



# Valuation Report



21 Wellington Square, Ayr KA7 1EZ

**Client:** 3 Sigma Ayr Limited

**Date of Valuation:** 05 December 2023

## EXECUTIVE SUMMARY

PROPERTY ADDRESS	21 Wellington Square, Ayr KA7 1EZ
TYPE OF PROPERTY	Office Investment
PURPOSE OF VALUATION	To provide an opinion of value for the prospective purchasers.
DATE OF INSPECTION	05 December 2023
DATE OF VALUATION	05 December 2023
BASIS OF VALUE	Market Rent and Market Value
LOCATION	<p>The subjects are located on Wellington Square one of Ayr's premier office locations which is within easy walking distance of the town centre and within close proximity of the beach.</p> <p>Ayr is the principal settlement in the South Ayrshire Council area with a resident population of around 46,800.</p>
DESCRIPTION	<p>The subjects comprise a mid terrace two storey attic and basement townhouse dating back to the 19<sup>th</sup> Century together with a private car park to the rear.</p> <p>The property comprises cellular office accommodation and currently operates as a serviced office business.</p>
TENURE	Assumed Heritable (Scottish equivalent of English Freehold).
INTEREST VALUED	Heritable.
TENANCIES	<p>The building is part let with details of the tenant's as follows:</p> <p><b>Entire First Floor</b></p> <p>Let to Moving On Ayrshire until May 2025 at £14,888 per annum.</p> <p><b>Attic North East</b></p> <p>Let to Craig Trainor until 30<sup>th</sup> April 2026 at £2,500 per annum.</p>
MV1 MARKET VALUE – Whole Building Vacant Possession	£350,000
MV2 MARKET VALUE – Whole Building Reflecting Current Leases	£370,000
MV3 MARKET VALUE – Lower Ground Floor Vacant Possession	£65,000

MV4 MARKET VALUE – Basement with Vacant Possession Assuming Class 7 Consent	£70,000
MV5 MARKET VALUE – Assuming Current Leases For Upper Floor Space Remain With Vacant Space Let On New All Inclusive Leases	£325,000
MV6 MARKET VALUE – Upper Floors Assuming Fully Let As Serviced Office Accommodation Post Refurbishment	£380,000
MV7 MARKET VALUE – Lower Ground Floor Boutique Hotel As An Operational Entity	£200,000
MV8 Combined Market Value of Upper Floor Serviced Offices And Lower Ground Floor Boutique Hotel	£580,000
MARKET RENT – Upper Floors Vacant Possession	£26,000 per annum
MARKET RENT – Lower Ground Assuming Hotel Use	£6,500 per annum

#### SPECIAL VALUATION ASSUMPTIONS

We assume the subjects have the benefit of a clean marketable and fundable Title. Rights of access and legal wayleaves over the property should be verified and should further information be provided to us we reserve the right to revisit our valuation if appropriate.

As per our remit we have based our projected values on the business plan provided by the client, should any assumptions within this appraisal change we reserve the right to amend our opinion of value.

*This summary is intended for quick reference purposes only and must be considered within the context of this entire report.*

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## 1. CONFIRMATION OF INSTRUCTIONS

### 1.1 Introduction

We refer to your instructions of 30 November 2023 and our Terms and Conditions of Engagement dated 30 November 2023 a copy of which is reproduced in Appendix 1.

In accordance with these instructions, an inspection of the property was undertaken by Kevin N Bell BSc MRICS, acting as an external valuer, on 05 December 2023. The extent of the inspection carried out is as described in the attached Scope of Work and Valuation Assumptions and any specific limitations will be outlined within this report.

We can confirm Kevin N Bell BSc MRICS (an RICS Registered Valuer) has the necessary knowledge and expertise to provide the advice required.

This report has been prepared in accordance with the RICS - Global Standards 2022 incorporating the IVSC International Valuation Standards.

### 1.2 Conflict of Interest

We are not aware of any conflict of interest that would preclude us from providing the valuation advice requested.

### 1.3 Professional Indemnity

J & E Shepherd maintain Professional Indemnity Insurance with Zurich Insurance plc and others with a limit of indemnity set at a level which is proportionate to the instruction as fully outlined within the Terms and conditions of Engagement previously provided and appended to this report.

### 1.4 Purpose of Valuation

This report is provided for acquisition purposes.

Whilst this report may be suitable for secured lending purposes, any lender wishing to rely upon its contents should instruct this Firm to prepare a further report which addresses the lenders specific reporting assumptions and requirements.

### 1.5 Basis of Value

Our Valuation has been prepared to determine Market Value based on a number of assumptions and Market Rent.

### 1.6 Sources of Information

For the purpose of this valuation we have considered and relied upon a range of information provided to us which we have assumed to be true and correct.

### 1.7 Scope of Work and Valuation Assumptions

The scope of work and valuation assumptions adopted for the purposes of this report are set out in Appendix 6.

### 1.8 Verification

Before any financial transaction is entered into the validity of the assumptions that we have adopted should be verified. Any variation should be referred to us immediately, as this could impact the valuation(s) reported.

## 2. TYPE OF PROPERTY

Office Investment

## 3. DATE OF VALUATION

05 December 2023

## 4. LOCATION

### 4.1 Regional

Ayr is located on the Clyde coast around 40 miles south west of Glasgow in the South Ayrshire Council area. The town has a resident population of around 46,800 with the South Ayrshire Council area having a population of around 112,000. Accessibility has improved with the M77 upgrade around 15 years ago.

Ayr is the main shopping and administrative centre for the area and in addition, is a traditional Clyde Coast holiday resort. Consequently, the town benefits from a wide range of services and facilities.

In addition to good road links the town has a mainline railway station and lies adjacent to Prestwick International Airport.

The retailing patterns have altered within Ayr town centre in recent times with the prime retail areas moving south towards the Ayr Central shopping development which offers 350,000sq.ft of retail and underground car parking.

Ayr's original covered shopping mall, The Kyle Centre, has recently closed and is due to be redeveloped as a cinema and licensed/leisure venue although plans for this have stalled.

As with the majority of medium sized Scottish towns there are a significant volume of vacant shop units within the town centre primarily in the prime retailing area and this is unlikely to change.

The former Riverside Block to the north of the High Street was acquired by South Ayrshire Council and has been developed for community use including event space in the Cutty Sark Centre.

### 4.2 Local

The subjects are located on the south side of Wellington Square in an area of established office use lying immediately west of Ayr town centre and close to the County Buildings and the beach esplanade.

Alloway Place, Miller Road and Wellington Square are Ayr's prime intown office locations, however offices are interspersed with residential use.

Wellington Square includes an attractive public space in its centre with metered on-street car parking available in the general locality.

The location of the property is shown on the appended Location Plan within Appendix 2.

## 5. DESCRIPTION

### 5.1 The Property

The subjects comprise a mid terrace two storey attic and basement townhouse together with a private car park to the rear.

The property comprises cellular office accommodation and currently operates as a serviced office business.



## 5.2 External Construction and Finishes

The property would appear to date back to the early 19<sup>th</sup> Century and is formed essentially in stone walls with part paint and render finish surmounted by a pitched roof clad in slate with a combination of metal and pvc rainwater goods. Chimneyheads are formed in stone or brick.

There are two single storey projections at lower ground level to the rear one of which appears original formed in stone and brick walls with a mono pitch slate roof and the other would appear to date back to the mid 20<sup>th</sup> Century formed in brick walls with flat roof clad in mineral felt or similar.

Windows are a combination of timber casement single glazed and upvc double glazed.

In keeping with the south side of Wellington Square generally the property has an elevated ground floor accessed via a short flight of stairs with separate access to the lower ground floor although with the entire unit forming a single entity internally.

## 5.3 Accommodation

The internal accommodation comprises the following:

### Lower Ground Floor

- Suite West North (single room)
- Suite West South (two rooms and boiler room)
- Suite East (two linked rooms)
- Kitchen
- Wc Facilities
- Storage

### Ground Floor

- Reception Hallway
- Suite Ground East (single room)
- Suite Ground West (single room)

### First Floor

- Suite East (two linked rooms)
- Suite West North (single room)
- Suite West South (single room)
- Tea Prep Area
- Wc Facilities

### Attic

- Suite East North (single room)
- Suite East South (single room)
- Suite West (two linked rooms)
- Store Cupboard

Internally the subjects have a combination of solid concrete and raised timber floors with plaster and lathe and boarded finish to walls and ceiling.

All office rooms are accessed via a staircase from the entrance hallway which runs the full height of the building with access at lower ground level to the rear car park.

The property is generally decorated in a tasteful manner along traditional lines.

Modern tea prep and wc facilities are located at lower ground and first floor level each comprising a modern kitchen area with two wc compartments each comprising wc and wash hand basin located off.

## 5.4 The Site

The subjects extend to the footprint of the building together with a private car park to the rear finished in gravel chip and accessed from Wellington Lane.

Due to sloping ground contours in the area steps lead up from the rear lower ground of the building to the car park level.

Car parking spaces are currently undefined, there would appear to be car parking available for around eight vehicles.

Photographs of the property can be found within Appendix 3.

## 6. AREAS

The property provides the following accommodation and approximate floor areas:

DESCRIPTION	AREA (SQM)	AREA (SQ FT)
Lower Ground East	39.5	425
Lower Ground North West	17.4	187
Lower Ground South West	26.2	282
Ground Floor East	45.8	492
Ground Floor West	46.8	504
First Floor North East	23.2	250
First Floor South East	24.2	260
First Floor North West	21.4	230
First Floor South West	25.1	270
Attic North East	18.4	198
Attic South East	16.9	182
Attic West	36.5	393
<b>TOTAL</b>	<b>341.4</b>	<b>3,673</b>

The above areas, which have been calculated from on site measurements have been calculated on a Net Internal area in line with the RICS Property Measurement Professional Statement (2<sup>nd</sup> Edition) and the RICS Code of Measuring Practice (6<sup>th</sup> Edition).

## 7. SERVICES

The property is understood and assumed to connect to mains supplies of water, gas and electricity. Drainage is understood and assumed to be into the main public sewer.

A gas fired central heating system is installed.

None of the systems, circuits or services have been checked or tested for the purpose of this report.

## 8. STATE OF REPAIR

We have not been instructed to provide a detailed report upon the structure and fabric of the property however for the purposes of our valuation report a visual, non disruptive inspection of the property was undertaken in accordance with the limitations noted within the appendices of this report. A general comment on the condition of the property is noted below.

### 8.1 External

Minor routine maintenance items are required to the external fabric of the building likely to be attended to as part of a planned annual maintenance programme.



## 8.2 Internal

Internally the subjects are generally in fair repair throughout although with internal decorative finishes showing some normal wear and tear.

Décor is nearing the end of its refurbishment cycle in places.

The above should not be considered as an exhaustive list. Unless otherwise stated, when arriving at our valuations we have assumed that there are no defects pertaining to the property that would impact on the values. Should detailed reports on the condition of the property be required or where specialist advice is recommended, our Building Consultancy Department would be pleased to deal with this on receipt of further written instructions.

## 9. STATUTORY ENQUIRIES

### 9.1 Structure and Local Plan

The subjects are covered by the South Ayrshire Local Development Plan which was adopted on 31<sup>st</sup> August 2022. With said Plan the subjects are zoned for office use.

### 9.2 Listed Building Status, Conservation Areas and Other Relevant Planning Matters

The subjects are category B listed with further controls imposed by Planners to protect the architectural or historic interest of the building. Any proposed alteration may require listed building consent.

The subjects are located within a conservation area and is designated by the Planning Authority to preserve character. They require planning permission to be sought for a range of works that would otherwise be considered permitted development.

### 9.3 Current Planning Use/Consent(s)

The subjects are currently used as offices and accordingly we have assumed that the subjects will benefit from an unrestricted Class 4 (business) consent, all in terms of the Town and Country Planning (Use Classes) (Scotland) Order 1997. Should this prove not to be the case, then it is assumed that a Certificate of Established Use can be demonstrated or otherwise the values reported herein may be impacted.

### 9.4 Recent or Proposed Alterations

We note that there are currently applications pending with South Ayrshire Council for both planning consent and listed building consent for conversion of the lower ground floor to two Class 7 boutique aparthotel suites.

The planning reference is 23/00825/APP and listed building consent reference 23/00834/LBC.

Upon completion we note that the suites will comprise the following:

#### Unit 1

- Living Space
- Shower Room

Gross internal area 52.8sq.m

#### Unit 2

- Living Space
- Shower Room

Gross internal area 45.7sq.m

We would point out that Unit 1 extends south into part of what is currently the lower ground floor tea prep area/wc.

In addition we note that a common laundry room will be located in the remaining part of the current tea prep/wc area.

#### 9.5 Licenses and Other Consents

N/A

#### 9.6 Roads

We assume that the roads which serve the subjects have been fully made up and adopted by the Local Highways Authority and that the subjects benefit from an unimpeded access onto same.

#### 9.7 Fire (Scotland) Act 2005

The Fire (Scotland) Act introduces a fire safety regime for non-domestic properties in Scotland.

It has been assumed appropriate safety measures have been implemented and that a Fire Risk Assessment exists or will be put into place to periodically review these measures to ensure it complies with legislation.

#### 9.8 Equality Act 2010

The Equality Act 2010 requires service providers to address physical features which make it impossible or unreasonably difficult for disabled persons to use their services and to make reasonable changes where required to improve services and ensure disabled persons are not at substantial disadvantage.

Our valuation assumes that there are no issues in relation to the legislation that would impact on our figures. Our Building Consultancy Department would be happy to provide necessary advice or arrange an access audit should this be required on receipt of further written instructions.

#### 9.9 Rateable Value

2023 Revaluation Rateable Value (effective 1<sup>st</sup> April 2023):

Basement Left	£5,300
Basement Right Hand Side Rear	£3,100
Basement	£2,750
Ground Floor Left Hand Side	£6,600
Ground Floor Right Hand Side	£6,500
First Floor Left Hand Side	£6,000
First Floor Right Hand Side Front	£3,150
First Floor Right Hand Side Rear	£3,150
Attic Right Hand Side	£4,050
Attic Left Hand Side Front	£1,600
Attic Left Hand Side Rear	£2,150

The poundage rate for the financial year 2023/2024 is 49.8 pence for properties with a Rateable Value up to £51,000. For properties with a Rateable Value between £51,001 and £100,000 the rate is 51.1 pence and 52.4 for properties with a Rateable Value in excess of £100,001.

Fresh Start Relief continues to include all property types (other than if last used for payday lending purposes) which have been empty for six months and to provide relief of 100% for the first year of any new occupier (other than if to be used for payday lending purposes). The upper limit for eligibility for Fresh Start Relief is Rateable Value £100,000 with effect from 1<sup>st</sup> April 2023. To qualify, properties must have been empty and receiving Empty Property Relief for a minimum of 6 months immediately prior to being re-occupied. Properties in receipt of Fresh Start Relief on 31st March 2023 will continue to receive relief for the remaining duration of the relief, regardless of whether the new 2023 Revaluation Rateable Value is now above the qualifying threshold.

Up until 31<sup>st</sup> March 2023 the Small Business Bonus Scheme provided relief for qualifying occupiers at 100% for properties with a Rateable Value up to £15,000 and 25% for those where the Rateable Value is between £15,001 and £18,000. The upper limit for 25% relief for multiple premises was a cumulative Rateable Value of £35,000 (the 25% relief is available for qualifying occupiers for each individual property with a Rateable Value of £18,000 and under).

Significant changes to the Small Business Bonus Scheme were introduced from 1<sup>st</sup> April 2023. Under these changes 100% SBBS relief will continue to be available to qualifying ratepayers on properties with a Rateable Value up to £12,000 (ie down from £15,000 previously). The upper Rateable Value threshold for individual properties to qualify for SBBS relief will be extended from £18,000 to £20,000. Relief will taper from 100% to 25% for properties with Rateable Values between £12,001 and £15,000; and from 25% to 0% for properties with Rateable Values between £15,001 to £20,000. The cumulative rules including the Rateable Value threshold of £35,000 will remain. Car parks, car spaces, advertisements and betting shops will be excluded from eligibility for SBBS relief from 1st April 2023.

Small Business Bonus Scheme relief is subject to the operation of other reliefs including Empty Property Relief, Rural Rate Relief, Charitable Rate Relief, Disabled Persons Rate Relief, discretionary relief for not-for-profit recreational clubs and Fresh Start Relief, each of which may be available in certain circumstances. A Small Business Transitional Relief has been introduced from 1<sup>st</sup> April 2023 for those losing or seeing a reduction in Small Business Bonus Scheme Relief or Rural Rates Relief (including due to SBBS exclusions) from 1st April 2023. The maximum increase in the rates liability relative to 31st March 2023 will be capped at £600 in 2023-24, rising to £1,200 in 2024-25 and £1,800 in 2025-26.

A Revaluation Transitional Relief has also been introduced from 1<sup>st</sup> April 2023 to cap increases in rates liabilities due to increases in Rateable Value at the 2023 Revaluation. The capped increases (in cash terms) in 2023-24 will be 12.5% for small properties (RV up to £20,000), 25% for medium-sized properties (RVs between £20,001 and £100,000) and 37.5% for large properties (RVs of £100,001 and above), rising in subsequent years.

Properties in receipt of Business Growth Accelerator (New and Improved Property) relief on 31 March 2023 will continue to be eligible for an equivalent percentage of relief on the new Rateable Value for the remaining duration of the relief.

In the 2023-24 Scottish Budget, it was announced that Enterprise Area relief will be extended by one year to 31 March 2024.

Empty Property Relief has been devolved to local authorities as of 1st April 2023 with a concurrent transfer to local government. It is important to be aware that different Empty Property Relief policies may now apply in different council areas.

An additional transitional relief scheme was introduced on 1<sup>st</sup> April 2023 in respect of new entries on the Valuation Roll from 1<sup>st</sup> April 2023, including properties located within parks added to the Valuation Roll as a result of the Non-Domestic Rates (Scotland) Act 2020. This additional transitional relief scheme will cap bills at 33% of the gross liability on affected new entries in the Valuation Roll in 2023/24, 66% in 2024/25 and reaching 100% in 2025/26.

Shepherd can provide proprietors, tenants and occupiers with expert and experienced professional advice as required.

## 10. TENURE

Assumed Heritable (Scottish equivalent of English Freehold). We have not had sight of a report on title and assume that the title deeds contain no onerous or restrictive conditions and that the existing use complies fully with current planning law.

## 11. OCCUPATIONAL LEASES

There are currently two lease/licence agreements in relation to the property, we have had sight of each and details are summarised below.

### Suite Attic North East

TENANT:	Craig Trainor
DATE OF ENTRY:	1 <sup>st</sup> May 2021
TERM:	5 years.
EXPIRY:	30 <sup>th</sup> April 2026
BREAK:	Tenant break option 30 <sup>th</sup> April 2024 although 6 month's written notice is required.
RENT:	£2,500 per annum
RENT REVIEW:	31 <sup>st</sup> March 2024, the rent is to be increased to an amount which will represent the RPI increase over the preceding 3 year period or, if deemed at least 10% higher than this, the appropriate market rental valuation.
TERMS:	The tenant is obliged to maintain the subjects of let and pay an appropriate proportion of the common repairs, utility costs and general upkeep costs for the building.
PERMITTED USE:	Office Use
ALIENATION:	Landlord's consent required.

### Entire First Floor

TENANT:	Moving On Ayrshire Limited
DATE OF ENTRY:	April 2011
TERM:	The term has been extended to 1 <sup>st</sup> May 2025.
EXPIRY:	1 <sup>st</sup> May 2025
BREAK:	There is a tenant break option at 11 <sup>th</sup> January 2024 and 11 <sup>th</sup> January 2025 upon providing two months written notice.
RENT:	£14,888 per annum
RENT REVIEW:	No further rent reviews.
TERMS:	The tenant is obliged to maintain the subjects of let and pay an appropriate proportion of the common repairs, utility costs and general upkeep costs for the building.
PERMITTED USE:	Office Use
ALIENATION:	Landlord's consent is required.

We have assumed that the leases are drawn along general standard terms and that there are no unduly onerous terms, conditions or restrictions which would adversely affect our undernoted valuations however we reserve the right to amend said valuations on sight of any relevant information/further reports in due course.

#### 11.1 Tenants Covenant

We understand that the tenants are of local covenant strength.

## 12. TRADE FIXTURES AND FITTINGS

Not Applicable

## 13. THE BUSINESS

Not Applicable

## 14. ENVIRONMENTAL CONSIDERATIONS

### 14.1 Observed Use of Property and Surrounding Properties/Land

Office, Residential, Licensed/Leisure

### 14.2 Energy Performance Certificate (EPC)

It is a legal requirement for most commercial properties to have an EPC when constructed, modified or made available for sale/lease. We have not seen a copy of an EPC for this property however for the purposes of this report we assume the property has the necessary certification.

We would advise that due to a recent adjustment to the Government's assessment tool, energy ratings for commercial properties are, in some cases different to those previously achievable. While the existing EPC rating remains valid for the lifespan of the EPC, were the property to be reassessed a different rating may be obtained.

Section 63 of the Climate Change (Scotland) Act 2009 – The Assessment of Energy Performance of Non-domestic Buildings (Scotland) Regulations 2016 came into force on 1st September 2016. At this stage the regulations only apply to buildings over 1,000 sq.m. Those buildings which meet the 2002 Building Regulation Standards or those already improved via 'Green Deal' are exempt. There are also a number of other exemptions including temporary buildings, building types with low energy demands and transactions relating to the renewal of existing leases and 'short term' lettings.

Where the regulations apply, and the building falls below the minimum 2002 Building Regulation Standards, the owner of the building must have an 'Action Plan' assessment carried out to define the measures to be completed to improve the energy performance of the building. The owner thereafter has a choice to 1) implement the works to improve the building within 42 months or 2) defer the works and record/report operational energy ratings yearly via a Display Energy Certificate (DEC) to be independently assessed each year.

While legislation relating to energy has been in force for some time, there is little, if any, clear evidence available to enable us to comment on the impact of the market value or rental value. We have, therefore, assumed that there are no issues regarding the EPC for the property which would adversely affect our valuation. It should be noted however that those properties with Action Plans will likely have cost implications to bring the property to an acceptable level and these costs may impact on property values.

Our team of specialist energy assessors and consultants offer full coverage throughout Scotland and can provide further advice and guidance on receipt of further written instructions.

### 14.3 Asbestos

The Control of Asbestos Regulations 2012 imposes an obligation upon those responsible for commercial properties to hold an Asbestos Register.

We have not had sight of any such Register and therefore for the purposes of our report we have assumed that there are no issues in this regard which would affect our undernoted valuations however we reserve the right to amend our said valuations on sight of any relevant reports in this regard.

### 14.4 Deleterious Materials

Testing of components or taking of samples will not be taken through our inspection. This includes but is not exhaustive to deleterious materials such as Reinforced Autoclaved Aerated Concrete (RAAC), High Alumina Cement (HAC) and the like. We have not had sight of any information in and for the purposes of our report we have assumed that there are no issues

in this regard which would affect our undernoted valuations however we reserve the right to amend our said valuations on sight of any relevant reports in this regard.

#### 14.5 Flooding

We have referred to the Scottish Environmental Protection Agency (SEPA) "Flood Map" which provides a general overview of potential risks of flooding in Scotland.

We have not carried out formal checks or received reports concerning flood risk however from our enquiries of SEPA's website it would appear the property is not at risk of flooding.

When arriving at our valuations we have assumed that there is no history of flooding, no flood issues that would impact on the property and that the property can obtain insurance. Should this not prove to be correct it may impact on the values reported herein and we would recommend further checks are made.

#### 14.6 Radon Gas

When arriving at our undernoted valuations we have made no investigations with regard to Radon gas and assume that there are no issues in this regard. We do however reserve the right to amend our valuations on sight of further information.

#### 14.7 Invasive Species

Unless otherwise specified elsewhere within this report, we have specifically assumed that there are no invasive species contained within the property/site or within the surroundings of the property/site including, but not exclusively, Japanese Knotweed. We reserve the right to amend our valuations on sight of further reports in this regard.

#### 14.8 Coal Mining

The property is not thought to be within an area where coal mining has taken place. It would, however be prudent to obtain a written report from the Coal Authority on previous mine workings in the vicinity. The valuation is on the basis that this does not reveal that the property is at risk of movement from underground mine workings.

#### 14.9 Summary and Recommendation

Based on the observed use of the property and surrounding properties we have assumed that there is no existence of contamination which would affect value.

Similarly we have assumed there are no EPC, asbestos, Radon gas, Japanese Knotweed, invasive species or flooding issues that would affect value. We reserve the right to amend our valuations on sight of any further information with regard to any of these items as noted herein and above.

### 15. ALTERNATIVE USAGE

The purchasers are in the process of obtaining planning consent to convert the lower ground to boutique aparthotel suites, a mix of residential and office use would appear to suit the premises and matches the mix of uses in Wellington Square generally.

### 16. MARKET COMMENTARY

#### 16.1 Market Commentary

##### **The Economy**

The UK and Scottish economies continued to rebound at the beginning of the year and according to the Office for National Statistics (ONS) the economy expanded by 0.7% in Q1 2022, exceeding pre pandemic levels. However Gross Domestic Product (GDP) data for April confirmed the recovery had stalled, with all main sectors showing contraction, including services and manufacturing with organisations struggling with higher energy prices and supply chain shortages. Construction output also fell. Although GDP surprised on the upside



in May in both the UK and Scotland, ONS estimate the economy fell by 0.6% in June and by 0.1% over Q2, with all main sectors contributing negatively, but remains 0.6% ahead of the pre pandemic level.

As the economy rebalances from the pandemic it faces new challenges of rising inflation, which jumped to 10.1% in July and the first time it has registered a double digit increase in more than four decades, putting significant pressure on household finances and giving rise to weak consumer sentiment.

Trading conditions have been difficult for businesses with bottlenecks in supply chains and rising commodity and energy prices due to restrictions in China and the war in Ukraine. These rising costs for businesses come at the same time as fiscal and monetary policy tightening and tax increases.

The labour market remains tight with record low unemployment and high demand for staff placing upward pressure on earnings which rose by 6.8% in the year to March 2022 in Scotland, but still below inflation.

The foregoing has given rise to a weakened outlook since the beginning of the year which is reflected in recent forecasts of recession risks by the Bank of England and the International Monetary Fund.

### **The Property Market**

Property investment volumes continued to rise in June to 4.6bn which is only slightly below the five-year monthly average of £4.9bn, but a global growth slowdown and inflation concerns are expected to dampen investor confidence.

In the occupier market the weakening economic outlook will have varying effects across the sectors. The cost of living crisis has not yet led to a collapse in consumer spending but there are signs retail sales volumes are slowing, particularly for big ticket items, and footfall remains below pre-pandemic levels. Retail warehousing is expected to fare better than the High Street.

In the office sector there has been good demand for prime stock as businesses seek to reduce space but improve quality, however some are reconsidering requirements and demand is expected to slow. The lack of prime stock continues to put upward pressure on rents.

Demand for industrial property is holding up against a difficult economic backdrop but is focussed on the modern more efficient space, of which there is a shortage in Scotland due to a lack of development. The supply/demand imbalance creates inflationary pressure on rents. Businesses however will look to expected business levels for the remainder of the year which may drive caution.

## **16.2 Marketability**

The subjects comprise an attractive townhouse building set within one of Ayr's preferred office locations within close proximity of both the beach and town centre and its transport links.

Reflecting the property as at the valuation date, i.e. serviced accommodation with potential for conversion to a boutique aparthotel, we would anticipate a reasonable level of investor demand with the majority of purchasers in our opinion likely to seek to retain the space as serviced offices or convert fully to residential use.

Upon full completion of the works envisaged we would expect the building to appeal to a broader range of investors with the internal upgrading works proposed and mixed use upon completion allied to a professional approach to the management of the serviced space provided would in our opinion all assist saleability and this is reflected in the valuation figures reported.

## 17. METHODOLOGY, ANALYSIS AND COMPARABLE EVIDENCE

### 17.1 Valuation Methodology

Our Valuation uses the Comparable methodology making reference to market transactions when arriving at our valuations.

### 17.2 Comparable Evidence & Valuation Analysis

In line with RICS Red Book guidance, we remind the client that in undertaking any valuation exercise the degree of subjectivity involved varies significantly as will the degree of certainty (that is, the probability that the valuer's opinion would be the same as the price achieved by an actual sale at the valuation date). These variations are generally very minor with an accurate figure being produced through the use of comparables however variations can arise due to inherent features of the property, the market place, economy or the quality of comparable information available.

In the case of the subject property(ies), as at the date of valuation, transaction volumes, relevant evidence or other information are at an adequate level upon which to base an opinion of value. Accordingly our valuation is not reported as being subject to 'Material Valuation Uncertainty' as set out in VPS 3 and VPGA 10 of the RICS Valuation - Global Standards.

For the avoidance of doubt, the inclusion of this explanatory note (and where applicable) the 'Material Valuation Uncertainty' declaration above does not mean that the valuation(s) cannot be relied upon. Rather, the declaration has been included to ensure transparency and to provide further insight as to the market context under which the valuation opinion(s) was prepared.

We have set out below general information of recent sales and letting transactions in support of our valuation. These are taken from the immediately surrounding area and the wider locale with adjustments made as necessary to reflect the specific nature of the subjects. The information below should be considered as an illustration of the information utilised and not as an exhaustive list.

### 17.3 Leasing Comparables:

ADDRESS	DATE	RENT	NIA	ANALYSIS	COMMENT
Suite 5, 8 Beresford Court, Ayr	Sep-22	£7,250 p.a.	718 sq. ft.	£10.09 per sq. ft.	Attractive office premises in coach-house conversion in backlying town centre location.
9 Miller Road, Ayr	Feb-21	£18,000 p.a.	1,162 sq. ft.	£15.40 per sq. ft.	Townhouse office with substantial rear car park let for 10 years with a tenant break option in year 5. Used as Class 11 after school facility.
28 Miller Road, Ayr	Apr-20	£10,000 p.a.	730 sq. ft.	£13.70 per sq. ft.	First floor office in good order, nil uplift agreed in April 2020 rent review. Includes car parking spaces.
28a Parkhouse Street, Ayr	Aug-23	£4,500 p.a.	367 sq. ft.	£12.26 per sq. ft.	First floor office in two storey terrace of similar in secondary town centre location.
4 Wellington Square, Ayr	Sept-20	£7,500 p.a.	817 sq. ft.	£9.18 per sq. ft.	Lower ground floor with private entrance on Wellington Square

					let on 5 year lease. Property includes rear car parking. Well appointed throughout.
22 Shaw Road, Prestwick	Jul-22	£20,000 p.a.	1,365 sq. ft.	£12.23 per sq. ft.	Office pavilion with car park let for 10 years as dental surgery.
Ladykirk House, Skye Road, Prestwick	Mar-23	Ave rent £11,600 p.a.	1,073 sq. ft.	£10.81 per sq. ft.	Office pavilion let for 3 years with tenant break option end of year 2.

We set out below some details of business centre lettings in addition.

ADDRESS	DATE	RENT	NIA	ANALYSIS	COMMENT
Serviced Offices, Ayr	Current	N/A	N/A	Average rent £22.10 per sq.ft.	High quality serviced office development elsewhere in Ayr town centre.
Serviced Offices, Ayr	Current	N/A	N/A	Average rent £30.11 per sq.ft	Serviced office development in Ayr town centre.
Serviced Offices, Kilmarnock	Current	N/A	N/A	Average rent £31.00 per sq. ft.	Serviced office development in Kilmarnock town centre.

Some of the evidence utilised is not in the public domain and we have therefore provided only limited information.

#### 17.4 Sales Comparables:

ADDRESS	DATE	PRICE	NIA	ANALYSIS	COMMENT
8 Barns Street, Ayr	Dec-18	£190,000	1,952 sq.ft	£97.34 per sq.ft	Mid terraced townhouse office in popular location although sold in need of significant internal upgrading and refurbishment.
12 Barns Street, Ayr	Oct-18	£265,000	1,911 sq.ft	£138.67 per sq.ft	Townhouse offering short term income although including a substantial 13-car car park plus lock up garages to the rear.
6 Miller Road, Ayr	Jan 19	£250,000	2,075 sq.ft	£120.48 per sq.ft	Two storey townhouse office including four car parking spaces. In good order.
16 Miller Road, Ayr	Dec-20	£220,000	1,476 sq.ft	£149.05 per sq.ft	Mid terraced townhouse with 3 car parking spaces finished to a high standard throughout, sold at closing date.

6 Wellington Square, Ayr	Dec 21	£245,000	2,042 sq.ft	£120.00 per sq.ft	Two storey mid terraced townhouse located on opposite side of the square from the subjects.
18 Wellington Square, Ayr	Nov-20	£320,000	4,860 sq.ft	£66.11 per sq.ft	Full townhouse sold and converted to serviced offices.
55 Alloway Street, Ayr	Aug-22	£50,000	440 sq. ft.	13.75% Net Initial Yield	Secondary town centre unit let for 5 years at passing rent of £7,000 p.a.
116 High Street, Ayr	Apr-22	£230,000	1,875 sq. ft.	9.36% Net Initial Yield	Shop let to Clintons Cards until 2027 at passing rent of £22,000 p.a.
157 High Street, Ayr	Jun-21	£131,000	525 sq.ft	9.0% Net Initial Yield	Sold at auction, leased until October 2028 to mobile phone repair business..
67 Newmarket Street, Ayr	Jun-21	£59,400	402 sq.ft	11.22% Net Initial Yield	Investment sale of small retail unit, let at £7,200 per annum.
11 River Street, Ayr	Feb-22	£77,000	1,024 sq. ft.	12.25% Net Initial Yield	Ground Floor office in secondary town centre location let at £9,600 p.a.

We have taken into account the above evidence some of which is historic although all considered relevant, where historic evidence has been considered we have adjusted as required to reflect current market conditions.

We have also taken into account the 3 year cashflow figures prepared by the client in relation to the boutique aparthotel in the basement.

We would comment on each of the valuation figures reported as follows.

#### **MV1**

In arriving at our opinion of vacant possession value for the entire building we have adopted a capital rate of £95.00 per sq.ft which we consider is supported by the evidence above and market conditions in the town generally.

#### **MV2**

In arriving at our opinion of value for the building subject to existing leases we have valued the vacant section at the above capital rate of £95.00 per sq.ft equating to £235,000 and thereafter added £135,000 to reflect the short term income of £17,388 per annum.

#### **MV3**

In arriving at the valuation of the lower floor in isolation we have taken into account the marketability of this part of the building as a small lot sized asset in a desirable town centre location although at lower ground floor level which is less favoured than ground or first floor space, we have therefore adopted a capital rate of £72.50 per sq.ft resulting in a value of £65,000 allowing for rounding.

#### **MV4**

In arriving at our opinion of value of the lower ground floor with the benefit of planning consent we have added £5,000 to the capital sum MV3 this being an approximately 5% increase which reflects a capital rate of around £78.50 per sq.ft.

**MV5**

This basis of value is prepared on the assumption that the existing leases remain but with new leases at levels approaching the Market Rent for serviced space which is in our opinion around £25.00 per sq.ft on average although there is evidence in Ayr and Kilmarnock of rents of between £22.00 per sq.ft and £32.00 per sq.ft on this basis.

Overall therefore this would in our opinion result in a potential gross income from the serviced space of around £39,500 per annum, thereafter we have deducted 10% voids less 30% for costs arriving at a net income of around £25,000 per annum. The existing income is £17,388 per annum gross.

Our opinion of value on this basis is £325,000 being a net initial yield of 11.66% based on net income.

**MV6**

In the case of MV6 we have assumed the entire property fully let at a rent rate of £25.00 per sq.ft as referred to above, this results in a gross figure of £69,500 per annum. Again if we allow for 10% void and 30% costs this breaks back to around £44,000 per annum.

Our overall value on this basis is £380,000 being a net initial yield of 11.1% based on net income.

**MV7**

MV7 relates to the lower ground floor aparthotel with the assumption that it is a mature business and we have therefore considered that the cashflow projections contained at Appendix 4 and, as per our remit have adopted the Year 3 figures which in summary show an income of £57,259 per annum with EBITDA of £28,452.

On the basis this is a mature business and taking into account the likely level of fit out we are of the view that this would be an attractive proposition to a number of investors in the marketplace and have therefore adopted a YP multiplier of 7.0 resulting in a value of £200,000 allowing for rounding.

**MV8**

MV8 is essentially the value of the entire building and therefore amounts to MV6 added to MV7 figures noted above.

**Market Rent**

In arriving at our Market Rent for the building we have adopted the following rates per sq.ft:

Lower Ground	£7.50 per sq.ft
Ground Floor	£12.00 per sq.ft
First Floor	£10.00 per sq.ft
Attic	£6.00 per sq.ft

We consider this is supported by the market evidence noted above.

**18. VALUATIONS**

Our valuation(s) have been prepared in accordance with the Royal Institution of Chartered Surveyors (RICS) - Global Standards 2022 incorporating the IVSC International Valuation Standards. Any departures from this will be clearly stipulated within our report. All valuations will be carried out under the definitions of the various valuation bases set out by the RICS, which are appended.

**18.1 Market Value – Whole Building Vacant Possession**

We are of the opinion that the Market Value of the property with vacant possession as at 05 December 2023, may be fairly stated as being in the sum of **£350,000 (Three Hundred and Fifty Thousand Pounds)**

## 18.2 Market Value – Whole Building Reflecting Current Leases

We are of the opinion that the Market Value of the property with the benefit of the existing leases as at 05 December 2023, may be fairly stated as being in the sum of **£370,000 (Three Hundred and Seventy Thousand Pounds)**

## 18.3 Market Value – Lower Ground Floor Vacant Possession

We are of the opinion that the Market Value of the property with vacant possession as at 05 December 2023, may be fairly stated as being in the sum of **£65,000 (Sixty Five Thousand Pounds)**

## 18.4 Market Value – Lower Ground Floor Vacant Possession Assuming Class 7 Consent

We are of the opinion that the Market Value of the property with the benefit of planning consent as at 05 December 2023, may be fairly stated as being in the sum of **£70,000 (Seventy Thousand Pounds)**

## 18.5 Market Value – Assuming Current Leases For Upper Floor Space Remain With Vacant Space Let On New All Inclusive Leases

We are of the opinion that the Market Value of the property on this basis as at 05 December 2023, may be fairly stated as being in the sum of **£325,000 (Three Hundred and Twenty Five Thousand Pounds)**

## 18.6 Market Value – Upper Floors Assuming Full Let As Serviced Office Accommodation Post Refurbishment

We are of the opinion that the Market Value of the property on this basis as at 05 December 2023, may be fairly stated as being in the sum of **£380,000 (Three Hundred and Eighty Thousand Pounds)**

## 18.7 Market Value – Lower Ground Floor Boutique Hotel As An Operational Entity

We are of the opinion that the Market Value of the property fully equipped as an operational entity having regard to trading potential and assuming a mature established business as at 05 December 2023, may be fairly stated as being in the sum of **£200,000 (Two Hundred Thousand Pounds)**

## 18.8 Combined Market Value Of Upper Floor Serviced Offices And Lower Ground Floor Boutique Hotel

We are of the opinion that the Market Value of the property based on the above assumption as at 05 December 2023, may be fairly stated as being in the sum of **£580,000 (Five Hundred and Eighty Thousand Pounds)**

## 18.9 Market Rent – Upper Floors Vacant Possession

We are of the opinion that the Market Rent for the property with vacant possession as at 05 December 2023, may be stated as being in the sum of **£26,000 (Twenty Six Thousand Pounds) Per Annum Exclusive**

## 18.10 Market Rent – Lower Ground Floor Assuming Aparthotel Use

We are of the opinion that the Market Rent for the property with vacant possession as at 05 December 2023, may be stated as being in the sum of **£6,500 (Six Thousand Five Hundred Pounds) Per Annum Exclusive**

A number of the above valuations are projected values which we have based on a business plan provided by the client, should any of the assumptions within this appraisal change we reserve the right to amend all or some of the values reported.

The above mentioned valuation figure makes no allowance for any effect on value of the imposition of Value Added Tax on some property transactions.



## 19. SPECIAL VALUATION ASSUMPTIONS

When arriving at our valuations we have assumed that there are no defects pertaining to the property which would impact on the values noted herein.

We assume the subjects have the benefit of a clean marketable and fundable Title. Rights of access and legal wayleaves over the property should be verified and should further information be provided to us we reserve the right to revisit our valuation if appropriate.

## 20. LIMITATION AND PUBLICATION

This valuation report is prepared solely for the use of the named client. No responsibility is accepted to any other party for the whole or any part of its contents. It may be disclosed to other professional advisors assisting in respect of the purpose for which the valuation is prepared.

Neither whole nor any part of this valuation report, nor any reference thereto may be included in any published document, without the valuer's written approval over the form and context which it may appear.

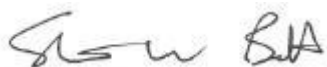
We trust that this report will be satisfactory for your present purposes.

Yours faithfully



.....  
 Inspected and Prepared By  
 Kevin N Bell BSc MRICS  
 RICS Number: 0070497  
 For and on behalf of J & E Shepherd  
 Chartered Surveyors

22 December 2023



.....  
 Approved By  
 Steven W Barnett BLE MRICS  
 RICS Number: 0103034  
 For and on behalf of J & E Shepherd  
 Chartered Surveyors

22 December 2023

## APPENDIX 1 - TERMS AND CONDITIONS OF ENGAGEMENT

**COMMERCIAL VALUATION REPORT**  
**TERMS AND CONDITIONS OF ENGAGEMENT**

J & E Shepherd  
22 Miller Road, Ayr KA7 2AY



To: 3 Sigma Ayr Limited, 18 Haddow Street, Hamilton ML3 7JU

Date: 30<sup>th</sup> November 2023

Dear Sirs

We write to confirm your instructions to inspect and provide a valuation report of the property at -

**PROPERTY TO BE VALUED:** 21 Wellington Square, Ayr KA7 1EZ

**INTEREST TO BE VALUED:** Heritable (Scottish equivalent of English Freehold) Interest.

**PURPOSE OF VALUATION:** For Internal Purposes

The Instruction is based on the following information and is subject to the undemoted Terms and Conditions of Engagement.

<b>INSTRUCTING PARTY:</b>	3 Sigma Ayr Limited
<b>CLIENT:</b>	3 Sigma Ayr Limited
<b>PRICE QUOTED/AGREED:</b>	n/a
<b>CLASSIFICATION OF PROPERTY:</b>	Mixed Use Commercial Investment
<b>STATUS OF VALUER:</b>	RICS Registered External Valuer
<b>DATE OF VALUATION:</b>	As at date of Valuation Report
<b>SPECIAL ASSUMPTIONS:</b>	None
<b>INFORMATION TO BE RELIED UPON:</b>	Business plan to be provided.
<b>REPORT TYPE:</b>	Valuation Report
<b>SURVEYOR:</b>	Kevin N Bell BSc MRICS
<b>ACCESS ARRANGEMENTS:</b>	TBC
<b>FEE</b>	£2,000 exclusive of VAT plus any agreed additional costs/fees associated with separate specialist investigation

Unless otherwise agreed, the fee invoice will be made out in the name of the instructing party who will be liable for payment. It is expected that payment be received within 14 days of issue.

In the event of our fee for the services provided in terms of this Contract, V.A.T. thereon and/or outlays incurred on your behalf in connection therewith being settled within our standard settlement terms of 14 days, we reserve the right:-

1. To instruct Solicitors, Debt Collection Agents or other third parties to endeavour to collect said fees, V.A.T. and outlays for us. It is a specific condition of our accepting instructions from you that in the event of said Solicitors, Debt Collection Agents or third parties being instructed by us, you will be liable to reimburse us for the whole fees and other costs charged by them to us and thereby incurred in that connection; and
2. To exercise our statutory right under the Late Payment of Commercial Debts (Interest) Act, 1998 as amended by the Late Payment of Commercial Debts Regulations, 2002 and any subsequent legislation to claim interest and compensation for debt recovery costs under such legislation.

**THE VALUER:** J & E Shepherd, Chartered Surveyors at the address shown above.

### Terms and Conditions of Engagement

We are not aware of any conflict of interest that would preclude us from providing the valuation advice requested. The Valuer shall inspect the property to be valued and shall provide a written report and valuation. Unless the property is to be valued as part of an operational entity the valuation shall not include trade fixtures, fittings, tenant's improvements, plant and machinery unless specifically agreed in writing.

Following discussion with the instructing party and/or client it is understood that the valuation is required for internal purposes. On this understanding the Valuer assesses the valuation on the basis of Market Value. The valuation report is not suited for secured lending purposes and cannot be relied on for same.

The valuation will be undertaken in accordance with the RICS – Global Standards 2022 incorporating the IVSC International Valuation Standards and on the basis of our Scope of Work and Valuation Assumptions attached and appended to the report. Compliance with these standards and external inspection of the report is required during investigation by the RICS for the purposes of administration of the Institutions conduct and disciplinary regulations.

The valuation report is prepared solely for the use of The Client. No responsibility is accepted to any other party for the whole or any part of its contents. It is not to be disclosed to another professional advisor assisting in respect of the purpose for which this valuation is prepared. Neither the whole nor any part of the Report reference thereto may be included in any published document, without the Valuer's written approval over the form and context in which it may appear.

### Energy Performance Certificate

If you provide us with an EPC produced by anyone other than J & E Shepherd you agree we may treat it as having been prepared using best practice and act accordingly unless instructed to provide one, we will presume that there are no matters covered by an EPC which would affect the property's value.

### Consumer Contracts

If you are a consumer you have a right to cancel your contract with us under the Consumer Contracts (Information, Cancellation and Additional Charges) Regulations 2013 ("Regulations") if your contract with us is an off-premises or distance contract. Please read this information carefully.

## COMMERCIAL VALUATION REPORT TERMS AND CONDITIONS OF ENGAGEMENT

J & E Shepherd

22 Miller Road, Ayr KA7 2AY



You have the right to cancel an off-premises or distance contract with us without giving any reason. The cancellation period will expire at the end of 14 days a day on which you receive these terms and conditions. To exercise the right to cancel, you must inform us of your decision to cancel this contract by a clear statement (e.g. a letter sent by post, fax or e-mail to us at the address on the letter enclosing these terms). To meet the cancellation deadline, it is sufficient for you to send communication concerning your exercise of the right to cancel before the cancellation period has expired.

If you exercise your right to cancel, we will reimburse to you all payments received from you pursuant to this letter of engagement. We will make the reimbursement without undue delay, and not later than 14 days after the day on which we are informed about your decision to cancel the contract. We will make the reimbursement using the same means of payment as you used to make the payment to us, unless you have expressly agreed otherwise. In any event, you will not incur any charge as a result of the reimbursement.

If you requested us to begin the performance of services during the cancellation period (see below), you are liable to pay us an amount which is in proportion to what has been performed until you have communicated to us your cancellation of this contract, in comparison with the full coverage of the contract.

In terms of the Regulations, we cannot start to provide services to you under this letter of engagement during the cancellation period unless you expressly request us to do so. If you ask us to supply services during the cancellation period you will lose your right to cancel your contract with us if, having made the request, the services are fully performed during the cancellation period; and if you exercise your right to cancel during the cancellation period, and the services have been partly performed you will be liable to pay us an amount which is in proportion to what has been performed until you have communicated to us your cancellation of this contract in comparison with the full coverage of the contract.

### Privacy Policy

In the course of providing services to you, we may collect or receive personal data or sensitive personal data relating to you and (where the client is a company) employees, officers, and shareholders or (where the client is an individual) members of your family. In line with the new UK General Data Protection Regulation (GDPR) we have updated our Privacy Policy to provide detailed information on how we use and protect personal information and your rights in relation to this updated Privacy Policy can be viewed in full at [www.shepherd.co.uk/information/privacy-policy](http://www.shepherd.co.uk/information/privacy-policy). If you have any questions, queries or requests, please contact [dataprotection@shepherd.co.uk](mailto:dataprotection@shepherd.co.uk) and we will endeavour to respond to you as quickly as possible.

### Money Laundering Regulations

We are obliged in certain circumstances to identify our clients in accordance with the requirements of the Money Laundering Regulations 2007. We are obliged to request from you, and retain some information and documentation for these purposes and/or make searches of appropriate databases electronically. In order to avoid doubt, searches may also be conducted on directors and "beneficial owners" of the client as is required by the legislation. If satisfactory evidence of identity is not provided within a reasonable time, there may be circumstances in which we are not able to proceed with the instructions.

The provision of certain of our services is business in the regulated sector under the Proceeds of Crime Act 2002 and, as such, we may be required to comply with legislation which includes provisions that may require us to make a money laundering disclosure in relation to information we obtain as part of our normal work. Our practice to inform you when such a disclosure is made or the reasons for it because of the restrictions imposed by the "tipping off" provisions of the legislation.

### Limitation of Liability

Neither party will be liable for any loss of profit (other than in respect of our fees, costs or charges), loss of business or goodwill, or for any special, incidental or consequential loss or damage suffered by the other (including as a result of an action brought by a third party), save that nothing in these Terms of Engagement excludes or restricts any liability which either party may have for death or personal injury arising out of negligence, fraudulent misrepresentation or any other liability which cannot be restricted or excluded by law. We will not be liable for any loss which may occur as a result of your reliance on a subsequent valuation in, other things, any discharge of any loan or advance of further funds.

We will not be liable for any loss as a result of your receipt of any information, data or communications supplied or sent by us electronically, where through no fault of our own the relevant information, data or communication has been corrupted or otherwise modified as a result of it being supplied or sent electronically. You are responsible for ensuring that any materials you provide or send us by any electronic medium and/or by computer disk are, and remain, virus free.

Subject to the above, our total liability in contract, including negligence or breach of statutory duty, misrepresentation, restitution or otherwise, arising in connection with the performance or contemplated performance of this appointment or otherwise under the Terms of Engagement, unless otherwise agreed in writing, shall be limited to a liability cap set at a level which is proportionate to the instruction as follows:

Market Value of the Property as Existing	Liability Capped at:
£250,000 and below	£10,000
£250,001 to £500,000	£20,000
£500,001 to £1,000,000	£40,000
£1,000,000 or above	50% of any loss attributable to us after the application of the following provisions on just and equitable basis up to a maximum of £500,000

Without prejudice to any other exclusion or limitation of liability, damages, loss, expense or costs our liability if any for any loss or damage (the loss and damage under this Appointment shall not exceed such sum as it would be just and equitable for us to pay having regard to the extent of our responsibility for the damage and on the assumptions that:

- all other consultants, contractors, sub-contractors, project managers and advisers engaged in connection with the transaction have provided correct undertakings on terms no less onerous than those set out here;
- there are no exclusions of or limitations of liability nor joint insurance or coinsurance provisions between you and any other party referred to in this clause and any such other party who is responsible to any extent for the loss and damage is contractually liable to you for the loss and damage; and
- all the parties referred to in this clause have paid you such proportion of the loss and damage which it would be just and equitable for them to pay regard to the extent of their responsibility for the loss and damage.

Claims shall be brought only against the firm of J&E Shepherd and no liability shall rest with any individual partner (save through J&E Shepherd), employee or agent of J & E Shepherd.

## COMMERCIAL VALUATION REPORT TERMS AND CONDITIONS OF ENGAGEMENT

J & E Shepherd  
22 Miller Road, Ayr KA7 2AY



Should any part of this section be held to be unenforceable for any reason, the remainder of the agreement and this section shall remain in full force and effect.

### Complaints Procedure

In accordance with the Royal Institution of Chartered Surveyors Rules of Conduct, J&E Shepherd, Chartered Surveyors operate a formal procedure to deal with complaints from clients and others. Our Complaints Handling Procedure is intended to:-

Provide certainty for both the company and individuals; Ensure a fair and transparent process is adhered to; Enable a written policy to be provided on request to satisfy the expectations of external consumers and the RICS.

Full details of our Complaints Handling Procedure are available from [Complaints@shepherd.co.uk](mailto:Complaints@shepherd.co.uk).

If you remain dissatisfied with any aspect of our handling of your complaint, then we will attempt to resolve this promptly through negotiations and otherwise a referral to mediation via the Surveyors Ombudsman Services-Property (OS-P), an independent service set up to adjudicate on disputes between Chartered Surveyors and consumers.

### Governing Law

This agreement shall be governed by and construed in accordance with the law of Scotland and is subject to the exclusive jurisdiction of the Scottish Courts.

### Confirmation of Instruction

Please check that the terms incorporate your instructions and sign below and return to us to confirm instructions. If we do not hear from you by return, we assume that all matters are in order and we will proceed with the instructions as detailed herein.

Signature:

Date:

2 dec 23



#### DEFINITION OF VALUE

The agreed basis of valuation is as noted on page one of these terms, which is defined in the RICS Valuation Standards and is reproduced below.

#### Market Rent

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 Value

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

#### Existing Use Value

The estimated amount for which an asset should exchange on the valuation date between a willing buyer and a willing seller in an arm's-length transaction after proper marketing and where the parties had acted knowledgeably, prudently and without compulsion - assuming that the buyer is granted vacant possession of all parts of the asset required by the business, and disregarding potential alternative uses and any other characteristics of the asset that would cause its Market Value to differ from that needed to replace the remaining service potential at least cost.

#### Worth and Investment Value

The value of an asset to the owner or a prospective owner for individual investment or operational objectives.

#### Fair Value

The estimated price for the transfer of an asset or a liability between identified knowledgeable and willing parties that reflects the respective interests of those parties.

#### SCOPE OF WORK AND VALUATION ASSUMPTIONS

The Valuer has inspected the property for the purpose of providing an opinion of Market Value and/or Market Rent as instructed. The Valuer has undertaken a visual inspection of so much of the exterior and interior of the property as was accessible safely and without undue difficulty. The inspection was carried out whilst standing at ground level within the boundaries of the site and adjacent public/common areas and whilst standing at the various floor levels.

#### REPAIR AND CONDITION

This report constitutes a valuation and not a building survey. The Valuer was under no duty to carry out a building survey or to inspect those parts of the property that are covered, unexposed or inaccessible or to raise boards, move any fixtures, fittings or contents or to arrange for the testing of heating or other services. It has been assumed that all services, and any associated controls or software, are in working order and free from defect. Roof voids and sub-floor areas were only inspected where readily available and safe access was available.

Comments, if any, on the physical condition of the foundations, walls, floors, ceilings, roof or roof voids, roof coverings, chimneys, gutters, drains, pipes, tanks and services etc., must be read in this context. If further information is required a separate survey with respect to these items or to other parts of the property related thereto must be specifically instructed in writing.

In undertaking the inspection, the general state of repair and condition of the property has been taken into account. The inspection was not a Building or Structural survey and this report is not intended to detail minor defects which do not materially affect value. If however, minor defects are mentioned in the report, they should be regarded as indicative and not an exhaustive list of defects. For the purposes of the Valuation, it is assumed that the property is in a reasonable repair, except for any defects specifically noted.

Woodwork or other parts of the property, which were covered, unexposed or inaccessible, have not been inspected and we are therefore unable to report that such parts of the property are free from rot, beetle or other defects.

#### STATUTORY ENQUIRIES

We have not secured a written planning history from the local authority nor have we made formal enquiries to other relevant bodies. The information contained within this report therefore represents our findings based on verbal enquiries with the relevant statutory bodies and investigations thought appropriate. Whilst the information provided is taken to be accurate, we have assumed that a full planning history and further formal enquiries will be conducted by your legal advisors. Any discrepancy should be immediately notified to ourselves in order that we may advise whether this may impact our valuation(s) reported.

Unless stated otherwise within this report and in the absence of any information to the contrary, we have assumed that:

all buildings have been erected either prior to planning control, or in accordance with planning permissions, and have the benefit of permanent planning consents or existing use rights for their current use;

the property is not adversely affected by town planning or road proposals;

all alterations, additions or extension to the property have received all necessary Town Planning Consents, Building Authority Approvals (Building Warrants) and Completion Certificates;

the property complies with all relevant statutory and local authority requirements, including but not limited to Fire Regulations, The Equality Act, The Control of Asbestos Act, The Licensing Scotland Act, Health and Safety Regulations, Environmental Health Regulations and similar.

#### FIXTURES & FITTINGS

Unless otherwise specified the following items are excluded, except in the case of Trading Related valuations where they are specifically included, unless stated to the contrary:

All items of process plant and machinery, tooling and other equipment not primarily serving the building, cranes, hoists, conveyors, elevators, structures which were ancillary to, or form part of an item of process plant and machinery, sewerage plant primarily concerned with treating trade effluents, air conditioning forming part of a computer installation or primarily serving plant.

In the case of trading related valuations, all items of trade equipment and fittings currently present within the property that are necessary for the continued operation of the business are assumed to be owned outright (unless otherwise stated) and included with the sale of the business. No tests have been undertaken to establish the operation of the trade fixtures and fittings which are assumed to be in good working order.

#### INFORMATION SOURCES

All information provided to the valuer by the client and/or the client's professional advisors or any other party is assumed to be complete and correct.

#### TITLE, TENURE AND TENANCIES

It is assumed that there are no encumbrances or unduly onerous restrictions, easements, servitudes, outgoings, conditions or other burdens that would have an adverse effect upon the value of the property and that a good and marketable title is held.

We do not generally have access to all leases, title deeds, or other legal documents relating to the property.

Any information recorded in this report represents our understanding of the relevant documents provided. We should emphasise that the interpretation of the documents of title (including relevant deeds, leases and planning consents), is the responsibility of your legal advisor.

Unless otherwise stated and in the absence of any information to the contrary, we have assumed that:

a. There are no tenant's improvements that will materially affect our opinion of the rent that be obtained at rent review or lease renewal.

b. The tenants will meet their obligations under their leases and are responsible for ins property or reimbursing the cost of insurance to the landlords, payment of business rates repairs, whether directly or by means of a service charge.

c. There are no user restrictions or other restrictive covenants in leases which would affect value.

d. Where appropriate, permission to assign the interest being valued would not be withheld by the landlord.

e. Vacant possession can be secured for all accommodation let on a temporary basis, occupancy etc.

Where we have not conducted credit enquiries on the financial status of any of the tenants, we have reflected our general understanding of the likely perception of the tenants' marketplaces. Accordingly, purchasers should satisfy themselves of the financial strength of tenants prior to purchase.

#### GROUND AND ENVIRONMENTAL INVESTIGATIONS

We will not carry out or commission a site investigation or geophysical or geophysical investigation. We will, therefore, not be able to give any opinion or assurance or guarantee that the ground is of sufficient load bearing strength to support any of the existing constructions or any constructions that may be erected in the future. We also cannot give any opinion or assurance, guarantee that there are no underground mineral or other workings beneath the site vicinity nor that there is no fault or disability underground that might affect the proper construction thereon. We have, unless otherwise stated, assumed that there are no site or ground conditions, nor archaeological remains present which might adversely affect the current or future occupation, development or value of the property.

We will not undertake or commission an environmental assessment to establish contamination exists or may exist. We will not carry out any detailed investigation into present uses, either of the property or of any neighbouring land, to establish whether the contamination or potential for contamination of the subject property from these properties.

Therefore, for the purposes of our Valuation Report, unless definitive information to the contrary is made available to us, we will normally assume that no contamination exists in relation to the property which would affect value.

Should it be established subsequently that contamination exists at the property or neighbouring land, or that the premises have been or are being put to a contaminative use, the value(s) set out in the report. You should therefore inform us immediately and we will reconsider our opinion of value accordingly.

Similarly we have assumed there are no EPC, asbestos, Radon gas, Japanese Knotweed, invasive species or flooding issues that would affect value. We reserve the right to act on valuations on sight of any further information with regard to any of these items as noted above.

No tests have been carried out to determine whether or not any deleterious or hazardous materials including (but not limited to) asbestos, composite panelling and flammable liquids have been incorporated in the construction or subsequent alterations of the premises. It is assumed that there are no deleterious or hazardous materials in the property which might adversely affect the current or future occupation, development or the property. Specifically the Valuer has not carried out an Asbestos Inspection and acted as an Asbestos Inspector in completing the valuation inspection of the Property. It is the Duty Holder, as defined in the Control of Asbestos in the Workplace Regulation, to ensure that an Asbestos Register, or of any Plan for the Management of Asbestos, is maintained.

#### REINSTATEMENT COST ASSESSMENT

Any reinstatement figure indicated within this report is provided for guidance purposes only. A formal estimate for insurance purposes can only be given by a Quantity Surveyor or other with sufficient current experience of replacement costs.

Unless otherwise stated, the calculation is based upon the building in its present form at the cost of demolition, site clearance and professional fees but excluding:

- VAT
- Loss of rent or turnover
- Cost of alternative accommodation for the reinstatement period.
- Any other consequential loss.

#### TAXATION

We have not been advised whether the property is elected for Value Added Tax (VAT). In the absence of doubt, all values stated in this report are exclusive of VAT and take no account of any liability for it or any other form of taxation that may arise upon the disposal or acquisition of the property.

#### SITE BOUNDARIES

Markings highlighted on any appended plans indicate the approximate extent of the property as understood or as indicated to us during our visit to the property. No guarantee is given as to whether this corresponds to that over which the title is held. It remains the responsibility of your legal advisor to confirm the legal boundaries and title apply to the property.

Should any of the assumptions or any additional stated assumptions prove to be false (or inappropriate), we reserve the right to revise our opinion(s) of value accordingly.

The foregoing Instruction Acknowledgement and Conditions of Engagement sets out the terms upon which we are to prepare our report and valuation of the property at the Proper Valued noted herein.

Please check that these incorporate your instructions and if we do not hear from you within 14 days, we shall assume that all matters are in order and we will proceed in accordance with our instructions as outlined herein.

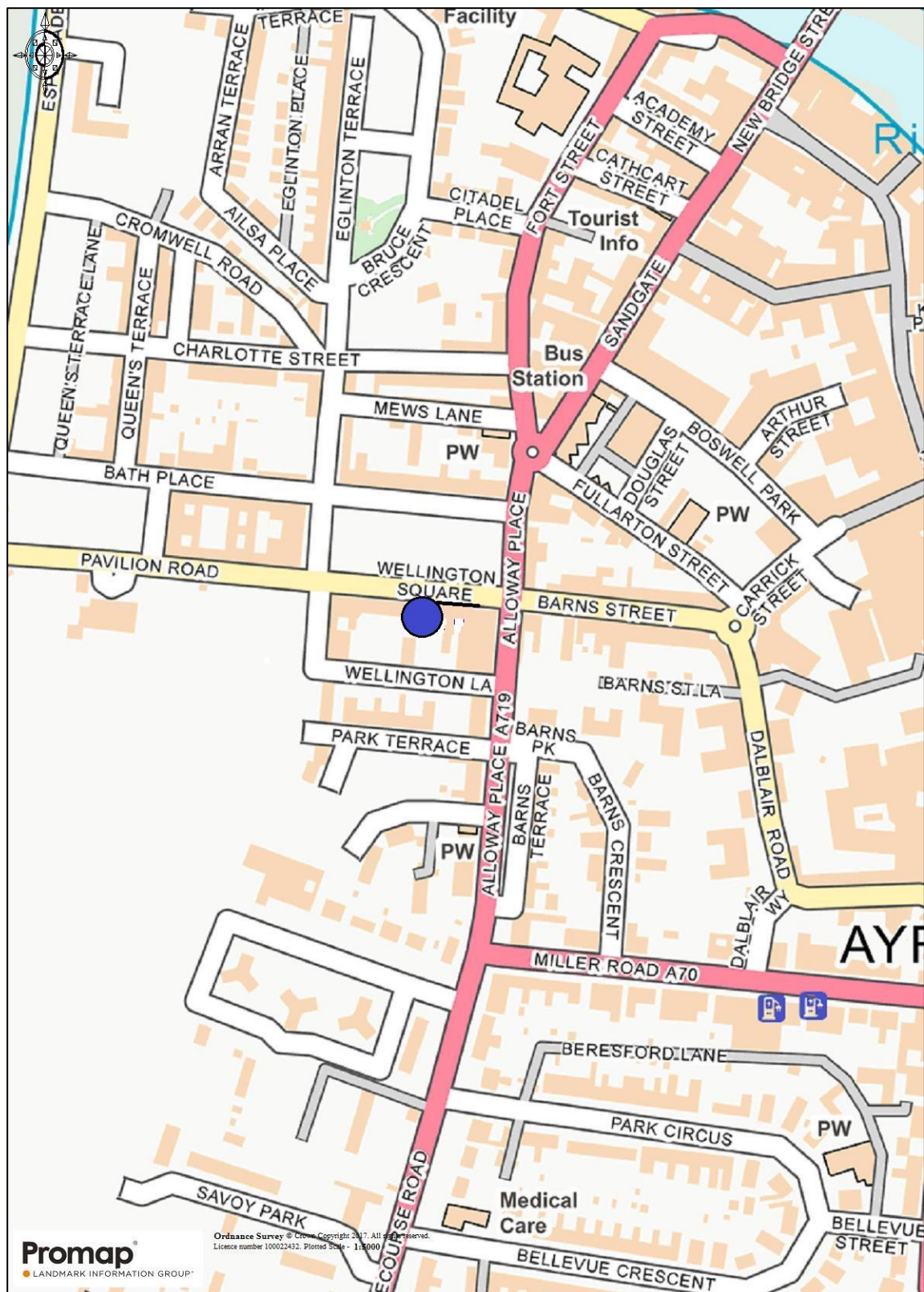
If appropriate, please pass a copy of this Instruction Acknowledgement and Conditions of Engagement to your client.

Yours faithfully

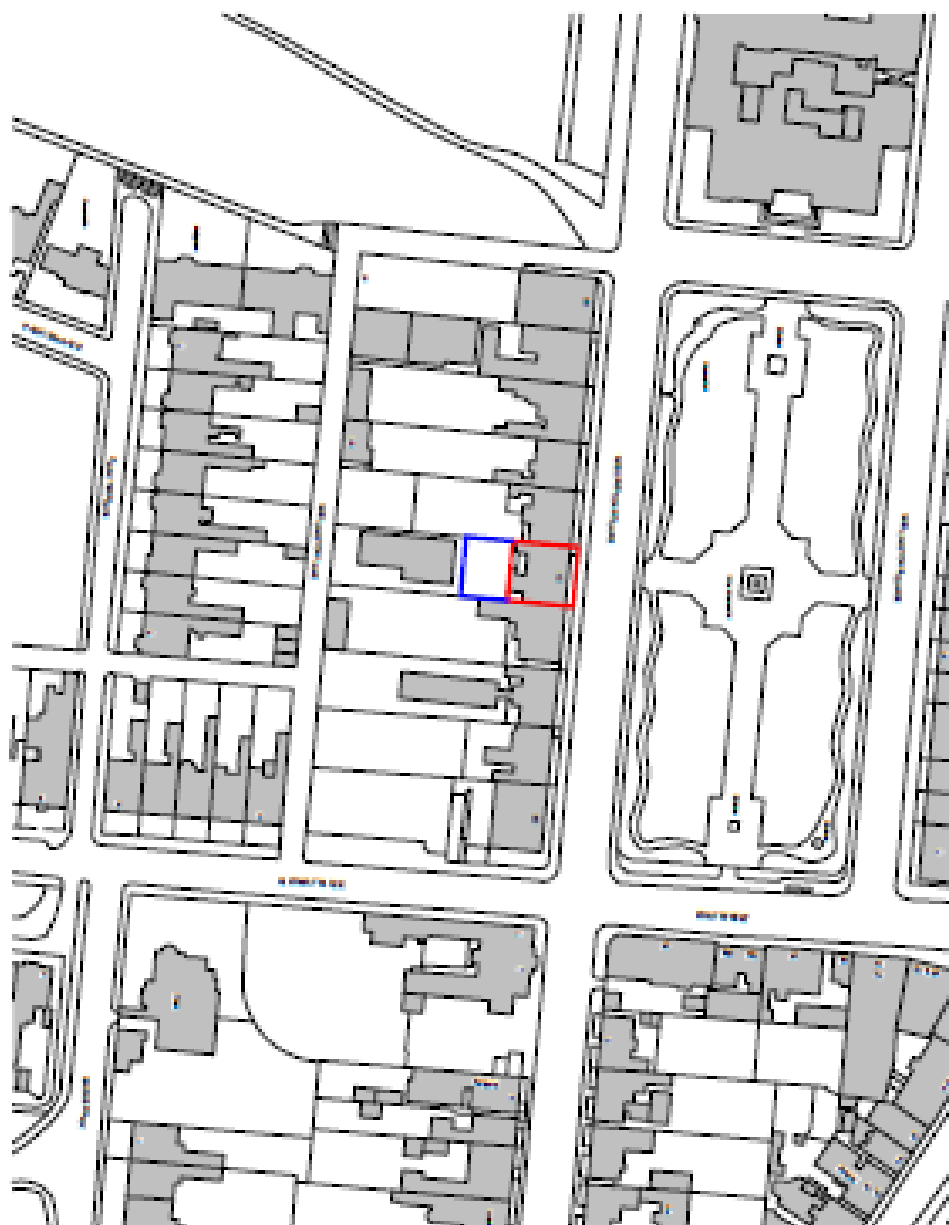
J & E Shepherd

J & E Shepherd

## APPENDIX 2 - LOCATION PLAN







### APPENDIX 3 - PHOTOGRAPHS





## Ayr – Hotel Cashflow – Y1

	Jan-24	Feb-24	Mar-24	Apr-24	May-24	Jun-24	Jul-24	Aug-24	Sep-24	Oct-24	Nov-24	Dec-24	YEARLY	
Revenue (Sales)	FOCAST	FOCAST	FOCAST	FOCAST	FOCAST	FOCAST	FOCAST	FOCAST	FOCAST	FOCAST	FOCAST	FOCAST		
Occupancy (Net rates used)														
Suite 1 - £120 gross	0	0	0	0	65%	65%	40%	65%	80%	82%	73%	65%	45% 84% Occ in regional submarket over 12 months. Costar	
Suite 1 - £120 gross					2,015	2,635	1,240	2,635	2,480	2,542	2,263	2,015	17,825 100	
Suite 2 - £120 gross	0	0	0	0	1,977	2,585	1,217	2,585	2,433	2,494	2,220	1,977	17,490 100	
Open Exceptionals							28,000						28,000 1000 a night	
Total Revenue (Sales)	0	0	0	0	3,993	5,221	30,457	5,221	4,914	5,037	4,484	3,993	63,315	
Cost of Sales														
Commission Payable - 15%	0	0	0	0	599	783	4,569	783	737	756	673	599	9,498 OTA & Voucher Commissions	
													0	
Total Cost of Sales	0	0	0	0	599	783	4,569	783	737	756	673	599	9,498	
Gross Profit	0	0	0	0	3,394	4,438	25,889	4,438	4,177	4,281	3,812	3,394	53,817	
Expenses														
Business Rates													0 Bus Rates - NLC	
Repairs and maintenance 3% 10	0	0	0	0	120	157	914	157	147	151	135	120	1,500 Property Improvements (excludes initial capex)	
Accountancy													800 Assumed	
Cleaning & Linens	0	0	0	0	620	810	381	810	763	782	696	620	5,482 2 hrs and £25 laundry, 2 turns a week	
Telephone / IT / Licenses					30	30	30	30	30	30	30	30	240 Expert IT	
Insurance	100	100	100	100	100	100	100	100	100	100	100	100	1,200 Broker	
Utilities	100	100	100	100	400	400	400	400	400	400	400	400	3,600 Best in market	
Bank Charges/Streamline ads	30	30	30	30	30	30	30	30	30	30	30	30	360 First data	
Waste	0	0	0	0	80	80	80	80	80	80	80	80	640 BFFA	
Sundries	0	0	0	0	104	136	64	136	128	131	117	104	920 Room toiletries and welcome gifts	
Marketing	0	0	0	0	300	300	100	100	100	100	100	100	1,500 Outsourced to professional mktg agency	
Total Expenses	230	230	230	230	530	1,783	2,043	2,099	1,843	1,778	1,804	1,687	16,641	
EBITDA	-230	-230	-230	-230	-530	1,610	2,395	23,789	2,595	2,399	2,477	2,124	1,010	37,176 59%



## Ayr – Hotel Cashflow – Y2

	Jan-25	Feb-25	Mar-25	Apr-25	May-25	Jun-25	Jul-25	Aug-25	Sep-25	Oct-25	Nov-25	Dec-25	YEARLY
<b>Revenue (Sales)</b>	<b>F1CAST</b>	<b>F1CAST</b>	<b>F1CAST</b>	<b>F1CAST</b>	<b>F1CAST</b>	<b>F1CAST</b>	<b>F1CAST</b>	<b>F1CAST</b>	<b>F1CAST</b>	<b>F1CAST</b>	<b>F1CAST</b>	<b>F1CAST</b>	
Occupancy (Net rates used)	50%	55%	60%	70%	75%	75%	80%	80%	75%	70%	65%	65%	65% 84% Occ in regional submarket over 12 months. Costar
Suite 1 - £125 gross	1,615	1,776	1,938	2,280	2,422	2,422	2,583	2,583	2,422	2,280	2,099	2,099	26,479 104
Suite 2 - £125 gross	1,584	1,743	1,901	2,218	2,376	2,376	2,535	2,535	2,376	2,218	2,059	2,059	25,581 104
													0
<b>Total Revenue (Sales)</b>	<b>3,199</b>	<b>3,519</b>	<b>3,839</b>	<b>4,479</b>	<b>4,799</b>	<b>4,799</b>	<b>5,119</b>	<b>5,119</b>	<b>4,799</b>	<b>4,479</b>	<b>4,159</b>	<b>4,159</b>	<b>52,461</b>
<b>Cost of Sales</b>													
Commission Payable - 13%	416	457	499	582	624	624	665	665	624	592	541	541	6,821 OT A & Voucher Commissions
													0
<b>Total Cost of Sales</b>	<b>416</b>	<b>457</b>	<b>499</b>	<b>582</b>	<b>624</b>	<b>624</b>	<b>665</b>	<b>665</b>	<b>624</b>	<b>592</b>	<b>541</b>	<b>541</b>	<b>6,821</b>
<b>Gross Profit</b>	<b>2,783</b>	<b>3,062</b>	<b>3,340</b>	<b>3,897</b>	<b>4,175</b>	<b>4,175</b>	<b>4,453</b>	<b>4,453</b>	<b>4,175</b>	<b>3,887</b>	<b>3,618</b>	<b>3,618</b>	<b>45,640</b>
<b>Expenses</b>													
Business Rates													0 Bus Rates - NLC
Repairs and maintenance 3% 110	96	106	115	134	144	144	154	154	144	134	125	125	1,574 Property improvements (excludes initial capex)
Accountancy													800 Assured
Cleaning & Linens	477	524	572	667	715	715	763	763	715	667	620	620	7,817 2 ltrs and £25 laundry, 2 ltrs a week
Telephone / IT / Licenses	30	30	30	30	30	30	30	30	30	30	30	30	360 Expert IT
Insurance	100	100	100	100	100	100	100	100	100	100	100	100	1,200 Broker
Utilities	400	400	400	400	400	400	400	400	400	400	400	400	4,800 Best in market
Bank Charges/Streamfaccts	30	30	30	30	30	30	30	30	30	30	30	30	360 First data
Waste	80	80	80	80	80	80	80	80	80	80	80	80	960 BIFFA
Sundries	80	88	96	112	120	120	128	128	120	112	104	104	1,312 Room toiletries and welcome gifts
Marketing	100	100	100	100	100	100	100	100	100	100	100	100	1,200 Outsourced to professional mktg agency
<b>Total Expenses</b>	<b>1,393</b>	<b>1,458</b>	<b>1,523</b>	<b>1,654</b>	<b>1,719</b>	<b>1,719</b>	<b>1,784</b>	<b>1,784</b>	<b>1,719</b>	<b>1,654</b>	<b>1,588</b>	<b>2,388</b>	<b>20,353</b>
<b>EBITDA</b>	<b>1,391</b>	<b>1,604</b>	<b>1,817</b>	<b>2,243</b>	<b>2,456</b>	<b>2,456</b>	<b>2,669</b>	<b>2,669</b>	<b>2,456</b>	<b>2,243</b>	<b>2,030</b>	<b>1,230</b>	<b>25,256 45%</b>

## Ayr – Hotel Cashflow – Y3

	Jan-26	Feb-26	Mar-26	Apr-26	May-26	Jun-26	Jul-26	Aug-26	Sep-26	Oct-26	Nov-26	Dec-26	YEARLY
<b>Revenue (Sales)</b>	<b>FOCAST</b>	<b>FOCAST</b>	<b>FOCAST</b>	<b>FOCAST</b>	<b>FOCAST</b>	<b>FOCAST</b>	<b>FOCAST</b>	<b>FOCAST</b>	<b>FOCAST</b>	<b>FOCAST</b>	<b>FOCAST</b>	<b>FOCAST</b>	<b>FOCAST</b>
Occupancy (Net rates used)	55%	65%	70%	75%	75%	85%	85%	85%	80%	82%	73%	65%	75% 84% Occ in regional submarket over 12 months. Costar
Suite 1 - £125 gross	1,776	2,099	2,260	2,422	2,422	2,745	2,745	2,745	2,583	2,648	2,357	2,099	28,901 104
Suite 2 - £125 gross	1,743	2,059	2,218	2,376	2,376	2,693	2,693	2,693	2,535	2,598	2,313	2,059	28,357 104
													0
<b>Total Revenue (Sales)</b>	<b>3,519</b>	<b>4,159</b>	<b>4,479</b>	<b>4,799</b>	<b>4,799</b>	<b>5,439</b>	<b>5,439</b>	<b>5,439</b>	<b>5,119</b>	<b>5,247</b>	<b>4,671</b>	<b>4,159</b>	<b>57,259</b>
<b>Cost of Sales</b>													
Commission Payable - 13%	457	541	592	624	624	707	707	707	665	662	607	541	7,445 OTA & Voucher Commissions
													0
<b>Total Cost of Sales</b>	<b>457</b>	<b>541</b>	<b>592</b>	<b>624</b>	<b>624</b>	<b>707</b>	<b>707</b>	<b>707</b>	<b>665</b>	<b>662</b>	<b>607</b>	<b>541</b>	<b>7,445</b>
<b>Gross Profit</b>	<b>3,062</b>	<b>3,618</b>	<b>3,887</b>	<b>4,175</b>	<b>4,175</b>	<b>4,732</b>	<b>4,732</b>	<b>4,732</b>	<b>4,453</b>	<b>4,585</b>	<b>4,064</b>	<b>3,618</b>	<b>49,814</b>
<b>Expenses</b>													
<b>Business Rates</b>													0 Bus Rates - NLC
Repairs and maintenance 3% t/o	106	125	134	144	144	163	163	163	154	157	140	125	1,718 Property improvements (excludes initial capex)
Accountancy													800 Assumed
Cleaning & Linens	524	620	657	715	715	810	810	810	753	752	696	620	8,532 2 hrs and £25 laundry, 2 turns a week
Telephone / IT / Licences	30	30	30	30	30	30	30	30	30	30	30	30	360 Expert IT
Insurance	100	100	100	100	100	100	100	100	100	100	100	100	1,200 Broker
Utilities	400	400	400	400	400	400	400	400	400	400	400	400	4,800 Best in market
Bank Charges/Streamline/acts	30	30	30	30	30	30	30	30	30	30	30	30	360 First data
Waste	80	80	80	80	80	80	80	80	80	80	80	80	960 Biffa
Sundries	88	104	112	120	120	136	136	136	128	131	117	104	1,432 Room toiletries and welcome gifts
Marketing	100	100	100	100	100	100	100	100	100	100	100	100	1,200 Outsourced to professional mktg agency
<b>Total Expenses</b>	<b>1,458</b>	<b>1,598</b>	<b>1,654</b>	<b>1,719</b>	<b>1,719</b>	<b>1,849</b>	<b>1,849</b>	<b>1,849</b>	<b>1,794</b>	<b>1,810</b>	<b>1,653</b>	<b>2,388</b>	<b>21,362</b>
<b>EBITDA</b>	<b>1,604</b>	<b>2,030</b>	<b>2,243</b>	<b>2,456</b>	<b>2,456</b>	<b>2,892</b>	<b>2,892</b>	<b>2,892</b>	<b>2,669</b>	<b>2,754</b>	<b>2,371</b>	<b>1,230</b>	<b>28,452 50%</b>



## APPENDIX 4 - DEFINITIONS OF VALUE

### Market Rent

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

### Market Value

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

### Existing Use Value

The estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's-length transaction, after proper marketing and where the parties had acted knowledgeably, prudently and without compulsion - assuming that the buyer is granted vacant possession of all parts of the asset required by the business, and disregarding potential alternative uses and any other characteristics of the asset that would cause its Market Value to differ from that needed to replace the remaining service potential at least cost.

### Worth and Investment Value

The value of an asset to the owner or a prospective owner for individual investment or operational objectives.

### Fair Value

The estimated price for the transfer of an asset or a liability between identified knowledgeable and willing parties that reflect the respective interests of those parties.

## APPENDIX 5 – SCOPE OF WORK AND VALUATION ASSUMPTIONS

### General

The Valuer has inspected the property for the purpose of providing an opinion of Market Value and/or Market Rental as instructed. The Valuer has undertaken a visual inspection of so much of the exterior and interior of the property as was accessible safely and without undue difficulty. The inspection was carried out whilst standing at ground level within the boundaries of the site and adjacent public/communal areas and whilst standing at the various floor levels.

### Repair and Condition

This report constitutes a valuation and not a building survey. The Valuer was under no duty to carry out a building survey or to inspect those parts of the property that are covered, unexposed or inaccessible or to raise boards, move any fixtures, fittings or contents or to arrange for the testing of heating or other services. It has been assumed that all services, and any associated controls or software, are in working order and free from defect. Roof voids and sub-floor areas were only inspected where readily available and safe access was available.

Comments, if any, on the physical condition of the foundations, walls, floors, ceilings, roof or roof voids, roof coverings, chimneys, gutters, drains, pipes, tanks and services etc., must be read in this context. If further information is required a separate survey with respect to these items or to other parts of the property related thereto must be specifically instructed in writing.

In undertaking the inspection, the general state of repair and condition of the property has been taken into account. The inspection was not a Building or Structural survey and this report is not intended to detail minor defects which do not materially affect value. If however, minor defects are mentioned in the report, they should be regarded as indicative and not an exhaustive list of defects. For the purposes of the Valuation, it is assumed that the property is in good repair, except for any defects specially noted.

Woodwork or other parts of the property, which were covered, unexposed or inaccessible, have not been inspected and we are therefore unable to report that such parts of the property are free from rot, beetle or other defects.

### Statutory Enquiries

We have not secured a written planning history from the local authority nor have we made formal enquiries to other relevant bodies. The information contained within this report therefore represents our findings based on verbal enquiries with the relevant statutory bodies and investigations thought appropriate. Whilst the information provided is taken to be accurate, we have assumed that a full planning history and further formal enquiries will be conducted by your legal advisors. Any discrepancy should be immediately notified to ourselves in order that we may advise whether this may impact our valuation(s) reported.

Unless stated otherwise within this report and in the absence of any information to the contrary, we have assumed that:

- (a) all buildings have been erected either prior to planning control, or in accordance with planning permissions, and have the benefit of permanent planning consents or existing use rights for their current use;
- (b) the property is not adversely affected by town planning or road proposals.
- (c) all alterations, additions or extension to the property have received all necessary Town Planning Consents, Building Authority Approvals (Building Warrants) and Completion Certificates.
- (d) the property complies with all relevant statutory and local authority requirements, including but not limited to Fire Regulations, The Equality Act, The Control of Asbestos Act, The Licensing Scotland Act, Health and Safety Regulations, Environmental Health Regulations and similar.

## Fixtures and Fittings

Unless otherwise specified the following items are excluded, except in the case of Trading Related valuations where they are specifically included, unless stated to the contrary:

All items of process plant and machinery, tooling and other equipment not primarily serving the building, cranes, hoists, conveyors, elevators, structures which were ancillary to, or form part of an item of process plant and machinery, sewerage plant primarily concerned with treating trade effluents, air conditioning forming part of a computer installation or primarily serving plant.

In the case of trading related valuations, all items of trade equipment and fittings currently present within the property that are necessary for the continued operation of the business are assumed to be owned outright (unless otherwise stated) and included with the sale of the business. No tests have been undertaken to establish the operation of the trade fixtures and fittings which are assumed to be in good working order.

## Information Sources

All information provided to the valuer by the client and/or the client's professional advisors or any other party is assumed to be complete and correct.

## Title, Tenure and Tenancies

It is assumed that there are no encumbrances or unduly onerous restrictions, easements, servitudes, outgoing, conditions or other burdens that would have an adverse effect upon the value of the property and that a good and marketable title is held.

We do not generally have access to all leases, title deeds, or other legal documents relating to the property.

Any information recorded in this report represents our understanding of the relevant documents provided. We should emphasise that the interpretation of the documents of title (including relevant deeds, leases and planning consents), is the responsibility of your legal advisor.

Unless otherwise stated and in the absence of any information to the contrary, we have assumed that:

- a) There are no tenant's improvements that will materially affect our opinion of the rent that would be obtained at rent review or lease renewal.
- b) The tenants will meet their obligations under their leases and are responsible for insuring the property or reimbursing the cost of insurance to the landlords, payment of business rates, and all repairs, whether directly or by means of a service charge.
- c) There are no user restrictions or other restrictive covenants in leases which would adversely affect value.
- d) Where appropriate, permission to assign the interest being valued would not be withheld by the landlord.
- e) Vacant possession can be secured for all accommodation let on a temporary basis, serviced occupancy etc.

Where we have not conducted credit enquiries on the financial status of any of the tenants, we have, reflected our general understanding of the likely perception of the tenants in the marketplace. Accordingly, purchasers should satisfy themselves of the financial strength of the tenants prior to purchase.

## Ground and Environmental Investigations

We will not carry out or commission a site investigation or geographical or geophysical survey. We will, therefore, not be able to give any opinion or assurance or guarantee that the ground has sufficient load bearing strength to support any of the existing constructions or any other constructions that may be erected in the future. We also cannot give any opinion or assurance or guarantee that there are no underground mineral or other workings beneath the site or in its vicinity.

nor that there is no fault or disability underground that might affect the property or any construction thereon. We have, unless otherwise stated, assumed that there are no abnormal site or ground conditions, nor archaeological remains present which might adversely affect the current or future occupation, development or value of the property.

We will not undertake or commission an environmental assessment to establish whether contamination exists or may exist. We will not carry out any detailed investigation into past or present uses, either of the property or of any neighbouring land, to establish whether there is any contamination or potential for contamination of the subject property from these uses or properties.

Therefore, for the purposes of our Valuation Report, unless definitive information to the contrary is made available to us, we will normally assume that no contamination exists in relation to the property which would affect value.

Should it be established subsequently that contamination exists at the property or on any neighbouring land, or that the premises have been or are being put to a contaminative use, this might reduce the value(s) set out in the report. You should therefore inform us of this immediately and we will reconsider our opinion of value accordingly.

Similarly we have assumed there are no EPC, asbestos, Radon gas, Japanese Knotweed, invasive species or flooding issues that would affect value. We reserve the right to amend our valuations on sight of any further information with regard to any of these items as noted herein and above.

No tests have been carried out to determine whether or not any deleterious or hazardous building materials including (but not limited to) asbestos, composite panelling and flammable insulation have been incorporated in the construction or subsequent alterations of the premises. We have, unless otherwise stated, assumed that there are no deleterious or hazardous materials within the property which might adversely affect the current or future occupation, development or value of the property. Specifically the Valuer has not carried out an Asbestos Inspection and has not acted as an Asbestos Inspector in completing the valuation inspection of the Property that may fall within the current control of Asbestos at Work Regulations. No enquiry has been made with the Duty Holder, as defined in the Control of Asbestos in the Workplace Regulations, of the existence of an Asbestos Register, or of any Plan for the Management of Asbestos.

#### Reinstatement Cost Assessment

Any reinstatement figure indicated within this report is provided for guidance purposes only, as a formal estimate for insurance purposes can only be given by a Quantity Surveyor or other person with sufficient current experience of replacement costs.

Unless otherwise stated, the calculation is based upon the building in its present form including the cost of demolition, site clearance and professional fees but excluding:

- a) VAT
- b) Loss of rent or turnover
- c) Cost of alternative accommodation for the reinstatement period.
- d) Any other consequential loss.

#### Taxation

We have not been advised whether the property is elected for Value Added Tax (VAT). For the avoidance of doubt, all values stated in this report are exclusive of VAT and take no account of any liability for it or any other form of taxation that may arise upon the disposal or acquisition of the property.

#### Site Boundaries

Markings highlighted on any appended plans indicate the approximate extent of the site inspected as understood or as indicated to us during our visit to the property. No guarantee can be given as to whether this corresponds to that over which the title is held. It remains the responsibility of your legal advisor to confirm the legal boundaries and title applying to the property.

Should any of the assumptions or any additional stated assumptions prove to be incorrect (or inappropriate); we reserve the right to revise our opinion(s) of value accordingly.