

**SITE 10 REDENESS STREET
LAYERTHORPE
YORK
YO31 7UU**



1. EXECUTIVE SUMMARY

To be read strictly in conjunction with the accompanying report.

- The asset to be valued comprises the freehold interest currently held by City of York Council and subject to a 99 ground lease from 1 April 1965.
- We understand the ground lease was granted at an initial rent of £85 per annum for the first 33 years and was reviewed in 1998 to £750 per annum. Rent reviews are 33 yearly and therefore the next review is on 1 April 2031. The basis of review is as land only and excluding the buildings erected thereon.
- The building constructed on the site is rather unusual and quite dated. The site is long and narrow and as such the building covers virtually the whole of the site. It incorporates a two storey part to the front with single storey shed to the rear. The front building is constructed of brick beneath a flat roof of unknown covering. We understand it was last used as the marketing suite for the student housing scheme constructed on the opposite side of the road by the perspective purchaser for the subject. Effectively it provides the workshop entrance at ground floor and offices at first floor. To the rear of the site comprises a workshop building of very basic construction. It has a lightweight portal frame and external walls formed with concrete sectional panels. The roof is pitched and covered with corrugated asbestos cement sheeting. It has no insulation internally and we would expect it to be extremely thermally inefficient and in all probability be unlettable once the new rules about bands F and G come in from April 2018.

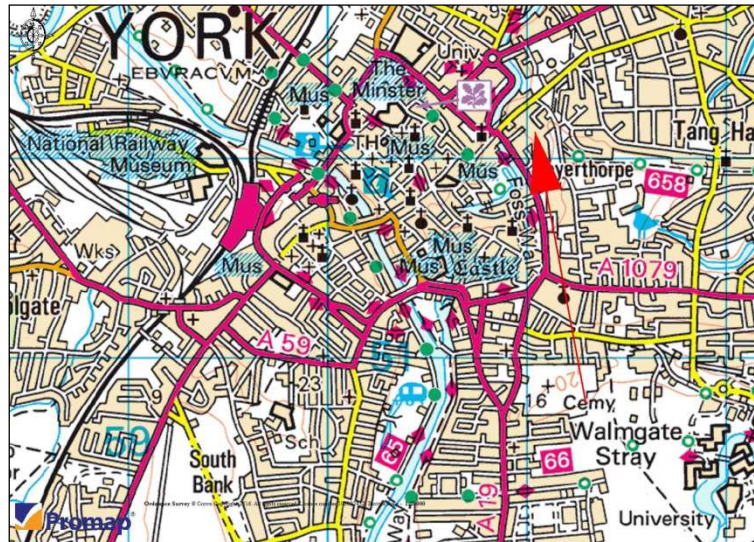
PURPOSE OF VALUATION	Proposed Sale to tenant
VALUATION DATE	Date Report Issued
a) MARKET VALUE OF THE FREEHOLD INTEREST SUBJECT TO THE LONG LEASE HELD BY MAPLE DEVELOPMENTS	£25,000 (Twenty five thousand pounds)
b) COMMENT ON THE PROPOSED MARRIAGE VALUE CREATED BY COMBINING THE FREEHOLD AND LONG LEASEHOLD INTERESTS AND HAVING REGARD TO THE PROPOSED SALE PRICE OF THE FREEHOLD INTEREST.	See below

2. LOCATION

The property is situated on the western side of Redeness Street which connects with Hallfield Road and then Layerthorpe approximately 200m to the north east. The property is situated in an area of former industrial and trade centre type units largely dating from the 1960's and 1970's. In recent years the units have started to be occupied by rather different uses including a climbing wall and most recently with the development of a significant area of land opposite for a new student housing scheme. As such the area is changing as more valuable uses take over.

York City Centre is approximately ½ mile to the south west. The immediate area historically comprises a rather dated industrial estate.

The general location of the property is illustrated on the following Ordnance Survey extract.



Not to Scale

3. THE SITE

You have provided Ordnance Survey plans of both properties and from which we understand:-

Approximate Areas

Site Area	0.0274ha (0.0677acre)
Frontage to Redeness Street	7m (23 feet)

Notes on Site

The site is virtually fully developed with buildings. It is long and narrow and would be difficult to re-develop in isolation.

The extent of the site boundaries as we understand them are shown edged red on the 1:1250 scale Ordnance Survey extracts attached within Appendix I.

4. CONSTRUCTION

The front part of the building is of two storey brick construction beneath a flat roof of unknown construction. It was last occupied as the marketing suite for the student housing scheme and with offices above. To the rear of this building is a long narrow single storey part which is constructed with a lightweight portal frame and external walls formed with sectional concrete panels. The roof is pitched and covered with corrugated asbestos cement sheeting. The roof is uninsulated and would appear likely to be very thermally inefficient, and in our opinion likely to be unlettable from April 2018 once the regulations come into force regarding Bands F and G.

5. ACCOMMODATION

Description	Approximate Gross Internal Floor Area	
	m ²	sq ft
Ground Floor Workshop/Kitchen/Ancillary	264.04	2,842
First Floor Office/Store	<u>32.25</u>	<u>347</u>
Total	296.29	3,189

6. DEVELOPMENT PROPOSALS

None. We are not aware of any proposals to redevelop the property. As well as the long leasehold title, we think the long narrow shape of the site makes this extremely unlikely in isolation.

7. CONDITION

As referred to in our Terms of Engagement and Guidance for Clients, we have not carried out a building survey and our comments that follow should not be regarded as such.

However, the following points are worthy of note:

- 1) The rear building in particular is extremely basic and in our opinion is nearing the end of its economic life.
- 2) The front building is of more traditional and robust construction and appears in reasonable condition for its age.
- 3) The roof to the rear part is showing signs of severe water ingress

The building is of an age where defects can be expected. Examples from our survey undertaken for valuation purposes are shown in the attached photographs. In preparing our valuation opinions we have had regard to the age and apparent condition as evidenced by our valuation survey albeit no major defects are assumed. If you were acquiring the property then we would recommend a full survey into the structure and services. However in this case this would not appear necessary and simply we have had regard to the apparent condition as identified during our valuation survey.

8. SERVICES AND AMENITIES

Mains services

We understand all mains services are laid and connected to the property.

Heating

A gas fired Ambirad type radiant heater is located in the rear workshop.

There is an electric storage heater to the first floor office.

None of the services have been tested.

9. STATUTORY ENQUIRIES

Highways

We assume Redeness Street is an adopted highway maintained at public expense. We are not aware of any highway proposals likely to have an adverse impact on the property.

Planning

Our valuation advice assumes the current use is authorised and can continue.

Rating/Council Tax Assessments

From the Valuation Office Agency website the property is assessed in the 2010 rating list as follows.

Address	Description	Rateable Value
10 Redeness Street, York, YO31 7TU	Garage & Premises	£9,000

The National Non-Domestic Rating Multiplier for the rates year 2016/2017 currently is set at 49.7 pence in the pound for large assessments over £12,000 RV and 48.4 pence in the pound below that level.

The subject property may be subject to transitional phasing and as such multiplying the Rateable Value by the National Non-Domestic Rating Multiplier may not give a true representation of the rates payable.

Equality Act 2010 & Disability Discrimination

As referred to in our Terms of Engagement and Guidance for Clients, it should be noted that our inspection of the premises does not constitute an accessibility audit for Equality Act purposes.

Our valuation advice assumes that the results of any Equality Act Accessibility Audit would not be valuation significant.

The Regulatory Reform (Fire Safety) Order 2005

We have not had sight of any Fire Safety Assessment for this property. Our valuation advice assumes that the findings of any such report would not be valuation significant.

10. ENVIRONMENTAL ISSUES

We are not Chartered Environmental Surveyors and we have not been instructed to make any investigations, in relation to the presence or potential presence of contamination or other environmental features in land or buildings or affecting the property. We have not carried out any investigation into past uses, either of the properties or any adjacent land, to establish whether there is any potential for contamination from such uses or sites, and have therefore assumed that none exists. In practice, purchasers in the property market do require knowledge about contamination and other environmental factors. A prudent purchaser of this property would be likely to require appropriate investigations to be made to assess any risk before completing a transaction. Should it be established that contamination does exist, or the property is affected by other environmental factors, this might reduce the value now reported.

Control of Asbestos Regulations 2012

As referred to in our Terms of Engagement and Guidance for Clients, our inspection of the property does not constitute a survey in compliance with Government Directives and as such we will not comment in detail on any potential asbestos containing materials believed to be present in the property.

We have not had sight of any Asbestos Register for this property, however the building is of an age where we believe asbestos containing materials may be present and we would recommend further investigation in this respect.

Flooding

The Environment Agency classifies the subject property as being within an area classified as having a Very Low chance of flooding from Rivers and Sea and also from Surface Water. A Very Low designation is stated as being a less than 1 in 1000 (0.1%) chance in any year.

Invasive Plant Species

During our inspection of the property the presence of invasive species was not noted, however our investigations were not exhaustive and we cannot therefore categorically state that none were present. Any potential purchaser should make their own investigations in this respect, especially if redevelopment is considered. If invasive species are found to be present on site, this may reduce the valuations herein reported.

Energy Performance Certificates

We have not had sight of any EPC for this property. Prior to the premises being sold or let an EPC will be required to be in compliance with the legislation.

Our valuation advice assumes that the findings of any EPC will not be valuation significant. Given the imminent changes to the regulations regarding the letting of thermally inefficient buildings we recommend an EPC is commissioned prior to any acquisition of the Head Lease.

11. TENURE

FREEHOLD

We have not examined the title documents nor have we been provided with a report on title in respect of the subject property. We therefore assume that the freehold interest is not subject to any onerous restrictions, charges, easements or rights of way and is in all respects good and marketable. We recommend that legal advice is taken to verify our assumptions to be correct.

12. TENANCIES

The property is subject to a ground lease we understand now held by Maple Developments. It is granted for a period of 99 years from 1 April 1965 at an initial rent of £85 per annum for the first 33 years and increased to £750 per annum in 1998. The lease provides for 33 yearly reviews and so the next review is due 1 April 2031. At review the valuer is to establish the "reasonable rent" excluding buildings. Unusually the lease does not seem to include provisions as to the assumed lease terms. The demise includes land and buildings and as such the tenant can be expected to maintain the structure.

13. MARKET COMMENTARY AND GENERAL COMMENTS

The property market in York for most sectors and locations continues to be strong. The market for industrial/warehousing property is not particularly large and average units sizes are smaller than other cities in the region. There is though a general shortage of workshop and manufacturing space.

The highest comparables of which we are aware for industrial properties of this sort of size albeit more modern are in the order of £7 per sq ft. However, this does seem to be an isolated example with exceptional reasons for the tenant wishing to locate in this position. More generally rental levels for the better quality end of the industrial/warehousing market are in the order of £5/£5.50 per sq ft and from which allowances then need to be made for the quality and location of the subject accommodation, plus adjustments for large yards.

Rents for smaller units are higher still, particularly those with good prominence and/or proximity to the city centre and which can benefit from trade centre or quasi retail type uses.

The market for residential property continues apace and we have seen the change of quite a number of office buildings to residential under permitted development rights.

14. VALUATION CONSIDERATIONS

This appears to be one of those situations where significant marriage value ought to exist. However this does not appear to be the case due to the poor quality of the existing building and limited alternative use potential in isolation due to the very narrow site and surrounding uses.

The freehold reversion is subject to a long ground lease and at a low rental with limited reviews. The lease expires in 48 years' time and produces a current rental of only £750 per annum which is not set for review until April 2031. Even then the rental value of the land is likely to be low given it only extends to some 274 sq metres and of limited use due to the very narrow shape. As such we would expect a discount to be applied to any land value figure at review in any case.

This is compared similarly with the value of the current long leasehold interest which is a wasting asset and in acquisition terms is of limited attractiveness having only 48 years remaining. The building is also of pretty lightweight and poor quality construction and in which case please see our comments above in respect of thermal efficiency and the new rules due to take effect in April 2018. In this regard we also see the ground leasehold interest as of limited attractiveness and therefore comparatively low value.

At least with the combination of the freehold and ground leasehold interests, and the ground lease expunged, then this would open up the property to a wider market, predominantly based upon the value for occupation on the basis that re-development in isolation is likely to be unattractive. We would also expect interest from neighbouring occupiers, particularly in the event that the freehold was available, with the ground lease expunged and vacant possession. It would probably be of more interest to one of the neighbouring occupiers that might already be tight for yard space and also over which rights may exist as it appears that a fire door evacuates from the subject property into land to the rear. On this basis a premium price might be secured from one of the neighbours but it is our opinion that in isolation the mere combining of the freehold and ground leasehold interests is unlikely to create any additional value for alternative use.

15. VALUATION OPINION

Having regard to the attached report we are of the opinion that the value of the unencumbered freehold interest (as appropriate) interest subject to the occupational sub-leases is:

Valuation Basis	
a) MARKET VALUE OF THE FREEHOLD INTEREST SUBJECT TO THE LONG LEASE HELD BY MAPLE DEVELOPMENTS	£25,000 (Twenty five thousand pounds)
b) COMMENT ON THE PROPOSED MARRIAGE VALUE CREATED BY COMBINING THE FREEHOLD AND LONG LEASEHOLD INTERESTS AND HAVING REGARD TO THE PROPOSED SALE PRICE OF THE FREEHOLD INTEREST.	See below

We stress the importance of the valuation date as recent experience has shown that property values may change quite significantly over a relatively short period of time.

It is our opinion that the current long leasehold interest has a low value due primarily to the size and poor quality of the accommodation but also in respect of the restrictions under the ground lease. Effectively the impact on value under a 48 year remaining term is one of psychological impact as opposed to one of mathematics where normal valuation approaches and principles would apply most value to the early years of any income stream in any case. In this case if offered to the market it is our expectation that the long leasehold interest would be difficult to sell and as such that a significant percentage discount to the unencumbered freehold title would be required over and above that which a mathematical approach might indicate ought to be necessary. However when combined with the value of the Council's current freehold interest this seems to equal or exceed the value with vacant possession. As such there doesn't appear to be much if any marriage value. On this basis if the Council is able to secure a sale at £25,000 or more then this would appear to be a transaction that we can support. We note the intended sale to Maple Developments at £256,000 includes sale also of your freehold interest in Number 11 Redeness Street, albeit we have not been provided with an apportionment between the two properties. However as set out also in our attached report for Number 11, when taken together a combined sale price of £256,000 can be supported as offering value for money and in excess of the Market Value.

15. TERMS OF ENGAGEMENT AND GUIDANCE FOR CLIENTS

We refer you to our “Terms of Engagement and Guidance for Clients” appended to this report. This document describes in detail the work which we have and have not undertaken in compiling this report and valuation on your behalf.