



Audio Alliance (North) Ltd
Unit 7, Norbury Court
The City Works
Welcomb Street
Manchester
M11 2NB

Our Ref: JH/SL/V16157

Your Ref:

31 March 2022

For the attention of Oliver Driver

Dear Sirs

Unit 7, Norbury Court, The City Works, Welcomb Street, Manchester, M11 2NB

We refer to your recent instructions requesting updated valuation advice in respect of the above. This updated advice should be read in conjunction with and as an addendum to our Report and Valuation dated 21 February 2020 where the same assumptions and special assumptions apply unless stated otherwise. You have specifically requested that we do not inspect the property and have relied upon our inspection of the property on the 11 February 2020. We have assumed that the property remains unchanged. Should this not be the case, we should be requested to review our valuation.

We understand that you require our opinion of the current Market Value and Market Rent. The RICS Valuation – Global Standards 2022, defines these as follows:

Market Value (MV)

“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 have each acted knowledgeably, prudently and without compulsion.”

Market Rent (MR)

“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 have each acted knowledgeably, prudently and without compulsion.”

Save for not inspecting the property, our valuations have been prepared in compliance with the RICS Valuation – Global Standards 2022, the RICS Valuation – Global Standards 2018 UK National Supplement and the International Valuation Standards.

Location and Description

We do not propose to describe the building in detail as it is familiar to you. In brief the property is situated on City Works industrial/warehousing development just off Ashton Old Road, approximately 1.5 miles due East of Manchester City Centre.



Source: Land Registry

The property itself comprises a mid-terrace industrial warehouse unit which we estimate dates from around 2006/2007 and provides a mixture of office and warehouse space having eaves of 7 metres rising to circa 8.5 at the apex. The property extends to 296.4 sq m (3,083 sq ft) of which 41.5 sq m (447 sq ft) is at mezzanine level.



Front Elevation



Warehouse Area

Local Market

Greater Manchester is the North of England's largest economy, accounting for around 4% of the UK's GDP. It is relatively diverse by sector: Human health & social work, wholesale & retail trade, real estate and manufacturing each generate 9–11% of annual GVA. Construction, the public sector, professional services and information & communication are also important drivers of its economy.

Greater Manchester's economy grew at a faster rate than the national average in the five years preceding the pandemic, helped by a proactive regional government and strong growth in professional services, with the BBC's move to Salford in 2010 an additional factor. The market also outperformed in terms of employment growth, helping to spur a wave of new office development around NOMA, Piccadilly and Salford Quays. Manchester has been the key hub of the Northern Powerhouse initiative.

Greater Manchester was hit hard by the coronavirus pandemic, however. Its output and employment levels slumped to a greater degree than the national average in 2020, largely due to the market's outsized reliance on the troubled retail and leisure sectors. But a strong recovery is underway, with Greater Manchester's GVA expanding by nearly 8% in 2021 and output expected to exceed pre-pandemic levels during 2022. Oxford Economics' forecasts from late December 2021 called for GDP growth of around 5% across Greater Manchester in 2022, followed by growth of close to 3% in 2023 and a return to more subdued levels of growth thereafter. Near-term risks to this forecast are skewed to the downside, however, due to the soaring cost-of-living crisis and knock-on impacts from the war in Ukraine. But HS2 and the Airport City development could provide additional impetus to Manchester's growth rate in the longer term.

Around 80% of FTSE 100 companies have a base in the city, giving Manchester strength in depth across a range of sectors. These industries are served by one of the largest student campuses in Europe, with approximately 100,000 students placed across Manchester's four universities. Professional services are likely to drive growth in the coming years, although Manchester has emerged as one of the UK's biggest hubs for the fast-growing life science and technology sectors.

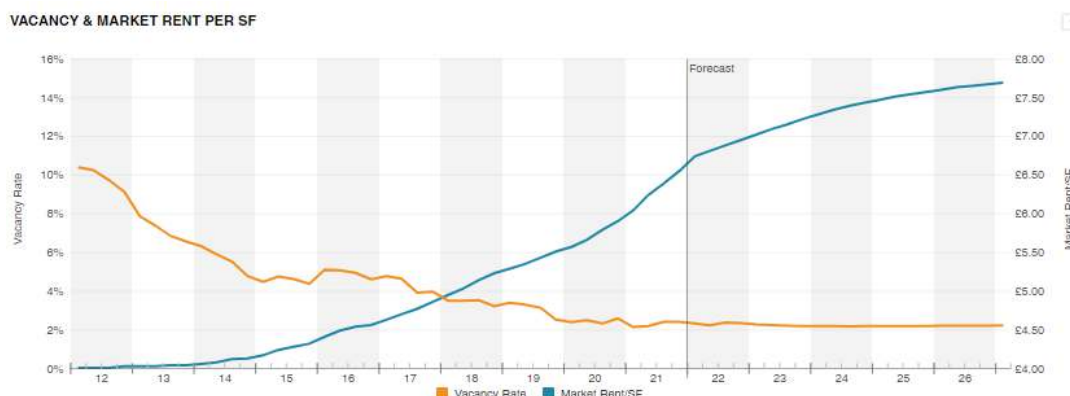
Demand for industrial space is soaring in Manchester, as in many parts of the UK. The pandemic has added extra momentum to already-strong tailwinds in the sector, leading to additional demand from online retailers and delivery specialists for big and small warehouses in strategic locations. Average void periods have come down from nearly two years in 2015 to around eight months today.

More than 5 million sq ft of industrial space was leased in 2021, up more than 25% on the previous year. This has translated into robust absorption and declining vacancy. At 2.1%, Manchester has one of the lowest vacancy rates of any major industrial market in the country. A lack of speculative development is likely to keep it at low levels in the near term. Vacancies are below 2% in several of Manchester's 11 submarkets.

Rochdale has been a hotspot for demand in recent quarters, with some of Manchester's largest deals taking place in the submarket. L'Oreal pre-let a 650,000 sq ft distribution warehouse there in late 2020. The global cosmetics giant signed a 15-year lease on Russell Group's H Park scheme to the south of Heywood Distribution Estate, ending its four-year hunt for a Greater Manchester facility. Online retail giant Amazon then took a 217,000 sq ft unit on nearby John Milne Avenue in May 2021. The likes of Romac, Cleveland McIver Lifestyle and Park Cakes have also taken circa 50,000 sq ft units in the Rochdale Submarket during the pandemic. Firms have been attracted by Rochdale's relatively inexpensive rents and by its strategic location off the M62.

Bolton has also registered strong demand during the pandemic. In June 2021, Amazon pre-let two units totalling 280,000 sq ft at Logistics North as it continues to expand its presence in the region. The firm signed a 10-year lease at around £7 psf. DSG Group took a 375,000 sq ft facility at the same park in the biggest deal of 2020, paying around £5 psf. Other big deals in Bolton of late include parcel firm UPS taking 281,000 sq ft in late 2021 and the London Furniture Company taking a 200,000 sq ft unit at Croal Mill in late 2020, the latter signing a 10-year lease at around £4 psf.

More centrally, third party logistics firm Kammac leased a 208,000 sq ft warehouse at Fraser Place in Trafford in September 2021, taking the unit on an eight-year sublease. A couple of noteworthy deals have also recently taken place in Salford. LSE Retail Group signed for a 136,000 sq ft warehouse on Omega Drive in February 2021, with Amazon leasing a 30,000 sq ft last-mile facility on Ravenscraig Road at around the same time. Demand for last-mile units is increasing amid the desire for ever-faster delivery times to service Manchester's rising and relatively youthful population.



Source: CoStar

Strong demand and falling vacancy levels have fuelled rapid rent growth in Manchester in recent years. Rent growth has been particularly strong during the pandemic. Annual rent growth of 11.3% is well ahead of the national average and puts Manchester among the strongest performers of any industrial market in the country. Enduringly low vacancy should support further increases across the market in the coming years, although the pace of growth is likely to decelerate from its current high level.

Despite several years of strong growth, Manchester remains a relatively inexpensive market in which to rent industrial property. Its average asking rent is £6.70, about £2 psf below that in Bristol and more than £10 psf below the average rent in London. The gap between prime rents is even greater. Prime logistics units are around £7 psf in Manchester, on par with Birmingham. This is the rent that Amazon paid to pre-let a 149,000 psf unit at Logistics North in Bolton during 2021.

On a submarket level, rents do not vary greatly. Trafford has the highest average asking rent. A host of large-scale distribution, logistics and manufacturing occupiers are based there. Conversely, Tameside, Rochdale and Oldham have some of the cheapest asking rents. Demand for last-mile units has fuelled strong rates of growth in more central submarkets like Trafford and Salford over the past year or so, although the likes of Bolton and Rochdale are leading the way thanks to soaring demand for large warehouses there.

Manchester is the North of England's biggest industrial market. It contains just under 200 million sq ft of industrial space, about two thirds of which is logistics. Major industrial nodes include the M62 and M61 corridors to the north of Manchester's city centre, Trafford to the west and Manchester International Airport to the south. There are more than 400 industrial buildings sized over 100,000 sq ft in the market, about 100 of which are bigger than 250,000 sq ft. Manchester's large population of around 3 million people and its strong connectivity to the rest of the UK makes it an important industrial hub.

New construction has picked up steadily in recent years, although developers have struggled to keep pace with demand and the vacancy rate has barely moved. About 1 million sq ft delivered per year on a net basis in 2020 and 2021, making them Manchester's busiest years since a wave of new schemes completed in 2016. Most projects have been build-to-suit. The largest project to complete in 2021 occurred at the Airport City development, where Stoford Developments and TPG Real Estate are building out a huge mixed-use scheme. Building Two (394,000 sq ft) began on a speculative basis in the second half of 2020 and delivered unlet in September 2021.

About 1.6 million sq ft of industrial space is under construction in Manchester, about three quarters of which has been spoken for. Bolton is the focus of much of the activity at the larger end of the spectrum. Several projects are underway at Logistics North, including two units totalling nearly 300,000 sq ft that were recently pre-let by Amazon. Discount supermarket Lidl will also shortly commence construction of its massive 975,000 sq ft distribution facility at the park, following receipt of planning permission in 2019.

Industrial supply could be restricted by further conversions and demolitions. Manchester has lost significant industrial stock over the past years. More than 3 million sq ft of industrial space has been lost since 2012, mainly in favour of higher value uses such as residential. The most notable demolitions over this period include Walkden 61 (250,000 sq ft) in Salford and Hangar 14 (240,000 sq ft) in Trafford.

Industrial investment has ramped up over the past couple of years, albeit to a lesser extent than in other major industrial markets like London and Leicester. About £544 million has changed hands in Manchester over the past 12 months, well above the five-year annual average. Increasing numbers of investors are targeting industrial property due to the sector's defensive characteristics and its soaring outperformance

during the pandemic. Yields have compressed accordingly, though average yields in Manchester remain about 50 basis points above the national average.

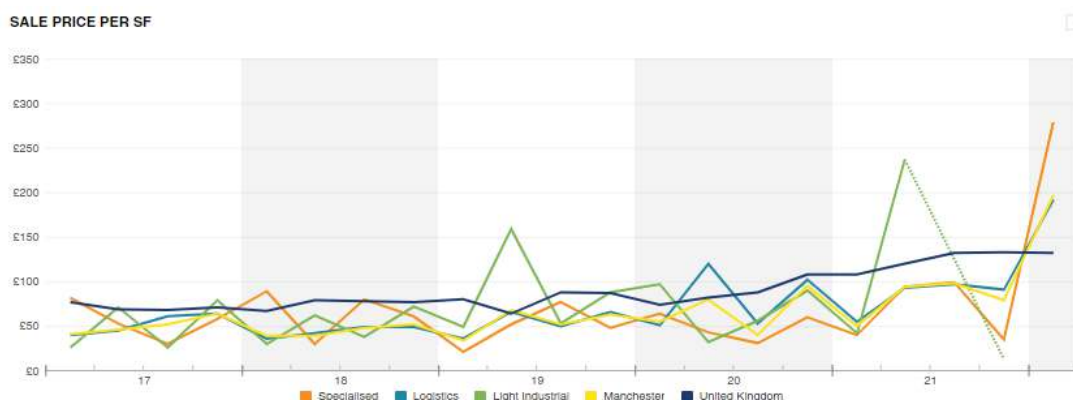
Investor appetite for prime, well-let logistics assets is at an all-time high, with yields on such properties falling to a record low. In June 2021, Norwood Estates bought a 235,000 sqft Royal Mail delivery office on Oldham Road in the Manchester Core Submarket for £45 million, reflecting a record low yield of 2.75%. It was a threefold increase on the property's sale price in 2010, illustrating industrial's ascendance over the past decade, and especially in recent years.

Higher yields can be found in outlying locations, however. In March 2021, Arrow Capital Partners bought Unit 7 on the South Lancs Industrial Estate in Wigan from Columbia Threadneedle Investments for £10.8 million. The 210,000 sq ft industrial property, which is fully let to Swedish hygiene and healthcare supplier Essity, traded at a 6.6% yield. More centrally, LondonMetric acquired an urban logistics warehouse in Salford for £20.3 million, a 4.2% yield, in December 2020. The 136,000 sq ft warehouse is let to LSE Retail Group for 15 years at a rent of £6.60 psf, with RPI-linked rent reviews.

Encouraged by strong occupier market fundamentals, some investors are taking on risk in the market to boost returns. In December 2020, U.S.-based Barings paid £42.5 million to forward fund two properties at Panattoni Park on Wingates Industrial Estate in Bolton. The development is to consist of around 350,000 sq ft, split between a 77,000 sq ft unit pre-let to Hermes Parcelnet and a second, 280,000 sqft unit, which is to be built speculatively.

More recently, Singaporean investor GLP UK Management bought a 142,000 sqft warehouse on Trafford Park in March 2022 for £16 million. The building's sole occupier, Tenmat, is vacate the property in a move to new premises in Irlam later this year.

Owner-user transactions are also picking up. In October 2021, retailer the Hut Group bought its Icon Manchester warehouse near Manchester Airport for £58.8 million. The 459,000 sq ft building, which includes about 25,000 sq ft of offices, had already been pre-let by the Hut Group. It was sold by Stoford Developments and TPG Real Estate at £128 psf.



Source: CoStar

Comparable Transactions

In determining the Market Value and Market Rent of the property, we have had regard to the following characteristics:

- Location of property within The City Works.
- Age of the property.
- Specification and internal layout.
- Office provision.

We have also had regard to the following comparable sales:

Address	Size Sq Ft	Price (£ psf)	Date of Sale	Comments
Unit 11 Wharfside Business Park, Irlam, M44 5PN	6,350	£800,000 (£125.98 psf)	Available	Located on a modern estate this is a similar facility providing a warehouse with offices of 2,630 sq ft reflecting 41% office content. This is an asking price and is not evidence in its own right.
Unit 1 Irlam Wharf Business Park, M44 5PN	11,650	£970,500 (£83.30 psf)	11/21	Located on a modern estate to the West of the City this unit of 11,650 sq ft with a mezzanine of 3,500 sq ft. The property was let on a new 10 year lease with a five year break option and a rent review to either Market Rent or RPI with a collar or 1% and a cap of 3%. The initial rent of £60,000 reflects £5.15 psf overall. The property was sold in November 2021 for £970,500 reflecting £83.30 psf overall or circa £119.07 psf if the mezzanine is excluded. The subject is smaller and a higher capital values psf should be expected.
Fourth Avenue, The Village, Trafford Park, M17 1DB	12,079	£1,350,000 (£111.76 psf)	11/21	Located within the heart of Trafford Park, this is a modern semi-detached industrial unit with eaves of 5.5 metres, ancillary offices of 26% with a further mezzanine of 545 sq ft. Again, this property is larger and a higher capital value psf should be expected at the subject property.
Unit 2, Praed Road, M17 1PQ	2,995	£321,000 (£107.17 psf)	08/21	This is a detached industrial unit situated within Trafford Park. The property had been refurbished at the point of sale offering warehouse and office accommodation. Access for loading was achieved via a single roller shutter, and the premises had no yard or parking facilities. The subject is superior and a higher capital value psf should be expected.
19 Wheel Forge Way, Ashburton Park, Trafford Park, M17 1EH	8,272	£1,150,000 (£139.02 psf)	12/21	Whilst located on Trafford Park, this property is of similar construction and vintage. The property was sold with vacant possession for £1.15 million. It has a working height of 5 metres with two storey offices of 3,552 sq ft representing 43% of the total floor space. This property is located on the prime Trafford Park estate and a lower capital rate should be expected.

Address	Size Sq Ft	Price (£ psf)	Date of Sale	Comments
Unit 7, Ordinal Street, M17 1GB	2,963	£360,000 (£121.49 psf)	06/07/20	The property comprises a modern warehouse with a minimum 6m eaves height. Internally the premises provide open plan warehousing, with mezzanine floor and a series of offices and staff welfare facilities. Net of mezzanine floor the sale price equates to £207.13 psf. This unit is similar in size and on balance a similar capital value per sq ft (as a whole) should be expected.
Unit 26 Irlam Business Centre, Soapstone Way, M44 6GP	1,918	£195,000 (£101.66 psf)	11/20	This property is located a short distance to the North and comprises an industrial facility of a similar vintage, albeit much smaller. This property includes mezzanine offices 625 sq ft. The market has improved from the date of this sale, and whilst the subject property is much larger, it will attract a higher capital rate psf.
Units 7 and 8, Varley Business Centre, Miles Platting	6,855	£575,000 (£83.88)	02/19	Modern build warehouse and office unit set over two stories within a terrace of 11 industrial properties. It is of a similar vintage having been built in 2007 to an eaves height of between 5.8 and 7.1 metres whilst externally are 10 designated car parking spaces. The market has improved from the date of this sale and a higher capital value psf should be expected.

In respect of rental evidence within The City Works Trading Estate, we are aware of the following:

Address	Size Sq Ft	Price (£ psf)	Date of Letting	Comments
Units 3 and 4 Norbury Court, Clayton	3,719	£8.50	07/21	Located on the same estate, we understand that two units have been let at £8.50 psf. One was let on FRI terms for a straight five-year term with one being let for a term of five years with a three year break. This provides the latest evidence for this estate with the agent suggesting that quoting rents would be in the region of £10.00 psf.
Unit 3 Alexandria Court, Alexandria Drive, Ashton under Lyne, OL7 0QN	6,144	£8.50	11/21	This is a refurbished industrial unit of 6,144 sq ft with eaves of 6 metres. This unit was reportedly let for a term of 10 years.
Unit 1B Shepley Industrial Estate, Audenshaw, M34 5DW	2,756	£5.75	10/20	Forming part of a much larger estate, this older property was let for a term of 5 years. The subject property is superior.

Valuation Considerations

The property is situated mid-terrace within The City Works Business Park, located on one of Manchester's main arterial roads, the A635, linking the city centre within the M60 orbital motorway. It therefore benefits from good access to Central Manchester, the Motorway network and the Greater Manchester conurbation as a whole. Its proximity to such an arterial road does mean that the area suffers from congestion at peak times of the day. This is, however, not entirely uncommon for its peers

The City Works is a relatively modern, mid noughties, development of circa 48 industrial units of similar size and specification. It is of modern construction to an acceptable eaves height and has adequate loading. The current use of the property does mean that the unit presents extremely well and accordingly will be attractive in the open market. The office and ancillary accommodation to the ground and mezzanine level presents well and whilst representing just less than 30% of the total floor, slightly more than a conventional unit (10-15%), we consider will also appeal to the wider market.

Although in a prominent position within an established business park, the property does not benefit from its own gated yard space, rather a shared forecourt and circulation area with the other units within Norbury Court. We believe that this does put the property at a disadvantage but is not entirely uncommon for a property of this type and size.

The property is held Long Leasehold for a term of 250 years from 2005. The rent is comparatively low at £500 per annum, reflecting £0.16 psf. The rent will rise in line with RPI although it is evident that this will remain relatively low. In combination with the Leasehold tenure, the property is subject to a service charge of £1,520 (£0.49 psf) and insurance of £890.24 (£0.29 psf). Whilst relatively low sums some prospective purchasers will prefer a Freehold tenure where control of expenditure is more hands on.

We have also had consideration to the level of demand for the subject property within the current market. In line with the national trend, there is high demand for industrial units within Manchester. Strong demand coupled with a lack of new development, has caused vacancies in the Manchester Core to decline sharply in recent years, making the submarket one of the tightest in the North West region. Further to this average asking rents in Manchester have grown strongly in recent years.

In the event that the property is offered for sale on the open market with vacant possession, we would expect that a sale could be concluded within a period of three to six months. Demand will largely be drawn from the Greater Manchester area perhaps upgrading from rented stock.

Should it be offered to let we consider that demand will be drawn from the same market and as evidenced by the lettings set out above, it will attract a lease of 5 to 10 years albeit the longer term would expect to include a Tenant break in at least year 5. Again, with the shortage of available properties and the quality of the accommodation, a letting could be concluded with six months.

We understand that there is an informal agreement in place between Oliver Charles Driver and Nancy Eve Driver and Audio Alliance (North) Ltd, and that the rental figure as per this agreement is £16,000 per annum. As far as we are aware there are no formal terms of engagement in place, therefore we have based our valuation on the basis of vacant possession.

Market Value

Our investigations have not revealed a recent sale or sale agreement relating to the property. If a recent or impending sale comes to your attention in the near future, details should be referred back to us in case the terms affect our valuation.

We have valued the property using the market method of valuation having regard to the sale of similar properties. Due to the lack of information regarding sales within The City Works Business Park itself we have considered industrial sales from around Manchester.

The sales outlined above provide a range of values falling between £85 and £140 psf. Reflecting the foregoing and also having regard to the recently agreed rents at £8.50 psf, we have adopted a capital rate of £125.00 psf overall generating a Market Value of £385,000.

It is our considered opinion that the present day Market Value of the aforementioned Long Leasehold property, in its existing condition, subject to the foregoing remarks with vacant possession, is in the sum of:

£385,000
(Three Hundred and Eighty Five Thousand Pounds)

The definition of Market Value assumes that “proper marketing” has been undertaken. No time period is stipulated, as the time required for proper marketing and completion of legal formalities is not influenced solely by price but by other factors as well.

Market Rent

We have valued the property using the market method of valuation having regard to the letting of comparable properties in the immediate and wider area.

Rental evidence from within The City Works Business Estate itself provides evidence at £8.50 psf. Accordingly, we have adopted £8.50 psf, which based upon the gross internal floor area of 3,083 sq ft the foregoing would generate the annual rental income of £26,206, say £26,200, with incentives equivalent to 3 months required to secure such a rent.

It is our considered opinion that the present day Market Rent of the aforementioned property, in its existing condition is in the sum of:

£26,200
(Twenty Six Thousand Two Hundred Pounds)

Our opinion of Market Rent is based upon a full repairing and insuring lease of six years, with a rent review and tenant break option in year three. As above, we consider that incentives equivalent to 3 months required to secured such a rent.

Compliance


We confirm that this report has been prepared by Roger Hannah acting as Independent Valuers. This report and valuation has been prepared on the basis that there has been full disclosure of all relevant information and facts which may affect the valuation. The relevant definitions and assumptions are as defined in the attached copy of our Terms of Engagement for valuations.

We confirm that this valuation has been prepared in accordance with the RICS Valuation – Global Standards 2022 and International Valuation Standards (IVS).

This report is provided for the stated purpose and only for the use of the party to whom it is addressed. It is confidential to Audio Alliance (North) Ltd and may not be disclosed to any other third party without our prior written consent. In breach of this condition, no responsibility can be accepted to third parties for the comments or advice contained in this report.

Neither the whole nor any part of this report nor any reference thereto may be included in any document, circular or statement without our prior approval of the form and context in which it will appear.

This report is dated the 31st day of March 2022.

A handwritten signature in black ink, appearing to read 'J Harrison'.

Signed

J Harrison BSc (Hons) MRICS
RICS Registered Valuer

A handwritten signature in black ink, appearing to read 'Paul Lowe'.

Signed

Paul Lowe BA (Hons) PGCertSurv MRICS
RICS Registered Valuer