

CWR/JKM

12 November 2012

P Turtle Esq
Hammerhead TV Facilities Ltd
9 Merchiston Mews
EDINBURGH
EH10 4PE

Dear Paul

**9 Merchiston Mews, Edinburgh, EH10 4PE
Update Valuation as at 9 November 2012**

Further to your recent instructions, we have inspected the above property and set out our thoughts with regard to both the Open Market Value and Open Market Rental Value.

As the subject property is well known to you and we have provided previous Reports we will restrict our comments accordingly.

Previously, we have measured the subject property in accordance with RICS Code of Measuring Practice (6th Edition) 2007 and we calculate the following net internal areas:

Office: 285 sq ft (26.48 sq m)
Reception: 159 sq ft (14.77 sq m)
Storage: 734 sq ft (68.19 sq m)

Total: 1,178 sq ft (109.44 sq m)

We have been advised by the Lothian Valuation Joint Board that the subject property is entered into the 2010 Valuation Roll at a Rateable Value of £8,000. This is a small uplift in the 2005 assessment of £7,100. We are further advised that the current uniform business rate for the financial year 2012/2013 is £0.475 (exclusive of water and sewage).

Importantly, from a property outgoings perspective, the Scottish Government has introduced a Small Business Bonus Scheme (SBBS) in 2008/2009 after the full impact of the economic downturn became evident, to support the small business sector. A tenant/owner occupier of the property would obtain 100% rates relief, as the Rateable Value is below the £10,000 threshold. With the present UBR of £0.45, the rates concession is worth £3,600 per annum. The scheme is reviewed annually and it has undoubtedly saved many smaller businesses from becoming financially unviable in the present challenging times.

In general, the Edinburgh office market has suffered a consolidation as a result of the economic downturn. Many occupiers have exercised their break options as a means of reducing rental liabilities and downsized where possible. This has caused an influx of surplus office accommodation particularly onto the secondary market which, coupled with a lack of occupier demand, has resulted in a general decline in rents.

The heritable market has also ground to a halt too with most investors choosing to retain their premises until the market improves and they can achieve a better price. In addition, most banks are still very wary about lending and as a result we are only really seeing demand from independent cash buyers, or those able to put down a sizeable deposit.

Not surprisingly, as the market has dried up, there have been fewer property transactions available, and often these are where the banking institutions have not reviewed loan facilities, with the owner occupier forced to sell at discounted price.

We have researched the market thoroughly within the surrounding area and set out below the small list of available properties.

33 Polworth Crescent (former Solicitors office)

Eddiston are marketing this property, seeking a rent of £12,000 per annum, when the previous tenants lease came to an end on 30th June 2012.

Little interest has been expressed and we expect a significant incentive will be required in any new lease.

The headline rate equates to £22.02 per sq ft (£237 per sq m) although this reflects its retail and more prominent location.

125 Comiston Road (office/retail use)

D&B Property Consultants are marketing their ground floor unit which extends to 637 sq ft at a rent of £10,000 per annum.

The headline rate reflects £15.70 per sq ft (£169 per sq m), before any incentive.

Due to a lack of tenant demand, the landlord has obtained a change of use to a cafe/sandwich bar.

26 Braid Road (office use)

Their Class 2 office extends to 338 sq ft with the landlord seeking £8,000 per annum on a flexible lease term. The overall rate equates to £23.69 per sq ft (£255 per sq m), before deduction of any incentive.

Conclusion

We have applied a separate capital rate/sq ft to the different spaces within the property to produce the following capital value:

Office	£135.00 /sq ft
Reception	£ 85.00 /sq ft
Storage	£ 65.00 /sq ft
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Total	say £100,000, after costs

We are therefore of the opinion that the Market Value of the subject property can be fairly stated in the sum of £100,000 as at 9th November 2012, with a suitably realistic period allowed to market the property.

On the question of open market rent value, we are of the opinion that the rent would be fairly stated at £10,000 per annum. Inevitably, in today's market, flexible base terms would be applicable to secure a tenant and some form of inducement in the way of rent free period would be necessary.

Both these valuations have been prepared on a pre-sale basis, and is not to be used for lending or security purposes, and falls outwith the most recent Red Book conventions on valuation.

Finally, we enclose our fee invoice for the agreed sum and thank you for this valued instruction.

Yours sincerely

CULVERWELL

Enc

c.c. P Turtle Esq, The Toll Gate, 21 Marine Crescent, Glasgow G51 1HD