



RESOLUTION PROPERTY SURVEYORS

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# RESOLUTION

## VALUATION REPORT

*5 & 6 GREENLEA PARK, LONDON SW19 2JD*

*MAY 2019*

The Specialised Unit Handling Ltd Executive Pension Scheme  
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24 May 2019

Dear Sirs,

## **Valuation of 5 & 6 Greenlea Park, London SW19 2JD**

We refer to your recent instructions requesting us to prepare a report and valuation in respect of the freehold interest in the above property. We understand this is for internal purposes.

We confirm that the following valuation has been carried out in accordance with the Practice Statements in the RICS Valuation – Global Standards (July 2017) i.e. “The Red Book”, along with our terms of engagement and general principles (attached to the rear of this report at Appendix 1).

The Valuer is an independent valuer in accordance with the definition contained within the Red Book. We confirm that we have no conflict of interest in this matter and we are able to accept this instruction.

### **1. TERMS AND CONDITIONS OF ENGAGEMENT**

This report is prepared in accordance with the attached Terms of Business and General Principles adopted in preparing valuation reports.

The report and valuation has been prepared for the purposes of the addressee above.

The valuation is prepared on the basis of Market Value, as defined in Appendix 1.

The date of valuation is the date of this report.

### **2. DISCLOSURE AND CONFLICTS OF INTEREST**

We confirm that we have no conflict of interest in this matter and we are able to accept this instruction. Instructions were received on 16 May 2019.

### **3. LOCATION**

The properties are located in south west London, more specifically in Colliers Wood, approximately 8 miles from Central London to the south and approximately 3.5 miles from the South Circular Road to the north east. Greenlea Park is just off the A24 which is a main arterial route running through Colliers Wood from Clapham down to the M25 at Junction 9.



The Tandem retail park is situated adjacent and the immediate surrounding land use is commercial and residential.

#### 4. DESCRIPTION

The properties were inspected on 30 May 2017 by David Nesbit MRICS.

The properties comprise two units within a terraced row of c.1980's constructed light industrial units of steel frame construction under profile metal clad roofing systems.

Each of the subject units has a concrete forecourt secured by metal palisade fencing and a surface level metal roller shutter loading door recessed into the building, covered by the roofing structure. There are two storey offices at the front of the units, of brick construction. The industrial element is c. 26m deep and has an eaves height of 6.27m and both units have mezzanine floors.

#### 5. GENERAL REPAIR, CONDITION AND SPECIFICATION

We emphasise that we have not undertaken a building survey of the property and should you require a more detailed report upon its structural condition and state of repair, further inspection and report will be necessary, for which there will be additional charges.

Generally, we noted the units appeared to be in fairly good order commensurate with the age, use and construction.

#### 6. FLOOR AREA

We have measured the properties in accordance with the definition of Gross Internal Area (GIA) as detailed in the RICS Code of Measuring Practice (Sixth Edition), incorporating International Property Measurement Standards (IPMS).

Unit 5	Area (sq m)	Area (sq ft)	Basis
Ground Floor Offices	332.80	3,582	GIA
First Floor Offices	48.39	521	GIA
Mezzanine	87.20	939	GIA
<b>TOTAL</b>	<b>468.39</b>	<b>5,042</b>	

Unit 6	Area (sq m)	Area (sq ft)	Basis
Ground Floor Offices	324.78	3,496	GIA
First Floor Offices	49.73	535	GIA
Mezzanine Offices	27.90	300	GIA
Mezzanine	184.39	1,985	GIA
<b>TOTAL</b>	<b>586.80</b>	<b>6,316</b>	

For the purposes of the valuation, we have only rentalised (and subsequently valued) the ground floor industrial and original configuration two storey offices at the front of the units. We are not clear as to firstly; whether or not the mezzanine elements constitute tenant's improvements under the lease; secondly mezzanine constructions are demountable; and thirdly whilst the current mezzanine arrangements suit the existing occupiers, it may not suit other occupiers who would not require this accommodation for their business use, as it would reduce the working height of the floor beneath.

Consequently, in our valuation we have adopted a reduced GIA of 4,103 sq ft in respect of Unit 5 and 4,031 sq ft in respect of Unit 6.

## **7. SERVICES**

We understand that the properties have separately metered mains electricity, water and sewerage connected. However, these were not tested.

## **8. ENVIRONMENTAL MATTERS**

We are not aware of the content of any environmental audit or other environmental investigation or soil survey which may have been carried out on the property and which may draw attention to any contamination or the possibility of any such contamination. In undertaking our work, we have been instructed to assume that no contaminative or potentially contaminative uses have ever been carried out in the property. We have not carried out any investigation into past or present uses, either of the property or of any neighbouring land, to establish whether there is any contamination or potential for contamination of the subject property from these uses or sites, and have therefore assumed that none exists.

The property lies in an area of South West London which has been in situ for many years, therefore the prospects of negative environmental issues is in our opinion extremely low. However, should it be established subsequently that contamination, seepage or pollution exists at the property or on any neighbouring land, or that the premises have been or are being put to a contaminative use, this might reduce the value now reported.

## **9. ENERGY PERFORMANCE CERTIFICATION**

All properties within the UK require an Energy Performance Certificate (EPC) when bought, sold, built or rented. An EPC measures the asset rating of a building in relation to its energy performance.

The Energy Act 2011 introduced legislation that has made it unlawful to sell or rent a property from April 2018 without reaching certain performance measures. Furthermore, it is conceivable that in the future, the minimum energy efficiency rating could be made more stringent.

We have not seen an EPC rating for the property. Our valuation assumes the property complies with performance measures set out in The Energy Act 2011. We reserve the right to alter our opinion of value if this is not the case.

## **10. PLANNING**

Our valuation assumes that the properties have the requisite planning consent for their existing use and construction and that there is no enforcement action pending.

From our enquiries of the local authority, we understand the properties have planning consent for B1/B2/B8 Use under the Town & Country Planning Act (Use Classes Order) 1987 (as amended).

## **11. TENURE**

We have relied upon information, which has been provided to us by the instructing party. We understand the property is held Freehold with a good and marketable title and not subject to any onerous or restrictive covenants. We have not sought to verify this.

## 12. TENANCIES

We understand **Unit 5** is let for a term of 5 years without review from 14<sup>th</sup> June 2017 at a rent of £58,750 pa which equates to £14.00 psf on the main industrial space and the mezzanine area at 10% of this rate in line with market approach.

We understand **Unit 6** is let for a term of 5 years from 14<sup>th</sup> June 2017 at a rent of £59,650 pa which equates to £14.00 psf on the main industrial space and the mezzanine area at 10% of this rate in line with market approach.

## 13. MARKET CONDITIONS

### Overview

In the Merton industrial market, limited new supply and steady occupier demand have kept fundamentals strong in the Merton industrial submarket in recent years. Indeed, positive net absorption has kept vacancies in check in the south London borough, which contains around 6 million SF of industrial stock. Rents have responded to these positive market signals, with continuous growth, and while some subsectors, such as light industrial have eased of late, on average growth remains strong. This has pushed rents on accordingly, and while Merton does remain among the more affordable of London's submarkets, rents are more than 50% higher than levels five years ago. In that context, and with a fairly weak supply pipeline, landlords of modern warehouses are beginning to raise their rental expectations, with increases and higher effective rents throughout the submarket. Investors have seemingly taken note of the solid fundamentals and have piled on in recent years. Indeed, volumes had already surpassed historical annual averages in 2019 as of 19Q2.

### Leasing

Fundamentals in the Merton industrial submarket have been steady over the past couple of years, with vacancies at near cyclical lows of 2%. Little new development has meant that vacancies have felt little upwards pressure for additional supply. Occupier demand has also remained healthy, meaning that, when space does become available, it is typically let quickly.

Central Merton has been particularly popular in recent years, with a number of industrial parks located south of South Wimbledon and west of the River Wandle seeing strong demand. These include Saxon Business Centre, Windsor Park and Tramlink Park. New occupiers include Gandy International, SDS, Belderbos Landscapes and Deltatre. The area adjacent to Mitcham Junction Station has also been popular among occupiers of late, with several business and industrial parks seeing healthy demand. The largest arrival of late was Forever Young's 17,400-SF move into the Nelson Trading Estate in March 2019.

Looking at availability, rates did increase into 2019, with Merton reaching a two-year high this quarter and moving above the London average. Logistics space was the most widely available, circa 7%. The light industrial subsector has been especially popular in recent years and has moved from double digits three years ago to around 4% as of 19Q2.

### Rent

Average industrial rents in Merton have grown rapidly in recent years, mirroring the London Market average, peaking at just below 11% in 2016. It has since fallen back slightly but remains robust at around 9% over the past 12 months. Growth has been led by the logistics subsector over the past four years,

with specialised industrial space also performing well. Light industrial space has seen rental values moderate from double-digit growth five years ago to around 2% in 19Q2—an eight-year low.

While growth has slowed slightly in the submarket, rental rates are at all-time highs, north of £13/SF. This represents a cumulative increase of more than 50% over the past five years, but despite this, the submarket remains among the most affordable in the capital. Indeed, rents here are cheaper than in the neighbouring Wandsworth, Lambeth, Sutton and Richmond & Kingston upon Thames submarkets, although it is marginally more expensive than in the Croydon Submarket.

Rents for new or recently refurbished space are performing particularly well of late. Burke & Wills Removals paid £13.50/SF for 11,200 SF at John Wycliffe House in 2016, but rents appear to have moved on since. Indeed, Hanover Green and Lewis & Co are now marketing new space at the property at £15/SF (they were initially marketed at £14.50/SF). This is not an isolated increase, with parks throughout the submarket increasing recently. One prominent increase was a number of Units at the Merton Industrial Park, which increased from £16/SF to more than £18/SF in late 19Q1. These increases reflect increasing landlord confidence amid positive supply/demand dynamics for good stock in the area, with the last significant supply addition occurring in 2015.

### **Sales / Investment**

Investment volumes typically reach around £15 million per annum in the Merton industrial submarket. Investment activity has ramped up, however, in recent years, with almost double this average already invested so far in 2019. Indeed, around £30 million had been invested as of 19Q2, with a number of notable transactions underpinning volumes.

Among the most notable was Big Yellow Self Storage's acquisition of the Wyvern Industrial Estate on Beverley Way in New Malden for £28 million from Imperial Tobacco Pension Fund in January. Included was a 44,500-SF storage facility, which they already occupied and which accounted for an estimated £9.9 million of the sale price. Other significant sales included 3-9 Willow Lane in Mitcham, which sold to Hegarty International for £7.75 million (yield 5.3%) in January, and the Astranta Business Centre on Ravensbury Terrace, which sold to Dominus for £8.8 million in February. These sales helped 19Q1 become the single strongest quarter this cycle, with the sector potentially benefiting from uncertainty surrounding other asset types.

Investment last year also experienced robust investment, well above the historical average for the submarket. Underpinning volume was the acquisition of Haslemere Industrial Estate. Dominus Advisory Services purchased the 1.83-acre site from Savills Investment management and First Base for £19.3 million in September 2018, with the view of redeveloping the site into 129 residential units. Another notable trade was Capital Industrial's purchased of the Connaught Business Park on Willow lane in Mitcham in September 2018. They paid Warehouse REIT £3.9 million for the 10,700-SF property, reflecting a net initial yield of 4%. It is understood that the motivation behind the sale is part of Warehouse REIT's strategy to dispose of mature, low-yielding assets and redeploy capital into opportunities that will generate longer-term income.

### **Opinion of Market Rent & Rationale**

Given the leases on each unit were recently renewed at £14.00 psf, this is in many ways the best evidence available. To underpin this, we are also aware that Unit 2 Greenlea Park let in November 2018 at a rent of £150,000 pa on the basis of a 15 year lease. The property is 12,417 sq ft of which 2,119 sq ft is mezzanine. Assuming a rate of £1.40 psf on the mezzanine area, this equates to a rent of around £14.25 psf on the main industrial accommodation which is in line with the passing rents on the subject units.

Consequently our opinion of Market Rents are £58,750 pa in respect of Unit 5 and £59,650 pa in respect of Unit 6. This totals £118,400 pa.

### **Opinion of Market Value & Rationale**

We understand that as recently as February 2019, Unit 7 Greenlea Park sold for £850,000 to Pylones who purchased the freehold interest as owner occupiers from Belderbos Landscapes Limited. The property comprises 3,953 sq ft of main space plus a further 2,624 sq ft of mezzanine accommodation. Ignoring the mezzanine area for the purposes of analysis, this would show a rate of £215 psf on the sale price.

In arriving at our opinion of value for each unit, we have applied a comparable sales rate of £215 psf to the main space excluding the mezzanine. In respect of Unit 5 this amounts to £880,000 (rounded) and in respect of Unit 6 this amounts to £865,000 (rounded).

## **14. VALUATION**

Market Value of the freehold interest in Unit 5 Greenlea Park, London SW19 2JD;

**£880,000 (Eight Hundred and Eighty Thousand Pounds).**

Market Value of the freehold interest in Unit 6 Greenlea Park, London SW19 2JD;

**£865,000 (Eight Hundred and Sixty Five Thousand Pounds).**

## **15. VALUATION AND ASSUMPTIONS**

In preparing our valuation we have taken account of the following:-

That good titles can be shown and that the property is not subject to any unusual encumbrances, outgoing, debentures, mortgages or other charges or any unusual or onerous restrictions or covenants.

That the property is not affected by any matters which will be revealed by a local search and replies to the usual enquiries or by any statutory notice and that neither the property nor its use, nor its intended use gives rise to a contravention of any statutory requirements.

We have not carried out a building survey, nor have we inspected those parts of the property, which are covered, unexposed or inaccessible and such parts have been assumed to be in good repair and condition. We cannot express an opinion about or advise upon the condition of uninspected parts and this report should not be taken as making any implied representation or statement about such parts. No tests have been undertaken of the drains, electrical or gas installations, hot or cold water systems or any other services.

We have not arranged for any investigation to be carried out to determine whether or not any deleterious or hazardous material has been used in the construction of this property, or has since been incorporated and we are therefore unable to report that the property is free from risk in this respect. For the purpose of this valuation we have assumed that such investigation would not disclose the presence of any such material to any significant extent.

That there is no contamination in or from the ground, and it is not landfilled ground.

No allowance has been made for liability of taxation, which may arise on disposal, whether notional or actual and unless specifically stated within the context of this report, this valuation does not reflect costs of realisation.

We have not carried out nor commissioned a site investigation or geographical or geophysical survey and can therefore give no assurance, opinion or guarantee that the ground has sufficient load bearing strength to support the existing structures or any other structure or structures which may be erected upon it. We can also give no assurance, opinion or guarantee that there are no underground mineral or other workings within the site or in its vicinity, nor that there is any fault or disability underground.

## 16. CONFIDENTIALITY

Neither the whole nor any part of this valuation report, nor any reference thereto may be included in a published document, circular or statement, nor published in any way without the prior written approval of Resolution Property Surveyors Limited of the form or context in which it may appear.

This report is for the use of the party to whom it is addressed and should only be used within the context of the instructions under which it is prepared and these assumptions. It may be disclosed to other professional advisers assisting in respect of that purpose. No responsibility is accepted to any third party for the whole or any part of its contents.

We trust that the contents of this report are satisfactory for your purposes; however, should you require any further information, please do not hesitate to contact us.

Yours Faithfully,



Paul Tarrant MRICS  
*Director*  
Resolution Property Surveyors  
[ptarrant@res-prop.com](mailto:ptarrant@res-prop.com)



## APPENDICES

- Appendix 1**    General Terms and Conditions of Business  
                    General Principles  
                    Definition of Market Value

# RESOLUTION

## **APPENDIX 1**

Terms and Conditions of Business

General Principles

Definition of Market Value

# RESOLUTION

## GENERAL TERMS AND CONDITIONS OF BUSINESS

### 1. AGREEMENT

**1.1.** These terms together with any Letter of Engagement and any special terms agreed outside of those aforementioned, set out the terms on which RESOLUTION PROPERTY SURVEYORS will provide services to you, the client. Each of the provisions provided in the Agreement (i.e. these terms and Letter of Engagement) are severable and distinct from the others.

**1.2.** The Letter of Engagement shall prevail to the extent of any conflict between the terms, any special terms and the letter of engagement and the special terms shall prevail over these Terms. The Agreement supersedes any previous arrangement concerning its subject matter. Unless the Parties (i.e. RESOLUTION PROPERTY SURVEYORS and the client) agree otherwise, these terms shall apply to any future instructions from the client although such instructions may be subject to additional special terms and a specific Letter of Engagement may be issued.

### 2. INTERPRETATION

**2.1** Special Terms has the meaning, save for the terms set out in the Letter of Engagement, any terms and conditions agreed in writing between the Parties to be additional to and/or take precedence over these Terms.

**2.2** Agreement means any Letter of Engagement, any Special Terms and these Terms.

**3.3** Services means the Services set out in the Letter of Engagement or as otherwise agreed in writing between the Parties.

### 3. SERVICES

**3.1** RESOLUTION PROPERTY SURVEYORS shall provide the Services using reasonable care and skill and shall carry out the Services in accordance with the client's reasonable instructions as long as they do not conflict with the Agreement or applicable law, regulation and professional rules.

**3.2** RESOLUTION PROPERTY SURVEYORS has no obligation to provide Services beyond the scope of what is agreed in writing between the Parties.

**3.3** RESOLUTION PROPERTY SURVEYORS shall use reasonable endeavours to meet any performance dates specified by the Client but shall not have any obligation to do so unless specifically agreed in writing. RESOLUTION PROPERTY SURVEYORS shall not be responsible for any failure to meet performance dates due to causes outside its reasonable control and time shall not be of the essence for performance of the Services.

**3.4** RESOLUTION PROPERTY SURVEYORS shall have the right to make any changes to the Services which are necessary to comply with any applicable law, regulation, safety requirement, or which do not materially affect the nature or quality of the Services and RESOLUTION PROPERTY SURVEYORS shall notify the Client in any such event.



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**3.5** Without prejudice to clause 7.2(b), if RESOLUTION PROPERTY SURVEYORS becomes aware of a conflict of interest, it shall advise the Client and take reasonable steps to recommend a course of action.

## **4. CLIENT OBLIGATIONS**

**4.1** The Client shall notify RESOLUTION PROPERTY SURVEYORS promptly if it considers that any details or requirements set out in the Letter of Engagement and any Special Terms are incomplete or inaccurate, co-operate with RESOLUTION PROPERTY SURVEYORS in all matters relating to the Services and promptly provide RESOLUTION PROPERTY SURVEYORS with such information and materials as it may reasonably require in order to supply the Services, and warrants that such information is complete and accurate.

**4.2** In the event of any act or omission by the Client in breach of the Agreement or failure by the Client to perform any relevant obligation, RESOLUTION PROPERTY SURVEYORS shall without limiting its other rights or remedies have the right to suspend performance of the Services until the Client remedies the Client Default. RESOLUTION PROPERTY SURVEYORS shall not be liable for any costs or losses sustained or incurred by the Client arising directly or indirectly from the Client Default.

## **5. PAYMENTS**

**5.1** Whenever possible, the fees and expenses (if known) for the Services shall be as set out in the Letter of Engagement. Where fees and expenses for the Services are not specified in writing, RESOLUTION PROPERTY SURVEYORS shall be entitled to a fair and reasonable fee by reference to time spent undertaking the Services plus reimbursement of any expenses incurred by Resolution Property Surveyors.

**5.2** All amounts payable by the Client under the Agreement are exclusive of value added tax (**VAT**) or similar taxes which the Client shall pay at the applicable rate.

**5.3** If the Client fails to make any payment due to RESOLUTION PROPERTY SURVEYORS under the Agreement by the due date for payment, then the Client shall pay interest on the overdue amount at the rate of 4% per cent per annum above National Westminster Bank's base rate from time to time. Such interest shall accrue on a daily basis from the due date until actual payment of the overdue amount, whether before or after judgment. The Client shall pay the interest together with the overdue amount and RESOLUTION PROPERTY SURVEYORS legal and administrative costs in recovering the overdue amount.

**5.4** The customer shall also be liable to pay all costs, fees, disbursements and charges including legal fees and costs reasonably incurred by RESOLUTION PROPERTY SURVEYORS in the recovery of any unpaid invoices regardless of the value of the claim.

**5.5** If termination of the Agreement takes place prior to the Services being completed, RESOLUTION PROPERTY SURVEYORS shall without limitation to its other rights and remedies under this Agreement or at law be entitled to receive from the Client a reasonable fee proportionate to the part of the Services performed to the date of termination.



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## 6. LIABILITY TO THE CLIENT

**6.1** Save in respect of RESOLUTION PROPERTY SURVEYORS's liability for death or personal injury caused by its negligence, or the negligence of its employees, agents or subcontractors or for fraud or fraudulent misrepresentation (which is not excluded or limited in any way):

a) RESOLUTION PROPERTY SURVEYORS shall under no circumstances whatsoever be liable to the Client, whether in contract, tort (including negligence), breach of statutory duty, or otherwise, for any loss of profit, loss of revenue or loss of anticipated savings, or for any indirect, special or consequential loss arising under or in connection with the Agreement; and

b) RESOLUTION PROPERTY SURVEYORS's total liability to the Client in respect of all losses arising under or in connection with the Agreement, whether in contract, tort (including negligence), breach of statutory duty, or otherwise, shall not exceed £2 million.

**6.2** RESOLUTION PROPERTY SURVEYORS shall have no liability for the consequences, including delay in or failure to provide the Services:

a) Due to any failure by the Client or any representative or agent of the Client to provide information or other material that RESOLUTION PROPERTY SURVEYORS reasonably requires promptly or where that information or material provided is inaccurate or incomplete

b) To the extent that the Client or someone on the Client's behalf for whom RESOLUTION PROPERTY SURVEYORS is not responsible is responsible, and where RESOLUTION PROPERTY SURVEYORS is one of the parties liable in conjunction with others, RESOLUTION PROPERTY SURVEYORS's liability shall be limited to the share of loss reasonably attributable to RESOLUTION PROPERTY SURVEYORS on the assumption that all other parties pay the share of loss attributable to them (whether or not they do); or

c) Due to any failure by the Client or any representative or agent of the Client to follow RESOLUTION PROPERTY SURVEYORS's advice or recommendations.

**6.3** RESOLUTION PROPERTY SURVEYORS owes no duty of care and has no liability to anyone but the Client unless specifically agreed in writing by RESOLUTION PROPERTY SURVEYORS.

**6.3** The Client agrees to indemnify and keep indemnified RESOLUTION PROPERTY SURVEYORS against all Claims relating to matters which the Client is responsible for insuring under the Agreement, arising from a breach of the Agreement by the Client; or the safety of any third party entering any premises. This clause shall survive termination of the Agreement.

## 7. TERMINATION

**7.1** Without limiting its other rights or remedies, either Party may terminate the Agreement by giving the other Party 28 day's written notice.

**7.2** Without limiting its other rights or remedies, either Party may terminate the Agreement with immediate effect by giving written notice to the other Party if:



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- a) The other Party commits a material breach of the Agreement and (if such a breach is remediable) fails to remedy that breach within 14 days of that Party being notified in writing to do so;
- b) A conflict of interest arises which pursuant to any relevant professional code of conduct prevents RESOLUTION PROPERTY SURVEYORS continuing to act for the Client; or
- c) The other Party becomes Insolvent.

**7.3** On termination of the Agreement for any reason, the Client shall immediately pay to RESOLUTION PROPERTY SURVEYORS all of RESOLUTION PROPERTY SURVEYORS's outstanding unpaid invoices and interest and, in respect of Services supplied but for which no invoice has been submitted and associated expenses, RESOLUTION PROPERTY SURVEYORS shall submit an invoice, which shall be payable by the Client immediately on receipt;

## **8. DATA PROTECTION**

**8.1** In order for RESOLUTION PROPERTY SURVEYORS to provide the Services, RESOLUTION PROPERTY SURVEYORS may need to record and maintain in hard copy and/or in electronic form, information regarding the Client.

## **9. GENERAL**

**9.1 Third parties.** A person who is not a Party to the Agreement shall not have any rights to enforce its terms unless specifically agreed in writing.

**9.2 Variation.** Except as set out in these Terms, no variation of the Agreement, including the introduction of any additional terms and conditions, shall be effective unless it is provided agreed in writing and signed by both parties.

**9.3 Complaints.** Before taking any other action against RESOLUTION PROPERTY SURVEYORS the Client agrees to use RESOLUTION PROPERTY SURVEYORS's complaints procedure, which is available on request.

**9.4 Anti-bribery.** Both parties shall comply with all applicable laws, statutes, regulations, relating to anti-bribery and anti-corruption including but not limited to the Bribery Act 2010.

**9.5 Governing Law.** The Agreement and any disputes arising from it (including non-contractual claims and disputes) are governed by English Law.



# RESOLUTION

## GENERAL PRINCIPLES

These General Principles, which are adopted in the preparation of valuations and reports, should be read in conjunction with Resolution Property Surveyors' General Terms and Conditions of Business except insofar as this may be in conflict with other contractual arrangements.

### 1 **RICS Valuation - Professional Standards (January 2014)**

All work is carried out in accordance with the Professional Standards, Valuation Practice Statements and UK Valuation Standards contained in the RICS Valuation – Professional Standards (January 2014) including the 2015 supplement, published by the Royal Institution of Chartered Surveyors ("the Red Book"), by valuers who conform to the requirements thereof. Our valuations may be subject to monitoring by the RICS. The valuations are undertaken by currently Registered RICS Valuers.

### 2 **Valuation Basis:**

Our reports state the purpose of the valuation and, unless otherwise noted, the basis of valuation is as defined in the "the Red Book". The full definition of the basis, which we have adopted, is either set out in our report or appended to these General Principles.

### 3 **Assumptions and Special Assumptions:**

Where we make an "assumption" or "special assumption" in arriving at our valuations, we define these terms in accordance with the "the Red Book" as follows:

**Assumption:** A supposition taken to be true.

**Special Assumption:** An assumption that either assumes facts that differ from the actual facts existing at the valuation date, or that would not be made by a typical market participant in a transaction on the valuation date.

We will not take steps to verify any assumptions.

### 4 **Disposal Costs Taxation and Other Liabilities:**

No allowances are made for any expenses of realisation, or for taxation, which might arise in the event of a disposal. All property is considered as if free and clear of all mortgages or other charges, which may be secured thereon.

However, we take into account purchaser's costs in investment valuations in accordance with market conventions. Valuations are prepared and expressed exclusive of VAT payments, unless otherwise stated.

### 5 **Sources of Information:**

Where we have been provided with information by the client, or its agents, we assume that it is correct and complete and is up to date and can be relied upon. We assume that no information that has a material effect on our valuations has been withheld.

In respect of valuations for loan security purposes, commissioned by a lending institution, we may also rely on information provided to us by the Borrower or its advisors. In such cases, we have similarly assumed that all information is correct, complete, up to date and can be relied upon and that no pertinent information has been withheld.



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## 6 **Title and Tenancy Information:**

We do not normally read leases or documents of title. We assume, unless informed to the contrary, that each property has a good and marketable title, that all documentation is satisfactorily drawn and that there are no encumbrances, restrictions, easements or other outgoings of an onerous nature, which would have a material effect on the value of the interest under consideration, nor material litigation pending. Where we have been provided with documentation we recommend that reliance should not be placed on our interpretation without verification by your lawyers. We have assumed that all information provided by the client, or its agents, is correct, up to date and can be relied upon.

## 7 **Tenants:**

Although we reflect our general understanding of a tenant's status in our valuations i.e. the markets general perception of their creditworthiness, enquiries as to the financial standing of actual or prospective tenants are not normally made unless specifically requested. Where properties are valued with the benefit of lettings, it is therefore assumed, unless we are informed otherwise, that the tenants are capable of meeting their financial obligations under the lease and that there are no arrears of rent or undisclosed breaches of covenant.

## 8 **Measurements/Floor Areas:**

All measurement is carried out in accordance with the latest Code of Measuring Practice issued by the Royal Institution of Chartered Surveyors, which incorporates International Property Measurement Standards (IPMS). There may be cases where we specifically state that we have relied on another source. The areas adopted are purely for the purpose of assisting us in forming an opinion of capital value. They should not be relied upon for other purposes nor used by other parties without our written authorisation.

Where floor areas have been provided to us, we have relied upon these and have assumed that they have been properly measured in accordance with the latest Code of Measuring Practice referred to above.

Where we have been instructed not to measure or the instruction forms a desktop exercise and we have not been provided with floor areas, we will obtain the floor areas from the Valuation Office Agency (VOA) and rely on the same as being correct, accurate and prepared in accordance with the latest Code of Measuring Practice referred to above.

## 9 **Site Areas:**

Site areas are generally calculated using proprietary digital mapping software and are based on the site boundaries indicated to us either at the time of our inspection, or on plans supplied to us. No responsibility is accepted if the wrong boundaries are indicated to us.

## 10 **Estimated Rental Values:**

Our assessment of rental values is formed purely for the purposes of assisting in the formation of an opinion of capital value and is generally on the basis of Market Rent, as defined in the "the Red Book". Where circumstances dictate that it is necessary to utilise a different rental value in our capital valuation, we will generally set out the reasons for this in our report. Such a figure does not necessarily represent the amount that might be agreed by negotiation, or determined by an Expert, Arbitrator or Court, at rent review or lease renewal or the figure that might be obtained if the property or unit were being let on the open market.





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**11 Town Planning, Acts of Parliament and Other Statutory Regulations:**

Information on town planning is, wherever possible, obtained from publicly available electronic or other sources. It is obtained purely to assist us in forming an opinion of capital value and should not be relied upon for other purposes

Our valuations are prepared on the basis that the premises (and any works thereto) comply with all relevant statutory requirements such as (but not limited to) fire regulations, access and use by disabled persons, control and remedial measures for asbestos in the workplace and EPC regulations, unless we have been informed otherwise.

**12 Structural Surveys:**

Unless expressly instructed, we do not carry out a structural survey, nor do we test the services and we, therefore, do not give any assurance that any property is free from defect. We seek to reflect in our valuations any readily apparent defects or items of disrepair, which we note during our inspection, or costs of repair which are brought to our attention. Otherwise, we assume that each building is structurally sound and that there are no structural, latent or other material defects. Unless stated otherwise in our reports we assume any tenants are fully responsible for the repair of their demise either directly or indirectly through a service charge.

**13 Deleterious Materials:**

We do not normally carry out or commission investigations on site to ascertain whether any building was constructed or altered using deleterious materials or techniques Unless we are otherwise informed, our valuations are on the basis that no such materials or techniques have been used.

**14 Site Conditions:**

We do not normally carry out or commission investigations on site in order to determine the suitability of ground conditions and services for the purposes for which they are, or are intended to be, put; nor do we undertake archaeological, ecological or environmental surveys. Unless we are otherwise informed, our valuations are on the basis that these aspects are satisfactory and that, where development is contemplated, no extraordinary expenses, delays or restrictions will be incurred during the construction period due to these matters.

**15 Environmental Contamination:**

Unless expressly instructed, we do not carry out or commission site surveys or environmental assessments, or investigate historical records, to establish whether any land or premises are, or have been, contaminated. Therefore, unless advised to the contrary, our valuations are carried out on the basis that properties are not affected by environmental contamination.

**16 Insurance:**

Unless expressly advised to the contrary we assume that appropriate cover is and will continue to be available on commercially acceptable terms. Our valuations are made on the basis that the properties are insured against risks of loss or damage including flooding and damage caused by acts of Terrorism as defined by the 2000 Terrorism Act.

**17 Confidentiality and Third Party Liability:**

Our Valuations and Reports are confidential to the party to whom they are addressed and for the specific purpose to which they refer, and no responsibility whatsoever is accepted to any third parties. Neither the whole, nor any part, nor reference thereto, may be published in any document, statement or circular,



or in any communication with third parties, without our prior written approval of the form and context in which it will appear.

**18 Statement of Valuation Approach:**

We are required to make a statement of our valuation approach. In the absence of any particular statements in our report the following provides a generic summary of our approach.

For income producing properties or those with income producing potential, we usually value such properties adopting the investment approach where we apply a capitalisation rate, as a multiplier, against the current and, if any, reversionary income streams. Following market practice we construct our valuations adopting hardcore methodology where the reversions are generated from regular short term uplifts of market rent or ERV. Where there is an actual exposure or a risk thereto of irrecoverable costs, including those of achieving a letting, an allowance is sometimes reflected in the valuation.

Vacant buildings, in addition to the above methodology, may also be valued and analysed on a comparison method with other capital value transactions where applicable.

Where land is held for development we adopt the comparison method when there is good evidence, and/or the residual method, particularly on more complex and bespoke proposals.

There are situations in valuations for accounts where we include in our valuation properties which are owner-occupied. These are valued on the basis of existing use value, thereby assuming the premises are vacant and will be required for the continuance of the existing business. Such valuations ignore any higher value that might exist from an alternative use.

**19 Capital Expenditure Requirement:**

Where buildings are undergoing works, such as refurbishment or repairs, or where developments are in progress, we have relied upon cost information supplied to us by the client or their appointed specialist advisors.

**20 Goodwill, Fixtures and Fittings:**

Unless otherwise stated our valuation excludes any additional value attributable to goodwill, or to fixtures and fittings which are only of value, in situ, to the present occupier. Further, no allowance has been made for any plant, machinery or equipment

**21 Services:**

We do not normally carry out or commission investigations into the capacity or condition of services. Therefore we assume that the services are in working order and free from defect.

**22 Land and Building Apportionments:**

When instructed, we will provide apportionments between land and buildings for depreciation purposes only. Such apportionments are indicative only and for the purposes of a particular accounting approach – they are not valuations and should not be used or treated as such.

**23 Portfolio Valuations:**

In respect of valuations of portfolios of properties, our overall valuation is an aggregate of the individual values of each individual property. The valuation assumes, therefore, that each property would be marketed as an individual property and not as part of a portfolio. Consequently no portfolio premium or discount has been reflected.



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**Rating:**

Any information regarding rating has generally been obtained from the Valuation Office website. We will not investigate whether any rating assessment is a fair assessment or considered the likelihood of an appeal being successful.

25

**Plans and Maps:**

All plans and maps included in our report are strictly for identification purposes only, and, whilst believed to be correct, are not guaranteed and must not form part of any contract. All are published under licence and may include mapping data from Ordnance Survey © Crown Copyright. All rights are reserved.



## MARKET VALUE

Definitions and Interpretive Commentary reproduced from the RICS Valuation – Professional Standards January 2014, VPS 4 and IVS Framework

### 1.2 Market Value

#### 1.2.1 The Definition of market value as defined in IVS Framework paragraph 29 is:

*The estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion.*

1.2.2 Market value is the basis of value that is most commonly required, being an internationally recognised definition. It describes an exchange between parties that are unconnected and are operating freely in the marketplace and represents the figure that would appear in a hypothetical contract of sale, or equivalent legal document, at the valuation date, reflecting all those factors that would be taken into account in framing their bids by market participants at large and reflecting the highest and best use of the asset. The highest and best use of an asset is the use of an asset that maximises its productivity and that is possible, legally permissible and financially feasible – see IVS Framework paragraphs 32-34 Market Value.

1.2.3 It ignores any price distortions caused by special values or synergistic value. It represents the price that would most likely be achievable for an asset across a wide range of circumstances. Market rent applies similar criteria for estimating a recurring payment rather than a capital sum.

1.2.4 In applying market value, regard must also be had to the conceptual framework set out in IVS Framework paragraphs 30-34 Market Value, which includes the requirement that the valuation amount reflects the actual market state and circumstances as of the effective valuation date.

1.2.5 Valuers must ensure in all cases that the basis is reproduced or clearly identified in both the instructions and the report. There is no mandatory requirement to refer to the IVS conceptual framework (IVS Framework paragraphs 30-34) in the valuer's report but, in appropriate cases, it may be useful to do so if it is considered likely to assist the client.

1.2.6 However, a valuer may be legitimately instructed to provide valuation advice based on other criteria, and therefore other bases of value may be appropriate. In such cases the definition adopted must be set out in full and explained. Where such a basis differs significantly from market value it is recommended that a brief comment is made indicating the differences.

1.2.7 Notwithstanding the disregard of special value (see definition in IVS Framework paragraph 47), where the price offered by prospective buyers generally in the market would reflect an expectation of a change in the circumstances of the property in the future, the impact of that expectation is reflected in market value.

Examples

of

where

the hope of additional value being created or obtained in the future may have an impact on the market value include:

- the prospect of development where there is no current permission for that development and



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- the prospect of synergistic value (see definition in IVS Framework paragraph 47) arising from merger with another property or asset, or interests within the same property or asset, at a future date.

- 1.2.8 The Impact on value arising by use of an assumption or special assumption should not be confused with the additional value that might be attributed to an asset by a special purchaser.
- 1.2.9 Not that in some jurisdictions a basis of value known as 'highest and best use' is adopted and this may either be defined by statute or established by common practice in individual countries or states.

## IVS FRAMEWORK

- 30 The definition of market value shall be applied in accordance with the following conceptual framework:

***(a) "the estimated amount"***

Refers to a price expressed in terms of money payable for the asset in an arm's length market transaction. Market value is the most probable price reasonably obtainable in the market on the valuation date in keeping with the market value definition. It is the best price reasonably obtainable by the seller and the most advantageous price reasonably obtainable by the buyer. This estimate specifically excludes an estimated price inflated or deflated by special terms or circumstances such as atypical financing, sale and leaseback arrangements, special considerations or concessions granted by anyone associated with the sale, or any element of special value;

***(b) "an asset should exchange"***

Refers to the fact that the value of an asset is an estimated amount rather than a predetermined amount or actual sale price. It is the price in a transaction that meets all the elements of the market value definition at the valuation date;

***(c) "on the valuation date"***

Requires that the value is time-specific as of a given date. Because markets and market conditions may change, the estimated value may be incorrect or inappropriate at another time. The valuation amount will reflect the market state and circumstances as at the valuation date, not those at any other date;

***(d) "between a willing buyer"***

refers to one who is motivated, but not compelled to buy. This buyer is neither over eager nor determined to buy at any price. This buyer is also one who purchases in accordance with the realities of the current market and with current market expectations, rather than in relation to an imaginary or hypothetical market that cannot be demonstrated or anticipated to exist. The assumed buyer would not pay a higher price than the market requires. The present owner is included among those who constitute "the market";

***(e) "and a willing seller"***

Is neither an over eager nor a forced seller prepared to sell at any price, nor one prepared to hold out for a price not considered reasonable in the current market. The willing seller is motivated to sell the asset at market terms for the best price attainable in the open market after proper marketing, whatever that price may be. The factual circumstances of the actual owner are not a part of this consideration because the willing seller is a hypothetical owner;

***(f) "in an arm's length transaction"***



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Is one between parties who do not have a particular or special relationship, eg parent and subsidiary companies or landlord and tenant, that may make the price level uncharacteristic of the market or

inflated because of an element of special value. The market value transaction is presumed to be between unrelated parties, each acting independently;

***(g) “after proper marketing”***

Means that the asset would be exposed to the market in the most appropriate manner to effect its disposal at the best price reasonably obtainable in accordance with the market value definition. The method of sale is deemed to be that most appropriate to obtain the best price in the market to which the seller has access. The length of exposure time is not a fixed period but will vary according to the type of asset and market conditions. The only criterion is that there must have been sufficient time to allow the asset to be brought to the attention of an adequate number of market participants. The exposure period occurs prior to the valuation date;

***(h) “where the parties had each acted knowledgeably, prudently”***

Presumes that both the willing buyer and the willing seller are reasonably informed about the nature and characteristics of the asset, its actual and potential uses and the state of the market as of the valuation date. Each is further presumed to use that knowledge prudently to seek the price that is most favourable for their respective positions in the transaction. Prudence is assessed by referring to the state of the market at the valuation date, not with benefit of hindsight at some later date. For example, it is not necessarily imprudent for a seller to sell assets in a market with falling prices at a price that is lower than previous market levels. In such cases, as is true for other exchanges in markets with changing prices, the prudent buyer or seller will act in accordance with the best market information available at the time;

***(i) “and without compulsion”***

Establishes that each party is motivated to undertake the transaction, but neither is forced or unduly coerced to complete it.

- 31 The concept of market value presumes a price negotiated in an open and competitive market where the participants are acting freely. The market for an asset could be an international market or a local market. The market could consist of numerous buyers and sellers, or could be one characterised by a limited number of market participants. The market in which the asset is exposed for sale is the one in which the asset being exchanged is normally exchanged.
- 32 The market value of an asset will reflect its highest and best use. The highest and best use is the use of an asset that maximises its potential and that is possible, legally permissible and financially feasible. The highest and best use may be for continuation of an asset’s existing use or for some alternative use. This is determined by the use that a market participant would have in mind for the asset when formulating the price that it would be willing to bid.
- 33 The highest and best use of an asset valued on a stand-alone basis may be different from its highest and best use as part of a group, when its contribution to the overall value of the group must be considered.
- 34 The determination of the highest and best use involves consideration of the following:
  - (a) to establish whether a use is possible, regard will be had to what would be considered reasonable by market participants,
  - (b) to reflect the requirement to be legally permissible, any legal restrictions on the use of the asset, e.g. zoning designations, need to be taken into account,



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(c) the requirement that the use be financially feasible takes into account whether an alternative use that is physically possible and legally permissible will generate sufficient return to a typical market participant, after taking into account the costs of conversion to that use, over and above the return on the existing use.

43 Special value is an amount that reflects particular attributes of an asset that are only of value to a special purchaser.

44 A special purchase is a particular buyer whom a particular asset has special value because of advantages arising from its ownership that would not be available to other buyers in the market.

45 Special value can arise where an asset has attributes that make it more attractive to a particular buyer than to any other buyers in a market. These attributes can include the physical, geographic, economic or legal characteristics of an asset. Market value requires the disregard of any element of special value because at any given date it is only assumed that there is a willing buyer, not a particular willing buyer.

46 When special value is identified, it should be reported and clearly distinguished from market value.



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