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property report

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Southside Works, South Street, Paddock, Huddersfield HD1 4UH

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GEH/JS/VZU0957

24 July 2019

c/o Pension Practitioner
Venture Wales Building
Pentrebach
Merthyr Tydfil
CF48 4DR

Dear Sirs

**Re: Trustees of the Self Invested Pension Scheme of Centrifuge Engineering
Service/Private Pension J Lycholat & P Marsden**
Property: Southside Works, South Street, Paddock, Huddersfield HD1 4UH

1.0 INTRODUCTION AND CONFIRMATION OF INSTRUCTIONS

- 1.1 We refer to the verbal instructions of the Beneficiary, Mr Paul Marsden, confirmed within our Terms of Engagement dated 11 July 2019 and note the instructions to prepare a revised valuation in respect of the above property. The valuation has been prepared in accordance with RICS Valuation Standards and the Terms of Engagement. Any departures from the Standards or Terms are noted within the report to follow.
- 1.2 The request for valuation services is made on behalf of the Trustees of the Self Invested Pension Scheme of the Directors of Centrifuge Engineering Services and private pensions of Mr J Lycholat and Mr P Marsden and no responsibility is accepted to any third party for the whole or part of the comments contained within the report.
- 1.3 We understand the report is required in connection with an obligation on behalf of the Trustees to regularly review the value of the assets of the Scheme. Bramleys LLP have previously provided a valuation for the Trustees dated 6 December 2012.
- 1.4 The valuation has been prepared in accordance with RICS Valuation - Global Standards, UK National Supplement and International Valuation Standards. We have also had reference to Guidance Notes issued by the Royal Institution of Chartered Surveyors. Compliance with these standards may be subject to monitoring under the Institutions Conduct and Disciplinary Regulations.
- 1.5 We have been requested to provide valuations on the basis of Market Value subject to the existing and proposed lease terms and Market Rent in connection with a granting of a new lease to the occupying company. The valuation relates to the freehold interest in the above property which comprises of a part single, part two storey workshop building with ancillary offices together with adjoining car park and additional land. The property is occupied in its entirety by Centrifuge Engineering Systems Ltd pursuant to the lease terms detailed herein. The occupying company is connected to the beneficiaries.
- 1.6 The date of the valuation is 16 July 2019.

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1.7 For the purpose of valuation the following assumptions have been made:-

- Planning permission has been granted for all current structures and uses.
- The Scheme has good and marketable title to the entire property as shown and described herein.
- No enforcement action pending or ongoing where possible with regards to any alterations and no boundary disputes existing.
- Satisfactory EPC Rating.
- Lease renewed in accordance with lease terms detailed herein.
- All mains services available to the property.
- No defects in existing services connected.
- Site free from contamination and invasive plant species.
- No tenant's improvements to be excluded for the purposes of calculating revised rent.

1.8 No additional special assumptions, reservations or departures from the Valuation Standards have been made. No allowance has been made for liability for Taxation, whether actual or notional, that may arise on disposal and the valuation does not reflect costs of acquisition. The valuation makes no provision for the prospect of future growth in rental and/or capital values and the recipient should be aware that values can fall as well as rise over time.

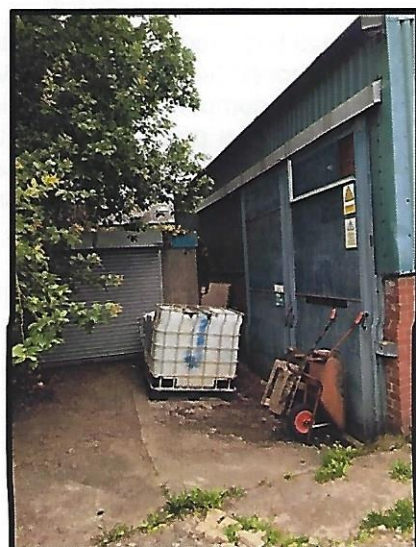
1.9 The report has been prepared by Graeme Haigh B.Sc (Hons) MRICS who is an RICS Registered Valuer following a physical inspection of the property undertaken on 16 July 2019. We can confirm that the Valuer has relevant experience of valuing this type of property in this locality and is an external Valuer as defined by the RICS.

1.10 The valuation is subject to the Limitations and Assumptions set out within the Terms of Engagement and the Assumptions and Definitions of Valuation attached hereto.

1.11 We have relied upon verbal information supplied by Mr Paul Marsden (Beneficiary) who was present at the inspection. We have made online investigations to ascertain the legal tenure in the property and made online statutory enquiries with local Planning and Rating authorities. No responsibility or liability is accepted for the true interpretation of the customer's legal title or to establish whether there have been any breaches of existing statutory consents.

1.12 Comparable evidence used within the valuation is sourced from Rightmove, E! Group Auctions, Edozo and Land Registry data together with reference to local agents and Bramleys own database of comparable transactions within the locality. No responsibility or liability is accepted where information supplied is inaccurate, false or misleading.

2.0 THE PROPERTY



2.1.0 Description

- 2.1.1 The property comprises of a collection of adjacent and partially interconnecting, single and two storey industrial buildings which have been built over an extended period and accordingly incorporate structures of a variety of ages and architectural types.
- 2.1.2 The original building on site comprises of a solid brick built and part rendered/masonry painted, two storey building with a conventional pitched slated roof whose covering has recently been renewed with interlocking concrete tiles, with verge caps and new rainwater goods have been installed, conventionally hung on PVCU soffits. This building has solid lintels to PVCU double glazed windows to the upper floor and is open to the adjoining workshops at ground floor level. At first floor level the majority of accommodation is used for office and welfare facilities whilst at ground floor this forms an extension of the workshop.
- 2.1.3 This building is extended to the front by way of a cavity built, single storey building with an inner leaf of concrete block faced in brick, having a mono pitched, PVC coated, profile metal decking roof incorporating Perspex roof lights to the front elevation with plastic rainwater goods supported on timber soffits. Recessed steel lintels create window openings with PVCU double glazed windows.
- 2.1.4 The principal workshop building on site is of timber framed design and construction, being clad externally in concrete block and faced in brick to approximately 2m and in secondary insulated, PVC coated profile metal decking sheet to eaves (4.35m) with a wood trussed, pitched, insulated, corrugated metal decking roof incorporating Perspex roof lights with plastic rainwater goods to the perimeter.
- 2.1.5 To the rear of the principal buildings and with access from the main workshop but at a higher level is a lean to extension with solid brick gable constructed off the outer wall of the adjoining buildings with brick supporting piers to a mono pitched roof covered with corrugated, pressed cement asbestos sheet covering incorporating Perspex roof lights over a sealed, solid concrete floor.
- 2.1.6 There is a small covered link construction providing access to the remaining building on site which is of basic prefabricated, concrete sectional construction with a shallow pitched, corrugated asbestos roof over a sealed solid concrete floor.

2.2.0 Accommodation

- 2.2.1 In total the property provides a gross internal floor area of 417.05m² (4,490ft²) of which 12% is at first floor level.
- 2.2.2 There are interruptions to the internal product flow as the accommodation is contained within multiple buildings separated by supporting structural walls with limited sized connecting apertures. Moreover part of the rear storage accommodation is at a marginally higher level, with an internal loading step which is not ramped and accordingly there is no access for forklifts or other mobile lifting equipment. In addition the eaves height to the front and rear workshops, which reduces to a minimum 2.1m, would be considered low by many occupiers and this may be a detraction.
- 2.2.3 The offices represent an acceptable proportion of the overall gross floor area (circa 12%) and although there are detractions with regards to the access route being through the shop floor these remain suitable as ancillary offices for a larger complex of this type.

2.3.0 Site

- 2.3.1 The buildings occupy a site which is irregular in shape but essentially level, albeit elevated from neighbouring land to the west.
- 2.3.2 The property has a gross site area of circa 0.29 acres (0.13 hectares) approximately.

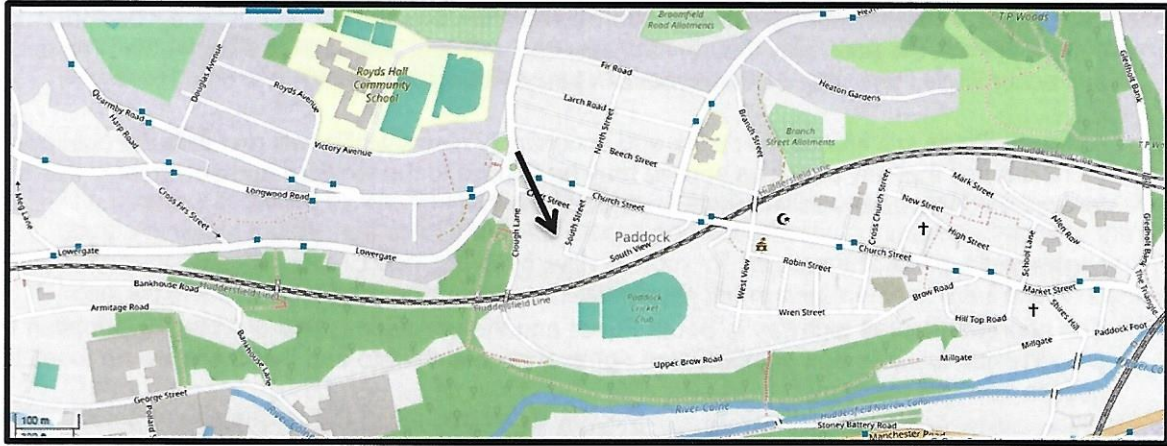
- 2.3.3 The buildings are located towards the northern edge of the site, and to the west thereof is an access driveway which provides access to the rear of the principal workshop and stores which provides secondary loading thereto. Principal loading is from the main workshop building via a large loading aperture which gives onto a tarmacadam surfaced yard/car parking area. There is an additional levelled and loosely surfaced parking/external storage bay to the northeast of the site. The surfaced area extends to approximately 0.24 hectares, with the remaining part of the site being a landscaped buffer to the south and eastern extremities together with the western boundary.
- 2.3.4 The surfaced area extends to approximately 0.24 hectares, with the remaining part of the site being a landscaped buffer to the south and eastern extremities together with the western boundary.
- 2.3.5 The density of development is circa 33% gross (43% net) and accordingly this is an acceptable density of development and the site area may allow for a future expansion of the buildings, subject to obtaining appropriate planning consents. In the short term the surfaced areas provide good car parking for the complex as a whole together with the opportunity for external storage and loading/unloading.

3.0 SERVICES

- 3.1 We have not undertaken any inspections or tests of the services or installations and we are therefore unable to confirm that they are free from defect or comment upon their capacity or capability to serve the building. It is accordingly assumed that the services and associated controls or software are in working order and free from defect.
- 3.2 All principal public utilities appear to be connected to the property and the valuation is made on the assumption that these are connected directly and that there are no easements or wayleaves or any payments of a one off or regularly recurring nature for the delivery of services to the property.
- 3.3 The property has the benefit of an incoming, three phase electricity supply throughout the workshop connected to the powered machinery. In addition there are conventional, single phase, 240v sockets throughout both ground and first floor and lighting systems which incorporate a range of predominantly surface mounted, fluorescent lighting throughout the accommodation.
- 3.4 Although there is no legal requirement the Institute of Electrical Engineers recommends the testing of fixed electrical installations at regular intervals to confirm that this is safe for use. The mains distribution panel displays a test record indicating the last test was undertaken in September 2012, with the next recommended test September 2015. We have not had sight of the test record and would comment that under the terms of a full repairing and insuring lease responsibility for the maintenance of the electrical installation will rest with the tenant and it should be ensured that they comply with the requirements to have this tested regularly and confirm that it is suitable for ongoing use.
- 3.5 There are limited heating installations throughout the accommodation, with the main works having a gas fired, blown warm air space heater only. There is no permanent heating installation to the offices and canteen area at first floor level which may be a detraction and some purchasers may budget for the installation of a permanent heating installation within this area in the future.
- 3.6 Staff welfare facilities are located at first floor and provide a canteen area with access to clean drinking water and this area appears to be of adequate size to allow staff to take breaks away from the workstations. The property does lack locker and changing facilities and there are no shower facilities and accordingly the tenant should confirm that they comply with their obligations under the Workplace Health Safety and Welfare Regulations 1992.

- 3.7 At the current time there is only a single toilet cubicle located at ground floor level. This may be an under provision of sanitary conveniences, depending on the number of workers within the property although the valuation is made on the assumption that toilet accommodation could be extended without significant cost if required.

4.0 **LOCATION**



For identification purposes only, not to scale

- 4.1 The property is located within a predominantly residential land use area forming part of the residential suburb of Paddock, lying approximately 1½ miles west of Huddersfield town centre.
- 4.2 This is a densely populated area categorised by a network of interconnecting streets of terraced houses arranged in a grid pattern, radiating from the principal arterial routes of Church Street which leads in an east/west direction to the north of the subject property and Luck Lane which leads to the north. Church Street links with the A62 Manchester Road to the east, whilst Luck Lane leads to the north to link with the A640 Westbourne Road. These are two of the principal arterial routes providing access to the west and northwest of the town centre of Huddersfield and the latter connecting directly to the M62 motorway (junction 23/westbound). However they are local roads, not easily negotiated by large commercial vehicles and pass through densely populated residential areas. In addition there are congestion issues associated with both arterial routes as these carry a high volume of commuter traffic. This is a detached position from an industrial perspective and although there has been industrial development within this area this has been to the east of Paddock Foot and has better access towards the A62 Manchester Road.
- 4.3 In addition access to the principal highways is via South Street which is a narrow local road and although this does provide a circular route of access which eases turning restrictions to the site for the largest commercial vehicles it is not easily navigable to the largest commercial vehicles and further, in being set back from the highway the property lacks visibility. Accordingly we consider that this is a secondary location from an industrial perspective. However the buildings are comparatively small and the position is accessible to light commercial vehicles and taking into account the general shortage of accommodation of this type on the market at the current time we anticipate that the locational limitations are not so great as to restrict the market for the property.

5.0 **STATUTORY ENQUIRIES**

5.1.0 **Rateable Value & Uniform Business Rate**

- 5.1.1 We have undertaken a search of the Valuation Agency Office website which reveals that the property is assessed for Rates as follows:-

Workshop & Premises - Rateable Value - £10,500

5.1.2 The Rateable Value has been increased since our previous valuation reflecting changes in Rating assessments with the publication of the new Rating list in 2015. However at the time of reassessment the external areas were un-surfaced and it is likely that the resurfacing will have increased their value as part of the overall Rating assessment. Accordingly there is the potential that upon reassessment the Rating assessment could increase. The occupier has an obligation to inform the District Valuer of changes made upon completion thereof and should they be found to be in default there is the possibility that any increase in Rates payable could be back dated (up to 6 years) and accordingly there may be an increase in future Rating liability.

5.1.3 Although Rates are an occupier's tax and accordingly responsibility will rest with the occupying copy there is a risk that any penalties applied may be applied to the landlord and accordingly this is a point for which additional specialist advice should be sought.

5.2.0 Highways

5.2.1 The nearest adopted highway is South Street and the valuation is made on the assumption that the property has full, free and uninterrupted rights of access thereto and that there are no restrictions on access over this roadway.

5.3.0 Planning

5.3.1 There do not appear to be any Conservation Policies (Conservation Areas, Listings) directly affecting the subject property or any of its immediate neighbours.

5.3.2 The property is occupied in its entirety by Centrifuge Engineering Services, an industrial company manufacturing and refurbishing centrifuges and dryers. The business appears to involve manufacturing and it is not clear whether from a planning perspective this would be classified as B1 or B2 of the Use Classes Order. The former allows for use of premises for light industry appropriate in a residential area whilst the latter is for heavy industrial purposes. Prior to acquisition by the scheme the property was occupied by RV Spivey Engineers and again the exact nature and use of that business is not known although we do not consider that there was any material change of use between these occupiers. Accordingly the valuation is made on the strict assumption that the property as all the appropriate planning consents required for its current use.

5.3.3 Although there have been some alterations made to the property since our earlier report and valuation there has been no extension of the buildings or any alterations which would require planning consent.

5.3.4 However the external areas have been levelled and surfaced and such works may have required planning consent. Our search of the online planning database of Kirklees Metropolitan Council reveals no applications being made with regards to the subject property and accordingly further investigations may be required to confirm that the property has all the necessary planning consents. It should also be ensured that any structural alterations undertaken to the property were appropriately supervised with Completion Certificates from Building Control issued upon completion.

5.4.0 Fire Certificate

5.4.1 From the 1st of October 2006 The Regulatory Reform (Fire Safety) Order removed the necessity for Fire Certificates. Instead occupiers/employers are required to undertake a Fire Risk Assessment. We have not had sight of the existing Fire Risk Assessment and do not know whether one has been undertaken. If there is no Fire Risk Assessment which is up to date, the occupier is required to undertake a revised Fire Risk Assessment to comply with current legislation.

5.5.0 Energy Performance Certificate

5.5.1 It would appear that the property was subject to assessment for energy performance asset rating in September 2012, with a Rating of E (123).

- 5.5.2 The Minimum Energy Efficiency Standards in force since 2018 have made it an offence to let any property that does not meet a minimum energy performance asset rating of E after that date.
- 5.5.3 On the basis of the current assessment there should be no restrictions on renewal of the existing lease. However the parties should be aware that the existing rating will expire in September 2022, unless superseded by a later Certificate and changes made to calculation methodologies around 2012 have cast doubt on the accuracy of EPC's obtained before that date. We would accordingly recommend early engagement for the reassessment of the EPC rating to ensure that there will be no issues with compliance with MEES after expiry of the existing Certificate.

6.0 **TENANCIES**

- 6.1 The property is owned by the Trustees and let in its entirety to Centrifuge Engineering Services Ltd, a company within the ownership of the Beneficiaries and accordingly connected directly to the Scheme members. We have not been provided with a copy of the current lease agreement but we are informed that this is let by way of terms consistent with the requirements of the Pension Scheme and on the following bases:-

Term:	10 years.
Commencement:	December 2012.
Repairs:	Tenant to keep the property in a good and marketable condition throughout the lease term.
Building's Insurance:	Landlord to pay and to recover, in full, premium from the tenant by way of insurance rent (or tenant to insure direct subject to this being within the joint names of the parties and effecting proper cover.
Decoration:	The tenant to decorate the interior and exterior of the premises at regular intervals.
Commencing Rent:	£12,000 per annum.
Rent Review:	5 th anniversary of the commencement of the term (December 2017) on an upward only basis to Market Rent.
Assignment and Under Letting:	The tenant to be entitled to assign or sub-let the whole of the property subject to obtaining landlord's prior written consent (such consent not to be unreasonably withheld or delayed). It is to be a condition of the granting of consent that the tenant enters into an Authorised Guarantee Agreement (where appropriate) and in the event that, in the opinion of the landlord, the Assignee is not of sufficient financial standing to comply with the covenants of the lease it should not be considered unreasonable for the landlord to refuse consent. The tenant may be entitled to sub-let the whole of the property by way of a lease contracted outside the Landlord and Tenant Act 1954 Security of Tenure Provisions and being for a term of less than the unexpired term of the Head Lease at a Market Rent (without fine or premium).
Forfeiture:	In the event of 21 days arrears of rent, breach or non-performance of covenant or act of insolvency on behalf of the tenant the landlord may take back possession and disclaim the lease.

- 6.2 We are informed that the initial rent remains the passing rent and that the December 2017 rent review has not been implemented. Accordingly the parties are referred to the Market Rent detailed to follow.

7.0 **TENURE**

- 7.1 We have carried out an online Land Registry search which reveals that the property is contained within multiple title entries including freehold title numbers WYK609714 and WYK550707.

7.2 The titles are freehold and appear to be registered in the names of the Beneficiaries/Trustees. Title No. WYK550707 makes reference to a lease of part, being for a term of 999 years from 1891. It is assumed that following the acquisition by the Scheme of the freehold this leasehold title was merged with the freehold and accordingly extinguished. Therefore the valuation is made on the assumption that the customer can provide good and marketable title on a freehold basis to the entire property.

7.3 All assumptions made with regards to title should be verified by the customer's solicitors as part of the Report on Title. No responsibility or liability is accepted for the true interpretation of the customer's legal title in the properties.

8.0 RESTRICTIVE COVENANTS

8.1 Both freehold titles appear to contain covenants composed in earlier Conveyances and the valuation in this case is made on the strict assumption that these do not have any impact on any of the assumptions made within the valuation or on the property's operation or occupation.

9.0 RIGHTS OF WAY

9.1 There are no apparent public rights of way, bridle paths or shared rights with any other party that adversely affect the use, and therefore value of the property.

9.2 There is a gated access at the north western extremity of the site which provides access to a former roadway which leads to the north towards Croft Street. This access is not in regular use and the driveway is overgrown and currently un-passable and further investigations may be required to confirm whether any formal rights of access exist over this land if so we would recommend that they be used occasionally in order to maintain their existence.

10.0 ENVIRONMENTAL ISSUES

10.1.0 Asbestos Regulations

10.1.1 The Control of Asbestos Regulations 2012 requires the party with responsibility for the maintenance of non-domestic premises to take reasonable steps to find out whether there are any Asbestos Containing Materials within their building and record their location and condition as well as to provide a management plan to minimise the risks to health which may be caused.

10.1.2 In this case it will be the responsibility of the tenant, under the terms of a full repairing and insuring lease, to prepare the necessary Audit and we would recommend that the Trustees seek a copy of this from the occupying company. If no such Audit is available the tenant should be required to obtain this in order to comply with the Regulations.

10.2.0 Contamination

10.2.1 The Valuer has not commissioned or had sight of any Environment Reports and accordingly cannot provide any interpretation thereof.

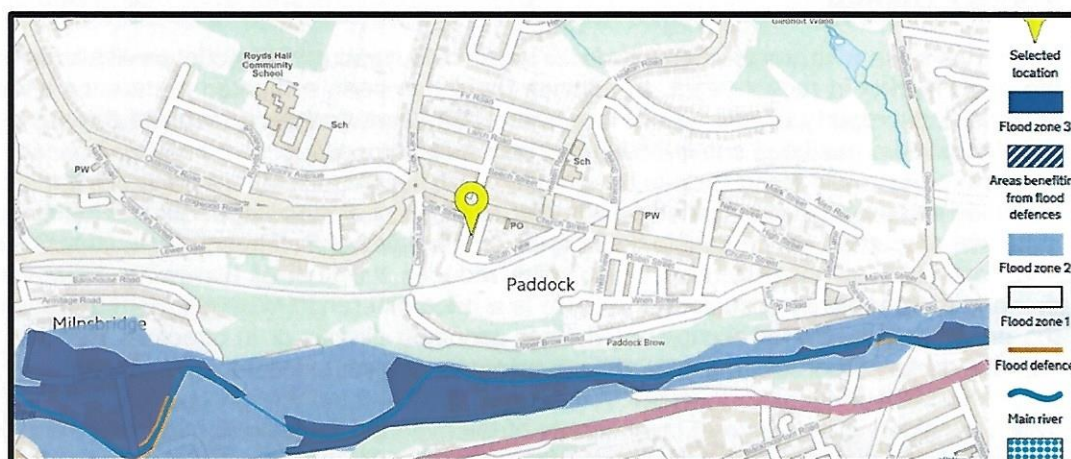
10.1.2 The property is a commercial workshop building which has been used for engineering purposes over an extended period and accordingly poses a theoretical contamination risk throughout contamination of ground soils. This is an environmentally sensitive position, lying adjacent to residential properties although it is some distance from the nearest watercourse, notwithstanding that there may be underlying aquifers which could allow pollutants to reach surface water if uncontrolled. At the time of inspection no significant vegetation die back, oil staining or discoloured ground water was noted and the existing occupier appears to be employing good housekeeping measures and therefore the risk of the property being affected by contamination is reduced.

10.1.3 However in the absence of any environmental searches the property has been valued subject to an assumption that it is free from contamination.

- 10.1.4 Although Local Authorities have the power under the Environmental Protection Act to force remediation against site owners the general principal is that polluter pays. Only if the original polluter cannot be identified does this tend to be enforced against land owners. Action is normally taken only when contamination is significant, posing an immediate risk to human health or emanating off site. Most Local Authorities tend to deal with contamination through the planning system, whereby if an application is made for the redevelopment of a site of this type there is a requirement for testing for and remediation of contamination as a condition of the consent. In this case no substantial redevelopment is proposed and accordingly we do not consider there are any adverse environmental factors for continued existing use.

10.2.0 Flood Risk

- 10.2.1 The property is located in Flood Zone 1, an area considered to be at low risk of flooding. The flood risk map records the risk of flooding from rivers or seas but does not detail the risk of flooding from surface water which may be a risk in certain areas. Accordingly the valuation is made on the assumption that building's insurance including flood risk cover is available at normal policy premium rates without significant excess restrictions.



10.3.0 Site Investigations

- 10.3.1 The valuation has been prepared on the basis that a coal mining search will reveal that the property is not at risk from any former mining activity and that there are no shafts or adits within 20m of the curtilage.

11.0 CONDITION

- 11.1 In accordance with the clarification and limitations of inspection included within the Terms & Assumptions to follow we have not been instructed to undertake a structural or condition survey of the property. In undertaking the valuation we have had regard to the apparent state of repair and condition of the property but have not inspected those parts of the property which are covered, unexposed, inaccessible or otherwise incapable of immediate inspection. From a superficial inspection of the property we can confirm the following condition issues:-
- 11.2 The property has been subject to repair, renewal and improvement since the earlier inspections. Works have been undertaken to roof coverings in a number of areas and the external yards have been resurfaced. In addition it would appear that windows have been upgraded and some the masonry painting renewed to the principal buildings.

- 11.3 Some minor issues do persist with regards to the insubstantial nature and general condition of the rearmost buildings, particularly the prefabricated stores building but these form a relatively small part of the building and have been maintained in a weather tight condition and whilst they may require more substantial works within the medium term their current condition does not affect their ability to be occupied.
- 11.4 The responsibility for repairing and maintaining the buildings rests with the tenant under the terms of the existing lease and whilst there will be a limitation on their repairing liabilities to maintaining the condition of the property only, on the basis that this is fair at the current time, it would be anticipated that no significant deterioration should be allowed to occur.
- 11.5 The principal workshop building is slightly unusual in being timber framed. This is unusual for an industrial building and investigations are required to confirm that the timbers are appropriately treated for fire protection and that they are protected from moisture attack. At the current time the frame appears to be of fair condition although this should continue to be monitored to ensure that this continues to provide adequate support. The timber frame is likely to have a reduced lifespan when compared to a more conventional steel framed equivalent and this may have an effect on the value over the longer term.

12.0 MARKET TRENDS

- 12.1 There has been a shortage of small/medium sized industrial accommodation available for sale on the open market in recent years. In addition there has been a marked preference shown by the occupiers of property of this type to buy rather than rent and as a result of the supply/demand imbalance there has been some inflationary pressure on prices.
- 12.2 The market has been maintained by the tax efficient investment opportunities to the owners of industrial properties, which enable these to be held by way of Self Invested Pension Schemes etc, and continued low interest rates which have reduced the cost of borrowing. However greatest demand is from owner occupiers and there is a price differential emerging in the market between the prices paid by owner occupiers (whether acquiring directly or in director's Pension Schemes etc) and those properties sold to third party investors subject to leases.
- 12.3 When considering the value of investments of this type the majority of purchasers consider those factors which influence the security of future income. These reflect the unexpired lease term, covenant strength of the tenant and likely attraction of the tenant to other occupiers were the existing one to vacate. In addition there is a yield gap emerging between large institutional let properties with a single tenant and more secondary, multi let properties. When considering the value of this property as an investment we have taken into account that it is single let, by way of terms which are beneficial to a landlord and that there is a reasonable assumption that the tenant may renew on the expiry of the existing lease. In addition there is likely to be satisfactory levels of market demand for the property were the existing occupier to vacate, albeit that the majority of future tenants are likely to be of local covenant strength only.
- 12.4 It is also an assumption that the increased Market Rent will be paid and/or back dated to the December 2017 rent review. The parties should be aware that should the rent remain at the current level this may have an impact on the value of the property, deferring the increase in rent to lease expiry in 2022 (some 3 years).

13.0 MARKET RENTAL VALUE AND APPROPRIATE LEASE TERMS

- 13.1 The valuation has been undertaken in accordance with RICS Valuation – Global Standards (July 2017), UK National Supplement and International Valuation Standards. It is on the basis of Market Rent which is defined at VPS4 of the Standards as:-

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.

- 13.2 The parties are referred to the detail provided above with regards to the existing lease terms which are appropriate for a property held by way of a Self Invested Pension Scheme of this type. However if the property were to be let to an unconnected party by way of market terms we consider that the maximum lease term would be 5 years, or multiples thereof incorporating regular reviews and break clauses. In addition we anticipate a tenant would resist taking on responsibility for all external repairs and maintenance and whilst the property has been improved and therefore they should accept some repairing liability this is likely to be limited by way of the inclusion of a Schedule of Condition or similar.
- 13.3 There is unlikely to be any significant requirement for any rent free period, taking into account the works which have been undertaken although as an incentive the tenant may require 1 to 2 months reduced rent or rent free period to encourage occupancy.
- 13.4 On the basis of the lease terms indicated above we consider that the current Market Rent for the property is:-
- 13.5 **Market Rent - £16,000 (Sixteen Thousand Pounds) per annum.**
- 13.6 This equates to approximately £3.50ft² but this reflects differing rates applied to the buildings, depending upon their quality. A higher rate is applied to the principal workshop building than the remaining units and this decreases through the good quality, single storey units, with the lowest rate applied to the prefabricated building to the rear. Details of significant market transactions used in the calculation of the above are available upon request.

14.0 **VALUATION APPROACH**

- 14.1 The valuation has been prepared in accordance with RICS Valuation - Global Standards (July 2017), UK National Supplement together with International Valuation Standards. It is on the basis of Market Value which is defined at VPS4 of the Standards as:-

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

- 14.2 The property has been valued primarily using the All Risks Yield (Investment) method of valuation. This takes into account that the property is to be valued for the Pension Scheme subject to the terms of the existing lease and accordingly reflects the value of the property as an investment. The parties should be aware that the value of the property with vacant possession may be different and at the current time some premium value has been witnessed for small industrial properties when available with vacant possession and sold to owner occupiers.
- 14.3 Our valuation assumes that the property is let by way of the above lease terms but at a market level of rent and on this basis reflects a yield of circa 9%.. This can be justified by the following sales:-
- Unit 3 Beza Court, Leeds is a small, modern, single storey industrial unit which was sold as an investment in early 2019. Let by way of a lease with some 2 years unexpired to a private individual at a rent of £12,000 per annum the property sold at £155,000, being a yield of circa 7.8%. This was a more modern unit than the subject property on the outskirts of Leeds with better tenant demand, as it is smaller, and accordingly some premium on the yield may be due.
 - A private investor purchased the freehold interest in Westland Square, Leeds a small industrial estate comprising of three buildings totalling 8,936ft² divided into multiple units. The property was sold as an investment at £740,000 representing a yield of 6.55%, although part of the accommodation was vacant and upon letting its yield will increase to above 8%.

- Units 2 & 3 Sovereign House, Butterley Street, Leeds is a pair of industrial units totalling 5,801ft² let and producing an income of £19,500 per annum, sold in April 2017 as an investment. The property achieved a price of £252,000, a yield, net of purchaser's costs, of 7.54%. The property was however arguably under rented and accordingly there is a potential for the yield to improve upon the exercising of rent reviews.
- A larger, single let unit at Unit 31 Willowbridge Way, Whitwood, Castleford and 2 Ripley Drive Normanton have been sold within the last 12 months. The former was let by way of a 10 year lease with approximately 1 year unexpired to ATS Euromaster and the former to Northern Midland Construction with a lease with 4 years left. These achieved yields of 5.5% and 8.5% respectively reflecting the strong covenant strength of the tenants as well as prime industrial locations close to the motorway network.
- 3a Nunnery Drive, Sheffield is an end of terrace, single storey unit of some 3,100ft² let to Crown Paints by way of a lease with 2 years unexpired. The property achieved a price of £184,000 in February 2018, being a yield of 7.5%. this reflects the small demise and good covenant strength of the tenant, notwithstanding the short unexpired term.
- Although now a little dated from a comparable perspective clients of Bramleys purchased the investment interest in a series of industrial units at Glasshoughton near Castleford. These were close to the motorway and 1960's/1970's vintage and acquired at yields of 8% net of purchaser's costs for a double unit and 8.5% net of purchaser's costs in respect of a single unit let to a tenant of lesser covenant strength.

15.0 VALUATION

15.1 Detailed assumptions used in the preparation of the valuation are contained within the Assumptions and Bases of Valuation attached and within the body of this report and these should be considered in conjunction with the following valuation.

15.2 The date of the valuation is 16 July 2019.

15.3 Market Value of the property as an investment subject to the terms of the lease as detailed herein and assuming a proper period for marketing.

15.4 Market Value - £175,000 (One Hundred and Seventy Five Thousand Pounds).

15.5.0 Property Transaction History

15.5.1 We note that the property was acquired by the Scheme in or around 2012 and subsequent to acquisition the property has been subject to repair, renewal and refurbishment. The Land Registry records stated value between £100,000 and £200,000 as part of a transfer exercise from June 2018. This does not appear to be a market transaction and accordingly we have placed no reliance upon this transfer figure when assessing the property's Market Value. The value reported represents the Valuer's full and true opinion of the Market Value of the property as supported by the valuation methodology as detailed above.

16.0 VAT

16.1 Our valuation is made upon the basis that the property is not registered for VAT.

17.0 ALTERNATIVE USE

17.1 It is noted that a previous owner obtained planning permission, in outline, for the residential redevelopment of the site. This consent lapsed in 2013 and accordingly is no longer current. There have been changes in planning requirements since the original consent and accordingly the granting of a previous consent does not establish any precedent for any future residential development of the site. However, taking into account its immediate location we do not consider there would be any substantial objections to residential redevelopment although the numbers of units may be restricted as a result of highway issues. Notwithstanding, on the basis that there is no current planning consent and taking into account premium values currently applicable to small industrial properties we do not consider that there are any alternative uses for the property that would give rise to a value equivalent or greater than that reported herein.

18.0 LIMITATION OF LIABILITY TO PARTIES OTHER THAN THE CLIENT


- 18.1 The report is provided for the sole use of the party to whom it is addressed and will remain confidential to that party and their professional advisers. No responsibility is accepted to any third party for the whole or part of its content. The report is provided on the basis of full disclosure of all information and facts which may affect the valuation being made to the value by the party concerned and the Valuer will accept no responsibility or liability in any event unless such full disclosure has been made.
- 18.2 Neither the whole nor any part of the report nor any reference thereto it may be included in any published document, circular or statement, nor published in any way without the written consent as to the form, content and context in which it may appear.

19.0 PROFESSIONAL INDEMNITY INSURANCE

- 19.1 We can confirm that Bramleys carries sufficient Professional Indemnity Insurance for the provision of this valuation and for its current workload. The current limitation of our PII is £5,000,000 per claim.

We trust that the above meets with your requirements, however should you wish to discuss the matter further please do not hesitate to contact the undersigned.

Yours faithfully



Graeme Haigh B.Sc (Hons) MRICS
RICS Registered Valuer
For and on behalf of Bramleys

H. M. LAND REGISTRY

NATIONAL GRID PLAN

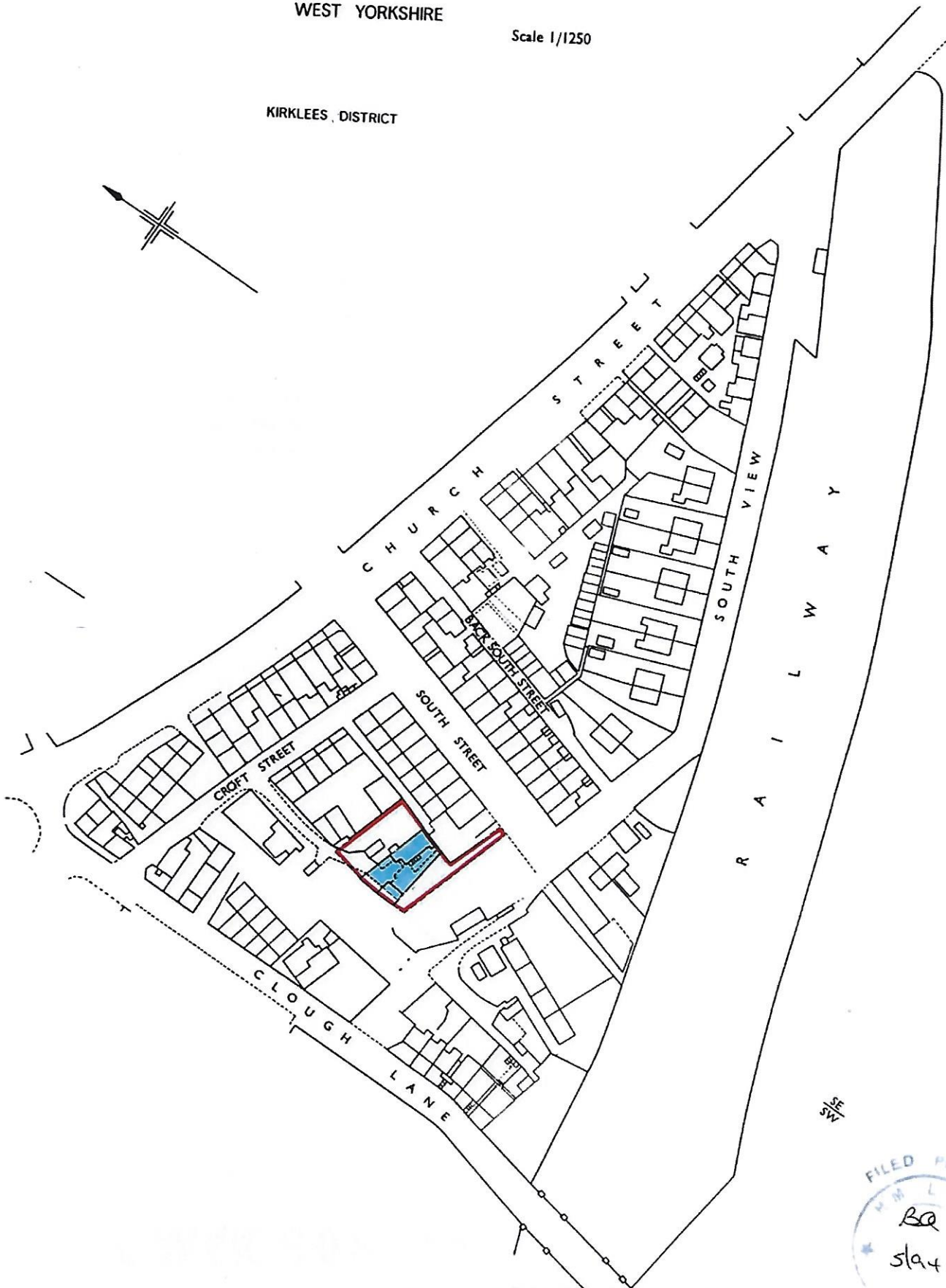
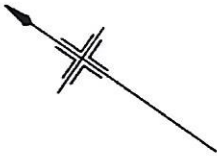
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