

Our Ref: RM20/JT/DG

*14 November 2022*BWP REIT Plc  
c/o Alter Domus (UK) Limited  
18 St Swithin's Lane  
London  
EC4N 8ADWH Ireland Limited  
24 Martin Lane  
London  
EC4R 0DR

Dear Sirs

**Property: Bridgewater Place, Water Lane, Leeds, LS11 5BZ**

In accordance with your instructions, we now report formally our valuation of the above property ("the **Subject**"). We are instructed, as external valuers and IPSX approved valuers, to report to you our opinion of Market Value of the leasehold interest of the Property as at 30 August 2022.

This valuation report has been prepared for the purposes of the proposed admission to trading on IPSX (the "**Admission**") of a newly incorporated holding company, BWP REIT Plc (the "**Company**") which will become the ultimate holding company of M7 BWP Propco Limited (the "Buyer") which has agreed to purchase the leasehold interest in the property from the current owner of the property, CPPI Bridgewater Place General Partner Limited (the "Seller").

We draw your attention to the Terms of Appointment and Definitions and Reservations for Valuations to which our advice is subject and to the Letter of Engagement agreed between us.

The property has been valued subject to the occupational leases.

**Valuation**

We are of the opinion that the Market Value of the leasehold interest in the Subject, as at 30 August 2022, was: -

**£63,000,000****(Sixty Three Million Pounds)**

Further, we are of the opinion that the Market Rent of the leasehold interest in the Subject as at 30 August 2022, was: -

**£7,678,000 per annum**

**(Seven Million Six Hundred and Seventy Eight Thousand Pounds per annum)**

Please note that the Market Rent assumes the refurbishment works to the common areas and offices have completed.

All valuations are reported exclusive of VAT.

Attached at Appendix 1 is our Property & Valuation Summary which provides more detail on the Subject and the valuation.

### **Basis of Value**

The valuations have been prepared in accordance with the RICS Valuation – Global Standards effective from 31 January 2022 – ‘the Red Book’.

We further confirm that our valuations and report have been prepared in accordance with the relevant provisions of IPSX Rules v 1.4.

The property is held for investment purposes and has been valued on the basis of Market Value, defined as:

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

We have carried out the valuation on a traditional income capitalisation basis having regard to appropriate yields while reflecting the income profile, covenant strength, use, specification, and location of the property. We have applied different capitalisation rates to separate areas/demises of the property reflecting lease length, covenant strength, use etc.

We have provided our opinion of the Market Rent of the property. Market Rent is defined as:

*‘The estimated amount for which an interest in real property should be leased on the valuation date between a willing lessor and willing lessee on appropriate lease terms in an arm’s length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion’.*

No allowance has been made in our valuation for the expenses of realisation or for taxation that may arise in the event of disposal and our valuation is expressed exclusive of any VAT that may become chargeable. The reported valuation figure is net of the purchaser’s standard acquisition costs including stamp duty.

The Property was internally and externally inspected on 24 February 2022. We were able to inspect sufficient parts of the building to enable us to prepare this valuation. We understand there have been no physical changes to the property since our inspection.

### **Conflicts of Interest**

In assessing any potential conflicts, we have adhered to the RICS Professional Statement – Conflicts of Interest, (1<sup>st</sup> Edition, March 2017) and the RICS Rules of Conduct.

As far as we are aware, we have no conflict of interest in relation to the provision of valuation advice in respect of the property. We have no ongoing or previous fee earning relationship with the property. We are providing our advice as External Valuers in accordance with the provisions of the Red Book. Avison Young (UK) Limited is a regulated firm.

**Status of Valuer**

We confirm that all the valuers involved in this valuation have sufficient current knowledge of the particular market and the skills and understanding required to undertake the valuation competently and are RICS Registered Valuers. Avison Young are IPSX approved valuers.

The Valuation has been prepared jointly by Jared Thompson MRICS, a Director within Valuation Advisory Services and Rebecca Millard MRICS, a Principal within the same department.

**Nature and Source of Information to be Relied Upon**

Information relating to tenancies, and all other on-going management issues has been supplied to us by M7 Real Estate Limited and their advisers, and we have relied upon the accuracy of this information when preparing our valuation.

We have had sight of a draft Certificate of Title which contains a sample lease and tenancy schedule prepared by Simmons and Simmons during August 2022, the contents of which we have taken into account in preparing our valuation.

We have been provided with a tenancy schedule and copies of the occupational leases by the managing agents, Jones Lang LaSalle, the contents of which we have relied upon and taken into account in preparing our valuation.

We have had sight of a Vendors Survey Report prepared by Paragon in December 2018 and updated in April 2022 and a Vendors Building Services Report dated March 2022. We have relied upon the findings of these reports as being accurate.

We have been provided with an Interim Tender Evaluation Report in respect of the façade remediation, undertaken by Ridge and dated August 2022. The document reviews a contract sum provided by Clearline in order to replace the defective external cladding of the building. We have relied upon this information as being accurate.

We have relied upon the floor areas of the property prepared by Plowman Craven as being accurate. The measurement survey was originally undertaken by Plowman Craven in May 2007. A verification survey was undertaken in February 2020. Our valuation assumes they were prepared in accordance with the RICS Professional Statement – RICS Property Measurement 2nd edition, January 2018 and in compliance with the RICS Code of Measuring Practice, 6th edition published by the RICS.

We have reviewed an Environmental Audit undertaken by Nova Ambiente dated 11 August 2020. The document provides a review of the Desktop Environmental Audit undertaken by Paragon in November 2018.

We have commissioned Creditsafe Reports for the tenants to support the statement of tenant covenant strength at the valuation date.

**Special Assumptions**

There are no Special Assumptions adopted within our valuation.

**Tenure**

The Property is currently held freehold under title numbers WYK717020, WYK755208 and WYK717029. However, the property interest being acquired and therefore valued is a new leasehold interest of the commercial areas for a 999 year term at nil rent. We have had sight of the draft lease and an Option Agreement to acquire the freehold titles (including the residential areas) for £1 upon completion of the cladding works and the issue of a defects liability certificate.

As would be expected from a property of this nature and location, the title is complex with various easements, obligations, and restrictions. To cover any defects in title an appropriate title indemnity policy will be secured.

## Tenancies

The commercial leases contain standard institutional terms, including provisions for: upward only rent reviews; tenant internal repairing obligations with landlord's expenditure on the common parts and insurance recoverable through a service charge.

## Tenant Covenant Strength

We have undertaken Creditsafe rating checks to ascertain the risk of business failure of all the occupational tenants. The table below summarises the risk profile of the current contracted rent.

| Risk of Business Failure | % of Contracted Rent * |
|--------------------------|------------------------|
| Very Low Risk            | 79.07%                 |
| Low Risk                 | 19.59%                 |
| Moderate Risk            | 1.17%                  |
| High Risk                | 0.00%                  |
| Very High Risk           | 0.00%                  |
| Not Rated                | 0.17%                  |

\* Contracted rent is the overall annualised rent before rent free incentives or phased rents have been deducted.

We have detailed below the following Top 10 tenants, which represent the top tenants by contracted rent across the property.

| Tenant                                   | Company Number | Rating | Risk of Business Failure | International Score | Credit Limit |
|--|----------------|--------|--------------------------|---------------------|--------------|
| Eversheds Sutherland (International) LLP | OC304065       | 100    | Very Low Risk            | A                   | £29,500,000  |
| DWF LLP                                  | OC328794       | 70     | Low Risk                 | B                   | £100,000     |
| Ernst & Young LLP                        | OC300001       | 97     | Very Low Risk            | A                   | £92,550,000  |
| Jemella Limited                          | 04115691       | 97     | Very Low Risk            | A                   | £7,150,000   |
| 2 Plan Limited                           | 06761381       | 72     | Very Low Risk            | A                   | £25,000      |
| Tesco Stores Limited                     | 00519500       | 100    | Very Low Risk            | A                   | £100,000,000 |
| Gym Factory Leeds City Centre Limited    | 10624948       | 42     | Moderate Risk            | C                   | £500         |
| Soul Coffee House Limited                | 09371819       | 76     | Very Low Risk            | A                   | £100,000     |
| A. F. Blakemore and Son Limited          | 00391135       | 94     | Very Low Risk            | A                   | £9,850,000   |
| Tabeyo Limited (t/a Juici Sushi)         | 10032599       | 44     | Moderate Risk            | C                   | £500         |
| Car Parking / Service Charge             | N/A            | N/A    | N/A                      | N/A                 | N/A          |

Creditsafe rate companies from 0 to 100, with 71 to 100 representing Very Low Risk and 51 to 70 representing Low Risk and 30 to 50 representing Moderate Risk. The International Score is rated

from A to E, with A representing Very Low Risk. This score represents a common risk scoring platform which enables companies to be compared on an international basis.

### Town Planning and Highways

Where considered appropriate we have made oral and web-based enquiries of the relevant Town Planning and Highways Authorities in respect of matters that may have a material effect on value. No responsibility will be taken for the accuracy of the information given.

We have provided below a summary of the planning history for the property which has been taken from the Leeds City Council Planning Portal.

| Application Reference | Description   | Decision                       |
|-----------------------|---|--------------------------------|
| 07/02330/FU           | Proposed retail unit (A1) sales area of 412.8 sq m  | Application Refused            |
| 07/05559/ADV          | One non illuminated vinyl logo sign to take away sandwich shop  | Application Approved           |
| 07/05613/FU           | Proposed use of Unit 2A as a convenience food store (A1 use)  | Application Approved           |
| 07/05871/ADV          | 2 internally illuminated individual letter signs and 2 internally illuminated signs to coffee shop  | Application Approved           |
| 07/05872/FU           | Replacement frontage to coffee shop   | Application Approved           |
| 07/06441/FU           | Change of use of public space to external seating area to proposed coffee shop  | Application Approved           |
| 07/06514/FU           | Alterations comprising new shopfront, new ATM machine, 2 air conditioning units and 2 condenser units to retail unit                              | Application Approved           |
| 07/07385/FU           | 4 air conditioner units to rear of retail unit  | Application Approved           |
| 08/02517/FU           | Change of use of unit from B1 class to a mixed-use office, training facility, exhibition facility, hairdressing academy and other associated uses | Application Approved           |
| 08/04121/COND         | Consent, agreement or approval required by condition 4 of planning application 08/02517/FU  | Application Approved           |
| 08/05215/COND         | Consent, agreement or approval required by condition 2 and 3 of planning application 08/02517/FU  | Application Approved           |
| 08/06189/ADV          | 2 internally illuminated single sided bus shelter signs   | Split decision                 |
| 0-20/4/05/MOD         | Part 30 part 9 storey office flats restaurant & bars with basement parking (amendment to approval including siting)                               | Application Approved           |
| 20/339/04/FU          | Part 9 and 30 storey office, flats restaurant/bars with basement car parking (amendment 20/313/03 for 32 additional flats)                        | Application Approved           |
| 0-20/34/04/MOD        | New offices/flats/bars & restaurant   | Non-Material Amendment Refused |
| 0-20/26/04/MOD        | Part 30 and part 9 storey office flats restaurant & bars with basement parking (amendment to approval including siting)                           | Non-Material Amendment Refused |
| 20/313/03/FU          | Part 30 and part 9 storey office flats restaurant & bars with basement parking (amendment to approval including siting)                           | Application Approved           |

| Application Reference | Description  | Decision             |
|-----------------------|--|----------------------|
| 20/337/00/FU          | Part 30 and part 8 storey 190 bed hotel and flats and office block with restaurant bars and basement car parking | Application Approved |

We have assumed that the property has been constructed and occupied or used within all the relevant permissions and that there are no outstanding statutory notices.

### **Building Condition**

We have been provided with a Vendor's Survey Report undertaken by Paragon dated 1 April 2022 and a Vendor's Building Services Report undertaken by Paragon dated 20 March 2022.

The Vendor's Survey Report provides the following conclusions: -

*'Our building inspection did not reveal any evidence of significant defects to the structure of the property. Provided the purchaser takes into consideration the issues raised within this report along with the cost of repairs and satisfactorily address any legal issues raised, then from a technical perspective, there is nothing to prevent them from proceeding with their acquisition.'*

*Furthermore, we can advise that there is a low/ medium risk with regard to environmental liability.'*

The vendors survey report identifies a number of budget repair costs for wants of repair. The budget repair costs have been split into Short (1-2 years), Medium (3-5 years) and Long Term 6-10 years) items as well as being classified as recoverable costs (via Service Charge) and non-recoverable costs (Landlord Expenditure).

The total cost of repair works identified in the Schedule of Repairs in the Vendors Survey Report and Vendors Building Services Report is £5,108,500 exclusive of professional fees and VAT. All costs are anticipated to be service charge recoverable. The costs are split into £1,453,000 for short term items, £1,067,000 for medium term items and £2,588,500 for long term items. The majority of the costs (£4,913,000) relate to upgrading the M&E, including but not limited to the following items: -

- Replacing the four chillers on the roof
- Overhaul the fan coil units in the offices
- Overhaul sprinkler pumps
- Update CCTV components
- Minor superficial works to the M&E services
- Remedial works to the lifts in the medium term, modernisation in the long term

Given that the Vendors Survey Report identifies the costs as being recoverable through Service Charge, we have not included any non-recoverable costs within our valuation relating to those cost items outlined above.

We have separately allowed within our valuation refurbishment costs in relation to updating and improving the atrium and common parts, as well as upgrading the M&E with the aims of targeting a net zero carbon building.

### **Cladding Report**

We have been provided with an Interim Tender Evaluation Report in respect of the façade remediation, undertaken by Ridge and dated August 2022. The document reviews a contract sum provided by Clearline in order to replace the defective external cladding of the building. We have relied upon this information as being accurate.

Clearline have provided several tender prices which have been revised over time (Rev07, Rev08 and Rev11). The current cost of the works (Rev11) is £11,778,838, although this cost excludes any future price inflation which is to be absorbed by the "Buyer". As part of Rev08 tender price, a cost of £3,101,330 was included for the provision of inflation for the period June 2022 to March 2024.

The report concludes: -

*'Following the analysis of the various tender submissions, we would consider that Rev 11 of the Clearline tender is the optimum tender sum that can be obtained during the negotiations taking into account the level of risk that Clearline anticipate in a very volatile market'*

Overall, we are of the opinion that any potential purchaser for the property is likely to incorporate any future risk of inflation within the overall cost for the cladding works (i.e let the contractor bare the risk of inflation). Therefore, the total cladding costs (including future inflation costs) totals £14,880,168.

Consequently, we have deducted this figure (£14,880,168) from the valuation as a day one capital cost.

### **Fire Safety Works**

We understand that the residential tower requires the instillation of a fire sprinkler system throughout to bring the safety of the residential tower in line with current fire regulations. The cost of these works is understood to total £750,000. We have therefore deducted £750,000 as a capital cost as at the valuation date.

### **Wind Mitigation Measures**

We understand that all wind mitigation measures have been completed.

We further understand that there is a maintenance contract in place in relation to the wind baffles. We have not had sight of the contract; however, we understand that it requires the property owner to maintain the condition of the baffles. The cost of which is not recoverable through the service charge. We have been provided with a NPV of £120,000 by the "Buyer" in relation to the maintenance contract. We have therefore deducted £120,000 as a capital cost as at the valuation date.

### **Environmental Matters**

The main points / conclusions from the Environmental Report are as follows: -

- *The site carries an industrial legacy which may have resulted in some degree of ground contamination. The development process of the current building, including basement car parking and foundations would have required the excavation and removal off site of significant quantities of underlying soils. This would have effectively removed potentially impacted shallow soils from beneath the site and reducing the likelihood that significant contamination remains.*
- *The coverage of hardstanding across the entire site also acts as a barrier between underlying soils and site users in areas where excavation works may not have occurred. Whilst the potential for some degree of contamination to remain cannot be discounted this is unlikely to result in a significant risk of liability for the site owner whilst the property is in its current use.*
- *We can advise that based on the continued commercial use of the site there is a low risk with regard to environmental liability.*
- *No further work is required for a continuation of the current site use.*

We have liaised with the asset managers of the Subject to ascertain the ESG policy for the property. Their aim is to minimise the property's impact on the environment and BWP REIT PLC will be working with its ESG partner in the development of the pathway to Net Zero Strategy. Measures that are to be adopted to reduce greenhouse gas emissions and energy use include procuring renewable energy, reducing consumption, adopting efficient technology, improving building efficiencies and engaging with the occupiers and stakeholders to better understand their needs and priorities.

We understand that BWP REIT PLC has allocated funds within their refurbishment proposals to improve the ESG policy for the property. We understand that these sums total £5,000,000 which will be used to target a Net Zero Building rating. This cost has been provided by the "Buyer". We have relied upon this cost and have deducted this as a capital deduction as at the valuation date.

### **Limitation of Liability and Professional Indemnity Insurance**

Avison Young (UK) Limited has given and has not withdrawn its written consent to the inclusion of this valuation report in the Admission Document.

This report has been produced for inclusion in the Admission Document and may not be reproduced or used in connection with any other purposes without our prior consent.

Save for any responsibility arising under the IPSX Rules to any person as and to the extent there provided, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in accordance with this Valuation Report or our statement, required by and given solely for the purposes of complying with the IPSX Rules.

Our prior consent in writing will be required if the Client intends to reproduce the Report or make any public reference to the valuation or the Report for any purpose other than as described above.

Avison Young's liability to the Company, and WH Ireland Limited under or in connection with our report shall be limited to £20,000,000 in total for all claims arising. Please see clause 7 of our Terms of Appointment, for more information about our limitations of liability.

### **Disclosures**

Subject to the terms and conditions of our engagement and our approval of the form and context thereof, we hereby confirm that we will authorise and consent to the inclusion of:

- a) the Report or extracts thereof in (i) the final Admission Document, (ii) drafts of the Admission Document that are to be used for marketing purposes, (iii) and any announcements substantially in the form of the launch announcement, which are released by the Company and which directly relate to the Admission and (iv) investor presentations, (each of (i) to (iv) being the "Investor Documents"); and
- b) references to the Report and to our name in the Investor Documents.

We can confirm that the fees generated from the Client is less than 5% of the total fee income for Avison Young (UK) Limited.

Yours faithfully



**Jared Thompson MRICS**  
**RICS Registered Valuer**  
**Director, Valuation Consultancy**  
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**For and on behalf of Avison Young (UK)**  
**Limited**

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**For and on behalf of Avison Young (UK)**  
**Limited**

# Appendix 1

## Property & Valuation Summary

|                    |  |
|--------------------|--|
| <b>Location</b>    | <p>The property is situated on the southern fringe of Leeds city centre and occupies a prominent position at the junction of Victoria Road / Neville Street and Water Lane. Victoria Road / Neville Street (A653) is a main arterial route into Leeds city centre from the south and the M621 Motorway. Leeds railway station lies approximately 350 metres to the north of the property.</p> <p>Leeds is the regional commercial and administrative centre of West Yorkshire and is the largest city in the north-east of England and the third largest in the UK. The city benefits from good road, rail, and air communications.</p> <p>Regular rail services connect Leeds to London (2 hrs 15 minutes), Edinburgh (3 hrs) and Manchester (1 hr). The nearest airports are Leeds Bradford Airport (8.5 miles to the north-west) and Manchester (55 miles to the south-west). The M621 motorway connects the city centre with the M62 and M1 motorways.</p> <p>The property is within the Leeds South Bank Regeneration area which is an established mixed-use area comprising commercial, residential and leisure uses together with a pipeline of further development and expansion planned. Proposals include the redevelopment of Leeds Railway Station, Aire Park (a redevelopment of the former Tetley brewery (owned by Vastint) to provide hotel, retail offices and c. 850 units together with large park areas) and Temple (CEG has planning permission for 1.1m sq ft of offices, 750 homes, retail, leisure and green spaces. The scheme incorporates Temple Works, a Grade I listed former flax mill, which is to be converted and occupied by the British Library).</p> <p>Larger office occupiers in the surrounding area include Asda (whose headquarters are located immediately to the east of the subject property), BT, Jet2Holidays, KPMG, Addleshaw Goddard, Leeds Building Society and Direct Insurance.</p> |
| <b>Description</b> | <p>The subject property comprises a substantial mixed-use building providing a combination of retail, leisure, office and residential accommodation together with basement car parking areas and a service yard.</p> <p>The building was constructed in 2006/2007 and is a mixture of concrete and steel frame construction with a combination of composite clad and glazed elevations beneath various flat roofs. The scale of the building and its residential tower (extending to 30 storeys and being one of the tallest buildings in the city) make the building a landmark within the city.</p> <p>The commercial and office elements are formed by two multi-storey blocks connected by a central atrium. Each floor provides two wings with some floors occupied as a whole and some split to provide smaller areas of occupation. The central atrium has pedestrian access from Water Lane (to the north) and Victoria Road (to the south), which provides access to retail and leisure units and the service cores within each wing (each providing staircases, lifts and male, female, and accessible toilet accommodation).</p> <p>Above the office accommodation (floors 10-30) is residential accommodation providing 198 apartments with associated car parking at basement level. The long leasehold interest of the internal parts of the residential accommodation has been sold to a third party for a term of 250 years from 25 January 2007 at a nominal rent.</p> <p>The property provides secure car parking at basement level providing a total of 268 spaces which are dedicated for the commercial elements of the building. The spaces for the residential units are in addition.</p>   |
|                    | <p>Externally, there is a small service yard area located off Back Row which has a concrete surface. Vehicular access to the residential car park entrance and office car park entrance is provided from Water Lane.</p>   |

Three large steel frame baffles with perforated metal mesh panels were installed along Water Lane to the north in 2018 to reduce the wind speeds surrounding the perimeter of the building.

### Refurbishment Works

We understand that cladding repair and replacement works are required to the building. The current tender price provided by Clearline (Rev11) is £11,778,838. We have also included the cost for future inflation which totals £3,101,330 and was included in tender Rev08 for the provision of inflation for the period June 2022 to March 2024. We have deducted £14,880,168 as a capital cost as at the valuation date.

We understand that the residential tower requires the installation of a fire sprinkler system throughout to bring the safety of the residential tower in line with current fire regulations. The cost of these works is understood to total £750,000. We have therefore deducted £750,000 as a capital cost as at the valuation date.

We understand that a comprehensive refurbishment of the property is proposed. The proposed works include a refurbishment and modernisation of the lobby / atrium and common parts (communal lift lobbies, toilets, etc.) and all branding and signage. The budget cost for these works is £6,000,000. We have allowed this figure as a capital cost as at the valuation date.

Further works are proposed to the M&E systems at the property with the aim of achieving a net zero carbon building. It is not yet clear what the upgrades will comprise however budget cost for these works is £5,000,000. We have allowed this figure as a capital cost as at the valuation date.

Refurbishment works are also proposed to the vacant office accommodation and any office accommodation which becomes vacant. The cost for completing refurbishment / modernisation works to the office accommodation is £40.00 per sq ft. These costs have been provided by the "Buyer" and are based on previous refurbishments on similar schemes. The costs have also been checked with Hollis (the "Buyer's" Building Surveyors). We have incorporated this figure on the currently vacant office accommodation and those assumed to becoming vacant in the short to medium term future.

### Floor Area and Tenant

| Floor                     | Unit (Tenant)  | Areas        |              |
|---------------------------|--|--------------|--------------|
|                           |  | sq m         | sq ft        |
| Ground                    | Retail West - Unit A (Panini Shack (Leeds) Limited)                | 84.4         | 908          |
| Ground                    | Retail West - Unit B (Gym Factory (Leeds) Limited)                 | 82.0         | 883          |
| Ground                    | Retail West - Unit C (Gym Factory (Leeds) Limited) GYM ENTRANCE    | 84.2         | 906          |
| <b>Ground Floor Total</b> |  | <b>250.6</b> | <b>2,697</b> |
| First                     | Retail East - Unit A (AF Blakemore & Sons)                         | 166.6        | 1,793        |
| First                     | Retail East - Unit B (Vacant)                                      | 31.0         | 334          |
| First                     | Retail West - Unit A (Tesco Stores Limited)                        | 407.5        | 4,386        |
| First                     | Retail West - Unit B (Soul Coffee House (East) Ltd (t/a Starbucks) | 202.6        | 2,181        |
| First                     | Retail West - Unit C (New Sushi UK Limited)                        | 81.3         | 875          |
| First                     | Retail West - Unit D (Gym Factory (Leeds) Limited)                 | 308.5        | 3,321        |

|                            |   |                 |                |
|----------------------------|---|-----------------|----------------|
| First                      | Office East (Jemella Limited (t/a GHD)) | 594.8           | 6,402          |
| First                      | B.M.A (Management Offices)              | 142.7           | 1,536          |
| <b>First Floor Total</b>   |   | <b>1,935.0</b>  | <b>20,828</b>  |
| Second                     | Office West (DWF LLP)                   | 1,629.0         | 17,534         |
| Second                     | Office East (Jemella Limited (t/a GHD)) | 858.6           | 9,242          |
| <b>Second Floor Total</b>  |   | <b>2,487.6</b>  | <b>26,776</b>  |
| Third                      | Office West (DWF LLP)                   | 1,754.9         | 18,890         |
| Third                      | Office East 1 (DWF LLP)                 | 375.8           | 4,045          |
| Third                      | Office East 2 (2 Plan Limited)          | 617.6           | 6,648          |
| <b>Third Floor Total</b>   |   | <b>2,748.3</b>  | <b>29,583</b>  |
| Fourth                     | Office (Ernst & Young LLP)              | 2,970.5         | 31,974         |
| <b>Fourth Floor Total</b>  |   | <b>2,970.5</b>  | <b>31,974</b>  |
| Fifth                      | Office West (Eversheds Sutherland LLP)  | 1,767.0         | 19,020         |
| Fifth                      | Office East (Eversheds Sutherland LLP)  | 1,000.6         | 10,774         |
| Fifth                      | Reception (Eversheds Sutherland LLP)    | 225.6           | 2,428          |
| <b>Fifth Floor Total</b>   |   | <b>2,993.5</b>  | <b>32,222</b>  |
| Sixth                      | Office West (Eversheds Sutherland LLP)  | 1,792.1         | 19,290         |
| Sixth                      | Office East (Eversheds Sutherland LLP)  | 1,024.9         | 11,032         |
| <b>Sixth Floor Total</b>   |   | <b>2,817.0</b>  | <b>30,322</b>  |
| Seventh                    | Office West (Eversheds Sutherland LLP)  | 1,791.0         | 19,278         |
| Seventh                    | Office East (Eversheds Sutherland LLP)  | 1,024.4         | 11,027         |
| <b>Seventh Floor Total</b> |   | <b>2,815.4</b>  | <b>30,305</b>  |
| Eighth                     | Office West (Eversheds Sutherland LLP)  | 1,788.6         | 19,252         |
| Eighth                     | Office East (Eversheds Sutherland LLP)  | 908.3           | 9,777          |
| <b>Eighth Floor Total</b>  |   | <b>2,696.9</b>  | <b>29,029</b>  |
| Ninth                      | Office (Vacant)                         | 1,681.4         | 18,098         |
| <b>Ninth Floor Total</b>   |   | <b>1,681.4</b>  | <b>18,098</b>  |
| <b>Total</b>               |   | <b>23,395.9</b> | <b>251,834</b> |

**Tenant/Floor Area Analysis**

| <b>Tenant</b>                            | <b>% of Total Floor Area</b> |
|--|------------------------------|
| Eversheds Sutherland (International) LLP | 48.40%                       |
| DWF LLP                                  | 16.07%                       |
| Ernst & Young LLP                        | 12.70%                       |
| Jemella Limited                          | 6.21%                        |
| 2 Plan Limited                           | 2.64%                        |
| Tesco Stores Limited                     | 1.74%                        |
| Gym Factory Leeds City Centre Limited    | 2.03%                        |
| Soul Coffee House Limited                | 0.87%                        |
| A. F. Blakemore and Son Limited          | 0.71%                        |

|  | Tabeyo Limited (t/a Juici Sushi)  | 0.35%             |                            |                             |                                 |                         |            |                 |            |                                      |            |                            |            |                                       |                |  |            |
|--|---|-------------------|----------------------------|-----------------------------|---------------------------------|-------------------------|------------|-----------------|------------|--------------------------------------|------------|----------------------------|------------|---------------------------------------|----------------|--|------------|
|  | Panini Shack (Leeds) Limited  | 0.36%             |                            |                             |                                 |                         |            |                 |            |                                      |            |                            |            |                                       |                |  |            |
|  | Vacant offices  | 7.80%             |                            |                             |                                 |                         |            |                 |            |                                      |            |                            |            |                                       |                |  |            |
|  | Vacant retail   | 0.13%             |                            |                             |                                 |                         |            |                 |            |                                      |            |                            |            |                                       |                |  |            |
|  |   | <b>100.00%</b>    |                            |                             |                                 |                         |            |                 |            |                                      |            |                            |            |                                       |                |  |            |
| <b>Tenant Use by Rent</b>                | <table border="1"> <thead> <tr> <th>Sector</th> <th>% of Total Contracted Rent</th> <th>Contracted Rent</th> </tr> </thead> <tbody> <tr> <td>Offices &amp; associated car spaces</td> <td>95.68%</td> <td>£5,701,427</td> </tr> <tr> <td>F&amp;B, leisure</td> <td>2.96%</td> <td>£186,690</td> </tr> <tr> <td>Retail</td> <td>1.36%</td> <td>£80,973</td> </tr> <tr> <td></td> <td><b>100.00%</b></td> <td><b>£5,969,090</b></td> </tr> </tbody> </table>  | Sector            | % of Total Contracted Rent | Contracted Rent             | Offices & associated car spaces | 95.68%                  | £5,701,427 | F&B, leisure    | 2.96%      | £186,690                             | Retail     | 1.36%                      | £80,973    |                                       | <b>100.00%</b> | <b>£5,969,090</b>                        |            |
| Sector                                   | % of Total Contracted Rent  | Contracted Rent   |                            |                             |                                 |                         |            |                 |            |                                      |            |                            |            |                                       |                |  |            |
| Offices & associated car spaces          | 95.68%  | £5,701,427        |                            |                             |                                 |                         |            |                 |            |                                      |            |                            |            |                                       |                |  |            |
| F&B, leisure                             | 2.96%   | £186,690          |                            |                             |                                 |                         |            |                 |            |                                      |            |                            |            |                                       |                |  |            |
| Retail                                   | 1.36%   | £80,973           |                            |                             |                                 |                         |            |                 |            |                                      |            |                            |            |                                       |                |  |            |
|  | <b>100.00%</b>  | <b>£5,969,090</b> |                            |                             |                                 |                         |            |                 |            |                                      |            |                            |            |                                       |                |  |            |
| <b>Tenant Profile</b>                    | <table border="1"> <tbody> <tr> <td>Number of tenants</td> <td>11</td> </tr> <tr> <td>Number of commercial leases</td> <td>14</td> </tr> <tr> <td>Number of ground leases</td> <td>0</td> </tr> <tr> <td>Contracted Rent</td> <td>£5,969,090</td> </tr> <tr> <td>Total Current Gross Income per annum</td> <td>£5,774,513</td> </tr> <tr> <td>Total Net Income per annum</td> <td>£5,494,001</td> </tr> <tr> <td>Weighted Average Unexpired Lease Term</td> <td>3.93 years</td> </tr> <tr> <td>Weighted Average Unexpired Term to Break</td> <td>3.74 years</td> </tr> </tbody> </table>  | Number of tenants | 11                         | Number of commercial leases | 14                              | Number of ground leases | 0          | Contracted Rent | £5,969,090 | Total Current Gross Income per annum | £5,774,513 | Total Net Income per annum | £5,494,001 | Weighted Average Unexpired Lease Term | 3.93 years     | Weighted Average Unexpired Term to Break | 3.74 years |
| Number of tenants                        | 11  |                   |                            |                             |                                 |                         |            |                 |            |                                      |            |                            |            |                                       |                |  |            |
| Number of commercial leases              | 14  |                   |                            |                             |                                 |                         |            |                 |            |                                      |            |                            |            |                                       |                |  |            |
| Number of ground leases                  | 0   |                   |                            |                             |                                 |                         |            |                 |            |                                      |            |                            |            |                                       |                |  |            |
| Contracted Rent                          | £5,969,090  |                   |                            |                             |                                 |                         |            |                 |            |                                      |            |                            |            |                                       |                |  |            |
| Total Current Gross Income per annum     | £5,774,513  |                   |                            |                             |                                 |                         |            |                 |            |                                      |            |                            |            |                                       |                |  |            |
| Total Net Income per annum               | £5,494,001  |                   |                            |                             |                                 |                         |            |                 |            |                                      |            |                            |            |                                       |                |  |            |
| Weighted Average Unexpired Lease Term    | 3.93 years  |                   |                            |                             |                                 |                         |            |                 |            |                                      |            |                            |            |                                       |                |  |            |
| Weighted Average Unexpired Term to Break | 3.74 years  |                   |                            |                             |                                 |                         |            |                 |            |                                      |            |                            |            |                                       |                |  |            |
| <b>Valuation</b>                         | <p>We have carried out the valuation on a traditional income capitalisation basis. We have considered the value of the property using a combination of methods including traditional yield profile (net initial, triple net initial, equivalent and reversionary) and a capital value per sq ft approach.</p> <p>We have incorporated current voids on the vacant accommodation and assumed a number of future voids on a reasonable proportion of the accommodation.</p> <p>We have deducted the capital expenditure outlined within this report, in relation to the cladding works (£14,880,168), the sprinkler system installation in the residential tower (£750,000), the upgrading of the M&amp;E systems (£5,000,000), the refurbishment of the atrium and common parts (£6,000,000), the NPV for the wind baffles (£120,000) and the refurbishment to the vacant office accommodation (both currently vacant and assumed to be vacant during future vacancies) at £40.00 per sq ft.</p> |                   |                            |                             |                                 |                         |            |                 |            |                                      |            |                            |            |                                       |                |  |            |

|   |  |                               |             |   |            |                                    |       |                    |        |
|---|--|-------------------------------|-------------|---|------------|------------------------------------|-------|--------------------|--------|
|   | <table border="1" data-bbox="501 264 1481 383"> <tr> <td>Market Value as at 30/08/2022</td> <td>£63,000,000</td> </tr> <tr> <td>Market Rent as at 30/08/2022 per annum*</td> <td>£7,678,000</td> </tr> <tr> <td>Standard Purchaser's costs adopted</td> <td>6.78%</td> </tr> </table> <p data-bbox="443 405 1536 461">* The Market Rent is the 'headline' Market Rent and is on the assumption that the refurbishment works proposed have been completed.</p>  | Market Value as at 30/08/2022 | £63,000,000 | Market Rent as at 30/08/2022 per annum* | £7,678,000 | Standard Purchaser's costs adopted | 6.78% |                    |        |
| Market Value as at 30/08/2022           | £63,000,000  |                               |             |   |            |                                    |       |                    |        |
| Market Rent as at 30/08/2022 per annum* | £7,678,000   |                               |             |   |            |                                    |       |                    |        |
| Standard Purchaser's costs adopted      | 6.78%  |                               |             |   |            |                                    |       |                    |        |
| <b>Yield Profile</b>                    | <table border="1" data-bbox="501 562 1481 719"> <tr> <td>Initial Yield</td> <td>8.58%</td> </tr> <tr> <td>Triple Net Initial Yield</td> <td>8.16%</td> </tr> <tr> <td>Equivalent Yield</td> <td>6.52%</td> </tr> <tr> <td>Reversionary Yield</td> <td>11.41%</td> </tr> </table>   | Initial Yield                 | 8.58%       | Triple Net Initial Yield                | 8.16%      | Equivalent Yield                   | 6.52% | Reversionary Yield | 11.41% |
| Initial Yield                           | 8.58%  |                               |             |   |            |                                    |       |                    |        |
| Triple Net Initial Yield                | 8.16%  |                               |             |   |            |                                    |       |                    |        |
| Equivalent Yield                        | 6.52%  |                               |             |   |            |                                    |       |                    |        |
| Reversionary Yield                      | 11.41%   |                               |             |   |            |                                    |       |                    |        |
| <b>SWOT Analysis</b>                    | <p data-bbox="443 808 595 842"><b>Strengths</b></p> <ul data-bbox="451 860 1536 1406" style="list-style-type: none"> <li>• Prominent 'landmark' mixed use building on the southern fringe of Leeds city centre within proximity to Leeds Railway Station</li> <li>• Improving South Bank location with several proposed redevelopments in the vicinity</li> <li>• Effective freehold interest, being a 999 year internal lease of the commercial elements at nil rent with an option to purchase the freehold interest for £1 after completion of the cladding works</li> <li>• Large basement car park providing good car parking ratio (1:940 sq ft)</li> <li>• The four tenants paying the highest rents at the property are all classified as low risk tenants and account for 92.26% of the current income</li> <li>• The Energy Performance Ratings for the office and all retail units is C, with the exception of retail unit 2a (Tesco) which is B</li> <li>• The anchor tenant is Eversheds Sutherland (International) LLP who occupy 48% of the building</li> </ul> <p data-bbox="443 1424 655 1458"><b>Opportunities</b></p> <ul data-bbox="451 1476 1536 1942" style="list-style-type: none"> <li>• Let the vacant ninth floor accommodation</li> <li>• Asset management opportunities including lease re-gears and removal of break options to increase the income profile of the property</li> <li>• Refurbish the common parts / lobby and vacant and future vacant office accommodation to improve how the building presents to potential occupiers and is positioned within the Leeds office market</li> <li>• Undertake ESG (Environmental, Social and Governance) works to the building, to achieve Net Zero Carbon status</li> <li>• Lack of supply of current Grade A office accommodation within the Leeds market</li> <li>• Flexibility of the office floor plates – the floors can be subdivided to provide 4 smaller suites with minimal sub-division costs</li> </ul> |                               |             |   |            |                                    |       |                    |        |

### **Weaknesses**

- A number of the office tenants have lease expiries within the next 3 years (26.4% of current income)
- Large floor plates, which generally exceeds occupier requirements in Leeds
- Large lot size, which is relatively rare in a regional location
- Management intensive
- WAULT of 3.93 years to expiry and 3.74 years to breaks
- Significant cladding works are to be undertaken at an estimated cost of circa £14,900,000 (including inflationary contingency)
- Sprinkler works are required to the residential block at an estimated cost of circa £750,000
- Significant capital expenditure is required to modernise the building, including the common parts / atrium, the currently vacant office suites and those which are to become vacant in the short term. Additional capital expenditure will also be required to improve energy efficiency and comply with evolving MEES requirements and to meet future occupiers ESG requirements
- Severe disruption to the current tenants during the refurbishment, cladding and fire safety works, with current estimated timescales of up to 18 months
- The cladding works and refurbishment works and associated disruption will deter potential occupiers in the short term / during the period of the works
- Vacant accommodation currently providing landlord shortfalls.

### **Threats**

- Tenant failure
- Tenants with upcoming expiries do not renew or take less accommodation / smaller suites
- The Ernst & Young LLP lease renewal does not complete
- Changes in technology / working practices impacting on office occupiers demand for accommodation (type and quantum). Likely to be accelerated by COVID-19
- Likely to be additional 'grey space' coming back to the market over the short to medium term future as occupiers re assess their requirements / working practices following the Pandemic
- There is circa 1,200,000 sq ft of proposed new office accommodation to be developed (albeit some subject to planning) on the 'South Bank' including accommodation within the immediate vicinity of the subject property. There is therefore the potential for significant new additional (better quality stock) being delivered in the short to medium term future
- Increased refurbishment costs
- Deterioration in Tenant demand during refurbishment / cladding works.





## Contact Details

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