

**Strictly Confidential  
For Addressee Only**

**1 Wheatfield Way,  
Kingston-upon-Thames,  
KT1 2TU**

**Report and Valuation for**

**Rockcastle UK SPV  
Property Limited**

**Valuation Date**

**17 May 2017**

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## A Valuation Report

**To:** Rockcastle UK Property SPV Limited (“Rockcastle”)

**Attention:** Spiro Noussis

**Entity:** Rockcastle UK Property SPV Limited (“Rockcastle”)

**Property:** 1 Wheatfield Way, Kingston-upon-Thames, KT1 2TU

**Report Date:** 17 May 2017

**Valuation Date:** 17 May 2017

## 1 Instructions

### Appointment

We are pleased to submit our valuation report, which has been prepared for financial reporting purposes. The property and interest valued are detailed in Part B.

The valuation has been carried out in accordance with the instructions detailed in Part C of this report. The extent of our professional liability to you is also outlined within these instructions. We confirm that we have sufficient knowledge, skills and understanding to undertake the valuation competently.

## 2 Background to the Valuation

You have told us that the valuation report is required for financial reporting purposes and that these financial statements are being prepared in accordance with IFRS. You have also confirmed the property have been classified for this purpose as shown in Part B.

Rockcastle purchased the property in 2014 for £1,990,000 as part of an SPV.

## 3 Bases of Valuation

The valuation and report has been prepared in accordance with the RICS Valuation – Professional Standards (the “Red Book”) by a valuer acting as an External Valuer, as defined within the Red Book.

## **Bases**

Property classified as occupied by the Entity for the purpose of its business have been valued on the basis of:

- IFRS - Fair Value, assuming vacant possession of all parts occupied by the Entity

## **Definitions**

Our Principal Terms of Appointment as Valuers (within Part C) contain full definitions of the Red Book valuation bases.

## **4 Assumptions, Departures and Reservations**

We have prepared our valuation on the basis of the assumptions within our instructions detailed in Part C of this report.

We have made no Special Assumptions.

We have made no Departures from the Red Book

## **5 Inspection**

We inspected the property on Friday 13<sup>th</sup> January.

## **6 Sources of Information**

In addition to information established by us, we have relied on the information obtained from you and others listed in Part C.

## **7 General Comment**

Our opinion of value is based on an analysis of recent market transactions, supported by market knowledge derived from our agency experience. Our valuation is supported by this market evidence.

Where there are outstanding or forthcoming reviews, rental value has been assessed in accordance with the terms of the occupational lease review provisions. Otherwise, rental value has been assessed on the basis of Market Rent, assuming a new lease drawn on terms appropriate to current practice in the relevant market.

All valuations are professional opinions on a stated basis, coupled with any appropriate assumptions or special assumptions. A valuation is not a fact, it is an estimate. The degree of subjectivity involved will inevitably vary from case to case, as will the degree of certainty, or

probability, that the valuers opinion of market value would exactly coincide with the price achieved were there an actual sale at the valuation date.

The purpose of the valuation does not alter the approach to the valuation.

Property values can change substantially, even over short periods of time, and so our opinion of value could differ significantly if the date of valuation was to change. If you wish to rely on our valuation as being valid on any other date you should consult us first.

Should you contemplate a sale, we strongly recommend that the property is given proper exposure to the market.

You should not rely on this report unless any reference to tenure, tenancies and legal title has been verified as correct by your legal advisers.

### **Valuation of Development Properties**

It is practically impossible to value most development properties on a straightforward comparison basis, due to their highly individual characteristics. We have therefore used the residual valuation approach. This approach assumes the property's capital value equates to the end value of the property once developed, less the costs of realisation (which may include site assembly and purchase, demolition, build costs, professional fees, planning, finance and marketing costs and developer's profit).

To form an opinion of value we have had to make certain assumptions for the input variables. We consider these assumptions are appropriate and reasonable, but they cannot be guaranteed. You should therefore satisfy yourself that our assumptions are appropriate and consistent with your own knowledge of the actual costs and input variables. If there is any difference, you should inform us as the value reported is only valid within the context of the assumptions that we have adopted.

You should also be aware that the residual value is highly sensitive to even small movements in the input variables. Accordingly, the result must be treated with caution, as a small correction to even a single input could have a disproportionately adverse effect on the outcome.

## **8 Valuation**

Our opinion of value of the interest in the property detailed in Part B is:

**£2,100,000**

**(Two million one hundred thousand pounds)**

## 9 Valuation for a Regulated Purpose

This valuation is classified by the Red Book as a Regulated Purpose Valuation and we are therefore required to disclose the following information.

The valuation was prepared by John O'Neill FRICS. Cushman & Wakefield LLP has not carried out this valuation for you previously.

Cushman & Wakefield LLP provides other professional or agency services to you from time to time and has done so for a period of 1 year. In our most recent financial year, Cushman & Wakefield LLP received less than 5% of its total fee income from you.

## 10 Confidentiality

Our valuation is confidential to you, for your sole use and for the specific purpose stated. We will not accept responsibility to any third party in respect of its contents.

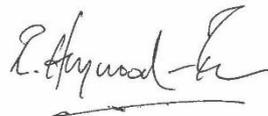
## 11 Disclosure and Publication

You must not disclose the contents of this valuation report to a third party in any way without first obtaining our written approval to the form and context of the proposed disclosure. You must obtain our consent, even if we are not referred to by name or our valuation report is to be combined with others. We will not approve any disclosure that does not refer sufficiently to any Special Assumptions or Departures that we have made.

Signed for and on behalf of Cushman & Wakefield LLP



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Rockcastle UK Property SPV Limited  
1 Wheatfield Way, Kingston upon Thames, KT1 2TU  
17 May 2017

Cushman & Wakefield

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**B Property Report**

## 1 Wheatfield Way, Kingston-upon-Thames, KT1 2TU

The property was inspected internally and externally from ground level on Friday 13<sup>th</sup> January 2017 by Richard Haywood Farmer, MRICS.

### 1 Location/Situation

Maps and plans are attached at Appendix 1.

a. Overall quality	Secondary
b. Prospects of the location (both macro and micro) over the next five years	Stable

- The property is located in the Royal Borough of Kingston-upon-Thames (Kingston) in southwest London, close to the River Thames. Kingston is located approximately 10 miles from Charing Cross.
- The subject property is approximately 5-minutes' walk to Kingston University London and fronts the A307 a major road.
- Kingston would is not considered to be a major office location with few modern office buildings. Much of the office stock is small suites above retail and most of the office accommodation is located in the Town Centre. The subject property is on the fringe of the town centre.
- The town is served by South West Trains routes from London to Shepperton and Strawberry Hill. Kingston is also served by the A240, the A307 (Portsmouth Road), A307 and A310.

**Refer to relevant plans (included in Appendix 1): location, street, OS.**

### 2 Description

Photographs are included in Appendix 2.

a. Predominant use	Office
b. Approximate date of construction	September1980
c. Overall quality	Good

The property is of masonry construction arranged over ground and first floors. There are 12 car parking spaces that are part of the freehold title. With the exception of Rockcastle's accommodation, which benefits from LG7 lighting and is newly refurbished space, the specification would be considered Grade B office space.

- Carpeted floors

- Average to secondary office fit-out
- Suspended ceiling
- Air conditioning
- Raised floors
- Kitchenette on first and ground floor
- 8 man lift
- Large atrium
- Fire alarms and sprinklers
- Largely internal glass partitions
- Category II inset lights

### **3 Environmental Performance**

#### **Energy Performance Certificate**

- Energy Performance Certificates (EPCs) must be produced for all properties before being marketed for sale or lease.
- Minimum Energy Efficiency Standards (MEES) Regulation are set to come into force in April 2018. The regulations prohibit the leasing out of residential or business premises which do not have a rating of 'E' or above.
- From April 2020 all privately rented residential property will be affected, followed in April 2023 by all privately rented commercial property. In both cases, properties will be affected even where a lease is already in place and a property is occupied by a tenant.
- energy efficiency improvement programme. The process would highlight opportunities to implement works during void periods or lease breaks, or as part of the on-going maintenance and plant renewal programme.
- We are not able to comment on the quality or accuracy of a specific EPC and we would advise undertaking your own quality assurance measures. We are not qualified to make an assessment of cost associated with improving non-compliant properties.

- We have been provided with an EPC which gives the building a rating of C which we consider to be above average for a building of this type. The EPC is dated 05 December 2016.
- The property is currently compliant with MEES regulations, however we would recommend reassessing the energy performance when refinancing the property.

#### 4 Accommodation

a. Source of floor areas provided	Measured survey
b. Floor areas are calculated on the basis of:	NIA

Unit/Floor	Use	Sq m	Sq ft
Ground	Office	289.8	3,120
	<i>(Reception Communal space)</i>	<i>40.6</i>	<i>436.4)</i>
First	Office	289.8	3,120
<b>Total</b>		<b>579.6</b>	<b>6,240</b>

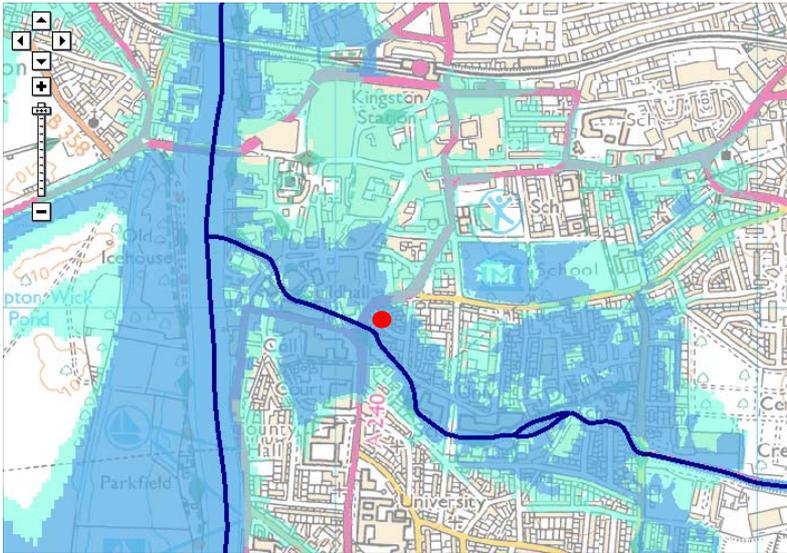
#### 5 Structural Condition and Repair

a. Any parts of the property NOT inspected? (save those areas already excluded by the terms of this instruction)	No
b. Any disrepair or structural defects likely to have an adverse impact on value identified or suspected?	No
c. Any deleterious materials identified or suspected?	No
d. Any areas of concern where further investigations are recommended?	No

We have not seen a copy of the building survey and have valued the property under the assumption that it is structurally sound. Our opinion of value could be adversely affected should this not be the case.

#### 6 Site

Site area	584.8 sq m	0.14 acres
a. Any parts of the site NOT inspected? (save those areas already excluded by the terms of this instruction)	No	

b. What are the predominant surrounding land uses?	Offices, student accommodation and residential
c. Does the site shape/topography have an adverse impact on value?	No
d. Any mains services (i.e. water, sewerage, electricity, gas) not available?	No
e. Any adverse ground conditions identified or suspected?	No
f. What is the risk of the site being flooded? (according to the Environment Agency website)  (Significant: >1 in 75; Moderate: <1 in 75, >1 in 200; Low: <1 in 200)	The property is in a floodplain. There are no flood defences in place. The land surrounding the property (represented by the red dot) has been assessed as having a 1 in 100 or greater annual probability of river flooding (>1%).
	
g. Any areas of concern where further investigations are recommended?	No

## 7 Environmental Considerations

a. Any potential sources of contamination identified or suspected?	No
b. Does the valuation assume the property does not suffer from contamination?	No
c. Any areas of concern where further investigations are recommended?	No

We have not seen a copy of the environmental report, therefore our valuation has been prepared on the basis that the property does not suffer from contamination. Our opinion of value could be adversely affected should this not be the case.

## 8 Town Planning and Statutory Considerations

a. Local planning authority	Royal London Borough of Kingston-upon-Thames.
b. Assumed current lawful planning use	B1 – Offices. Property benefits from Permitted Development Rights and can be converted to residential accommodation without permission from the Local authority.
c. Listing	None.
<p>d. Conservation area</p> 	Yes (Kingston Old Town). The property location is represented by the red dot on map to the left.
e. Outstanding applications	No
f. Is the building likely to need significant modification to enable most potential occupiers to comply with anti-discrimination legislation?	No
g. Are there any other statutory matters/regulatory requirements likely to have an adverse impact on value?	No

## Permitted Development Rights (PDR)

PDRs came into force in May 2013 and permits a change of use from B1 offices to C3 homes without having to make a planning application. The original PDR was to expire 30 May 2016 but was made permanent in April 2016. Kingston upon Thames has seen a spike in office to residential conversion, which is now prohibited in the town centre.

## 9 Taxation

### Business Rates

Current applicable UBR	£0.48	2016/17
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We understand the property is assessed as offices and premises with a rateable value of £69,000. We understand the property is assessed as follows:

Address	Description	Rateable Value
1 <sup>st</sup> Floor, 1 Wheatfield Way, Kingston Upon Thames, Surrey, KT1 2TU	Offices and premises	£55,000
Left hand side, Ground Floor, 1 Wheatfield Way, Kingston Upon Thames, Surrey, KT1 2TU	Offices and premises	£36,250
Right hand side, Ground Floor, 1 Wheatfield Way, Kingston Upon Thames, Surrey, KT1 2TU	Offices and premises	£16,750
<b>Total</b>		<b>£108,000</b>

For England & Wales, Vacant premises are eligible for business rate relief. Rates on vacant office premises are charged at full rate following an initial three-month exemption.

### Value Added Tax

We understand that the property is elected and therefore VAT will be chargeable.

### Capital Allowances

There may be capital allowances available to a purchaser of the property. We have not considered the benefits of these in our valuation. Should these be available, this may assist the marketing of the property.

## 10 Tenure

You have provided the following details on tenure.

a. Type of tenure	Freehold
b. Any title characteristics likely to have an adverse impact on value, either now or in the foreseeable future? (e.g. unduly onerous easements, outgoings, lease terms, party wall matters, rights of way, escape or light)	No

We have seen a copy of the Report on Title provided by Freedmans Law London as at 19 November 2014 and they can confirm the property benefits from a good and marketable freehold title.

## 11 Tenancies

We have valued on the assumption of vacant possession but subject to two minor tenancies of the following details on tenancies. These should be verified by your legal advisers as correct before you place any reliance on our valuation.

### Lettings

a. Number of occupational tenants	2
b. Are the leases drawn on institutionally acceptable terms?	Yes
c. Are any parts of the property unlet?	No

The key terms of the Svenska Handelsbanken lease are:

Start	Expiry	Break Dates (L/T/M)	Current Rent (£ pa)	Rent Review/ Increase Dates	Review basis	Up only
06/02/09	05/02/19	None	£34,390.00	None	N/A	N/A

The key terms of the CISIV Limited lease are:

Start	Expiry	Break Dates (L/T/M)	Current Rent (£ pa)	Rent Review/ Increase Dates	Review basis	Up only
25/03/15	24/03/17	None	£75,625	None	N/A	N/A

There are no renewals or reviews outstanding.

Cisiv occupy the entire first floor and a small room on the ground floor in Handlesbanken's demise which they use a comms room.

### Service Charge

As part of the property is vacant we would assume a service charge shortfall but we have not been provided with a service charge budget.

### Income Summary

Contracted gross income	<b>£110,015 per annum</b>
Net income (allowing for any non-recoverable costs)	<b>£98,615 per annum</b>

### Covenant Strength

- Svenska Handelsbanken is a large company. Its principal business is banking services with over 460 branches in Sweden and 207 in the United Kingdom. The tenant has an Experian score of 84/100 or "low risk" and the investment market would consider them a substantial covenant.
- Its most recent results are:

Year end	Turnover	Gross Profit	Net Worth
2013	Not provided	SEK 18,088,000,000 (GBP 1,698,882,314)	SEK 103,502,000,000 (GBP 9,721,236,029)
2014	Not provided	SEK 19,212,000,000 (GBP 1,579,226,416)	SEK 118,692,000,000 (GBP 9,756,482,498)

Year end	Turnover	Gross Profit	Net Worth
2015	Not provided	SEK 20,475,000,000 (GBP 1,643,891,708)	SEK 120,010,000,000 (GBP 9,635,333,034)

(Exchange rate source: [www.exchangerates.org.uk](http://www.exchangerates.org.uk) 2013: 1 GBP = 10.647 SEK 2014: 1 GBP = 12.17 SEK 2015: 1 GBP = 12.46)

- Cisiv Limited is a small company. Its principal business is computer software and other computer related services. There is limited financial information available for Cisiv Limited. They have an Experian score of 81/100 or “low risk” but given their negative net worth in the last three years, the investment market would consider them a poor covenant.
- Its most recent results are:

Year end	Turnover	Gross Profit	Net worth
2013	Not provided	Not provided	GBP -284,550
2014	Not provided	Not provided	GBP -1,069,571
2015	Not provided	Not provided	GBP -64,611

## 12 The Occupational Market

### The National Office Occupational Market

- Initial concerns that the Brexit result would lead to a sharp downturn in office activity have proven to be largely unfounded.
- Prime office stock in London and in regional business hubs remains in high demand. Regional office leasing activity was steady in Q3 2016, with strong demand for tier 1 locations such as Manchester, Birmingham and Glasgow. This is also true for smaller tier 1 locations such as Reading, Leeds, Cardiff and Bristol. Several tier 1 locations continue to face an acute shortage of modern, Grade A space.
- Speculative development is improving, though it is largely focused in the core cities of London, Birmingham, Manchester and Leeds, while several locations within the Thames Valley are also seeing healthy development activity.

- Uncertainty is expected to increase in 2017 as Brexit negotiations get under way. Demand is to remain steady in core locations, but activity in second-tier and secondary markets may become more subdued, as occupiers and investors re-assess risk.

#### **The Kingston Office Occupational Market**

- Due to the introduction of Permitted Development Rights in Kingston, there has been a sharp decrease in office supply: c.94,000 sq ft of office space available compared to c.124,000 5-year average.
- An average of 2 months rent free is provided with leases, which suggests the occupational market currently favours landlords.
- In the last year, asking rents for office space ranged from £30.21 psf down to £22.87 psf with achieved rents averaging at £25.88 psf.
- The average size of leased office space was c. 3,500 sq ft on a 5 year term with c. 6 months on the market.
- Rent per square foot (£23.40) has achieved well above the 5 year average of £17.13
- The Vacancy Rate is lower than the 5-year average at 1.5% and 2.5% respectively.

### **13 The Investment Market**

#### **General Economic Overview**

- The UK economy appears to have weathered the uncertainty generated by the Brexit vote relatively well, with quarterly GDP growth for Q2 2016 revised up from 0.6% to 0.7%, while economic data for Q3 has been stronger than expected. The services sector is performing strongly, while the manufacturing PMI reached a nine-month high in September, helped by the weaker pound. Consumer demand also held up well over the quarter, with the economy estimated to have expanded by around 0.3% in Q3.
- The heightened uncertainty stemming from Brexit will continue to deter investment, with recent business surveys indicating that some firms are planning to postpone capital spending and hiring, at least until the UK's future trading relationship with the EU becomes clearer. The interest rate cut by the Bank of England (BOE) in August will help soften the impact, but business investment is forecast to fall by 2.5% in 2016 and by a further 3.0% in 2017. Overall investment is forecast to fall by 0.1% in 2016 and 0.5% in 2017.

- Household consumption has been boosted by low inflation and healthy labour market conditions in recent years, but future prospects for spending are more subdued. Inflationary pressures are building and inflation is now forecast to rise to 0.8% in 2016, before accelerating to 2.1% in 2017. Jobs growth is also expected to be more subdued. Growth in consumer spending growth is forecast to slow from 2.7% this year to 1.3% in 2017 and 1.0% in 2018.
- Prime Minister May has announced that Article 50 of the Lisbon Treaty will be triggered before the end of March 2017. This will be the start of a two year period of negotiation with the EU, with Brexit scheduled to occur in Q1 2019. While the full economic implications of this are not clear, most commentators agree that slower growth rather than economic contraction is the more probable outcome over the medium term. The government is not expected to implement further austerity in response to the weakening fiscal outlook, while the BOE has signalled that further monetary policy easing is possible. GDP growth is now forecast to be 1.9% in 2016, before slowing to 1.2% in 2017.

#### **Kingston Office Investment Market**

- There are no official statistics for Kingston but Co-Start statistics state that office investment volumes were £5.3m in the past year with the 5 year average being £13m in Q3 2016.
- This clearly illustrates the increase in office to residential conversion negatively impacting office stock available to sell.

#### **Kingston Residential Investment Market**

- Kingston upon Thames has a rich history and is increasingly becoming an attractive place for buyers and investors alike; prices in 2014 alone were reported to have increased by 21.4% compared to the national average of 8.5%. The local housing market is dominated by small two- and three-bedroom terraced and semi-detached houses, many Victoria, ranging in price depending on proximity to Richmond Park, the Thames and the railway station. Kingston also comprises a dense volume of flats and apartments of all calibre – offering itself as a haven for investor buyers, aided by its ideal transport links and reputable university.
- The Royal borough had the 6<sup>th</sup> highest rate of owner occupiers in London in 2015 at 65%.
- 1 Wheatfield Way (subject property) faces a busy main road and is just outside the town centre; most residential flats and houses are further east of the subject property.

## 14 Valuation Commentary

### Office Rental Value

Rental value has been assessed on the basis of Market Rent, assuming a new lease drawn on standard, effective full repairing and insuring provisions, for a term of 5 years with upwards only rent reviews and incentives granted equivalent to 6 months' rent.

Opinion of rental value for the building:

Market Rent: **£156,000 pa**

Rental evidence and justification

We have identified the following comparable transactions:

<p><b>25-29 High Street, Kingston upon Thames</b></p> 	<ul style="list-style-type: none"> <li>• December 2015 open market letting</li> <li>• 4,600 sq ft</li> <li>• £26 psf or £119,600 per annum</li> <li>• Ashdown Group took a ten year lease with a break at year 5, with 3 months rent free and a 3 month break penalty</li> </ul>
<p><b>Applemarket House, Crown Arcade Kingston</b></p> 	<ul style="list-style-type: none"> <li>• March 2016 open market letting</li> <li>• 3,882 sq ft</li> <li>• £22.50 psf or £87,345 per annum</li> <li>• Mash Media Group took a 10 year lease with a break at year 5 and 3 months rent free with a further 4 granted if the break is not exercised</li> </ul>

<p><b>Picton House, 52 High Street, Kingston upon Thames</b></p> 	<ul style="list-style-type: none"><li>• Available</li><li>• 9,293 sq ft with c.3,000 sq ft floorplates</li><li>• Quoting £25.00 psf</li></ul>
<p><b>55-55c Eden Street, Kingston upon Thames</b></p> 	<ul style="list-style-type: none"><li>• Available</li><li>• 2,027 sq ft</li><li>• Quoting £25.00 psf</li></ul>

### Conclusion and justification

Kingston has seen strong rental growth for office accommodation in recent years with rents rising by approximately 50% in the 3 years between 2013 and 2016. This is largely as a result of Permitted Development which saw a spike in office to residential conversion, taking much of the town's office accommodation. Lack of supply combined with little to no office development has further compounded the issue.

It is of little surprise that there are few rental comparables in a town with such low availability and the best evidence we have identified is the letting at 25-29 High Street. The property is of a similar age and specification to the subject but in an arguably better location, being closer to the town centre.

Applemarket House is in close proximity to 25-29 High Street but suffers from a lack of reception with retail to the ground floor. This is reflected in the lower rent of £22.50 psf.

We have included 2 further buildings that are currently on the market which give an indication of expected rental levels in Kingston.

After considering the above evidence we have based our opinion of Market Rent at £25.00 psf

## Capital Value

All yields are expressed net of notional purchaser's costs at 5.80%.

### Office Sales Evidence

<p><b>9 Dudley Road, Kingston upon Thames, KT1 2UN</b></p> 	<ul style="list-style-type: none"> <li>• Sold for £178,000 (£248 per sq ft) on 01/11/2016 at Savills auction</li> <li>• 715.9 sq ft</li> <li>• Vacant freehold building arranged over two floors</li> <li>• Potential residential conversion subject to planning permission</li> </ul>
<p><b>Dart House, Thames Street, Sudbury upon Thames, TW1 6AG</b></p> 	<ul style="list-style-type: none"> <li>• Sold for £1,100,000 on 22/09/2016 at Andrews &amp; Robertson auction</li> <li>• At least 3,568 sq ft (total floor areas were not provided)</li> <li>• Total rent reserved £38,752 pa with vacant possession on 2<sup>nd</sup> floor; tenants include ASL (from Dec 2016), Shelleys (monthly licence)</li> <li>• Part vacant freehold detached building; three floors arranged as two self-contained ground floor office with two self-contained flats and annex with development potential subject to planning permission</li> <li>• Private river frontage to the Thames with space for a mooring; situated in sought after residential area</li> </ul>
<p><b>42 High Street, Ewell, Epsom, KT17 1RQ</b></p> 	<ul style="list-style-type: none"> <li>• Sold for £650,000 (£343psf) on 19/09/2016 at Allsop auction (Highfield Investments as joint auctioneer)</li> <li>• Vacant freehold detached former bank/office building total 1,890 sq ft vacant</li> <li>• Planning approved 18 July 2016 to convert to 4 residential flats</li> </ul>
<p><b>Park House , 87 Burlington Road, New Malden, KT34 4QP</b></p> 	<ul style="list-style-type: none"> <li>• Sold for £3,750,000 (£265 per sq ft) on 08/12/2015 at Allsop auction</li> <li>• Freehold and part long leasehold office building arranged over ground and three upper floors</li> <li>• 14,105 sq ft let</li> <li>• Current gross rent reserved £196,000 pa</li> <li>• Residential development opportunity</li> </ul>
<p><b>2C Blake Mews, Richmond, TW9 3GA</b></p>	<ul style="list-style-type: none"> <li>• Sold for £585,000 (£602.72 per sq ft) on 23/02/2016 at Auction House London</li> <li>• Long leasehold – 999 years from 2004</li> </ul>



- 969 sq ft on second floor, eight person office situated within purpose built building arranged over ground and two upper floors
- Property situated in sought after location of Kew Village

### Conclusion and justification

We have valued on two bases, firstly assuming that the office remains in existing use and secondly assuming a conversion to residential. We are aware that you have received an unsolicited offer for conversion to student accommodation but we have ignored this possibility, as it would require an application planning permission for a change of use and it is unclear whether this would be successful.

Valuing on the basis that the office remains in its existing use presents a problem, as the vast majority of short let office properties, sold in the last few years, in or near sought after residential areas, have been converted to residential use (as per all of the comparables above). There is upside in value for this change of use which is factored into the sales prices thus skewing the sales evidence which may or may not include such a premium for valuations which don't assume conversion.

We have therefore firstly approached the valuation on the investment method applying different yields to the income. Handlesbanken, are a strong covenant and have lease expiry in 2019 so we have assumed a capitalisation rate of 6.5% which allows for the reversionary nature of the income. We have further assumed a higher rate of 7.25% for the vacant space and CISV (which has expiry in 3 months), to allow for increased risk. We have assumed void periods of 6 months and 6 months rent free to all 3 elements. This results in a figure of £1.9m and equivalent yield of c.7.00% and capital value per sq ft rate of £302.

Turning to the comparable evidence, our opinion of value (on a per sq ft basis) is above 9 Dudley Road in Kingston and Park House but below 42 High Street Epsom. This is largely as a result of strong rental growth which have pushed up office values. The exception, 42 High Street Epsom is a period building and would have a very high residential value hence its sale price at £343 per sq ft.

### Residual Approach

Secondly this approach assumes the property's capital value equates to the end value of the property once developed, less the costs of realisation (which may include site assembly and

purchase, demolition, build costs, professional fees, planning, finance and marketing costs and developer's profit).

To form an opinion of value we have had to make certain assumptions for the input variables. We consider these assumptions are appropriate and reasonable, but they cannot be guaranteed. You should therefore satisfy yourself that our assumptions are appropriate and consistent with your own knowledge of the actual costs and input variables. If there is any difference, you should inform us as the value reported is only valid within the context of the assumptions that we have adopted.

You should also be aware that the residual value is highly sensitive to even small movements in the input variables. Accordingly, the result must be treated with caution, as a small correction to even a single input could have a disproportionately adverse effect on the outcome.

**Residential Sales Evidence**

<p><b>Regents Court, Kingston upon Thames</b></p> 	<ul style="list-style-type: none"> <li>• Asking Price £339,950 – under offer</li> <li>• GIA 497 sq ft</li> <li>• £684/sq ft</li> <li>• 1 Bed</li> <li>• 2 minute walk to Kingston station</li> </ul>
<p><b>Denmark Road, Kingston upon Thames</b></p> 	<ul style="list-style-type: none"> <li>• 424 sq ft 1 bed flat</li> <li>• Asking price £249,950 (£589.50/sq ft)</li> <li>• 1 bed flat circa 0.2 miles southeast of subject property; own private entrance; in need of modernisation</li> <li>• Ground floor unit</li> </ul>

<p><b>Kingsworthy Close, Kingston upon Thames</b></p> 	<ul style="list-style-type: none"> <li>• 486 sq ft 1 bed flat under at £300,000 (£617.28/sq ft)</li> <li>• Circe 0.6 miles from subject property</li> <li>• Part of gated development</li> <li>• Allotted parking space</li> <li>• Top floor flat</li> </ul>
<p><b>St Lois Court, Church Road, Kingston upon Thames</b></p> 	<ul style="list-style-type: none"> <li>• 472 sq ft 1 bed flat sold at £315,000 (667.37/sq ft)</li> <li>• Circa 0.6 miles from subject property</li> </ul>

We are aware of flat sales closer to Kingston Station achieving £900 psf which is as a result of the short journey time to Central London of 25 minutes and proximity to the town centre. The subject property is on a busy main road and in a somewhat periphery location for which there is a discount.

The comparables close to 1 Wheatfield Way we have identified show a range of values between £684 psf to £589 psf, with the lower end reflecting poor quality space. Our opinion is that the subject property would sit at the higher end of this range as the building would readily convert to residential and is closer to the town centre than most of the other sales. With this in mind we feel the subject units would achieve £650 psf.

In calculating the value of the whole building should it be converted to residential under PDR we have assumed the following

<b>Number of flats</b>	14
<b>Area of each flat</b>	450 sq ft per flat
<b>Total sales value</b>	£4,095,000
<b>Construction period</b>	9 months

<b>Build cost</b>	£125 psf
<b>Professional fees</b>	12.5%
<b>Finance rate</b>	6%
<b>Developer's profit</b>	15.0% on cost

This calculation produces a day 1 residual value of £2,359,562 which deferred at a discount rate of 5% produces a present value of £2,100,000 (as we have further assumed that construction would not begin until the end of Handlesbanken's lease which is 05 February 2019).

## 15 Valuation

In our opinion, the Fair Value of the freehold ownership interest in the property is:

**£2,100,000**

**(Two Million One Hundred Thousand Pounds)**

Rockcastle UK Property SPV Limited  
1 Wheatfield Way, Kingston upon Thames, KT1 2TU  
17 May 2017

Cushman & Wakefield

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**Appendix 1 Photos**



First floor



First Floor



Boardroom



Exterior looking south

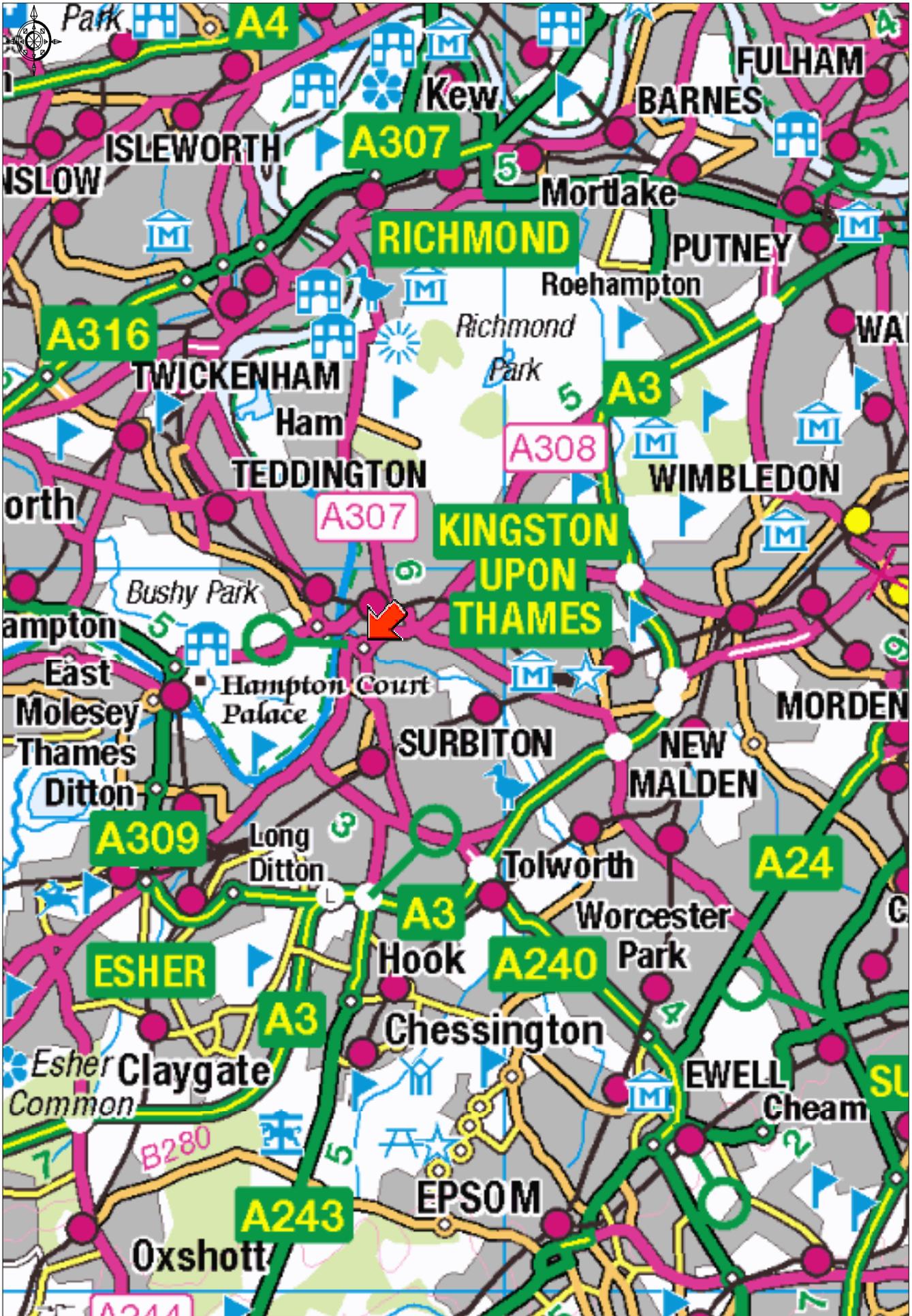


Handlesbanken



Exterior looking north

**Appendix 2    Maps and Plans**





1 Wheatfield Way, Kingston-upon-Thames, KT1 2TU



Ordnance Survey © Crown Copyright 2017. All rights reserved.  
Licence number 100022432. Plotted Scale - 1:1250

Rockcastle UK Property SPV Limited  
1 Wheatfield Way, Kingston upon Thames, KT1 2TU  
17 May 2017

Cushman & Wakefield

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## **Appendix 3    Tenancy Schedule**

Rockcastle UK Property SPV Limited

1 Wheatfield Way, Kingston upon Thames, KT1 2TU

31 May 2017

Cushman & Wakefield

### Schedule of Tenancies

Unit/Floor	Tenant	Start	Expiry	Term	Break	L T M	Review	RR Fre q	Rent (£pa)	Rent £psf	Rental Value (£pa)	Rental Value £psf	Notes
Part Ground	Vacant	-	-	-	-	-	-	-	-	-	£22,800	£26	
Part Ground	Cisiv	24/03/15	23/03/17	10	-	-	-	-	£75,625	£24.24	£55,200	£26	
Part Ground	Svenska Handlesbanken	06/02/09	05/02/19	10	-	-	-	-	£34,390	£15.58	£78,000	£26	
<b>Total</b>									<b>£110,015</b>		<b>£156,000</b>		

Rockcastle UK Property SPV Limited  
1 Wheatfield Way, Kingston upon Thames, KT1 2TU  
as at 31/05/2017

Cushman & Wakefield

## **Appendix 4 Valuation Calculations**

**APPRAISAL SUMMARY****CUSHMAN & WAKEFIELD****Rockcastle****Summary Appraisal for Phase 1**

Currency in £

**REVENUE**

	Units	ft <sup>2</sup>	Rate ft <sup>2</sup>	Unit Price	Gross Sales
Sales Valuation	14	6,300	650.00	292,500	4,095,000

**Additional Revenue**

Additional Revenue			112,500	112,500	
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**NET REALISATION**

4,207,500

**OUTLAY****ACQUISITION COSTS**

Residualised Price			2,359,562	2,359,562	
Stamp Duty		3.00%	70,787		
Agent Fee		1.00%	23,596		
Legal Fee		0.50%	11,798		
					106,180

**CONSTRUCTION COSTS**

Construction	7,000 ft <sup>2</sup>	120.00 pft <sup>2</sup>	840,000	840,000	
Contingency		5.00%	42,000		42,000

**PROFESSIONAL FEES**

Architect		12.50%	105,000	105,000	
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**DISPOSAL FEES**

Sales Agent Fee		1.00%	40,950		
Sales Legal Fee		0.50%	20,475		
					61,425

**FINANCE**

Debit Rate 6.000%, Credit Rate 6.000% (Nominal)					
Land			138,415		
Construction			11,850		
Other			(5,738)		
Total Finance Cost					144,527

**TOTAL COSTS**

3,658,694

**PROFIT**

548,806

**Performance Measures**

Profit on Cost%	15.00%
Profit on GDV%	13.40%
Profit on NDV%	13.40%

IRR	25.46%
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Profit Erosion (finance rate 6.000%)	2 yrs 4 mths
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Rockcastle UK Property SPV Limited  
1 Wheatfield Way, Kingston upon Thames, KT1 2TU  
as at 31/05/2017

Cushman & Wakefield

## **C Instructions**

This valuation report has been prepared in accordance with the instructions agreed between us, as recorded in and our letter of engagement (with our Principal Terms and Conditions as Valuers attached) dated 17/01/2017 Copies are attached at Appendix 1.

Information supplied to us is listed in Appendix 2.

Rockcastle UK Property SPV Limited  
1 Wheatfield Way, Kingston upon Thames, KT1 2TU  
as at 31/05/2017

Cushman & Wakefield

## **Appendix 1    Instructions (Correspondence)**

Rockcastle UK Property SPV Limited  
1 Wheatfield Way  
Kingston upon Thames  
KT1 2TU

**For the Attention of Spiro Noussis**

Our Ref: RHF/JON/Kingston

17/01/2017

Dear Spiro

**Property Valuation of 1 Wheatfield Way, Kingston upon Thames, KT1 2TU**

**Valuer Engagement**

Thank you for asking Cushman & Wakefield LLP to undertake a valuation of the above. This letter and attached schedule (together the "**Letter**") and the attached Principal Terms and Conditions of Appointment as Valuers dated 9 May 2016 ("**Terms of Business**") and General Valuation Principles dated 9 May 2016 ("**Valuation Principles**") confirm the basis of this instruction (although if there is any conflict between (i) the Terms of Business and Valuation Principles (together the "**C&W Valuation Terms**") and (ii) this Letter, the Letter shall prevail). Please consider them carefully and let us know immediately if you would like to make any amendments.

We will prepare our valuation in accordance with the current UK edition of the RICS Valuation – Professional Standards (the "**Red Book**").

**Conflicts of Interest**

We are not aware of having had any previous involvement with the property described in the attached schedule. We are not aware of any potential conflict of interest in accepting this instruction.

**Professional Indemnity Insurance**

You have asked us to confirm the extent of our professional indemnity insurance cover. Under the terms of our professional indemnity policy we are not allowed to disclose this, but our policy is one of the most extensive in the market and involves the RICS Scheme, Lloyds and most leading insurers. We can obtain confirmation of cover from our brokers on your behalf if required.

**Liability and Reliance**

The limit of our liability to you is described specifically within clause 10 of our Terms of Business.

**Rockcastle UK Property SPV Limited**  
**1 Wheatfield Way, Kingston upon Thames,**  
**KT1 2TU**

Our report will be addressed to you and will be for your exclusive use.

**Interests to be valued**

We will value the legal interest in the property described in the attached schedule.

**Valuation Purpose**

We will prepare the valuation for the purpose of accounts purposes. We understand that the financial statements will be prepared in accordance with IFRS.

**Status of Valuer**

We will act as External Valuer, as defined within the Red Book

We confirm that we have sufficient knowledge, skills and understanding to undertake the valuation competently.

**Valuation Date**

The valuation date is to be report.

**Basis of Valuation**

Where the agreed purpose of the valuation is for use in financial statements prepared in accordance with IFRS then we will value on the basis of fair value adopted by the International Accounting Standards Board (IASB).

We will value on the following bases and assumptions:

- Fair Value

We will not make any Departures from the Red Book.

**Inspection**

We will inspect the property as appropriate for the Valuation Purpose.

**Measurement**

We will measure the property.

**Report Format**

We will provide a single valuation report in a short format.

**Fee**

Our fee for this instruction is agreed at £3,500 plus VAT.

**Confirmation**

I trust that this Letter and the C&W Valuation Terms are an accurate reflection of your requirements. Should you wish us to proceed on this basis, please confirm your acceptance by counter-signing and returning a copy of this Letter. In any event, your acceptance of or reliance on the valuation report will amount to deemed acceptance of this Letter and the C&W Valuation Terms.

I will manage this instruction. If I can help in any way, please do not hesitate to contact me.

Yours faithfully

For and on behalf of Cushman & Wakefield LLP

Rockcastle UK Property SPV Limited  
1 Wheatfield Way, Kingston upon Thames,  
KT1 2TU



**John O'Neill FRICS**  
Partner

02071525003

[John.oneill2@cushwake.com](mailto:John.oneill2@cushwake.com)

I have read and understood this Letter and the C&W Valuation Terms and accept them for and on behalf of the addressee by whom I am duly authorised.

Signature .....

Name .....

Organisation .....

Position .....

Date .....

Rockcastle UK Property SPV Limited  
1 Wheatfield Way, Kingston upon Thames,  
KT1 2TU

## Schedule

<b>Property</b>	<b>Interest</b>	<b>Type /Use</b>
1 Wheatfield Way, Kingston upon Thames KT1 2TU	Freehold	Office

**Rockcastle UK Property SPV Limited  
1 Wheatfield Way, Kingston upon Thames,  
KT1 2TU**

## **C&W Valuation Terms**

# PRINCIPAL TERMS AND CONDITIONS OF APPOINTMENT AS VALUERS

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MAY 2016 (ENGLISH VERSION)

## I. PRELIMINARY

- 1.1 These terms and conditions (the "**Terms of Business**") shall apply to all valuation services (excluding agency services and other forms of professional services, to which separate terms will apply) provided by Cushman & Wakefield LLP, a limited liability partnership under the Limited Liability Partnerships Act 2000 with registered number OC328588 and having its registered office at 125 Old Broad Street, London, EC2N 1AR ("**C&W**", "**we**" or "**us**") to the client to whom an instruction confirmation letter (the "**Letter**") is sent ("**you**"). They shall apply separately to each service subsequently provided to you.
- 1.2 The Terms of Business are to be read in conjunction with the relevant Letter and general valuation principles ("**Valuation Principles**") attached thereto. In the event of any ambiguity or conflict between the relevant Letter, the Valuation Principles and these Terms of Business, the provisions in the relevant Letter shall prevail. These Terms of Business and the relevant Letter may only be varied in writing by agreement between the parties. It is our practice to review and upgrade our Terms of Business frequently and new versions will be sent to you and agreed with you.

## 2. PERFORMANCE OF THE SERVICES

- 2.1 We undertake to use all reasonable skill and care in providing the services and advice described in the relevant Letter, based on the instructions given by you (the "**Services**"). We will inform you if it becomes apparent that the Services need to be varied or external third party advice is required. Any variation is to be confirmed in writing and agreed between the parties.
- 2.2 We may need to appoint third party providers to perform all or part of the Services and we shall agree this with you in advance.

## 3. BASIS OF FEES

- 3.1 The basis of our fees for our Services is set out in the relevant Letter.
- 3.2 You shall pay all applicable VAT in addition to any fees and disbursements at the applicable rate.

## PRINCIPAL TERMS AND CONDITIONS OF APPOINTMENT AS VALUERS

MAY 2016 (ENGLISH VERSION)

- 3.3 You shall pay our fees on completion of our Services (whether or not additional work is still to be carried out by third parties) or, where the fees are in relation to an ongoing instruction or an instruction of a duration of more than three months, at least quarterly in arrears upon submission by us of quarterly invoices. Payment is due within 15 days of the invoice date.
- 3.4 Where valuations are undertaken for a lender for loan security purposes and it is agreed that a borrower will pay our fee, you shall remain primarily liable to pay our fee should such borrower fail to meet its liabilities to us in full. Payment of our fees is not conditional upon the loan being drawn down or any of the conditions of the loan being met.
- 3.5 If you do not dispute with us an invoice or any part thereof within 15 days of the date of such invoice, you shall be deemed to have accepted the invoice in its entirety.
- 3.6 If we are required by you to undertake any additional work in relation to an instruction, you shall pay additional fees based upon our usual rates. We will notify you of the amount of such additional fees. This also applies where we are asked to review a legal report or Certificate of Title provided to us more than 8 weeks after we have submitted our report (either draft or final).
- 3.7 Where there is a change to the stated purpose for which our valuation is being commissioned and in our sole opinion we deem this to result in an increase in our liability (for example a valuation for annual accounts being used for loan security purposes), we reserve the right to charge an additional fee.
- 3.8 If you subsequently request our invoice to be re-addressed to a party other than that originally agreed, we reserve the right to make an administration charge of £100. Payment will still be due within 15 days of the original invoice date.
- 3.9 In the event that you withdraw our instructions prior to completion of a valuation, you shall be liable to pay us for a fair and reasonable proportion of our fees and any agreed disbursements. If we have sent you draft valuation figures, such fees shall be subject to a minimum of 50% of the fee originally agreed between us and if we have sent you a draft valuation report, such fees shall be subject to a minimum of 80% of the fee originally agreed between us.
- 3.10 We will advise you in advance if it is necessary or convenient to instruct a third party to provide advice or to act as an expert or arbitrator and provide an estimate of the likely cost. If you approve, either verbally or in writing, that the third party be instructed, we will instruct the party as agent on your behalf and request that all the third party's invoices be addressed to you care of us. If we are requested by you to advance payment of the third party invoices, you shall be obliged to reimburse the advance payment made and pay a handling charge. We may request that you put us in funds in respect of any third party's costs before or at the time of formally instructing them on your behalf and you will comply with this request.

## PRINCIPAL TERMS AND CONDITIONS OF APPOINTMENT AS VALUERS

MAY 2016 (ENGLISH VERSION)

- 3.11 Where we are instructed to provide Services to one of your subsidiaries or associated / related entities or should you subsequently request that another entity be substituted for you at a later stage and we are unable to seek or obtain payment of any outstanding monies for whatever reason, you shall remain primarily liable to pay those outstanding monies if the subsidiary, associated / related or other entity does not meet its liabilities in relation to payment for the Services provided by us.

### 4. INTEREST

You shall pay interest on the amount of any invoice for fees or other disbursements that remains unpaid for 15 days after the date of the invoice. Interest shall be payable at the rate of 4% above the base rate of Barclays Bank PLC from the date of the invoice until payment is made whether after or before judgement.

### 5. DISBURSEMENTS

You shall pay all disbursements incurred by us in the provision of the Services at least quarterly in arrears from the date they were incurred. Disbursements include, but are not limited to: maps, plans, research, photography, copying of documents or plans, messenger delivery, costs of obtaining external information on companies, properties, demographic or other similar information, any reproduction, copying or other royalties incurred, additional bound copy reports, costs of external information / references obtained and key cutting, travel and subsistence expenses at their actual cost and car mileage at the standard AA scales.

### 6. INFORMATION RECEIVED FROM THE CLIENT

We will take all reasonable steps to ensure that property information is accurate where we are responsible for its preparation. Where you provide us with any information on a property that is necessary or convenient to enable us to provide the Services properly, you acknowledge that we will rely on the accuracy, completeness and consistency of any information supplied by you or on your behalf and, unless specifically instructed otherwise in writing, we will not carry out any investigation to verify such information. We accept no liability for any inaccuracy or omission contained in information disclosed by you or on your behalf, whether prepared directly by you or by a third party, and whether or not supplied directly to us by that third party and you shall indemnify us should any such liability arise. If our valuation is required for the purpose of purchase or loan security, you accept that full investigation of the legal title and any leases is the responsibility of your lawyers.

### 7. CONFLICTS OF INTEREST AND ANTI-CORRUPTION

- 7.1 We have conflict management procedures designed to prevent us acting for one client in a matter where there is or could be a conflict with the interest of another client for whom we are acting. If you are aware or become aware of a possible conflict of this type, please raise it immediately with us. If a conflict of this nature arises, then we will decide, taking account of legal constraints, relevant regulatory body

## PRINCIPAL TERMS AND CONDITIONS OF APPOINTMENT AS VALUERS

MAY 2016 (ENGLISH VERSION)

rules and your and the other client's interests and wishes, whether we can continue to act for both parties (e.g. through the use of separate teams with appropriate Chinese Walls), for one only or for neither. Where we do not believe that any potential or actual conflict of interest can be managed appropriately, we will inform you and consult with you as soon as reasonably practicable.

- 7.2 You acknowledge that we may earn commissions, referral fees and may charge handling fees connected to the services that we perform and agree that we shall be entitled to retain them without specific disclosure to you. We will not accept any commissions or referral fees in circumstances where we are of the reasonable belief that they would compromise the independence of any advice that we provide to you.
- 7.3 We confirm that we will not, and will procure that our employees will not, knowingly engage in any activity which would constitute a breach of the Bribery Act 2010 and that we have in place a compliance programme designed to ensure compliance with the terms of the Bribery Act 2010.

### 8. MANAGEMENT OF THE PROPERTY

We shall not be responsible for the management of the property nor have any other responsibility (such as maintenance or repair) in relation to the property. We shall not be liable for any damage that may occur while the property is unoccupied. The property shall be your sole responsibility.

### 9. TERMINATION BY NOTICE

- 9.1 Unless a fixed period has been agreed, either party may terminate the instruction by giving 14 days' notice in writing to the other party.
- 9.2 In the event of termination by notice, you shall be obliged to pay forthwith all the fees accrued in relation to the Services and work performed up to the date of termination (and any abort fee) plus any expenses or disbursements incurred by us or to which we are committed at the date of termination.

### 10. PROFESSIONAL LIABILITY

- 10.1 We shall not be liable to you in contract, tort (including negligence or breach of statutory duty), misrepresentation, restitution or otherwise, arising in connection with the performance or contemplated performance of the Services in respect of:
- (i) any direct loss of profit;
  - (ii) any indirect, special or consequential loss whatsoever howsoever caused including without limitation (a) indirect loss of profit; (b) loss of business; (c) loss of goodwill; (d) loss of use of money; (e) loss of opportunity, and the parties agree that the sub-clauses of this clause shall be severable.

## PRINCIPAL TERMS AND CONDITIONS OF APPOINTMENT AS VALUERS

MAY 2016 (ENGLISH VERSION)

- 10.2 We shall not be liable to you in negligence for pure economic loss arising in connection with the performance or contemplated performance of the Services.
- 10.3 You acknowledge and agree that the exclusions contained in this clause 10 are reasonable in all the circumstances and that you have had the opportunity to take independent legal advice.
- 10.4 Where a third party has contributed to the losses, damages, costs, claims or expenses, we shall not be liable to make any contribution in respect of the liability of such third party.
- 10.5 Save in respect of third parties directly instructed by us and not on your behalf, we shall not be liable for the services or products provided by other third parties, nor shall we be required to inspect or supervise such third parties, irrespective of the third party services or products being incidental to or necessary for the provision of our Services to you.
- 10.6 Our total aggregate liability (including that of our members and employees) to you or to any other party entitled to rely on our valuation and/or report pursuant to this clause 10 in contract, tort (including negligence or breach of statutory duty), misrepresentation, restitution or otherwise, arising in connection with the performance or contemplated performance of the Services shall be limited to an aggregate sum not exceeding:
- (i) 25% of the reported value (and, for the avoidance of doubt, where more than one value basis is adopted the reported value shall mean the Market Value without Special Assumptions; or, if this basis is not included in our report, the value basis most similar to the Market Value without Special Assumptions, where Market Value and Special Assumptions have the meanings set out in the RICS Valuation Professional Standards current at the date of the Letter); or
  - (ii) £20 million,
- whichever is the lesser amount.
- 10.7 Where the Services relate to more than one property, our maximum liability in respect of any individual property shall be in the same proportion to the total aggregate liability as such individual property's reported value is to the aggregate reported value.
- 10.8 Nothing in these Terms of Business excludes or limits our liability: (i) for death or personal injury caused by our negligence; (ii) for any matter which it would be illegal for us to exclude or attempt to exclude our liability and (iii) for fraud or fraudulent misrepresentation.
- 10.9 We shall be released from our obligations to the extent that performance thereof is delayed, hindered or prevented by any circumstances beyond our reasonable control (examples being a strike, act of God or act of terrorism). On becoming aware of any circumstance which gives rise, or which is likely to give rise, to any failure or delay in the performance of our obligations, we will notify you by the most expeditious method then available.

## PRINCIPAL TERMS AND CONDITIONS OF APPOINTMENT AS VALUERS

MAY 2016 (ENGLISH VERSION)

- 10.10 To cover any liability that might be incurred by us, we confirm that we will maintain professional indemnity insurance through the Lloyds and company insurance market, so long as such insurance is available at commercially acceptable rates and terms, with insurers of good standing and repute of not less than £20 million on an each and every claim basis.
- 10.11 Responsibility for our valuation extends only to the party(ies) to whom it is addressed. However in the event of us being asked by you to readdress our report to another party or other parties or permit reliance upon it by another party or other parties, we will give consideration to doing so, to named parties, subject to the following minimum fees:

	First Extended Party	Second & Subsequent Extended Parties
For the first £1m of reported value	0.075%	0.025% per party
Thereafter	0.035%	0.015% per party

These fees are exclusive of VAT and expenses (including the cost of readdressing the report) and are subject to a minimum fee of £750. Should additional work be involved, over and above that undertaken to provide the initial report, we may make a further charge although we will agree this with you before commencing the work.

- 10.12 Where we consent in writing to reliance on our report by another party or other parties, we do so on the condition that (i) the other party or parties agree in writing to be bound by the Letter and these Terms of Business as if it / they had been a party to the original Letter between us, with such written agreement being provided to us, (ii) such other party pay the fees demanded as set out in clause 10.11 above (unless agreed otherwise in writing) and (iii) where you act on behalf of a syndicate or in relation to a securitisation, you agree that you are not entitled to pursue any greater claim on behalf of any other party than you would have been entitled to pursue on your own behalf had there been no syndication or securitisation.
- 10.13 Where you provide a copy of and / or permit another party or parties to rely upon our valuation report without obtaining our express written consent and fail to provide us with the written consent of any other party or parties who have received our report to be bound by the Letter and Terms of Business (in accordance with clause 10.12 above), you agree to indemnify us for any and all liability which arises from the use of or reliance upon our report by such unauthorised party.
- 10.14 Notwithstanding clause 10.12, where a valuation report is prepared or where we consent to a valuation report being used for the purpose of a prospectus, offering (either directly or indirectly), or a circular to shareholders, you agree to indemnify us for any liability whatsoever that we may have to any parties that have not agreed with us in writing to be bound by these Terms of Business which exceeds our aggregate cap on liability (referred to at clause 10.6) arising from their use and / or reliance on the valuation report.

## PRINCIPAL TERMS AND CONDITIONS OF APPOINTMENT AS VALUERS

MAY 2016 (ENGLISH VERSION)

- 10.15 Where we provide valuation advice to an entity that falls within the scope of the Alternative Investment Fund Managers Directive (“**Fund**”), our role will be limited solely to providing valuations of property assets held by the Fund. We will not act in the capacity of External Valuer of the Fund as defined in the Directive; the valuation function for the Fund and the setting of the net asset value of the Fund will remain with others. C&W’s report will be addressed to the Fund for internal purposes and third parties may not rely on it. Our aggregate liability howsoever arising out of such instruction is limited in accordance with these Terms of Business.

### 11. QUALITY OF SERVICE AND COMPLAINTS

- 11.1 Our valuation procedures are certified as ISO9001:2000 compliant.
- 11.2 All our valuation reports are signed by a Member of C&W whose responsibility it is to ensure that all relevant quality control procedures have been complied with.
- 11.3 If you wish to complain about the level or our service to you, in accordance with the requirements of the Royal Institution of Chartered Surveyors, we have a standard complaints procedure, a copy of which is available on request.

### 12. DATA PROTECTION

- 12.1 We (and any of our relevant international partnerships, group companies and affiliated organisations) are data controllers of all personal data collected during the provision of the Services. We shall use such personal data and information we obtain from other sources for providing the Services, for administration and customer services, for marketing and to analyse your preferences. We may keep such personal data for a reasonable period for these purposes. We may need to share personal data with our service providers and agents for these purposes. We may disclose personal data in order to comply with a legal or regulatory obligation and you may request, in writing and upon payment of a fee, a copy of the details held about you by us.
- 12.2 To help us to make credit decisions about you, to prevent fraud, to check identity and to prevent money laundering, we may search the files of credit reference agencies and we may also disclose details of how you conduct your account to such agencies.
- 12.3 We may share personal data within our international partnerships, group companies and affiliated organisations and with our business partners for marketing purposes, which may be to countries or jurisdictions which do not provide the same level of data protection as the country in which you are based, or we may send you and your employees information about other organisations' goods and services. We or any business partners may contact you and your employees, directly or via our agents, by mail, telephone, fax, email, SMS or other electronic messaging service with offers of goods and services or information that may be of interest. By providing us with your or your employees' personal data (whether that data is deemed sensitive or not) including fax numbers, telephone numbers or email addresses, you and your employees consent to being contacted by these methods for these purposes.

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### 13. MONEY LAUNDERING REGULATIONS

In order to comply with all applicable money laundering legislation and regulation, we may be required to verify certain of your details and may ask you to assist us in complying with such requirements. Where such information is requested, you will provide such information promptly to enable us to provide our Services. We shall not be liable to you or any other parties for any delay in the performance or any failure to perform the Services which may be caused by our duty to comply with any such legal and regulatory requirements.

### 14. FREEDOM OF INFORMATION

Where you are a public authority for the purposes of the Freedom of Information Act 2000 (the "**Act**"), you shall notify us within five business days of receiving a request pursuant to the Act requesting information which relates to the business arrangements between us and you and/or any information we have provided to you at any time. In recognition of the fact that we may be providing you with genuinely confidential or commercially sensitive information, you agree to consult us and seek our views on all such requests prior to making a decision on whether any information should be publicly disclosed.

### 15. ELECTRONIC COMMUNICATIONS

We may communicate with each other by electronic mail, sometimes attaching electronic data. By consenting to this method of communication, we and you accept the inherent risks (including the security risks of interception of, or unauthorised access to, such communications, the risks of corruption of such communications and the risks of viruses or other harmful devices). In the event of a dispute, neither of us will challenge the legal evidential standing of an electronic document and our system shall be deemed to be the definitive record of electronic communications and documentation.

### 16. CONFIDENTIALITY

16.1 We owe you a duty of confidentiality. You agree that we may, when required by our insurers or other advisers, provide details to them of any engagement on which we act or have acted for you, and that we may also disclose confidential information relating to your affairs if required to do so for legal, regulatory or insurance purposes only.

16.2 Subject to clause 16.1, we both agree never to disclose sensitive details of transactions or our advice without the other's consent. Unless we are expressly bound by a duty of confidentiality which otherwise overrides this, we both shall be entitled to mention to third parties (e.g. in the course of presentations, speeches or pitches) and/or publish (e.g. in brochures, marketing or other written material) that we provide our services to you.

## PRINCIPAL TERMS AND CONDITIONS OF APPOINTMENT AS VALUERS

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- 16.3 We shall provide the Services to you only for your sole use and for the stated purpose. We shall not be liable to any third party in respect of our Services, even if a third party pays all or part of our fees, or is permitted to see a copy of our valuation report. You shall not mention nor refer to our advice, in whole or in part, to any third party orally or in annual accounts or other document, circular or statement without our prior written approval. The giving of an approval shall be at our sole discretion.
- 16.4 We will not approve any mention of our advice unless it contains sufficient reference to all the special assumptions and/or limitations (if any) to which our advice is subject. Our approval is required whether or not we are referred to by name and whether or not our advice is combined with others.

### 17. INTELLECTUAL PROPERTY

All intellectual property rights (including copyrights) in the documents, materials, records, data and information in any form developed or provided to you by us or otherwise generated in the provision of our Services shall belong to us solely. You are granted an irrevocable, non-exclusive, royalty-free licence to use or copy such intellectual property rights for any purpose connected with the property.

### 18. ASSIGNMENT

Neither party shall be entitled to assign this contract or any rights and obligations arising from it without the prior written consent of the other, such consent not to be unreasonably withheld.

### 19. GENERAL

- 19.1 If any provision of these Terms of Business is found by any court, tribunal or administrative body of competent jurisdiction to be wholly or partly illegal, invalid, void, voidable, unenforceable or unreasonable it shall to the extent of such illegality, invalidity, voidness, voidability, unenforceability or unreasonableness be deemed severable and the remaining provisions of these Terms of Business and the remainder of such provision shall continue in full force and effect.
- 19.2 Failure or delay by us in enforcing or partially enforcing any provision of these Terms of Business shall not be construed as a waiver of any of our rights under these Terms of Business.
- 19.3 No term of the relevant Letter or these Terms of Business is intended to confer a benefit on or to be enforceable by any person who is not a party to the same. The application of the Contracts (Rights of Third Parties) Act 1999 is expressly excluded.
- 19.4 All Letters and these Terms of Business shall be governed by and be construed in accordance with English law. Any dispute arising out of or in connection with the Services shall be submitted to the exclusive jurisdiction of the courts of England and Wales.

# GENERAL VALUATION PRINCIPLES

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## I. PRELIMINARY

- I.1 These general valuation principles (the "**Valuation Principles**") shall apply to all valuation instructions, other than agency services and other forms of professional services (to which separate terms will apply), provided by Cushman & Wakefield LLP, a limited liability partnership under the Limited Liability Partnerships Act 2000 with registered number OC328588 and having its registered office at 125 Old Broad Street, London, EC2N 1AR ("**C&W**", "**we**" or "**us**") to the client to whom an instruction confirmation letter (the "**Letter**") is sent ("**you**"). They shall apply separately to each service subsequently provided to you.
- I.2 The Valuation Principles are to be read in conjunction with the relevant Letter and the Terms of Business attached thereto. In the event of any ambiguity or conflict between the relevant Letter, the Terms of Business and these Valuation Principles, the provisions in the relevant Letter shall prevail. These Valuation Principles may only be varied in writing by agreement between the parties. It is our practice to review and upgrade our Valuation Principles frequently and new versions will be sent to you and agreed with you.

## 2. VALUATION BASES

- 2.1 Unless we have said otherwise within the Letter, the date of valuation will be the date of our inspection.
- 2.2 Unless we have said otherwise in the relevant Letter, the valuation will be prepared in accordance with the RICS Valuation Professional Standards current at the date of the Letter (the "**Red Book**") by valuers conforming to its requirements, acting as external valuer.
- 2.3 Each property will be valued on a basis appropriate to the purpose of the valuation, in accordance with the Red Book. The basis of valuation that we will adopt for each property is specified in the relevant Letter. The definitions are as follows:

- (i) **MARKET VALUE**

Market Value is "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".

- (ii) **MARKET RENT**

Market Rent is "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 wherein the parties had each acted knowledgeably, prudently and without compulsion".

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### (iii) EXISTING USE VALUE

Existing Use Value is “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”.

### (iv) FAIR VALUE

Fair Value is “the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm’s length transaction.” In the context of International Accounting Standard (IAS) 17, the fair value of the leased asset of interest will normally be its market value (see (i) above).

### (v) EXISTING USE VALUE FOR SOCIAL HOUSING

Existing Use Value for Social Housing is “the estimated amount for which a property should exchange, on the 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, subject to the following special assumptions that the property will continue to be let by a body pursuant to delivery of a service for the existing use:

- a) at the valuation date, any regulatory body, in applying its criteria for approval, would not unreasonably fetter the vendor’s ability to dispose of the property to organisations intending to manage their housing stock in accordance with that regulatory body’s requirements;
- b) properties temporarily vacant pending re-letting would be valued, if there is a letting demand, on the basis that the prospective purchaser intends to re-let them, rather than with vacant possession; and
- c) any subsequent sale would be subject to all of the above special assumptions.”

### (vi) PROJECTED MARKET VALUE OF RESIDENTIAL PROPERTY

Projected Market Value of Residential Property is “the estimated amount for which an asset is expected to exchange at a date, after the valuation date and specified by the valuer, 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”.

2.4 When assessing either Existing Use Value, Fair Value or Market Value for balance sheet purposes, we will not include directly attributable acquisition or disposal costs in our valuation. Where you have asked us to reflect costs (as required under FRS15), they will be stated separately.

2.5 In the case of specialised properties (where valuation methods such as market comparison or an income (profits) test cannot be reliably applied), we may use Depreciated Replacement Cost (“**DRC**”) as a method of estimating Value. The valuation using this method of a property in the private sector will

## GENERAL VALUATION PRINCIPLES

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include a statement that it is subject to the adequate profitability of the business, paying due regard to the value of the total assets employed. If the property is in the public sector, the valuation will include a statement that it is subject to the prospect and viability of the continued occupation and use. Any writing down of a valuation derived solely from the DRC method to reflect the profitability/viability of the entity in occupation is a matter for the occupier. If the valuation is being undertaken for inclusion in accounts prepared under International Financial Reporting Standards, our report will contain a statement that because of the specialised nature of the property, the value is estimated using a DRC method and is not based on the evidence of sales of similar assets in the market. If we consider that the value of the asset would be materially lower if the business ceased, the report will contain a statement to this effect.

### 3. GENERAL VALUATION ASSUMPTIONS

3.1 Unless otherwise agreed, we will provide the Services in relation to any property on the following assumptions:

- (i) the property and any existing buildings are free from any defect whatsoever;
- (ii) all buildings have been constructed having appropriate regard to existing ground conditions or that these would have no unusual effect on building costs, property values or viability of any development or existing buildings;
- (iii) all the building services (such as lifts, electrical, gas, plumbing, heating, drainage and air conditioning installations and security systems) and property services (such as incoming mains, waste, drains, utility supplies, etc) are in good working order without any defect whatsoever;
- (iv) roads and sewers serving the property have been adopted and that the property has all necessary rights of access over common estate roads, paths, corridors and stairways and to use common parking areas, loading areas and other facilities;
- (v) there are no environmental matters (including but not limited to actual or potential land, air or water contamination, or by asbestos or any other harmful or hazardous substance) that would affect the property, any development or any existing buildings on the property in respect of which the Services are provided or any adjoining property, and that we shall not be responsible for any investigations into the existence of the same and that you are responsible for making such investigations;
- (vi) any building, the building services and the property services comply with all applicable current regulations (including fire and health and safety regulations);
- (vii) the property and any existing building comply with all planning and building regulations, have the benefit of appropriate planning consents or other statutory authorisation for the current use and no adverse planning conditions or restrictions apply (which includes, but is not limited to, threat of or actual compulsory purchase order);

## GENERAL VALUATION PRINCIPLES

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- (viii) appropriate insurance cover is, and will continue to be, available on commercially acceptable terms for any building incorporating types of construction or materials which may pose an increased fire or health and safety risk, or where there may be an increased risk of terrorism, flooding or a rising water table;
- (ix) items of plant and machinery that usually comprise part of the property on an assumed sale are included in the property but items of plant and machinery that are associated with the process being carried on in the property or tenants trade fixtures and fittings are excluded from the property;
- (x) in reflecting the development potential of any property, that all structures will be completed using good quality materials and first class workmanship;
- (xi) any occupational leases are on full repairing and insuring terms, with no unusually onerous provisions or covenants that would affect value;
- (xii) in respect of any lease renewals or rent reviews, all notices have been served validly within any time limits;
- (xiii) vacant possession can be given of all accommodation which is unlet or occupied by the entity/borrower or its employees on service tenancies; and
- (xiv) any mineral rights are excluded from the property.

### 4. VALUATION ASSUMPTIONS FOR PROPERTY VALUED HAVING REGARD TO TRADING POTENTIAL

- 4.1 Unless we have agreed otherwise, for trading related property (such as hotels, marinas and self storage properties where the property is trading and is expected to continue, we will value on the assumption of a fully equipped operational entity, having regard to trading potential.
- 4.2 Where we are instructed to value a property having regard to its trading potential, we will take account of any trading information that either the operator has supplied to us or that we have obtained from our own enquiries. We will rely on this information being correct and complete and on there being no undisclosed matters that could affect our valuation. The valuation will be based on our opinion as to future trading potential and the level of fair maintainable turnover and fair maintainable operating profit likely to be achieved by a reasonably efficient operator.
- 4.3 Unless we have said otherwise in the relevant Letter:
  - (i) the valuation will be made on the basis that each property will be sold as a whole including all fixtures, fittings, furnishings, equipment, stock and goodwill required to continue trading;

## GENERAL VALUATION PRINCIPLES

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- (ii) we will assume that the new owner will normally engage the existing staff and the new management will have the benefit of existing and future bookings or occupational agreements (which may be an important feature of the continuing operation), together with all existing statutory consents, operational permits and licences;
- (iii) we will assume that all assets and equipment are fully owned by the operator and are not subject to separate finance leases or charges;
- (iv) we will exclude any consumable items, stock in trade and working capital; and
- (v) we will assume that all goodwill for the properties is tied to the land and buildings and does not represent personal goodwill to the operator.

## 5. STRUCTURE

- 5.1 We will not carry out a structural survey of any property nor will we test services. Further, no inspection will be made of the woodwork and other parts of the structures which are covered, unexposed or inaccessible. In the absence of information to the contrary, the valuation will be on the basis that the property is free from defect. However, the value will reflect the apparent general state of repair of the property noted during inspection, but we do not give any warranty as to the condition of the structure, foundations, soil and services. Our report should not be taken or interpreted as giving any opinion or warranty as to the structural condition or state of repair of the property, nor should such an opinion be implied.
- 5.2 If we give the age of a building in our report, this will be an estimate and for guidance only.

## 6. MEASUREMENTS

- 6.1 Where we are required to measure a property we will generally do so in accordance with the latest edition of the RICS Code of Measuring Practice. However, you should specifically note that the floor areas contained in any report we may publish are approximate and if measured by us will be within a 3% tolerance either way. In cases where the configuration of the floor plate is unusually irregular or is obstructed, this tolerance may be exceeded.
- 6.2 We will not be able to measure areas that we are unable to access. In these cases we may estimate floor areas from plans or by extrapolation. Where we are required to measure land or site areas, the areas will be approximate and will be measured from plans supplied or from Ordnance Survey plans. They will not be physically checked on site.
- 6.3 The areas we report will be appropriate for the valuation purpose, but should not be relied upon for any other purpose.

## GENERAL VALUATION PRINCIPLES

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### 7. PLANNING AND STATUTORY REGULATIONS

- 7.1 Unless specifically instructed in writing to make formal searches with local planning authorities, we shall rely in the provision of our Services on the information provided informally by the local planning authority or its officers. We recommend that your lawyers be instructed to confirm the planning position relating to the property and review our comments on planning in the light of their findings.
- 7.2 We may consider the possibility of alternative uses being permitted. Unless otherwise notified by you in writing, we shall assume that the property and any existing buildings comply with all planning and building regulations existing uses have the benefit of appropriate planning consent or other statutory authorisation, and that no adverse planning conditions or restrictions apply.

### 8. VALUATION EXCLUSIONS

- 8.1 We will not inspect title deeds and we will therefore rely on the information supplied as being correct and complete. In the absence of information to the contrary, we will assume the absence of unusually onerous restrictions, covenants or other encumbrances and that the property has a good and marketable title. Where supplied with legal documentation, we will consider it but we will not take responsibility for the legal interpretation of it. Unless agreed we will not obtain information from The Land Registry.
- 8.2 You should confirm to us in writing if you require us to read leases and if so, provide all the relevant documentation within a reasonable time for consideration bearing in mind the date for receipt of our report. You should not rely upon our interpretation of the leases without first obtaining the advice of your lawyers.
- 8.3 We will take into account any information that you provide concerning any tenants' improvements. Otherwise, if the extent of tenants' alterations or improvements cannot be confirmed, we will assume that the property was let with all alterations and improvements evident during our inspection (or, in the case of valuation without inspection, as described within the information that you provide).
- 8.4 Our valuation will take into account potential purchasers' likely opinion of the financial strength of tenants. However, we will not undertake any detailed investigations on the covenant strength of the tenants. Unless informed to the contrary by you, we will assume that there are no significant arrears and that the tenants are able to meet their obligations under their leases or agreements.
- 8.5 Any plans we provide to you indicating the site of a property are for identification only. We will rely on our inspection and information that you provide in outlining the extent of each property, but you should not rely upon our plans to define boundaries.

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- 8.6 Where comparable evidence information is included in our report, this information is often based upon our oral enquiries and its accuracy cannot always be assured, or may be subject to undertakings as to confidentiality. However, such information would only be referred to where we had reason to believe its general accuracy or where it was in accordance with expectation. In addition, we have not inspected comparable properties.
- 8.7 For a recently completed development property, we will not take account of any retentions or outstanding development costs. For a property in the course of development, we will reflect your advice on the stage of construction, the costs already incurred and those still to be spent at the date of valuation, and will have regard to any contractual liabilities.
- 8.8 We will not make any allowance in our Services for the existence of any mortgage or other financial encumbrance on or over the property nor take account of any leases between subsidiaries.
- 8.9 Any valuation figures provided will be exclusive of VAT whether or not the building has been elected.
- 8.10 We will not make any allowance in any valuation advice provided for the expenses of realisation or any taxation liability arising from the sale or development of the property.
- 8.11 Unless we have said otherwise in the Letter, each property will be valued individually; in the case of a portfolio, we will assume that the properties would be marketed in an orderly way and not placed on the market at the same time.
- 8.12 The components of our valuation calculations (such as future rental values, cost allowances, or void periods) may only be appropriate as part of the valuation calculation. They should not be taken as a forecast or prediction of a future outcome. You should not rely on any component of the valuation calculation for any other purpose.
- 8.13 We will value in the local currency. If we are to report to you in another currency, unless we have agreed otherwise we will adopt a conversion rate equivalent to the closing rate (“**spot rate**”) on the date of valuation.
- 8.14 Our valuation does not make allowance either for the cost of transferring sale proceeds to another state, or for any restrictions on doing so.
- 8.15 A reinstatement assessment for insurance purposes is a specialist service and can only be given by a building surveyor or other person with sufficient current experience of replacement costs. In instances where we are instructed to provide an indication of current reinstatement costs for insurance purposes, this will be given solely as a guide without warranty. The property will not be inspected by a building surveyor or qualified building cost estimator. Our informal assessment will be based upon an estimate of current prices from the BCIS Review of Building Prices published by the RICS. This assumes total demolition and identical reconstruction in materials presently available and using modern building techniques. We will assume that the relevant authorities will issue any consents necessary without delay (including Listed Building Consent where applicable) to enable total demolition and identical reconstruction in materials presently available and using modern building techniques. We will make no allowance for the unavailability of materials, or for any abnormal site conditions that could not be overcome in the design of the structural elements of the building. (Please note that this approach may

## GENERAL VALUATION PRINCIPLES

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not be suitable for Listed Buildings, for which you should obtain specialist advice.) You should not rely on our informal assessment as the basis for insurance cover.

### 9. REGULATED PURPOSE VALUATIONS AND MONITORING

- 9.1 In circumstances where a valuation, although provided for a client, may also be of use to third parties, for instance the shareholders in a company (otherwise defined as a “**Regulated Purpose Valuation**” in the Red Book), we are required to state our policy on the rotation of the surveyor who prepares the valuation and the quality control procedures that are in place.
- 9.2 Irrespective of the purpose of the valuation, we will select the most appropriate surveyor for the valuation having regard to his/her expertise and the possible perception that independence and objectivity could be compromised where a valuer has held the responsibility for a particular client for a number of years. This may result in us rotating the surveyor responsible for repeat valuations for the same client although we will not do so without prior discussion with the client.
- 9.3 For all Regulated Purpose Valuations we are required by the Red Book to state all of the following in our report:
- (i) the length of time the valuer continuously has been the signatory to valuations provided to you for the same purpose as the report, together with the length of time we have continuously been carrying out that valuation instruction for you;
  - (ii) the extent and duration of the relationship between you and us;
  - (iii) in relation to our preceding financial year the proportion of the total fees, if any, payable by you to our total fee income expressed as one of the following:
    - less than 5%; or
    - if more than 5%, an indication of the proportion within a range of 5 percentage points;
  - (iv) where, since the end of the last financial year, it is anticipated that there will be a material increase in the proportion of the fees payable, or likely to be payable, we shall include a further statement to that effect in addition to (iii) above.
- 9.4 The valuation may be subject to monitoring under the RICS’s conduct and disciplinary regulations.

CUSHMAN & WAKEFIELD LLP  
9 MAY 2016

## Appendix 2 Information Supplied

We have been supplied with the following information:

Information	Source
1. Scale floor plans	Rockcastle Limited
2. Details of ground conditions	Environment Agency website
3. Environmental enquiries	Environment Agency website.
4. Rating assessments	VOA website.
5. Copy report on title / copy leases	Rockcastle
6. Details of planning use and relevant planning consents	The Royal Borough of Kingston upon Thames