

Our Ref: RM20/JT/DG/01C300532

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28 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 31 March 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 31 March 2023, was: -

£59,100,000**(Fifty Nine Million One Hundred Thousand Pounds)**

Further, we are of the opinion that the Market Rent of the leasehold interest in the Subject as at 31 March 2023, was: -

£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

Russia's invasion of Ukraine has created the biggest threat to peace and security in Europe since the end of the Cold War and has had far ranging consequences on the UK economy. The Bank of England has had to take action to reduce inflation resulting in an increase in interest rates to levels not seen since the Global Financial Crisis in 2008. The disastrous impact of the mini budget in September 2022 also resulted in a dramatic rise in mortgage rates which affected both the residential and commercial markets. Investors in the property market paused activities and values have subsequently dropped substantially in Q4 2022 across most sectors.

March 2023 has seen Silicon Valley Bank and Signature Bank collapse in the US and Credit Suisse has been taken over by UBS in Europe. These insolvencies have created unease across global financial markets. However, relative calm has been restored due to the provision of emergency money from financially stronger banks and central banks. For property markets, the short-term implications are that investors and debt markets sense uncertainty again, so the timeline on reaching a turning point for the investment market gets pushed back. Loan-to-value ratios may be more conservative, margins higher and credit committee decisions more difficult which in turn may have a negative impact upon refinancing in the short to medium term.

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, (1st 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.

Risk of Business Failure	% of Contracted Rent *
Very Low Risk	82.41%
Low Risk	0.00%
Moderate Risk	17.32%
High Risk	0.00%
Very High Risk	0.00%
Not Rated	0.27%

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

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

Tenant	Company Number	Rating	Risk of Business Failure	International Score	Credit Limit
Eversheds Sutherland (International) LLP	OC304065	100	Very Low Risk	A	£35,800,000
Jemella Limited	04115691	97	Very Low Risk	A	£7,150,000
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	77	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

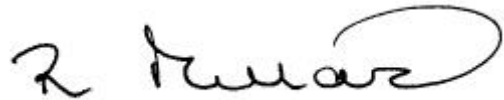
We can confirm that the fees generated from the Client is less than 5% of the total fee income for Avison Young (UK) Limited.

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



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For and on behalf of Avison Young (UK) Limited



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Appendix 1

Property & Valuation Summary

Location	<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>
Description	<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>
Refurbishment Works	<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&E systems at the property. The upgrades will include full replacement of the M&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
	Ground Floor Total		250.6	2,697
	First	Retail East - Unit A (AF Blakemore & Sons)	166.6	1,793
	First	Retail East - Unit B (Vacant)	31.0	334
	First	Retail West - Unit A (Tesco Stores Limited)	407.5	4,386
	First	Retail West - Unit B (Soul Coffee House (East) Ltd (t/a Starbucks))	202.6	2,181
	First	Retail West - Unit C (New Sushi UK Limited)	81.3	875
	First	Retail West - Unit D (Gym Factory (Leeds) Limited)	308.5	3,321
	First	Office East (Jemella Limited (t/a GHD))	594.8	6,402
	First	B.M.A (Management Offices)	142.7	1,536
	First Floor Total		1,935.0	20,828
	Second	Office West (DWF LLP)	1,629.0	17,534
	Second	Office East (Jemella Limited (t/a GHD))	858.6	9,242
	Second Floor Total		2,487.6	26,776
	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
	Third Floor Total		2,748.3	29,583
	Fourth	Office (Ernst & Young LLP)	2,970.5	31,974
	Fourth Floor Total		2,970.5	31,974
	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
	Fifth Floor Total		2,993.5	32,222
	Sixth	Office West (Eversheds Sutherland LLP)	1,792.1	19,290
	Sixth	Office East (Eversheds Sutherland LLP)	1,024.9	11,032
	Sixth Floor Total		2,817.0	30,322
	Seventh	Office West (Eversheds Sutherland LLP)	1,791.0	19,278

	Seventh	Office East (Eversheds Sutherland LLP)	1,024.4	11,027
	Seventh Floor Total		2,815.4	30,305
	Eighth	Office West (Eversheds Sutherland LLP)	1,788.6	19,252
	Eighth	Office East (Eversheds Sutherland LLP)	908.3	9,777
	Eighth Floor Total		2,696.9	29,029
	Ninth	Office (Vacant)	1,681.4	18,098
	Ninth Floor Total		1,681.4	18,098
		Total	23,395.9	251,834
Tenant/Floor Area Analysis	Tenant		% of Total Floor Area	
	Eversheds Sutherland (International) LLP		48.40%	
	DWF LLP		12.76%	
	Ernst & Young LLP		12.70%	
	Jemella Limited		6.21%	
	2 Plan Limited		2.64%	
	Tesco Stores Limited		1.74%	
	Gym Factory Leeds City Centre Limited		2.03%	
	Soul Coffee House Limited		0.87%	
	A. F. Blakemore and Son Limited		0.71%	
	Tabeyo Limited (t/a Juici Sushi)		0.35%	
	Vacant offices		11.10%	
	Vacant retail		0.49%	
		100.00%		
Tenant Use by Rent	Sector		% of Total Contracted Rent	Contracted Rent
	Offices & associated car spaces		95.65%	£5,481,535
	F&B, leisure		1.97%	£112,775
	Retail		2.38%	£136,263
			100.00%	£5,730,573
Tenant Profile	Number of tenants		10	
	Number of commercial leases		13	
	Ground rent payable		£0	
	Contracted Rent		£5,730,573	
	Total Current Gross Income per annum		£5,535,996	
	Total Net Income per annum		£4,994,181	
	Weighted Average Unexpired Lease Term		3.50 years	
	Weighted Average Unexpired Term to Break		3.30 years	

Valuation	<p>We have carried out the valuation on a traditional income capitalisation basis. We have considered the value of the property using a combination of methods including traditional yield profile (net initial, triple net initial, equivalent and reversionary) and a capital value per sq ft approach.</p> <p>We have incorporated current voids on the vacant accommodation and assumed a number of future voids on a reasonable proportion of the accommodation.</p> <p>We have deducted the net capital expenditure outlined within this report which totals £25,151,318.</p> <table border="1" data-bbox="501 584 1481 703"> <tr> <td>Market Value as at 31/03/2023</td> <td>£59,100,000</td> </tr> <tr> <td>Market Rent as at 31/03/2023 per annum*</td> <td>£8,684,185</td> </tr> <tr> <td>Standard Purchaser's costs adopted</td> <td>6.78%</td> </tr> </table> <p>* The Market Rent is the 'headline' Market Rent and is on the assumption that the refurbishment works proposed have been completed.</p>	Market Value as at 31/03/2023	£59,100,000	Market Rent as at 31/03/2023 per annum*	£8,684,185	Standard Purchaser's costs adopted	6.78%		
Market Value as at 31/03/2023	£59,100,000								
Market Rent as at 31/03/2023 per annum*	£8,684,185								
Standard Purchaser's costs adopted	6.78%								
Yield Profile	<table border="1" data-bbox="501 842 1481 1003"> <tr> <td>Initial Yield</td> <td>8.76%</td> </tr> <tr> <td>Triple Net Initial Yield</td> <td>7.91%</td> </tr> <tr> <td>Equivalent Yield</td> <td>7.74%</td> </tr> <tr> <td>Reversionary Yield</td> <td>13.76%</td> </tr> </table>	Initial Yield	8.76%	Triple Net Initial Yield	7.91%	Equivalent Yield	7.74%	Reversionary Yield	13.76%
Initial Yield	8.76%								
Triple Net Initial Yield	7.91%								
Equivalent Yield	7.74%								
Reversionary Yield	13.76%								
SWOT Analysis	<p>Strengths</p> <ul style="list-style-type: none"> • 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 (82.41%) is secured to very low risk covenants • The Energy Performance Ratings for the office and all retail units is C, with the exception of retail unit 2a (Tesco) which is B • 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. <p>Opportunities</p> <ul style="list-style-type: none"> • 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
- Both Jemella Ltd (t/a GHD) and 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 3.50 years to expiry and 3.30 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							
Number of tenants	10							
Number of commercial leases (including licences)	13							
Total Gross Income per annum	£5,535,996							
Total Net Income per annum	£4,994,181							
Ground Rent payable	£0							
Weighted Average Unexpired Lease Term	3.50 years							
Weighted Average Unexpired Term to Break	3.30 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.

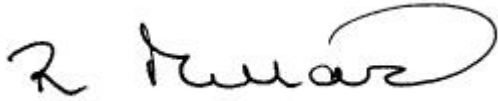
Avison Young (UK) Limited is a regulated firm.

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:

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

Invoicing Confirmation Details

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



Client contact name for invoicing queries	
Client contact email for invoicing queries	



Contact Details

Enquiries

Rebecca Millard MRICS

0121 609 8044

Rebecca.millard@avisonyoung.com

Jared Thompson MRICS

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Visit us online

avisonyoung.co.uk