REPORT AND VALUATION

Of

Bitterne Precinct, Bitterne, Southampton, SO18 5EF

As of

28 February 2022

Prepared for

Moorgarth Group Limited
47 St Paul's Street
Leeds
LD1 2TE

Prepared by

Kroll Advisory Ltd
Real Estate Advisory Group

Private and Confidential

19 August 2022

Moorgarth Group Limited
47 St. Pauls Street
Leeds
LS1 2TE

Direct line 0207 089 4898
markwhittingham@duffandphelps.com

Dear Sirs

Addressee:	Moorgarth Group Limited 47 St. Pauls Street Leeds LS1 2TE
The Property:	Bitterne Precinct, Bitterne, Southampton, SO18 5EF (the "Property")
Ownership Purpose:	Investment
Instruction:	To value the freehold in the Property on the basis of Market Value as at the valuation date in accordance with the terms of engagement entered into between Kroll Advisory Ltd and the addressees dated 24 June 2022.
Valuation Date:	28 February 2022
Instruction Date:	24 June 2022
Purpose of Valuation:	Loan security purposes
Basis of Valuation:	Our valuation has been prepared in accordance with the current RICS Valuation – Global Standards 2020 (the RICS Red Book), incorporating the IVS (the RICS 'Red Book'), on the basis of Market Value. The report is subject to, and should be read in conjunction with, the attached General Terms and Conditions of Business and our General Principles Adopted in the Preparation of Valuations and Reports. No allowance has been made for any expenses of realisation, or for taxation (including VAT) which might arise in the event of a disposal and the Property has been considered free and clear of all mortgages or other charges which may be secured thereon. We have assumed that in the event of a sale of the Properties, they would be marketed in an orderly manner and would not all be placed on the market at the same time. This Valuation is a professional opinion and is expressly not intended to serve as a warranty, assurance or guarantee of any particular value of the subject Property. Other valuers may reach different conclusions as to the value of the subject Property. This Valuation is for the sole purpose of providing the intended user with the Valuer's independent professional opinion of the value of the subject Property as at the valuation date.
Software:	The valuation has been undertaken using ARGUS Enterprise.
Inspection:	The Property was inspected by Emily Brownlow MRICS on the 03 August 2022 specifically for this valuation.

Personnel:	The valuation has been prepared by Mark Whittingham MRICS (Managing Director), Emily Brownlow MRICS (Vice President), Alex Smith MRICS (Vice President) and Dan Worral MRICS (Senior Associate). We confirm that the personnel responsible for this valuation are in a position to provide an objective and unbiased valuation and are competent to undertake the valuation assignment in accordance with the RICS Valuation – Global Standards 2020 and are RICS Registered Valuers.
Capacity of Valuer:	External Valuer, as defined in the current version of the RICS Valuation - Global Standards.
Disclosure:	We are not aware of any conflicts of interest, either with the Property or yourselves, preventing us from providing you with an independent valuation of the Property in accordance with the RICS Red Book.
Standard Assumptions:	The Property details on which each valuation is based are as set out in this report. We have made various assumptions as to tenure, letting, town planning, and the condition and repair of buildings and sites – including ground and groundwater contamination – as set out below and in our General Principles when undertaking Valuations. We have relied on information provided by the client. If any of the information or assumptions on which the valuation is based are subsequently found to be incorrect, the valuation figures may also be incorrect and should be reconsidered.
Variation form Standard Assumptions:	None.
Special Assumptions:	We have made no special assumptions.
Sources of Information:	We have inspected the premises and carried out all the necessary enquiries with regard to rental and investment value, Rateable Value, planning issues and investment considerations. We have not carried out a building survey or environmental risk assessment. We have not measured the premises and have relied on the floor areas provided. We have been provided with the following documents, which we have relied upon: • Tenancy schedule dated February 2022 • HoTs for Pets Corner • Floor Areas
Market Rent:	**£224,500** **TWO HUNDRED AND TWENTY FOUR THOUSAND FIVE HUNDRED POUNDS PER ANNUM**
Market Value (Property Sale at 6.8% costs):	**£2,150,000** **TWO MILLION ONE HUNDRED AND FIFTY THOUSAND POUNDS**
Market Value subject to Vacant Possession Value (Property Sale at 6.8% costs):	**£1,500,000** **ONE MILLION FIVE HUNDRED THOUSAND POUNDS**
Reliance:	We refer to our Engagement Letter in respect of Reliance and overall Liability.

Confidentiality and Publication: In accordance with our normal practice we confirm that the Report is confidential to the party to whom it is addressed for the specific purpose to which it refers. no responsibility shall be accepted to any third party for the whole or any part of its contents. Our Report may be disclosed to third parties provided that such parties sign a release letter prior to being sent our Report. Neither the whole of the Report, nor any part, nor references thereto, may be published in any document, statement or circular, nor in any communication with third parties without our prior written approval of the form and context in which it will appear.

Yours faithfully,

Mark Whittingham MRICS, RICS Registered Valuer
Managing Director
For and on behalf of Duff & Phelps (Kroll Advisory Ltd)

Emily Brownlow MRICS, RICS Registered Valuer
Vice President

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Bitterne Precinct, Bitterne, Southampton, SO18 5EF

Valuer	Emily Brownlow MRICS	Inspection Date	03 August 2022

Front Elevation

Front Elevation

Location

General

- Bitterne is an eastern suburb of Southampton in the county of Hampshire, approximately 3 miles (4.8 km) east of Southampton city centre. It lies 17 miles (26 km) southwest of Winchester, 19 miles (30 km) north west of Portsmouth and 75 miles (120 km) south west of London.
- Bitterne is a densely populated residential suburb with a population of approximately 13,800 people, and is a popular and convenient shopping location.

Communications

- The Property is located approximately 100 metres south west from the A3024, an arterial road, connecting with the M27 and M3 to the east, and Southampton city centre to the west.
- Bitterne is situated at the junction of the A334 and A3024 roads, providing good access to the M3 linking to Winchester, Basingstoke, the M25 and London, and the M27 to the north of the city centre which links to Fareham and Portsmouth in the east.
- In terms of public transport connections, Bitterne railway station is located approximately 0.75 miles (1.2 km) west of the subject Property and is on the West Coastway Line. Rail services to Southampton Central have a fastest journey time of 10 minutes. Southampton Central provides direct rail services to London Waterloo and London Victoria with journey times of 1 hour 35 minutes and 2 hour 27 minutes respectively.
- Southampton International Airport is at Junction 5 of the M27 motorway.

Situation

- The Property is located on the southern side of the pedestrianised Bitterne Road, the main retail street within Bitterne, just to the east of the prime retail pitch National occupiers along the road include Sainsbury's, Iceland, Superdrug, Santander, Poundland, Boots Optician, Halifax, Lloyds, Natwest, Specsavers and Shoezone.
- There are also several charity shops, estate agents and local/independent retailers.
- There are three car parks within 100 metres of the subject Property. To the southwest Peartree Garden car park has an estimated 170 spaces, to the northwest Sainsbury's multi-storey car park has an estimated 200 spaces, and to the north, Angel Crescent car park has an estimated 120 spaces.

Location and Site Plans

- The Property is identified on the GOAD Map extract below with the Property highlighted in red in accordance with our understanding of it. We would recommend that this is verified by your legal advisors.

Site Plan

Description

- The Property was built in 1985 and comprises a detached, brick built building arranged as five ground floor retail units extending to a total of 17,590 sq ft (1,634 sq m).
- The first floor is occupied by the United Reformed Church, the freeholder of the Property (not part of our valuation).
- The floorspace is well configured with five retail units on the ground floor. The retail units are all let to national covenants with glazed retail frontages.
- Internally the Property presents to a good standard with the retail units being fitted to their respective corporate standards.
- It includes a shared service yard to the rear.

Site

- The site is broadly level and irregular in shape.
- The Property occupies a site area of 0.76 acres (0.31 hectares).

Accommodation

- We have relied upon the measurements provided. We assume that these floor areas are complete and correct and are the Net Internal floor areas measured in accordance with the RICS Property Measurement (2nd edition, January 2018), incorporating the latest edition of the Code of Measuring Practice.

- We summarise these areas in the table below:

Unit	Use	NIA	NIA	ITZA	ITZA
		Size (sq m)	Size (sq ft)	Size (sq m)	Size (sq ft)
Unit 1, 436 Bitterne Road	Retail	135	1,454	60.5	651
Unit 2, 438 Bitterne Road	Retail	141	1,523	65.5	705
Unit 3, 440 Bitterne Road	Retail	136	1,460	64.1	690
Unit 4 & 5, 442 Bitterne Road	Retail	246	2,644	126	1,362
Unit 6 & 7, 444 Bitterne Road	Retail	976	10,509	-	-
TOTAL		**1,634**	**17,590**	**316**	**3,408**

Building Condition

- We were not instructed to undertake any structural surveys, tests for services, or arrange for any investigations to be carried out to determine whether any deleterious materials have been used in the construction of the subject Property or subsequent additions.
- Our valuation has been undertaken on the basis that the Property is in good structural repair and condition and contains no deleterious materials and that the services function satisfactorily.

Life Expectancy

- Assuming normal routine maintenance and repair, as well as reasonable and prudent management of the Property, we consider the life expectancy will be in the order of at least 25 years.

Services

- We understand that all mains services are connected to the subject Property although we must stress that, unless otherwise specified, we have not tested any of these services, and for the purpose of our valuation we have assumed that they are all operating satisfactorily. We have not made any enquiries of the respective service supply companies.

Environmental Considerations

Contamination

- We have not been instructed to make any investigations, in relation to the presence or potential presence of contamination in the land or buildings and to assume that if investigations were made to an appropriate extent then nothing would be discovered sufficient to affect value. We have not carried out any investigation into past uses, either of the Property 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.
- Our subsequent enquiries have not revealed any evidence that there is a significant risk of contamination affecting the subject Property or neighbouring properties that would affect our valuation. Therefore, for the purposes of this Valuation Report, we have assumed that no contamination exists in relation to the Property sufficient to affect value. However, we would stress that should this assumption prove to be incorrect the values reported herein may be reduced.
- We have made the assumption that ground conditions are suitable for the current units and structures or any future re-development.

- Since our normal enquiries and inspections did not suggest that there are likely to be archaeological remains present in or on the Property, we have assumed that no abnormal constraints or costs would be imposed on any future development at the Property by the need to investigate or preserve historic features.
- In practice, purchasers in the property market do require knowledge about contamination. 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, this might reduce the value now reported.
- We would recommend that your legal advisors obtain formal confirmation from the current owner and occupiers that no notices have been served on them by the Local Authority.

Deleterious Materials

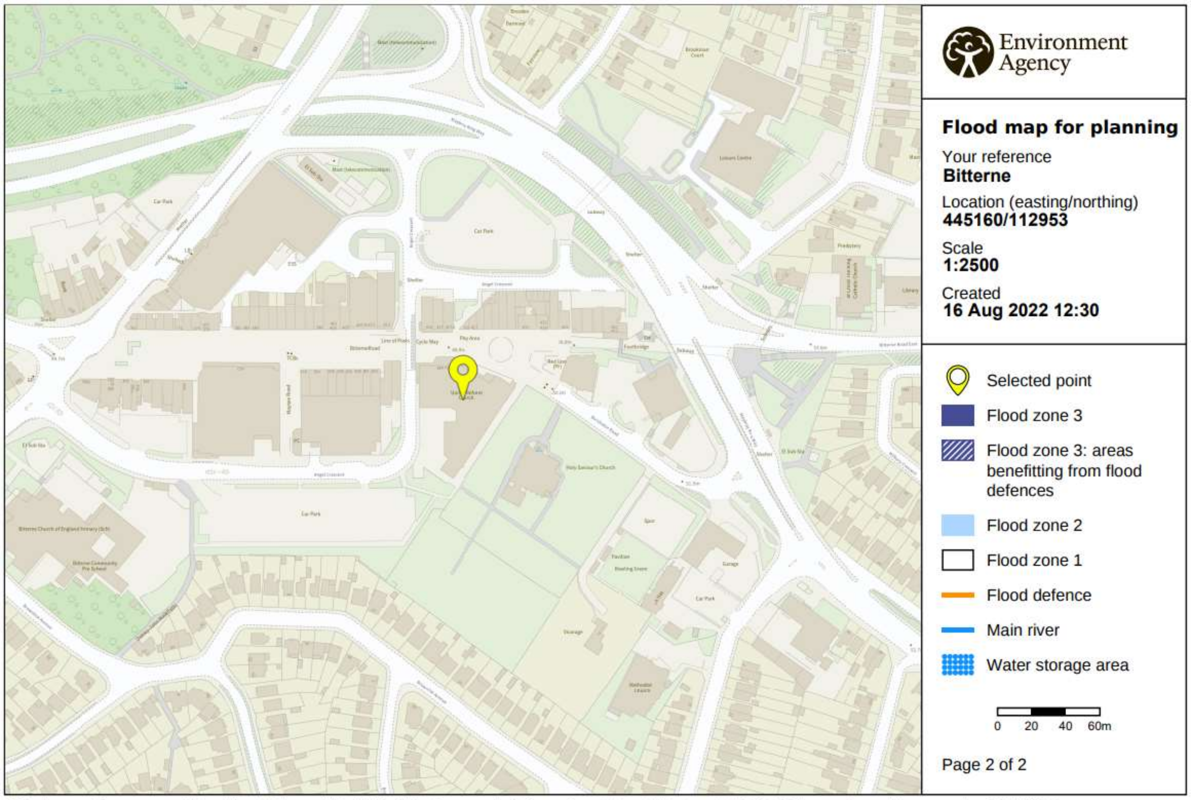
- Since 1999, the use within a building of asbestos containing materials (ACMs) has been banned. These are commonly found although are often in areas not visible from an inspection of the surface elements. While these can be sealed in place, public alarm is such that their removal and safe disposal is the more likely course of action and this can be particularly expensive. Removal and disposal will require specialist advice. Duff and Phelps does not specifically inspect for ACMs.
- Upon inspection we did not notice any obvious sign of deleterious and/or hazardous materials although the building is of an age when Asbestos Containing Materials (ACM) were in use. We have not had sight of the Asbestos Register.
- The Borrower should confirm that these recommendations are being adhered. We have assumed that if any ACM remains in situ that it provides no immediate risk if left undisturbed and that the presence of such materials will not have a significant impact upon the value of the Property.
- Our valuation is on the assumption that the Property is not adversely affected by any asbestos or any other deleterious materials. Should it subsequently be established that any deleterious material exists at the Property, then we may wish to review our valuations.

Ground Conditions

- We have made the assumption that ground conditions are suitable for the current building and structure or any redevelopment. Since our normal enquiries and inspections did not suggest that there are likely to be unknown archaeological remains present in or on the Property, we have assumed that no abnormal constraints or costs would be imposed on any future development at the Property by the need to investigate or preserve historic features.

Flood Risk

- We have had reference to the Environment Agency's flood map. The flood map identifies sites that may be at risk from sea or river flooding. The assessment of flood risk for the site of the subject premises is as follows:
    - The Property is located in a Flood Zone 1, which defines land as being assessed as having a less than 1 in 1,000 annual probability of river or sea flooding (<0.1%).



Sustainability Considerations

- The issue of sustainability is becoming increasingly important to participants in the property market. There is a general expectation that buildings that minimise environmental impact through all parts of the building life cycle and focus on improved health for their occupiers may retain value over a longer term than those that do not.
- The Government has set itself a target to reduce CO^2 emissions by 80% by 2050. With property representing around 50% of total emissions, the sector has become an obvious target for legislation. It is likely that, as we move towards 2050, energy efficiency legislation for property will become increasingly stringent.

Energy Performance

- Under the Energy Performance of Buildings Directive an Energy Performance Certificate (EPC) is required under Government legislation for a building of more than 50 sq m (538 sq ft) which is subject to sale or lease after 01 July 2008.
- Since 1 April 2018 the Energy Efficiency (Private Rented Property) (England and Wales) Regulations 2015 (the PRS Regulations) sets a minimum energy efficiency standard (MEES) of EPC E for private rented properties. This means that it is unlawful for landlords to grant a new tenancy of commercial property with an EPC rating of ‘F’ or ‘G’ (the two lowest grades of energy efficiency). This applies to both new leases and renewals (unless an exemption applies and the landlord has registered that exemption).
- **Commercial properties with an EPC rating of F or G**: Landlords should ensure that the EPC rating is improved where possible and that a new EPC is obtained or that an appropriate exemption is registered.
- **Commercial properties with an EPC rating of A to E**: Landlords should not be complacent. Consideration should be given to changes that may have occurred not only to the energy efficiency of the property since the date of the EPC, but also the current methodology and standards likely to be applied to calculate a new EPC. There are

notable examples of new EPCs generating ratings that differ greatly to those granted when EPCs were first introduced some 10 years ago.

- Whilst we have yet to see the emergence of a set of "standard" MEES clauses in new commercial leases, we are beginning to see the emergence of specific lease clauses to cater for MEES particularly where the lease term will run beyond April 2023. The nature of such clauses will vary depending on a number of factors including:
    - The current EPC rating for the property to be let.
    - The relative bargaining strengths of the potential parties.
    - The impact that such clauses could have on the marketability of the lease and any future rent review.
- From 1 April 2023, the legislation will be extended to include existing leases making it unlawful for a landlord to continue to let commercial property (unless an exemption applies and is validly registered).
- The Government has confirmed in the Energy White Paper that it intends to make it unlawful to continue to let commercial property with an EPC rating of below B by 2030 and on 17th March 2021, it issued its proposed framework in a new consultation for private-rented properties. This forms part of its "*package of measures"* to reduce carbon emissions as it is estimated that bringing the minimum standard to a B rating will bring around 85% of commercial buildings into scope. The proposed framework sets out a phased implementation with the introduction of compliance windows as follows:
    - *First Compliance Window: EPC C (2025-2027)*
        - 1 April 2025: Landlords of all commercial rented buildings in scope of MEES must present a valid EPC.
        - 1 April 2027: All commercial rented buildings must have improved the building to an EPC ≥ C, or register a valid exemption.
    - *Second Compliance Window: EPC B (2028 – 2030)*
        - 1 April 2028: Landlords of all commercial rented buildings in scope of MEES must present a valid EPC.
        - 1 April 2030: All commercial rented buildings must have improved the building to an EPC ≥ B, or register a valid exemption.
- This may be an incremental pathway but landlords should be aware because at each enforcement in 2027 and 2030, landlords will need to demonstrate that the building has reached the highest EPC band that a cost-effective package of measures can deliver. In addition, the Government intend to introduce the necessity for landlords to present a valid EPC two years before the relevant enforcement date for each EPC target. In essence, this will involve submitting the current EPC to an online PRS compliance and exemptions database. This will trigger a clear time period within which landlords will be expected to undertake improvements if they have not done so already.
- We have seen the following EPC's for the Property, as noted below:

Address	Certificate Number	Expiry Date	Rating	Comparison to similar stock
Unit 1, 436 Bitterne Road	0990-0535-6269-8801-8002	02 Sep 2025	D (80)	Above typical existing stock
Unit 2, 438 Bitterne Road	0397-0907-0930-7990-4313	04 Oct 2027	C (53)	Above typical existing stock
Unit 3, 440 Bitterne Road	0721-0733-9249-4500-4096	04 Oct 2027	D (81)	In line with typical existing stock
Unit 4 & 5, 442 Bitterne Road	9000-8959-0393-7781-4064	04 Oct 2027	C (52)	In line with typical existing stock
Unit 6 & 7, 444 Bitterne Road	9475-3041-0351-0600-9405	17 Sep 2025	E (119)	Below typical existing stock

- We have provided our valuation on the basis that the Property performs in line with current legislation. However, in accordance with legislation, landlords should ensure that the EPC rating is improved where possible and that a new EPC is obtained or that an appropriate exemption is registered.

Sustainability Comment

- It will be important that any future improvement or upgrading works achieve the highest feasible environmental standards to maintain its environmental credentials going forward.

Planning

- The Property is located within the jurisdiction of Southampton City Council.
- The Property is not listed.
- The Property is not situated within a conservation area.
- We have accessed Southampton City Council's planning portal and note the most recent planning applications that have been made:

Address	Planning Reference	Date	Status	Type:
Unit 5 444 Bitterne Road Precinct, SO18 5EF	21/00009/FUL	Jan 2021	Withdrawn	Change of use of the building from showroom (Use Class A1) to bingo hall (Use Class D2).
444 Bitterne Road Precinct, Southampton, SO18 5EF	20/00359/ADV	Mar 2020	Approved	Installation of 4 x internally illuminated fascia signs and 1 x internally illuminated totem sign (Submitted in conjunction with 20/00365/FUL)
444 Bitterne Road Precinct, Southampton, SO18 5EF	20/00365/FUL	May 2020	Approved	Installation of new entrance and access ramp (Submitted in conjunction with 20/00359/ADV)
Unit 5 444 Bitterne Road Precinct, Southampton, SO18 5EF	19/00826/DIS	May 2019	Approved	Application for approval of details reserved by condition 2 (Refuse & recycling) of planning permission ref: 19/00206/FUL.
Unit 5 444 Bitterne Road Precinct, Southampton, SO18 5EF	19/00206/FUL	Feb 2019	Approved	Installation of new entrance doors, ramp and ac condensers
Unit 7 444 Bitterne Road Precinct, Southampton, SO18 5EF	17/01043/FUL	Jun 2017	Approved	Erection of a single storey extension to rear with roller shutter and external access platform.

- We assume that your solicitors will be making formal enquiries of the relevant bodies and that you will rely solely on their findings.
- For the purposes of our valuation, we have assumed that the Property has planning permission for the existing Class A1, which is based on the findings of our informal planning enquiries of the Council's website.

Business Rates

- The Uniform Business Rate for England for the year 2021/22 is fixed at 51.2 pence in the pound for larger business, for those businesses that qualify for Small Business Rates Relief the lower Uniform Business Rate of 49.9 pence in the pound will apply. However, the rates liability may also be affected by a number of reliefs and supplements. It is, thus, not simply a product of the rateable value and the UBR multiplier. If all or part of the subject premises should become vacant then your borrower will be liable for the payment of business rates on the vacant commercial accommodation. The current allowance is for three months of empty rate relief with full rates payable thereafter.

- The aggregate rates liability for the Property is £187,000. This is broken down as follows:

Address	Description	Rateable Value
Unit 1, 436 Bitterne Road	Shop and premises	£18,250
Unit 2, 438 Bitterne Road	Shop and premises	£18,250
Unit 3, 440 Bitterne Road	Shop and premises	£17,750
Unit 4 & 5, 442 Bitterne Road	Shop and premises	£36,250
Unit 6 & 7, 444 Bitterne Road	Shop and premises	£96,500
		£187,000

VAT

- We are uncertain as to the Property's VAT registration status and, therefore, we have assumed that VAT issues should not adversely affect the value of the Site.

Tenure and Tenancies

Tenure

- We understand that the Property is held on a long leasehold interest. The headlease is a 125 year term expiring on 24 December 2138 (116 years unexpired).
- The ground rent is calculated based on the original rent of £24,000 per annum together with 20% of the rent receivable as shall exceed the rent of £24,000 per annum, less a management charge of 5% of the gross rents receivable during any year**.** The passing rent is currently £39,930 per annum.
- We have not been provided with a report on title and have, therefore, made various tenure assumptions for the purpose of the valuation reported herein. We have assumed that the leasehold interest is free from any encumbrances, unduly onerous or unusual easements, rights of way, rights of light, restrictions, outgoings or conditions which would have an adverse effect upon the value of the Property.
- If we are subsequently provided with a report on title we would be able to comment upon any impact its content would have upon the valuation reported herein. We would remind you that if information should come to light which contradicts the assumptions made herein this could have a material effect upon our valuation.
- We therefore reserve the right to amend our valuation accordingly should this prove necessary. We advise that all information relating to the tenure of the subject Property is verified by your solicitors.

Number of Tenants and Lease Type

- We have been provided with the tenancy schedule by the Borrower which we have relied upon.
- The Property is multi-let to five tenants. The salient terms are outlined below:

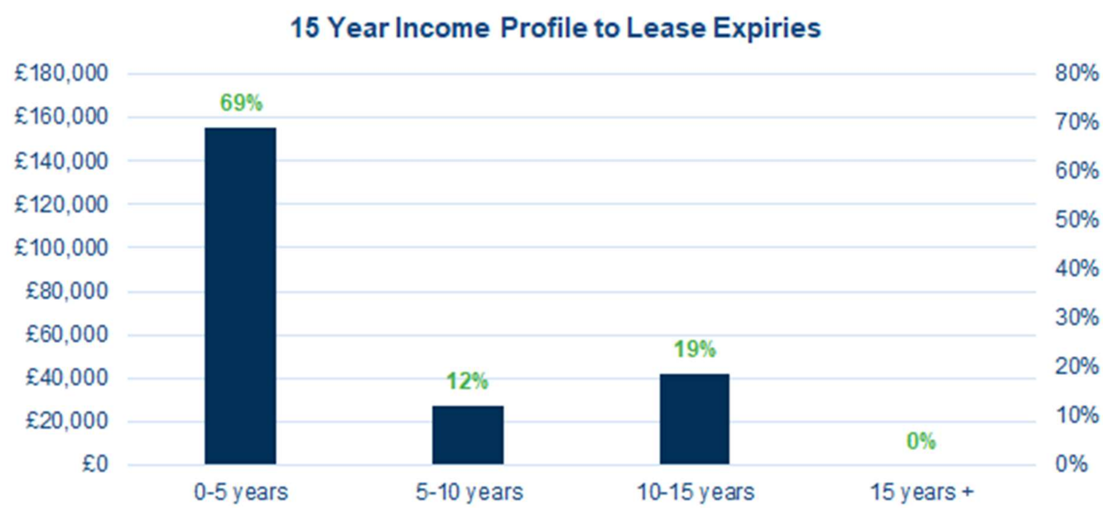
Address	Tenant Name	Lease End Date	Break Option	Rent Passing
Unit 1, 436 Bitterne Road	Tyler Limited	09/08/2026	None	£25,000
Unit 2, 438 Bitterne Road	Marie Curie Cancer Care	18/05/2029	None	£27,500
Unit 3, 440 Bitterne Road	Specsavers	11/02/2026	11/02/2024	£25,000
Unit 4 & 5, 442 Bitterne Road	Pets Village - H/O	30/08/2032	30/08/2027	£42,000
Unit 6 & 7, 444 Bitterne Road	Iceland	13/02/2027	None	£105,000

TOTAL				£224,500

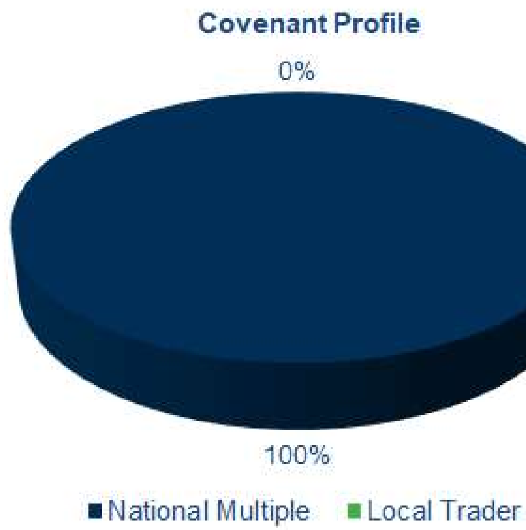
- The aggregate rent payable is £224,500 per annum.
- The Property produces a net rent of £184,570 per annum.
- As at the valuation date the Property is fully let.
- The income from the five tenants is split out below:

Tenants	Current Rent p.a.	Current Rent %	ULT to Expiry	ULT to Term Certain
Iceland	£105,000	46.8%	4.96	4.96
Pets Village - H/O	£42,000	18.7%	10.51	5.50
Marie Curie Cancer Care	£27,500	12.2%	7.22	7.22
Tyler Limited	£25,000	11.1%	4.45	4.45
Specsavers	£25,000	11.1%	3.96	1.95
	£224,500	100.0%		

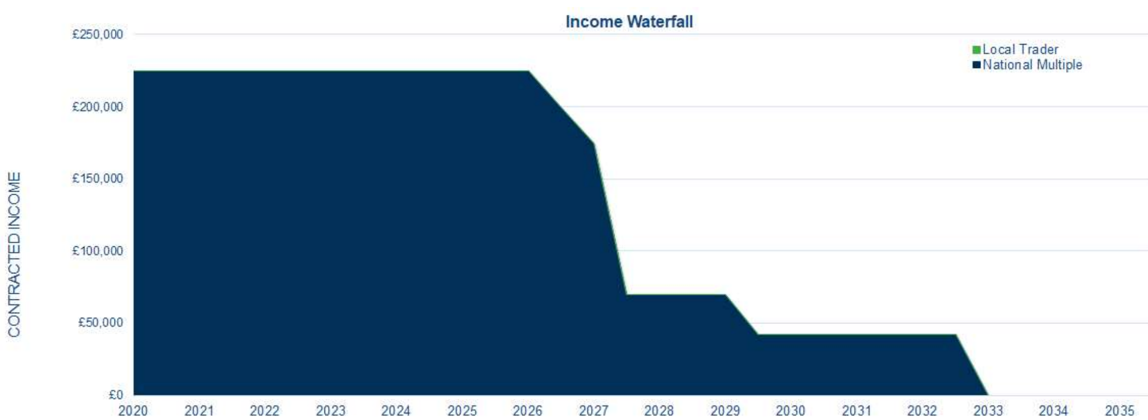
- Iceland is the largest tenant accounting for £105,000 per annum, equating to 46.8% of the current gross rent roll.
- The second largest tenant Pets Village is currently holding over. However, we understand Heads of Terms have been agreed for a new 10 year term (subject to a break at year 5) at the current passing rent.
- As at the valuation date Specsavers is the weakest tenant with 1.95 years to there break option. However. Specsavers have been in occupation for many years and we deem it unlikely that they will activate the break.
- The Property has a WAULT of 6.11 years (4.95 years to break options). With 69% of income expiring in the next 5 years.



- The income is soley let to national multiples, this is good for a this type of Property in this location. Typically we would expect at least one unit to be let to a local trader. It should be noted that the majority of occupants have been in situ for many years and trade well from their respective units.



- The graph below shows the income expiry profile assuming that all tenants vacate at lease expiry. This is very much a 'doomsday scenario'. However, the long term income stream is clearly highlighted.



The Market and Valuation

Economic Background

UK Economic Overview

- Across 2021, UK GDP grew by a record 7.5% according to the ONS, beating expectations and the highest rate of growth since WWII. In the three months to February 2022, GDP grew by 1.0%, although in the month of February itself growth was anaemic. The quarterly index figure suggests that the economy remains 0.4% below the pre-pandemic level in 2019 due to the 9.4% decline observed over 2020. However, due to differences in methods, the monthly GDP index reports that the economy has in fact risen 1.5% above the pre-pandemic level.
- February saw output from the construction sector shrink by 0.1% on a m-on-m comparison, while the production sector contracted by 0.6%. However, the much bigger services sector compensated by achieving growth of 0.2%. Within services a bright spot was travel and leisure as tour operators and travel agents enjoyed a surge in bookings for the summer.
- The recent lifting of Covid restrictions was followed by another surge in infections during February and March, peaking at 109,000 cases on 21st March 2022. The figure has since fallen to 53,000 on 4th April. This is well below the pandemic peak of 276,000 on 4th January 2022. All restrictions have now ended in England, Wales and Northern Ireland, and only limited rules on face coverings apply in Scotland.
- The Covid risk appears to be ebbing at present, however this has coincided with the outbreak of war between Russia and Ukraine. This caused sharp rises in commodity prices, increased pressure on supply chains and saw the imposition of sanctions on Russia. It is too early to accurately judge the economic impact of the war, although typically high energy prices act as a brake on growth.
- Public sector spending was £1.3 billion higher government revenue in February, although tax receipts did rise faster than spending on an annual comparison. Higher tax revenues helped to support government finances, but high RPI inflation has pushed up interest repayments on the immense level of government debt, estimated to total £2.3 trillion – the highest level since WWII.
- The IHS Markit composite purchasing managers indices (PMI) for March achieved a net balance of 60.9, up from the 59.9 recorded in February, driven by strong figures for services. This was the highest reading since June 2021.
- The services sector PMI jumped from 60.5 in February to 62.6 in March, probably reflecting better weather and the rollback of Covid restrictions. The construction sector flatlined at 59.1, while the manufacturing sector decelerated month-on-month from 58.0 to 55.2.
- BoE data reported that consumer borrowing grew £6.2 billion in February, up from the £5.5 billion increase recorded in January. This was mainly driven by more use of credit cards, which may indicate more households are having to rely on debt to get through the current household incomes squeeze.
- Gfk's consumer confidence index decreased to -31 in March from -26 in February, reflecting concerns over cost-of-living increases. Also, retail sales volumes declined in February by 0.3%, compared to a 1.9% increase in January, due to lower sales for non-store retailing (which is mostly online shopping) following two months of strong performance. Online as a share of retail sales declined to 27.8%, having peaked a year earlier at 37.7%, although this is still above pre-Covid levels.

Labour Market

- The employment rate stood at 75.5% in the three months to February 2022. This remains 101 basis points below the level observed in the three months to February 2020 before the pandemic, due to a higher inactivity rate.
- The unemployment rate decreased to 3.8% in February, which is below its pre-pandemic level of 4.0%. This indicates a tight labour market, which could act as a brake on growth going forward. Although recent labour market indicators paint a positive picture, it is likely that there is some distortion from the size of the labour pool changing.

- The increase in the economic inactivity rate at the end of the furlough scheme suggests that a considerable portion of employees removed themselves from the labour market rather than become unemployed.
- Nonetheless, labour demand continues to outpace supply, with vacancies in March reaching a fresh record of 1.3 million. Pay growth appeared to peak in the Summer of 2021, and stands at 4.0% in nominal terms, but is negative in real terms (-1.0%). This is contributing to the household incomes squeeze this year.

Inflation

- CPI inflation increased by 7.0% in the year to March 2022, up on 6.2% in February and the highest figure since 1992. This figure surpassed consensus expectations, with the strongest upward contributions coming from Transport and Housing and Restaurants and Hotels.
- In the March meeting of the BoE's Monetary Policy Committee (MPC), the decision was taken to increase the UK base rate to 0.75%. While domestic inflationary pressures – and inflation expectations – were central to the rate rise, the MPC would have been conscious that the US Fed is now tightening policy. Without some form of reciprocal action from the BoE, the UK would run the risk of importing more inflation from the US due to the pound weakening and the dollar strengthening.
- For the UK property market, the increased base rate means that the cost of debt is no longer as favourable. Around three quarters of UK mortgages have fixed interest rates, so the increase is unlikely is unlikely to have an immediate impact on most homeowners.
- For commercial property, higher rates mean that investors will be looking for higher yields, typically attained through increased risk or rental growth. Hospitality and retail may serve those with an appetite for risk, although for consumer-facing property the household income squeeze is fast replacing Covid as a major risk to the outlook. More risk-averse investors are likely to look toward the industrial sector, due to better prospects for rental growth relative to other commercial sectors.

Outlook

- The sustained growth seen in the UK economy during the latest surge in infections, relative to previous Covid waves, provides hope that future Covid variants (which are likely to decrease in severity) will ease as a major downside risk. Nonetheless, the war in Ukraine and above expectations inflation has caused GDP forecasts for 2022 to be downgraded, with Oxford Economics anticipating 3.6% growth.
- Higher living costs, including three interest rate hikes, a rise in national insurance taxes and the energy price cap increase in April, may mean that more of those who left work during the pandemic choose to return, providing some relief to tight conditions in the labour market. Conversely, the financial squeeze may mean that consumer expenditure drops, particularly at the lower end of the wealth scale.
- Further increases in inflation are anticipated in 2022, with Bank of England forecasting inflation to reach 8.0% in Q2 and perhaps go higher. The interest rate is also expected to be pushed up to 1.00% according to Oxford Economics, following March's increase to 0.75%.
- The interest rate rise – and the anticipated further increase in the base rate, up to 1.00% later this year – may provide a drag to growth, particularly in the short-term outlook. Also, the war in Ukraine has emerged as a major downside risk, as it has already pushed up commodity prices and further disruption to supply chains is expected.
- Another point to note is that the majority of the recovery thus far has been sourced through consumer activity and government expenditure – businesses have been relatively quiet. Business investment has lagged in recovery and was 10.4% below the pre-pandemic level in Q4 2021. As Brexit and Covid uncertainty ease and begin to fade in terms of market impact, there is considerable scope for corporate investment to rapidly increase, injecting a new lease of life into the UK economy. Adding to this potential is the tax super deduction which incentives plant and machinery investments through providing a 130% rebate on the cost.
- However, this also comes with the caveat that the uncertainty caused by the Ukraine war could encourage a 'wait and see' attitude among firms towards investment.

Retail Market Q1 2022

For decades, investment in UK retail property has been a highly profitable way to capitalise on the nation's booming shopper economy. But as we flocked to shopping centres, out-of-town retail parks and high streets in droves, a revolution was underway. Online shopping, the apparent antithesis to physical stores, started irreversible structural shifts in the retail market. In a society seeking convenience, comfort and relaxation, physical shopping suddenly needed to prove itself; it needed to be worth the trip. Like spectators at a finish line, we could see clear winners emerging in this new world: prime destinations with place-making at their heart; value retailers with no online offer; and functional, convenience retailing.

So how have landlords and retailers handled this change? In much the same way as global governments reacting to the outbreak of COVID-19. Some took brave and ruthless measures to adapt, while others teetered in denial and indecision, learning tough lessons along the way. For the hesitators, for those in denial, COVID-19 has been the final blow.

Retailers already struggling have gone into administration. Lockdowns have converted new customers to the online market. The strategic reaction from most occupiers has been to bring forward the reshaping and resizing of their portfolios, and the more progressive management teams, like those at John Lewis, Next and Marks & Spencer, were already well under way planning for this pre-pandemic. Their primary focus is not always less space, but better space, in locations with highest volume of loyal shoppers; or replacing a catchment that has three stores in it, with a single, better store. Online sales become a welcome friend to the property portfolio, providing rich data to help brands find their customers and bring the shop to them. Similarly, there is more competition to have a strong online presence, and we are seeing the start of retailers reframing how they view their channels – not as physical and online – but as one. From across the pond, American retailer, Target, has for a long time been leading this kind of inspiring change. The brand has put the store at the centre of its delivery function and encapsulates its supply chain journey in two words "one inventory". Fulfilling most of its ecommerce orders from its stores, the retailer is saving money and time, and maximising the reach of its inventory.

Government measures have reduced footfall and, to a lesser extent, consumer spending in physical stores, swinging the economic balance between contracted base rents with landlords and the occupier's actual turnover. This has brought focus to the 'turnover lease' conversation. Occupiers are seeking more links between the performance of their property and their leases. Tense negotiations are fuelled by a shift of power and underpinned by the excess supply of physical retail stores. To make turnover lease models work, occupiers will need to be transparent with their sales data and come to a fair agreement on which online sales are accounted for as part of the economics of serving that catchment. Landlords will need to take a more active role – for their own benefit – working with occupiers to see how they can help to drive footfall, conversions and identifying other advantages, where the economies of scale support landlords being more proactive in driving and delivering sales. F&B is right at the fulcrum of COVID restrictions, but there is new flexibility afforded by the introduction of the new Class E use class, which will make it much easier for landlords to switch the use of their space between leisure, retail, F&B and offices as required and relevant to end user.

Value occupiers continue to be resilient, and if the country plunges into a recession, consumer preferences will shift even further towards value retail. Meanwhile, the gloss of luxury has waned. This market, highly dependent on not just the nation's overall economy but the entire global economy and the international tourism it supports, is in flux until our borders are welcoming big and willing spenders from the Middle East, China and America once more.

Grocery, a COVID-categorised 'essential retail', has seen relative growth bolstered, especially in early lockdown, by panic-buying. Online grocery doubled, but in-store still had a huge share of the market (approx. 80%). Retail parks have also especially benefitted from the 'essential retail' guidance, with grocery and DIY accounting for 66% of their offer. Post-lockdown, the out-of-town market is also recovering faster, with this bounce-back in part due to customer confidence, with the characteristic open-air walkways and larger stores perceived as 'safer' in a socially-distanced world.

Shopping centres suffered significantly throughout the pandemic. The growing trend for prime retail destinations was no match for outright forced closure of 'non-essential' retail, and in turn, a seismic growth swell to the online shopper community. Even on reopening, shopping centres have been slower to regain customers, but it seems shoppers still want a day out and to spend willingly, with an initial rise in conversion rates, and continually (until very recently) improving footfall. While prime sites still have the scope for recovery and have fared relatively better in this sector, secondary and tertiary are reaching breaking point, and will be unable to recover unless they opt for an entirely value retail mix, more F&B, or find alternative uses for the vanishing department stores. The new Class E Use Classes Order should facilitate some flexibility in this, although it does not bridge the gap to other valuable uses such as logistics, hospitality or healthcare. Prime retail destinations may shift to 'prime services' in due course.

Super prime retail in central London is also in shock. Starved of two fundamental customer groups: international visitors and office workers, the lifeblood of the luxury market and coffee shops respectively, the over-supply of space has been exacerbated. Driving footfall back to these locations rests heavily on the shoulders of our tourism industry, and until then landlords and occupiers must tread water. On the other hand, London's local village locations are thriving, especially Sloane Square, Kings Road, Brompton Cross and Marylebone High Street.

Footfall continues to recover since the reopening of non-essential retail in April 2021. In October average footfall was only 13.4% below pre-Covid levels. Retail parks continue to outperform other retail sectors, with footfall nearly back to 2019 levels.

South Coast Local Market Overview

The South Coast Market encompasses the central portion of the South Coast of England, reaching from Dorset in the west to Chichester in the east and including the Isle of Wight. Principal towns and cities in the market are Southampton, Portsmouth, Winchester, Salisbury and Bournemouth. Southampton and Portsmouth are the largest cities in the market and were ranked third and 17th, respectively, in PWC's Good Growth for Cities Index in 2021, which ranks cities using factors including employment, health, income and skills.

The market is one of the 15 most populous in the UK, with about 1.4 million people. There is around 52 million sq ft of retail inventory in the market, equating to more than 33 sq ft per person, which is comfortably above the national average. Retail fundamentals across the South Coast Market have weakened in recent years. The market has been affected by many of the recent closures. Department stores such as House of Fraser in Chichester and Debenhams in Southsea have also closed doors. The closures have contributed to rising vacancies in recent quarters, albeit from very low levels.

Already contending with supply-chain uncertainty due to the pandemic and economic headwinds, retailers are now grappling with the prospect of a decline in sales as consumers spending slows due to the cost-of-living crisis. Average retail rent growth in South Coast has turned negative, and rents are expected to continue to fall over the coming quarters in light of the coronavirus pandemic and its severe impact on the sector.

Average retail rent growth in South Coast has turned negative, and rents are expected to continue to fall over the coming quarters. Retail investment volumes in the South Coast had been picking up in the year before the pandemic, albeit partly due to some investors cutting their exposure to the retail sector and selling at discounts. Properties in prime locations and those with defensive characteristics continued to find buyers since the outbreak, although trading weakened notably since the pandemic started as investors adopt a wait-and-see stance and valuations become more difficult.

Rental Evidence

- In arriving at our opinion of the current headline Market Rent of each unit we have had regard to the rental evidence generated in the centre, with appropriate adjustments to reflect the size, shape and location of the units within the centre.
- The recent letting transactions within the subject Property largely consolidate the rental tone and provide the best evidence in respect of our valuation.

Address	Date	Type	£ per annum	£ per sq ft overall	£ per sq ft NIA	Comment
Pets Village Unit 4 & 5	Ongoing	L/R	£42,000	£15.89	£30.84	• 10 year lease, break in year 5.

Shoe Zone (Tyler Ltd) Unit 1	August 2021	L/R	£25,000	£17.19	£38.40	• 5 year lease, no breaks.
Specsavers Unit 3	February 2021	L/R	£25,000	£17.12	£36.23	• 5 year lease, break in year 3.
Marie Curie Unit 2	May 2019	L/R	£27,500	£18.06	£39.01	• 10 year lease, no breaks.

- For multi-let assets such as the subject Property rental evidence is typically self-generated. Each retail parade tends to have their own characteristics and tenant profile, making comparison between schemes less relevant. We further understand that retail rents in Bitterne range between £30.00 per sq ft ITZA to £40.00 per sq ft ITZA and the lettings at the subject Property fall within this range.
- Furthermore, three of the four retail units have all been renewed in the last 12 months. The achieved rents break back to between £30.84 per sq ft ITZA to £39.01 per sq ft ITZA. The lowest rent on a Zone A basis is the ongoing lease renewal to Pets Village, this is due to the unit be a large double unit and therefore a discount for quantum has been applied.
- Having regard to Iceland, the current passing rent of £105,000 per annum breaks back to £9.99 per sq ft overall. This is a sustainable level and we have assumed that the unit is rack rented.
- We are therefore of the opinion that the aggregate Market Rent for the subject Property is £224,500 per annum making the Property rack rented.

Marketability	
Typical Void Letting Period:	6 to 12 months
Typical Lease Length:	5 years, break at year 3
Typical Rent Free Period:	6 to 12 months

Investment Market

UK Retail Investment Q1 2022

At the time, 2019 was considered to be the worst year since 1993 for shopping centre transactions, with just £902m trading in the sector. The COVID-19 pandemic all but stopped any meaningful activity in the market throughout 2020, with just £342m transacting (11.5% of the 10-year average). Furthermore, the largest single-asset sale, The Broadwalk in Edgware which sold for £73m or 20% of the total 2020 volume, was purchased by Ballymore for a major residential redevelopment.

2021 saw a noticeable improvement in investment sentiment and transaction activity. Although transaction volumes by value are still significantly lower than historical averages, since 2006 there have only been two years with transaction volumes by quantum greater than 2021 (76); those years being 2014 (115) and 2015 (78). However, investor demand remains highly selective.

From the historic comparisons it is apparent just how out of favour the shopping centre sector has been. This can be linked to a number of factors, including:

1. An acceleration of structural change within the retail market caused by COVID-19.
2. Weakening of the occupational backdrop with a resultant impact on rental levels and shortening lease lengths.

3. The growth of online retailing.
4. Major retailers facing uncertain futures, and retailers such as Arcadia and Debenhams going into administration.
5. Retailers consolidating their store portfolios and seeking rent reductions/more flexible lease terms.
6. Increased vacancy levels.
7. Tenants and landlords lacking capital to invest in shopping centres.
8. Lack of available debt (albeit this is starting to improve).
9. Investors crystallising significant losses on previous purchases. The majority of sales in 2021 were last traded in 2015, with the average capital value loss being -54%.

Notwithstanding the above, investor sentiment going into 2022 is as positive as it has been for a number of years, and there is a growing sense that the market has bottomed out.

Pricing for shopping centre assets first saw yield adjustments in Q3 2016. At first this adjustment was confined to all asset classes other than super prime schemes, with this part of the sector proving more resilient given the polarisation from a retailer's perspective between the very best and worst shopping centres. In late 2017, the Regional sector (formerly known as Super Prime) also saw pricing adjustment in response to the low level of transactional volume.

After several years of yield decline, 2021 finally started to see some signs of yield stabilisation across the most defensive shopping centres in the market, and the sub-regional and local (best) categories saw signs of yield compression for the first time in six years. This trend has continued into 2022, with investors retuning to the market.

Emerging Themes

Improved investor sentiment

The woes of the sector are attracting interest from some investors who are contra-cyclical in their nature and are seeking opportunities in the retail sector. We are aware of a growing list of potential investors who are starting to consider the sector again and whilst this points towards increased activity, most are looking to capitalise on distress and will need a deliverable rationale / story. The capital that is active is very selective, with some asset types simply proving too challenging.

Foodstore anchored convenience schemes or redevelopment opportunities were the cautious focus for investors throughout 2020 and H1 2021. We are now seeing greater demand for non-food shopping centres, with a number of deals transacting in H2 2021 on schemes that would have been considered unsellable less than a year ago. Examples include Martineau Place in Birmingham, which has consistently failed to sale over the past few years but has sold to a private equity buyer (Henley) for £40m / 10%, and St Georges in Preston which exchanged to Adhan Group for £21.5m / 11.75% NIY in only a matter of days after being launched.

Ship has sailed on other sectors

The shopping centres sub-market is arguably the last mainstream sector not to have seen the benefit of post-Covid yield recovery. Those traditional shopping centre investors who flirted with the out of town sector throughout 2020 have now largely been priced out and as a result are coming back to the shopping centre market.

Yields remain at historically high levels and investors are considering that certain parts of the market are starting to look cheap, particularly where occupational demand is provable.

With anticipation of a potential recovery in 2022 and beyond off the back of improved market dynamics, there could be a 3-6 month period for savvy investors to ride the bottom of the market before yield compression starts to return.

Sum of the parts worth more than the whole

We are seeing the start of a trend where shopping centres are split up to target two different pools of capital – one chasing secure foodstore income and another high yielding retail. The logic from investors is that the sum of the individual parts is worth more than the whole.

Reluctant sellers of prime

Although more prime schemes are anticipated to come to the market in 2022, the perception that the worst of the valuation falls are now over makes the rationale for selling at the bottom of the market questionable.

Virtually all prime transactions to have traded since the pandemic have been the result of a pre-determined fund strategy or corporate failure, including Touchwood, Solihull (LendLease Retail Partnership), Centre Court Wimbledon (abrdn) and Barton Square Trafford (intu in admin)

The market for prime shopping centres with passive stakes not benefiting from management control is anticipated to remain challenging, with the recent marketing of a 25% Lendlease Retail Partnership stake in Bluewater proving this.

Selective availability of debt

The debt market is grappling with the issues in the retail and shopping centre markets, which is making debt finance difficult. As a consequence, very few banks are willing to lend on shopping centres and this is curtailing activity.

However, we are starting to see the very selective return of debt in the market for shopping centres that have a strong underlying income. LTVs typically remain sub-50% but we have seen a spread between 40-65% LTV. Margins are typically 5%+.

Debt providers remain ‘alternative’ lenders rather than mainstream banks, although our regular dialogue with traditional lenders suggests that retail opportunities are now being discussed ‘in principle’ with a possible cautious return to the market in 2022. This comes off a previous blanket ‘no’ towards the sector.

Shopping centres still need to fail

Despite the improvement in investor sentiment, this should not distract from the reality that many ‘middle market’ shopping centres without a clear identity or purpose still need to fail. Schemes suffering this fate and transacting in 2021 include St Nicholas Sutton, which was purchased by AEW in 2015 for £72m and sold to the Council for £26m, and Brunswick Shopping Centre in Scarborough which M&G tried to sell in 2017 for £32m and has been bought by a local investor for £5m.

Where shopping centres are failing, demand is being led by local investors / developers who have an alternative use vision for their town centres that others might not be able to see, or simply perceive it to be too hard given their lack of local expertise.

Repurposing/Redevelopment

Repurposing is a popular theme. A number of transactions have now taken place where centres have been acquired for redevelopment. These deals are underpinned by strong residual values for alternative uses including residential, offices, hotels and other mixed uses; usually with the centres having strategic town centre locations in affluent towns/ cities. Good examples of this are the sales of Broadwalk in Edgware, The Galleries in Bristol, White Lion Walk, Guildford and Nicholson Centre in Maidenhead.

Comment on Market Indicators

Regional (formerly Super-Prime)

Transactional activity in the Regional sector has been extremely limited in recent years. The key market indicator in 2020 was the marketing of the **Trafford Centre, Manchester** which was launched by intu’s administrators in September 2020. There was no guide price or quoting yield, with offers being invited. The administrators, effectively on behalf of the senior lender at Trafford, CPPIB, were perceived to be a motivated seller and this would have been the first market test of a regionally dominant shopping centre in a number of years.

In December 2020 it was announced following a failed sales process that CPPIB appointed receivers to formalise its ownership of the Trafford Centre, with market interest in the scheme not being at a level (rumoured to be circa £850m / 8-9% NIY) sufficient to recover their debt position.

2021 saw a single Regional shopping centre trade, specifically LendLease’s 25% stake in **Bluewater** which was purchased by LandSec and M&G in December for £172m / 8.15% net initial / 8.25% equivalent. This follows LendLease’s failed attempt in 2018 to sell the same stake when AXA were under offer at 4.75% net initial. This interest does not come with active management control, which typically has warranted a higher yield from those interests with full management control.

Expectations for 2022 are that more Regional shopping centres will come to the market, particularly as REITs, institutions and pension funds look to reduce / rebalance their exposure to the sector.

Sub-Regional (formerly Prime)

Activity in the Sub-Regional category has been slowly improving throughout 2021, with the key benchmark in the first half of the year being LendLease's sale of **Touchwood Shopping Centre, Solihull** to Ardent for £90m, which reflects 9.50% net initial and 9.00% equivalent. This price is 40% below the quoting terms when it was launched in October 2020. Investor interest in the scheme was strong, with underbidders including Eurofund/Henderson Park, Mike Ashley/Morgan Stanley and AXA/Pradera.

Another notable transaction in the Sub-Regional market was Aberdeen Standard's sale of **Centre Court Wimbledon,** which was purchased by Romulus in March 2021 for £73m / 7.75% equivalent. This is a significant repurposing opportunity, and therefore the yield can be analysed in a number of ways. The level of investor demand for Centre Court was significant, with the vendor having received 10 first round bids and three best and final second round bids. Also noteworthy is that the purchaser was able to secure debt.

2021 ended with Hammerson / CPPIB's sale of **Silverburn, Glasgow** to Henderson Park and Eurofund in an off-market deal. The price of £140m / 9.25% net initial / 8.75% equivalent reflected a 53% discount in value compared to the previous trade in 2009.

Local Best (formerly Dominant Secondary)

Transactional evidence from the most successful local schemes in 2021 suggests the emergence of yield stability. Local schemes that are catchment dominant, have rebased rents, are right-sized etc have attracted an uptick in investor demand since the start of 2021, particularly where they are foodstore anchored.

Investors including LCP, Evolve Estates and BYM Capital have emerged as the leading pack of buyers seeking to capitalise on historically high yields for shopping centres that fundamentally have strong income characteristics.

The majority of purchases made are typically sub-£20m lot sizes, although LCP / Columbia Threadneedle and Supermarket Income REIT have recently exchanged on M&G's two schemes in **Washington (The Galleries) & Cwmbran (Cwmbran Centre**) for a combined £140m. The yield on Washington is understood to be around 9.5%, with Cwmbran increasing to early-double digits. The consortium of buyers will each take individual interests in the foodstores, retail parks and shopping centres.

Particularly noteworthy is the ongoing sale of **Yate Shopping Centre, Yate** which having been launched at £53m / 10% net initial is now under offer at circa £58m / 8.75% net initial / 8.25% equivalent. At least 10 written bids were received, and the strong pricing reflects the weight of investor appetite for well performing value-retail (albeit it is important to note that Yate includes a retail park element which attracts keener pricing). We also understand that a significant number of bidders had debt available in principle.

Local Secondary (formally Secondary)

Value falls within the 'Local Secondary' sub-market have been the most significant across the sector, with yields being achieved up to (but often over) 20% net initial. Shopping centres within this category typically are blighted by a number of issues, whether that be an oversupply of shops within the immediate catchment, high vacancy rates, significant over-renting, complicated leasehold structures etc. The main buyers of local secondary shopping centres remain Councils, who want to take control and then regenerate their town centres, and speculative investors who are targeting opportunistic distress at historically low values. With cashflows being so difficult to underwrite on these challenging and possibly terminally failing shopping centres, a basic assessment of value on a capital value per sq ft has become an increasingly important benchmark. Such schemes have typically been trading at circa £10-£40 per sq ft capital value over the past year.

Whilst repurposing will no doubt become more commonplace in the coming years, there is a geographical challenge associated with it. Generally speaking, there is a £400-£450 per sq ft hurdle rate on residential capital values in order to make repurposing viable. Clearly this is an issue for failing shopping centres outside of London and the South East, where residential values are naturally lower.

2022

- The noticeable improvement in investor sentiment seen in the second half of 2021 is carrying on throughout 2022.
- Greater availability of debt.
- Yields anticipated to tighten further for certain schemes as sentiment continues to improve.
- The yield gap between the best local value-led schemes and traditional prime regional malls to close.
- JV partnerships to come under increased pressure to sell or restructure.
- Value-led and experiential-led shopping centres to outperform.
- Investors targeting the sector and looking to deploy significant capital (£50m+) to come under increasing pressure to buy before the market improves further, potentially moving pricing forwards.
- A continuation of new investors entering the market to replace REITs, institutions and pension funds.
- Discreet off-loading of non-performing loans by lenders, either via targeted loan sales or direct asset sales.
- Greater pressure for owners to invest in their shopping centres to improve customer experience and make up for a lack of investment over the past 3-5 years, meet new ESG requirements etc.
- 'Do or die' time for investors to find solutions for vacant Debenhams and House of Fraser department store anchors.

Investment Comparables

We set out below details of some recent sales transactions and schemes that have recently been brought to market which we have considered in arriving at our opinion of Market Value. We have examined comparables which, in our opinion, are able to assist and guide us into forming our opinion of value and have extrapolated from these.

Address	Date	Tenure	Area sq ft	Sale Price	NIY %	Tenant (WAULT)	Comment
9-11 Shirley High Street, Southampton	February 2022	Freehold	5,234	£640,000	6.29%	Boots (4.70)	Entirely let to Boots UK Limited on a new 5 year lease (no breaks) expiring October 2026. The property is well located on established retail parade, close to Nationwide, Specsavers and Poundland (adjacent). There is potential for redevelopment of the upper floors. Accommodation over ground and one upper floor. Tenant in occupation since 1935 *This transaction would be deemed superior to the subject due to it being located in a stronger pitch, its*

							freehold tenure and future development potential (STPP). We have applied a higher net initial yield to the subject.
377-379 Bitterne Road, Southampton	September 2021	Freehold	1,723	£450,000 (guide price)	Conf.	Countrywide Estate Agents (5.25)	Entirely Let to Countrywide Estate Agents t/a Morris Dibben until December 2026 at a rent of £31,000 per annum. The property comprises a well positioned Retail unit and self contained offices. The is residential conversion potential of the Offices (subject to the necessary consents). *The Property sold after the auction, we understand the guide price of £450,000 reflects 6.59% This property is located in Bitterne. Given the subject Property's weaker tenure we would expect it to command a higher net initial yield.*
72, 74 & 76 High Street, Poole. Dorset	September 2021	Freehold	5,834	£522,000	8.23%	Multi-let (7.35)	Comprising three shop units let to local covenants each with ancillary accommodation above. The gross rent passing is £45,000 per annum. Future potential to convert upper floors to residential use, subject to consents. The property is situated in the pedestrianised town centre location close to Savers and Lloyds bank. *This property is located in a weaker location compared to*

							the subject Property; however, it has a longer WAULT and benefits from future development potential of the upper floors. On a blended net initial yield basis we would expect the subject to command a lower yield.
434 Bitterne Road, Southampton	March 2021	Freehold	1,407	£275,000	9.00%	Santander (1.89)	The property is entirely let to Santander UK Plc with a rent passing of £25,500 per annum. The lease expires in December 2023. Santander have been in occupation for more than 20 years, recent lease renewal from December 2020. Future redevelopment potential of the upper floor *As with the subject Property this transaction is let to national covenants albeit with a weaker income profile. This property is located in close proximity to the subject. All things considered we would expect the subject to command a lower blended net initial yield.*

The comparable information listed above demonstrates a range of values achieved for retail investment within the locality. The transactional evidence demonstrates net initial yields between 6.29% and 9.00%.

Having regard to the evidence above, well-let nature, covenant strength, occupational demand for retail units in the vicinity and the long leasehold interest, we would expect the Property compare well to the evidence cited.

On an equivalent yield basis we would expect investors to exercise a degree of caution to this investment taking into account the ongoing asset management associated with the Property and the long leasehold tenure. On this basis, we have applied a blended net initial yield of 8.10% equating to an equivalent yield of 7.78% to the Market Rent reflecting the investment prospects as at the valuation date.

Principle Valuation Considerations

- The principal factors that have an impact on the value of the Property are summarised below:
  - The Property is held on a long leasehold interest with a relatively low head rent equating to 17.8% of the gross income and 116 years unexpired.
  - It comprises a fully let retail parade, situated in a prominent position on a busy local thoroughfare.
  - The immediate vicinity is characterised by mixed land uses to include both retail, residential and leisure.
  - Good WAULT of 6.11 years to lease expiry and 4.95 years to break options.
  - 46.8% of the gross income is secured against Iceland, who have 4.96 years term certain.
  - Good history of tenant retention, with the retail occupiers having been in situ for many years. The tenants have either recently agreed new leases or are in the process of renewing.

Marketability

The Property is well positioned to the east of Southampton city centre and will in our opinion attract a good level of occupier and investor interest. The Property provides a stable asset, with proven tenant retention and a good income profile.

If a retail unit were to become available, subject to reinstatement to its original specification we would anticipate a void period in the order of 3 to 6 months along with rent free which should be anticipated at between 3 to 12 months on each 5 year term certain. It should be possible to obtain a full repairing and insuring lease subject to the current tenant conforming with their reinstatement and repairing obligations, albeit any lease would most likely be subject to a schedule of dilapidations.

During any void there will be associated holding costs including empty rates, security and maintenance.

Liquidity (Saleability)

The lot size of approximately £2.15m is within the reach of private purchasers and small property companies. Over recent years the amount of investment product offered in this location is limited and accordingly when opportunities do arise there is good demand.

Should the Property be put to the market we consider that the asset would attract interest from a wide range of investors, including owner occupiers, developers, small property companies and private individuals. Accordingly, we would anticipate a sale period in the order of 3-6 months.

With regard to a sale with vacant possession the market is much more volatile and to secure an owner occupier the marketing period may be extended and in the order of 12 months. If a sale had to be achieved within a shorter timeframe and an owner occupier could not be found then the amount which would be paid by investors would be much less.

Active Management

We have summarised below the potential asset management initiatives. The key ones we have identified are as follows:

- Complete the lease renewal to Pets Village, Heads of Terms have been agreed by the two parties. The deal is subject to Head Leaseholder approval.
- Prior to any upcoming lease expiry, the Borrower should enter in lease renewal negotiations with the respective tenant and actively discuss opportunities to renew their leases and maintain occupancy.
- Ensure the Property is well maintained to prolong its useful economic life expectancy.

Future Value Prospects

The future performance of the Property will depend upon three principal factors, namely (a) the performance of the local occupational and general investment market; and (b) the future movements in cost of finance and investment yields; and (c) the ability of your customer to maintain the quality and duration of the income stream. Taking these in turn:

a) Whilst we are unable to forecast the occupational and investment outlook, this being no different with any other commercial property sub-sector, we would comment that rental growth in the locality is expected to remain stable over the next five years. Investment performance is driven by the prospects in rental growth as the occupational market continues to improve with the additional prospect of a medium-term hardening of yields (although unlikely to be significant), set against the weakening income security.
b) The continued uncertainty within the stock and equity market has resulted in an increase in demand for property investment by institutions, owner occupiers and property companies.
c) The sustainability of the rental income over the term of the proposed loan is perhaps the most significant risk to the value, and therefore the suitability for loan security. The requirement for pro-active asset management cannot be underestimated. Dealing with the lease events over the next five year period, the letting of units in the event any became vacant and the re-gearing of existing leases is essential to preventing any value erosion and only through these asset management activities, which will minimise shortfalls (protecting the net income) and maintaining or potentially increasing the WAULTC, will the value of the asset be maintained or increased.

Clearly, asset management and a high level of occupancy is key to the value of the asset. However, regardless of how successful this may be, any weakening in the investment market and softening of yields could negate any value added by good asset management. This is beyond the control of the Borrower, nevertheless, this risk remains.

Valuation Approach

- We have adopted the traditional "all risks yield" method, having regard to comparable investment transactions and current market sentiment.
- We have made the following specific assumptions which we consider to be appropriate and reasonable to reflect the approach likely to be adopted by prospective purchasers:

Current Void and Non-recoverable Revenue

- The gross passing rent is £224,500 per annum.
- The Property is held on a long leasehold interest with a ground rent of £39,930 per annum.
- As at the valuation date the net income is £184,570 per annum.

Tenant Retention and Re-letting Assumptions

- The Property WAULT of 6.11 years to lease expiry (4.95 years to break options). Pets Village is currently holding over, but terms have been agreed for a new 10 year lease.
- Tenant retention is good. With the tenants having been in occupation for many years and all renewing their leases since 2019.
- Specsavers have a break option within 2 years of the valuation date, we have applied a 6 month rent free period at this date to factor in an element of risk.

Capital Expenditure

- The Property is held on an FRI leases and generally in a good state of repair. The Property has been well maintained and there is no outstanding Capex required.
- We have not explicitly allowed for any other non-recoverable expenditure in undertaking our valuation and have reflected the risk of any other potential future shortfalls in our yield selection.

Purchasers Costs

- We have undertaken our valuation adopting full purchasers' costs, with SDLT of 4.51%, and 1.8% agent fees, legal fees and VAT.

Yield Consideration

- In undertaking our valuation of the Property, we have had regard to the rental and sales evidence above which shows that well located retail buildings in this location should achieve net initial yields within a range of approximately 6.29% and 9.00%. We are of the opinion that the subject Property would fall within these parameters on a blended basis.
- In assessing the Market Value of the subject Property, we have adopted a split yield approach to reflect the different income tranches as follows:

	Capitalisation Rate
Retail	8.5%
Supermarket	7.0%

- This equates to a blended net initial yield 8.10% to reflect the attractive income profile.

Market Value

- This results in a market value of the heritable interest subject to the occupational leases of **£2,150,000,** reflecting a net initial yield of 8.10% and an equivalent yield of 7.78%.

Vacant Possession Value

- In arriving at our opinion of the current Market Value of the Property subject to full vacant possession, we have had regard to the likely price that would be achievable in today's market from an entrepreneurial investor seeking to re-let the vacant building to create an income-producing investment. An entrepreneurial purchaser would want a suitably generous profit margin to reflect the re-letting risks and associated void costs until the building is fully let.
- In arriving at our vacant possession value we have made the following assumptions:
    - A headline Market Rent of £224,500 per annum
    - An equivalent yield of 8.78% applied (100 bps discount to Market Value)
    - A letting void of 3 to 9 months and a rent-free period of 3 to 12 months on the retail units.
    - Letting and Legal Fees at 15% of Market Rent.
    - Void costs accounting for empty rates and service charge totalling £112,250
- Our overall vacant possession value is £1,500,000. This represents 70% of Market Value reported herein.

Suitability for Loan Security

- It is usual for a valuer to be asked to express an opinion as to the suitability of a property as security for a loan, debenture or mortgage. However, it is a matter for the lender to assess the risks involved and make its own assessment in fixing the terms of the loan, such as the percentage of value to be advanced, the provision for repayment of the capital, and the interest rate.
- In this report we refer to all matters that are within our knowledge and which may assist you in your assessment of the risk.
- On the basis of the information provided and subject to the comments contained within this Report, we consider that the Property should form suitable security for a mortgage advance assuming it is managed proactively given its current state and the proposed change of use and extension. In accordance with normal commercial practice,

however, we would anticipate any advance being for only a proportion of our opinion of the Market Value reported.

Lenders Action Points

- Confirmation on Title.
- Commission of an Environmental Report.
- The Borrower should confirm that they have an appropriate Asbestos Management Plan (AMP). We recommend the Borrower is given 6 months to obtain an Asbestos Report and that as and when other units become vacant, Asbestos Reports are undertaken and that all recommendations relating to the control of asbestos as set out in the Asbestos survey are complied with.

Valuation as at 28 February 2022

Market Value:	£2,150,000	TWO MILLION ONE HUNDRED AND FIFTY THOUSAND POUNDS	
	Initial Yield:	Equivalent Yield:	Reversionary Yield:
	8.10%	7.78%	7.80%
Purchaser's Costs:	• We have allowed for Stamp Duty Land Tax as follows: Market Value of up to £150,000, zero; next £100,000 (the portion from £150,001 to £250,000), 2.00%; remaining amount (the portion above £250,001), 5.00%. • We have also allowed for agents and legal fees plus VAT at standard market rates which amount to 1.80%.		
Market Rent:	£224,500 per annum	Blended rate of £12.76 per sq ft	
Market Value on the Special Assumption of Vacant Possession:	£1,500,000	Assumed to be in the same physical state as it currently exists. We have assumed that the current tenants would not be in the market if the property were assumed to be vacant.	

Appendix 1

Valuation Calculations

Summary Valuation (Amounts in GBP, Measures in SF)

Valuation Date: 28/02/2022

Property

Address	Parkgate Centre, Shirley,		
External ID			
Gross Valuation	14,974,251		
Capital Costs	0		
Net Value Before Fees	14,974,251		

Less	SDLT	@4.93% Stamp Duty	689,500
	Agents Fees	@1.00% Net Sale Price	140,000
	Legal Fees	@0.50% Net Sale Price	70,000

Net Valuation	14,074,751		
Say	14,000,000		
Equivalent Yield	8.5408%	True Equivalent Yield	9.0287%
Initial Yield (Valuation Rent)	8.843%	Initial Yield (Contracted Rent)	8.843%
Reversion Yield	8.2661%		
Total Valuation Rent	1,347,291	Total Contracted Rent	1,347,291
Total Rental Value	1,271,912	Number of Tenants	28
Capital Value Per Area	328		

Running Yields

Date	Gross Rent	Revenue Cost	Ground Lease Expenses	Net Rent	Annual	Quarterly
28/02/2022	1,347,291	-29,735	0	1,317,556	8.8430%	9.3542%
28/08/2022	1,355,091	-29,735	0	1,325,356	8.8953%	9.4127%
28/02/2024	1,355,091	-61,533	0	1,293,558	8.6819%	9.1742%
29/03/2024	1,355,091	-60,111	0	1,294,980	8.6914%	9.1849%
24/06/2024	1,368,213	-60,111	0	1,308,102	8.7795%	9.2832%
15/09/2024	1,372,413	-60,111	0	1,312,302	8.8077%	9.3147%
08/10/2025	1,367,413	-60,111	0	1,307,302	8.7741%	9.2772%
18/11/2025	1,367,913	-60,111	0	1,307,802	8.7775%	9.2810%
25/01/2026	1,367,913	-40,298	0	1,327,615	8.9105%	9.4297%
16/05/2029	1,365,438	-40,298	0	1,325,140	8.8939%	9.4111%
24/06/2029	1,340,112	-40,298	0	1,299,814	8.7239%	9.2211%
15/09/2029	1,271,912	-40,298	0	1,231,614	8.2661%	8.7115%

Yields Based On Say Value + Acq.Costs

Tenants

Tenant Name	Suite	Next Review	Earliest Termination	CAP Group	Method	Contracted Rent	Valuation Rent	Rental Value	Gross Value	Initial Yield	Initial Yield (Contracted)	Equivalent Yield	Reversionary Yield
JD Wetherspoon	Unit 1		14/09/2029	A3	Hardcore(8%)	84,000	84,000	20,000	610,954	13.7490%	13.7490%	8.0000%	3.1917%

Buttershaw Limited t	Unit 2	01/12/2030	National > 5 yr	Hardcore(8%)	75,000	75,000	75,000	917,406	8.1752%	8.1752%	8.0000%	7.9708%
Tui	Unit 3	24/11/2023	National > 5 yr	Hardcore(8%)	40,000	40,000	40,000	489,283	8.1752%	8.1752%	8.0000%	7.9708%
B&M Bargains	Unit 4	24/01/2026	National > 5 yr	Hardcore(8%)	150,000	150,000	150,000	1,770,454	7.3533%	7.3533%	8.0000%	8.2606%
Shoe Zone	Unit 8	28/09/2025	National < 5 yr	Hardcore(9%)	32,500	32,500	32,500	353,513	9.1934%	9.1934%	9.0000%	8.9636%
Sarita Sharma	Unit 8	13/03/2024	Local > 5 yr	Hardcore(10%)	17,000	17,000	17,000	166,488	10.2110%	10.2110%	10.0000%	9.9557%
Loungers	Unit 9	24/03/2026	A3	Hardcore(8%)	50,000	50,000	50,000	611,604	8.1752%	8.1752%	8.0000%	7.9708%
Prezzo	Unit 1	31/08/2039	A3	Hardcore(8%)	68,000	68,000	68,000	831,782	8.1752%	8.1752%	8.0000%	7.9708%
Peacocks - Anglo Gl	Unit 1	28/03/2024	National < 5 yr	Hardcore(9%)	65,000	65,000	65,000	704,425	9.0255%	9.0255%	9.0000%	8.9967%
Contract Flooring	Unit 1	11/09/2026	Local > 5 yr	Hardcore(10%)	50,000	50,000	50,000	489,669	10.2110%	10.2110%	10.0000%	9.9557%
Superdrug	Unit 1	02/11/2027	National > 5 yr	Hardcore(8%)	50,000	50,000	50,000	611,604	8.1752%	8.1752%	8.0000%	7.9708%
Fonehouse (EE)	Unit 1	23/08/2025	Local > 5 yr	Hardcore(10%)	20,000	20,000	20,000	195,868	10.2110%	10.2110%	10.0000%	9.9557%
Greggs	Unit 1	31/08/2024	National < 5 yr	Hardcore(9%)	29,750	29,750	29,750	323,600	9.1934%	9.1934%	9.0000%	8.9636%
Perios	Unit 1	18/08/2024	Local > 5 yr	Hardcore(10%)	35,000	35,000	35,000	342,769	10.2110%	10.2110%	10.0000%	9.9557%
Indico	Unit 1	31/12/2025	Local > 5 yr	Hardcore(10%)	25,000	25,000	25,000	244,835	10.2110%	10.2110%	10.0000%	9.9557%
Jacks	Unit 1	22/01/2029	Local > 5 yr	Hardcore(10%)	20,000	20,000	20,000	195,868	10.2110%	10.2110%	10.0000%	9.9557%
Barnado's	Unit 1	30/04/2025	National < 5 yr	Hardcore(9%)	22,500	22,500	22,500	244,740	9.1934%	9.1934%	9.0000%	8.9636%
Poundland	Unit 1	17/11/2025	National > 5 yr	Hardcore(8%)	162,000	162,000	162,500	1,986,156	8.1565%	8.1565%	8.0000%	7.9771%

Summary Valuation

(Amounts in GBP, Measures in SF)

Valuation Date: 28/02/2022

HCG Hair	Unit 1	07/10/2025	Local > 5 yr	Hardcore(10%)	30,000	30,000	25,000	259,393	11.5655%	11.5655%	10.0000%	9.3969%
Wed2B	Unit 2	14/01/2026	National < 5 yr	Hardcore(9%)	44,750	44,750	44,750	486,760	9.1934%	9.1934%	9.0000%	8.9636%
Capricorn Blinds	Unit 2	23/06/2024	Local > 5 yr	Hardcore(10%)	36,000	36,000	36,000	352,562	10.2110%	10.2110%	10.0000%	9.9557%
Shirley Library	Unit 2	15/05/2029	National > 5 yr	Hardcore(8%)	30,766	30,766	28,291	359,241	8.5642%	8.5642%	8.0000%	7.6783%
The Gym	Unit 2	23/06/2029	Gym	Hardcore(7.75%)	164,025	164,025	151,821	2,027,455	8.0902%	8.0902%	7.7500%	7.3010%
The Shaking Hand Li	Unit 2	10/01/2029	Kiosks	Hardcore (12.75%)	15,500	15,500	15,500	119,178	13.0058%	13.0058%	12.7500%	12.6806%
Mobile PC	Unit 2	23/06/2024	Kiosks	Hardcore (12.75%)	12,500	12,500	12,500	96,111	13.0058%	13.0058%	12.7500%	12.6806%
Mall Income	Mall I	26/02/2025	Commercialisation	Hardcore(9%)	18,000	18,000	18,000	101,347	9.3737%	9.3737%	9.0000%	8.9297%
Flower Stand Area -	Flower	27/08/2023	Commercialisation	Hardcore(9%)	0	0	7,800	81,188	0.0000%	0.0000%	9.0000%	9.3672%
Elonox Outdoor Medi	Digita	27/02/2023	Commercialisation	Hardcore(9%)	0	0	0	0	0.0000%	0.0000%	0.0000%	0.0000%

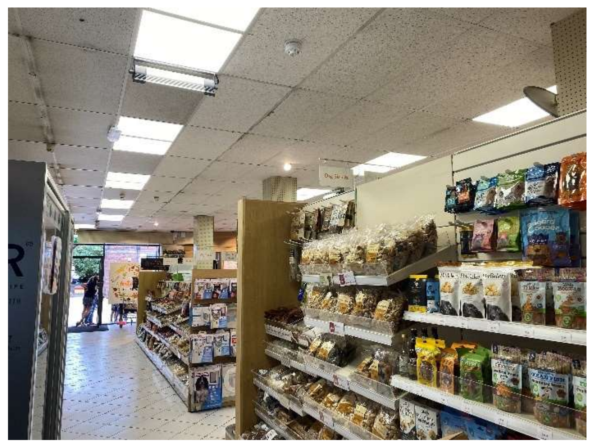
Appendix 2

Photographs

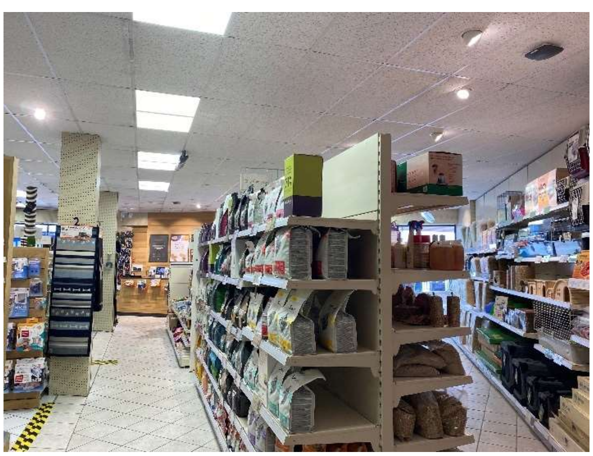
Retail Frontages

Retail Frontages

Main Retail Parade



Typical Internal Retail Unit



Typical Internal Office Suite

Shared Service Yard to the Rear

Appendix 3

Engagement Documents

Private and Confidential 24 June 2022

Moorgarth Group Limited
47 St. Pauls Street,
Leeds,
LS1 2TE

Dear Sirs,

Valuation: **Loan Security**
Assets: **Portfolio of 14 Assets**
Client: **Moorgarth Group Limited**

CONFIRMATION OF TERMS OF ENGAGEMENT FOR THE PROVISION OF VALUATION ADVICE

Thank you for instructing Duff & Phelps, A Kroll Business operating as Kroll Advisory Ltd ("Duff & Phelps", "we" or "us") to act for Moorgarth Group Limited (the "Company", the 'Client', "you" or "yourselves") in connection with a valuation of the above Portfolio (the "Instruction", or the 'Engagement').

We are pleased to provide you with details of our services and fees and we enclose our General Terms and Conditions of Business (the "General Terms") and our General Principals Adopted in the preparation of Valuations and Reports (our "General Assumptions") which, together with this letter (the "Letter of Engagement") will form the agreement in respect of our appointment.

Please read this letter and the enclosures carefully to ensure they accord with your instructions. To the extent that there is a conflict or inconsistency between this engagement letter, the General Terms or any Letter of Engagement from yourselves, this Engagement Letter will prevail.

RICS Compliance

Our valuation will be undertaken in accordance with RICS Valuation – Global Standards 2020 (the "Standards", or the "RICS Red Book"), which incorporate the International Valuation Standards, and the RICS UK National Supplement effective from January 2019. References to "the Red Book" refer to either or both of these documents, as applicable.

There are no departures unless identified below.

In addition, and in accordance with the requirements of the Standards, in particular Valuation Practice Statement 1 of the Red Book, we confirm the following

a. Identification and status of the Valuer

(i) We confirm that we are not aware of any conflicts of interest, either with yourselves or the properties, preventing us from providing you with an independent valuation of the property in accordance with the RICS Red Book.

(ii) We therefore confirm that we will undertake the valuations acting as External Valuers as defined in the Standards.

(iii) You accept however that Duff & Phelps provides a range of professional services to clients and that there are occasions where conflicts of interest may not be identified. You therefore undertake to notify Duff & Phelps promptly of any conflict or potential conflict of interest relating to the provision of the Services of which you are, or become, aware.

(iv) Where a conflict or potential conflict is identified by either party and Duff & Phelps believes that your interests can be properly safeguarded by the implementation of appropriate procedures, we will discuss and seek to agree such procedures with you.

(v) The due diligence enquiries and report preparation will be undertaken by Mark Whittingham MRICS (Managing Director), Emily Brownlow MRICS (Vice President), Alex Smith MRICS (Vice President) and Dan Worrall (Senior Associate).

(vi) We confirm that the valuers have sufficient current local and national knowledge of the particular property markets involved and have the skills and understanding to undertake the valuation competently. The Valuers are registered in accordance with the RICS Valuer Registration Scheme.

(vii) Where the knowledge and skill requirements of the Red Book have been met in aggregate by more than one valuer within Duff & Phelps, A Kroll Business operating as Kroll Advisory Ltd we confirm that a list of those valuers has been retained within the working papers, together with confirmation that each named valuer complies with the requirements of the Red Book.

(vii) For the avoidance of doubt, the Valuers shall have no personal liability to you in respect of the Engagement. All rights and obligations in respect of the Engagement are owed to or by us.

b. Identification of the client and other related parties

(i) The client is the addressee of this letter. We will address our report to Moorgarth Group Limited.

(ii) We would not extend liability or reliance to any other party other than by prior agreement. If we extend our liability to any other parties, we may seek to charge an additional fee and this extension would be on the basis that the other parties will be subject to the terms of our instructions including our liability cap. That is the case even if any such party has paid some or all of our fees. For the avoidance of doubt, all relying parties shall be bound by the same liability exclusions and limitations, and that our liability shall be no greater as a result of extending reliance to additional parties.

c. Purpose of the Valuation

(ii) The Valuation is required for Loan Security. It is important that the Report is not used out of context or for the purposes for which it was not intended. We shall have no responsibility or liability to any party in the event that the Report is used outside of the purposes for which it was intended, or outside of the restrictions on its use set out at sub-paragraph (j) below.

d. Identification of the asset or liability to be valued

(i) The Properties addresses are:

- 71-73 Carter Lane, London
- Avon View Apartments, Clapham, London
- Brodricks Building, Cockridge Street, Leeds
- Tagwright House, Shoreditch, London
- 140 High Street, Bromsgrove, Birmingham
- Ogden Road, Doncaster
- Bitterne Precinct, Southampton
- St Catherine's Retail Park, South Perth, Scotland
- Central House, 47 St Paul's St, London
- 128 Wigmore Street, London
- 175-185 Gray's Inn Road, London
- 13/14 Park Place, Leeds
- Parkgate Centre, Shirley, Birmingham
- 24-25 Lime Street, London

(ii) The interests are freehold. The Properties will be valued subject to the occupational leases, details to be confirmed in our Report.

(iii) The interests to be valued are held for investment purposes.

e. Basis of Value

We have discussed the basis of valuation which you require, and our understanding is that we are to provide our opinion of value as follows:

- Market Value
- Market Rent;
- Market Value on the Special Assumption of Vacant Possession;

The definition of Market Value and Market Rent are set out at appendix 2.

The basis of valuation adopted and the purpose of our Report may not be appropriate for other purposes, so the Report and Valuations should not be relied upon for any other purpose without prior consultation with us.

f. Valuation date

The Valuation date is the date of our report.

You will appreciate that in providing you with our Valuation, we shall have regard to market conditions as at the Valuation date. Naturally, these are subject to change and it is therefore important that the Addressees take account of any such change in conditions that may occur from the Valuation date before making any binding decision in relation to the Property. Please do not hesitate to contact us ahead of making any binding decision which takes account of our Valuation if you have any concerns in this respect.

g. Extent of investigation

We will carry out an inspection of the Property and investigations to the extent necessary to undertake the Valuation. We will not carry out a structural survey or test the services and nor will we inspect the woodwork and other parts of the structures which are covered, unexposed or inaccessible.

h. You have agreed we are to assume .

- The floor areas provided are correct.
- Good clean marketable title for each interest valued.
- The tenancy schedule and floor plans provided is correct.
- Full statutory compliance unless issues referred to documents provided or specifically advised by yourselves.
- There are no environmental issues that could have an adverse effect on value unless specifically advised.

(ii) To the extent that you have provided us with information and / or instructed us to obtain it from a third party you agree, unless it is otherwise agreed by us in writing, that we can safely rely upon the accuracy, completeness and consistency of this information without further verification and that you will not hold us responsible in the event that any dispute regarding the Valuation arises from the accuracy of such information.

(iii) We will not be measuring any part of the Property which we are unable to access. In such cases we may estimate floor areas from plans or by extrapolation in accordance with the measuring code of practice of the RICS. Such measurements should not be relied upon for any other purpose.

(iv) We will not make formal searches with local planning authorities but shall rely on the information provided informally by the local planning authority or its officers. We recommend you instruct lawyers to confirm the position in relation to planning and that the Report is reviewed in light of advice from your solicitors in this respect.

(v) For the avoidance of doubt, we accept no liability for any inaccuracy or omission contained in information disclosed by you or any other third party or from the Land Registry or any database to which we subscribe. We will highlight in our report where we have relied on such information.

i. Assumptions and Special Assumptions

(i) Unless otherwise agreed, our Valuation will be reported on the basis of the general assumptions attached in Appendix 3.

(i) If any Special Assumptions are made, these will be discussed and agreed with you in advance and again these will be clearly stated in the text of the valuation report.

(ii) The full extent of our due diligence enquiries and the sources of the information we rely upon for the purpose of our valuation will be clearly stated in our final Valuation Certificate and in the relevant sections of our Report. In the event that any of our assumptions are found to be incorrect, our valuations should not be used, whether for the intended information purposes or otherwise, until it has been reviewed by us in the light of that additional information. In the event that certain information is not provided, it may be necessary for us to make further assumptions.

j. Restrictions on use, distribution or publication

(i) Our report shall be confidential to, and for the use only of, the Addressee(s) and no responsibility shall be accepted to any third party for the whole or any part of its contents.

(ii) Our Report may not be discussed to any third parties without such parties signing a release letter prior to being sent our report. As detailed above, we will not be extending liability or reliance to any such party unless otherwise agreed by us.

(iii) Neither the whole nor any part of our Report or any reference to it may be included in any published document, circular or statement, nor published, reproduced, referred to or used in any way without our prior written approval (with such approval to be given or withheld at our absolute discretion.

(iv) Where any Addressee is a lender, in the event of a proposal to place the loan on the Property in a syndicate, you must notify us so that we can agree the extent of our responsibility to further named parties, if this is not done or we do not agree to be responsible to further name parties, we shall have no responsibility to any party other than the Addressee(s).

k. Confirmation that the Valuation will be undertaken in accordance with the International Valuation Standards (IVS)

(i) We confirm that out Valuation will be carried out in compliance with the IVS.

l. Description of Report

(i) As part of the Engagement, we will provide you with individual narrative reports (each a “Report”) for the Properties. The Reports will be prepared in accordance with the RICS Valuation - Global Standards 2017, and will meet the requirements of VPS 3, Valuation Reports, which sets out the mandatory minimum terms of reporting and includes all the matters addressed in this confirmation of instruction letter.

(ii) The Reports will include descriptions of the subject property and location; detailed market commentary, leasing and investment comparable evidence, together with details of our investment rationale, and any other supporting exhibits containing calculations leading to our valuation conclusion.

(iii) As agreed, we will provide a full draft valuation within two weeks of receipt of all information.

m. The basis on which the fee will be calculated

(i) A breakdown of the agreed fees for the provision of the Valuation is attached at Appendix 1b. These fees are plus VAT and payable in pounds sterling. Unless otherwise agreed in writing, all reasonable expenses incurred will be added to the agreed fee. Such expenses shall include (but not be limited to) the cost of travelling, photography, plans, artwork for preparation of Report appendices, town planning documents, copying charges, faxes, couriers and subsistence.

(ii) Our agreed fee and any expenses, together with any VAT (at the prevailing rate) on such amounts, shall become due and payable by you to us within 30 days of us issuing you with a valid VAT invoice in respect of such amounts. In the event that our fee is not paid by the date for payment we reserve the right to charge default interest at a rate of 4% above Barclays Bank base rate for payment.

(iii) In the event of our instructions being terminated at any time prior to completion of our work, a fee will become payable on a time basis (at our prevailing rates) for work carried out up to the date of termination, subject to a minimum of 50% of the agreed fee, together with all expenses incurred.

(iv) If we are asked to undertake additional work, for example provide additional scenarios, additional due diligence or re-do work because of delays, we will charge an additional fee based on an hourly charge.

(v) If we perform any additional services for you, we will agree an additional fee with you in respect of such services and such fee shall be payable in the manner set out above.

(vi) You acknowledge that you shall not be entitled to rely upon our Report until such time as our fees have been paid

(vii) Our fee account will be addressed to the addressee of our report unless otherwise agreed.

n. complaints handling procedure

(xii) Duff & Phelps, A Kroll Business operating as Kroll Advisory Ltd is registered for regulation by the RICS and a copy of our client complaints handling procedure can be made available to you on request.

o. Monitoring under RICS conduct and disciplinary regulations.

(xiii) Compliance with the standards set down in the RICS Red Book may be subject to monitoring by the RICS under its conduct and disciplinary regulations.

Valuation Approach

We will consider the following approaches when estimating Market Value: The Income Approach, the Market Approach, and the Net Underlying Assets Approach.

- Income Approach: The Income Approach is a valuation technique that provides an estimation of the Fair Market Value of a business/asset based on the cash flows that a business/asset can be expected to generate in the future. The Income Approach begins with an estimation of the annual cash flows a hypothetical buyer would expect the subject business/asset to generate over a discrete projection period. The estimated cash flows for each of the years in the discrete projection period are then converted to their present value equivalent using a rate of return appropriate for the risk of achieving the projected cash flows. The present value of the estimated cash flows are then added to the present value equivalent of the residual value of the business/asset at the end of the discrete projection period to arrive at an estimate of Fair Market Value.

- Market Approach: The Market Approach is a valuation technique that provides an estimation of Fair Market Value based on market prices in actual transactions and on asking prices for businesses/assets. The valuation process is a comparison and correlation between the subject business/assets and other similar businesses/assets. Considerations such as time and condition of sale and terms of agreements are analyzed for comparable businesses/assets and are adjusted to arrive at an estimation of the Fair Market Value of the subject business/assets.

- Net Underlying Assets Approach: The Net Underlying Assets Approach indicates the Fair Market Value of the equity of a business by adjusting the asset and liability balances on the subject company’s balance sheet to their Fair Market Value equivalents.

Procedures

Our analysis will be performed in accordance with the guidelines set forth by the Valuation Standards. The procedures that we will follow will likely include, but will not be limited to, the following:

- Analysis of conditions in, and the economic outlook for, the relevant industries;
- Analysis of general market data, including economic, governmental, and environmental forces;
- Discussions with Management concerning the history, current state, and expected future performance of the real estate assets;
- Valuation of the Subject Real Properties, utilising standard and accepted appraisal methodology; we anticipate that the scope of Services will include the following:
    - We will review the market by means of publications to measure current market conditions, supply and demand factors, and growth patterns to determine their effect on the Subject Real Properties;
    - We will conduct a personal site inspection of each Subject Real Property;
    - We will not be measuring the Subject Real Properties, but instead will rely on the floor areas provided.
    - We will complete the Sales Comparison Approach for vacant land parcels;
    - We will complete the Income Capitalization Approach using either a discounted cash flow methodology or direct capitalization analysis; and
    - We reconcile the value indications from the Sales Comparison and Income Capitalization approaches, where applicable, and conclude upon a point estimate.

Liability

We confirm that Duff & Phelps, A Kroll Business operating as Kroll Advisory Ltd holds Professional Indemnity Insurance in respect of the service provided, on a per claim basis, and subject to the liability cap (Paragraph 12, sub paragraph 12.2). The indemnity is for the sole use of Moorgarth Group Limited and is confidential to it. We accept no responsibility to any other party.

For further details we refer to Paragraph 12 of our Standard Terms of Business (attached) headed “Exclusions and limitation of liability”, the wording of which will apply for this instruction.

Reliance

As stated above, we accept responsibility for our Report only to the addressees and no third party may rely on our Report. We do not accept any responsibility to, and shall have no liability in respect of, any third parties unless otherwise agreed writing even if that third party pays all or part of our fees, or is permitted to see a copy of our Valuation. In addition, the benefit of our Report is personal and neither you nor any other Addressee may assign the benefit of our Report to any third party without our prior written consent (with such consent to be given or withheld at our absolute discretion). You acknowledge that if we agree to extend reliance on our Report to any third party or to the benefit of our Report being assigned, we will require the relevant third party or assignee to enter into a reliance letter before such party is entitled to rely upon our Report. We will provide you with a copy of our reliance letter on request. If we agree to any such extension or assignment, we may charge you an additional fee.

Sub-contracting

We may sub-contract the provision of any services to be performed by us pursuant to this agreement (including, without limitation, to other companies that are direct or indirect subsidiaries of Duff and Phelps) provided that we will remain responsible to you for the provision of those services and the provision of our Report. We may request that you pay any sub-contractor directly for those of our fees which relate to work carried out by the sub-contractor. In these circumstances, the fees in question are to be paid by you directly to the sub-contractor and we will be entitled to assign to the sub-contractor any rights that we have in respect of those fees.

Confidentiality

We undertake to keep in the strictest confidence all information which will be disclosed to us by yourselves, and any other confidential information which we obtain in connection with this valuation project. We shall restrict disclosure of such confidential material to our personnel directly engaged in providing this work and shall ensure that all such personnel are subject to obligations of confidentiality corresponding to those which bind us.

For the avoidance of doubt, the valuer may use such information to the extent reasonably required in providing the valuations. The valuer may disclose such information if it is required to do so by law, regulation or other competent authority.

All confidential information will be held by us in safe custody at our own risk and maintained and kept safe by us. It shall not be disposed of or used other than in accordance with your written instructions or authorisation.

We shall not make public that fact that we are acting for yourselves except with your written consent.

Data Protection

We acknowledge that some information provided to us by yourselves may constitute ‘personal data’ for the purposes of the Data Protection Act 1998 (‘DPA’). We shall at times comply with the requirements of the DPA and at all times comply with the Client’s instructions in relation to such personal data.

Acknowledgement and Acceptance

This letter and attachments constitutes our Terms of Engagement, and we trust they meet with your approval. If the scope and terms of the Engagement Letter and the attached Terms and Conditions are acceptable, please acknowledge your acceptance by signing the confirmation below and returning this Engagement Letter to us via email. Pending receipt of your written confirmation we will provide the Services on the basis that the terms of this letter and the Terms and Conditions are agreed. Please be aware that your continuing instructions in relation to this matter will amount to your acceptance of the terms of the Engagement. If there is any matter that requires clarification please do not hesitate to contact me.

Finally, many thanks for your instructions.

Yours sincerely,

By: Mark Whittingham MRICS
Managing Director
Kroll Advisory Ltd
Copy to: Mark Whittingham, Kroll

<u>ENCs:</u>

Appendix 1 – Basis of Valuation – definitions.
Appendix 2 - General Principles adopted for the preparation of Valuations and Reports.
Appendix 3 – Kroll Advisory Ltd Standard Terms of Business.

Confirmation of Terms of Engagement

Re: Engagement Letter for Valuation Services in Connection Wilmington Grove, Sheepscar, Leeds and Westbourne Centre, Barrhead, East Renfrewshire

Having read this Engagement Letter and the attached Terms and Conditions, I acknowledge acceptance of and agree to engage Duff & Phelps in accordance with the terms and provisions of this Engagement Letter and the attached Terms and Conditions.

Moorgarth Group Limited

By: ______________________ Date: 09.08.2022

APPENDIX 1a: LIST OF PROPERTIES AND PROPERTY COMPANIES

Property	City	Asset Class	Owner
71-73 Carter Lane, London	London	Office	Moorgarth Living Limited
Avon View Apartments, Clapham	London	Residential	Wandle Point Limited
Brodricks Building, Cookridge St, Leeds	Leeds	Office	Moorgarth Maple Limited
Tagwright House, Shoreditch	London	Mixed - Office / Resi	Inception Living Sarl
140 High Street Bromsgrove	Birmingham	Retail	Moorgarth Properties (Lux) Sarl
Ogden Road, Doncaster	Doncaster	Mixed	Moorgarth Properties (Lux) Sarl
Bitterne Precinct, Southampton	Southampton	Retail	Moorgarth Properties (Lux) Sarl
St Catherines Retail Park (South) Perth	Perth, Scotland	Retail	Moorgarth Properties (Lux) Sarl
Central House, 47 St Pauls St, Leeds	Leeds	Office	Moorgarth Properties (Lux) Sarl
128 Wigmore St, London	London	Office	Moorgarth Properties (Lux) Sarl
175-185 Grays Inn Road, London	London	Office	Moorgarth Properties (Lux) Sarl
13/14 Park Place, Leeds	Leeds	Office	Moorgarth Properties (Lux) Sarl
Parkgate Centre, Shirley	Birmingham	Retail	Moolmoor Investments Limited
25-26 Lime Street	London	Office	London Office Sarl

APPENDIX 1b: LIST OF LIST OF ASSETS AND FEES

Property	City	Fee
71-73 Carter Lane, London	London	£12,000
Avon View Apartments, Clapham	London	£10,000
Brodricks Building, Cookridge St, Leeds	Leeds	£7,500
Tagwright House, Shoreditch	London	£12,000
140 High Street Bromsgrove	Birmingham	£5,000
Ogden Road, Doncaster	Doncaster	£7,500
Bitterne Precinct, Southampton	Southampton	£7,500
St Catherines Retail Park (South) Perth	Perth, Scotland	£12,000
Central House, 47 St Pauls St, Leeds	Leeds	£7,500
128 Wigmore St, London	London	£7,500
175-185 Grays Inn Road, London	London	£12,000
13/14 Park Place, Leeds	Leeds	£5,000
Parkgate Centre, Shirley	Birmingham	£12,000
25-26 Lime Street	London	£7,500
		£125,000

APPENDIX 2: BASIS OF VALUATION – DEFINITIONS

Depreciated Replacement Cost: The current cost of replacing an asset with its modern equivalent asset less deductions for physical deterioration and all relevant forms of obsolescence and optimisation.

Existing Use Value: 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 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.

Existing Use Value is to be used only for valuing property that is owner occupied by a business, or other entity, for inclusion in financial statements.

Fair Value: Valuations based on Fair Value will adopt one of two definitions — depending upon the purpose, namely:

The International Valuation Standard's 2013 definition: *The estimated price for the transfer of an asset or liability between identified knowledgeable and willing parties that reflects the respective interests of those parties, or*

The International Financial Reporting Standard's 2013 definition: *The price that would be received to sell an asset, or paid to transfer a liability, in an orderly transaction between market participants at the measurement date.*

Gross development value (GDV) - The aggregate Market Value of the proposed development assessed on the special assumption that the development is complete as at the Valuation date in the market conditions prevailing at that date.

Investment value: Investment value is the value of an asset to the owner or prospective owner for individual investment or operational purposes.

Market Rent: *The estimated amount for which an interest in real property should 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 and where the parties had each acted knowledgably, prudently and without compulsion.*

Market Value: *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 knowledgably, prudently and without compulsion.*

Discount rate: is a rate of return used to convert a future monetary sum or cash flow into present value, (IVSC).

Initial Yield or Cap Rate: is the initial immediate return of the property at the stated valuation/price based on the present income the property produces. Calculated by reference to current passing rent divided by the Gross Value before deduction of purchase costs.

APPENDIX 3 - GENERAL PRINCIPLES ADOPTED IN THE PREPARATION OF VALUATIONS AND REPORTS

Unless otherwise agreed in writing, our Valuation will be carried out on the basis of the following general assumptions and conditions in relation to each Property that is the subject of our Report. If any of the following assumptions or conditions are not valid, this may be that it has a material impact on the figure(s) reported and in that event we reserve the right to revisit our calculations.

1. That the Property is not subject to any unusual or especially onerous restrictions, encumbrances or outgoings contained in the Freehold Title. Should there be any mortgages or charges, we have assumed that the property would be sold free of them. We have not inspected the Title Deeds or Land Registry Certificate.

2. That we have been supplied with all information likely to have an effect on the value of the Property, and that the information supplied to us and summarised in this Report is both complete and correct.

3. That the building has been constructed and is/are used in accordance with all statutory and bye-law requirements, and that there are no breaches of planning control and any future construction or use will be lawful.

4. That the Property is not adversely affected, nor likely to become adversely affected, by any highway, town planning or other schemes or proposals, and that there are no matters adversely affecting value that might be revealed by a local search, replies to usual enquiries, or by any statutory notice.

5. That the building is structurally sound, and that there are no structural, latent or other material defects, including rot and inherently dangerous or unsuitable materials or techniques, whether in parts of the building we have inspected or not, that would cause us to make allowance by way of capital repair. Our inspection of the Property and our Report do not constitute a building survey or any warranty as to the state of repair of the Property.

6. That the Property is connected, or capable of being connected without undue expense, to the public services of gas, electricity, water, telephones and sewerage.

7. That in the construction or alteration of the building no use was made of any deleterious or hazardous materials or techniques, such as high alumina cement, calcium chloride additives, woodwool slabs used as permanent shuttering and the like. We have not carried out any investigations into these matters.

8. That the Property has not suffered any land contamination in the past, nor is it likely to become so contaminated in the foreseeable future. We have not carried out any soil tests or made any other investigations in this respect, and we cannot assess the likelihood of any such contamination.

9. That any tenants are capable of meeting their obligations, and that there are no arrears of rent or undisclosed breaches of covenant.

10. In the case of a Property where we have been asked to value the site under the special assumption that the Property will be developed, there are no adverse site or soil conditions, that the Property is not adversely affected by the Town and Country Planning (Assessment of Environmental Effects) Regulations 1988, that the ground does not contain any archaeological remains, nor that there is any other matter that would cause us to make any allowance for exceptional delay or site or construction costs in our Valuation.

11. We will not make any allowance for any Capital Gains Tax or other taxation liability that might arise upon a sale of the Property.

12. Our Valuation will be exclusive of VAT (if applicable).

13. No allowance will be made for any expenses of realisation.

14. Excluded from our Valuation will be any additional value attributable to goodwill, or to fixtures and fittings which are only of value in situ to the present occupier.

15. When valuing two or more properties, or a portfolio, each property will be valued individually and no allowance will be made, either positive or negative, should it form part of a larger disposal. The total stated will be the aggregate of the individual Market Values.

16. In the case of a Property where there is a distressed loan we will not take account of any possible effect that the appointment of either an Administrative Receiver or a Law of Property Act Receiver might have on the perception of the Property in the market and its/their subsequent valuation, or the ability of such a Receiver to realise the value of the property in either of these scenarios.

17. No allowance will be been made for rights, obligations or liabilities arising under the Defective Premises Act 1972, and it will be assumed that all fixed plant and machinery and the installation thereof complies with the relevant UK and EEC legislation.

18. Our Valuation will be based on market evidence which has come into our possession from numerous sources, including other agents and valuers and from time to time this information is provided verbally. Some comes from databases such as the Land Registry or computer databases to which Duff and Phelps subscribes. In all cases, other than where we have had a direct involvement with the transactions being used as comparables in our Report, we are unable to warrant that the information on which we have relied is correct

APPENDIX 3: TERMS AND CONDITIONS

Duff & Phelps, A Kroll Business operating as Kroll Advisory Ltd. ("Duff & Phelps" or "we" or "us")

The following are the terms and conditions (the "Terms and Conditions") on which we will provide the Services set forth in the Engagement Letter. Together, these Terms and Conditions and the Engagement Letter are referred to as the "Contract", which forms the entire agreement between Duff & Phelps and you relating to the Services.

1 Fees

1.1 Our invoices are payable upon receipt by the Company or its solicitor, agent or representative. If we do not receive payment of any invoice within forty-five (45) days of the invoice date, we shall be entitled, without prejudice to any other rights that we may have, to suspend provision of the Services until all sums due are paid in full.

1.2 If any amounts payable hereunder are not paid within thirty (30) days, such amounts shall accrue interest at a rate equal to two percent (2%) per month. In the event that we are required to initiate legal proceedings or instruct legal representatives or collection agents to collect any overdue amounts, in addition to any other rights and remedies available to us, we shall be entitled to reimbursement in full of all costs and disbursements incurred in doing so.

1.3 Where the Report is for loan security purposes and we agree to accept payment of our fee from the borrower, the fee remains due from you until payment is received by us. Additionally, payment of our fee is not conditional upon the loan being drawn down or any conditions of the loan being met.

1.4 We have no responsibility to update any Report, analysis or any other document relating to this Engagement for any events or circumstances occurring subsequent to the date of such Report, analysis or other document. Any such subsequent consultations or work shall be subject to arrangements at our then standard fees plus VAT and expenses.

1.5 Either party may request changes to the Services. We shall work with you to consider and, if appropriate, to vary any aspect of the Engagement, subject to payment of reasonable additional fees and a reasonable additional period to provide any additional or more extensive services.

2 Limitation of liability

2.1 Duff & Phelps total aggregate liability to you (or any person claiming through you) arising under or in connection with this Contract for any loss or damage suffered by you as a direct result of the breach of this Agreement or non-performance no matter how fundamental (including by reason of negligence or breach of statutory duty) in contract, tort or otherwise shall be limited in all circumstances in the aggregate to (a) £100,000 or (b) the total professional fees paid by you to us under this Contract for the one year period preceding the date on which the claim arose. This amount is an aggregate cap on our liability to you and all addressees and relying parties together.

2.2 We shall not be liable to you whether in contract, tort (including negligence), for breach of statutory duty, or otherwise, arising under or in connection with our provision of the Services for:

a. any loss or damage suffered by you where such damage or loss resulted from incomplete, inaccurate or erroneous information or instructions provided or made available to us by you or by any third party acting on your behalf including the provision to us of the same upon which any Special Assumptions are based; or your or others' failure to supply any appropriate information or your failure to act on our advice or respond promptly to communications from us or other relevant authorities; or

b. in any event, any loss of profits, account of profits, loss of revenue sale or business, loss of turnover, loss of agreements or contracts, loss of or damage to goodwill, loss or damage to reputation, loss of customers, or liability in relation to any other contract you may have entered into or any indirect or consequential loss or damage.

2.3 If you suffer loss as a direct result of our breach of contract or negligence, our liability shall be limited first to clause 12.1 above and thereafter to a just and equitable proportion of your loss having regard to the extent of responsibility of any other party. In particular, our liability shall not increase by reason of a shortfall in recovery from any other party, whether that shortfall arises from an agreement between you and them, your difficulty in enforcement, or any other cause.

2.4 You accept and acknowledge that any legal proceedings arising from or in connection with this Contract (or any variation or addition thereto) must be commenced within one (1) year from the date when you become aware of or ought reasonably to have become aware of the facts, which give rise to our alleged liability. You also agree that no action or claims will be brought against any Duff & Phelps employees personally.

2.5 You agree to indemnify and hold harmless Duff & Phelps, its affiliates and their respective employees from and against any and all third party claims, liabilities, losses, costs, demands and reasonable expenses, including but not limited to reasonable legal fees and expenses, internal management time and administrative costs, relating to Services we render under this Contract or otherwise arising under this Contract. The foregoing indemnification obligations shall not apply in the event that a court of competent jurisdiction finally determines that such claims resulted directly from the gross negligence, willful misconduct or fraudulent acts of Duff & Phelps.

2.6 You accept and acknowledge that we have not made any warranties or guarantees, whether express or implied, with respect to the Services or the results that you may obtain as a result of the provision of the Services.

2.7 Except for your payment obligations, neither of us will be liable to the other for any delay or failure to fulfill obligations caused by circumstances outside our reasonable control.

2.8 This Contract constitutes the entire agreement between the parties hereto regarding the subject matter hereof and supersedes any prior agreements (whether written or oral) between the parties regarding the subject matter hereof. This Contract may be executed in any number of counterparts each of which shall be an original, but all of which together shall constitute one and the same instrument.

2.9 This Contract shall be governed by and interpreted in accordance with the internal laws of England and Wales and the courts of England and Wales shall have exclusive jurisdiction in relation to any claim arising out of this Contract.

3 Termination

3.1 Either party may terminate this Contract in the event that the other party has breached any material provision of this contract and such breach has not been cured within ten (10) days after receipt of written notice from the then non-breaching party.

3.2 Upon termination of this Contract, each party shall, upon written request from the other, return to the other all property and documentation of the other that is in its possession, except that we shall be entitled to retain one copy of such documents in order to maintain a professional record of our involvement in the Engagement, subject to our continuing confidentiality obligations hereunder.

3.3 The provisions included within “Fees”, “Preservation of Confidential Information” and “Limitation of Liability” shall survive the termination or expiration of this Contract.

4 Valuation Work Products and Report

4.1 Any advice given or Report issued by us is provided solely for your use and benefit and only in connection with the Services that are provided hereunder. Except as required by law, you shall not provide such Report to any third party, except that it may be provided to the Company’s independent auditors.

4.2 Without prejudice to the foregoing:

4.2.1 you shall not refer to us either directly by name or indirectly as an independent valuation service provider (or by any other indirect reference or description), or to the Services, the Report or the Valuation, in any public filing or other document, without our prior written consent, which we may at our discretion grant, withhold, or grant subject to conditions;

4.2.2 our Report, when prepared for a tax reporting/planning purpose as stated in our Engagement Letter and/or Report, may be submitted to your tax counsel, tax advisers, and/or the tax authority if such Report submission is directly related to the stated tax reporting/planning purpose; and

4.2.3 you agree to provide us with prior notice of, and the opportunity to participate in, any discussion, negotiation or settlement with the tax authority, to the extent that such discussion, negotiation or settlement could have a material effect on us or our estimate of the Market Value. In no event, regardless of whether consent or pre-approval has been provided, shall we assume any responsibility to any third party to which any advice or Report is disclosed or otherwise made available.

4.3 It is understood and agreed that the final Report resulting from this Engagement shall remain your property. To the extent that Duff & Phelps utilises any of its property (including, without limitation, any hardware or software) in connection with this Engagement, such property shall remain the property of Duff & Phelps, and you shall not acquire any right or interest in such property or in any partially completed Report.

4.4 Similarly, our file and working papers will at all times remain our property. Unless agreed otherwise, we will retain such documents for seven years following the completion of the Engagement and will destroy them thereafter.

4.5 We shall have ownership (including, without limitation, copyright and intellectual property ownership) and all rights to use and disclose our ideas, concepts, know-how, methods, techniques, processes and skills, and adaptations thereof in conducting our business (collectively, “Know-How”) regardless of whether such Know-How is incorporated in any way in the final Report.

4.6 Save as set out above or unless expressly agreed in writing, all intellectual property rights in all reports, drawings, accounts and other documentation created, prepared or produced by us in relation to the Engagement belongs to us.

4.7 Any analyses we perform should not be taken to supplant any procedures that you should undertake in your consideration of the transaction contemplated in connection with this engagement or any other past present or future transaction.

4.8 By its very nature, valuation work cannot be regarded as an exact science and the conclusions arrived at in many cases will of necessity be subjective and dependent on the exercise of individual judgment.

5 Confidentiality and restrictions on use

5.1 Our Report shall be confidential to, and for the use only of Moorgarth Group Limited. The Report shall not be disclosed to any third party (except as required by law or regulation).

5.2 We will keep confidential all confidential information which will be disclosed to us by you, and any other confidential information which we obtain in connection with the Valuation. We shall restrict disclosure of such confidential material to our personnel directly engaged in providing this work and shall ensure that all such personnel are subject to obligations of confidentiality corresponding to those which bind you.

5.3 For the avoidance of doubt, we may use such confidential information to the extent reasonably required in providing the Valuations. We may also disclose such information if required to do so by law, regulation or other competent authority.

5.4 Neither party will disclose to any third party without the prior written consent of the other party any confidential information which is received from the other party for the purposes of providing or receiving the Services which if disclosed in tangible form is marked confidential or if disclosed otherwise is confirmed in writing as being confidential or, if disclosed in tangible form or otherwise, is manifestly confidential. Both of us agree that any confidential information received from the other party shall only be used for the purposes of providing or receiving the Services under this or any other contract between us.

5.5 These restrictions will not apply to any information which: (i) is or becomes generally available to the public other than as a result of a breach of an obligation by the receiving party; (ii) is acquired from a third party who owes no obligation of confidence with respect to the information; or (iii) is or has been independently developed by the recipient.

5.6 Notwithstanding the foregoing, either party will be entitled to disclose confidential information of the other (i) to our respective insurers or professional advisors, or (ii) to a third party to the extent that this is required, by any court of competent jurisdiction, or by a governmental or regulatory authority or where there is a legal right, duty or requirement to disclose, provided that (and without breaching any legal or regulatory requirement) where reasonably practicable not less than two (2) business days' notice in writing is first given to the other party.

6 Investment services

6.1 We are not authorised by the Financial Conduct Authority to conduct investment business and we will not offer any investment advice as part of this engagement.

7 Commissions or other benefits

7.1 Commissions or other benefits may sometimes become payable to us in respect of introductions to other professionals or transactions we arrange for you, in which case you will be notified in writing of the amount, the terms of payment and receipt of any such commissions or benefits. You consent to such commissions or other benefits being retained by us without our being liable to account to you for any such amounts.

8 General Data Protection Regulation

8.1 Duff & Phelps will be the processor and you will be the controller of any personal data that you may provide to Duff & Phelps in connection with the services agreed under this engagement letter. Duff & Phelps will process such personal data solely to the extent required to perform such services or as otherwise required by law or regulation. You represent that you are in compliance with any applicable data privacy regulations in connection with provision of such personal data.

8.2 We may obtain, use, process and disclose personal data about you or certain individuals in order that we may discharge the services agreed under this engagement letter, and for other related purposes including updating and enhancing client records, analysis for management purposes and statutory returns, crime prevention and legal and regulatory compliance.

8.3 Any such individual has a right of access, under data protection legislation, to the personal data that we hold about such individual. You confirm that, where appropriate to do so, you will inform any individuals whose information has been disclosed to us and advise them to contact us if they require details of personal data relating to them held by us.

8.4 We confirm that when processing data on your or any individual's behalf we will comply with any data privacy regulations in connection with its provision of such personal data. We will not, without consent (a) process any personal data for any purpose other than the provision of the services agreed under this engagement letter; or (b) provide any personal data to any third party (other than affiliates and/or sub-contractors for the purpose of performance of the services agreed under this engagement letter), except where we are required to do so by operation of law or regulation.

8.5 Our privacy statement explaining how we process personal data can be accessed on our website at www.duffandphelps.com/privacy. A paper copy can be provided on request.

9 Help us to give you the right service

9.1 If at any time you would like to discuss with us how our service to you could be improved, or if you are dissatisfied with the service you are receiving, please let us know.

9.2 Duff & Phelps has formal procedures for dealing with complaints and these should be sent to the Vice President in charge of Technical and Compliance by email to london@duffandphelps.com, or by post to The Shard, 32 London Bridge Street, London SE1 9SG (Telephone 020 7089 4700). We will endeavour to deal with any complaint within ten working days of their being received, by way of rectification, apology or explanation.

10 Applicable law

10.1 This Contract is governed by, and construed in accordance with, English law. The Courts of England will have exclusive jurisdiction in relation to any claim, dispute or difference concerning this Contract and any matter arising from it. Each party irrevocably waives any right it may have to object to any action being brought in those courts, to claim that the action has been brought in an inappropriate forum, or to claim that those courts do not have jurisdiction.

11 Internet communication

11.1 Internet communications are capable of data corruption and therefore we do not accept any responsibility for changes made to such communications after their dispatch. It may therefore be inappropriate to rely on advice contained in an e-mail without obtaining confirmation of it. We do not accept responsibility for any errors or problems that may arise through the use of internet communication and all risks connected with sending commercially sensitive information relating to your business are borne by you. If you do not agree to accept this risk, you should notify us in writing that e-mail is not an acceptable means of communication.

11.2 It is the responsibility of the recipient to carry out a virus check on any attachments received.

12 Contracts (Rights of Third Parties) Act 1999

12.1 Persons who are not party to this agreement shall have no rights under the Contracts (Rights of Third Parties) Act 1999 to enforce any term of this agreement. This clause does not affect any right or remedy of any person, which exists or is available otherwise than pursuant to that Act.

12.2 The advice that we give to you is for your sole use and does not constitute advice to any third party to whom you may communicate it. We accept no responsibility to third parties for any aspect of our professional services or work that is made available to them.

13 Money laundering

13.1 We have a duty to report to the National Crime Agency ("NCA") if we know, or have reasonable cause to suspect, that you, or anyone connected with your business, are or have been involved in money laundering. Failure on our part to make a report where we have knowledge or reasonable grounds for suspicion would constitute a criminal offence.

13.2 We are obliged by law to report any instances of money laundering to NCA without your knowledge or consent. In fact, we may commit the criminal offence of tipping off under the Proceeds of Crime Act if we were to inform you that a report had been made. We will not therefore enter into any correspondence or discussions with you or anyone connected with your business regarding such matters.

13.3 Electronic identity verification checks will be conducted using the services of a third party provider.

14 Other Terms and Provisions

14.1 Except for your payment obligations, neither of us will be liable to the other for any delay or failure to fulfil obligations caused by circumstances outside our reasonable control.

14.2 This Contract constitutes the entire agreement between the parties hereto regarding the subject matter hereof and supersedes any prior agreements (whether written or oral) between the parties regarding the subject matter hereof. This Contract may be executed in any number of counterparts each of which shall be an original, but all of which together shall constitute one and the same instrument.

15 Provision of Services Regulations 2009

15.1 Information required under section 8 of the Provision of Services Regulations 2009 can be found at https://www.duffandphelps.co.uk/provision-of-services-regulation-2009.