

APPENDIX 3

MARKET REVENUES AND EUV

NIGHTINGALE CHANCELLORS

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19th November 2019

Dear Sirs

GARAGES AT SOUTH WORPLE WAY, EAST SHEEN, LONDON SW14

1 INSTRUCTIONS

- 1.1 You have instructed me to provide you with my opinion as to:
- 1.2 The current Market Value ("MV") of the existing use of the freehold interest as 45 garages subject to tenancies;
- 1.3 The Market Value ("MV") of the proposed new dwellings on the special assumption that planning permission is obtained to create 5 x 3 bedroom detached houses;
- 1.4 I understand this advice is required for your internal consideration.

2 EXECUTIVE SUMMARY

- 2.1 This executive summary must be read in conjunction with the main body of the Report which summarises the terms, conditions and assumptions upon which my valuations have been made and take precedence.
 - 2.1.1 Market Value is defined in the RICS Red Book as 'The estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's-length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion.'
 - 2.1.2 The current Market Value ("MV") of the existing use of the freehold interest as 45 garages subject to tenancies is **£765,000** (SEVEN HUNDRED AND SIXTY FIVE THOUSAND POUNDS).

- 2.1.3 The Market Value ("MV") of the proposed new dwellings on the special assumption that planning permission is obtained to create 5 x 3 bedroom detached houses is £4,750,000 (FOUR MILLION SEVEN HUNDRED AND FIFTY THOUSAND POUNDS).

3 RICS PRACTICE STATEMENTS

3.1 Compliance

- 3.1.1 I confirm that my valuation has been undertaken in accordance with the latest edition of the RICS Valuation – Global Standards 2017 (The Red Book) effective from 1st July 2017.

3.2 Status of the Valuer and Independence

- 3.2.1 I am a Chartered Valuation Surveyor and RICS Registered Valuer.
- 3.2.2 I value as an External Valuer because I have no material links with the client, company or the subject of this assignment.

3.3 Conflict of Interest

- 3.3.1 Having made appropriate checks through our internal database of clients and previous instructions undertaken, I am not aware of any conflicts of interests that should be disclosed or restrict Nightingale Chancellors or I from undertaking this valuation instruction.

3.4 General Assumptions

- 3.4.1 I have made the following general assumptions:
- 3.4.2 That the property is not subject to any unusual or onerous restrictions, encumbrances or outgoing and that good title can be shown for the property and the property and its value is unaffected by any matters which would be revealed by local searches or replies to the usual pre-contract enquiries or by statutory notices.
- 3.4.3 That I have been supplied with all information likely to have an effect on the value of the property and that the information supplied to me and summarised in this report is both complete and correct.
- 3.4.4 The extent of my inspection will be adequate to be relied upon for valuation purposes and not a building or condition survey. I have undertaken a visual inspection of all parts of the building which were accessible to me. I shall not inspect any part of the building which is covered, unexposed or inaccessible (e.g. beyond a carpeted floor) but shall make reasonable assumptions in this

valuation report where appropriate. Any inspection of those parts of the property that have not been inspected would not reveal material defects or cause me to alter my valuation materially and that the property is connected to and there is the right to use the main services on normal terms and that the sewers, main services and roads giving access to the property have been adopted.

- 3.4.5 That all services are in reasonable working order and free from significant defects.
- 3.4.6 That all required valid planning permissions and statutory approvals for the property and its use including any alterations have been obtained and complied with.
- 3.4.7 That the proposed new dwellings are each to be sold freehold with vacant possession.
- 3.4.8 That no deleterious or hazardous materials or techniques have been used in the construction or subsequent alteration of the properties and that there is no contamination in or from the ground and they are not situated on landfill sites.
- 3.4.9 Unless specified in the report it should be assumed that the property is not adversely affected by environment matters which could potentially affect the property and its value such as mining, flooding, radon gas and sustainability.
- 3.4.10 As necessary I will advise on the following should they be necessary to the property - Local property tax, Fire, Disabled access, Coastal erosion, Brine extraction, Fracking and any other matters which affect value which may be relevant to the particular property and location.

3.5 **Special Assumptions**

- 3.5.1 You have asked me to provide my opinion of the Market Value of the proposed new dwellings on the special assumption that planning permission is obtained to create 5 x 3 bedroom detached houses.

3.6 **Basis of Valuation**

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

3.7 **Knowledge and Skills of the Valuer**

- 3.7.1 I am employed by Nightingale Chancellors dedicated to residential and commercial property valuation, management, survey and repair.

3.7.2 I am employed within the Valuation Department which is a specialist department dealing with all types of residential and commercial property including development sites.

3.7.3 I confirm that I have the knowledge, skills and understanding to undertake this valuation competently, good experience of undertaking valuations in the immediate locality and a thorough understanding and experience of the valuation process required to complete this instruction.

4 INFORMATION RELIED UPON AND INVESTIGATIONS UNDERTAKEN

4.1 I have made online and telephone based enquires and searches. In particular I have used property related subscription databases such as Rightmove Plus and Land Registry to analyse and confirm comparable details.

4.2 I have also researched Local Authority and Government websites to obtain information that relate to the property, such as planning information.

4.3 Other subscription and free to access websites including Google maps, street view, Promap and Zoopla have also been used for various purposes relating to information provided in this report.

4.4 You have provided me with a schedule of the current rent and proposed plans that have been submitted to the Council for approval.

4.5 I have not received a copy of the report on title and assume there are no onerous covenants or provisions governing the site.

5 DATE AND EXTENT OF INSPECTION AND DATE OF VALUATION

5.1 My inspection of the site was undertaken on the morning of Thursday 5th September 2019. The weather was clear and dry.

5.2 My inspection was limited to that required to undertake a valuation and not a building survey.

5.3 During my inspection, no access was provided to any of the garages internally.

5.4 My valuation is undertaken as at the date of this report.

6 DESCRIPTION

6.1 Location and Situation

- 6.1.1 The property is situated in East Sheen, which lies some 6 and a half miles to the south west of Westminster in central London.
- 6.1.2 Nearby areas include Mortlake to the west, Barnes to the east and Chiswick across the River Thames to the north.
- 6.1.3 South Worple Way is a well-established predominately residential road situated from Sheen Lane from the west to White Hart Lane to the east.
- 6.1.4 The subject property is situated on the north side of South Worple Way, immediately to the south of the railway line, a few hundred metres to the east of Mortlake railway station and opposite its junctions with Howgate Road and Oaklands Road.
- 6.1.5 A general and close up plan of the location is attached at Appendix 1.

6.2 Type of Property and Use

- 6.2.1 The subject property currently comprises of 45 lock-up single size garages arranged in a compound.
- 6.2.2 Photographs are at Appendix 2.

6.3 Proposed Development

- 6.3.1 You have informed me that a planning application is to be made to the local authority for the demolition of 30 garages and the erection of 5 detached houses. I understand you will retain the remaining 15 garages and that each of the houses will comprise of three bedrooms and each be approximately 1,400 sq ft Gross Internal.
- 6.3.2 A plan showing the proposed layout of the site, which you sent to me can be found at Appendix 3.

6.4 Construction

- 6.4.1 The garages are of concrete framed construction beneath corrugated asbestolux sheet roofs. Each garage has an up and over door.
- 6.4.2 I have not been advised of the proposed construction for the five new houses, however my valuation assumes these will be of traditional construction incorporating modern materials and techniques in line with general building control.

6.5 Accommodation

6.5.1 During my inspection, access to the 45 garages was not provided internally, however I noted that each garage is of single size to accommodate a standard sized car.

6.5.2 You have provided me with the following information in regard to the proposed five new detached houses:

- Plot 1 - Detached house - 127.2 sq m (1,369 sq ft)
- Plot 2 - Detached house - 129.3 sq m (1,392 sq ft)
- Plot 3 - Detached house - 133.9 sq m (1,441 sq ft)
- Plot 4 - Detached house - 124.5 sq m (1,340 sq ft)
- Plot 5 - Detached house - 123.0 sq m (1,324 sq ft)

6.5.3 In addition, I understand that each house is to have one off-street parking space, each situated to the front of their own property.

6.6 Services

6.6.1 From the extent of my inspection, it would appear that no services are connected to any of the garages.

6.6.2 My valuation assumes that mains services including water, gas, electricity, telephone and sewage are provided to the five newly constructed detached houses.

6.7 Condition

6.7.1 Although I did not undertake a building survey, from the extent of my inspection I would comment that the garages are presented in a reasonable condition.

6.8 Tenure

6.8.1 I understand you own the freehold interest to the subject garages and land.

6.9 Occupational Leases or Other Agreements

6.9.1 You have informed me that the garages are rented out on individual licences.

6.9.2 You have also informed me that as at the 31st March 2019, the garages were producing a gross rental income of £62,660 per annum.

6.9.3 Whilst I have not had sight of a specimen licence, I have assumed these are drawn on non-onerous terms and that the Landlord is responsible for the repair, maintenance and insurance of the garages.

6.10 Planning Use

- 6.10.1 I understand the land currently has permission to be used as garages.
- 6.10.2 Any alternative use would be subject to local authority approval.
- 6.10.3 I have accessed the planning register on the local authority planning department website and noted that a planning application for the demolition of 30 garages and the erection of 5 x three bedroom detached houses has been submitted.

6.11 Environmental Considerations

- 6.11.1 The Environment Agency website indicates that the property is situated in an area that benefits from flood defences from the nearby River Thames.
- 6.11.2 My valuation assumes there are no adverse ground conditions that would affect the site or the proposed new dwellings.

7 STATUTORY ENQUIRIES

- 7.1 The property is located within the London Borough of Richmond upon Thames where the Local Plan was adopted in July 2018.
- 7.2 The property has direct access to South Worples Way which is adopted by the local Highways Authority.
- 7.3 Once the proposed new houses are erected, the local authority will apply a council tax banding as appropriate.

8 MARKET CONDITIONS

8.1 Market Comment, Future Trends and Potential Demand

- 8.1.1 The property market in general is currently experiencing reduced levels of demand due to uncertainty within the economy in part due to the impact of the recent referendum on the UK's membership of the European Union. Other factors such as the further threat of increases in interest rates, current levels of Stamp Duty Land Tax particularly for high value or investment properties and new taxations on UK property owned by overseas investors have also contributed to the current uncertainty and levels of demand in the market place.
- 8.1.2 The immediate future remains unclear with the threat of uncertainty continuing to affect the market. The short to mid-term effect is unlikely to see growth based on levels of demand and over the past 12 months in particular, transaction levels have remained fairly static.

8.1.3 The immediate area of East Sheen has enjoyed a growth in residential values over recent years, although more recently it too has seen its levels of demand decline due to uncertainty in the market.

9 VALUATION

9.1 Valuation Methodology

9.1.1 In its current arrangement, I consider that the most appropriate method of valuation to adopt is the Investment method, which applies an annual return to the net annual rental income (i.e. a yield) to produce a capital value of the property.

9.1.2 In order to assess the Market Value of the proposed new dwellings on the special assumption that planning permission has been obtained, I have adopted the Comparable method of valuation, which assesses the current value of the five proposed new dwellings, assuming satisfactory completion of the works, in comparison to the recent sale of other similar residential properties in the immediate area.

9.2 Valuation Rationale & Conclusions

9.2.1 Market Value - Existing Use

9.2.1.1 In arriving at my opinion of the Market Value of the site, in its existing use as 45 garages, I had regard to the current rental income and I have applied a Net Initial Yield to my opinion of the net rental income to reflect the price an investor would pay in this market for the freehold interest.

9.2.1.2 In assessing the current rental income, you have provided me with the annual rent achieved for the year ending 31st March 2019. I have adopted this figure as the current Market Rental value, taking account of any rental growth but also any voids and reletting costs. I have then made a deduction of approximately 20% to arrive at the Net Rental income, say £50,000 per annum. This takes account of repairs and maintenance, insurance and management.

9.2.1.3 In assessing the market value of this site in its existing use, I am aware that generally in the local area, which is heavily restricted by parking controls, a single garage tends to sell for in the region of £20,000. My assessment has made a 10% discount for a bulk purchase and a further discount to reflect stamp duty, agents fees and legal costs. Accordingly, I arrive at a Market Value of the existing use of the freehold interest as 45 garages subject to tenancies as being £765,000, which represents a 6.53% Net Initial yield.

9.2.1.4 My opinion of the Market Value of the freehold interest in its existing use specifically ignores any proposed future use and planning potential of the site and purely values the freehold interest on the basis of its existing use as garages rented out as an investment.

9.2.2 Market Value - Special Assumption with 5 x detached houses

9.2.2.1 In arriving at my opinion of the Market Value of the proposed new dwellings on the special assumption that planning permission is obtained to create 5 x 3 bedroom detached houses, I have relied on the following comparable transactions:

9.2.2.2 69 South Worple Way, SW14 8PA, is a four bedroom mid terrace house, measuring 1,465 sq ft, which sold in a good condition in July 2019 for £941,800. This property is situated on the opposite side of South Worple Way, several hundred yards east of the subject property.

9.2.2.3 47 Milton Road, SW14 8JP, is a three bedroom end of terrace house, measuring 1,621 sq ft, which sold in a good condition in May 2019 for £950,000. Milton Road is situated several hundred yards to the south of South Worple Way. I have made adjustments to reflect the size of the subject property, it being end of terrace and the difference with being situated along a quiet residential road and behind a railway line.

9.2.2.4 29 Trehern Road, SW14 8PD, is a three bedroom end of terrace house, measuring 1,076 sq ft, which sold in a good condition in March 2019 for £850,000. Trehern Road is situated to the south of South Worple Way, several hundred yards east of the subject property.

9.2.2.5 In making my assessment of the current Market Value of the five proposed new houses assuming satisfactory completion of the works, I have had regard to the comparables listed in this report and I have made adjustments to reflect the size, style (i.e. terraced or detached) and the difference with being situated along a quiet residential road and behind a railway line. I also considered the benefit of the off-street parking space that is to be provided for each new dwelling. Accordingly, I am of the opinion that the proposed five new detached houses have a current Market Value, on the special assumption that planning permission is obtained and assuming satisfactory completion of the works of £950,000 per house.

9.3 Valuation Summary

9.3.1 Having given the matter my careful consideration I am of the opinion that:

9.3.2 The current Market Value ("MV") of the existing use of the freehold interest as 45 garages subject to tenancies is £765,000 (SEVEN HUNDRED AND SIXTY FIVE THOUSAND POUNDS).

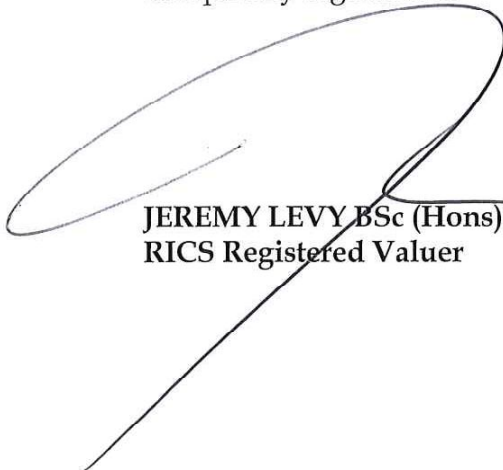
- 9.3.3 The Market Value ("MV") of the proposed new dwellings on the special assumption that planning permission is obtained to create 5 x 3 bedroom detached houses is £4,750,000 (FOUR MILLION SEVEN HUNDRED AND FIFTY THOUSAND POUNDS).
- 9.3.4 Attached at Appendix 4 is an overview of my calculations.

10 CONFIDENTIALITY

- 10.1 In accordance with the recommendations of the RICS, I would state that this report is provided solely for the purposes stated above. It is confidential to and for the use only of the party to whom it is addressed and no responsibility whatsoever is accepted to any third party for the whole or any part of its contents. Any such parties rely upon this report at their own risk. Neither the whole nor any part of this report or any reference to it may be included now, or at any time in the future, in any published document, circular or statement, nor published, referred to or used in any way without our written approval of the form and context in which it may appear.

11 RICS MONITORING

- 11.1 The firm and I are registered with RICS Valuer Registration. Please note that our files may be subject to monitoring under the institution's conduct and disciplinary regulations.



JEREMY LEVY BSc (Hons) MRICS
RICS Registered Valuer

APPENDIX 1

LOCATION



Promap v2
LANDMARK INFORMATION

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Plotted Scale - 1:5000. Paper Size - A4

Garages at South Worple Way
East Sheen
London SW14



Promapv2
 LANDMARK INFORMATION

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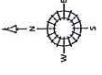
Garages at South Worple Way
 East Sheen
 London SW14

APPENDIX 2

Garages at South Worple Way, East Sheen, London SW14



APPENDIX 3



Coloured Site Layout
South Worple Way, East Sheen
18150 / C201

Scale 1:200 @ A1 September 2019

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APPENDIX 4

Garages at South Worple Way, East Sheen, London SW14

Calculations

Market Value - Existing Use

Assessment of Net Rent

Rent passing less 20% (for repairs, insurance, management)

£62,660 per annum - 20% = £50,128 per annum but say £50,000 per annum (Net Rent)

Assessment of Net Initial Yield

1. £20,000 per garage x 45 garages = £900,000
2. £900,000 less 10% (bulk purchase) = £810,000
3. £810,000 less SDLT, agents and legal fees = £765,000
4. £50,000 / £765,000 = 6.53% Net Initial yield

Market Value - Existing Use

Net Rent x 6.53% Net Initial Yield

£50,000 per annum x 6.53% = £765,697 **but say £765,000**