



Calgarth House, 39-41 Bank Street, Ashford, Kent TN23 1DQ  
Tel: 01233 646465 Fax: 01233 665338 Email: enquiries@atriumsurveyors.co.uk  
www.atriumsurveyors.co.uk

New Horizons Retirement Benefit Scheme  
c/o Glenny llp  
Glenny House  
56 Longbridge Road  
Barking  
Essex IG11 8RW

VH/cs  
11th September 2009

Dear Sirs

**Units 3/4 Heron Business Centre, Henwood, Ashford, Kent**

We refer to our recent discussions with regard to the above and your kind instructions requesting us to prepare a brief Report and Valuation.

You have advised that this Valuation is required by yourselves for internal purposes only.

Having now had the opportunity to give this matter our further consideration we would report to you as follows:-

**SCOPE OF VALUATION**

In accordance with your instructions this Valuation has **not** been carried out under the RICS Appraisal and Valuation Standards (5<sup>th</sup> Edition).

We have been asked to provide a market value for these premises and we can confirm that this Valuation is prepared on an Open Market Value (OMV) basis which is defined later in this Report.

The assumption date of this Valuation is at 11th September 2009 and that there are no special instructions.

**LOCATION**

The Heron Business Centre is located on the Henwood Industrial Estate approximately two thirds of a mile to the east of Ashford town centre. Both junction 9 and junction 10 of the M20 are within easy reach, each being approximately 2 miles distance and provide exceptional links to the UK and European motorway networks.



Directors: Paul Appelt, Vaughan Hughes BSc MRICS

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Ashford International railway station is within 5 minutes drive which now in addition to regular regional services provides fast link journeys to London (St Pancras) in just 37 minutes.

A location plan is attached (Appendix 1).

### **DESCRIPTION**

The subject property comprises part of the Heron Business Centre which was refurbished and converted approximately 5 years ago to provide 16 self contained business units ranging in size from 959 ft<sup>2</sup> up to 6,006 ft<sup>2</sup>.

Each unit is provided with independent services and fitted WC's together with on-site designated car parking.

Unit 3/4 forms a corner unit and provides WC accommodation, separate personnel and loading door, eaves height of approximately 9 ft and good natural lighting by way of double glazed window units along one elevation.

There are six designated car parking spaces.

A plan showing the position of the subject property on the Estate is attached (Appendix 2).

Photographs of the subject property are attached (Appendix 3)

### **ACCOMMODATION**

The accommodation provides a gross internal area of 2,907 ft<sup>2</sup>.

### **CONDITION**

Our instructions do not extend to the carrying out of a building survey and our inspection was restricted and all observations were made from ground level.

### **SERVICES**

We assume that the subject property is connected to all the main services.

### **ENVIRONMENTAL MATTERS**

We are not environmental experts nor have we carried out an environmental audit. Should it be subsequently established that contamination exists at the property or in any neighbouring land or the premises have been or are being to contaminative use this may reduce the values in our Report.

### **TENURE**

We are advised that the property is held on a freehold basis. We have assumed that good title can be shown and the property is not subject to any unusual or especially onerous restrictions, encumbrances or outgoing.

## **TENANCY DETAILS**

We are advised that this accommodation is let to Kent County Council on the following lease terms:-

Term:	15 years from 21 <sup>st</sup> September 2006
Current Rent:	£16,500 per annum exclusive
Lease Basis:	Full repairing and insuring
Rent Review:	Every 3 years with the next rent review being due on 21 <sup>st</sup> September 2009.
Break Clause:	The lease incorporates a tenants only option to break on 21 <sup>st</sup> September 2016.
Alienation:	a) Not to assign or underlet part of the demised premises b) Not to assign or underlet the whole of the premises without the Landlords prior written consent.
Use:	Workshop and training for disabled within Use Class D1 of the Town and Country Planning Act (Use Classes) Order 1987.

We can find no other clauses within the lease which would have a detrimental effect on our opinion of the Open Market Value.

## **MARKET COMMENTARY**

The economic recession has impacted substantially on occupier demand and the rental outlook for the property market has worsened over the last quarter. The economy is set for a period of further entrenchment affecting all sectors and property in particular. However, the UK property investment market is beginning to show signs of a stabilisation in activity, yields and even finance availability. This comes on the back of a brightening in sentiment towards the economy generally.

The tight supply of the type and quality of space in demand among investors is helping to cause the correction in yields although it has been away from the prime end of the market where the impact has been the greatest. This gives a strong indication that activity is focussed on the larger high quality prime assets and the secondary stock is seeing noticeably weaker demand and consequently pressures on yield levels.

With regard to industrial properties specifically, occupier activity remains subdued within the South East sector of the country and there have been few big leasing deals this year despite the generous incentives that are currently being made available.

Despite this, the downward pressure on rents has not been as dramatic as it has in other sectors although the full impact of the downturn is masked by the fact that some landlords are offering to cover substantial fit-out works and provide generous incentives. Rent free periods are now running up to one year for each five year term certain and we are noting that discounts of up to £2/£3.00 per square foot are being seen on some headline rent figures.

## **BASIS OF VALUATION**

Open Market Value (OMV) meaning our opinion of the best price at which the sale of an interest in a property would have been completed unconditionally for cash consideration on the date of valuation assuming:-

- a) a willing seller
- b) that prior to the date of valuation there had been a reasonable period (having regard to the nature of the property and the state of the market) for the proper marketing of the interest, for the agreement of price and terms and for the completion of the sale.
- c) that the state of the market, levels of values and other circumstances were on an earlier assumed date of exchange of contracts the same as on the date of valuation.
- d) that no special account is taken of any additional bid by a prospective purchaser with a special interest
- e) that both parties to the transaction have acted knowledgeably, prudently and without compulsion

## **VALUATION**

We have carried out our usual research and enquiries and analysed the existing market commentaries in determining our opinion as to the applicable Open Market Value.

There is no doubt that the economic recession has had a considerable impact on the strength of the commercial property market within the Ashford area and there is now clear indication that rental and capital values have declined over the past 12 month period.

For example, at Connect 10 on the Ashford Business Park which is a new development of 24 industrial units ranging in size from 1,100 ft<sup>2</sup> up to 4,250 ft<sup>2</sup> a rental equating to £8.50 per ft<sup>2</sup> was achieved eighteen months ago on Unit 2 comprising 2,475 ft<sup>2</sup>. However, the latest lettings on the Estate show figures of between £5.50 per ft<sup>2</sup> to £6.00 per ft<sup>2</sup> for similar size units, before taking into account the effect of agreed rent free periods.

Likewise with freehold prices, the first sale at Connect 10, which was Unit 18 comprising 1,550 ft<sup>2</sup> approximately 13 months ago, was at £118 per ft<sup>2</sup>. The latest transaction however in respect of Units 3 and 4 taken as one comprising 5,550 ft<sup>2</sup> on a new lease at a rent of £6 per ft<sup>2</sup> but with an option to purchase before the end of January 2010 at an agreed capital value was at only £98 per ft<sup>2</sup>.

On the Heron Business Park itself the letting of the subject property to Kent County Council in 2006 was at a rent of £5.68 per ft<sup>2</sup>. Eight months prior to that transaction Unit 10 was let to Speedy Hire Centres (Southern) Ltd on a 10 year lease at a rent equating to £5.99 per ft<sup>2</sup>.

However, the recent letting of Unit 20 on the same estate, which comprises a new unit of 1,382 ft<sup>2</sup>, has been completed at a first year's rent of only £3.75 per ft<sup>2</sup> but rising to £6.00 per ft<sup>2</sup> by year three.

With regard to yields, investment transactions within the South East that can be used for comparable purposes are extremely limited. However we are aware that an industrial estate in Canterbury which comprises six units on four leases to two relatively strong covenants and two local covenants on leases ranging from two years to 13 years unexpired was purchased several months ago at a yield reflecting 11% before purchase costs.

A property in Medway Street in Chatham currently let to Staples with 8 years remaining on the lease was sold earlier this year at a yield reflecting 10%.

Finally we are aware that a large high specification industrial unit of approximately 45,000 ft<sup>2</sup> is currently available to purchase in Sittingbourne. This property is let to Power Caddy on a lease with 18 years remaining with fixed rent uplifts at 2011 and 2016 and it is available a guide price reflecting a yield of 9% before costs.

In arriving at our opinion of the Open Market Value for the subject property therefore we have regard to the following:-

1. There is a rent review due on 21<sup>st</sup> September 2009. However, with the current rent passing equating to £5.68 it is unlikely that an increase would be negotiated taking into account the rents currently being achieved for lettings of new units on the same estate.
2. The property has a relatively basic specification and suffers from a restricted eaves height of only 9 ft.
3. Kent County council can be considered as a good covenant and occupy by way of a 15 year lease albeit with a tenant only break option in September 2016.

Taking these matters into consideration therefore we anticipate that the Open Market Value of the freehold interest in the subject property subject to the tenancy as previously described would be in the region of **£155,500 (one hundred and fifty five thousand five hundred pounds) (Valuation attached in Appendix 4 )**

#### **ASSUMPTIONS AND RESERVATIONS**

For the avoidance of any misunderstanding we have based our opinion of values on the following assumptions:-

1. The information provided by you is correct.
2. The site is not contaminated and the soil conditions are satisfactory.
3. The site is not affected by flooding .
4. That good title can be shown and the property is not subject to any unusual or especially onerous restrictions, encumbrances or outgoing.
5. That the property and its value are unaffected by any matters which would be revealed by a local search and replies to the usual enquiries or by any statutory notice and that neither the property or its condition nor its use nor any intended use is or will be unlawful.

6. This Report has been provided for the stated purpose and for the sole use of the named client. It will be confidential to the client or the client's professional advisors.
7. Neither the whole nor any part of this Valuation Report nor any reference thereto may be included in any published document, circular or statement nor published in any way without the Valuer's written approval of the formal context in which it may appear.
8. The Valuer accepts no responsibility whatsoever to any parties other than the client.

We trust this Report provides you with all you require but should you wish to discuss the matter in greater detail then please do not hesitate to contact us.

Yours faithfully

A handwritten signature in blue ink, appearing to read 'Vayten Hayes', is written over a horizontal line.

~~For and on behalf of Atrium Chartered Surveyors~~

## **APPENDIX 1**

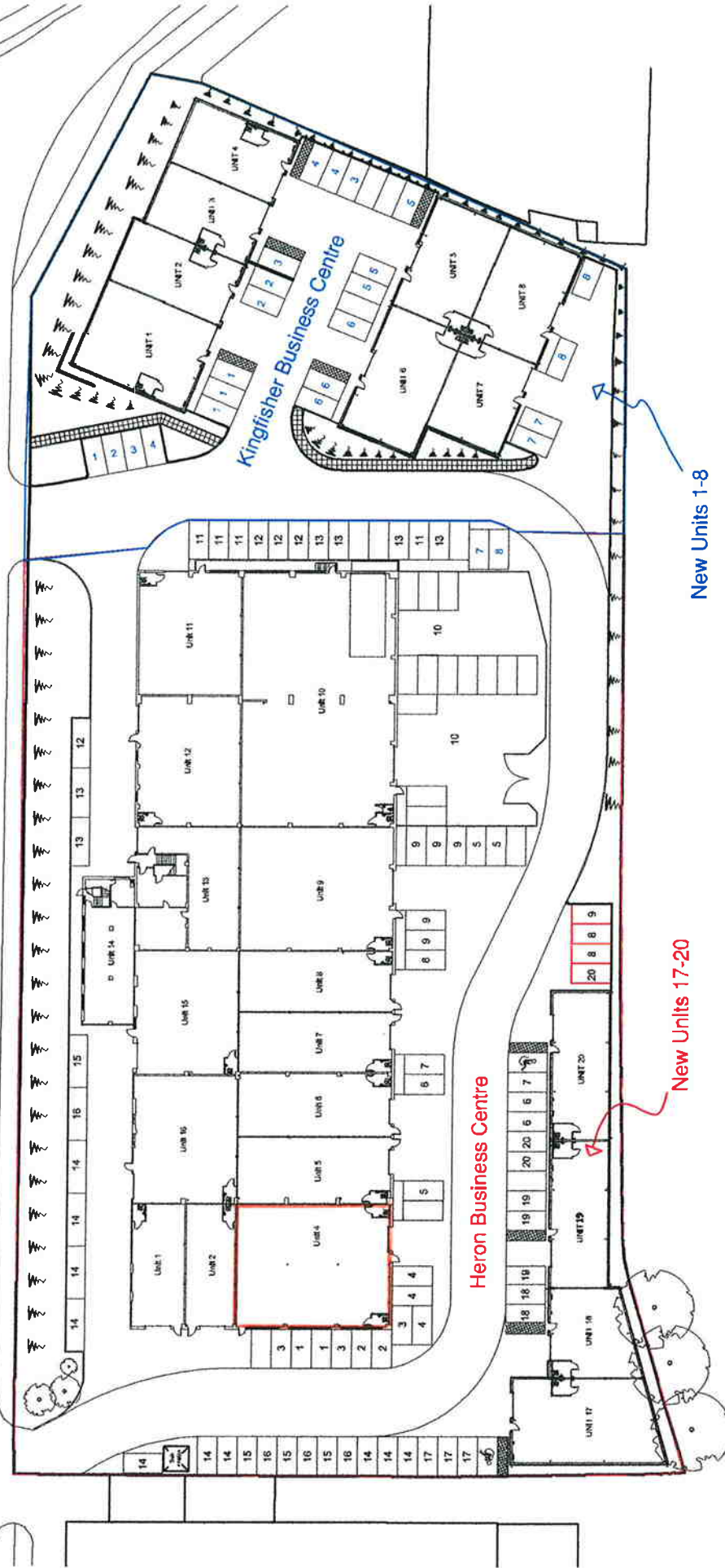






## **APPENDIX 2**

Henwood Industrial Estate Rd



**DOVETAIL**  
ARCHITECTS

DOVETAIL HOUSE, 60 STATION ROAD  
UPMINSTER, ESSEX RM14 2TJ  
TEL (01709) 225547 FAX (01709) 221838

Site Layout, Heron Business Centre, Ashford, Kent

1830 SK 22 Rev C -1:500 @ A3

## **APPENDIX 3**



**UNIT 3/4 – VIEW OF FRONT ELEVATION**



**UNIT 3/4 – VIEW OF SIDE ELEVATION**

## **APPENDIX 4**



**UNITS 3 AND 4, HERON BUSINESS PARK, HENWOOD,  
ASHFORD, KENT**

**DESCRIPTION**

An attached self-contained workshop/storage unit comprising a gross internal floor area of 2,907 ft².

**VALUATION**

Current rent	£16,500 YP 7 yrs at 10%	= £80,328
Reversionatry rent	£16,500 YP in Perp deferred 7 years at 10.5%	= <u>£78,460</u>
		= £158,788
Less:- Purchasers costs		
	(Stamp duty, agent and legal fees) @2.7625%	= <u>£4,386</u>
	OPEN MARKET VALUE	= £154,402
	<b><u>SAY</u></b>	<b><u>£155,000</u></b>