

# GEORGE F. WHITE



## VALUATION REPORT

INDUSTRIAL PREMISES AT KETTON WAY, AYCLIFFE INDUSTRIAL PARK, NEWTON AYCLIFFE,  
COUNTY DURHAM, DL5 6SQ

James Carruthers MRICS  
20 January 2022

CLIENT NAME	The Trustees of Ebac Retirement Benefit Scheme
CLIENT REF	NCL400738
SUBJECT PROPERTY	Industrial Premises at Ketton Way Aycliffe Industrial Park Newton Aycliffe County Durham DL5 6SQ
PURPOSE OF VALUATION	Pension scheme administration purposes
DATE	20 January 2022
VALUER	James Carruthers MRICS
CONTACT DETAILS	James Carruthers MRICS George F White LLP Arch 2 Westgate Road Newcastle Upon Tyne NE1 1SA  0333 920 2220  <a href="mailto:jamescarruthers@georgefwhite.co.uk">jamescarruthers@georgefwhite.co.uk</a>

**CONTENTS**

<b>1.0</b>	<b>Summary of Report and Valuation.....</b>	<b>1</b>
<b>2.0</b>	<b>Terms of Reference .....</b>	<b>1</b>
<b>3.0</b>	<b>Description .....</b>	<b>3</b>
<b>4.0</b>	<b>Valuation Factors and Considerations.....</b>	<b>8</b>
<b>5.0</b>	<b>Valuation.....</b>	<b>15</b>
<b>6.0</b>	<b>RICS Valuer Registration Scheme .....</b>	<b>15</b>

**APPENDICES**

Appendix A	Letter confirming Terms of Engagement
Appendix B	Location Plan
Appendix C	Site Plan
Appendix D	Photographs
Appendix E	Title Documents
Appendix F	Lease Agreement
Appendix G	Flood Risk Map
Appendix H	Radon Gas Map
Appendix I	Market Evidence
Appendix J	Valuation Calculations



## 1.0 Summary of Report and Valuation

- 1.1 The Subject Property consists of a manufacturing/production facility situated on Ketton Way in Aycliffe Industrial Park at Newton Aycliffe, County Durham.
- 1.2 The Subject Property is to be valued for pension scheme administration purposes.
- 1.3 Taking into account all factors disclosed in this Report it is estimated that the Market Value for the Subject Property as at the 20 January 2022 is in the region of **£4,620,000 (Four million six hundred and twenty thousand pounds)**

## 2.0 Terms of Reference

### 2.1 Instructions

Instructions were received from Graham Currie on behalf of The Trustees of Ebac Retirement Benefit Scheme on the 20 January 2022.

Instructions were accepted and confirmed by James Carruthers MRICS by letter dated 20 January 2022. A copy of this letter is attached as **Appendix A**. The Terms of Engagement set out the following:-

- i) General Assumptions,
- ii) Assumptions on extent of Valuer's investigations
- iii) Assumptions on sources of information relied upon
- iv) Restrictions on publication and exclusion of liability to parties other than the stated client.
- v) Property classification, Disclosure, Valuer's details and competence, basis of fee..

### 2.2 Addressee/Client/Other Intended Users

This report is prepared for The Trustees of Ebac Retirement Benefit Scheme.

### 2.3 Subject of the Valuation

The subject of the valuation is Industrial Premises at Ketton Way, Aycliffe Industrial Park, Newton Aycliffe, County Durham, herein referred to as the Subject Property.

### 2.4 Interest valued and purpose of Valuation

The freehold interest of the Subject Property is to be valued for pension scheme administration purposes.

### 2.5 Basis of Value

The basis of value is Market Value, which is defined 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 wherein the parties had each acted knowledgeably, prudently and without compulsion".

## 2.6 Valuation Date

The property is valued as at the date of instruction. Instructions were issued on 20 January 2022.

The Subject Property was inspected on 26 February 2015. The Valuer has been informed that there has been no material change in the Subject Property since the date of the last inspection.

## 2.7 Measurements

It is confirmed that all measurements have been taken in accordance with RICS Property Measurement 2<sup>nd</sup> Edition {incorporating RICS Code of Measuring Practice 6th Edition}, where applicable.

## 2.8 Sources of information relied upon

In preparing the valuation the Valuer has relied upon information provided by:-

- i) The Client;
- ii) Land Registry;
- iii) Durham County Council;
- iv) Valuation Office Agency;
- v) CoStar Commercial Property Database;

It is important to note that any information provided by the client will be deemed to be reliable and used by the Valuer unless agreed otherwise.

No documentary or verbal searches will be undertaken to confirm information provided other than those specifically mentioned in the Valuation Report.

## 2.9 Disclosure & Statement of Valuer Status

George F White LLP have previously provided professional valuation advice in respect of the subject property. However, it is not considered that this prior involvement will inhibit the capacity to carry out our valuation in accordance with the RICS Valuation Global Standards 2020.

The valuation has been carried out by James Carruthers MRICS in accordance with RICS Global Standards 2020.

It is confirmed that James Carruthers MRICS is carrying out the valuation as an external Valuer, as defined by the RICS Valuation Global Standards 2020.

It is confirmed that the Valuer has the knowledge, skills and understanding of carrying out valuations for the specified property type, to undertake the valuation competently.

## 2.10 Special Instructions

No special instructions were issued in respect of this valuation.

## 2.11 Special Assumptions

No special assumptions have been made in the preparation of this valuation.

## 2.12 Reservations or Departures

No reservations or departures from the initial instructions or from RICS Valuation Global Standards 2020 have been required in respect of this valuation report.

## 2.13 General Assumptions and Extent of Investigations

Attention is drawn to the general assumptions and assumptions on extent of investigations in the terms of engagement contained within **Appendix A** of this report.

## 3.0 Description

### 3.1 Situation

The Subject Property is situated on Ketton Way in Aycliffe Industrial Park at Newton Aycliffe, County Durham. The Subject Property is centred on Ordnance Survey grid reference NZ 276 226.

The Subject Property is located approximately 0.5 miles from the A167 public highway. The Subject Property has direct frontage on to Menom Road and Ketton Way, which feed in to the A167 via Durham Way and Heighington Street.

Land uses within the locality are characterised by commercial, industrial and retail functions, although residential land uses are prevalent within Newton Aycliffe itself.

A Location Plan is enclosed as **Appendix B**

### 3.2 Property Description

The Subject Property consists of a manufacturing/production facility of solid brick construction that was erected in 1984.

The property includes two-storey office premises, situated along the eastern elevation of the property. The main production area lies behind the office accommodation and benefits from 3 loading bays, each with roller shutter access.

Externally the property benefits from a hard-standing yard area to the western elevations, together with car-parking provision for approximately 150 vehicles.

Title details for the Subject Property are available on title number DU124750.

A Site Plan is enclosed as **Appendix C**

Photographs taken during the inspection of the Subject Property are enclosed as **Appendix D**.

### 3.3 Dwellings/Buildings

#### 3.3.1 Construction

The office premises which are incorporated within the Subject Property are of brick construction under a flat steel roof.

The manufacturing/production facility component of the Subject Property is of steel portal frame construction with profile sheet cladding and roofing.

Part of the facility has an elevated eaves height relative to the remainder of the property, enabling large cranes and other items of large plant and machinery to be housed within.

### 3.3.2 State of Repair

No structural survey has been conducted; however on inspection, the Subject Property appeared to be in sound structural condition.

### 3.3.4 Internal Accommodation

The internal accommodation of the Subject Property briefly comprises of the following:-

#### Ground Floor

Manufacturing/production facility (incorporates storage areas, welfare facilities, assembly areas etc.)  
– 66,758.63ft<sup>2</sup>;

Manufacturing/production facility (incorporates storage areas, welfare facilities, assembly areas etc.)  
– 90,546.87ft<sup>2</sup>;

Manufacturing/production facility (incorporates storage areas, welfare facilities, assembly areas etc.)  
– 4,452.28ft<sup>2</sup>;

Works Office – 879.84ft<sup>2</sup>;

Office space – 3,672.97ft<sup>2</sup>;

Office space – 9,492.58ft<sup>2</sup>;

#### First Floor

Mezzanine storage area – 3,656.50ft<sup>2</sup>;

Office space – 3,059.10ft<sup>2</sup>;

Office space – 4,607.81ft<sup>2</sup>;

Floorplans for the Subject Property are included within **Appendix E**.

### 3.4 Land

The site in which the Subject Property is located, extends across an area of approximately 9.3 acres, which includes the footprint of premises, together with the car-parking facilities and cargo yard which are also incorporated within the property.

### 3.5 Access

The Subject Property is situated directly adjacent to Ketton Way and is accessed accordingly.

The property has the benefit of an external car park, set to hard-standing, which provides parking facilities for approximately 150 vehicles.

### 3.6 Tenure

The freehold interest in the Subject Property is held on Land Registry title DU124750.

The proprietors of this title are John Clifford Laverick, John Malcolm Elliott, Pamela Petty and Amanda Hird.

A copy of the title documents for the Subject Property are enclosed as **Appendix E**



### 3.4 Tenancies

The Subject Property is let by the parties listed in section 3.6 above, to Ebac Limited on a 15-year lease which commenced on 15 April 2010, leaving an unexpired term of approximately 3.73 years.

The passing rent is £327,472 per annum.

The lease contains provision for a rent review in 2015 and every fifth anniversary thereafter during the contractual term of the lease.

The lease is on a Full Repairing and Insuring basis.

The lease agreement contains a clause prohibiting alienation of the lease.

The lease contains a user clause that stipulates the premises must not be used for the purposes of any auction sale, any dangerous noxious noisy or offensive trade business manufacture or occupation or for any illegal or immoral act or purpose. Nor must the Tenant use the premises as sleeping accommodation or for residential purposes and the Tenant shall not allow or permit any caravans to be stored or kept on the premises.

The Tenant must not make any application for planning permission without the prior written consent of the Landlord, such consent is not to be unreasonably withheld or delayed.

At the end of the term the Tenant must yield up the premises with vacant possession, decorated and repaired in accordance with the condition required by the provisions of the lease.

The Landlord reserves the right to determine the contractual term of the lease subject to 3 months written notice served on the Tenant by the Landlord.

A copy of the lease is enclosed as **Appendix F**

### 3.5 Third Party Rights/Easements/Wayleaves

After consultation of the title documents for the Subject Property, the Valuer is aware of the following third party rights in respect of the Subject Property:-

As to the land edged blue on the title plan, enclosed within **Appendix E** the Registered Proprietor shall not be or become entitled to any right of access of light or air or other easement or right which will restrict or interfere with the full and free use and enjoyment of the adjoining or neighbouring property.

The property is subject to the matters contained in Agreement for sale dated 31 January 1951 made between (1) The Board of Trade (2) North Eastern Trading Estates Limited and (3) The North Eastern Electricity Board.

The property is subject to the term of 50 years from 31 March 1948 to such rights in respect of electricity supply to the Aycliffe Trading Estate as are granted by a Lease of substations on the said estate dated 2 April 1951 made between (1) North Eastern Trading Estates Limited and (2) The North Eastern Electricity Board.

The property is subject to the rights granted by a Grant of Easement dated 1 October 1952 made between (1) North Eastern Trading Estates Limited and (2) Northern Gas Board.

The property is subject to the rights granted by a Deed dated 20 April 1966 made between (1) The Board of Trade (2) The Industrial Estates Management Corporation for England and (3) Durham County Water Board in respect of a water main.

The property is also subject to the rights granted by a Deed of Grant dated 10 January 1969 made between (1) The English Industrial Estates Corporation and (2) Durham County Water Board.

A Conveyance of the property dated 30 January 1981 made between (1) Aycliffe Development Corporation (Vendor) and (2) Schott Industrial Glass Limited (Purchaser) contains the following rights:-

a) The right to the Vendor and all others authorised by the Vendor or entitled thereto to the free running of water soil gas and electricity and any other service or supply through the sewers drains channels pipes wires and cables now laid or to be laid under the property with liberty for the Vendor and others authorised by the Vendor or entitled thereto to enter thereon and to make connections with repair renew maintain inspect or cleanse all or any of such sewers drains channels pipes wires and cables for the purpose of exercising such right but always subject to the person exercising such right making good any damage caused to the property thereby; without prejudice to the rights liberties and powers of any public utility or other public authority which may have mains or apparatus within or near to the property (but with the benefit so as the Vendor can transfer the same and so far as it relates to the property of any rights of compensation which may arise out of the exercise of such rights liberties and powers).

b) The right to the Vendor and all others authorised by the Vendor or entitled thereto at all reasonable times to enter the property for the purpose of inspecting the state and condition of or repairing rebuilding or maintaining adjoining premises or adjoining roadways but always subject to the person exercising such right making good any damage caused to the property thereby.

The right to the Vendor notwithstanding anything to the contrary herein to deal with the Vendor's other lands in such parcels and upon such terms and conditions and subject to or free from any restrictions as the Vendor may think fit and the Purchaser shall not be released from any of the covenants and stipulations herein nor shall the right of the Vendor to enforce any such covenants and stipulations be affected in any way by reason that the Vendor's other lands shall have been sold or demised or contracted to be sold or demised without covenants and stipulations similar to those contained herein or that such other lands of the Vendor are being used in a manner and for a purpose inconsistent with the covenants and stipulations herein and the Purchaser shall not be entitled to inspect any assurance executed by the Vendor in favour of any other Purchaser.

The Purchaser shall not be or become entitled to any right of access of light or air or other easement or right which will restrict or interfere with the full and free use and enjoyment of the adjoining or neighbouring property of the Vendor.

All rights wayleaves easements quasi easements and quasi privileges howsoever affecting the property and all matters or things registered or capable of registration in the appropriate Registers of Local Land Charges.

Furthermore, the property is subject to such rights in respect of street lighting on the Aycliffe Trading Estate as granted by a Deed of Grant dated 8 March 1985 made between (1) Aycliffe Development Corporation and (2) The County Council of Durham.

After consultation of the Definitive Map for County Durham, the Valuer has not been made aware of any other third party rights to have been established upon the Subject Property.

### 3.6 Clawbacks/Restrictive Covenants

After consultation of the title documents for the Subject Property, the Valuer is aware that the property is subject to the following clawbacks and restrictive covenants:-

No disposition by a sole proprietor of the registered estate (except a trust corporation) under which capital money arises is to be registered unless authorised by an order of the court.

No disposition by the proprietors of the registered estate is to be registered unless one or more of them makes a statutory declaration or statement of truth, or their conveyancer gives a certificate, that the disposition is in accordance with a Declaration of Trust dated 12 April 2010 made between (1) John Clifford Laverick and others and (2) Margaret Rose Elliott or some variation thereof referred to in the declaration, statement or certificate.

A Grant of Easement dated 1 October 1952 made between (1) North Eastern Trading Estates Limited and (2) Northern Gas Board contains a restrictive condition.

A Deed dated 20 April 1966 made between (1) The Board of Trade (2) The Industrial Estates Management Corporation for England and (3) Durham County Water Board in respect of a water main, contains restrictive covenants.

A Deed of Grant dated 10 January 1969 made between (1) The English Industrial Estates Corporation and (2) Durham County Water Board, contains restrictive covenants.

A Deed of Grant dated 8 March 1985 made between (1) Aycliffe Development Corporation and (2) The County Council of Durham, contains restrictive covenants.

A Conveyance of the property dated 7 May 1985 made between (1) Aycliffe Development Corporation and (2) Schott Industrial Glass Limited contains restrictive covenants.

A Conveyance of the property dated 15 October 1986 made between (1) Aycliffe and Peterlee Development Corporation and (2) Schott Industrial Glass Limited contains restrictive covenants.

A Transfer of the property dated 30 April 1992 made between (1) Aycliffe and Peterlee Development Company Limited and (2) Schott Industrial Glass Limited contains restrictive covenants.

A Conveyance of the property dated 30 January 1981 made between (1) Aycliffe Development Corporation (Vendor) and (2) Schott Industrial Glass Limited (Purchaser) contains the following restrictive covenants:-

The Purchaser hereby covenants with the Vendor to the intent that the burden of this covenant may run with and bind the property and every part thereof and to the intent that the benefit thereof may be annexed to and run with the adjoining or neighbouring property of the Vendor on the Aycliffe Industrial Estate and every part thereof that it will observe and perform the covenants and stipulations hereto provided that the Vendor shall have power from time to time to waive or release any such covenants and stipulations by a deed or deeds.

1) Not to construct any building erection structure or works (except works which do not in any way affect the external appearance or structure of the property or services serving or capable of serving adjoining or other properties) at any time or of any nature whatsoever or in or under the property or any part thereof without first obtaining the consent in writing of the Vendor (such consent not to be unreasonably withheld) to the plans details and specifications thereof

nor to make any subsequent alteration in or addition to any such building erection structure or works at any time constructed on the property (except as aforesaid) without obtaining the like consent of the Vendor such consent not to be unreasonably withheld provided that unless the decision of the Vendor in response to any detailed application for consent made by the Purchaser under the provisions of this covenant shall have been communicated to the Purchaser by the expiration of the period of three months following the date of the submission of such detailed application or the period of two weeks following the grant to the Purchaser of planning permission for the carrying out of the works the subject of such detailed application

(whichever shall be the later) then the Vendor's consent to the said works shall be deemed to have been granted pursuant to the provisions of this covenant.

2) To maintain decorate and repair the exterior of every approved building erection structure or works on the property to the reasonable satisfaction of the Vendor.

3) Without prejudice to the generality of the foregoing covenants not without the previous consent in writing of the Vendor to erect upon the property any external television or other aerial.

4) Whilst any part of the property remains undeveloped or as a lawn garden ground or planted area to lay out and maintain the same in a neat and tidy condition to the reasonable satisfaction of the Vendor.

5) Not at any time to display any externally visible advertisement notice or sign on the property without the previous consent in writing of the Vendor provided that consent shall not be unreasonably withheld to the appearance of any notice or sign which displays only the name and or Company logo of the Purchaser or of the occupier of any building forming part of the property.

6) Not to permit the discharge of any oil grease hot liquid or other deleterious substance from the property into any sewer drain channel or pipe without the permission of the relevant authority and where any such sewer drain channel or pipe transmits any substance whether directly or indirectly into a sewer drain channel or pipe of the Vendor without the permission of the Vendor.

7) Not to use or permit the property or any part thereof to be used otherwise than for industrial purposes falling within Use Classes III and IV specified to the Town and Country Planning (Use Classes Order) 1972.

8) Without prejudice to the generality of the foregoing covenant not to use or permit the property or any part thereof to be used as a base for carrying on any branch of street trading.

9) Not to form any refuse dump or rubbish or scrap heap on the property except in an enclosure which shall have been specifically provided for that purpose with the previous written approval of the Vendor and to remove not less frequently than once a month all refuse

rubbish and scrap which may have accumulated on the property and all used tins cans boxes and other containers thereon.

10) To pay to the Vendor from time to time upon production of a certificate by the Vendor's Chief Finance Officer or other authorised agent for the time being an amount equivalent to 0.39 per centum of all the costs charges and expenses of and arising from the making repairing renewing maintaining inspecting and cleansing all roads paths sewers drains watercourses channels pipes wires and cables and other conveniences on the Aycliffe Industrial Estate (other than those (if any) maintainable at the public expense.)

The Valuer has not been made aware of any other clawbacks or restrictive covenants in place in respect of the Subject Property.

### 3.7 Local Taxation

#### 3.7.1 Council Tax

The Subject Property does not incorporate any residential dwellings, as such no Council Tax is payable in respect of the Subject Property.

#### 3.7.2 Business Rates

The Subject Property is registered for Business Rates. The payable authority is Durham County Council.

The rateable value of the property is £330,000.

## 4.0 Valuation Factors and Considerations

### 4.1 Position and Location

The Subject Property is located in a prominent commercial location in County Durham.

The Subject Property is accessible from the A167 public highway, enabling good access to the site from throughout the north-east region.

Durham is located approximately 19 miles away, whilst Newcastle upon Tyne is located approximately 34 miles away, both of which offer a range of services and facilities.

#### 4.2 Condition of subject property/buildings

Attention is drawn to general assumptions and assumptions on extent of investigations in the terms of engagement contained within **Appendix A** of this report.

#### 4.3 Town Planning & Other Statutory Matters

##### 4.3.1 Planning

The Local Planning Authority is Durham County Council.

The planning history of the Subject Property is as follows:-

7/2008/0126/DM - Erection of smoking shelter – Approved 12 May 2008;

7/2002/0654/DM - Erection of compressor house to rear of premises – Approved 24 December 2002;

7/1998/0101/DM - Display of 1. Projecting box illuminated sign 2. 3no. Non-illuminated directional signs 3. Non-illuminated main entrance sign – Approved 20 April 1998.

The Valuer has not been made aware of any outstanding planning matters in respect of the Subject Property.

The Valuer has assumed there are no development proposals within the locality that would have a detrimental impact upon the valuation of the Subject Property.

##### 4.3.2 Highways

The Subject Property is located approximately 0.5 miles from the A167 public highway, whilst Junction 59 of the A1/M is located approximately 1.5 miles to the south-east of the Subject Property.

##### 4.3.3 Fire Regulations

The Regulatory Reform (Fire Safety) Order affecting all non-domestic premises in England and Wales came into force on 1 October 2006. This new legislation has removed the requirement of Fire Certificates for non-domestic property. Now the person responsible for the premises will be required to carry out their own risk assessment to identify the fire precautions which are required to be in place.

To accompany the legislation the Government has developed specific information guides for each type of premises which sets out the guidance on the requirements and carrying out a Fire Risk Assessment.

We have not had sight of any Fire Risk Assessment, however the property has the benefit of a number of personnel fire exits, external fire assembly points, fire extinguishers and fire alarms positioned throughout the premises.

In light of which the Valuer does not consider there to be any material valuation considerations to arise from the fire regulations.

##### 4.3.4 Control of Asbestos at Work Act

The Control of Asbestos Regulations 2012 came into force on 6 April 2012. Under the regulations, if existing asbestos containing materials are in good condition and are not likely to be damaged, they may be left in place; their condition monitored and managed to ensure they are not disturbed.

Furthermore, parties responsible for the maintenance of non-domestic premises have a duty to manage any asbestos found within them, to protect anyone using or working in the premises from the risks to health that exposure to asbestos causes.

Any building or maintenance work in premises, or on plant or equipment that might contain asbestos, requires identification of where it is and its type and condition; an assessment of the risks, as well as managing and controlling these risks.

In the majority of cases, work with asbestos needs to be done by a licensed contractor. Where this is not the case, non-licensed asbestos work still requires effective controls and should nevertheless be carried out by suitably trained parties.

Additionally, since 6 April 2012 it has also been required that brief written records should be kept of non-licensed work, which has to be notified e.g. copy of the notification with a list of workers on the job, plus the level of likely exposure of those workers to asbestos.

On inspection of the Subject Property, there was no evidence of any asbestos in situ upon or within the Subject Property.

As such, the Valuer does not consider that there will be any material valuation considerations to arise from this Act.

#### 4.3.5 Disability Discrimination Act

The Disability Discrimination Act is a piece of legislation that promotes civil rights for disabled people and protects disabled people from discrimination.

The Act imposes statutory duties to prevent unfair discrimination against disabled people.

From our inspection of the property there do not appear to be any valuation issues resulting from the Disability Discrimination Act.

#### 4.3.6 Offices, Shops and Railways Premises Act

The Offices, Shops and Railways Premises Act is a piece of legislation which seeks to ensure that the health, safety and welfare of those people employed to work in offices and shops is provided for.

From the inspection of the Subject Property there appeared to be adequate provision of welfare facilities including a number of wash-rooms and first aid room.

In light of which the Valuer does not consider there to be any material valuation considerations to arise from this legislation.

#### 4.3.7 Statutory Designations

The Subject Property is designated as being within a SSSI Impact Risk Zone. A SSSI Impact Risk Zone is a defined area around a local Site of Special Scientific Interest. The purpose of the designation is to assess the sensitivity of the SSSI in relation to development proposals within the locality. The nearest SSSI is an area of standing water, and as such, the Valuer does not consider the SSSI has any significant effect on the value of the Subject Property.

The Valuer has not been made aware of any other statutory designations in place in respect of the Subject Property.

#### 4.4 Environmental Considerations

##### 4.4.1 Contamination

There was no evidence of any contamination during the external visual inspection of the Subject Property.

However, no investigations have been undertaken on the site in the form of any geotechnic report to determine the suitability of ground conditions or services for any new developments.

##### 4.4.2 Flood Risk

According to flood risk data provided by the Environment Agency, the Subject Property is not situated in an area which is considered to be at risk of flooding from fluvial sources.

However, part of the Subject Property is classified as having a low risk of flooding from surface water sources. A Low risk is defined as a probability of between 1 in 1000 (0.1%) and 1 in 100 (1%) of a flood event occurring.

This flood risk is situated predominantly on the car-park and cargo yard areas of the Subject Property, rather than the buildings. As such, given the areas affected by this level of flood risk, the Valuer considers that the impact on the valuation of the Subject Property is minimal.

Flood Risk Maps for the Subject Property are enclosed as **Appendix G**

##### 4.4.3 Radon Gas

The Subject Property is located in an area in which between 0% and 1% of properties are at, or above, the UK Radon Gas Action Level.

A Radon Gas Map is enclosed as **Appendix H**

##### 4.4.4 Energy Performance Certificate

Under Regulations, dated 6th April 2008 the Government required an Energy Performance Certificate (EPC) to be produced for the property transactions including the sale, rent or construction of non-residential properties with floor-area in excess of 50sqm.

The Energy Act 2011 introduced legislation that makes it unlawful to rent a property which has an "F or G" energy efficiency rating, which has taken effect from 1 April 2018.

After consultation of the Landmark EPC Register, it is apparent that no Energy Performance Certificate has been commissioned in respect of the Subject Property. It is advised that an EPC Report is carried out prior to the property undergoing any transactions in order to comply with regulations.

This valuation report has been prepared on the basis that an EPC would be provided in the event of a sale in the accordance with the aforementioned legislation.

Furthermore, it is conceivable that in the future, the minimum energy efficiency rating could be made more stringent.

From a valuation perspective, sustainability is likely to be a long term issue and its relative importance will change over time. Our valuation provides our opinion of value at the valuation date based on market related factors at that date.

## 4.5 Valuation Approach and Reasoning

### 4.5.1 Market Factors

According to the latest RICS Commercial Market Survey; the results suggest conditions remain polarised across different portions of the real estate market. While already strong twelve-month projections were further upgraded in the industrial sector, offices and retail continue to struggle, with the situation not helped by the surge in Covid cases seen during the latest survey period.

During Q4, the headline net balance for occupier demand came in at +16%, similar to the reading of +18% returned previously. That said, across the three traditional sectors, only industrials posted a positive reading for tenant demand, with the net balance standing at +61%.

Meanwhile, the comparable readings were -3% for offices and -21% for retail. With respect to offices, this latest figure marks a slight setback from a modestly positive trend cited in Q3 (+7%), with respondents pointing to the rapid spread of the omicron variant as a negative influence this quarter.

Looking at the longer term, some additional questions were included to further examine structural changes sweeping the office sector as a result of the pandemic. Importantly, when asked if office space is still essential for a company to operate successfully, 66% of respondents replied 'yes', while 29% felt otherwise (the remaining 5% did not have an opinion). Alongside this, 76% of contributors report that they are seeing a relative increase in demand for flexible and more local workspaces compared to only 13% who replied negatively. When asked if space allocation per desk had increased in the wake of the pandemic, 69% reported that more space has been allotted to individual desks. Notwithstanding the general perception that offices are still essential for businesses, 87% of respondents also report seeing re-purposing of office space for other uses, with 15% highlighting that this is occurring in significant volumes.

Turning to the rental outlook, respondents foresee a modest pick-up in prime office rents over the coming twelve months (+1%), while rents for secondary office space are anticipated to fall by around 3% (both similar reading to the Q3 results). Across the other market sectors, industrial rents are projected to rise by around +7% over the year ahead, the strongest expectations returned since this series was formed in 2014. On the same basis, secondary industrial rents are seen rising by 4%. Expectations remain negative for retail, with prime rents envisaged falling by 3% while secondary rents expected to see a near 6% decline. From a broad regional perspective, the only noticeable differences from the national averages are seen in the office sector. Indeed, prime office rents in London and the south are expected to edge higher over the year to come, while the Midlands and the North exhibit flat projections.

In the investment market, a headline net balance of +19% of respondents cited an increase in buyer enquiries during Q4, albeit this was mainly driven by the industrial sector (net balance +58%). Even so, there was a marginal pickup reported for offices (net balance +5%) meaning this indicator has been out of negative territory in each of the last two reports. The headline overseas enquiries metric was also in positive territory, albeit only modestly, for the third consecutive quarter.

Twelve-month capital value expectations continued to strengthen across both prime and secondary portions of the industrial sector. At the same time, prime office values are expected to see a small uplift although a negative trend is still anticipated for secondary. At the weaker end of the spectrum, retail capital value expectations remain negative across the board.



#### 4.5.2 Methodology

The Subject Property has been valued using a combination of the Comparative and Investment methods of valuation.

The rationale behind valuing the Subject Property with these methods is provided in section 4.5.3 below.

#### 4.5.3 Comparable Evidence

The market evidence which the Valuer has relied upon in formulating their opinion on value is provided in the schedule enclosed within **Appendix I**

#### 4.5.4 Rationale

As set out in section 3.4 above; as at the valuation date, the Subject Property is subject an occupational Lease with a remaining unexpired term of approximately 3.73 years.

The Subject Property has therefore been valued, subject to its existing use and lease terms, using the Investment Method of Valuation, wherein the capital value of the property is determined by the rental income that arises from the property.

Under this method, the passing rental value of the property, £327,472 per annum, has initially been capitalised using a multiplier of 2.83, to reflect a yield of 6.5% over the next 3.73 years of the lease before the lease term expires. The Valuer considers 6.5% to be a reasonable rate of return for commercial properties of this type, with very strong tenant covenant, in light of the current state of the commercial property market; having had regard to the level of yields which have been achieved by similar commercial premises elsewhere in the market. Where the observable level of yields have recently been in the region of 6% - 15% or thereabouts.

In regards to the reversionary value of the Subject Property, once the lease has determined, the Valuer has adopted the Comparative method of valuation to assess the market rent of the Subject Property. Wherein recent rental transactions within the locality have been analysed and weighted in conjunction with factors outlined in this report.

The evidence provides values ranging from £0.11/ft<sup>2</sup> to £6.20/ft<sup>2</sup>. The most recent transaction was the letting of Unit 1 Durham Way South at Newton Aycliffe in October 2021, for which the achieved rental value equated to £3.88 per ft<sup>2</sup>. Although it is important to note that these premises are of substantially smaller scale than those comprised within the Subject Property.

Indeed there has been a shortage of recent transactions involving industrial premises which provide a total floor area in excess of 100,000ft<sup>2</sup>. The most notable recent examples being Camberwell House at Sunderland, which is a high-specification modern facility extending to 101,825ft<sup>2</sup> which achieved £4.50 per ft<sup>2</sup> in May 2021; and Unit 10 at Merrington Lane Industrial Estate at Spennymoor which achieved £2.00 per ft<sup>2</sup> in June 2020.

In respect of these available comparables; the difference in specification and location between the Subject Property and Camberwell House as well as the significant differential in scale, despite the comparable premises offering space in excess of 100,000ft<sup>2</sup>; mean that the Valuer is of the opinion that the level of rental value per ft<sup>2</sup> achieved by Camberwell House sits at a level significantly beyond that which would be reasonable for the Subject Property.

Rather, the Valuer considers that due to the greater similarity of location and building specification; the premises at Merrington Lane Industrial Estate are deemed to represent a more useful comparable for assessing the appropriate rental value for the Subject Property.

Although somewhat more dated; Unit 18 at Lingfield Point in Darlington (131,800ft<sup>2</sup>) achieved £2.00 per ft<sup>2</sup> in 2018. That more provincial units such as those at Spennymoor are now achieving rental values at a similar level is perhaps indicative of the continued growth in demand for industrial space across the north-east.

Nevertheless, the Valuer is aware that industrial premises of similar age to the Subject Property are currently being marketed to let at Langton Business Centre in Newton Aycliffe with a guide rent of £2.50 per ft<sup>2</sup> but which currently remain unlet at that price level.

At 52,000ft<sup>2</sup> or thereabouts; these comparable premises would be anticipated to represent a more convenient-size for many prospective industrial tenants. With the pool of potential tenants for the 187,127ft<sup>2</sup> or so of industrial space found at the Subject Property, expected to be considerably smaller.

Consequently, the fact that these smaller, but otherwise relatively similar, premises remain unlet at this price level, suggests that it may not be realistic to expect there to be any increased demand for the more sizeable Subject Property at this rental level either.

The current passing rent at the Subject Property amounts to £327,472 per annum; which equates to £1.75 per ft<sup>2</sup>. Based upon the tone of the available market evidence as at the valuation date amid the continuing growth within the industrial sector of the commercial property market; the Valuer is of the opinion that the rental value of the Subject Property as at the valuation date lies in the region of £2.00 per ft<sup>2</sup>.

Consequently, the Valuer has therefore applied this figure as the reversionary market rent, within the valuation model for the Subject Property.

This reversionary rental value has been capitalised with a higher yield, 7.5%, again having made reference to the level of achieved yields in the market; so as to account for increased uncertainty and risk associated with the property compared to having a strong tenant covenant already in situ at the premises.

This reversionary value has therefore been deferred for a period of 3.73 years so as to account for the intervening time period before the current lease term elapses.

The Valuer has subsequently applied a deduction so as to account for the reasonable costs that a purchasing party would bear in acquiring the Subject Property as an investment, such as legal and professional fees and stamp duty, leaving an opinion of value for the Subject Property net of any acquisition costs.

The Valuer's calculations are enclosed for reference within **Appendix J**

The Valuer's full opinion of value is set out in section 5.0 below.

#### 4.6 Valuation Uncertainty

The outbreak of COVID-19, declared by the World Health Organisation as a "Global Pandemic" on the 11th March 2020, has and continues to impact many aspects of daily life and the global economy – with some real estate markets having experienced lower levels of transactional activity and liquidity.

Travel restrictions have been implemented by many countries and "lockdowns" applied to varying degrees. Whilst restrictions have now been lifted in some cases, local lockdowns may continue to be deployed as necessary and the emergence of significant further outbreaks is possible.

The pandemic and the measures taken to tackle COVID-19 continue to affect economies and real estate markets globally. Nevertheless, as at the valuation date some property markets have started

to function again, with transaction volumes and other relevant evidence returning to levels where an adequate quantum of market evidence exists upon which to base opinions of value. Accordingly, and for the avoidance of doubt, our valuation is not reported as being subject to 'material valuation uncertainty' as defined by VPS 3 and VPGA 10 of the RICS Valuation – Global Standards.

Rather, this explanatory note has been included to ensure transparency and to provide further insight as to the market context under which the valuation opinion was prepared. In recognition of the potential for market conditions to move rapidly in response to changes in the control or future spread of COVID-19 we highlight the importance of the valuation date.

## 5.0 **Valuation**

- 5.1 Taking into account all factors disclosed in this Report it is estimated that the Market Value for the Subject Property as at the 20 January 2022 is in the region of **£4,620,000 (Four million six hundred and twenty thousand pounds)**

## 6.0 **RICS Valuer Registration Scheme**

- 6.1 It is confirmed that the valuation has been completed in accordance with the RICS Valuation Global Standards 2020.
- 6.2 It is confirmed that the Valuer undertaking the report is an RICS Registered Valuer under the Valuer Registration Scheme.
- 6.3 It is confirmed that the Valuer undertaking the report has sufficient local and regional knowledge of the market, and the skills and understanding to undertake the valuation competently.

Signed:  James Carruthers MRICS

Date: 25 January 2022

For and on behalf of George F White LLP



# GEORGE F.WHITE

[www.georgefwhite.co.uk](http://www.georgefwhite.co.uk)



Alnwick	t 01665 603231
Wolsingham	t 01388 527966
Barnard Castle	t 01833 690390
Bedale	t 01677 425301
Shiptonthorpe	t 01430 876010
Duns	t 01361 883488

AGRICULTURE RESIDENTIAL COMMERCIAL DEVELOPMENT INVESTMENT ENERGY ENVIRONMENTAL