

# Valuation Report



|                |  |
|----------------|--|
| <b>Address</b> | Ebac Holdings Limited<br>Ketton Way<br>Aycliffe Industrial Park<br>Newton Aycliffe<br>County Durham<br>DL5 6SQ   |
| <b>Client</b>  | Graham Currie - Group Financial Director<br>Ebac Holdings Limited<br>Ketton Way<br>Aycliffe Industrial Park<br>Newton Aycliffe<br>County Durham<br>DL5 6SQ |
| <b>Date</b>    | April 2022   |
| <b>Our Ref</b> | VALNRR-943   |

## Confirmation of Instructions

|   |   |
|---|---|
| <b>Bank/Lender/Addressee</b>            | Graham Currie - Group Financial Director<br>Ebac Holdings Limited<br>Ketton Way<br>Aycliffe Industrial Park<br>Newton Aycliffe<br>County Durham<br>DL5 6SQ  |
| <b>Purpose of Valuation</b>             | Pension valuation   |
| <b>Property/Properties</b>              | Ebac Holdings Limited<br>Ketton Way<br>Aycliffe Industrial Park<br>Newton Aycliffe<br>County Durham<br>DL5 6SQ  |
| <b>Conflicts of Interest</b>            | We confirm that this Practice has no material involvement, nor any previous material involvement with regard to the subject property, nor the broker/introducer, managing or selling agent and the Bank's customer is not known to us in a personal or professional capacity.   |
| <b>Inspection Date</b>                  | 19 <sup>th</sup> April 2022   |
| <b>Valuation Date</b>                   | 19 <sup>th</sup> April 2022   |
| <b>Valuer</b>                           | Richard Rafique BSc (Hons) MRICS Director who has sufficient current local and national knowledge of the relevant markets, as well as, the appropriate skills, qualifications, experience and understanding to undertake the valuation competently.   |
| <b>Reviewer</b>                         | Richard Rafique BSc (Hons) MRICS Director   |
| <b>Professional Indemnity Insurance</b> | Bradley Hall holds appropriate Professional Indemnity Insurance adequate for this instruction as outlined in our Terms of Business which is limited to £5m. This amount shall be an aggregate cap on our liability to all relying parties together.   |
| <b>Confirmation and Standards</b>       | We confirm the Valuation and Report has been undertaken in accordance with the RICS Valuation Standards – Global Standards, which incorporate the International Valuation Standards (“IVS”) and the RICS UK Valuation Standards (the “Red Book”), edition current at the Valuation date.  |
| <b>Sources of Information</b>           | Generally speaking, information within this report has been taken from open government and local authority websites. Some information is obtained internally, and where this is relevant, we have made this clear, other information may be taken from subscription websites. We note the following sources which are utilised in most reports: Land Registry, Valuation Office Agency, GOV.UK, Coal Authority, Heritage Gateway, Rightmove, CoStar, Edozo, Creditsafe, BCIS. |

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## 1. Executive Summary

|                               |  |  |
|-------------------------------|--|--|
| <b>Property Address</b>       | Ebac Holdings Limited, Ketton Way, Aycliffe Industrial Park, Newton Aycliffe, County Durham, DL5 6SQ   |  |
| <b>Location</b>               | The subject property is situated in the well-established and popular Aycliffe Business Park, in Newton Aycliffe.   |  |
| <b>Description</b>            | <b>Overview:</b>   | Large industrial facility with multiple industrial buildings and areas of hardstanding.                      |
|                               | <b>Accommodation:</b>  | Seven buildings of varying ages, specification and condition. All of which are used for industrial purposes. |
|                               | <b>Floor Area:</b>   | 14,363m <sup>2</sup> 154,590ft <sup>2</sup>  |
|                               | <b>Condition:</b>  | Poor   |
| <b>Tenure</b>                 | Freehold   |  |
| <b>Valuations</b>             | <b>MV1 – vacant</b>  | <b>£2,310,000</b>  |
|                               | <b>Market Rent</b>   | <b>£194,000 per annum</b>  |
| <b>Valuation Restrictions</b> | None   |  |
| <b>Strengths</b>              | <ul style="list-style-type: none"> <li>• Popular and established industrial location</li> <li>• Strategic location near to the A1(M)</li> <li>• Low site coverage with room for further expansion</li> <li>• Strong market demand</li> </ul> |  |
| <b>Weaknesses</b>             | <ul style="list-style-type: none"> <li>• Low grade units</li> <li>• Fragmented site and too large for sole occupier</li> </ul>   |  |
| <b>Opportunities</b>          | <ul style="list-style-type: none"> <li>• Further development on the site</li> <li>• Redevelop some of the older units</li> <li>• Refurbish the more modern units</li> </ul>  |  |
| <b>Threats</b>                | <ul style="list-style-type: none"> <li>• Economic conditions</li> </ul>  |  |

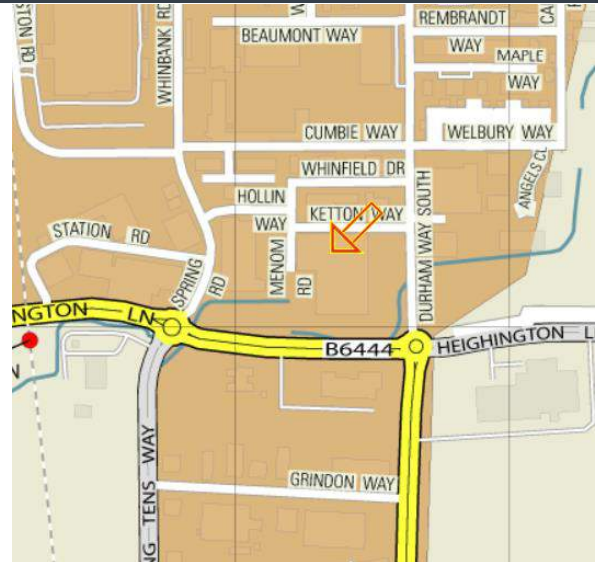
## 2. Location

### City/Town

The subject property is situated in the well-established and popular Aycliffe Business Park, in Newton Aycliffe.

### Distance to key areas

| Location      | Miles |
|---------------|-------|
| Durham        | 13    |
| Sunderland    | 25    |
| Middlesbrough | 16    |



## 3. Situation

### Locality

Aycliffe Business Park is spread across 400 hectares and home to more than 500 companies and employing around 10,000 people.

Aycliffe Business Park is the biggest single employment area in County Durham and one of the largest business parks in the U.K.

Some of the parks biggest employers include businesses such as G-Stamp, Talent, Hitachi Rail Europe, 3M, Husqvarna, PWS. While engineering manufacturing remains the core of Aycliffe Business Park, a number of new developments in recent years have brought dozens more SMEs from the services and leisure sectors to the park, creating a vibrant, busy employment hub and a wide variety of industries. Darlington train station is located just 6 miles away providing direct speedy rail links to London, Edinburgh and the rest of the U.K. Aycliffe Business Park is also just 11 miles from Durham Tees Valley Airport, 18 miles from Tees Port and 39 miles from Newcastle Airport.



#### 4. Site

##### Land Registry Title No.

DU124750

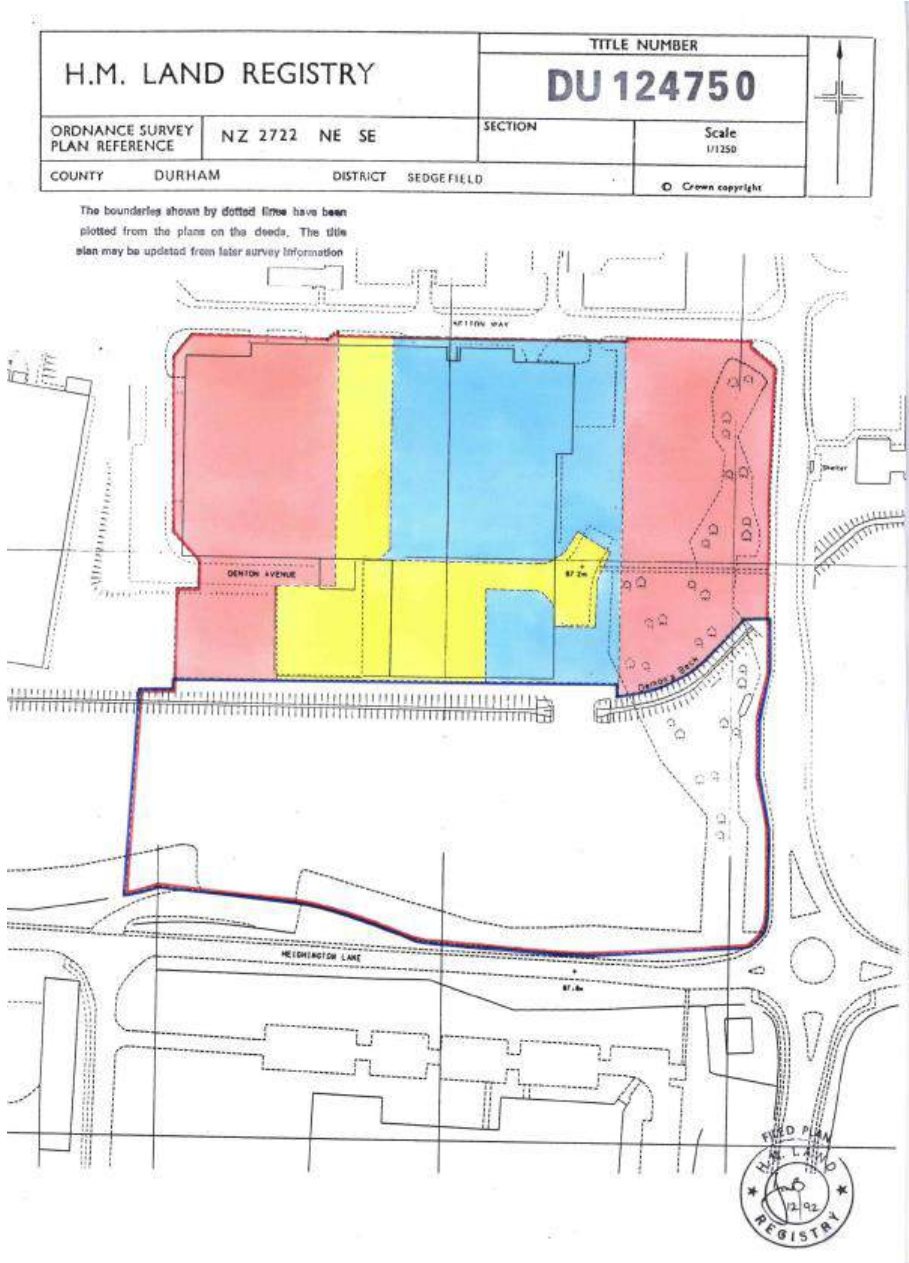
##### Tenure

Freehold

##### Transaction History

(14.06.2010) PROPRIETOR: JOHN CLIFFORD LAVERICK, JOHN MALCOLM ELLIOTT, PAMELA PETTY and AMANDA HIRD of Ebac Ltd, Ketton Way, Aycliffe Business Park, Newton Aycliffe DL5 6SQ. 1 of 5 B: Proprietorship Register continued

2 (14.06.2010) The price stated to have been paid on 12 April 2010 was £1,200,000.



##### Note:

A full Report on Title should be obtained by way of confirmation of the tenure position, and we recommend that your legal advisors confirm our understanding of the lease terms as reported.



## 5. Description and Construction

### Description

The subject properties comprise a substantial manufacturing/warehousing complex split into several separate buildings with extensive hard standing and car parking areas, set in a secure site of approximately 17 acres.

### Accommodation

#### Unit 1



This property comprises the main production facility that has been subsequently extended over the years. The original facility is constructed in four bays of portal frame construction with a multi pitched roof incorporating interspersed roof lights.

This area of the building has a brick infill to the elevations with profile metal sheet cladding to the roof. There is an eaves height of 3.78 metres rising to 6.9 metres at the apex, fluorescent strip lights to the production area and there are mechanically operated roller shutter doors to the East and West elevations. To the front of the production area is a single-story office of cavity brick construction beneath a flat and felt covered roof with uPVC double glazed windows.

This area comprises a range of accommodation in a cellular layout including WC, canteen, boardroom and offices. This area provides very basic accommodation with suspended tiled ceilings and strip florescent lighting, carpeted floors and a gas central heating system feeding hot water radiators. There is air conditioning within the boardroom. To the rear and west elevation of the building are extensions of portal frame construction with metal sheet cladding to the elevations and with pitched roofs which are also of metal sheet clad construction. These areas have a higher eaves height with the rear warehouse having a height of 5 metres to the eaves and 8.1 metres to the apex, the west extension has a multi pitched roof with an eaves height of 6.53 metres rising to 8.55 metres at the apex. Both of these areas have strip florescent lighting, heating via gas fuelled convection air heaters and a number of mechanically operated roller shutter doors providing vehicle access.

The original factory does have a further extension to the rear of solid brick construction with a multi pitched roof which was timber boarded internally and what appears to be a sauna membrane covering to the external surface. This extension has a range of roller shutter doors to the rear and is at a lower height than the warehouse areas.

#### Unit 2



This property comprises a detached industrial building of traditional brick construction beneath a multi pitched roof providing four bays. The roof has a steel frame construction with timber boarding and felt covering to the external surface. There are single glazed windows within timber frames. To the front of the building are two off shoots providing single story ancillary storage. This is very basic accommodation with a very low specification. There is a roller shutter door to the front of the unit.

Unit 3



This property comprises a detached single story industrial workshop/storage unit. The property is of steel frame construction with solid brick infill and single story beneath a flat and felt covered roof which is also of a concrete construction. The accommodation is arranged to comprise a number of storage/workshop areas in a cellular layout with solid brick partitions. This unit is also of low-grade specification and there are no heating systems, there is strip florescent lighting, double glazed windows within uPVC casements, although a number of the windows have been boarded over and there is a roller shutter door to the front of the unit providing vehicle access.

Unit 4



This property comprises a detached industrial warehouse with two-storey internal office and ancillary areas and a single storey workshop extension to the rear. The main warehouse is of portal frame construction with a brick and block infill beneath a pitched asbestos cement sheet roof with a height of 7.5m to the eaves and a height of 10m to the apex.

The warehouse area has roller shutter doors to the front and rear which are mechanically operated, radiant gas heaters and a combination of strip florescent and high bay lighting. The ancillary areas are arranged over ground and first floor and comprise of canteen facilities, WC, office and storage areas. The offices are of basic specification with carpet surface coverings, strip fluorescent lighting and portable heaters. The windows are double glazed within uPVC casements. First floor is accessed via an internal stairwell. To the rear of the building is a single-story workshop of cavity brick construction beneath a pitched and cement sheet roof. The workshop benefits from a mechanically operated roller shutter door to one of the elevations and has uPVC double glazed windows, roof lights and strip florescent lighting. This area is also heated by a gas radiant heater.

Unit 5



This property comprises a storage/production facility built in four bays of traditional brick construction with a multi pitched roof of metal cladding construction. Internally the building is divided into two bays and there is a single-story extension to one elevation with a mono pitched roof. The main area provides open plan storage/production area with a mechanical roller shutter door to the front and a suspended tiled ceiling throughout providing a working height of 3.8m, there are recessed strip florescent lights within the ceiling and there is heating provided via a flued gas heater. The single-story extension has single glazed windows within timber casements and provides ancillary storage space some of which was previously used as offices which have since been cleared out.

Unit 6



This property comprises a detached industrial brick-built workshop divided into four bays beneath a multi pitched roof of metal clad construction. The windows are single glazed within metal casements and internally there is a suspended tile ceiling with a clear working height of 3.2m. The accommodation is split to provide two main production/storage areas with a timber constructed access door to the rear and basic ancillary space providing storage areas and offices.



| <b>Unit 7</b><br><b>No picture</b>          | At the time of inspection, we were unable to access this building however noted it comprised a detached industrial workshop with brick elevations beneath a pitched and metal clad roof.  |                      |               |                |
|---|---|----------------------|---------------|----------------|
| Floor/Aspect                                | Use   | Basis of Measurement | Sq M          | Sq Ft          |
| Building 1                                  | Industrial  | Gross Internal Area  | 8,417         | 90,600         |
| Building 2                                  | Industrial  | Gross Internal Area  | 2,473         | 5,091          |
| Building 3                                  | Industrial  | Gross Internal Area  | 1,766         | 19,000         |
| Building 4                                  | Industrial  | Gross Internal Area  | 1,549         | 16,672         |
| Building 5                                  | Industrial  | Gross Internal Area  | 922           | 9,924          |
| Building 6                                  | Industrial  | Gross Internal Area  | 1,044         | 11,237         |
| Building 7                                  | Industrial  | Gross Internal Area  | 192           | 2,066          |
| <b>Total</b>                                |   |                      | <b>14,363</b> | <b>154,590</b> |
| <b>Measurement Type and Source of Areas</b> | The floor areas have been measured on site and stated with reference to the current edition of the RICS Code of Measuring Practice.   |                      |               |                |
| <b>Condition and Repair</b>                 | The properties are all of varying ages and construction, with each being of different states of repair.   |                      |               |                |
| <b>Restriction on Inspection</b>            | <p>Although we have inspected the property, we have not carried out a structural survey, nor have we inspected woodwork or other parts of the structure which are covered, unexposed or inaccessible and we are therefore unable to report that such parts of the property are free from rot, beetle or other such defects.</p> <p>For the purpose of this Report, we have assumed such parts to be in a good repairing condition. This Report however will not purport to express an opinion about or to advise on, the condition of uninspected parts and should not be taken as making an implied representation or statement about such parts.</p> <p>For the purposes of this Valuation, we have assumed that the property is free of all structural, latent and other defects and we have only had regard to items of disrepair that were patent and significant at the time of our inspection and would materially affect the Market Value. No allowances have been made for any rights, obligations or liabilities which might arise under the Defective Premises Act (1972).</p> |                      |               |                |

## 6. Environmental Enquiries

|   |              |   |
|---|--------------|---|
| <b>Are there any signs of ground contamination?</b> | No           |   |
| <b>Asbestos</b>                                     | No Report    | An asbestos survey is a legal requirement and one should be undertaken. We have valued on the assumption that no matters requiring urgent/costly action will be identified. |
| <b>Radon</b>  | Not Affected | If radon gas is identified, then remedial works can normally be carried out at a cost that would not be material to our valuation advice.                                   |
| <b>Adverse ground conditions</b>                    | No           | We did not note any adverse ground conditions.  |
| <b>Flood Risk</b>                                   | Zone 1       | We have assumed that full insurance cover is available in respect of flooding risks, and this should be confirmed.  |
| <b>Is the property within a mining area?</b>        | No           | <p>The property is not situated in an area affected by coal mining.</p> <p>If affected: We would recommend a coal mining search is carried out, prior to lending.</p>       |

|   |             |   |               |               |
|---|-------------|---|---------------|---------------|
| <b>Invasive Species</b>                           | Not Present | Most species are very difficult to identify at certain times of the growing season or if cut back. We are not experts in this sector. |               |               |
| <b>Has an EPC been prepared for the property?</b> | No          | <b>Address</b>  | <b>Rating</b> | <b>Expiry</b> |
|   |             | Ebac Holdings Limited, Ketton Way, Aycliffe Industrial Park, Newton Aycliffe, County Durham, DL5 6SQ                                  | No EPC        |               |

## 7. Statutory Enquiries

|  |  |                |
|--|--|----------------|
| Local Planning Authority   | Durham City Council  |                |
| Planning Permission  | There have been no planning applications submitted against the subject property within the last five years.  |                |
| Listed Building  | Not listed   |                |
| Conservation Area  | No   |                |
| Local Development  | We are not aware of any development proposals for the immediate area that may have an adverse effect upon the property.  |                |
| Access   | The property is accessed directly from an adopted highway and thus responsibility for repairs and maintenance is the responsibility of the local authority.  |                |
| Equality Act   | We considered the implications of the EA 2010 when inspecting the property and believe that the design and layout Choose an item. comply with this legislation owing to the age and nature of the building.  |                |
| Fire Safety  | We recommend the Client obtains a copy of the report should one exist. If one does not exist, we would recommend that one is commissioned and that it is adhered to fully. The valuation assumes that if an FRA has not been carried out the property does, or could easily, comply with The Regulatory Reform (Fire Safety) Order 2005, and that the cost of adaption would not be valuation significant. |                |
| Building Regulations or Warranties   | Where applicable, we assume that all building regulations have been adhered to and signed off by a building inspector. We also assume that any building warranties have been provided and are reliable upon by applicant, lender and any future purchaser.   |                |
| Rateable Value   |  |                |
| Address/Unit   | Description  | Rateable Value |
| Ebac Holdings Limited, Ketton Way, Aycliffe Industrial Park, Newton Aycliffe, County Durham, DL5 6SQ | No information available   |                |

## 8. Market Commentary

### Sector Performance

#### Summary

Tees Valley & Durham's economic drivers include advanced manufacturing, offshore oil and gas and petrochemicals. It is also a significant multimodal logistics hub with access to major ports, rail freight terminals and the A1(M), providing direct access to both Edinburgh and London. Amazon, Tesco, Caterpillar and Hitachi are among the market's largest industrial occupiers.

Occupier market conditions in Tees Valley & Durham continue to strengthen. Vacancies have fallen to near record-lows of 4.1% amid positive net absorption and limited speculative development. Such market conditions are fuelling some of the strongest annual rent growth seen in recent times (10.3%), with anecdotal evidence suggesting landlords are capturing significant uplifts when reviewing rents against the market.

Amazon's ongoing expansion is perhaps the occupier market's most notable story. The online giant will soon open a third fulfilment centre, taking its local distribution footprint to 6 million SF. Amazon has been drawn to the area by its road and port connections and affordable rents alongside an ample labour supply, comparatively low wages and government incentives. Demand has been additionally supported by a broad range of other sectors in recent months, including various types of manufacturing firms.

On the investment side, appetite for industrial property is at an all-time high. Although transaction activity has picked up lately, it remains somewhat limited due to the market's relative lack of institutional-grade assets. Cromwell European REIT's off-market acquisition of Thorn Lighting's Spennymoor facility for £32.3 million (a 6.2% yield) in late 2021 was the market's biggest trade since two Amazon facilities were forward-funded in 2018.

#### Leasing

Industrial market conditions in Tees Valley & Durham have strengthened of late. The vacancy rate (currently 4.1%) has drifted steadily downwards over the past three years, with 12-month net absorption of 1.7 million SF met by 1.4 million SF of annual net completions in that time.

Amazon's expansion here has been rapid and marked. The online giant is reportedly in talks to establish its fourth fulfilment centre in the market at Teesside International Airport. Its third – a 2 million-SF 'NCL2' distribution hub at Wynyard Park in Stockton-on-Tees – is slated to deliver later this year. Amazon acquired the site from Northumberland Estates. These forthcoming distribution hubs follow the completion of 2 million-SF warehouses in Darlington and Durham in 2019 and 2020. Both facilities were forward funded by Tritax Big Box REIT. Amazon has several smaller requirements for last mile parcel hubs, including at least one of up to 100,000 SF.

Net absorption is being supported by a diverse range of other sources. Premium two-man delivery service Panther trebled its local warehouse footprint in early 2022 after taking a 133,000-SF warehouse at Foxcover Distribution Park, which was acquired vacant and refurbished by Vengrove a couple of months earlier. Austrian construction giant Strabag selected Hartlepool as a base to fulfil a key HS2 contract in the latter part of 2021. The 136,000-SF manufacturing facility's location on a disused oil rig yard with sea and rail access means it is well placed to be used beyond HS2. Peterlee-based Innerglass signed another sizeable deal. The supplier of non-food consumables acquired a 70,000-SF production facility and showroom at South West Industrial Estate in the second half of last year after the firm grew its turnover by 20% in three years.

Durham continues to attract the lion's share of take-up, helped by its proximity to the A1(M). Around 800,000 SF was leased there in the year to March 2022, more than double the amount recorded in the market's five other submarkets combined. As well as larger lettings by Panther Logistics and Innerglass, it has an active small-box segment. Modular housebuilder and social enterprise CoreHaus, agricultural machinery specialist AG Distributors and technology company Power Roll have all occupied between 10,000–20,000 SF at Jade Business Park in recent months. Other noteworthy deals in Durham include Heating World of Spares taking 13,000 SF at South Aycliffe Business Park in October and Wear Valley Decorating Centre acquiring 11,000 SF at Croxdale Business Park in August.

Market conditions at the smaller end are particularly tight. The occupancy rate in buildings of 20,000 SF or less has hovered around 98% for the past couple of years, while the average time spent available has dropped sharply. Although the supply-demand dynamic has boosted rents in smaller buildings overall, some are proving difficult to lease even off low rents. Smaller and older units at Tursdale Business Park in Durham and Weir Street in Darlington, which command £2.25/SF and £3.50/SF, respectively, have been available for over five years.

Looking ahead, CoStar's Base Case forecast scenario calls for rising supply to push the vacancy rate up from 2023, though it should remain comfortably below its long-run average in the coming years.

#### Rent

Average industrial rents in Tees Valley & Durham are rising strongly amid a tight local vacancy rate and a broad base of demand. Rents have grown by 10.3% over the past 12 months, placing the market among the country's top performers. While CoStar's Base Case forecast scenario calls for rent growth to retreat, it is expected to end 2022 at 8.3%, comfortably ahead of expectations for the local office and retail sectors.

The strength of industrial property through the pandemic has given landlords the confidence to keep pushing rents. Asking rents stand at an all-time high of around £5.30/SF, with rental hikes observed at Mandale Park and Aycliffe Business Park, among other locations, in recent months. Anecdotal evidence suggests most owners have been able to capture significant rental uplifts when renegotiating leases as many industrial properties remain under-rented against ERVs.

As a guide to refurbished big box rents, Panther Logistics agreed to pay £5/SF for 133,000 SF at Foxcover Distribution Park in early 2022. That likely represented a decent uplift on what the property might have previously rented for. Its rateable value in the 2017 ratings list was £385,000 per annum or around £2.90/SF. Urban industrial estates are also showing strong growth in rents. In mid-2021, Brammer UK agreed to pay £7.75/SF for 2,000 SF at the Beehive Workshops, which forms part of the Dragonville Industrial Estate, just off the A1(M) in Durham. Rents at the estate stood around £5/SF in 2016.

At submarket level, all six of Tees Valley & Durham's local authority areas has recorded rental growth of 7%+ over the past three years, with growth accelerating lately. Darlington has been the strongest performer over past three and five years, while Hartlepool has underperformed relative to its peers, partly due to its aging inventory (less than 100,000 SF has been built since 2009).

#### Construction

Construction activity has moderated since Amazon fulfilment centres totalling around 4 million SF delivered in 2019–20. There is 290,000 SF underway across Tees Valley & Durham, equivalent to 0.4% of current stock, spread across one further Amazon facility and a handful of multi-tenant projects.

A 2 million-SF development by Helios Properties at Wynyard Park in Stockton-on-Tees makes up the bulk of the construction pipeline. The multi-level warehouse known as 'Amazon NCL2' is slated to become operational in late 2022 and will take the online giant's local fulfilment centre footprint to 6 million SF. Amazon acquired the land near the A19 from Northumberland Estates, which represents the business interests of the Duke of Northumberland. Amazon is also understood to be exploring its options for a fourth Tees Valley & Durham distribution hub at Teesside International Airport. Tees Valley major Ben Houchen has been instrumental in Amazon's growth in the area by investing millions in infrastructure and enabling works to help unlock deals.

Key smaller schemes in the pipeline include Station Place and Thinford Park, which are both slated for delivery mid-2022. Station Place will provide 50,000 SF across nine units aimed at start-ups and growing businesses. It is part of a wider £90 million, 65-acre development on Merchant Business Park just off junction 59 of the A1(M) and home to Hitachi Rail. Thinford Park is 25,000-SF development of trade counter units with a frontage to the A688/Durham Services and access to the A1(M). Toolstation, Howdens and Screwfix recently signed pre-lets there.

Tees Advanced Manufacturing Park (TeesAMP) is perhaps the most noteworthy recent multi-tenant project. The 180,000-SF first phase, developed by Chaloner Group in partnership with Middlesbrough Council and Tees Valley Combined Authority, achieved practical completion in 2020. As of March 2022, 14 of the 15 units there had been acquired by firms such as Sulzer Chemtech and Durata.

Future development activity is expected to centre around TeesAMP, Faverdale and Symmetry Park in Darlington, Wynyard near the A19, and Durham Tees Valley Airport. There are also several Enterprise Zone sites deemed suitable for logistics spread throughout the Tees Valley.

#### Sales

Tees Valley & Durham's industrial investment market has been relatively active lately, with £135 million changing hands over the past 12 months (the 10-year average annual volumes is £85.2 million). Although transaction activity continues to be restricted by a lack of opportunities to build scale, average yields have compressed to 7.1%, from 8.4% two years ago, amid robust investor appetite.

Cromwell European REIT completed a significant off-market purchase in the closing days of last year. It acquired Thorn Lighting's warehouse in Spennymoor, known as 'House of Light' for £32.3 million. The sale reflected a net initial yield of 6.2% and a capital value of £71/SF. The pan-European investor acquired the purpose-built facility alongside two warehouse assets in the Netherlands, which had a blended WALE of eight years. The acquisitions were funded through a perpetual securities issue in Singapore.

Urban Logistics' acquisition of 5 Meadowfield Avenue is another of the past year's more notable transactions. In November, the specialist UK logistics REIT paid £8.7 million (an 8.2% yield) for the 240,000-SF, 1980s-built property that serves as a base for Stanley Black & Decker in Spennymoor. It announced acquisitions in Driffield and Andover at the same time. Commenting on the purchases, Richard Moffitt, CEO of Urban Logistics, said: "We remain committed to our proven strategy to acquire medium sized last mile logistics assets, in key locations, with excellent transport links. Our properties are all key to our tenants' operations, and we seek to add value through active asset management and improvements in environmental performance."

The sale of Biffa Polymers' Wilton International plant was another notable income-producing investment transaction. The 100,000-SF manufacturing facility in Redcar spent around 200 days on the market before selling to a private buyer for £4.6 million at a yield just north of 6% and a capital value of around £46/SF. At its time of sale in September, the property was let to Biffa Waste Services on a 15-year unbroken lease with annual RPI-linked uplifts expiring in July 2035.

Further down the lot size spectrum, a private investor purchased Fujifilm Diosynth Biotechnologies' Middlesbrough facility from Acomb Trustees for £1.5 million (a 6.8% yield). The occupational lease on the 21,000-SF refurbished property on Cannon Street runs through 2031.

One of the market's larger recent non-income-producing deals involved a former Ministry of Defence site at Allens West Industrial Park. It was acquired for conversion into a residential development by Taylor Wimpey and the Home Group for £14.7 million. The 845-home estate was narrowly approved by Stockton Council towards the end of 2020, with around 200,000 SF of redundant industrial buildings set to be demolished.

Investors that have gained sizeable footholds in the market over the past few years include EQT through the acquisition of an 860,000-SF Clipper Logistics facility that formed part of a nationwide portfolio; Blackstone via its acquisition of Hansteen for its Mileway platform; and Tritax Big Box REIT following its £250 million worth of Amazon forward-funding deals in 2018.

#### Economy

While Tees Valley & Durham's economy has diversified in recent years, manufacturing remains its largest sector, accounting for a 17% share of its circa £27 billion in gross domestic product. The next largest contributors are real estate, retail/wholesale and human health and social work, which each generate around 12% of the market's economic output per year.

Tees Valley & Durham's economy is recovering and expected to reach pre-pandemic levels of output in 2022. After contracting by 8.7% in 2020, it is estimated to have expanded by 7.8% last year. Oxford Economics' latest forecasts call for GDP growth of 4.4% this year, followed by a more normal 1.2% per year in 2023–27 (the local economy grew by an average of 1.1% annually in the two decades before the pandemic). The broad-based effects of the global health crisis mean recent and projected economic performance in Tees Valley & Durham broadly mirrors the wider North East economy, and to a slightly lesser extent the national economy.



The market emerged as one of the winners in 2021's Budget with a series of announcements made that will benefit the local economy. Darlington was chosen ahead of Newcastle, Leeds and Bradford to host the Treasury's Northern Campus where 750 civil servants will be based. Meanwhile, Teesside became one of the UK's first freeports, giving businesses tax relief and simplified customs rules. A series of measures to boost the local renewable energy sector were also announced.

On the labour market side, total employment fell by 0.0% in the year to the first quarter of 2022, a gentler decline than was seen nationally. However, the unemployment rate rose to a near five-year high of 5.3% as the furlough scheme was wound down. Still, many of the region's jobs have been protected by the initiative, which ended on 30 September 2021. ONS data shows the North East had the highest furlough uptake of any UK region, with 85% of firms accessing the scheme.

In recent months, a mismatch between labour supply and demand has emerged. Job vacancies have risen sharply while recruiters continue to report skills shortages, suggesting a period of adjustment lies ahead for the local jobs market.


## 9. Tenancies and Occupational Interests


**Tenancy Overview** We have assumed vacant possession.

## 10. Valuation Evidence and Definitions

|                                  |  |
|----------------------------------|--|
| <b>Market Rent</b>               | The RICS definition of Market Rent is <i>"the estimated amount for which a property would 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."</i>   |
| <b>Market Rent - assumptions</b> | We would assume leases on the basis of 5 years secure term unbroken.   |
| <b>Market Value</b>              | The RICS definition of Market Value is <i>"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 where the parties had each acted knowledgeably, prudently and without compulsion."</i> Market Value is understood as the value of an asset or liability estimated without regard to costs of sale or purchase, and without offset for any associate taxes. |
| <b>MV1 – assumptions</b>         | Subject to vacant possession.  |
| <b>Valuation Methodology</b>     | We have utilised the comparable method of valuation when assessing this property. We may have used other methods as a sense check or in conjunction with our approach. This has been made clear within our assessment.   |

### Rental Value Comparable Evidence

| Property   | Picture   | Description   | Floor Area | £ per sq ft           | Comparison  |
|--|---|---|------------|-----------------------|---|
| Nelson Business Village, Nelson Way, Cramlington |  | Industrial warehouse building on a 10.35-acre site. | 100,000    | October 2020<br>£1.50 | Smaller than the subject property as a whole but a more marketable unit as a single warehouse. Similar quality of location. |

|   |   |   |         |                    |  |
|---|---|---|---------|--------------------|--|
| Unit 10<br>Merrington View,<br>Spennymoor,<br>DL16 7U |  | Low grade manufacturing unit and warehouse on a multi let estate. | 101,268 | June 2020<br>£2.00 | Also, smaller than the subject.<br>Simialr quality of building and location. |
|---|---|---|---------|--------------------|--|

### Capital Value Comparable Evidence

| Property   | Picture   | Description  | Floor Area | £ per sq ft                             | Comparison  |
|--|---|--|------------|---|---|
| Wavin Plastics<br>St Johns Road,<br>Meadowfield<br>Industrial Estate,<br>Durham, DH7 8RJ |    | Manufacturing facility on a site of 22 acres. Warehouse with two storey office block and separate amenity block.                             | 193,856    | April 2021<br>£1,850,000<br>£9.56       | Similar type of site to the subject.<br>Less buildings than the subject.<br>Similar quality of location.                        |
| Ennerdale<br>Business Centre,<br>Blyth, NE24 4RT   |    | Low grade industrial facility subdivided into three units.   | 79,574     | November 2020<br>£1,450,000<br>£18.22   | More modern than the subject.<br>Smaller than the subject.<br>Less fragmented than the subject.<br>Simialr quality of location. |
| Park Road, Barrow<br>in Furness<br>Cumbria, LA14 4BN                                     |  | Large industrial facility with a range of interconnected buildings   | 146,998    | October 2021<br>£2,600,000<br>£17.69    | More modern than the subject<br>Less fragmented<br>Poorer location.   |
| Ardagh Glass,<br>Barnaby Dun Road<br>Doncaster,<br>DN2 4RH                               |  | Large industrial manufacturing facility  | 659,520    | September 2021<br>£10,300,000<br>£15.62 | Larger than the subject<br>Similar quality of location  |
| Westgate Carr<br>Road,<br>Xandor<br>Automotive<br>Pickering<br>YO18 8LX                  |  | Modernised industrial facility let entirely to Xandor Automotive from January 2020. Sold as a sale and leaseback with a WAULT of 19.5 years. | 240,412    | May 2021<br>£3,380,000<br>£14.42        | More modern buildings<br>Larger than the subject<br>Sold as an investment which would be at a premium.                          |

## 11. Valuation Commentary

### Discussion of Evidence

The subject property comprises a large industrial site with a range of buildings of varying specifications, most of which are low grade.

There are no directly like for like comparable sales or lettings of this nature.

We have referred to the sale of larger sites and have extended our search radius and considered the sale of properties outside of the region.

The lack of sales is evidence of there being a total shortage of industrial buildings and sites on a national scale as demand has increased considerably over the last 5 years and with a lack of new development, many sites have been sold preceding the last 3 years.

#### Capital Value Comparable Evidence Review

The comparable sales evidence demonstrates a range of values on an overall basis as being between £9.56 and £18.22 per sq ft.

#### Market Rent Comparable Evidence Review

The rental evidence was also difficult to obtain, and we have referred to two lettings of large, relatively low-grade facilities in the north east, which are at £1.50 and £2.00 per sq ft. Both are smaller units in total floor area, but they are sole units as opposed to being a fragmented total as per the subject property.

### Applied Values and Yields

#### Valuation Considerations

In forming our opinion of Market Value, we have considered material factors affecting value, outlined below:

##### Location

- The property is situated in a well-established and popular industrial location.
- The property is strategically located next to the A1(M)
- This would be considered a secondary location from a national market perspective.

##### Building

- The buildings are of varying ages, condition and specification.
- Generally, the properties are considered low grade
- Unit 1 which is the main factory building with a floor area of 90,600 sq ft has a low eaves height which would restrict use.
- Units 2, 3 and 6 date back to the 1940's and are very basic.
- Unit 4 is a more modern warehouse with a higher eaves but is also fairly basic in specification.
- The property is situated on a large site and there are approximately 10.1 acres of undeveloped land.
- 7.6 acres are to the west of the site, whilst the rest is between buildings.

##### Tenant Demand

- Unless the site was redeveloped and the buildings either demolished, or refurbished, we would expect a lack of demand.
- There would be more prospect for letting the buildings in a piecemeal fashion and that being the case there would be an anticipated demand from local independent businesses.
- We would expect demand for external storage if the undeveloped land was made secure.

### Buyer Demand

- There is a very strong demand for industrial properties from buyers.
- The lack of availability, rental growth and capital appreciation with good reletting prospects for units has riven demand.
- The subject property would present an opportunity for an opportunistic investor to develop the site further and upgrade and replace existing units.
- Buyers of this nature do however seek to acquire at low values to allow for further capital expenditure.

### Applied Values

Subject to the foregoing, our opinion of Market Value is £2,160,000 equating to approximately £13 per sq ft.

We have then added a further £150,000 for an area of undeveloped hardstanding commercial land to the south of the site which is currently used for palette storage.

The total Market Value equates to £2,310,000.

Our opinion of Market Rent is calculated at £1.25 per sq ft overall which equates to £194,000 per annum.

## 12. Valuation Summary

|     |  |
|-----|--|
| MR  | £194,000 (One Hundred and Ninety-Four Thousand Pounds) per annum |
| MV1 | £2,310,000 (Two Million, Three Hundred and Ten Thousand Pounds)  |

## 13. Compliance and Sign Off

### Compliance

This report has been prepared in accordance with Royal Institution of Chartered Surveyors ("RICS") Valuation – Global Standards January 2020 (incorporating the International Valuation Standards).

### Professional Indemnity Insurance

Bradley Hall holds appropriate Professional Indemnity Insurance adequate for this instruction as outlined in our Terms of Business which is limited to £5m. This amount shall be an aggregate cap on our liability to all relying parties together.

### Assumptions

We have made various assumptions including but not limited to tenure, letting, town planning, build costs, environmental factors, condition and repair

If any of the information or assumptions on which the valuation is based are subsequently found to be incorrect, the valuation figures may also be incorrect and should be reconsidered.

### Variation from Standard Instructions

None

### Verification

We recommend that before any financial transaction is entered into based upon this valuation, you obtain verification of the information contained within our property report and the validity of the assumptions we have adopted.

We would advise you that whilst we have valued the Properties reflecting current market conditions, there are certain risks which may be, or may become, uninsurable. Before undertaking any financial transaction based upon this valuation, you should satisfy yourselves as to the current insurance cover and risks that may be involved should be uninsured loss occur.

### Independence

We confirm that Bradley Hall, and their valuers, have not had any involvement with the Properties or the client in the last two years.

### Capacity of Valuer

External

### Valuer

The property/properties has/have been valued by a valuer who is qualified for the purpose of the valuation in accordance with RICS Appraisal and Valuation Standards.

### Reliance

This Report and Valuation is for the use of the party to whom it is addressed (the "Addressee"), as per the Confirmation of Instructions section of this Report, for the specific purpose set out herein and no responsibility is accepted to any third party for the whole or any part of its contents.

### Publication

Neither the whole nor any part of our respect nor any references thereto may be included in any published document, circular or statement nor published in any way without prior written approval of the form and contest in which it will appear.



## Report Signatories

### Inspecting Valuer:

Richard Rafique BSc (Hons) MRICS  
Director



### Reviewing Valuer:

Angus Todd BSc. (Hons) MRICS  
Director



## Appendix 1 – Report Assumptions, Disregards, Compliance and Regulation

### Tenure

It is assumed that the title to the property is as described and as referred to in this report and that the property has a good and marketable title to the estate or interest which we have valued. Unless indicated to the contrary, title deeds and/or lease documents have not been inspected or seen. Any interpretation of the leases and other legal documents and any legal assumptions are given in the capacity as valuers and must be verified by a suitably qualified lawyer if they are to be relied upon.

It is assumed that the property is not subject to any unusual or especially onerous covenants, easements, rights of way, restrictions, encumbrances or outgoings which might affect the valuation or which might prevent all or part of the property from being properly used (whether in its own right or, if relevant, in connection with the business). We have assumed that the property has lawful and proper direct access from a publicly maintained highway without payment of any fee or contribution.

All Leases are assumed, unless otherwise stated, to have been drawn up in a fully assignable standard commercial format protected under the Security of Tenure provisions of the Landlord & Tenant Act 1954. We also assume that there are no outstanding dilapidation or other obligations and that the normal forfeiture clauses apply in the event of non-payment of rent, breach of covenant, bankruptcy etc.

We assume that your solicitors will prepare a Report on Title which will confirm the above assumptions. If this does not confirm the title assumptions made or highlights the existence of easements, restrictive covenants etc., then this may alter the Valuations reported.

### Inspection and Site Conditions

In preparing the Report regard has been had to the apparent state of repair, construction and condition of the property, taking into consideration major defects which are obvious in the course of a visual inspection of so much of the exterior and interior of the property as is accessible at the time of inspection with safety, and without undue difficulty. During the course of the inspection, we have viewed those parts of the property as can be seen whilst standing at ground level within the boundaries of the site and adjacent public/communal areas and whilst standing at the various floor levels, which we consider reasonably necessary to provide the Report, having regard to its purpose.

We have not examined those parts of the property which are covered, unexposed or inaccessible, or to raise boards, inspect woodwork, move anything, or use a moisture detecting meter. Neither shall we have a duty to verify the existence of and/or arrange for the testing of plant and equipment, including but not limited to electrical, heating, drainage or other services, service installations and appliances which, unless indicated to the contrary, have been assumed to be in a working and serviceable condition. We are unable test the adequacy or otherwise of any private drainage system or water supply.

Where further investigations are recommended in relation to the repair or maintenance of the property, unless indicated otherwise, these should be undertaken by a Chartered Building Surveyor. Whilst our Valuations take into account the general appearance of the property, we have made the clear assumption that no significant property defects of a capital nature will be identified. If this is not the case, then we would wish to review the Valuation advice provided, upon receipt of a fully costed schedule of the required work.

Unless otherwise stated, any signs of structural movement within the property are assumed to be of an historic and non-progressive nature. If the property is of architectural or historic interest, or listed as such, or is in a Conservation Area or of an unusual construction, appropriate specialist advice should be sought before carrying out works.

### Measurements

Where given, any floor areas and dimensions are taken from inspection unless otherwise specified and are approximate measurements only. Areas quoted are calculated in accordance with the RICS professional statement, RICS property measurement 2nd edition, February 2018 (effective from 1 May 2018), unless the Client has instructed otherwise or a reason for departure has been indicated within the report. We have no knowledge of any responsibilities for fencing or of any boundary disputes or claims and legal advice should be sought in this respect. Site areas quoted are not derived from a physical site survey and are approximate unless otherwise indicated

### Environmental Health

We have assumed that no contaminative or potentially contaminative uses have ever been carried out in or adjoining the Property. Unless otherwise stated, we are not aware of the content of any environmental audit or other environmental investigation or soil survey which may have been carried out on the Property and which may draw attention to any contamination or the possibility of any such contamination. Should it be established subsequently that any contamination seepage or pollution exists at the Property or on any neighboring land, or that the Property has been or is being put to a contaminative use, this might reduce the values reported.

### Equality Act

For valuation purposes we have assumed that no significant costs of a capital nature are required to comply with this legislation. Should this not be the case then we may wish to review the valuation opinion provided, upon receipt of a costed schedule of the required actions, provisions or works.

### Fire

New UK Fire Regulations came into force on 1 October 2006. Full details can be found at [www.opsi.gov.uk/si/si2005/20051541.html](http://www.opsi.gov.uk/si/si2005/20051541.html) The business "occupier" of any commercial premises, as the "responsible person", now has a primary duty to carry out a Fire Risk Assessment, to act on its findings, to implement a fire safety policy and to train staff appropriately. We have not inspected the relevant fire safety policy documentation and we assume that solicitors will verify that the property/business is fully compliant with the findings of a competent Risk Assessment.

### Planning

We have made website enquiries of the local planning authority and have relied upon the information given to us. In the event that more or differing information comes to light following a more detailed planning search then we reserve the right to amend our valuation accordingly. For Valuation purposes we have assumed that there are no outstanding planning issues, and no undue restrictions on the current/proposed business format.

### Licensing

The provisions of the Licensing Act 2003 are now in force and appropriate new-style 'Premises' and 'Personal' Licences as issued by the Local Authority should be in place. Such Licences have been assumed to be in place for Valuation purposes. Unless otherwise stated, we have also assumed that there are no onerous conditions or undertakings that affect the licence(s).

## Energy Performance Certificates/ Energy Act 2011

In England & Wales, from October 2008, the sale, letting and construction of all residential and commercial property requires the provision of an Energy Performance Certificate (EPC). On 18 October 2011 the Energy Bill became the Energy Act 2011. The Act includes a provision to ensure that from 1 April 2018 it will be unlawful to rent out business premises to new or renewing tenants that do not reach a minimum energy efficiency standard. In February 2015 the Government confirmed that this minimum rating will be E and the new rules will be extended to cover all leases by 1 April 2023.

With effect from 6 April 2012 an EPC has to be made available prior to marketing. The EPC rating may therefore have an effect on values where those properties with F and G ratings become less marketable if they require material levels of expenditure in order to upgrade to an acceptable rating.

The Energy Act also provides that from April 2016, private residential landlords will be unable to refuse a tenant's reasonable request for consent to energy efficiency improvements where a finance package, such as the Green Deal and/or the Energy Company Obligation (ECO), is available. The Act further provides powers to ensure that from 1 April 2018, it will be unlawful to rent out a residential property that does not reach a minimum energy efficiency standard of E and this will be extended to all leases in 2020.

## Asbestos

Under the Control of Asbestos Regulations 2002 (as amended in 2006 and 2012) it is necessary for property owners/occupiers to undertake an inspection for asbestos in all non-domestic properties (to include common parts of shared residential dwellings). Following this exercise there are a number of requirements, including the need for an asbestos management plan to be drawn up and implemented. For valuation purposes we have assumed that no significant costs of a capital nature have/will be identified as part of this investigation process. Should this not be the case then we may wish to review the valuation opinion provided, upon receipt of a costed schedule of the required works.

## Flooding

If we have indicated that the Property is located within an area that could be affected by flooding then an enquiry should be made of The Environment Agency to ascertain whether or not there is any history of flooding affecting the Property. For valuation purposes we have assumed that there is no such history and that full insurance cover in respect of flooding risk is available, without payment of an excessive premium.

## Landslip / Subsidence

Unless otherwise stated, we are not aware of any evidence of subsidence, heave or landslip at or in the vicinity of the property and have assumed that no such problems exist and that, in any event full insurance cover would be available in respect of all associated risks. We confirm that we have not made any detailed investigations in this regard.

## Radon

The National Radiological Protection Board, which merged with the Health Protection Agency on 1 April 2005, to form its new Radiation Protection Division, has identified the areas in which, in more than 1% of dwellings, the levels of radon gas entering the property are such that remedial action is recommended.

If we have indicated that the subject property is situated within such an area, we recommend the use of the relevant test and result service, which is available from the Health Protection Agency. We have provided our Report on the assumption that radon is not detectable at a level which would require remedial action.

## Invasive Species and Japanese Knotweed

There are 36 non-native invasive species defined by The Wildlife and Countryside Act 1981, (amended in April 2010); section 14 of the act details the law relating to the introduction of new species and Schedule 9 lists those plants classified

as non-native invasive species. Many invasive plants are of limited importance in the context of value, while most are not commonly identifiable to those who are not experienced botanists.

The most deleterious non-native invasive species is Japanese Knotweed due to its destructive influence on built structures and the difficulty and cost of eradication. Due to the cost of eradication, attempts can be made by owners/vendors to disguise the presence of this plant by removal of surface vegetation and the covering of surfaces with ornamental materials or landscaping features; we have not undertaken an intrusive inspection in this regard. We recommend that enquiries are made of vendors/owners at the legal due diligence stage, when an undertaking should be sought that no infestation of Japanese Knotweed has been experienced at the property.

At the time of inspection, where non-native invasive species have been identified at the property or within the local area, we have detailed the nature of such infestation, its location and a recommended course of action. In the absence of any features which would clearly identify any invasive species our Report is provided on the assumption that no invasive species are present to a level which would require remedial action.

### Basis of Value

The Royal Institution of Chartered Surveyors considers that the appropriate basis of value to be used for all valuations or appraisals undertaken for secured lending is 'Market Value'. Market Value is 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 where the parties had each acted knowledgeably, prudently and without compulsion". Market Value is understood as the value of an asset or liability estimated without regard to costs of sale or purchase, and without offset for any associated taxes.

Any special assumptions made in calculating the Market Value will be agreed with the Client in advance and referred to within the Report. Any other bases of valuation considered appropriate in individual instances will be detailed separately. The Royal Institution of Chartered Surveyors defines Market Rent as "the estimated amount for which a property would 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."

Market Rent within our Report, unless otherwise stated, will be assessed upon the assumption that the property is fit for occupation, no premium is required and there are no tenant incentives. It will also assume a new, standard full repairing/insuring commercial lease, without onerous obligations or conditions, of at least a fifteen-year term and a rent review period of no longer than five years.

### Estimate of Reinstatement Cost Assessment

If the Report includes an estimate of reinstatement cost assessment, this is an informal guide of the cost for insurance purposes of reinstating the property and is given without liability. A formal assessment for insurance purposes can only be given by a Quantity/Building Surveyor or other professional with sufficient current experience of such costs, following the preparation of a full bill of quantities. This is particularly relevant in the case of Architecturally Listed buildings and those properties situated within Conservation Areas, National Parks and the like or in cramped city centre or other unusual locations. The guide provided within our Report assumes:

- reinstating the property with an equivalent structure
- the use of modern materials and construction techniques
- the adherence to all current statutory requirements
- no allowance is made for inflation
- demolition and site clearance
- professional and statutory fees

However excludes VAT (including that payable on fees) and loss of rent and/or cost of alternative accommodation for the reinstatement period.



## Appendix 2 – Additional Photographs









