

VALNCOB - 1782
1st November 2023

Chris Paton
Aspire Living
40 Warton Terrace
Heaton
NE6 5LS

Dear Chris,

Re: 35 Albert Road, Middlesbrough, TS1 1NS

Further to your recent instructions, I write to confirm my opinion of Market Value of the above property, to assist with acquisition negotiations.

As per your instructions, I have not inspected the property and all work has been undertaken on a desktop basis, as agreed.

I note from an online search on the Land Registry website that the property is specified as being held Freehold by Andrew Loughran Preston under Title Number CE205153, having last been acquired in September 2009 for £550,000. For the purposes of this valuation, I have assumed that the property is held free from any overly onerous encumbrances, easements, restrictions, covenants and outgoings and that good Title can be shown.

The property is located within the industrial town of Middlesbrough in Teesside, North East England. The town is positioned on the south banks of the River Tees, approximately 41 miles to the south east of Newcastle city centre, 29 miles south of Sunderland, 26 miles south east of Durham and 50 miles north of York.

The town is served by a number of major roads including the A19 and A66. The town also has a train station with services operated by TransPennine Express and Northern.

The property itself occupies a mid-terraced position on Albert Road, close to Middlesbrough Town Hall, just to the south of the A66 and close to Teesside University. There are currently around 20,000 students enrolled at Teesside University.

You have advised that there is planning consent for the conversion of the existing building, which was formally utilised as office accommodation, into 27 student bedrooms. I note from an online search on the Middlesbrough planning portal that there is a Delegated Report relating to such a conversion but there is no formal Decision Notice online.



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Regulated by RICS

The aforementioned Delegated Report was signed off on 9th August 2019, and is readily accessible under application number 19/0305/COU. This report recommends a conversion to student residential with 27 bedrooms, with 1 x three bedroom apartment and 6 x four bedroom apartments. Six recommended conditions were affixed to this, none of which I consider to be particularly onerous or unusual.

You have advised that full planning consent has been granted for the aforementioned scheme, despite this decision notice not being online. Furthermore you have confirmed that strip-out works have been undertaken, which the Council have accepted as commencement of development, and that this occurred within the three year time period granted for commencement of development. You have also advised that there are no CIL or s.106 obligations, which I have assumed to be the case.

For ease of reference, I have included the proposed floor plan at the rear of this letter, but in brief summary, the layout will be as follows;

Ground Floor: Apartment A, which will contain three en-suite bedrooms and a communal kitchen

First Floor: Apartments B and C. Both apartments will have four en-suite bedrooms and an open plan lounge/diner/kitchen.

Second Floor: Apartments D and E. Both apartments will have four en-suite bedrooms and an open plan lounge/diner/kitchen.

Third Floor: Apartments F and G. Both apartments will have four en-suite bedrooms and an open plan lounge/diner/kitchen.

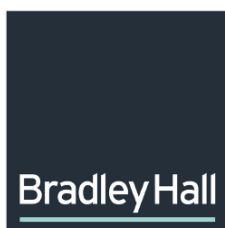
Externally, there will be a service yard to the rear.

With the use of scaled plans, I have measured the GIA of the property to be 930.60 sq. m. (10,016.98 sq. ft.). We measured the GIA of each apartment at;

Apartment A:	101.28 sq. m. / 1,090.19 sq. ft.
Apartment B:	107.28 sq. m. / 1,154.76 sq. ft.
Apartment C:	153.48 sq. m. / 1,652.06 sq. ft.
Apartment D:	107.28 sq. m. / 1,154.76 sq. ft.
Apartment E:	153.48 sq. m. / 1,652.06 sq. ft.
Apartment F:	107.28 sq. m. / 1,154.76 sq. ft.
Apartment G:	153.48 sq. m. / 1,652.06 sq. ft.

You have advised that you expect to achieve a rent roll of £160 per bedroom, per week. Applying this figure over a 51 week period, to allow one week for minor maintenance between tenants equates to a gross rent roll of £220,320 per annum. This figure however does not factor in void periods or management costs. I suspect that the £160 per week is an all-inclusive figure to include utility bills. I would be inclined to deduct the following to obtain a more realistic net figure;

- £20,655 for utility costs (based on £15 per bedroom, over a 51 week term)
- £33,048 (based on 15% for management costs and potential voids)



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The above leaves a net rental income of £166,500 after rounding based off your estimated rent roll. I do think however that for 27 bedrooms, £160 per bedroom, per week, even on an all-inclusive basis is optimistic. The property is undoubtedly very well-positioned for access to the University, and the University continues to perform well but I think a net rent of £135 per bedroom, per week is more obtainable.

You have however advised that you are confident in your ability to let the rooms at £160 per bedroom, per week and as such I have based my valuation off the previously referenced net figure.

To verify the current Market Value requires a Gross Development Value figure as a starting point. There has been a lack of multi-unit block sales in Middlesbrough over recent years, and as such like-for-like evidence is scarce. There is a greater degree of valuer uncertainty therefore than there ordinarily would be. I am aware of the following sales evidence, which at least enable adjustments to be made;

103 Southfield Road, Middlesbrough, TS1 3EZ

Refurbished 1900's built property which has been converted into five flats. Sold for £270,000 in July 2023, equating to £54,000 per bedroom. Four of the five flats were let and income producing with a passing rent of £17,760 per annum, and as such the sale price reflects a GIY of just 6.5% but with the letting of the final flat, this will increase to circa 8% or thereabouts.

82 Borough Road, Middlesbrough, TS1 2JH

1900's mid-terraced property which has been converted into 3 x studios and 3 x one bedroom apartments. The property is currently under offer, having been marketed at £320,000. The property is fully let and producing a rental income of £38,500. The asking rent reflects £53,333 per bedroom and a GIY of circa 12%.

180 Parliament Road, Middlesbrough, TS1 5PE

6 bedroom HMO, recently refurbished and fully tenanted, with tenants paying £90 per week, on an all-inclusive basis. Deducting £15 per bedroom, per week over 51 weeks gives a net rental income of £22,950 per annum. The property is currently under offer, and I note an asking price of £220,000, which reflects just over £36,500 per bedroom and an ARY on rent following utility cost deductions of 10.43%.

10 Borough Road, Middlesbrough, TS1 5DP

Well-presented six bedroom, three storey HMO with a monthly rent roll including bills of £2,080.37, reflecting £24,484 over a 51 week term. Deducting bills at £15 per bedroom, per week, reduces this to £19,894 per annum. The property is currently being marketed by Progression Property at £190,000, reflecting £31,667 per bedroom and 10.47% ARY on rent following utility cost deductions.

As the above evidence shows, sales evidence is relatively scarce, but I can only work with the evidence available. I do think a good quality conversion would attract interest from southern based investors.

Whilst Middlesbrough has a university, it does not offer the student experience that the likes of Newcastle and Durham do, and as such, historically, investors have sought a higher return on investment to reflect this.



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I am aware that numerous properties close to the University have been converted to student accommodation over recent years, particularly on the likes of Wilton Street, Linthorpe Road and Borough Road. Whilst I would not class the town to be anywhere near saturation yet, as more properties are converted this is a future risk.

It is my professional opinion that the Gross Development Value of the property is £1,600,000 (One Million and Six Hundred Thousand pounds) – this reflects circa £60,000 per bedroom and circa 10.5% on net rent after deductions for utilities, management costs and the risk of voids.

Now that I have established my opinion of Gross Development Value, I am in a position to undertake a development appraisal to determine the current Market Value of the property.

You have provided me with a Build Cost schedule - I would ordinarily recommend that a Quantity Surveyor verifies build costs, but I understand and appreciate you are seasoned at undertaking such conversions. In brief summary I note the conversion costs excluding VAT, contingencies and overhead margins to be circa £527,966. This equates to circa £567 per sq. m. I note this is significantly lower than BCIS estimates, but these figures are often high – seasoned developers are often undertake at significantly lower figures. On the basis that you are an experienced developer, I am comfortable adopting your estimated build costs within this valuation.

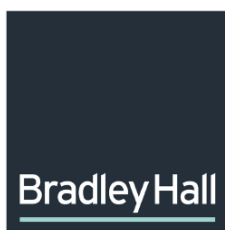
I have adopted what would be considered as ‘market norms’ within the remainder of my residual appraisal, other than finance costs, which I have worked at 10% on 75% of conversion costs over a period of 18 months to allow for a lead-in period, time for the conversion and time to dispose of the asset.

Full inputs into my residual appraisal are shown below;

Cost Item	£
Build Cost	£527,966
Professional Fees	£31,677 (6% of build costs)
Contingency	£52,797 (10% of build costs)
Marketing	£30,000 (estimate)
Sale Agent	£16,000 (1% of GDV)
Legal Fees	£8,000 (0.5% of GDV)
Developer's Profit	£320,000 (20% of GDV)
Finance Cost	£31,959
Total Development Cost	£1,018,399

The above development cost, deducted from our opinion of GDV leaves £581,601. Prudent buyers would then factor in build costs, as follows;

- £8,724 - Sales agent fees at 1.5%
- £4,362 – Legal fees at 0.75%
- £18,580 – Stamp Duty at statutory rate



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Deducting these additional costs leaves a Market Value figure of £550,000 after rounding.

I should stress that the residual method of valuation is highly sensitive to the inputs. For example, some buyers may be willing to work on the basis of a lower profit margin. To detail the impact this would have on value, applying a developers of 15% rather than 20% of GDV results in an output of £625,000 after rounding.

So in brief summary, and for ease of reference, my valuation opinions are as follows;

Market Value: £550,000 (Five Hundred and Fifty Thousand pounds)
Gross Development Value: £1,600,000 (One Million and Six Hundred Thousand pounds)

I trust that this letter meets your requirements, but naturally if there is anything you would like to discuss please don't hesitate to contact me.

Please find enclosed my fee invoice which I trust you will settle at your earliest opportunity.

Yours Sincerely,



Carl O'Brien BSc (Hons) MRICS
Associate Director
For and on Behalf of Bradley Hall



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Our ref: VALNCOB - 1860
24th October 2023

Chris Paton
Aspire Living
40 Warton Terrace
Heaton
NE6 5LS

Re: 35 Albert Road, Middlesbrough, TS1 1NS

We refer to your instructions for us to undertake a desktop valuation on your behalf and write to confirm our terms of engagement.

1 Client

Aspire Living
40 Warton Terrace
Heaton
NE6 5LS

2 Instruction

To undertake a formal RICS valuation for secured lending purposes.

We confirm the Valuation and Report will be undertaken in accordance with the RICS Valuation Standards – Global Standards, which incorporate the International Valuation Standards (“IVS”) and the RICS UK Valuation Standards (the “Red Book”), edition current at the Valuation date.

3 Subject Property

35 Albert Road
Middlesbrough
TS1 1NS

4 Basis of Valuation

We are to undertake our Valuation on the basis of Market Value and Gross Development Value. Market Value as defined below:

Market Value

We have prepared our valuation on the basis of Market Value (MV) defined within the RICS Valuation Standards 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."

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5 **Valuation Date**

The date of Valuation will be the date of our letter.

6 **Valuer**

The Valuer undertaking the desktop valuation is **Carl O'Brien BSc (Hons) MRICS Associate Director**. We confirm we are independent Valuers for the purpose of this Report. All Valuers undertaking valuation work at Bradley Hall are Registered Valuers.

7 **Extent of Valuer's Investigations**

When arriving at an opinion of value the Valuer will have due regard to information/documents provided by the client, information obtained from the Local Authority and Land Registry together with comparable evidence researched by the Valuer. These may include verbal enquiries which will be recorded on our file.

8 **Restrictions on Publication**

Our desktop valuation is for the use only of the parties to whom it is addressed and no responsibility is accepted to any third party for the whole nor any part of its contents.

Neither the whole nor any part or any reference thereto may be included within any published document, circular or statement or published in any way without our written approval of the form or context in which it is to appear.

This desktop valuation has been undertaken in accordance with the RICS Valuation – Global Standards. We can confirm that the Valuer who undertook the Report conforms to the requirements of these Standards.

9 **Nature and Source of Information to be relied on by the Valuer**

The Valuer will rely on information/documents received from the client, the Local Authority, the Valuation Office and comparable data when preparing his opinion of value.

10 **Confirmation that the valuer has the knowledge, skills and understanding to undertake the valuation competently.**

We confirm the Valuer has the knowledge, skills, understanding and qualifications to undertake the desktop valuation.

11 **Fee Basis**

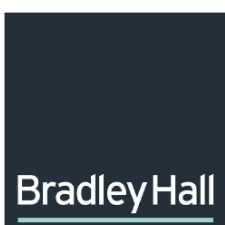
Our fee is £750 plus VAT payable upon receipt of our letter.

12 **Bradley Hall Complaints' Procedure**

Bradley Hall Limited have a Complaints' Procedure, which is available upon request. Bradley Hall Limited are registered members of the Royal Institution of Chartered Surveyors and may be subject to monitoring under the Institution's Conduct and Disciplinary Regulations.

In order to comply with Money Laundering Regulations we are obliged to identify our client and would be obliged if you could provide us with two forms of identity and proof of ownership of the property.

We would be obliged if you could sign, date and return one copy of this letter to us as your confirmation for us to proceed in accordance with the foregoing, retaining one copy for your own file.



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Yours sincerely,



Carl O'Brien BSc (Hons) MRICS

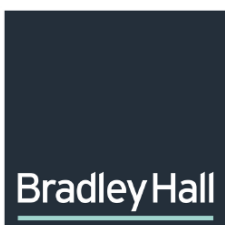
Associate Director

For and on behalf of Bradley Hall Chartered Surveyors



Sign

Date 24-10-2023



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