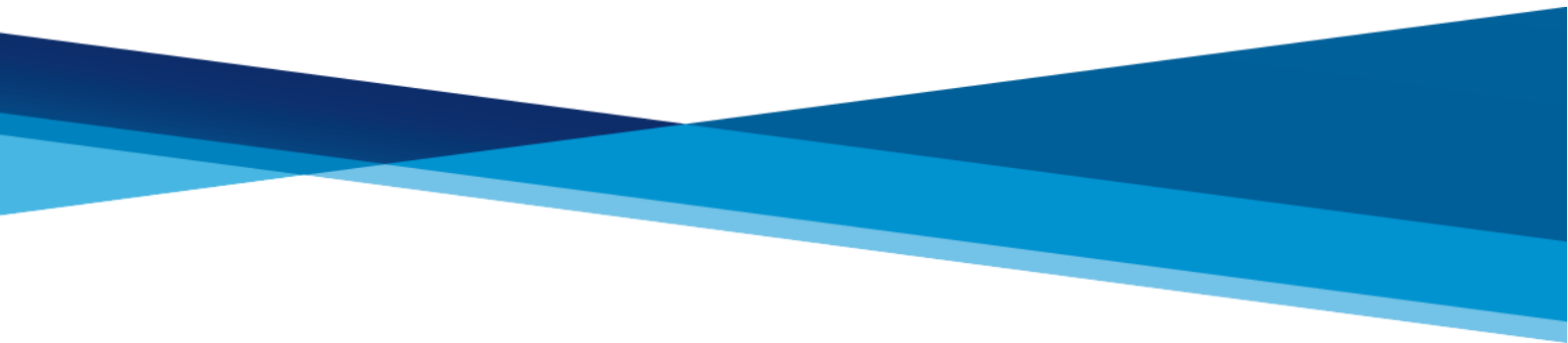
For the avoidance of doubt, this report is provided by Colliers International Valuation UK LLP and no partner, member or employee neither assumes any responsibility for it nor shall owe a duty of care in respect of it.

Yours faithfully

A handwritten signature in blue ink, appearing to read 'John Jones', with a horizontal line underneath.

John Jones BSc (Hons) FRICS
DIRECTOR OF VALUATION AND ADVISORY SERVICES

APPENDIX 1:
GENERAL ASSUMPTIONS AND
DEFINITIONS



GENERAL ASSUMPTIONS AND DEFINITIONS

Unless otherwise instructed, our valuations are carried out in accordance with the following assumptions, conditions and definitions. These form an integral part of our appointment.

Our Report and Valuation is provided in accordance with the RICS Valuation – Global Standards 2017 (Incorporating the IVSC International Valuation Standards) prepared by the Royal Institution of Chartered Surveyors (the “Red Book”), and with any agreed instructions. Any opinions of value are valid only at the valuation date and may not be achievable in the event of a future disposal or default, when both market conditions and the sale circumstances may be different.

Within the Report and Valuation, we make assumptions in relation to facts, conditions or situations that form part of the valuation. We assume that all information provided by the addressee of the report, any borrower or third party (as appropriate) in respect of the property is complete and correct. We assume that details of all matters relevant to value, such as prospective lettings, rent reviews, legislation and planning decisions, have been made available to us, and that such information is up to date. In the event that any of these assumptions prove to be incorrect then we reserve the right to review our opinion(s) of value.

VALUATION DEFINITIONS:

Market Value is defined in IVS 104 paragraph 30.1 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.’

The interpretative commentary on Market Value, within the International Valuation Standards (IVS), has been applied.

Valuations produced for capital gains tax, inheritance tax and Stamp Duty Land Tax / Land and Buildings Transaction Tax purposes will be based on the statutory definitions, which are written in similar terms and broadly define Market Value as:

‘The price which the property might reasonably be expected to fetch if sold in the open market at that time, but that price must not be assumed to be reduced on the grounds that the whole property is to be placed on the market at one and the same time.’

Market Rent is defined in IVS 104 paragraph 40.1 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.’

The appropriate lease terms will normally reflect current practice in the market in which the property is situated, although for certain purposes unusual terms may need to be stipulated. Unless stated otherwise within the report, our valuations have been based upon the assumption that the rent is to be assessed upon the premises as existing at the date of our inspection.

Investment Value or ‘Worth’, is defined in IVS 104 paragraph 60.1 as:

‘the value of an asset to a particular owner or prospective owner for individual investment or operational objectives.’

This is an entity-specific basis of value and reflects the circumstances and financial objectives of the entity for which the valuation is being produced. Investment value reflects the benefits received by an entity from holding the asset and does not necessarily involve a hypothetical exchange.

Fair Value is defined according to one of the definitions below, as applicable to the instructions.

Fair Value - International Accounting Standards Board (IASB) in IFRS 13.

'The price that would be received to sell an asset, or paid to transfer a liability, in an orderly transaction between market participants at the measurement date.'

Fair Value - UK Generally Accepted Accounting Principles (UK GAAP) adopts the FRS 102 definition:

"The amount for which an asset could be exchanged, a liability settled, or an equity instrument granted could be exchanged, between knowledgeable, willing parties in an arm's length transaction."

Existing Use Value is defined in UKVS 1.3 of the Red Book:

'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 wherein the parties had acted knowledgeably, prudently and without compulsion, assuming that the buyer is granted vacant possession of all parts of the asset required by the business and disregarding potential alternative uses and any other characteristics of the asset that would cause its Market Value to differ from that needed to replace the remaining service potential at least cost.'

SPECIAL ASSUMPTIONS

Where we are instructed to undertake valuations subject to a Special Assumption, these usually require certain assumptions to be made about a potential alternative use or status of the property. This is a hypothetical scenario that we consider realistic, relevant and valid as at the valuation date, but which may not necessarily be deliverable at a future date.

REINSTATEMENT / REPLACEMENT COST ASSESSMENT AND INSURANCE

If we provide a reinstatement cost assessment, we do not undertake a detailed cost appraisal and the figure is provided for guidance purposes only. It is not a valuation in accordance with the Red Book and is provided without liability. It must not be relied upon as the basis from which to obtain building insurance.

In arriving at our valuation we assume that the building is capable of being insured by reputable insurers at reasonable market rates. If, for any reason, insurance would be difficult to obtain or would be subject to an abnormally high premium, it may have an effect on costs.

PURCHASE AND SALE COSTS, SDLT, LBTT AND TAXATION

No allowance is made for legal fees or any other costs or expenses which would be incurred on the sale of the property. However, where appropriate, and in accordance with market practice for the asset type, we make deductions to reflect purchasers' acquisition costs. Trade-related properties are usually valued without deducting the costs of purchase. Where appropriate, purchasers' costs are calculated based on professional fees inclusive of VAT, together with the appropriate level of Stamp Duty Land Tax (SDLT) / Land and Buildings Transaction Tax (LBTT) / Land Transaction Tax (LTT).

Whilst we have regard to the general effects of taxation on market value, we do not take into account any liability for tax that may arise on a disposal, whether actual or notional, neither do we make any deduction for Capital Gains Tax, VAT or any other tax. We make no allowance for receipt or repayment of any grants or other funding.

PLANS, FLOOR AREAS AND MEASUREMENTS

Where a site plan is provided, this is for indicative purposes only and should not be relied upon. Site areas are obtained from third party sources, including electronic databases, and we are unable to warrant their accuracy. Our assumptions as to site boundaries / demise should be verified by your legal advisers. If any questions of doubt arise the matter should be raised with us so that we may review our valuation.

We obtain floor areas in accordance with our instructions. This may comprise one or more of the following approaches (i) we measure the floor areas during the property inspection (ii) we calculate floor areas from plans provided to us, supported by check measurements on site where possible, (iii) we rely upon floor areas provided. Under approaches (ii) and (iii), we wholly rely upon the information provided, and assume that the areas have been calculated in accordance with market standards. We are unable to provide any warranties as to accuracy.

Measurement is in accordance with the current edition of RICS Property Measurement. If we are instructed not to adopt International Property Measurement Standards (IPMS), measurements are provided in accordance with the latest version of the Code of Measuring Practice. We adopt the appropriate floor area basis for our valuation analysis to reflect the analysis of floor areas in the comparable transactions. Where the basis of analysis of a comparable is uncertain, we adopt a default assumption for that asset type.

Although every reasonable care is taken to ensure the accuracy of the surveys there may be occasions when due to tenant's fittings, or due to restricted access, professional estimations are required. We recommend that where possible, we are provided with scaled floor plans in order to cross-reference the measurements. In the event that a specialist measuring exercise is undertaken for the property, we recommend that a copy is forwarded to us in order that we may comment on whether there may be an impact on the reported value.

Floor areas set out in our report are provided for the purpose described in the Report and Valuation and are not to be used or relied upon for any other purpose.

CONDITION, STRUCTURE AND SERVICES, HARMFUL / DELETERIOUS MATERIALS, HEALTH & SAFETY LEGISLATION AND EPCS

Our Report and Valuation takes account of the general condition of the property as observed from the valuation inspection, and is subject to access. Where we have noticed items of disrepair during the course of our inspections, they are reflected in our valuations, unless otherwise stated.

We do not undertake any form of technical, building or deleterious material survey and it is a condition of our appointment that we will in no way review, or give warranties as to, the condition of the structure, foundations, soil and services. Unless we are supplied with evidence to the contrary, we assume that the property is fully in compliance with building regulations and is fully insurable. We assume it is free from any rot, infestation, adverse toxic chemical treatments, and structural or design defects. We assume that none of the materials commonly considered deleterious or harmful are included within the property, such as, inter alia, asbestos, high alumina cement concrete, calcium chloride as a drying agent, wood wool slabs as permanent shuttering, aluminium composite cladding material, polystyrene and polyurethane cladding insulation.

In the event that asbestos is identified in a property, we do not carry out an asbestos inspection, nor are we able to pass comment on the adequacy of any asbestos registers or management plans. Where relevant, we assume that

the property is being managed in full compliance with the Control of Asbestos Regulations 2012 and relevant HSE regulations, and that there is no requirement for immediate expenditure, nor any risk to health.

We do not test any services, drainage or service installations. We assume that all services, including gas, water, electricity and sewerage, are provided and are functioning satisfactorily.

We assume that the property has an economic life span similar to comparable properties in the market, subject to regular maintenance and repairs in accordance with appropriate asset management strategies.

We comment on the findings of Energy Performance Certificates (EPCs) and Display Energy Certificates (DECs) if they are made available to us, but may be unable to quantify any impact on value. If we are not provided with an EPC, we assume that if one was available, its rating would not have had a detrimental impact upon our opinion value or marketability.

Our valuations do not take account of any rights, obligations or liabilities, whether prospective or accrued, under the Defective Premises Act, 1972. Unless advised to the contrary, we assume that the properties comply with, and will continue to comply with, the current Health & Safety and Disability legislation.

We do not test any alarms or installations and assume that the property complies with, and will continue to comply with, fire regulations and the Smoke and Carbon Monoxide Alarm (England) Regulations 2015 legislation.

Where a specialist condition or structural survey is provided to us, we reflect the contents of the report in our valuation to the extent that we are able to as valuation surveyors, and our assumptions should be verified by the originating consultant. Should any issues subsequently be identified, we reserve the right to review our opinion of value.

GROUND CONDITIONS, ENVIRONMENTAL MATTERS, CONSTRAINTS AND FLOODING

We are not chartered environmental surveyors and we will not provide a formal environmental assessment. Our investigations are therefore limited to observations of fact, obtained from third party sources, such as local authorities, the Environment Agency and professional reports that may be commissioned for the valuation.

We do not carry out any soil, geological or other tests or surveys in order to ascertain the site conditions or other environmental conditions of the property. Unless stated to the contrary within the report, our valuation assumes that there are no unusual features that may be harmful to people or property, or that would inhibit the actual or assumed use or development of the property. This includes, inter alia: ground conditions and load bearing qualities, subterranean structures or services, contamination, pollutants, mining activity, sink holes, archaeological remains, radon gas, electromagnetic fields and power lines, invasive plants and protected species.

We do not undertake any investigations into flooding, other than is available from public sources or professional reports provided to us. Our findings are outlined in the report for information only, without reliance or warranty. We assume in our valuation that appropriate insurance is in place and may be renewed to any owner of the property by reputable insurers at reasonable market rates. If, for any reason, insurance would be difficult to obtain or would be subject to an abnormally high premium, it may have an effect on value.

Should our enquiries or any reports indicate the existence of environmental issues or other matters as described above, we expect them to contain appropriate actions and costings to address the issue. We rely on this information and use it as an assumption in our valuation. If such information is not available, we may not be able to provide an opinion of value.

We assume that the information and opinions we are given in order to prepare our valuation are complete and correct and that further investigations would not reveal more information sufficient to affect value. However, a purchaser in the market may undertake further investigations, and if these were unexpectedly to reveal issues, then this might reduce the values reported. We recommend that appropriately qualified and experienced specialists are instructed to review our report and revert to us if our assumptions are incorrect.

PLANT AND MACHINERY, FIXTURES AND FITTINGS

We disregard the value of all process related plant, machinery, fixtures and fittings, and those items which are in the nature of occupiers' trade fittings and equipment. We have regard to landlords' fixtures such as lifts, escalators, central heating and air conditioning forming an integral part of the buildings.

Where properties are valued as an operational entity and includes the fixtures and fittings, it is assumed that these are not subject to any hire purchase or lease agreements or any other claim on title.

No equipment or fixtures and fittings are tested in respect of Electrical Equipment Regulations and Gas Safety Regulations and we assume that where appropriate all such equipment meets the necessary legislation. Unless otherwise specifically mentioned the valuation excludes any value attributable to plant and machinery.

OPERATIONAL ENTITIES

Where the properties are valued as an operational entity and reference is made to the trading history or trading potential of the property, we place reliance on information supplied to us. Should this information subsequently prove to be inaccurate or unreliable, the valuations reported could be adversely affected. Our valuations do not make any allowance for goodwill.

TITLE, TENURE, OCCUPATIONAL AGREEMENTS AND COVENANTS

Unless otherwise stated, we do not inspect the Land Registry records, title deeds, leases or related legal documents and, unless otherwise disclosed to us, we assume good and marketable title that is free from onerous or restrictive covenants, rights of way and easements, and any other encumbrances or outgoings that may affect value. We disregard any mortgages (including regulated mortgages), debentures or other charges to which the property may be subject.

We assume that any ground rents, service charges other contributions are fair and proportionate, and are not subject to onerous increases or reviews.

Where we have not been supplied with leases, unless we have been advised to the contrary, we assume that all the leases are on a full repairing and insuring basis and that all rents are reviewed in an upwards direction only, at the intervals notified to us, to market rent. We assume that no questions of doubt arise as to the interpretation of the provisions within the leases giving effect to the rent reviews. We assume that wherever rent reviews or lease renewals are pending, all notices have been served validly within the appropriate time limits, and they will be settled according to the assumptions we set out within the reports.

Unless informed otherwise, we assume that all rents and other payments payable by virtue of the leases have been paid to date and there are no arrears of rent, service charge or other breaches in the obligations of occupation.

In the case of property that is let, our opinion of value is based on our assessment of the investment market's perception of the covenant strength of the occupier(s). This is arrived at in our capacity as valuation surveyors on the basis of information that is publicly available. We are not accountants or credit experts and we do not

undertake a detailed investigation into the financial status of the tenants. Our valuations reflect the type of tenants actually in occupation or responsible for meeting lease commitments, or likely to be in occupation, and the market's general perception of their creditworthiness. We provide no warranties as to covenant strength and recommend that you make your own detailed enquiries if your conclusions differ from our own.

Where we are provided with a report on title and/or occupational agreement, we form our opinion of value reflecting our interpretation of that title. Your legal advisers should review our understanding of the title and confirm that this is correct.

PLANNING, LICENSING, RATING AND STATUTORY ENQUIRIES

We undertake online planning enquiries to the extent that we consider reasonable and appropriate to the valuation. We do not make formal verbal or written enquiries to local authorities. If a professional planning report is provided to us, we will take the findings into account in our valuation but will not be accountable for the advice provided within it, nor any errors of interpretation or fact within the third party report.

We assume that the property is constructed, used and occupied in full compliance with the relevant planning and building regulation approvals and that there are no outstanding notices, conditions, breaches, contraventions, non-compliance, appeals, challenges or judicial review. We assume that all consents, licenses and permissions are in place, that there are no outstanding works or conditions required by lessors or statutory, local or other competent authorities, and that no adverse planning conditions or restrictions apply. If we are instructed to value property on the Special Assumption of having the benefit of a defined planning permission or license, we assume that it will not be appealed or challenged at any point prior to, or following, implementation.

Our investigations are limited to identifying material planning applications on the property and observable constraints. We seek to identify any proposals in the immediate vicinity that may have an impact on the property, such as highway proposals, comprehensive development schemes and other planning matters.

We seek to obtain rateable values and council tax banding from the statutory databases, where available. The 2017 rating revaluation has resulted in some significant increases in rateable values. This may have an impact on the marketability and value of a property, and on vacancy rates or landlord non recoverable costs. However, unless there is evidence to the contrary, we will make the express assumption that any changes are affordable to occupiers, or will be subject to appropriate transitional relief. We do not reflect the impact of any rating appeals in our valuations unless they are formally concluded.

Given that statutory information is obtained from third party sources, we are unable to provide any warranty or reliance as to its accuracy. Your legal advisers should verify our assumptions and revert to us if required.

VALUATIONS ASSUMING DEVELOPMENT, REFURBISHMENT OR REPOSITIONING

Unless specifically instructed to the contrary, where we are provided with development costs and construction schedules by the addressee, a borrower or an independent quantity surveyor, we rely on this information as an assumption in arriving at our opinion of value. It forms an assumption within our valuation and we accept no liability if the actual costs or programme differ from those assumed at the valuation date.

We are not quantity surveyors and provide no reliance as to construction costs or timescale. Irrespective of the source of this information, a professional quantity surveyor should review our assumptions and revert to us if there are any issues of doubt, so that we may review our opinion of value.

We additionally assume that a hypothetical market purchaser will have the necessary resources, skills and experience to deliver the proposed development. It is not within our scope to assess the credentials of any

actual purchaser, owner or developer of the property that is subject to our valuation. We accept no liability for any circumstances where a development or refurbishment does not achieve our concluded values.

If a property is in the course of development, our valuation assumes that the interest will be readily assignable to a market purchaser with all contractor and professional team warranties in place. Where an opinion of the completed development value is required, we assume that all works are completed in accordance with appropriate statutory and industry standards, and are institutionally acceptable.

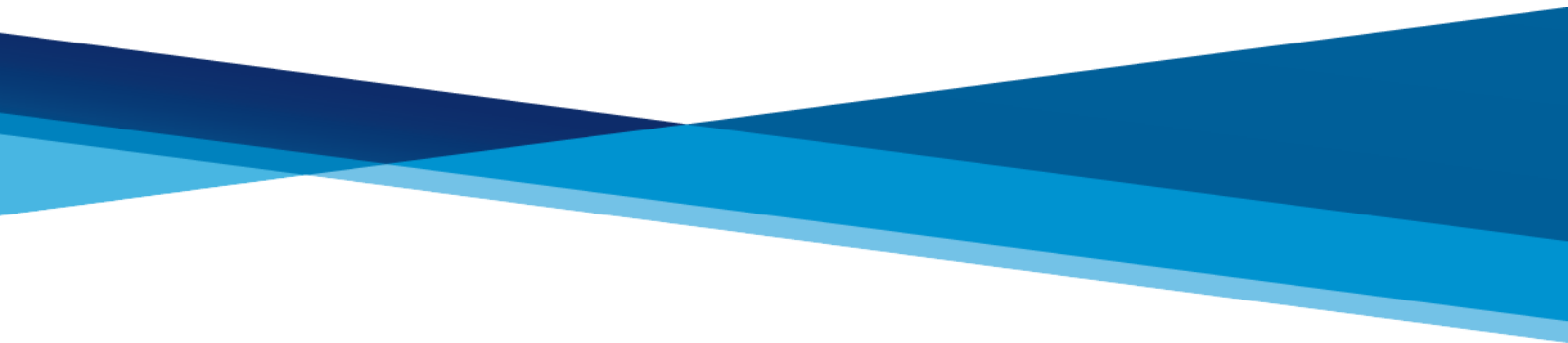
ALTERNATIVE INVESTMENT FUNDS

In the event that our appointment is from an entity to which the European Parliament and Council Directive 2011/61/EU ('the AIFMD'), which relates to Alternative Investment Fund Managers ('AIFM'), applies, our instructions are solely limited to providing recommendations on the value of particular property assets (subject to the assumptions set out in our valuation report) and we are therefore not determining the net asset value of either the Fund or the individual properties within the Fund. Accordingly, we are not acting as an 'external valuer' (as defined under the AIFMD) but are providing our service in the capacity of a 'valuation advisor' to the AIFM.

INTERPRETATION AND COMPREHENSION OF THE REPORT AND VALUATION

Real estate is a complex asset class that carries risk. Any addressee to whom we have permitted reliance on our Report and Valuation should have sufficient understanding to fully review and comprehend its contents and conclusions. We strongly recommend that any queries are raised with us within a reasonable period of receiving our Report and Valuation, so that we may satisfactorily address them.

APPENDIX 2:
COMPARABLE EVIDENCE



Land Sales											
Address	Date	Borough	Area (acres)	Sale Price	No. Units	No. Hab Rooms	Planning Details	AH Mix	% to Replicate Borough Policy	AH Discount Unit Value	AH Discount Hab Room Value
246-248, Kilburn High Road	Jul-18	Camden	0.2	£2,605,245	27	77	Granted: 2018. 9 x 1-bed, 13 x 2-bed, 5 x 3-bed.	Private: 84%. Intermediate: 16%.	71%	£68,922	£24,167
10-11, King's Mews	Jun-17	Camden	0.027	£3,200,000	5	16	Granted: 2015. 1 x 1-bed, 2 x 2-bed, 2 x 3-bed.	Private: 100%.	100% (AH payment in lieu)	£609,313	£190,410
724 Holloway Road	Jun-17	Islington	0.13	£4,800,000	10	28	Resolution to Grant: 2016. 3 x 1-bed, 6 x 2-bed, 1 x 3-bed. 19,397 sq ft of B1(a) office space.	Private: 100%.	58%	£85,675	£30,598
Marine Ices	Mar-17	Camden	0.089	£9,323,100	19	51	Granted: 2016. 8 x 1-bed, 9 x 2-bed, 2 x 3-bed. 11,367 sq ft flexible A1 / A3 / D2 space.	Private: 100%	70%	£185,571	£69,202
254, Kilburn High Road	Feb-17	Camden	0.423	£12,750,000	60	185	Granted: 2016. 14 x 1-bed, 27 x 2-bed, 19 x 3-bed. 10,279 sq ft of B1 / B8 space.	Private: 76%. Intermediate: 9%. Social Rented: 15%.	75%	£125,901	£40,833

Land Sales											
Address	Date	Borough	Area (acres)	Sale Price	No. Units	No. Hab Rooms	Planning Details	AH Mix	% to Replicate Borough Policy	AH Discount Unit Value	AH Discount Hab Room Value
The Old Dairy	Jan-17	Camden	0.48	£10,700,000	13	44	<p>Granted: 2015.</p> <p>1 x 2- bed houses, 7 x 2-bed flats, 4 x 3 bed house, 1 x 3-bed house.</p> <p>11,862 sq ft of B1 space.</p>	Private: 100%.	79%	£378,288	£111,767

NEW BUILD SALES VALUES

Kentish Town

2 Bedroom Evidence						
Address	Date	Floor Level	Area sq ft	Sale Price	£ psf	Comment
Maple Court, 39-51 Highgate Road	Current	3 rd	846	£845,000	£999	Situated approximately 0.2 miles to the northwest of the subject property. This is an office to residential conversion of a former warehouse of 50 residential units which completed at the end of 2016. The apartment is considered to be in a superior condition to the subject development given the extensive offering of facilities.
Maple Court, 39-51 Highgate Road	Current	3 rd	977	£925,000	£947	Situated approximately 0.2 miles to the northwest of the subject property. This is an office to residential conversion of a former warehouse of 50 residential units which completed at the end of 2016. The apartment is considered to be in a superior condition to the subject development given the extensive offering of facilities.
Flat 5, St Martin's Walk, Vicars Road, NW5 4PN	U/O	1 st	765	£600,000	£784	Situated 0.8 miles west of the Property. Poorer location surrounded by local authority housing. Balcony. Modern spec. new build.
Flat 4, St Martin's Walk, Vicars Road, NW5 4PN	U/O	1 st	753	£610,000	£810	Situated 0.8 miles west of the Property. Poorer location surrounded by local authority housing. Balcony. Modern spec. new build.
Apartment 4, Founders House, 180 Kentish Town Road, NW5 2AE	Jan-18	-	624	£550,000	£881	Founders House is an exclusive collection of just seven state-of-the-art luxury apartments situated in the heart of Kentish Town. The modern construction is located 0.3 miles south of the subject site.

2 Bedroom Evidence

Address	Date	Floor Level	Area sq ft	Sale Price	£ psf	Comment
108 Maple Court, 39-51 Highgate Road	Mar-18	1 st	844	£870,000	£1,030	Situated approximately 0.2 miles to the northwest of the subject property. This is an office to residential conversion of a former warehouse of 50 residential units which completed at the end of 2016. The apartment is considered to be in a superior condition to the subject development given the extensive offering of facilities.
113 Maple Court, 39-51 Highgate Road	Mar-18	1st	736	£775,000	£1,050	Situated approximately 0.2 miles to the northwest of the subject property. This is an office to residential conversion of a former warehouse of 50 residential units which completed at the end of 2016. The apartment is considered to be in a superior condition to the subject development given the extensive offering of facilities.

Kilburn High Road

2 Bedroom Evidence						
Address	Date	Floor Level	Area sq ft	Sale Price	£ psf	Comment
Iverson Road, West Hampstead, NW6	For Sale	3 rd	700	£700,000	£1,000	New build 2 bed flat. High Specification. Terrace. Located 0.2 miles from West Hampstead Underground Station.
Park Place, Kilburn Grange Park, NW6	For Sale	-	697	£715,000	£1,026	New build 2 bed flat. High specification. Park views. Terrace. Gym and concierge. Located 0.2 miles from Brondesbury Overground Station.
Park Place, Kilburn Grange Park, NW6	For Sale	-	752	£715,000	£951	New build 2 bed flat. High specification. Courtyard views. Terrace. Gym and concierge. Located 0.2 miles from Brondesbury Overground Station.
Park Place, Kilburn Grange Park, NW6	For Sale	-	714	£650,000	£910	New build 2 bed flat. High specification. Park views. Terrace. Gym and concierge. Located 0.2 miles from Brondesbury Overground Station.
Beckford Building, Heritage Lane, Kilburn Grange Park, NW6	For Sale	7 th	852	£911,000	£1,069	Large new build 2 bed flat. High specification. Large wrap around balcony. Located directly adjacent to West Hampstead Underground Station.