

Our Ref: RM20/JT/DG/01C300532

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30 June 2023

BWP REIT Plc  
c/o Alter Domus (UK) Limited  
18 St Swithin's Lane  
London  
EC4N 8AD

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**") for financial reporting purposes and IPSX Periodic Valuation Reporting. We are instructed, as external valuers and IPSX approved valuers, to report to you our opinion of Market Value of the long leasehold interest of the Property, as at 30 June 2023.

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 Appointment agreed between us.

**Valuation**

We are of the opinion that the Market Value of the leasehold interest in the Subject, as at 30 June 2023, is:-

**£60,300,000****(Sixty Million Three Hundred Thousand Pounds)**

Further, we are of the opinion that the Market Rent of the leasehold interest in the Subject as at 30 June 2023, is: -

**£8,684,185 per annum****(Eight Million Six Hundred and Eighty Four Thousand One Hundred and Eighty Five 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.

**Market conditions explanatory note**

The UK economy is being severely impacted by persistent high core inflation. This has been driven by increases in energy and food prices and is expected to remain well above target until 2025. In response, the Bank of England has increased interest rates to levels not seen since before the Global Financial Crisis and this has impacted real estate markets across the UK.

UK transaction volumes are down by over 50% in almost all commercial sectors of the market and real estate values have fallen between 25% and 35% on average since their peak in 2022.

This has brought loan-to-value ratios into sharp focus with some lenders entering into consensual sales with borrowers where breaches cannot be remedied. The near-term outlook for real estate lending markets indicates there is a refinancing funding gap which will appear later in 2023, that cannot be bridged without a further equity injection from the borrower. It is expected that this will precipitate further forced sales that may impact values further.

Nevertheless, as at the valuation date there are still transactions proceeding which provides an adequate quantum of market evidence upon which to base opinions of value. Accordingly, and for the avoidance of doubt, our valuation is not reported as being subject to 'material valuation uncertainty' as defined by VPS 3 and VPGA 10 of the RICS Valuation – Global Standards.

This explanatory note has been included to ensure transparency and to provide further insight as to the market context under which the valuation opinion was prepared. In recognition of the potential for market conditions to move rapidly in response to changes in the economy we highlight the importance of the valuation date.

**Basis of Value**

The valuations have been prepared in accordance with the RICS Valuation – Global Standards effective from 31 January 2022 – 'the Red Book' and IPSX Rules for Issuers, Sections 3.12 to 3.15, Sections 3.37 to 3.40 and Schedule Three – Red Book Requirements issued October 2022 (the "IPSX rules") v 1.5.

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. The Property was externally re-inspected on 30 March 2023. We understand there have been no internal physical changes to the property since our inspection. We have inspected sufficient parts of the building to enable us to prepare this valuation.

### **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 other than this exercise. 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 Certificate of Title dated 16 November 2022 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 copies of the occupational leases by the managing agents, Jones Lang LaSalle as well as an updated tenancy schedule, 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 Vendor's 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 been provided with a cost plan (2c) by BWP REIT PLC which is based on a DLG Architects concept sketchbook dated 08.02.23. We have relied upon both of these documents when preparing our valuation.

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 held leasehold on a 999 year term at nil rent. We have had sight of this lease dated 16 November 2022 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 was secured at the date of purchase.

### **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.

<b>Risk of Business Failure</b>	<b>% of Contracted Rent *</b>
Very Low Risk	80.98%
Low Risk	0.00%
Moderate Risk	18.73%
High Risk	0.00%
Very High Risk	0.00%
Not Rated	0.29%

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

We have detailed below the following 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	£35,800,000
DWF LLP	OC328794	44	Moderate Risk	C	£100,000
Ernst & Young LLP	OC300001	97	Very Low Risk	A	£100,000,000
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	74	Very Low Risk	A	£100,000
A. F. Blakemore and Son Limited	00391135	80	Very Low Risk	A	£8,500,000
Tabeyo Limited (t/a Juici Sushi)	10032599	44	Moderate Risk	C	£500

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

Application Reference	Description	Decision
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
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
22/02427/CLP	Certificate of Proposed Lawful Development to remove and replace aluminium spandrel panel	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. 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

Following the above recommendations, we understand that BWP REIT PLC commissioned further investigations into the M&E at the building and have put together an ESG Policy and required improvements which we discuss in more detail below.

### **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 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 M&E at the property as part of their ESG improvements. We understand that these sums total £10,500,000.



This cost has been provided by BWP REIT PLC. We have relied upon this cost and have deducted this as a capital deduction as at the valuation date.

We understand that it is common practice and widely adopted in the office sector to recover the costs of M&E repairs and replacement through the buildings Service Charge (usually spread over a number of years) once M&E equipment reaches the end of its economic life.

We understand that BWP REIT PLC are proposing to recover an element of this cost through the Service Charge, however given that some of the works to the buildings M&E will include improving and upgrading the current systems, we consider the amount recoverable may be limited.

Following discussions with BWP REIT PLC, we have assumed that 25% will be recoverable through the Service Charge which amounts to £2,625,000. The net cost for M&E replacement is therefore £7,875,000 which we have deducted as a capital cost as at the valuation date.

### **Common Parts and Office Refurb**

The valuation has taken account of refurbishment costs in relation to updating and improving the atrium and common parts, as well as upgrading the quality of the office accommodation. BWP REIT PLC has provided us with a budget cost of £11,500,000 which has been taken from the latest cost plan (2c) which are based on DLG Architects concept sketchbook dated 08.02.23. We have deducted this figure as a capital cost as at the valuation date.

### **Cladding Report**

We have been provided with an Interim Tender Evaluation Report in respect of the façade remediation, undertaken by Ridge 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 is £11,793,000, although this cost excludes any future price inflation which is to be absorbed by the "Buyer". We understand that BWP REIT PLC have incorporated an additional cost of £2,800,000 which is including for the provision of inflation until the works are complete in December 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 £14,593,000.

Additionally, we have been informed by BWP REIT PLC that the application to the Building Safety Fund (BSF) has been successful and will receive 60% of the cost to replace the cladding at the property from the Fund. Based on our calculations, we estimate that £8,755,800 will be recoverable and therefore the net cost for the cladding replacement works is £5,837,200.

Consequently, we have deducted this figure (£5,837,200) 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 £1,000,000. We have therefore deducted £1,000,000 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 BWP REIT PLC in relation to the maintenance contract. We have therefore deducted £120,000 as a capital cost as at the valuation date.

**Dilapidations**

BWP REIT PLC has provided us with an estimated total dilapidations settlement in relation to the tenants who have recently vacated or are due to vacate shortly (DWF LLP, Ernst and Young and Jemella Limited (t/a GHD)). We have included this as a capital receipt as at the valuation date.

**Total Costs**

Having regard to the above cost items, we understand that the total cost of the proposed works (to include cladding replacement, sprinkler system, M&E upgrades and common part refurb and office refurbs) totals £37,593,000.

As outlined above we understand that some of these costs will be recoverable (through the service charge or the Building Safety Fund) in addition to receipts for dilapidations. These receipts total £12,441,682.

Therefore, the total net cost to BWP REIT Plc is £25,151,318.

**Limitation of Liability and Professional Indemnity Insurance**

Avison Young's liability to BWP REIT Plc 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.

We accept responsibility for the information within this report and declare that we have taken all reasonable care to ensure that the information within this report, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import.

Subject to the terms and conditions of our engagement and to completion of the Reports and our approval of the form and context thereof, we hereby confirm that we will authorise and consent to this Report being made Public in accordance with IPSX listing rules v1.5 Sections 3.37 to 3.40 for Periodic Valuation Reporting.

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.

**Disclosures**

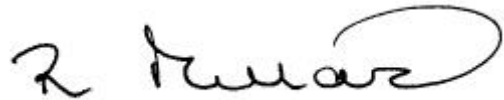
We can confirm that the fees generated from the Client is less than 5% of the total fee income for Avison Young (UK) Limited.

We draw your attention to our accompanying report, the Terms of Appointment and Definitions and Reservations for Valuations to which our advice is subject and the Letter of Engagement, both of which we attach at Appendix 3.

Yours faithfully



**Jared Thompson MRICS**  
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**0113 280 8048**  
**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> <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.</p>
<b>Refurbishment Works</b>	<p>We understand that cladding repair and replacement works are required to the building. The current tender price provided by Clearline (Rev11) is £11,793,000. We understand that M7 have incorporated a cost of £2,800,000 for the provision of inflation until the works are complete in December 2024.</p> <p>BWP REIT Plc have been successful in their application to the Building Safety Fund (BSF) and will receive 60% of the cost to replace the cladding at the property from the Fund. Based on our calculations, we estimate that £8,755,800 will be recoverable and therefore the net cost for the cladding replacement works is £5,837,200. Consequently, we have deducted this figure (£5,837,200) from the valuation as a day one capital cost.</p> <p>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 £1,000,000. We have therefore deducted £1,000,000 as a capital cost as at the valuation date.</p> <p>BWP REIT Plc will comprehensively refurbish the property to achieve a BREEAM excellent rated building as detailed in their latest costings (cost plan 2c) as well as the fit out and designs as detailed in the Architects concept sketchbook dated 08.02.23. The proposed works include a refurbishment and modernisation of the lobby / atrium and common parts (communal lift lobbies, toilets, etc.), all branding and signage and refurbishment of the office accommodation throughout the building. The budget cost for these works is £11,500,000. We have allowed this figure as a capital cost as at the valuation date.</p> <p>Further works are proposed to the M&amp;E systems at the property. The upgrades will include full replacement of the M&amp;E within the building and upgrading it to the latest energy efficient systems. Budget costs for these works is £10,500,000 (of which we have assumed 25% will be recoverable through the service charge). The net costs is therefore £7,875,000 which we have deducted as a capital cost as at the valuation date.</p> <p>BWP REIT Plc has provided us with an estimated total dilapidations settlement in relation to the tenants who have recently vacated or are due to recently vacate (DWF LLP, Ernst and Young and Jemella Limited (t/a GHD)). We have included this as a capital receipt as at the valuation date.</p> <p>Overall, the net refurbishment to BWP REIT PLC will be £25,151,318 which we have deducted from our valuation.</p>

Floor Area and Tenant	Floor	Unit (Tenant)	Areas	
			sq m	sq ft
	Ground	Retail West - Unit A (Vacant)	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 (Vacant)	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 (Vacant)	858.6	9,242
	<b>Second Floor Total</b>		<b>2,487.6</b>	<b>26,776</b>
	Third	Office West (DWF LLP)	1,357.4	14,611
	Third	Part Office West (Vacant)	397.5	4,279
	Third	Office East 1 (Vacant)	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>
<b>Tenant/Floor Area Analysis</b>	<b>Tenant</b>		<b>% of Total Floor Area</b>	
	Eversheds Sutherland (International) LLP		48.40%	
	DWF LLP		12.76%	
	Ernst & Young LLP		12.70%	
	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%	
	Vacant offices		17.31%	
	Vacant retail		0.49%	
		<b>100.00%</b>		
<b>Tenant Use by Rent</b>	<b>Sector</b>		<b>% of Total Contracted Rent</b>	<b>Contracted Rent</b>
	Offices & associated car spaces		95.30%	£5,045,435
	F&B, leisure		3.07%	£162,565
	Retail		1.63%	£86,473
			<b>100.00%</b>	<b>£5,294,473</b>
<b>Tenant Profile</b>	Number of tenants		9	
	Number of commercial leases		11	
	Ground rent payable		£0	
	Contracted Rent		£5,294,473	
	Total Current Gross Income per annum		£5,294,473	
	Total Net Income per annum		£4,585,489	
	Weighted Average Unexpired Lease Term		3.43 years	
	Weighted Average Unexpired Term to Break		3.39 years	



**Valuation**

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.

We have incorporated current voids on the vacant accommodation and assumed a number of future voids on a reasonable proportion of the accommodation.

We have deducted the net capital expenditure outlined within this report which totals £25,151,318.

Market Value as at 30/06/2023	£60,300,000
Market Rent as at 30/06/2023 per annum*	£8,684,185
Standard Purchaser's costs adopted	6.78%

\* The Market Rent is the 'headline' Market Rent and is on the assumption that the refurbishment works proposed have been completed.

**Yield Profile**

Initial Yield	8.22%
Triple Net Initial Yield	7.12%
Equivalent Yield	7.75%
Reversionary Yield	13.49%

**SWOT Analysis****Strengths**

- Prominent 'landmark' mixed use building on the southern fringe of Leeds city centre within proximity to Leeds Railway Station.
- Improving South Bank location with several proposed redevelopments in the vicinity.
- 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.
- Large basement car park providing good car parking ratio (1:940 sq ft).
- The majority of the income (80.98%) is secured to very low risk covenants.
- The anchor tenant is Eversheds Sutherland (International) LLP who occupy 48% of the building.
- Leeds was the only UK regional office market to see rental growth in Q1 2023.
- The Leeds office Market performed better than other regional markets in Q1 with take up 35% up on 10 year Q1 average levels.

**Opportunities**

- Let the vacant accommodation.
- Asset management opportunities including lease re-gears and removal of break options to increase the income profile of the property.

- Refurbish the common parts / lobby and vacant and future vacant office accommodation to greatly improve how the building presents to potential occupiers and its positioning within the Leeds office market.
- Anticipated improvement and refurbishments works to the building (totalling £37,593,000) which is seeking to target a BREEAM 'excellent' rated building which will compete with the prime refurbished end of the Leeds office market.
- Undertake ESG (Environmental, Social and Governance) works to the building, to achieve Net Zero Carbon status.
- Lack of supply of current Grade A office accommodation within the Leeds market.
- Flexibility of the office floor plates – the floors can be subdivided to provide 4 smaller suites with minimal sub-division costs.

### **Weaknesses**

- A number of the office tenants have lease expiries within the next 3 years.
- Ernst & Young are to vacate at lease expiry.
- Large floor plates, which generally exceed occupier requirements in Leeds.
- Large lot size, which is relatively rare in a regional location.
- Management intensive.
- WAULT of 3.43 years to expiry and 3.39 years to breaks.
- Significant cladding works are to be undertaken at an estimated cost of circa £14,600,000 (including inflationary contingency) albeit 60% of this is recoverable from the Building Safety Fund.
- Sprinkler works are required to the residential block at an estimated cost of circa £1,000,000.
- 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 MEEES 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 21 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.
- Changes in technology / working practices impacting on office occupiers demand for accommodation (type and quantum).

- 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.
- 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.
- Refurbishment costs increase.
- Deterioration in Tenant demand during refurbishment / cladding works.
- Further deterioration to economic conditions and occupier / investor sentiment for office accommodation.

# Appendix 2

## Tenant Profile Comparison Schedule

	Reporting Period						
	31.03.2023	30.06.2023					
<b>Number of tenants</b>	10	9					
<b>Number of commercial leases (including licences)</b>	13	11					
<b>Total Gross Income per annum</b>	£5,535,996	£5,294,473					
<b>Total Net Income per annum</b>	£4,994,181	£4,585,489					
<b>Ground Rent payable</b>	£0	£0					
<b>Weighted Average Unexpired Lease Term</b>	3.50 years	3.43 years					
<b>Weighted Average Unexpired Term to Break</b>	3.30 years	3.39 years					

# Appendix 3

## Letter of Engagement

Our Ref: RM20/JT/DG



21 March 2023

BWP REIT Plc  
c/o Alter Domus (UK) Limited  
18 St Swithin's Lane  
London  
EC4N 8AD

Dear Sirs

**Letter of Appointment: Valuation****Property Address: Bridgewater Place, Water Lane, Leeds, LS11 5BZ****Introduction**

I refer to an email received from M7 Real Estate Limited, regarding the above property (the "**Subject**") and the valuation instruction for the purposes of providing the valuations required under the IPSX Rules for Issuers v1.5, Sections 3.12 to 3.15, Sections 3.37 to 3.40 and Schedule Three – Red Book Valuation Requirements, issued October 2022 (the "**IPSX rules**").

In accordance with the Royal Institution of Chartered Surveyors (RICS) Valuation – Global Standards 2022, we are required to agree with you the purpose and basis of our valuation, as well as other matters. Please review the basis of our valuation, which is set out in this letter, along with our Standard Terms of Appointment and the Definitions and Reservations.

Please sign and return the enclosed copy of this letter if the valuation basis is correct.

**Client**

BWP REIT Plc

**Property Interest to be Valued**

Bridgewater Place, Water Lane, Leeds, LS11 5BZ

**Valuation Currency**

GB Pounds

**Purpose of the Valuation**

To comply with the periodic valuation reporting requirements of the IPSX Rules, although the Client has additionally requested that the valuations are carried out quarterly and not 6 monthly.



**Bases of Value Adopted**

- Market Value
- Market Rent

For the avoidance of doubt we will not be providing a Market Value subject to the special assumption of vacant possession or a Reinstatement Cost Assessment.

**Assumptions**

The assumptions in respect of those matters listed below are detailed on our Definitions and Reservations Relating to Valuations, which are attached to our Standard Terms of Appointment.

**Special Assumptions**

None

**Valuation Date**

For the provision of quarterly valuations after the listing event (each date being a 'Valuation Event' for the purposes of this letter).

**Nature and Extent of the Valuer's Work**

See the 'Definitions and Reservations', which are appended to our Standard Terms of Appointment, enclosed with this letter.

**Basis of Measurement**

As agreed we have relied upon floor areas provided by M7 Real Estate Limited, which were prepared by Plowman Craven. 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.

**Nature and Sources of Information**

The Client will supply the following information relating to the Property. The Client agrees that the valuer can safely rely upon the accuracy of this information.

- I) Tenancy information;
- II) Asset Management and Service Charge information;
- III) Report on Title and Key Issues Due Diligence Report;
- IV) Building Survey including ongoing costs of repair, refurbishment and renewal;
- V) Environmental Survey.

**Format of the Report**

We will provide a report relative to each Valuation Event.

We will provide a condensed Report which would include the minimum information required by IPSX Rules, as well as RICS VPS 3, Valuation Reports and RICS UKVS 4, Regulated Purpose Valuations. Our report will include a SWOT analysis, details on the covenant strength of the tenants and we will provide a comparison between the previous reporting and current reporting periods.

Our report will be addressed to BWP REIT Plc, c/o Alter Domus UK Limited.

### **Consent to Publication**

Subject to the terms and conditions of our engagement and to completion of the Reports and our approval of the form and context thereof, we hereby confirm that we will authorise and consent to the Reports being made Public in accordance with IPSX listing rules Sections 3.37 to 3.40 for Periodic Valuation Reporting.

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.

### **Complaints Procedure**

We are required to notify you that we have a company complaints procedure, with a copy available on request.

### **Compliance Statement**

The valuation report will be undertaken in accordance with the RICS Red Book Global and the latest IPSX Rules for Issuers.

There are no departures.

### **RICS Monitoring Regulations**

We are required to draw to your attention to the fact that the RICS may review all documentation relating to our valuation to ensure compliance with their standards.

### **Fee Basis**

Our fee for providing our report will be £6,500 plus VAT inclusive of disbursements per Valuation Event. Please complete the billing requirements at the bottom of this letter.

### **Reporting Timescale**

To be issued as soon as possible after each Valuation Event.

### **Payment Conditions**

Please provide the details to whom our invoice should be addressed to. Please refer to the signature section of this letter.

Our invoice will be issued upon submission of our report.

Payment is required upon receipt of our invoice.

**Limitation of Liability**

Avison Young (UK) Limited's liability under or in connection with this appointment and our report shall be limited to £20,000,000 in total for all claims arising.

Please see clause 7 of our Standard Terms of Appointment, enclosed with this letter, for more information about our limitations of liability.

As our Report is required for IPSX, we will not include any disclaimer to the effect that liabilities to third parties are excluded.

**Professional Indemnity Insurance**

We confirm that Avison Young (UK) Limited has professional indemnity insurance in place to cover the limitation of liability set out in the paragraph above. We can provide you with evidence of our insurance coverage by way of a broker's letter on request.

Please see clause 16 of our Standard Terms of Appointment, enclosed with this letter, for more information about our professional indemnity insurance cover.

**Valuer Identity**

The valuation will be the ultimate responsibility of Rebecca Millard MRICS Registered Valuer. Each property has been valued by qualified and Registered Valuers. We confirm that the valuers involved in this instruction have the appropriate knowledge, skills and understanding to competently undertake the valuation. The valuers are in a position to provide an objective and unbiased valuation, having no material connection or involvement with the subject of the assignment or the party commissioning the assignment.

We are providing our advice as External Valuers in accordance with the provisions of the RICS Red Book Global.

**Conflict of Interest**

We have no conflict of interest in relation to the provision of valuation advice in respect of the Subject. We have also provided a valuation of the property to the Client dated 30 August 2022 in accordance with IPSX rules.

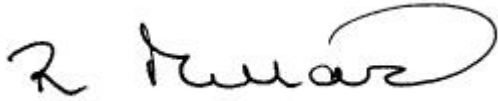
Avison Young (UK) Limited is a regulated firm.

**Reporting Timescale**

Our reports are to be issued as soon as possible after each Valuation Event.

By signing and returning the copy of this letter you hereby agree to our appointment on the details set out in this Letter of Engagement and on our Standard Terms of Appointment enclosed. If you do not return this letter signed but continue to instruct us in relation to the valuation services after the date of this letter, we shall proceed on the basis that you have accepted the details set out in this Letter of Engagement and the terms of appointment without amendment.

Yours faithfully



**Rebecca Millard MRICS**  
**Principal**  
**0121 609 8044**  
**Rebecca.millard@avisonyoung.com**  
**For and on behalf of Avison Young (UK) Limited**

**Enc: Standard Terms of Appointment and Definitions and Reservations for Valuations  
Copy Letter for Client signature**

The Client confirms acceptance of the above and, subject and without prejudice to the express terms of this Letter of Engagement, the attached Standard Terms of Appointment and hereby instructs Avison Young (UK) Limited to proceed with the valuation instruction as proposed and to invoice for professional fees according to the terms of this agreement.

**Signed for and on behalf of the Clients:**

<b>Signature</b>	<i>Edmund Craston</i>
<b>Name</b>	
<b>Position</b>	
<b>Date</b>	

**Invoicing Confirmation Details**

<b>Client name to be invoiced</b>	M7 BWP Propco Limited
<b>Address for invoicing</b>	C/O Alter Domus (UK) Limited 10th Floor 30 St Mary Axe London United Kingdom EC3A 8BF



<b>Client contact name for invoicing queries</b>	
<b>Client contact email for invoicing queries</b>	

# Standard Terms of Appointment and Definitions and Reservations for Valuations

## PARTIES

- (1) Avison Young (UK) Limited incorporated and registered in England and Wales with company number 6382509 whose registered office is at 3 Brindleyplace, Birmingham, B1 2JB, United Kingdom (**Avison Young**).
- (2) The Client named in the Letter of Engagement (**Client**)

## 1. Interpretation

The following definitions and rules of interpretation apply in this appointment:

**Additional Services:** any additional services which Avison Young agrees to provide in accordance with clause 6.

**Fee:** the fees for the Services and any Additional Services (if any) as set out in the Letter of Engagement.

**Force Majeure Event:** means any circumstance not within a party's reasonable control including, without limitation: acts of God, flood, drought, earthquake or other natural disaster; epidemic or pandemic; terrorist attack, civil war, civil commotion or riots, war, threat of or preparation for war, armed conflict, imposition of sanctions, embargo, or breaking off of diplomatic relations; nuclear, chemical or biological contamination or sonic boom; any law or any action taken by a government or public authority, including without limitation imposing an export or import restriction, quota or prohibition, or failing to grant a necessary licence or consent; collapse of buildings, fire, explosion or accident; any labour or trade dispute, strikes, industrial action or lockouts; any interruption or failure of utility service

**Insolvent:** a party is insolvent if: a party is making a voluntary arrangement with its creditors, entering administration or going into liquidation; or a security holder taking possession, or a receiver or an administrative receiver being appointed over all or any part of the property or the assets of the party; or any other similar or analogous event in another jurisdiction.

**Letter of Engagement:** the letter by Avison Young which sets out the details of the Client, the Services, and the Fee together with other details relating to the Services.

**Report:** the valuation report as detailed in the Letter of Engagement.

**Services:** the Services set out in the Letter of Engagement and the Additional Services (if any).

**VAT:** value added tax imposed by the Value Added Tax Act 1994, or any similar tax in addition to or replacing it from time to time.

## 2. Appointment

- 2.1. The Client appoints Avison Young to carry out the Services, subject to the terms of this appointment.
- 2.2. This appointment takes effect from the date when Avison Young begins performing the Services, regardless of the date of this appointment.
- 2.3. This appointment consists of these Avison Young Terms and the Letter of Engagement.
- 2.4. Avison Young shall deem the Client to have accepted the terms of this appointment (including the details set out in the Letter of Engagement) within 30 days of their issue unless the Client has notified Avison Young otherwise in writing.

## 3. Consultant's Obligations

- 3.1. Avison Young warrants and undertakes that it shall comply with the terms of this appointment.
- 3.2. Avison Young warrants and undertakes that it shall act with reasonable skill and care:
  - 3.2.1. when performing the Services;
  - 3.2.2. to comply with any Act of Parliament, any instrument, rule or order made under any Act of Parliament; and any regulation or bye-law of any local authority, statutory undertaker or public or private utility or undertaking that has any jurisdiction over the Services or with those systems or property the Services is or will be connected.

## 4. Client's Obligations

- 4.1. The Client undertakes promptly to provide Avison Young with all information, assistance and materials that Avison Young may request from time to time to facilitate the proper and timely performance of the Services. The Client warrants that all information provided by it to Avison Young will be accurate and complete, and that it is entitled to provide the same to Avison Young for its use without recourse to any third party.

## Standard Terms of Appointment and Definitions and Reservations for Valuations

- 4.2. The Client undertakes promptly to carry out all such actions and provide all such resources (if any) as may be required of the Client in the Letter of Engagement.
- 4.3. The Services will be provided at Avison Young's premises when the nature of the work permits. If any of Avison Young's personnel are to perform any Services at the Client's premises, the Client shall ensure that such personnel are allowed access to such premises upon reasonable prior notice during normal business hours and shall take full responsibility for the safety and security of Avison Young's personnel whilst at such premises.

### 5. Remuneration

- 5.1. The Client shall pay the Fee, together with any reasonable expenses and disbursements, which shall be Avison Young's entire remuneration under this appointment.
- 5.2. The Client shall pay Avison Young any VAT properly chargeable on the Services. Any amount expressed as payable to Avison Young under this appointment is exclusive of VAT unless stated otherwise.
- 5.3. The Fee shall be calculated and paid in accordance with the basis set out in the Letter of Engagement. To the extent that the Fee is not set out in the Letter of Engagement, Avison Young will be entitled to charge a Fee based on its current hourly rates (which are available on request), and on the number of hours it has worked on the matter.
- 5.4. Avison Young shall submit to the Client an invoice for each instalment of the Fee, together with any supporting documents that are reasonably necessary to check the invoice. The invoice and supporting documents (if any) shall specify the sum that Avison Young considers will become due on the relevant instalment date.
- 5.5. Payment shall be made within 30 days of the date of the Invoice.
- 5.6. Avison Young reserves the right to charge interest and debt recovery costs in respect of any amounts not paid in accordance with clause 5.5. Interest will be calculated in accordance with the "Late Payment of Commercial Debts (Interest) Act 1998".

### 6. Additional Services

- 6.1. Each party shall notify the other as soon as reasonably practicable if it becomes apparent that Additional Services are likely to be required, and such notice will identify the required services.
- 6.2. Additional Services may arise as a result of the following:
  - 6.2.1. a change in the scope, size, complexity or duration of the Services;
  - 6.2.2. any other changes to the Services as set out in the Letter of Engagement;
  - 6.2.3. any material delay or disruption to the Services; or
  - 6.2.4. any other cause outside Avison Young's reasonable control and which it could not reasonably have foreseen at the date of this appointment.
- 6.3. If the Client provides a notice under clause 6.1, then as soon as reasonably practicable after receiving the notice, Avison Young shall provide the Client with a written estimate of the change to the Fee in respect of the Additional Services. If Avison Young provides a notice under clause 6.1, Avison Young shall provide the Client with a written estimate of the change to the Fee in respect of the Additional Services at the same time it provides the notice.
- 6.4. The Fee for the Additional Services shall be calculated by agreement between the parties.
- 6.5. At the Client's discretion, acting reasonably, it may instruct Avison Young to carry out the Additional Services. For the avoidance of doubt, Avison Young shall only perform Additional Services on receipt of a written instruction to do so by the Client.
- 6.6. Any Fee payable by the Client in respect of Additional Services shall be included in the next invoice following performance of the Additional Services.



## Standard Terms of Appointment and Definitions and Reservations for Valuations

### 7. Limitation of Liability – PLEASE READ THIS SECTION CAREFULLY

- 7.1. Without affecting any other limitation in this appointment, Avison Young's liability under or in connection with this appointment shall be limited to £5,000,000 in total for all claims arising. This limit shall apply however that liability arises including a liability arising by breach of contract, arising by tort (including the tort of negligence) or arising by breach of statutory duty. Nothing in this appointment shall exclude or limit Avison Young's liability for:
- 7.1.1. death or personal injury caused by Avison Young's negligence; or
- 7.1.2. fraud or fraudulent misrepresentation.
- 7.2. None of Avison Young's employees, directors or consultants individually has a contract with the Client or owes the Client a duty of care or personal responsibility. The Client agrees that it will not bring any claim against any such individuals personally in connection with the Services.
- 7.3. If the Client suffers loss as a result of Avison Young's breach of contract or negligence, Avison Young's liability shall be limited to a just and equitable proportion of the Client's loss having regard to the extent of responsibility of any other party. Avison Young's liability shall not increase by reason of a shortfall in recovery from any other party, whether that shortfall arises from an appointment between the Client and them, difficulty in enforcement, or any other cause.
- 7.4. Avison Young shall have no liability to the Client under this appointment in respect of loss of profits, loss of revenue or business, loss of goodwill or reputation or any other indirect or consequential losses.
- 7.5. The Report is provided for the Client's benefit alone and solely for the purposes of the instruction to which it relates. The Report may not, without Avison Young's written consent, be used or relied upon by any third party, even if that party pays all or part of Avison Young's Fees, or is permitted to see a copy of the Report. If Avison Young provides written consent for a third party to rely on the Report, it may be subject to a further fee, and any such third party will be required to enter into a reliance letter on terms no more onerous than the terms and conditions set out in this appointment.

- 7.6. Avison Young shall not be liable for any loss or damage suffered or incurred by the Client arising from Avison Young's delay in performing or failure to perform the Services and/or any of its obligations under this appointment where such delay or failure results from a Force Majeure Event.

### 8. Suspension

- 8.1. The Client may, at any time, suspend performance of all or part of the Services by giving written notice to Avison Young. Subject to clause 9.1, Avison Young shall resume performance of the Services as soon as reasonably practicable after receiving a written notice to do so from the Client.
- 8.2. Avison Young may suspend the performance of any or all of its Services and other obligations under this appointment by giving not less than seven days' notice to the Client of its intention to do so in the event that the Client fails to pay an invoice in accordance with the relevant payment provisions set out in clause 5.
- 8.3. In the event of a suspension in accordance with this appointment, the Client shall pay Avison Young an amount in respect of any costs and expenses reasonably incurred by Avison Young as a result of such suspension.

### 9. Termination

- 9.1. Avison Young may immediately terminate its engagement under this appointment by giving written notice to the Client if:
- 9.1.1. a suspension of the Services in accordance with clause 8.1 continues for a continuous period of six months; and
- 9.1.2. the Client does not instruct Avison Young to resume the Services within 30 days of receiving a written notice from Avison Young requiring it to do so.
- 9.2. Either party may immediately terminate this appointment by giving written notice to the other party if:
- 9.2.1. the other party is in material breach of its obligations under this appointment and fails to remedy that breach within 14 days of receiving written notice requiring it to do so; or
- 9.2.2. the other party becomes Insolvent; or
- 9.2.3. a Force Majeure Event continues for a period of more than 30 days.

## Standard Terms of Appointment and Definitions and Reservations for Valuations

9.3. Either party may terminate this appointment at any time for any reason by giving no less than 30 days written notice to the other party.

### 10. Consequences of Termination

- 10.1. On termination the Client shall immediately pay Avison Young:
- 10.1.1.any amount properly due for payment under this appointment at the date of termination; and
- 10.1.2.a fair and reasonable proportion of the next instalment of the Fee, together with any expenses and disbursements, commensurate with the Services properly performed at the date of termination; and
- 10.1.3.any expenses, disbursements or costs necessarily incurred by Avison Young as a direct result of termination (unless the termination arises as a result of Avison Young's default).
- 10.2. Termination of Avison Young's engagement under this appointment shall not affect any rights, remedies, obligations or liabilities of the parties that have accrued up to the date of termination, including the right to claim damages in respect of any breach of this appointment which existed at or before the date of termination.

### 11. Copyright and Intellectual Property

- 11.1. Avison Young owns all intellectual property rights (including copyright) relating to the Report it produces.
- 11.2. On payment of the Fee, and subject to clauses 11.3 and 11. 4, Avison Young grants to the Client an irrevocable, non-exclusive, non-terminable, royalty-free licence to make full use of the Report for the purpose for which it was provided.
- 11.3. Avison Young shall not be liable for any use of the Report other than a use for which it was prepared and/or provided.
- 11.4. The Client acknowledges that any reproduction of the Report in any other materials, either in full or in part, will be subject to Avison Young's prior approval in order that Avison Young can comply with any relevant regulatory obligations..

### 12. Confidentiality

- 12.1. Each party undertakes that it shall not at any time disclose to any person any confidential information concerning the business, affairs, customers, clients or suppliers of the other party or of any member of the group of companies to which the other party belongs, except as permitted by clause 12.2
- 12.2. Each party may disclose the other party's confidential information:
- 12.2.1.to its employees, officers, representatives, contractors, sub-contractors or advisers who need to know such information for the purposes of exercising the party's rights or carrying out the party's obligations under or in connection with this appointment. Each party shall ensure that its employees, officers, representatives, contractors, sub-contractors or advisers to whom it discloses the other party's confidential information comply with this clause 12 and
- 12.2.2.as may be required by law, to a court of competent jurisdiction or any governmental or regulatory authority.
- 12.3. No party shall use any other party's confidential information for any purpose other than to exercise its rights and perform its obligations under or in connection with this appointment.

### 13. Anti-Money Laundering

- 13.1. Avison Young operate an anti-money laundering policy in compliance with the Money Laundering Regulations 2007 and the Money Laundering Regulations 2017, The Proceeds of Crime Act 2002, The Terrorism Act 2000 and subordinate legislation. Avison Young may require the Client to provide information (including proof of identity or income) from time to time to enable Avison Young to verify the Client's identity. For the avoidance of doubt this may require Avison Young to request and retain information relating to the directors and the "beneficial owners" of the Client, as is required under the legislation.
- 13.2. Any failure to provide such information within seven days of such a request shall give Avison Young the right to terminate this appointment in accordance with Clause 9.2.1 of this appointment.

# Standard Terms of Appointment and Definitions and Reservations for Valuations

## 14. Bribery Act

- 14.1. In order to comply with the Bribery Act 2010, either party must inform the other if it becomes aware of any person (employee, agent, intermediary, contractor, private individual, commercial organisation or public official) connected (in any way) with this Appointment having committed an offence under the Bribery Act 2010 (or any equivalent legislation).
- 14.2. Avison Young reserves the right to terminate this appointment in accordance with Clause 9.2.1 should it reasonably believe that a breach or likely breach of the Bribery Act 2010 (or any equivalent legislation) has occurred.

## 15. Data Protection

As a result of Avison Young's relationship with the Client, Avison Young may collect or retain personal data about the Client. If the Client is a company, this may include information about the Client's employees, officers, or shareholders. If the Client is a person, this may include information about the Client's family members. Avison Young will only use such data for the purposes of providing the Services, or for related purposes such as updating Client records, money laundering compliance and other legal and regulatory compliance, and we may need to disclose this information to appropriate persons in relation to such matters. In providing any personal data to Avison Young, the Client confirms that it has informed the individuals concerned and obtained any necessary consent to the transfer to Avison Young and for Avison Young's use of their data for these purposes.

## 16. Professional Indemnity Insurance

- 16.1. Avison Young shall maintain professional indemnity insurance to cover its liabilities arising out of this appointment for a period beginning on the date of this appointment and ending 6 years after the date of completion of the Services provided that such insurance is available at commercially reasonable rates and terms with reputable insurers lawfully carrying on insurance business in the UK.
- 16.2. Whenever the Client reasonably requests, Avison Young shall send the Client a broker letter/certificate to evidence that Avison Young's professional indemnity insurance is in force.

## 17. Complaints

In the event that the Client has a complaint the Client shall be entitled to have access to the complaints handling procedure maintained by Avison Young which contains a dispute resolution process as required by the Royal Institution of Chartered Surveyors (RICS) rules of conduct (details of which are available from Avison Young on request).

## 18. Unoccupied Premises or Properties

Avison Young accepts no liability or responsibility for the security, maintenance or repair of, or for any damage to any premises or properties to which the Services relate. The Client shall take all necessary action to protect such premises or property and to ensure that they have adequate insurance cover in place.

## 19. Joint and Several Liability

If at any time the Client shall consist of more than one person, the obligations on the Client under this appointment shall be enforceable against each of them on a joint and several basis.

## 20. Assignment and Subcontracting

- 20.1. Neither party shall assign or subcontract its rights or obligations under this appointment without the prior written consent of the other party such consent not to be unreasonably withheld or delayed.
- 20.2. If the Client wishes to instruct Avison Young to use a specific contractor or consultant, Avison Young shall instruct such contractor on the Client's behalf. The Client retains all responsibility for any such contractors or consultants and will undertake all due diligence and investigation in relation to their competences and resources. Avison Young accepts no responsibility or liability for the acts of any consultants or contractors appointed at the Client's request.

## 21. Notice

A notice given to a party under or in connection with this Appointment shall be in writing and delivered by hand or by recorded delivery post to the address recorded at the start of this Appointment (if being delivered to Avison Young) or the address set out in the Letter of Engagement (if being delivered to the Client) or such other address as the other party may specify from time to time by written notice to the other.

## Standard Terms of Appointment and Definitions and Reservations for Valuations

### 22. Liability Period

Neither party shall commence any legal action against the other under this appointment after six years from the date of completion of the Services.

### 23. Third Party Rights

Except in relation to clause 7.2, a person who is not a party to this appointment shall not have any rights under the Contracts (Rights of Third Parties) Act 1999 to enforce any term of this appointment.

### 24. Entire Agreement

- 24.1. This appointment constitutes the entire agreement between the parties and supersedes and extinguishes all previous discussions, correspondence, negotiations, drafts, agreements, promises, assurances, warranties, representations and understandings between them, whether written or oral, relating to its subject matter.
- 24.2. Each party agrees that in entering into this appointment it does not rely on, and shall have no remedies in respect of, any statement, representation, assurance or warranty (whether made innocently or negligently) that is not set out in this appointment.
- 24.3. Each party agrees that it shall have no claim for innocent or negligent misrepresentation or negligent misstatement based on any statement in this appointment.
- 24.4. No variation to this appointment will be binding unless agreed in writing by both parties.
- 24.5. Nothing in this clause shall limit or exclude any liability for fraud.

### 25. Severance

If any provision or part-provision of this appointment is or becomes invalid, illegal or unenforceable, it shall be deemed modified to the minimum extent necessary to make it valid, legal and enforceable. If such modification is not possible, the relevant provision or part-provision shall be deemed deleted. Any modification to or deletion of a provision or part-provision under this clause shall not affect the validity and enforceability of the rest of this appointment.

### 26. Governing Law and Jurisdiction

- 26.1. This appointment and any dispute or claim (including non-contractual disputes or claims) arising out of or in connection with it or its subject matter or formation shall be governed by and construed in accordance with the law of England and Wales and each party irrevocably agrees that the courts of England and Wales shall have exclusive jurisdiction to settle any dispute or claim arising out of or in connection with the appointment.
- 26.2. If the Services are provided primarily in Scotland then the appointment and any dispute or claim (including non-contractual disputes or claims) arising out of or in connection with it or its subject matter or formation shall be governed by and construed in accordance with Scots law and each party irrevocably agrees that the courts of Scotland shall have exclusive jurisdiction to settle any dispute or claim arising out of or in connection with the appointment.

## Definitions and Reservations for Valuations

### Information

All information supplied by the Client, the Client's staff and professional advisers, local authorities, other statutory bodies, investigation agencies and other stated sources is accepted as being correct unless otherwise specified.

### Tenure

Title Deeds and Leases are not inspected (unless specifically stated) and, unless we are informed to the contrary, it is assumed that a property is free of any onerous covenants, easements, other restrictions or liabilities including mortgages, grants and capital allowances which may affect the value.

No responsibility or liability will be accepted for the true interpretation of the legal position of the client or other parties.

### Tenants

Tenants' status is investigated only where we are so instructed and so specified in the valuation.

### Plans

Any plans supplied are for identification purposes only unless otherwise stated. The valuation assumes site boundaries are as indicated to us. The reproduction of Ordnance Survey sheets has been sanctioned by the Controller of Her Majesty's Stationery Office, Crown Copyright reserved.

### Site Areas

Site areas are normally computed from plans or the Ordnance Survey and not from a physical site survey. They are approximate unless otherwise indicated.

### Floor Areas and Dimensions

Floor areas and dimensions are taken from inspection unless otherwise specified but are nevertheless approximate. Where provided by us, areas quoted are calculated in accordance with the RICS Professional Statement – RICS Property Measurement 2nd edition, January 2018 on the basis agreed with the Client, i.e. adopting either (1) The Code of Measuring Practice, 6th edition published by the Royal Institution of Chartered Surveyors, or (2) The International Property Measurement Standards (IPMS): Office Buildings, or (3) The International Property Measurement Standards (IPMS): Residential Buildings.

The following bases are those most frequently used under the Code of Measuring Practice, 6th edition:

*Net Internal Area* - Measured to the internal faces of external walls, excluding toilets, permanent corridors, internal walls and partitions, stairwells, plant rooms etc.

*Gross Internal Area* - Measured to the internal faces of external walls, including toilets, permanent corridors, internal walls and partitions, stairwells, plant rooms etc.

*Gross External Area* - Measured to the external faces of external walls, including toilets, permanent corridors, internal walls and partitions, stairwells, plant rooms etc.

*Net Sales Area (NSA)* – the GIA of a new or existing residential dwelling, subject to certain Conditions.

The following bases are those used under The International Property Measurement Standards (IPMS): Office Buildings:

*IPMS 1* - The sum of the areas of each floor level of a building measured to the outer perimeter of external construction features and reported on a floor by floor basis.

*IPMS 2 - Office* - The sum of the areas of each floor level of an office building measured to the internal dominant face and reported on a component by component basis for each floor of a building.

*IPMS 3 - Office* - The floor area available on an exclusive basis to an occupier, but excluding standard facilities and calculated on an occupier-by-occupier or floor-by-floor basis for each building.

*IPMS 2 – Residential*: The sum of the areas of each floor level of a residential building measured to the internal dominant face, which may be reported on a component-by-component basis for each floor of a building.

*IPMS 3 – Residential*: The floor area available on an exclusive basis to an occupier.

### Ground Conditions

Soil stability, mining and geological reports are not undertaken by us or normally inspected. Unless we are instructed to the contrary, we assume that the ground and any adjoining or nearby areas are not contaminated, that there are no dangerous materials in the vicinity and that it is capable of development without the need for abnormal costs on foundations and services.



## Definitions and Reservations for Valuations

### Condition of Buildings, Plant etc

Our inspection of a property does not constitute a structural survey. When preparing our valuation we have regard to apparent defects and wants of repair and take into account the age of the property. We do not however carry out the detailed search for defects which is undertaken as part of the structural survey neither do we necessarily set out the various defects when making the report. We do not inspect woodwork or other parts of the structure which are covered, unexposed or inaccessible. We do not arrange for any investigation to be carried out to determine whether or not high alumina cement concrete or calcium chloride additive or any other deleterious materials or permanent woodwool shuttering or composite panelling has been used in the construction.

Unless so instructed we do not arrange for any investigations to be carried out to determine whether or not any deleterious or hazardous material or techniques have been used in the construction of the property or has since been incorporated and the services are not tested.

We are therefore unable to report that the property is free from defect in these respects.

For valuation purposes we assume unless otherwise stated that the property (including associated plant and machinery, fixtures and fittings) is in serviceable order and will remain so for the foreseeable future. It will be assumed that the building/s is/are in good repair, except for defects specifically noted.

### Asbestos Regulations

The Control of Asbestos Regulations 2012 came into force on 6 April 2012, updating previous asbestos regulations to take account of the European Commission's view that the UK had not fully implemented the EU Directive on exposure to asbestos (Directive 2009/148/EC). Your legal advisers should enquire as to compliance with these regulations and property owners will need to be able to provide confirmation as to the existence and condition of asbestos.

### Fire Safety

The Regulatory Reform (Fire Safety) Order 2005 (The Order) replaces previous fire safety legislation including both the Fire Precautions Act 1971 and the Fire Precautions (workplace) Regulation 1997. Consequently any fire certificate issued under the Fire Precautions Act 1971 will cease to have any effect. The Order came into force completely on the 1st April 2006.

The Order applies to the majority of premises and workplaces in England and Wales although does not include people's private homes. It covers general fire precautions and other fire safety duties, which are needed to protect 'relevant persons' in case of fire in and around most 'premises'.

Under the order, anyone who has control in a premises or anyone who has a degree of control over certain areas may be classified as a 'responsible person'. It is thus the duty of such individual to comply with the requirements of the Order and make certain that all measures are taken to ensure the safety of all the people he or she is directly or indirectly responsible for.

The responsible person must then carry out a Fire Risk Assessment. In short this is a five-point process whereby fire hazards must be identified, relevant persons at risk recognised, potential risks reduced, staff training implemented and the whole assessment regularly reviewed. The assessment must pay particular attention to those at special risk such as disabled people, those who have special needs and young persons. Furthermore the responsible person must provide and maintain clear Means of Escape, Signs, Notices, Emergency Lighting, Fire Detection & Alarm and Extinguishers.

This approach is different from previous legislation, as it is now necessary to consider everyone who might be on your premises, whether they are employees, visitors or members of the public.

The Risk Assessment must be regularly reviewed and if necessary amended. Finally if the responsible person employs five or more people, the premises are licensed or the Inspector requires it then the Risk Assessment must be formally recorded.

The Smoke and Carbon Monoxide Alarm (England) Regulations 2015 effective 1 October 2015 require that landlords of residential property must provide (1) a smoke alarm on each storey of the premises on which there is a room used wholly or partly as living accommodation and (2) a carbon monoxide alarm in any room of the premises which is used wholly or partly as living accommodation and contains a solid fuel burning combustion appliance. The landlord has a responsibility to ensure that the detectors are checked and in proper working order.

It is assumed that the property is compliant in regard to the above regulations.

## Definitions and Reservations for Valuations

### EWS1 Forms

Avison Young is not responsible for verifying the accuracy of any information contained within an EWS1 form provided to it for the purposes of Avison Young completing its Services. Avison Young shall be entitled to rely on the information contained within the EWS1 form as if it were true and accurate in all material respects. If the Client discovers that the information contained within the EWS1 form is inaccurate in any material way, the Client shall bring this to Avison Young's attention promptly so that the parties can discuss the impact it may have on the Services Avison Young has provided. Avison Young shall not be liable for any loss or damage or costs suffered or incurred by the Client arising either from the information contained within an 'EWS1' form or from Avison Young's reliance on it. For the avoidance of doubt Avison Young are not qualified to produce or complete EWS1 forms and under no circumstances shall we do so. EWS1 forms can only be completed by certain qualified practitioners.

### Accessibility

From 1 October 2010, the Equality Act 2010 replaced previous anti-discrimination laws, including the Disability Discrimination Act, with a single Act to make the law simpler and to remove inconsistencies. The Equality Act protects the important rights of disabled people to access everyday facilities and services and to ensure that disabled workers are not disadvantaged.

Our report will contain observations of a general nature on the extent to which we consider that the building would be regarded by the market as complying with the accessibility requirements of the Equality Act. We have not, however, carried out an in-depth study which would be required to reach a formal view.

### Energy Performance Certificates

From 2008 Energy Performance Certificates (EPCs) are required for the sale, rental or construction of commercial buildings. The requirement was phased in over 6 months between 6 April and 1 October 2008. Commercial properties with a useful floor area of more than 10,000 sq m were affected from 6 April 2008, those exceeding 2,500 sq m had to comply from 1 July 2008 and the remaining properties had to comply from 1 October 2008. An EPC must be provided on the sale, rental or construction (or in some cases modification) subject to transitional arrangements. Non-compliance may lead to sanction under civil legislation, involving a financial penalty.

Unless stated to the contrary, our valuation assumes that the property has an Energy Performance Certificate (if required under the Energy Performance of Buildings (Certificates and Inspections) (England and Wales) Regulations 2007) and that the Certificate will be maintained as required.

### Services

It is assumed that the services and any associated controls or software, are in working order and free from defect.

### Composite Panels and Insurance

We will not test any panels within the property to see whether there are any polystyrene insulated composite panels. The presence of such panels may result in the property being uninsurable, which would have an adverse impact on value.

### Defective Premises Act 1972

Obligations or liabilities or any rights thereunder, whether prospective or accrued, are not reflected in valuations unless actually specified.

### Environmental Issues

Our Valuation Report does not constitute an Environmental Audit or survey and nothing contained in it should be treated as a statement that there are no contamination or pollution problems relating to the property or confirmation that the property, or any process carried on therein, complies with existing or proposed legislation on environmental matters. If we have been provided with third party reports, we have accepted their contents as being correct.

### Enquiries

Enquiries of local authorities and statutory undertakers are made verbally in respect of contingent liabilities such as road widening, road charges, redevelopment proposals and the possible effect of any town planning restrictions, and on occasion in respect of rating assessments. Local searches are not undertaken. No responsibility is accepted for any inaccurate information provided.

Generally it is assumed that buildings are constructed and used in accordance with valid Town Planning Consents, Permits, Licences and Building Regulation Approval, with direct access from a publicly maintained highway, that Town Planning Consents do not contain restrictions which may adversely affect the use of a property and that there are no outstanding statutory or other notices in connection with a property or its present or intended use.

## Definitions and Reservations for Valuations

It is further assumed unless otherwise stated that all necessary licences, permits etc either run with the property or are transferable to a new occupier as appropriate.

### Flooding Risk

The valuer will make enquiries concerning flooding risk where it is perceived to be of relevance as published by the Environmental Agency. However we are not qualified to definitively assess the risk of flooding and our valuation will assume no difficulties in this regard. Further, Avison Young shall not undertake any additional enquiries to confirm this information.

### Plant, Machinery, Fixtures and Fitting

Unless otherwise specified, all items normally associated with the valuation of land and buildings are included in our valuations and reinstatement cost assessments, including:-

Fixed space heating, domestic hot water systems, lighting and mains services supplying these, sprinkler systems and associated equipment, water, electricity, gas and steam circuits not serving industrial or commercial processes, sub-station buildings, lifts and permanent structures including crane rails where forming an integral part of the building structure, fixed demountable partitions, suspended ceilings, carpets, drains, sewers and sewerage plants not primarily concerned with treating trade effluent, air conditioning except where part of a computer installation or primarily serving plant and machinery.

Unless otherwise specified, the following items are excluded:-

All items of process plant and machinery, tooling and other equipment not primarily serving the building, cranes, hoists, conveyors, elevators, structures which are ancillary to, or form part of an item of process plant and machinery, sewerage plants primarily concerned with treating trade effluent, air conditioning where part of a computer installation or primarily serving plant and machinery, and water, electricity, gas, steam and compressed air supplies and circuits serving industrial and commercial processes.

Unless otherwise specified, no allowance is made for the cost of repairing any damage caused by the removal from the premises of items of plant, machinery, fixtures and fittings.

In the case of filling stations, hotels and other properties normally sold and valued as operational entities, all items of equipment normally associated with such a property are assumed to be owned and are included within the valuation unless otherwise specified.

### Taxation and Grants

Value Added Tax, taxation, grants and allowances are not included in capital and rental values as, unless otherwise specified in the report, these are always stated on a basis exclusive of any VAT liability even though VAT will in certain cases be payable.

It is assumed for the purposes of valuation that any potential purchaser is able to reclaim VAT, unless otherwise stated. In particular it should be noted that where a valuation has been made on a Depreciated Replacement Cost basis the Replacement Cost adopted is net of VAT unless otherwise stated.

Unless otherwise specified Avison Young will not take into account of any existing or potential liabilities arising for capital gains or other taxation or tax reliefs as a result of grants or capital allowances, available to a purchaser of the property.

### Market Value (MV)

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

Market Value provides the same basis as the OMV basis of value supported by the first four editions of the Red Book, but no longer used as a defined term.

### Fair Value

1. The estimated price for the transfer of an asset or liability between identified knowledgeable and willing parties that reflects the respective interests of those parties (IVS 2013).
2. The price that would be received to sell an asset, or paid to transfer a liability, in an orderly transaction between market participants at the measurement date (IFRS 13).

### Depreciated Replacement Cost

The current cost of replacing an asset with its modern equivalent asset less deductions for physical deterioration and all relevant forms of obsolescence and optimisation. Note that this basis of valuation may not reflect the price achievable for the property on the open market.



## Definitions and Reservations for Valuations

### Operational Entities

The RICS advises that the most appropriate basis of valuation of properties normally sold as operational entities is Market Value as defined above. Such properties include public houses, hotels and other leisure uses, together with nursing homes, residential care homes, private hospital and petrol filling stations.

Our valuations reflect the following:-

- a) The market's perception of trading potential with an assumed ability on the part of the purchaser to renew existing licenses, consents, registrations and permits;
- b) That the property is offered with vacant possession throughout, although in the case of nursing and residential care homes, subject to the contractual rights of the patients/residents occupying the home from time to time;
- c) That trade fixtures, fittings, furniture, furnishings and equipment are included.

Our valuations also specifically assume, unless otherwise specified that the business will continue to operate at a level not significantly worse than that indicated to us.

### Existing Use Value

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 acted knowledgeably, prudently and without compulsion, assuming that the buyer is granted vacant possession of all parts of the property required by the business and disregarding potential alternative uses and any other characteristics of the asset that would cause its Market Value to differ from that needed to replace the remaining service potential at least cost.

### Market Rent

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

### Insurance

Insurance is usually arranged by clients (or their brokers) based on reinstatement cost assessments or occasionally on an indemnity basis and other methods of valuation are not appropriate.

### Reinstatement Cost Assessment

A Reinstatement Cost Assessment is our opinion of the likely cost of reinstating all the buildings, normally for insurance purposes, on the basis that:-

- a) the accommodation provided will be similar in construction, design and area to the existing buildings;
- b) the works will be in compliance with conditions imposed by local Authorities in connection with the construction of the building;
- c) unless reported separately, allowances are made to cover the cost of necessary demolition and site clearance prior to rebuilding, external works such as hardstandings, private roadways and fences and professional fees which would normally be incurred.

Unless otherwise stated, the reinstatement cost does not include any allowance for:-

- a) any loss of rent incurred during rebuilding;
- b) planning restrictions which a planning authority might impose;
- c) special foundations required for plant and machinery or due to adverse ground conditions;
- d) any plant, machinery, equipment, tanks, loose tools, office furniture and equipment (refer to the heading "Plant, Machinery, Fixtures and Fittings" for details of items normally included);
- e) any effect of inflation on building costs occurring after the valuation date;
- f) VAT (except on professional fees) which will normally be payable in addition.

Note - A reinstatement cost assessment is not a valuation. The valuer's assessment of the reinstatement cost assessment should be regarded as an informal estimate and should not be used to arrange insurance cover with.

### Apportionment of Values

Apportionments provided between buildings, land and plant and machinery are normally for depreciation purposes only. In normal circumstances apportionments are not valuations and they should not be used for any other purpose unless specified in our report.

## Definitions and Reservations for Valuations

### Future Useful Economic Life

Future useful economic life of buildings is normally assessed in bands of years, most frequently subject to a maximum of fifty years. This applies to freehold properties and to leasehold properties where the future life is less than the unexpired term of the lease. An average figure is usually provided for groups of buildings forming a single asset. The figures are appropriate for depreciation purposes only.

### Compliance with Valuation Standards

Where applicable our valuations are in accordance with the RICS Valuation – Global Standards effective from 31 January 2022, published by the Royal Institution of Chartered Surveyors (“RICS”), the Insurance Companies (Valuation of Assets) Regulations 1981, the Financial Conduct Authority (FCA) “Listing Rules” (“Source Book”) and “City Code on Takeovers and Mergers” (“Blue Book”) as amended and revised from time to time. A copy is available for inspection.

### RICS Investigations

The valuation may be investigated by the RICS for the purposes of the administration of the Institution’s conduct and disciplinary regulations. Guidance on the operation of the RICS monitoring scheme including matters relating to confidentiality is available from [www.rics.org](http://www.rics.org).

### Total Valuation

Where provided this is the aggregate of the value of each individual property. It is envisaged that properties would be marketed singly or in groups over an appropriate period of time. If all properties were to be sold as a single lot, the realisation would not necessarily be the same as the total of the valuations. This assumption is not applicable to valuations made for taxation purposes.

### Legal Issues

Any interpretation of leases and other legal documents and legal assumptions is given in our capacity as Property Consultants (including Chartered Surveyors and Chartered Town Planners) and must be verified by a suitability qualified lawyer if it is to be relied upon. No responsibility or liability is accepted for the true interpretation of the legal position of the client or other parties.

### Date, Market Conditions and Validity of Valuation

Valuations may be relied upon for the stated purpose as at the date specified. In normal market conditions the value may not change materially in the short term. However the property market is constantly changing and is susceptible to many external facets which can affect business confidence. If any reliance is to be placed on the valuation following any changes which could affect business confidence, then further consultation is strongly recommended. In any event, the valuation should not be considered valid after a period of three months.

### Valuations and Reports

Valuations and Reports are only for the use of the party to whom they are addressed. They may be disclosed only to other professional advisors assisting in respect of that purpose. No responsibility is accepted to any third party for the whole or any part of the contents.

Reports should be considered in their entirety and should only be used within the context of the instructions under which they are prepared.

Neither the whole nor any part of a valuation, report or other document or any reference thereto may be included in any published article, document, circular or statement or published in any way without prior written approval of Avison Young of the form and context in which it may appear.

### Warranties

The client warrants and represents that, to the best of its knowledge, information and belief, the information supplied by and on its behalf to Avison Young is true and accurate and that it will advise and instruct its third party advisers to advise Avison Young in the event that it and/they receive notice that any such information is either misleading or inaccurate.



## Contact Details

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### Enquiries

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