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REPORT & VALUATION IN RESPECT OF

Former Park Hotel,

406 Linthorpe Road,

Middlesbrough TS5 6HF



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MARKET VALUATION AND APPRAISAL REPORT

CLIENT NAME:

Yielders

SPVY00013 Ltd

CORRESPONDENCE ADDRESS: L8, 1 Canada Square, Canary Wharf, London E14 5AA

DATE OF VALUATION: 7^h May 2020

REPORT PREPARED BY:

Dr Saber Khan MRICS

Licensed RICS Registered Valuer

Le Baron Haussmann Chartered Surveyors

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1) INSTRUCTIONS/TERMS OF REFERENCE

The Public House property was acquired by Yielders for £395,000 in July 2019 as a freehold asset.

Our instructions:

- 1) Market Appraisal of Completed (Fully Let) Property (Special Assumption of a Scheme delivered and let within 4 months)
- 2) Market Value of Property - Current Condition (Hope Value of the proposed development)

We confirm that this Valuation is carried out in accordance with the appropriate RICS Practice Statement and that it is carried out in line with recommendations within the RICS Red Book. Valuation Global Standards 2017 edition effective from 31st January 2020.

We have referred to the RICS, Guidance note Valuation of development property 1st edition, October 2019

2) DATE OF VALUATION

The date of our inspection was 7th May 2020. We confirm that Zeeshan Uppal Co -Owner from Yielders provided access to the property and provided us with further information which we have relied upon.

3) EXECUTIVE SUMMARY

Client Address: L8, 1 Canada Square, Canary Wharf, London E14 5AA

Purpose of Valuation: Market Valuation

Date of Valuation: 7th May 2020

Property Address: 406 Linthorpe Rd Middlesbrough TS5 6HF

Customer: Zeeshan Uppal **SPVY00013 Ltd**

Tenure: Freehold

Tenancies: Not Applicable.

Brief Description:



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Freehold Victorian detached four storey former hotel and then Public House. located on a prominent position on the corner of Linthorpe Rd, and St Barnabas Rd Middlesbrough.

Comments:

1) The premises are undergoing major development and in poor condition throughout. A programme to create 23 student self-contained units is currently in progress having obtained the necessary Planning Consents.



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MARKET VALUE

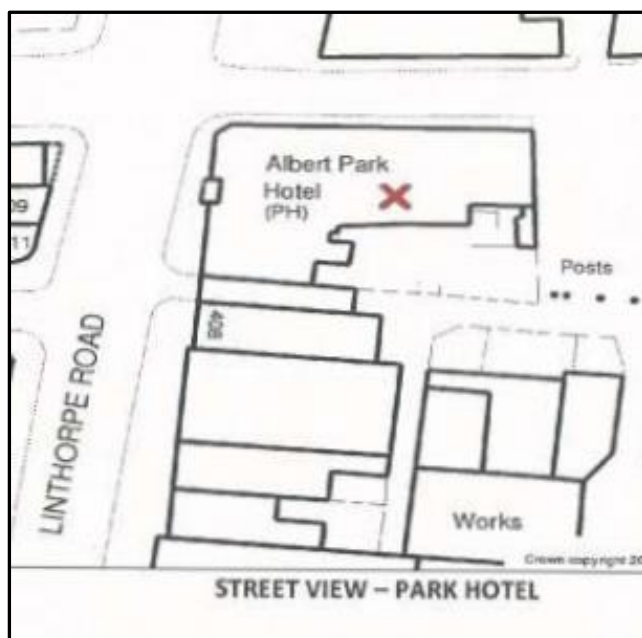
Market value is the value of the development property assuming optimum development, taking into account current and prospective economic and market circumstances and planning conditions *RICS, Guidance note Valuation of development property 1st edition, October 2019*

Special Assumptions: Market Value of Property - Current Condition (Hope Value of the proposed development) and Market Value of Completed (Fully Let) Property (Special Assumption of a Scheme delivered and let within 4 months in time for the Academic Year commencing September 2020)

Specialists Report: None

4) LOCATION

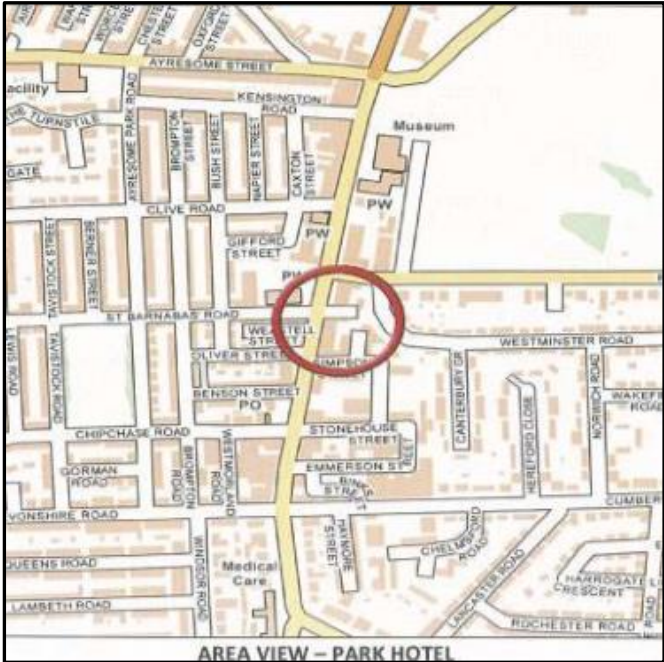
The subject property is located in Middlesbrough, a medium sized industrial and University town in North Yorkshire. The town has proximity to Teesside airport (7-10 miles) and has good transportation links to conurbations via the A19 and A66. The property is approximately 5 minutes' walking distance from the University and 10 minutes from the Town centre. The property is surrounded by amenities, and shops





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AREA VIEW – PARK HOTEL



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5) DESCRIPTION

The property comprises a four-storey Victorian building, with two additional extensions to the rear (a two storey and single storey), under a combination of pitched and flat roofs. The pitched tiled roofs appear in reasonable condition, as are the flat roofs, although full inspection of the roofing areas did not take place. The exteriors vary from original solid brick walls to partially painted and rendered brickwork.

The exterior comprises of: Front access directly from the street and raised steps to front door. There is also a large rear yard.





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6) CONSTRUCTION

We have not carried out a Building Survey, nor have we inspected those parts of the property which are covered, unexposed or inaccessible. However, the property has been derelict and is visibly in poor condition. This report does not purport to express an opinion nor to advise upon the condition of un-inspected parts and should not be taken as making an implied representation or statement about such parts

Our Valuation also assumes, unless stated within this report that there are no inherent structural or latent defects.

The property is of solid brick construction and comprises of the original building with solid and timber suspended floors.

7) ACCOMMODATION

The property has obtained Planning Permission for 6 studios, 16 one-bedroom and 1 two-bedroom self-contained units and one retail unit, with limited car parking to rear.

8) DELETERIOUS MATERIALS & ASBESTOS

We have not arranged for an inspection to be carried out to determine whether or not any deleterious or hazardous materials, or techniques have been used in the construction of this property, or have been incorporated and we are therefore, unable to report that the property is free from risk in this respect.

For the purpose of this Valuation we have assumed that investigations would not disclose the presence of any such material or any adverse conditions that will affect the value.

In accordance with the control of Asbestos at Work Regulations 2002, owners or occupiers of property have a legal duty to identify, assess and manage all asbestos containing materials (ACM'S) on their premises. Whilst we were unable to identify any ACM'S during our inspection, our survey was limited and for Valuation purposes only.

A detailed survey should be carried out by a Health & Safety Executive (HSE) approved Contractor in accordance with the HSE Guidelines for the handling and disposing of such materials. Should ACM'S be present and require remedial treatment, there will be financial implications that could have potential impact upon the valuation advice reported below.

9) SERVICES

We have not tested any of the services and our comments below are made from a purely visual inspection. This could have an implication on future reliability and operation and our advice is to obtain confirmation that all services and equipment is compliant if appropriate.



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10) ENVIRONMENTAL FACTORS (ENVIRONMENTAL & GROUND CONDITIONS)

We are not aware of the content of any environmental audit or other environmental investigation or soil survey which may have been carried out on the property and which may draw attention to any contamination or the possibility of any such contamination. In undertaking our work, we have been instructed to assume that no contaminative or potentially contaminative uses have ever been carried out in the property.

We have not carried out any investigation into past or present uses, either of the property or of any neighbouring land, to establish whether there is any contamination or potential for contamination to the subject property from these uses or sites and have therefore assumed that none exists for Valuation purposes.

We have not carried out a Flood Risk Assessment.

11) FACTORS AFFECTING VALUATION, INCLUDING MARKET CONDITIONS & TRENDS

Teesside University is the key driver for student accommodation supply with over 18,000 students. Student rental market within proximity to the University has been generally strong. The proposed development of Purpose Built Student Accommodation is geared towards attracting students from Teesside University, post-graduates, students and young professionals.

Teesside University offer in-house accommodation which includes private housing and Halls of Residence with a total of around 1,300 bed spaces. The remainder source of supply is private housing and HMO's within the locality. There are a number of purpose-built student developments close to the Campus. The former Park Hotel is located in close proximity to the University and town centre.

12) TENURE

We are advised that the tenure of the property is freehold. We have not had sight of the Title Deeds.

It is assumed that there are no undue encumbrances and that the land and buildings being valued are free from encumbrances, debenture, any statutory notices, unlawful use or other charges and that good title can be shown.

13) TRADING ISSUES REGARDING THE BUSINESS

We are unable to comment on turnover nor Average Net Profit (ANP) as the work to convert the property into rental units is still a work in progress. The ANPs would take into account Depreciation, Financial Costs and Suitable Operational adjustments, the absence of which makes this not possible.

We are advised by the Client that the construction company undertaking the development has gone in Administration and the Yielders have incurred losses on the project and are in the process of identifying a new contractor to undertake necessary works to completion.

14) EVIDENCE & ANALYSIS

The development is in need of substantial works to completion. Our inspection was limited by no access to parts of the building. We have undertaken using Valuation techniques grounded with Industry cost assumptions.

15) ENERGY PERFORMANCE CERTIFICATE



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We have not been provided with an Energy Performance Certificate and cannot therefore comment on the We have not been provided with an Energy Performance Certificate and cannot therefore comment on the energy efficiency. EPC's should be obtained before lettings are instigated and will comply with regulations. We reserve the right to reassess our Valuation based on EPCs not being in compliance with current guidelines.

16) ROADS

For the purpose of this report we have assumed that the roads and footpaths surrounding the property are the responsibility of the Local Council.

17) INVASIVE SPECIES

During our inspection we did not identify any presence of Japanese Knotweed. It must be stated that our inspection was not a Building Survey and we cannot thus confirm absolutely that none were present. If invasive species were found in the property this would have a negative impact on the Valuation.

18) FIRE RISK ASSESSMENT

We have assumed that adequate fire risk assessment has been carried out in relation to the premises.

Market Commentary

19) VALUATION- see Appendix 1

Middlesbrough's as a University town lacks the rankings of established local Universities such as Newcastle , Durham and York. It is regarded as a lower tier University in a socially deprived town.

Middlesbrough is ranked the most deprived town according to the Indices of Multiple Deprivation 2019 report with just under half (49 per cent) of all neighbourhoods in the authority ranked as in the most deprived decile nationally. The English Indices of Deprivation 2019 (IoD2019) Ministry of Housing, Local Government and Communities

The town has been adversely impacted by Covid 19. Office for National Statistics (ONS) data revealed that the town had an average mortality of 79 people per 100,000 population between March 1 and April 17.

Middlesbrough has had the highest death rate for Covid-19 in the North-East, with three of the top four towns in England in the North-East

The unprecedented impact of Covid 19 from a macroeconomic context has been reviewed in terms of the possible impact on student accommodation.

The Impact of COVID-19 on the Purpose Built Student Accommodation Sector as at April 2020 appears to have been negative according to CBRE

The market uncertainty from COVID-19 has led to some deals being put on hold or "slowed down", as investors continue to review market sentiment and look at the structuring of deals to ensure that pricing is prudent and viable.



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In response to the market uncertainty, values are expected to be lower than pre COVID-19 expectations as a result of perceived risk to income over the next 12 to 18 months

Analysis suggests that in the short term, there are likely to be income shortfalls over the summer period for 2020 and for the 2020/2021 academic year whilst universities continue to make decisions on how they will deliver teaching in September 2020, and if indeed there will be delays to the start of the academic year.

The pandemic will widely impact ongoing development projects, as these are put on hold which will present delays to practical completion, increases in cost and supply chain issues; all of which have the potential to adversely impact development viability.

Given the global nature of the pandemic and travel restrictions the number of international students who choose to enrol for the coming 2020/21 academic year will have significant impact on university finances.

However in the face of immediate uncertainty of how universities will proceed under the current conditions, unprecedented economic challenges as a result of COVID-19 may mean result in an increase in the number of domestic applicants at both undergraduate and graduate level in a bid to avoid unemployment

Sources: UCAS, HESA, Universities UK, QS Survey, HEPI, ICEF Monitor, BPF, CBRE Research

In their **paper How will purpose-built student accommodation markets react to COVID-19?** Knight Frank argue that

At the end of last year our Student Accommodation Survey noted that politics presented the biggest and most immediate challenge for the purpose-built student accommodation (PBSA) market, with question marks over fees for international students following the UK's departure from the EU just one area of concern.

It is now clear that the Covid-19 pandemic has moved those goal posts entirely, with the focus having shifted to the potential disruption to the summer term and next academic cycle.

In the short-term PBSA operators are concerned about income – e.g. new costs to factor in, including the liabilities many may have for Council Tax payable on vacant rooms.

Meanwhile, universities themselves face an anxious wait to understand the impact travel restrictions may have on the number of international students starting their studies this year, as well as the competition they may face for a finite and reduced number of UK students. This could compound the already stark differences in demand for places across different groups and tiers of universities, with universities close to the top of rankings tables likely to benefit at the expense of lower ranking Universities such as Teesside

However, Knight Frank does suggest that beyond these short-term impacts the long-term resilience of UK Higher Education may present opportunities.

In our opinion reviewing analysis UK universities may well experience a fall in student intakes this September as the global effects of the pandemic continue to manifest. Some institutions are considering a later start of January 2021.

The lack of certainty over the 2020/21 academic year and impact on student intake will result in caution amongst some investors, which will be compounded by the challenges associated with developers and contractors completing schemes in time for September, given current labour and supply contraction with a risk of a number of schemes being delayed or mothballed for the 2020/21 academic year.



Market Appraisal Value of Completed (Fully Let) Property (Special Assumption of a Scheme delivered and let within 4 months)

£2,100,000 (Two Million One Hundred Thousand Pounds)

This is predicated on the following –

- a) Completion of all development, signed off by Building Control
- b) Confirmed lettings
- c) Full occupation by the September intake

If these conditions are not met, we would advise a re-valuation as the above best-case scenario and conditions have not been met.

Based upon our inspection considerable development work is required within a short time span and in our professional opinion it would appear unlikely that the above conditions shall be met in time for the forthcoming Academic terms. Given our stated concerns regarding the Covid 19 impact on Middlesbrough and the impact upon purpose built student accommodation our concerns are heightened in this Market Appraisal

Market Value of Property - Current Condition (Hope Value of the proposed development)

£435,000 (Four Hundred and Thirty Five Thousand Pounds)

Caution

The outbreak of the Novel Coronavirus (COVID-19) declared by the World Health Organisation as a 'global pandemic' on 11th March 2020, has impacted global financial markets. Travel restrictions have been implemented by many countries.

Market activity is being impacted in many sectors. As at the Valuation date, we consider that we can attach less weight to previous market evidence for comparison purposes, to inform opinions of value. Indeed, the current response to COVID-19 means that we are faced with an unprecedented set of circumstances on which to base a judgement.

Our Valuation(s) is /are therefore reported on the basis of 'material valuation uncertainty' as per VPS3 and VPGA10 of the RICS Red Book Global. Consequently, less certainty – and a higher degree of caution- should be attached to our Valuation than would normally be the case. Given the unknown future impact that COVID-19 might have on the Real Estate market, we recommend that you keep the Valuation of this property /these properties under frequent review.

We have reviewed assumptions and taken into account factors such as the Covid 19 Pandemic on the town as mentioned above. Middlesbrough is the most deprived town in England. The property since purchase and aborted progression through the liquidation of the contracted company is in need of major works.

19b) VALUATION CURRENCY

The Valuation is expressed in £ Sterling.



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20) VALUER'S QUALIFICATION/IDENTITY

Name: Dr Saber Khan MRICS Chartered Valuation Surveyor

Qualifications: BA Hons (Housing) PG Dip Innovation and Strategy (Oxford University)

Doctorate (Middlesex University) Research Innovations and Brand Equity

RICS Membership No: 6601824

Registered Valuer Status: Licence approved

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Neither the whole nor any part of this Report or any reference thereto may be included in any published document, circular or statement nor published in any way without the Valuers written approval of the form or the context in which it may appear.

Dr Saber Khan MRICS
For and on behalf of Le Baron Haussmann Ltd

Date of Report: 16th May 2020



Appendix 1

Residual Report

Units 1 to 21 (880.00 / 748.00)

Sale	1.00	Value / unit = 2,100,000.00	Value	2,100,000
			Gross Value	2,100,000
			Net Value	1,984,877
Total Development Value				1,984,877

Build Costs	Gross Area	Build Rate	Build Total
Units 1 to 21	880.00	£1,150.00	1,012,000
TOTAL	880.00		1,012,000

Site Costs	Amount	Basis	Total
Stamp Duty	4.000%	Site Costs	17,466
Legal Fees	0.500%	Site Costs	2,183
Site Agency Fees	1.000%	Site Costs	4,367
TOTAL			24,016

Additional Build Costs	Amount	Basis	Total
Insurance	5,000	Fixed amount/scheme	5,000
Building Regulations	5,000	Fixed amount/scheme	5,000
TOTAL			10,000

Fees	Amount	Basis	Total
Architects	2.000%	Build Costs	20,240
Quantity Surveyor	1.500%	Build Costs	15,180
Structural Engineer	1.000%	Build Costs	10,120
M & E	1.000%	Build Costs	10,120
Other Fees	2.000%	Build Costs	20,240
Contingency	3.000%	Build & Additional Build	32,937
TOTAL			108,837

Sales Costs	Amount	Basis	Total
Legal Fees	0.500%	Sale Costs	9,924
Agents Sale Fees	1.500%	Sale Costs	29,773
TOTAL			39,698

Finance	Ratio	Interest Rate	Maximum Exposure	Total Borrowing	Total Interest
EQUITY / 6.000%	100.00%	6.000%	1,591,511	1,591,511	22,859
New Loan / 5.000%	0.00%	5.000%			-
TOTAL					22,859

Development Costs	1,217,410
Development Costs including Site	1,654,068
Net Profit	330,809
Residual Site Value	436,658

The Calculation of the GDV:

Comparable Student Rents:

Caxton Street - £75.00pw

Stag House - £130.00pw Linthorpe

Road - £75.00pw

16 x 1 bed flats - £130.00pw x 16 =£2,080pw

6 x Studios - £120.00pw x 6 =£720pw

1 x 2 bed flat - £240.00 x 1 =£240pw

= £3,040pw x 52wks =£158,080pa

Commercial Space =£10,000pa

Total Income =£168,080pa

Assuming 8.0% yield (12.5YP)

Market Value of Completed (Fully Let) Property

(Special Assumption of a Scheme delivered and let within 4 months – confirmed by client)

£2,100,000 (Two Million One Hundred Thousand Pounds)

Market Value of Property - Current Condition (Hope Value of the proposed development)

£435,000 (Four Hundred and Thirty Five Thousand Pounds)

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Summary Report

Site Value:	436,658	Dev Costs:	1,217,410	Total Dev Costs:	1,654,068
Build Costs	1,012,000	Add. Build Costs:	85,900	Fees:	108,837
Gross Dev. Value:	2,100,000	Net Dev. Value:	1,984,877	Profit:	330,809
Profit on Cost:	20.000%	GDV / sq m:	2,807.49	Profit on GDV	15.753%

Project

Projected Start:	May/2020	Site Purchase:	May/2020	Build Start:	Jun/2020
Build End:	Sep/2020	Sales Start:	Oct/2020	Completion:	Sep/2020
Total Months:	5	Units:	1	Purchase Deferred	No

Units

Units 1 to 21	(Residential)				
Build Start:	Month 1	Build Duration:	4 month(s)	Sales Start:	Month 5
Gross Area:	880.00	Net Area:	748.00	Build Rate:	£1,150.00
Yield:		Gross Value:	2,100,000	Net Value:	1,984,877
Let Prior To Sale:	No	Rent Free Months:	0	Rent Received:	-

Finance

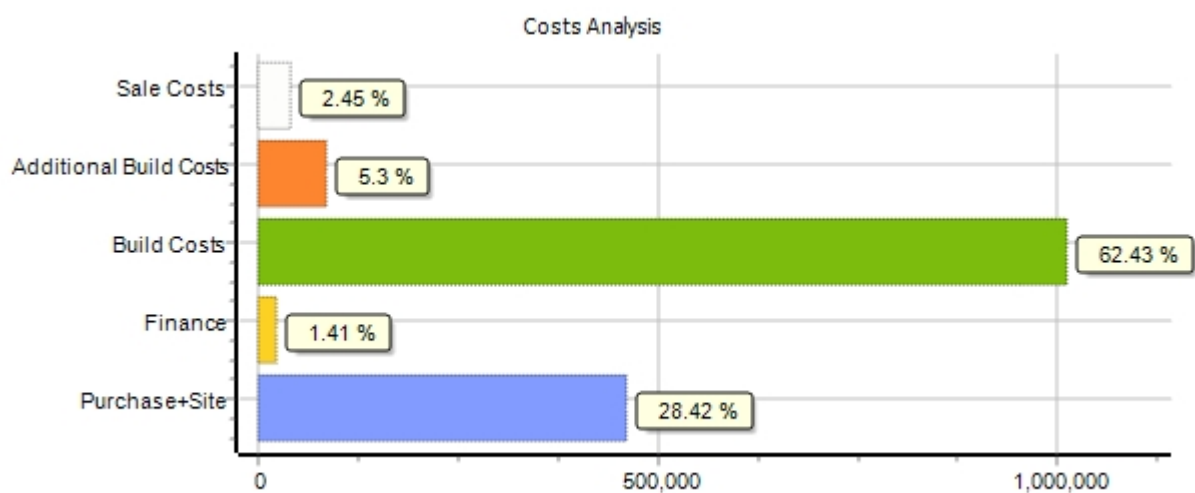
EQUITY / 6.000%	100.0%	Interest Rate	6.000%	Total Borrowing	1,591,511
New Loan / 5.000%	0.0%	Interest Rate	5.000%	Total Borrowing	
Finance Costs:	22,859	IRR:	114.515%		

All measurements are metric.

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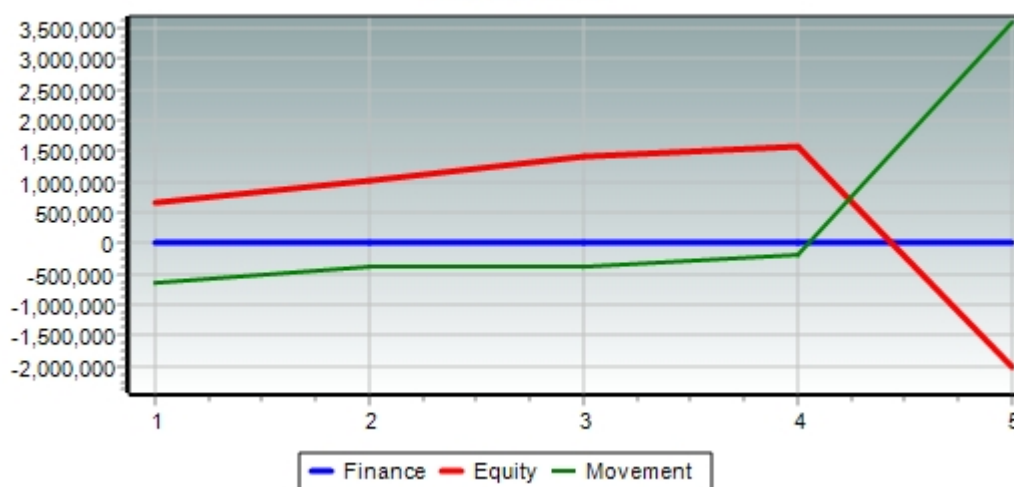
Charts



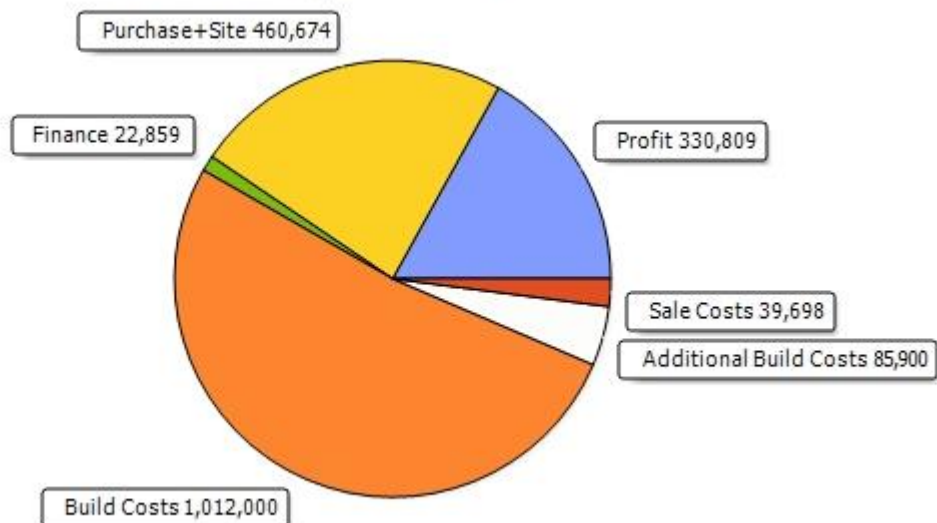
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Loan Accumulation



Apportioned Values





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Timeline

